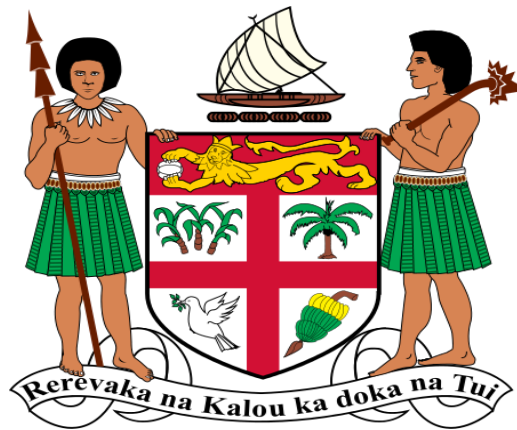


REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE: SUPPLEMENT TO THE 2015 BUDGET ADDRESS

"Turning Promises Into Deeds"



Ministry of Finance
21 November 2014

FOREWORD

The Supplement to the 2015 Budget Address highlights Fiji's financial and economic performance and outlook. It focuses on Government's fiscal strategy for the medium term that is geared towards stimulating investment-led growth in a sustainable and sound fiscal environment.

This report was compiled by the Ministry of Finance with contributions from various Government agencies. The Budget Supplement also contains key economic and financial policies in the 2015 Budget that is consistent with the provisions of the 2013 Constitution and incorporates economic and fiscal information as of November 2014.



Filimone Waqabaca
Permanent Secretary for Finance
21 November 2014

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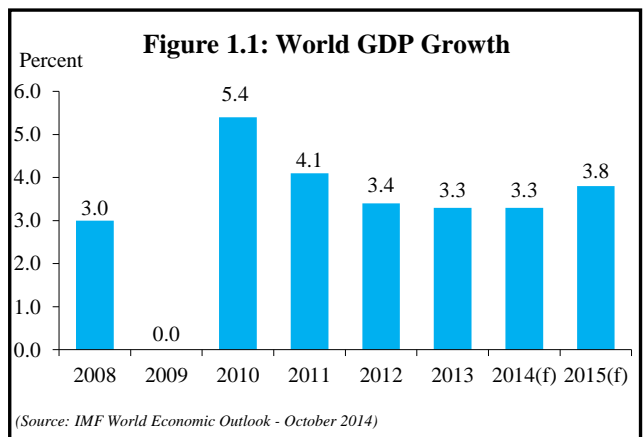
CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK (2012-2016)

Introduction

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

International Outlook

- 1.2 In October 2014, the International Monetary Fund (IMF) revised its global growth forecast downward for 2014 and 2015 to 3.3 percent and 3.8 percent, respectively. The revision takes into account the weak performance in the first half of the year and the downside risks, both financial and geopolitical, that will dampen the recovery process.



- 1.3 The recovery pace is expected to be sustained in the United States (US) and the United Kingdom, but remain modest in Japan and weak in the Euro zone. Growth is projected to remain high in emerging Asia, with a modest slowdown in China and a pickup in India.

Fiji's Trading Partners

- 1.4 With the exception of the Euro Zone, Fiji's major trading partners, on average, are likely to record moderate growth in 2014 and 2015.
- 1.5 The **United States** economy is expected to grow by 2.2 percent in 2014 with consistent improvement in employment prospects, strong domestic demand and positive consumer confidence. Inflation also remains low given weakening commodity prices and subdued growth in wages. While the Federal Reserve ended its asset purchasing program in November, the central bank's target rate is still maintained at zero to 0.25 percent. In 2015, the US economy is forecast to grow by 3.1 percent.

- 1.6 The **Euro Zone**'s recovery is expected to remain slow and fragile. Overall demand conditions remain soft given the significant decline in confidence and persistent high unemployment. The region also faces risks which could cause trade distortions and further derail the recovery. The Euro Zone economy is projected to grow by 0.8 percent in 2014 followed by a 1.3 percent expansion in 2015.
- 1.7 In **Japan**, the economy is recovering at a modest pace, with slight expansion in services along with improvement in employment conditions. However, manufacturing and consumer spending remain weak given the impact of the sales tax hike in April. Demand conditions are expected to remain subdued in the medium term. Given the weak growth, the Bank of Japan has increased its monetary stimulus by an additional 10 trillion yen. This year, the economy is forecast to grow by 0.9 percent followed by a 0.8 percent growth in 2015.
- 1.8 The **Australian** economy is currently performing below trend due to lower exports and declining capital expenditure. Further moderation in economic activity has been registered on the back of lower mining investment. Moreover, the decline in commodity export prices and high wages has renewed concerns over the nation's trade competitiveness. This year, the economy is expected to grow by 2.8 percent and a marginal growth of 2.9 percent is forecast for 2015.
- 1.9 The **New Zealand** economy maintained positive growth during 2014, with expansion in the services, manufacturing and construction sectors. Consumption and business sentiments remain positive. On the other hand, housing activity has declined and exports have also slowed. The economy is projected to grow by 3.6 percent in 2014 and 2.8 percent in 2015.
- 1.10 **China's** growth has been slowing during the year due to subdued demand in the property market and lower production in the industrial and manufacturing sector. This year, the economy is projected to grow by 7.4 percent and 7.1 percent in 2015.
- 1.11 In **India**, the economy is showing steady growth due to positive business sentiments and stronger demand. The outlook is expected to gain further momentum on account of improved export prospects and higher investment outlays. In 2014, the economy is projected to grow by 5.6 percent and is expected to further improve to 6.4 percent in 2015.

Domestic Outlook

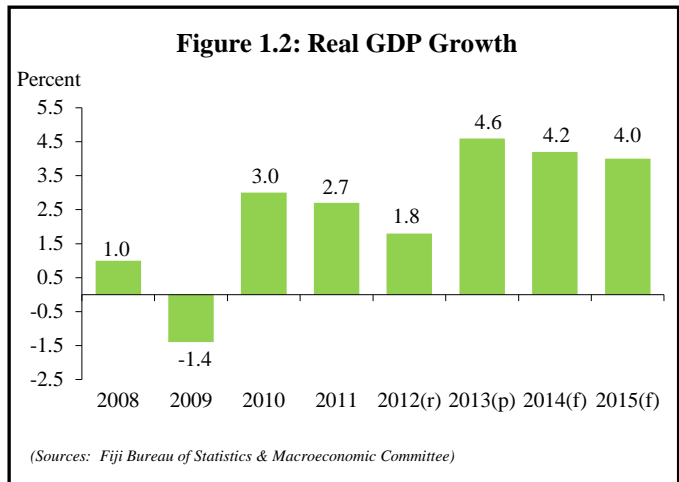
- 1.12 The Fijian economy grew by 4.6 percent in 2013, recording a fourth consecutive year of growth, the highest growth since 2004. After growing by 3.0 percent in

2010, the economy expanded by 2.7 percent and 1.8 percent in 2011 and 2012, respectively.

Overview: 2014

1.13 This year, the economy is projected to grow by 4.2 percent, an upward revision from the earlier forecast of 3.8 percent.

1.14 With the exception of the fishing and mining sectors, all other sectors are expected to grow. The higher growth is largely driven by construction, manufacturing, financial & insurance activities, wholesale & retail trade, information & communication, agriculture, transport & storage and the accommodation & food services sectors.



1.15 Growth in the construction sector is anticipated to be underpinned by higher public sector capital spending and private sector construction activity. The lead contributors towards the growth in the manufacturing sector are the sugar, food, and beverage & tobacco industries.

1.16 The growth in financial & insurance activities is expected to be underpinned by accommodative interest rates and increased commercial bank activity.

1.17 Growth in the wholesale & retail trade sector is expected to be supported by lower lending rates, lower income taxes, higher disposable incomes in the public sector and higher inward remittances.

1.18 The introduction of additional services by wireless telecommunication providers is expected to drive the information & communication sector.

1.19 Growth in agriculture is mainly underpinned by higher sugarcane production. The forestry & logging sector is projected to contribute marginally as logging of mahogany was hindered by bad weather conditions. On the other hand, the fishing & aquaculture sector is expected to contract this year, due to a decline in offshore fishing activity.

- 1.20 The projected increase in visitor arrivals will augur well for the transport & storage and the accommodation & food services sectors.

Overview 2015

- 1.21 In 2015, the economy is projected to grow by 4.0 percent, higher than the earlier forecast of 2.4 percent. The upward revision is largely attributed to improved performances in the construction, financial & insurance activities, transport & storage and the accommodation & food services sectors. The 2015 growth is expected to be broad based with positive contributions from all the sectors.
- 1.22 The construction boom and the increased activity in the manufacturing sector will drive growth next year with positive impetus from wholesale & retail trade and the information & communication sectors. The financial & insurance sector is also expected to perform strongly with increased intermediation and pension activity.
- 1.23 Sugarcane production is projected to increase and drive growth in the agriculture sector. A turnaround is also expected for the fishing & aquaculture sector as the effects of La Nina fade out. For the forestry & logging sector, higher pine and hardwood production is forecast to underpin growth in 2015.
- 1.24 The 2015 Budget provides substantial funding support for infrastructure development, including roads, electricity, water, sewerage and other major capital investments. This is expected to have significant impact on the construction sector. Increased operational expenditures will broadly support activity in the wholesale & retail and manufacturing sectors.

Overview of 2016 and 2017

- 1.25 The economy is forecast to grow by 3.0 percent in both 2016 and 2017. For both years, growth will be broad-based. The manufacturing, financial and insurance activities, agriculture, wholesale & retail trade, information & communication, construction and the accommodation & foods services sectors are expected to be the main drivers of growth.

Inflation

- 1.26 In 2013, inflation was 3.4 percent. Inflationary pressures were generally subdued due to persistent weakness in global demand, low trading partner inflation and declining commodity prices.

- 1.27 In October 2014, inflation was recorded at 0.3 percent. This outturn largely reflects the free primary and secondary school education initiative by Government and stable global food and oil prices. Inflation is projected to be around 1.5 percent by year-end.
- 1.28 For 2015 and 2016, inflation is projected at 3.5 percent and 3.0 percent, respectively, barring any upside risks from global or domestic price shocks.

Trade and Balance of Payments¹

Exports

- 1.29 In 2014, total exports is forecast to grow by 8.0 percent due to higher re-exports and exports of sugar, timber, mineral water, garments & textiles, yaqona, gold and other domestic exports. However, molasses, domestic fish and fruit & vegetables are expected to decline this year.
- 1.30 In 2015, total exports are projected to increase by 3.5 percent while in 2016 and 2017, a broad based growth of 4.0 percent is expected for both years.

Imports

- 1.31 Imports in 2014 is expected to increase by 10.7 percent led by higher imports of mineral fuels, machinery & transport equipment, manufactured goods, food, chemicals and miscellaneous manufactured goods.
- 1.32 For 2015 and 2016, import growth is projected at 4.8 percent and 4.4 percent respectively, attributed to higher imports of food, machinery & transport equipment, mineral fuels, manufactured goods and miscellaneous manufactured goods and chemicals. A 4.3 percent growth for 2017 is anticipated.

Balance of Payments

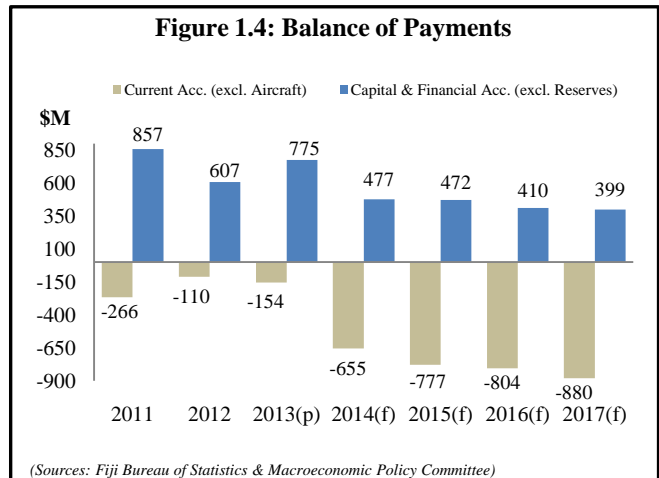
- 1.33 The current account deficit is forecast at 8.1 percent of GDP in 2014, compared to a deficit of 2.1 percent of GDP in 2013. The higher deficit is mainly due to a significant increase in the imports of goods resulting in a higher trade deficit. The surplus in the capital & financial account is expected to be around 5.9 percent of GDP.

¹Excluding Aircrafts

1.34 In 2015, the current account deficit is expected to widen to 9.0 percent of GDP, due to a higher trade deficit. The balance in the capital & financial account is projected at 5.4 percent of GDP.

1.35 The current account deficit is expected to narrow slightly to 8.7 percent of GDP in 2016 while the balance in the capital & financial account is expected to fall to 4.5 percent of GDP.

1.36 In 2017, the Current Account deficit is projected to rise to 9.0 percent of GDP while the capital & financial account balance is expected to decline to 4.1 percent of GDP. The overall balance is expected to remain unchanged.



Monetary Policy

1.37 Monetary policy in 2014 continued to focus on safeguarding the twin objectives of low inflation and a comfortable level of foreign reserves.

1.38 Foreign reserves remained at comfortable levels throughout the year, ranging from 4.4 to 4.8 months of retained imports of goods and non-factor services. At the end of October, foreign reserves were around \$1,749million, sufficient to cover 4.6 months of retained imports of goods and non-factor services.

1.39 Inflation fell to 3.4 percent at the end of 2013 and is expected to be around 1.5 percent by year end.

1.40 Given the comfortable outlook for both reserves and inflation, the Reserve Bank maintained an accommodative monetary policy stance with the Overnight Policy Rate remaining unchanged at 0.50 percent.

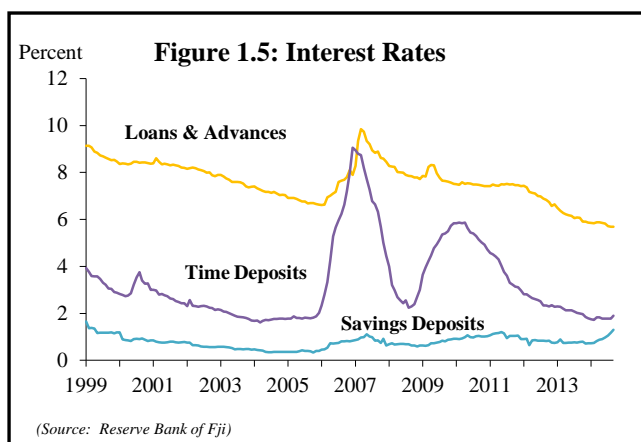
1.41 Looking ahead, the RBF will continue to closely monitor international and domestic developments and align policies accordingly to safeguard its twin objectives.

Money and Credit

- 1.42 Broad money (M3) rose by 12.9 percent to \$6,164.6million in September. The outturn was underpinned largely by an 18.2 percent growth in net domestic credit while net foreign assets fell by 3.8 percent to \$1,511.7 million.
- 1.43 Growth in net domestic credit was led by private sector credit with increased loans and advances to private individuals; wholesale, retail, hotels & restaurants; building & construction; transport and storage; manufacturing; real estate and the electricity, gas & water sectors.

Interest Rates

- 1.44 The excess liquidity in the banking system has been supporting accommodative lending rates in the market.
- 1.45 The commercial banks' weighted average outstanding lending rate fell from 6.06 percent in September 2013 to 5.69 percent in September 2014.



- 1.46 The existing time deposit rate fell from 1.99 percent to 1.90 percent while the weighted average savings rate rose over the year from 0.78 percent to 1.30 percent in September. The savings rate is the highest recorded since April 1999.
- 1.47 Money market rates remained low in the first half of 2014. However, there has been an upsurge in the third quarter. The 14 day treasury bill rate stood at 0.08 percent while the 28-day treasury bill rate rose marginally to 0.10 percent in June. The 91-day treasury bill rate rose from around 0.30 percent in May 2014 to 1.90 percent in August and rose further to 1.99 percent in September.
- 1.48 In the capital markets, there was an increase in trade of 10 to 15 year securities while rates continued on a downward trend compared to last year. However, on a monthly basis, both the 10-year bond and the 15-year bond recorded an increase in rates to 4.94 percent and 5.14 percent in September.

Exchange Rates

- 1.49 Movements in bilateral exchange rates over the month of September showed a weakening of the Fiji dollar against the US dollar (-4.1%) and the Euro (-0.4%). The Fiji dollar strengthened against the New Zealand dollar (3.5%), the Australian dollar (2.9%) and the Japanese Yen (1.2%).
- 1.50 Over the year to September, the Fiji dollar depreciated against the US dollar (-4.1%) but appreciated against the Japanese Yen (7.3%), Australian dollar (2.6%), New Zealand dollar (2.2%) and the Euro (2.0%).
- 1.51 The Nominal Effective Exchange Rate (NEER) index fell marginally over the month of September by 0.2 percent, implying a slight depreciation of the Fiji dollar against major trading partners. However, the NEER increased by 1.5 percent over the year.
- 1.52 The Real Effective Exchange Rate (REER) also fell over the month by 0.8 percent, reflecting a slight gain in Fiji's international competitiveness mainly attributed to a decline in domestic inflation. Similarly, over the year, the REER index fell by a marginal 0.2 percent.

CHAPTER 2: GOVERNMENT POLICY FRAMEWORK

Introduction

- 2.1 This chapter provides an update on the implementation of key policy objectives under the *Roadmap for Democracy & Sustainable Socio-Economic Development (RDSSED) 2010-2014* and discusses the key features of the *Green Growth Framework (GGF)*, a key policy tool for promoting inclusive and sustainable development.

Implementation of RDSSED

- 2.2 The RDSSED outlines key policy objectives designed to achieve national unity, good and just governance, and socio-economic prosperity for all Fijians. The successful completion of the 2014 General Elections has set the platform for the return to parliamentary democracy and the establishment of a sovereign democratic state founded on key principles that promote common and equal citizenry and the respect for rule of law.
- 2.3 Key achievements under the Roadmap are highlighted in Table 2.1 below.

Table 2.1: Implementation of Key Policy Objectives under the RDSSED 2010-2014

GOOD GOVERNANCE	
Formulation of 2013 Constitution	<ul style="list-style-type: none"> • The 2013 Constitution was assented by his Excellency the President on 6th September 2013. • The 2013 Constitution is available to the public in vernacular languages (iTaukei, Hindi & English). • The 2013 Constitution paved the way for the conduct of a free and fair election on 17th September, 2014 on the basis of one vote of equal value. • The Constitution strengthens the protection and ownership of iTaukei, Rotuman and Banaban lands.
Parliament	<ul style="list-style-type: none"> • The first sitting of Parliament was convened on 6th October 2014 with the swearing in of the 50 newly elected members of Parliament, the speaker of the house, the deputy speaker and the opposition leader.
Strengthening Law & Justice	<ul style="list-style-type: none"> • Establishment of an independent and impartial judiciary. • Setting up of Legal Aid Offices around the country and convening of island and rural court sittings to improve access to justice. • Strengthening law & order by providing adequate resources to the Disciplinary Forces to improve its operational capability.
Strengthening Accountability & Transparency	<ul style="list-style-type: none"> • As mandated in the 2013 Constitution, Government will introduce written laws to put in place mechanisms for improving accountability & transparency of public office holders. This includes the establishment of the Accountability & Transparency Commission, the Human Rights and Anti-Discrimination Commission, the Code of Conduct for Parliamentarians and Civil Servants, and Freedom of Information Laws.

Ensuring Effective, Enlightened & Accountable Leadership	<ul style="list-style-type: none"> Facilitation of Leadership training programmes for the Senior Executive Services and officers at supervisory levels. Implementation of Performance Assessments for Permanent Secretaries.
Enhancing Public Sector Efficiency, Effectiveness & Service Delivery	<ul style="list-style-type: none"> Detailed update on Public Sector Reform is provided in Chapter 3.
ECONOMIC DEVELOPMENT	
Maintaining Macroeconomic Stability	<ul style="list-style-type: none"> Average annual GDP growth for the past 4 years was 3.0%. The economy grew by 4.6% in 2013 and is projected to grow by 4.2% in 2014. Investments grew from 18.3 % of GDP in 2006 to 29.0% in 2013. Average inflation for the past 5 years was 4.1%, however, the year-end inflation rate for 2014 is projected at 1.5%. In 2013, Government achieved a fiscal deficit of 0.5% of GDP whilst debt levels stood at 51.4% of GDP. Foreign reserves improved from 1.8 months of import cover in 2006 to around 5 months in 2013.
Export Promotion/Import Substitution	<ul style="list-style-type: none"> Successful implementation of the ‘Buy Fiji Made’ campaign. Continued implementation of key policies and programmes to support export growth such as the ‘National Export Strategy’, ‘Import Substitution & Export Finance Facility’ (ISEFF) and the Export Promotion & Food Security Programmes.
Making Land more Available for Productive & Social Purposes	<ul style="list-style-type: none"> Adoption of the Green Growth Framework to promote sustainable land use and ensure effective management of Fiji’s rich biodiversity and ecosystems. Continuous promotion of the Land Bank initiative to improve land use and investments on idle land, whilst providing equitable returns to landowners and security of tenure to tenants.
Enhancing Global Integration and International Relations	<ul style="list-style-type: none"> A new head office for the Pacific Island Development Forum (PIDF) Secretariat was established in Fiji in 2014. Fiji hosted the 2nd PIDF summit in June, 2014 with the participation of key member countries and stakeholders.
Infrastructure Development	<ul style="list-style-type: none"> Government’s Budget for infrastructure & public utilities increased to \$721.5 million in 2014. This is expected to increase further to over \$1 billion in 2015, covering developments in roads, bridges, water and electricity. Refer to Chapter 7 for further details on Government’s infrastructure projects.
SOCIO-CULTURAL DEVELOPMENT	
Reducing Poverty to a Negligible Level	<ul style="list-style-type: none"> According to the 2008-2009 Household Income & Expenditure Survey, poverty levels in the country declined from 35% in 2002/2003 to around 31% in 2008/2009. The Fiji Islands Bureau of Statistics is finalising the survey for the 2013/14 HIES. In 2014, Government reviewed its poverty alleviation programmes and introduced a new Poverty Benefit Scheme which expanded the coverage of assistance to Fiji’s poorest people from 3.0 percent to 6.4 percent. A Social Pension Scheme was introduced to provide pension support for persons aged 70 years and over, and who were not beneficiaries of any superannuation scheme. The qualifying age for the scheme will be reduced to 68 years in June 2015.

Employment & Labour Market Reform	<ul style="list-style-type: none"> • The national minimum wage rate will be increased from \$2.00 per hour to \$2.23 per hour in 2015. • A review of the Employment Relations Promulgation is being carried out to make further improvements to the administration of industrial relations in Fiji. • The National Employment Centre (NEC) continues to register and provide training schemes for unemployed citizens as well as securing placements for employment opportunities.
Making Fiji a Knowledge Based Society	<ul style="list-style-type: none"> • Provision of tuition free education for primary and secondary students. • Increased scholarships for tertiary studies through the student loans scheme (TELS) and the toppers scheme. • Rollout of one learning device per child initiative. • A Fiji Qualifications Framework is being implemented to ensure higher education qualifications which are in line with international standards and compatible with labour market requirements.
Improving Health Service Delivery	<ul style="list-style-type: none"> • Commissioned the new 20-bed Navua Hospital funded through Chinese Government assistance. • Increased staffing levels for nurses, doctors and auxiliary workers in the health system. • Increased number of medical professionals being trained in Fiji and overseas. • New health clinics and facilities established in rural and maritime areas to improve access to health services.
Children & Youth	<ul style="list-style-type: none"> • Child Protection Guidelines have been developed for health workers in enforcing key provisions in the 2010 Child Welfare Decree. • The National Youth Policy (2012) is currently being reviewed to ensure programmes provided by Government remain relevant in meeting the needs and aspirations of young Fijians in society.
Gender Equality	<ul style="list-style-type: none"> • National Gender Policy adopted in 2014 to promote gender equity, equality, social justice and sustainable development. • Construction and extension of Women’s Resource Centres to provide access to training and a marketplace where women can sell their products. • The ‘Zero Tolerance Violence Free Community Campaign’ has been implemented in more than 85 communities to address the causes of violence against women, and change social norms and behaviour towards women and children.
MDG Scorecard	<ul style="list-style-type: none"> • Fiji is on track to achieving 4 out of 8 Millennium Development Goals (MDGs). These include: (1) universal primary education; (2) reduction of child mortality; (3) improvement of maternal health; and (4) development of global partnership for development. • The post-2015 Development Agenda for MDG’s will be incorporated into Government’s national development plans.

Green Growth Framework

- 2.4 Cabinet endorsed the implementation of the Green Growth Framework on 29th July 2014. The GGF has been introduced as a dynamic planning tool to inculcate environmentally sustainable initiatives in future development

strategies for Fiji. The framework is designed to complement key overarching objectives in the Road Map as well as other policy initiatives of Government.

- 2.5 The theme of GGF is ***“Restoring the Balance in Development that is Sustainable for Our Future”***. It recognises that whilst a large part of the Fiji islands remains relatively pristine, there is an immediate need to address and manage emerging challenges in specific segments of the country where there is population growth, growing urbanisation, unsustainable waste and resource management, infrastructure deficiency and increasing vulnerability to natural disasters and climate change.
- 2.6 To achieve sustainable development, a country must formulate policies and programmes that create a balance between its economic, social and environmental objectives. Fundamentally, these three objectives make up the key pillars of Fiji’s green growth framework for the medium term. The GGF aims to put in place a robust participatory process that fosters harmony between the three pillars over time and ensure Fiji’s future economic development is achieved in a manner that is sustainable and includes the participation of all key stakeholders.

Thematic Areas

- 2.7 Ten Thematic Areas have been identified under the three pillars of Fiji’s green growth framework to create an enabling environment for sustainable and inclusive development in the medium to long term. These Ten Thematic Areas are outlined below:

Environment

1. Building Resilience to Climate Change & Disasters;
2. Waste Management;
3. Sustainable Island & Ocean Resources;

Social

4. Inclusive Social Development;
5. Food Security;
6. Freshwater Resources & Sanitation Management;

Economic

7. Energy Security;
8. Sustainable Transportation;
9. Technology Innovation; and
10. Greening Tourism & Manufacturing Industries.

- 2.8 A National Green Growth Forum was convened in July this year to discuss key issues and challenges under the Ten Thematic Areas. Participants at the forum included representatives from the private sector, civil society, community groups, and Government Departments. Representatives at the forum were divided into 10 Thematic Working Groups to discuss and highlight board challenges under each of the Thematic Areas. The Groups also mapped out possible policy and regulatory solutions to address these challenges with specific execution timelines. The final draft implementation framework for the 10 Thematic Areas is currently being finalised by the Strategic Planning Office.

Implementation & Monitoring of GGF

- 2.9 The implementation of the GGF is being spearheaded by a high level multi-stakeholder panel comprising broad representation across the nation, including Government, private sector, NGOs, academia, and other key interest groups. The panel, which will be chaired by the Prime Minister, will provide a platform to strengthen coordination and genuine partnerships between all stakeholders in pursuing green growth initiatives.
- 2.10 The GGF has been translated into the iTaukei and Hindi languages and an ‘Advocacy & Awareness Strategy’ will be developed in 2015 to take the green growth message to the people. To ensure wider ownership and awareness, other promotional materials will be disseminated to the general public to promote civic responsibility and strengthen environmental education at all levels.
- 2.11 For its successful implementation, the full ownership and commitment of all key stakeholders will be required in the medium to long term. The core themes and objectives of the framework will need to be monitored and reviewed constantly to ensure these are aligned to Government’s future development plans and priorities.

CHAPTER 3: MEDIUM TERM STRATEGY

Introduction

- 3.1 This chapter outlines Government's fiscal strategy for the medium term taking into account prevailing global and domestic economic conditions as well as Government's priorities for the 2015 Budget. The chapter also provides an update on the progress of key structural and public sector reform initiatives as well as reform plans over the next few years.

Medium Term Strategy

- 3.2 Since 2007, Government has adopted a prudent fiscal strategy by implementing policies that promote growth whilst maintaining fiscal and macro-economic stability. In pursuing these core policy objectives, Government endeavours to achieve the following key macro-economic targets over the medium term:
- (i) raise annual growth levels to 5.0 percent;
 - (ii) maintain investment levels at above 25.0 percent of GDP;
 - (iii) manage inflation at around 3.0 percent;
 - (iv) maintain adequate levels of foreign reserves;
 - (v) gradually reduce Government's debt stock to 40.0 percent of GDP; and
 - (vi) contain the budget deficit at or less than 3.0 percent each year.

Medium Term Fiscal Framework

- 3.3 A net deficit target of 2.5 percent of GDP has been set for the 2015 Budget, reflecting the difference between a revenue forecast of \$3,122.4 million and a budgeted expenditure of \$3,336.3 million. Government's debt level for 2015 is projected to reduce slightly to around 48.3 percent, from 49.7 percent in 2014.
- 3.4 Table 3.1 below displays the medium term fiscal framework for 2015 to 2017.

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

	2015 Budget	2016 Target	2017 Target
Revenue:	3,122.4	3,032.9	3,166.6
<i>As a % of GDP</i>	36.0	33.0	32.5
Expenditure:	3,336.3	3,216.7	3,312.8
<i>As a % of GDP</i>	38.5	35.0	34.0
Net Deficit	(213.9)	(183.8)	(146.2)
<i>As a % of GDP</i>	<i>(2.5)</i>	<i>(2.0)</i>	<i>(1.5)</i>
Debt	4,114.1	4,406.2	4,552.3
<i>As a % of GDP</i>	48.3	47.9	46.7
GDP at Market Prices	8,668.8	9,190.5	9,743.4

(Source: Ministry of Finance)

- 3.5 Fiscal deficits for 2016 and 2017 have been projected at 2.0 percent of GDP and 1.5 percent of GDP, respectively. The debt stock is expected to reduce in 2016 when the US\$150.0 million Global Bond is paid off.
- 3.6 Government will continue to place priority on building the nation's infrastructural base in order to raise the economy's productive capacity and remove structural bottlenecks to growth. As such, the operating to capital expenditure mix in the 2015 Budget is projected to grow to 59:41, a further improvement from the 2014 revised Budget mix of 66:34.

Revenue Policy

- 3.7 Government's revenue policy for the medium term will be geared towards simplifying the tax system as well as maintaining current investor-friendly policies to raise investment, generate employment and boost Fiji's growth potential.
- 3.8 The following are key guiding principles adopted for the formulation of revenue policies for the 2015 Budget:
- Protect Government's revenue base to support future expenditure demands and debt obligations;
 - Streamline existing tax administrative processes to ensure efficient and timely processing of incentives and concessions for new investment proposals;
 - Support export-led investments and promote value-added activities, mainly in resourced-based sectors and industries;

- Secure favourable provisions in future international trade agreements to manage the impact of customs tariff losses and protect our infant industries;
- Improve current tax compliance efforts by clamping down on tax planning and evasion;
- Employ effective tax policy measures to address serious health and environmental concerns such as non-communicable diseases (NCD's) and climate change.
- Provide further support to selected Ministries and Departments to improve the recovery of revenue arrears;
- Assist the private sector through timely processing and payment of VAT refunds;
- Review Government fees, fines and charges; and
- Strengthen price surveillance for duty concession items to ensure that the benefits of duty reduction are passed on to consumers.

3.9 **Chapter 10** highlights specific tax and revenue policy measures for the 2015 Budget.

Expenditure Policy

3.10 The 2015 Budget will once again allocate a substantial sum of money for the upgrading of our roads and bridges network as well as our water and sewerage systems. Adequate funding support is also provided to other priority sectors such as health, education, and resource-based sectors, and for social protection, housing, rural development and the maintenance of law and order.

3.11 Budget allocations for the medium term will be guided by the following key principles:

- Spending will continue to be channelled to key policy initiatives and priorities of Government;
- Continue funding support for major infrastructure projects such as roads, water and electricity to spur economic activity and improve living standards in rural isolated regions;

- Increase capital spending to facilitate investment by the private sector;
- Implement cost-effective strategies in Ministries and Departments to better manage controllable expenditures such as travel, telecommunications and purchases of goods and services;
- Provide adequate resources to support essential services such as health, water and education;
- Allocate sufficient resources towards poverty alleviation schemes and programmes that provide adequate social safety-net for the poor and underprivileged in society;
- Accelerating public sector reform initiatives;
- Promote small & micro business enterprises, and self-help initiatives to sustain the livelihoods of low income households; and
- Allocate resources for contingency support, particularly for immediate relief or response during natural disasters.

3.12 Details of key expenditure programmes are further discussed in **chapters 4, 6 and 7**.

Debt Policy & Risk Management Measures

3.13 Government's debt management policy for the medium term focuses on attaining sustainable debt levels through the adoption of prudent and sound risk management strategies.

3.14 Key objectives for debt management over the medium term are highlighted below:

- Prudently manage annual budget deficits to reduce the overall debt stock to sustainable levels;
- Explore opportunities for low-cost financing in the domestic capital market;
- Manage exchange rate and interest rates risks associated with offshore borrowings;
- Ensure external financing is wholly devoted to capital expenditures;

- Minimize risks associated with contingent liabilities by ensuring compliance with Government's Guarantee Policy;
- Stabilise debt servicing costs by refinancing maturing debt at low and competitive interest rates; and
- Continue to build up the Sinking Fund Account and seek other alternative funding options to settle the Global Bond in 2016.

Structural Reforms

- 3.15 Details of Government's overall reform programme for the medium term are discussed in the ensuing paragraphs. These include new initiatives under key public sector reforms as well as land policy reforms, labour market reforms, sugar industry reforms and financial sector reforms.
- 3.16 ***World Bank Review of the Civil Service:*** A comprehensive review will be conducted by the World Bank in 2015 to restructure the civil service into a lean, efficient, and cost-effective organisation - one that is modern and responsive to the evolving needs of society as well as challenges in the global environment. An allocation of \$500,000 has been set aside in the 2015 Budget for this exercise.
- 3.17 ***Human Resource Management:*** Section 127 of the 2013 Constitution empowers Permanent Secretaries (PS's) to appoint, remove and institute discipline for all officers in their respective Ministries. PS's also have powers to determine all matters pertaining to:
- (i) Terms & conditions of employment;
 - (ii) Qualification requirements for appointments;
 - (iii) Staff salaries, benefits and allowances; and
 - (iv) Agency Staff establishments.
- 3.18 The above powers were previously administered by the Public Service Commission.
- 3.19 The Public Service Commission (PSC) continues to provide external and in-house trainings, and in-service scholarships to improve the capacity of human resources within the public service.

- 3.20 Through the Fiji Volunteer Scheme, Government has been able to post 30 volunteers to several countries in the region including the Republic of the Marshall Islands, Nauru, Vanuatu and Tuvalu. Other countries have also express their interest in the scheme. A sum of \$1.0 million is provided in the 2015 Budget to support this programme.
- 3.21 ***Productivity Management:*** The Service Excellence Awards (SEA) Programme is now part of the Performance Agreement for PS's. This has resulted in increased emphasis by Ministries to review and improve public service processes and procedures. In 2014, a record number of 33 Agencies participated in the SEA Programme.
- 3.22 As part of PSC's programme for "Business Process Re-Engineering" in 2014, line Agencies were instructed to document their 'Standard Operating Procedures' and redesign current organizational processes through the support of modern IT solutions. This project aims to raise operational efficiencies in line agencies and improve service delivery.
- 3.23 ***Organizational Management:*** All PS's have signed their Performance Agreement with PSC in early 2014. A core part of the Agreement requires PS's to achieve key outputs stipulated in their Annual Corporate Plans. This will ensure effective planning and execution of core programmes, as well as greater accountability for resource utilisation.
- 3.24 In 2014, PSC developed a 'Performance Assessment Framework' for PS's. The framework will be monitored by Central Agencies, including PSC, the Ministry of Finance and the Prime Minister's Office. A further review of the framework will be conducted in 2015 to strengthen the assessment criteria for specific key performance indicators.

Public Enterprise Reforms

- 3.25 Public Enterprise Reforms will be focused mainly on improving the productivity, efficiency and financial performance of State Owned Entities.
- 3.26 ***Airports Fiji Limited (AFL)*** – Negotiations pertaining to the divestment of Government's shares in AFL has reached the final stages and is expected to be concluded in 2015. The modernization project involves the remodelling of both the domestic and international terminals into flagship international facilities. This upgrade will enhance traveller comfort and experience, and also provide avenues for AFL to generate additional commercial revenues from the newly upgraded "duty-free" shopping outlets.

- 3.27 ***Fiji Electricity Authority (FEA)*** – In 2015, Government will engage technical assistance from key development partners to review FEA’s reform plans and put in place a viable strategy for restructuring the organisation into a fully-fledged corporate entity. This process will require the separation of the Authority’s regulatory functions from its core commercial operations, through a carefully planned reorganization programme. Concurrently, Government will continue to pursue the partial divestment of shares FEA in 2015 to complement current reform objectives.
- 3.28 ***Fiji Ports Corporation Limited (FPCL)*** – Development partner support will be secured in 2015 to formulate a feasible plan for the reform and restructure of Fiji’s port sector which will encompass practical options for the privatisation of FPCL. Overall, the objective of this plan is to bring about more productivity and efficiency, as well as cost-effectiveness in the management of Fiji’s seaports.
- 3.29 ***Pacific Fishing Company Limited (PAFCO)*** - In 2015, Government will provide a sum of \$9.0 million for PAFCO to under extensive renovation works at its Levuka facility. This investment is vital for the company to maintain its current fish loin processing contract with Bumble Bee Foods Ltd. Upgrading works will commence in 2015.

Financial Management Reforms

- 3.30 Government will continue with its efforts to implement key Financial Management Reform initiatives to strengthen financial accountability and transparency in the civil service and ensure prudent management of public resources.
- 3.31 The Ministry of Finance is currently working towards implementing key requirements for the adoption of the new International Public Sector Accounting Standards (IPSAS). This transition will require regulatory amendments to prevailing financial legislations, roll-out of intensive capacity building programmes, recruitment of competent staff and the provision of adequate funding support.
- 3.32 The review of the Financial Management Act (FMA) 2004 and its subsidiary legislations; the Finance Instructions 2010 and the Procurement Regulations 2010, will continue in 2015. The Pacific Financial Technical Assistance Centre (PFTAC) is assisting the Ministry of Finance in this exercise. Amongst other things, the review will take into account new financial accountability requirements in the 2013 Constitution, modernise accounting processes and strengthen accountability for financial management.

- 3.33 The introduction of the new Internet Banking facilities in 2014 has streamlined payment processes, and improved the efficiency of daily transactions for Ministries and Departments. Internet Banking will also be rolled out to Trade Manufacturing Accounts (TMAs) and Trust Accounts in 2015.
- 3.34 The Ministry of Finance piloted a new hedging scheme in 2014 on the procurement of pharmaceutical products by the Ministry of Health. The scheme has been successful in mitigating foreign exchange rate risks and volatilities associated with global commodity prices. It has also provided certainty for managing scheduled consignment payments. The new hedging scheme will be rolled-out to other line Agencies in 2015, following proper assessments.
- 3.35 The stock taking exercise for compiling Government's 'National Fixed Asset Register' will continue in 2015. This project is essential for the move towards an accrual accounting system, which requires the fair market value of all state assets to be reflected in Government's Balance Sheet. To date, the Ministry of Finance has managed to complete the asset count for 19 line Ministries. Assessments for the other remaining 18 Agencies will be covered in 2015.

Labour Reforms

- 3.36 Fiji's labour reforms has made historic progress since its implementation in the 1990's with the successful roll-out of five (5) of the six (6) phases of reforms. An update on the progress of key labour reform areas is outlined below:
- (i) **OHS Reform** – completed in 1998 and reviewed in 2012-2013;
 - (ii) **Employment Relations Reform** – completed in 2008 and reviewed in 2012-2013;
 - (iii) **Productivity Reform** – completed in 2008 and refined in 2012-2013;
 - (iv) **Wages Reform** – completed in 2008 and reviewed in 2012-2013 with the setting of a National Minimum Wage;
 - (v) **Employment Creation Reform** – National Employment Centre commissioned in 2010; and
 - (vi) **Workers Compensation Reform** – new draft legislation completed for tripartite consultation in 2014.
- 3.37 The Workers Compensation Reform will be integrated into a single policy and legal framework with the OHS Reform. The goal is to deliver cost-effective and quality social protection and social security services to both employers and workers.
- 3.38 The success rate for the mediation of employment grievances & disputes has been progressively increasing overtime, from around 70.3 percent in 2008 to

85.6 percent in 2013. Latest data show that as at end of August 2014, the Ministry of Labour was able to settle 84.9 percent of the mediated cases.

Land Reforms

- 3.39 The Land Use Decree 2010 mandates the establishment of the Land Bank, which is officially known as the Land Use Unit. While native landowners are given the opportunity to deposit their land in the bank and receive lease payments based at market price, the scheme also offers an attractive 99-year sub-lease or lease period to potential investors.
- 3.40 To date, a total of 79 parcels of land have been deposited into the Land Bank covering a total area of 8,579 hectares. Government has allocated \$2.5 million to support the Land Bank programme in 2015.
- 3.41 All state lands that are currently being occupied by squatters will be subdivided and given 99 year leases. Similarly this policy will be extended to squatters residing on native lands; however, leasing will only be made with the approval of landowners.

Sugar Industry Reforms

- 3.42 The medium term strategy for improving the performance sugar industry is clearly laid out in the Sugar Cane Industry Action Plan 2013-2022. This plan was devised by industry stakeholders with the support of sugar reform experts.
- 3.43 The Plan provides an action-oriented framework to help revitalise and sustain the industry over the next 10 years, focusing mainly on 6 core areas: (i) crop production & grower advisory services; (ii) harvesting & transport; (iii) milling & processing; (iv) cane quality; (v) revenue generation; and (vi) industry restructuring & legislation.
- 3.44 Government has provided a budget of \$5.0 million for the Sugar Development Programme in 2015. This programme has two components, namely the Cane Development Grant (for fallow land) and the Cash-back Incentive Scheme.
- 3.45 The *Cane Development Grant* targets farmers that have large sections of uncultivated lands and new growers that have cane contracts but do not have the start up capital to till the land. A total of 2,060 hectares is projected to be planted with new sugar cane under this initiative.
- 3.46 The *Cash-back Incentive Scheme* aims to incentivise cane growers who have the resources to plant new cane by providing them a grant of \$400 per hectare. This

scheme is expected to result in the cultivation of an additional 3,000 hectares of sugar cane.

Financial Sector Reforms

- 3.47 This section discusses the Reserve Bank of Fiji's (RBF) financial sector reform plans in terms of changes to, and implementation of relevant supervision policies, and outlines the progress of key financial sector development initiatives.
- 3.48 ***Review of the Insurance Act:*** The RBF has completed the review of the Insurance Act in close consultation with insurance and financial institutions. Provisions that require effective market disclosure, the use of actuarial assessments, and a risk-based solvency framework have been incorporated into the draft amendments to the Insurance Act to strengthen market discipline, risk management and the reliability of licensed underwriters.
- 3.49 ***Pensions Decree:*** The RBF is mandated to supervise the Fiji National Provident Fund (FNPF), however, international standards on superannuation supervision recommend a law that assigns clear and explicit objectives for the supervisor.
- 3.50 A project to draft an appropriate Pensions Supervision Act began in 2013 and is expected to be completed in 2015. The new legislation is expected to include provisions such as allowing new entrants to the pension fund market, requirements for appointment of the pension fund board and management, and monitoring and investigation powers of the supervisor. The new Pensions Act will be administered by the Reserve Bank as supervisor.
- 3.51 ***Review of the Merchant Service Fee (MSF):*** The RBF is currently finalising a new Payment Systems Legislation to provide a clear and transparent legal framework to cover interventions relating to specific issues such as credit card surcharging and merchant service fees.
- 3.52 ***Inclusive insurance development:*** In June 2014, a consultant was engaged by the RBF to develop model regulations and guidelines to assist in the development and implementation of inclusive insurance in Fiji. Inclusive insurance aims to expand insurance coverage to low income earners as well as employees in the informal market through safe and innovative insurance products and policies.
- 3.53 ***Credit Union Regulations:*** The Bank plans to review the legislation pertaining to Credit Unions in order to strengthen licensing requirements and foster prudential supervision and regular reporting on financial performance. The

review will be conducted over the medium term with key stakeholders, including relevant Ministries and Departments.

- 3.54 **Financial Sector Development:** the Government, RBF, financial institutions and relevant stakeholders have embarked on developing a Financial Sector Development Plan (2015-2025) for Fiji. The Plan, which is expected to be launched in 2015, will articulate strategic reform areas and identify key pillars to unlock further growth in the financial sector.
- 3.55 **Financial Inclusion:** The National Financial Inclusion Taskforce will continue to collaborate closely with private and public entities, microfinance institutions, civil society groups and development partners to coordinate and supervise the progress of financial inclusion initiatives in the country.
- 3.56 A National Demand Side Survey has commenced in October 2014 and the results will be used to formulate a new medium term Financial Inclusion Strategy for Fiji to replace the existing strategy that will expire in December 2014.
- 3.57 The new strategy will be geared towards instituting an enabling regulatory framework that eliminates barriers to financial access and use of financial services and promotes the use of innovative technology and products in a cost-effective and sustainable manner.
- 3.58 **Consumer Protection:** The RBF has established a Complaints Management Forum as part of its consumer protection programme to ensure that customer complaints are promptly dealt with without being reverted through the court system. The Forum has broad representation from various sections of the community.
- 3.59 **Capital Markets Development:** The expansion of Fiji's capital markets continues to remain a priority for the RBF. In 2014, three working groups were established to assist the Capital Markets Development Taskforce with the implementation of the Capital Markets Development Master Plan 2020. The first working group focused on building *Investor Awareness & Capacity*, the second group looked into initiatives for *Capital Industry Development* and the third working group was assigned to strengthen the *Legislative Environment* for capital markets.
- 3.60 In 2015, the Taskforce and working groups will continue to explore new ideas and opportunities to drive initiatives under the five focal areas of the Master Plan. These include: (1) public awareness & education; (2) development of financial products, services & infrastructure; (3) creating a robust legislative &

regulatory framework for business development and investment, (4) capacity building for market intermediaries; and (5) regional expansion.

- 3.61 ***National Payment System Act***: A draft legislation for the establishment, regulation and oversight of a National Payment System has been compiled by the RBF.
- 3.62 The draft legislation provides the regulatory framework for the licensing, regulation and oversight of payment system providers, e-money issuers, and other money transfer services to ensure the protection of users of this service. Powers to address infringements, take remedial measures and levy penalties have also been incorporated into the draft legislation.
- 3.63 ***Small and Medium Enterprises Credit Guarantee Scheme***: Since its inception in 2012, Government has committed \$4.0 million towards the SME credit guarantee scheme. This scheme aims to improve credit access for small and medium enterprises by enabling Government to share part of the loan risk with financial institutions. Over 600 loans, valued at around \$36.0 million have been covered under this scheme. The scheme will continue to be supported in 2015 with a budget allocation of \$1.5 million.
- 3.64 ***Import Substitution and Export Finance Facility***: This facility provides concessional loan funding for businesses involved in exports, import substitution and renewable energy projects. Loans issued under the facility is expected to grow by approximately 50.0 percent by the end of this year with total outstanding loans up to end of August standing at \$55.9 million.
- 3.65 ***Housing Facility***: The facility was established by the RBF in 2012 to assist Housing Authority and the Public Rental Board in providing affordable housing loans to low income earners. To date, the facility has been fully utilised.
- 3.66 ***Financial Intelligence Unit (FIU) & Anti-Money Laundering (AML) Measures***: The FIU will continue to assist the National AML Council to conduct and finalize Fiji's national risk assessment. The purpose of this exercise is to comply with international AML requirements and also identify money laundering & terrorist financing risks at the national level.
- 3.67 ***Asia Pacific Group on Money Laundering (APG) Mutual Evaluation***: Fiji will undergo a mutual evaluation by the APG in 2015. This will involve a group of experts from APG member countries who will assess the level of compliance and effectiveness of Fiji's AML/CFT² systems against international AML

²Combating the Financing of Terrorism.

standards. The FIU will be the lead agency to coordinate the mutual evaluation by APG. Fiji last underwent a mutual evaluation by APG in 2006.

- 3.68 The FIU will continue to work closely with agencies such as the Fiji Police Force, the Fiji Revenue and Customs Authority and Fiji Independent Commission Against Corruption in 2015 to investigate cases of “Unexplained Wealth” under the Proceeds of Crime (Amendment) Decree 2012.
- 3.69 The FIU will work with financial institutions to ensure their compliance with the Financial Transactions Reporting (FTR) Act through consultation, training and issuance of relevant policy advisories and guidelines.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

- 4.1 This chapter discusses Government's fiscal performance in 2013, the expected outturn for 2014 and projections for the 2015 Budget. Next year's projection is based on the expenditure appropriation and revenue expectations in line with the performance of the Fijian economy and policy measures announced in the 2015 Budget.

2013 Actual Outturn

- 4.2 "*Investing In Our Future*" was the theme of the 2013 Budget. The Budget aimed at improving infrastructure in the economy in particular the state of the nation's road network. The net fiscal deficit was set at \$219.0 million or 2.8 percent of GDP with a total revenue of \$2,108.4 million and total expenditure of \$2,327.4 million.
- 4.3 At the end of 2013, Government achieved a much lower net deficit position of \$37.9 million, equivalent to 0.5 percent of GDP. Total revenue stood at \$2,098.4 million while total expenditure was below the expected spending level at \$2,136.3 million.

2014 Revised Projections

- 4.4 With the theme of "*Building A Smarter Fiji*", the 2014 Budget was aligned to deliver the bill of rights provisions in the 2013 Constitution such as access to education, health care and appropriate infrastructure. Accordingly, the net deficit was estimated to be around \$161.5 million equivalent to 1.9 percent of GDP. This was based on estimated revenue of \$2,721.8 million and expenditure of \$2,883.3 million.
- 4.5 Given the performance of revenue and expenditure levels by end of October 2014, the total revenue collection for the year has been revised to \$2,387.5 million, while the total expenditure has been revised to \$2,545.9 million. The net deficit position is expected to be \$158.3 million or 2.0 percent of GDP.

2015 Budget Estimates

- 4.6 The 2015 Budget builds on the policy direction of Government in sustaining the current economic expansion within a prudent macro-fiscal environment. In this spirit, the theme of the 2015 Budget is "*Turning Promises Into Deeds*".

4.7 For 2015, the total revenue is forecast at \$3,122.4 million while total expenditure is budgeted at \$3,336.3 million. This results in a net fiscal deficit of \$213.9 million, equivalent to 2.5 percent of GDP.

4.8 Table 4.1 below shows Government's cashflow statement from 2013 to 2015.³

Table 4.1: Cashflow Statements (2013 – 2015)

(\$M)	2013(A)	2014(R) ⁴	2015(B)
Receipts			
Direct Taxes	442.6	516.3	582.8
Indirect Taxes (excl. Govt. VAT)	1,395.2	1,577.3	1,748.1
VAT (excl. Govt. VAT)	724.0	774.7	817.1
Customs	443.0	514.6	605.4
Service Turnover Tax	51.6	57.1	64.8
Water Resource Tax	29.5	34.2	38.0
Departure Tax	95.9	118.4	132.2
Stamp Duty	43.7	70.7	82.1
Fish Levy	0.4	0.5	0.5
Telecommunication Levy	1.3	1.2	1.4
Credit Card Levy	4.1	3.8	4.3
Third Party Insurance Levy	1.8	1.9	2.2
Fees, Fines & Charges	94.5	101.0	99.8
Grants in Aid	15.7	25.6	6.1
Dividends from Investments	37.3	49.0	41.3
Reimbursement & Recoveries	25.9	28.2	30.3
Other Revenue & Surpluses	33.3	28.7	28.8
Total Operating Receipts	2,044.5	2,326.0	2,537.1
Payments			
Personnel	622.7	772.9	864.1
Transfer Payments	378.8	415.3	489.4
Supplies and Consumables	186.2	156.5	223.2
Special Expenditures (Purchase of Outputs)	60.2	50.8	81.1
Interest	260.2	261.2	274.6
Other Operating Payments	0.2	1.1	6.5
Total Operating Payments	1,508.3	1,657.8	1,938.9
Net Cash-flows from Operating Activities	536.2	668.3	598.3
As % of GDP	7.2%	8.3%	6.9%
Receipts			

³The numbers shown in the statement excludes SEG 13 or Government VAT. It is excluded from revenue and expenditure to avoid double counting. It does not affect the overall net deficit position.

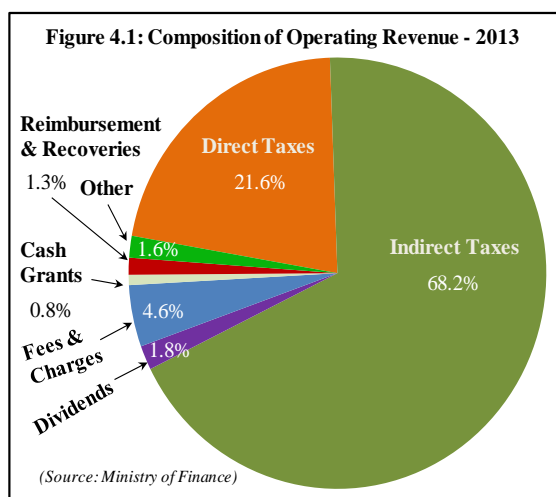
⁴The 2014 revenue and expenditure numbers have been revised based on current performance and outlook. The 2014 numbers shown in the Budget Estimates are the initial appropriation in the 2014 Budget.

(\$M)	2013(A)	2014(R) ⁴	2015(B)
Sale of Government Assets	10.1	12.8	507.3
Interest from Bank Balance	0.0	0.2	0.3
Interest on Term Loans and Advances	0.0	0.5	0.6
Return of Surplus Capital from Investment	2.1	1.5	1.6
Total Investing Receipts	12.2	15.0	509.7
Payments			
Loans	1.0	39.0	61.2
Transfer Payments	494.2	678.5	1,055.1
Purchase of Physical Non-Current Assets	91.2	124.1	205.5
Total Investing Payments	586.3	841.6	1,321.9
Net Cash-flows from Investing Activities	(574.1)	(826.6)	(812.1)
As % of GDP	(7.7%)	(10.3%)	(9.4%)
Net (Deficit)/Surplus	(37.9)	(158.3)	(213.9)
As % of GDP	(0.5%)	(2.0%)	(2.5%)

(Source: Ministry of Finance)

Operating Revenue

- 4.9 Government's operating revenue comprises of indirect taxes which represents around 68.2 percent of total operating revenue, followed by direct taxes at 21.6 percent, fees, fines & charges at 4.6 percent, dividends at 1.8 percent, other revenue & surpluses at 1.6 percent, reimbursement & recoveries at 1.3 percent and cash grant at 0.8 percent.



Direct Taxes

- 4.10 Direct taxes are made up of income taxes (such as personal tax, corporate tax, social responsibility tax, & fringe benefit tax), withholding taxes and capital gains tax.
- 4.11 Total direct tax collections in 2013 amounted to \$442.6 million. Collections are anticipated to gradually increase to \$516.3 million in 2014 and \$582.8 million

in 2015, respectively. The increase is in line with strong business & investment activities and favourable labour market conditions.

Indirect Taxes

- 4.12 In 2013, total indirect taxes accumulated to around \$1,395.2 million while the revised forecast for 2014 is estimated to increase to \$1,577.3 million or by 13.1 percent. The total projection for 2015 is \$1,748.1 million, an increase of \$170.8 million or 10.8 percent from 2014.
- 4.13 VAT collection is a major source of revenue for Government and contributed around 35.2 percent of total revenue in 2013. Total VAT collection in 2013 amounted to \$724.0 million. VAT collection is anticipated to continue to perform strongly and increase to \$774.7 million in 2014 and to \$817.1 million in 2015.
- 4.14 The positive outlook is mainly attributed to buoyant consumption spending, strong tourism activity, continued growth in imports and overall favourable economic conditions.
- 4.15 Customs duties which comprise of fiscal duty, excise duty, export duty and luxury vehicle levy also provides considerable revenue to Government. In 2013, total customs revenue amounted to \$443.0 million. This is expected to increase to \$514.6 million in 2014 and to \$605.4 million in 2015.
- 4.16 The projected increase from customs duties is largely attributed to rising imports, increases in excise duties on tobacco and alcohol by 10 percent and other policy initiatives announced in the 2015 Budget.
- 4.17 Revenue collections from customs duties are shown below in Table 4.2 below.

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

Customs Duties	2013(A)	2014(R)	2015(B)
Fiscal Duty	311.0	363.3	422.8
Excise Duty	92.1	98.1	123.3
Import Excise Duty	37.7	43.7	48.8
Export Duty	4.5	10.1	11.2
Luxury Vehicle Levy	1.6	2.3	2.5

(Source: Ministry of Finance)

- 4.18 Collections from Service Turnover Tax (STT) amounted to \$51.6 million in 2013. This is anticipated to increase to \$57.1 million in 2014 and to \$64.8

million in 2015. The expected increase in STT collections is in line with growing tourism activities and related services.

- 4.19 The water resource tax in 2013 amounted to \$29.5 million while the revised projection for 2014 is \$34.2 million. Water resource tax revenue is anticipated to increase to \$38.0 million in 2015 mainly attributed to sustained growing demand of exports for bottled water.
- 4.20 Proceeds from departure tax amounted to \$95.9 million in 2013 and is expected to increase to \$118.4 million in 2014 following the increase in the departure tax rate from \$150 to \$200. This is anticipated to further increase to \$132.2 million next year.
- 4.21 Stamp duty collections in 2013 amounted to \$43.7 million and are expected to increase to \$70.7 million in 2014. The considerable increase is mainly attributed to the upbeat in the property market and a few one-off high valued transactions in 2014. In 2015, stamp duty collections are projected at \$82.1 million.
- 4.22 The revenues from other small targeted levies which are shown in the cashflow statement in Table 4.1 above are anticipated to gradually increase next year.

Fees, Fines, and Charges

- 4.23 Receipts from fees, fines & charges amounted to \$94.5 million in 2013 while the revised forecast for 2014 is slightly higher at \$101.0 million. This is mainly attributed to growth in increases in some of the major categories such as LTA fees & fines, road user levy, water charges, immigration fees, telecommunication & television licenses, and court fines.
- 4.24 The collection from fees, fines & charges is anticipated to be \$99.8 million in 2015.

Cash Grants

- 4.25 In 2013, Government received \$15.7 million as cash grants. The estimated collection by year end for 2014 is \$25.6 million while the projection for 2015 is \$6.1 million. The details are discussed in Chapter 9.

Dividends from Investment

- 4.26 Dividend from Investments from state owned enterprises and repatriation of RBF profits totalled \$37.3 million in 2013 with an anticipated collection of

\$49.0 million this year. The estimated revenue from dividends from investment in 2015 is forecast at \$41.3 million.

Reimbursement and Recoveries

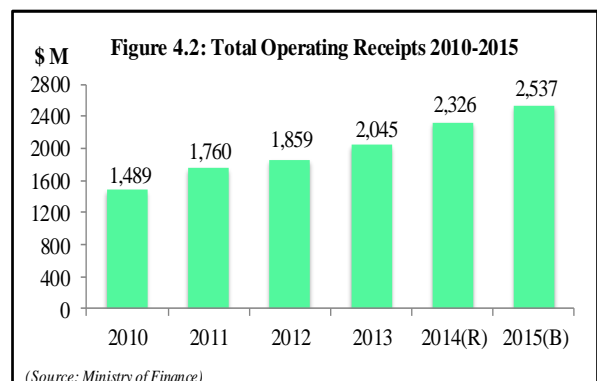
4.27 Total reimbursement of funds for Government services & capital projects and refund of contributions for overseas peacekeeping missions in 2013 amounted to \$25.9 million. The projection for 2014 and 2015 is \$28.2 million and \$30.3 million, respectively.

Other Operating Revenue and Surpluses

4.28 Receipts from other revenue and surpluses such as rental of Government properties, commissions, surpluses from Government agencies, and other miscellaneous revenue amounted to \$33.3 million in 2013. The anticipated collection in 2014 and 2015 are \$28.7 and \$28.8 million, respectively.

Total Operating Revenue

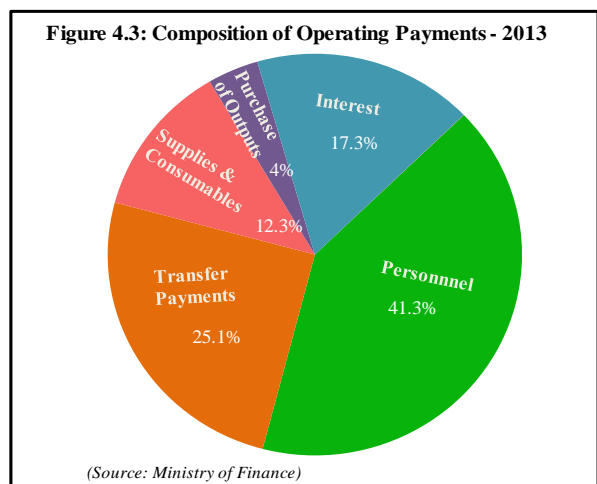
4.29 Total operating revenue in 2013 amounted to \$2,044.5 million while the revised forecast for 2014 is \$2,326.0 million. This is projected to increase to \$2,537.1 million next year. This is mainly due to higher VAT collections, customs duties, stamp duties, income taxes, service turnover tax and departure tax.



Operating Payments

4.30 Operating expenditure of the Government are categorised as follows:

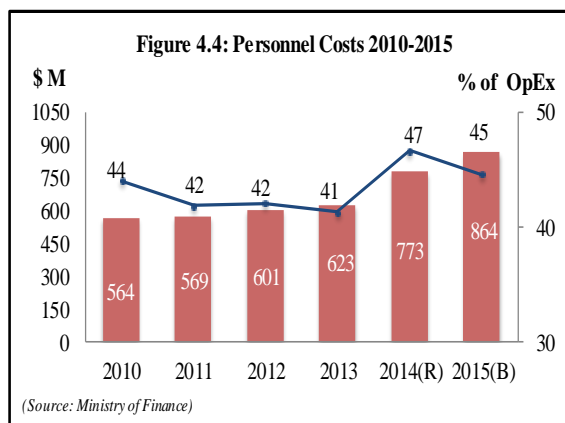
- Personnel Cost;
- Transfer payments;
- Supplies and consumables;
- Purchase of outputs;
- Interest payments; and
- Other operating payments.



- 4.31 The largest component of operating expenditure is personnel costs or wages and salaries which accounted for 41.3 percent of operating expenditure in 2013. This was followed by transfer payments at 25.1 percent, interest payments at 17.3 percent, supplies and consumables at 12.3 percent, purchase of outputs at 4.0 percent and other operating payments at 0.02 percent.

Personnel Costs

- 4.32 Wages and salaries expenditure for Government in 2013 amounted to \$622.7 million. This is expected to increase in 2014 to \$772.9 million mainly due to the increase in civil service pay this year. For next year, \$864.1million is budgeted which is equivalent to 44.6 percent of total operating expenditure.



Transfer Payments

- 4.33 Operating transfers provided to entities outside of Government to support operations or allocations for social welfare schemes amounted to \$378.8 million in 2013. The operating transfers are expected to increase to \$415.3 million in 2014 and \$489.4 million in 2015.
- 4.34 Table 4.4 below shows major allocations for operating grants in the 2015 Budget.

Table 4.4: Major Grants (SEG 6)

Activity	(\$M)
Water Authority of Fiji – Operating Grant	63.2
FRCA Grant	45.7
Fiji National University – Operating Grant	38.6
USP Operating Grant	36.6
Fee Free Education Years 1-8	35.0
Fee Free Education Year 9-13	31.4
Poverty Benefit Scheme	22.0
Bus Fare Assistance	20.0
Fiji Road Authority – Operating Grant	18.2
Land Transport Authority – Operating Grant	15.0

Activity	(\$M)
FICAC – Operating Grant	9.0
Grant to Fiji’s Servicemen’s After Care Fund	8.4
Social Pension Scheme	8.0
Legal Aid Commission	4.4
Biosecurity Authority of Fiji – Operating Grant	4.0
Salary Grant for Early Childhood Education Teachers	3.3
Grant to Tourism Fiji	3.0
Grant to Civil Aviation Authority of Fiji	3.0
iTaukei Affairs Board	3.0
University of Fiji – Operating Grant	2.5
Shipping Franchise Scheme	2.4
Maritime Safety Authority of Fiji – Operating Grant	2.2
Child Protection Allowance	2.0
Investment Fiji	2.0
Overseas Sporting Tours	2.0
Public Service Broadcast (TV)	1.8
Commerce Commission	1.8
Domestic Air Services Subsidy	1.7
Higher Education Commission	1.5
Tuition Grant for Pre-School	1.4
Tuition Fee Free for TVET	1.3
National Training Productivity Centre (NTPC) Levy	1.2
Subsidy Naboro Landfill	1.2
Public Service Broadcast (Radio)	1.1
MSG Contribution	1.1
Turaga-ni-Koro Allowance	1.0
Grant to Telecommunications Authority of Fiji	1.0
Food Voucher Programme	1.0
Provincial Councils	1.0
Public Rental Board Subsidy	1.0
Women’s Plan for Action	1.0

(Source: Ministry of Finance)

Supplies and Consumables

- 4.35 Supplies and consumables comprises of expenditure related to travel, communications, maintenance, and purchase of goods & services used for the provision of public goods and services.
- 4.36 Total spending on supplies and consumables in 2013 amounted to \$186.2 million with a revised forecast of \$156.5 million for 2014. The budgeted expenditure for next year is expected to increase to \$223.2 million.

Special Expenditures

- 4.37 Expenditures for special or unique projects totalled \$60.2 million in 2013. This is anticipated to be \$50.8 million in 2014 and \$81.1 million in 2015.
- 4.38 Table 4.5 shows major funding for special expenditures in 2015.

Table 4.5: Major Purchase of Outputs (SEG 7)

Activity	(\$M)
Technical Colleges (Suva/Nausori, Nadi & Labasa)	7.0
Assistance for Malaria and TB (Global Fund)	3.8
Duty on Government Purchases	3.5
Financial Assistance to Christmas Island Veterans	3.0
Vocational Training Scholarship	2.6
Ministry of Health – Outsourcing	2.5
Workmen’s Compensation	2.5
Engagement of Coaches – All Sports	2.0
Implementation Analogue to Digital Roadmap	2.0
National Export Strategy	2.0
Consultancy Payments	2.0
Winter Clothing	1.8
Mediation Services & Employment Relations Tribunal	1.2
Integrated Human Resource Programme	1.0
Fiji Volunteer Scheme	1.0
National Employment Centre	1.0
Employment Skill Training	1.0
Trade Commissioner – PNG	0.9
Refurbishment works at Ro Lalabalavu House	0.8
PIDF Operations	0.8
Employment & Unemployment Labour Force Survey	0.8
Trade Commissioner – Los Angeles	0.8
Government Contribution – Global Fund (TB)	0.8
Approval Notice for Squatter Settlements	0.8
Trade Commissioner – Shanghai	0.8
Youth Capacity Building and Training Programme	0.7
Trade Commissioner – Taiwan	0.7
PIDF Meeting	0.5
Fijian Made and Buy Fijian Campaign	0.5
Titles Office, BDM, Companies and Official Receiver	0.5
Commercial Agriculture Scholarship Programme	0.5
Medical HR Contingencies	0.5
Local Government Review and Special Administrators	0.5
Basic Recruit Course	0.5

Activity	(\$M)
Foreign Employment Service	0.5
Child Protection Programme	0.5
Fiji National Women's Expo	0.5
Lease Arrears Taskforce	0.5
UPAP Implementation	0.5
Sustainable Energy Financing Project (World Bank)	0.5

(Source: Ministry of Finance)

Interest Paid

- 4.39 Interest payments in 2013 amounted to \$260.2 million while the anticipated payment for 2014 is \$261.2 million. This is expected to increase to \$274.6 million in 2015.

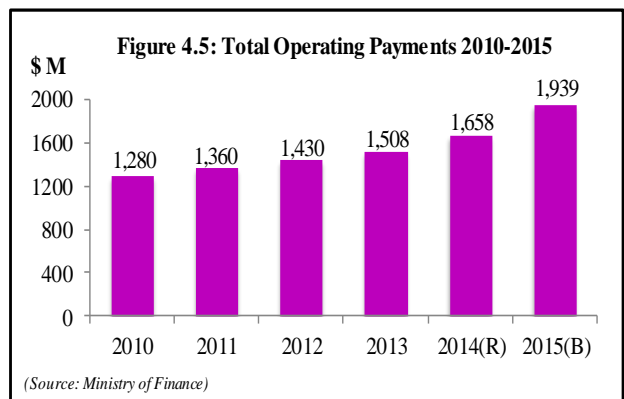
Other Operating Payments

- 4.40 Other miscellaneous operating payments such as agency and management fees associated with debt financing amounted to \$0.2 million in 2013. The anticipated expenditure for 2014 and 2015 is \$1.1 million and \$6.5 million, respectively.

Total Operating Payments

- 4.41 The total operating expenditure in 2013 stood at \$1,508.3 million and is anticipated at \$1,657.8 million 2014.

- 4.42 For 2015, operating payments are expected to increase to \$1,938.9 million or by 17.0 percent from 2014.

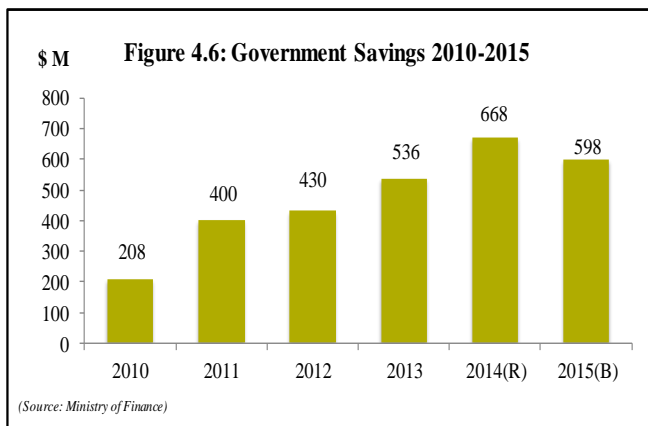


- 4.43 Operating mix to total expenditure for 2013 stood at 72.0 percent. The expected mix for 2014 and 2015 is 66.3 percent and 59.5 percent, respectively in line with substantial allocations towards capital expenditures.

Government Savings

4.44 Government over the years has been recording excess of operating revenue over operating expenditure resulting in operating savings. This has allowed the Government to self-finance its day to day operations. Borrowings are undertaken solely to finance capital expenditure programmes.

4.45 In 2013, Government achieved an operating surplus of \$536.2 million while the anticipated saving for 2014 is \$668.3 million. The savings is expected to be \$598.3 million in 2015.



Investing Revenue

4.46 Total investing receipts from disposal of Government assets, interest from bank balances & term loans, and surpluses from trading & manufacturing operations amounted to \$12.2 million in 2013, while \$15.0 million is expected for 2014.

4.47 For 2015, the anticipated collection from investing revenue has been forecast at \$509.7 million. This includes restructuring & partial diversification of shares in FEA (\$250.0 million), sale of Airports Fiji Limited (\$125.0 million), Fiji Ports Corporation Limited (\$80.0 million), Kalabu Tax Free Zone (\$6.9 million), Government Printery (\$5.0 million) and Foreign Missions (United Kingdom - \$28.8 million, Australia - \$6.0 million, New Zealand - \$5.0 million).

Investing Payments

4.48 Government's investing payments mainly comprises of loans, capital transfer payments and purchase of non-current assets.

Loans

4.49 Government loans, particularly under the Student Loans Scheme stood at \$1.0 million in 2013. For 2014, with the introduction of the Tertiary Education Loan Scheme (TELS), this is estimated to increase to \$39.0 million. For next year, Government has provided \$42.5 million towards TELS and will provide funding of \$9.0 million to PAFCO, and \$9.7 million to South Pacific Fertilisers Limited.

Transfer Payments

- 4.50 Capital grants and transfers to Government agencies and statutory authorities to undertake capital projects amounted to \$494.2 million in 2013. This is expected to increase in 2014 to \$678.5 million.
- 4.51 In 2015, Government has increased its funding to further develop needed infrastructure such as roads, bridges & jetties, investment in water infrastructure and public utilities. Accordingly, an increased budget of \$1,055.1 million has been provisioned in 2015.
- 4.52 Table 4.6 below shows funding for major capital grants and transfers in 2015.

Table 4.6: Major Transfer Payments (SEG 10)

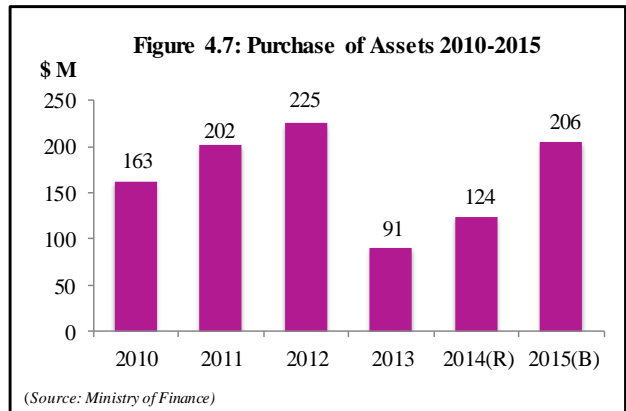
Activity	(\$M)
Fiji Roads Authority – Capital Grant	635.6
Water Authority of Fiji – Capital Grant	176.1
Tourism Fiji Marketing Grant	23.5
Rural Electrification Projects	19.5
Existing Scholarship Scheme	15.7
Fiji International Golf Tournament	12.0
Toppers Scholarship – TELS	10.0
Albert Park Redevelopment Project	10.0
First Home buyers	10.0
iTaukei Land Development	10.0
Committee on Better Utilization of Land (CBUL)	7.8
Small Grants Project	7.0
FEA Subsidy	5.7
FRCA Capital Grant	5.0
Sugar Development Programme	5.0
FDB Subsidy Grant to all Citizens of Fiji	5.0
Fiji Sports Council Grant	4.3
Fiji National University Capital Grant: Labasa Campus	4.0
Land Transport Authority Capital Grant	3.4
PRB – Savusavu Development Project	3.4
Maritime Safety Authority of Fiji	3.0
Challenge & Investment Fund – Town/City Council	3.0
Town Wide Informal Settlement Upgrade Project	3.0
Upgrade and Maintenance of Sports Facilities	3.0
Vocational Training Scholarship	2.6
Divisional Development Projects	2.6
Land Bank Investment	2.5
Disaster Risk and Climate Change Mitigation	2.0

Activity	(\$M)
Biosecurity Authority of Fiji Capital Grant	2.0
National Fire Authority Capital Grant	2.0
New Town Development (Seaqqa/ Nabowalu)	2.0
Tertiary Hospital (Lautoka)	2.0
Land Clearing	2.0
Drainage Subsidy	2.0
Rice Development Program	1.8
Construction of Rural Complex	1.6
Northern Development Programme	1.5
Grants to Self – Help Projects	1.5
Rural Housing Assistance	1.4

(Source: Ministry of Finance)

Purchase of Physical Non-Current Assets

4.53 In 2013, total expenditure on capital purchases and construction activities stood at \$91.2 million. The spending on these activities is expected to be \$124.1 million in 2014 and \$205.5 million in 2015.



4.54 Table 4.7 below shows some of the major allocations for the purchases of assets in 2015.

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

Activity	(\$M)
Construction of New Ba Hospital	17.5
Vehicle Leasing Scheme	15.7
i-Taukei Land Development	10.0
Drainage and Flood Protection	8.0
Black Rock Integrated Peace-Keeping	7.5
Extension of Lautoka High Court	7.0
Upgrading of Lautoka Hospital Emergency Department	6.5
Bio-Medical Equipment- Urban and Sub-Divisional Hospital	6.0
Construction of Makoi Maternity Unit	5.5
Construction of New Nausori Hospital	4.0
Construction of Lautoka Remand Centre	3.5

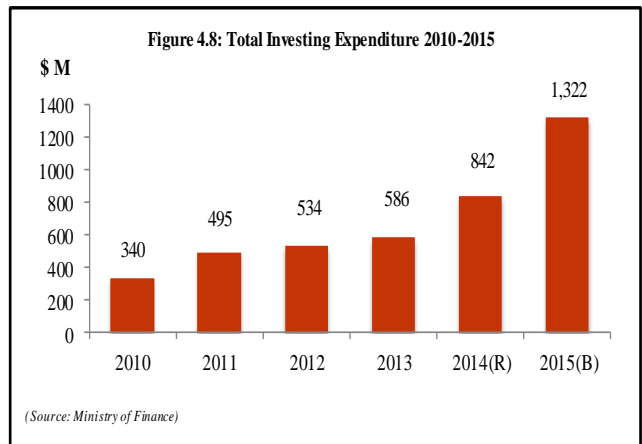
Activity	(\$M)
Purchase of Vessel- Final Installments	3.1
Integrated Labour Market Information System	3.0
Extension of CWM Hospital Maternity Unit	3.0
Upgrading & Maintenance of Urban Hospital & Institutional Quarters	3.0
Squatter Upgrading & Resettlement	3.0
Construction of Naboro Landfill Stage 2	2.9
New Bau Central College	2.7
Purchase of Drilling Equipment	2.6
Upgrading of Cane Access Roads	2.5
Upgrading of Existing Court Complexes	2.5
Construction of Valelevu Police Station	2.4
Upgrade and Extension of Rotuma Hospital	2.4
Keiyasi Health Centre Upgrade	2.2
Sigatoka Methodist College Relocation	2.0
Installation of Ecological Purification System in Rural Areas	2.0
Lagilagi Housing Development Project – Phase 1 & 2	2.0
Kiro Patrol Boat – Life Extension Programme	2.0
Development of State Land	1.8
Blackrock Mess Hall Project	1.7
Construction of new Women’s Correction Facility (Lautoka)	1.5
Upgrading of Non-Cane Access Roads	1.5
Maintenance and Upgrading of Schools & Institutional Quarters	1.5
Routine and Special Upgrading of Public Buildings	1.5
Maintenance of Completed Irrigation Schemes	1.5
Takaimalo Grid Extension	1.5
Coronation Ground Drainage	1.4
Rebuilding of Plumbing Workshop and Office Building DEW	1.4
New Ono-i-Lau Secondary School	1.3
Laboratory Equipment	1.3
Upgrade of Government Shipping Services Building, Walu Bay	1.2
Relocation of Ba Magistrate Court	1.0
Purchase of Warehouse Management Software	1.0
Maintenance of Health Centres and Nursing Stations	1.0
Construction/Maintenance of Rural Office and Quarters	1.0
Export Promotion Programme	1.0
Food Security Programme	1.0
Livestock Rehabilitation Programme	1.0
Waste Transfer Station Central	1.0
Digitisation	1.0
Repair and Upgrading of Public Building	1.0
Water Shed Management	1.0

(Source: Ministry of Finance)

Total Investing Payments

4.55 Total spending on investment activities in 2013 amounted to \$586.3 million, representing 28.0 percent of total actual spending for the year.

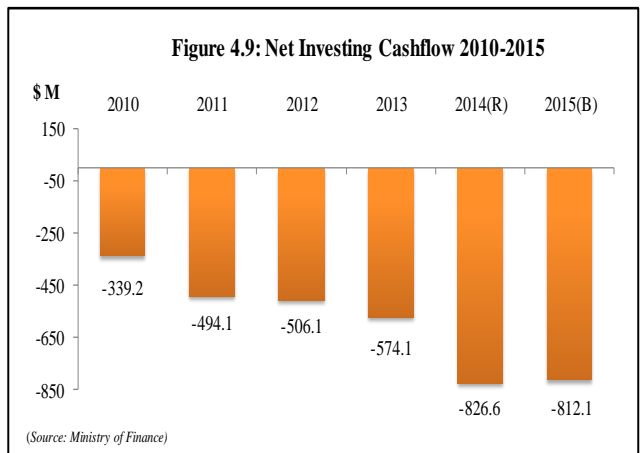
4.56 The revised anticipated expenditure for 2014 is \$841.6 million while for 2015 \$1,321.9 million is budgeted. The planned investment spending for 2014 and 2015 represents around 33.7 percent and 40.5 percent of total expenditure, respectively.



Net Cash Flows from Investing Activities

4.57 Government's capital expenditure has generally been higher than investing receipts, hence, resulting in net investing deficits.

4.58 In 2013, a net investing deficit of \$574.1 million was recorded while the revised anticipated deficit for 2014 is \$826.6 million. The projected net investing deficit for 2015 is \$812.1 million. The investing deficits are financed partially through borrowings and operating savings.

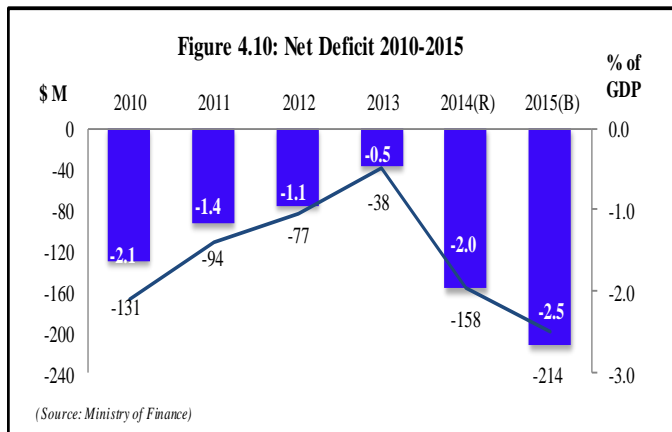


Net Deficit

4.59 The net deficit position represents the excess of total expenditure over total revenue and is the primary indicator for the fiscal position of Government. Shortfall in revenue to meet expenditure commitments are usually met through borrowings.

4.60 In 2013, Government had achieved a net deficit of \$37.9 million equivalent to 0.5 percent of GDP with a revised net deficit for 2014 of \$158.3 million or 2.0 percent of GDP.

4.61 For 2015, Government has budgeted a net deficit of \$213.9 million or 2.5 percent of GDP.



CHAPTER 5: GOVERNMENT'S BALANCE SHEET

Introduction

- 5.1 This chapter discusses the major assets and liabilities of Government, including investments in State Owned Enterprises (SOE's), arrears of revenue, public debt and contingent liabilities.

Government's Equity Investment⁵

- 5.2 A major component of Government's asset is its investment in SOE's. As such, Government continuously monitors these entities to ensure improved performance to maximize returns. A number of reform initiatives have been implemented to improve productivity and enhance service delivery.
- 5.3 Improved financial performance of SOEs will also minimize future fiscal risks and assist Government by channelling dividends to support Government's operations and key priority objectives.
- 5.4 An overview of Government's shareholdings in SOEs is tabulated below in Table 5.1.

Table 5.1: Government Shares (%) and Portfolio Allocations in SOEs

	State Owned Entities	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)	100	Fisheries & Forests
4	Fiji Ports Corporation Ltd (FPCL)	100	Transport & Infrastructure
5	Fiji Public Trustee Corp 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 (Mgt) 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

⁵Government'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).

	State Owned Entities	Shares	Sector/Portfolio
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)	99.8	Fisheries & Forests
Minority Owned Companies (MIC)			
1	Amalgamated Telecom Holdings (ATH)	34.6	Communication

(Source: Ministry of Public Enterprises)

- 5.5 The returns from Government investments in SOEs have generally been mixed. This can be gauged from the Return on Asset (ROA) and Return on Equity (ROE) performances in Table 5.2 below.

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

Type	2011		2012		2013	
	ROA	ROE	ROA	ROE	ROA	ROE
GCC	14.5	6.2	13.3	(1.9)	4.9	5.0
CSA	7.3	2.3	6.2	9.1	2.9	5.9
MAC	(2.0)	(3.7)	(1.1)	(15.2)	5.2	8.1
MIC	9.7	5.5	11.7	12.2	(5.79)	(11.53)

(Source: Ministry of Public Enterprises)

- 5.6 The table shows that GCCs, CSAs and MICs performed satisfactorily over the last three years. GCCs including AFL, FPCL, FPTCL, UTOFML, FPFL, PFL and YPCL recorded satisfactory performance. Out of the six CSAs, FEA, FMIB, and PRB also achieved positive returns. However in 2013, MAC generated the largest consolidated returns due to the favourable performance of companies such as FSC, CMFL, PAFCO, FAL, ATS and FPL.
- 5.7 SOE investments are largely concentrated in the following sectors: agriculture; transport & infrastructure; communication; trade & finance; and fisheries & forests. Table 5.3 below shows the performance of these entities by sectors.

Table 5.3: Average⁶ Return by Sector (%)

Sector	2011		2012		2013	
	ROA	ROE	ROA	ROE	ROA	ROE
Transport & Infrastructure	8.9	11.6	6.3	7.9	5.2	8.4
Communications	6.8	6.0	7.8	3.6	(2.8)	(13.6)
Trade & Finance	22.2	0.4	29.4	6.5	6.6	8.8
Agriculture	1.7	(6.3)	(2.9)	(19.0)	3.4	5.8

⁶Note: The average analysis is conducted in determining overall sector performances. However, each company within these sectors may have different earnings, asset and equity base.

Sector	2011		2012		2013	
	ROA	ROE	ROA	ROE	ROA	ROE
Fisheries & Forests	1.0	(3.7)	(4.7)	(4.5)	8.0	14.0

(Source: Ministry of Public Enterprises)

- 5.8 In 2013, the fisheries & forests sector achieved the highest returns, attributed mainly to strong performances by PAFCO and FPL. The trade & finance and transport & infrastructure sectors also generated satisfactory returns due to the positive performances by UTOF, PRB, AFL, FAL, ATS and FPCL. The agriculture sector also showed improved returns in 2013 owing to favourable performance from FMIB and YPCL. However, the communications sector generated negative returns given the losses incurred by FBC and ATH in 2013.

Dividend from Government Investments

- 5.9 Over the last 3 years, GCC's and MIC's have paid the largest dividends to Government. This is depicted in Table 5.4 below.

Table 5.4: Dividends by Shareholding (\$M)

Type	2011	2012	2013	2014(f)
GCC	6.4	3.9	4.9	19.1
CSA	-	-	-	-
MAC	1.7	2.2	0.2	0.4
MIC	4.6	4.4	6.8	-
Total	12.6	10.5	11.9	19.5

(Source: Ministry of Public Enterprises)

- 5.10 In 2013, Government received a total of \$11.9 million as dividends, with ATH providing the highest returns followed by FPCL, YPCL, ATS, PFL and UTOFML. Furthermore, in 2014, it is anticipated that dividends totalling \$19.5 million will be received with GCC's contributing the highest proportion followed by MAC.

Table 5.5: Dividends by Sector (\$M)

Sector	2011	2012	2013	2014(f)
Transport & Infrastructure	3.0	4.3	4.1	14.1
Communications	6.4	6.1	6.5	1
Trade & Finance	3.0	0.07	0.1	0.1
Agriculture	0.3	-	1.2	4.3
Fisheries & Forests	-	-	-	-
Total	12.6	10.5	11.9	19.5

(Source: Ministry of Public Enterprises)

- 5.11 In 2013, the communication and transport & infrastructure sectors contributed around 89.0 percent of dividends. The remaining 11.0 percent was contributed

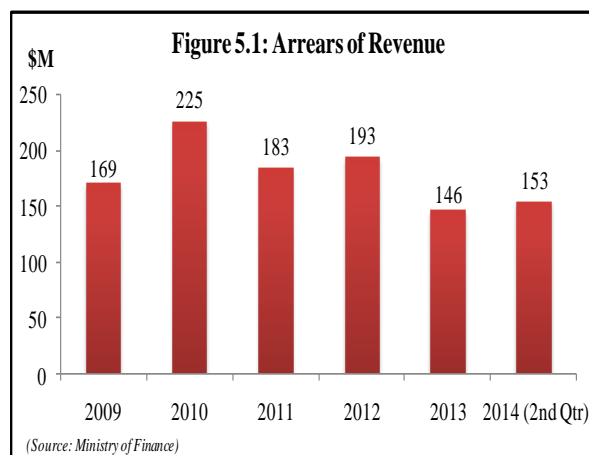
by the agriculture and trade & finance sectors. It is expected that in 2014, the transport and infrastructure sector will provide the highest dividend followed by agriculture, communications and trade & finance.

Revenue Arrears

5.19 The amount of revenue owed to Government has fluctuated over the last five years.

5.20 Revenue arrears comprise of unpaid taxes, fees, fines & charges. The accumulated arrears also include penalty charges.

5.21 As depicted in Figure 5.1, total arrears stood at \$153.0 million as at 30th June 2014.



5.22 Unpaid taxes including personal income tax, corporate tax and value added tax, account for the largest proportion of arrears, at \$68.7 million.

5.23 In addition, \$32.0 million is owed to Government in the form of unpaid water bills, \$28.8 million as uncollected crown lease rentals and \$9.8 million in outstanding judicial/court fees, fines & charges.

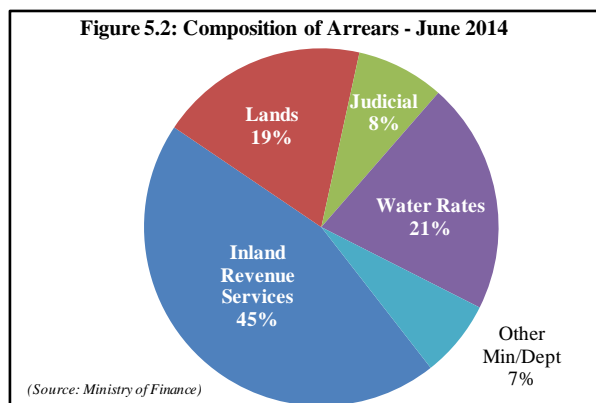


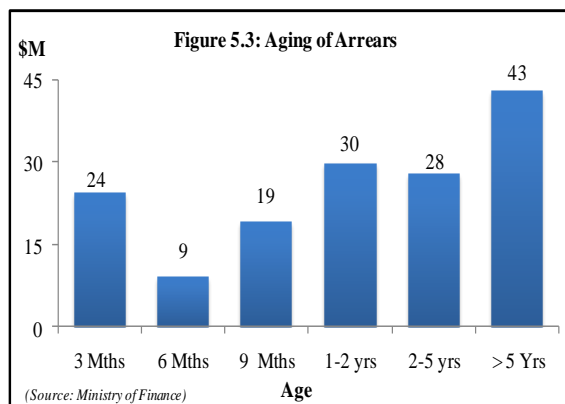
Table 5.6 Revenue Arrears – 2010 to June 2014 (\$M)

	2010	2011	2012	2013	Jun-14
Total Arrears	225.1	182.9	193.2	146.0	153.0
<i>Major Components:</i>					
Taxation	142.2	144.4	111.2	78.5	68.7
Water Rates	34.8	-	38.1	38.2	32.0
Crown Land Rentals	17.9	19.6	22.7	28.4	28.8
Judicial Fees & Fines	10.9	11.4	11.3	11.7	9.8

(Source: Ministry of Finance)

5.24 Government has been undertaking a number of measures to reduce revenue arrears. These include the provision of adequate resources to these agencies to strengthen their capacity to recover revenue arrears.

5.25 Figure 5.3 depicts the age of outstanding revenue arrears. Around \$43.1 million or 28.2 percent comprise of debt which are more than 5 years, while \$82.0 million or 53.6 percent is made up of arrears which are less than 2 years.



Government Debt

5.12 Government is committed to ensuring that public debt is sustainable and prudently managed over the medium term. The debt to GDP ratio has been declining as a result of the fiscal consolidation stance adopted over the years, sustained economic growth and effective risk management.

5.13 As at 31st December 2013, Government debt stood at \$3.8 billion, equivalent to 51.4 percent of GDP, a decline from 53.4 percent of GDP in the preceding year. Of this amount, \$2.7 billion comprise of domestic debt while \$1.1 billion is external debt.

5.14 At the end of 2014, Government debt is expected to further decline to 49.7 percent of GDP. Table 5.7 shows total Government debt from 2011 to 2014.

Table 5.7: Total Government Debt (\$M)

	2011	2012	2013	Sep-14	2014(f)
Domestic Debt	2,734.4	2,744.0	2,744.2	2,868.5	2,840.9
External Debt	832.1	935.5	1,081.1	1,155.5	1,167.6
Total Debt	3,566.5	3,679.5	3,825.3	4,024.0	4,008.5
Debt (as a % of GDP)	54.5	53.4	51.4	49.9	49.7
Domestic Debt to Total Debt (%)	76.7	74.6	71.7	71.3	72.0
External Debt to Total Debt (%)	23.3	25.4	28.3	28.7	28.0

(Source: Ministry of Finance)

Domestic Debt

5.26 Domestic debt accounts for around 70 percent of total debt. Borrowings in the domestic market are through the issuance of both short term and long term

securities. Treasury bills issuance for short term financing ranges from 14 days to 364 days, while bond maturity ranges mainly from 3 to 15 years. Table 5.8 below highlights the major components of domestic debt.

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

	2010	2011	2012	2013	Sep-14
Bonds	2,759.3	2,663.3	2,622.1	2,635.3	2,743.6
Treasury Bills	75.4	71.1	112.4	102.6	121.8
FSCGC loan	-	-	9.5	6.3	3.1
Total Domestic	2,834.7	2,734.4	2,744.0	2,744.2	2,868.5
Domestic Debt to GDP (%)	45.8	40.6	38.0	35.2	35.5

(Source: Ministry of Finance)

5.27 In 2013, the primary market was active with a total floatation of \$271.6 million; of which \$172.8 million was raised by Government. Other market participants included the Fiji Development Bank, Fiji Electricity Authority and Housing Authority with a combined total of \$98.8 million in bonds issuance.

Domestic Interest Rates Structure

5.28 In 2013, the financing costs for both short term and long term debt instruments were relative low. This was largely attributed to the high liquidity in the financial system. This also led to the oversubscription of Government's bond floatation, which exerted downward pressure on interest rates.

5.29 Table 5.9 highlights the interest rates on Government treasury bills and bonds from September 2013 to 2014.

Table 5.9: Weighted Average Interest Rates on Government Securities (%)

Maturities	Sept-13	Dec-13	Mar-14	June-14	Sep-14
14 days	0.08	0.08	0.08	0.08	0.08
28 days	0.10	0.08	0.08	0.08	0.15
56 days	0.12	0.12	0.10	0.10	0.20
91 days	0.14	0.10	0.35	0.28	1.95
182 days	0.18	0.18	1.15	0.98	0.98
2 years	2.25	2.25	2.25	2.20	2.50
6 years	3.90	3.50	3.50	3.45	3.47
8 years	4.89	4.30	4.10	4.15	4.25
10 years	4.94	4.43	4.25	4.28	4.94
15 years	5.33	4.67	4.35	4.35	5.14

(Source: Reserve Bank of Fiji)

External Debt

5.30 The total external debt stock as at September 2014 stood at \$1.2 billion. This represents 28.7 percent of total debt, equivalent to 14.3 percent of GDP. Fiji's external debt to GDP ratio has been increasing gradually since 2010 due to the contracting of new external loans from the EXIM Bank of China.

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

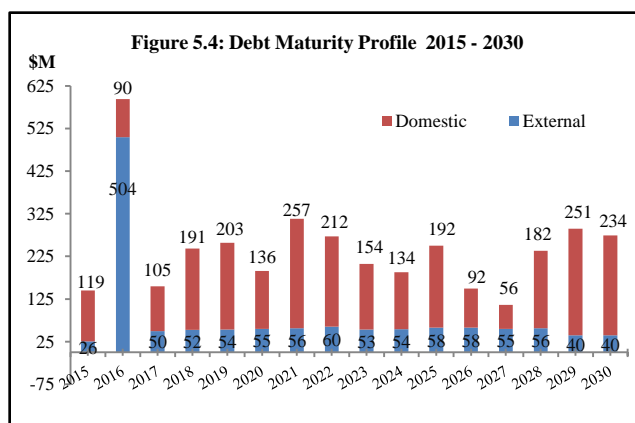
	2010	2011	2012	2013	Sep-14
External Debt	548.5	832.1	935.5	1,081.1	1,155.5
Total External Debt Service	41.3	334.2	65.5	71.6	76.9
<i>o/w Principal Payment</i>	<i>17.6</i>	<i>291.1</i>	<i>19.3</i>	<i>19.7</i>	<i>23.3</i>
<i>o/w Interest Payments</i>	<i>23.7</i>	<i>43.1</i>	<i>46.3</i>	<i>52.0</i>	<i>53.6</i>
External Debt to GDP (%)	8.9	12.4	13.0	14.5	14.3

(Source: Ministry of Finance)

5.31 The US\$250 million global bond is due for repayment in March 2016. Government has set up an offshore Sinking Fund Account to assist in the settlement of the Bond.

5.32 Figure 5.4 illustrates Government's debt maturity profile over the next 15 years.

5.33 Given the exchange rate and foreign currency risk associated with external debt, Government has been mindful of its external debt exposure by ensuring an optimal debt mix.



5.34 With the exception of the global bond, Government's external debt portfolio mainly comprises of concessional loans with fixed interest rates, thus, minimising interest rate risks and costs. Apart from this, the repayment schedule is well spread as most of these loans have a repayment term of 15 to 20 years.

Contingent Liabilities

5.35 Total contingent liabilities stood at \$2.4 billion as at 30th June 2014, which is equivalent to 29.8 percent of GDP. This comprises of explicit contingent liabilities of \$817.7 million and implicit contingent liabilities of \$1.6 billion.

5.36 Table 5.11 below shows the total contingent liabilities from 2010 to June 2014.

Table 5.11: Government Contingent Liabilities (\$M)

	2010	2011	2012	2013	Jun-14
Fiji Development Bank	322.9	257.2	250.0	190.0	174.3
Fiji Electricity Authority	346.5	353.9	323.5	297.9	338.4
Fiji Harwood Corporation	17.2	16.6	16	15.3	14.0
Fiji Pine Limited	8.4	13.7	17.1	13.5	4.5
Fiji Sugar Corporation	121.9	116.4	111.8	156	156.2
Housing Authority	86.0	82.6	105.5	79.8	79.8
Fiji Sports Council	1.1	0.9	0.6	13	10.6
Fiji Ports Corporation Ltd	41.5	39.9	31.5	23.2	16.5
Fiji Broadcasting Cooperation Ltd	14.2	19.8	17.5	20.9	20.1
Pacific Fishing Company Ltd	5.4	5.4	1.4	2.8	3.2
Public Rental Board	1.9	0.5	-	-	-
Total Guarantees (Explicit)⁷	967.0	906.9	875	812.4	817.7
Fiji National Provident Fund	758.4	1,008	1,247.6	1,369.8	1,582.5
National Bank of Fiji	2.5	2.5	2.4	1.6	1.6
Others	63.1	8.4	8.4	7.6	7.6
Implicit Contingent Liabilities⁸	824.0	1,018.9	1,258.4	1,379.0	1,591.7
Total Contingent Liabilities	1,791.0	1,925.8	2,133.4	2,191.4	2,409.4
Contingent Liability (% to GDP)	29.7	29.4	30.9	29.5	29.8

(Source: Ministry of Finance)

5.37 Contingent liabilities pose significant risks to Government. Therefore appropriate measures are regularly implemented to prudently manage contingent liabilities over the medium term. The Ministry of Finance conducts quarterly visits/assessments and debt sustainability analysis on guaranteed entities. In addition, the Ministry is currently formulating a new Guarantee Policy with the objective of minimizing risks to Government's fiscal position.

⁷Contingent explicit liabilities - These are specific government obligations defined by a contract or a law. The government is legally mandated to settle such an obligation when it becomes due.

⁸Contingent implicit liabilities - These represent a moral obligation or expected burden for the government not in the legal sense, but based on public expectations and political pressures.

CHAPTER 6: POVERTY ALLEVIATION& RURAL DEVELOPMENT

Poverty Alleviation

- 6.1 Poverty is a key challenge that Government will continue to tackle over the medium term. The 2008/2009 Household Income and Expenditure Survey report shows that the percentage of population in poverty has declined from 35 percent in 2002-2003 to 31 percent in 2008-2009. While the urban poverty rate has decreased within the same period from 28 percent to 19 percent, rural poverty has remained high at around 43 percent. In this regard, Government has developed well designed and targeted programmes to alleviate poverty.
- 6.2 To achieve desired poverty reduction outcomes, Government will continue to support existing social protection programmes such as the poverty benefit scheme, child protection programmes, social pension scheme and food voucher program.

Social Protection & Poverty Alleviation Initiatives

- 6.3 **Poverty Benefit Scheme (PBS):** The PBS was set up specifically to provide financial support to destitute and poor households. In the 2015 Budget, a sum of \$22.0 million has been allocated towards this initiative.
- 6.4 **Child Protection Allowance (CPA):** The CPA is a cash grant allocated to residential homes that provide foster care, adoption and residential facilities for orphans. This programme will continue in 2015 with a budgetary allocation of \$2.0 million.
- 6.5 **Social Pension Scheme:** To improve the welfare of elderly citizens, Government will increase the monthly pension from \$30 to \$50 per month, and also reduce the age eligibility from 70 to 68 years. A sum of \$8.0 million has been allocated towards this scheme.
- 6.6 **Women's Plan of Action:** In 2015, continued emphasis will be placed on the implementation of the five key thematic areas under the Women's Plan of Action (WPA):
- Formal Sector Employment & Livelihood;
 - Equal participation in decision making;
 - Elimination of violence against women and children;
 - Improved access to basic services; and
 - Women and the Law.

- 6.8 Funding towards the WPA has been increased to \$1.0 million.
- 6.9 **Lagilagi Housing Development Project:** the objective of this project is to provide affordable and decent housing for low income households, particularly families residing in squatter settlements. A sum of \$2.0 million has been budgeted for the completion of Phase 2⁹ of this project.
- 6.10 **Squatter Upgrading & Resettlement:** this programme focuses on alleviating poverty through the provision of housing and income-generating opportunities for low-income groups. A sum of \$3.0 million is allocated to fund the Cuvu, Caubati and Ledrusasa Squatter Settlements, which will be completed in 2015 with the issuance of 260 lease titles. The Sasawira project will be continued till 2016 and will result in the issuing of 150 leases. An allocation of \$0.5 million is provided for the Sustainable Income Generating Project in Vanuakula, Nativi, Nakama, Nakoro and Naboutini.
- 6.11 Additionally, \$3.0 million is provided to upgrade informal settlements on iTaukei Lands at Qauia, Wakanisila, Nadonumai and Waidamudamu settlements.
- 6.12 **Social Housing Policy:** Government has allocated a total of \$0.5 million to write-off housing loans for clients who have paid more than one and half times the principal amount, who have retired or can prove genuine financial difficulty based on low income or medical ground. To date, a total of 339 households and 28 village housing schemes have been assisted.
- 6.13 **Education:** Government has allocated \$20.0 million as bus fare subsidy to assist students from low income households. The assistance will also cover students that travel by boat, carriers and other modes of transportation where bus services are not available.
- 6.14 A sum of \$52.5 million has been allocated for the tertiary education loan scheme. This includes funding for the toppers scheme as well as the provision of low interest loans for tertiary education. The scheme also covers accommodation & transport costs, pocket allowances, books & study materials and other associated costs.

⁹Phase 2 involves the construction of 66 units.

- 6.15 A sum of \$15.7 million is also provided to fund the existing students who were awarded scholarships prior to the introduction of the new tertiary education scheme. This fund will be phased out when students under the previous scholarship schemes have completed their studies.
- 6.16 Table 6.1 below highlights Government's social protection programmes in 2014 and 2015.

Table 6.1: Government Assistance for Poverty Alleviation: 2014 – 2015 (\$M)

	2014(R)	2015(B)
Social Welfare		
Poverty Benefit Scheme	22.0	22.0
Child Protection Allowance	4.5	2.0
Social Pension Scheme	3.0	8.0
Food Voucher Programme	1.3	1.0
Women's Plan of Action	0.8	1.0
Integrated National Poverty Eradication Programme	0.3	0.3
Welfare Graduation Program	0.5	0.5
Fiji National Council of Disabled Persons	0.3	0.3
Capital Grant to Voluntary Organizations	0.2	0.2
Women's Resources Centre	0.2	0.0
Grant to Girls' Home	0.1	0.1
Fire Victims Relief	0.1	1.1
Education		
Bus Fare Subsidy	20.8	20.0
Health		
Free Medicine	-	8.0
Department of Housing		
Housing Assistance for First Time Home Buyers	10.0	10.0
Lagilagi Housing Development Project- Phase 2	3.0	2.0
PRB –Savusavu Development Project	2.5	3.4
Squatter Upgrading & Resettlement Programme	2.0	3.0
PRB –Kalabu Development Project	1.5	0.7
HART	1.0	0.5
HA Social Housing Policy	1.0	0.5
Informal Settlement Project	1.0	3.0
Sustainable Income Generating Project	0.7	0.5
City Wide Squatter Upgrading Project	0.5	0.5
National Housing Policy Implementation Plan	0.2	0.2
Prime Minister's Office		
Funds for the Education of Needy Children	0.2	0.2
Strategic Planning		
Northern Development Programme	1.5	1.5

	2014(R)	2015(B)
Miscellaneous		
Tertiary Education Loan Scheme	52.5	52.5
Existing Scholarship Scheme	26.0	15.7
FDB Subsidy	5.0	5.5
FEA Subsidy	3.5	5.7

(Source: Ministry of Finance)

Development of Rural & Maritime Areas

- 6.17 To improve the livelihoods of people in the rural and outer islands, Government will continue to drive the implementation of key rural and divisional projects. Some on-going projects include, the Grant for Self-Help Projects, Rural Electrification Projects, the Integrated Human Resource Development Programme and the Rural & Outer Island Agricultural Development Project.
- 6.18 **Rural Electrification Project:** In 2015, the budget for the rural electrification project will be increased to \$19.5 million to cater for the extension of the electricity grid, solar system installation, and house wiring. This will further expand the coverage of Government's electrification programme to isolated communities and villages.
- 6.19 In addition, a sum of \$2.7 million has been provided to fund the grid extension works that will be undertaken for the Nacavanadi/Korotasere, Tokaimalo and Dawasamu/Bureiwai projects.
- 6.20 **Electricity Subsidy:** The threshold for Government's electricity subsidy for low income families will be raised from the current 75 kilowatts to 85 kilowatts. An increased budget of \$5.7 million is provided for this purpose.
- 6.21 **Rural Housing Assistance:** A sum of \$1.4 million has been allocated to the construction of houses in rural areas to ensure continued support as well and improved living standards in these areas.
- 6.22 **Drainage and Flood Protection:** A budgetary provision of \$8.0 million has been allocated for drainage and flood protection, which will involve the dredging of rivers and construction of river bank boulders around the country to reduce the threat of crop loss in low lying agricultural land.
- 6.23 **Drainage Subsidy and Maintenance of Irrigation Schemes:** Government has provided a sum of \$2.0 million for drainage subsidy to selected agricultural areas and has also set aside \$1.5 million for the maintenance of existing irrigation schemes.

6.24 Table 6.2 outlines some of Governments key projects for rural and maritime development.

Table 6.2: Rural & Maritime Development Programmes: 2014 – 2015 (\$M)

	2014(R)	2015(B)
Rural Electrification Project	10.0	19.5
Upgrade & Purchase of Government Shipping Vessels	9.5	3.1
Rural Power Grid Extension – Tavua/Korovou	9.4	0.0
Integrated Rural Sports Complex	2.0	1.6
Drainage & Flood Protection	6.0	8.0
Divisional Development Projects	5.4	2.6
Other Rural Water Supply	4.0	4.0
Agricultural Marketing Authority (Capital Grant)	1.5	1.5
Upgrading of Cane Access Roads	2.0	2.5
Franchise Shipping Scheme	1.7	2.4
Maintenance of Completed Irrigation Schemes	1.5	1.5
Grant to Self-Help Projects	1.5	1.5
Rural & Outer Island Agricultural Development	1.0	1.0
Agro Input Subsidy	1.0	1.5
Watershed Management	1.0	1.0
Drainage Subsidy	1.0	2.0
Accident & Emergency Equipment	0.8	0.7
Centre for Appropriate Technology & Development	0.8	0.8
Rural Housing Assistance	0.7	1.4
Agriculture Extension Services - Crops	0.5	0.5
Biomedical Equipment for Sub-Divisional Hospitals	0.4	0.0
Renewable Energy Development Projects	0.3	0.3
Fiji Groundwater Assessment & Development Projects	0.3	0.6
Rural Postal Services	0.3	0.3
Dental Equipment for Sub-Divisional Hospitals	0.2	0.0
Rural Sporting Facilities	0.2	0.2
Banking services for Non-Economical Rural Areas	0.1	0.2

(Source: Ministry of Finance)

CHAPTER 7: PRIORITY SECTORS

Education

- 7.1 The provision of quality education is a key priority for Government. Following the huge investment in the education sector this year, Government has further expanded its support in the 2015 Budget towards the provision of better learning standards and improved student outcomes.
- 7.2 The 2015 Budget has allocated around \$560.0¹⁰ million to the education sector, representing around 16.8 percent of the total budget. The free education programme at primary and secondary schools will continue with an increased budget of \$66.4 million. This will cater for the 3 percent increase in student enrolments this year. From 2015, the formula for allocating grants to schools will be changed to factor in criteria that will take into consideration disadvantaged schools.
- 7.3 The free education initiative has been extended to cover the tuition fees for children enrolled in recognised and accredited pre-schools. A total of \$1.4 million is allocated for this initiative. Government is also funding the supply of free milk to all Year 1 students. In addition, \$20.0 million has been allocated for the bus fare subsidy for students from low income families. Increased attention will also be directed towards strengthening curriculum development in 2015.
- 7.4 Government has also allocated \$4.9 million for the recruitment of 142 primary school and 206 secondary school teachers. The teacher to student ratio is targeted to be reduced to 1:30 in primary and 1:35 in secondary schools by 2016. While improving the learning environment for students, this initiative will also create additional employment opportunities for new teacher graduates.
- 7.5 Government has also placed special emphasis on technical and vocational training through the establishment of technical colleges around Fiji. In 2015, three technical colleges will be set up with an additional ten to be established in 2016 with a total funding provision of \$7.0 million. This will offer a pathway to students who may not qualify for higher academic streams by providing them with an opportunity to pursue skills training. This is also expected to address the current skill shortages in the construction sector, with short term training to meet industry needs.

¹⁰ This includes funding provided to Ministry of Education, Higher Education Institutions, Tertiary Education Loan Scheme, National Toppers Scholarship, Vocational Training Scholarship and other special scholarships.

- 7.6 To support tertiary education, Government will continue with the Tertiary Education Loan Scheme (TELS) that provides full scholarship under the Toppers scheme and low interest loans to all students accepted for admission at tertiary institutions. In 2015, \$52.5 million is allocated for TELS. In addition, \$15.7 million is also provided to cater for students under the previous scholarship schemes.
- 7.7 Government will continue funding for the following tertiary institutions in 2015: 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 \$85.7 million has been budgeted for this purpose.

Health

- 7.8 Government will continue with its investment to provide quality and affordable health services. In 2015, a total of \$269.7 million has been allocated to improve access, affordability and the quality of health service delivery. This is an increase of \$47.3 million.
- 7.9 In 2015, a total of 441 new positions have been created with an additional budgetary allocation of \$10.8 million. This will address the shortage of doctors, nurses and allied health workers and will improve the doctor/nurse to patient ratio.
- 7.10 Government has also allocated \$8.0 million to provide free medicine to all Fijians with an annual income of below \$20,000. This will also include medicines for non-communicable diseases.
- 7.11 A new tertiary hospital will also be established with an initial budget of \$2.0 million. This will be managed in collaboration with the Medical College of the Fiji National University and provide advanced medical & surgical services.
- 7.12 A number of new health facilities will be constructed around the country with a total sum of \$42.1 million. In addition, maintenance and upgrading works at existing health institutions will continue. These investments in health infrastructure will support Government's efforts to improve health service delivery.

Infrastructure Development and Public Utilities

- 7.13 Investment in infrastructure and public utilities is a key enabler for growth. It is expected to improve connectivity, access to markets, increase investment, create employment and unlock the structural bottlenecks that are constraining growth.

Road Infrastructure

- 7.14 In 2015, Government will continue with its bold investment in our roads infrastructure by allocating an unprecedented sum of over \$653.8 million to the Fiji Roads Authority. The increased grant will help to clear the backlog in the upgrade, replacement and maintenance of our roads, bridges and jetty networks. Road maintenance and renewal works will also continue around the country next year.
- 7.15 Major works will be pursued on the EXIM Bank of China loan funded road projects such as the Nabouwalu to Dreketi, Moto to Buca Bay and Sawani to Serea roads. A total funding of \$97.8 million is allocated for these projects. Government has also provided funding for expansion, capacity enhancement & improvements for the Nadi to Lautoka road upgrades.
- 7.16 A major bridge and jetty renewal programme is also being implemented to ensure that public safety is not compromised with the deteriorating condition of bridges and jetties. In addition, funds are also being provided by our developing partners to complement Government funding in this area.
- 7.17 To improve transportation to the maritime region, a total funding of \$3.1 million is provided for the acquisition of a new vessel. In addition, \$2.4 is provided towards increasing the frequency of services to remote and uneconomical shipping routes through the Government Shipping Franchise. To complement this, Government is also providing \$1.7 million to subsidise air services to uneconomical routes.

Water and Sewerage

- 7.18 In a decisive move, Government has made an unparallel investment towards the upgrade of our water and sewerage infrastructure by allocating \$239.2 million to the Water Authority of Fiji (WAF). This represents an increase of \$99.6 million over the 2014 Budget. This significant investment will enable WAF to build and upgrade its infrastructure to accommodate the growing demand for its services due to population growth and increased commercial developments in major urban centres. This investment will also facilitate access to clean and safe

water for all Fijians in accordance with the Bill of Rights in the 2013 Constitution.

7.19 Major capital projects for next year are as follows:

- Water distribution system project - \$30.9 million;
- New water source treatment plant - \$25.7 million;
- New waste water treatment plants - \$13.4 million;
- Water sources and treatment plants - \$15.6 million;
- Replacement of water meters - \$12.0 million;
- Improvement & upgrade of waste water distribution systems - \$10.7 million; and
- Other rural water supply - \$5.0 million.

7.20 A sum of \$2.0 million is also allocated for the installation of Ecological Purification Systems to improve the quality of water sources used by rural communities.

7.21 From 2015, Government will also provide 91,250 litres of free water per year to all Fijian households with an annual income of less than \$30,000. This will be administered by the WAF.

Energy and Electricity

7.22 Government is also committed to improving access to electricity through the extension of the grid, installation of solar systems and investment in renewable energy sources. Collectively, a sum of \$29.0 million is provided to the Department of Energy in 2015 for this purpose. To expand the supply of electricity to rural areas, a funding support of \$19.5 million is being provided to cater for rural electrification projects. Government will partner with the Fiji Electricity Authority to extend the national grid lines to selected areas around the country.

7.23 Government has also increased the electricity subsidy for low income families from the current 75 kilowatts to 85 kilowatts. An increased budget of \$5.7 million is provided for next year.

Agriculture

7.24 The agriculture sector's contribution towards economic growth has been declining over the years. To address this problem, the Department of Agriculture has developed the Fiji 2020 Agriculture Sector Policy Agenda to

modernize the sector and improve its regional and international competitiveness.

- 7.25 The Policy agenda establishes a long-term plan for the industry to address the issue of food security, improving export performance, raising investments into the sector, generating employment particularly in rural areas, while at the same time addressing global challenges such as climate change.

Sugar

- 7.26 The sugar industry has performed remarkably well this year with cane production increasing to 1.8 million tonnes, an increase of around 12.0 percent.
- 7.27 Sugar production has also increased to around 218,000 tonnes, an increase of 24.0 percent over the preceding season by early November. The total cane to total sugar ratio stood at an impressive 8.1 reflecting improved milling efficiency and better crop yields.
- 7.28 The sugar industry is pursuing various initiatives to place itself on a path of improved commercial viability, industry competitiveness and sustainability.
- 7.29 In the 2015 Budget, the Ministry of Sugar is provided with a total funding of \$11.8 million. Major programmes being funded include an increased allocation of \$9.7 million for SPFL and \$5.0 million towards the sugar development programme which targets the planting of 3,000 hectares of new crop in 2015. A sum of \$2.5 million is also allocated for the upgrading of cane access roads while \$0.6 million is provided for the purchase of cultivators.

Non-Sugar

- 7.30 The non-sugar agricultural sector comprising of commodities such as root crops, tropical fruits, vegetables, spices, coconut products, cocoa, poultry, dairy and livestock contributes around 7 percent to GDP.
- 7.31 Table 7.1 below shows the production of major non-sugar commodities from 2008 to 2013.

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

Domestic Production	2008	2009	2010	2011	2012	2013
Papaya	7,265	2,446	2,190	3,065	3,371	2,112
Ginger	2,488	2,787	2,338	2,575	2,833	2,019
Cassava	55,773	42,332	51,690	69,910	76,901	74,039

Domestic Production	2008	2009	2010	2011	2012	2013
Dalo	74,009	69,863	60,283	67,179	73,897	133,310
Rice	11,595	11,637	7,684	7,914	8,706	6,282
Beef	1,866	1,719	1,761	2,197	2,306.9	2,272
Dairy	10,300	11,070	10,200	9,600	10,100	12,035

(Source: Ministry of Agriculture-Annual Report)

- 7.32 The Ministry of Agriculture is provided with a total budget of \$65.0 million in 2015, an increase of \$2.9 million compared to 2014.
- 7.33 Government has allocated \$1.0 million for the Export Promotion Programme to increase agricultural exports by strengthening commercial agriculture activities. In addition, a sum of \$1.0 million is provided to promote the production of selected local commodities under the Food Security Programme.
- 7.34 The fertilizer subsidy programme introduced in 2014 will be expanded to include ginger farmers, dairy and livestock sector with a budget funding of \$1.5 million. This will assist to subsidise the cost of fertilizer, feed and chemicals to raise farm productivity and ensure better yield and financial returns for farmers.
- 7.35 To address the high cost of land preparation and to encourage land use and agriculture, Government has also allocated \$2.0 million to assist farmers to prepare land for cultivation. Mechanization of farms will also continue with Government allocating \$0.8 million for the purchase of farm machineries & equipment's. The zero duty on agricultural machinery and inputs will also continue in 2015.
- 7.36 Government will also continue with the commercial agriculture programme with a sum of \$0.5 million allocated for this purpose.
- 7.37 Existing initiatives targeting crops and livestock such as cocoa, coconut, potato, ginger, rice, dairy, beef, sheep, goat and area-based programmes in the Sigatoka Valley, Nadarivatu, Saivou Valley and Rotuma Island will continue in 2015 with a total funding support of more than \$3.0 million.
- 7.38 A sum of \$1.0 million is also allocated for the construction and maintenance of rural offices and quarters.

Fisheries

- 7.39 The fisheries sector contributes around 2.0 percent to GDP and around 8.0 percent of total domestic export earnings. Most of Fiji's fisheries products are exported to key markets in Japan, USA, China, Thailand and New Zealand.
- 7.40 For the effective management of our fisheries resources, \$0.5 million is provided for the marine resource inventory survey to take stock of marine resources within our "*Qoliqolis*".
- 7.41 A further \$0.5 million is allocated for coastal fisheries development which will strengthen inshore fisheries development through advisory services on quality control, fish handling & marketing and monitoring of fishing grounds. In addition, a sum of \$0.4 million is provided for mariculture and pearl & oyster development.
- 7.42 Government is also providing \$0.5 million for the construction of the multi-species hatchery in Caboni, Ra. This project will assist with the supply of various fish species to restock overfished reefs, open up opportunities for aquaculture production & exports and generate supplementary income & employment opportunities for fish farmers. A further \$0.5 million is provided for aquaculture farming.
- 7.43 A total of \$1.4 million is also provided to complete the Gau Ice Plant and the construction of the new Rotuma Ice Plant.

Forestry

- 7.44 The forestry sector is an important contributor to growth, export earnings and employment generation. Timber exports account for more than 8.0 percent of total domestic exports.
- 7.45 Government is providing \$0.3 million for the restoration of degraded native forest species. This will involve seed production, improvement in nursery facilities, field planting, training & awareness and monitoring.
- 7.46 Government is also allocating \$0.3 million for the REDD plus programme¹¹ next year. Apart from this, a new allocation of \$0.3 million is provided for the Ecosystem Rehabilitation programme. The Colo-i-Suva Forest Park will also be upgraded with a budget of \$0.15 million next year.

¹¹Reducing Emissions from Deforestation and Forest Degradation.

7.47 Government is encouraging value addition in the forestry sector. An increased allocation of \$0.55 million is budgeted to subsidise the purchase of value-adding machines in maritime areas. This programme aims to empower local communities to process timber for construction of homes, church and community halls.

CHAPTER 8: INVESTMENT FACILITATION

Introduction

- 8.1 Government recognises the importance of both local and foreign direct investment (FDI) in improving Fiji's economic growth prospects. Aggregate investment levels in Fiji have gained momentum in recent years due to conducive private sector policies, and unprecedented investments in major infrastructure projects.
- 8.2 Since 2012, investment levels in the country have exceeded Government's desired target of 25 percent of GDP. This buoyancy is expected to continue in the coming years with increased confidence and stability in the domestic economy.
- 8.3 The ensuing paragraphs provide an update on the progress of key reform initiatives to help streamline and improve the efficiency of investment facilitation in Fiji.

Single Window Clearance System

- 8.4 Investment Fiji is currently focusing on simplifying the registration process for investments in Fiji through the creation of the "single window clearance" application system, which will be available on-line to investors.
- 8.5 Phase one of this project, which is earmarked for Tier 1 Agencies, is expected to be launched in November 2014. Tier 1 Agencies include: the Registrar of Companies, Investment Fiji, Fiji Revenue & Customs Authority, Reserve Bank of Fiji and the Department of Immigration.
- 8.6 The new on-line registration system will provide multiple services for both investment registration and payments and will consolidate the investment requirements of all Tier 1 Agencies.

Foreign Investment Decree (2013)

- 8.7 Since the introduction of the Foreign Investment Decree in 2013, Investment Fiji has strengthened the monitoring of foreign investment projects. It has also improved its database to record information on the actual physical progress of registered projects. The new hybrid database captures the actual value of investments on an annual basis, and the number of employees engaged by these projects. Investment Fiji is still reconciling the raw data for the database, which will be made available in 2015.

Foreign Investment Update

- 8.8 Over a 5 year period, from 2009 to 2013, the number of investment proposals registered increased significantly from 80 to 257. The value of proposed investments during this period also increased considerably by \$873.1 million or 275.0 percent, to \$1,190.8 million in 2013.
- 8.9 Table 9.1 captures three main indicators pertaining to foreign investments from 2009 to 2013.

Table 9.1: Foreign Investment 2009-2013

Investment Indicators	2009	2010	2011	2012	2013
Number of Investment Proposals Registered	80	117	133	130	257
Value of Investment Proposals Registered (\$M)	317.70	621.9	466.75	703.54	1190.8
Employment Proposal	5577	2706	2901	3460	4664

(Source: Investment Fiji)

- 8.10 Since 2011, the value of projects registered have been increasing consistently, reaching its highest in 2013 with a value of \$1,190.8 million. The growth in 2013 was attributed to the following factors:
- Attractive tax policy measures introduced in the 2012 and 2013 Budgets;
 - Removal of the \$250,000 minimum investment requirement;
 - Increased participation by Investment Fiji; and
 - Vigorous marketing efforts by Fiji Embassies & Trade Missions.
- 8.11 Provisional data on foreign investment registrations up to October 2014 show a much higher trend than 2013. Foreign investment levels are anticipated to increase further in 2014 and 2015 due to renewed investor confidence following the successful General Elections this year.

Investment Reforms

- 8.12 In 2015, Investment Fiji will pursue the following reform initiatives to improve overall investment facilitation, and subsequently enhance the business and investment climate:
- Formation of Sector Associations amongst Tier 1 and Tier 2 Agencies to strengthen coordination and reporting from line ministries and statutory organisations, and ensure timely feedback to investors;
 - Establishment of a national target for Foreign Direct Investment (FDI);

- Creation of a Combined Investor Checklist, incorporating the investment requirements and fee schedules of all Tier 1 & 2 Agencies;
- Review of Reserved & Restricted Activities; and
- Establishment of a Research & Development System to capture commonly demanded investor information, including a catalogue on available tax incentives and concessions.

Trade & Investment Promotion Missions

- 8.13 Trade missions have been effective in identifying and promoting potential investment and export opportunities in Fiji. The missions have also assisted local businesses to enhance capacity and skills, improve access to capital, develop foreign business partnerships and secure lucrative niche markets.
- 8.14 In 2015, Investment Fiji plans to undertake the following missions and exhibitions:
1. Cebit ICT Exhibition, Sydney, Australia;
 2. Trade & Investment Mission to Brisbane, Australia;
 3. Investment & Trade Mission to Shanghai, China;
 4. Trade Mission to MSG Countries (PNG, Solomon Islands, Vanuatu & New Caledonia);
 5. Joint Trade & Investment Mission to India (Investment Fiji, Film Fiji, Tourism Fiji);
 6. 2015 Yiwu Forest Fair; and
 7. Trade & Investment Mission to Dubai.

CHAPTER 9: EXTERNAL TRADE AND DEVELOPMENT COOPERATION

9.1 This chapter provides an update on the formulation of Government's trade policy framework as well as the progress of key regional and international trade agreements. The chapter also provides an update on support provided through Official Development Assistance.

Trade Policy Framework

9.2 The Ministry of Industry & Trade is currently in the final stages of formulating a comprehensive Trade Policy Framework for Fiji, which encapsulates the aspirations and views of various stakeholders. The underlying motivation for developing the Trade Policy is to develop Fiji into a trade and investment hub that is internationally competitive, vibrant, resilient and dynamic.

9.3 Essentially, the Trade Policy Framework provides overarching strategies to guide, manage and protect Fiji's interests in future regional and international trade negotiations by striving to achieve the following objectives:

- (i) Securing preferential access for key exportable commodities and services;
- (ii) Protecting infant industries and securing exclusivity for economically depressed regions;
- (iii) Fostering adequate assistance under development cooperation provisions;
- (iv) Securing favourable aid-for-trade conditions; and
- (v) Adopting feasible "rules of origin" arrangements for niche products etc.

9.4 The Ministry will spearhead the implementation of the Trade Policy with the support of relevant institutions, through a National Trade and Development Council (NTDC). Key initiatives in the Policy will be filtered into national development plans, state policies and development partner programmes to ensure overall coherence with Government's priorities for the medium term.

9.5 The trade policy will be implemented over a ten-year period from 2015 to 2025. It will undergo a mid-term review in 2020 to ensure key trade objectives are achieved during the implementation period.

Update on Regional & International Trade Negotiations

9.6 *Melanesian Spearhead Group Trade Agreement (MSGTA)* – this is the most successful trade agreement in the Pacific region. Three countries, Fiji, PNG, and

Vanuatu, have been trading under duty-free status since 2013, however, the Solomon Islands is expected to fully liberate their tariffs by 2017.

- 9.7 A revised Rules of Origin Handbook for the MSGTA was developed in 2013. This has provided valuable information for Melanesian businesses to comply with customs requirements such as “rules of origin” conditions to qualify for duty free entry into MSG markets.
- 9.8 The MSGTA is currently being reviewed by member countries to include new chapters on services, labour mobility, government procurement and investment. The revised legal text for the MSGTA¹² is being negotiated by trade officials and this will be presented to the MSG Trade Ministers (TMM) at the end of November 2014 for further deliberations.
- 9.9 ***Interim Economic Partnership Agreement (I-EPA)*** – The European Council amended its Market Access Regulation in 2013 to exclude ACP countries from preferential access to the EU market. This adjustment had led to ACP countries being given a deadline of 30th September 2014 to provisionally adopt the I-EPA or risk losing out on existing trade preferences. Consequently, in July 2014 Government was compelled to approve the provisional application of the I-EPA to prevent any disruption of exports to the European Market.
- 9.10 ***Comprehensive Economic Partnership Agreement (CEPA)*** – Fiji will continue to negotiate development friendly and mutually beneficial provisions in the Comprehensive EPA (CEPA) with other Pacific ACP States.
- 9.11 ***PACER Plus***–Fiji has yet to officially declare its participation in the PACER Plus negotiations. PACER Plus provides the opportunity for Fiji to gain preferential market access to lucrative markets in Australia and New Zealand and also benefit from provisions relating to labour mobility, investment and development cooperation. These opportunities, however, must be weighed carefully with potential losses on customs tariff revenues.

Trade & Investment Promotion Missions

- 9.12 To reduce Fiji’s trade deficit and promote investment, the Ministry has been working closely with the private sector to capitalize on niche export market opportunities in non-traditional markets in Asia and the Middle-East. Several Trade & Investment Missions have been scheduled for 2015 to targeted markets in Australia, Asia and Northern America.

¹² Encompasses chapters on trade in goods, services, labour mobility, government procurement and investment.

Development Cooperation

- 9.13 Fiji's new foreign policy has opened doors to new alliances with non-traditional partners. In addition, the successful return to parliamentary democracy has led to the re-engagement by our traditional partners. These have resulted in increased development assistance, both from new and traditional development partners.
- 9.14 As highlighted in Table 9.1 below, the total value of official development assistance (ODA) for 2015 is expected to be around \$139.3 million. Out of this, \$133.2 million or 95.6 percent is Aid-In-Kind (AIK) while cash grants of \$6.1 million account for the balance of 4.4 percent.

Table 9.1: Total Official Development Assistance 2013 – 2015

ODA	2013(A)		2014(P)		2015(F)	
	(\$M)	%	(\$M)	%	(\$M)	%
Cash Grants	4.9	3.2	9.5	9.2	6.1	4.4
Aid in Kind	146.9	96.8	94.1	90.8	133.2	95.6
TOTAL ODA	151.8	100	103.6	100	139.3	100

(Source: Ministry of Finance)

Aid-In-Kind

- 9.15 Table 9.2 below highlights the sectoral distribution of AIK from 2013 to 2015.

Table 9.2: Aid In Kind 2013 – 2015

Sector	2013(A)		2014(P)		2015(F)	
	Value (\$M)	%	Value (\$M)	%	Value (\$M)	%
General Administration	18.2	11.5	4.2	4.5	25.6	19.2
Social Services	77.1	48.9	37.7	40.1	28.4	21.4
Economic Services	45.1	28.6	36.6	38.8	61.3	46.0
Infrastructure	17.3	11.0	15.7	16.6	17.9	13.4
Total	157.7	100	94.2	100	133.2	100

(Source: Ministry of Finance)

- 9.16 The Economic Sector will receive the bulk of AIK support values at \$61.3 million in 2015. Out of this, the European Union will provide around \$36.1 million as funding support towards the Sugar Industry. The Chinese Government will also provide aid valued at around \$10 million towards the Mushroom Technology Demonstration Programme. In addition, NZAID will assist the dairy industry while JICA will provide technical assistance for the Nadi River Flood Control Structures.

- 9.17 The Social Sector will receive around \$28.4 million in AIK in 2015. The Australian Government will provide support for the Access to Quality Education Programme (AQEP) and the Fiji Health Sector Support Programme (FHSSP). Other donors for the health sector include UNFPA, WHO and NZAID.
- 9.18 Around \$17.9 million of AIK will be directed towards the Infrastructure Sector. This will fund major projects such as the Chinese funded Stinson and Vatuwaqa Bridges, the Somosomo Mini Hydro project, as well as technical assistance from JICA for the renewable energy sector.
- 9.19 In 2015, the General Administration Sector will receive around \$25.6 million worth of AIK assistance. Various donors will be providing assistance for scholarships and training. In addition, the Australian Government will be funding a new governance program to be designed via consultations with various stakeholders.
- 9.20 The 11th European Development Fund (EDF) Programme for Fiji is expected to commence in 2015 and will fund the Sustainable Rural Livelihood and Governance/Access to Justice initiatives.

Cash Grant

- 9.21 Table 9.3 below shows the distribution of cash grants according to sectors.

Table 9.3: Cash Grants 2013 – 2015

Sector	2013(A)		2014(P)		2015(F)	
	Value (\$M)	%	Value (\$M)	%	Value (\$M)	%
General Administration	0.1	0.3	0.3	3.1	0.3	4.7
Social Services	4.0	80.8	6.1	64.4	5.1	82.8
Economic Services	0.1	1.3	1.4	15.2	0.3	4.3
Infrastructure	0.8	17.6	1.7	17.3	0.5	8.2
Total	5.0	100	9.5	100	6.1	100

((Source: Ministry of Finance))

- 9.22 The Social Sector will receive the highest grant of around \$5.1 million. This is mainly attributed to Global Fund's support of around \$3.7 million towards the health sector.
- 9.23 In the Infrastructure Sector, \$0.5 million will be provided by the World Bank to the Department of Energy for the Sustainable Energy Financing Project.

- 9.24 For the Economic Sector, around \$0.3 million is expected to be received from various donors for food security and environmental project.
- 9.25 The General Administration Sector will receive around \$0.3 million stemming largely from UNICEF's assistance for the Child Protection Programme.

CHAPTER 10: 2015 TAX POLICY MEASURES

10.1 This chapter provides details of various tax and customs policy measures introduced in the 2015 Budget.

PART 1 – DIRECT TAX MEASURES

(i) INCOME TAX

Policy	Description
1. Promote Disaster Relief Preparedness for Farmers	<ul style="list-style-type: none"> ❖ 200% tax deduction for voluntary contribution of cash donation by taxpayers towards a Farmers Emergency Fund Account for disaster relief, with minimum contribution of \$10,000.
2. Incentivize Small and Medium Enterprises (SMEs) for the Agriculture Sector	<ul style="list-style-type: none"> ❖ Extend the scope of SME Income Tax Incentive to cover the whole Agriculture sector. ❖ Currently it covers only selected activities within the Agriculture sector.
3. Promote Commercial Agriculture and Agro-processing by reducing the threshold and extending the expiry date.	<ul style="list-style-type: none"> ❖ Reduce the Commercial Agriculture incentives minimum initial level of investment from \$2,000,000 to \$250,000 in line with the TFR thresholds: <ul style="list-style-type: none"> ◆ \$250,000 - \$1,000,000 Capital Investment – 5 years tax holiday ◆ \$1,000,000 - \$2,000,000 Capital Investment – 7 years tax holiday ◆ \$2,000,000 and above Capital Investment – 13 years tax holiday ❖ The incentive is extended to 31 December, 2018.
4. Promote ICT investment through extension of existing incentives.	<ul style="list-style-type: none"> ❖ Extend the scope of ICT incentives to include setting up of ICT accredited training institutions and ICT start ups involved in the application design and software development companies. ❖ The benefits will include: <ul style="list-style-type: none"> - 150% deduction for all ICT start-up costs (no conditions such employment level and export requirements attached). - Duty-free and VAT exemption on all items imported which is required for the establishment.
5. Promote exports growth by increasing the existing export incentives	<ul style="list-style-type: none"> ❖ Export Income Deduction to be increased from 40% to 50%.
6. Promote Hotels Investment by extending the definition of Project in the Eleventh Schedule.	<ul style="list-style-type: none"> ❖ Expand the definition of “project” under the Hotel Investment Tax Incentive (Eleventh Schedule of the Income Tax Act) to include the buying and selling of residential units in hotel and integrated tourism developments.
7. Promote Hotels Investment by extending the Short Life Investment Package incentives to include new apartments	<ul style="list-style-type: none"> ❖ Extend the current Short Life Investment Package incentives (Eleventh Schedule of the Income Tax Act) to include new apartments. ❖ The length of stay at the apartments should not be more than six months.

Policy	Description
8. Extend Accelerated Depreciation Allowance Incentives	❖ Accelerated Depreciation Allowance for buildings, Plants and Machineries will be extended to 31 December 2018.
9. Extend Bio-Fuel Production Incentive	❖ Bio-Fuel Production incentives (10-year tax holiday) will be extended to 31 December 2018.
10. Incentivize Savings for those earning \$16,000 and below	❖ Individuals with total earning of \$16,000 and below will be exempt from paying resident interest withholding tax on any interest earned from savings.
11. Amend the Tax Administration Decree	❖ Change the Chairmanship of the Tax Agents Board to the Permanent Secretary for Finance or his appointed representative.

(ii) CAPITAL GAINS TAX

Policy	Description
1. Exempt CGT on Transfers on Love and Affection	❖ CGT will be exempt on Love and affection transfers: <ul style="list-style-type: none"> ○ parents to children and vice versa ○ within siblings and; ○ between spouses; ○ between grandchildren and grandparents and vice-versa.
2. CGT Valuation	❖ Current practice of independent valuation by Solicitor General to remain. ❖ From 2015, Solicitor General will pay the Valuers.
3. Exempt CGT on gain made from sale of shares for private companies listed in the South Pacific Stock Exchange	❖ Align CGT legislation with the Income Tax Act to exempt CGT on gains made from sale of shares arising from reorganization, restructure and amalgamation of private company for purpose of listing on the South Pacific Stock Exchange.

(iii) FRINGE BENEFIT TAX

Policy	Description
1. FBT will be charged on accommodation provided to Hotel Executives.	❖ FBT will be extended to include all accommodation provided to hotel executive managers, irrespective of the location of the hotel.
2. Provide clarity on apportionment of FBT charged on Motor vehicle if the benefit given to the employee is also used for business purposes.	❖ The value of the benefit from Motor vehicle is reduced by 50% and leftover 50% is charged FBT. This will provide clarity and will not require keeping of log books.
3. Formalize the non-deductibility of FBT	❖ Section 19 of the Income Tax Act is amended to formalize the non-deductibility of FBT.

(iv) STAMPS DUTY

Policy	Description
1. Amend and insert new definitions into the Stamp Duties Act.	❖ Section 2 is amended to insert new and amend existing definitions listed below: <i>Land, Lease, Money and Stamp Office</i> .
2. Introduce Stamp Duty for non-resident residential property buyers	❖ 10% stamp duty will be charged on transfer for non-resident strata title property buyers.

Policy	Description
	<ul style="list-style-type: none"> ❖ 5% stamp duty will be charged on mortgage for non-resident strata title property buyers. ❖ Non-resident definition in this case is for tax purposes.
3. Exempt Stamp duty for agriculture mortgage and SME's	❖ Part 1 of the Schedule is amended to exempt stamp duty for all mortgages relating to Agriculture, and all stamp duties for SME's.
4. Stamp Duty Exemptions	<ul style="list-style-type: none"> ❖ Exempt Stamp Duty on employment contract; and ❖ Transfer of vehicle by probate or divorce settlement.

PART 2 – INDIRECT TAX

(i) SERVICE TURNOVER TAX

Policy	Description
1. Provide Clarity on bars on which STT will be charged.	❖ STT to be charged on the 'provision of meals, beverages or any other services in all licensed bar' including bars in clubs.
2. STT will also be levied on hired vehicles (LH registered vehicles) as well.	<ul style="list-style-type: none"> ❖ STT is extended to include service provided by Hired vehicles ❖ LH number plates will be charged STT
3. Extend scope of STT on services provided in restaurants	❖ The scope of STT is extended to also include <i>takeaway meals</i> in restaurants with gross turnover of \$1.5m.
4. Exempt STT on Medical evacuations and Natural Disaster	❖ STT will not be charged on services provided for medical evacuations and also for natural disaster.

(ii) VALUE ADDED TAX

Policy	Description
1. Tourist VAT Refund Scheme is extended to other Ports of Entry	❖ The Fourth Schedule to the VAT Decree will be amended to extend the Tourist VAT Refund Scheme to Nausori International Airport and Lautoka Wharf.
2. Amend the definition of New Dwelling House	<ul style="list-style-type: none"> ❖ Section 70 of the VAT Decree is amended to provide clarity on the incentive given for refunds of VAT on New Dwelling House. ❖ VAT refunds will only be allowed for the first residential property.
3. Zero-rate repeats on prescribed medicine	❖ The Second Schedule to the VAT Decree is amended to zero-rate repeats of prescribed medicine.

(iii) AMNESTY

Policy	Description
1. Grant amnesty (no penalties or tax liabilities) for the declaration of assets outside Fiji.	<ul style="list-style-type: none"> ❖ Applicable to Fiji residents; ❖ Amnesty applicable for a period of 6 months.
2. Grant amnesty on all penalties payable on outstanding tax	❖ A committee consists of CEO and FRCA Board members will consider amnesty applications;

liabilities. The liabilities do not include penalties.	<ul style="list-style-type: none"> ❖ Penalties will be waived; ❖ A tax payment program will be finalized with the taxpayers; ❖ Will cover all income tax, VAT and Capital Gains Tax liabilities; ❖ This is for 6 months; ❖ Tax liability has been accepted by the taxpayer but the taxpayer has the inability to pay in lump sum.
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CUSTOMS CHANGES

(i) FISCAL DUTY CHANGES

Policy	Description
1. Increase duty on imported alcohol, cigarettes and tobacco	❖ Increase Import duty on all imported alcohol, tobacco and cigarettes by 10%.
2. Increase duty on luxury items	<ul style="list-style-type: none"> ❖ Increase Import duty on luxury items listed below from 0% to 32% ❖ <i>Perfume, cosmetics, pre-shave, shaving, or after-shave preparations, Camera's and Camcorders, sunglass, binoculars, video & electronic games, watches, iPods, MP3 and MP4 players, and Jewellery.</i>
3. Insert New tariff items for sheet of printing and photocopying papers (A3, A4, A5)	❖ Introduce an import duty (32%), excise (Free) and VAT (15%) by creating new tariff items for printing and photocopying paper under the tariff items 4802.62.10 and 4810.14.20, 4810.22.20, 4810.29.20.
4. Insert New tariff item for LED Lights	❖ Introduce import duty (0%), Excise (Free), VAT (15%) by creating new tariff item under the tariff item 9405.40.20.
5. Increase duty on exercise books	❖ Specific rate of \$1 or 32% whichever is greater will be applied on exercise books.
6. Increase duty on imported unrecorded/blank optical media.	❖ Increase fiscal duty on imported unrecorded/blank optical media from \$2 to \$5.
7. Insert Hybrid vehicles under concession code 129	❖ Concession code 129 will be extended to include Hybrid Vehicles.
8. Ensure that only 1 vehicle per family is granted concessions on importation by returning Fiji residents.	<ul style="list-style-type: none"> ❖ Concession code 220 will allow only 1 used motor vehicle per family. ❖ Normal duty will be imposed on importation of additional vehicles.
9. Extend Concession Code 223 to cover other teaching related goods.	❖ Concession code 223 amended in Column 3 to also include computers for computer labs, multimedia equipment or other teaching related goods as goods eligible for Universities or other educational institution as goods eligible for duty concession.
10. Align the definition of Capital Goods in the Eleventh Schedule.	❖ Concession code 244 amended in Column 3 by referring to capital goods as defined in the Eleventh Schedule of the Income Tax Act to be eligible for duty concession. The definition of "capital goods" is capital equipment, plant, machineries and any other goods employed in the production of other goods but does not include furniture or motor vehicles, kitchenware , raw materials, furniture and fittings.

Policy	Description
11. Add planting media under Concessions Code 255	❖ Concession Code 255 amended in Column 3 by adding planting media used for floriculture.
12. Extend Concession Code 261 to also cover ICT accredited training institutions and ICT start-ups involved in the application design and software development.	❖ Concession Code 261 amended in – (a) Column 1 by adding ICT accredited training institutions and ICT start-ups involved in the application design and software development companies shall be entitled to these concessions. (b) Column 3 by adding any other goods imported for the purpose of ICT will be granted concession.
13. Extend Concession Code 264 to other electric, hybrid and solar powered items.	❖ Concession code 264 (Column 3) is amended by adding hybrid solar electrical powered items, solar and electrical charging station and energy storage system that are imported by companies involved in renewable energy to be allowed duty concession.
14. Create new Concessions Codes 275, 276 and 277.	❖ Include the current section 10 approval as new concession codes: (a) Concession code 275 for companies involved in manufacturing noodles who import taste maker; (b) Concession code 276 for companies involved in canning or pouched packaging of fish; (c) Concession code 277 for companies involved in filming who import filming equipment's.
15. Create new concession code 278 to accommodate for semi-finished goods, products imported in bulk for packaging and other goods for assembly.	❖ Concession Code 278 will apply to companies/entities involved in the importation of semi-finished products, products imported in bulk for packaging and other goods for assembly and packaging materials on the condition that it is bonded and 100% exported. Plant and machinery used for this purpose will attract the duty rates of Free Fiscal, Free Import Excise and 15% VAT.
16. Extension of concession code 265.	❖ Code 265 will be extended to include all drilling machines and equipment for borehole and water projects.
17. Extension of Concession code 113.	❖ Code 113 will be extended to include any other item as approved by the comptroller.

(ii) EXCISE DUTY CHANGES

Policy	Description
1. Increase excise rate on tobacco and alcohol	❖ Increase excise duty on tobacco and alcohol by 10%.
2. Remove excise duty on locally produced optical media.	❖ Remove Excise rate of \$1 on locally manufactured optical media.
3. Impose excise tax on all sweetened drinks	❖ Impose excise duty on sweetened drinks at a rate of 5 cents per litre.

2015 EXCISE RATES

DESCRIPTION	2014 RATES	2015 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$1.73/litre	\$1.90/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.02/litre	\$2.22/litre
Potable Spirit Not Exceeding 57.12 GL	\$38.07/litre	\$41.88/litre
Potable Spirit Exceeding 57.12 GL	\$66.66/litre	\$73.33/litre
Wine: Still	\$2.68/litre	\$2.95/litre
Sparkling	\$3.06/litre	\$3.37/litre
Other fermented beverages: Still	\$2.68/litre	\$2.95/litre
Sparkling	\$3.06/litre	\$3.37/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.24/litre	\$1.36/litre
Cigarettes from local tobacco per 10 sticks	116.99 cents	128.69 cents
Cigarette from imported tobacco per 10 sticks	175.48 cents	193.03 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$101.11/kg	\$111.22/kg
Manufactured tobacco containing tobacco grown in Fiji	\$59.40/kg	\$65.34/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
Tobacco grown outside Fiji	\$101.11/kg	\$111.22/kg
Tobacco grown in Fiji	\$59.40/kg	\$65.34/kg

(i) CUSTOMS PROHIBITED IMPORT AND EXPORT REGULATION

Policy	Description
1. No license required for the importation of mechanical harvesters.	❖ Delete Item 9, Column 3 of Schedule 2.
2. Align currency allowable to travellers to the Exchange Control Guidelines	❖ Ensure that Fiji passport holders are allowed to carry currency in accordance to the Exchange Control Guidelines issued by Reserve Bank of Fiji.

(ii) OTHER CUSTOMS CHANGES

Policy	Description
1. Insert a new definition for "Process"	❖ Insert a new definition for Process, which will also take into account substantial transformation. ❖ This is to bring more clarity on this term, as there is no definition of process in the existing Customs Act.
2. Recovery of Penalty	❖ Amend Section 95 of the Customs Act to allow recovery of penalties.
3. Insert Administrative Summons in the Customs Laws	❖ A new section 95E is inserted to introduce Administrative Summons which is an essential tool for recovery purpose ❖ This would go hand in hand with the Garnishee provisions

4. Enhance recovery of short payment of duties	introduced in the 2012 Budget announcement. ❖ Amend Section 101A of the Customs Act to reinforce the provision to allow for recovery of short paid duty for the past 5 years after an audit.
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APPENDICES

Table 1: Gross Domestic Product by Sector at Constant Prices (\$M) 2010-2017

Activity	Base Weight	2010	2011	2012(r)	2013(p)	2014(e)	2015(f)	2016(f)	2017(f)
AGRICULTURE	9.4	391.8	429.3	450.9	466.3	487.4	503.4	526.3	548.2
General Government	0.1	3.7	3.2	3.1	3.5	3.7	3.8	3.8	3.8
Subsistence	2.7	127.8	128.4	129.3	129.9	130.4	130.9	131.4	132.0
Formal Non-Government Agriculture	6.0	228.7	265.9	286.6	300.8	321.0	336.3	358.6	379.7
Taro	1.0	37.2	41.5	50.7	53.7	56.4	57.5	62.1	65.2
Sugarcane	1.6	48.2	70.0	49.5	59.9	65.8	71.4	76.4	81.7
FORESTRY AND LOGGING	0.8	43.1	39.4	34.3	38.1	39.2	40.1	40.9	41.9
FISHING AND AQUACULTURE	2.4	102.6	112.6	116.4	112.8	107.5	108.9	110.5	112.2
Formal Non-Government Fishing and Aquaculture	1.6	64.2	74.0	77.4	73.3	67.8	69.1	70.5	72.0
MINING & QUARRYING	0.4	46.3	50.2	48.6	44.7	43.2	45.2	47.3	49.5
MANUFACTURING	14.4	705.2	721.6	724.8	747.7	777.5	801.3	825.0	849.8
Informal manufacturing	3.5	168.6	169.6	171.4	172.2	173.8	175.3	176.9	178.5
Manufacture of food and beverages	4.9	221.3	230.5	228.6	237.0	249.8	260.0	269.8	280.0
Sugar	0.9	25.8	23.2	18.9	28.0	33.2	36.0	38.5	41.2
Mineral water	0.7	31.9	30.5	32.2	26.7	29.4	30.8	32.4	34.0
Non Food Products	5.9	313.7	320.2	323.5	337.3	352.7	364.6	377.0	389.0
Wearing apparel	1.3	58.0	56.6	56.3	63.5	66.7	70.0	73.5	77.2
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0.9	60.2	61.7	64.1	67.8	68.5	70.5	72.6	74.8
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.2	10.6	10.6	11.0	11.3	11.4	11.7	12.1	12.4
CONSTRUCTION	3.2	150.0	147.4	154.2	182.0	219.7	261.1	273.9	287.4
General Government	0.5	19.7	19.0	19.3	19.2	20.7	22.8	23.7	24.6
Formal Non-Government Construction	1.8	89.3	88.0	92.5	117.6	146.9	183.7	192.9	202.5
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	13.2	595.2	591.6	602.4	621.6	644.8	667.9	687.1	707.1
Informal WRT	3.4	165.1	172.4	179.6	180.5	182.1	183.8	185.4	187.1
Formal Non-Government WRT	9.7	428.8	418.0	422.8	441.1	462.7	484.1	501.7	520.0
TRANSPORT AND STORAGE	5.8	269.4	287.4	307.5	338.4	352.7	368.7	380.6	393.0

Activity	Base Weight	2010	2011	2012(r)	2013(p)	2014(e)	2015(f)	2016(f)	2017(f)
Formal Non-Government Transport & Storage	5.4	251.6	269.7	289.7	320.7	334.8	350.6	362.4	374.7
Land Transport	1.1	44.4	46.0	42.3	41.7	42.2	42.6	43.0	43.4
Water & air transport	2.2	87.9	98.8	112.8	147.2	158.9	171.6	180.2	189.2
ACCOMODATION AND FOOD SERVICE ACTIVITIES	5.6	270.7	290.1	290.6	297.1	310.1	322.4	335.2	348.4
Formal Non-Government Accommodation and Food Service Activities	5.4	260.9	280.1	280.5	286.9	299.9	312.1	324.9	338.1
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	4.8	231.4	248.8	250.5	259.2	270.9	281.7	293.0	304.7
INFORMATION AND COMMUNICATION	5.8	354.7	360.4	374.9	395.2	416.5	435.3	451.9	469.2
Formal Non-Government Information and Communication	5.8	352.9	358.8	372.3	392.5	413.7	432.5	449.1	466.3
Wired telecommunications activities	1.4	93.7	94.3	101.1	110.7	116.3	122.1	125.7	129.5
Wireless telecommunications activities	2.8	169.0	179.4	180.0	188.5	201.6	211.7	222.3	233.4
FINANCIAL AND INSURANCE ACTIVITIES	12.3	557.1	578.3	558.4	620.3	649.5	679.3	702.7	727.0
Central banking	0.2	10.5	10.4	11.1	11.1	11.7	12.3	12.6	13.0
Other monetary intermediation	5.0	225.8	231.3	241.1	250.7	263.3	276.4	287.5	299.0
Activities of holding companies	1.9	86.8	88.9	92.7	96.4	98.3	100.3	102.3	104.3
REAL ESTATE ACTIVITIES	5.8	281.5	283.2	286.2	288.1	292.9	298.9	302.6	306.4
Owner Occupied Dwellings	4.7	223.4	224.3	225.3	226.4	227.3	228.2	229.1	230.0
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2.0	104.3	113.1	121.3	122.6	126.7	131.8	136.9	141.9
ADMINISTRATIVE AND SUPPORT SERVICES	2.1	107.1	111.7	119.9	120.4	124.2	127.8	131.4	135.2
PUBLIC ADMINISTRATION AND DEFENCE;	6.4	308.2	290.8	307.1	322.0	329.4	335.8	339.1	342.5

Activity	Base Weight	2010	2011	2012(r)	2013(p)	2014(e)	2015(f)	2016(f)	2017(f)
COMPULSORY SOCIAL SECURITY									
General Public administrative activities	2.3	103.7	104.5	109.3	106.5	109.7	111.8	113.0	114.1
Defence activities	1.6	88.0	85.3	87.9	100.4	103.4	105.5	106.5	107.6
Public order and safety activities	1.9	92.4	84.8	91.3	95.4	96.4	98.3	99.3	100.3
EDUCATION	4.8	227.9	235.1	236.0	245.0	255.5	260.0	264.6	269.3
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	1.7	90.5	91.2	88.7	87.3	90.2	92.0	93.0	94.0
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	0.4	19.4	19.4	20.1	20.7	21.1	21.5	21.9	22.3
OTHER SERVICE ACTIVITIES	2.3	107.1	107.5	105.8	106.2	107.8	108.7	109.6	110.5
GRAND TOTAL	100.2	4,802.9	4,932.8	5,023.1	5,255.6	5,475.8	5,692.2	5,865.4	6,042.9

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

Table 2: GDP Growth (% change) by Sector at Constant Prices 2010-2017

Activity	Base Weight	2010	2011	2012(r)	2013(p)	2014(e)	2015(f)	2016(f)	2017(f)
AGRICULTURE	9.4	-4.2	9.6	5.0	3.4	4.5	3.3	4.6	4.1
General Government	0.1	-22.0	-12.2	-4.2	13.2	5.0	2.0	1.0	1.0
Subsistence	2.7	0.6	0.5	0.6	0.5	0.4	0.4	0.4	0.4
Formal Non-Government Agriculture	6.0	-6.9	16.3	7.8	4.9	6.7	4.8	6.6	5.9
Taro	1.0	-13.7	11.4	22.3	6.0	5.0	2.0	8.0	5.0
Sugarcane	1.6	-32.2	45.2	-29.3	21.0	9.9	8.5	7.0	7.0
FORESTRY AND LOGGING	0.8	22.8	-8.6	-12.8	10.9	2.9	2.2	2.2	2.2
FISHING AND AQUACULTURE	2.4	-5.1	9.7	3.4	-3.1	-4.7	1.3	1.5	1.5
Formal Non-Government Fishing and Aquaculture	1.6	-8.0	15.4	4.5	-5.3	-7.5	1.8	2.1	2.1
MINING & QUARRYING	0.4	22.0	8.5	-3.2	-7.9	-3.4	4.6	4.6	4.6
MANUFACTURING	14.4	4.7	2.3	0.4	3.2	4.0	3.1	3.0	3.0
Informal Manufacturing	3.5	0.6	0.6	1.1	0.5	0.9	0.9	0.9	0.9
Manufacture of food and beverages	4.9	6.7	4.2	-0.9	3.7	5.4	4.1	3.8	3.8
Sugar	0.9	15.1	-10.2	-18.3	47.8	18.6	8.5	7.0	7.0
Mineral water	0.7	27.5	-4.3	5.5	-17.1	10.0	5.0	5.0	5.0
Non Food Products	5.9	5.7	2.1	1.1	4.2	4.6	3.4	3.4	3.4
Wearing apparel	1.3	-10.6	-2.4	-0.6	12.9	5.0	5.0	5.0	5.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0.9	17.9	2.6	3.9	5.8	1.0	3.0	3.0	3.0
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.2	1.3	0.1	4.0	2.2	1.0	3.0	3.0	3.0
CONSTRUCTION	3.2	7.2	-1.7	4.6	18.1	20.7	18.8	4.9	4.9
General Government	0.5	7.9	-3.5	1.8	-0.9	8.0	10.0	4.0	4.0
Formal Non-Government Construction	1.8	8.6	-1.4	5.2	27.0	25.0	2.50	5.0	5.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	13.2	1.0	-0.6	1.8	3.2	3.7	3.6	2.9	2.9
Informal WRT	3.4	0.4	4.4	4.2	0.5	0.9	0.9	0.9	0.9
Formal Non-Government WRT	9.7	1.6	-2.5	1.1	4.3	4.9	4.6	3.6	3.7
TRANSPORT AND STORAGE	5.8	22.2	6.7	7.0	10.1	4.2	4.5	3.2	3.3
Formal Non-Government Transport & Storage	5.4	24.0	7.2	7.4	10.7	4.4	4.7	3.4	3.4
Land Transport	1.1	-5.4	3.5	-8.1	-1.3	1.0	1.0	1.0	1.0
Water & air transport	2.2	200.3	12.4	14.2	30.5	8.0	8.0	5.0	5.0
ACCOMODATION AND FOOD SERVICE ACTIVITIES	5.6	8.1	7.2	0.2	2.2	4.4	4.0	4.0	4.0
Formal Non-Government Accommodation and Food Service Activities	5.4	8.3	7.4	0.1	2.3	4.5	4.1	4.1	4.1

Activity	Base Weight	2010	2011	2012(r)	2013(p)	2014(e)	2015(f)	2016(f)	2017(f)
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	4.8	8.5	7.6	0.6	3.5	4.5	4.0	4.0	4.0
INFORMATION AND COMMUNICATION	5.8	-2.9	1.6	4.0	5.4	5.4	4.5	3.8	3.8
Formal Non-Government Information and Communication	5.8	-2.9	1.7	3.8	5.4	5.4	4.5	3.8	3.8
Wired telecommunication activities	1.4	-5.1	0.6	7.2	9.5	5.0	5.0	3.0	3.0
Wireless telecommunications activities	2.8	-3.8	6.1	0.3	4.7	7.0	5.0	5.0	5.0
FINANCIAL AND INSURANCE ACTIVITIES	12.3	1.7	3.8	-3.4	11.1	4.7	4.6	3.4	3.5
Central banking	0.2	2.5	-1.3	6.6	0.6	5.0	5.0	3.0	3.0
Other monetary intermediation	5.0	0.3	2.4	4.3	4.0	5.0	5.0	4.0	4.0
Activities of holding companies	1.9	0.3	2.4	4.3	4.0	2.0	2.0	2.0	2.0
REAL ESTATE ACTIVITIES	5.8	1.6	0.6	1.1	0.7	1.7	2.1	1.2	1.3
Owner Occupied Dwellings	4.7	0.6	0.4	0.4	0.5	0.4	0.4	0.4	0.4
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	2.0	4.8	8.4	7.2	1.1	3.3	4.0	3.9	3.6
ADMINISTRATIVE AND SUPPORT SERVICES	2.1	8.8	4.3	7.3	0.4	3.2	2.8	2.9	2.9
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	6.4	-2.8	-5.6	5.6	4.9	2.3	1.9	1.0	1.0
General public administrative activities	2.3	-9.8	0.8	4.6	-2.6	3.0	2.0	1.0	1.0
Defence activities	1.6	3.7	-3.1	3.0	14.2	3.0	2.0	1.0	1.0
Public order and safety activities	1.9	0.4	-8.2	7.7	4.4	1.0	2.0	1.0	1.0
EDUCATION	4.8	3.4	3.2	0.4	3.8	4.3	1.8	1.8	1.8
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	1.7	5.1	0.8	-2.8	-1.5	3.2	2.0	1.1	1.1
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	0.4	5.3	0.4	3.2	3.3	1.8	2.0	1.8	1.8
OTHER SERVICE ACTIVITIES	2.3	-2.9	0.4	-1.7	0.4	1.5	0.8	0.8	0.8
GRAND TOTAL	100.2	3.0	2.7	1.8	4.6	4.2	4.0	3.0	3.0

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

Table 3: Total Exports by Major Commodities (\$M) 2009-2017

COMMODITIES	2009	2010	2011	2012	2013(p)	2014(f)	2015(f)	2016(f)	2017(f)
Sugar	187.1	70.1	127.1	174.6	142.1	182.5	192.0	207.7	224.6
Molasses	20.8	30.4	16.2	14.9	15.6	12.2	14.4	14.5	14.7
Gold	41.0	148.4	143.0	136.9	82.0	84.3	85.4	90.2	96.7
Timber, Cork & Wood	36.7	79.6	62.1	68.9	59.1	88.6	90.4	92.2	94.0
Fish**	173.6	243.8	264.4	320.1	254.7	257.3	265.0	273.8	282.9
Fruits & Vegetables	31.8	37.6	44.3	39.3	42.9	42.3	43.6	45.7	48.5
o/w Dalo	20.1	23.8	22.3	15.2	11.9	11.9	13.8	12.3	14.9
Yaqona	3.9	3.9	5.7	5.9	5.7	6.8	7.0	7.4	7.7
Coconut Oil	6.0	5.5	6.8	6.6	2.8	2.9	3.1	3.2	3.4
Textiles, Yarn & Made Up Articles	7.7	8.8	9.4	13.3	6.8	7.1	7.4	7.6	7.8
Garments	83.9	99.2	90.0	88.7	106.6	109.4	112.7	116.1	119.5
Footwear	1.7	1.9	1.4	3.1	1.5	1.5	1.5	1.6	1.6
Mineral Water	80.2	119.2	127.4	160.6	157.7	165.6	173.9	182.6	191.7
Other Domestic Export	235.8	249.6	279.4	274.5	269.2	276.7	282.8	290.6	298.5
Re- Exports(excl fish)	318.6	507.0	739.0	884.0	898.1	969.6	1034.5	1040.7	1078.2
Total	1,230.3	1,605.2	1,916.3	2,191.4	2,044.9	2,206.9	2,313.5	2,373.8	2,469.8

(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) 2009-2017

COMMODITIES	2009	2010	2011	2012	2013(p)	2014(f)	2015(f)	2016(f)	2017(f)
Food	521.5	573.1	729.7	770.1	747.7	813.8	862.5	899.4	929.9
Beverage & Tobacco	22.5	31.3	33.6	31.8	36.1	35.9	36.7	37.4	38.1
Crude Materials	25.0	30.3	30.5	40.9	49.0	46.3	48.2	50.1	51.6
Mineral Fuels	720.4	1,100.5	1,165.7	1,213.8	1,219.9	1,383.1	1,438.7	1,496.6	1,557.0
Oil & Fats	29.1	29.8	47.3	48.3	43.9	46.5	47.9	49.3	50.8
Chemicals	225.4	294.2	301.5	325.4	337.9	364.9	375.9	387.2	398.8
Manufactured Goods	404.3	467.2	465.6	508.0	560.0	621.6	652.6	685.3	719.5
Machinery & Transport Equipment	604.9	625.4	837.1	763.0	1,824.2	1,179.0	1,330.1	1,245.3	1,307.5
Miscellaneous Manufactured Goods	240.6	297.2	282.7	306.3	359.2	385.9	405.2	425.4	446.7
Other Commodities	14.2	15.6	17.6	26.4	28.6	33.0	34.7	36.4	38.2
Total	2,807.9	3,464.6	3,911.3	4,034.0	5,206.5	4,910.1	5,232.3	5,312.3	5,538.2

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

Table 5: Balance of Payments (\$M) 2009-2017

ITEMS	2009	2010	2011	2012	2013(p)	2014(f)	2015(f)	2016(f)	2017(f)
BALANCE ON GOODS	-1,227.3	-1,406.1	-1,524.1	-1,406.1	-2,455.0	-2,032.2	-2,204.4	-2,212.3	-2,312.3
exports f.o.b	1,201.8	1,581.6	1,902.2	2,131.3	1,926.0	2,163.8	2,270.6	2,331.1	2,427.3
imports f.o.b	2,429.1	2,987.7	3,426.3	3,537.4	4,381.0	4,196.0	4,475.1	4,543.4	4,739.7
BALANCE ON SERVICES	667.0	1,041.3	1,126.2	1,158.2	1,121.1	1,157.6	1,173.8	1,213.3	1,232.9
Export of Services	1,574.6	1,902.8	2,091.8	2,186.8	2,247.2	2,294.6	2,346.6	2,395.3	2,440.1
Import of Services	907.6	861.5	965.7	1,028.6	1,126.1	1,137.0	1,172.8	1,182.0	1,207.2
BALANCE ON PRIMARY INCOME	-22.4	-186.8	-204.6	-255.1	-148.0	-349.2	-363.1	-354.7	-360.4
Income from non-residents	120.3	153.8	177.2	134.9	162.2	108.7	110.4	117.0	118.8
Income to non-residents	142.7	340.6	381.8	390.0	310.2	458.0	473.4	471.7	479.2
BALANCE ON SECONDARY INCOME	349.3	286.5	256.8	379.1	378.4	519.1	539.9	550.6	561.6
Inflow of current transfers	445.5	388.0	362.9	496.6	514.5	653.5	674.3	685.0	696.0
Outflow of current transfers.	96.2	101.5	106.1	117.5	136.1	134.4	134.4	134.4	134.4
CURRENT ACCOUNT BALANCE	-233.4	-265.1	-345.8	-123.9	-1,103.5	-704.6	-853.9	-803.1	-878.2
CAPITAL ACCOUNT BALANCE	4.6	5.6	10.6	7.1	8.9	8.9	8.9	8.9	8.9
FINANCIAL ACCOUNT BALANCE (Excluding RA)	882.7	556.2	846.5	600.3	765.7	468.5	463.5	400.3	388.7
Errors & Omissions	-268.2	-37.5	-302.2	-361.9	469.0	149.1	331.5	493.9	480.6
RESERVE ASSETS	385.7	259.2	209.1	121.6	140.1	-78.0	-50.0	100.0	0.0

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

Table 6: Tourism Statistics, 2009 – 2017

	2009	2010	2011	2012	2013(p)	2014(f)	2015(f)	2016(f)	2017(f)
Visitors (000's)	542,186	631,868	675,050	660,590	657,707	680,726	701,148	722,183	743,848
Average length of stay (days)	9.8	9.6	9.4	9.4	9.5	9.5	9.5	9.5	9.5
Visitors days (millions)	5.3	6.0	6.3	6.3	6.1	6.1	6.1	6.1	6.1
Earnings (F\$M)	975.3	1,194.4	1,286.4	1,300.0	1,318.2	1,392.0	1,433.8	1,476.8	1,521.1

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

Table 7: Sugar Production, Export and Price 2009 – 2017

	2009	2010	2011	2012	2013(p)	2014(f)	2015(f)	2016(f)	2017(f)
Export Quantity Sugar (000 tonnes)	199.0	96.0	122.0	138.0	143.9	171.2	174.5	188.9	204.2
Unit Value (FJ\$/tonne)	940.2	730.1	1,041.8	1,265.2	1,109.1	1,066.1	1,099.8	1,099.8	1,099.8
Sugar Export Earnings (F\$M)	187.1	70.1	127.1	174.6	159.6	182.5	192.0	207.7	224.6
Molasses Production (000 tonnes)	119.0	146.0	62.4	66.4	64.9	54.0	60.6	61.2	61.8
Molasses Export Earnings (F\$M)	20.8	30.4	16.2	14.9	15.6	12.2	14.4	14.5	14.7

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

Table 8: Inflation Rates (%) (2011 –2014)

	2011	2012	2013	2014(Oct)
All items	6.4	2.5	3.4	0.3
Food and Non Alcoholic Beverage	10.7	3.8	5.1	2.5
Alcoholic Beverages, Tobacco and Narcotics	9.4	11.6	6.1	8.6
Clothing & Footwear	1.5	0.5	3.3	-0.4
Housing, Water, Elec., Gas and Other Fuels	2.1	1.2	0.9	-0.2
Furnishings Household Equip. & Routine Household Maintenance	4.0	-0.5	2.9	2.8
Health	4.8	7.0	2.1	3.2
Transport	10.9	0.6	-0.1	-0.5
Communications	-0.4	-0.5	0.0	0.0
Recreation & Culture	-0.6	1.0	7.6	-0.4
Education	0.9	1.0	6.5	-17.1
Restaurant & Hotels	4.7	10.5	8.4	3.3
Miscellaneous Goods & Services	0.1	-0.2	-0.3	0.1

(Source: Fiji Bureau of Statistics - 2008 Base)

Table 9: Employment by Sector 2002-2008 (in thousands of persons)

ECONOMIC ACTIVITY	2002	2003	2004	2005	2006	2007	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 (including 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)

Table 10: Exchange Control Measures

The following table highlights the exchange control policy to be effective from 1 January 2015.

Payments	Current Delegated Limit to Authorised Dealers	Delegated Limit To Authorised Dealers WEF 1 January 2015
1. Merchant Goods	F\$100,000 per invoice	F\$200,000 per invoice
2. Medical Allowance paid directly to an Individual	Up to \$10,000 per patient per annum	F\$50,000 per patient per annum.
3. Education funds paid directly to students	Up to \$10,000 per student per annum	F\$20,000 per student per annum.
4. Forward Foreign Exchange Cover	\$40 million per bank to write sales contracts in excess of purchase contracts	\$50 million per bank to write sales contracts in excess of purchase contracts