

REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE

Supplement to the 2013 Budget Address

“Investing In Our Future”



Ministry of Finance
22 November, 2012

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**ECONOMIC AND FISCAL UPDATE:
SUPPLEMENT TO THE 2013 BUDGET ADDRESS**

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22 November 2012

FOREWORD

The Supplement to the 2013 Budget Address presents an overview of Fiji's economic and financial performance. It also discusses Government's fiscal strategy for the medium term and underscores Government's commitment to stimulate investment, promote inclusive economic growth while maintaining fiscal sustainability.

The Economic and Fiscal Update spells out in more detail the economic and financial policies underlying the 2013 Budget and contains the latest available economic and fiscal information as of November 2012.

The Budget Supplement was compiled by the Ministry of Finance in collaboration with relevant stakeholders.



Filimone Waqabaca
Permanent Secretary for Finance
22 November 2012

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CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK (2011-2015)

Introduction

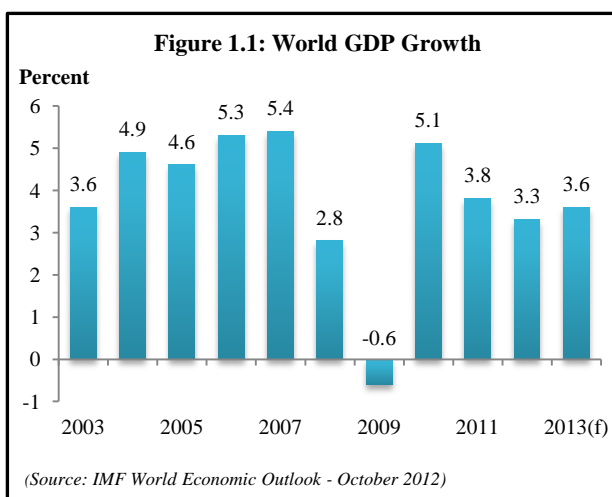
- 1.1 This chapter provides an assessment of the current world economic outlook, the economic prospects of Fiji's major trading partners and developments in the domestic economy.

International Outlook

- 1.2 In its October 2012 World Economic Outlook report, the International Monetary Fund (IMF) revised the global growth projections for 2012 from 3.5 percent to 3.3 percent. Growth for 2013 was also downgraded from 3.9 percent to 3.6 percent.
- 1.3 The downgrade in outlook is largely due to further deterioration in the global economy in the third quarter, along with increased perceived risks for a global slowdown affecting confidence across the globe. This is in spite of assumptions that European leaders will adopt policies that will help improve financial conditions in the Euro zone and that the US will act to avert a "fiscal cliff".

- 1.4 Emerging market and developing economies growth rate was further revised down from 5.6 percent to 5.3 percent due to uncertainty and modest recovery in advanced economies.

Monetary policies are expected to remain supportive as major central banks have launched new quantitative easing programmes to keep interest rates low. Despite the efforts by central banks, investor confidence remains subdued and financial systems remain fragile. Unemployment rates are likely to remain elevated in most parts of the world while fiscal consolidation efforts by advanced economies have slowed the recovery pace and deepened the recession in southern Europe, most notably in Italy and Spain.



Fiji's Trading Partners

- 1.5 With the exception of the Euro zone, growth projections for Fiji's other major trading partners, while remaining positive, have weakened somewhat due to considerable downside risks.
- 1.6 Economic indicators suggest that growth in **Australia** started slowing in the second quarter due to reduced global demand for its resources and lackluster performance in the non-mining sectors. Latest data show that even though there was growth in consumption in the first half of 2012, investment in new dwellings and non residential buildings remained subdued. The Australian economy is projected to expand by 3.3 percent and 3.0 percent in 2012 and 2013, respectively.
- 1.7 The **New Zealand** economy is expected to grow by 2.2 percent this year on the back of strong housing activity, reconstruction investments and increased dairy production. However, the slowdown in global demand and the fall in commodity prices are expected to affect exports. Despite the impact of the European crisis, the economy is projected to grow by 3.1 percent in 2013 due to the low interest rate environment and positive wealth effects arising from the housing sector.
- 1.8 The **US** economy is expected to grow by 2.2 percent in 2012 due to improvements in credit conditions and continued accommodative monetary policy. The unemployment rate declined from 8.1 percent in August to 7.8 percent in September, as more jobs were generated. This helped boost consumer spending, which drives nearly 70 percent of US economic activity. Consumer confidence improved in September bolstered by a healthier outlook for overall business conditions, employment and housing recovery. However, uncertainty persists in certain sectors given the concerns of a potential "fiscal cliff" in 2013 which could lead to a 4.0 percent contraction in Gross Domestic Product (GDP).
- 1.9 In the **Euro zone**, economic indicators continue to point towards weaker economic activity as sharp declines were noted in the manufacturing and services sectors. Business and consumer confidence continued to deteriorate in the third quarter as expectations about the future financial position of households and businesses worsened. Domestic demand remains suppressed by tough austerity programmes, low consumer confidence and rising unemployment. The unemployment rate remained at a record high of 11.4 percent in August with Spain and Greece having the highest unemployment rates in the Euro zone of around 25.0 percent. In 2012, the region is expected to

contract by 0.4 percent while a marginal expansion of 0.2 percent is envisaged in 2013.

- 1.10 **Japan's** economy registered a relatively strong growth of 2.6 percent in the first half of 2012, supported by solid domestic demand and infrastructure investments. Nonetheless, the pick-up in economic activity has slowed due to the impact of the decline in the global economy. In light of current conditions, the economy is expected to expand by 2.2 percent in 2012 while a 1.2 percent growth is projected for 2013.
- 1.11 **China's** growth has been slowing over the past nine quarters, led by lower expansion in industrial output, moderation in investments and lower export demand. The Chinese economy expanded by 7.4 percent in the third quarter, a slowdown from 7.6 percent in the second quarter. Despite the deteriorating external conditions leading to weak demand from key markets such as the US and Europe, exports increased by 9.9 percent in September compared to the previous year. The economy is expected to grow by 7.8 percent and 8.2 percent in 2012 and 2013, respectively.
- 1.12 In **India**, annual growth has been decelerating over the past quarters. The overall slowdown in economic activity was led mainly by deterioration in the external environment and lag effects of earlier monetary tightening. The Indian economy continues to grapple with high inflation which is not only eroding growth but leading to social unrest. Inflation will remain a challenge over the fourth quarter due to the depreciation of the Indian Rupee, supply constraints and removal of Government subsidies. The economy is expected to grow by 4.9 percent in 2012 and improve to a 6.0 percent expansion in 2013.

Domestic Outlook

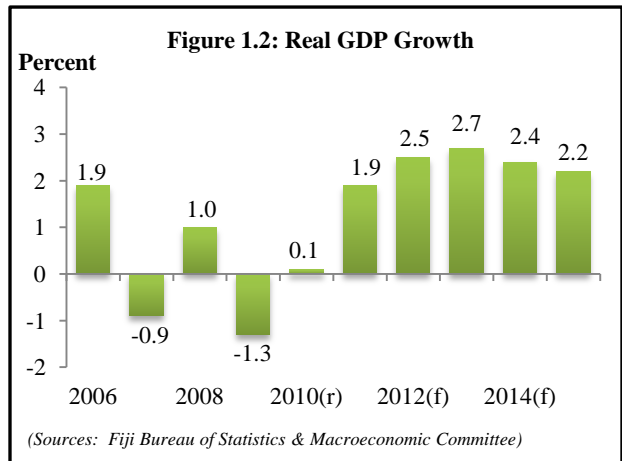
- 1.13 The Fiji Bureau of Statistics (FBOS) recently released provisional GDP data for 2011 and revised growth estimates for 2009 and 2010. In 2009, the economy contracted by 1.3 percent, followed by a marginal growth of 0.1 percent in 2010 and a 1.9 percent expansion 2011.

Overview: 2012

- 1.14 This year, the domestic economy is expected to grow by 2.5 percent, a downward revision from the 2.7 percent growth forecast in May. This is mainly due to lower demand as global economic conditions and outlook further deteriorated.

1.15 The overall growth in 2012 is expected to be broad-based with the exception of the health & social work and forestry sectors. The manufacturing, financial intermediation, wholesale & retail, fishing, public administration & defence and construction sectors are projected to be the main drivers of growth this year.

1.16 Broadly, the 2.5 percent growth is expected to be driven by the service-oriented sectors and major industries, with moderate contributions from the primary sector.



1.17 For the services category, the financial sector is expected to contribute strongly. The reduction in income tax rates has seen increased activity in retail trade, underpinning the

strong contribution of the wholesale & retail sector. The hotels & restaurants sector is forecast to expand on the back of projected annual increase in visitor arrivals. Furthermore, positive contributions are also expected from the public administration & defence sector.

1.18 Growth in the industrial sector is expected to be underpinned by the mining & quarrying, manufacturing and other industries (electricity & water and construction industries). Increased activity is anticipated in the manufacture of beverages & tobacco, non-food products and food products. The electricity & water sector is also expected to contribute positively, albeit marginally, towards overall growth. This is largely on account of expected increase in electricity production due to the commissioning of the Nadarivatu hydro project this year. In addition, the construction sector is forecast to grow on the back of major tourism projects which include the Grand Pacific Hotel, Peppers Naisoso Apartments, Shangri La, as well as various public sector projects.

1.19 Moreover, positive contributions from the primary sector are expected to be supported by increased output in the fishing sector, in addition to marginal contributions from the agriculture sector.

Overview: 2013

1.20 In 2013, the domestic economy is projected to grow by 2.7 percent, driven largely by the agriculture, manufacturing and financial intermediation sectors. In addition, moderate contributions are expected from the construction,

transport & storage, wholesale & retail, hotels & restaurants and communication sectors. The mining & quarrying, forestry, real estate & business services, fishing, education, other community, social & personal service activities and electricity & water sectors are forecast to contribute marginally to growth.

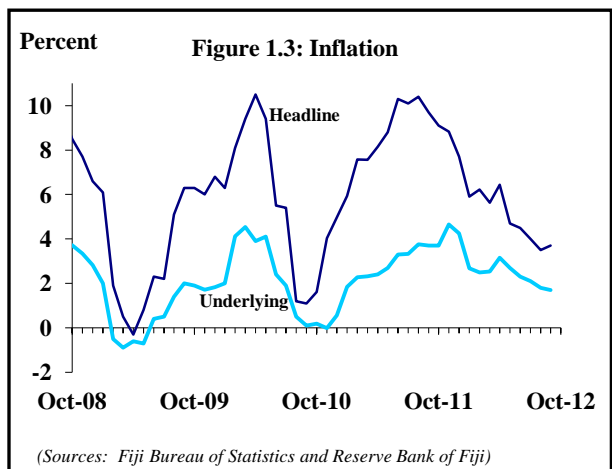
- 1.21 Activity in the primary sector is anticipated to expand due to growth in the agriculture sector stemming from both the sugarcane and non-cane categories. The expected increase in offshore fisheries is likely to translate into moderate growth for the fisheries sector.
- 1.22 Growth in the industrial sector is expected to be driven by manufacturing, mining & quarrying, construction, and electricity & water. For the services sector, positive contributions are expected from the financial intermediation, transport & storage, hotels & restaurants and communications categories.

Overview 2014 and 2015

- 1.23 In 2014 and 2015, the economy is forecast to grow by 2.4 percent and 2.2 percent, respectively.
- 1.24 In both years, growth is anticipated to be driven mainly by activity in the manufacturing, agriculture and financial intermediation sectors. The transport & storage, wholesale & retail, hotels & restaurants and communication sectors are expected to contribute moderately.
- 1.25 Over the medium term, increased investment in the tourism and resource related sectors, in particular mining, fisheries & forestry, agriculture and public sector projects are anticipated to improve Fiji’s growth outlook.

Inflation

- 1.26 In 2011, year-end inflation was 7.7 percent.
- 1.27 The 2012 year end inflation is projected at 3.5 percent. This is largely underpinned by a relative slowdown in international food and oil prices, weaker global economic activity and spare productive capacity in the domestic economy.



- 1.28 The inflation forecast for 2013 and 2014 stands at 3.0 percent based on expected stabilisation in future global commodity prices while domestically driven pressures are expected to remain moderate.

Exports¹

- 1.29 In 2012, exports are now forecast to grow by 5.0 percent, lower than the 12.3 percent growth previously projected. The downward revision is largely due to lower earnings from re-exports and exports of gold, garments, molasses, timber and other domestic exports which more-than-offset the high receipts from sugar.
- 1.30 In 2013, exports are forecast to grow by 3.1 percent largely due to growth in earnings from sugar, gold, fish, garments, timber, other domestic exports and re-exports.
- 1.31 In 2014 and 2015, exports are estimated to grow by 5.0 percent and 4.8 percent, respectively, due mainly to growth in exports of sugar, gold, fish, timber, fruit & vegetable and other domestic exports.

Imports²

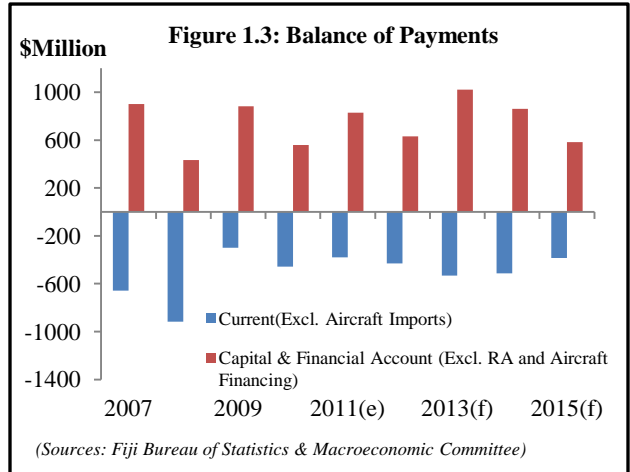
- 1.32 Import growth for 2012 was revised upward to 5.4 percent from 4.5 percent expected earlier. This upward revision is due to higher than anticipated growth in imports of machinery & transport equipment and food, which more-than-offset the lower-than-expected growth in imports of mineral fuels and miscellaneous manufactured goods.
- 1.33 For 2013, import growth is estimated at 6.1 percent attributed to higher imports of machinery & transport equipment, food and chemicals.
- 1.34 In 2014, import growth is projected at 3.6 percent due to higher imports of machinery & transport equipment and mineral fuels. Import growth in 2015 is forecast at 0.4 percent as imports of machinery & transport equipment is expected to decline.

¹ Exports excluding aircrafts.

² Imports excluding aircrafts.

Balance of Payments³

1.35 The Current Account deficit is expected to widen slightly to 5.9 percent of GDP this year from 5.6 percent in 2011. This is mainly due to a deterioration in the Goods and Primary Income accounts which is expected to more-than-offset the improvements in the Services and Secondary Income accounts.



1.36 The balance on the Capital & Financial Account (excluding Reserves) is expected to fall to 8.7 percent of GDP, largely due to lower net foreign direct investment (increased offshore investments by FNPF), lower borrowing by Government (2011 balance included the new international bond issue), and higher payments into the Sinking Fund. Overall, reserve assets are expected to grow further by around \$29.0 million.

1.37 In 2013, the Current Account deficit is projected to deteriorate further to 6.9 percent of GDP, largely due to a wider trade deficit. The balance on the Capital & Financial Account (excluding Reserves) is also expected to rise to 25.1 percent of GDP. Reserve assets are expected to increase by \$40.0 million.

1.38 The Current Account deficit is forecast to improve slightly to 6.3 percent of GDP in 2014, as a result of higher surplus on the Services and Secondary Income accounts. The Capital & Financial Account balance (excluding Reserves) is expected to fall to 10.7 percent of GDP. Overall, reserve assets are expected to increase by \$20.0 million.

1.39 For 2015, the Current Account deficit is expected to narrow to 4.5 percent of GDP due to improvements in the Goods, Services and Secondary Income accounts. The balance on the Capital & Financial Account (excluding reserves) is expected to decline to 6.9 percent of GDP. The overall balance is expected to remain unchanged from 2014.

³ Excluding aircrafts.

Monetary Policy

- 1.40 Monetary policy continues to be centred on safeguarding foreign reserves and maintaining stable prices that will support growth and investment.
- 1.41 Foreign reserves remained at comfortable levels throughout the year. At the end of October 2012, foreign reserves were around \$1,583 million, sufficient to cover 5.0 months of retained imports of goods and non-factor services.
- 1.42 Inflation rose to 4.1 percent in October, compared to 3.7 percent in September 2012. However, it slowed when compared to a 6.4 percent peak in April, reflecting the waning effect of the devastating floods earlier in the year. In addition, the slowdown in price increase also reflects the relatively lower global food and energy prices and weak global economic activity.
- 1.43 The Reserve Bank maintained an accommodative monetary policy in 2012 leaving the Overnight Policy Rate (OPR) unchanged at 0.5 percent. In addition, the reintroduction of the Flood Rehabilitation Facility, streamlining of the Import and Export Finance Facility and directed bank lending towards agriculture and renewable energy are expected to support Government initiatives on SME promotion.
- 1.44 Moving forward, the Reserve Bank will continue to monitor external and domestic developments to uphold the twin objectives of monetary policy.

Money and Credit

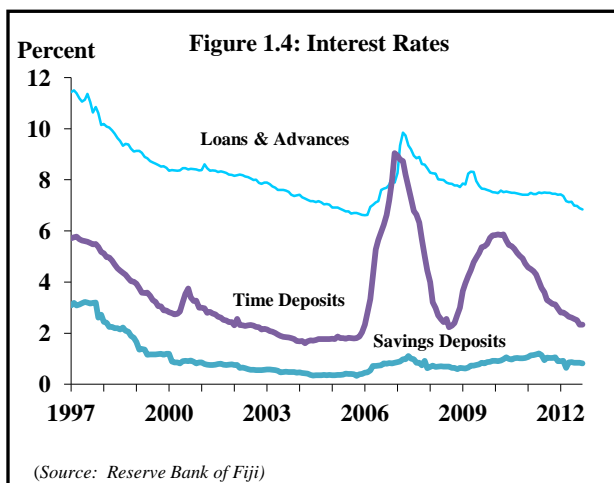
- 1.45 The annual growth in the broad money supply (M3) has trended downward for the most part of 2012, mainly due to deceleration in the growth rate of net foreign assets during the year, which more than offset the recovery in credit during this period.
- 1.46 The growth in M3 was recorded at 4.4 percent in September, in line with deceleration in growth of net foreign assets from 24.5 to -5.8 percent during the same period. The marked deceleration in net foreign assets largely reflects the normalisation of the sizable, one-off foreign reserves inflow from global bond proceeds between April and August last year.
- 1.47 The recovery in credit persisted during the year despite a slight slowdown in July, with growth recorded at 5.2 percent in September, after a meagre growth of 0.5 percent in December last year. This was led primarily by private sector credit, which grew by 6.9 percent in September. Net credit to the non-financial public sector also fell by 9.6 percent in September.

1.48 In line with the slowdown in M3, the growth in narrow money decelerated this year from 41.8 percent in December 2011 to 9.8 percent in September. The growth in other deposits, namely time and savings deposits, however, remained sluggish during the year and stood at 3.4 percent in September in line with record low interest rate levels in 2012.

Interest Rates

1.49 The high level of liquidity in the banking system continued to place downward pressure on commercial banks' lending and deposit rates in the year to September, when compared to the same period last year.

1.50 The outstanding time deposit rate fell to 2.34 percent in September while the new time deposit rate declined to 1.80 percent in the same period. Notably, the banks' weighted



average outstanding lending rate fell to 6.84 percent, its lowest level in six years. The savings deposit rate fell to 0.82 percent.

1.51 Money market rates also declined over the same period. As at September, the yield on 14-day t-bills was around 0.21 percent while 28 and 91 day t-bills were yielding around 0.33 and 0.43 percent, respectively. Similarly, rates in the capital market continued to fall with 15-year maturity bonds recording its lowest level for this year at 6.55 percent.

1.52 Interest rates are expected to remain low in the medium term in light of excess liquidity in the banking system and the accommodative monetary policy stance of the Reserve Bank.

Exchange Rates

1.53 On exchange rate movements in September, the Fiji dollar strengthened against the US dollar (1.7 percent), Japanese Yen (0.4 percent) and the Australian dollar (0.3percent) but weakened against the New Zealand dollar (-2.3 percent) and the Euro (-1.4 percent). However, over the year, the Fiji dollar strengthened against the Euro (9.0 percent), US dollar (3.6 percent) and the Japanese Yen (4.7

percent) but depreciated further against the New Zealand and Australian currencies by 4.2 percent and 3.0 percent, respectively.

- 1.54 In September, the Nominal Effective Exchange Rate (NEER⁴) index fell over the month by 0.1 percent, indicating an overall depreciation of the Fiji dollar against its major trading partner currencies. However, on an annual basis, the NEER index rose marginally by 0.2 percent.
- 1.55 In the same period, the Real Effective Exchange Rate (REER⁵) index fell over the month by 1.0 percent, reflecting a gain in Fiji's international competitiveness. The gain in competitiveness is mainly attributed to depreciation of the Fiji dollar against its major trading partner currencies. On an annual basis, the REER index rose by 2.4 percent.

⁴ The NEER is the sum of the indices of each trading partner country's currency against the Fiji dollar, adjusted by their respective weights in the basket. This index measures the overall movement of the Fiji dollar against the basket of currencies. An increase in the index indicates a slight appreciation of the Fiji dollar against the basket of currencies and vice versa.

⁵ The REER index is the sum of each component of the NEER index, adjusted by the relative price differential between Fiji and each of Fiji's major trading partners. The index measures the competitiveness of the Fiji dollar against the basket of currencies. A decline in REER index indicates an improvement in Fiji's international competitiveness.

CHAPTER 2: UPDATE ON GOVERNMENT’S POLICY OBJECTIVES

Introduction

- 2.0 The Strategic Framework for Change and the Roadmap for Democracy and Sustainable Socio-Economic Development (RDSSSED) 2009-2014 articulates Government’s strategic priorities to build “A Better Fiji for All”. The vision of the Roadmap, together with the guiding principles of the *Peoples Charter for Change, Peace and Progress* sets out the overarching objectives to rebuild Fiji into a non-racial, culturally vibrant, united, well governed and democratic nation.
- 2.1 An important component of the Roadmap is to take Fiji to democratic elections by 2014. The necessary process has commenced with the appointment of the Constitution Commission and the completion of the first phase of the electronic voter registration process. The second phase of the registration process has begun. Nationwide consultations on the new constitution has also been undertaken to ensure a fully participatory and inclusive process.
- 2.2 This chapter presents an overview of the major achievements and status of implementation of the Roadmap as well as planned priority areas for 2013 and beyond.

Progress of Implementation

- 2.3 Table 2.1 below provides an update on the status of implementation under the following themes:
- Strengthening good governance;
 - Economic development; and
 - Socio-cultural development.

Table 2.1: Update on the Implementation of the RDSSSED

STRENGTHENING GOOD GOVERNANCE	ECONOMIC DEVELOPMENT	SOCIO-CULTURAL DEVELOPMENT
<p>Formulation of a New Constitution</p> <ul style="list-style-type: none"> • A 5-member Constitutional Commission was appointed to produce a Draft Constitution following nationwide civic education and consultations. 	<p>Maintaining Macroeconomic Stability</p> <ul style="list-style-type: none"> • Government continues to stimulate the economy with an operating to capital expenditure ratio of 68:32 for 2013. • Debt level at 50.7 percent of GDP as at end of September. • Investment is projected to increase to 25 percent of GDP in 2013. 	<p>Reducing Poverty to a Negligible Level</p> <ul style="list-style-type: none"> • Increase in minimum wage for 10 sectors. • Development of SME’s through the Credit Guarantee Scheme. • Water arrears for 660 households waived. • Social protection programmes (see Chapter

<p>Electoral & Parliamentary Reform</p> <ul style="list-style-type: none"> • First Phase of the Electronic Voter Registration was undertaken in July-August, 2012 with 488,734 registered Fijians (equivalent to 80 percent of eligible voters). • Second phase of registration has commenced on the 10th of Nov and will end on 7th Dec, 2012. <p>Strengthening Law & Justice</p> <ul style="list-style-type: none"> • Ratification of all UN Convention on Terrorism. • Intelligence Working Committee established. • Effective national security framework to be put in place. • National cybercrime legislation to be developed. • Increased community policing initiatives and Scholastic Crime Stoppers programmes. • Review of Penal Code under the Crimes Decree 2010. <p>Strengthening Accountability & Transparency</p> <ul style="list-style-type: none"> • The United Nations Convention against Corruption has been ratified and new corruption offences adopted under the Prevention of Bribery Promulgation and Crimes Decree 2010. 	<ul style="list-style-type: none"> • Foreign Reserves remains above \$1.5 billion. • Streamlining Investment Approval Process (IAP) and establishment of the Economic Development Board (EDB) to facilitate investment projects over \$1 million. <p>Export Promotion/Import Substitution</p> <ul style="list-style-type: none"> • Promotion of ‘Buy Fijian Made’ initiative. • Various projects funded under the Export promotion Programme, Food Security Programme and National Export Strategy Programme. <p>Making more Land Available for Productive & Social Purposes</p> <ul style="list-style-type: none"> • Land Use Bank established with 4,389 hectares deposited to date. • Upgrading works for squatter settlement projects are ongoing. • Completion of Tacirua East stage 2, Wainibula sub division, and Matavolivoli Housing developments. <p>Enhancing Global Integration and International Relations</p> <ul style="list-style-type: none"> • Fiji Foreign Missions inaugurated in Seoul, South Korea and Abu Dhabi (UAE). • Increased high level visits of foreign dignitaries. • Launching of Fiji-China Friendship Association. • Endorsement of diplomatic relations with all UN Member countries. • Fiji hosted the Special Melanesian Spearhead Group. 	<p>6).</p> <ul style="list-style-type: none"> • 32 projects were assisted under ROI in 2012. • As of Q3, 2012, a total 25,580 unemployed people have registered with NEC out of which 1,390 school leavers have secured permanent employment. <p>Making Fiji a Knowledge Based Society</p> <ul style="list-style-type: none"> • School zoning system in place. • Civic education and FinEd programmes incorporated into school curriculum. • Mainstreaming of vocational courses. • Ministerial School Visitation in 2012. • New Assessment Framework for primary and secondary school education. <p>Improving Health Service Delivery</p> <ul style="list-style-type: none"> • Adoption of Food Establishment Regulation 2012. • Measures to counter NCDs. • Establishment of the new Health Planning and Policy unit. • Adoption of Public Hospitals and Dispensary Decree 2012. • Development of Standard Operating Procedures for Health Inspectors. • Fiji became a member of the International Atomic Energy Agency (IAEA). • Re-introduction of community health worker scheme. • Stronger collaboration with other countries on development of health facilities.
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<ul style="list-style-type: none"> • Adoption of the Media Industry Development Decree and setting up of Media Industry Development Authority in 2013. <p>Ensuring Effective, Enlightened & Accountable Leadership</p> <ul style="list-style-type: none"> • A code of conduct and good governance framework has been adopted by the Ministry of i-Taukei Affairs. • Development of Leadership Programme for the Senior Executive Service. <p>Enhancing Public Sector Efficiency, Effectiveness & Service Delivery</p> <ul style="list-style-type: none"> • Public Sector reforms on-going. More details in Chapter 3. 	<ul style="list-style-type: none"> • ‘Engaging with the Pacific’ meeting to be followed by the Pacific Islands Development Forum in 2013. • Fiji will be hosting the ISO conference and chairing G77 group of countries in 2013. <p>Infrastructure Development</p> <ul style="list-style-type: none"> • Establishment of the Fiji Roads Authority. • Queens/Kings Highway upgrade. • Nabouwalu-Dreketi Road upgrading. • Suva/Nausori Regional Water Supply and Sewerage & Nadi/Lautoka Regional Water Supply Schemes. • Completion of the Nadarivatu Power Station and construction of the Mini Hydro schemes at Buca Bay and Somosomo. 	<p>Developing a Common National Identity</p> <ul style="list-style-type: none"> • Promoting the teaching of vernacular in schools. • 51 school denoting racial affiliations have been renamed. <p>Children & Youth</p> <ul style="list-style-type: none"> • Establishment of Ministry of Youth & Sports and National Youth Council in 2012. • Adoption of Child Protection Services Decree. <p>Gender Equality</p> <ul style="list-style-type: none"> • Formulation of the third and forth Periodic Country Reports to the Committee on the Elimination of Discrimination against Women (CEDAW). • Adoption of Domestic Violence Decree.
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(Source: Ministry of Strategic Planning, National Development and Statistics)

Focus Areas for 2013 and Beyond

- 2.4 The formulation of Fiji’s new constitution is underway with the appointment of a five member Constitution Commission comprising of professional expertise in the field of constitutional law, human rights, education and social welfare. The Commission will formally present a Draft Constitution and the Explanatory Report to His Excellency the President in January 2013.
- 2.5 A key priority for 2013 is the establishment of a Constituent Assembly to consider and endorse the Draft Constitution. The Assembly will comprise of representatives from the Fijian civil society groups and organisations, including faith-based organisations, national institutions, political parties and Government.
- 2.6 The first phase of the electronic voter registration has been completed with the registration of around 80 percent of eligible voters. The second phase of the process has commenced and involves verification and data analysis to ensure accuracy before the provisional voter list is printed. The Elections Office will carry out continuous electronic voter registrations to cater for the voting needs of the population, including Fiji nationals living abroad.

- 2.7 The removal of ethnic voting and adoption of a proportional representation electoral system, common and equal citizenry, including a voting age of 18 years are some of the important non-negotiable principles that will be adopted in the new Constitution.
- 2.8 Upon receipt of the draft Constitution and the Explanatory Report, His Excellency the President will forward the Constitution to the Chief Justice who will appoint a five member Tribunal. The Tribunal will consider the Constitution's compliance with principles such as true democracy, promotion of human rights and the non-negotiable principles outlined in the Fiji Constitutional Process Decree 2012, before His Excellency makes a prerogative decision.
- 2.9 In the 2013 Budget, \$11.5 million has been allocated towards Electronic Voter Registration and \$1.0 million for the Constituent Assembly.
- 2.10 For 2013 to 2014, Government will continue with its reform programmes and policies to strengthen good governance and facilitate socio-economic growth to achieve the key pillars and principles of the Peoples Charter.

CHAPTER 3: MEDIUM -TERM ECONOMIC STRATEGY

Introduction

- 3.1 The medium term fiscal strategy outlines the general direction of Government's fiscal policy from 2013 to 2015. These are aligned to the key macro-economic targets in the People's Charter and the RDSSSED, which are aimed at achieving Government's dual objectives of fostering sustainable growth and investment, and fiscal sustainability over the medium term.
- 3.2 These broad macro-economic targets include capping inflation rate at around 3 percent, maintaining adequate levels of foreign reserves, raising investment levels to 25 percent of GDP, reducing debt to around 45 percent of GDP and maintaining deficits at a manageable level.
- 3.3 Achieving these key macro-economic targets will provide the impetus to effectively address recurring issues that have hindered Fiji's economic development in the recent past. These include low growth and investment levels, slow progress of structural reforms, improving the efficacy of Government spending, fiscal prudence and debt sustainability, and the provision of safety net to mitigate economic shocks.

Medium Term Strategy

- 3.4 To foster *sustainable growth*, Government will channel budget support to priority and targeted areas that are likely to provide value adding, improved infrastructure, increased returns and inclusive economic growth over the short to medium term.
- 3.5 Existing red-tape and bureaucratic processes that hinder potential *investment* will be addressed through continued reforms such as the online processing of investment approvals. The contribution of the private sector to growth and employment remains a priority and as such, fiscal and monetary policies will be formulated accordingly to provide an attractive and stable investment environment.
- 3.6 To ensure *fiscal sustainability*, Government will maintain deficits at manageable levels, while at the same time, continue to provide stimulus to grow the economy and implement policies to mitigate potential shocks.

Medium Term Fiscal Framework

- 3.7 The 2013 Budget has a revenue of \$2,108.4 million and an expenditure level of \$2,327.4 million that translates to a net deficit of 2.8 percent of GDP.

Table 3.1: 2013 Budget and Medium Term Targets (\$M)

	2013 Budget	2014 Target	2015 Target
Revenue:	2,108.4	2,142.2	2,222.6
<i>As a % of GDP</i>	27.2	26.3	26.0
Expenditure:	2,327.4	2,345.8	2,350.8
<i>As a % of GDP</i>	30.1	28.8	27.5
Net Deficit	219.0	203.6	128.2
<i>As a % of GDP</i>	2.8	2.5	1.5
Debt	3,987.8	4,191.4	4,319.6
<i>As a % of GDP</i>	51.5	51.5	50.5
GDP at Market Prices	7,745.0	8,145.1	8,548.5

(Source: Ministry of Finance)

- 3.8 Fiscal balances for 2014 and 2015 are projected at 2.5 percent and 1.5 percent of GDP, respectively. As a result, debt stock over the period is expected to reduce to around 51.5 percent and 50.5 percent, respectively.

Revenue Policy

- 3.9 Revenue measures for the 2013 Budget will continue to support investment and growth through attractive investment incentives, low income tax rates, balanced export-oriented and import-substitution incentives, and streamlined administrative processes.
- 3.10 These measures will continue to be guided by sound taxation principles such as clarity and consistency of tax law interpretation, reforms to streamline administrative processes, removal of tax distortions & tightening of compliance, improving recovery of tax arrears and promoting the user pay principle.
- 3.11 Chapter 10 highlights specific taxation and revenue policy measures for the 2013 Budget.

Expenditure Policy

- 3.12 The 2013 Budget allocates fiscal resources to priority sectors such as infrastructure & economic services and provides adequate funding for essential social services and poverty alleviation programmes.

- 3.13 Listed below are the guiding principles for expenditure allocation in 2013:
- ensuring allocations are linked to priority sectors outlined in the RDSSSED;
 - funding programs that will facilitate investment and generate inclusive growth;
 - improving the capital operating mix;
 - bolstering support for infrastructure development;
 - ensuring adequate funding support towards developments in the rural, remote, and outer islands;
 - adequately resourcing the provision of essential and basic social services;
 - providing social safety nets and assistance; and
 - fostering self-help initiatives, SME development and promotion of financial inclusion.
- 3.14 Agencies implementing major policy initiatives will be closely monitored to ensure budgeted programs are effectively implemented to achieve Government's desired outcomes.
- 3.15 Reducing Government's operating budget will also continue to be a key focus of expenditure policy.
- 3.16 Details of expenditure policies and programmes are contained in chapters 4, 6 and 7.

Debt Policy

- 3.17 Government's debt management policy will be geared towards ensuring lower costs, debt sustainability, support for investment and economic growth, and maintaining an efficient market for Government securities. This will allow effective management of Government debt portfolio to meet funding requirements.
- 3.18 The medium term focus will be to effectively reduce Government's debt relative to GDP through fiscal prudence and achieving higher economic growth. As such, some of the key medium term objectives include:
- focusing on the domestic capital market as a major source of financing;
 - ensuring that external financing is wholly devoted to capital expenditure;
 - curtailing the risks associated with on-lending and contingent liabilities;
 - optimising domestic and external financing mix;
 - ensuring consistent transfers into the Sinking Fund Account to support the repayment of the global bond due in March 2016; and
 - directing proceeds from future sale of Government Assets to debt servicing and building up of the Sinking Fund Account.

Structural Reforms

- 3.19 Government will continue to add momentum to its Public Service Reform (PSR) programme in 2013. An update on the progress of structural reforms, as well as the focus for the medium term is provided in the ensuing paragraphs.

Civil Service Reforms

- 3.20 **Human Resource Management:** the civil service training programme has been restructured to ensure training programs are relevant and effectively contribute to capacity building. Leadership training for Permanent Secretaries and the Senior Executive Service (SES) has become a permanent feature of training programmes.
- 3.21 In-house, in-service and external training, including scholarships, have been aligned to meet the skill needs of Ministries and Departments, with increased focus on the common cadre and induction for new civil servants.
- 3.22 All Ministries are required to develop Strategic Workforce, Succession and Training Development Plans to improve the competence level of officers.
- 3.23 The Minimum Qualification Requirements for all cadres has been upgraded in order to improve capacity in the civil service.
- 3.24 In 2013, Government will adopt a performance based pay system to reward outstanding performance in the civil service.
- 3.25 **Productivity Management:** A new Service Excellence Framework (Malcolm Baldrige Criteria) was adopted this year focusing on the outcome of systems and processes.
- 3.26 In this regard, the Planning and Accountability Framework of Government has been strengthened with the review of the Annual Corporate Plan (ACP) template. This is to better align agencies to the broad outcomes of Government. An automated reporting system based on the revised ACP template has been developed in collaboration with the central agencies and will be deployed to all Government agencies.
- 3.27 **Priorities for the Medium Term:** The functional review of Government agencies to identify opportunities for rightsizing remains a major priority in the medium term. Other CSR initiatives to improve productivity and enhance human resource management will also be pursued through ongoing implementation of the Leadership Development Programme, the Service

Excellence Framework and adoption of financial reward incentives under the Performance Management System. Organizational management initiatives will include a new management framework for Government Quarters and improved recovery mechanisms for scholarship loans.

Public Enterprise Reforms

- 3.28 **Corporatisation:** Monitoring the performance of recently corporatised entities will continue in 2013 and will include the review and adjustment of cost recovery measures. Additional reforms to improve service delivery will also be considered.
- 3.29 In addition, the former Department of National Roads has been restructured into the Fiji Roads Authority (FRA). The corporatisation of the Fiji Meteorological Services Department (FMSD) will be contingent upon the outcome of the consultancy report currently being reviewed by the Ministry of Public Enterprises.
- 3.30 **Business Re-engineering, Corporate Restructure & Privatisation:** Structural reforms are still being pursued for Food Processors Fiji Ltd, Fiji Meats Industry Board, Post Fiji Ltd and Rewa Rice Ltd. As a prerequisite, valuations of these and other non-performing entities will need to be carried out. To facilitate investment in Government Commercial Companies (GCCs), efforts to improve marketing and branding, as well as modernisation strategies to increase competitiveness are being pursued.
- 3.31 **Financial Performance of GCCs:** Stringent corporate governance measures and negotiated performance targets have been adopted for all GCCs. Since 2007, GCCs have provided steady dividends to Government at an annual average of \$4.8 million. GCCs returns to Government increased by 69 percent from 2006 (\$4.7m) to 2010 (\$7.9m⁶), although this declined to \$4.4 million in 2011.
- 3.32 **PER Priorities for the Medium Term:** The privatisation of non-performing GCCs that operate on a purely commercial basis remains a major priority. In this regard, the Public Enterprise Act 1996 will be reviewed to improve reform processes and enhance corporate governance policies. This will complement the adoption of the new Companies Decree.

⁶ Due to one off special dividend from Public Trustees of \$3.0 million.

- 3.33 Other reform initiatives currently in progress include:
- FEA restructure to separate regulatory and commercial functions, and divestment of shares in the commercial entity via public offerings. Government will retain partial ownership and allow entry of Individual Power Producers (IPP) in the generation of electricity. The FEA reform is expected to be completed by December 2013;
 - Corporatisation of the Meteorological Services Department in 2012/2013;
 - Request for expressions of interest for full or partial privatisation of 7 GCCs; and
 - Possible merger of the Housing Authority & Public Rental Board.

Financial Management Reforms

- 3.34 **Asset Management:** The identification and valuation of Government assets has commenced on a pilot basis with the Ministry of Finance and is expected to be rolled out to other agencies in 2013. Agencies are required to continue to provide information needed to complete the asset identification and valuation process.
- 3.35 **Financial Reporting:** The current cash accounting system is being geared to fully comply with International Public Sector Accounting Standards (IPSAS).
- 3.36 **Capacity Building:** Training for accounting personnel across Government will continue through the provision of scholarships by the Ministry of Finance.
- 3.37 **Electronic Payment System:** To address the delay in account reconciliations by Ministries and Departments, payments will now be made through Electronic Fund Transfers (EFT). This was piloted in the Ministry of Finance in 2012 and has been rolled out to Government Printing, Ministry of Youth and Sports, and Prison Department. The EFT system will be gradually extended to cover whole of Government in 2013.
- 3.38 **Priorities for the Medium Term:** The completion of the Public Expenditure and Financial Accountability (PEFA) exercise enabled a holistic examination of the state of Government's public financial management system, and identified weaknesses, challenges, and areas of strength. It also ascertained the effectiveness of reforms undertaken thus far and assessed budget processes, financial reporting, procurement and auditing practices. Following on from this, a revised FMR roadmap will be developed to address the priority areas identified in the recommendations of the PEFA report.

- 3.39 ***Coordination and Sequencing of PSR Reform Initiatives:*** To ensure successful implementation of the PSR Programme, ongoing dialogue amongst stakeholders and committees have been established to coordinate specific reform initiatives. This is to ensure:
- priority is given to reducing civil service costs and improving efficiency in service delivery;
 - proper coordination, sequencing and harmonisation across all the three reform components;
 - compliance with relevant standing rules and processes to ensure pertinent issues are consistently identified and properly addressed; and
 - clear demarcation of roles and responsibilities between the three main implementing agencies to avoid duplication.

Labour Reforms

- 3.40 Government is committed to advancing the following six components of Labour Reform:
- Occupational Health and Safety (OHS) Reform;
 - Employment Relations (ER) Reform;
 - Productivity Reform;
 - Wages Reform;
 - Employment Creation Reform; and
 - Workers Compensation (WC) Reform.
- 3.41 The reform programme aims to promote a progressive business environment that enables flexibility in wage setting, stable employment relationships, improved terms and conditions of employment and good faith bargaining that will enhance productivity. All reform components with the exception of the WC have completed the policy and legislation development phase.
- 3.42 ***ER Reform:*** In 2012, Government continued with the review of the Employment Relations Promulgation 2007 (ERP) as part of the normal change management process to ensure that teething problems are addressed after the first five years of its implementation. Government aims to conclude this review in early 2013.
- 3.43 ***Wages Reform:*** This reform is linked with the Productivity Reform and involves the review of wage setting machinery to promote productivity and ensure decent wages for workers balanced with employers' ability to pay.
- 3.44 In 2012, under the objective method of wage determination, minimum wage rates for 10 sectors have been revised upwards under the new Wages Regulation

Order (WRO). The increase ranges from 7.9 percent to 10.4 percent and mirrors the positive productivity growth and confidence in the labour market. As part of Government's commitment towards poverty reduction as outlined in the Peoples Charter, Government commenced the first ever national minimum wage baseline survey in 2012. Following the outcome of the survey, Government will set a new national minimum wage in 2013.

- 3.45 **Workers Compensation Reform:** Government's social protection policy is to strengthen the national social security regime by working towards replacing the outdated workers compensation system with a "no-fault" social insurance scheme. The reformed system is to provide better health care and social security for injured workers and dependants of deceased workers. The new scheme is also expected to contribute to poverty reduction and promotion of national wealth creation.
- 3.46 In 2013, Government anticipates finalising the draft workers compensation law after consultations with social partners. The new law and organisation design will be completed this year and the reform finalised in 2013. The proposal is to integrate both the current National OHS Service and the new Workers Compensation Service into an executive agency or statutory body under a new enabling legislation. Government has allocated \$1.0 million for Workmen's Compensation in 2013.

Land Reforms

- 3.47 The Land Use Decree which Government adopted in 2010 sets out the institutional framework for land reforms. The Decree facilitates the leasing of land for all purposes, provides incentives to ensure productive utilisation of land and permits the use of leases as security to raise capital. The objective of the land reform program is to ensure equitable returns for both tenants and landowners.
- 3.48 As of October 2012, a total of 39 landowning units in 9 provinces have registered 4,389 hectares of land in the Land Register (Land Bank). To date, 23 leases have been issued by the Land Use Unit to 19 investors. In addition, 40 *mataqali/tokatoka* have also shown interest to place 4,539 hectares in the Land Bank.
- 3.49 A sum of \$5.0 million is provided in the 2013 Budget to fund the Land Bank investment programme.

Sugar Industry Reforms

- 3.50 Cane production in 2011 was 2.1 million tonnes yielding 166,669 tonnes of sugar with a tonne of cane to tonne of sugar (TCTS) of 12.6. This is an improvement from 132,000 tonnes of sugar produced in 2010. As at 12 November 2012, FSC had crushed 1.4 million tonnes of cane producing 143,009 tonnes of sugar for a TCTS of 9.8.
- 3.51 The reform of the Fiji Sugar Corporation (FSC) which began in 2011 will continue next year. Government allocated \$97.4 million in 2011 and \$40.9 million this year as support towards FSC's operations. For the financial year ending 31 May 2011, FSC recorded negative earnings before interest, tax, depreciation and amortization (EBITDA) of \$19.6 million. For the financial year ending 31 May 2012, FSC is projecting a positive EBITDA of \$0.4 million. The operating loss for the year ending 31 May 2013 is projected at \$32.3 million with a positive EBITDA of \$4.2 million.
- 3.52 To improve mill performance, FSC has developed a "mill preparedness" programme that adopts key timelines for completion of maintenance prior to crushing.
- 3.53 A Crop Development Revolving Fund was co-funded by Government (\$6.0 million) and the Sugar Cane Growers Fund (\$3.0 million) in 2012. This fund is accessible to cane growers who intend to replace uneconomical ratoon and replant new cane. The initiative aims to boost production and quality of cane. Government has committed an additional \$0.5 million to assist farmers who completely lost their crop during the floods in 2012.
- 3.54 In its efforts to ensure that good quality cane is planted, the FSC has established seed cane nurseries to enable growers to purchase high yielding seed varieties.
- 3.55 Other initiatives in the 2013 Budget that are geared towards enhancing cane quality and production include the subsidy to South Pacific Fertilizers Limited (\$5.0 million) and implementation of the Cane Quality Payment System (\$4.4 million).

Financial Sector Reforms

- 3.56 As regulator of the financial sector, the Reserve Bank of Fiji (RBF) continues to pursue reforms to support its role of maintaining a sound financial structure and safeguarding Fiji's financial system.

- 3.57 Reforms that have been implemented including those currently in progress, have supported the goals of financial inclusion, consumer protection and improvement in the efficiency of our payments system.
- 3.58 In addition, the RBF aims to achieve and maintain public confidence in the financial system by ensuring that legislation is responsive to developments in the financial sector, encourages good corporate governance and effective risk management in supervised institutions.
- 3.59 ***Review of the Insurance Act:*** The Insurance Act is currently being updated to take into account modern insurance practices and to ensure that products are accommodative to the needs of Fijians.
- 3.60 ***Superannuation Supervision Decree:*** The new legislation will ensure licensing and supervision of the FNPF Pension Fund and any other pension fund provider.
- 3.61 ***National Payments Systems Decree:*** The RBF is finalising a Payments Systems Decree that will provide for the establishment, regulation and oversight of the domestic payments systems⁷. Provisions in the Decree will enable licensing, regulation and on-going oversight of all payments systems providers, e-money issuers, and any other related services to ensure the protection of users.
- 3.62 ***Accountability and Disclosure Guidelines on Interest Rates, Fees and Charges for Licensed Banks in Fiji (2011) and Credit Institutions (2012):*** The objective of the updated policy is to promote the informed use of credit and savings options. This requires full disclosure of all interest rates, fees and charges. Standardising the format of disclosure will ensure transparency and enable the public to compare Bank interest rates and charges.
- 3.63 ***Review of Banking Fees and Charges:*** In 2011, the RBF implemented the findings of the 2002 Reserve Bank Policy Review report on penalty type fees. The review removed and capped 12 fees which were assessed to be unfair and punitive.
- 3.64 At the start of 2012, the RBF together with the 4 licensed banks in Fiji continued the review of the full list of banking fees. The review was completed in September with Banks agreeing to further remove 7 fees and reduce 2 fees.

⁷ A payments system is any system or arrangement for the processing, clearing and/or settlement of funds and this Decree will encompass a payments systems operating wholly or partially in Fiji.

- 3.65 The Bank will continue its reform with the review of fees and charges of the three licensed credit institutions – Home Finance Co Ltd, Merchant Finance Co Ltd and Credit Corporation (Fiji) Ltd.
- 3.66 ***Review of the No Surcharge Rule:*** After on-going discourse on the issue of credit card surcharging in Fiji, the Reserve Bank undertook a review of the “No Surcharge Rule⁸”, and resolved to uphold the rule which prohibits merchants from surcharging customers who make card payments for goods and services.
- 3.67 ***Role of Insurance Actuaries in Fiji:*** In November 2011, the Reserve Bank released its policy on the Role of Insurance Actuaries in Fiji which outlined the minimum responsibilities of licensed insurers and their appointed actuaries. The Policy came into effect in 2012 and work on licensed actuaries will continue in 2013.
- 3.68 ***Key Disclosure Requirements for Licensed Insurers:*** In January 2012, the RBF released its Disclosure Requirements for Licensed Insurers in Fiji which required licensed insurers to publish specific financial and prudential information about their operations.
- 3.69 ***Improved and Increased Competition:*** The RBF continued its open door policy to allow sound and competent applicants to provide licensed financial services in Fiji. The Bank recognises that competition drives the best outcomes for customers. To this effect, the Bank, in November 2012, issued a new banking license to BRED Bank Fiji Ltd. The new bank opened its first branch in Suva in November 2012.
- 3.70 In addition to this new banking licence, the Reserve Bank continues to approve the opening of new branches and expansion of international money transfer services through licensed foreign exchange dealers and other players such as Post Fiji.
- 3.71 ***Financial Systems Development:*** To build financial inclusive sectors, the RBF will continue to collaborate and work closely with partners to strengthen the policy environment and infrastructure.
- 3.72 Some of these initiatives include: the introduction of a new Payments Systems Decree, development and support of Micro, Small and Medium enterprises (MSMEs), development of a new Microfinance and Deposit Taking Institutions Decree and continued collaboration through the National Financial Inclusion Taskforce (NFIT). The NFIT will raise awareness and mainstream support for

⁸ Rule set by credit card issuers.

financial inclusion and micro-insurance in Fiji to reach at least 150,000 unbanked people by 2014.

- 3.73 **Capital Markets Development:** In April 2012, Government introduced the Viti Bond in an effort to boost the limited investment options in the domestic market and to encourage retail investor participation. A total of \$20.0 million was allocated for the Viti Bond which are issued with fixed coupon rates over three terms: 5, 7 and 10 years. The bond will be available until 31 December 2012.
- 3.74 **New Facility for Housing Authority:** The RBF established a \$25.0 million Facility under which the Housing Authority (HA) can access funds and on-lend to clients earning less than \$16,500. The facility allows HA to access concessional funding from the RBF at an interest rate of 2 percent per annum and on-lend to eligible HA customers at a maximum interest rate of 6 percent per annum. The new facility is expected to complement Government's efforts to increase access to affordable housing and at the same time reduce the debt servicing cost of mortgagees.
- 3.75 **Small and Medium Enterprise Credit Guarantee Scheme:** The Scheme which came into effect on 1 January 2012, allows lending institutions to apply a Government guarantee for 50 percent of the outstanding principal amount on defaulted eligible Small and Medium Enterprise (SME) loans up to a limit of \$50,000 per business.
- 3.76 In 2012, Government allocated \$2.5 million to start up the Scheme. During the first 9 months of 2012, a total of 163 eligible SME loans valued at \$8.7 million were registered under the Scheme. Government will maintain support to this scheme with a budget provision of \$1.5 million in 2013.
- 3.77 **Import Substitution and Export Finance Facility:** The RBF's Import Substitution and Export Finance Facility (ISEFF) was set up to improve Fiji's BOP position by assisting exporters, large scale commercial agricultural farming and renewable energy businesses to obtain credit at concessional interest rates.
- 3.78 In 2012, the Bank approved \$6.3 million under the facility for 12 businesses. Of the \$40 million allocated, total utilisation to date stands at \$30.3 million. This comprises \$23.9 million for export finance, \$3.7 million under import substitution lending and \$2.7 million for renewable and sustainable energy funding.
- 3.79 **Flood Rehabilitation Facility:** RBF reintroduced its Flood Rehabilitation Facility following the deluges in Quarter 1 of 2012. A sum of \$20.0 million

was allocated under the facility to assist affected businesses with the rebuilding and recovery process. Since the reintroduction, a total of \$11.7 million has been advanced to 25 businesses, with \$8.3 million remaining for new applications. The facility is available until 31 December 2012.

- 3.80 ***Export Proceeds Monitoring:*** Under the Exchange Control Act, the Reserve Bank's Export Proceeds Monitoring Unit (EPMU) works to ensure that all export proceeds are repatriated to Fiji as required. Since its inception in 2010, the EPMU has reconciled \$4.5 billion of previously un-reconciled export proceeds.
- 3.81 In partnership with the Fiji Revenue & Customs Authority (FRCA), the RBF secured technical expertise to further strengthen Fiji's Transfer Pricing Framework. These new requirements, which are aligned to international best practices, are in force. This collaborative effort will assist in safeguarding our foreign reserves and support our BOP position.
- 3.82 ***Exchange Control:*** In light of the high foreign reserve levels, the RBF has reviewed exchange controls by further increasing the delegated limits on foreign currency payments (Appendix – Table 10). These changes, which will come into effect in January 2013, are expected to boost confidence as well as help facilitate foreign investment.
- 3.83 ***Financial Intelligence Unit & Anti-Money Laundering Measures:*** The Reserve Bank recognises the importance of combating money laundering and therefore will continue to provide funding support to the Financial Intelligence Unit (FIU) in 2013.
- 3.84 The FIU will continue to work closely with the National Anti-Money Laundering Council to formulate and implement national policies in anti-money laundering (AML) and combating the financing of terrorism (CFT). The FIU will also promote coordination between relevant Government agencies.
- 3.85 Efforts will also be made to strengthen networking and information exchange with foreign FIUs and domestic agencies through the signing of memoranda of agreement.
- 3.86 In 2013, the FIU together with the National AML Council will consider and plan how Fiji will implement the revised international standards on anti-money laundering.
- 3.87 The FIU will continue to contribute to regional and international programs on AML. The Unit will also work closely with other relevant stakeholders to

ensure that the AML/CFT policies also contribute to financial inclusion initiatives in Fiji.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

- 4.1 This chapter outlines Government's consolidated fiscal performance from 2011 to 2013, highlighting the actual outturn for 2011, revised estimate for 2012 and projections for the 2013 Budget.

2011 Performance

- 4.2 The 2011 Budget focused on "*Enhancing Economic Growth and Inclusive Development*". To this end, budgetary allocations and policies were directed towards stimulating investment and growth across all sectors of the economy.
- 4.3 The net deficit target was set at \$216.0 million or 3.5 percent of GDP, with total revenue estimated at \$1,745.7 million and total expenditure at \$1,961.7 million.
- 4.4 However, Government achieved a lower net deficit of \$94.1 million, equivalent to 1.4 percent of GDP. This was due to above-forecast revenue collections of \$1,804.1 million and lower-than-expected expenditure of \$1,898.3 million.

2012 Revised Estimate

- 4.5 The theme of the 2012 Budget was "*Empowered Fijians and a Modern Economy*". In this regard, the Budget centred on improving the living standards of Fijians as well as strengthening and modernising the country's institutional and legal framework.
- 4.6 The net deficit target for 2012 was set at \$135.1 million or 1.9 percent of GDP. This was based on estimated total revenue of \$1,942.8 million and total expenditure of \$2,077.9 million.
- 4.7 The 2012 deficit target is projected to reduce further to 1.6 percent of GDP based on actual performance cumulative to October. Total revenue is projected to increase to \$1,960.0 million compared to \$1,942.8 million announced in the 2012 Budget. Total expenditure remains at \$2,077.9 million as initially budgeted.

2013 Budget

- 4.8 The projection for the 2013 Budget takes into account Government's commitment to achieving its key objectives through the formulation and implementation of sound fiscal policies. Accordingly, the theme of the 2013 Budget is "Investing In Our Future".
- 4.9 Total revenue is budgeted at \$2,108.4 million against total expenditure of \$2,327.4 million, translating to a net deficit of \$219.0 million. This is equivalent to 2.8 percent of GDP.
- 4.10 Table 4.1 shows a summary of the cash-flow statement for 2011- 2013.⁹

Table 4.1: Summary of Cash-flow Statement (\$M)

	2011 (A)	2012 (R)	2013 (B)
Receipts			
Direct Taxes	478.8	496.0	433.8
Indirect Taxes (excl. Govt. VAT)	1,068.4	1,186.6	1,365.2
VAT (excl. Govt. VAT)	574.9	610.5	698.6
Customs	342.7	374.6	435.7
Service Turnover Tax	36.3	48.7	53.5
Water Resource Tax	34.7	28.0	30.8
Departure Tax	61.3	94.1	103.4
Stamp Duty	17.6	21.4	32.9
Fish Levy	1.0	1.7	1.9
Telecommunication Levy	-	1.2	1.3
Credit Card Levy	-	4.8	5.3
Third Party Insurance Levy	-	1.6	1.8
Fees, Fines & Charges	100.0	80.8	86.8
Grants in Aid	6.8	18.0	16.6
Dividends from Investments	32.2	42.1	38.3
Reimbursement & Recoveries	17.4	10.7	11.0
Other Revenue & Surpluses	56.2	29.7	27.3
Total Operating Receipts	1,759.7	1,864.0	1,978.9
Payments			
Personnel	569.3	593.0	618.0
Transfer Payments	325.8	357.4	396.8
Supplies and Consumables	160.0	183.6	186.2
Purchase of Outputs	38.9	61.6	76.4
Interest	258.4	263.1	267.6

⁹ The figures reflected in the Cash-flow Statement are exclusive of Government VAT (SEG 13 VAT). Hence, the figures in this table may not match with other tables or Budget documents. The VAT Government pays to itself is excluded from expenditure and a similar amount is also excluded from revenue. The exclusion of Government VAT does not affect the overall net deficit position.

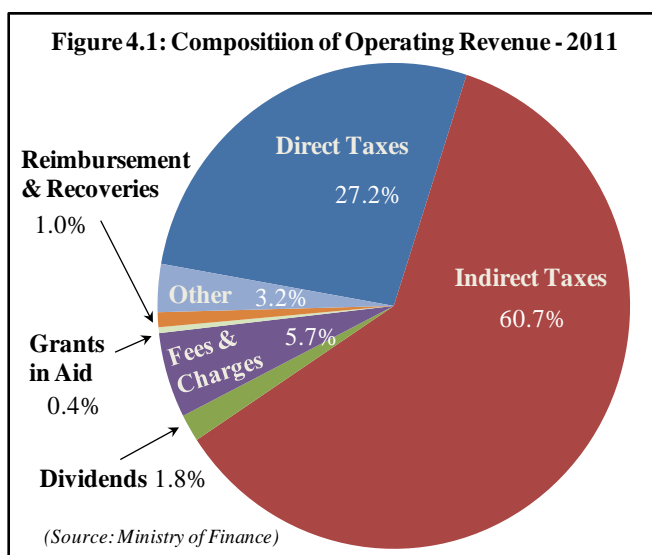
	2011 (A)	2012 (R)	2013 (B)
Other Operating Payments	7.3	5.2	6.0
Total Operating Payments	1,359.7	1,463.9	1,551.0
Net Cash-flows from Operating Activities	400.0	400.1	427.9
As % of GDP	5.9%	5.5%	5.5%
Receipts			
Sale of Government Assets	0.2	33.3	72.6
Interest from Bank Balance	0.2	0.2	0.2
Interest on Term Loans and Advances	-	0.3	0.3
Return of Surplus Capital from Investment	-	2.6	2.7
Total Investing Receipts	0.4	36.4	75.8
Payments			
Loans	1.0	1.0	1.0
Transfer Payments	291.1	276.7	609.8
Purchase of Physical Non-Current Assets	202.4	276.6	111.9
Total Investing Payments	494.5	554.3	722.7
Net Cash-flows from Investing Activities	(494.1)	(517.9)	(646.9)
As % of GDP	-7.3%	-7.1%	-8.4%
Net (Deficit)/Surplus	(94.1)	(117.9)	(219.0)
As % of GDP	-1.4%	-1.6%	-2.8%

(Source: Ministry of Finance)

Operating Receipts

4.11 Government's operating revenues comprise of direct taxes, indirect taxes, and non-tax revenues such as fees, fines, & charges, dividends from investments, grants in aid, reimbursement & recoveries, and other revenue & surpluses.

4.12 As depicted in Figure 4.1, the largest component of operating revenues in 2011



comprised of indirect taxes which represented around 61 percent, followed by direct taxes at 27 percent and other non-tax revenues making up the remaining 12 percent.

Direct Taxes

- 4.13 The major components of direct taxes include personal tax (PAYE), corporate tax, dividend withholding tax, capital gains tax, social responsibility levy and fringe benefit tax.
- 4.14 The collections from direct tax in 2011 stood at \$478.8 million. In 2012, the revised collections are estimated to be \$496.0 million, an increase of 3.6 percent compared to the previous year. The higher collection anticipated in 2012 is mainly attributed to increased revenue from corporate taxes as a result of the adoption of advance tax payment for companies.
- 4.15 For direct taxes, the projection for 2013 is \$433.8 million, which is lower by \$62.2 million or 12.5 percent than collections anticipated this year. The decrease is underpinned by lower collections from corporate taxes as changes in the corporate tax rate and the advance payment system are expected to be fully realised in 2013.

Indirect Taxes

- 4.16 Indirect taxes are made up of VAT, customs duties, service turnover tax, stamp duty, departure tax, water resource tax and other levies.
- 4.17 VAT is the largest source of revenue for Government. In 2011, VAT collection totalled \$574.9 million and is anticipated to increase to \$610.5 million in 2012. The favourable outturn in 2012 is due to expected increase in consumption spending arising from the reduction in personal tax rates and pay increases in both the private and public sector.
- 4.18 In 2013, VAT collection is forecast at \$698.6 million, which is \$88.1 million or 14.4 percent higher than 2012. The expected increase mainly takes into account the economic growth forecast for 2013 and increased disposable incomes.
- 4.19 The receipts from customs duties amounted to \$342.7 million in 2011. The revised collection in 2012 is expected to be higher than the previous year at \$374.6 million. For 2013, the projected collection is \$435.7 million, which is above the anticipated collection for 2012 by \$61.1 million or 16.3 percent.

4.20 Table 4.2 below shows collections from categories of customs duties for the period 2011 to 2013.

Table 4.2: Customs Duties (\$M)

Customs Duties	2011	2012(R)	2013(B)
Fiscal Duty	237.2	258.8	290.9
Excise Duty	76.1	86.7	105.8
Export Duty	7.5	7.7	8.5
Import Excise Duty	22.9	27.9	31.7
Luxury Vehicle Levy	0.1	1.2	1.3

(Source: Ministry of Finance)

- 4.21 Collections from Hotel Turnover Tax (HTT) in 2011 stood at \$36.3 million. The HTT was renamed in 2012 to Service Turnover Tax (STT) and was expanded to cover new tourism related services¹⁰. The collection from STT in 2012 is estimated to reach \$48.7 million by year end.
- 4.22 The collection for STT in 2013 is projected to be \$53.5 million.
- 4.23 The receipts from stamp duties in 2011 amounted to \$17.6 million. The collection in 2012 is expected to be \$21.4 million, which is \$3.8 million or 21.6 percent higher than 2011. This is mainly attributed to efficient collections by FRCA.
- 4.24 In 2013, stamp duties are budgeted at \$32.9 million. The higher collection is mainly attributed to the upward revision in stamp duty rates.
- 4.25 Departure tax receipts in 2011 totalled \$61.3 million while the collection for 2012 is estimated to be around \$94.1 million. The higher collection is due mainly to the increase in departure tax rate from \$100 to \$150.
- 4.26 The projection for departure tax in 2013 is \$103.4 million, which is higher than the anticipated collection for 2012 by \$9.3 million or 9.9 percent. The higher collection is mainly attributed to the projected increase in tourist and resident departures in 2013.
- 4.27 Collections from water resource tax in 2011 stood at \$34.7 million. In 2012, the revised collection is estimated to be \$28.0 million. The collection for 2013 is

¹⁰ The new other tourism related services included: rental car operators; in-bound tour operators; events management operators; recreation, entertainment and cinema operators; bars and night-clubs; bistros, coffee shops & restaurants with annual gross turnover of \$1.5 million and above; all water sports, underwater activities, skydiving, hot air balloon rides, river safaris, aircraft rides including helicopters with annual gross turnover in excess of \$300,000; and home stay operators.

budgeted at \$30.8 million and is slightly above the expected collection for 2012 by \$2.8 million or 10 percent.

4.28 Table 4.3 shows the collections from various levies for the period 2011 to 2013.

Table 4.3: Collection of Levies (\$M)

Levies	2011	2012(R)	2013(B)
Fish Levy	1.0	1.7	1.9
Telecommunication Levy	-	1.2	1.3
Credit Card Levy	-	4.8	5.3
Third Party Insurance Levy	-	1.6	1.8

(Source: Ministry of Finance)

Fees, Fines, Charges and Penalties

4.29 Fees, fines, charges and penalties are made up of various revenue items. Some of the major receipts from this category include revenue from sale of passports, LTA fees & fines, LTA road user levy, telecommunication and television licenses, water charges, and court fines.

4.30 In 2011, around \$100.0 million was collected from fees, fines and charges. The receipts for 2012 are expected to be lower at \$80.8 million.

4.31 Collections from fees, fines and charges are projected at \$86.8 million in 2013, which is slightly above the anticipated collections in 2012 by \$6.0 million.

Grants in Aid

4.32 Grants in aid are received in two forms, cash grant or aid-in-kind. In Government's cash-flow statement, only cash grant is reflected as Government operates a cash-based accounting system.

4.33 Receipts from cash grants in 2011 amounted to \$6.8 million, while the expected amount to be received in 2012 is \$18.0 million. For 2013, cash grants are projected at \$16.6 million.

4.34 Some of the major sectors and projects that are expected to be funded in 2013 through grants (cash and aid-in-kind) are listed below.

Education – \$43.7 million

- Australia-Pacific Technical College (AusAID)

- Training and Scholarship Programme for Civil Servants (Korea, JICA & Others)
- Australia Aid on Future Support to Education Sector (AusAID)
- Education Programme (UNICEF)
- Sustainable Development Fund (NZ AID)

Health – \$39.0 million

- Fiji Health Sector Improvement Programme (AusAID)
- Relocation & Construction of New Navua Hospital (China)
- Assistance for Malaria/ HIV/ Aids Programme (Global Fund)
- Assistance from World Health Organisation
- In-Service Training for Community Health Nurses (JICA)
- Strengthening Immunization Program in the Pacific Region (JICA)
- Health Programme Assistance for NCDs/ HIV and Aids (SPC)
- Reproductive & Adolescent Health Programmes (UNFPA)

Infrastructure – \$19.4 million

- Somosomo Mini Hydro Scheme Project (China)
- Solar Home Systems in Rural Areas (PEC Fund-Japan)
- Water Desalination Plants (PEC Fund-Japan)
- Fiji Renewable Energy Power Project (UNDP)
- Sustainable Energy Financing Project (World Bank)

Local Government & Environment Programmes - \$4.1 million

- East Asia Climate Change Partnership (Korea)
- Promotion of Regional Initiatives on Solid Waste Management (JICA).
- Small Islands Development States Community – Based Adaptation (AusAID/UNDP)
- Support for Informal Settlements (NZ AID)
- GEF STAR 5 (UNDP)

Agriculture & Fisheries - \$18.9 million

- Vegetable & Fruit Cultivation Support (Taiwan)
- Pacific Agribusiness Research for Dev. Initiative (AUSAID)
- Mushroom Technology Demonstration (China)
- Pacific Horticultural & Market Access (AusAID)
- Sugar Reform Social Mitigation Programme (EU)

Others Sectors – \$22.9 million

- Assistance for Fiji Natural Disaster Recovery (NZ AID)

- Enhancing Resilience of Rural Communities to Flood and Drought Related Climate Change (UNDP)
- International Climate Change Adaptation Initiative (AusAID)
- Disaster Management Reinforcement Programme (JICA)
- Child Labour Project & Decent Work Programme(ILO)
- Assistance for Child Protection Programme (UNICEF)
- Australian Civil Society Support Programme (AusAID)

Dividends from Investment

- 4.35 Dividends mainly represent receipts from Government Commercial Companies and Commercial Statutory Authorities (This is discussed in detail in Chapter 5).
- 4.36 In 2011, Government received total dividends of \$32.2 million, while \$42.1 million is estimated to be received in 2012. The projection for 2013 is \$38.3 million.

Reimbursement and Recoveries

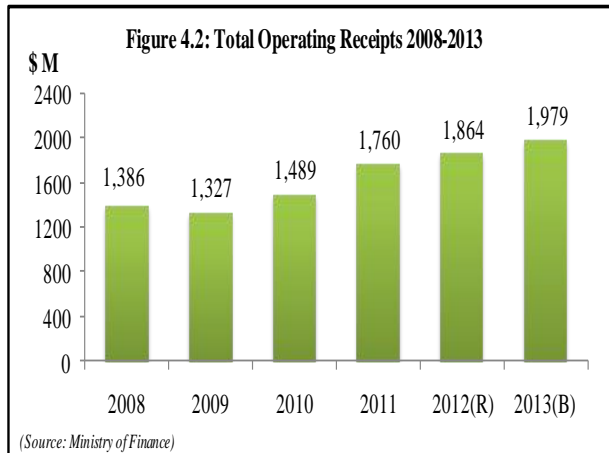
- 4.37 Reimbursement and recoveries include receipts from reimbursed funds for Government services, contributions for capital projects, and refunds from Government contributions for overseas peacekeeping duties.
- 4.38 Receipts from reimbursement and recoveries in 2011 amounted to \$17.4 million. The collection for 2012 is estimated to be \$10.7 million, while the anticipated reimbursement in 2013 is \$11.0 million.

Other Operating Revenue and Surpluses

- 4.39 Other operating revenue and surpluses comprise receipts from the following:
- Surpluses from Government agencies;
 - Rental from Government properties;
 - Commissions; and
 - Other miscellaneous revenue.
- 4.40 The collections from other revenue and surpluses in 2011 totalled \$56.2 million. For 2012, the total receipt is estimated to be \$29.7 million. This is expected to slightly decrease to \$27.3 million in 2013.

Total Operating Revenue

4.41 Total operating receipts at the end of 2011 stood at \$1,759.7 million. The anticipated collection in 2012 is \$1,864.0 million (Figure 4.2). The expected increase is attributed to favourable performance of VAT, corporate taxes, customs, departure tax, stamp duties and other new levies.

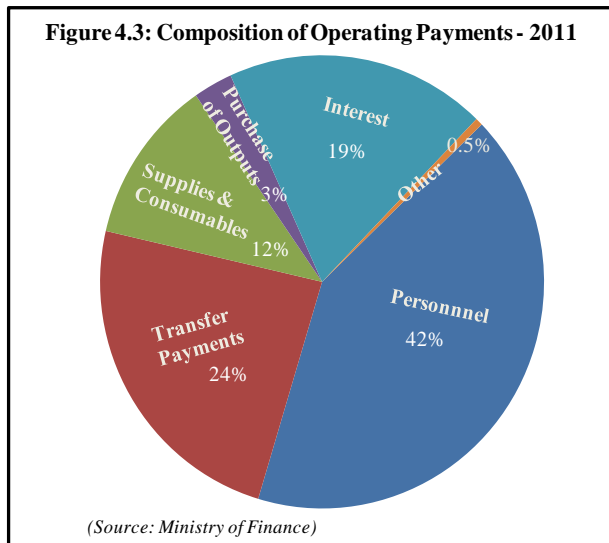


4.42 The projected collection from operating revenue for 2013 is \$1,978.9 million, which is above the expected collection in 2012 by \$114.9 million or 6.2 percent.

Operating Payments

4.43 Government's operating expenditures are categorised as follows:

- Personnel payments;
- Transfer payments;
- Supplies and consumables;
- Purchase of outputs;
- Interest payments; and
- Other operating payments.



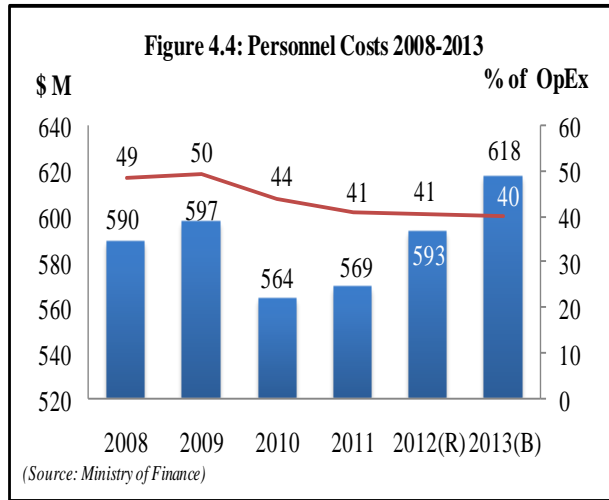
4.44 In 2011, personnel costs comprised the largest component of operating expenditure at 41.9 percent. This was followed by transfer payments which accounted for 24.0 percent, interest payments at 18.9 percent, and supplies and consumables at 11.8 percent (Figure 4.3). The balance of 3.5 percent was made up of purchase of outputs and other operating payments.

Personnel Costs

4.45 Personnel costs include the salaries and wages of Government employees.

4.46 The total amount paid for salaries and wages amounted to \$569.3 million in 2011. This amount is expected to further increase to \$593.0 million in 2012, due mainly to the pay increase for civil servants.

4.47 For 2013, personnel costs have been budgeted at \$618.0 million, which is an increase of \$25.0 million compared to 2012 (Figure 4.4). This is attributed to an increase in the salaries and wages of established and unestablished staff. With the increase, the minimum salary for all established staff will be pegged at \$10,000, while Government wage earners will receive a 10 percent across the board increase.



Transfer Payments

4.48 Operating transfers are made up of grants to external as well as Government entities to support their operations. This also includes allocations for social welfare programs, scholarships, and other subsidies.

4.49 In 2011, total transfer payments stood at \$325.8 million, whilst the spending in 2012 is anticipated to be \$357.4 million. In 2013, spending on transfer payments is expected to increase to \$396.8 million.

4.50 Table 4.4 shows the major operating grants and transfers for 2013.

Table 4.4: Major Grants (SEG 6)

Activity	(\$M)
Water Authority of Fiji – Operating Grant	57.6
FRCA Grant	39.5
USP Operating Grant	36.6
Fiji Road Authority – Operating Grant	27.3
Fiji National University – Operating Grant	24.0
Poverty Benefit Scheme	22.7
Land Transport Authority – Operating Grant	12.0

Form One – Form Seven Tuition Fees	11.1
Bus Fare Assistance	11.0
iTaukei Scholarships	10.0
FICAC – Operating Grant	8.0
Fee Free Education Classes 1-8	7.6
Grant to Fiji’s Servicemen’s After Care Fund	6.9
Care & Protection Programme Allowance	6.0
Multi – Ethnic Scholarship	5.5
PSC Training & Scholarship Grant	4.0
Maritime Safety Authority of Fiji – Operating Grant	3.3
Teacher Salary Grant for Early Childhood Education	3.3
Social Pension Scheme	3.2
University of Fiji	3.0
Grant to Tourism Fiji	3.0
FSM Scholarship Grant	2.6
Overseas Scholarship Scheme	2.6
iTaukei Affairs Board Grant	2.0
Grant Legal Aid Commission	2.0
Public Service Broadcast (TV)	1.8
Commerce Commission	1.8
Shipping Franchise Subsidy Scheme	1.5
Grant to Telecommunication Authority of Fiji	1.3
Investment Fiji	1.3
NTPC Levy	1.2
Subsidy Naboro Landfill	1.2
Public Service Broadcast (Radio)	1.1
MSG Contribution	1.1
Provincial Councils	1.0
Public Rental Board Subsidy	1.0
National Sports Commission	1.0
Biosecurity Authority of Fiji – Operating Grant	0.8

(Source: Ministry of Finance)

Supplies and Consumables

- 4.51 Spending on supplies and consumables represent costs associated with the provision of public goods and services. This category includes costs associated with travel and communications, maintenance and operations, and the purchase of goods and services.

- 4.52 The expenditure on supplies and consumables totalled \$160.0 million in 2011. In 2012, this is expected to increase to \$183.6 million and is forecast to rise further to \$186.2 million in 2013.

Purchase of Outputs

- 4.53 This category includes expenditures unique to Government ministries and departments such as special projects, reviews and training.
- 4.54 In 2011, the total expenditure on special outputs accumulated to \$38.9 million, whilst spending in 2012 is anticipated to be \$61.6 million. The projection for 2013 is \$76.4 million.
- 4.55 Table 4.5 shows the major allocations for special expenditures in 2013.

Table 4.5: Major Purchase of Outputs (SEG 7)

Activity	(\$M)
Preparation for General Election	11.5
Ministry of Health- Outsourcing	2.5
Household Income & Expenditure Survey	2.0
Household Listing Exercise	1.6
Consultancy Payments	1.6
Fiji's Chairmanship – G77	1.5
Mediation Services & Employment Relations Tribunal	1.2
Constituent Assembly	1.0
Integrated Human Resource Programme	1.0
Workmen's Compensation	1.0
National Export Strategy	1.0
National Employment Centre	0.8
Revision of Laws	0.5
Fijian Made and Buy Fijian Campaign	0.5
Pacific Commissioners Conference	0.4
Fiji Law Reform Commission	0.4
National Centre for Health Promotion	0.4
Fiji Volunteer Scheme	0.4
MSG Meeting	0.4
Pacific Island Development Forum	0.4
Implementation of Tourism Master Plan	0.4
Youth Capacity Building and Training Programme	0.4
Emergency Water Supplies	0.4

Activity	(\$M)
Review of Civil Service Human Resource Structure	0.3
Integrated National Poverty Eradication Programme	0.3
Economics Statistical Division	0.3
Public Accounts Committee	0.3
International Sugar Council Meeting	0.3
Island Court Sitings	0.3
Secretariat for the Pacific Community Meeting	0.3
Establishment of Fine Enforcement Unit	0.2
Taxation Tribunal	0.2
Rehabilitation Programme	0.2
Yellow Ribbon Project	0.2
Climate Change Policy	0.2
Native Reserves Commission	0.2
Cultural Mapping & Cultural Inventory Programme	0.2
Anti-Corruption Activities	0.1
Tourism Satellite Account	0.1
Mental Health	0.1

(Source: Ministry of Finance)

Interest Paid

- 4.56 In 2011, total interest payment was recorded at \$258.4 million and is expected to increase to \$263.1 million in 2012. For 2013, the total interest payment is projected to be around \$267.6 million.

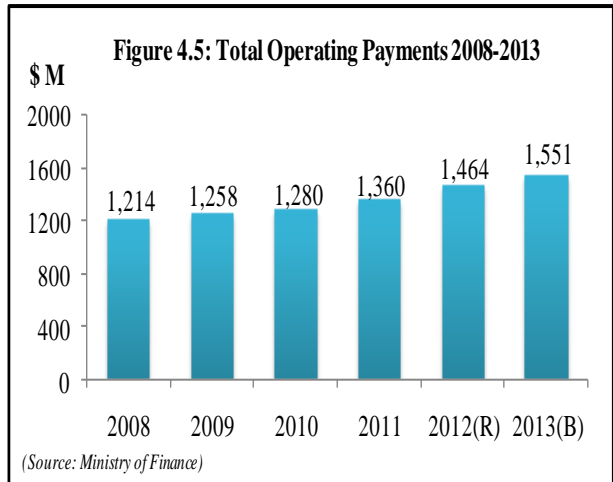
Other Operating Payments

- 4.57 Other operating payments include miscellaneous charges associated with debt repayments, subscription and listing fees. In 2011, miscellaneous payments totalled \$7.3 million. The payment anticipated for 2012 is \$5.2 million, whilst \$6.0 million has been allocated for 2013.

Total Operating Payments

- 4.58 The total operating payments in 2011 amounted to \$1,359.7 million representing 73.3 percent of total expenditure.

4.59 In 2012, spending on operating activities is anticipated to be \$1,463.9 million, which is \$104.2 million or 7.7 percent higher than 2011. The increase is mainly attributed to higher spending on personnel, operating transfers, supplies & consumables and interest.

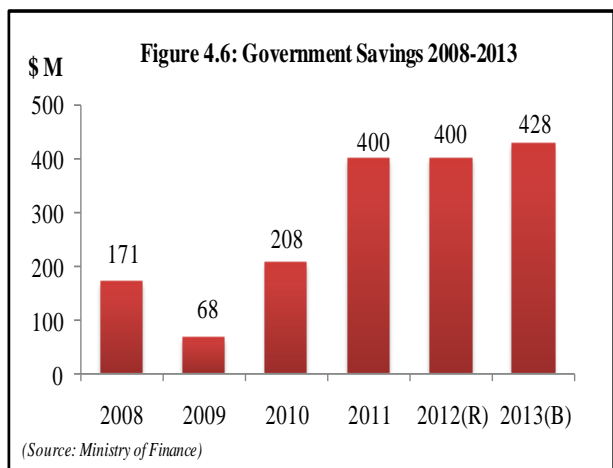


4.60 The operating expenditure forecast for 2013 is \$1,551.0 million, \$87.1 million or 5.9 percent higher than 2012. This is mainly driven by higher personnel payments, operating transfers, supplies & consumables and interest.

Government Savings

4.61 Government savings (operating surplus) is the excess of operating revenue over operating expenditure.

4.62 Government savings in 2011 amounted to \$400.0 million or 5.9 percent of GDP. Savings of \$400.1 million equivalent to 5.5 percent of GDP is expected in 2012, while for 2013, it is projected at \$427.9 million or 5.5 percent of GDP.



Government Investing Receipts

4.63 Government's investing revenue comprise of receipts from sale of Government assets, interest from bank balances & term loans, and return of surplus capital from investment (Trading & Manufacturing Account operations).

4.64 Investing receipts in 2011 totalled \$0.4 million. In 2012, receipts are anticipated to rise to \$36.4 million, largely due to the sale of Government assets worth \$33.3 million.

4.65 In 2013, Government will continue to divest its assets and as such, investing receipts are projected at \$75.8 million.

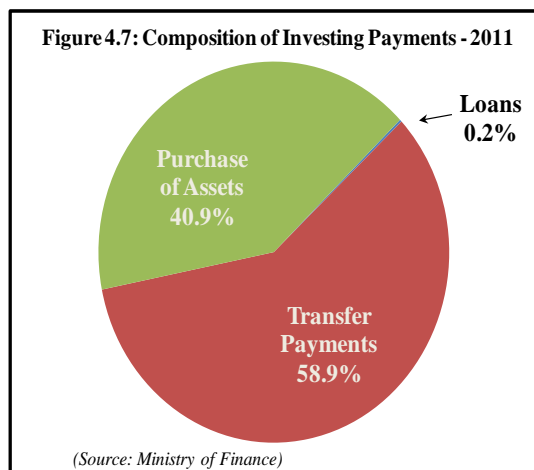
Government Investing Payments

4.66 Government's investing payments are classified into three categories as follows:

- Loans;
- Transfer payments; and
- Purchase of physical non-current assets.

Loans

4.67 Loans constitute a minor portion of Government's investing payments and mainly represent soft loans made to students for tertiary education under the Student Loan Scheme.



4.68 In 2011, \$1.0 million was provided to students as loans. This budget allocation has been maintained in 2012 and 2013.

Transfer Payments

4.69 Capital transfers refer to grants to agencies to undertake investment projects.

4.70 In 2011, spending on capital grants and transfers totalled \$291.1 million. This is expected to decrease to \$276.7 million in 2012. However, in 2013, capital grants are expected to substantially increase to \$609.8 million. The increase is mainly attributed to the increased grant to FRA.

4.71 Table 4.6 below shows some of the major capital transfers budgeted in 2013.

Table 4.6: Major Transfer Payments (SEG 10)

Activity	(\$M)
Fiji Roads Authority	395.0
Water Authority of Fiji - Capital Grant	40.0
Tourism Fiji Marketing Grant	23.5
Suva/Nausori Regional Sewerage Scheme	13.0
Low Cost Housing project (HA)	13.0

Activity	(\$M)
Rural Electrification Projects	8.5
Denarau Bridge	8.5
Divisional Development Projects & Upgrading of Rural Roads	8.0
Committee on Better Utilization of Land (CBUL)	6.4
Public Rental Housing Project (PRB)	6.0
Vocational Training Scholarships	5.5
Land Bank Investment	5.0
South Pacific Fertilizers Ltd - Subsidy	5.0
Cane Quality Payment	4.4
Fiji Sports Council Grant	4.3
FDB Subsidy Grant to all Citizens of Fiji	3.9
Fiji Sugar Cane Growers Loan - FDB	3.9
FEA Subsidy	3.5
Fiji National University	3.0
Maritime Safety Authority of Fiji	3.0
Small Grants Project	3.0
Integrated Rural Sports Complex – Vunidawa & Seaqaqa	2.6
Land Transport Authority Capital Grant	2.5
Biosecurity Authority of Fiji	1.8
Rice Development Programme	1.8
Drainage Subsidy	1.5
Relocation of Nausori Bus Stand & Market	1.5
Grant for Startup & Medium Enterprise Development	1.5
Construction of Infant Schools (ECE Classes 1-3)	1.4
Disaster Rehabilitation Fund	1.0
Disaster Risk & Mitigation	1.0
Dairy Development Programme	1.0
FRCA Capital Grant	1.0
Housing Authority Social Housing Policy	1.0
National Fire Authority	1.0
Northern Development Programme	1.0
Rural & Outer Island Agriculture Development Programme	1.0
Self- Help Projects	1.0
HART & Sustainable Rural Housing Income Generating Project	1.0
Upgrading of Maritime Schools	1.0
Rural Housing Assistance	0.7

(Source: Ministry of Finance)

Purchase of Physical Non-Current Assets

4.72 The purchase of physical non-current assets includes investment in major infrastructural projects such as roads, water and sewerage projects, schools and hospitals.

4.73 The total expenditure on physical non-current assets in 2011 amounted to \$202.4 million. In 2012, the investment amount is expected to be higher at \$276.6 million, an increase of \$74.2 million or 36.7 percent.

4.74 For 2013, \$111.9 million is budgeted for purchase of physical non-current assets.

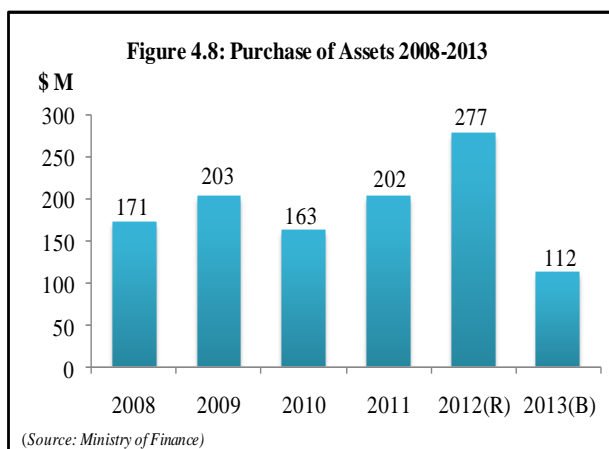


Table 4.7 below shows major spending on purchase of non-current assets for 2013.

Table 4.7: Major Purchase of Physical Non-Current Assets

Activity	(\$M)
Vehicle Leasing Scheme	9.8
Drainage and Flood Protection	6.0
Bio-Medical Equipment- Urban Hospital	4.7
Extension of Lautoka High Court	4.5
Upgrading & Maintenance of Urban Hospital & Quarters	3.0
Purchase of Replacement Vessels	3.0
Bio-Diesel Implementation	2.5
Kiro Patrol Boat - Life Extension Programme	2.0
Rural Power Grid Extension, Naiyala High School, Nayavu	2.0
Upgrading of Cane Access Roads	2.0
Upgrading of Laucala Bay Weather Office	1.8
Upgrading of Non-Cane Access Roads	1.5
Maintenance and Upgrading of Schools & Institutional Quarters	1.5
Routine and Special Upgrading of Public Building	1.5
Purchase of Demonstration Grid Connected PV System	1.5
Rice Revitalisation Programme	1.5
Maintenance of Completed Irrigation Schemes	1.5

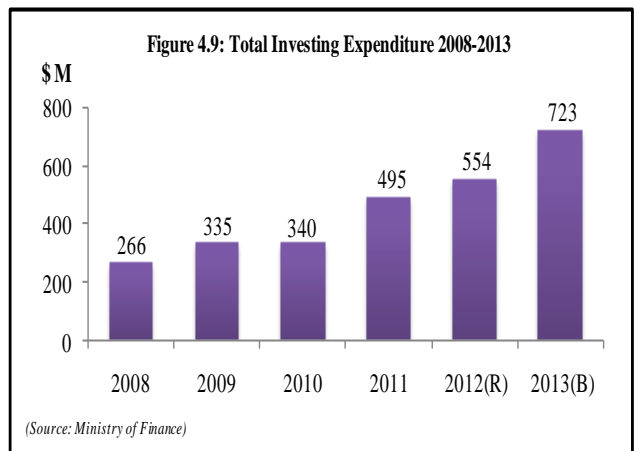
Activity	(\$M)
Restoration & Digitisation of Fiji's Audio Visual History	1.5
Naboro Landfill Phase 1B	1.3
Sigatoka Hospital Extension	1.1
Purchase of Hospital Lifts - Lautoka & Labasa	1.0
Somosomo Hydro Power Project	1.0
Upgrading of Existing Court Complexes	1.0
Maintenance of Parliament Complex	1.0
Water Shed Management	1.0
Maintenance of Health Centers & Nursing Stations	1.0
Livestock Rehabilitation Programme	1.0
Development of State Land	1.0
Repair and Upgrading of Public Buildings	1.0
UNAMI Support RFMF	1.0
Export Promotion Programme	1.0
Food Security Programme	1.0
Digitisation	1.0
Squatter Upgrading & Resettlement	1.0

(Source: Ministry of Finance)

Total Investing Payments

4.75 In 2011, total investing payments amounted to \$494.5 million, representing 26.7 percent of total expenditure.

4.76 Total investing payments are expected to be higher in 2012 at \$554.3 million, mainly attributed to increase in transfer payments and purchase of physical non-current assets.

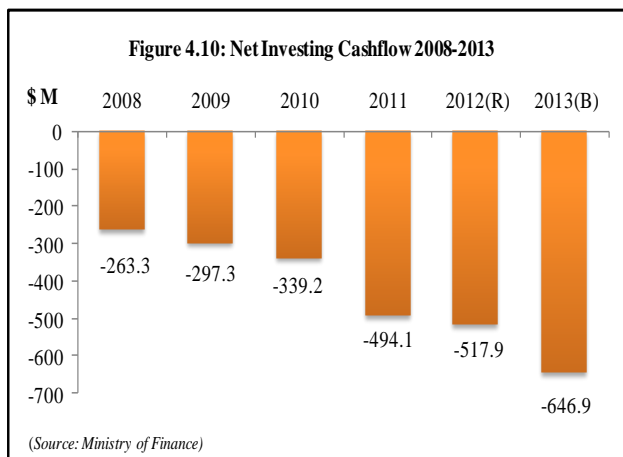


4.77 In 2013, total investing payments are budgeted at \$722.7 million.

Net Cash Flows from Investing Activities

4.78 Net cash flows from investing activities is the difference between investing receipts and investing payments.

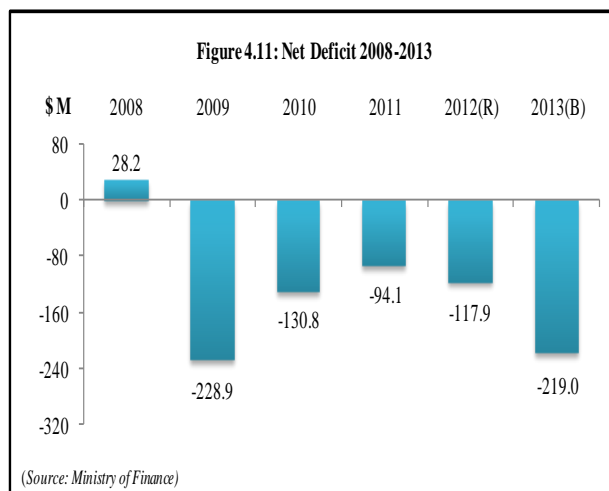
4.79 In 2011, Government recorded a net investing deficit of \$494.1 million. Net investing deficit for 2012 and 2013 are projected at \$517.9 million and \$646.9 million, respectively.



Net Deficit

4.80 Net deficit is the difference between total receipts and total outlays of Government in a financial year. It is a key indicator of Government's fiscal stance.

4.81 A net deficit of \$94.1 million or 1.4 percent of GDP was recorded in 2011. The anticipated net deficit position for 2012 is \$117.9 million or 1.6 percent of GDP. In 2013, Government has budgeted a net deficit \$219.0 million, equivalent to 2.8 percent of GDP.



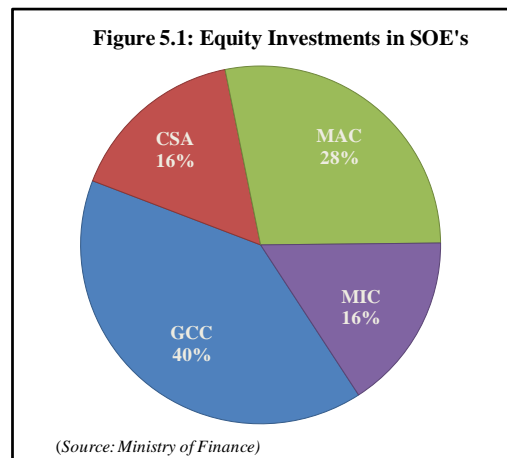
CHAPTER 5: GOVERNMENT'S BALANCE SHEET

Introduction

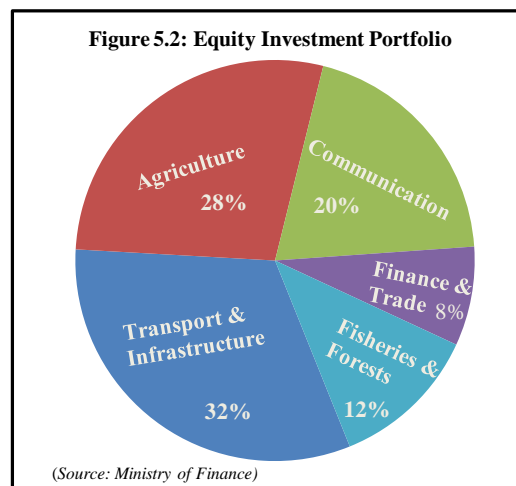
- 5.1 This chapter presents the key components of Government's Balance Sheet, covering assets and liabilities. Government is committed to effectively monitor its investments to ensure maximum returns from these entities. Similarly, prudent management of liabilities, including both domestic & foreign debt and contingent liabilities has been a key objective of Government. This is to ensure lowest possible long term cost, consistent with an acceptable degree of risk.

Government Equity Investment

- 5.2 Reforms have been ongoing in State Owned Entities (SOEs) to improve productivity, enhance service delivery and ensure efficient and effective use of resources. This will enable SOEs to generate positive returns.
- 5.3 Government has equity investments in 25 SOEs. Of Government's investment portfolio, 40 percent is invested in Government Owned Companies (GCC), 28 percent in Government Majority Owned Companies (MAC), 16 percent in Government Minority Owned Companies (MIC) and 16 percent in Commercial Statutory Authorities (CSAs).



- 5.4 Investments in the agriculture, transport & infrastructure sectors accounts for 60 percent of the total portfolio. The communication sector and finance & trade sector accounts for 28 percent, whilst the fisheries & forests sector accounts for the remaining 12 percent.
- 5.5 Table 5.1 lists the SOEs with Government shareholding. It excludes current reorganised entities such as Biosecurity Authority of Fiji (BAF), Maritime and Safety



Authority of Fiji (MSAF), Fiji Roads Authority (FRA) and Water Authority of Fiji (WAF).

Table 5.1: State Owned Entities Shares and Portfolio Allocations

	Sate Owned Entities	Govt. Shares (%)	Sector/Portfolio
Government Commercial Companies (GCC)			
1	Airports Fiji Limited (AFL)	100	Transport & Infrastructure
2	Fiji Broadcasting Corporation Limited (FBCL)	100	Communication
3	Fiji Hardwood Corporation Limited (FHCL)	100	Fisheries & Forests
4	Fiji Ports Corporation Limited (FPCL)	100	Transport & Infrastructure
5	Fiji Public Trustee Corporation Limited (FPTCL)	100	Trade & Finance
6	Food Processors Fiji Limited (FPFL)	100	Agriculture
7	Post Fiji Limited(PFL)	100	Communication
8	Rewa Rice Limited (RRL)	100	Agriculture
9	Unit Trust of Fiji (UTOF)	100	Trade & Finance
10	Yaqara Pastoral Company Limited (YPCL)	100	Agriculture
Commercial Statutory Authority (CSA)			
1	Housing Authority of Fiji (HA)	100	Trade & Finance
2	Public Rental Board of Fiji (PRB)	100	Trade & Finance
3	Fiji Meats Industry Board (FMIB)	100	Agriculture
4	Fiji Electricity Authority (FEA)	100	Transport & Infrastructure
Government Majority Owned Companies (GMAOC)			
1	Air Pacific Limited (APL)	51	Transport & Infrastructure
2	Air Terminal Services Limited (ATS)	51	Transport & Infrastructure
3	Fiji International Telecommunications Limited (FINTEL)	51	Communication
4	Fiji Pine Limited (FPL)	99.8	Fisheries & Forests
5	Fiji Sugar Corporation Limited (FSC)	68	Agriculture
6	Pacific Fishing Company Limited (PAFCO)	98	Fisheries & Forests
7	Copra Millers Fiji Limited (CMFL)	94	Agriculture
Government Minority Owned Companies (GMIOC)			
1	Amalgamated Telecom Holding Limited (ATH)	35	Communication
2	Fiji Television Limited (FTV)	14	Communication
3	Pacific Forum Line Limited (PFL)	23	Transport & Infrastructure
4	Rewa Dairy Company Limited (RDL)	1.65	Agriculture

(Source: Ministry of Finance)

Government Reform Programmes

- 5.6 Government has been assisting poor performing SOEs. Notably, FSC is under the Government's Reform programme for a period of 2 financial years, from 1st June 2011 to 31st May 2013. As at October 2012, approximately \$145.6 million has been disbursed to FSC for mill rehabilitation, debt restructure and improving sugarcane production. The Sugar Taskforce Committee has been tasked to monitor and advise Government on the progress of the reforms.
- 5.7 CMFL is also undergoing reforms for a period of two years, from January 2012 to December 2013. This is in line with Government's initiative to revive the Coconut Industry.

Government Equity Investment Performance

- 5.8 In 2011, the Return on Asset (ROA) and Return on Equity (ROE) of Government Investments in SOEs has been mainly positive, except for investments in the Agriculture Sector.

Table 5.2: Average¹¹ (ROA/ROE) by Sector (%)

Sector	2009		2010		2011	
	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	-10.9	-30.1	-121.8	-346.3	-14.7	-41.2
Communication	17.4	18.4	5.6	6.9	7.9	6.4
Fisheries & Forests	1.3	-4.0	-0.1	-7.7	4.4	5.1
Transport & Infrastructure	2.1	1.7	0.1	0.3	4.8	10.2
Trade & Finance	5.0	3.1	-555.7	11.9	46.7	6.4

(Source: Ministry of Finance)

- 5.9 The agriculture sector recorded negative returns in 2011. This was driven by negative performances from FSC, CMFL, FMIB, and RRL. However, positive returns by FPFL and YPCL were noted.
- 5.10 The trade & finance sector SOEs achieved the highest ROA whilst the transport & infrastructure sector SOEs achieved the highest ROE. FPTCL and UToF were the 2 entities that contributed to the positive performance of the trade & finance sector whilst majority of the SOEs in the transport & infrastructure

¹¹Note: The average analysis is conducted for information purposes to allow us to determine which sector generate the most return and vice-versa. However, it is important to note that each company within these sectors will have different earnings, asset and equity base.

sector contributed positively. It is noted that FEA performed reasonably well, recording the highest profit in 2011.

Table 5.3: Average (ROA/ROE) by Government Shareholding (%)

Type	2009		2010		2011	
	ROA	ROE	ROA	ROE	ROA	ROE
GCC	6.4	7.0	6.8	6.9	7.2	7.8
CSA	1.9	0.9	2.1	2.3	6.4	9.9
MAC	-3.1	-9.5	-43.8	-116.8	-3.6	-3.3
MIC	18.0	20.2	6.1	7.4	7.7	5.8

(Source: Ministry of Finance)

- 5.11 Negative returns from MACs in 2011 are attributed to the unsatisfactory financial performances of FSC, PAFCO and CMFL. Out of the 10 GCCs, 8 performed reasonably well in 2011 whilst RRL and PFL recorded negative returns. Out of the 4 CSAs, FEA, HA and PRB achieved positive returns. The Government also received reasonable returns from its 2 MICs, namely ATH and FTV.

Dividend from Government Investments

Table 5.4: Dividends by Sector (\$M)

Sector	2009	2010	2011
Agriculture	1.1	-	0.3
Communication	16.7	3.9	6.4
Fisheries & Forests	-	-	-
Transport & Infrastructure	4.0	5.3	3.9
Trade & Finance	0.2	3.0	-
Total	22.1	12.2	10.6

(Source: Ministry of Finance)

- 5.12 In 2011, the communication, transport & infrastructure and agriculture sectors remitted a total of \$10.6 million in dividends to Government. The breakdown is shown in the table below.

Table 5.5: Dividends by Shareholding (\$M)

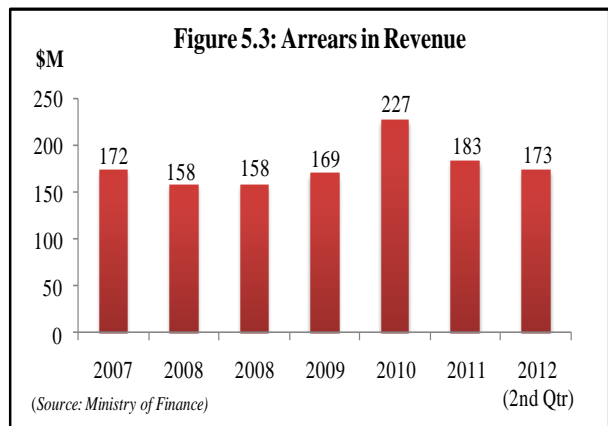
	2009	2010	2011
GCC	5.9	7.9	4.3
MAC	4.4	0.5	1.7
MIC	11.9	3.8	4.6
Total	22.2	12.2	10.6

(Source: Ministry of Finance)

- 5.13 From a shareholding perspective, GCCs (AFL, FPCL, and PFL & YPCL) and MICs (ATH & FTV) contributed about 84 percent of the total dividends received in 2011.
- 5.14 Government received a total of \$10.6 million as dividend in 2011. Overall, dividends have been declining in the last 3 years. This has been attributed to the declining performance of SOEs in the agriculture, fisheries and forestry sectors. However, it was noted that SOEs in the transport & infrastructure and communication sectors have been performing relatively well.

Arrears of Revenue

- 5.15 Arrears of revenue represents monies due to the state and comprise of unpaid taxes, fees, rates, charges, penalties, and fines levied on the provision of goods and services by Government. As depicted in Figure 5.3, the total arrears as at 31 June 2012 fell by \$ 9.78 million from the preceding year.



- 5.16 Unpaid personal tax, corporate tax and value added tax accounted for 68 percent of the arrears. Figure 5.4 indicates the major composition of arrears up to the second quarter of 2012. Apart from tax arrears, it is to be noted that \$22.3 million is owed to Government in the form of uncollected crown lease rentals and \$11.5 million in judicial or court fees, fines and charges. This is shown in Table 5.6.

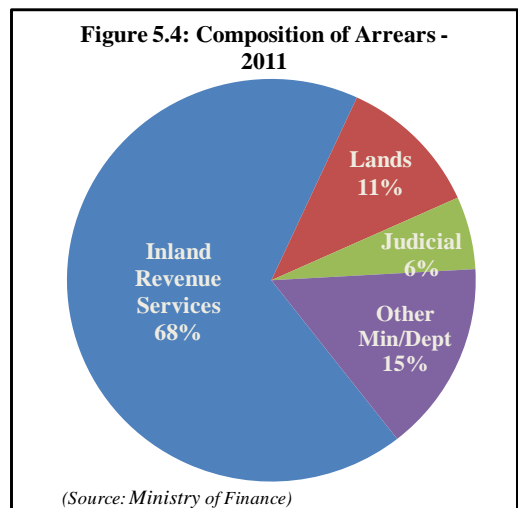


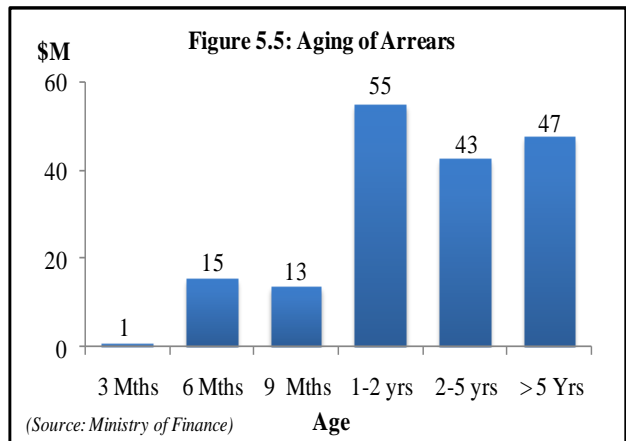
Table 5.6 Arrears of Revenue – 2009 to 2012(2nd Qtr) (\$ M)

	2009	2010	2011	2012(June)
Total Arrears owed	169.0	225.1	182.93	173.14
Major components				
FIRCA-Taxation	88.7	142.2	144.40	131.77
Water Rates	36.8	34.8	-	-
Lands Crown Rent	17.5	17.9	19.56	22.27
Judicial Fees & Fines	10.8	10.9	11.39	11.49

Source: Ministry of Finance

5.17 At the end of June 2012, income tax and VAT arrears declined by \$12.6 million, mainly attributed to the writing off of some irrecoverable debt and successful recovery actions.

5.18 Figure 5.5 reflects the age of major arrears of revenue. It is noted that more than \$54.6 million or 32 percent of the total arrears is between one to two years. Around \$43.0 million or 27 percent are aged between two to five years. Debt less than two years account for 41 percent of total arrears.



5.19 To reduce revenue arrears, agencies have been reviewing their cost recovery procedures and are allocating resources accordingly. The setting up of debt recovery teams in the various agencies have assisted recovery efforts and have prevented the escalation of arrears.

Government Debt

5.20 To ensure debt sustainability, Government will maintain deficits at manageable levels in order to achieve its debt target of 45 percent of GDP over the medium term. Further to this, Government has been repaying expensive loans, developing and maintaining an efficient market for Government securities and undertaking debt restructuring programmes.

5.21 In terms of domestic borrowings, Government bonds were mostly taken up by Non Bank Financial Institutions. To manage their short term liquidity positions, treasury bills were in demand from commercial banks and other non credit financial institutions.

Table 5.7: Total Government Debt Stock (\$M)

	2009(A)	2010(A)	2011(A)	2012 - Sept	2012(F)
Domestic Debt	2,605.0	2,834.7	2,734.4	2,756.9	2,744.8
External Debt	527.2	548.5	832.1	952.7	1,024.0
Total Debt	3,132.2	3,383.2	3,566.5	3,709.5	3,768.8
Debt (as a % of GDP)	54.7	54.7	53.0	50.7	51.5
Domestic/Total Debt Ratio	83.2	83.8	76.7	74.3	73.0
External/Total Debt Ratio	16.8	16.2	23.3	25.7	27.0

(Source: Ministry of Finance)

- 5.22 As depicted in Table 5.7, the overall debt position stood at \$3.566 billion as at 31st December 2011, comprising \$2.7 billion domestic debt and \$832.1 million external debt. This represents an increase of 5.4 percent when compared to the 2010 debt level of \$3.383 billion. As at September 2012, total debt stock stood at \$3.7 billion or 50.7 percent of GDP and is expected to be around 51.5 percent of GDP by year end.

Domestic Debt Stock

- 5.23 The domestic market continues to be a major source of financing for Government over the years. On an annual basis, total domestic debt fell by \$100.3 million to \$2.7 billion at the end of December 2011. The decline was associated with a net reduction of bonds issued in the domestic market as Government sourced US\$250 million from the offshore bond market to partly finance the 2011 Budget deficit. Outstanding Treasury bills also recorded a reduction of \$4.3 million in 2011.

Table 5.8: Government's Domestic Debt Stock (\$M)

	2008	2009	2010	2011	2012 Sept
Bonds	2,346.3	2,505.1	2,759.3	2,663.3	2,648.8
Treasury Bills	64.7	99.9	75.4	71.1	108
Total Domestic Debt	2,411.0	2,605.0	2,834.7	2,734.4	2,756.8
Domestic Debt to GDP (%)	41.7	45.5	45.8	40.6	37.7

(Source: Ministry of Finance)

- 5.24 Government's bond holding at the end of 2011 totalled around \$2.7 billion of which 90 percent was held by Non Bank Financial institutions, 5 percent by the Reserve Bank, 3 percent by Commercial Banks and 5 percent by other retail investors.
- 5.25 As at September 2012, the domestic debt position was around 37.7 percent of GDP, down from 40.6 percent of GDP in 2011.

Domestic Interest Rates

- 5.26 In 2011, interest rates for both short and long term debt instruments declined progressively during the year. This was largely attributed to Government's lower domestic funding requirement and surplus liquidity in the banking system. For 2012, the yield on both short term and long term securities also fell in the first nine months. The drop in interest rates reflects the high liquidity in the banking system which resulted in institutional investors competing for Government debt instruments for investment. The 91 days Treasury Bills currently stands at 0.3 percent while the 10 year bond rate is 5.95 percent.

Table 5.9: Interest Rates on Government Domestic Securities (%)

Maturity	Sept 2011	Dec 2011	Mar 2012	Jun 2012	Sept 2012
14 days	1.08	0.50	0.50	0.45	0.1
28 days	1.05	0.50	0.70	0.65	0.2
56 days	1.13	0.80	0.75	0.70	0.2
91 days	1.10	1.00	0.80	0.75	0.3
10 years	-	-	6.60	6.40	5.95
15 years	5.80	7.00	7.00	6.95	6.54

(Source: Ministry of Finance)

New Domestic Retail Bond-Viti Bond

- 5.27 In 2012, Government introduced the "Viti Bond" earmarked for small investors with investments ranging from a minimum of \$1,000 to a maximum of \$100,000. This was mostly targeted at pensioners opting for lump sum payouts from the FNPF and other retail investors. The interest income from Viti Bond is exempt from income tax.

External Debt Stock

- 5.28 As at the end of 2011, external debt outstanding totalled \$832 million or 12.4 percent of GDP. The increase over the period was mainly attributed to the issuance of the second global bond of US\$250 million in March 2011. Proceeds

from this bond issue were used to settle the 2006 US\$150 million global bond, whilst the balance was utilised in capital and infrastructure projects in 2011.

- 5.29 This year, external debt stood at \$952.7 million by the end of the third quarter, equivalent to 13.0 percent of GDP. This was an increase of \$120.6 million or 14.5 percent from 2011.

Table 5.10: Government External Disbursed Outstanding Debt (\$M)

	2008	2009	2010	2011(R)	2012 Sept
External Debt	476.0	527.5	548.5	832.1	952.7
Total External Debt Service	33.3	45.6	41.3	334.2	63.0
o/w Principal Payment	12.5	21.2	17.6	291.1	16.9
o/w Interest Payments	20.8	24.4	23.7	43.1	46.1
External Debt to GDP Ratio	8.2	9.2	8.9	12.4	13.0

(Source: Ministry of Finance)

- 5.30 External debt servicing had increased significantly in 2011, due to the servicing of the global bond.

Loan Disbursements

- 5.31 At the end of 2011, the total value of disbursements for on-going capital projects and the global bond amounted to \$585.4 million. The global bond made up 78 percent of total disbursements, followed by the EXIM Bank of China at 12 percent, ADB at 6 percent and EXIM Bank of Malaysia the remaining 4 percent. Bulk of the disbursements received from the ADB, EXIM Bank of China and the EXIM Bank of Malaysia were paid directly to the contractors.

- 5.32 A newly contracted loan from EXIM Bank of China, for the upgrading of the Nabouwalu-Dreketi road was signed in 2012. The loan, which has a grace period of 5 years, will start disbursements in 2013.

External Debt Composition

- 5.33 Table 5.11 shows the distribution of Government's external debt stock. At the end of 2011, borrowing through the global bond accounted for \$455.1 million or 54.7 percent of total external debt, followed by multilateral and bilateral lenders at \$200.6 million and \$176.4 million, respectively.

Table 5.11 External Debt Stock by Creditors (\$M)

	2008	2009	2010	2011
Bilateral	53.6	68.9	96.2	176.4
Multilateral	157.8	169.0	179.2	200.6
Global Bond	264.6	289.3	272.9	455.1
Total External Debt	476.0	527.2	548.5	832.1

Source: Ministry of Finance

- 5.34 Moreover, in terms of currency composition, the external debt holding continues to be dominated by the US dollar representing 78.2 percent, followed by the Chinese Yuan at 16.6 percent and the Japanese Yen at 5.1 percent.

Interest Rates

- 5.35 A fixed cost of borrowing of 2.0 percent is associated with concessional loans from EXIM Bank of China while variable LIBOR rate is associated with the ADB and the EXIM Bank of Malaysia loans.

Loans Prepaid in 2011

- 5.36 As part of continuous efforts to manage debt servicing costs, Government prepaid the 3 remaining Euro denominated loans. The total prepayment amounted to \$8.7 million (EUR\$3.5 million), bringing Government's commitment to the European Investment Bank to an end. The three loans that were prepaid included:
- 1997 Investment and Export Development loan;
 - 1990 Rural Electrification loan; and
 - 1979 Outer Island Airstrip project loan.

Sinking Fund

- 5.37 The Sinking Fund was set up to cater for the repayment of the global bond which will mature in 2016. At the end of October 2012, the total offshore account balance stood at US\$90 million.

Contingent Liabilities¹²

- 5.38 In line with Section 62 of the Financial Management Act 2004, Government may guarantee the financial liability of an entity in respect of a loan.

¹² A Contingent liability is a fiscal obligation of Government which has not materialized but could have implications on Government's financial resources and fiscal position if realized.

Government provides financial security to entities with respect to borrowings in the domestic as well as external markets.

- 5.39 Table 5.12 below shows the total Government guarantee outstanding from 2007 to 2011. Government's total contingent liabilities recorded slight fluctuations over the 5 year period with an average of approximately 30 percent of GDP. In 2009, the highest amount of guarantee was granted, mainly due to additional guarantees issued to FSC for its domestic borrowings and FEA for the loan to fund the Nadarivatu Hydro-Power Electricity Project.

Table 5.12: State Guarantees and Contingent Liabilities (\$M)

	2007	2008	2009	2010	2011
Fiji Development Bank	415.2	347.1	358.7	322.9	257.2
Fiji Electricity Authority	156.1	235.8	354.3	346.5	353.9
Fiji Harwood Corporation	12.8	12.6	13.2	17.2	16.6
Fiji National Provident Fund	873.3	874	866	758.4	1013.5
Fiji Pine Limited	11.9	11.9	8.1	8.4	13.7
Fiji Sugar Corporation	32.7	65.2	140.3	121.9	116.4
Housing Authority	106.5	90.2	87	86	82.6
Fiji Sports Council	1.4	1.6	1.4	1.1	0.92
Fiji Ports Corporation Limited	41.4	43.6	40.3	41.5	39.9
Fiji Broadcast Cooperation Limited	0	0	11.9	14.2	19.8
National Bank of Fiji	7.2	7.2	2.7	2.5	2.5
Pacific Fishing Company Limited	2.4	3.4	2.8	5.4	5.4
Public Rental Board	6	4.3	3.3	1.9	0.52
Others	51.7	58.3	63.1	63.1	8.4
Total	1,718.6	1,755.2	1,953.1	1,791.0	1,931.3
Contingent Liability as % of GDP	31.3	30.3	34.3	29.4	28.7

(Source: Ministry of Finance)

- 5.40 In 2011, Government was required to take over the outstanding debts of the Public Rental Board (PRB), FSC and Fiji Sports Council, as they were unable to service their debt obligations. This has resulted in Government diverting its fiscal resources to pay off these outstanding debts.
- 5.41 As at 31 December 2011, contingent liabilities reached \$1.9 billion which is equivalent to 28.7 percent of GDP. When compared to 2010, contingent liabilities increased by \$140.3 million.

5.42 Government continues to face various challenges in regards to the risks associated with guaranteed entities. A review of the current guarantee policy was conducted by the Ministry of Finance in 2012 to identify major loopholes and key aspects of the policy that need to be strengthened.

CHAPTER 6: POVERTY ALLEVIATION, RURAL DEVELOPMENT AND YOUTH AND SPORTS

Introduction

- 6.1 Poverty alleviation remains a key priority for Government. According to the 2008/09 Household Income and Expenditure Survey (HIES), the incidence of poverty declined to 31 percent from 35 percent in 2002-2003. The next HIES will be conducted in 2013/2014 for which Government has allocated a total of \$2.0 million. This will ensure updated and timely statistics on poverty for policy formulation.
- 6.2 Government will continue to fund key social protection initiatives to provide direct income support, promote capacity building and enhance participation in income-earning activities. In addition, Government is committed to poverty alleviation through substantial investment in infrastructure development to support growth in key sectors.

Social Protection and Poverty Alleviation Initiatives

- 6.3 Government will implement reforms to its social protection programmes, in line with the recommendations of the World Bank Report on the Assessment of the Social Protection System in Fiji. This is to ensure that protection programmes continue to be effective and well targeted.
- 6.4 As part of the reform agenda, the *Poverty Benefit Scheme* (PBS) will replace the Family Assistance Scheme and the Food Voucher Programme and will target the poorest 10 percent of the population. By revising the criteria, the PBS will increase concentration of resources to the poorest households. In 2013, a sum of \$22.6 million has been allocated towards this scheme.
- 6.5 *Social Pension Scheme:* This new scheme will be introduced in 2013 to target all elderly citizens aged 70 years and over, with an allowance of \$30 per month. The scheme will benefit elderly citizens who are currently not receiving any pension (FNPF, Civil Service, After Care) or royalties from the TLTB. Government has committed \$3.2 million for this next year.
- 6.6 *Care and Protection Allowance (C&P):* Government provides assistance to families, guardians or residential homes that provide foster care, adoption, as well as residential support services to orphans and neglected children. C&P comprises of a monthly cash grant ranging from \$25 to \$60 per child. This programme will continue in 2013 with a budgetary allocation of around \$6.0 million.

- 6.7 ***Welfare Graduation Program:*** The program is designed to provide seed funds for income generating activities to those currently receiving welfare assistance. The objective is to enable able-bodied recipients to progress from welfare to paid employment, thus allowing more genuine cases to be assisted. Government has allocated a sum of \$0.5 million in the 2013 Budget for this initiative.
- 6.8 ***Grants to Voluntary Organizations:*** Government provides direct funding to registered NGOs that complement the role of the Ministry in implementing poverty alleviation initiatives. In 2013, Government has allocated a sum of \$0.1 million for this purpose.
- 6.9 ***Transportation Assistance:*** Government will provide free bus services for people with disabilities and subsidise half the fare rate for the elderly aged 60-years and over. A sum of \$0.15 million is provided for this assistance in 2013. Additionally, Government has set aside \$11.0 million for bus fare assistance to school students. An e-ticketing system will be rolled out next year to ensure effective administration.
- 6.10 ***Commerce Commission Price Regulation:*** Price controls on essential goods and services will continue in 2013 to safeguard consumers from unfair trading. A grant of \$1.75 million has been allocated to the Commerce Commission in 2013.
- 6.11 ***Electricity subsidy:*** Government will continue to subsidise electricity for residential customers using less than 75kWh and schools using a maximum of 200kWh per month. An allocation of \$3.5 million has been provided in the 2013 Budget for this purpose.
- 6.12 ***National Housing Policy (NHP):*** Government aims to ensure accessibility to affordable and quality housing for all citizens. This is in line with the NHP launched in 2011, which outlines a concise strategic direction towards the development of the housing sector. A sum of \$0.2 million has been allocated towards this initiative in 2013.
- 6.13 ***Social Housing Policy:*** Launched in 2011, the programme is being implemented by the HA to target clients who have either paid more than one and a half times the principal amount, are retired, or can prove genuine financial difficulties. Based on these criteria, families could have their home loans written off thereby ensuring home ownership. A sum of \$1.0 million has been allocated in the 2013 Budget for this programme.

- 6.14 **Sustainable Rural Housing Income Generating Project:** Government will facilitate the resettlement of squatter dwellers by providing opportunities for income generating activities in areas such as Nalotawa, Nativi, Maumi, Toga and Vunivutu. A sum of \$0.4 million has been provided for the project in 2013 and is aimed at providing training on farming and home construction. This will be implemented through strategic partnership between relevant stakeholders.
- 6.15 **Women’s Plan of Action:** In accordance with international commitments such as the Beijing Platform of Action and Millennium Development Goals, gender equality and women empowerment is prioritised through the Women’s Plan of Action (2010-2019). The Plan addresses the rights and interests of women in Fiji. Government has provided a sum of \$0.55 million in 2013 for this programme.
- 6.16 Government is also committed to ensuring social justice through the introduction of a productivity-based wage system for the 10 sectors covered under the Wages Regulations Orders (WROs). The increment in the minimum wage rate accounts for the cost of living.
- 6.17 Table 6.1 below provides a summary of the budgetary allocations that have been directly or indirectly allocated towards Government’s poverty alleviation programmes.

Table 6.1: Government Assistance for Poverty Alleviation: 2012 – 2013 (\$M)

	2012 (R)	2013 (B)
Department of Housing		
Squatter Upgrading & Resettlement Programme	1.0	1.0
HART	0.6	0.6
National Housing Policy	0.17	0.17
Sustainable Rural Housing Income Generating Project	0.3	0.4
Social Housing Policy	2.0	\$1.0
Strategic Planning, National Development & Statistics		
Northern Development Programme	1.0	1.0
Public Service Commission		
Multi-Ethnic Scholarships	5.5	5.5
Education		
Bus Fare Subsidy	12.0	11.0
Social Welfare		
Poverty Benefit Scheme	23.5	22.6
Social Pension Scheme	0.0	3.2
Fiji National Council of Disabled Persons	0.26	0.29

	2012 (R)	2013 (B)
Grant to Girls' Home	0.1	0.1
Welfare Graduation Program	0.5	0.5
Capital Grant to Voluntary Organizations	0.2	0.1
Care and Protection Allowance	4.4	6.0
Women's Plan of Action	0.55	0.55
Assistance to Fire Victims	0.1	0.1
Labour		
National Employment Centre(NEC)	1.1	0.8
Office of the Prime Minister		
Integrated National Poverty Eradication	0.3	0.3
Miscellaneous		
FDB-Subsidy Grants to All Citizens	3.98	3.86
Students Loan Scheme	1.0	1.0
FDB – Interest Subsidy (Northern Division Projects)	0.55	0.19
FEA Subsidy	3.5	3.5

(Source: Ministry of Finance)

- 6.18 ***Integrated National Poverty Eradication Programme (INPEP)***: INPEP oversees the coordination and implementation of national poverty policies and programmes. The programme will continue to receive budgetary support of \$0.3 million in 2013.
- 6.19 ***National Employment Centre (NEC)***: the centre assists the unemployed through the inculcation of necessary skills and competencies to ensure sustainable employment. A budgetary support of \$0.8 million has been provided in 2013 for this initiative.

Rural and Outer Islands Development

- 6.20 The Rural and Outer Islands Development Programmes will support rural development through infrastructure rehabilitation and promotion of private sector participation to increase economic and employment opportunities in targeted areas.
- 6.21 ***Integrated Rural Development Framework (IRDF)***: The framework underscores the importance of the role played by Divisional Commissioners in directing and coordinating development at the divisional level. This initiative ensures efficient delivery of Government services to the rural areas and improved coordination among relevant stakeholders.

- 6.22 Major Government initiatives in the rural sector which are focused on the provision of basic services and the development of rural business are discussed in the ensuing paragraphs.
- 6.23 **Northern Development Programme (NDP):** With funding support of \$1.0 million, NDP specifically targets the development of MSMEs by providing financial and other technical assistance such as training, counselling and mentoring services.
- 6.24 **Integrated Human Resource Development Programme (IHRDP):** IHRDP promotes and enhances the livelihood of rural communities by establishing income generating projects. A sum of \$1.0 million has been allocated for the IHRDP programme in 2013.
- 6.25 **Agricultural Marketing Authority (AMA):** To ease marketing problems in rural areas, Government has allocated \$0.5 million for AMA to facilitate marketing of fresh agricultural produce and processed products from remote areas not served by the private sector.
- 6.26 Similarly, Government has set aside \$1.0 million for the Rural and Outer Islands Agricultural Development Programme, which enhances the livelihoods of people in the rural areas and outer islands by providing access to markets.
- 6.27 Table 6.2 below provides a summary of the budgetary allocations that have been allocated towards Rural and Outer Islands Development Programmes.

Table 6.2: Rural & Outer Islands Development Programmes: 2012 – 2013 (\$M)

	2012 (R)	2013 (B)
Rural and Outer Island Agricultural Development	0.95	\$1.0
Grant to CATD ¹³	0.53	0.63
Agriculture Extension services	0.25	0.2
Agricultural Marketing Authority	1.0	0.9
Maintenance of Completed Irrigation Scheme	0.5	1.5
Drainage and Flood Protection	7.0	6.0
Watershed Management	0.0	1.0
Drainage Subsidy	2.0	1.5
Grant to Self-Help Projects	1.0	1.0
Divisional Development Projects	5.73	7.54
Rural Housing Assistance	1.0	0.7
Social Housing Policy	2.0	1.0
Upgrading of Existing Cane Access Roads	1.5	2.0

¹³ Centre for Appropriate Technology & Development

	2012 (R)	2013 (B)
Rotuma Island Development Programme	0.2	0.3
Rural Electrification Project	6.2	8.5
Renewable Energy Development Projects	7.9	6.5
Fiji Groundwater Assessment and Development Project on Small Islands	0.1	0.1
Dental Equipment for Sub-Divisional Hospitals	0.3	0.27
Biomedical Equipment for Sub-Divisional Hospitals	0.3	0.35
Integrated Rural Sports Complex	0.0	2.6
Accident and Emergency	0.0	0.9
Rural Health Centres	1.60	3.36
Shipping Franchise Scheme	1.5	1.5
Upgrade and Purchase of Government Shipping Vessels	3.8	4.4
Other Rural Water Supply ¹⁴	3.8	4.0
Upgrading of Rural Airstrips	1.0	0.8
Rural Postal Services	0.3	0.3
Banking Services for Non-Economical Rural Areas	0.1	0.1
Rural Sporting Facilities	0.15	0.2

(Source: Ministry of Finance)

Youth and Sports

- 6.28 The ongoing development of Fiji's youth remains a priority for Government in 2013. The objective is to ensure that young people are given the opportunity to effectively participate in Fiji's development process and nation building efforts.
- 6.29 Continuous training and upskilling is therefore a key aspect of youth development. To facilitate effective training of youths, particularly in rural areas, a sum of \$0.2 million has been allocated to upgrade the training centres in Labasa, Savusavu and Sigatoka. This is supplemented by an allocation of \$0.4 million for Youth Capacity Building and Training Programmes.
- 6.30 Government recognises the importance of sports as an avenue to promote national unity, youth development and employment opportunities. In an effort to provide accessibility to international standard sporting facilities in rural communities, Government has allocated \$2.6 million in 2013 for the construction of two new stadiums in Vunidawa and Seaqaqa. This will be supplemented by funding from the Chinese Government. A further sum of \$0.2 million has been provided to develop rural sporting grounds.

¹⁴ Allocation is part of Water Authority of Fiji's.

6.31 To cater for the establishment of a National Sports Commission as well as assist national sporting federations that intend to host international tournaments in Fiji, Government has allocated a grant of \$1.5 million. This allocation will also cover the cost of short term experts/coaches and overseas sporting tours.

CHAPTER 7: PRIORITY SECTORS

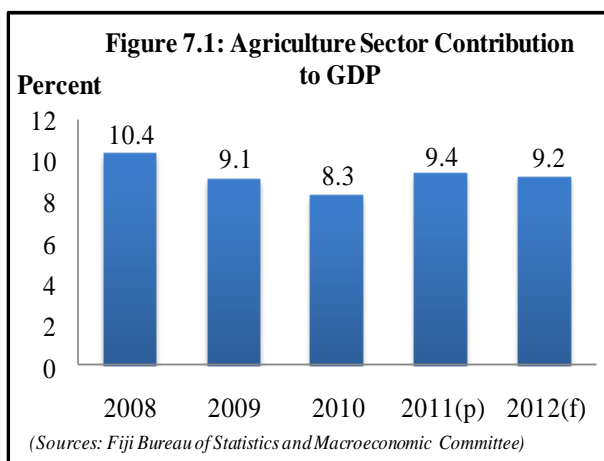
Infrastructure

- 7.1 Investment in infrastructure is a major prerequisite for economic growth and development. The 2013 Budget therefore allocates an unprecedented sum of over \$722.7 million towards capital projects. Of this amount, investments in road infrastructure alone total \$395.1 million.
- 7.2 The FRA which was established in January this year is responsible for the management, maintenance and construction of all roads, bridges and public jetties in the country.
- 7.3 The FRA is expected to bring about new standards to Fiji's roads, in terms of the quality of resealing and regularity of maintenance work to ensure safer and economical roads. In addition to the capital grant, an operating grant of \$27.3 million is provided to meet the operational costs of the Authority.
- 7.4 Aside from routine maintenance work, FRA will also manage all externally funded road projects. A sum of \$221.0 million is projected for direct payments in 2013.
- 7.5 In 2013, approximately \$14.5 million in grant has been provided to the Land Transport Authority (LTA) whilst a sum of \$6.3 million is set aside for the Maritime Safety Authority of Fiji (MSAF).
- 7.6 Access to electricity also facilitates business activity and improves the living standards of the rural population. In 2013, a sum of \$8.5 million is allocated for the rural electrification project. In addition, Government is committed to the development of renewable energy and a sum of \$6.5 million is provided for these projects.
- 7.7 In 2013, the Water Authority of Fiji is allocated a total of \$110.5 million of which, \$52.9 million is for capital expenditures and \$57.6 million is to cover operational expenses.
- 7.8 Government Shipping Services will receive a total budget of \$12.1 million in 2013. Of this amount, \$1.1 million is set aside for the upgrading of Government vessels, lighthouses and buildings. To facilitate transportation in the maritime zones, a sum of \$3.0 million is budgeted for the purchase of a shipping vessel.

Agriculture

7.9 Agriculture contributes around 10 percent of GDP, with sugar and subsistence sectors being the major drivers.

7.10 The challenges faced by the sector include natural disasters, inadequate infrastructure, high transportation costs and lack of access to finance and markets.



Non-Sugar

7.11 The non-sugar agriculture sector had an average contribution of 7.6 percent to GDP over the period 2005-2011 and is expected to improve with Government assistance and private sector investment.

7.12 **Table 7.2** below shows the production level of various agriculture commodities from 2007 to 2012.

Table 7.2: Agricultural Production 2007-2012 (Tonnes)

Domestic Production	2007	2008	2009	2010	2011	2012 (f)
Papaya	9,091	7,265	2,446	2,190	3,065	3,371
Ginger	3,110	2,488	2,787	2,338	2,575	2,833
Cassava	61,379	55,773	42,332	51,690	69,910	76,901
Dalo	61,662	74,009	69,863	60,283	67,179	73,897
Rice	14,870	11,595	11,637	7,684	7,914	8,706
Beef	1,958	1,866	1,719	1,761	2,197	2,306.9
Dairy	11,100	10,300	11,070	10,200	9,600	10,100

(Source: Department of Agriculture)

Food Security Programme (FSP)

7.13 In line with its policy objective, Government will continue to pursue import substitution initiatives. Focus will be directed towards enhancing rice, potato and fruit & vegetable productions which currently dominate food imports. Other targeted import substitution commodities include dairy, sheep and beef.

- 7.14 To this effect, Government has allocated a sum of \$1.0 million for the FSP in the 2013 Budget.

Export Promotion Programme (EPP)

- 7.15 Government has allocated \$1.0 million in 2013 to further facilitate and intensify export promotion programmes. Government will also ensure that market needs are met and production standards enhanced. The strategic use of public-private partnership (PPP) under the umbrella of the Crop and Livestock Council (CLC) and the Research Council (RC) will be strengthened to maintain efficient use of resources.

Other Policy Initiatives

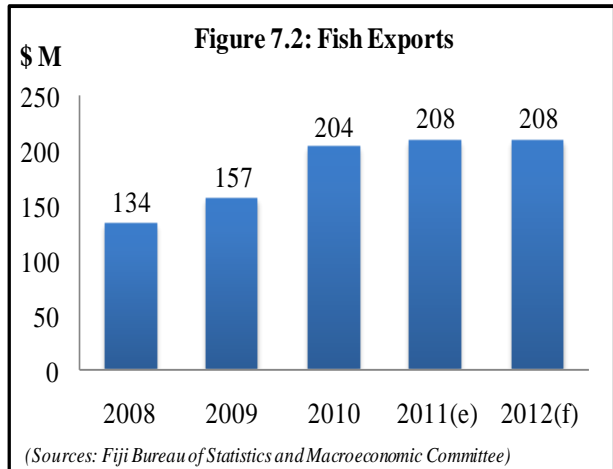
- 7.16 Government will also prioritise off-season production and promote value adding of primary produce.
- 7.17 Considering the frequent occurrences of natural disasters, DOA has formulated a Disaster Response Management (DRM) framework to improve responsiveness to disasters. An allocation of \$20,000 has been provided in 2013 for this purpose.
- 7.18 Government will also build capacity for staff and farmers to acquire modern farming techniques that will improve productivity and profitability. In this regard, duty concessions will be made available to farmers to purchase modern equipment and farming implements.
- 7.19 Bulk of livestock feed are still imported, as such, necessary support will be provided towards research initiatives in feed technology to support investment in this area. A feed mill was installed and commissioned in 2012 and feed formulation will be the main focus for 2013. A sum of \$0.1 million has been provisioned in 2013 for Livestock Feed Analysis and Technology.

Fisheries

- 7.20 The Department of Fisheries (DOF) strives to fully comply with international and regional obligations. These include the Observers Program for Monitoring Control and Surveillance (MCS) which aims to prevent, deter and eliminate illegal, unregulated and unreported fishing. Through the implementation of these regimes, Fiji is recognised as a responsible Flag and Coastal State and is able to trade its fish products in the EU as well as other foreign markets.

Inshore & Aquaculture Fisheries

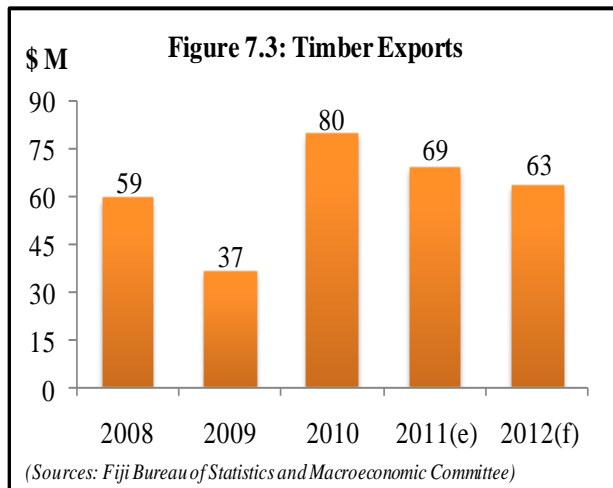
7.21 To develop aquaculture fisheries to industry status, a budgetary provision of \$0.6 million is provided in 2013 for the construction of a Multi-Species Hatchery in the Ra Province. This initiative will also contribute to import substitution for shrimps, prawns and other fisheries products as well as facilitate increased investment in aquaculture.



7.22 In addition, a provision of \$0.2 million has been allocated towards Biodiversity Enhancement – Ridge to Reef programme in the 2013 Budget. Previously, the Ecosystem Rehabilitation project only focused on forest ecosystem. Under the Biodiversity Enhancement programme, the focus has been expanded to enhance ecosystem rehabilitation from the forests to the reefs.

Forestry

7.23 The Forestry Sector on average accounts for 1.0 percent of GDP and contributes around 4.1 percent towards total exports. The major exports include pine wood chips, veneer timber and plywood. Timber is ranked as Fiji's sixth most important domestic export commodity.



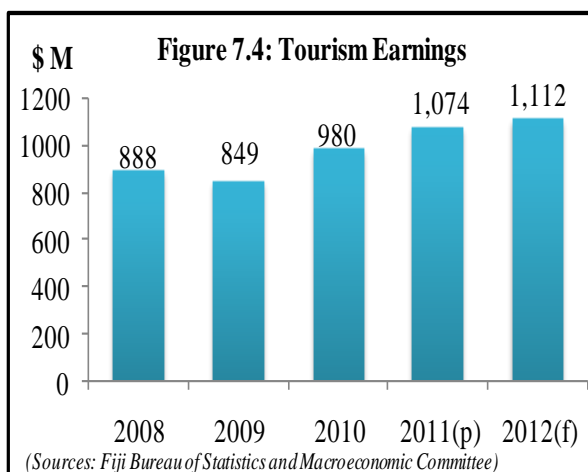
7.24 For 2010, timber exports were \$79.6 million, close to 5 percent of total exports. However, due to subdued demand in the global market for wood chips, adverse weather conditions and delays in harvesting for mahogany, timber exports are expected to fall to around 3.6 percent and 3.1 percent of total exports for 2011 and 2012, respectively.

Policy Framework

- 7.25 To further diversify the forestry sector and provide economic opportunities for forest resource owners, Government is supporting further research into the development of non wood forest products and the establishment of sandalwood nurseries in selected areas throughout the country. To continue these programmes, \$0.15 million has been allocated for the Research & Development of Wood and Non-Wood Species and \$0.1 million for the Sandalwood Development Programme.
- 7.26 In addition, Government will continue to support the REDD-Plus initiative in order to prepare Fiji for Carbon Trading under the REDD-Plus mechanism, with a budgetary provision of \$0.3 million in 2013.

Tourism

- 7.27 The Tourism Sector continues to be the country's largest foreign exchange earner. From 2009 to 2012, Government spent approximately \$105.5 million to promote Fiji as a tourist destination in traditional and emerging markets like India, China and the United Arab Emirates. In terms of Tourism earnings, \$980 million was recorded in 2010 and is estimated to have surpassed the billion dollar mark in 2011.



Tourism Fiji Marketing Grant

- 7.28 As part of its ongoing support for the tourism sector, Government has provided \$26.5 million in the 2013 Budget to Tourism Fiji, out of which \$23.5 million is for marketing and \$3 million for operating expenses.
- 7.29 Aside from direct financial support, a wide range of incentives are available for hotel development and refurbishment. Other concessions include the Tourist VAT refund scheme and duty exemptions on tourist items and related equipment.

Mining

- 7.30 The number of productive mines in Fiji has increased to four and there is potential for growth given the number of advanced projects in the pipeline. These include the Manganese Project in Nasauco in Navosa and the Nabu Manganese Mine in Nadroga.
- 7.31 Apart from traditional ores of gold and silver, the sector for the first time will produce other minerals such as bauxite and iron, which makes for a stronger mineral economic base.

Nawailevu Bauxite Mine

- 7.32 Production commenced in 2012 and at the end of quarter 3 this year, a total of 169,262 tonnes has been exported, valued at around \$6.0 million. The final production figure for the year is projected to be higher as few more shipments are expected before the end of the year.

Ba Delta Iron Sand Mine

- 7.33 Following the granting of a mining lease to Amex Resources Ltd, the construction phase of the mine is currently in progress with ongoing work on the stockpile site at the Lautoka Port. Other work undertaken include site preparation, storage shed construction, office building at the project site in Ba.
- 7.34 Capital investment in the mine is estimated at \$150 million and production is expected to commence in late 2013. An estimated 300 full time jobs and 50 casual jobs are expected to be generated from this project.

Mineral Exploration

- 7.35 As at 30 September 2012, a total of 60 exploration licenses have been issued with another 36 licenses in various stages of processing. This is compared to 49 exploration licenses for the same period in 2011.
- 7.36 Mineral exploration work is not only confined to the classical land based minerals but also includes deep sea mineral, petroleum and geothermal resources. For the first time, a total of 16 exploration licenses were issued for deep sea exploration.
- 7.37 Government will continue the development of a mining industry that encourages participation and dialogue of stakeholders, ensures environmental

sustainability and provides fair returns to investors, resource owners and Government.

- 7.38 For 2013, \$0.3 million has been provided for the Mineral Investigation programme.

Micro, Small & Medium Enterprises

- 7.39 The Micro, Small and Medium Enterprises (MSMEs) have emerged stronger and continue to make significant contribution to national development, particularly in improving the quality of life of the marginalised and the disadvantaged.

Policy Framework

- 7.40 The National Centre for Small and Micro Enterprises Development (NCSMED) is mandated to support the promotion and development of the MSME sector through establishing appropriate support programmes.
- 7.41 This includes identifying and developing business opportunities for MSMEs, entrepreneur development, advisory services, awareness & outreach, technology enhancement & product development and developing & strengthening institutional arrangements to support financing for SMEs.

Current Initiatives

- 7.42 NCSMED's initiatives are centred on the following programmes: Business Incubators, Business and Technical Skills Training, Business Cluster Development, MSME Product Display and Sales Centre, Microfinance and the Northern Development Programme.
- 7.43 For NCSMED's operations, a funding allocation of \$0.5 million has been provided in the 2013 Budget.

Business Incubation Centre Programme

- 7.44 NCSMED's Business Incubator & Training Programme consists of three separate projects:
- Ra Business Incubation Centre – West;
 - Suva Business Incubation Centre – Central; and
 - Business Incubation Support Services (including product development, training and mentoring).

- 7.45 In the last four years, close to 4,000 individuals have been assisted through the Business Incubation Programme.

Business Cluster Development

- 7.46 Clustering allows MSMEs to become more competitive by fostering inter – enterprise linkages as well as collaborative relations with local support institutions. It aims to assist MSMEs combine their strengths and take advantage of market opportunities to solve common problems.
- 7.47 NCSMED is actively working on developing the honey producing cluster in Ra, pearl farming in Savusavu, vegetable farming in Sigatoka, Ba, Ra, and Nadarivatu, and handicraft producers supplying the tourism market.

MSME Product Display and Sales Centre

- 7.48 The MSME Product Display and Sales Centre at Unity House Suva will display and promote Fiji made products from MSMEs. The Centre will help link “Fijian Made products” to markets which would otherwise be difficult to reach by MSMEs located in rural and outer islands.

Microfinance Programme – Delivery of Microfinance Services

- 7.49 There are currently 6 Microfinance Institutions (MFI’s), MF West, FCOSS, MF Bua, Cooperative Navua, Cooperative Labasa, and MF Labasa. The total number of clients stands at 11,057 with total savings of \$773,259 as at 31st August 2012.
- 7.50 Based on reviews and assessments conducted in 2011, the Reserve Bank in collaboration with Government will formulate a strategy to regulate all MFIs operating in Fiji to safeguard depositors’ funds.

Northern Development Programme

- 7.51 The Northern Development Programme (NDP) has contributed to improving the livelihoods of Fijians in Vanua Levu. Since the commencement of the programme in 2008 and up till September 2012, a total of \$4.6 million has been distributed as equity assistance grant from Government and a further \$5.0 million has been provided to borrowers from commercial lenders. A total of 1,555 entrepreneurs have benefitted from the equity assistance.
- 7.52 For 2013, Government has provided \$1.0 million towards the NDP.

CHAPTER 8: INVESTMENT FACILITATION AND INDUSTRY DEVELOPMENT

Introduction

- 8.1 Investment is a key driver of economic growth. To achieve Government's investment target of 25 percent of GDP, efficient facilitation of investment approvals is vital. In addition, Government has introduced generous tax incentives and other investment-friendly initiatives to promote private sector development and foster growth. For instance in 2012, the corporate tax rate was reduced from 28 percent to 20 percent.
- 8.2 Being one of the most progressive island nations and often considered as the hub of the South Pacific, Fiji's business environment is promising for new business ventures.

Investment Portal

- 8.3 The Investment Approval Tracking System (IATS) is an online system designed to facilitate foreign investment applications by fast tracking approvals from Tier 1 Approval Agencies¹⁵. The Internet Payment Gateway (IPG) which is an integral part of the IATS will assist investors to make payments online. The second phase of the program will include other Government Approving Agencies classified as Tier 2 Agencies. The IATS is expected to be launched early next year.

Foreign Investment Update

- 8.4 Table 8.1 shows the number and value of foreign projects registered and implemented over the past 4 years.

Table 8.1: Investment 2009-2012

Investment Indicators	2009	2010	2011	2012 Jan-July
Number of Investment Proposal Received	91	118	145	86
Value of Investment Proposal Received (\$M)	368.3	654.1	492.4	571
Employment Proposal	6,272	2,776	2,786	2,287
Number of Investment Implemented	190	86	190	54

¹⁵ RBF, FRCA, Investment Fiji, Register of Companies and Department of Immigration

Investment Indicators	2009	2010	2011	2012 Jan-July
Value of Investment Implemented (\$M)	734.3	502.76	650.3	593.2(p)
Employment	2,680	1,227	4,330	1,755

(Source: Investment Fiji)

- 8.5 As depicted above, the number of investment proposals received from 2009 to 2011 has steadily increased. The trend in 2012 (Jan-July) when compared to past performance is also higher and can be attributed to the following factors:
- Attractive tax incentives introduced in the 2011 & 2012 Budgets;
 - Participation in trade and investment forums and exhibitions; and
 - Marketing efforts by Fiji embassies and trade missions abroad.

- 8.6 The number of actual investment implementation for 2012 is likely to increase in the second half of the year and is expected to be close to the 2011 level.

Other Initiatives, Reforms & Outlook

- 8.7 Investment Fiji aims to implement 50 percent of proposed projects annually. In this respect, a ‘Case-Based Approach’ will be used to assign dedicated investment officers by economic sectors to assist investors obtain the necessary approvals. To further improve and streamline the approvals process, a survey will be conducted in 2013 to identify the constraints faced by investors.
- 8.8 In order to accurately capture past investment levels, Investment Fiji is working with relevant agencies to correctly record projects.
- 8.9 **Inter-Agency Revival:** Beginning in 2013, Investment Fiji will hold regular monthly meetings with all investment approving agencies to enhance networking and sharing of information to improve the turnaround time for processing foreign investment applications.
- 8.10 **Due-Diligence:** In an effort to properly assess genuine investors, a ‘Due Diligence Process’ was introduced in February 2012 as part of the Investment Registration Process. This includes background creditability, bankruptcy and fraud checks for potential companies and investors.
- 8.11 As part of its investment and export promotion activities in 2013, Investment Fiji will participate in a host of trade promotions such as Foodex Japan, Cebit Exhibition Australia, CIFIT Xiamen China and the Seafood Show in USA. In conjunction with trade promotions, a series of trade missions to Japan, Australia, China, USA, India and Malaysia will be undertaken next year.

8.12 Investment Fiji also plans to hold local seminars focused on Investment Promotion and Export Awareness in consultation with the relevant stakeholders. To support this initiative, publications such as Investors & Exporters Guide, Pamphlets, Sector Profiles and Investment Kits will be published in English, Mandarin and Korean.

8.13 In 2013, Investment Fiji has been allocated a sum of \$1.25 million.

Other Programmes to Facilitate Investments

8.14 ***Fijian Made and Buy Fijian Campaign:*** In 2012, the Government undertook a robust approach to disseminate the Fijian Made and Buy Fijian Campaign message nationwide. This was done through close collaboration with relevant stakeholders using the media and interactive events.

8.15 The campaign aims to promote products produced, manufactured, sewn, grown, packed, designed and assembled by Fijians through a branding strategy. The strategy differentiates products to enable consumers to recognize the brands at point of sale. The overall intent is to increase demand for these products which in turn, will enhance employment generation and industry development. In 2013 Government has allocated a sum of \$0.5 million towards this programme.

8.16 The Ministry of Industry and Trade administers the Industry Emblem Decree 2011, which protects the issuance and use of the approved Industry Emblems. A total of 73 companies have been granted licenses for almost 430 products. In terms of institutional structure, a compliance committee is in place to ensure rigorous compliance checks are done before products are licensed.

8.17 A three year Marketing Plan is being drafted in close collaboration with the private sector to ensure a sustainable and enriched brand. In addition, an audit process will be developed to incorporate standards and quality for product improvement and productivity.

8.18 Government is also committed to assist the SMEs through this branding strategy and so far, 25 SMEs have been licensed to use the Industry Emblems on their respective products. The long-term objective is to enhance innovation and competition of Fijian made products in both local and international markets.

8.19 ***Trade and Investment Missions:*** Both inbound and outbound trade and investment missions are organised annually. These missions aim to promote Fiji in trade and investment exhibitions, create and strengthen networking and identify potential investment and export opportunities.

- 8.20 *National Exports Strategy (NES)*: The NES grant has been instrumental in enhancing the capacity of Fijian exporters. Since its inception, a total of 39 companies have benefited from this programme, including 6 new companies in 2012. The programme assists companies to improve infrastructure and machinery to meet industry standards.
- 8.21 The programme also promotes value addition and diversification to improve the quality of products. Target sectors include agriculture, marine, ICT, forestry, mineral water and audio visual. A sum of \$1.0 million has been provided for NES in 2013.

CHAPTER 9: EXTERNAL TRADE AND DEVELOPMENT COOPERATION

Introduction

- 9.1 In an effort to embrace trade liberalisation and foster integration into the global economy, Fiji has since 1989 become party to many international, regional and bilateral trade agreements. This enabled free flow of goods and services and has in turn, contributed to Fiji's economic development.

Update on Regional and International Trade Agreements

- 9.2 *South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)* – allows preferential access for Pacific Island products and services into Australian and New Zealand markets. The SPARTECA TCF scheme in particular, has generated significant benefits for the Fijian garment industry and has been further extended by the Australian Government until December 2014. Possible amendments to the scheme to enable a more inclusive arrangement, in particular, further concessions on the rules of origin requirements are under consideration. In 2013, Government has allocated \$0.1 million as marketing grant to the TCF Council to raise awareness of Fiji's TCF industry in the export markets as well as to develop and establish secondary markets.
- 9.3 *Pacific Island Countries Trade Agreement (PICTA)* – this regional trade agreement between Pacific Forum Island Countries allows for duty free & quota free access to products within the region. The Trade in Goods Agreement however, is flawed in that only 7 out of the 14 PACP have shown readiness to trade. Countries still maintain tariffs on selected items, while Fiji has opened its markets to all parties under the PICTA. The region has successfully concluded the PICTA Trade in Services negotiations with half the FIC's signing the agreement. Fiji and PNG, two of the major players in the region, are yet to sign the PICTA Trade in Services Agreement.
- 9.4 *Melanesian Spearhead Group Trade Agreement (MSGTA)* – this sub-regional agreement is the most successful agreement in the Pacific region. The MSGTA is also based on a negative list, whereby tariffs are maintained on selected items. Fiji does not have a negative list. Vanuatu and Solomon Islands in March this year have committed to implementing tariff reduction (Vanuatu will be on zero by 2013, while Solomon Islands will need until 2017). PNG recently ratified the agreement and as a result, has removed tariffs on over 400 products that were on their negative list.

- 9.5 The MSG Skills Movement Scheme entered into force on 30 September 2012 and member countries have now commenced implementation under a Memorandum of Understanding (MOU) that was signed by the leaders in March 2012. The MOU provides the framework for facilitating the movement of skilled MSG workers for temporary employment in MSG Countries. This has created employment opportunities for over 1200 skilled personnel from Fiji.
- 9.6 The MSG Countries also launched a Rules of Origin handbook, which provides exporters and importers information on the rules of origin requirements. The handbook also outlines the current tariff levels (negative list). Also in September 2012, the MSG Trade and Economic Officials agreed to review the MSG Agreement to make it more user-friendly.
- 9.7 ***PACER Plus*** – Fiji is not a party to the PACER Plus negotiations as a result of the Forum Leaders Decisions of 2009 and 2010. Fiji’s decision to undertake voluntary suspension of Part 2 of the framework on PACER Agreement would effectively absolve Fiji from any legal obligations arising from the final PACER Plus Agreement.
- 9.8 ***Interim Economic Partnership Agreement (IEPA)*** – Fiji in 2007 initialled the IEPA with the EU to enable continued access for sugar exports. This was signed in 2009, but is yet to be ratified due to certain contentious issues. In September 2012, Fiji provided a draft Fisheries notification to the EU in order to seek derogation from normal rules of origin requirements for canned fish exports to the EU. This derogation or global sourcing if granted will enable Fijian fisheries processors/canneries to source fish from any vessel regardless of the country of origin, process it onshore and export it as Fijian fish. This provides the impetus for further growth and development of the fisheries sector in Fiji.
- 9.9 ***Comprehensive EPA*** – Fiji and the Pacific ACP region is nearing the final rounds of negotiations with the EU on the Comprehensive EPA. The PACP countries have to conclude negotiations at the end of 2012. Fiji’s major concern is the inclusion of global sourcing provisions for fresh, frozen and chilled fish exports. Fiji has the infrastructure but lacks the raw material i.e. tuna (albacore). If global sourcing is permitted, fish processors will be able to source fish from other regions and vessels that are not Fijian owned or registered.
- 9.10 ***Outlook for Trade Agreements*** - Fiji has recently strengthened ties with a number of countries, with the opening of Missions in Brazil, Korea, United Arab Emirates, Indonesia and South Africa, to name a few. The Ministry is working closely with these Missions to encourage negotiations on Bilateral Trade Agreements.

Development Assistance – Financial and Technical Cooperation

- 9.14 Total Official Development Assistance (ODA) accounts for around 1 to 2 percent of GDP. The main areas of assistance include training, infrastructure, health and technical cooperation. The table below highlights the amount of development assistance provided under the various sectors for the period 2011-2013.

Table 9.1: Cash Grants 2011 - 2013

Sector	2011		2012		2013 (B)	
	Value (\$)	%	Value (\$)	%	Value (\$)	%
General Administration	18,782,514	18	14,509,894	10	22,886,434	13
Social Services	57,980,814	58	73,755,828	53	86,375,111	50
Economic Services	12,088,684	12	34,635,397	25	45,744,873	26
Infrastructure	12,429,617	12	17,074,053	12	19,379,545	11
Total	101,281,629	100	139,975,172	100	174,385,963	100
Total in Cash	8,717,070	8.5	17,965,580	13	16,603,340	10
Total in AIK	92,564,559	92	122,009,591	87	157,782,623	90

(Source: Ministry of Finance)

- 9.15 The table below provides a breakdown of aid in kind assistance for 2011 - 2013.

Table 9.2: Aid-In-Kind 2011 - 2013

Details	2011		2012		2013 (B)	
	Value (\$)	%	Value (\$)	%	Value (\$)	%
Training	16,379,468	18	14,405,615	12	13,846,399	9
Infrastructure	26,267,995	28	11,559,721	9	17,346,057	11
Technical Assistance	11,897,138	13	22,780,272	19	25,822,298	16
Health Services	11,472,000	12	13,684,863	11	23,859,312	15
Technical Cooperation	6,729,893	7.4	10,925,298	9	12,990,036	8
Others	19,818,065	21	48,653,822	40	63,918,521	41
Total	92,564,559	100	122,009,591	100	157,782,623	100

(Source: Ministry of Finance)

- 9.16 Government has recently signed a new Development Cooperation Agreement with Indonesia and is in negotiations with South Africa, Brazil and Qatar for similar agreements.
- 9.17 Chinese ODA to Fiji has also increased in recent years with funds generally used for development projects mutually agreed to by both Governments. Projects that have been funded include bridge construction, roads, provision of transportation in maritime areas, housing, and construction of schools and hospitals.
- 9.18 Through its bilateral aid program, Australian Aid to Fiji is expected to double by 2014. The program targets poverty and vulnerability in Fiji's most disadvantaged communities with outcomes of improving access to quality education, strengthening primary health services and promoting resilience and economic opportunities. Assistance has also been provided towards the upcoming elections and for disaster risk reduction initiatives.
- 9.19 Fiji's experience in South-South Cooperation and Triangular Cooperation has been supported by the ILO whereby Fiji's Ministry of Labour will assist PNG to review and update its OHS law, system, structures and capacities. The Ministry will also provide technical assistance and labour inspections to the Government of Kiribati. This will encourage knowledge exchange and enable Fiji officials to learn from the success, failures and challenges of emulating the model in an LDC.
- 9.20 JICA also intends to establish a similar cooperation with the PSC. In 2010, the PSC submitted to JICA an action plan that proposed a regional training program for the Pacific. The objective of the plan is for Fiji to host selected training programmes, with the assistance of JICA, and participants are to be identified from various Pacific Island Countries. The PSC is working towards implementing this program in 2013.

CHAPTER 10: 2013 TAX MEASURES

10.1 This chapter details the tax policy measures introduced in the 2013 Budget. The specific amendments to the Income Tax Act, VAT Decree and Customs Tariff Schedules and FRCA administrative processes are listed in the tables below.

Section 1: Direct Tax Measures

I. INCOME TAX

Policy	Description
1. Tax incentive for foreign companies that establish Headquarters in Fiji	❖ Company will be eligible for a corporate tax rate of 17 percent.
2. To promote listing of new companies on the South Pacific Stock Exchange (SPSE)	❖ Newly listed companies on SPSE to enjoy a low corporate tax rate of 18.5 percent, provided the company has 40 percent local shareholding structure.
3. Streamline and simplify the administration of PAYE tax. Provide income tax relief for low income earners	❖ Removal of all personal taxable allowances. ❖ Increase in income tax exemption threshold from \$15,600 to \$16,000.
4. Expand Tax Free Region incentive	❖ Declare Korovou to Tavua (East Viti Levu) as a Tax Free Region. ❖ Applicable to Agricultural sector. ❖ Features include: (a) Applicable to newly incorporated entity; (b) Minimum investment of \$1m; (c) Tax holiday of 13 years; (d) Tax holiday of 20 years for dairy industry; and (e) Import duty exemption on the importation of raw materials, machinery and equipment (including parts and materials) for the establishment of the business for 12 months from the date of approval.
5. Promote exports growth	❖ Maintain Export Income Deduction at 40 percent in 2013.
6. Promote employment creation	❖ Employment Taxation Scheme further extended to 2014.
7. Tax deduction for donation of computers to schools	❖ Applies to new Personal Computers and laptops. ❖ Donations between \$10,000 to \$100,000. ❖ 150 percent tax deduction granted for donations to schools in urban areas. ❖ 200 percent tax deduction granted for donations to schools in rural areas.
8. Promote Tax Compliance	❖ The definition of income to be clarified to include

Policy	Description
through clarification on the definition of income	unidentified deposits in family member bank accounts.
9. Promote compliance with Social Responsibility Levy	<ul style="list-style-type: none"> ❖ The Social Responsibility Levy (SRL) to be renamed as Social Responsibility Tax (SRT); ❖ The SRT for Resident and Non-Resident Taxpayers will be calculated using incremental system.

2013 Tax Structure

The 2013 Tax Structure reflecting PAYE and SRL are shown below:

Resident Taxpayers

Chargeable Income (\$)	PAYE Tax Payable (\$)	Social Responsibility Tax
0-16,000	Nil	
16,001 – 22,000	7% of excess over \$16,000	
22,001– 50,000	420 +18% of excess over \$22,000	
50,001 – 270,000	5,460 +20% of excess over \$50,000	
270,001 - 300,000	49,460 + 20% of excess over \$270,000	23% of excess over \$270,000
300,001 - 350,000	55,460 +20% of excess over \$300,000	6,900 + 24% of excess over \$300,000
350,001 - 400,000	65,460 + 20% of excess over \$350,000	18,900 + 25% of excess over \$350,000
400,001 - 450,000	75,460 + 20% of excess over \$400,000	31,400 + 26% of excess over \$400,000
450,001 – 500,000	85,460 + 20% of excess over \$450,000	44,400 + 27% of excess over \$450,000
500, 001 – 1,000,000	95,460 + 20% of excess over \$500,000	57,900 + 28% of excess over \$500,000
1,000,001 +	195,460 + 20% of excess over \$1,000,000	197,900 + 29% of excess over \$1,000,000

Non-Resident Taxpayers

Chargeable Income (\$)	PAYE Tax Payable (\$)	Social Responsibility Tax
0-16,000	20% of excess of \$0	
16,001 – 22,000	3,200 + 20% of excess over 16,000	
22,001– 50,000	4,400 + 20% of excess over \$22,000	
50,001 – 270,000	10,000 + 20% of excess over \$50,000	
270,001 - 300,000	54,000 +20% of excess over \$270,000	23% of excess over \$270,000
300,001 - 350,000	60,000 + 20% of excess over \$300,000	6,900 + 24% of excess over \$300,000
350,001 - 400,000	70,000 + 20% of excess over \$350,000	18,900 + 25% of excess over \$350,000
400,001 - 450,000	80,000 + 20% of excess over \$400,000	31,400 + 26% of excess over \$400,000
450,001 – 500,000	90,000 + 20% of excess over \$450,000	44,400 + 27% of excess over \$450,000
500, 001 – 1,000,000	100,000 + 20% of excess over \$500,000	57,900 + 28% of excess over \$500,000
1,000,001 +	200,000 + 20% of excess over \$1,000,000	197,900 + 29% of excess over \$1,000,000

Section 2: Indirect Tax

I. VALUE ADDED TAX

Policy	Description
1. FRCA to deem the output VAT (VAT component in respect of direct payments projects) as zero rated.	<ul style="list-style-type: none"> • The contractor(s) (Company) will be eligible to claim for the necessary input VAT. The deemed output VAT will be zero rated. • Relevant information on Output VAT must be provided by the Contactor and the executing Government agency for the project(s). • The zero VAT policy will cease immediately upon the completion of projects. • The zero VAT policy will not apply to state owned entities.

II. SERVICE TURNOVER TAX

Policy	Description
1. Payment of STT by agents	<ul style="list-style-type: none"> • Persons receiving rental money on behalf of home stay owners are accountable to pay FRCA the 5 percent Service Turnover Tax (STT) every month with the net amount paid to the home stay owners.
2. Lodgement of returns	<ul style="list-style-type: none"> • Lodgement of STT returns by agents or home stay owners.

III. CAPITAL GAINS TAX

Policy	Description
1. To promote CGT compliance	<ul style="list-style-type: none"> • Amendment to Section 15 of CGT Decree to make lodgement for all cases mandatory, regardless of whether CGT is payable or not. • FRCA will scrutinise all the cases efficiently before a CGT certificate is issued. • FRCA will retain powers to demand returns for exempt or non-payable cases.
2. To align CGT record keeping requirement	<ul style="list-style-type: none"> • Currently, a person retains record for 5 years from the date of disposal of the Asset (section 17 of CGT Decree). • To be consistent with other tax laws, Section 17 of CGT Decree will be amended to align to 7 years.

IV. STAMP DUTIES

Policy	Description
1. Increase in rates of Stamp Duties	<ul style="list-style-type: none">Existing stamp duty rates will be increased by 3 times.

V. FISCAL DUTY CHANGES

Policy	Description
1. Introduction of Green Tax	<ul style="list-style-type: none">Increase the fiscal duty on:<ul style="list-style-type: none">Motor Spirits (44 cents per litre to 46 cents per litre);Automotive and industrial diesel oil (18 cents per litre to 20 cents per litre).Green Tax will not apply on white benzene, kerosene and premix.Rebate of 2 cents per litre for Inter-island vessels, Bus and Fishing industries will be in place.
2. Smart Phones	<ul style="list-style-type: none">Duty on smart phones to reduce from 5 percent to 0 percent.
3. Dairy Industry	<ul style="list-style-type: none">Regularise the agreement between Government and Fiji Dairy Limited.
4. Cigarettes, tobacco and alcohol	<ul style="list-style-type: none">Increase in fiscal duty by 10 percent.
5. Cool room freezer panels, boxes, cases etc of Styrofoam	<ul style="list-style-type: none">Increased duty to 32 percent.

VI. IMPORT EXCISE DUTY CHANGES

Policy	Description
1. Vegetable	<ul style="list-style-type: none">Import excise duty on vegetables to be reduced from 10 percent to 0 percent in line with the 0 percent duty on fruits.
2. Articles of plastics	<ul style="list-style-type: none">Import Excise duty of 15 percent will be imposed.

VII. EXCISE DUTY CHANGES

Policy	Description
1. Cigarettes, tobacco and alcohol	<ul style="list-style-type: none">Increase current Excise Duty rates by 10 percent.Details provided below.

Table 1: 2013 Excise Rates

Description	2012 Rates	2013 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.43/litre	\$1.57/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.67/litre	\$1.84/litre
Potable Spirit Not Exceeding 57.12 GL	\$31.46/litre	\$34.61/litre
Potable Spirit Exceeding 57.12 GL	\$55.09/litre	\$60.60/litre
Wine: Still	\$2.22/litre	\$2.44/litre
Sparkling	\$2.53/litre	\$2.78/litre
Other fermented beverages: Still	\$2.22/litre	\$2.44/litre
Sparkling	\$2.53/litre	\$2.78/litre
Ready to Drink Mixtures of Any Alcoholic Beverages of any Alcoholic Strength by volume of 11.49% or less	\$1.03/litre	\$1.13/litre
Cigarettes from local tobacco per 10 sticks	96.68 cents	106.35 cents
Cigarette from imported tobacco per 10 sticks	145.03 cents	159.53 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$83.56/kg	\$91.92/kg
Manufactured tobacco containing tobacco grown in Fiji	\$49.09/kg	\$54.00/kg
Manufactured tobacco containing tobacco grown in foreign and tobacco grown in Fiji:	\$83.56/kg	\$91.92/kg
Foreign portion	\$83.56/kg	\$91.92/kg
Local portion	\$49.09/kg	\$54.00/kg

VIII. RECTIFICATION OF CUSTOMS TARIFF ANOMALIES

Policy	Description
1. Ozone depleting substances	<ul style="list-style-type: none"> Align duty rate under tariff item 2903.79.10 and 2903.79.90 to 32 percent fiscal duty, free import excise duty and 15 percent VAT; Delete 2903.79.20; High duty rates were imposed on this heading as they are ozone-depleting substances. Following the implementation of the 2012 Harmonized Systems, the duty rate for these tariff items were not aligned.
2. Chassis fitted with Engines and Cabs	<ul style="list-style-type: none"> Chassis fitted with engines and Cabs previously under section 10 is now accommodated in the tariff.

Section 3: Levy

IX. CREDIT CARD LEVY CHANGE

POLICY	DESCRIPTION
1. Credit Card Levy	<ul style="list-style-type: none"> • The computation of the Credit Card Levy to be based on individual credit card holders billing cycle

Section 4: Tax Administration Decree Amendments

X. TAD CHANGES

POLICY	DESCRIPTION
1. To provide compliance through clarity in definitions (section 11(2))	<ul style="list-style-type: none"> • Define serious omission, wilful neglect and fraud as follows: <ul style="list-style-type: none"> (a) Serious omission – omission of a significant amount of tax compared to the total amount payable by any taxpayer. (b) Wilful Neglect – deliberate act by a taxpayer or tax agent or representative to minimise taxes paid to FRCA. (c) Fraud - false statement to the CEO by a taxpayer or tax agent or representative in regards to taxpayer’s liability to tax, which has been made knowingly, or without belief in its truth, or recklessly, careless whether it be true or false.
2. Strengthen Garnishee Order Provisions	<ul style="list-style-type: none"> • Permit FRCA to issue garnishee orders to financial institutions who maintain bank overdraft accounts of taxpayers that have outstanding taxes if their bank balance is below the bank overdraft limit allowed to the taxpayer by the bank. • Financial institutions should adhere to this garnishee order and debit the bank overdraft account of the taxpayer and forward the payment to FRCA.
3. Company to be responsible for Shareholders Liability	<ul style="list-style-type: none"> • Section 42 of Tax Administration Decree states that in the case of companies being liquidated or insolvent, the directors and controlling shareholders are individually, jointly and severally fully liable for the company debts. The legislation do not do the reverse. • When the director or controlling shareholder become insolvent or liquidated, the company is neither concerned nor involved. • Hence, the 2013 Budget policy is to ensure that the company is also responsible for the shareholder’s debt.

POLICY	DESCRIPTION
	<ul style="list-style-type: none">• Also in section 42 of TAD, FRCA has some powers to deem sleeping directors, upon proofs, to be free from the company debt

APPENDICES

Table 1: Gross Domestic Product by Sector 2008-2015 (\$M)

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
AGRICULTURE & FORESTRY	11.6	499.2	434.7	412.1	459.0	455.5	490.3	520.5	522.8
Agriculture	10.6	458.1	397.1	362.5	416.0	417.1	449.6	477.2	506.5
Subsistence	2.7	120.5	121.1	121.7	122.4	122.8	123.5	124.3	125.2
Growing of Crops, Market Gardening & Horticulture	6.4	250.9	214.3	176.5	222.0	220.8	248.5	271.2	295.2
Sugar cane	3.0	98.0	88.4	51.9	75.3	64.0	76.8	83.7	90.4
Taro	1.7	63.6	60.0	51.8	57.7	62.3	68.6	75.4	83.0
Farming of animals	0.9	41.4	32.4	36.0	40.3	41.2	42.8	44.5	46.2
Forestry	1.1	41.1	37.6	49.5	43.0	38.4	40.7	43.4	46.3
FISHING	2.4	138.4	120.4	120.0	134.5	145.3	147.5	149.8	152.3
Offshore fishing	1.3	83.7	67.5	75.9	85.1	95.4	97.5	99.5	101.8
MINING & QUARRYING	0.4	14.3	24.1	29.1	26.3	28.9	33.2	35.5	37.9
MANUFACTURING	14.2	606.7	593.1	612.5	622.5	650.1	680.4	708.3	727.7
Informal activities	3.1	141.4	142.5	143.3	144.1	145.3	146.7	148.0	149.3
Food products	3.3	135.0	120.1	123.2	135.2	140.8	156.8	170.4	182.5
Sugar	1.0	38.2	23.4	28.8	35.1	34.0	44.2	50.4	54.4
Beverages and tobacco	2.1	92.9	86.0	92.8	91.5	103.6	108.7	113.0	115.3
Non Food Products	5.8	235.7	242.9	251.7	250.7	259.2	267.1	275.8	279.6
Wearing apparel	1.3	60.1	61.8	55.1	48.7	48.2	48.2	48.7	49.2
ELECTRICITY AND WATER	1.4	33.3	49.8	61.6	65.8	67.1	67.9	68.8	69.8
Production, collection and distribution of electricity	1.2	23.4	39.3	48.4	52.5	53.6	54.1	54.7	55.2
CONSTRUCTION	3.2	126.1	110.2	118.5	118.7	127.1	133.9	138.2	140.1
WHOLESALE AND RETAIL	12.7	511.4	481.2	484.3	468.8	481.1	487.8	494.4	500.5
Informal activities	2.9	130.6	132.1	138.4	139.2	140.4	141.7	143.0	144.2
Sale, Maintenance, Repair of Motor Vehicles/Cycles; Retail Sale of Auto Fuel	2.4	88.2	76.5	70.7	67.1	68.7	69.9	71.1	72.2
Retail sale - Auto Fuel	1.3	42.8	41.1	35.3	32.4	33.3	33.9	34.6	35.3

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Wholesale Trade	2.3	83.3	78.0	78.7	71.1	72.1	72.7	73.4	74.1
Solid, liquid, gaseous fuels & related products	1.4	44.5	40.5	42.5	37.5	37.9	38.3	38.6	39.0
Retail Trade	4.1	168.9	159.6	159.9	159.2	166.4	169.3	172.2	174.5
Non-specialised stores with food & beverages predominating.	1.1	37.9	35.2	34.1	33.7	35.4	35.7	36.1	36.4
Wholesale Trade	2.3	83.3	78.0	78.7	71.1	72.1	72.7	73.4	74.1
Solid, liquid, gaseous fuels & related products	1.4	44.5	40.5	42.5	37.5	37.9	38.3	38.6	39.0
Retail Trade	4.1	168.9	159.6	159.9	159.2	166.4	169.3	172.2	174.5
Non-specialised stores with food & beverages predominating.	1.1	37.9	35.2	34.1	33.7	35.4	35.7	36.1	36.4
HOTELS & RESTAURANTS	4.3	230.5	235.4	263.8	276.8	283.7	288.8	294.1	299.4
Hotels; camping sites and other provision of short-stay accommodation	3.5	200.0	197.1	225.5	238.3	244.9	249.8	254.8	259.9
TRANSPORT, STORAGE & COMMUNICATION	15.0	626.1	684.2	671.9	672.3	681.2	692.5	704.1	715.6
Land Transport	1.4	54.3	61.1	52.9	58.3	59.5	60.6	61.9	63.1
Air Transport	2.3	120.0	92.8	117.1	115.2	118.7	121.0	123.5	125.9
Supporting & Auxiliary Activities	4.2	152.4	189.3	182.4	192.5	192.9	195.9	198.8	201.9
Other supporting transport activities	1.5	58.1	64.2	66.3	70.3	70.0	71.4	72.8	74.3
Activities of other transport agencies	1.3	36.8	56.0	49.8	52.9	53.5	54.0	54.5	55.1
Post & Telecommunication	6.0	268.4	313.7	288.8	277.5	281.1	285.6	290.1	294.8
Telecommunications	5.9	264.0	310.2	285.5	274.6	277.9	282.4	286.9	291.5
FINANCIAL INTERMEDIATION	7.9	483.4	429.5	437.8	466.6	482.3	498.2	513.5	529.4
Other monetary intermediation	3.7	226.1	213.3	218.5	221.3	229.1	237.1	244.2	251.5
Insurance	1.7	83.3	51.2	69.8	85.8	90.1	94.6	99.3	104.3
REAL ESTATE & BUSINESS SERVICES	9.3	404.8	403.6	406.2	415.8	422.3	424.6	427.4	430.7
Owner occupied dwellings	4.3	190.7	188.4	189.5	190.5	191.2	192.2	193.5	194.9

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Real Estate Activities	1.2	55.4	53.9	55.1	55.3	55.8	56.4	57.0	57.5
Other Business Activities	1.8	71.7	71.1	75.1	75.9	76.7	77.4	78.2	79.0
PUBLIC ADMINISTRATION & DEFENCE	5.6	287.3	344.3	301.1	273.0	282.2	282.2	282.2	282.2
General public services	3.0	137.1	131.2	139.2	135.4	143.5	143.5	143.5	143.5
Defence activities	1.4	80.7	131.9	91.8	76.7	76.0	76.0	76.0	76.0
Public order & safety	1.1	69.4	81.1	70.0	60.9	62.7	62.7	62.7	62.7
EDUCATION	5.2	233.3	232.1	228.6	240.8	244.1	245.5	247.0	248.5
Primary	1.6	68.5	69.3	62.5	67.4	68.1	68.9	69.6	70.4
Normal secondary	1.1	47.2	47.4	46.7	49.8	50.3	50.9	51.4	52.0
Higher education	1.9	91.3	89.1	93.7	97.4	99.4	99.4	99.4	99.4
HEALTH & SOCIAL WORK	2.1	85.8	93.6	95.8	82.5	79.1	78.5	77.2	76.0
General Government	1.8	73.5	80.9	83.9	71.4	67.8	67.1	65.8	64.5
OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACTIVITIES	4.9	134.7	121.2	120.5	121.8	124.6	125.9	127.2	128.6
Informal activities	1.2	43.3	36.0	38.5	37.9	38.2	38.5	38.9	39.2
Activities of Membership Organisations	2.2	34.7	28.6	27.8	26.6	26.6	26.7	26.7	26.8
Activities of political Organisations	1.9	18.4	18.1	17.8	17.4	17.4	17.4	17.4	17.4
TOTAL	100.0	4,415.1	4,357.3	4,363.7	4,445.3	4,554.4	4,677.0	4,788.1	4,891.5

(Source: Fiji Bureau of Statistics (FBOS) & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 2: GDP Growth (% change) by Sector 2008-2015

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
AGRICULTURE & FORESTRY	11.6	1.0	-12.9	-5.2	11.4	-0.8	7.6	6.2	6.2
Agriculture	10.6	0.7	-13.3	-8.7	14.8	0.3	7.8	6.1	6.2
Subsistence	2.7	0.5	0.5	0.6	0.5	0.4	0.5	0.7	0.7
Growing of Crops, Market Gardening & Horticulture	6.4	-0.6	-14.6	-17.6	25.8	-0.5	12.5	9.1	8.9
Sugar cane	3.0	-8.1	-9.7	-41.3	45.2	-15.0	20.0	9.0	8.0
Taro	1.7	20.0	-5.6	-13.7	11.4	8.0	10.0	10.0	10.0
Farming of animals	0.9	0.8	-21.8	11.3	11.9	2.1	3.9	4.0	4.0
Forestry	1.1	5.2	-8.5	31.6	-13.2	-10.8	6.1	6.5	6.7
FISHING	2.4	21.8	-13.0	-0.3	12.1	8.0	1.5	1.6	1.7
Offshore fishing	1.3	29.7	-19.3	12.4	12.0	12.2	2.1	2.1	2.2
MINING & QUARRYING	0.4	365.2	68.7	20.7	-9.4	9.8	14.7	6.9	6.9
MANUFACTURING	14.2	-2.0	-2.2	3.3	1.6	4.4	4.7	4.1	2.7
Informal activities	3.1	0.6	0.8	0.6	0.5	0.9	0.9	0.9	0.9
Food products	3.3	-2.3	-11.0	2.6	9.8	4.1	11.4	8.6	7.1
Sugar	1.0	-4.4	-38.6	23.1	21.7	-3.0	30.0	14.0	8.0
Beverages and tobacco	2.1	-2.8	-7.4	7.9	-1.4	13.2	4.9	4.0	2.0
Non Food Products	5.8	-3.1	3.1	3.6	-0.4	3.4	3.0	3.3	1.4
Wearing apparel	1.3	5.3	2.9	-10.9	-11.6	-1.0	0.0	1.0	1.0
ELECTRICITY AND WATER	1.4	-42.0	49.8	23.6	6.8	2.0	1.2	1.4	1.4
Production, collection and distribution of electricity	1.2	-51.1	68.0	23.2	8.6	2.0	1.0	1.0	1.0
CONSTRUCTION	3.2	4.7	-12.6	7.5	0.2	7.0	5.4	3.2	1.4
WHOLESALE AND RETAIL	12.7	-5.7	-5.9	0.6	-3.2	2.6	1.4	1.4	1.2
Informal activities	2.9	0.8	1.1	4.8	0.5	0.9	0.9	0.9	0.9
Sale, Maintenance, Repair of Motor Vehicles/Cycles; Retail Sale of Auto Fuel	2.4	-12.3	-13.2	-7.6	-5.1	2.3	1.8	1.6	1.6
Retail sale - Auto Fuel	1.3	-14.3	-3.9	-14.3	-8.1	2.7	2.0	2.0	2.0
Wholesale Trade	2.3	-10.0	-6.4	0.9	-9.6	1.3	0.9	0.9	0.9
Solid, liquid, gaseous fuels products	1.4	-17.7	-9.0	4.8	-11.7	1.0	1.0	1.0	1.0
Retail Trade	4.1	-3.1	-5.5	0.2	-0.5	4.6	1.7	1.7	1.3

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Non-specialised stores with food & beverages predominating.	1.1	-7.4	-7.3	-3.0	-1.3	5.0	1.0	1.0	1.0
HOTELS & RESTAURANTS	4.3	20.6	2.1	12.1	4.9	2.5	1.8	1.8	1.8
Hotels; camping sites and other provision of short-stay accommodation	3.5	24.3	-1.5	14.4	5.7	2.8	2.0	2.0	2.0
TRANSPORT, STORAGE & COMMUNICATION	15.0	-5.1	9.3	-1.8	0.1	1.3	1.7	1.7	1.6
Land Transport	1.4	-11.5	12.6	-13.5	10.2	2.0	2.0	2.0	2.0
Air Transport	2.3	20.8	-22.7	26.3	-1.6	3.0	2.0	2.0	2.0
Supporting & Auxiliary Activities	4.2	-7.8	24.2	-3.7	5.6	0.2	1.5	1.5	1.5
Other supporting transport activities	1.5	-0.5	10.6	3.1	6.2	-0.5	2.0	2.0	2.0
Activities of other transport agencies	1.3	-19.0	52.3	-11.1	6.3	1.0	1.0	1.0	1.0
Post & Telecommunication	6.0	-7.6	16.9	-7.9	-3.9	1.3	1.6	1.6	1.6
Telecommunications	5.9	-7.7	17.5	-8.0	-3.8	1.2	1.6	1.6	1.6
FINANCIAL INTERMEDIATION	7.9	13.2	-11.1	1.9	6.6	3.3	3.3	3.1	3.1
Other monetary intermediation	3.7	23.5	-5.7	2.4	1.3	3.5	3.5	3.0	3.0
Insurance	1.7	-2.0	-38.5	36.4	22.9	5.0	5.0	5.0	5.0
REAL ESTATE & BUSINESS SERVICES	9.3	-1.9	-0.3	0.6	2.4	1.6	0.5	0.6	0.8
Owner occupied dwellings	4.3	0.5	-1.2	0.6	0.5	0.4	0.5	0.7	0.7
Real Estate Activities	1.2	3.9	-2.7	2.2	0.3	1.0	1.0	1.0	1.0
Other Business Activities	1.8	-7.4	-0.7	5.5	1.1	1.0	1.0	1.0	1.0
PUBLIC ADMINISTRATION & DEFENCE	5.6	0.6	19.8	-12.5	-9.3	3.4	0.0	0.0	0.0
General public services	3.0	8.1	-4.3	6.1	-2.8	6.0	0.0	0.0	0.0
Defence activities	1.4	-13.8	63.4	-30.4	-16.4	-1.0	0.0	0.0	0.0
Public order & safety	1.1	6.5	16.8	-13.6	-13.1	3.0	0.0	0.0	0.0
EDUCATION	5.2	1.9	-0.5	-1.5	5.3	1.4	0.6	0.6	0.6
Primary	1.6	-0.5	1.3	-9.9	7.8	1.1	1.1	1.1	1.1

Activity	Base Weight	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Normal secondary	1.1	-1.7	0.5	-1.5	6.7	1.1	1.1	1.1	1.1
Higher education	1.9	7.1	-2.4	5.2	4.0	2.0	0.0	0.0	0.0
HEALTH & SOCIAL WORK	2.1	-12.9	9.1	2.3	-13.9	-4.2	-0.7	-1.6	-1.6
General Government	1.8	-14.2	10.0	3.6	-14.9	-5.0	-1.0	-2.0	-2.0
OTHER COMMUNITY, SOCIAL AND PERSONAL SERVICE ACTIVITIES	4.9	7.8	-10.0	-0.5	1.1	2.3	1.0	1.1	1.1
Informal activities	1.2	20.6	-16.8	6.9	-1.8	0.9	0.9	0.9	0.9
Activities of Membership Organisations	2.2	11.8	-17.4	-2.9	-4.4	0.1	0.2	0.2	0.2
Activities of political Organisations	1.9	-0.4	-1.6	-1.7	-2.0	0.0	0.0	0.0	0.0
TOTAL	100.0	1.0	-1.3	0.1	1.9	2.5	2.7	2.4	2.2

(Source: FBOS & Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 3: Total Exports by Major Commodities 2008-2015 (\$M)

COMMODITIES	2008	2009	2010(p)	2011(e)	2012(f)	2013(f)	2014(f)	2015(f)
Sugar	248.2	187.1	70.1	136.1	174.1	209.3	241.1	261.3
Molasses	13.6	20.8	30.3	24.2	22.9	16.8	13.9	24.5
Gold	26.7	41.0	148.4	142.0	149.2	176.6	185.9	195.9
Timber, Cork & Wood	59.3	36.7	79.6	69.1	63.2	68.4	75.2	77.2
Fish	134.2	156.7	204.2	208.3	208.3	216.6	225.3	234.3
Fruits & Vegetables	33.2	31.8	37.6	44.7	48.3	52.2	57.4	63.1
o/w Dalo	22.2	20.1	23.8	25.3	27.3	29.5	32.4	35.7
Yaqona	4.8	3.9	3.9	5.6	6.4	7.2	8.2	9.2
Coconut Oil	9.3	7.4	5.5	7.1	3.3	3.6	3.9	4.3
Textiles, Yarn & Made Up Articles	7.8	7.7	8.8	9.7	10.1	10.5	10.8	11.1
Garments	100.1	83.9	99.2	90.4	94.1	97.8	100.8	103.8
Footwear	2.1	1.7	1.7	1.3	1.4	1.4	1.4	1.5
Mineral Water	109.9	80.2	119.2	129.4	132.0	134.6	137.3	140.0
Other Domestic Export	234.9	239.0	249.9	277.0	302.2	326.9	341.4	356.9
Re- Exports	488.2	335.5	546.6	778.3	883.5	942.1	785.1	804.8
Total	1,471.0	1,230.3	1,605.1	1,923.2	2,098.9	2,264.1	2,187.7	2,288.1

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; p = provisional, e = estimate, f = forecast)

Table 4: Total Imports by Category 2008-2015 (\$M)

ECONOMIC CATEGORY	2008	2009	2010(p)	2011(e)	2012(f)	2013(f)	2014(f)	2015(f)
Food	520.0	521.5	573.1	721.1	768.7	813.5	845.8	878.3
Beverage & Tobacco	21.7	22.5	31.3	32.7	34.0	35.1	36.1	37.2
Crude Materials	31.0	25.0	30.3	30.8	32.3	33.6	34.6	35.6
Mineral Fuels	1,222.1	720.4	1,100.5	1,176.0	1,253.1	1,231.8	1,279.7	1,329.8
Oil & Fats	37.0	29.1	29.8	46.5	48.8	52.7	56.4	60.3
Chemicals	274.5	225.4	294.2	299.6	305.6	311.7	317.9	324.3
Manufactured Goods	460.8	404.3	467.2	460.7	468.6	476.7	486.2	495.9
Machinery & Transport Equipment	726.5	604.9	625.4	839.7	799.6	2088.4	1026.5	928.1
Miscellaneous Manufactured Goods	278.6	240.6	297.2	280.4	291.1	302.3	313.9	325.9
Other Commodities	29.2	14.2	15.6	18.3	21.5	19.0	17.8	18.0
Total	3,601.4	2,807.9	3,464.6	3,905.7	4,023.3	5,364.6	4,414.9	4,433.4

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; p = provisional, e = estimate, f = forecast)

Table 5: Balance of Payments 2008-2015 (\$M)

ITEMS	2008(r)	2009(r)	2010(r)	2011(f)	2012(f)	2013(f)	2014(f)	2015(f)
BALANCE ON GOODS	-1,762.8	-1,267.2	-1,387.0	-1,506.8	-1,486.6	-2,729.2	-1,650.8	-1,557.5
exports f.o.b	1,393.1	1,162.0	1,581.5	1,887.1	1,983.4	2,046.2	2,151.1	2,257.2
imports f.o.b	3,155.9	2,429.2	2,968.5	3,393.9	3,470.0	4,775.4	3,802.0	3,814.7
BALANCE ON SERVICES	686.7	641.5	828.0	971.6	999.9	1004.2	1051.2	1081.7
Export of Services	1,684.6	1,495.1	1,685.3	1,898.2	1,973.9	2,022.4	2,073.0	2,091.1
Import of Services	998.0	853.6	857.3	926.6	974.0	1,018.2	1,021.8	1,009.4
BALANCE ON PRIMARY INCOME	-140.9	-22.9	-191.8	-251.0	-294.6	-263.3	-268.3	-270.6
Income from non-residents	112.6	119.8	150.0	201.1	134.5	134.5	134.5	134.5
Income to non-residents	253.5	142.7	341.8	452.1	429.0	397.8	402.8	405.0
BALANCE ON SECONDARY INCOME	235.5	349.3	286.5	312.9	350.4	350.4	356.0	361.8
Inflow of current transfers	351.7	445.5	388.0	417.1	455.0	455.0	460.6	466.4
Outflow of current transfers.	116.2	96.2	101.5	104.2	104.5	104.5	104.5	104.5
CURRENT ACCOUNT BALANCE	-981.6	-299.4	-464.3	-473.3	-430.9	-1637.9	-511.9	-384.5
CAPITAL ACCOUNT BALANCE	8.2	4.6	5.6	7.6	7.6	7.6	7.6	7.6
FINANCIAL ACCOUNT BALANCE (Excluding RA)	432.4	883.0	559.8	829.5	631.0	1,938.8	862.4	584.3
Errors & Omissions	158.2	-241.3	161.4	3.7	-178.7	-268.6	-338.1	-207.4
RESERVE ASSETS	-281.2	385.7	261.1	367.6	29.0	40.0	20.0	0.0

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; p = provisional, e = estimate, f = forecast)

Table 6: Tourism Statistics 2008-2015

	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Visitors (000)	585,031	542,186	631,868	675,050	702,052	723,114	744,807	767,151
o/w Business	39,576	35,652	39,698	41,323	42,123	43,387	44,688	46,029
o/w Personal	545,455	506,534	592,170	633,727	659,929	679,727	700,119	721,122
Average length of stay (days)	9.6	9.8	9.6	9.4	9.4	9.4	9.4	9.4
Business	7.6	8.4	8.2	8.4	8.4	8.4	8.4	8.4
Personal (tourism purposes)	8.5	8.6	8.4	8.4	8.4	8.4	8.4	8.4
Visitors days (millions)	5.6	5.3	6.0	6.4	6.7	6.9	7.2	7.4
o/w Business	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
o/w Personal	5.3	5.0	5.7	6.0	6.4	6.6	6.8	7.0
Earnings (\$M)	887.5	848.9	976.7	1,074.0	1,111.9	1,146.6	1,182.5	1,219.6
o/w Business	55.7	58.0	63.6	69.1	68.4	71.8	75.4	79.3
o/w Personal	831.8	790.9	913.1	1,004.9	1,043.5	1,074.8	1,107.1	1,140.3

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; p = provisional, e = estimate, f = forecast)

Table 7: Sugar Production, Export and Price 2008-2015

	2008	2009(r)	2010(r)	2011(p)	2012(f)	2013(f)	2014(f)	2015(f)
Cane Production - Seasonal (million tons)	2.3	2.2	1.8	2.1	1.8	2.1	2.3	2.5
Sugar Production - Seasonal (000 tons)	208	168	132	167	162	210	240	259
Tonne Cane to Tonne Sugar Ratio - Seasonal	11.2	13.4	13.5	12.6	11.0	10.2	9.7	9.7
Export Quantity Sugar (000 tons)	260.0	199.0	96.0	133.1	161.7	210.2	239.6	258.8
Unit Value (F\$/tonne)	954.6	940.2	730.1	1,022.2	1,076.7	996.0	1,006.1	1,010.0
Sugar Export Earnings (F\$M)	248.2	187.1	70.1	136.1	174.1	209.3	241.1	261.3
Molasses Production (000 tons)	98.0	119.0	146.0	108.5	114.5	82.3	61.0	105.0
Molasses Export Earnings (F\$M)	13.6	20.8	30.3	24.2	22.9	16.8	13.9	24.5
Price Paid to Growers (F\$/tonne)	58.21	61.65	56.23	49.16	65.67	61.48	60.89	63.68

(Source: Fiji Bureau of Statistics, Fiji Sugar Corporation, Macroeconomic Committee; r = revised, p = provisional, f = forecast)

Table 8: Inflation Rates (2005-October 2012)

	2005	2006	2007	2008	2009	2010	2011	2012 (Oct)
All items	2.7	3.1	4.3	6.6	6.8	5.0	7.7	4.1
Food	3.1	3.3	7.7	11.1	7.7	2.9	9.1	3.0
Alcohol Drinks & Tobacco	3.2	1.3	7.0	2.7	6.6	5.0	7.9	10.4
Housing	0.5	3.9	1.7	1.3	1.5	0.3	0.7	-0.1
Heating & Lightning	11.7	11.0	-6.9	12.7	-8.5	36.7	4.2	1.5
Durable Household Goods	-0.7	3.2	2.2	4.4	12.8	2.3	-0.3	3.0
Clothing & Footwear	0.3	2.4	4.0	0.2	6.6	1.9	1.5	2.6
Transport	5.1	1.4	2.3	6.3	16.3	1.4	16.2	11.3
Services	1.6	1.3	1.4	0.4	1.8	1.5	2.1	1.1
Miscellaneous	-3.0	5.5	10.6	6.4	16.0	0.8	6.1	0.4

(Source: Fiji Bureau of Statistics)

Table 9: Employment by Sector 2002-2009 (000's)

ECONOMIC ACTIVITY	2002(r)	2003(r)	2004(r)	2005(r)	2006(r)	2007(r)	2008(r)
Agriculture, Forestry & Fishing	1.7	1.7	1.6	1.7	1.7	1.7	1.7
Mining & Quarrying	1.7	1.9	2.4	2.3	2.4	2.3	2.3
Manufacturing	28.9	25.5	25.0	26.3	27.1	27.7	27.9
Electricity, Water & Gas	2.7	2.3	2.2	2.7	2.5	2.6	2.5
Construction	3.5	6.4	7.1	6.2	6.7	6.9	6.8
Distribution (incl. Tourism)	24.5	25.8	26.7	26.9	27.2	27.8	29.4
Transport & Communication	10.3	10.7	9.9	10.5	10.6	10.9	10.8
Finance, Insurance & Business Services	6.4	7.8	8.0	7.9	8.0	8.7	8.8
Other Services	38.0	37.8	39.0	39.4	40.0	40.2	40.1
Total	117.7	119.9	121.9	123.9	126.0	128.8	130.3

(Source: Fiji Bureau of Statistics)

Table 10: Exchange Control Policies

The following table highlights the exchange control policy changes to be effective from 1 January 2013

Category of Payments	Current Delegated Limits	Delegated Limits to be Effective from 1/1/13
Dividends and Profits	Not Delegated	F\$500,000 per business per annum
Withdrawal of Investments	Not Delegated	F\$500,000 per applicant per annum
Offshore Investment by Individuals	\$10,000 per family per annum	F\$15,000 per family per annum
Medical Allowance paid directly to an Individual	\$5,000 per individual per annum	F\$10,000 per individual per annum
Education paid directly to an Individual	\$5,000 per student per annum	F\$10,000 per student per annum