

REPUBLIC OF FIJI

**ECONOMIC AND FISCAL UPDATE:
SUPPLEMENT TO THE 2014 BUDGET ADDRESS**

"Building A Smarter Fiji"



Ministry of Finance
08 November 2013

FOREWORD

The Supplement to the 2014 Budget Address presents an overview of Fiji's financial and economic performance. It also discusses Government's fiscal strategy for the medium term as well as Government's commitment to stimulate investment and inclusive economic growth within a sustainable fiscal environment.

The Supplement provides further details on key economic and financial policies underlying the 2014 Budget which has been aligned to the provisions in the 2013 Constitution.

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

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Permanent Secretary for Finance
08 November 2013

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CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK (2012-2016)

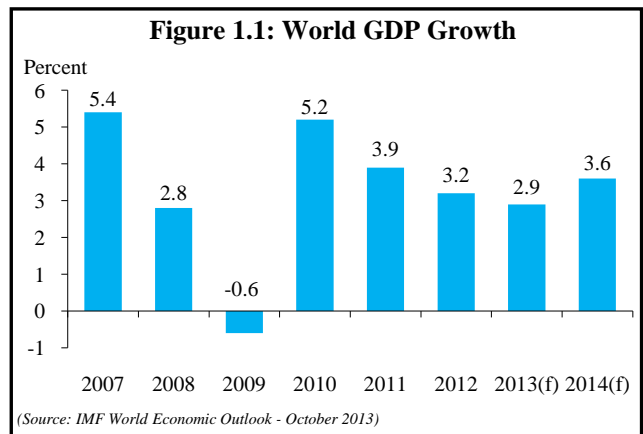
Introduction

- 1.1 This chapter provides an update on the performance of the domestic economy against a backdrop of current developments in the world economy.

International Outlook

- 1.2 Global growth remains weak due to a slowdown in emerging market economies, in particular China and India. In October 2013, the International Monetary Fund (IMF) revised this year's global growth projections downwards to 2.9 percent from an earlier forecast of 3.2 percent. Growth for 2014 has also been downgraded to 3.6 percent from an initial projection of 3.8 percent.

- 1.3 Advanced economies are gradually strengthening and will support world growth next year. While emerging market and developing economies are slowing down, growth rates still remain above that of advanced economies.



- 1.4 Growth in emerging economies is expected to be around 4.5 percent in 2013 and 5.1 percent in 2014. However, advanced economies are projected to achieve lower growth of 1.2 percent and 2.0 percent in 2013 and 2014 respectively.

Fiji's Trading Partners

- 1.5 Economic prospects for most of Fiji's major trading partner economies continue to be positive.
- 1.6 Recovery continued at a modest pace in the **United States** in the first half of the year with a growth of 2.5 percent in the second quarter. This was supported by a rebound in business spending, export growth and fiscal spending. Latest indicators also reflect positive economic developments in the third quarter. With the US Government shutdown coming to an end and the raising of the debt ceiling, growth is projected at 1.6 percent for this year and 2.6 percent for 2014.

- 1.7 After six straight quarters of decline, the **Euro zone** exited its longest recession and grew by 0.3 percent in the second quarter of 2013. While growth is beginning to resume, it still remains very weak. Policy actions have, however, reduced risks and stabilized financial markets with some euro zone economies showing early signs of rising confidence. Although unemployment remains high across Europe, further actions to restore financial sector health will ensure financial stability and support recovery. In 2013, the Euro zone is expected to contract by 0.4 percent, however, a gradual recovery of 1.0 percent is anticipated for 2014.
- 1.8 In **Japan**, growth is projected at 2.0 percent for 2013, spurred by fiscal stimulus and monetary easing to boost private consumption and investment activity. Recent indicators on industrial production and the labour market also support continued recovery this year. In 2014, the Japanese economy is expected to grow at a lower rate of 1.2 percent given the expected withdrawal of fiscal stimulus, lower reconstruction spending and hike in consumption tax. However, if any additional stimulus package is launched, growth would be higher than currently projected.
- 1.9 The **Australian** economy recorded a growth of 0.5 percent and 0.6 percent in the first and second quarters of this year. Preliminary data suggests that growth in the third quarter may also be weak. Mining investment has slowed down with falling commodity prices and export receipts continue to be affected by a slowing Chinese economy. Manufacturing growth continues to be weak despite the recent depreciation of the Australian dollar. Although the housing market has started to pick-up, the low interest rates have failed to spark consumption growth. The Reserve Bank of Australia has reduced its key interest rate twice this year to 2.5 percent to revive growth against a benign inflation outlook. Moving forward, the Australian economy is expected to grow by 2.5 percent this year and 2.8 percent in 2014.
- 1.10 In **New Zealand**, despite the recent spate of earthquakes, severe drought and issues in the dairy industry, the economy continues to show some resilience. In the second quarter a 0.2 percent growth was registered. The economy is anticipated to grow by 2.5 percent in 2013 with a further expansion of 2.9 percent in 2014. Growth would be supported by rising consumption, high commodity prices for New Zealand exports, reconstruction works and improved investor and consumer confidence.
- 1.11 Growth in **China** is on a decelerating path with negative implications for the overall global economy. The Chinese economy is expected to grow by 7.6 percent in 2013 and decelerate further to 7.3 percent next year. This growth trend is well below the double digit growth experienced by China in previous

years. However, to safeguard financial stability and achieve a more balanced and sustainable growth, the Chinese Government is refraining from further fiscal stimulus and easing credit policy.

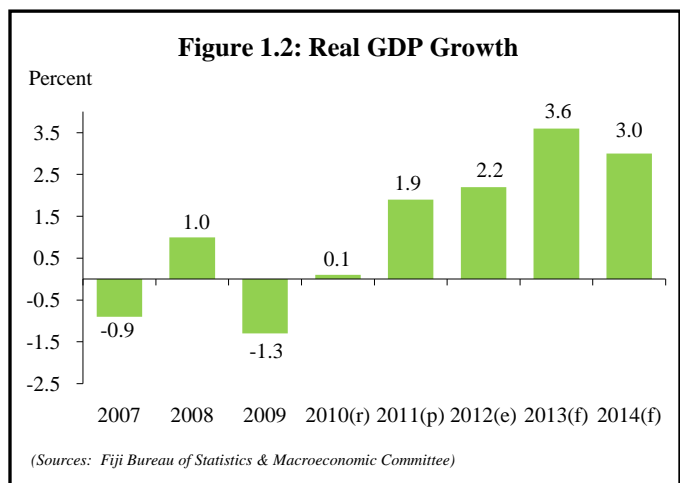
- 1.12 Similarly, growth in **India** has also been slowing down in recent years. India's growth is projected at 3.8 percent in 2013 and 5.1 percent in 2014. The Indian economy is largely being constrained by the lackluster performance of key manufacturing and service sectors, as well as monetary tightening which is adversely affecting domestic demand.

Domestic Outlook

- 1.13 Fiji recorded positive growth in the last three consecutive years (2010-2012) with growth outcomes improving every year. The domestic economy is estimated to have expanded by 2.2 percent in 2012, after growing by 1.9 percent in 2011 and 0.1 percent in 2010.

Overview: 2013

- 1.14 This year, the Fijian economy is forecast to grow by 3.6 percent, an upward revision from the 3.2 percent growth projected in August.



- 1.15 With the exception of the mining & quarrying sector, the growth outlook for 2013 is expected to be driven by all other sectors including the manufacturing,

communication, wholesale & retail trade, agriculture, construction, financial intermediation and the transport & storage sectors.

- 1.16 Furthermore, the favourable growth forecast for 2013 is consistent with the recent acceleration in private sector credit across most sectors of the economy. New commercial bank loans in the first nine months of this year exceeded \$1.1 billion, almost double the value of loans provided in the same period last year. Also, strong business sentiments raised in Reserve Bank's Business Expectations Survey supports current positive growth projections.

- 1.17 Overall, the revised growth projection reflects a growing sense of optimism and confidence in the economy and is consistent with the strong growth in various partial indicators such as net Value Added Tax (VAT) collections, inward personal remittances, domestic cement sales and borrowings by the private sector.

Overview: 2014

- 1.18 In 2014, the Fijian economy is forecast to grow by 3.0 percent, an upward revision from the 2.5 percent projection in August. The upgraded forecast is supported by the spill-over of some large construction projects into 2014, new private sector investments and the impact of new policy measures in the 2014 Budget.
- 1.19 A broad based growth is projected for next year with significant contributions expected from the agriculture, manufacturing, construction, wholesale & retail trade, financial intermediation and transport & storage sectors.
- 1.20 The 2014 Budget will have a significant positive impact on the economy next year. The 40 percent increase in capital expenditure and 16.2 percent in operating expenditure will provide further stimulus to boost investments and consumption spending in the economy.

Overview 2015 & 2016

- 1.21 The growth levels for 2015 and 2016 have both been forecast at 2.4 percent. Growth in both these years is expected to be driven mainly by the agriculture, manufacturing and wholesale & retail trade sectors whilst moderate contributions are expected from other remaining sectors.

Inflation

- 1.22 Inflation is projected to be around 3.0 percent by the end of 2013. Some inflationary pressures were experienced in the early part of the year due to supply disruptions after the cyclone and adverse weather conditions. Higher prices were also noted for food and alcoholic beverages during the third quarter. However, in the months ahead, inflation is expected to remain subdued in line with the soft global demand conditions and the modest inflation outlook for major trading partner economies.
- 1.23 For 2014 and 2015, inflation is projected at 2.5 percent and 3.5 percent respectively.

Trade & Balance of Payments¹

Exports

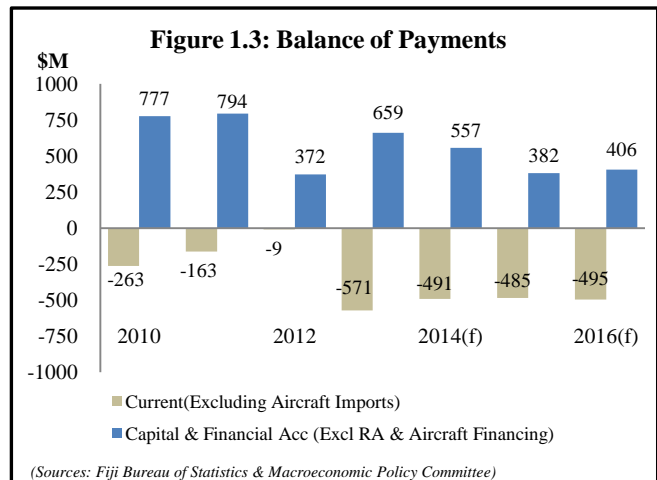
- 1.24 In 2013 total exports are expected to decline by 5.2 percent, largely due to lower re-exports. However, domestic exports are expected to grow by 3.3 percent led by garments, timber, sugar & molasses, fish and fruits & vegetables.
- 1.25 In 2014, 2015 and 2016, total exports are expected to grow by 5.2 percent, 4.9 percent and 3.5 percent respectively, on account of anticipated increases in all major export categories.

Imports

- 1.26 Imports in 2013 are forecast to grow by 9.6 percent, led by all major categories of imports. The notable increase in imports mirrors the current hike in domestic demand and investments this year.
- 1.27 This broad-based growth in imports is forecast to continue into the medium term. In 2014 and 2015, imports are forecast to grow by 3.9 percent and 3.1 percent, respectively while a 3.2 percent growth is anticipated for 2016.

Balance of Payments

- 1.28 The current account deficit is projected to deteriorate to 7.3 percent of GDP in 2013, mainly due to a higher trade deficit. The balance in the capital & financial account (excluding reserves and aircraft financing) is forecast at 8.5 percent of GDP. Consequently, the overall balance is expected to increase to around \$246 million.



- 1.29 In 2014, the current account deficit is expected to improve gradually to 6.7 percent of GDP, with anticipated improvement in the trade balance and higher

¹ This is excluding aircrafts.

surpluses expected from the services and secondary income accounts. With a capital & financial account balance of 6.7 percent of GDP, the overall balance is expected to decline by \$75 million next year.

- 1.30 Current account deficit in 2015 and 2016 is expected to narrow further to 5.6 percent and 5.4 percent of GDP, respectively. The balance in the capital & financial account (excluding reserves and aircraft financing) is expected at 4.4 percent of GDP due to the envisaged lower net foreign borrowing. As such, the overall balance is anticipated to decline by around \$100 million in 2013 with a further decline of \$75 million in 2016.

Monetary Policy

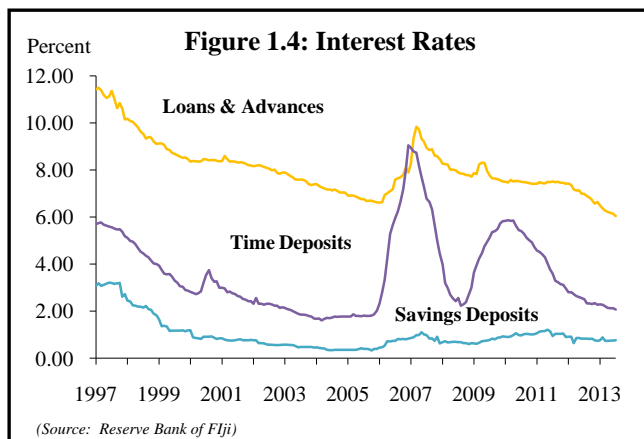
- 1.31 The Reserve Bank continued its accommodative monetary policy stance in 2013 with the overnight policy rate unchanged at 0.5 percent. This has assisted in facilitating investment and economic growth, and at the same time safeguard the twin objectives of maintaining comfortable level of foreign reserves and low inflation.
- 1.32 Foreign reserves remained at comfortable levels throughout the year. At the end of October, foreign reserves were around \$1,773 million, sufficient to cover 4.9 months of retained imports of goods and non-factor services.
- 1.33 Price pressures in the coming months are expected to be generally soft in line with the modest inflation outlook of our major trading partner economies and contained international food and energy prices.
- 1.34 The Reserve Bank will continue to closely monitor external & internal developments and accordingly align policy to ensure that the twin objectives of monetary policy remain intact.

Money & Credit

- 1.35 Broad money supply (M3) rose by 15.4 percent in September on account of expansions in net domestic credit and increase in foreign assets. Net domestic credit rose by 12.6 percent led by a private sector credit growth of 8.0 percent. Similarly, net foreign assets also grew by 9.4 percent in September due to increased inflows of foreign reserves.

Interest Rates

1.36 The high level of liquidity in the banking system continued to place downward pressure on commercial banks' lending and deposit rates. On an annual basis, the outstanding time deposit rate fell by 35 basis points to 1.99 percent, while the savings deposit rate fell by 4 basis points to 0.78 percent. Likewise, the weighted average outstanding lending rate for commercial banks' fell to 6.06 percent.



- 1.37 Money market rates also noted a significant decline over the same period. As at September, the weighted average yield on the 245 and 364 day t-bills stood at around 0.13 percent and 0.15 percent, respectively. Similarly, rates in the capital market continued on a downward trajectory with the 15 year bond recording a yield of 5.33 percent.
- 1.38 Given the excess liquidity in the banking system and the accommodative monetary policy stance, interest rates are expected to remain low in the medium term.

Exchange Rates

- 1.39 Over the month to September, the Fiji dollar strengthened against the US dollar (3.0%), Yen (2.6%) and the Euro (1.1%), but weakened against the New Zealand (-3.2%) and Australian dollar (-1.3%). However, over the year to September, the Fiji dollar rose against the Japanese Yen (20%) and the Australian dollar (6.6%), but fell against the Euro (-8.9%), US dollar (-4.8%) and New Zealand dollar (-4.4%).
- 1.40 The Nominal Effective Exchange Rate (NEER) index fell on an annual basis by 0.5 percent over the year indicating a slight depreciation of the Fiji dollar against its major trading partner currencies. However, the Real Effective Exchange Rate (REER) index rose both over the year and over the month to September by 0.4 percent and 0.1 percent, respectively, reflecting a loss in Fiji's international competitiveness.

CHAPTER 2: UPDATE ON GOVERNMENT’S POLICY OBJECTIVES

Introduction

- 2.1 This chapter provides an update on the implementation of key focal areas under the Roadmap for Democracy and Sustainable Socio-Economic Development 2009-2014 (RDSSSED), as well as planned priority areas for 2014 and beyond. Implementation of the Roadmap covers the 3 core areas of strengthening good governance, macro-economic stability and social development & national unity.
- 2.2 A major achievement under the Roadmap this year constituted the assenting of the 2013 Constitution by his Excellency the President on 6th September 2013 as Fiji’s new supreme law. This has paved the way forward for Government to convene democratic elections by 30th September 2014 under a new equitable and fair electoral system. Further details on the key achievements under the Roadmap are provided in the ensuing paragraph.

Progress of Implementation

- 2.3 Table 2.1 below provides an overview of key achievements under the 3 focal areas of the Roadmap.

Table 2.1: Update on Implementation of RDSSSED

STRENGTHENING GOOD GOVERNANCE	ECONOMIC DEVELOPMENT	SOCIO-CULTURAL DEVELOPMENT
<p>Formulation of a New Constitution</p> <ul style="list-style-type: none"> • His Excellency, the President gave his assent to the 2013 Constitution on 6th September following a nationwide consultative process. • The 2013 Constitution enshrines principles of an independent judiciary, a secular state and a wide range of civil, political and socio-economic rights. • Protects the rights of indigenous landowners and also their tenants, demands accountability and transparency from Government officials, and 	<p>Maintaining Macroeconomic Stability</p> <ul style="list-style-type: none"> • Improvements in economic growth. • Investment expected to be around 28.2 percent of GDP. • Debt level declined to 47.7 percent as at September 2013. • Fiscal deficits maintained at manageable levels. • Comfortable level of foreign reserves to cover close to 5 months of retained imports of goods & services. • Low inflation levels achieved. 	<p>Reducing Poverty to Negligible Level</p> <ul style="list-style-type: none"> • Supporting growth of SMEs with various Government initiatives (expenditure support, taxation/customs incentives, capacity building and access to low cost finance). • Various social protection, income generating and empowerment programmes. (See chapter 6). • Introduction of social pension scheme in 2013. • Substantial reduction in tax rates and increase in income tax threshold. • Supporting private sector investments to create more jobs. • 2013/2014 HIES to ensure updated & timely statistics on poverty.

<p>builds strong & independent institutions.</p> <p>Electoral & Parliamentary Reform</p> <ul style="list-style-type: none"> • Multi-member open list proportional voting system adopted under a single national electoral roll with one vote of equal value. • 50 member Parliament. • Voting age reduced to 18. • Registration of 4 political parties to date. • Phase III of voter registration completed with 536,180 voters registered at end of October 2013. <p>Strengthening Law & Justice</p> <ul style="list-style-type: none"> • Independent and impartial judiciary with equal and improved access to justice. • Strengthened community policing initiatives. • Reduced prison population rate per 100,000 people. • Improved public security. • Concerted effort to combat money laundering. <p>Strengthening Accountability & Transparency</p> <ul style="list-style-type: none"> • Accountability & Transparency Commission to be established under the 2013 Constitution. • Code of Conduct to be adopted for senior public office holders. • Procedures & processes for breach of code of conduct, protection of whistle-blowers and annual declaration of assets & liabilities of public officers. • Strengthening accountability for Political Parties and its members. 	<p>Export Promotion/Import Substitution</p> <ul style="list-style-type: none"> • Formulation of the Trade Policy Framework. • Promoting Fijian Made and Buy Fiji campaign. • Free Trade under MSG trade agreement. • Trade Pasifika Exhibition • Various projects funded under National Export Strategy, Export Promotion Programme and Food Security Programme. • Active utilisation of low cost funding through the Import Substitution, Exports Finance Facility (ISEFF) with RBF and interest subsidy through FDB. <p>Making More Land Available for Productive & Social Purposes</p> <ul style="list-style-type: none"> • Protection of indigenous land rights and fair share of royalties for extraction of minerals under the 2013 Constitution. • 77 parcels of land totalling 6,312 hectares deposited in the Land Bank. • To date 29 leases have been issued to 25 investors. <p>Enhancing Global Integration & International Relations</p> <ul style="list-style-type: none"> • Chairmanship of G77 plus China, and International Sugar Organisation. • Fiji hosted the inaugural meeting of the Pacific Island Development Forum (PIDF) in August 2013. 	<p>Employment & Labour Market Reform</p> <ul style="list-style-type: none"> • Considering adoption of a national minimum wage rate. • Review of the Employment Relations Promulgation to make further improvements. • Continuous registration, training and information on employment opportunities provided by National Employment Centre. • 2010/2011 Employment & Unemployment Survey carried out by FBOS to reflect current labour market trends. <p>Making Fiji a Knowledge Based Society</p> <ul style="list-style-type: none"> • Right to education under the 2013 Constitution and increased funding channelled towards education. • Provision of free education by Government and increased support for tertiary studies. • Improved access to broadband services. • Technical and vocational training in the education system. • Compulsory teaching of conversational iTaukei and Fiji Hindi in primary schools. • Improved primary enrolment from 95% (1990) to 99% (2012) and secondary enrolment from 71% (1990) to 80% (2012). <p>Improving Health Service Delivery</p> <ul style="list-style-type: none"> • Right to health under the 2013 Constitution. • Decentralisation of health services and construction of new health facilities to ensure improved access. • Various initiatives to counter NCDs. • Decrees and regulations to modernize the regulatory framework for the health sector (HIV Decree, Tobacco Decree, Mental Health Decree and Volatile Substance Abuse Decree).
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<p>Ensuring Effective, Enlightened & Accountable Leadership</p> <ul style="list-style-type: none"> • Leadership Training programmes for Permanent Secretaries, Deputy Secretaries and Directors. • Redefined role of Permanent Secretaries under the new Constitution. <p>Enhancing Public Sector Efficiency, Effectiveness & Service Delivery</p> <ul style="list-style-type: none"> • Ongoing reforms in the civil service, corporatization & privatization of public enterprises, and financial management reforms. • Detailed update on Public Sector Reform is provided in Chapter 3. 	<ul style="list-style-type: none"> • PIDF Secretariat to be established in Fiji. • Setting up of new foreign missions and strengthening diplomatic relations. • Unwavering commitment to UN peacekeeping. <p>Infrastructure Development</p> <ul style="list-style-type: none"> • Substantial investment in road and bridge upgrade (Details in Chapter 7). • Suva-Nausori water supply and sewerage upgrading. • Public Private Partnership in operation of Port services. 	<p>Children & Youth</p> <ul style="list-style-type: none"> • Development of National Youth Policy and Strategic Plan of Action 2012-2014. • Fully fledged Ministry of Youth & Sports. <p>Gender Equality</p> <ul style="list-style-type: none"> • Implementation of the Women’s Plan of Action. • Establishment of women resource centres. • Domestic Violence Decree in place. <p>Millennium Development Goals (MDGs)</p> <ul style="list-style-type: none"> • Fiji on track to achieve 5 out of 8 MDGs.
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Progress on Preparation for 2014 General Election

- 2.4 As stipulated in the 2013 Constitution, general elections will be held before 30th September 2014. In this regard, a sum of around \$18.0 million has been allocated to the Elections Office in 2014.
- 2.5 As of 31st August 2013, 4 political parties² have registered to contest the 2014 General Elections under the new Political Parties Registration Decree 2013. The Elections Office has completed Phase III of the voter registration process with 536,180 voters registered as at October 2013. Overseas voter registrations have also commenced to give all Fijians living abroad an opportunity to vote.
- 2.6 Election experts from the Commonwealth, New Zealand and European Commission have conducted a Gap Analysis/Needs Assessment to identify vital areas of support for the upcoming elections. The elections experts will also work with Government, the Elections Office, and the soon to be appointed Electoral Commission to finalise preparatory works for the 2014 election. This would include identifying polling stations, developing a specific list for election-related materials, drafting the rules and regulations to guide the electoral process, and

² Social Democratic Liberal Party, Fiji Labour Party, People’s Democratic Party, and National Federation Party.

establishing a fair and transparent system for the hiring and training of elections staff.

- 2.7 The Elections Office has also advertised the position of the Supervisor of Elections which will be filled by an individual with the necessary skills and expertise to ensure that national elections are conducted in a fair, transparent and credible manner.
- 2.8 To ensure the smooth facilitation of elections, the following activities will be pursued in the lead-up to General Elections in 2014:
- appointment of elections officials and capacity building for election administration;
 - ongoing registration of voters and new political parties;
 - ongoing civic education on the new electoral and voting system;
 - printing of ballot papers and voter lists; and
 - conducting of formalities for elections i.e. writs of election, nomination of candidates, conduct of the poll, etc.

CHAPTER 3: MEDIUM TERM STRATEGY

Introduction

- 3.1 This chapter discusses Government's fiscal strategy for the medium term taking into account prevailing global and domestic economic conditions, the progress of various structural reforms and key policy priorities.
- 3.2 The medium term strategy also takes into consideration provisions in the new Constitution, including the Bill of Rights and its implications on Government resources.

Medium Term Strategy

- 3.3 The general direction of fiscal policy since 2007 has been focused on raising economic growth, through supporting private sector investments and channelling adequate budgetary resources to key sectors of the economy. In the medium term, this momentum will continue to be enhanced while ensuring fiscal sustainability.
- 3.4 In pursuing its fiscal objectives, Government is also mindful of the need to maintain overall macroeconomic stability and continue to develop policies that will contribute towards achieving the following socio-economic objectives:
 - (i) Attaining growth levels of 5.0% over the medium term;
 - (ii) Further diversify the economy and identify new sources of growth;
 - (iii) Achieving consistent streams of annual investments above 25.0% of GDP;
 - (iv) Promote export led growth and explore further opportunities for import substitution;
 - (v) Ensure households have improved access to essential services such as health, education, water, electricity and proper infrastructure; and
 - (vi) Create additional opportunities for employment, reduce poverty and raise overall living standards for all Fijians through inclusive growth policies.

Medium Term Fiscal Framework

- 3.5 The net deficit target for 2014 is set at 1.9 percent of GDP, with a revenue forecast of \$2,721.8 million and expenditure level of \$2,882.1 million. As a result, debt is expected to be around 48.3 percent of GDP next year.
- 3.6 Table 3.1 below outlines the medium term fiscal framework for 2014 to 2016, encapsulating Government's core objective of raising growth within a sustainable fiscal environment.

Table 3.1: Medium Term Fiscal Targets (\$M)

	2014 Budget	2015 Target	2016 Target
Revenue:	2,721.8	2,844.6	3,014.1
<i>As a % of GDP</i>	32.9	32.6	32.8
Expenditure:	2,883.3	2,975.5	3,105.9
<i>As a % of GDP</i>	34.8	34.1	33.8
Net Deficit	(161.5)	(130.9)	(91.9)
<i>As a % of GDP</i>	(1.9)	(1.5)	(1.0)
Debt	3,999.1	4,130.0	4,221.9
<i>As a % of GDP</i>	48.3	47.3	45.9
GDP at Market Prices	8,283.4	8,725.9	9,189.2

(Source: Ministry of Finance)

- 3.7 Fiscal deficits for 2015 and 2016 are projected at 1.5 percent and 1.0 percent of GDP, respectively. Consequently, debt is expected to reduce to around 47.3 percent of GDP in 2015 and 45.9 percent of GDP in 2016.
- 3.8 While gradually consolidating finances over the medium term, Government will continue to increase its operating savings by strengthening collection of operating revenues and prudently managing the growth in operational expenditures. This strategy will ensure that borrowing is fully directed to capital spending to enhance the productive capacity of the economy.
- 3.9 A larger share of Government's resources will be directed towards investment expenditures in the 2014 Budget. The operating to capital expenditure mix for the 2014 Budget is set at 64:36. This is a further improvement from the 2013 revised Budget mix of 68:32.

Revenue Policy

- 3.10 Government's revenue policy for the medium term will continue to focus on ensuring a taxation system that is equitable, non-distortionary and simple to

administer. Compliance will be further strengthened with increased resources allocated to the Fiji Revenue and Customs Authority (FRCA) in 2014.

3.11 In line with Government's revenue policy direction, revenue measures in the medium term will focus on:

- Providing a conducive environment to stimulate investment and growth;
- Streamlining tax administrative processes and procedures to ensure efficient and timely processing of investment incentives;
- Improving current compliance efforts by adequately resourcing FRCA to review and clamp down on potential areas for tax evasion;
- Supporting export development in resource-based sectors and industries to promote value-adding activities;
- Reviewing tariffs rates to ensure consistency with policy objectives, particularly in respect of curtailing imports of health and environmentally hazardous goods;
- Assisting the private sector through timely processing and payment of VAT refunds;
- Conducting continuous monitoring of trade liberalization issues and obligations, with a view to safeguarding tariff revenues and other matters of national interest;
- Protecting the plight of the poor and disadvantaged by reducing duty on basic food items and necessities;
- Undertaking price surveillance on duty concession goods to ensure that duty reduction translates to reduced prices for targeted commodities;
- Reviewing Government fees, fines and charges on a cost recovery basis where feasible and appropriate; and
- Improving internal control mechanisms within line ministries and departments to better manage revenue collections and recovery of arrears.

3.12 Chapter 10 highlights specific taxation and revenue policy measures for the 2014 Budget.

Expenditure Policy

- 3.13 Funding allocations in the 2014 Budget have been prioritised to key sectors such as education, health, infrastructure development, agriculture and other resource-based sectors.
- 3.14 In line with the provisions of the 2013 Constitution, adequate resources have also been provided for water and electricity, social protection, employment creation and income generation, access to justice, provision of housing, rural development and national security. The provision of these resources should help improve the socio-economic well-being of all Fijians.
- 3.15 To improve the quality of expenditure, Government will continue to channel a considerable share of available resources towards capital expenditures. As outlined above, the operating to capital expenditure ratio for the 2014 Budget is set at 64:36, a substantial improvement from previous years. This will provide more resources to boost economic growth over the medium term.
- 3.16 Allocation of fiscal resources in the medium term will be based on the following key principles and priorities:
- Spending will be clearly linked to priority sectors and key policy objectives, in line with provisions in the 2013 Constitution;
 - Continued implementation of key infrastructure projects and public utilities, particularly for roads and other important developments;
 - Increase support for essential services such as education, health, water, electricity, law and order, etc;
 - Prioritise key programmes and activities that will generate quick and sustainable returns;
 - Support critical public sector and structural reform initiatives;
 - Place greater emphasis on self-help initiatives, income generating projects and SME development;
 - Support programmes and projects that facilitate private sector development and employment creation;

- Continue to support existing social protection programmes and other assistance to the poor and disadvantaged;
- Continue to support key development initiatives for rural, remote and maritime regions; and
- Reserve sufficient resources to respond to unforeseen events such as natural disasters and global economic shocks.

3.17 The Public Sector Investment Programme (PSIP) will be refined to enhance the quality of project planning and design, and expedite implementation of capital projects and basic infrastructure. In addition, major policy initiatives will be closely monitored to ensure budgeted programmes are effectively implemented on the ground.

3.18 Details of expenditure policies and programmes are discussed further in chapters 4, 6 and 7.

Debt Policy

3.19 The overarching objective of Government’s debt management strategy is to ensure long-term sustainability of public debt through well-formulated risk management policies.

3.20 For the medium term, debt management will focus on achieving the following objectives:

- Maintaining a manageable Debt to GDP ratio by gradually reducing fiscal deficits;
- Securing an appropriate ratio for domestic and external debt financing, bearing in mind potential risks such as exchange rate fluctuations, interest rate variability and the impact on foreign reserves;
- All new foreign borrowings will be dedicated to financing capital projects;
- Maintain a “Prudent Debt Maturity Structure” to help ease debt servicing costs;
- Further diversify the investor base for Government’s debt portfolio;

- Establish a well functioning securities market by focusing on key aspects of transparency, regularity and integrity;
- Utilize callable options for early redemption of expensive loans and bonds;
- Continue to channel resources to the offshore sinking fund account to accumulate funds for the repayment of the US\$250 million global bond in 2016; and
- Prudent management of Government Guarantees and Contingent Liabilities.

Structural Reforms

- 3.21 The ensuing paragraphs provide an update on the status and focus of Government's overall reform programme for the medium term, including the progress of key public service reform initiatives.

Civil Service Reforms

- 3.22 ***Human Resource Management:*** Government continues to provide in-house and external trainings, including scholarships, to enhance the human resource capacity of agencies within the public service. The Leadership Training for Senior Executive Service will be completed in 2013. Subsequent training programmes for middle level managers will commence in 2014.
- 3.23 A new Performance Based Pay System has been adopted to allow Government to reward outstanding performers in the civil service. In addition, new minimum qualification requirements have been developed to ensure the recruitment of competent staff in line agencies.
- 3.24 The increase in remuneration in the 2014 Budget will ensure a competitive workforce through staff retention and recruitment of highly skilled and talented personnel. This will in turn lead to an improvement in public service delivery.
- 3.25 The Fiji Volunteer Service continues to play an instrumental role in providing employment opportunities to unemployed citizens and retirees. An increased funding of \$1.0 million is allocated in the 2014 Budget to support this programme.

- 3.26 ***Productivity Management:*** The Service Excellence Awards (SEA) Programme will continue to be implemented on an annual basis to entice line Ministries and Departments to streamline internal processes and improve service delivery. In 2013, 31 agencies participated in the programme with 6 agencies receiving the highest award for service excellence.
- 3.27 ***Organizational Management:*** As articulated in the 2013 Constitution, the authority to employ and manage staff will be delegated to Permanent Secretaries from next year. However, any new appointments approved by Permanent Secretaries would be subject to budgetary limits as approved by Parliament.

Public Enterprise Reforms

- 3.28 Government will continue to encourage more private sector participation in its reform plans for public enterprises to improve efficiency and achieve higher investment returns.
- 3.29 ***Fiji Ports Corporation Limited (FPCL)*** – A new public private partnership was formed in April 2013 between Ports Terminal Limited and Aitken Spence (a global maritime logistics company) to manage the operations of the Suva and Lautoka ports. This arrangement would bring about more efficiency and productivity in the management of Fiji’s port facilities, resulting in increased trade and profitability. Government plans to divest more of its shares in FPCL in 2014.
- 3.30 ***Airports Fiji Limited (AFL)*** –Government has called for expression of interests for the management and/or acquisition of equity shares in the Nadi and Nausori Airports. The divestment of Government shares in AFL would set the platform for the modernisation of Fiji’s airports and develop Fiji into a hub for aviation in the region. The construction of the “Nadi Airport Terminal Modernisation Project” is expected to commence later this year to improve services and generate greater returns.
- 3.31 ***Fiji Electricity Authority (FEA)*** – The deregulation of the energy sector with the separation of FEA’s regulatory and commercial functions is nearing completion. The review of the Electricity Act and conversion of FEA into a commercial entity with both public and private ownership will be pursued in 2014. This would promote competition and facilitate the provision of efficient and affordable electricity services to the general public.
- 3.32 ***Pacific Fishing Company Limited (PAFCO)*** - In 2012, Government approved a loan of US\$3.0 million to enable PAFCO to upgrade its fish processing

facilities to comply with US Food and Drug Administration requirements. Upgrading works will commence in 2014.

- 3.33 Asset valuations for Rewa Rice Limited, Food Processors Limited, Yaqara Pastoral Company Limited, Fiji Meat Industry Board, Post Fiji, and PAFCO will be completed later this year. Following this, Government will consider optimal operational structures for these entities.

Financial Management Reforms

- 3.34 **Financial Reporting:** Government is currently moving towards a fully cash-based accounting system in line with the International Public Sector Accounting Standards. This together with capacity building in the accounting cadre will lay a good foundation to gradually move towards accrual accounting.
- 3.35 **National Fixed Asset Register:** To complement the transition towards accrual accounting, Government will continue to pursue the creation of a reliable asset register. To achieve this, agencies will be required to provide all necessary information for the identification and valuation of their non-financial assets.
- 3.36 **Electronic Payment System:** The Ministry of Finance will continue to use the Electronic Fund Transfer (EFT) system to ensure efficiency and cost effectiveness in Government's payment processes. This will continue to assist in minimizing unpresented cheques and improve account reconciliations.
- 3.37 **Finance Manual:** A review of the Finance Manual is currently underway to improve current financial procedures to ensure efficient and effective management of Government finances.

Labour Reforms

- 3.38 **Occupational Health & Safety Reform:** Government has successfully implemented a newly reformed OHS system which is ranked as one of the top 3 systems in the world. The Ministry of Labour is currently documenting Fiji's OHS Reform to be used by the International Labour Organisation to promote OHS reforms in other developing countries.
- 3.39 **Employment Relations Reform:** Government with the tripartite-plus Employment Relation Advisory Board (ERAB) Subcommittee has recently completed the review of the Employment Relation Promulgation 2007 (ERP). The review will prevent discrimination in the workplace and help strengthen employment conditions.

- 3.40 **Wages Reform:** The reform involves the review of the wage setting mechanism to promote productivity and ensure decent wages for workers are balanced with employers' ability to pay. Government has concluded the National Minimum Wages Baseline Survey to ensure Fijian workers are paid fair and just wages.
- 3.41 **Workers Compensation Reform:** Fiji has developed its first Impairment Assessment Manual, which will be used as a reference guide by local doctors to examine workplace injuries and deaths. This manual will determine just payments for workers compensation claims. The draft compensation law is expected to be finalised by the end of this year. Government has allocated \$1.5 million for Workmen's Compensation in 2014.

Land Reforms

- 3.42 Government will continue to promote the productive utilization of land through the Land Bank initiative. Moreover, the 4.0 percent subsidy under the CBUL programme will be maintained to encourage the renewal of expiring leases and ensure equitable returns to landowners.
- 3.43 To date, a total of 77 parcels of land with a combined area of 6,312 hectares have been registered with the Land Bank. A sum of \$5.0 million is provided in the 2014 Budget to fund the Land Bank programme while \$6.4 million is provided under the CBUL initiative.

Sugar Industry Reforms

- 3.44 Over the period 2010 to 2012, Government took proactive steps to salvage the Fiji Sugar Corporation from financial collapse and undertook urgent reform measures to restructure key segments of the industry. This intervention has resulted in a positive turnaround in FSC's financial performance this year and stabilised the overall sugar sector.
- 3.45 The focus for the sugar sector over the medium term is clearly prescribed under the Sugar Cane Industry Action Plan 2013-2022. This Plan was devised by industry stakeholders with the support of sugar reform experts. The Plan provides an action-oriented framework to help revitalise and sustain the industry over the next 10 years, focusing mainly on the following 6 core areas:
- (i) crop production and grower advisory services;
 - (ii) harvesting and transport;
 - (iii) milling and processing;

- (iv) cane quality;
- (v) revenue generation; and
- (vi) industry re-structuring and legislation.

- 3.46 Moving forward, the performance of the industry is expected to improve with anticipated increases in both sugar output and exports. This growth is critical to further support FSC's financial performance and ensure the industry is well placed to embrace the anticipated withdrawal of EU preferential prices in 2017.
- 3.47 In 2014, Government has provided a budget of \$8.4 million for the sugar development programme. This will be utilised to assist farmers in cane replanting and improving production levels.

Financial Sector Reforms

- 3.48 To safeguard the financial system against threats of instability, the Reserve Bank continues to strengthen its regulatory function by ensuring good governance practices, effective risk management and enhanced disclosure requirements.
- 3.49 **Review of the Insurance Act:** After an inclusive consultative process, the Reserve Bank has completed the review of the Insurance Act. The proposed inclusion of actuarial assessments and a risk based solvency framework will strengthen market discipline, risk management and soundness of licensed underwriters.
- 3.50 **Superannuation Supervision Decree:** This new legislation will clearly articulate Reserve Bank's supervisory powers to regulate the superannuation industry. The drafting of the legislation will commence soon.
- 3.51 **Review of Fees & Charges:** Following the review of fees and charges of credit institutions, fees penal in nature were either removed or capped. In addition, any increases in existing fees or introduction of new fees will require proper justification and clearance from the Reserve Bank.
- 3.52 **Increased Competition:** The Reserve Bank continues to maintain an open door policy to new entrants in the banking industry. Following the opening of Bred Bank last year, Home Finance Company Limited has been issued a commercial banking license. HFC will commence its banking operations from next year. The increased competition in the banking sector will benefit customers with better products and services.

- 3.53 The Reserve Bank has also issued new licenses to a number of foreign exchange dealers and approved the pilot phase of a new innovative remittance payment system through the use of vouchers.
- 3.54 **Capital Markets Development:** As part of its effort to improve capital market development, Government has taken a bold step to further lower the corporate tax rate for listed companies from 18.5 percent to 10.0 percent from next year.
- 3.55 Furthermore, this year the Capital Market Development Master Plan 2020 was formulated to provide a plan of action and various reforms to develop Fiji as the preferred capital market centre in the Pacific.
- 3.56 **National Payment Systems Decree:** The new Payment Systems Decree will be finalised soon. This new legislation will govern the establishment, regulation and oversight of payment systems in Fiji.
- 3.57 **Small & Medium Enterprise Credit Guarantee Scheme:** Since the introduction of this scheme, around 400 loans valued at \$21.0 million have been registered. To date, there have been no defaults or claims made under the scheme.
- 3.58 **Import Substitution & Export Finance Facility (ISEFF):** The facility provides funding at concessional interest rates to promote exports and investment in renewable energy. At the end of August 2013, 42 businesses were assisted with a total utilisation of \$33.4 million.
- 3.59 **Natural Disasters Rehabilitation Facility:** With a funding allocation of \$40.0 million, the facility caters for losses suffered by natural disasters. To date, 45 borrowers have been assisted with advances totalling \$15.7 million.
- 3.60 **Housing Facility:** This facility was introduced in 2012 to assist in provision of affordable housing for low income earners. Out of the \$25 million set aside, \$10 million has already been advanced to Housing Authority to date.
- 3.61 **Exchange Control:** Given the comfortable outlook on foreign reserves, the RBF will further relax exchange controls by increasing delegated limits on foreign currency outflows. These changes are outlined in Appendix Table 10 and will be effective from January 2014.
- 3.62 **Financial Intelligence Unit and Anti-Money Laundering Measures:** The RBF recognises the importance of safeguarding Fiji's financial system from money laundering and other criminal activities. It also ensures compliance with international standards on combating money laundering and terrorist financing.

- 3.63 The FIU will work with financial institutions to ensure improved compliance with the Financial Transactions Reporting (FTR) Act. Moreover, arrangements will be strengthened for coordination and information exchange with partner agencies domestically and internationally.
- 3.64 The FIU will continue to work closely with agencies including the Fiji Police Force and FRCA to implement the new law on “Unexplained Wealth”. Further, the FIU will also work closely with the relevant Ministries and authorities to effectively implement some of the provisions of the new 2013 Constitution, particularly those relating to the code of conduct, assets disclosure and governance matters for public sector officials.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

- 4.1 This chapter discusses Government's actual fiscal position for 2012, the expected outturn for 2013 and projections for the 2014 Budget.

2012 Actual Performance

- 4.2 With the theme of "*Empowered Fijians and a Modern Economy*", the 2012 Budget provided a significant stimulus to the Fijian economy through substantial reduction in taxes. This was aimed at improving the livelihood of Fijians and further strengthening the country's institutions and legal system.
- 4.3 The net deficit target was set at \$135.1 million or 1.9 percent of GDP with budgeted total revenue of \$1,942.8 million and total expenditure of \$2,077.9 million.
- 4.4 Government, however, achieved a lower net deficit of \$76.5 million, equivalent to 1.1 percent of GDP. This was mainly due to lower than anticipated Government spending which amounted to \$2,013.7 million by end of the year. Total revenue receipts were slightly lower than the forecast at \$1,937.1 million.

2013 Revised Projections

- 4.5 The theme of the 2013 Budget was "*Investing In Our Future*" with substantial capital investment to improve the country's infrastructure. In this regard, the net deficit was set at \$219.0 million or 2.8 percent of GDP, with estimated total revenue of \$2,108.4 million and total expenditure of \$2,327.4 million.
- 4.6 Based on the current fiscal performance and outlook, the net deficit is projected to be slightly lower at \$204.6 million or 2.6 percent of GDP. The total revenue and expenditure for 2013 has been revised to \$2,052.5 million and \$2,257.1 million, respectively.

2014 Budget

- 4.7 The 2014 Budget takes into consideration Government's commitment to achieve a sustainable & inclusive growth path and to ensure that fiscal policies are aligned to the provisions of the 2013 Constitution. Accordingly, the theme of the 2014 Budget is "*Building A Smarter Fiji*".

4.8 Total revenue for 2014 is estimated at \$2,721.8 million against a total expenditure of \$2,883.3 million. This translates into an overall net deficit of \$161.5 million equivalent to 1.9 percent of GDP.

4.9 Table 4.1 below shows the cash-flow statement from 2012 to 2014.³

Table 4.1: Cash-flow Statements (2012 – 2014)

(\$M)	2012 (A)	2013 (R) ⁴	2014 (B)
Receipts			
Direct Taxes	492.7	423.2	417.9
Indirect Taxes (excl. Govt. VAT)	1,179.5	1,348.7	1,553.0
VAT (excl. Govt. VAT)	613.5	680.4	777.0
Customs	371.4	440.9	491.5
Service Turnover Tax	48.6	51.9	57.4
Water Resource Tax	28.4	28.6	32.1
Departure Tax	87.1	99.1	141.4
Stamp Duty	21.2	39.7	44.7
Fish Levy	1.5	0.4	0.3
Telecommunication Levy	1.2	1.3	1.5
Credit Card Levy	4.8	4.4	5.0
Third Party Insurance Levy	1.7	1.9	2.1
Fees, Fines & Charges	87.0	96.8	101.5
Grants in Aid	13.2	19.4	9.5
Dividends from Investments	45.0	38.5	36.1
Reimbursement & Recoveries	10.0	21.0	29.2
Other Revenue & Surpluses	31.9	29.5	28.0
Total Operating Receipts	1,859.4	1,976.9	2,175.2
Payments			
Personnel	601.2	606.4	788.8
Transfer Payments	350.2	377.0	450.1
Supplies and Consumables	173.9	176.9	203.2
Special Expenditures (Purchase of Outputs)	46.6	72.6	79.4
Interest	257.7	257.5	277.1
Other Operating Payments	0.2	2.5	2.5
Total Operating Payments	1,429.8	1,492.9	1,801.0
Net Cash-flows from Operating Activities	429.6	484.0	374.2
As % of GDP	5.9%	6.2%	4.5%

³ The numbers shown are exclusive of Government VAT (SEG 13 VAT), hence, may not match with other budget documents. The exclusion of VAT from expenditure and a similar amount from revenue does not affect the overall balance.

⁴ The 2013 expenditure numbers have been revised based on current performance and outlook, hence, may differ from other budget documents.

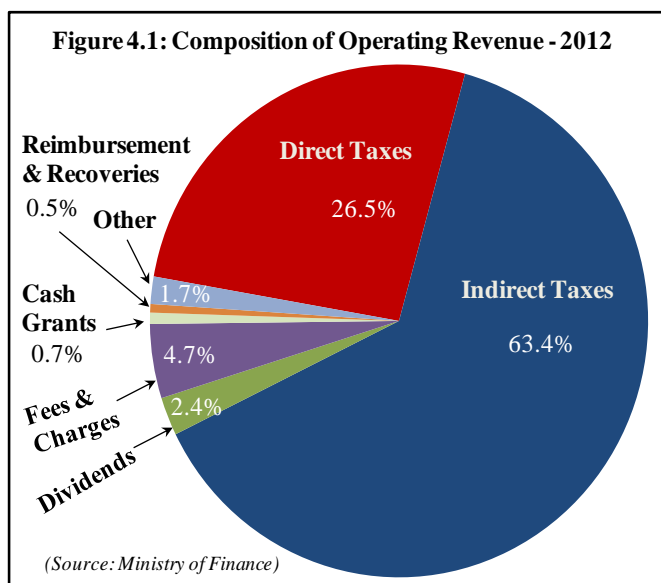
(\$M)	2012 (A)	2013 (R) ⁴	2014 (B)
Receipts			
Sale of Government Assets	25.1	19.4	475.2
Interest from Bank Balance	0.0	0.2	0.2
Interest on Term Loans and Advances	0.0	0.3	0.3
Return of Surplus Capital from Investment	2.6	2.0	2.1
Total Investing Receipts	27.7	21.9	477.8
Payments			
Loans	0.6	1.0	52.5
Transfer Payments	307.8	597.6	775.8
Purchase of Physical Non-Current Assets	225.4	111.9	185.2
Total Investing Payments	533.8	710.5	1,013.5
Net Cash-flows from Investing Activities	(506.1)	(688.6)	(535.7)
As % of GDP	-7.0%	-8.8%	-6.5%
Net (Deficit)/Surplus	(76.5)	(204.6)	(161.5)
As % of GDP	-1.1%	-2.6%	-1.9%

(Source: Ministry of Finance)

Operating Revenue

4.10 The major components of Government's operating revenues are direct taxes, indirect taxes, and other non-tax revenues which includes fees, fines, & charges, dividends from investments, cash grants, reimbursement & recoveries, and other revenue & surpluses.

4.11 As depicted in figure 4.1, indirect taxes represents 63.4 percent of total operating receipts followed by direct taxes



at 26.5 percent, fees, fines & charges at 4.7 percent, dividends at 2.4 percent, other revenue & surpluses at 1.7 percent, cash grant at 0.7 percent and reimbursement & recoveries accounting for 0.5 percent.

Direct Taxes

- 4.12 Direct taxes comprise of personal income tax (PAYE), corporate tax, withholding taxes, capital gains tax, social responsibility tax and fringe benefit tax.
- 4.13 In 2012, total direct tax collections amounted to \$492.7 million while \$423.2 million is expected for 2013. The lower collection this year is due to the one off overlapping corporate tax collections in 2012 as a result of the change in the advance tax payment schedule. The collection from direct taxes for 2014 is projected to be \$417.9 million, 1.2 percent lower than 2013.
- 4.14 However, personal income tax and corporate tax collections are projected to increase in tandem with improved macroeconomic outlook and labour market conditions. Further, lower tax refunds with implementation of PAYE as a final tax and increase in civil service remuneration will positively support collections next year.

Indirect Taxes

- 4.15 Indirect taxes consist of VAT, customs duties, departure tax, service turnover tax, stamp duties, water resource tax, credit card levy, fish levy, third party insurance levy and telecommunication levy.
- 4.16 VAT is the largest revenue earner for Government. In 2012, total VAT collections stood at \$613.5 million representing around 36.7 percent of total tax revenue.
- 4.17 With the current buoyant performance, total VAT collection for 2013 is expected to be \$680.4 million, around 11 percent higher than last year. The anticipated increase is supported by higher consumer and business spending in line with growing optimism and improved economic prospects.
- 4.18 For 2014, VAT revenue is projected at \$777.0 million, around \$97 million higher than this year. The higher estimated collection takes into account continuation of the current momentum in consumer spending with further impetus from civil service pay rise and higher projected imports for next year.
- 4.19 Customs duties comprise of fiscal duty, local excise duty, import excise duty, export duty and luxury vehicle levy. Revenue receipts from customs duties in 2012 totalled to \$371.4 million. The revised collection for 2013 is estimated to increase to \$440.9 million mainly due to increasing imports, implementation of the 2 cents green tax and increase in duties on alcohol and cigarettes in 2013.

4.20 Customs revenue for 2014 is projected to be \$491.5 million, an increase of 11.5 percent from this year. This is supported by rising imports associated with the upbeat economic activity, 10 percent increase in excise duties on alcohol & cigarettes and other policy initiatives in the 2014 Budget.

4.21 Table 4.2 below shows collection from different categories of customs duties from 2012 to 2014.

Table 4.2: Gross Customs Duty Collections (\$M)

Customs Duties	2012(A)	2013(R)	2014(B)
Fiscal Duty	252.6	306.0	337.3
Excise Duty	83.0	93.6	106.4
Import Excise Duty	27.3	38.7	44.7
Export Duty	7.3	4.5	5.0
Luxury Vehicle Levy	1.3	1.7	1.9

(Source: Ministry of Finance)

4.22 In 2012, departure tax collection amounted to \$87.1 million and is expected to increase to \$99.1 million this year. With the increase in the departure tax rate from \$150 to \$200 in the 2014 Budget, collections next year is projected to increase to \$141.4 million. Moreover, the hosting of the PGA Fiji International Golf Tournament and projected rise in tourist arrivals will also contribute positively.

4.23 Total revenue receipts from Service Turnover Tax (STT) in 2013 are anticipated to increase to \$51.9 million compared to \$48.6 million last year. For 2014, revenue collection from STT is projected to increase further to \$57.4 million. This is in line with growing tourism related activities and improved compliance.

4.24 With the increase in stamp duty rates, collection in 2013 is expected to increase to \$39.7 million from \$21.2 million in 2012. Revenue from stamp duties in 2014 is projected at \$44.7 million.

4.25 Proceeds from water resource tax in 2012 amounted to \$28.4 million with a revised projection of \$28.6 million in 2013. This is expected to increase to \$32.1 million in 2014.

4.26 Revenues from other levies are shown below in Table 4.3.

Table 4.3: Collection from Other Levies (\$M)

Levies	2012	2013(R)	2014(B)
Credit Card Levy	4.8	4.4	5.0
Third Party Insurance Levy	1.7	1.9	2.1
Fish Levy	1.5	0.4	0.3
Telecommunication Levy	1.2	1.3	1.5

(Source: Ministry of Finance)

Fees, Fines & Charges

- 4.27 Fees, fines, and charges are imposed by various Government ministries and departments. Major receipts include revenues from LTA fees & fines, road user levy, water charges, immigration fees, telecommunication & television licenses, and court fines.
- 4.28 In 2012, \$87.0 million was collected from fees, fines & charges and revenues for this year is expected to increase to \$96.8 million. Receipts from fees, fines and charges are projected to increase further to \$101.5 million next year.

Cash Grants

- 4.29 While Government receives both cash grant and aid-in-kind, only cash grants are included in the cashflow statement. In 2012, cash grant of \$13.2 million was received with \$19.4 million anticipated for this year. For 2014, cash grant is projected at \$9.5 million. Details of aid-in-kind assistance are discussed in Chapter 9.

Dividends from Investment

- 4.30 Dividend receipts from state owned enterprises and profit repatriation from RBF totalled \$45.0 million in 2012. Receipts are anticipated to be around \$38.5 million and \$36.1 million in 2013 and 2014, respectively. Details on state owned entities are provided in Chapter 5.

Reimbursement & Recoveries

- 4.31 Receipts from this category include reimbursement of funds for Government services & capital projects and refund of contributions for overseas peacekeeping missions.

4.32 In 2012, the collection from reimbursement and recoveries amounted to \$10.0 million. The anticipated revenue for 2013 and 2014 is \$21.0 million and \$29.2 million, respectively.

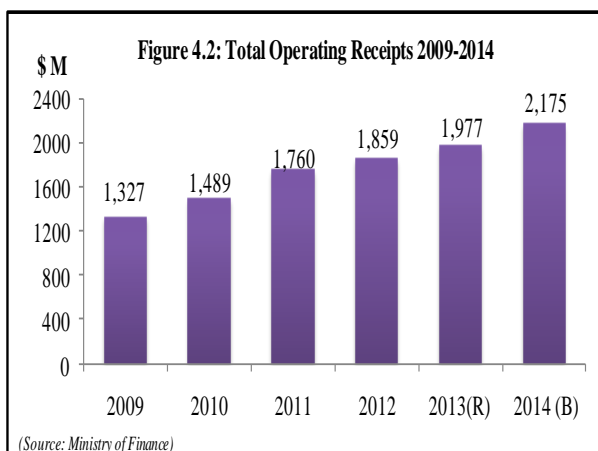
Other Operating Revenue & Surpluses

4.33 Other revenue and surpluses includes receipts from rental of Government properties, commissions, surpluses from Government agencies, and other miscellaneous revenue.

4.34 Total receipts from other revenue and surpluses stood at \$31.9 million in 2012 while the revised estimate for 2013 is \$29.5 million. In 2014, receipts is projected at \$28.0 million.

Total Operating Revenue

4.35 Operating receipts have been growing over the years. In 2013, total operating receipts is expected to increase to \$1,977 million compared to \$1,859 million last year. This is expected to increase further to \$2,175 million in 2014 attributed to favourable performance of VAT and customs duties.

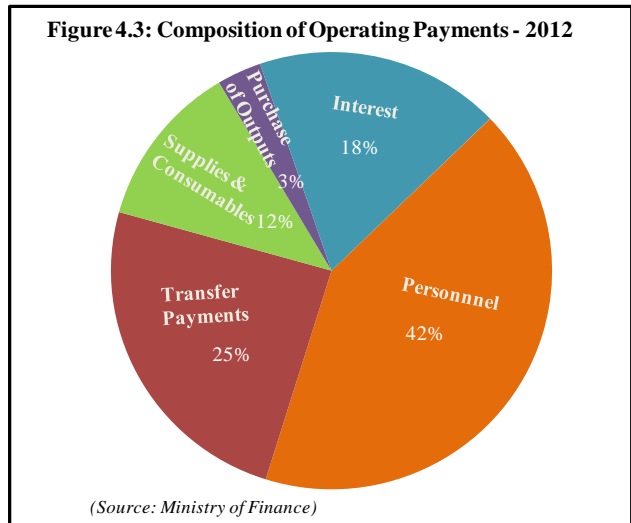


Operating Payments

4.36 Spending on operating activities of Government are categorised as follows:

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

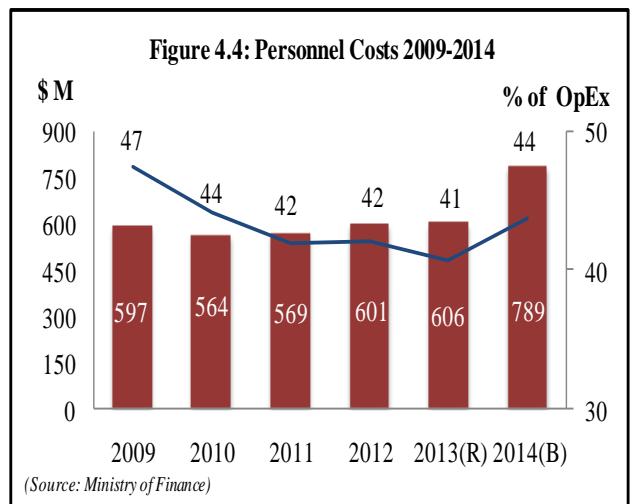
4.37 In 2012, personal costs represented around 42.0 percent of total operating expenditures followed by transfer payments at 25.0 percent, interest payments at 18.0 percent, supplies and consumables at 12.0 percent, purchase of outputs at 3.0 percent and other operating payments at 0.01 percent.



Personnel Costs

4.38 Government in 2012 spent \$601.2 million on wages and salaries of public servants. This is expected to increase marginally to \$606.4 million in 2013.

4.39 For 2014, personnel cost is budgeted at \$788.8 million equivalent to 43.8 percent of total operating expenditure. This is attributed to an increase in wages and salaries for civil servants and additional recruitments for essential services. Increase in civil service pay ranges from 4.0 percent to 23.0 percent based on different salary grades.



Transfer Payments

4.40 Operating grants are provided to entities outside Government to support operations and also includes allocations for social welfare schemes. Total operating transfers in 2012 stood at \$350.2 million and is expected to increase to \$377.0 million in 2013. For next year, this is anticipated to increase to \$450.1 million.

4.41 Table 4.4 shows the major operating grants and transfers for 2014.

Table 4.4: Major Grants (SEG 6)

Activity	(\$M)
Water Authority of Fiji – Operating Grant	58.6
FRCA Grant	43.7
Fiji National University – Operating Grant	38.6
USP Operating Grant	36.6
Fee Free Education Years 1-8	34.0
Fee Free Education Year 9-13	31.5
Poverty Benefit Scheme	22.0
Bus Fare Assistance	20.8
Fiji Road Authority – Operating Grant	19.2
Land Transport Authority – Operating Grant	12.6
FICAC – Operating Grant	8.6
Grant to Fiji’s Servicemen’s After Care Fund	6.9
Child Protection Allowance	4.5
Grant to Legal Aid Commission	4.4
University of Fiji	3.5
Salary Grant for Early Childhood Education Teachers	3.3
Grant to Tourism Fiji	3.0
Grant to Civil Aviation Authority of Fiji	3.0
Social Pension Scheme	3.0
Maritime Safety Authority of Fiji – Operating Grant	2.2
iTaukei Affairs Board Grant	2.0
Investment Fiji	2.0
Public Service Broadcast (TV)	1.8
Commerce Commission	1.8
Franchise Shipping Scheme	1.7
Biosecurity Authority of Fiji – Operating Grant	1.6
Grant to Telecommunication Authority of Fiji	1.5
Higher Education Commission	1.5
Food Voucher Programme	1.3
Domestic Air Service Subsidy	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

(Source: Ministry of Finance)

Supplies & Consumables

- 4.42 Supplies and consumables include cost of inputs for provision of public goods and services. This includes spending on travel & communications, maintenance & operations, and purchase of goods & services.
- 4.43 In 2012, spending on supplies and consumables stood at \$173.9 million. This is anticipated to increase to \$176.9 million in 2013 while \$203.2 million is appropriated for next year.

Special Expenditures

- 4.44 This category includes funding for expenditures unique to Government ministries for special projects. Special expenditures in 2012 stood at \$46.6 million and is expected to increase to \$72.6 million this year. In 2014, Government plans to spend around \$79.4 million on special outputs.
- 4.45 Table 4.5 below shows major allocations for special expenditures in 2014.

Table 4.5: Major Purchase of Outputs (SEG 7)

Activity	(\$M)
Preparation for General Election	15.0
Assistance for Malaria and TB (Global Fund)	4.6
Ministry of Health - Outsourcing	2.5
Establishment of Fiji Embassy – Geneva	2.5
Engagement of Coaches – All Sports	2.0
Consultancy Payments	1.6
Workmen’s Compensation	1.5
National Export Strategy	1.5
Establishment of PIDF Secretariat	1.5
Mediation Services & Employment Relations Tribunal	1.2
Integrated Human Resource Programme	1.0
Fiji Volunteer Scheme	1.0
Household Income & Expenditure Survey	0.9
National Employment Centre	0.8
Trade Commissioner – Los Angeles	0.8
Fiji Renewable Energy Power Project (UNDP)	0.7
Youth Capacity Building and Training Programme	0.6
Trade Commissioner – Shanghai	0.6
Fijian Made and Buy Fijian Campaign	0.5

Activity	(\$M)
Titles Office, BDM, Companies and Official Receiver	0.5
Entrepreneurship Seminar	0.5
Consumer/ Compensation Tribunal	0.5
Medical HR Contingencies	0.5
Local Government Review and Special Administrators	0.5
Trade Commissioner – Taiwan	0.5
Trade Commissioner – PNG	0.5
Fiji Decade of Action for Road Safety	0.5
Trade and Investment Promotion	0.5

(Source: Ministry of Finance)

Interest Paid

- 4.46 Total interest payments in 2012 amounted to \$257.7 million. This is projected to be around \$257.5 million in 2013 and \$277.1 million in 2014. With the low domestic interest rate environment and availability of concessional external loans, interest expenditure is expected to decline to 3.3 percent of GDP next year.

Other Operating Payments

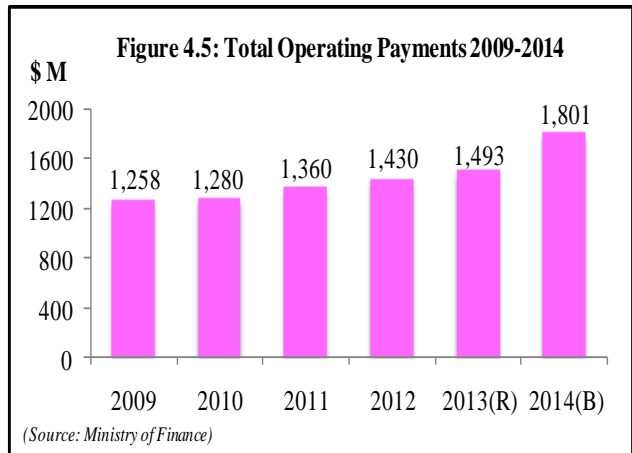
- 4.47 Other operating payments consist of miscellaneous expenditures associated with debt financing, including agency and management fees. In 2012, \$0.2 million was utilized with \$2.5 million anticipated for 2013 and 2014.

Total Operating Payments

- 4.48 Total operating payments in 2012 amounted to \$1,429.8 million, accounting for 72.8 percent of total Government expenditures.

- 4.49 Operating expenditure is expected to increase in 2013 to \$1,492.9 million, representing 68.0 percent of total expenditure.

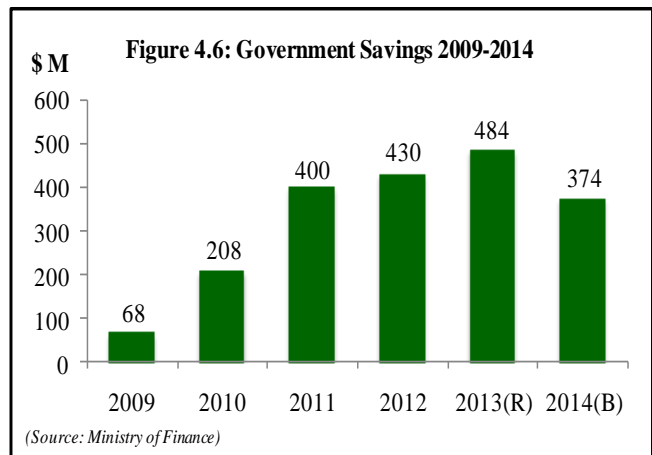
- 4.50 For 2014, total operating



expenditure is budgeted at \$1,801.0 million, 64.0 percent of total appropriation for next year. The increase in operating expenditures is mainly attributed to higher personnel costs, operating transfers, supplies & consumables and interest expenditure.

Government Savings

4.51 Government has been recording positive operating balances over the years. This represents excess of operating revenue over operating expenditures. For 2014, an operating savings of \$374.2 million or 4.5 percent of GDP is anticipated.



Investing Receipts

4.52 Investing revenue comprise of proceeds from disposal of Government assets, interest from bank balances & term loans, and return of surplus from Trading & Manufacturing Account (TMA) operations.

4.53 In 2012, investing receipts stood at \$27.7 million with a revised projection of \$21.9 million in 2013.

4.54 For 2014, total investing receipts are expected to be around \$477.8 million. This largely comprises of anticipated proceeds from divestment of shares in Airports Fiji Limited & Fiji Ports Corporation Limited, reorganisation of Fiji Electricity Authority into a commercial entity with private sector participation, sale of foreign mission properties and privatization of Government Printery.

Investing Payments

4.55 The investing expenditure of Government comprise of loans, capital transfer payments, and purchase of physical non-current assets.

Loans

4.56 Government provided \$0.6 million and \$1.0 million in the form of loans to students for tertiary education in 2012 and 2013, respectively. With a key focus

to provide an improved access to tertiary education, Government loans towards tertiary education has been increased to \$52.5 million for next year.

Transfer Payments

- 4.57 This includes cash transfers and grants to Government agencies and statutory authorities to undertake capital projects. In 2012, capital transfers stood at \$307.8 million. With the establishment of the Fiji Roads Authority (FRA) and the unprecedented level of funding allocated for road development, transfer payments is expected to increase to \$597.6 million this year.
- 4.58 In 2014, capital transfers are projected at \$775.8 million, a significant increase compared to 2013. This reflects Government's commitment to continue investments in road development, public utilities and other essential services.
- 4.59 Table 4.6 below shows the major capital transfers for 2014.

Table 4.6: Major Transfer Payments (SEG 10)

Activity	(\$M)
Fiji Roads Authority	454.8
Water Authority of Fiji - Capital Grant	71.0
Tertiary Education Loan Scheme	52.5
Existing Scholarship Scheme	26.0
Tourism Fiji Marketing Grant	23.5
Public Rental Board Development Projects	14.0
Low Cost Housing Project (HA)	12.0
Suva/Nausori Regional Sewerage Scheme	10.0
Rural Electrification Projects	10.0
Housing Assistance for First Home Buyers	10.0
Denarau Bridge	9.5
Fiji International Golf Tournament	8.6
Sugar Development Programme	8.4
Committee on Better Utilization of Land (CBUL)	6.4
South Pacific Fertilizers Ltd - Subsidy	5.8
Vocational Education Training Scholarship	5.0
FDB Subsidy Grants	5.5
Land Bank Investment	5.0
Fiji National University – Capital Grant	4.5
Fiji Sports Council Grant	4.3
Construction of Rural Complexes (Gau and Kadavu)	4.1
FEA Subsidy	3.5
Maritime Safety Authority of Fiji	3.3
Biosecurity Authority of Fiji	3.3

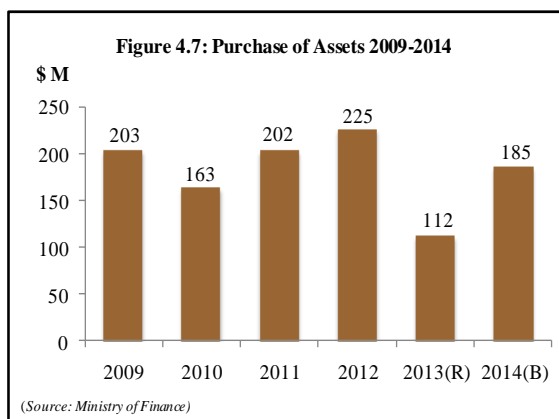
Activity	(\$M)
Small Grants Project	3.0
Land Transport Authority Capital Grant	3.0
Challenge & Investment Fund –Town/City Council	3.0
National Fire Authority	2.5
Integrated Rural Sports Complex – Rakiraki, Seaqaqa, Vunidawa & Korovou	2.0
New Town Development	2.0
TC Evans Rehabilitation Programme	2.0
Rural and Maritime Vocational Training	1.8
Rice Development Programme	1.8
Exploring New International Routes	1.8
HART & Sustainable Income Generating Project	1.6

(Source: Ministry of Finance)

Purchase of Physical Non-Current Assets

4.60 Purchase of physical non-current assets represents Government spending on capital construction activities and capital purchases.

4.61 In 2012, total expenditure on physical non-current assets stood at \$225.4 million. This is anticipated to be around \$111.9 million and \$185.2 million for 2013 and 2014, respectively.



4.62 The reduction in spending since 2012 reflects the transfer of road upgrading expenditure from this category to capital transfers.

4.63 Table 4.7 below shows some of the major spending budgeted for the purchase of non-current assets in 2014.

Table 4.7: Major Purchase of Physical Non-Current Assets (SEGs 8 & 9)

Activity	(\$M)
Vehicle Leasing Scheme	12.8
Rural Power Grid Extension – Tavua/Rakiraki TFR	9.4
Purchase of New Vessel	9.0
Construction of New Ba Hospital	7.3
Purchase of Landing Craft	7.0
Drainage and Flood Protection	6.0

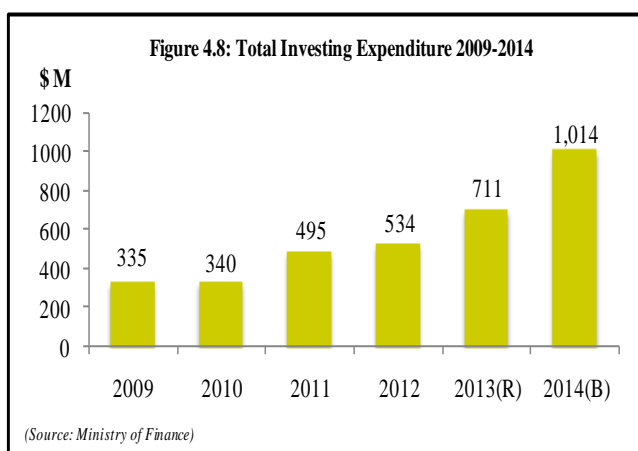
Activity	(\$M)
Upgrading of Lautoka Hospital Emergency Department	5.9
Extension of Lautoka High Court	5.0
CWM Hospital – Extension and Refurbishment of Operating Theatre	4.9
Bio-Medical Equipment (Urban & Sub-divisional Hospitals)	4.8
Digitization	3.1
Extension of CWM Hospital Maternity Unit	3.0
Upgrading & Maintenance of Urban Hospital & Quarters	3.0
Lagilagi Housing Development Project – Phase 1 & 2	3.0
Purchase of Specialised Vehicle	2.7
Purchase of Drilling Equipment	2.6
Naboro Landfill Phase 1B	2.2
Construction of New Nausori Hospital	2.0
Kiro Patrol Boat - Life Extension Programme	2.0
Upgrading of Cane Access Roads	2.0
Upgrading of Existing Court Complexes	2.0
Construction of Lautoka Remand Centre	2.0
Development of State Land	2.0
Squatter Upgrading & Resettlement	2.0
Relocation of Nadi 4FIR Camp	1.7
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
Rice Revitalisation Programme	1.5
Maintenance of Completed Irrigation Schemes	1.5
Renovation Works at Valelevu, Namaka and Nakasi	1.4
Somosomo Hydro Power Project	1.3
Naboro Landfill Engineering Design Stage 2	1.2
Pine Woodlot Logging Package (Gau & Cicia)	1.1

(Source: Ministry of Finance)

Total Investing Payments

4.64 Total capital expenditure in 2012 amounted to \$533.8 million equivalent to 27.2 percent of total Government spending.

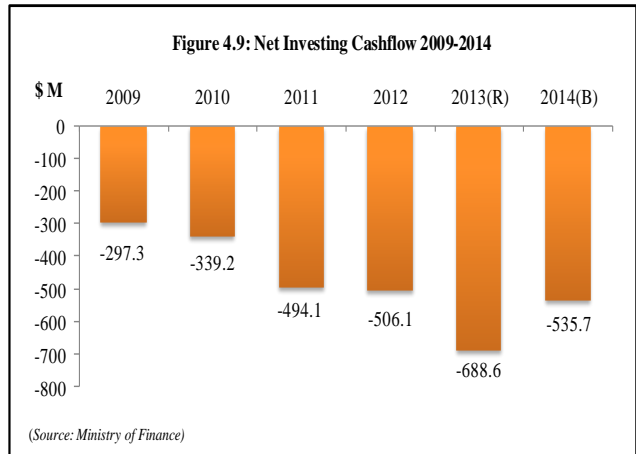
4.65 Investment spending is anticipated to increase in 2013 to \$710.5 million,



32.0 percent of total expenditure. This is expected to increase further to \$1,013.5 million in 2014, representing a capital budget of 36.0 percent of total expenditure. The increase in capital budget over the years has provided a significant stimulus to economic activity.

Net Cash Flows from Investing Activities

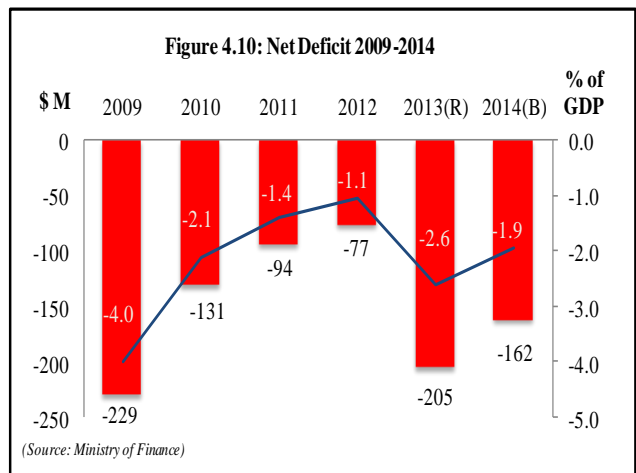
4.66 Net cash flows from investing activities represent the difference between investing revenue and capital spending. This has generally been in deficit with financial shortfall being met through borrowings.



4.67 A net investing deficit of \$506.1 million was recorded in 2012, with an anticipated deficit of \$688.6 million in 2013. For 2014, a net investing deficit of \$535.7 million is projected.

Net Deficit

4.68 Government has been consolidating its fiscal position and has maintained net deficit position at manageable levels. This is to ensure sustainability of public finances.



4.69 For 2014, a net deficit target of \$161.5 million or 1.9 percent of GDP is projected.

CHAPTER 5: GOVERNMENT'S BALANCE SHEET

Introduction

- 5.1 This chapter presents the main components of Government's Balance Sheet, covering major assets and liabilities, Government's investments in State Owned Enterprises (SOE's), arrears of revenue, public debt and contingent liabilities.
- 5.2 A major component of Government's asset is investment in SOE's. In this regard, Government continuously monitors performance to ensure prudent management of these entities in order to maximize returns. Similarly, management of liabilities, both domestic & foreign debt and contingent liabilities is geared towards minimizing risks, ensuring sustainability and lowering financial exposure.

Government's Equity Investment

- 5.3 Given Government's significant investment in SOE's, various reforms have been ongoing to improve productivity, enhance service delivery and generate adequate returns. Improved financial performance of SOE's will minimize future fiscal risks and also assist Government in channelling dividends from these entities to support other priority sectors of the economy.
- 5.4 Government's equity investments in SOE's are categorised into Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), Majority Owned Companies (MACs) and Minority Owned Companies (MICs). Investments in SOE's are mainly focused towards the agriculture, transport & infrastructure, communication, trade & finance and fisheries & forest sectors.
- 5.5 Table 5.1 below details Government's shareholding in SOE's.

Table 5.1: Shares & Portfolio Allocations in SOE's

	State Owned Entities	Govt Shares (%)	Sector/Portfolio
	Government Commercial Companies (GCC)		
1	Airports Fiji Ltd (AFL)	100	Transport & Infrastructure
2	Fiji Broadcasting Corporation Ltd (FBCL)	100	Communication
3	Fiji Hardwood Corporation Ltd (FHCL)	90	Fisheries & Forests
4	Fiji Ports Corporation Ltd (FPCL)	100	Transport & Infrastructure
5	Fiji Public Trustee Corporation Ltd (FPTCL)	100	Trade & Finance

6	Food Processors (Fiji) Ltd (FPFL)	100	Agriculture
7	Post Fiji Ltd (PFL)	100	Communication
8	Rewa Rice Ltd (RRL)	100	Agriculture
9	Unit Trust of Fiji (Management) Ltd (UTOFML)	100	Trade & Finance
10	Viti Corps Company Ltd (VCCL)	100	Agriculture
11	Yaqara Pastoral Corporation Ltd (YPCL)	100	Agriculture
Commercial Statutory Authorities (CSA)			
1	Biosecurity Authority of Fiji (BAF)	100	Agriculture
2	Fiji Electricity Authority (FEA)	100	Transport & Infrastructure
3	Fiji Meats Industry Board (FMIB)	100	Agriculture
4	Housing Authority (HA)	100	Trade & Finance
5	Public Rental Board (PRB)	100	Trade & Finance
6	Water Authority of Fiji (WAF)	100	Transport & Infrastructure
Majority Owned Companies (MAC)			
1	Fiji Airways Ltd (FAL)	51	Transport & Infrastructure
2	Air Terminal Services (ATS)	51	Transport & Infrastructure
3	Copra Millers Fiji Ltd (CMFL)	96	Agriculture
4	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
5	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
6	Pacific Fishing Company Ltd (PAFCO)	98	Fisheries & Forests
Minority Owned Companies (MIC)			
1	Amalgamated Telecom Holdings (ATH)	34.6	Communication

(Source: Ministry of Finance)

Government Reform Programmes

- 5.6 Government is currently restructuring SOE's to improve financial performance by ensuring good corporate governance and internationally accepted best practices.
- 5.7 A major reform by Government has been the restructure of FSC under the Sugar Industry Reform Framework (SIRF) from 2010 to 2012. As at 31st December, 2012, Government had provided \$153.7 million to FSC for mill rehabilitation, improving sugarcane production and restructuring debt. With the reform, FSC recorded a positive financial turnaround in 2013.

- 5.8 The focus of FSC is now being placed on its commercial viability, industry competitiveness and sustainability. This will be guided by the Sugarcane Industry Strategic Action Plan (SAP) 2013-2022 with the aim to improve production and competitiveness as preferential access to the EU market comes to an end in 2017.
- 5.9 Government injected around \$0.6 million in restructuring CMFL with major capital development works. Further, the base price to farmers has been increased from \$500 to \$780 per tonne of copra to improve supply and sustainability of the industry. Government has also approved the privatization of CMFL to attract strategic partners in order to uplift the performance of the industry.
- 5.10 In addition, Government has also been divesting its shares in a number of entities. In 2012, Government sold its entire shares in Fiji Dairy Limited for \$10.0 million, 14.0 percent shares in Fiji Television Limited for \$3.4 million and 23.0 percent shares in Pacific Forum Line Limited for \$0.3 million.
- 5.11 For 2013, Government had successfully sold its 51.0 percent shareholding in FINTEL to ATH for \$9.0 million while shares in Ports Terminal Limited, a subsidiary of FPCL were divested through a public private partnership with Aitken Spence for \$10.0 million. In addition, the sale of Kalabu Tax Free Zone (KTFZ) is ongoing and is expected to generate around \$18.8 million in 2014.
- 5.12 In efforts to improve service delivery and bring about greater efficiency, Government would be divesting its shares, Airports Fiji Limited, Fiji Ports Corporation Limited, and Government Printery. Further, Government plans to restructure and pursue private sector involvement in Fiji Electricity Authority in 2014. This will be executed through a competitive process to maximize benefits to Government. Total receipts from the sale are expected to be around \$415.0 million in 2014.

Government Equity Investment Performance

- 5.13 Return on Asset (ROA) and Return on Equity (ROE) of Government investments in SOE's have generally been mixed.

Table 5.2: Average ROA/ROE by Government Shareholding (%)

Type	2010		2011		2012	
	ROA	ROE	ROA	ROE	ROA	ROE
GCC	17.8	8.90	14.5	6.2	13.3	(1.9)
CSA	6.2	11.0	7.3	2.3	6.2	9.1
MAC	(27.1)	(48.6)	(2.0)	(3.7)	(1.1)	(15.2)
MIC	13.7	8.6	9.7	5.5	11.7	12.2

(Source: Ministry of Finance)

- 5.14 As depicted in Table 5.2 above, GCCs, CSAs and MICs recorded satisfactory financial performance over the last three years. GCCs including AFL, FPCL, FPTCL, UTOFML, FPFL, PFL and YPCL have shown satisfactory performance. Out of the six CSAs, FEA, FMIB, MSAF and HA have also achieved positive returns. Government also received reasonable returns from its only MIC, ATH. However, consolidated returns from the MACs have been negative due to the poor performance of companies such as FSC and CMFL, whilst FINTEL and FAL have shown improved performances.
- 5.15 Table 5.3 below shows the performance of entities by sectors.

Table 5.3: Average⁵ Return by Sector (%)

Sector	2010		2011		2012	
	ROA	ROE	ROA	ROE	ROA	ROE
Transport & Infrastructure	(2.2)	(6.4)	8.9	11.6	6.3	7.9
Communications	5.2	9.5	6.8	6.0	7.8	3.6
Trade & Finance	40.4	19.3	22.2	0.4	29.4	6.5
Agriculture	(18.8)	(40.9)	1.7	(6.3)	(2.9)	(19.0)
Fisheries & Forests	0.3	(1.9)	1.0	(3.7)	(4.7)	(4.5)

(Source: Ministry of Finance)

- 5.16 The trade and finance sector SOEs achieved the highest returns with FPTCL, HA and UTOFML contributing to this positive performance. Similarly, positive performance by AFL, ATS, FEA, FPCL, PFL, FINTEL and ATH has resulted in positive outcomes in the transport & infrastructure and communication sectors. The agriculture, fisheries and forest sector showed poor performance, driven by the negative returns from RRL, FSC, CMFL, FHCL, PAFCO and FPL. However, FMIB and YPCL have shown satisfactory results.

⁵Note: The average analysis is conducted in determining overall sector performances. However, each company within these sectors may have different earnings, asset and equity base.

Dividend from Government Investments

Table 5.4: Dividends by Shareholding (\$M)

Type	2010	2011	2012
GCC	4.9	6.4	3.9
CSA	0.5	-	-
MAC	0.5	1.7	2.2
MIC	3.8	4.6	4.4
Total	9.7	12.6	10.5

(Source: Ministry of Finance)

- 5.17 From a shareholding perspective, GCCs and MICs have provided the largest share of dividends to Government. In 2012, Government received a total of \$10.5 million with ATH providing the highest returns followed by AFL, FPCL, UTOFML, ATS and FINTEL.

Table 5.5: Dividends by Sector (\$M)

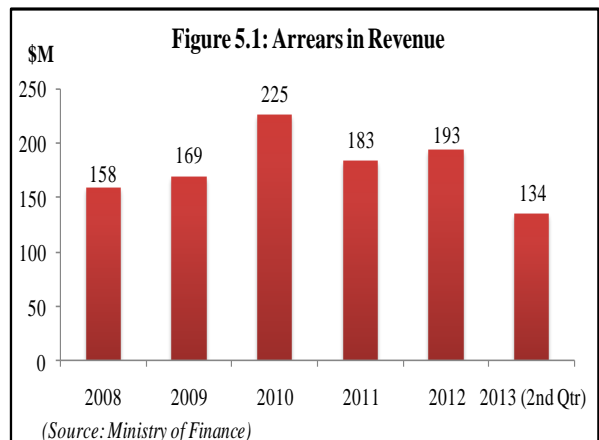
Sector	2010	2011	2012
Transport & Infrastructure	5.8	3.0	4.3
Communications	4.0	6.4	6.1
Trade & Finance	-	3.0	0.07
Agriculture	-	-	-
Fisheries & Forests	-	0.3	-
Total	9.7	12.6	10.5

(Source: Ministry of Finance)

- 5.18 The communication and transport & infrastructure sectors contributed around 99.0 percent of dividends. The remaining 1.0 percent is contributed by the trade & finance sector.

Arrears of Revenue

- 5.19 Arrears of revenue represent monies due to the state and comprise of unpaid taxes, fees, rates, charges, penalties, and fines. Total arrears as at 30 June 2013 were around \$134.0 million, lower by 31.0 percent from the preceding year.



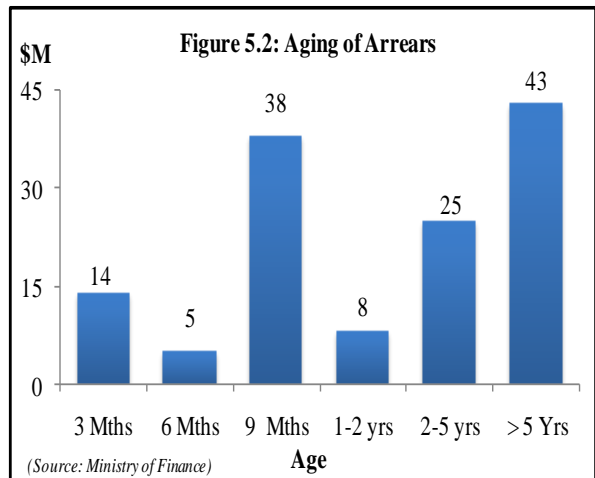
5.20 A significant portion of outstanding revenue is from unpaid personal income tax, corporate tax and VAT, accounting for 69.0 percent of arrears. Apart from tax arrears, \$23.7 million is owed to Government from uncollected crown lease rentals and \$11.2 million from court fees, fines and charges.

Table 5.6: Arrears of Revenue – 2010 to June 2013 (\$M)

	2010	2011	2012	2013 (June)
Total Arrears	225.1	182.9	193.2	133.7
<i>Major components:</i>				
FRCA-Taxation	142.2	144.4	111.2	92.6
Water Rates	34.8	-	38.1	38.2
Lands Crown Rent	17.9	19.6	22.7	23.7
Judicial Fees & Fines	10.9	11.4	11.3	11.2

(Source: Ministry of Finance)

5.21 Figure 5.2 reflects the age of major arrears of revenue. Approximately, \$42.7 million or 32.0 percent of the total arrears is over 5 years while \$57.0 million or 43.0 percent age less than a year.



5.22 In an effort to reduce revenue arrears, Government agencies continue to review their recovery procedures and allocate resources accordingly. The setting up of debt recovery teams in 2013 in various agencies have assisted in recovery efforts.

Government Debt

5.23 Government debt to GDP ratio has declined in the past few years, reflecting lower fiscal deficits, repayment of expensive loans, stronger economic growth, and prudent management of public finances. In order to achieve its medium term debt target of 45.0 percent of GDP, Government will continue to maintain deficits at manageable levels and at the same time develop and maintain an efficient market for Government securities.

5.24 Table 5.7 below shows Government's debt position from 2010 to 2013.

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

	2010	2011	2012	2013-Sept	2013(F)
Domestic Debt	2,834.7	2,734.4	2,744.0	2,706.2	2,711.7
External Debt	548.5	832.1	935.5	1,005.6	1,125.9
Total Debt	3,383.2	3,566.5	3,679.5	3,718.1	3,837.6
Debt (as a % of GDP)	54.7	53.0	50.9	47.7	49.3

(Source: Ministry of Finance)

- 5.25 In 2012, total Government debt stood at \$3.68 billion, equivalent to 50.9 percent of GDP. While total debt has increased in nominal terms by \$113.0 million, the debt to GDP ratio has declined from 53.0 percent of GDP in 2011. This implies a stronger economic growth rate relative to the growth in public debt.
- 5.26 The debt level is anticipated to increase by 4.3 percent in 2013, which is equivalent to 49.3 percent of GDP. However, accounting for deposits in the sinking fund of around 2.8 percent of GDP, would effectively imply a lower public debt of around 46.5 percent of GDP by the end of this year.
- 5.27 The financing of the 2012 budget deficit was through raising of Government bonds in the domestic market and drawdown of new and existing foreign loans from bilateral overseas lenders. All borrowings by Government are solely for capital development projects.
- 5.28 Government bonds were mainly taken up by non bank financial institutions while treasury bills, which are short term in nature, were in demand from commercial banks and other non credit financial institutions.

Domestic Debt Stock

- 5.29 Domestic market continues to be a major source of financing for Government. As depicted in Table 5.8, the domestic primary market remained active with a total floatation of \$259.1 million in 2012, of which Government issuance accounted for \$192.1 million. The Fiji Development Bank and Housing Authority were the other two market participants with a combined floatation of \$67.0 million.

Table 5.8: Issuance in the Primary Debt Market (\$M)

	2009	2010	2011	2012
Government	404.2	452.7	117.4	192.1
FDB	75.3	47.0	38.0	57.0
FEA	-	-	5.5	-
FSC	32.5	-	-	-
HA	10.0	21.3	21.0	10.0
Total	522.0	521.0	181.9	259.1

(Source: Ministry of Finance and Reserve Bank of Fiji)

- 5.30 Total domestic debt increased by \$9.6 million to \$2.7 billion in 2012 equivalent to 38.0 percent of GDP. This was mainly attributed to the realization of a Government guaranteed Fiji Sugarcane Growers Council (FSCGC) Loan and the net increase in short term debt financing.
- 5.31 Government outstanding bonds at the end of 2012 totalled \$2.6 billion of which 92.0 percent was held by non bank financial institutions, followed by 4.0 percent by the Reserve Bank. The remaining balance was held by commercial banks and other investors, including individuals.

Table 5.9: Government's Domestic Debt Stock [\$M]

	2009	2010	2011	2012	2013-Sept
Bonds	2,505.1	2,759.3	2,663.3	2,622.1	2,590.1
Treasury Bills	99.9	75.4	71.1	112.4	109.8
FSCGC loan	-	-	-	9.5	6.3
Total Domestic	2,605.0	2,834.7	2,734.4	2,744.0	2,706.2
Domestic Debt to GDP (%)	45.5	45.8	40.6	38.0	34.7

(Source: Ministry of Finance)

- 5.32 Long term borrowing by Government is via issuance of Fiji Infrastructure Bond, and Viti Bonds. Government introduced Viti Bonds in 2012 to provide investment opportunities for small investors with a minimum investment of \$1,000 to a maximum of \$100,000. Compared to 2012, the demand for Viti Bonds has increased significantly in the first 8 months of 2013 with a total allotment of \$5.0 million.

Domestic Interest Rates

- 5.33 In 2013, money market interest rates have been historically low with treasury bill rates close to zero. Similarly, bond yields fell significantly across all maturities when compared to 2012. This is attributed to the prevailing high

liquidity in the banking system which has also provided an opportunity to refinance expensive loans at low costs.

Table 5.10: Interest Rates on Government Domestic Securities (%)

Maturity	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
28 days	1.05	0.50	0.70	0.65	0.20
56 days	1.13	0.80	0.75	0.70	0.20
91 days	1.10	1.00	0.80	0.75	0.30
3 years	2.60	2.60	-	-	2.60
15 years	5.80	7.00	7.00	6.95	6.54

(Source: Ministry of Finance)

External Debt Stock

- 5.34 External debt increased by \$103.4 million to \$935.5 million in 2012, equivalent to 13.0 percent of GDP. This increase was mainly attributed to the disbursement of loan funds under the EXIM Bank of China, EXIM Bank of Malaysia and ADB funded projects. With further disbursements this year, external debt stood at 13.4 percent of GDP as at August 2013.

Table 5.11: Government External Disbursed Outstanding Debt (\$M)

	2009	2010	2011	2012(A)	2013(Aug)
Total External Debt	527.5	548.5	832.1	935.5	1,037.6
Total External Debt Servicing	45.6	41.3	334.2	65.5	40.4
o/w Principal Payments	21.2	17.6	291.1	19.3	14.2
o/w Interest Payments	24.4	23.7	43.1	46.3	26.2
External Debt to GDP ratio (%)	9.2	8.9	12.4	13.0	13.4

(Source: Ministry of Finance)

Loan Disbursements

- 5.35 In 2012, the total value of disbursements from on-going capital projects amounted to \$137.0 million. EXIM Bank of China accounted for 66.0 percent, while ADB and EXIM Bank of Malaysia represented 23.0 percent and 15.0 percent, respectively.
- 5.36 The two supplementary ADB loans which were contracted in 2010 for the FRUP III road projects and the Suva Nausori Water Supply & Sewerage project is expected to be completed by end of this year.

5.37 The Nabouwalu/Dreketi Road Upgrading Project which commenced this year with concessional loan from EXIM Bank of China is expected to be completed by 2017.

External Debt Composition

5.38 In terms of outstanding external debt composition, global bond accounts for 43.0 percent followed by bilateral (31.0%) and multilateral (23.0%) loans. This is shown in Table 5.12.

Table 5.12: External Debt Stock by Creditors (\$M)

	2009	2010	2011	2012 (A)	2013 (Aug)
Bilateral	68.9	96.2	176.4	274.1	323.2
Multilateral	169.0	179.2	200.6	214.5	239.6
Global Bond	289.3	272.9	455.1	446.8	474.8
Total External Debt	527.2	548.5	832.1	935.5	1,037.6

(Source: Ministry of Finance)

5.39 The external debt holding continues to be dominated by the US dollar, representing 72.9 percent of the portfolio, followed by the Chinese Yuan at 23.9 percent and the Japanese Yen at 3.2 percent.

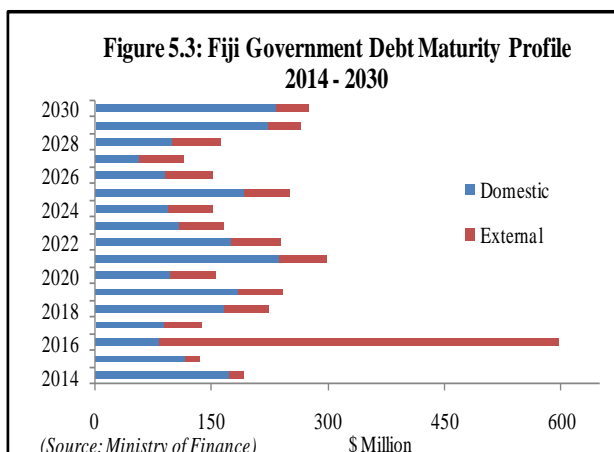
Interest Rates

5.40 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 loans and the EXIM Bank of Malaysia loans. Interest rate on the second global bond is at 9.0 percent.

Government Debt Maturity Profile as at August, 2013

5.41 Figure 5.3 illustrates Government's debt maturity profile, representing principal payments due from 2014 to 2030.

5.42 The higher repayment in 2016 is due to the settlement of the US\$250 million global bond. The balance in the sinking fund for the redemption of this bond is



US\$128 million. Therefore, Government will continue to build the sinking fund further for the settlement of the external bond.

Contingent Liabilities

5.43 Contingent liabilities represent potential claims that have not yet materialized but could pose financial risks to Government. These are from Government guarantee of loans.

5.44 Table 5.13 below shows Government's contingent liabilities from 2008 to 2012.

Table 5.13: Government Guarantees & Contingent Liabilities (\$M)

	2008	2009	2010	2011	2012
Fiji Development Bank	347.1	358.7	322.9	257.2	249.3
Fiji Electricity Authority	235.8	354.3	346.5	353.9	323.4
Fiji Harwood Corporation	12.6	13.2	17.2	16.6	16.0
Fiji National Provident Fund	874	866	758.4	1,013.5	1,202.4
Fiji Pine Limited	11.9	8.1	8.4	13.7	16.9
Fiji Sugar Corporation	65.2	140.3	1,21.9	116.4	111.8
Housing Authority	90.2	87	86	82.6	105.4
Fiji Sports Council	1.6	1.4	1.1	0.92	0.64
Fiji Ports Corporation Limited	43.6	40.3	41.5	39.9	31.4
Fiji Broadcast Cooperation Limited	0	11.9	14.2	19.8	17.8
National Bank of Fiji	7.2	2.7	2.5	2.5	2.4
Pacific Fishing Company Limited	3.4	2.8	5.4	5.4	3.2
Public Rental Board	4.3	3.3	1.9	0.52	-
Others	58.3	63.1	63.1	8.4	8.4
Total	1,755.2	1,953.1	1,791	1,931.3	2,080.6
Contingent Liability to GDP (%)	30.3%	34.3%	29.4%	28.7%	28.8%

(Source: Ministry of Finance)

5.45 As at end of 2012, contingent liabilities stood at \$2.1 billion, equivalent to 28.8 percent of GDP. A number of entities have been reformed over the years to minimise financial risks to Government, particularly the FNPF pension reform. Moreover, certain entities with large exposure in terms of contingent liabilities have also been performing well such as FEA. Governance structures have been strengthened to ensure best practices and increased productivity and efficiency.

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

Poverty Alleviation

- 6.1 Government is committed to devising policies that will reduce poverty and improve the living standards of all Fijians. This objective is consistent with various socio-economic rights as enshrined under Fiji’s 2013 Constitution.
- 6.2 In the 2014 Budget, Government will continue to support critical social protection programmes such as the poverty benefit scheme, the social pension scheme, the care and protection scheme and the food voucher programme.
- 6.3 In addition to providing direct budgetary support, Government also firmly believes that efforts to reduce poverty could be sustainably achieved through the implementation of inclusive growth policies and the development of key priority sectors such as agriculture and rural development.
- 6.4 Government’s policies for alleviating poverty will continue to be guided by the following objectives:
- (i) Provide a suitable social safety net to support the livelihoods of the poor and disadvantaged;
 - (ii) Secure employment and income generating opportunities to enable the poor to break out of the bonds of poverty; and
 - (iii) Create opportunities for the poor to pursue further education and training to secure professional jobs.
- 6.5 Table 6.1 below provides a summary of Government’s social protection programmes in 2013 and 2014.

Table 6.1: Government Assistance for Poverty Alleviation: 2013 – 2014 (\$M)

	2013 (R)	2014 (B)
Social Welfare		
Poverty Benefit Scheme	22.6	22.0
Child Protection Allowance	6.0	4.5
Social Pension Scheme	3.2	3.0
Food Voucher Programme	-	1.3
Women’s Plan of Action	0.6	0.8

	2013 (R)	2014 (B)
Welfare Graduation Program	0.5	0.5
Fiji National Council of Disabled Persons	0.3	0.3
Capital Grant to Voluntary Organizations	0.1	0.2
Women's Resources Centre	0.15	0.18
Grant to Girls' Home	0.1	0.1
Fire Victims Relief	0.1	0.1
Education		
Bus Fare Subsidy	11.0	20.8
Department of Housing		
Low Cost Housing Project (HA)	13.0	12.0
Public Rental Housing Project (PRB)	6.0	10.0
Lagilagi Housing Development Project- Phase 2	-	3.0
PRB –Savusavu Development Project	-	2.5
Squatter Upgrading & Resettlement Programme	1.0	2.0
PRB –Kalabu Development Project	-	1.5
HART	0.6	1.0
HA Social Housing Policy	1.0	1.0
Town Wide Informal Settlement Upgrading Project	-	1.0
Sustainable Income Generating Project	0.4	0.7
City Wide Squatter Upgrading Project	-	0.5
National Housing Policy Implementation Plan	0.2	0.2
Strategic Planning, National Development &		
Northern Development Programme	1.0	1.5
Labour		
National Employment Centre(NEC)	0.8	0.8
Office of the Prime Minister		
Integrated National Poverty Eradication	0.3	0.3
Miscellaneous		
Tertiary Education Loan Scheme	1.0	52.5
Existing Scholarship Scheme	22.1	26.0
Housing Assistance for First Home Buyers	-	10.0
FDB-Subsidy Grants to All Citizens	3.9	5.0
FEA Subsidy	3.5	3.5
FDB – Interest Subsidies	0.2	0.2

(Source: Ministry of Finance)

Development of Rural & Maritime Areas

- 6.6 The progress of Government's infrastructure developments in rural regions will narrow the "socio-economic gap" between rural and urban populations. Since 2009, Government has been actively pursuing key rural projects through its respective divisional offices under the Integrated Rural Development Framework (IRDF). Some of these projects include, the Northern Development Programme, the Grant for Self-Help Projects, Rural Electrification Projects, the Integrated Human Resource Programme and the Rural & Outer Island Agricultural Development Project.
- 6.7 In addition to conventional support rendered to rural regions, Government has embarked on a new approach this year by establishing new telecenters in rural and outer islands. The creation of these new centers should promote the use of modern ICT technology in rural areas and help bridge the digital divide between the rural and the urban, and the rich and the poor in society. To date, Government has opened 15 telecenters in rural schools around the country to improve access to broadband services to rural communities.
- 6.8 Table 6.2 below provides a summary of the budgetary allocations towards rural and maritime development.

Table 6.2: Rural & Maritime Development Programmes: 2013 – 2014 (\$M)

	2013 (R)	2014(B)
Rural Electrification Project	8.5	10.0
Upgrade & Purchase of Government Shipping Vessels	3.5	9.5
Rural Power Grid Extension – Tavua/Korovou	-	9.4
Integrated Rural Sports Complex	2.6	6.1
Drainage and Flood Protection	6.0	6.0
Divisional Development Projects	8.0	5.6
Other Rural Water Supply	4.0	4.0
Rural Health Centres	2.3	2.3
Agricultural Marketing Authority	0.9	2.0
Upgrading of Cane Access Roads	2.0	2.0
House Wiring Connection (Tavua/Korovou)	-	2.0
Franchise Shipping Scheme	1.5	1.7
Maintenance of Completed Irrigation Schemes	1.5	1.5
Grant to Self-Help Projects	1.0	1.5
Rural and Outer Island Agricultural Development	1.0	1.0
Fertilizer Subsidy	-	1.0
Watershed Management	1.0	1.0

	2013 (R)	2014(B)
Drainage Subsidy	1.5	1.0
Accident and Emergency Equipment	0.9	0.8
Centre for Appropriate Technology & Development	0.6	0.8
Rural Housing Assistance	0.7	0.7
Agriculture Extension Services - Crops	0.2	0.5
Biomedical Equipment for Sub-Divisional Hospitals	0.4	0.4
Renewable Energy Development Projects	0.4	0.3
Fiji Groundwater Assessment & Development Projects	0.2	0.3
Rural Postal Services	0.3	0.3
Dental Equipment for Sub-Divisional Hospitals	0.3	0.2
Rural Sporting Facilities	0.2	0.2
Banking Services for Non-Economical Rural Areas	0.1	0.1

(Source: Ministry of Finance)

Youth & Sports

- 6.9 Youth development and empowerment remains a key priority for Government. More effort is needed to ensure the effective participation of youths in all facets of nation building, particularly through education, sports, community development and other professional fields.
- 6.10 In the 2014 Budget, Government has set aside an allocation of \$0.6 million under the Ministry of Youth and Sport's *Capacity Building & Training Program* to train youths in life skills, character development and other technical skills. A further allocation of \$0.6 million is provided for the upgrading of Youth Training Centres at Yavitu, Naleba, Naqere and Sigatoka.
- 6.11 Government will continue to support rural sports development next year. In this regard, \$4.1 million is allocated for the construction of sports complexes in Gau and Kadavu. In addition, \$2.0 million is allocated for the preparatory works of sports complexes in Rakiraki, Seaqaqa, Vunidawa and Korovou.
- 6.12 In an effort to promote international sporting events in the country, Government has signed a MOU with the Professional Golfers Association to host Fiji's first ever International PGA Golf Tournament at the Natadola Golf Course next year. A sum of \$8.6 million has been provided in the Budget for hosting this prestigious event. Apart from providing various economic benefits to the country, the tournament will also showcase Fiji as a popular golf and tourist destination to over 400 million viewers.

6.13 Furthermore, to enhance the development of sports in Fiji, Government has provided \$2.0 million in the 2014 Budget for the hiring of professional overseas coaches to train and develop our sportsmen and women into world class athletes. This allocation will be made available to all sports including rugby, soccer, netball, volleyball, boxing, basketball, cricket, etc. To support this initiative, a further 150 percent tax deduction will be provided to corporate entities that agree to co-share with Government in funding the new coaches.

CHAPTER 7: PRIORITY SECTORS

Education

- 7.1 Investment in education will be a major priority for Government next year. Government recognizes that every Fijian child has a right to education, whether it be early childhood education, primary or secondary education, or even tertiary education. Everyone should be given the opportunity to obtain a good education and achieve their dreams and aspirations. The right to education is also a fundamental right under the new constitution; therefore this makes it imperative for Government to provide this opportunity to all Fijians.
- 7.2 To achieve this objective, Government will increase the fee grant to all primary and secondary school students in Fiji. The fee free grant for primary school students will be increased from \$30 to \$250 while the grant for secondary school students would be increased to \$440 for year 9 & 10 students, \$485 for year 11 & 12 students and \$610 for year 13 students. This grant will cover all types of fees levied by schools, including tuition fees, building grants, book fees and other common charges.
- 7.3 *Scholarships* – To support tertiary education, Government will provide \$26.0 million for scholarships in 2014. In addition, funding for the tertiary education loan scheme will be increased to \$52.5 million next year, an increase of \$51.5 million. This will provide an opportunity for more students to access tertiary education.
- 7.4 *Higher Education Institutions* – A new funding model has been developed to determine the operational budgets for higher education institutions. This takes into account each institution's student roll, their varying operational costs, course fees and charges, staff remuneration, and existing course programmes.
- 7.5 The following institutions will be funded through the new funding model in 2014: University of the South Pacific, Fiji National University, University of Fiji, Centre for Appropriate Technology & Development, Corpus Christi College, Montfort Boys Town, Fulton College, Sangam Institute of Technology and Vivekananda Technical Centre. A total allocation of \$80.8 million has been provided to these institutions in the 2014 Budget.
- 7.6 Further to this, Government will allocate an additional \$2.0 million to the Fiji National University for the construction of a new campus in Labasa and \$2.5 million for building a new campus in Navua to accommodate students that will be undertaking practical courses at the University's new Navua farm facility.

Health Service

- 7.7 Upgrading of hospitals and health centres will be a major focus for next year. Government has allocated \$4.9 million in the 2014 Budget for the extension and refurbishment of the CWM hospital operating theatre. A further \$3.0 million is allocated for the extension of the CWM maternity unit. This will cater for the increasing number of births at CWM hospital which has risen to around 800 per month.
- 7.8 Funding of \$0.6 million will be provided in the 2014 Budget for the construction of a low risk maternity unit in Makoi and \$0.25 million for the new Naulu health centre. The Valelevu and Keiyasi health centres will be renovated with a provision of \$1.0 million. A further allocation of \$2.0 million will be provided for the construction of a new hospital in Nausori. The construction and upgrading of these health facilities should help cater for the increasing population within the Suva to Nausori corridor.
- 7.9 Furthermore, \$7.3 million is provided in the 2014 Budget for the construction of the new Ba hospital and \$5.9 million for the upgrading of the Lautoka Hospital's emergency department. A further allocation of \$1.0 million is provided for the extension of the Sigatoka hospital. Other major capital works planned for 2014 include the upgrading of the Nagatagata nursing station, and health centres in Lagi, Cuvu and Waivaka. A sum of \$1.9 million is allocated in the Budget for these projects.
- 7.10 These major investments in health infrastructure will support Government's efforts to decentralize, and improve accessibility to health services around the country.

Infrastructure Development & Public Utilities

Road Infrastructure

- 7.11 Infrastructure development plays an important role in stimulating growth, improving access to services and enhancing living standards. In 2012, Government embarked on an ambitious initiative to improve the state of our infrastructure with an unprecedented investment of over \$400 million for road development.
- 7.12 Through the establishment of the newly incorporated Fiji Roads Authority (FRA), Government has been able to outsource road construction works to reputable international companies who have the expertise and technology to develop Fiji's road network up to international standards.

- 7.13 As part of the road contracts, foreign companies have also been compelled to transfer all relevant skills and expertise to local employees to support the maintenance of Fiji's road infrastructure in the long run. The involvement of the private sector in road development has increased efficiency and improved the quality and standards of Fiji's roads.
- 7.14 In 2014, Government has allocated an increased funding of \$474.1 million to FRA, which constitutes a capital grant of \$454.8 million and an operating grant of \$19.3 million. The FRA will also be overseeing the implementation of projects funded through external concessional loans.
- 7.15 Listed below are some of the major road projects earmarked for 2014:
- Road renewals & replacement (\$90.9m);
 - Bridge renewals (\$50m);
 - Upgrading of rural roads (\$15m);
 - Nakasi-Nausori 4 lane project (\$10m);
 - 4 lane project in Nadi (\$10m);
 - Maintenance and renewal of jetties (\$8.9m);
 - Nabouwalu-Dreketi road upgrading (\$74.9m);
 - Sigatoka/Serea road improvement (\$27m); and
 - Buca Bay/Moto road improvement (\$22m).

Water & Sewerage

- 7.16 Apart from increased investment in roads, Government has also increased its funding allocation for the provision of water & sewerage services. In 2014, Government has provided a budget of \$139.6 million to Water Authority of Fiji (WAF), an increase of around \$29.0 million from the 2013 allocation.

Energy

- 7.17 Improving access to reliable electricity and power supply is an ongoing commitment of Government. In 2014, Government will extend the main power grid along the King's Highway from Tavua to Korovou. Funding for this project will be co-shared between Government and Fiji Electricity Authority (FEA) in 2014 with Government providing \$9.4 million.
- 7.18 A further \$10.0 million has been budgeted for the rural electrification project and \$1.3 million has been set aside for the construction of the Somosomo hydro

power project. Funding support for renewable energy projects such as rural biodiesel and biogas schemes will also continue in 2014.

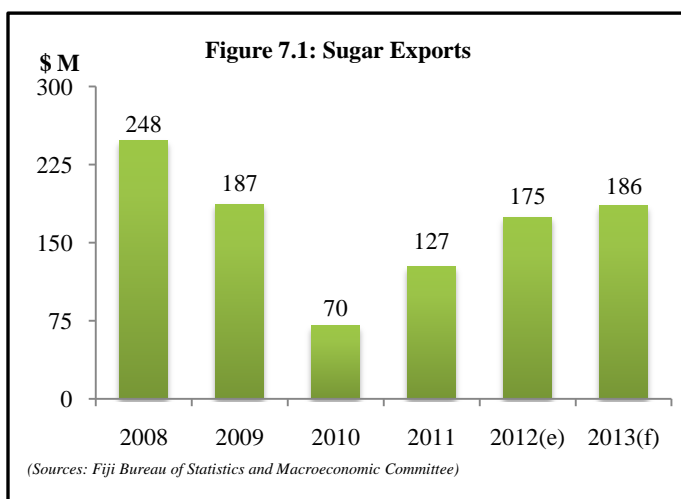
Agriculture

- 7.19 The agricultural sector plays an integral part in the Fijian economy given its capacity to contribute effectively towards key policy priorities such as employment, food security, foreign exchange earnings and economic growth.

Sugar

- 7.20 The sugar industry is one of the largest contributors to export earnings and supports the livelihood of close to 200,000 Fijians. In 2012, sugar & molasses exports accounted for around 18.0 percent of total domestic exports. The performance of the sector over the years has been affected by expiry of land leases, natural disasters, declining preferential prices and milling inefficiencies.

- 7.21 In the 2014 Budget, the Ministry of Sugar will be provided a budget of \$19.9 million compared to \$15.8 million in 2013. Major programmes to be funded next year include \$8.4 million for the sugar development programme, \$5.8 million for the fertilizer subsidy and \$0.6 million for the purchase of cultivators.



- 7.22 A further \$2.0 million is allocated for the upgrading of cane access roads and \$0.6 million for the upgrade of the Kavanagasau bridge. In addition, the EU has committed around \$76.4 million under the Accompanying Measures Support Programme for the development of the sugar industry.

Non-Sugar

- 7.23 The non-sugar agricultural sector contributes around 7.0 percent to GDP. The commodities under non-sugar agriculture comprise of root crops, tropical fruits, vegetables, spices, coconut products, cocoa, poultry, dairy and livestock.

7.24 Table 7.1 below shows the production of major non-sugar commodities from 2008 to 2012.

Table 7.1: Non Sugar Agriculture Production 2008-2013 (Tonnes)

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

(Source: Ministry of Agriculture)

7.25 The Ministry of Agriculture is provided with a total budget of \$62.4 million in 2014, an increase of around \$11.0 million compared to this year. Major programmes to be undertaken next year are discussed below.

7.26 *Demand Driven Approach:* Government will continue to support the development of the agricultural sector through the continuation of its two major demand driven projects – the Food Security Programme (FSP) and the Export Promotion Programme (EPP).

7.27 The FSP programme will continue to encourage production of agricultural commodities which are currently imported into the country such as rice, potato, fruits & vegetables, sheep, beef and dairy products. The EPP on the other hand aims to reduce Fiji’s trade deficit by increasing exports of locally produced agricultural commodities. Some commodities identified under this programme include fresh fruits, vegetables, herbs and certified organic products such as virgin coconut oil. Both the FSP and EPP have each been allocated \$1.0 million in the 2014 Budget.

7.28 The Ministry of Agriculture will work closely with key players in the private sector, the Fiji Crop & Livestock Council and the National Research Council to improve the implementation of demand driven projects.

7.29 *Fertilizer Subsidy:* Government has introduced a new allocation of \$1.0 million in the 2014 Budget to subsidise the cost of fertilisers for non-sugar farmers. This should reduce farming costs and improve productivity.

7.30 *Agriculture Scholarships:* Government will continue to offer agriculture scholarships to encourage aspiring young farmers to venture into large scale

commercial farming. A provision of \$1.0 million is provided in the 2014 Budget to cover the scholarship costs and the initial seed capital to recipients under this programme.

Fisheries

- 7.31 The fisheries sector contributes around 2.8 percent to GDP and 9.7 percent to total export earnings. Most of Fiji's fisheries products are exported to key markets in Japan, USA, China, Thailand and New Zealand.
- 7.32 The new Offshore Fisheries Management Decree will improve the overall management and sustainability of the fisheries sector in Fiji. Since fish is a key resource, more emphasis is being placed under the Decree to deter illegal, unregulated and unreported fishing (IUU).
- 7.33 For inshore fisheries development, \$0.5 million is allocated in the 2014 Budget for the establishment of a Multi-Species Hatchery in Ra. Government will also continue to fund and support other projects such as seaweed development, pearl and oyster production, freshwater aquaculture, brackish water, and mariculture. A sum of \$2.2 million is provided in the 2014 Budget to support these initiatives.
- 7.34 Furthermore, around \$0.6 million has been provided for the installation of a new fish ice plant in Gau. This facility will contribute towards the enhancement of commercial fishing activities in the Lomaiviti group and also improve the livelihoods of people living around this region.

Mining

- 7.35 With the recent issuance of a new mining permit to Viti Mining Limited, the number of productive mines in Fiji has now increased to five. The other four existing mines include the Vatukoula Gold Mine, the Xinfu-Aurum Bauxite Mine, the Wainivesi Zinc Mine and the Amex Iron Sands Mine.
- 7.36 There is also a huge potential for other new mines to come into operation in the near future as a number of projects are currently in their advanced stages of exploration. These include: the Nabu Manganese Mine, the Tuvatu Gold Project, the Sigatoka/Nasivi Delta Iron Sand Mine and the Namosi Joint Venture Copper Project. As at September 2013, a total of 74 exploration licenses were issued compared to 60 licenses in 2012. This also includes 16 exploration licenses for deep sea mining.

7.37 A key development for the mining sector has been the inclusion of the right of landowners in the new Constitution to receive a fair share of royalties from the extraction of minerals. This provision will ensure equitable distribution of benefits from the extraction of mineral resources.

CHAPTER 8: INVESTMENT FACILITATION

Introduction

- 8.1 Government has undertaken a number of vital reforms over the past years to create a conducive investment climate in Fiji. The reforms range from substantial reduction in tax rates, infrastructure development, provision of low cost public utilities, improved broadband services, removal of bureaucratic processes and improved public service delivery.
- 8.2 In 2013, investment is expected to be around 28.2 percent of GDP, a substantial increase from 18.0 percent in 2012. Private sector investment has also improved significantly and is expected to be around 13.0 percent of GDP this year compared to 9.7 percent of GDP in 2011. Government will continue to play a facilitative role by enticing the private sector to drive investments in the economy.

Foreign Investment Update

- 8.3 Table 8.1 below shows the number and value of foreign projects registered and implemented since 2009.

Table 8.1: Foreign Investment 2009-2013

Investment Indicators	2009	2010	2011	2012	2013 (Jan-Aug)
Number of Investment Proposal Received	91	118	145	135	166
Value of Investment Proposal Received (\$M)	368.3	654.1	492.4	1,153.7	896.5
Employment Proposal	6,272	2,776	2,786	3,956	3,242
Number of Investment Projects Implemented	190	86	190	84	33
Value of Investment Implemented (\$M)	734.3	502.8	650.3	687.7	148.3
Employment Created	2,680	1,227	4,330	2,484	1,021

(Source: Investment Fiji)

- 8.4 As shown above, the value of foreign investment proposals and projects implemented has generally increased over the years. This was supported by rising investor confidence, an improving investment climate and the streamlining of business approval processes. Other supporting initiatives that have contributed to higher foreign investments include a host of tax holidays

and incentives, lower tax rate for foreign companies, streamlined tax processes and the relaxation of exchange controls.

- 8.5 To better facilitate foreign investment applications, Government will soon launch the Investment Approval Tracking System (IATS) to allow investment applications and payments to be made online. This, together with other initiatives, will fast track the approval process and reduce business costs.
- 8.6 In 2013, Government made two major amendments to the Foreign Investment Decree to strengthen the facilitation of foreign investments in the country. The minimum investment threshold requirement of \$250,000 was removed to open up foreign investments in the country. In addition, Government will now have a charge over assets which are illegally acquired by foreign investors. The Minister responsible for Investments can apply for a court order to compel investors to forfeit all assets, interests, shares or properties to the state. This is a standard practice around the world and will ensure legitimate investments in the economy.

Programmes to Facilitate Investment

- 8.7 ***Trade & Investment Promotion Missions*** – These missions have served as an important avenue for Government to identify and promote potential investment and export opportunities. The missions have also assisted local businesses to enhance capacity and skills, improve access to capital, develop partnerships and identify lucrative niche markets.
- 8.8 In 2014, Government will undertake trade and investment missions in Australia and New Caledonia. The mission to Australia will enable marketing of Fijian-made products and services in sectors such as agriculture, minerals, tourism and manufacturing. The New Caledonian mission will assist in promoting Fiji's position as the regional hub in the Pacific and provide an opportunity for bilateral discussions on removing barriers to trade. A total of \$0.5 million has been allocated in the 2014 Budget for these missions.
- 8.9 ***Trade Pasifika*** - is the region's largest trade exhibition which has provided Fijian businesses with the opportunity to promote new products, improve relations with existing clients and secure new agents and distributors.
- 8.10 ***Fijian Made & Buy Fijian Campaign***: Government is actively engaged in the Fijian Made and Buy Fijian Campaign with the long-term objective to enhance innovation and competition of Fijian made products in both local and international markets. In 2014, Government will maintain an allocation of \$0.5 million towards this programme.

- 8.11 Rigorous compliance checks are carried out before products are licensed and promoted under the Fijian Made and Buy Fijian Campaign. As of September 2013, a total of 94 companies have been granted licenses including 29 SME's for 668 products.
- 8.12 ***National Export Strategy (NES)***: This initiative is aimed at increasing exports by assisting existing exporters⁶ through infrastructure upgrade, procurement of value adding machines & equipment, and accessing overseas markets. In the 2014 Budget, \$1.5 million has been allocated towards this programme.

⁶ The priority sectors funded under this scheme include Agro Business, Forestry, Marine Products, Mineral Water, ICT and Audio Visual.

CHAPTER 9: EXTERNAL TRADE & DEVELOPMENT COOPERATION

Introduction

- 9.1 In fostering integration into the global economy, Fiji since 1989 has become party to several international, regional and bilateral trade agreements. This has assisted in the gradual liberalisation of trade to enhance the flow of goods and services. However, potential still remains for Fiji to derive added benefits from external trade.

Formulation of Fiji's Trade Policy Framework

- 9.2 Government is currently in the process of formulating its first Trade Policy Framework (TPF) which would serve as a roadmap for devising modern, inclusive and beneficial trade policies. In developing the framework, a bottom-up approach was adopted to capture real issues and challenges faced by stakeholders and identify new opportunities in trade negotiations.
- 9.3 The framework capitalises on some of the positive reform achievements of Government to enhance the competitiveness of the private sector and improve trade-related infrastructure. This would raise Fiji's regional and international competitiveness and serve as a powerful tool to ensure trade policies contribute to national priorities.
- 9.4 An allocation of \$100,000 has been provided in the 2014 budget for the formulation of the TPF.

Update on Regional & International Trade Agreements

- 9.5 *Melanesian Spearhead Group Trade Agreement (MSGTA)* – is the most successful trade agreement in the Pacific region. In 2013, Fiji, Papua New Guinea and Vanuatu began trading duty free under the MSGTA. However, Solomon Islands will continue to implement its tariff reduction commitments until 2017.
- 9.6 With ongoing customs reforms, all MSG members will be adopting the ASYCUDA and HS2013 system by 2014. Furthermore, a MSG Rules of Origin Handbook has been developed to provide exporters and importers valuable information on customs duties and rules of origin requirements.
- 9.7 MSG leaders have endorsed the Memorandum of Understanding (MOU) on the Skills Movement Scheme to facilitate the movement of MSG nationals to fill

professional skill shortages in member countries. In addition, the MSG MOU for Cooperation on Quarantine and Bio-security was endorsed by MSG leaders for cooperation on bio-security matters to facilitate trade.

- 9.8 In 2013, MSG leaders endorsed the draft MSGTA which provides the architecture for inclusion of new chapters on services, labour mobility and Government procurement. For the next two years, members will negotiate the MSGTA3 as the basis for a new trade and economic cooperation agreement. The Trade Ministers meeting will also be established as a regular constituent body under the Agreement and will report directly to leaders on trade related issues and in particular to take ownership of the negotiations on the MSGTA3.
- 9.9 MSG leaders are committed to the establishment of Closer Economic Relations through the creation of a common market by expanding the current MSGTA to include services and labour mobility.
- 9.10 ***South Pacific Regional Trade & Economic Cooperation Agreement (SPARTECA)*** - allows preferential market access for products from Pacific Island Countries (PICs) to enter the Australian and New Zealand markets. The SPARTECA TCF scheme, an extension of SPARTECA has generated significant benefits for the Fijian garment industry and is due to expire on 31 December 2014. A review of the current rules of origin including an extension of the SPARTECA TCF Scheme is critical for continued facilitation of garment exports. Government in 2014 has allocated a sum of \$100,000 as a marketing grant to the TCF Council to develop export markets.
- 9.11 ***Pacific Island Countries Trade Agreement (PICTA)*** – This is an agreement between Pacific Island Forum Countries which allows member countries access to ‘duty free & quota free’ trade of goods within the region. While Fiji has opened its market to all parties under PICTA, some members have yet to fully liberalise their markets. In regards to PICTA Trade in Services Agreement, only two out of the eight member countries have signed and ratified the Agreement.
- 9.12 ***Interim Economic Partnership Agreement (IEPA) with the European Union-*** Although a bilateral IEPA has been signed with the European Commission, Fiji has yet to ratify this agreement due to a number of contentious issues. Fiji is currently participating in the EPA negotiations to resolve these issues.
- 9.13 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 fish processors and canneries to source fish from any vessel regardless of

the country of origin, process it onshore and export it as Fijian fish. This would provide further impetus for growth in the fisheries sector.

- 9.14 ***Comprehensive Economic Partnership Agreement (CEPA)*** – The Pacific ACP leader’s mandate in May 2013 was to conclude the CEPA negotiations by 2013 given concerns that negotiations have slowly lost momentum towards the concluding rounds of discussions. This has also become financially exhaustive for the Pacific ACP states.
- 9.15 ***Outlook for Trade Agreements*** – Fiji has recently strengthened ties with a number of countries through the opening of foreign missions in Brazil, South Korea, United Arab Emirates, Indonesia and South Africa. Government continues to work closely with these missions to propose negotiations on Bilateral Trade Agreements to facilitate exports of Fijian products and services abroad.

Trade Commissioners

- 9.16 To enhance the facilitation of trade and investment activities, Government will appoint a new Trade Commissioner for Papua New Guinea. Similarly, a roving Trade Commissioner will be appointed to serve the Pacific Islands.

Development Assistance

- 9.17 Fiji continues to benefit substantially from Official Development Assistance (ODA) provided by donors and development partners. Over the years, Government has received development support in key areas such as education, health, infrastructure and technical cooperation.
- 9.18 As highlighted in Table 9.1 below, total development assistance of around \$103.7 million is expected in 2014.

Table 9.1: Total ODA 2012 -2014

Assistance	2012		2013		2014	
	(\$M)	%	(\$M)	%	(\$M)	%
Cash Grants	18.0	12.8	15.7	9.1	9.5	9.2
Aid In Kind	122.0	87.2	157.8	90.9	94.2	90.8
Total ODA	140.0	100	173.5	100	103.7	100

(Source: Ministry of Finance)

9.19 Table 9.2 below details the sectoral distribution of cash grants from 2012 to 2014.

Table 9.2: Cash Grants 2012-2014

Sector	2012		2013		2014	
	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	0.3	1.6	4.7	29.7	0.3	3.1
Social Services	9.3	51.7	9.1	57.6	6.1	64.4
Economic Services	0.4	2.3	0.02	0.2	1.4	15.2
Infrastructure	8.0	44.4	2.0	12.5	1.7	17.3
Total	18.0	100	15.7	100	9.5	100

(Source: Ministry of Finance)

9.20 Table 9.3 below details the sectoral distribution of aid in kind from 2012 to 2014.

Table 9.3: Aid-In-Kind 2012-2014

Sector	2012		2013		2014	
	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	14.2	11.7	18.2	11.5%	4.3	4.5
Social Services	64.5	52.8	77.1	48.9%	37.7	40.1
Economic Services	34.2	28.1	45.1	28.6%	36.5	38.8
Infrastructure	9.0	7.5	17.3	11.0%	15.7	16.6
Total	122.0	100	157.8	100	94.1	100

(Source: Ministry of Finance)

9.21 Chinese ODA has increased in recent years for assistance in development projects. In 2014, Chinese aid will focus on the completion of the new Navua hospital, Somosomo hydro project in Taveuni, Juncao (Edible Mushroom) technical cooperation, rice industry development in Vanua Levu and sports complexes in Vunidawa, Seaqaqa and Korovou.

9.22 The European Union is in the process of re-engaging Fiji in development cooperation. The 11th European Development Fund (EDF) Programme for Fiji is being discussed covering a seven year period from 2014 to 2020. It is envisaged that the EDF 11 National Indicative Package for Fiji will address needs in infrastructure, environment and sugar sectors.

- 9.23 In 2014, the Australian aid programmes will assist Fiji in human resource development, NCD prevention, promoting maternal and child health and provide other services to vulnerable and disadvantaged communities.
- 9.24 New Zealand's assistance will focus on disaster risk reduction and response, improving informal settlements and skills development. Fiji also receives non-bilateral assistance through the Sustainable Development Fund, the Partnerships for International Development Fund, the Pacific Humanitarian Programme for post disaster relief assistance, regionally funded activities, and the Head of Mission Fund, which supports a wide range of community development initiatives.
- 9.25 Fiji continues to establish cooperation with new development partners. In 2013, Fiji concluded and signed five Agreements and MOUs with the Russian Federation. The positive effect of this cooperation has materialized with a grant for the establishment of the Pacific Islands Development Forum (PIDF). Countries that Fiji continues to negotiate new areas of cooperation are Argentina, Bangladesh, Brazil, Chile, China, Cuba, Georgia, India, Indonesia, Malaysia, Pakistan, Singapore, Thailand and United Arab Emirates.

CHAPTER 10: 2014 TAX MEASURES

10.1 This chapter provides details of various tax and customs policy measures introduced in the 2014 Budget.

Section 1: Direct Tax

Income Tax

Policy	Description
1. Increase Airport Departure Tax	<ul style="list-style-type: none"> ❖ ADT increase from \$150 to \$200. Distribution: <ul style="list-style-type: none"> - \$185 Government; - \$5 CAAFI; and - \$10 AFL.
2. Promote Disaster awareness/preparedness	<ul style="list-style-type: none"> ❖ 150% tax deduction for voluntary contribution of cash donation by businesses from \$10,000 with a maximum contribution of \$100,000 towards a Disaster Fund.
3. Promote exports growth through retention of existing export incentives	<ul style="list-style-type: none"> ❖ Export Income Deduction for 2014 to be retained at 40%.
4. Promote employment creation through extension of existing incentives	<ul style="list-style-type: none"> ❖ Extension of the Employment Taxation Scheme (ETS) incentive from 2014 to 2018; ❖ Extend scope of ETS to include apprentices and trainees.
5. Promote Sports sponsorship	<ul style="list-style-type: none"> ❖ Reduction of sports sponsorship threshold from \$100,000 to \$50,000 to qualify for the 150% tax deduction.
6. Promote hiring of international sporting coaches	<ul style="list-style-type: none"> ❖ 150% tax deduction for sponsorship between \$100,000 and \$200,000 towards hiring of international sporting coaches.
7. Promote Maritime Shipping	<ul style="list-style-type: none"> ❖ Introduce a 7 year tax holiday for shipping companies servicing uneconomical routes. ❖ Ring-fence the uneconomical routes to include Lau group and Rotuma.
8. Promote investments in Unit Trusts Companies.	<ul style="list-style-type: none"> ❖ Waive withholding and capital gains taxes on interest income to investors of Unit Trusts.

Policy	Description
9. Incentivise Small and Medium Enterprises (SMEs)	❖ Increase SME tax exemption threshold from \$300,000 to \$500,000.
10. Promote locally owned backpacker operations	❖ Income tax exemptions for backpacker operators with annual sales turnover of less than \$1.0 million.
11. Re-structure of TFR Incentives	<ul style="list-style-type: none"> ❖ Investment threshold for Tavua to Korovou TFR to be aligned to the tiered investment threshold structure of the maritime TFR incentive; ❖ Expand scope of the Tavua to Korovou TFR to include other commercial activities along with dairy and agriculture; and ❖ Sunset clause for TFR to be extended from 2014 to 2018.
12. Incentive for Senior citizens and Pensioners.	❖ Senior citizens (over 55 years) and Pensioners to be exempted from paying resident interest withholding tax on interest income of up to \$16,000 from bank deposits provided this is their only source of income.
13. Housing Incentive	❖ 150% tax deduction for cash contributions up to \$50,000 towards any Government sanctioned housing project for squatters and informal settlements.
14. Promote listing in the South Pacific Stock Exchange	<ul style="list-style-type: none"> ❖ Reduce corporate tax rate from 18.5% to 10% for those companies listed in SPSE. ❖ Exempt income tax and capital gains tax from trading of shares in SPSE.
15. Social Responsibility Tax (SRT)	❖ The SRT rate based on incremental system to be applicable from 1 January 2012.

Section 2: Indirect Tax

Fiscal Duty

Policy	Description
1. Reduce duty on food supplements	<ul style="list-style-type: none"> ❖ Reduce fiscal duty on food supplements from 32% to 0% ❖ Food supplements include essential vitamins and fortifications which are predominantly used by pregnant mothers, senior citizens and chronically ill patients.
2. Reduce duty on baby feeding bottles	<ul style="list-style-type: none"> ❖ Reduce fiscal duty on baby feeding bottles from 32% to 0%. ❖ To reduce importation of cheap low quality baby bottles which may cause health risks.
3. Shipping incentive	<ul style="list-style-type: none"> ❖ Reduce fiscal duty to 0% on importation of spare parts for maritime vessels.
4. Agricultural Items	<ul style="list-style-type: none"> ❖ Reduce fiscal duty to 0% on importation of all agricultural items.
5. Promote Domestic Fishing Industry	<ul style="list-style-type: none"> ❖ Exemption of Bunker fee of 2 cents/litre for local fishing vessels; and ❖ Duty concession on specialized fishing item/equipment which are not currently covered under the existing concession for the fishing industry.
6. Increase duty on imported and locally produced blank CD's.	<ul style="list-style-type: none"> ❖ Increase fiscal duty on imported CD from \$1/CD to \$2/CD.
7. Reduce duty on adult sanitary diapers.	<ul style="list-style-type: none"> ❖ Reduce fiscal duty on adult sanitary diapers from 32% to 0%.
8. Increase duty on prefabricated counter-tops	<ul style="list-style-type: none"> ❖ Increase fiscal duty on prefabricated counter-tops from 5% to 32%.
9. Reduce duty on prefabricated homes, concrete products and iron panels.	<ul style="list-style-type: none"> ❖ Reduce fiscal duty on prefabricated homes for personal use from 32% to 3% (Section 10); and ❖ Reduce fiscal duty on prefabricated concrete products and iron panels for factory/commercial use from 32% to 5%.

Excise Duty

Policy	Description
1. Increase excise rate on alcohol and tobacco	❖ Increase excise duty on alcohol and tobacco by 10%.
2. Increase duty on imported and locally produced blank CD's.	❖ Introduce new excise duty of \$1.00 for locally produced CDs.

Excise Rates on Alcohol & Tobacco

Description	2013 Rates	2014 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.57/litre	\$1.73/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$1.84/litre	\$2.02/litre
Potable Spirit Not Exceeding 57.12 GL	\$34.61/litre	\$38.07/litre
Potable Spirit Exceeding 57.12 GL	\$60.60/litre	\$66.66/litre
Wine: Still	\$2.44/litre	\$2.68/litre
Sparkling	\$2.78/litre	\$3.06/litre
Other fermented beverages: Still	\$2.44/litre	\$2.68/litre
Sparkling	\$2.78/litre	\$3.06/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.13/litre	\$1.24/litre
Cigarettes from local tobacco per 10 sticks	106.35 cents	116.99 cents
Cigarette from imported tobacco per 10 sticks	159.53 cents	175.48 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$91.92/kg	\$101.11/kg
Manufactured tobacco containing tobacco grown in Fiji	\$54.00/kg	\$59.40/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
Tobacco grown outside Fiji	\$91.92/kg	\$101.11/kg
Tobacco grown in Fiji	\$54.00/kg	\$59.40/kg

Customs

Policy	Description
1. Promote locally owned backpacker operations	❖ Duty exemption on the importation of raw materials and equipment used for the establishment of a backpacker hotel. (This incentive will only be available to backpacker businesses who are granted the income tax holiday).
2. Reduce the allowable quantity of cigarettes to be purchased at duty free shops.	❖ Allowable quantity of cigarettes to be purchased at duty free shops will be reduced from 250 grams to 200 grams.
3. Increase the minimum age of persons eligible to purchase cigarettes from duty free shops.	❖ The minimum age for persons eligible to purchase cigarettes from duty free shops to be increased from 17 years to 18 years.
4. Duty concession for returning residents	❖ Duty concession under code 220 (Free fiscal, Free import excise, Free VAT) on importation of household effects and vehicles by returning residents. This concession is subject to the following conditions: <ul style="list-style-type: none"> • The person should prove to the satisfaction of the Comptroller that he/she is returning to Fiji permanently. • The person should have a valid visa. • The vehicle must be owned and used by the person for a period of 12 months or more. (Documentary evidence such as registration papers, insurance documents, sales/purchase invoices, etc required). • The vehicle must be imported into Fiji within 12 months from the date of arrival of the person in Fiji. • The vehicle should be less than 5years from the year of manufacture for petrol/diesel and less than 8 years from the year of manufacture for LPG, CNG, solar vehicles. • That the concession be subject to such other conditions as the Comptroller may impose. • That the disposal or use of the goods for purposes other than that for which concession is granted be subject to the conditions laid down in Section 17 of the Customs Tariff Act.

APPENDICES

Table 1: Gross Domestic Product by Sector (\$M) 2009-2016

Activity	Base Weight	2009r	2010r	2011(p)	2012(e)	2013(e)	2014(f)	2015(f)	2016f
AGRICULTURE & FORESTRY	11.6	434.7	412.1	459.0	451.5	473.3	501.8	532.3	565.5
AGRICULTURE	10.6	397.1	362.5	416.0	413.1	432.5	458.2	485.7	515.6
Central Government	0.2	7.4	6.6	7.5	7.9	8.1	7.9	7.6	7.4
Subsistence	2.7	121.1	121.7	122.4	122.8	123.5	124.0	124.5	124.9
Growing of Crops, Market Gardening & Horticulture	6.4	214.3	176.5	222.0	218.3	232.5	252.1	272.7	295.1
Sugar cane	3.0	88.4	51.9	75.3	55.6	60.4	65.2	69.8	74.6
Taro	1.7	60.0	51.8	57.7	63.5	66.7	73.3	80.7	88.7
Farming of animals	0.9	32.4	36.0	40.3	39.7	42.3	45.8	49.5	53.6
FORESTRY	1.1	37.6	49.5	43.0	38.4	40.9	43.6	46.6	49.9
FISHING	2.4	120.4	120.0	134.5	145.6	149.6	152.4	155.3	158.4
Offshore fishing (Fishing on a Commercial Basis)	1.3	67.5	75.9	85.1	95.7	99.0	101.1	103.4	105.7
MINING & QUARRYING	0.4	24.1	29.1	26.3	24.8	20.0	22.0	23.1	24.2
MANUFACTURING	14.2	593.1	612.5	622.5	636.5	666.5	690.3	710.6	730.0
Informal activities	3.1	142.5	143.3	144.1	145.3	146.7	148.0	149.3	150.7
Food products	3.3	120.1	123.2	135.2	138.9	147.5	154.3	160.6	166.6
Sugar	1.0	23.4	28.8	35.1	32.6	36.8	39.8	42.6	45.6
Beverages & tobacco	2.1	86.0	92.8	91.5	96.6	101.9	106.4	109.6	112.9
Non Food Products	5.8	242.9	251.7	250.7	254.5	269.4	280.3	290.0	298.8
Wearing apparel	1.3	61.8	55.1	48.7	49.7	54.7	58.0	60.9	63.9
ELECTRICITY AND WATER	1.4	49.8	61.6	65.8	65.1	68.5	70.5	72.7	74.8
Production, collection & distribution of electricity	1.2	39.3	48.4	52.5	51.6	54.7	56.4	58.1	59.8
CONSTRUCTION	3.2	110.2	118.5	118.7	127.1	143.9	160.0	165.9	172.0
Central Government	0.4	17.3	19.0	18.3	21.1	19.9	20.9	20.9	20.9
Non-General Government	2.0	60.8	67.1	68.7	74.1	89.0	102.3	107.4	112.8
WHOLESALE AND RETAIL	12.7	481.2	484.3	468.8	477.0	498.6	513.3	523.7	534.4

Non-General Government	9.7	346.6	345.0	328.9	336.6	356.9	370.4	379.5	388.9
Sale, Maintenance, Repair of Motor Vehicles & Cycles; Retail Sale of Automotive Fuel	2.4	76.5	70.7	67.1	71.2	76.4	80.2	83.0	85.8
Retail sale-Automotive Fuel	1.3	41.1	35.3	32.4	34.0	35.7	37.5	39.4	41.4
Wholesale Trade	2.3	78.0	78.7	71.1	71.6	75.0	77.4	79.3	81.2
Solid, liquid, gaseous fuels & related products	1.4	40.5	42.5	37.5	38.1	40.0	40.8	41.6	42.5
Retail Trade	4.1	159.6	159.9	159.2	162.1	172.1	178.7	182.9	187.2
Non-specialised stores with food & beverages predom	1.1	35.2	34.1	33.7	34.3	36.1	37.9	39.0	40.2
HOTELS & RESTAURANTS	4.3	235.4	263.8	276.8	280.2	286.6	292.2	300.4	308.8
Hotels; camping sites & other provision of short-stay accommodation	3.5	197.1	225.5	238.3	240.2	245.0	249.9	257.4	265.1
TRANSPORT, STORAGE & COMMUNICATION	15.0	684.2	671.9	672.3	703.5	739.6	755.4	770.7	786.4
Land Transport	1.4	61.1	52.9	58.3	58.9	61.8	63.0	63.7	64.3
Air Transport	2.3	92.8	117.1	115.2	116.4	121.0	124.6	128.4	132.2
Supporting & Auxiliary Activities	4.2	189.3	182.4	192.5	194.4	200.0	204.0	208.1	212.3
Other supporting transport activities	1.5	64.2	66.3	70.3	71.0	72.5	73.9	75.4	76.9
Post & Telecommunication	6.0	313.7	288.8	277.5	305.0	327.6	334.1	340.8	347.5
Telecommunications	5.9	310.2	285.5	274.6	302.1	324.7	331.2	337.9	344.6
FINANCIAL INTERMEDIATION	7.9	429.5	437.8	466.6	475.9	490.6	501.5	511.8	521.3
Other monetary intermediation	3.7	213.3	218.5	221.3	226.4	236.6	241.3	246.2	251.1
Other financial intermediation	1.5	100.3	90.5	91.7	93.8	95.7	97.6	99.6	101.6
Insurance	1.7	51.2	69.8	85.8	87.5	89.3	92.9	95.6	97.6
REAL ESTATE & BUSINESS SERVICES	9.3	403.6	406.2	415.8	425.9	433.0	439.2	443.5	448.0

Owner occupied dwellings	4.3	188.4	189.5	190.5	191.2	192.0	192.8	193.5	194.3
Real Estate Activities	1.2	53.9	55.1	55.3	58.0	62.1	64.0	65.9	67.9
Other Business Activities	1.8	71.1	75.1	75.9	76.7	77.4	78.2	79.0	79.8
PUBLIC ADMINISTRATION & DEFENCE	5.6	344.3	301.1	273.0	282.2	284.1	290.5	290.5	290.5
General public services including others	3.0	131.2	139.2	135.4	143.5	143.5	146.4	146.4	146.4
Defence activities	1.4	131.9	91.8	76.7	76.0	76.7	79.0	79.0	79.0
Public order & safety activities	1.1	81.1	70.0	60.9	62.7	63.8	65.1	65.1	65.1
EDUCATION	5.2	232.1	228.6	240.8	244.1	245.4	246.8	248.3	249.7
Primary education	1.6	69.3	62.5	67.4	68.1	68.8	69.5	70.3	71.1
Normal secondary education	1.1	47.4	46.7	49.8	50.3	50.8	51.4	51.9	52.5
Higher education	1.9	89.1	93.7	97.4	99.4	99.4	99.4	99.4	99.4
HEALTH & SOCIAL WORK	2.1	93.6	95.8	82.5	79.1	80.4	84.0	84.1	84.2
General Government	1.8	80.9	83.9	71.4	67.8	69.0	72.5	72.5	72.5
OTHER COMMUNITY, SOCIAL & PERSONAL SERVICE ACTIVITIES	4.9	121.2	120.5	121.8	124.6	126.0	127.9	129.2	130.5
Informal activities	1.2	36.0	38.5	37.9	38.2	38.5	38.9	39.2	39.6
Activities of Membership Organisation	2.2	28.6	27.8	26.6	26.6	26.7	26.9	26.9	27.0
Activities of religious organisations	0.3	10.5	10.0	9.1	9.2	9.2	9.3	9.3	9.3
Activities of political organisations	1.9	18.1	17.8	17.4	17.4	17.4	17.6	17.6	17.6
GRAND TOTAL	100.0	4,357.3	4,363.7	4,445.3	4,543.4	4,706.1	4,847.8	4,962.0	5,078.8
Nominal GDP		5,721.5	6,186.7	6,730.8	7,223.0	7,788.5	8,283.4	8,725.9	9,189.2

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

Table 2: GDP Growth (% change) by Sector 2009-2016

Activity	Base Weight	2009r	2010r	2011(p)	2012(e)	2013(e)	2014(f)	2015(f)	2016(f)
AGRICULTURE & FORESTRY	11.6	-12.9	-5.2	11.4	-1.6	4.8	6.0	6.1	6.2
AGRICULTURE	10.6	-13.3	-8.7	14.8	-0.7	4.7	5.9	6.0	6.2
Central Government	0.2	-2.7	-11.1	14.5	5.0	2.7	-3.0	-3.0	-3.0
Subsistence	2.7	0.5	0.6	0.5	0.4	0.5	0.4	0.4	0.4
Growing of Crops, Market Gardening & Horticulture	6.4	-14.6	-17.6	25.8	-1.7	6.5	8.4	8.2	8.2
Sugar cane	3.0	-9.7	-41.3	45.2	-26.2	8.6	8.0	7.0	7.0
Taro	1.7	-5.6	-13.7	11.4	10.0	5.0	10.0	10.0	10.0
Farming of animals	0.9	-21.8	11.3	11.9	-1.6	6.7	8.1	8.2	8.3
FORESTRY	1.1	-8.5	31.6	-13.2	-10.8	6.5	6.7	6.9	7.1
FISHING	2.4	-13.0	-0.3	12.1	8.5	2.7	1.9	1.9	2.0
Offshore fishing (Fishing on a Commercial Basis)	1.3	-19.3	12.4	12.0	12.8	3.5	2.1	2.2	2.2
MINING & QUARRYING	0.4	68.7	20.7	-9.4	-5.8	-19.3	9.8	5.0	5.0
MANUFACTURING	14.2	-2.2	3.3	1.6	2.2	4.7	3.6	3.0	2.7
Informal activities	3.1	0.8	0.6	0.5	0.9	0.9	0.9	0.9	0.9
Food products	3.3	-11.0	2.6	9.8	2.8	6.1	4.7	4.0	3.7
Sugar	1.0	-38.6	23.1	21.7	-7.1	13.1	8.0	7.0	7.0
Beverages & tobacco	2.1	-7.4	7.9	-1.4	5.5	5.5	4.5	3.0	3.0
Non Food Products	5.8	3.1	3.6	-0.4	1.5	5.9	4.1	3.4	3.0
Wearing apparel	1.3	2.9	-10.9	-11.6	2.0	10.0	6.0	5.0	5.0
ELECTRICITY AND WATER	1.4	49.8	23.6	6.8	-1.0	5.2	3.0	3.0	3.0
Production, collection & distribution of electricity	1.2	68.0	23.2	8.6	-1.7	6.0	3.0	3.0	3.0
CONSTRUCTION	3.2	-12.6	7.5	0.2	7.0	13.3	11.2	3.7	3.7
Central Government	0.4	-17.9	9.8	-3.5	15.0	-5.5	5.0	0.0	0.0
Non-General Government	2.0	-13.1	10.2	2.4	8.0	20.0	15.0	5.0	5.0
WHOLESALE AND RETAIL	12.7	-5.9	0.6	-3.2	1.8	4.5	3.0	2.0	2.0
Non-General Government	9.7	-8.5	-0.5	-4.7	2.3	6.0	3.8	2.5	2.5

Sale, Maintenance, Repair of Motor Vehicles & Cycles; Retail Sale of Automotive Fuel	2.4	-13.2	-7.6	-5.1	6.0	7.4	5.0	3.4	3.4
Retail sale-Automotive Fuel	1.3	-3.9	-14.3	-8.1	5.0	5.0	5.0	5.0	5.0
Wholesale Trade	2.3	-6.4	0.9	-9.6	0.6	4.8	3.2	2.4	2.4
Solid, liquid, gaseous fuels & related products	1.4	-9.0	4.8	-11.7	1.6	5.0	2.0	2.0	2.0
Retail Trade	4.1	-5.5	0.2	-0.5	1.8	6.2	3.8	2.3	2.3
Non-specialised stores with food & beverages predom	1.1	-7.3	-3.0	-1.3	2.0	5.0	5.0	3.0	3.0
HOTELS & RESTAURANTS	4.3	2.1	12.1	4.9	1.2	2.3	1.9	2.8	2.8
Hotels; camping sites & other provision of short-stay accommodation	3.5	-1.5	14.4	5.7	0.8	2.0	2.0	3.0	3.0
TRANSPORT, STORAGE & COMMUNICATION	15.0	9.3	-1.8	0.1	4.6	5.1	2.1	2.0	2.0
Land Transport	1.4	12.6	-13.5	10.2	1.0	5.0	2.0	1.0	1.0
Air Transport	2.3	-22.7	26.3	-1.6	1.0	4.0	3.0	3.0	3.0
Supporting & Auxiliary Activities	4.2	24.2	-3.7	5.6	1.0	2.9	2.0	2.0	2.0
Other supporting transport activities	1.5	10.6	3.1	6.2	1.0	2.0	2.0	2.0	2.0
Post & Telecommunication	6.0	16.9	-7.9	-3.9	9.9	7.4	2.0	2.0	2.0
Telecommunications	5.9	17.5	-8.0	-3.8	10.0	7.5	2.0	2.0	2.0
FINANCIAL INTERMEDIATION	7.9	-11.1	1.9	6.6	2.0	3.1	2.2	2.0	1.9
Other monetary intermediation	3.7	-5.7	2.4	1.3	2.3	4.5	2.0	2.0	2.0
Other financial intermediation	1.5	7.5	-9.8	1.3	2.3	2.0	2.0	2.0	2.0
Insurance	1.7	-38.5	36.4	22.9	2.0	2.0	4.0	3.0	2.0
REAL ESTATE & BUSINESS SERVICES	9.3	-0.3	0.6	2.4	2.4	1.7	1.4	1.0	1.0
Owner occupied dwellings	4.3	-1.2	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Real Estate Activities	1.2	-2.7	2.2	0.3	5.0	7.0	3.0	3.0	3.0

Other Business Activities	1.8	-0.7	5.5	1.1	1.0	1.0	1.0	1.0	1.0
PUBLIC ADMINISTRATION & DEFENCE	5.6	19.8	-12.5	-9.3	3.4	0.7	2.3	0.0	0.0
General public services including others	3.0	-4.3	6.1	-2.8	6.0	0.0	2.0	0.0	0.0
Defence activities	1.4	63.4	-30.4	-16.4	-1.0	1.0	3.0	0.0	0.0
Public order & safety activities	1.1	16.8	-13.6	-13.1	3.0	1.8	2.0	0.0	0.0
EDUCATION	5.2	-0.5	-1.5	5.3	1.4	0.5	0.6	0.6	0.6
Primary education	1.6	1.3	-9.9	7.8	1.1	1.0	1.1	1.1	1.1
Normal secondary education	1.1	0.5	-1.5	6.7	1.1	1.0	1.1	1.1	1.1
Higher education	1.9	-2.4	5.2	4.0	2.0	0.0	0.0	0.0	0.0
HEALTH & SOCIAL WORK	2.1	9.1	2.3	-13.9	-4.2	1.7	4.4	0.1	0.1
General Government	1.8	10.0	3.6	-14.9	-5.0	1.8	5.0	0.0	0.0
OTHER COMMUNITY, SOCIAL & PERSONAL SERVICE ACTIVITIES	4.9	-10.0	-0.5	1.1	2.3	1.1	1.5	1.0	1.0
Informal activities	1.2	-16.8	6.9	-1.8	0.9	0.9	0.9	0.9	0.9
Activities of Membership Organisation	2.2	-17.4	-2.9	-4.4	0.1	0.2	0.8	0.1	0.1
Activities of religious organisations	0.3	-35.2	-4.9	-8.7	0.4	0.5	0.4	0.4	0.4
Activities of political organisations	1.9	-1.6	-1.7	-2.0	0.0	0.0	1.0	0.0	0.0
GRAND TOTAL	100.0	-1.3	0.1	1.9	2.2	3.6	3.0	2.4	2.4

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

Table 3: Total Exports by Major Commodities (\$M) 2008-2016

COMMODITIES	2008	2009	2010	2011	2012(p)	2013(f)	2014(f)	2015(f)	2016(f)
Sugar	248.2	187.1	70.1	127.1	174.6	185.8	201.6	215.7	215.7
Molasses	13.6	20.8	30.3	16.1	14.9	22.4	13.5	28.7	28.7
Gold	26.7	41.0	148.4	143.0	136.9	95.8	98.9	104.5	109.8
Timber, Cork & Wood	59.3	36.7	79.6	62.1	69.0	85.9	100.6	103.2	106.0
Fish**	139.9	173.6	243.8	264.4	320.1	250.5	257.6	264.8	272.3
Fruits & Vegetables	33.2	31.8	37.6	44.3	39.1	42.0	46.2	50.9	55.9
o/w Dalo	22.2	20.1	23.8	22.3	15.2	9.1	9.6	10.1	10.6
Yaqona	4.8	3.9	3.9	5.7	5.8	3.3	3.6	3.8	4.1
Coconut Oil	9.3	6.0	5.5	6.8	6.6	3.7	4.0	4.2	4.4
Textiles, Yarn & Made Up Articles	7.8	7.7	8.8	9.4	12.9	10.3	10.9	11.4	12.0
Garments	100.1	83.9	99.2	90.0	92.9	120.0	126.0	132.3	138.9
Footwear	2.1	1.7	1.9	1.7	1.3	1.1	1.1	1.1	1.2
Mineral Water	109.9	80.2	119.2	127.5	160.6	153.8	161.5	169.6	178.0
Other Domestic Export	211.5	217.2	226.1	257.0	257.2	279.0	304.3	318.0	326.3
Re- Exports (excl fish)	482.5	318.6	507.0	739.0	884.0	954.2	795.7	825.0	855.3
Total	1471.1	1230.3	1605.2	1916.4	2191.1	2216.9	2135.1	2240.3	2319.2

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

** Total Fish= Fish Exports + Fish Re-exports

Table 4: Total Imports by Category (\$M) 2008-2016

ECONOMIC CATEGORY	2008	2009	2010	2011(r)	2012(p)	2013(f)	2014(f)	2015(f)	2016(f)
Food	520.0	521.5	573.1	729.7	770.1	793.2	820.5	848.8	882.5
Beverage & Tobacco	21.7	22.5	31.3	33.6	31.8	34.5	35.5	36.6	37.7
Crude Materials	31.0	25.0	30.3	30.5	40.9	47.2	49.1	51.0	53.1
Mineral Fuels	1,222.1	720.4	1,100.5	1,165.7	1,213.8	1,171.8	1,207.0	1,243.2	1,280.5
Oil & Fats	37.0	29.1	29.8	47.3	48.3	55.2	57.9	60.8	63.9
Chemicals	274.5	225.4	294.2	301.5	325.4	330.6	337.2	344.0	350.8
Manufactured Goods	460.8	404.3	467.2	465.6	508.0	560.0	584.8	602.4	620.5
Machinery & Transport Equipment	726.5	604.9	625.4	837.1	763.0	2081.5	1,040.6	1080.5	1,122.2
Miscellaneous Manufactured Goods	278.6	240.6	297.2	282.7	306.3	408.8	417.5	426.5	435.6
Other Commodities	29.4	14.2	15.6	17.6	26.4	28.4	28.9	29.5	30.1
Total	3,601.4	2,807.9	3,464.6	3,911.3	4,034.0	5,511.0	4,579.1	4,723.2	4,876.7

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

Table 5: Balance of Payments (\$M) 2008-2016

ITEMS	2008(r)	2009(r)	2010(r)	2011(r)	2012(p)	2013(f)	2014(f)	2015(f)	2016(f)
BALANCE ON GOODS	-1,716.0	-1,227.4	-1,407.6	-1,524.1	-1,366.5	-2,882.0	-1,825.3	-1,847.6	-1,904.3
exports f.o.b	1,440.0	1,201.8	1,580.1	1,902.2	2,170.9	1,824.5	2,116.0	2,221.5	2,300.7
imports f.o.b	3,156.0	2,429.1	2,987.7	3,426.3	3,537.4	4,706.6	3,941.3	4,069.0	4,205.0
BALANCE ON SERVICES	770.0	667.0	1,041.3	1,126.1	1,158.2	1,124.2	1,151.0	1,178.2	1,205.2
Export of Services	1,768.0	1,574.6	1,902.8	2,091.8	2,186.8	2,237.0	2,277.5	2,320.6	2,364.4
Import of Services	998.0	907.6	861.5	965.7	1,028.7	1,112.8	1,126.5	1,142.4	1,159.3
BALANCE ON PRIMARY INCOME	-139.0	-22.4	-191.7	-210.0	-271.2	-209.3	-307.9	-305.3	-290.9
Income from non-residents	115.0	120.3	150.1	177.2	134.9	125.1	126.3	127.7	129.1
Income to non-residents	254.0	142.7	341.8	387.2	406.1	334.4	434.2	433.0	420.0
BALANCE ON SECONDARY INCOME	235.0	349.3	286.5	256.8	379.1	477.4	491.3	489.9	494.8
Inflow of current transfers	352.0	445.5	388.0	362.9	496.6	582.7	596.7	595.2	600.2
Outflow of current transfers.	116.0	96.2	101.5	106.1	117.5	105.4	105.4	105.4	105.4
CURRENT ACCOUNT BALANCE	-849.0	-233.4	-270.0	-351.4	-100.4	-1,489.8	-490.9	-484.8	-495.2
CAPITAL ACCOUNT BALANCE	8.0	4.6	5.6	10.6	7.1	7.8	7.8	7.8	7.8
FINANCIAL ACCOUNT BALANCE (Excluding RA)	432.0	882.7	778.9	971.9	455.6	1,570.3	594.4	374.0	398.3
Errors & Omissions	127.4	-268.2	-34.2	-177.1	-221.3	157.8	141.3	3.1	14.1
RESERVE ASSETS	-281.2	385.7	261.1	382.8	180.8	246.0	-75.0	-100.0	-75.0

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

Table 6: Tourism Statistics, 2008 – 2016

	2008	2009	2010	2011	2012(p)	2013(f)	2014(f)	2015(f)	2016(f)
Visitors (000's)	585,031	542,186	631,868	675,050	660,590	673,802	694,016	714,837	736,282
Average length of stay (days)	9.6	9.8	9.6	9.4	9.6	9.6	9.6	9.6	9.6
Visitors days (millions)	5.6	5.3	6.0	6.3	6.3	6.3	6.3	6.3	6.3
Earnings (F\$M)	1,027.8	975.3	1,194.4	1,286.4	1,300.0	1,322.2	1,349.3	1,376.9	1,405.2

(Source: Fiji Bureau of Statistics, Macro Policy Committee; p = provisional, f = forecast)

Table 7: Sugar Production, Export and Price 2008 – 2016

	2008(r)	2009(r)	2010(p)	2011	2012(p)	2013(f)	2014(f)	2015(f)	2016(f)
Export Quantity Sugar (000 tonnes)	260.0	199.0	96.0	122.0	138.0	175.1	189.1	202.3	202.3
Unit Value (FJ\$/tonne)	954.6	940.2	730.1	1041.8	1265.2	1061.1	1066.1	1065.8	1065.8
Sugar Export Earnings (F\$M)	248.2	187.1	70.1	127.1	174.6	185.8	201.6	215.7	215.7
Molasses Production (000 tonnes)	98.0	119.0	146.6	62.4	66.4	86.5	52.0	110.8	110.8
Molasses Export Earnings (F \$M)	13.6	20.8	30.3	16.1	14.9	22.4	13.5	28.7	28.7

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

Table 8: Inflation Rates (2011 –2013)

	2011	2012	2013 (Sept)
All Items	6.4	2.5	3.1
Food and Non Alcoholic Beverage	10.7	3.8	4.3
Alcoholic Beverages, Tobacco and Narcotics	9.4	11.6	10.1
Clothing & Footwear	1.5	0.5	2.0
Housing, Water, Elec., Gas and Other Fuels	2.1	1.2	0.4
Furnishings Hhld Equip. & Routine Hhld Maint.	4.0	-0.5	-1.2
Health	4.8	7.0	4.2
Transport	10.9	0.6	-0.7
Communications	-0.4	-0.5	0.0
Recreation & Culture	-0.6	1.0	8.9
Education	0.9	1.0	6.5
Restaurant & Hotels	4.7	10.5	6.9
Miscellaneous Goods & Services	0.1	-0.2	-1.0

(Source: Fiji Bureau of Statistics - 2008 Base)

Table 9: Employment by Sector 2002-2009 (in thousands of persons)

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	130.2

(Source: Fiji Bureau of Statistics; r = revised, e = estimate)

Table 10: Exchange Control Relaxations

The following table highlights the exchange control policy to be effective from 1 January 2014.

Category of Payments	Current Delegated Limits	Delegated Limits to be Effective from 1/1/14
1. Dividends and Profits	\$500,000 per company per annum	\$1,000,000 per company per annum
2. Emigration	Not delegated	\$250,000 per family per annum
3. Forward Cover Contracts	Commercial banks could write net forward sales contracts up to \$20m using their own foreign currency holdings	Increase net forward sales contracts to \$40m. Commercial banks to use their own foreign currency holdings to fund the sales contracts
4. Personal Remittances <ul style="list-style-type: none"> • Gift • Maintenance • Wedding expenses 	<ul style="list-style-type: none"> • \$500 per applicant per annum • \$500 per applicant per annum • \$500 per applicant per annum 	<ul style="list-style-type: none"> • \$2,000 per applicant per annum • \$2,000 per applicant per annum • \$2,000 per applicant per annum

(Source: Reserve Bank of Fiji)