

# REPUBLIC OF FIJI

## ECONOMIC AND FISCAL UPDATE: SUPPLEMENT TO THE 2016 BUDGET ADDRESS

*"The Future: A Strong Fiji, A Fair Fiji, A Healthy Fiji"*



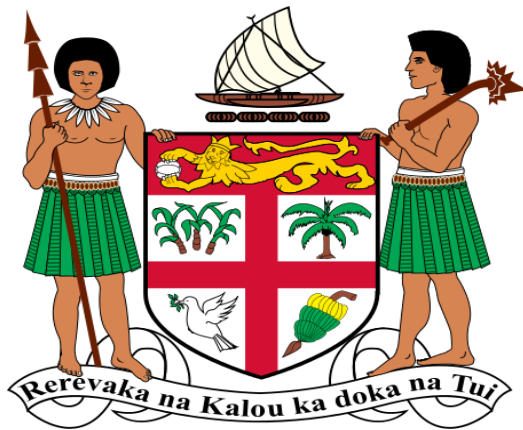
*Ministry of Finance  
06 November 2015*



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## FOREWORD

The Economic and Fiscal Update is a “Supplement to the 2016 Budget Address”. It provides an overview of Fiji’s financial and economic performance and outlook, as well as Government’s fiscal policy framework for the medium term. The broad fiscal policy is focused on growing the economy through investment in a sustainable fiscal environment.

This report was compiled by the Ministry of Finance with contributions from various Government ministries and the Reserve Bank of Fiji. It incorporates all the available economic and fiscal information as of November 2015.



Filimone Waqabaca  
Permanent Secretary for Finance  
06 November 2015

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## CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK

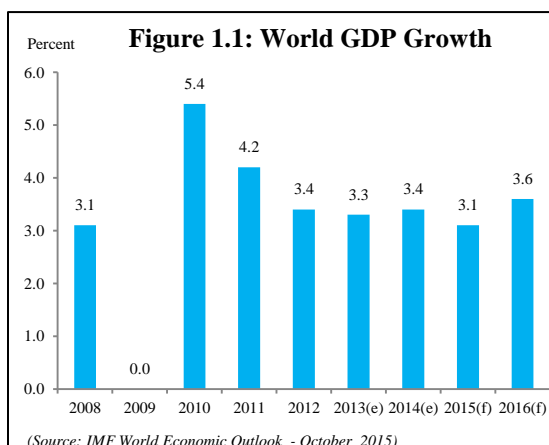
### Introduction

- 1.1 This chapter provides an update on the current world economic outlook, the prospects for Fiji's major trading partner countries and the performance of and developments in the domestic economy.

### International Outlook

- 1.2 In its October World Economic Outlook (WEO), the International Monetary Fund (IMF) projected a growth of 3.1 percent in 2015 and 3.6 percent in 2016.

- 1.3 Oil prices continue to weaken, reflecting weaker global demand, a higher prospect for global oil output following the nuclear deal with Iran, as well as resilient supply. Despite the pickup growth projected in 2016, medium-term prospects remain highly uncertain, reflecting slower investment and weak productivity growth in many advanced and emerging market economies.



### Fiji's Trading Partners

- 1.4 In the **US**, growth gained momentum in the second quarter, although the weaknesses in global demand as well as the strengthening of the US dollar are weighing heavily on US firms. The unemployment rate was unchanged at 5.1 percent while headline inflation was 0.2 percent in September, owing largely to subdued commodity prices. IMF forecasts Gross Domestic Product (GDP) growth in the US to be 2.6 percent this year and 2.8 percent in 2016.
- 1.5 Recovery in the **Euro zone** remains uncertain. The manufacturing and services sector both expanded, while consumption activities have yet to pick-up strongly. Labour market conditions remain tight due to high levels of unemployment, averaging at around 11 percent in the first eight months of the year. Higher exports are contributing to the region's trade surplus. Inflation slowed to 0.1 percent in August mainly due to lower global oil prices that have raised deflationary concerns. The region's economy is envisaged to grow by 1.5 percent this year and 1.6 percent next year.

- 1.6 In **Japan**, the economy declined in the second quarter by 1.2 percent. Signs of slowdown in manufacturing and services indicate higher risks for the economy to dip into its second recession in only two years in the third quarter of 2015. Total export volumes contracted on an annual basis for the second consecutive month in August. Japan's inflation remains below the Bank of Japan's target of 2 percent, with core inflation at 0.6 percent in September. The IMF expects the Japanese economy to grow by 0.6 percent this year and 1 percent in 2016.
- 1.7 Growth in the **Australian** economy has been below average, partly reflecting lower resource exports and a decline in mining investments. However, activities in recent months suggest improvements in business conditions as business profits increased to above-average levels. Consumption activity also improved during the year, as retail sales and consumer confidence picked up. Similarly, the housing market remained strong with housing price inflation generally rising since the beginning of the year. The Australian economy is projected to grow by 2.4 percent in 2015 and 2.9 percent in 2016.
- 1.8 For **New Zealand**, economic growth slowed during the year due to a slowdown in the international environment weighing in on domestic demand through lower export prices. Monetary conditions also eased from the beginning of the year, as mortgage rates declined and the New Zealand dollar fell sharply. Nonetheless, recent indicators suggest an improvement in business activity and consumer expectations. Furthermore, growth in the housing market and the construction sector is likely to contribute positively to growth in the near term. The economy is expected to expand by 2.2 percent this year and 2.4 percent in 2016.
- 1.9 For **China**, despite some recent improvement in economic activity, growth is still expected to remain sticky given the weak global demand environment. While retail sales grew on an annual basis in August, economic activity in the manufacturing and services sectors remain subdued. Over the year, both exports and imports fell in August. Inflation of 2 percent in August was below the authorities' target of 3 percent in 2015. The impact of the accommodative policy measures, including reductions of benchmark interest rates and reserve requirement ratios, together with the announcement of further approvals for infrastructure investment are expected to provide support for growth. The economy is forecast to grow at 6.8 percent for 2015 and 6.3 percent for 2016.
- 1.10 For **India**, economic recovery continues, although far from being robust. Industrial production appears to have strengthened, however, agricultural sector continued to contract. Other indicators show improvements in investment, however, a decline in the manufacturing sector reflected weak business conditions. Given the low inflation environment and sluggish global demand, exports and imports fell annually in August. Inflation has remained below the



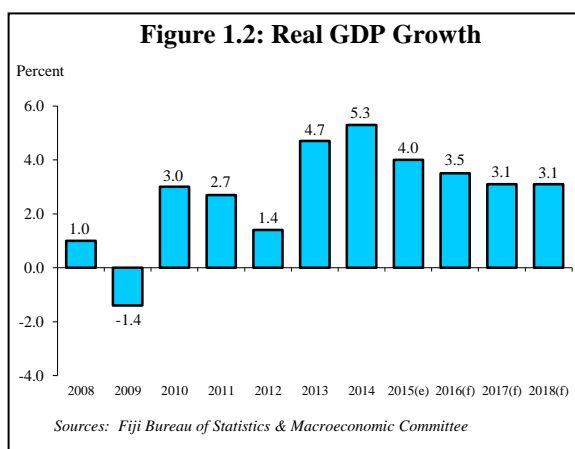
target of 6 percent. Growth projections for India are 7.3 percent for this year and 7.5 percent in 2016.

## Domestic Outlook

- 1.11 The Fiji Bureau of Statistics recently completed its exercise on rebasing GDP to the year 2011. With the new base year, the economy is now estimated to have expanded by 5.3 percent in 2014. In 2013, the economy grew by 4.7 percent following a growth of 1.4 percent in 2012.

### Overview: 2015

- 1.12 The Fijian economy is forecast to grow by 4 percent as shown in Figure 1.2. The overall growth is broad based with the exception of the forestry & logging sector. The transport & storage; financial & insurance activities; accommodation & food services; wholesale & retail trade; construction and the public administration & defence sectors are expected to contribute the most towards growth this year.



- 1.13 The services industry is projected to dominate economic activity this year with the transport & storage sector being the major driver. Elevated tourism demand is expected to provide further impetus for growth in the transport & storage sector and accommodation & food services sectors. Increased commercial banking and insurance activity is expected to drive growth in the financial & insurance activities sector, while the information & communication sector is expected to be driven by increased wireless telecommunication services. Improved consumer and business confidence should underpin growth in the wholesale & retail trade sector.
- 1.14 For the industrial sectors, major contributions are expected from construction and manufacturing activities, supported by an increase in private sector construction, which includes Government funded projects undertaken by the private sector. Other than the road upgrade projects by the Fiji Roads Authority, major on-going projects include Water Authority of Fiji's infrastructure upgrade projects, Nadi International Airport upgrade, Momi Bay Resort project, Vunabaka Tourism development on Malolo Island, Fijian Resort upgrade, Nadi Bay Resort & Spa

and other real estate and housing projects. Additionally, the current turnaround in gold production so far this year is also expected to drive growth in the mining & quarrying sector.

- 1.15 For the primary industries, the prolonged El Nino weather condition is expected to adversely affect cane and non-cane crop production in the agriculture sector. However, El Nino is expected to favourably impact the fishing & aquaculture sector. Output in the forestry & logging sector is expected to decline this year.

### **Overview 2016**

- 1.16 The economy is projected to grow by 3.5 percent in 2016. While all the sectors are expected to grow, the major drivers of growth are transport & storage; manufacturing; financial & insurance activities; wholesale & retail trade and accommodation & food service activities sectors.
- 1.17 Increased activity in air & water transport sector is expected to underpin growth in the transport & storage sector. Activity in the air transport sector is expected to grow in line with higher visitor arrivals and lower consumption resulting from lower fuel and maintenance costs. In addition, the procurement of a brand new airplane by the end of 2015 and the introduction of more routes by Fiji Airways should enhance air transport activity and the accommodation & food services sector. Water transport activities are also expected to benefit from the purchase of additional shipping vessels to service uneconomical routes.
- 1.18 Growth in the manufacturing sector is expected to be driven by both food and non-food manufacturing. The manufacture of wearing apparel is expected to be boosted by the introduction of the Developing Country preferences to assist garment exporters with duty-free export into the Australian market.
- 1.19 The financial & insurance activities sector is expected to grow, led by other monetary intermediation as the current trend in credit growth and accommodative monetary policy continues. Growth in the wholesale & retail trade sector is expected to be dominated by increased motor vehicle purchases and retail sales of construction related materials.

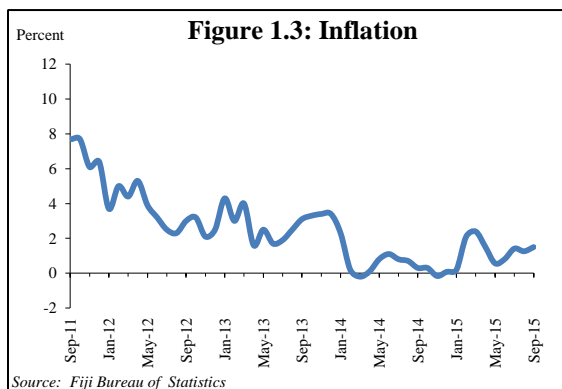
### **Overview: 2017 and 2018**

- 1.20 The economy is forecast to grow by 3.1 percent in both 2017 and 2018, respectively. The main drivers of growth are expected to be the manufacturing; transport & storage; financial & insurance activities and the accommodation & food services sectors. The wholesale & retail trade; agriculture; construction; information & communication; public administration & defence; and the

education sectors are expected to contribute moderately to overall growth in 2017 and 2018.

## Inflation

1.21 In 2014, inflation was 0.1 percent as shown in Figure 1.3. Much of Fiji’s low inflation in 2014 was due to the free education policy implemented by the Government in February, as well as the fall in global fuel prices and subdued trading partner inflation.



1.22 From January to September 2015, inflation remained low, averaging around 1.3 percent. Inflation outcomes so far this year have been underpinned by the food & non-alcoholic beverages, alcoholic beverages, tobacco & narcotics and the miscellaneous goods & services categories. The housing, water, electricity, gas & other fuels and the transport categories have remained a drag on overall inflation reflecting lower domestic fuel prices.

1.23 For 2016 and 2017, inflation is forecast at 3 percent, respectively, barring any risks from global or domestic price shocks.

## Exports<sup>1</sup>

1.24 In 2015, total exports are forecast to grow by 1 percent stemming from a combination of expected decline in re-exports and increase in domestic exports. The decrease in re-exports was mainly led by mineral fuels and other re-export commodities. Higher domestic exports were mainly led by fish, timber, gold, mineral water and garments, which more than offset the decline in sugar and fruits & vegetables. Total exports are expected to decline to 25.4 percent of GDP this year from 26.8 percent in 2014.

1.25 In 2016, total exports are expected to grow by 1.7 percent, owing to increases in all categories, except re-exports and molasses. Lower re-exports were led by mineral fuels. As a percent of GDP, total exports are expected to be 24.3 percent in 2016.

<sup>1</sup> Exports excluding aircraft.

1.26 In 2017 and 2018, total exports are expected to grow by 6.2 percent and 5.4 percent, respectively, owing to increases in all major export categories. As a percent of GDP, total exports are expected to be 24.4 percent in 2017 and 24.3 percent in 2018.

### Imports<sup>2</sup>

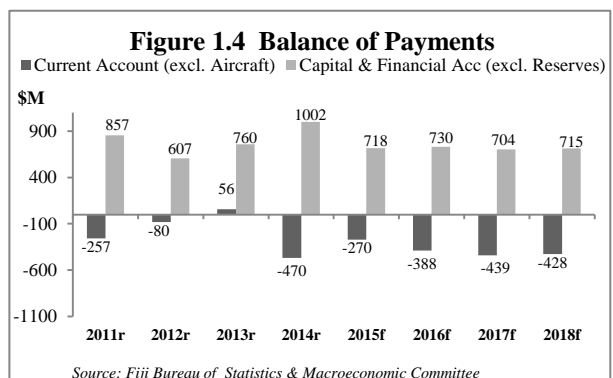
1.27 Total imports for 2015 are forecast to decline by 1.7 percent, led by lower imports of mineral fuels and machinery & transport equipment. As a percent of GDP, total imports are expected to decline to 52.4 percent this year from 55.9 percent in 2014.

1.28 For 2016, total import growth is projected at 4.5 percent, attributed mainly to higher payments for machinery & transport equipment, food, manufactured goods and miscellaneous manufactured goods. As a percent of GDP, total imports are expected to be 51.6 percent.

1.29 In 2017 and 2018, total imports are expected to grow by 6.8 percent and 6.1 percent, respectively, on account of expected increases across all categories. As a percent of GDP, total imports are expected to be at 52.0 percent and 52.2 percent.

### Balance of Payments

1.30 In 2015, the current account deficit (excluding aircraft) is expected to narrow to around 3 percent of GDP. This is mainly due to a projected lower trade deficit, improved secondary income from abroad (personal transfers) and inflows from services (tourism). The surplus in the capital & financial account (excluding reserves) is projected at around 7.9 percent of GDP. The overall balance of payments is forecast to increase by \$100 million as indicated in Figure 1.4.



1.31 In 2016, the current account deficit (excluding aircraft) is expected to widen to around 4 percent of GDP while the balance in the capital & financial account (excluding reserves) is projected to be around 7.5 percent of GDP. Consequently, the overall balance of payments is expected to decline by \$100 million.

<sup>2</sup> Imports excluding aircraft.

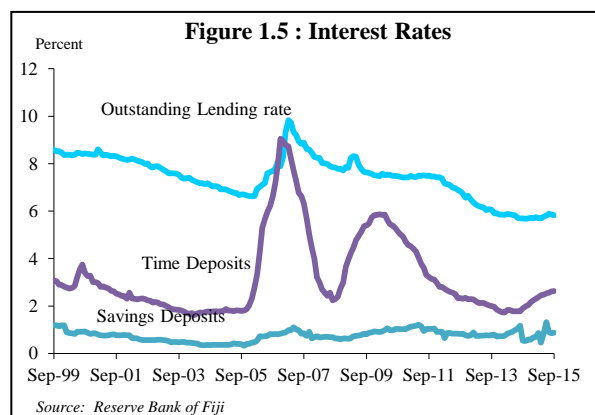
- 1.32 In 2017, the current account deficit is projected to rise to 4.3 percent of GDP. The balance in the capital & financial account (excluding reserves) is expected to fall to 6.9 percent of GDP, on account of lower net Government borrowing. The overall balance of payments is expected to decrease by \$100 million.
- 1.33 In 2018, the current account deficit is projected to be around 3.9 percent of GDP. The capital & financial account balance (excluding reserves) is expected to decline to 6.6 percent of GDP and the overall balance of payments is expected to decline by \$50 million.

### Money and Credit

- 1.34 In the year to September, monetary conditions remained supportive of robust credit growth. The annual growth in broad money (M3) fell slightly to 12.9 percent from 13.5 percent to \$6,991.7 million over the period. At the same time, both net domestic assets and net foreign assets increased annually by 12.1 percent and 17 percent, respectively, supporting growth in M3. The growth in net domestic credit was attributed to private sector credit<sup>3</sup> which increased by 14.2 percent on an annual basis to \$5,849.9 million in September. In addition, strong commercial banks' new lending, which grew by an annual 16.6 percent cumulative to September, continues to dominate private sector credit outcomes.

### Interest Rates

- 1.35 Commercial banks' lending and deposit rates have trended upwards over recent months.
- 1.36 The commercial banks' weighted average outstanding lending rate rose to 5.82 percent in September 2015 from 5.69 percent a year earlier. Over the same period, the commercial banks' weighted average existing time deposit rate rose to 2.63 percent from 1.9 percent, while the weighted average savings rate increased to 0.87 percent from 0.54 percent in September



<sup>3</sup>This is made up of private sector credit by Other Depository Corporations (ODCs) and by the Central Bank. ODCs account for almost 100 percent of private sector credit and include lending by the commercial banks, licensed credit institutions (LCIs), Housing Authority and the Fiji Development Bank.

2014. The trend from January 1999 to September 2015 is shown in Figure 1.5.

- 1.37 Money market rates were lower on an annual basis, as the 91-day T-bill rate stood at 1 percent compared to 1.99 percent in September 2014.
- 1.38 Increased trade in September across the different maturities in the securities market resulted in relatively higher yields compared to 2014. The 8-year, 10-year and 15-year government bonds attracted coupon rates of 4.67 percent, 5.18 percent and 5.47 percent, respectively, in September 2015, higher than the same period in 2014. There was no trade on shorter term maturities in September, but in July, the 2-year and 3-year bonds attracted higher yields of 3.45 percent and 3.75 percent, respectively, compared to the same period in 2014. For statutory-body bonds, the coupon rates for the 4-year maturity were around the same levels, at 3.85 percent in September, while there were no issues on medium to longer term maturities.

### **Exchange Rates**

- 1.39 In October, the Fiji dollar (FJD) rose over the year against the Australian (11.7%) and New Zealand dollars (4.9%) and the Euro (2.9%), but fell against the US dollar (-10.5%) and the Japanese Yen (-0.8%). Over the month, the FJD strengthened against the Euro (3.7%), the Japanese Yen (2.2%) and the US dollar (1.1%) but weakened against the New Zealand (-4.1%) and Australian (-0.2%) dollar.
- 1.40 The Nominal Effective Exchange Rate (NEER) index fell over the year by 0.6 percent in September, underpinned by the FJD depreciation against the US dollar. Consequently, the Real Effective Exchange Rate (REER) index fell by 0.2 percent in September representing an overall gain in Fiji's international competitiveness. Over the month, the NEER index rose marginally by 0.03 percent, in contrast to the 0.3 percent fall in the REER index for the same period.

### **Monetary Policy**

- 1.41 In 2015, Reserve Bank of Fiji (RBF) maintained its policy focus on safeguarding its twin objectives of low inflation and adequate foreign reserves.
- 1.42 Foreign reserves remained at comfortable levels throughout the year, ranging from 5.3 to 6.1 months of retained imports of goods and non-factor services. At the end of September, foreign reserves were around \$2.036 million, equivalent to 6.1 months of retained imports of goods and non-factor services.

- 1.43 Inflation is projected to be around 2 percent by year-end, largely on account of the lower global oil prices and the low inflation expectations for Fiji's major trading partner economies.
- 1.44 Given the comfortable outlook for its monetary policy objectives, the RBF continued with its accommodative monetary policy stance and held the Overnight Policy Rate unchanged at 0.5 percent in the first nine months of 2015. Going forward, the RBF will continuously monitor international and domestic developments and align policies accordingly to maintain the twin objectives of monetary policy.

## CHAPTER 2: GOVERNMENT’S POLICY FRAMEWORK

### Introduction

- 2.1 This chapter highlights the major achievements in the implementation of key policy objectives under the Roadmap for Democracy and Sustainable Socio-Economic Development (RDSSSED) 2010-2014 and provides an update on the formulation of Fiji’s next 5 year and 20 year Development Plan (DP).

### Implementation of the RDSSSED

- 2.2 Fiji has made significant progress under the RDSSSED and these achievements are summarised in Table 2.1 below. The Roadmap outlines Government’s 5 year medium-term development agenda to “*Build a Better Fiji for All*”, which was aimed at achieving good and just governance and socio-economic well-being for all Fijians.

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

<b>STRENGTHENING GOOD GOVERNANCE</b>
<b>Promulgation of a New Constitution</b>
<ul style="list-style-type: none"> <li>• The new 2013 Constitution of the Republic of Fiji was assented by His Excellency the President on 6<sup>th</sup> September 2013.</li> <li>• The Constitution provides for:               <ol style="list-style-type: none"> <li>a. A comprehensive Bill of Rights including fundamental socio-economic rights for all Fijians;</li> <li>b. A new electoral system (multi-member proportional representation electoral system, open party list voting system and voting age of 18+ years);</li> <li>c. A unicameral 50 seat Parliament; and</li> <li>d. A more independent Judiciary.</li> </ol> </li> </ul>
<b>2014 General Elections</b>
<ul style="list-style-type: none"> <li>• General election was held on the 17<sup>th</sup> of September, 2014.</li> <li>• 84.6% voter turnout with 99.2% valid votes.</li> <li>• Multinational Observer Group comprising 15 countries with 90 observers led by Australia, India and Indonesia deemed the General Election fair and credible that reflected the will of the Fijian people.</li> </ul>
<b>Strengthening Law &amp; Justice</b>
<ul style="list-style-type: none"> <li>• 73% increase in budgetary allocation for law and justice sector, particularly for courts (judiciary) and Legal Aid Commission, which has improved access to justice, particularly for rural and outer islands.</li> <li>• Police detection rate improved from 59% in 2009 to 71% in 2013 and reduction in crimes such as aggravated robbery (-56%), damaging property (-36%), forgery (-28%) and criminal trespass (-23%).</li> <li>• Community policing initiatives strengthened (Duavata Programme and crime free zones).</li> <li>• On-going development of Information Sharing Network and Central Information Database; a new call centre and a Regional Police Force Academy established.</li> <li>• Prison officer-inmate ratio improved from 1:10 in 2009 to 1:5 in 2014 (international benchmark is 1:4) and reduction in recidivism rates was also improved from 5% in 2009 to 3.6% in 2014.</li> <li>• Investments in a new Remand Centre, Women’s Prison for Western Division and surveillance equipment at more facilities.</li> </ul>



<b>Strengthening Accountability &amp; Transparency</b>
<ul style="list-style-type: none"> <li>Freedom of Information &amp; Code of Conduct law will be enacted. In addition, the Accountability &amp; Transparency Commission will be established in accordance with the Constitution.</li> </ul>
<b>Ensuring Effective, Enlightened &amp; Accountable Leadership</b>
<ul style="list-style-type: none"> <li>The Constitution requires enactment of a Code of Conduct Law (administered by the Accountability Commission) for senior public office holders.</li> <li>The law shall establish procedures &amp; processes; protection to whistle-blowers; provide annual declaration of assets, liabilities or financial interests of officer(s) &amp; these be available to the public.</li> </ul>
<b>Enhancing Public Sector Efficiency, Effectiveness &amp; Service Delivery</b>
<ul style="list-style-type: none"> <li>Employment terms and conditions were reformed to promote productivity through assignment of all human resource management responsibilities to line Ministries and adoption of short-term employment contracts.</li> <li>Corporatisation reforms implemented for Water &amp; Sewerage Department (into Water Authority of Fiji); Fiji Island Maritime Safety Administration (into Maritime Safety Authority of Fiji); Quarantine Department (into Bio-security Authority of Fiji); and Department of National Roads (into Fiji Roads Authority).</li> <li>To improve the financial management system: <ul style="list-style-type: none"> <li>FMIS has been implemented in all Government Ministries;</li> <li>Revenue collection systems improved through more stringent collection measures;</li> <li>Financial Instructions and Procurement Regulations &amp; Guidelines were revised to improve accountability.</li> </ul> </li> </ul>
<b>iTaukei Administration</b>
<ul style="list-style-type: none"> <li>Good Governance Framework adopted for iTaukei institutions requiring: regular reports to the Minister from Provincial, Tikina and Village levels; appropriate qualifications for iTaukei administration officials; and additional measures to facilitate audit compliance.</li> </ul>
<b>MAINTAINING MACROECONOMIC STABILITY</b>
<b>Macroeconomic Performance:</b>
<ul style="list-style-type: none"> <li><b>Target: Annual GDP Growth of 5%:</b> economic growth from 3% in 2010 to 5.3% of GDP in 2014.</li> <li><b>Target: Investment at 25% of GDP and Private Sector Investment of 15%:</b> Investment for the RDSSSED period was around 20% of GDP and 26% of GDP in 2014. Private Sector Investment was around 10.3% of GDP for the same period increasing to 15% in 2014 with Foreign Direct Investment averaging about 8.9%.</li> <li><b>Target: Debt levels at 40% of GDP:</b> Debt as % of GDP declined from 55.8% in 2009 to 47.7% in 2014.</li> <li><b>Target: Budget deficit at 1.5%:</b> Average net deficit for the period was around 2% of GDP.</li> <li><b>Foreign Reserves:</b> improved months of import cover from 3.8 months in 2009 to 4.7 months at the end of 2014.</li> <li><b>Expansionary Fiscal Policy</b> adopted during RDSSSED period, particularly from 2012 onwards to accommodate national development priorities and stimulate economic growth.</li> <li><b>Reduction in Personal and Corporate Tax Rates:</b> corporate rates was reduced in 2012 from 28% to 20%, 17% for foreign companies establishing headquarters in Fiji and 10% for companies listed on the South Pacific Stock Exchange. Income tax threshold was increased to \$16,000 with tax rates on the majority of personal income reduced and maintained well below 30%.</li> </ul>
<b>Export Promotion</b>
<ul style="list-style-type: none"> <li>Exports in goods and services averaged 56% of GDP during the RDSSSED period.</li> <li>Trade deficit averaged \$2.1 billion (largely from fuel imports) during the period of the Roadmap with a highest import value of \$157.5 million in November 2012.</li> <li>Launch of the 'Fijian Made Buy Fijian' Campaign in 2011.</li> <li>On-going implementation of National Export Strategy and the Import Substitution and Export Finance Facility (ISEFF) by the RBF.</li> </ul>

<b>Making Land more Available</b>
<ul style="list-style-type: none"> <li>• Land Use Decree 2010 establishes a system of leasing for landowners to ‘deposit’ their land in a Land Bank. The Department of Lands &amp; Survey negotiates market rental for landowners to lease their land.</li> <li>• 79 parcels of land were deposited into the Land Bank, of which 26 were leased during the RDSSED period.</li> </ul>
<b>Enhancing Global Integration and International Relations</b>
<ul style="list-style-type: none"> <li>• Chair of G77/China for 2013.</li> <li>• The Pacific Island Development Forum (PIDF) meeting convened in August 2013. The PIDF Secretariat was established in Fiji in 2014 and co-funded by Pacific Island Countries.</li> <li>• New embassies were established in Brazil, Indonesia, South Korea, United Arab Emirates and UN Mission in Geneva.</li> </ul>
<b>Achievement of Key Economic Sectors</b>
<ul style="list-style-type: none"> <li>• <b>Tourism:</b> earnings increased by 4.2% on an annual basis from 2011-2014 growing by 6.6% to \$1.4 billion in 2014. Visitor arrivals grew at an average of 5.2% per annum to 692,628 in 2014.</li> <li>• <b>Sugar:</b> extensive industry support halted resulting in moderate but steady increases in production levels to 2014. Sugarcane Industry Strategic Action Plan 2022 was adopted in 2013 and currently implemented to facilitate further growth.</li> <li>• <b>Manufacturing:</b> sector accounted for around 14.1% of GDP on average providing employment to approximately 21,000 people or around 16% of the workforce.</li> <li>• <b>ICT:</b> competitive environment has resulted in a 30% reduction in mobile call prices and launch of FBC free-to-air television services in 2011. The sector now contributes a base weight of 5.9% to GDP.</li> <li>• <b>Non-Sugar Agriculture:</b> the sector’s contribution to GDP averaged 3.9%. Production of key commodities remained steady with exports (sugar, molasses, fruits and vegetables, dalo, yaqona, coconut oil) increasing by 4% on an annual basis.</li> <li>• <b>Forestry:</b> the sector contributed an average of 0.6 percent to GDP and 3.8% of exports. Timber export value increased from \$3.7m in 2009 to \$62.1m in 2011, and a further \$90.5m in 2014.</li> <li>• <b>Fisheries:</b> the sector contributed around 2.1% to GDP and average of 5.6% of total domestic export earnings from 2010 to 2014.</li> <li>• <b>Mining &amp; Mineral Water:</b> combined contribution of 2.1% to GDP with increased investment in exploration of \$40.1m in 2010 and 2011.</li> <li>• <b>MSME Development:</b> 1,665 new medium, small and micro enterprises were set up with 1,307 supported by the Business Incubation Centre.</li> </ul>
<b>SOCIO-CULTURAL DEVELOPMENT</b>
<b>Reducing Poverty to a Negligible Level</b>
<ul style="list-style-type: none"> <li>• The 2008-09 Household Income and Expenditure Survey (HIES) showed that the national incidence of poverty is 31%. The 2013-14 HIES is currently being finalised by FBOS.</li> <li>• Poverty alleviation and reduction programmes, which include welfare and housing assistance, scholarships and other socio-economic development grants, averaged about \$93.3 million annually during the RDSSED period. A sum of \$189 million was allocated in 2014.</li> </ul>
<b>Employment &amp; Labour Market Reform</b>
<ul style="list-style-type: none"> <li>• Estimated increase in labour force engaged in formal employment from 252,339 (2007 Census) to 270,515 (2010-2011 Employment &amp; Unemployment Survey (EUS)).</li> <li>• Initiatives implemented to improve the labour market include: capacity building programmes; manpower planning and skills shortage identification and mitigation; and establishing the National Employment Centre (NEC) to assist job seekers find meaningful employment.</li> <li>• Estimated increase in labour productivity by 4.4% from 2010 to 2012 (2010-2011 EUS). This is attributed to streamlining production methods, ICT advancements, growing technical competency and favourable work conditions such as improved minimum wages.</li> </ul>

<b>Making Fiji a Knowledge Based Society</b>
<ul style="list-style-type: none"> <li>• 47% of children aged 5 attending Early Childhood Education.</li> <li>• 99% of children aged 6 to 13 enrolled in Primary school.</li> <li>• 88% of children aged 14 to 18 enrolled in Secondary school.</li> <li>• 40% of people aged 19 to 21 enrolled in a Tertiary institution.</li> <li>• Public expenditure for education averaging around 17% of the total budget for the RDSSSED period.</li> </ul>
<b>Improving Health Service Delivery</b>
<ul style="list-style-type: none"> <li>• Strategies in place to address the challenge of non-communicable diseases (NCDs) to address the fact that 30% of the population is diabetic and 66% of the population is overweight.</li> <li>• Doctors per 100,000 of the population increased from 49 to 61 in 2013.</li> <li>• Child mortality rate reduced from 23.2 in 2009 to 17.5 in 2013 per 1,000 births.</li> <li>• Maternal mortality ratio has reduced from 50% to 19.7%.</li> <li>• Immunisation against measles increased from 68% to 96.4%.</li> <li>• Improved regulatory framework for public health (HIV Decree, Tobacco Decree and the Mental Health Decree).</li> </ul>
<b>Children &amp; Youth</b>
<ul style="list-style-type: none"> <li>• National Youth Policy was endorsed in 2012 with a Strategic Plan of Action 2012-2014 for youth development in Fiji.</li> <li>• Establishment of the National Youth Council of Fiji and member local bodies as a representative forum for young people.</li> <li>• Annually, about 300 youths receive the 6-week Life Skills Training and Specific Skills Training.</li> <li>• Incorporation of child protection into Village Development Plans is on-going.</li> </ul>
<b>Gender Equality</b>
<ul style="list-style-type: none"> <li>• At 49% of the population, women comprise about 36% of the economically active in Fiji.</li> <li>• Adoption of the Women's Plan of Action 2010-2019 with implementation on-going to eliminate violence against women, entrench equality under the law and increase economic opportunities and representation in specific employment categories.</li> <li>• Measures taken to improve the availability of sex-aggregated data to improve policy making for gender equality.</li> <li>• Microfinance institutions such as the National Centre for Small and Micro Enterprises Development (NCSMED), Fiji Council of Social Services (FCOSS) and South Pacific Business Development (SPBD) jointly provided 16,668 microfinance loans to women.</li> <li>• Women make up about 50% of the civil service and about 18.8% of senior management.</li> </ul>
<b>MDG Scorecard</b>
<ul style="list-style-type: none"> <li>• Fiji is on track to achieve 5 out of 8 Millennium Development Goals (MDGs). While targets will not be met for halving the number of people living in poverty, reducing the spread of HIV/AIDS and other infectious diseases and achieving gender equality, Government has strategies in place to address these key challenges, including the NCD issue.</li> <li>• Post-2015 Sustainable Development Goals arising out of the Rio+20 Conference on Sustainable Development will be incorporated into Government's next Development Plan.</li> </ul>

(Source: Strategic Planning Office)

## Formulation of 5 Year and 20 Year DP

2.3 Government's next DP for Fiji will be the country's first ever long-term 20 year DP. Etched within this is a comprehensive medium-term 5 year DP that was last produced prior to the coup in 1987. The new DP will provide a vision for the type of country Fijians want to live in by 2035. The 20 year plan will set out national

broad outcomes, goals and strategies, and identify and address key challenges, opportunities and resources for realising this vision.

- 2.4 The 5 year DP will set out detailed strategies and programmes for the allocation of resources for all sectors, such as education, health, water, electricity, roads, bridges and ports. It will provide a comprehensive framework for infrastructure development, enhancing social services, safety and security, gender equality, youth empowerment, job creation and reducing the impact of climate change and natural disasters.

### *Nationwide Public Consultations*

- 2.5 A nationwide consultation process was adopted to ensure the views and aspirations of ordinary Fijians are captured in the new DP. Open forums across the country were carried out in two phases.

- **Phase I:** From 22<sup>nd</sup> June to 31<sup>st</sup> July, 2015, community consultations were held across the country in villages, rural settlements, town & city halls, schools, tertiary institutions and other convenient venues. An open invitation was issued to all members of the public to attend and submit their views on development issues and the challenges they face, including the priorities Government should focus on in the medium to long term. Direct submissions were also received through email, post, telephone and in-person.
- **Phase II:** Consultations were held with non-governmental organisations (NGOs) and private sector organisations in Suva, Lautoka and Labasa on the 13<sup>th</sup>, 21<sup>st</sup> and 28<sup>th</sup> August, 2015.

- 2.6 A total of 730 community forums were convened in the four divisions. Around 16,600 people participated in this national consultation exercise.

- 2.7 Similar attendance was also recorded at the 3 consultation forums with NGOs and the private sector. Submissions were received from individuals and organisations representing the disabled community, women, youth, individual market vendors and farmers, as well as companies in manufacturing, mining, and service sectors such as banking and law.

### *Major National Development Issues*

- 2.8 Views expressed by Fijians participating in the consultations highlight the importance of growing the Fijian economy and developing Fiji into a modern hub of the Pacific. Fijians want to live in a Fiji where democracy is well respected, their families are safe and secure and opportunities are available to them to improve their standard of living.

- 2.9 Fijians also recognise the importance of infrastructure development in improving their livelihoods. They want improved technical services by a much more professional civil service. They also want improved response services and increased amenities such as street lights, waste management, telecommunications, and health services.

### **Process for the Formulation of the DP**

- 2.10 The process for the formulation of the new DP will involve thorough assessment of public submissions and drafting and finalisation of the plan in consultation with Ministries and implementing agencies.
- 2.11 Once compiled, the draft DP will be made available to the public for further comments and feedback before finalisation. Open forums will be held in each division to receive submissions on the draft document.

### **Technical Assistance**

- 2.12 Three experts will be engaged to assist Government in formulation of the new DP. An international consultant will be engaged through the Asian Development Bank to provide overall technical guidance in the preparation of the DP, while the Global Green Growth Institute (GGGI) will support two “Green Growth” specialists to mainstream the “Green Growth Framework for Fiji” into the document.

### **Timeframe**

- 2.13 The 5 year and 20 year DP is expected to be finalised by Quarter 2 in 2016.

## **CHAPTER 3: MEDIUM TERM STRATEGY**

### **Introduction**

- 3.1 This chapter discusses Government's fiscal strategy in the medium term, in particular, the macroeconomic targets, fiscal framework and policies. It also provides an update on the progress and plans of Government's key structural reforms.

### **Broad Fiscal Policy and the Medium Term Strategy**

- 3.2 Government fiscal policies over the past decade have been focused on achieving the broad objectives of sustainable economic growth through investment in priority areas, while at the same time securing fiscal sustainability. The 2016 Budget will continue to build on these existing Government policies.
- 3.3 This broad fiscal policy is also aligned with the medium term strategy that focuses on achieving the following key macro-economic targets that are designed to ensure overall macroeconomic stability and improved living standards for all Fijians:
- (i) maintaining economic growth above 5 percent;
  - (ii) maintaining investment level above 25 percent of GDP;
  - (iii) managing inflation at around 3 percent;
  - (iv) ensuring foreign reserves level cover 4-5 months of import;
  - (v) containing budget deficits at less than 3 percent of GDP; and
  - (vi) reducing Government debt stock to 45 percent of GDP.

### **Medium Term Fiscal Framework**

- 3.4 The net deficit for 2016 is set at \$285.8 million or 2.9 percent of GDP, with a revenue forecast of \$3,128.7 million and a budgeted expenditure of \$3,414.5 million. Government's debt level is projected to be around 48.1 percent of GDP next year.
- 3.5 Table 3.1 below outlines the medium term fiscal framework from 2016 to 2018.

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

	<b>2016 Budget</b>	<b>2017 Target</b>	<b>2018 Target</b>
<b>Revenue:</b>	<b>3,128.7</b>	<b>2,926.0</b>	<b>3,071.7</b>
<i>As a % of GDP</i>	<i>32.3</i>	<i>28.5</i>	<i>28.3</i>
<b>Expenditure:</b>	<b>3,414.5</b>	<b>3,182.5</b>	<b>3,288.9</b>
<i>As a % of GDP</i>	<i>35.2</i>	<i>31.0</i>	<i>30.3</i>
<b>Net Deficit</b>	<b>(285.8)</b>	<b>(256.5)</b>	<b>(217.3)</b>
<i>As a % of GDP</i>	<i>(2.9)</i>	<i>(2.5)</i>	<i>(2.0)</i>
Debt	4,659.9	4,916.4	5,133.7
<i>As a % of GDP</i>	<i>48.1</i>	<i>47.9</i>	<i>47.3</i>
<b>GDP at Market Prices</b>	<b>9,691.1</b>	<b>10,260.4</b>	<b>10,863.2</b>

(Source: Ministry of Finance)

- 3.6 Fiscal deficits for 2017 and 2018 are projected to be 2.5 percent and 2 percent of GDP, respectively. Subsequently, the debt is expected to reduce to around 47.9 percent of GDP in 2017 and 47.3 percent of GDP in 2018.

### **Revenue Policy**

- 3.7 To achieve the fiscal targets outlined in Government's medium term strategy, the revenue policies within the period will be guided by the following principles:
- i. Minimizing distortions within the tax system by aligning tax rates and broadening the tax base;
  - ii. Ensuring simple and streamlined administrative processes through adopting best practices in tax administration;
  - iii. Revising and modernising tax laws to ensure clarity and certainty in its interpretation and application;
  - iv. Improving compliance and improving collection of tax arrears; and
  - v. Promoting user pay principle where appropriate.
- 3.8 In line with the above guiding principles, the 2016 Budget revenue measures will focus on some of the key areas listed below:
- Reviewing existing Government incentives and concessions to ensure assistance remains well targeted;
  - Streamlining tax administrative processes to ensure timely processing of applications for investment projects;

- Put in place a more progressive taxation system;
- Assisting export development and promoting value-adding activities in resource based sectors and industries;
- Monitoring prices of commodities under duty concession to ensure benefits are passed to the targeted recipients;
- Broadening Government's revenue base to support needed capital infrastructure developments in the economy;
- Recovering outstanding taxes by arranging payment program with tax payers;
- Reviewing import duty and tariff rates to deter import and consumption of sin goods, health risk and environmentally hazardous commodities; and
- Reviewing Government fees, fines and charges on a cost recovery basis where feasible.

3.9 **Chapter 10** provides specific taxation and revenue policy measures for the 2016 Budget.

### **Expenditure Policy**

3.10 Government will continue to channel adequate budgetary resources to key priority sectors that are able to deliver quick returns and support a higher, broad based, inclusive and sustainable growth in the economy.

3.11 Significant investment will continue to be undertaken in various sectors including infrastructure development, education, health, housing, water, and energy to improve overall economic activity and raise living standards.

3.12 The guiding principles for the 2016 expenditure funding include:

- Directing resources towards programmes that ensure inclusive growth, generates income & employment opportunities and facilitates investments;
- Improving quality of Government spending by minimizing operational costs and shifting resources from operating to capital expenditure;



- Adequate resources for basic essential services and social programmes;
- Funding support towards key infrastructure development programmes;
- Fostering self-help initiatives & SME development and promoting financial inclusion;
- Support for initiatives that promote food security and explore export opportunities;
- Contingency funding for natural disasters;
- Support to accelerate key public sector and structural reforms; and
- Promotion of green economy initiatives aligned to Green Growth Framework.

3.13 Government will continue to ensure that the financial resources allocated are used prudently and in a productive manner. Some of the proposed measures for 2016 Budget include:

- Increases in staffing, particularly technical positions and remuneration needs to be well justified in comparison with productivity improvements and demand for services;
- Ministries and Departments will be required to spend within their respective personal emoluments allocations as approved by Parliament;
- Agencies will be provided adequate operational funding for travel, telecommunication and other incidentals and will be required to utilise this funds in an efficient and effective manner;
- Operating and capital grant recipients will provide Ministry of Finance with specifications of the grant programme, key performance indicators and cash flow forecasts to ensure effective use of resources;
- Funding for on-going capital programmes will be based on assessment of progressive achievement of the output;
- Priority for funding for newly proposed projects will be based on proper feasibility assessments and project plans taking into consideration the potential benefit to the economy; and

- Capital projects under “requisition” will continue to require submission of acquittals before further release of funds.

3.14 The key expenditure programmes are further discussed in **Chapters 4, 6 and 7**.

### **Debt Policy**

3.15 Government’s debt policy in the medium term focuses on achieving sustainable debt level through adoption of prudent and sound risk management strategies.

3.16 The medium term debt objectives include:

- Prudent management of fiscal deficits to reduce the overall debt stock at sustainable level below 45 percent of GDP in the medium term and below 40 percent in the long term;
- Focus on domestic capital market as major source of funding for Government budget deficits to lessen the risks on exchange rate fluctuations and interest rates associated with offshore borrowings;
- Ensuring external financing is only for capital projects to minimise external debt vulnerabilities;
- Minimise risks associated with on-lending and contingent liabilities;
- Maintaining debt servicing costs low and stable over time and at the same time ensuring a well-functioning market for Government securities that facilitates the financing of maturing debt; and
- Developing the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanism and investor diversification.

3.17 Key debt policies for the 2016 Budget include:

- A focus on the domestic market for major Government budget financing needs with current high liquidity and healthy bond market and avoiding the risks associated with offshore borrowings;
- Expanding the domestic bond market through the issuance of Fiji Infrastructure Bonds and Viti Bonds to increase the available domestic bonds and investment options;

- Adherence to the borrowing limit to avoid chances of higher debt; and
- Sound management of contingent liabilities through minimisation of defaults and ensuring adherence to guarantee requirements.

### **Structural Reforms**

- 3.18 Government has enacted a number of reform programmes in the medium term. Below is an update on the progress of public sector reform initiatives as well as land, labour, sugar industry and financial sector reforms.

### **Civil Service Reforms**

- 3.19 Reforming the civil service is one of Government's highest priorities to boost public sector performance and improve access to and the delivery of Government services. Increasing the civil service productivity and efficiency are therefore at the core of this reform programme.
- 3.20 As announced by the Government, the World Bank is working closely with the Civil Service Reform Management Unit (CSRMU) to provide advisory support and technical skills for the reform. The programme will ensure implementation of three reform pillars set by the Government:

*Pillar 1: Implementation of Devolution* – it will provide policy guidelines on human resource recruitment, selection and remuneration while addressing capacity issues including staff retention and skill shortages. A Terms of Reference for this review is currently being finalized.

*Pillar 2: Strengthening Central Agencies* – pertains to strengthening respective ministries to refocus their roles in line with new devolved civil service.

*Pillar 3: Improving service delivery through use of e-services.* To complement the devolution, work on Pillar 3 has commenced with technical assistance being sought from World Bank to develop better synergies between Government agencies and ITC Department to ensure information, communication and technology services and e-services are provided in a timely and high quality manner.

- 3.21 The current Public Service Commission (PSC) will be divided into two separate entities: (1) Independent Commission and (2) Ministry of Civil Service to carry out day to day related public service matters. Until the full establishment of the Ministry, the CSRMU will establish procedures and manage requests for amendments to terms and conditions of employments from Ministries.

- 3.22 An allocation of \$1 million has been set aside in the 2016 Budget for the civil service reform.
- 3.23 In addition, there are 22 Ministries and Departments with Permanent Secretaries whose contracts will expire in December 2015. Currently, works are underway for the recruitment and appointment of Permanent Secretaries which are expected to take up office from January 2016.

### **Financial Management Reforms**

- 3.24 Financial Management Reform initiatives will continue to be implemented by Government to strengthen accountability and transparency, as well as prudent management of public resources in the civil service.
- 3.25 Government has developed a draft Financial Management Bill, which covers the accountability of financial management in the public sector, and also takes into account the requirements of the 2013 Constitution. The review of Finance Instructions 2010 and Procurement Regulations 2010 will continue in 2016.
- 3.26 Implementation of the International Public Sector Accounting Standards (IPSAS) is being undertaken by the Ministry of Finance with the assistance of IMF's Pacific Financial Technical Assistance Centre. The financial policies have been aligned to IPSAS standards, which includes the Trading & Manufacturing Policy, Electronic Fund Transfer Guideline and Exchange Rate Policy. The corresponding intensive capacity building programs will be continued in 2016.
- 3.27 The new internet banking facilities aimed at streamlining payment processes and improving efficiency for daily transactions will be rolled out to the Trading & Manufacturing Accounts (TMAs) and Trust Accounts. The project will be implemented with the finalisation of the Internet Banking Policy.
- 3.28 Government is developing a standard fixed asset register for all ministries and departments which will allow agencies to compile and update fixed asset registers independently. It is also developing a National Asset Management Framework that will ensure continuous update of the register and assist agencies in making sound decision regarding assets in possession. To date, asset count of 22 Government agencies have been completed while work on remaining 15 will continue in 2016.

### **Labour Reforms**

- 3.29 Since the commencement of the labour reform in 1990, Fiji has successfully implemented five of the six phases of the reforms. This includes OHS Reform, Employment Relations Reform, Productivity Reform, Wages Reform, and

Employment Creation Reform. The draft legislation for the final phase, Workers Compensation Reform, has been completed in 2014.

- 3.30 An integral component of the labour reform is productivity driven workplaces. Under the reformed legislations, all workplaces with 20 and more workers are mandated to establish their Labour Management Cooperation and Consultation Committee to be the primary driver of productivity. From 2016, Government will further strengthen the provision of technical training to these Committees to drive productivity based workplaces.
- 3.31 The amendment to the Employment Relations Act has made Fiji compliant with all four International Labour Organisation (ILO) conventions and has provided more rights to Fijian workers.

### **Land Reforms**

- 3.32 The Land Bank mandated by Land Use Decree 2010 continues to provide opportunity to indigenous landowners to deposit their land and benefit from lease payments. To date, a total of 81 parcels of land have been deposited into the Land Bank covering a total area of around 8,597 hectares.
- 3.33 The Land Use Division of Ministry of Lands is developing lands to fulfil the objective of the Land Use Decree to utilise indigenous land in a manner that is in the best interest of owners. In 2015, the Land Bank developed 39 residential lots through subdivision in Legalega, Nadi whilst works are underway to complete engineering designs for subdivision into 12 residential lots in Yako, Nadroga.
- 3.34 Government has provided a sum of \$2.5 million to support the Land Bank programme in 2016.

### **Sugar Industry Reforms**

- 3.35 Government will continue to implement the Sugarcane Industry Strategic Action Plan 2013 to 2022 to revitalise and sustain the industry by focusing on six core areas: (i) crop production & grower advisory services; (ii) harvesting & transport; (iii) milling & processing; (iv) cane quality payment system; (v) revenue generation; and (vi) industry restructuring & legislation.
- 3.36 In this regard, Government has continued with its funding support in 2016 by providing \$5 million to the Sugar Development Programme. The allocation caters for cane development grant and cash-back incentive initiatives.

- 3.37 The *Cane Development Grant* assists farmers with large sections of uncultivated land and new growers that require start-up capital. A total of 3,800 hectares are projected to be planted with new sugarcane under this initiative.
- 3.38 The *Cash-back Incentive* incentivises farmers to plant new cane by providing them a grant of up to \$1,800 per hectare. This scheme is expected to result in the cultivation of an additional 5,000 hectares of sugarcane.
- 3.39 In addition, irrigation support is also provided to assist farmers affected during prolonged drought seasons. Government has provided \$1.5 million in the 2016 Budget towards this initiative.
- 3.40 ***Digitisation:*** The Ministry of Sugar is currently working on the digitisation of sugarcane sectors using satellite Global Positioning System (GPS). The digitisation of the sugarcane sectors will enable Government to capture and store information such as precise parameters of sugarcane farms, unplanted land, soil type, climatic data, distance to mills and road conditions. This will enable real time decision making regarding the sugarcane industry by providing much more accurate crop and production statistics. For 2016, Government has provided an allocation of \$0.6 million towards this project.
- 3.41 ***Cane Access Roads:*** Government continues to provide funding support for improving cane access roads for a smoother flow and uninterrupted transportation of harvested cane to the mills. An allocation of \$3 million has been provided in the 2016 Budget for this initiative.

### **Financial Sector Reforms**

- 3.42 The RBF continues to work on key actions to reform the financial sector. These include the drafting of Pension Savings Act, establishment of an inclusive insurance framework, development of a surveillance framework, review of credit union sector and administration of relevant provisions of Companies Act.
- 3.43 ***Pensions Savings Act:*** The drafting of the Act commenced in 2013, which provide general powers to RBF to supervise FNPF. The first stage of the project is complete, which reviewed the current legislative framework together with a review for further developing the pension market in Fiji. The second phase of the project is in progress with the drafting of the Act.
- 3.44 An important proposal included in the Act is the provision to allow new entrants to the pension fund market to provide a choice for pensioners on annuity products that they could choose on retirement.

- 3.45 ***Inclusive Insurance Framework for Fiji:*** In March 2015, a Working Group under the National Financial Inclusion Taskforce was established to develop and implement a policy framework on inclusive insurance in Fiji. This would provide insurance products to low income and vulnerable sectors of the population.
- 3.46 The Working Group has endorsed an industry bundled product which will be offered as a pilot product in 2016. The bundled product will be underwritten by four licensed insurance companies who will offer life, medical, funeral and property insurance cover under one policy.
- 3.47 ***Macro-prudential Surveillance Framework:*** The framework seeks to map out the relationship of key players in the financial system and their interactions & reaction to macro-prudential factors such as asset prices. Following the enhancement of this framework in 2015, it is envisaged that a Financial System Council consisting of representatives from the financial sector and Government will be established in 2016.
- 3.48 ***Review of the Credit Union Sector:*** The IMF's Pacific Financial Technical Assistance Centre was engaged in 2015 to review the Credit Union Act 1978. The objective of the review was to align the legislation with international best practice and for credit unions to be under the supervisory ambit of the RBF with clear requirements for registration & licensing, reporting and prudential supervision. Work on review of the Act will continue in 2016 in close consultations with Government and industry stakeholders.
- 3.49 ***Review of the Insurance Act 1998:*** RBF had made proposals for amendments to the Insurance Act 1998 in 2014 following an extensive stakeholder consultation process. The outcome of the proposals is currently under review and is expected to be finalised by 2016.
- 3.50 ***Secured Transactions Act:*** The Government and RBF are working closely with the ADB's Private Sector Development Initiative on reforms for secured transactions in Fiji to develop Micro, Small & Medium Enterprises. The reform involves the development of a framework which will include a Secured Transactions Act and an online registry to support the implementation of the legislation.
- 3.51 To this end, a taskforce under the Chairmanship of the Governor comprising Government officials from key Ministries, representatives of licensed financial institutions and the private sector was formed to provide a public-private consultative mechanism to guide the implementation of the reform. A proposed Bill on this is planned to be tabled in parliament.

- 3.52 ***Financial Sector Development Plan:*** Following an extensive consultation process in 2014 and 2015, the Plan is now finalised and awaiting Government's endorsement prior to implementation. The Plan recognises key reform areas for the financial sector in the next 10 years. It is expected to improve the financial sector's impact on growth and is one of the key building blocks towards making Fiji a regional financial hub.
- 3.53 ***Financial Inclusion:*** The new medium term Financial Inclusion Strategy for Fiji is currently being developed for the five year period from 2016 to 2020 as the existing strategy comes to an end in 2015. The focus will be on giving more Fijians access to financial services and products and adopting innovative technology to deliver financial services and products in a cost effective and sustainable manner.
- 3.54 ***Consumer Protection:*** The RBF's complaints management framework, put in place since 2009, is working well to address complaints in an effective and efficient manner without recourse to the formal court system. RBF has also established a Complaints Management Forum as part of this framework where representatives of wider community can highlight consumer issues.
- 3.55 ***Capital Markets Development:*** The work on the implementation of the Capital Markets Development Master Plan continued in 2015. A review was undertaken and the tenure of the Master Plan was expanded to 2025 to align with the Financial Sector Development Plan.
- a. ***Capital Markets Investor Awareness and Capacity Building Working Group:*** continued its focus on synergising and adding value to investor awareness activities. Groups of potential investors in the iTaukei landowning communities, primary and secondary school children and institutional investors were targeted with awareness raising workshops on the potential benefits of saving and investing in capital markets. In addition, work on the establishment of a Capital Markets Investor Profile Database aimed at monitoring the Master Plan target of 100,000 investors by 2025 will continue in 2016.
  - b. ***Capital Markets Legislative Environment Working Group:*** continued work to strengthen the ease of doing business in capital markets whilst safeguarding participants. The checklist for the disclosure requirements in the prospectuses required for equities and securities were simplified.
  - c. ***Capital Industry Development Working Group:*** continued its work on exploring new products and players in the capital market while examining market makers and venture capital funds during the year. In 2016, the working group will continue to drive initiatives that garner tangible



results for the five key focus areas of the Master Plan which include: (1) public awareness & education; (2) development of financial products, services & infrastructure; (3) creating a legislative and regulatory framework that is conducive to business and investment; (4) capacity building for market intermediaries and players; and (5) regional expansion.

- 3.56 ***National Payment System Act:*** RBF has compiled a draft bill which provides for the establishment, regulation and oversight of a National Payment System. As supervisor of the financial system, the safety and efficiency of National Payment System is fundamental to the safety and soundness of the financial system.
- 3.57 ***Small and Medium Enterprises (SME) Credit Guarantee Scheme:*** This scheme has continued to achieve its objective by increasing access to credit to SME's with Government sharing the risk with lending institutions. Since its inception in 2012, Government has allocated \$4 million under the administration of RBF and the scheme has grown to cover over 900 loans valued at around \$54 million. Loss ratio has been remarkably low at less than 1 percent or \$38,251. Government is committed to continuing its support in 2016 and has allocated \$1.5 million for this initiative.
- 3.58 ***Import Substitution and Export Finance Facility:*** This facility provides funding at concessional interest rates to promote exports, import substitution and investment in renewable energy projects. At the end of June 2015, total advances under the Facility stood at \$74.7 million, of which \$5.9 million has been settled. The facility will continue in 2016 and has been earmarked for a comprehensive review to assess its overall effectiveness.
- 3.59 ***Housing Facility:*** The facility was established in 2012 to provide affordable housing for low income earners with an allocation of \$35 million. The allocation to the Housing Authority of \$25 million has been fully disbursed. RBF will continue to assess its role in supporting the development of affordable housing in 2016.
- 3.60 ***Natural Disasters Rehabilitation Facility:*** The facility is accessible to lending institutions for on-lending at concessional rates for rebuilding after a natural disaster has been declared. The objective is to assist speedy recovery and therefore enhance commercial activity and employment opportunities. RBF activates this facility as and when required.
- 3.61 ***Exchange Control:*** In light of the stable and comfortable levels of foreign reserves, RBF will continue to facilitate foreign investment by implementing further relaxations of exchange controls. This will be effective from January 2016 and the changes are outlined in Appendix Table 11.

- 3.62 ***Financial Intelligence Unit (FIU) and Anti-Money Laundering (AML) Measures:*** In 2016, the FIU, RBF and National AML Council will consider and implement recommendations arising from an evaluation of Fiji's AML framework which will be conducted by the Asia Pacific Group on Money Laundering. The FIU in coordination with the National AML Council will also work towards implementing strategies identified in Fiji's national assessment of money laundering and terrorist financing risks, which was completed earlier in 2015.
- 3.63 FIU will work with financial institutions to ensure their compliance with Financial Transactions Reporting Act through consultation, training and issuance of relevant policy advisories and guidelines. Efforts will also be made to strengthen networking and information exchange with foreign FIU's and domestic agencies through the signing of memorandum of agreements.

## CHAPTER 4: GOVERNMENT'S FISCAL POSITION

### Introduction

- 4.1 This chapter discusses Government's fiscal position from 2014-2016. It provides the actual outturn for 2014, the projection for 2015 and the budget estimates for 2016.

### 2014 Actual Outturn

- 4.2 The theme of the 2014 Budget was "*Building A Smarter Fiji*". The Budget was aligned to fulfil the Bill of Rights provisions in the 2013 Constitution such as the access to education, health care and appropriate infrastructure. The net deficit was set at \$161.5 million, or 1.9 percent of GDP, with total revenue of \$2,721.8 million and total expenditure of \$2,883.3 million.
- 4.3 At the end of 2014, Government recorded a net deficit of \$352.3 million, equivalent to 4.1 percent of GDP. Total actual revenue amounted to \$2,370.8 million, while total expenditure stood at \$2,723.1 million.

### 2015 Projection

- 4.4 "*Turning Promises Into Deeds*" was the theme of the 2015 Budget. The Budget aimed to produce more strong economic performance by targeting investment in areas that encouraged economic activity and growth, improved safety, and increased living standards for the poor and marginalised.
- 4.5 The net deficit for 2015 was set at \$213.9 million, or 2.5 percent of GDP, with total revenue of \$3,122.4 million and total expenditure of \$3,336.3 million.

### 2016 Budget Estimates

- 4.6 The 2016 Budget will continue to promote growth by building upon the current economic trajectory, focus on improving progressivity in the tax system, encouraging healthy living and protecting the environment. In this regard, the theme of the 2016 Budget is "*The Future: A Strong Fiji, A Fair Fiji, A Healthy Fiji*".
- 4.7 The total revenue for 2016 is forecast at \$3,128.7 million with a total budgeted expenditure of \$3,414.5 million. This provides a net fiscal deficit of \$285.8 million, equivalent to 2.9 percent of GDP.

4.8 Table 4.1 provides Government's cashflow statement from 2014 to 2016.<sup>4</sup>

**Table 4.1: Cashflow Statements (2014 – 2016)**

(\$M)	2014(A)	2015(R) <sup>5</sup>	2016(B)
<b>Receipts</b>			
Direct Taxes	518.4	582.8	620.0
Indirect Taxes (excl. Govt. VAT)	1,542.0	1,748.1	1,919.2
VAT (excl. Govt. VAT)	736.7	817.1	796.7
Customs	513.6	605.4	643.9
Service Turnover Tax	58.0	64.8	126.8
Water Resource Tax	34.7	38.0	40.4
Departure Tax	122.9	132.2	140.4
Stamp Duty	68.6	82.1	87.2
Fish Levy	0.4	0.5	0.6
Telecommunication Levy	1.2	1.4	1.5
Credit Card Levy	3.8	4.3	4.5
Third Party Insurance Levy	1.9	2.2	2.3
Environmental Levy	-	-	69.6
Health Levy	-	-	5.4
Fees, Fines & Charges	105.0	99.8	118.2
Grants in Aid	25.9	6.1	13.4
Dividends from Investments	56.7	41.3	32.9
Reimbursement & Recoveries	14.8	30.3	11.6
Other Revenue & Surpluses	34.9	28.8	38.6
<b>Total Operating Receipts</b>	<b>2,297.6</b>	<b>2,537.1</b>	<b>2,753.9</b>
<b>Payments</b>			
Personnel	765.0	864.1	886.2
Transfer Payments	436.9	489.4	526.9
Supplies and Consumables	201.3	223.2	250.1
Special Expenditures (Purchase of Outputs)	68.1	81.1	84.7
Interest	264.2	274.6	270.5
Other Operating Payments	0.1	6.5	6.5
<b>Total Operating Payments</b>	<b>1,735.6</b>	<b>1,938.9</b>	<b>2,024.9</b>
<b>Net Cash-flows from Operating Activities</b>	<b>562.0</b>	<b>598.3</b>	<b>729.0</b>
<b>As % of GDP</b>	<b>6.6%</b>	<b>6.9%</b>	<b>7.5%</b>
<b>Receipts</b>			
Sale of Government Assets	12.8	507.3	320.0
Interest from Bank Balance	0.6	0.3	0.3

<sup>4</sup>The numbers excludes SEG 13 or Government VAT. The exclusion of Government VAT from revenue and expenditure does not affect the overall net deficit position.

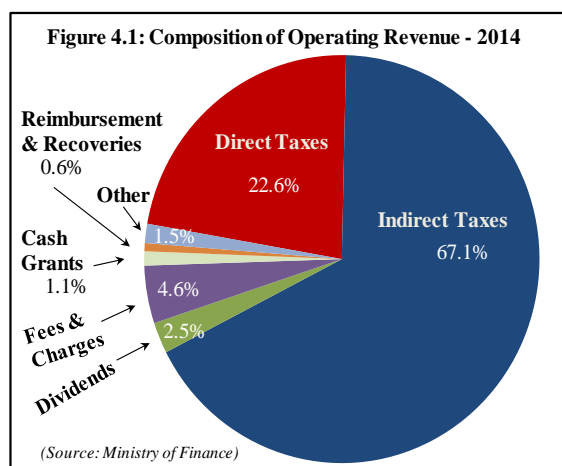
<sup>5</sup>The revised numbers for 2015 has not been revised based on current performance and outlook and therefore the fiscal targets for the year remains as budgeted initially.

(\$M)	2014(A)	2015(R) <sup>5</sup>	2016(B)
Interest on Term Loans and Advances	0.4	0.6	0.4
Return of Surplus Capital from Investment	2.1	1.6	5.1
<b>Total Investing Receipts</b>	<b>15.9</b>	<b>509.7</b>	<b>325.8</b>
<b>Payments</b>			
Loans	46.8	61.2	42.5
Transfer Payments	754.7	1,055.1	1,073.0
Purchase of Physical Non-Current Assets	128.7	205.5	225.1
<b>Total Investing Payments</b>	<b>930.1</b>	<b>1,321.9</b>	<b>1,340.6</b>
<b>Net Cash-flows from Investing Activities</b>	<b>(914.3)</b>	<b>(812.1)</b>	<b>(1,014.8)</b>
<i>As % of GDP</i>	<i>-10.7%</i>	<i>-9.4%</i>	<i>-10.5%</i>
<b>Net (Deficit)/Surplus</b>	<b>(352.3)</b>	<b>(213.9)</b>	<b>(285.8)</b>
<i>As % of GDP</i>	<i>-4.1%</i>	<i>-2.5%</i>	<i>-2.9%</i>

(Source: Ministry of Finance)

## Operating Revenue

4.9 The major component of Government's operating revenue is comprised of indirect taxes, which represent around 67.1 percent of total operating revenue, followed by direct taxes at 22.6 percent, fees, fines & charges at 4.6 percent, dividends at 2.5 percent, other revenue & surpluses at 1.5 percent, cash grants at 1.1 percent and reimbursement & recoveries at 0.6 percent.



## Direct Taxes

4.10 Direct taxes are based on income and include personal tax, corporate tax, social responsibility tax, fringe benefit tax, withholding taxes and capital gains tax.

4.11 In 2014, total direct tax collection amounted to \$518.4 million, while the projection for 2015 is \$582.8 million. The collection is forecast to increase to \$620 million in 2016. The increase in income tax collection is in line with current buoyant economic growth with major impetus from increases in business and investment activities.

## Indirect Taxes

- 4.12 Indirect taxes are based on consumption and include VAT, customs duties, service turnover tax, water resource tax, departure tax, stamp duties, and other levies. Total indirect tax collection in 2014 amounted to \$1,542 million. The collection is anticipated to increase to \$1,748.1 million in 2015 and to \$1,919.2 million in 2016. The increases in each of the categories are discussed below.
- 4.13 The major component of indirect taxes and the largest revenue earner for Government is VAT. Actual VAT collection in 2014 stood at \$736.7 million, representing around 31.8 percent of total revenue. The estimated collection for 2015 is \$817.1 million and the forecast for 2016 is \$796.7 million. In 2016, Government will reduce VAT rate from 15 percent to 9 percent. The new rate will be imposed on staple goods, kerosene, prescriptions and repeats and imported fish supplied to fish processors.
- 4.14 Customs duties includes fiscal duty, excise duty, export duty and luxury vehicle levy. The actual collection from customs duties totalled \$513.6 million in 2014, while the expected collection in 2015 is \$605.4 million. Customs revenue is forecast to increase to \$643.9 million in 2016. The growth is due to increases in excise duties on alcohol and tobacco by 12.5 percent, other duty rate changes announced in the 2016 Budget along with the growing demand for imports.
- 4.15 Table 4.2 below shows revenue from customs duties from 2014-2016.

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

Customs Duties	2014(A)	2015(R)	2016(B)
Fiscal Duty	365.1	422.8	437.9
Excise Duty	98.5	123.3	142.9
Import Excise Duty	43.4	48.8	51.8
Export Duty	10.0	11.2	11.9
Luxury Vehicle Levy	2.2	2.5	2.7

*(Source: Ministry of Finance)*

- 4.16 Service Turnover Tax (STT) collections amounted to \$58 million in 2014, while the projection for 2015 is \$64.8 million. The collection is expected to increase to \$126.8 million in 2016 mainly due to the increase in STT rate from 5 percent to 10 percent as announced in the 2016 Budget.
- 4.17 Receipts from Water Resource Tax stood at \$34.7 million in 2014. The collection is expected to increase to \$38 million in 2015 and to \$40.4 million in 2016, in line with the growing demand for bottled water.

- 4.18 Departure tax collections amounted to \$122.9 million in 2014, while the projection for 2015 is \$132.2 million and for 2016 is \$140.4 million. The rise in collection is mainly supported by an increase in tourist arrivals and the hosting of international events such as the Fiji International Golf Tournament.
- 4.19 Revenue from stamp duties amounted to \$68.6 million in 2014. The collection is anticipated to increase to \$82.1 million in 2015 and to \$87.2 million in 2016. The increase is mainly attributed to rising activities in the real estate sector. Government will also remove stamp duty for SME's on all instruments.
- 4.20 As announced in the 2016 Budget, Government has introduced two new levies, the environmental levy and health levy. The environmental levy of 6 percent will be imposed on tourism related activities and is expected to generate \$69.6 million revenue in 2016. The health levy of 6 percent on tobacco & alcohol and an increase on sugar sweetened drinks from 5 cents per litre to 10 cents per litre will gain \$5.4 million revenue.
- 4.21 Other small levies are expected to register marginal increases over the years. These revenues are shown in the cashflow statements in Table 4.1.

### **Fees, Fines, and Charges**

- 4.22 Some of the major categories of fees, fines and charges are LTA fees & fines, road user levy, water charges, and immigration fees. Total revenue from fees, fines and charges amounted to \$105 million in 2014. The collection is expected to be \$99.8 million in 2015, while the forecast for 2016 is \$118.2 million. In 2016, Government will increase commercial water rates from \$0.53 per unit to \$1.06 per unit. The detail breakdown of fees, fines, and charges is provided in the 2016 Budget Estimates.

### **Cash Grants**

- 4.23 Government received \$25.9 million as cash grants in 2014, while the estimated collection for 2015 is \$6.1 million. The expected cash grant for 2016 is \$13.4 million. The details are discussed in **Chapter 9**.

### **Dividends from Investment**

- 4.24 Dividend revenue from state owned entities and repatriation of RBF profits amounted to \$56.7 million in 2014. The expected collection for 2015 is \$41.3 million and for 2016 is \$32.9 million.

## Reimbursement and Recoveries

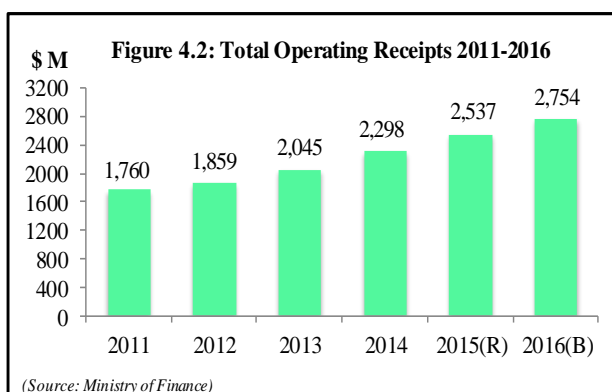
4.25 Reimbursement of funds for Government services & capital projects and refund of contributions for overseas peacekeeping missions totalled \$14.8 million in 2014. The anticipated receipts for 2015 and 2016 are \$30.3 million and \$11.6 million, respectively.

## Other Operating Revenue and Surpluses

4.26 Revenue from other revenue and surpluses mainly includes rental of Government properties, commissions, surpluses from Government agencies, and other miscellaneous items. Total receipts amounted to \$34.9 million in 2014, while the projection for 2015 is \$28.8 million. The budget for 2016 is \$38.6 million.

## Total Operating Revenue

4.27 As depicted in Figure 4.2, Government's operating receipts has been increasing over the years. In 2014, total operating receipts stood at \$2,297.6 million, while the projection for 2015 is \$2,537.1 million and 2016 is \$2,753.9 million.

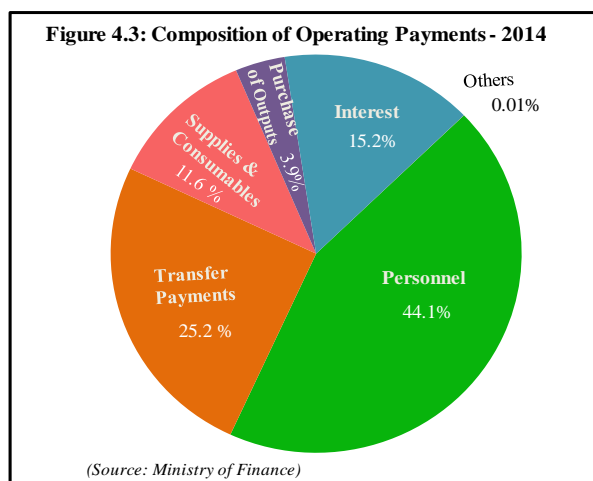


## Operating Payments

4.28 Government's operating expenditures are categorised as follows:

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

4.29 Personnel cost (wages and salaries) is the major operating expenditure for Government. In 2014, it represented 44.1 percent of total operating expenditure followed by transfer payments at 25.2 percent, interest payments at 15.2 percent, supplies and

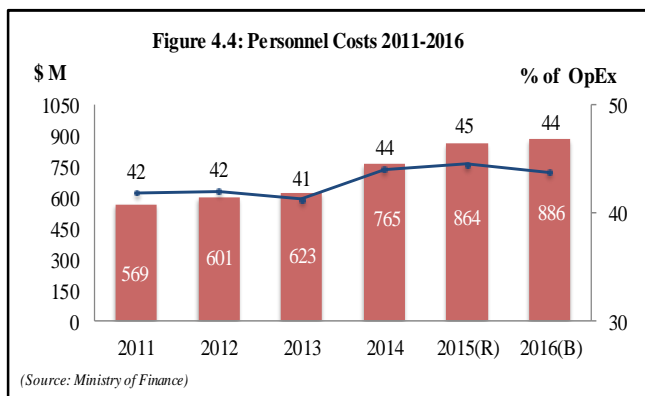




consumables at 11.6 percent, purchase of outputs at 3.9 percent and other operating payments at 0.01 percent.

## Personnel Costs

4.30 Wages and salaries expenditure in 2014 amounted to \$765 million, while the projection for 2015 is \$864.1 million. This is expected to increase to \$886.2 million in 2016 mainly due to increases in the number of positions required in key technical areas.



## Transfer Payments

4.31 Operating transfers include grants provided to entities outside of Government to support operations and funding for social welfare schemes. Total operating transfers in 2014 stood at \$436.9 million. This is expected to increase to \$489.4 million in 2015 and \$526.9 million in 2016.

4.32 Table 4.4 shows major operating grants provided in the 2016 Budget.

**Table 4.4: Major Grants (SEG 6)**

Activity	(\$M)
Water Authority of Fiji – Operating Grant	74.2
FRCA Grant	40.7
Fiji National University – Operating Grant	36.0
Fee Free Education Years 1-8	35.0
Fee Free Education Year 9-13	31.4
USP Operating Grant	30.2
Poverty Benefit Scheme	22.0
Fiji Road Authority – Operating Grant	19.9
Bus Fare Assistance	19.0
Land Transport Authority – Operating Grant	18.1
Social Pension Scheme	13.0
Parliament – Operating Grant	9.8
Grant to Fiji’s Servicemen’s After Care Fund	8.8
FICAC – Operating Grant	8.5
Public Service Broadcast (Radio)	6.7
Fiji Elections Office	6.4
Biosecurity Authority of Fiji – Operating Grant	6.1

<b>Activity</b>	<b>(\$M)</b>
Public Service Commission	5.5
Overseas Sporting Tours	5.4
Legal Aid Commission	5.0
Public Service Broadcast (TV)	4.6
iTaukei Affairs Board	4.0
Grant to Tourism Fiji	3.8
Salary Grant for Early Childhood Education Teachers	3.3
Child Protection Allowance	3.2
Grant to Civil Aviation Authority of Fiji	3.0
Maritime Safety Authority of Fiji – Operating Grant	2.5
University of Fiji – Operating Grant	2.3
Shipping Franchise Scheme	2.3
Investment Fiji	1.9
Commerce Commission	1.9
Domestic Air Services Subsidy	1.9
Higher Education Commission	1.6
Hosting International Tournaments	1.4
Tuition Grant for Pre-School	1.4
Tuition Fee Free for TVET	1.3
Agriculture Marketing Authority	1.3
Human Rights and Anti-Discrimination Commission	1.2

(Source: Ministry of Finance)

### **Supplies and Consumables**

- 4.33 Supplies and consumables include spending on travel, communications, maintenance and purchases of goods & services used as inputs for the provision of public goods and services.
- 4.34 In 2014, total expenditure on supplies and consumables amounted to \$201.3 million. The allocation for 2015 is \$223.2 million and is expected to increase to \$250.1 million in 2016.

### **Special Expenditures**

- 4.35 Spending on special expenditures such as trainings and consultancies amounted to \$68.1 million in 2014, while the projections for 2015 and 2016 are \$81.1 million and \$84.7 million, respectively.
- 4.36 Table 4.5 below shows major allocations for special expenditures in 2016.

**Table 4.5: Major Purchase of Outputs (SEG 7)**

<b>Activity</b>	<b>(\$M)</b>
Workmen's Compensation	5.0
Assistance for Malaria, TB (Global Fund)	4.7
Fiji Flag	2.5
Ministry of Health – Outsourcing	2.5
Sustainable Rural Livelihood (EU) - Sugar	2.3
Sustainable Rural Livelihood (EU) - Agriculture	2.3
Reducing Emissions from Deforestation & Forest Degradation	2.2
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	1.9
Employment & Unemployment Labour Force Survey	1.5
Government Contribution – Global Fund (TB)	1.5
Fiji Volunteer Scheme	1.4
Mediation Services & Employment Relations Tribunal	1.2
Duty on Government Purchases	1.0
Trade Commissioner – PNG	0.9
Consul General – Shanghai	0.9
Integrated Human Resource Programme	0.8
PIDF Operations	0.8
Trade Commissioner – Los Angeles	0.8
Foreign Employment Service	0.8
Trade Commissioner – Taiwan	0.7
Attachment Allowance	0.7
Sugar GIS Cadastre Development- Sugar Industry Tribunal	0.6
PIDF Meeting	0.5
Fijian Made and Buy Fijian Campaign	0.5
Medical HR Contingencies	0.5
Basic Recruit Course	0.5
Child Protection Programme	0.5
Fiji National Women's Expo	0.5
Sustainable Energy Financing Project (World Bank)	0.5
Fiji Sustainable Land Management Project	0.5
Ministerial Trade Delegation	0.5
Special Administrators- Local Government	0.5
Urban Policy Action Plan Implementation	0.5

(Source: Ministry of Finance)

## Interest Payments

- 4.37 Total interest payments in 2014 amounted to \$264.2 million. The expected interest payments for 2015 and 2016 are \$274.6 million and \$270.5 million, respectively.

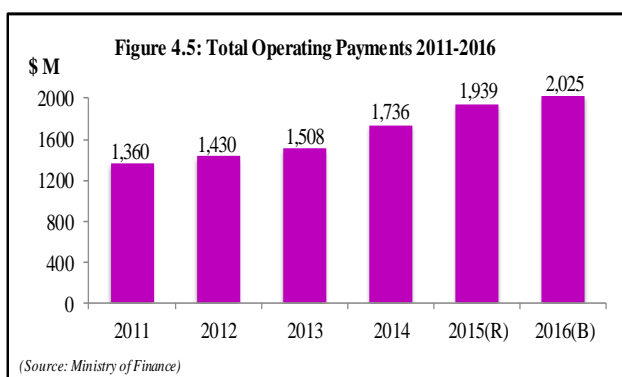
## Other Operating Payments

- 4.38 Other operating payments, which include costs associated with debt financing such as agency and management fees amounted to \$0.1 million in 2014. The projections for both 2015 and 2016 are \$6.5 million.

## Total Operating Payments

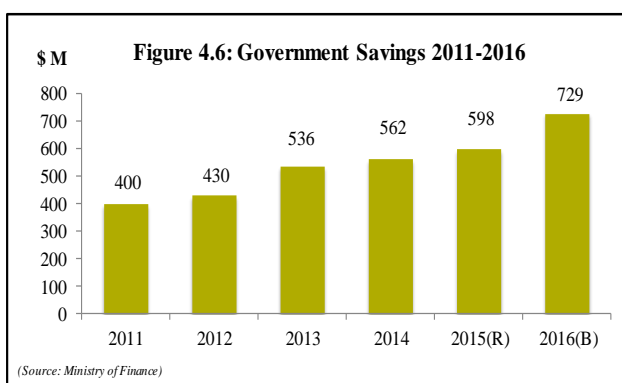
- 4.39 Government's spending on operating activities amounted to \$1,735.6 million in 2014, while the anticipated expenditure for 2015 is \$1,938.9 million and for 2016 is \$2,024.9 million.

- 4.40 The operating to capital mix was 65:35 in 2014. The mix is anticipated to improve in favour of capital expenditure to 59:41 in 2015 and 60:40 in 2016.



## Government Savings

- 4.41 Government savings, or operating savings, is the excess of operating revenue over operating expenditure. As shown in Figure 4.6, Government over the years has recorded operating savings. In 2014, Government recorded an operating savings of \$562 million, while the expected savings for 2015 and 2016 are \$598.3 million and \$729 million, respectively.



- 4.42 The operating savings by Government show that it is able to meet its recurrent operational expenses through revenue collections and that any borrowings are

directed to finance capital projects/programmes. This also implies that any receipt from the sale of Government assets is used to finance capital expenditures.

### **Investing Revenue**

- 4.43 Investing revenue includes proceeds from disposal of Government assets, interest from bank balances & term loans, and surpluses from Trading & Manufacturing Account (TMA) operations. Total investing revenue in 2014 stood at \$15.9 million.
- 4.44 In 2015, Government budgeted around \$509.7 million for investing revenues, mainly from the sale of Government assets. Government has projected around \$325.8 million from investing revenues next year.

### **Investing Payments**

- 4.45 Government's investing payments is made up of loans, capital transfer payments and purchase of assets.

### **Loans**

- 4.46 In 2014, Government's total lending amounted to \$46.8 million solely for Tertiary Education Loan Scheme (TELS). The projection for 2015 increased to \$61.2 million with the inclusion of loans to PAFCO and South Pacific Fertilisers.
- 4.47 For 2016, total loan is estimated to be \$42.5 million solely for TELS.

### **Transfer Payments**

- 4.48 Government provides capital grants and transfers to its agencies and statutory authorities to undertake capital projects such as the upgrading of roads, bridges & jetties and the supply of water infrastructure and public utilities. In 2014, around \$754.7 million was provided as capital grants and transfers, while the anticipated spending for 2015 is \$1,055.1 million.
- 4.49 For 2016, Government has allocated \$1,073 million for undertaking capital projects.
- 4.50 Table 4.6 below shows allocations for major capital grants & transfers in 2016.

**Table 4.6: Major Transfer Payments (SEG 10)**

Activity	(\$M)
Fiji Roads Authority – Capital Grant	615.8
Water Authority of Fiji – Capital Grant	176.3
Tourism Fiji Marketing Grant	30.0
Marketing Support to Fiji Airways	18.0
Rural Electrification Projects	15.0
Toppers Scholarship	10.0
First Home buyers	10.0
iTaukei Land Development	10.0
FRCA Capital Grant	10.0
Subsidy to South Pacific Fertilizer Limited	9.7
Fiji International Golf Tournament	9.0
Existing Scholarship Scheme	8.0
Committee on Better Utilization of Land (CBUL)	7.8
Albert Park Redevelopment Project	7.0
Small Grants Project	7.0
Land Transport Authority Capital Grant	6.5
Divisional Development Projects	6.5
FEA Subsidy	5.7
Biosecurity Authority of Fiji Capital Grant	5.7
Agriculture Marketing Authority	5.6
Contingency for Disaster Risk	5.0
Sugar Development Programme	5.0
Fiji National University Capital Grant: Labasa Campus	5.0
Housing Authority- Matavolivoli Development Project	4.9
FDB Subsidy Grant to all Citizens of Fiji	4.8
Fiji Sports Council Grant	4.3
Challenge & Investment Fund – Town/City Council	4.0
National Fire Authority Capital Grant	4.0
Upgrade and Maintenance of Sports Facilities	3.0
Redevelopment of Churchill Park	2.8
PRB – Simla Development Project	2.6
International Rugby Event	2.6
Land Bank Investment	2.5
Micro & Small Business Grant	2.2
Climate Change Mitigation	2.0
Maritime Safety Authority of Fiji	2.0
Drainage Subsidy	2.0
Construction of Rural Complex	2.0
New Town Development (Nabouwalu)	1.9
Rural Maritime Livelihood Training	1.8
SME Credit Guarantee Scheme	1.5
Northern Development Programme	1.5

(Source: Ministry of Finance)

## Purchase of Physical Non-Current Assets

- 4.51 Purchase of physical non-current assets, including spending on capital construction and purchases, amounted to \$128.7 million in 2014. The spending is anticipated to increase to \$205.5 million in 2015 and \$225.1 million in 2016.
- 4.52 Table 4.7 below shows some of the major allocations for the purchases of assets in 2016.

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

Activity	(\$M)
Construction of New Ba Hospital	21.0
Vehicle Leasing Scheme	16.7
Bio-Medical Equipment- Urban and Sub-Divisional Hospital	11.9
Establishment of FEA Depot-Taveuni	7.2
Extension of Lautoka High Court	7.0
Drainage and Flood Protection	6.0
Purchase of Vessel	5.0
Construction of Lautoka Remand Centre	4.5
Squatter Upgrading & Resettlement	4.0
Rural Power Grid Extension Projects	3.7
Lagilagi Housing Development Project – Phase 2	3.3
New Naulu Health Centre	3.3
Maintenance of Health Centres and Nursing Stations	3.0
Upgrading & Maint. of Urban Hospital & Institutional Quarters	3.0
Upgrading of Cane Access Roads	3.0
Upgrade of Government Wharf	2.9
Development of State Land	2.7
Upgrading of Existing Court Complexes	2.5
Construction of Valelevu Police Station	2.4
Upgrade of Government Shipping Services Building, Walu Bay	2.3
Waste Transfer Station Central	2.0
Construction of New Nausori Hospital	2.0
Upgrade and Extension of Rotuma Hospital	2.0
Fiji Agricultural Partnership Project (IFAD)	2.0
Kiro Patrol Boat – Life Extension Programme	2.0
Laboratory Equipment	2.0
Digital Literacy Program	2.0
Kubulau Government Station	2.0
Farm Access Roads	2.0
Upgrading of Lautoka Hospital Emergency Department	1.8
Construction of new Women’s Correction Facility (Lautoka)	1.8
Construction of Naboro Landfill Stage 2	1.7
Upgrading of Non-Cane Access Roads	1.5
Maintenance and Upgrading of Schools & Institutional Quarters	1.5

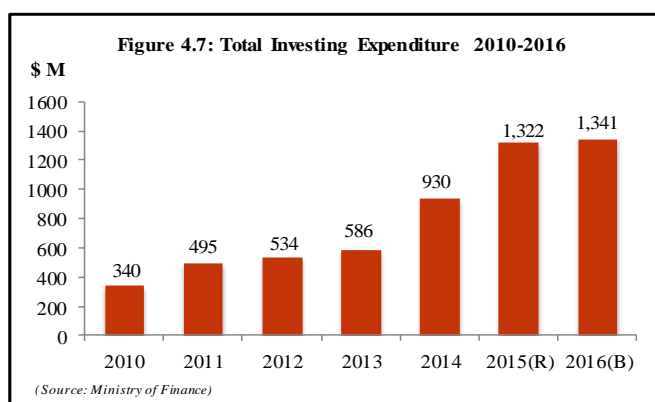
Activity	(\$M)
Maintenance of Completed Irrigation Schemes	1.5
Water Shed Management	1.4
Upgrade of Nadi Radar Antenna	1.3
Relocation of Nacula Health Centre	1.2
Upgrade of the Geodetic Datum	1.2
Construction for Completion of National War Memorial	1.1
Repair and Upgrade of Public Buildings	1.0
Office Fittings	1.0

(Source: Ministry of Finance)

### Total Investing Payments

4.53 In 2014, total capital expenditure amounted to \$930.1 million, equivalent to 34.9 percent of total expenditure for the year.

4.54 The projected spending for 2015 is \$1,321.9 million, while the budget for 2016 is \$1,340.6 million. The budget capital expenditure for 2015 and 2016 represent around 40.5 percent and 39.8 percent of total expenditure, respectively.



### Net Cash Flows from Investing Activities

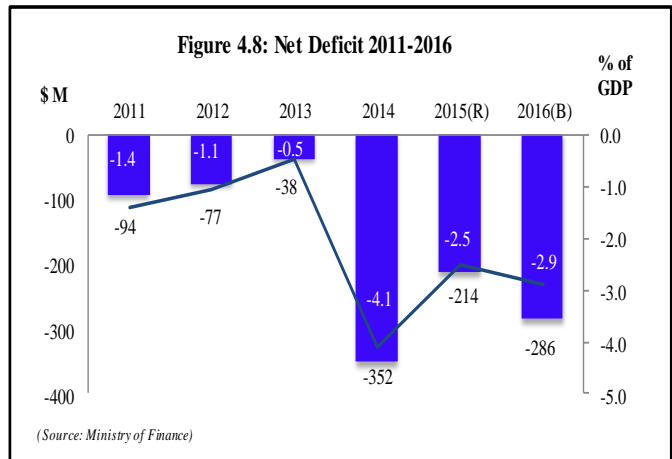
4.55 Net cash flow from investing activities is the difference between investing revenue and investing/capital expenditure.

4.56 In 2014, Government achieved a net investing deficit of \$914.3 million, while the projection for 2015 is \$812.1 million. For 2016, Government anticipates an investing deficit of \$1,014.8 million. The investing deficit is financed through borrowings and Government surpluses from operating activities.



## Net Deficit

4.57 The net deficit is the key indicator of Government's financial position. As discussed earlier in this Chapter, the net deficit for 2014 was around 4.1 percent of GDP while the projected net deficits for 2015 and 2016 are 2.5 percent and 2.9 percent of GDP, respectively.



4.58 Government aims to maintain net deficit at manageable levels in the medium term to ensure a sustainable debt position.

## CHAPTER 5: GOVERNMENT’S BALANCE SHEET

### Introduction

- 5.1 This chapter presents the main components of Government’s Balance Sheet, covering major assets and liabilities, Government’s investments in State Owned Enterprises (SOEs), arrears of revenue, public debt and contingent liabilities.
- 5.2 Government’s shares and investment in SOEs comprise a major component of its assets. Government continuously monitors the performance of these entities to ensure prudent management and maximise returns. Likewise, the management of liabilities is equally important to safeguard risks and financial exposure to ensure sustainability in the long term.

### Government’s Equity Investment

- 5.3 Government has been accelerating various reforms for SOEs to improve productivity, enhance service delivery and generate adequate returns. This is discussed in Chapter 3 under Public Enterprise Reforms. Improved financial performance of SOEs will minimise future fiscal risks and also assist Government in channelling dividends from these entities to support other priority sectors of the economy.
- 5.4 Government’s equity investments in SOEs are categorised into Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), Majority Owned Companies (MACs) and Minority Owned Companies (MICs). Investments in SOEs are mainly focused towards the agriculture, transport & infrastructure, communication, trade & finance and fisheries & forests sectors.
- 5.5 Table 5.1 below details Government’s shareholding in SOEs.

**Table 5.1: Shares and Portfolio Allocations in SOEs**

	State Owned Entities	Shares (%)	Sector/Portfolio
	<b>Government Commercial Companies ( GCC )</b>		
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

	<b>State Owned Entities</b>	<b>Shares (%)</b>	<b>Sector/Portfolio</b>
11	Yaqara Pastoral Corporation Ltd (YPCL)	100	Agriculture
<b>Commercial Statutory Authorities ( CSA )</b>			
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
<b>Majority Owned Companies ( MAC )</b>			
1	Fiji Airways Ltd (FAL)	51	Transport & Infrastructure
2	Air Terminal Services (ATS)	51	Transport & Infrastructure
3	Copra Millers Fiji Ltd (CMFL)	96	Agriculture
4	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
5	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
6	Pacific Fishing Company Ltd (PAFCO)	98	Fisheries & Forests
<b>Minority Owned Companies (MIC)</b>			
1	Amalgamated Telecom Holdings (ATH)	34.6	Communication

(Source: Ministry of Public Enterprise)

## Government Equity Investment Performance

- 5.6 Return on Asset (ROA) and Return on Equity (ROE) of Government investments in SOEs have generally been mixed.

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

Type	2012		2013		2014	
	ROA	ROE	ROA	ROE	ROA	ROE
<b>GCC</b>	2.3	(8.2)	2.2	(44.1)	5	(34.3)
<b>CSA</b>	11.0	19.6	2	6.4	6.6	11.6
<b>MAC</b>	(0.97)	(35.2)	3.9	6.9	1.2	1.9
<b>MIC</b>	6.5	12.9	(5.8)	(11.6)	8	16.6

(Source: Ministry of Public Enterprise)

- 5.7 As depicted in Table 5.2 above, most of the Government shareholding categories have improved financial performance in 2014. GCCs including AFL, FPCL, FPTCL, UTOFML, PFL and YPCL have shown satisfactory performance. The CSAs, namely, FEA, FMIB, BAF and PRB have achieved positive returns. In 2014, the MIC generated the highest returns from the financial performance from ATH.
- 5.8 Table 5.3 below shows the performance of entities by sectors.

**Table 5.3: Average<sup>6</sup> Return by Sector (%)**

Sector	2012		2013		2014	
	ROA	ROE	ROA	ROE	ROA	ROE
<b>Agriculture</b>	10.5	(5.4)	6.3	11.7	9.7	14
<b>Communication</b>	(9.9)	(48.3)	(12.9)	(280.2)	(3.6)	(218.1)
<b>Fisheries &amp; Forests</b>	(1.2)	1.4	4.8	7.7	1.5	2.3
<b>Trade &amp; Finance</b>	6	6.8	6.8	9.4	6.7	8.3
<b>Transport &amp; Infrastructure</b>	11.1	13.0	(1.8)	(0.1)	4.4	5.4

(Source: Ministry of Public Enterprise)

- 5.9 The Agriculture sector generated the highest returns with BAF, FMIB and YPCL contributing to this positive result. Trade & Finance and Transport & Infrastructure also provided satisfactory returns which have been attributed to the improved performances by UTOF, FPTCL, PRB, AFL and FPCL. The Fisheries & Forests sector generated favourable returns through the performance of PAFCO and FHCL, respectively.

### Dividend from Government Investments

**Table 5.4: Dividends by Shareholding (\$M)**

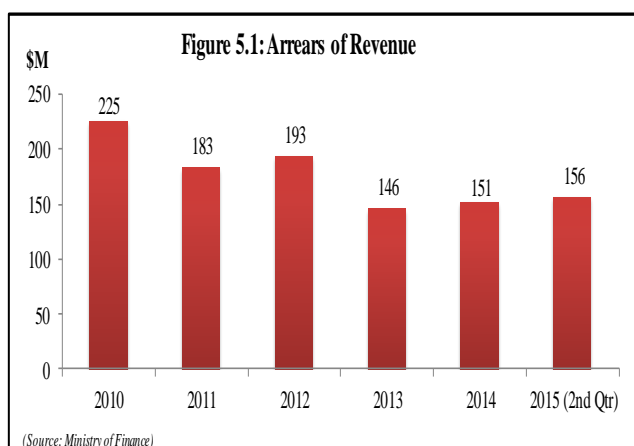
Type	2012	2013	2014	2015 (F)
<b>GCC</b>	3.9	3.7	17.1	20.5
<b>CSA</b>	-	-	-	-
<b>MAC</b>	2.2	0.2	-	2.5
<b>MIC</b>	4.4	6.8	2.9	5.1
<b>Total</b>	<b>10.5</b>	<b>11.9</b>	<b>20</b>	<b>28.1</b>

(Source: Ministry of Public Enterprise)

- 5.10 Government has received the largest share of dividends from GCCs and MICs in the past few years. In 2014, Government received a total of \$20 million with AFL providing the highest returns followed by ATH, FPCL, YPCL and UTOFML. In 2015, a total of \$28.1 million dividend is expected to be received with GCC's contributing the highest proportion followed by MIC.

### Revenue Arrears

- 5.11 Arrears of revenue consist of



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

unpaid taxes, fees, rates, charges, penalties and fines levied on the provision of goods and services by Government. Generally, the arrears of revenue have fluctuated over the last five years.

5.12 As depicted in Figure 5.1, total arrears as of 30<sup>th</sup> June, 2015 stood at \$156 million, an increase of \$5 million from December 2014. This was mainly attributed to the increase in unpaid customs fee, crown rent, legal fees and fines.

5.13 As depicted in Table 5.5, unpaid taxes comprise the largest share of arrears at \$70.5 million, followed by crown lease rentals (\$30 million), water bills (\$28.9 million), judicial/court fees, fines & charges (\$14.3 million) and other Ministries and Departments.

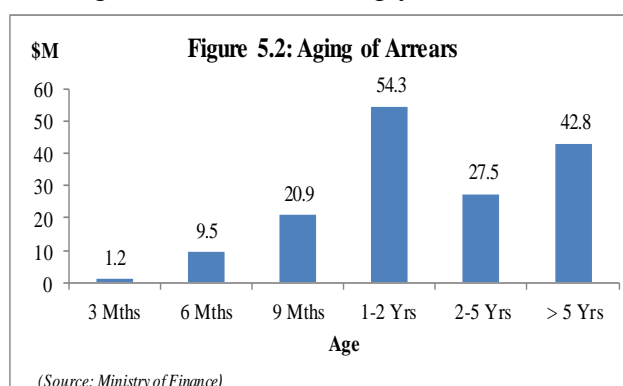
5.14 **Table 5.5 Arrears of Revenue – 2010 to June 2015 (\$M)**

	2011	2012	2013	2014	Jun-15
<b>Total Arrears</b>	<b>220.7</b>	<b>193.2</b>	<b>146.0</b>	<b>150.8</b>	<b>156.1</b>
<i>Major components:</i>					
Taxation & Customs	144.4	111.2	78.5	65.5	70.5
Lands Crown Rent	19.6	22.7	28.4	25.3	30
Water Rates	37.8	38.1	38.2	32.4	28.9
Judicial Fees & Fines	11.4	11.3	11.7	13.4	14.3

(Source: Ministry of Finance)

5.15 In 2013, a Revenue Arrears Taskforce Committee was established to review the collection mechanism of Government revenue generating agencies, assess the aging of debtors and set targets for revenue collection of arrears. This has resulted in significant dip in the outstanding arrears of revenue from \$220.7 million in 2011 to \$150.8 million in 2014. Agencies are also reviewing their costs recovery procedures and are allocating resources accordingly in an effort to reduce arrears and further minimise escalation of arrears.

5.16 Figure 5.2 shows the age of outstanding revenue arrears. Around \$42.8 million (27 percent) comprises debt due in more than five years while the remaining majority is due in less than five years.



## Government Debt

5.17 Managing Government debt in a prudent and sustainable manner remains a priority for Government. This is reflected in the gradual decline of the debt to

GDP ratio over the years, reflecting higher economic growth relative to growth in public debt.

- 5.18 The Government's total debt was around \$4.1 billion as of 31<sup>st</sup> December 2014, equivalent to 47.7% of GDP compared to 49.7% of GDP in 2013 and 51.7% of GDP in 2012.

**Table 5.6: Total Government Debt (\$M)**

	2012	2013	2014	Sep-15	2015(f)
Domestic Debt	2,744.0	2,744.2	2,829.0	3,028.3	3,026.5
External Debt	935.5	1,094.1	1,254.3	1,382.4	1,347.6
<b>Total Debt</b>	<b>3,679.5</b>	<b>3,838.3</b>	<b>4,083.2</b>	<b>4,410.7</b>	<b>4,374.1</b>
<b>Debt (as a % of GDP)</b>	<b>51.7%</b>	<b>49.7%</b>	<b>47.7%</b>	<b>48.3%</b>	<b>47.9%</b>
Domestic Debt to Total Debt (%)	74.6%	71.5%	69.3%	68.7%	69.2%
External Debt to Total Debt (%)	25.4%	28.5%	30.7%	31.3%	30.8%

(Source: Ministry of Finance)

- 5.19 As of 30<sup>th</sup> September 2015, Government's debt position stood at \$4.4 billion. This comprised of domestic debt of \$3 billion and external debt of \$1.4 billion. The Government debt is projected to further decrease to 47.9% of GDP by the end of 2015.

### Domestic Debt Stock

- 5.20 Domestic debt stock mainly comprises debt securities such as treasury bills and bonds with maturities ranging from 14 days to 1 year and from 2 years to 15 years, respectively. The bonds are made up of Fiji Infrastructure Bonds (FIBs) which are issued through public tenders and Viti Bonds issued on tap.

**Table 5.7: Government's Domestic Debt Stock (\$M)**

	2011	2012	2013	2014	Sept-15
Bonds	2,663.0	2,622.1	2,635.3	2,695.2	2,851.0
Treasury Bills	71.1	112.4	102.6	130.6	177.3
FSCGC Loan	-	9.5	6.3	3.2	-
<b>Total Domestic</b>	<b>2,734.4</b>	<b>2,744.0</b>	<b>2,744.2</b>	<b>2,829.0</b>	<b>3,028.3</b>
<b>Domestic Debt to GDP (%)</b>	<b>40.4%</b>	<b>38.5</b>	<b>35.5</b>	<b>33.1%</b>	<b>33.2%</b>

Source: Ministry of Finance

- 5.21 There has been a modest increase in issuance of treasury bills and bonds. The bulk of the borrowing is channelled towards deficit financing and debt repayments. In terms of domestic securities market, it remains robust with active participation from institutional investors, particularly banks, insurance companies and the pension fund.

## Domestic Interest Rates Structure

- 5.22 The financing costs for short term and long term debt instruments were relatively low in 2014. This was largely attributed to Government's lower domestic funding requirement and surplus liquidity in the banking system. The latter resulted in oversubscription of tenders which exerted downward pressure on interest rates.
- 5.23 Table 5.8 provides the weighted average interest rates for Government securities from September 2014 to September 2015.

**Table 5.8: Weighted Average Interest Rate on Government Domestic Securities (%)**

<b>Maturities</b>	<b>Sept-14</b>	<b>Dec-14</b>	<b>Mar-15</b>	<b>Jun-15</b>	<b>Sept-15</b>
14 days	0.08	1.50	1.00	1.00	1.00
28 days	0.15	2.20	1.25	1.25	1.25
56 days	0.20	2.50	1.25	1.25	0.75
91 days	1.95	3.52	1.50	1.08	1.00
182 days	0.98	3.64	3.25	2.18	2.00
2 years	2.50	3.82	3.50	3.45	3.45
3 years	2.79	3.89	3.10	3.75	3.75
6 years	3.47	4.11	3.80	3.80	3.80
8 years	4.25	4.25	4.67	4.67	4.67
10 years	4.94	4.94	5.19	5.19	5.18
15 years	5.14	5.14	5.49	5.48	5.47

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

## External Debt Stock

- 5.24 External debt stood at \$1.3 billion, equivalent to 14.7 percent of GDP at end of 2014. Table 5.9 below shows Government's external debt position from 2011 to September 2015.

**Table 5.9: Government's External Debt (\$M)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Sep-15</b>
<b>External Debt</b>	<b>832.1</b>	<b>935.5</b>	<b>1,094.1</b>	<b>1,254.3</b>	<b>1,382.4</b>
<b>External Debt Service</b>	<b>331.5</b>	<b>65.5</b>	<b>71.6</b>	<b>79.3</b>	<b>88.6</b>
<i>o/w Principal Payment</i>	<i>285.0</i>	<i>19.3</i>	<i>19.7</i>	<i>25.5</i>	<i>27.2</i>
<i>o/w Interest Payments</i>	<i>46.5</i>	<i>46.3</i>	<i>52.0</i>	<i>53.8</i>	<i>61.4</i>
<b>External Debt to GDP (%)</b>	<b>12.3</b>	<b>13.1</b>	<b>14.2</b>	<b>14.7</b>	<b>15.2</b>

(Source: Ministry of Finance)

- 5.25 The increase in external debt is mainly attributed to disbursement of borrowed funds towards on-going capital projects. In 2014, a sum of \$120.2 million was accessed mainly from EXIM Bank of China and ADB for key road projects which include Nabouwalu-Dreketi, Sawani-Serea and Buca Bay.

5.26 In terms of composition of external debt, global bonds comprise 40 percent, bilateral loans 39 percent and multilateral loans 21 percent. The external debt holding by currency continues to be dominated by the US dollar (60 percent), followed by the Chinese Yuan (38 percent) and the Japanese Yen at 2 percent.

**Table 5.10: External Debt Stock by Creditors (\$M)**

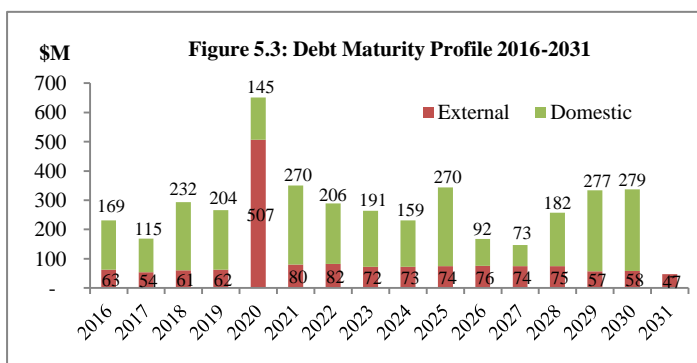
	2011	2012	2013	2014	Sept-15
<b>Bilateral</b>	176.4	274.1	379.7	490.6	554.9
<b>Multilateral</b>	200.6	214.5	239.6	266.8	282.8
<b>Global Bond</b>	455.1	446.8	474.8	496.9	544.7
<b>Total External Debt</b>	<b>832.1</b>	<b>935.5</b>	<b>1,094.1</b>	<b>1,254.3</b>	<b>1,382.4</b>

(Source: Ministry of Finance)

5.27 Borrowings from EXIM Bank of China were contracted at 2 percent fixed interest rate whereas loans from ADB and EXIM Bank of Malaysia carry a variable LIBOR rate.

### Government Debt Maturity Profile

5.28 Figure 5.3 illustrates Government's debt maturity profile from 2016 to 2031. It represents a principal component that will be settled for the respective years on both domestic and external loans.



5.29 Government has partially refinanced 97.3 percent of the US\$250 million global bond due in March 2016 through issuance of a third international Bond of US\$200 million. The new bond has a coupon rate of 6.625 percent with repayment term of five years. The remaining balance of US\$6.9 million will be redeemed in March 2016. The early buy back generated an interest saving of close to \$9 million and also resulted in a reduction of Fiji's debt to GDP ratio by close to 1 percent.

### Risk Indicators and Exposures

5.30 Foreign exchange risk calculates the percentage of Government's foreign currency debt as a percentage of total debt. Government's debt portfolio is relatively stable with foreign exchange risk calculated at around 31 percent. This is within the overarching domestic debt to external debt target of 70:30 (+5) of total debt.



- 5.31 The ceiling has been introduced to safeguard Government against foreign risk exposure. More importantly, any incremental debt is committed in a calculative and a risk averse manner to ensure that overall exposure is maintained at a prudent and management level.
- 5.32 Table 5.11 below shows key risk indicators associated with Government debt.

**Table 5.11: Risk Exposure as of Sep-2015**

<b>Risk Indicators</b>	<b>External</b>	<b>Domestic</b>	<b>Total</b>
Debt (\$ millions)	1,382.4	3,028.3	<b>4,410.7</b>
Debt as a % of GDP	15.2	33.2	<b>48.3</b>
Cost of Debt: Weighted Average Interest Rate (%)	2.9	7.1	<b>5.8</b>
Refinancing Risk: Average Time to Maturity (yrs)	5.1	7.5	<b>6.7</b>
Debt maturing in 1yr (% of total)	43.2	10.4	<b>20.7</b>
Interest Rate Risk: Average time to Refixing (yrs)	3.4	7.5	<b>6.2</b>
Variable rate debt (% of total)	21.7	5.9	<b>10.8</b>
Foreign Exchange Risk (% of total debt)	<b>31</b>		

(Source: Ministry of Finance)

- 5.33 Refinancing risk is relatively modest given the smooth redemption profile, with the exception of 2020 due to maturity of the third global bond. The average time to maturity of total Government debt is around 6.7 years with 20.7 percent of debt maturing within one year.
- 5.34 As of September 2015, the proportion of debt in variable interest rate terms is 10.8 percent, indicating a portfolio less susceptible to interest rate risk. A large proportion of the external loans are highly concessional which means that the interest rates for these loans are below the market rates.

### **Contingent Liabilities**

- 5.35 Pursuant to Section 145 (1) of the Constitution of the Republic of Fiji, Government must not guarantee the financial liability of any person or body in respect of a loan or otherwise, unless the giving of the guarantee is authorized by Parliament in accordance with conditions prescribed by law.
- 5.36 Table 5.12 below provides a summary of Government's total contingent liabilities as of June 2015. Government guarantees have gradually declined for the past five years, mainly due to the timely servicing of debt by guaranteed entities.
- 5.37 In 2014, total Government guarantee amounted to \$842.1 million; equivalent to 9.8 percent of GDP. This is expected to further decline to \$771.9 million in 2015 or 8.5 percent of GDP.

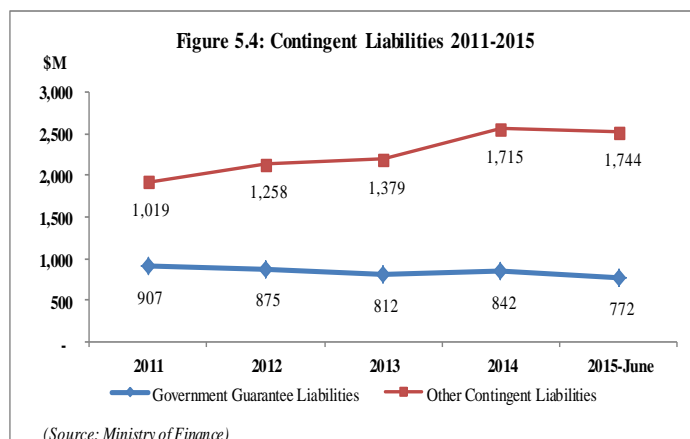
**Table 5.12: Government Contingent Liabilities (\$M)**

	2011	2012	2013	2014	Jun-15
Fiji Development Bank	257.2	250	190	158.5	144.7
Fiji Electricity Authority	353.9	323.5	297.9	349.6	337.6
Fiji Harwood Corporation	16.6	16	15.3	13.4	11.2
Fiji Pine Limited	13.7	17.1	13.5	4.2	3.9
Fiji Sugar Corporation	116.4	111.8	156	194.9	157.5
Housing Authority	82.6	105.5	79.8	78.6	78.6
Fiji Sports Council	0.9	0.6	13	8.5	6.4
Fiji Ports Corporation Ltd	39.9	31.5	23.2	11	10
Fiji Broadcast Corp. Ltd	19.8	17.5	20.9	19.3	18.5
Pacific Fishing Company Ltd	5.4	1.4	2.8	4.1	3.5
Public Rental Board	0.5	-	-	-	-
<b>Government Guarantees</b>	<b>906.9</b>	<b>874.9</b>	<b>812.4</b>	<b>842.1</b>	<b>771.9</b>
<b>Guarantees as % of GDP</b>	<b>13.4%</b>	<b>12.3%</b>	<b>10.5%</b>	<b>9.8%</b>	<b>8.5%</b>
Fiji National Provident Fund	1,008	1,247.6	1,369.8	1,699.1	1,728
National Bank of Fiji	2.5	2.4	1.6	7.9	7.9
Others	8.4	8.4	7.6	7.6	7.6
<b>Other Contingent Liabilities</b>	<b>1,018.9</b>	<b>1,258.4</b>	<b>1,379</b>	<b>1,714.6</b>	<b>1,743.5</b>
<b>Total Contingent Liabilities</b>	<b>1,925.8</b>	<b>2,133.4</b>	<b>2,191.4</b>	<b>2,556.7</b>	<b>2,515.4</b>
<b>As % of GDP</b>	<b>28.5%</b>	<b>30%</b>	<b>28.4%</b>	<b>29.9%</b>	<b>27.6%</b>

(Source: Ministry of Finance)

5.38 Other contingent liabilities recorded consistent growth over the past five years, mainly due to increases in FNPF member's fund.<sup>7</sup>

5.39 Overall, total contingent liabilities stood at \$2.5 billion as of June 2015. This was comprised of 'Government guaranteed liabilities' at \$771.9 million and 'other contingent liabilities' at \$1.7 billion. Figure 5.4 illustrates the growth trend of Government guarantees and other contingent liabilities over the past five years to June 2015.



<sup>7</sup> The recognition of the FNPF's fund is in accordance with Section 140 of the FNPF Decree 2011, which stipulates the exclusion of FNPF investment in Government stock from Members Funds when calculating FNPF funds for the Contingent Liability Register.

- 5.40 Government guaranteed entities play a vital role in the development of Fiji as an economy. Government will continue to assess the performance of the entities to ensure that it maintains a prudent level of risk and its operations are sustainable.

### **2016 Government Guarantee**

- 5.41 Over the years, Government have been guaranteeing the borrowings for Fiji Development Bank (FDB) and Fiji Electricity Authority (FEA). As at end of September 2015, the guarantee credit utilised by FEA and FDB are \$341.5 million and \$148.5 million, respectively.
- 5.42 For 2016 fiscal period, FDB has requested for additional guarantee to the tune of \$125 million in order to raise funds through short and long term-bonds, promissory notes, term deposits and other short term borrowings. This guarantee will be issued at 0.075 percent of the utilised guarantee credit.
- 5.43 In order to continue with capital upgrade works, FEA has sought Government's assistance to extend the availability period to 31<sup>st</sup> December, 2016 to realise the residual guarantee balance of \$171.4 million. Government approved a guarantee amounting to US\$50 million and FJ\$404 million for offshore and onshore borrowings in 2014, respectively, to undertake major capital investments. The existing guarantee will expire by end of December, 2015. FEA will also pay a fee of 0.75 percent on the guarantee credit that will be realised.

## CHAPTER 6: POVERTY ALLEVIATION AND RURAL DEVELOPMENT

### Introduction

- 6.1 In 2016, Government will continue funding key social protection initiatives to provide direct income support promote capacity building and enhance participation in income generating activities. Government is also committed to alleviating poverty through infrastructure development and supporting growth in key economic sectors.

### Social Protection and Poverty Alleviation Initiatives

- 6.2 **Poverty Benefit Scheme (PBS):** The PBS was set up specifically to provide financial support to destitute and poor households. In the 2016 Budget, a sum of \$22 million has been allocated towards this initiative.
- 6.3 **Child Protection Allowance (CPA):** This is an on-going programme that assists families, guardians or residential homes that provide foster care, adoption and residential facilities for orphans. CPA is a cash grant and will continue in 2016 with a budgetary allocation of \$3.2 million.
- 6.4 **Social Pension Scheme:** To improve the welfare of elderly citizens, Government will reduce the age eligibility from 68 to 66 years and maintain the monthly pension at \$50 per month. A sum of \$13 million has been allocated towards this scheme.
- 6.5 **Women's Plan of Action (WPA):** In 2016, Government has allocated a sum of \$1 million towards this programme. WPA is aimed at boosting women's employment opportunities, increasing women's participation in decision making, improving women's access to basic needs and addressing other women's issues.
- 6.6 **Lagilagi Housing Development Project:** The objective of this project is to provide affordable and decent housing for low income households. A sum of \$3.3 million has been budgeted for the completion of Phase 2 of this project.
- 6.7 **Squatter Upgrading & Resettlements:** This programme alleviates poverty through the provision of housing and income generating opportunities for low income earners. A sum of \$4 million has been provided by Government towards this program in 2016. An allocation of \$0.3 million is provided for the Sustainable Income Generating Project.
- 6.8 Additionally, \$1 million and \$0.4 million are provided for Town Wide Informal Settlement Programme and City Wide Squatter Upgrading Project, respectively.

- 6.9 **Social Housing Policy:** In the 2016 Budget, a total of \$0.5 million has been allocated towards writing-off housing loans for clients who have paid more than one and half times the principal amount, have retired or can prove genuine financial difficulty based on low income or medical grounds.
- 6.10 **Education:** Government has allocated a total of \$19 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.
- 6.11 A sum of \$52.5 million has been allocated for the tertiary education scheme. This includes funding for the National Toppers Scholarship 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.
- 6.12 A total of \$8 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.

**Table 6.1: Government Assistance for Poverty Alleviation: 2015 – 2016 (\$M)**

	2015(R)	2016(B)
<b>Social Welfare</b>		
Poverty Benefit Scheme	22.0	22.0
Child Protection Allowance	2.0	3.2
Social Pension Scheme	8.0	13.0
Food Voucher Programme	1.0	0.5
Women's Plan of Action	1.0	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	0.4
Capital Grant to Voluntary Organizations	0.2	0.3
Grant to Girls' Home	0.1	0.2
Fire Victims Relief	0.1	0.2
<b>Education</b>		
Bus Fare Subsidy	20.0	19.0
<b>Health</b>		
Free Medicine	8.0	10.0
<b>Department of Housing</b>		
Housing Assistance for First Time Home Buyers	10.0	10.0
Lagilagi Housing Development Project- Phase 2	2.0	3.3
PRB Project	3.4	2.6
Squatter Upgrading & Resettlement Programme	3.0	4.0

	2015(R)	2016(B)
HART	0.5	0.5
HA Social Housing Policy	0.5	0.5
Town Wide Informal Settlement Upgrade Project	3.0	1.0
Sustainable Income Generating Project	0.5	0.3
City Wide Squatter Upgrading Project	0.5	0.4
National Housing Policy Implementation Plan	0.2	0.2
Housing Authority Matavolivoli Development Project	-	4.9
Housing Assistance to Fire Victims	1.0	1.0
<b>Prime Minister's Office</b>		
Funds for the Education of Needy Children	0.2	0.2
<b>Strategic Planning</b>		
Northern Development Programme	1.5	1.5
<b>Miscellaneous</b>		
Tertiary Education Loan Scheme	42.5	42.5
National Toppers Scholarship Scheme	10.0	10.0
Other Existing Scholarship Scheme	15.7	8.0
FDB Subsidy	5.5	4.8
FEA Subsidy	5.7	5.7

(Source: Ministry of Finance)

## Development of Rural & Maritime Areas

6.13 Government will continue to implement key rural and divisional projects to improve and support rural development in 2016. Major Government initiatives in the rural sector that focus on the provision of basic services and the development of rural businesses include:

- **Divisional Development Projects:** Government in 2016 has set aside a sum of \$6.5 million for Divisional Development Projects to enhance the livelihoods of people in the rural and maritime areas.
- **Rural Electrification Project (REP):** With a funding support of \$15 million, REP will specifically 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.

6.14 In addition, a sum of \$13 million has been provided by Government in 2016 to fund the continuation of major projects highlighted below:

- Tokaimalo Grid Extension Phase 2 (\$2.3 million);
- Bureiwei to Nakorotubu Grid Extension- Ra (\$0.9 million);
- Grid Extension Project Koronubu to Namau- Ba (\$1.8 million);

- Upgrade of Government Shipping Services Building (\$2.3 million);
- Purchase of vessel (\$5 million); and
- Fiji National Transport Database and Transport Planning Software (\$0.6 million).

6.15 The new capital projects for next year are as follows:

- Upgrading of Nadi Radar Antenna (Meteorology Services) (\$1.3 million);
- Nabukelevu and Nuku Village Grid Extension (\$0.8 million);
- Rural Power Grid Extension Projects, Lomaivuna Sector 1 to 4, 7 & 8, Koko Road, Navunisaroa, Nataveira and Navutu village, Naitasiri (\$0.8 million);
- Grid Extension Project in Wainivoce/Vatubou/Waikubukubu-Tavua (\$0.7 million);
- Grid Extension from Lawaki Village to Navakuru/Suweni/Wairiki District School/Vatudamu/Keani Settlement (\$0.3 million);
- Village Water Schemes - Divisional Projects (\$3.7 million); and
- Establishment of FEA Depot on Taveuni (\$7.2 million).

6.16 **Electricity Subsidy:** To support low income families, Government will continue to provide electricity subsidy through a budget allocation of \$5.7 million in 2016.

6.17 **Rural Housing Assistance:** A sum of \$1.4 million has been allocated for the construction of houses in rural areas to ensure continued support as well as improve living standards in these areas.

6.18 **Drainage & Flood Protection:** A budgetary provision of \$6 million has been allocated for drainage and flood protection. This will involve the dredging of rivers and the construction of river bank boulders around the country to reduce the threat of crop loss in low lying agricultural land.

6.19 **Drainage Subsidy:** Government has provided a sum of \$2 million for drainage subsidy to selected agricultural areas.

6.20 **Yaqona Development Program:** To strengthen the yaqona industry in Fiji, Government has allocated a sum of \$1 million to assist farmers in the production and cultivation of quality kava.

6.21 **Farm Access Road:** In 2016, Government has provided a sum of \$2 million for the establishment of better roads to facilitate the transportation of inputs to the farms and agricultural produce to the market.

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

**Table 6.2: Rural & Maritime Development Programmes: 2015 – 2016 (\$M)**

	2015(R)	2016(B)
Establishment of FEA Depot on Taveuni	0.0	7.2
Rural Electrification Project	19.5	15.0
Upgrade and Purchase of Government Shipping Vessels	3.1	5.5
Rural Power Grid Extension- Lomaivuna Sector 1 to 4, 7 & 8, Koko Road, Navunisaroa, Nataveira and Navutu village, Naitasiri	0.0	0.8
Grid Extension Project in Wainivoce/Vatubou/Waikubukubu-Tavua	0.0	0.7
Upgrading of Nadi Radar Antenna	0.0	1.3
Nabukelevu and Nuku Village Grid Extension	0.0	0.8
Grid Extension from Lawaki Village to Navakuru/Suweni/Wairiki District School/Vatudamu/Keani Settlement	0.0	0.3
Tokaimalo Grid Extension Phase 2	0.0	2.3
Bureiwei to Nakorotubu Grid Extension-Ra	-	0.9
Fiji National Transport Database and Transport Planning Software	-	0.6
Integrated Rural Sports Complex	1.6	2.0
Drainage & Flood Protection	8.0	6.0
Divisional Development Projects	2.6	6.5
Other Rural Water Supply	4.0	7.0
Agricultural Marketing Authority (Capital Grant)	1.5	5.6
Upgrading of Cane Access Roads	2.5	3.0
Shipping Franchise Scheme	2.4	2.3
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	1.5	0.5
Watershed Management	1.0	1.4
Drainage Subsidy	2.0	2.0
Equipment for Health Centres and Nursing Stations	0.0	0.8
Centre for Appropriate Technology & Development	0.8	0.7
Rural Housing Assistance	1.4	1.4
Agriculture Extension Services- Crops	0.5	0.9
Renewable Energy Development Projects	0.3	0.3
Fiji Groundwater Assessment & Development Projects	0.8	1.2
Rural Postal Services	0.3	0.4
Rural Sports Ground Fields	0.2	0.4
Banking Services for Non-Economic Rural Areas	0.2	0.3

(Source: Ministry of Finance)



## CHAPTER 7: PRIORITY SECTORS

### Housing

- 7.1 The Constitution mandates Government to use its resources to grant the right to accessible and adequate housing for all Fijians.
- 7.2 The Department of Housing is responsible for providing access to adequate, quality and affordable accommodation for all citizens, particularly for low-income groups and the poor. In addition, the Department plays a key role in Government's efforts to combat poverty through the effective administration of the National Housing Policy that focuses on upgrading and resettlement programs for the less fortunate in Fiji. A sum of \$30.8 million is provided to the Department of Housing in the 2016 Budget.
- 7.3 A total of \$4 million is allocated in the 2016 Budget for **Squatter Upgrading and Resettlement** to fund the upgrading of Cuvu, Ledrusasa and Caubati squatter settlements. This programme is designed to alleviate poverty through the provision of housing and land opportunities for low-income groups. Around 278 families will receive lease titles as a result of this project.
- 7.4 Some of the successfully completed squatter settlements include Bangladesh, Vatoa, Lakena Hill No 2, Lagilagi (Jittu Estate) and Badrau. A total of 472 household or 2,360 individuals were given lease titles. For 2015, funds were released for the relocation of tenants of Omkar settlements, payment of lease for Namara Squatter settlements and the consultancy works for Cuvu Squatter settlements.
- 7.5 The **Lagilagi Housing Development Project (Phase 2)** is an initiative of the Peoples Community Network (PCN) to provide affordable and decent housing for low income households, particularly squatters. Government will continue to provide funding support for this initiative in 2016 with an allocation of \$3.3 million, an increase of \$1 million from 2015. The funding will cater for the completion of Phase 2 of the project, and around 77 households are expected to benefit.
- 7.6 The **City Wide Squatter Upgrading Project** will be allocated \$0.4 million in 2016 for the upgrading of squatter settlements in the urban and peri-urban areas within the Suva-Nausori Corridor, Nadi-Lautoka Corridor, Labasa and Savusavu. This project is implemented in partnership with the PCN.
- 7.7 The **Housing Assistance Relief Trust (HART)** programme will continue in 2016 with an allocation of \$0.5 million. The objective of the programme is to construct and renovate low cost housing villages to accommodate destitute and

near destitute families, 90 percent of whom are social welfare recipients. These families pay \$1 to \$5 rent per week depending on the type of home they occupy.

- 7.8 From 2009 to 2015, funds were utilised for the construction of four new flats in Narere as well as the major renovation of flats at Vesida HART, Bulileka HART, Labasa and Biolette HART in Lautoka. Assistance provided through HART includes care-giving services for elderly persons, education assistance for pre-school children and vocational training for youth.
- 7.9 Government will continue to provide funds for the **Town Wide Informal Settlement Upgrading Project**. The allocation of \$1 million is for the appointment of consultants to assist with the upgrading of informal settlements on i-Taukei land along the Lami-Suva Nausori corridor such as Nadonumai, Qauia, Waidamudamu and Wakanisila.
- 7.10 Government recognises the importance of controlling squatter settlement formation through the provision of housing and promotion of income generation from sustainable farming in targeted rural settlements. A sum of \$0.3 million is provided in the 2016 Budget for the **Sustainable Income Generating Project** to ensure the completion of on-going projects in areas such as Vanuakula, Maumi, Nativi, Vunisinu, Nakoro and Naboutini. The project is comprised of activities that include the establishment of a poultry farm and bee-hive for honey production and the construction of farm houses and handicraft projects for women.
- 7.11 A sum of \$0.5 million is provided in the 2016 Budget for the **Housing Authority Social Housing Policy**. From 2013 to 2015, around 56 financially disadvantaged households were assisted with seven Village Housing Schemes' loans written off.
- 7.12 The **First Home Buyers** programme focuses on providing housing assistance to families and individuals earning below \$50,000 per annum who are planning to construct or purchase their first home. From 2014 to 2015, a total number of 448 applicants were assisted, of which 202 were to buy and 246 to build their first homes. A funding support of \$10 million is provided in 2016 for this programme.
- 7.13 Government will continue to provide funds for the **Housing Assistance to Fire Victims**. A sum of \$1 million has been allocated in the 2016 Budget to provide financial housing assistance to families and people affected by fires that earn less than \$20,000, have proper leases, but without any insurance. The owners of the seven houses that were destroyed early this year have received \$5,000 each under this programme.
- 7.14 Government will provide \$4.9 million in 2016 for the **Housing Authority – Matavolivoli** project for infrastructure development including the installation of

water, electricity and road works. The project aims to develop Matavolivoli's 45 acres of land in Nadi into a sub-division to provide affordable housing to low and middle income earners. The development is estimated to produce 420 residential lots altogether and has already attracted 1,928 applicants.

- 7.15 Government is also allocating \$2.6 million for the **Public Rental Board - Simla Development Project**, which involves the construction of 36 one-bedroom rental flats on Kuata Street, Lautoka to meet the high demand for rental housing in the area. The rental flats are expected to house 36 families or approximately 180 individuals.

## **Education**

- 7.16 The Right to Education in the Constitution states that every person has the right to early childhood education, primary and secondary education and further education. Government is also required to take reasonable measures, using available resources, to ensure the progressive realisation of these rights.
- 7.17 The Ministry of Education is allocated a budget totalling \$432.2 million, an increase of \$30.6 million from 2015. The Budget theme for the 2014 Budget was "*Building a Smarter Fiji*" in recognition of Government's substantial investments in the Education sector. An increase in the annual budget signifies Government's continued commitment towards achieving greater investment and increasing our human capital capacity.
- 7.18 A total sum of \$67.8 million is provided in 2016 for the **Free Education Programme**. It covers tuition grants for pre-school, primary and secondary education levels. In 2016, the free education criteria has been revised using an accommodative Equitable Tuition Fee Formula (ETFF) that will ensure smaller schools are granted a fair share of the assistance.
- 7.19 The **Free Milk Programme** for Year 1 students will be continued in 2016 with an allocation of \$3.6 million. Government has been progressively implementing the programme to provide 250ml of free milk to all students enrolled in Year 1 to promote good health and nutrition.
- 7.20 The **Bus Fare Assistance Programme** is allocated a budget of \$19 million which will assist more than 111,000 children in both primary and secondary schools across the country.
- 7.21 To take advantage of the recent shift in technological development Government will be equipping students with modern gadgets to keep them up to speed with the global trend and will increase the allocation of the **Digital Literacy Programme (DLP)** from \$0.8 million to \$2 million in 2016. Since its inception

in 2013, the programme has allowed the Ministry to purchase 6,204 laptops for 360 primary schools and 65 tablets for two secondary schools in Fiji.

- 7.22 To further complement the DLP, tax deductions for donation of new computers, laptops & tablets to schools registered with the Ministry of Education will continue in 2016. These are the 200 percent tax deduction for donation to schools in rural areas and 150 percent to schools in urban areas.
- 7.23 In 2016, 350 more teachers are expected to be recruited; of which 250 will be for primary schools and 100 for secondary schools. Accordingly, the teacher to student ratio is expected to improve to 1:30 for primary schools and 1:35 for secondary schools. Not only will this better the learning and teaching environment for both students and teachers, it also creates a window of opportunity for employment, particularly for graduate teachers.
- 7.24 In an effort to enhance the supply of labour and trade skills to meet the high demand from investors in the country, Government has allocated a sum of \$19.3 million for the establishment of technical colleges in Fiji. This will provide trainings and produce graduates in these fields to address the skills and trade shortages and attract future investment.
- 7.25 Government will continue to provide funding support for the **Tertiary Education Loans Scheme (TELS)** to provide loans to school leavers who want to pursue further studies at varsity levels. A sum of \$42.5 million is provided for this scheme in the 2016 Budget. Likewise, the **National Toppers Scholarship Scheme** and **Other Existing Scholarship Scheme** are allocated \$10 million and \$8 million, respectively, for students that qualify under scholarship and loan schemes.
- 7.26 A sum of \$76.6 million is allocated as grants to Higher Education Institutions including the University of the South Pacific, University of Fiji, Fiji National University, Centre for Appropriate Technology and Development, Corpus Christi, Fulton College, Monfort Boys Town Savusavu, Monfort Boys Town Veisari, Sangam Institute of Technology, Vivekananda Technical Centre, and Tertiary Hospital in Lautoka.

## **Health**

- 7.27 The Constitution obligates Government to not only take reasonable measures within its available resources to accommodate the right of every person to health, but also to ensure that persons are not denied emergency medical treatment. A sum of \$280.1 million is allocated for the Ministry of Health, an increase from \$268.8 million provided in 2015, representing Government's continued support to the sector.

- 7.28 In 2016, 200 new nurses and 150 doctors are expected to be recruited into the civil service. The large intake will address the lack of doctors and nurses currently needed in hospitals and health centres; which will improve the doctor to population ratio and the nurses to population ratio.
- 7.29 The **Free Medicine Programme** will continue in 2016 with an allocation of \$10 million. This initiative will apply to Fijians with approved medication who are means tested with an annual income of \$20,000 or lower. Medicines for non-communicable diseases are also covered under the programme. To further strengthen the free medicine initiative, Government will expand the existing free medicine list from 72 to 142 items
- 7.30 Some of the major construction and upgrading Health projects include the Upgrading and Maintenance of Urban Hospitals and Institutional Quarters (\$3 million), Extension of CWM Hospital Maternity Unit (\$1.3 million), Upgrading of Lautoka Hospital Emergency Department (\$1.8 million), Maintenance of Health Centres and Nursing Stations (\$3 million), Construction of New Ba Hospital (\$21 million), Construction of New Nausori Hospital (\$2 million), Keiyasi Health Centre Upgrade (\$1.2 million), Upgrade and Extension of Rotuma Hospital (\$2 million) and New Naulu Health Centre (\$3.3 million).

### **Infrastructure Development and Public Utilities**

- 7.31 Government has invested substantial amounts into infrastructure development and the public utilities sector in recent years to improve the standard of basic and essential infrastructural platforms. In turn, it is expected to unlock structural bottlenecks, attract investment, increase economic activity and grow the Fijian economy.
- 7.32 The construction sector is currently the major driver of growth, contributing around 0.8 percent to the 2016 growth of 4 percent. This is largely due to recent Government investments that are expected to continue in 2016.

### ***Transport Infrastructure***

- 7.33 The Bill of Rights component of the Constitution protects the right to reasonable access to transportation. To enable access to transportation, Government realises that it must first devise efficient transport networks, and build and maintain proper and worthy roads to increase connectivity. This will increase interaction between the rural and urban populations to lead to increased participation in economic growth.

- 7.34 In 2016, Government will continue to invest considerable amounts into our roads infrastructure and has allocated a sum of \$635.7 million to the Fiji Roads Authority (FRA) to implement on-going construction and maintenance of roads, bridges and jetties around the country.
- 7.35 An allocation of \$83 million will be utilised through a loan from ADB and World Bank for renewals and replacements of roads and the upgrading and replacement of bridges, rural roads and streetlights.
- 7.36 Other major allocations under the FRA budget are as follows:
- NASRUP Four Lane Projects for Nadi and Suva (\$93.1 million);
  - Renewals & Replacements - Roads and Services (\$75 million);
  - Upgrading of Rural Roads (\$50 million);
  - Upgrading and Replacement of Bridges - Bridge Renewals (\$30.6 million);
  - Maintenance and Renewals of Jetties in Savusavu, Vunisea and Natovi (\$11.7 million); and
  - Capital – Congestion and Capacity Improvements (\$4.1 million).

### ***Water and Sewerage***

- 7.37 In realising the importance of the right to food and water stated in the Constitution, Government has allocated a sum of \$250.4 million to the Water Authority of Fiji.
- 7.38 The 91,250 litres free water per year scheme will continue in 2016. It targets households with combined member income of \$30,000 and to date, around 20,000 households have benefitted from this policy. These targeted giveaways indicate that Government is indirectly increasing the disposable income of ordinary Fijians.
- 7.39 Government has reviewed the water tariff rate structure which will be introduced in 2016. While residential and Government water tariff rates will remain the same, commercial rates will be increased from \$0.53 per unit to \$1.06 per unit. Fiji's water tariff structure is low relative to our neighbouring countries, including Australia and New Zealand. While Government's cost of operations, namely electricity and chemical cost and capital injection in the augmentation of water and waste schemes, have increased considerably in the past, water and sewer tariff rates have remained the same for more than 20 years.
- 7.40 In this modern day and age, Government is fully mindful that some Fijians still do not have access to treated water and basic sanitary amenities. In 2016, an allocation of \$7 million has been provided for the Rural Water Supply Programme, to bring sustainable and safe quality drinking water supply systems to rural communities.

- 7.41 In 2016, Government has allocated \$5.7 million for the Project Design Services for Urban Water Supply and Wastewater Management Project. This is an ADB loan funded project that is aimed at upgrading water supply and wastewater services in the greater Suva area to accommodate the needs of the rising population density and commercial development in the region.
- 7.42 New water projects that will be funded in 2016 include the Distribution of Free Water Tanks (5,000L and 1,100L) in Maritime/Drought Stricken Areas (\$1.4 million), and Rainwater Harvesting Systems (\$4.5 million). The allocations are essentially to fund mitigating initiatives for growing demand during time of water shortages.
- 7.43 Other major capital projects for 2016 are as follows:
- Water Distribution System Project (\$31.1 million);
  - Water Sources and Water Treatment Plants (\$24.4 million);
  - Improvement and Upgrade of Wastewater Distribution System (\$15.4 million);
  - Replacement of Meters (\$14.1 million);
  - Wastewater Treatment Plant (\$13.1 million); and
  - Non-Revenue Water Reduction Project (\$8.7 million).

### ***Energy and Electricity***

- 7.44 A sum of \$34.8 million is allocated to the Department of Energy in 2016, an increase of \$5.7 million from 2015.
- 7.45 Government is committed to ensuring that all Fijians have access to electricity. The Rural Electrification Project is allocated \$15 million in 2016 for the extension of electricity supply, solar system installation, house wiring, as well as the clearing of electrification project backlog, with priority given to communities that have paid their deposits.
- 7.46 The Tokaimalo Grid Extension Phase II is allocated with a sum of \$2.3 million in 2016. This is an on-going project which is expected to connect 656 customers, 10 villages, 26 settlements and one school. In addition, the Dawasamu to Bureiwai Grid Extension is also continued in 2016 with an allocation of \$0.9 million. This is Phase 2 of the grid extension project that will benefit 125 households in the Bureiwai District and over 270 more in Nakorotubu District.
- 7.47 Major projects that will be implemented in 2016 are as follows:
- Nabukelevu & Nuku Village Grid Extension - Serua (\$0.8 million);
  - Koronubu/Namau Grid Extension Phase 2 - Ba (\$1.8 million);

- Rural Power Grid Extension Projects, Lomaivuna Sector 1,2,3,4,7 and 8, Koko Road/Navunisarua, Nataveira and Navutu Village, Naitasiri (\$0.8 million);
- Grid Extension Project in Wainivoce/Vatubo/Waikubukubu – Tavua (\$0.7 million);
- Grid Extension from Lawaki Village to Navakuru/Suweni/Wairiki District School/Vatudamu/Keani Settlement - Cakaudrove (\$0.3 million); and
- Establishment of FEA Depot at Taveuni (\$7.2 million).

7.48 In 2016, Government is further extending the monthly threshold of electricity subsidy from 85kw per month to 95kw per month. This will be means tested and confined to households with a combined income of \$30,000 per annum.

### **Agriculture**

7.49 The Agriculture Sector accounts for around 8.9 percent of Fiji’s GDP. Government is mindful of the unrealised potential of the sector that could enhance food security, boost economic growth and elevate living standards in rural communities if effectively accessed.

7.50 In 2016, the Ministry of Agriculture’s budget has been increased to \$76.2 million from \$65 million in 2015. The increase in funding is aimed at improving agricultural production levels and exports.

7.51 The Fiji 2020 Agriculture Sector Policy Agenda focuses on restoring the agriculture sector’s economic contribution to 15 per cent of GDP, increasing the value of non-sugar agricultural exports and gradually reducing the dependence on imports of fruits and vegetables.

7.52 Both the Export Promotion Programme and Food Security Programme have been allocated \$1 million each in 2016. Other major on-going projects include:

- Maintenance of Completed Irrigation Schemes (\$1.5 million);
- Bovine Tuberculosis Eradication Campaign (BTEC) (\$1 million);
- Drainage and Flood Protection (\$6 million);
- Watershed Management (\$1.4 million);
- Farm Mechanization (\$0.8 million);
- Rural and Outer Islands Programme (\$1 million); and
- Drainage Subsidy (\$2 million).

7.53 Some of the new programmes that are funded in the 2016 Budget are as follows:

- Farm Access Roads (\$2 million);
- Dalo Development Programme (\$0.7 million); and
- Yaqona Development Programme (\$1 million).



## **Fisheries**

- 7.54 A budget of \$0.2 million is provided to complete the Makogai Mariculture Centre Development project and \$0.6 million has been allocated for the construction of the Rotuma Ice Plant-Phase 2. Amongst other things, these projects seek to guarantee food security and empower communities to manage and benefit from their marine resources.
- 7.55 In addition, a total of \$0.4 million has been allocated for the Upgrading of Fisheries Office and Staff Quarters. The purpose of this project is to construct and refurbish existing fisheries institutional infrastructures in the divisions including offices, stations, department quarters, institutional infrastructure (hatcheries and ice plants) and rural fisheries centres.
- 7.56 To facilitate and enhance the development of the upcoming Fiji Pearl Farming Industry, a sum of \$0.2 million has been allocated in the 2016 Budget for the Pearl Oyster Research & Development project. This project aims to provide technical training and advisory support to local and indigenous pearl farmers to enhance their participation.
- 7.57 Other major fisheries programmes budgeted for this year includes: \$0.7 million for the establishment of Multi-Species Hatchery (Ra); \$0.1 million for the Biodiversity Enhancement - Ridge to Reef; \$0.5 million for the Coastal Fisheries Development Programme; \$0.2 million for the Aquaculture Development; \$0.3 million for the Brackishwater Development; \$0.2 million for the Seaweed Development; and \$0.5 million for the Food Security Programme.

## **Forestry**

- 7.58 In order to incentivise the conservation and afforestation of Fiji's natural ecosystems, Government is allocating \$0.1 million in 2016 to continue with the Reducing Emissions from Deforestation and Forest Degradation (REDD Plus). A sum of \$2.2 million is provided by the World Bank to complement the programme. The objective of the REDD Plus is to provide developing countries with a financial incentive to reduce their levels of deforestation and forest degradation to increase their forest carbon stocks.
- 7.59 For the Sandalwood Development Programme, Government is providing a sum of \$0.1 million in 2016 to support sandalwood plantation forests in Fiji and also to maximise potential economic opportunities for farmers and villages.

- 7.60 Government fully supports the plantation development for Fiji's future timber needs, as well as the restoration of degraded forests. A sum of \$0.5 million has been allocated for Reforestation of Degraded Forests in 2016.
- 7.61 In addition, Government has also allocated \$0.4 million for Pine Woodlot Logging Package (Narocake-Gau/Cicia Pine Scheme) for next year and \$0.2 million for the Purchase of equipment – Lakeba Pine Scheme.

## **CHAPTER 8: INVESTMENT FACILITATION**

### **Introduction**

- 8.1 Government places a great deal of importance on investment in Fiji as a catalyst for inclusive and sustainable growth. Maintaining a suitable, consistent and investment-friendly business environment for both local and foreign investors is critical to growing business certainty and confidence in Fiji.
- 8.2 As such, Government's pro-growth and pro-development principles will continue to raise investment levels, generate employment opportunities and improve growth to ultimately raise the standard of living for all Fijians.
- 8.3 The Fijian economy is experiencing one of the best growth cycles on record and is poised to achieve its fifth year of consecutive growth from 2010 to 2014 with an average growth of around 3 percent. The 5.3 percent growth in 2014 is the highest experienced since 2001.

### **Single Window Clearance System**

- 8.4 The launch of the Online Single Window Clearance System by Government has simplified and boosted the registration process for investment projects. It is indicative of Government's continued effort to reduce the cost and improve the ease of doing business in Fiji.
- 8.5 While the new online system brings efficiency to the investment process, it also boosts Fiji's competitive edge in the eyes of potential investors. It enables multiple service delivery for both investment registration and associated payments. Moving forward, Government further aims to extend the modern method of registration to other approving agencies and public service providers.

### **Investment Fiji's Area of Focus**

- 8.6 Investment Fiji is moving towards a more focused vision to strengthen the way it attracts investors. It will continue to operate independently as the investment marketing arm of Government in providing services and assistance towards the promotion and facilitation of investments and exports.
- 8.7 Investment Fiji will also continue to strengthen the monitoring of foreign investment projects and improve its database to reflect registration and actual physical implementation on the ground.

## Foreign Investment Update

- 8.8 To enhance the investment environment, Government will review the Foreign Investment Regulation and the Foreign Investment Act to better align it with international business perceptions that will encourage more quality investment into Fiji.
- 8.9 From 2010 to 2014, the number of investment proposals more than doubled from 117 to 261 registrations. Likewise, the employment created during the period from these registrations increased from 2,706 to 4,041. This is reflected in the table below.

**Table 8.1: Investment Proposals<sup>8</sup> 2010 - 2014**

Investment Indicators	2010	2011	2012	2013	2014
Number of Investment Proposal Registered	117	133	130	257	261
Value of Investment Proposal Registered (\$M)	621.9	466.75	703.54	1,190.8	500.1
Employment Proposal	2,706	2,901	3,460	4,664	4,041

(Source: Investment Fiji)

- 8.10 The increased number of investment proposals in 2013 and 2014 is attributed to a number of factors. The introduction of attractive tax incentives, removal of the \$250,000 minimum requirement, participation in trade and investment forums and exhibitions, collaborative marketing efforts by Investment Fiji and the Fiji Embassies and Trade Missions abroad all contributed to the creation of an investor-friendly environment.

## Investment Initiatives, Reforms & Outlook

- 8.11 In 2016, the following reforms will be undertaken to continue to improve investment and attract foreign direct investment in the country:
- Implementation of the Online Single Window Clearance System for Tier 2 Agencies;
  - Strengthening Government and private sector connectivity to facilitate investment and trade growth;
  - Establishment of an Investment Division that will be tasked with identifying specific projects for key sectors of investment;

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<sup>8</sup>Investment Proposal comprises of three years investment.

- Strengthening the Investment Facilitation Division to enable the removal of potential obstacles to investors, as well as providing necessary information and facilitating quick access at all registration agencies;
- Enabling the Trade and Export Division to offer export support services such as exporter training, technical assistance, capacity building, regulatory compliance, information on trade finance, logistics, customs, bio-security, packaging and pricing;
- Focusing on the promotion of sector based concession and incentives, improving investment quality and establishing sector associations to work and assist Tier 1 and 2 agencies for successful implementation of both local and foreign investment in Fiji; and
- Inter-agencies Committee in the Central, Eastern, Northern, Western divisions comprising of Tier 1 and 2 agencies to look into facilitation of foreign direct investments and trade.

### **Trade and Investment Promotion Mission**

- 8.12 Government recognises the importance of trade missions as an avenue for promoting Fiji and identifying potential investment and export opportunities. The missions will continue to assist local businesses develop partnerships and identify lucrative niche markets.
- 8.13 As such, it is vital that trade missions, exhibitions, investment and export seminars are proactively formulated to reflect Investment Fiji's 2016 promotional plan whose key action points reflect a wide area of coverage both locally and abroad.
- 8.14 Investment Fiji will connect investors, businesses and government agencies to domestic opportunities. Likewise, a planned vision is being developed which will connect exporters to international opportunities and, in general, position Fiji as the investment hub of the Pacific.
- 8.15 In essence, Government is committed to attract, facilitate and develop foreign direct investment by assisting investors to set up, grow and work with new and established exporters in up-skilling and promoting their products and services overseas.

## CHAPTER 9: EXTERNAL TRADE & DEVELOPMENT COOPERATION

### Introduction

- 9.1 This chapter provides an update on Fiji's Trade Policy Framework as well as the progress of key regional and international trade agreements. It also gives an update on support provided through Official Development Assistance.

### Fiji's Trade Policy Framework

- 9.2 In 2015, Fiji's first Trade Policy Framework (TPF) was launched by the Honourable Prime Minister with a vision to "develop Fiji into a vibrant, dynamic and internationally competitive economy serving as the hub of the Pacific".
- 9.3 The TPF identifies Fiji's trade interests in the goods and services sectors and also clearly outlines the key objectives and strategies to be pursued as part of its overall sustainable development programme. The framework also provides guidance for Fiji's interactions with trading partners at the bilateral, regional or multilateral level.
- 9.4 While Fiji currently has a National Export Strategy to guide trade developments, a broader TPF provides guidance in their trade-related engagements, including the negotiation and implementation of various trade agreements.

### Update on Regional and International Trade Agreements

- 9.5 *Developing Country (DC) Preferences Scheme* - The Australian government extended to Fiji a SPARTECA-TCF Scheme designed specifically to benefit the garment industry, which has expired in December 2014. The Scheme is now replaced by the Australian DC Preferences Scheme, which enables products to claim preferential access if the last process of manufacture was performed in a Forum Island Country (FIC) like Fiji.
- 9.6 *Pacific Island Countries Trade Agreement (PICTA)* – This is an agreement between Pacific Island Forum Countries that grants member countries 'duty free & quota free' trade of goods within the region. While Fiji has opened its market to all parties under PICTA, some member countries still maintain tariffs on selected items. In regards to PICTA Trade in Services (TIS), the region has successfully concluded the Agreement with half of the FIC's signing the treaty. Fiji and PNG, two of the major players in the region, are yet to sign the PICTA TIS Agreement.
- 9.7 *Melanesian Spearhead Group Trade Agreement (MSGTA)* - The Melanesian Spearhead Group (MSG) is the most important and largest trading block

comprising of Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The Kanak and Socialist National Liberation Front, a political lobby group in New Caledonia, is an observer to the MSG.

- 9.8 Members have now entered the final phase of negotiations of the revised agreement, MSGTA3, with the key objective to establish a Melanesia Free Trade Area. The revision of the legal text will also address the loopholes and improve its implementation and broaden its scope to cover trade in services, labour mobility, investment and government procurement.
- 9.9 ***Comprehensive Economic Partnership Agreement (CEPA)*** –The negotiations for a CEPA with the EU have been on-going for almost 10 years and the delay is attributed to the contentious issues such as the infant industry clause, non-execution clause and development cooperation. In August 2015, the EU called for a suspension in the negotiations to allow the PACP states to formulate measures for the effective conservation of their fisheries resources. The Pacific ACP Ministers are calling for political intervention as technical officials have exhausted all avenues to resolve these issues.
- 9.10 ***Interim Economic Partnership Agreement (IEPA)*** – On 28<sup>th</sup> July 2014, the Fijian Government provisionally applied the IEPA in anticipation of the expiry of the EU’s Market Access Regulation (MAR) on 1<sup>st</sup> October 2014. The expiry of the MAR prevented ACP countries from gaining preferential access to the EU market if they failed to ratify the EPAs by 30<sup>th</sup> September 2014. The Fijian Government is now taking steps to address the ratification of the agreement through Parliament.
- 9.11 ***PACER Plus*** – Since joining in August 2014, Fiji has participated in six intercessional meetings held in various capitals around the region. PACER Plus has been under negotiation for six years and significant parts of the agreement need to be further refined to ensure that Pacific Island Countries equally benefit from this proposed economic agreement.
- 9.12 ***World Trade Organisation (WTO) Trade Policy Review*** – Fiji’s second Trade Policy review was undertaken in 2009 and Government is currently preparing its report for the trade policy review that will be undertaken in February 2016.
- 9.13 ***WTO Trade Facilitation Agreement (TFA)*** - The WTO Ministerial Conference held in Bali in 2013, successfully endorsed the WTO Agreement on Trade Facilitation. The Agreement sets out provisions for expediting the movement, release and clearance of goods, including goods in transit and measures for effective cooperation between customs and other appropriate authorities. It also facilitates the development and participation of Least Developed Countries in the multilateral trading system, by simplifying preferential rules of origin.

- 9.14 The International Finance Corporation – World Bank Group (IFC-WBG) has submitted its recommendations in the *Fiji–WTO TFA Validation and Reform Map* report to the Fiji Government. Government will work with the relevant stakeholders to facilitate the finalisation of the IFC-WBG report and undertake the necessary steps to present the Agreement in Cabinet and Parliament for ratification before end of 2015.
- 9.15 ***Fiji-China Bilateral Discussions*** - In May 2015, Fiji and the People’s Republic of China convened a preparatory meeting to discuss the prospects and negotiation modalities of a free trade agreement. Fiji saw this as a good opportunity to further progress bilateral discussions that were undertaken at the last Fiji-China Joint Economic and Trade Commission held in 2014. In July 2015, Fiji signed a Memorandum of Understanding (MOU) with China for a joint feasibility study to assess the practicality of a Fiji-China Free Trade Agreement. The joint feasibility study is the first step toward the commencement of formal trade negotiations.

### **Development Cooperation**

- 9.16 The Official Development Assistance (ODA) landscape has changed significantly over the years with the emergence of new actors and sources of financing. Fiji’s return to parliamentary democracy and its reformed foreign policy will also have an impact on development assistance flowing into the country.
- 9.17 In Table 9.1 below, the total value of ODA for 2016 is estimated at \$117.8 million. A total of \$14.4 million is anticipated as cash grant and \$103.4 million as Aid-in-Kind (AIK).

**Table 9.1: Total Official Development Assistance 2014 – 2016**

ODA	2014(A)		2015(P)		2016(F)	
	(\$M)	%	(\$M)	%	(\$M)	%
Cash Grants	25.9	24.5	6.1	4.4	14.4	12.2
Aid in Kind	79.8	75.5	133.2	95.6	103.4	87.8
<b>TOTAL ODA</b>	<b>105.7</b>		<b>139.3</b>		<b>117.8</b>	

(Source: Ministry of Finance)

### **Cash Grant**

- 9.18 Table 9.2 below shows the sectoral distribution of cash grants.



**Table 9.2: Cash Grants by Sector (2014 – 2016)**

Sector	2014(A)		2015(P)		2016(F)	
	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	22.6	87.3	0.3	4.7	0.5	3.5
Social Services	2.7	10.4	5.0	82.8	5.4	37.5
Economic Services	0.1	0.4	0.3	4.3	7.9	54.8
Infrastructure	0.5	1.9	0.5	8.2	0.6	4.2
<b>Total</b>	<b>25.9</b>		<b>6.1</b>		<b>14.4</b>	

*(Source: Ministry of Finance)*

- 9.19 The Economic Sector anticipates receiving the highest grant of close to \$8 million. A large component of this grant, estimated around \$4.6 million, is the 11<sup>th</sup> European Development Funding (EDF) support for the Agriculture and Sugar sectors. The World Bank will provide \$2.2 million to the Ministry of Fisheries and Forests for the preparation of the ‘Reducing Emissions from Deforestation and Forest Degradation’ (REDD Plus) programme. Additionally, the UNDP will provide close to \$1 million to the Ministry of Local Government, Housing and Environment for environment related programmes.
- 9.20 In the Social Sector, about \$4.7 million will be provided by the Global Fund to the Ministry of Health and Medical Services for the HIV AIDS, tuberculosis and malaria prevention programme. Additionally, the United Nations Population Fund (UNFPA) and United Nations Children’s Fund (UNICEF) will continue its support for improving the health system and child protection awareness.
- 9.21 For the Infrastructure Sector, around \$0.6 million is expected to be received from the World Bank and United Nations Development Programme (UNDP) for the financing of renewable energy projects.
- 9.22 The General Administration Sector will receive \$0.5 million, a large component of these funds is from the 11<sup>th</sup> EDF support for the National Authorizing Office.

### **Aid-in-Kind**

- 9.23 Table 9.3 below highlights the sectoral distribution of AIK from 2014 to 2016.

**Table 9.3: Aid-in-Kind by Sector (2014 – 2016)**

Sector	2014(A)		2015(P)		2016(F)	
	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	5.3	6.6	25.6	19.2	18.5	17.9
Social Services	41.4	51.9	28.4	21.4	23.6	22.8
Economic Services	32.5	40.7	61.3	46.0	48.4	46.8
Infrastructure	0.6	0.8	17.9	13.4	12.9	12.5
<b>Total</b>	<b>79.8</b>		<b>133.2</b>		<b>103.4</b>	

*(Source: Ministry of Finance)*

- 9.24 The Economic Sector will receive majority support of AIK valued at around \$48.4 million in 2016. It is anticipated that the EU will provide about \$33 million as funding support for the Sugar Industry. The Government of the People's Republic of China will also provide assistance valued at close to \$6 million towards the Mushroom Technology Demonstration Programme. In addition, the Government of New Zealand will continue its support of the dairy industry while the Japan International Cooperation Agency (JICA) will assist with the planning and designing of the Nadi River Flood Control Structures. Similarly, the Government of Australia will continue to assist export facilitation through the Pacific Horticultural and Agricultural Market Access (PHAMA) programme. The UNDP will also support the Biodiversity Finance initiative for Fiji.
- 9.25 In 2016, the Social Sector will receive around \$23.6 million as AIK. Majority of the assistance will be provided by the Government of Australia for its on-going support towards the Access to Quality Education Programme (AQEP) and the Fiji Health Sector Support Programme (FHSSP). The other development partners in the health sector include NZAID, UNICEF and WHO.
- 9.26 The General Administration Sector will receive about \$18.5 million worth of AIK. A large component of this assistance is for the provision of scholarships and short-term training by the Governments of Australia and New Zealand. Additionally, there is substantial support for the governance programme by the Government of Australia through its bilateral programme and the European Union under the 11<sup>th</sup> EDF. The other partners that will assist the sector in the areas of child protection and data dissemination include UNICEF and UNFPA.
- 9.27 For the Infrastructure Sector, technical assistance valued at \$0.3 million will be provided by JICA to improve the rural water supply purification system and effective control of unaccounted water. The Government of the People's Republic of China will provide assistance valued at close to \$13 million towards the construction of the Stinson Parade Bridge and the Vatuwaqa Bridge.

## CHAPTER 10: 2016 TAX POLICY MEASURES

10.1 This chapter provides details of various tax and customs policy measures introduced in the 2016 Budget.

### **Part 1 – Direct Tax Measures**

#### **(i) Income Tax**

Policy	Description
1. Hotel incentives changes	<ul style="list-style-type: none"> <li>• Short Life Investment Package (SLIP) and Investment Allowances Changes:               <ul style="list-style-type: none"> <li>➤ <b><u>For Existing Hotels:</u></b> <ul style="list-style-type: none"> <li>• No SLIP from 2017</li> <li>• No Investment Allowance from 2017.</li> <li>• The 55% Investment Allowance reduced in 2016 from 55% to 25%. Projects must start in 2016 and be completed within 2 years.</li> </ul> </li> <li>➤ <b><u>For New Hotel:</u></b> <ul style="list-style-type: none"> <li>• Will get SLIP with 4 years tax holiday from 2017. Renovations will no longer be part of SLIP.</li> <li>• Will get Investment Allowance for 25% but only once for the project.</li> </ul> </li> </ul> </li> </ul> <p>The loss Carry forward will be reduced from 8 years to 4 years. However, hotels that are entitled to 8 years loss carried forward as at 31 December 2015 will not have their loss carry forward reduced to 4 years.</p> <p>All SLIP applications received before 1 January, 2017 will be processed under the existing incentive framework.</p> <p>Other Changes: Amend definition of “project” to exclude “selling” and “residential”.</p>
2. Tax Free Region (TFR) Changes	<ul style="list-style-type: none"> <li>• TFR incentive will be extended from Nausori Airport side of the Rewa Bridge (excluding township boundary) to Lautoka City end of Matawalu Village.</li> <li>• The following rules will apply for all TFR</li> </ul>

Policy	Description
	<p>applications from 2016:</p> <ul style="list-style-type: none"> <li>❖ A <b>provisional approval</b> will be issued with duty concessions.</li> <li>❖ A <b>final approval</b> will be issued at the completion of investment to confirm tax holidays.</li> <li>❖ All projects must commence within 18 months from the date of provisional approval being issued.</li> <li>❖ Projects that do not commence operations after 18 months from the date of provisional approval will have the concession revoked and any duty forgone will become collectable with the appropriate penalties.</li> </ul>
3. Introduction of Medical Services Incentives	<ul style="list-style-type: none"> <li>• For setting up of <b><u>Private Hospitals</u></b> <ul style="list-style-type: none"> <li>❖ 10 year tax holiday for minimum investment of \$7m.</li> <li>❖ 60% Investment Allowance.</li> <li>❖ Customs Concessions: Code 222 applies.</li> </ul> </li> <li>• For setting up of <b><u>Ancillary Medical Services</u></b> <ul style="list-style-type: none"> <li>❖ Examples include: pathology lab, MRI, other diagnostics.</li> <li>❖ 4 year tax holiday for a minimum investment of \$2m.</li> <li>❖ 60% Investment Allowance.</li> <li>❖ Customs Concessions: Code 222 applies.</li> </ul> </li> <li>• Loss Carry Forward of 8 years.</li> <li>• Provisional and Final approval process will apply for claiming of duty and tax incentives, respectively.</li> </ul>
4. Credit Card Levy changes	<ul style="list-style-type: none"> <li>• Credit Card levy will be increased from 2% to 3%.</li> </ul>
5. Head Quarters (HQ) Relocation to Fiji	<ul style="list-style-type: none"> <li>• 150% tax deduction for capital expenditure incurred for the set-up of the HQ relocation to Fiji.</li> </ul>
6. Contractors Provisional Tax changes	<ul style="list-style-type: none"> <li>• Reduce Contractors Provisional Tax rate from 15% to 5% and remove the issuance of Certificate of Exemption (COE).</li> </ul>
7. Fijian Made Uniforms incentive	<ul style="list-style-type: none"> <li>• Annual tax deduction of up to 50% of the value of Fijian made uniforms supplied by businesses of their staff provided the cost of the uniform is not recovered from staff.</li> </ul>
8. Employer Monthly	<ul style="list-style-type: none"> <li>• EMS to be lodged half yearly by employers who</li> </ul>

Policy	Description
Schedule (EMS)	have all employees below the income tax exemption threshold.
9. Audio Visual Incentive	<ul style="list-style-type: none"> <li>Empowering the Minister to revoke any temporary studio city zone.</li> </ul>
10. FRCA Gold Card Service	<ul style="list-style-type: none"> <li>Increase Gold Card quota in 2016.</li> </ul>
11. Taxation of entities under Diplomatic Privileges and Immunities (DPIA)	<ul style="list-style-type: none"> <li>New law to clarify taxation of entities under DPIA will be governed by agreements signed by Government.</li> </ul>
12. Export Income Deduction	<ul style="list-style-type: none"> <li>Export Income Deduction rate will be 50% in 2016.</li> </ul>

## (ii) Tax Administration Decree (Tad) Changes

Policy	Description
1. Tax Compliance Certification	<ul style="list-style-type: none"> <li>All public sector tenders to be awarded to tax compliant bidders.</li> </ul>
2. Bad Debts	<ul style="list-style-type: none"> <li>Reinstating Bad Debts for collection upon taxpayer's ability to pay.</li> </ul>
3. Tax Agents	<ul style="list-style-type: none"> <li>Introduce a new section in Tax Administration Decree for Tax Agents Code of Conduct.</li> </ul>
4. Tax Losses	<ul style="list-style-type: none"> <li>Audit penalty on abuse of losses.</li> </ul>
5. Tax Amnesty	<ul style="list-style-type: none"> <li>Declaration of all <b>undeclared</b> assets within Fiji.</li> <li>Amnesty period: <b>1 January 2016 to 30 June 2016</b>.</li> <li>No tax charge and penalties will be imposed. Income streams associated with those assets will be taxable from 2017.</li> </ul>
6. Taxpayer Identification Numbers	<ul style="list-style-type: none"> <li>Extend the list of institutions requiring Taxpayer Identification Numbers to include: <ul style="list-style-type: none"> <li>❖ Registrar of Titles;</li> <li>❖ Fiji Public Trustee Corporation;</li> <li>❖ Any licensing or registration agency;</li> <li>❖ Any Government agency;</li> <li>❖ Professional bodies.</li> </ul> </li> </ul>
7. Amnesty – filing of outstanding returns and payment of taxes due.	<ul style="list-style-type: none"> <li>Fiji citizens who have not fulfilled their tax obligations by filing and correctly paying the due taxes pertaining to previous taxable periods have been given the opportunity to voluntarily come forward to pay the due taxes by the end of December 2015. Late lodgement and late payment penalties will be waived in full.</li> </ul>

### (iii) FRCA Act Change

Policy	Description
1. Whistle Blowing	<ul style="list-style-type: none"><li>• New provision in FRCA Act for the protection and monetary rewards for whistle blowing.</li></ul>

## Part 2 - Indirect Tax Measures

### (i) Capital Gains Tax

Policy	Description
1. Capital Gains Tax (CGT) exemption threshold	<ul style="list-style-type: none"><li>• Reduce CGT exemption threshold from \$20,000 to \$16,000 to align with the income tax exemption threshold.</li></ul>

### (ii) Service Turnover Tax

Policy	Description
1. Service Turnover Tax (STT) and Environmental Levy	<ul style="list-style-type: none"><li>• Increase STT from <b>5% to 10%</b>.</li><li>• Introduce an <b>Environmental Levy</b> at a rate of <b>6%</b>.</li></ul>
2. STT Threshold changes	<ul style="list-style-type: none"><li>• The threshold for <b>bistros, coffee shops and restaurants</b> will be reduced from \$1.5m to \$500,000.</li><li>• The threshold for <b>charter flight services</b> will be removed with the exception to medical and disaster operations.</li><li>• The threshold of \$300,000 for <b>water sports</b> will be removed.</li><li>• The threshold of \$50,000 for <b>accommodation in private residence or property that accommodates tourists, international students and overseas visitors</b> will be removed.</li></ul>
3. Anti-avoidance provisions	<ul style="list-style-type: none"><li>• Include anti-avoidance provisions in the STT Decree - same as the one in the CGT Decree.</li></ul>
4. Paragraph 6 of Schedule 2 of STT Decree	<ul style="list-style-type: none"><li>• Remove the anomaly of STT on non-consumption services by hotel properties (delete para 16 of Schedule 2 of STT Decree).</li></ul>

**(iii) Stamp Duty**

Policy	Description																
1. Small and Micro Enterprises (SME)	<ul style="list-style-type: none"> <li>• Waiver of stamp duty for SME on all instruments.</li> </ul>																
2. Exemption for home buyers	<ul style="list-style-type: none"> <li>• Stamp duty exemption for first time home buyers based on the following conditions:               <ul style="list-style-type: none"> <li>❖ applicable to Fiji citizens; and</li> <li>❖ property is in Fiji; and</li> <li>❖ this is the first property in the lifetime of the purchaser.</li> </ul> </li> </ul>																
3. Anti-avoidance provisions	<ul style="list-style-type: none"> <li>• Include anti-avoidance provisions in the Stamp Duties Act - same as the one in the CGT Decree.</li> </ul>																
4. Crop lien	<ul style="list-style-type: none"> <li>• Stamp duty will be exempted on crop lien.</li> </ul>																
5. Vehicles	<ul style="list-style-type: none"> <li>• Stamp duty on <b>new registrations</b> at LTA.           <table border="1" data-bbox="583 807 1184 1219" style="margin-left: 40px;"> <thead> <tr> <th>Engine Size</th> <th>Rate of Stamp Duty (F\$)</th> </tr> </thead> <tbody> <tr> <td>0-999cc</td> <td>25</td> </tr> <tr> <td>1000-1599cc</td> <td>50</td> </tr> <tr> <td>1600-1999cc</td> <td>100</td> </tr> <tr> <td>2000-2599cc</td> <td>200</td> </tr> <tr> <td>2600-2999cc</td> <td>300</td> </tr> <tr> <td>3000-3599cc</td> <td>400</td> </tr> <tr> <td>3600cc +Commercial vehicles</td> <td>500</td> </tr> </tbody> </table> </li> </ul>	Engine Size	Rate of Stamp Duty (F\$)	0-999cc	25	1000-1599cc	50	1600-1999cc	100	2000-2599cc	200	2600-2999cc	300	3000-3599cc	400	3600cc +Commercial vehicles	500
Engine Size	Rate of Stamp Duty (F\$)																
0-999cc	25																
1000-1599cc	50																
1600-1999cc	100																
2000-2599cc	200																
2600-2999cc	300																
3000-3599cc	400																
3600cc +Commercial vehicles	500																
6. Assignment of Trademarks	<ul style="list-style-type: none"> <li>• Stamp duty of 3% will be imposed on the value of the trademark that is being transferred by way of Deed of Assignment.</li> </ul>																
7. Stamp Duty Penalty	<ul style="list-style-type: none"> <li>• Penalty on transfer under conditional exemption to be increased from 5% to 10%.</li> </ul>																
8. Stamp Duty Waiver and Refund	<ul style="list-style-type: none"> <li>• CEO may waive or refund stamp duties up to \$50,000.</li> </ul>																
9. Finance Leases and Loan Agreement	<ul style="list-style-type: none"> <li>• Stamp duty will be applicable at the rate of 1.75% on loan agreements including financial lease and related party loans but excluding all personal loans of up to \$10,000.</li> </ul>																

**(iv) Value Added Tax**

<b>Policy</b>	<b>Description</b>
1. VAT Rate	<ul style="list-style-type: none"> <li>• Reduce VAT from 15% to 9%.</li> </ul>
2. Zero Rated Supplies	<ul style="list-style-type: none"> <li>• Impose VAT on: <ul style="list-style-type: none"> <li>• Basic food items;</li> <li>• Prescriptions and Repeats;</li> <li>• Kerosene; and</li> <li>• Imported fish supplied to fish processors.</li> </ul> </li> </ul>
3. Government Grants	<ul style="list-style-type: none"> <li>• Exemption of VAT from Salary and Wages components of SEG 6.</li> </ul>
4. Zero rate VAT on health products for special cases	<ul style="list-style-type: none"> <li>• Goods under the following categories to be VAT free - (a) Correct a deformity of the human body; (b) Afford support to an abnormal condition of the human body; or (c) Substitute any part of the human body.</li> </ul>
5. VAT on Movie Productions	<ul style="list-style-type: none"> <li>• Film production companies with the provisional approval for rebate are deemed to be registered for VAT and conducting taxable activity for tax purposes.</li> </ul>
6. Remove zero rating of first \$30 of FEA Bill	<ul style="list-style-type: none"> <li>• Removal of zero rating of first \$30 of FEA bill to be legislated.</li> </ul>
7. Amend First Schedule of VAT Decree	<ul style="list-style-type: none"> <li>• Exclude “residential apartments which provide hotel-like accommodation and facilities” from “residential dwelling”.</li> </ul>
8. Export Remittance	<ul style="list-style-type: none"> <li>• Remittance of export proceeds back to Fiji to be verified for claiming of VAT Zero Rating.</li> </ul>
9. Tourism VAT Refund Scheme (TVRS) License	<ul style="list-style-type: none"> <li>• TVRS license expiry to be 31<sup>st</sup> December every year.</li> <li>• Pro rata to be applied for licences granted during the year.</li> </ul>
10. VAT Penalty	<ul style="list-style-type: none"> <li>• 300% VAT penalty to be re-introduced to enforce VAT compliance.</li> </ul>

**(v) Fiscal Duty Changes**

<b>Policy</b>	<b>Description</b>
1. Raw materials	<ul style="list-style-type: none"> <li>• Zero duty on all raw materials and packaging materials. Accordingly, Duty Suspension Scheme (DSS) will be removed.</li> </ul>
2. Quad Bikes	<ul style="list-style-type: none"> <li>• Reduce duty and import excise on Quad Bikes from 15% to 5%.</li> </ul>
3. Motor Cycles	<ul style="list-style-type: none"> <li>• Reduce duty on Motor Cycles from 15% to 5%.</li> </ul>
4. Bicycles	<ul style="list-style-type: none"> <li>• Reduce duty on Bicycles from 5% to 0%.</li> </ul>



<b>Policy</b>	<b>Description</b>
5. Vehicles (Mini Bus)	<ul style="list-style-type: none"> <li>Reduce duty on vehicles carrying 10-22 passengers from 32% to 5%.</li> </ul>
6. New tyres	<ul style="list-style-type: none"> <li>Reduce duty on new tyres from 32% to 5%.</li> </ul>
7. Second hand tyres	<ul style="list-style-type: none"> <li>Increase duty on second hand tyres from \$16/tyre to \$30/tyre.</li> </ul>
8. Tea	<ul style="list-style-type: none"> <li>Reduce duty on tea from 15% to 5%.</li> </ul>
9. Testing kits & diabetic strips	<ul style="list-style-type: none"> <li>Reduce duty from 5% to zero duty on testing kits and diabetic strips.</li> </ul>
10. Fire safety equipment	<ul style="list-style-type: none"> <li>Remove duty on fire safety awareness equipment.</li> </ul>
11. Diagnostic equipment	<ul style="list-style-type: none"> <li>Diagnostic equipment to be duty free. Examples include lab diagnostic equipment, blood test and other related equipment.</li> </ul>
12. Solar batteries	<ul style="list-style-type: none"> <li>Batteries imported with the electrification equipment attract duty free, otherwise, normal rate of duty will apply.</li> </ul>
13. Electrical junction and mounting blocks	<ul style="list-style-type: none"> <li>Increase fiscal duty from 15% to 32% on electrical mounting block, electrical wall box, electrical junction box and PVC cable ducting.</li> </ul>
14. Air Compressors	<ul style="list-style-type: none"> <li>Align import duty of 5% on all types of air compressors.</li> </ul>
15. Electric Cables	<ul style="list-style-type: none"> <li>Reduce duty for electrical cables not manufactured locally from 32% to 5%.</li> <li>New item to be added in concession code 124 for cables not manufactured locally.</li> </ul>
16. Sewing machines	<ul style="list-style-type: none"> <li>Removal of duties on sewing machines, spare parts and, consumables (buttons, fasteners, needles, zippers, fabrics).</li> </ul>
17. Auto Rickshaws (tuktuk) – three wheeler vehicle	<ul style="list-style-type: none"> <li>Reduce fiscal duty (from 32% to 5%).</li> </ul>
18. Pre-printed paper for corrugated box	<ul style="list-style-type: none"> <li>Increase import duty rate from 5 % to 32% on imported pre-printed paper for corrugated box for manufacturing purposes</li> </ul>
19. Downtown Duty Free	<ul style="list-style-type: none"> <li>Introduce the Downtown Duty Free Concession.</li> </ul>
20. Kayaks	<ul style="list-style-type: none"> <li>Reduced duty on kayaks from 32% to 5%.</li> </ul>
21. Packaging materials in rolls (printed and unprinted films in rolls)	<ul style="list-style-type: none"> <li>Duty protection rate on packaging materials in rolls (printed and unprinted films in rolls).</li> </ul>
22. Day old chicks	<ul style="list-style-type: none"> <li>Reduce from 5% to zero.</li> </ul>
23. Fertile Eggs	<ul style="list-style-type: none"> <li>Reduce from 32% to zero.</li> </ul>
24. Under pants and briefs	<ul style="list-style-type: none"> <li>Reduce duty from 32% to 5%.</li> </ul>

<b>Policy</b>	<b>Description</b>
25. Baby Garments	<ul style="list-style-type: none"> <li>• Reduce duty from 32% to 5%.</li> </ul>
26. Luxury Goods	<ul style="list-style-type: none"> <li>• Reduce duty from 32% to 15% on the following luxury goods: <ul style="list-style-type: none"> <li>❖ Perfume</li> <li>❖ Beauty or makeup preparation for care of skin</li> <li>❖ Pre-shave, shaving or after shave preparations</li> <li>❖ Cameras and camcorders</li> <li>❖ Sunglass</li> <li>❖ Binoculars</li> <li>❖ Video &amp; electronic games</li> <li>❖ Watches</li> <li>❖ IPod, MP3 and MP4 players</li> <li>❖ Jewellery</li> </ul> </li> </ul>
27. Deodorants	<ul style="list-style-type: none"> <li>• Reduce duty from 15% to 5%.</li> </ul>
28. Wireless Modem	<ul style="list-style-type: none"> <li>• Reduce duty from 5% to zero.</li> </ul>
29. Fabrics	<ul style="list-style-type: none"> <li>• Reduce duty from 5% to zero.</li> </ul>
30. <b>Note:</b> Some of the goods on which concession code is applicable has now been accommodated in the Customs Tariff such as duty reductions on day old chicks, fertile eggs, yachts and vessels for cargo, passenger vessels, etc.	

#### (vi) Import Excise Duty Changes

<b>Policy</b>	<b>Description</b>
1. Vehicles	<ul style="list-style-type: none"> <li>• Reduce import excise on vehicles carrying 10-22 passengers from 15% to 5%.</li> </ul>
2. Quad Bikes	<ul style="list-style-type: none"> <li>• Reduce import excise on Quad Bikes from 15% to 5%.</li> </ul>
3. Auto Rickshaws	<ul style="list-style-type: none"> <li>• Reduce import excise from 15% to zero for Auto Rickshaws (tuktuk) – three wheeler vehicle.</li> </ul>

#### (vii) Local Excise Duty Changes

<b>Policy</b>	<b>Description</b>
1. Tobacco and alcohol	<ul style="list-style-type: none"> <li>• Increase excise tax on tobacco &amp; alcohol by 12.5%</li> <li>• Impose 6% Health Levy</li> </ul>
2. Sugar Sweetened Drinks	<ul style="list-style-type: none"> <li>• Increase Health tax on Sugar Sweetened Drinks from 5 cents/litre to 10 cents/litre.</li> </ul>

#### 2016 local excise rates for tobacco and alcohols as follows:

<b>Description</b>	<b>2015 Rate</b>	<b>2016 Rate</b>
Ale, Beer, Stout and other fermented liquors	\$1.90/litre	\$2.25/litre

<b>Description</b>	<b>2015 Rate</b>	<b>2016 Rate</b>
of an alcoholic strength of 3% or less		
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.22/litre	\$2.63/litre
Potable Spirit Not Exceeding 57.12 GL	\$41.88/litre	\$49.63/litre
Potable Spirit Exceeding 57.12 GL	\$73.33/litre	\$86.90/litre
Wine: Still	\$2.95/litre	\$3.50/litre
Sparkling	\$3.37/litre	\$3.99/litre
Other fermented beverages: Still	\$2.95/litre	\$3.50/litre
Sparkling	\$3.37/litre	\$3.99/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.36/litre	\$1.61/litre
Cigarettes from local tobacco per 10 sticks	128.69 cents	152.50 cents
Cigarette from imported tobacco per 10 sticks	193.03 cents	228.74 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$111.22/kg	\$131.80/kg
Manufactured tobacco containing tobacco grown in Fiji	\$65.34/kg	\$77.43/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
Tobacco grown outside Fiji	\$111.22/kg	\$131.80/kg
Tobacco grown in Fiji	\$65.34/kg	\$77.43/kg

**(viii) Customs Legislation Changes**

<b>Policy</b>	<b>Description</b>
1. Section 95 amendments	<ul style="list-style-type: none"> <li>Section 95 of the Customs Act to include powers for Comptroller to dispose goods that are placed under lien for recovery of duty/penalty.</li> <li>Goods which are subject to lien can be disposed in manner to be determined by Comptroller for the recovery of duty/penalty (Section 95A1).</li> </ul>
2. Refunds (Section 96)	<ul style="list-style-type: none"> <li>Comptroller may waive underpayments, if the amount underpaid does not exceed \$10 (to align with the proposed changes in TAD).</li> </ul>
3. Extension of time to pay tax (New Section 101B)	<ul style="list-style-type: none"> <li>New provision to allow payment arrangement of duty equivalent to Section 25 of TAD.</li> <li>This will only apply when at the conclusion investigation and audit there is a duty shortfall and the importer will make a request in writing for extension of time to pay duty and penalty.</li> </ul>

<b>Policy</b>	<b>Description</b>
4. Prepayments (Section 92)	<ul style="list-style-type: none"> <li>• Allows importer to make payments in advance before importation of goods. When goods are finally imported then advance payments will be deducted for the payment of duty.</li> </ul>
5. Deferred Payment	<ul style="list-style-type: none"> <li>• Goods are cleared from Customs control and the payment of duty will be made in instalments, subject to importers compliance level. If they do not honour the payment arrangements then the late payment penalty will apply.</li> </ul>
6. Customs Dog (New Provision)	<ul style="list-style-type: none"> <li>• Gives power to Customs to use Customs dog to carry out searches and related matters. The new provisions: <ul style="list-style-type: none"> <li>❖ Set out offences relating to obstruction of Customs dog carrying out its duty.</li> <li>❖ Customs dog to be included in search warrants.</li> </ul> </li> </ul>
7. Customs Act and Excise Act	<ul style="list-style-type: none"> <li>• All warehouses to be Occupational Health and Safety (OHS) compliant and National Fire Authority compliant.</li> </ul>
8. Vehicle Imports	<ul style="list-style-type: none"> <li>• All new vehicles will now be EURO 4 compliant and second hand vehicles will be EURO 4 but less than 5 years of manufacture for unleaded and diesel and less than 8 years for LPG, CNG, Solar, Electric and Hybrid vehicles.</li> </ul>

## APPENDICES

**Table 1: Real Gross Domestic Product by Sector (\$M) 2011-2018**

Activity	Base Weight	2011	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
<b>AGRICULTURE</b>	<b>8.2</b>	<b>472.6</b>	<b>465.2</b>	<b>497.1</b>	<b>485.4</b>	<b>493.2</b>	<b>512.8</b>	<b>531.1</b>	<b>550.5</b>
General Government	0.1	8.2	7.7	8.7	10.1	10.4	10.4	10.4	10.4
Subsistence	2.7	152.5	153.3	154.5	153.3	153.9	154.5	155.1	155.8
Formal Non-Government Agriculture	4.8	274.2	266.4	295.7	284.1	290.8	309.7	327.2	345.9
Taro	0.7	39.7	35.3	51.4	36.6	36.6	40.3	42.3	44.4
Sugarcane	1.2	69.4	42.5	44.2	50.3	49.2	54.1	59.5	65.5
<b>FORESTRY AND LOGGING</b>	<b>0.6</b>	<b>32.6</b>	<b>32.0</b>	<b>40.6</b>	<b>48.4</b>	<b>47.7</b>	<b>47.8</b>	<b>47.9</b>	<b>47.9</b>
<b>FISHING AND AQUACULTURE</b>	<b>2.1</b>	<b>118.7</b>	<b>114.5</b>	<b>115.3</b>	<b>116.9</b>	<b>118.8</b>	<b>120.6</b>	<b>122.5</b>	<b>124.4</b>
Formal Non-Government Fishing and Aquaculture	1.3	73.8	69.7	69.5	70.7	72.2	73.8	75.5	77.2
<b>MINING &amp; QUARRYING</b>	<b>1.6</b>	<b>90.0</b>	<b>84.8</b>	<b>58.4</b>	<b>57.1</b>	<b>60.9</b>	<b>63.7</b>	<b>66.6</b>	<b>69.7</b>
<b>MANUFACTURING</b>	<b>14.1</b>	<b>807.1</b>	<b>791.6</b>	<b>838.2</b>	<b>855.5</b>	<b>873.3</b>	<b>903.3</b>	<b>934.3</b>	<b>967.0</b>
Informal manufacturing	3.0	174.1	173.7	174.3	174.1	175.7	177.3	178.9	180.5
Manufacture of food and beverages	5.2	298.2	286.7	307.0	318.8	322.4	339.3	356.6	375.2
Sugar	1.0	56.2	43.2	81.3	92.5	88.0	96.9	106.5	117.1
Mineral water	0.5	29.5	16.4	10.4	12.4	13.1	13.7	14.4	15.1
Non Food Products	4.9	284.0	278.5	301.0	304.4	315.8	326.3	337.2	348.5
Wearing apparel	1.0	59.2	52.2	59.8	58.8	61.7	64.8	68.1	71.5
<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>1.9</b>	<b>109.3</b>	<b>114.1</b>	<b>121.1</b>	<b>121.6</b>	<b>122.9</b>	<b>126.5</b>	<b>130.3</b>	<b>134.3</b>
<b>WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>0.3</b>	<b>18.5</b>	<b>19.2</b>	<b>19.6</b>	<b>20.7</b>	<b>21.3</b>	<b>22.0</b>	<b>22.6</b>	<b>23.3</b>
<b>CONSTRUCTION</b>	<b>2.7</b>	<b>153.7</b>	<b>142.4</b>	<b>165.7</b>	<b>180.6</b>	<b>206.5</b>	<b>224.5</b>	<b>240.8</b>	<b>252.9</b>
Formal Non-Government Construction	1.6	90.3	95.9	116.0	130.0	153.4	168.8	182.3	191.4
<b>WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES</b>	<b>11.7</b>	<b>669.2</b>	<b>674.6</b>	<b>696.4</b>	<b>704.6</b>	<b>731.7</b>	<b>754.1</b>	<b>773.2</b>	<b>794.9</b>
Informal WRT	3.3	190.8	191.4	191.1	190.8	192.5	194.2	196.0	199.7
Formal Non-Government WRT	8.3	478.4	483.1	505.3	513.9	539.2	559.8	577.2	595.2
<b>TRANSPORT AND STORAGE</b>	<b>6.3</b>	<b>359.3</b>	<b>388.9</b>	<b>451.2</b>	<b>569.8</b>	<b>609.0</b>	<b>644.0</b>	<b>670.0</b>	<b>697.2</b>
Formal Non-Government Transport & Storage	5.9	338.3	367.2	428.9	546.3	585.6	620.3	646.1	673.2

Activity	Base Weight	2011	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
Land Transport	1.2	70.1	58.1	68.3	71.6	73.8	75.2	76.7	78.3
Water & air transport	2.3	129.8	152.9	212.5	317.1	348.8	376.8	395.6	415.4
<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>6.4</b>	<b>369.5</b>	<b>370.6</b>	<b>380.4</b>	<b>393.2</b>	<b>422.6</b>	<b>442.4</b>	<b>463.2</b>	<b>485.0</b>
Formal Non-Government Accommodation and Food Service Activities	6.3	359.1	360.2	370.0	382.7	412.1	431.8	452.6	474.3
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	318.7	320.8	331.9	344.8	372.4	391.0	410.6	431.1
<b>INFORMATION AND COMMUNICATION</b>	<b>5.9</b>	<b>340.7</b>	<b>347.1</b>	<b>357.3</b>	<b>368.3</b>	<b>382.0</b>	<b>395.5</b>	<b>409.4</b>	<b>423.9</b>
Formal Non-Government Information and Communication	5.8	334.8	340.0	350.2	360.3	374.1	387.6	401.5	415.9
Wired telecommunications activities	1.4	82.4	79.5	81.0	81.3	83.0	84.6	86.3	88.0
Wireless telecommunications activities	3.0	169.8	169.8	171.2	176.3	185.1	194.4	204.1	214.3
<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>9.2</b>	<b>528.7</b>	<b>527.5</b>	<b>557.3</b>	<b>629.5</b>	<b>662.0</b>	<b>687.2</b>	<b>709.8</b>	<b>733.3</b>
Central banking	0.2	11.8	11.9	12.2	12.2	12.5	12.7	13.0	13.2
Other monetary intermediation	4.1	235.3	247.7	253.3	306.7	328.1	344.5	358.3	372.7
Activities of holding companies	1.6	92.8	93.8	90.4	96.4	98.3	100.3	102.3	104.3
<b>REAL ESTATE ACTIVITIES</b>	<b>5.0</b>	<b>287.5</b>	<b>291.5</b>	<b>296.2</b>	<b>297.5</b>	<b>301.1</b>	<b>304.8</b>	<b>308.6</b>	<b>312.6</b>
Owner Occupied Dwellings	3.9	225.5	227.2	229.7	229.9	230.8	231.7	232.7	233.6
<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>2.2</b>	<b>128.0</b>	<b>136.8</b>	<b>147.7</b>	<b>153.0</b>	<b>160.5</b>	<b>166.9</b>	<b>172.9</b>	<b>179.1</b>
<b>ADMINISTRATIVE AND SUPPORT SERVICES</b>	<b>2.3</b>	<b>132.9</b>	<b>141.6</b>	<b>137.2</b>	<b>140.2</b>	<b>144.2</b>	<b>147.6</b>	<b>151.2</b>	<b>154.8</b>
<b>PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY</b>	<b>7.6</b>	<b>437.4</b>	<b>484.7</b>	<b>509.6</b>	<b>549.2</b>	<b>571.3</b>	<b>582.5</b>	<b>592.4</b>	<b>602.4</b>
General Public administrative activities	2.8	162.2	182.3	186.7	200.7	208.7	212.9	217.2	221.5
Defence activities	2.0	113.1	126.3	132.9	147.4	151.9	154.9	156.5	158.0
Public order and safety activities	2.4	135.2	143.9	154.0	162.3	170.4	173.8	177.3	180.8
<b>EDUCATION</b>	<b>7.1</b>	<b>409.6</b>	<b>420.8</b>	<b>435.8</b>	<b>452.7</b>	<b>465.0</b>	<b>476.0</b>	<b>485.7</b>	<b>495.6</b>

Activity	Base Weight	2011	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>2.4</b>	<b>138.0</b>	<b>136.6</b>	<b>134.3</b>	<b>136.3</b>	<b>142.6</b>	<b>145.5</b>	<b>148.4</b>	<b>151.4</b>
<b>ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES</b>	<b>0.4</b>	<b>21.6</b>	<b>22.5</b>	<b>22.6</b>	<b>22.6</b>	<b>23.0</b>	<b>23.3</b>	<b>23.7</b>	<b>24.1</b>
<b>OTHER SERVICE ACTIVITIES</b>	<b>2.0</b>	<b>113.9</b>	<b>112.8</b>	<b>113.2</b>	<b>114.6</b>	<b>116.1</b>	<b>117.5</b>	<b>118.8</b>	<b>120.2</b>
<b>GRAND TOTAL</b>	<b>100.0</b>	<b>5,738.8</b>	<b>5,819.8</b>	<b>6,095.4</b>	<b>6,417.8</b>	<b>6,675.6</b>	<b>6,908.5</b>	<b>7,123.3</b>	<b>7,344.2</b>

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

**Table 2: Real GDP Growth (% change) by Sector 2012-2018**

Activity	Base Weight	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
<b>AGRICULTURE</b>	<b>8.2</b>	<b>-1.6</b>	<b>6.8</b>	<b>-2.4</b>	<b>1.6</b>	<b>4.0</b>	<b>3.6</b>	<b>3.7</b>
General Government	0.1	-6.2	12.8	15.3	3.0	0.0	0.0	0.0
Subsistence	2.7	0.5	0.8	-0.8	0.4	0.4	0.4	0.4
Formal Non-Government Agriculture	4.8	-2.8	11.0	-3.9	2.4	6.5	5.7	5.7
Taro	0.7	-11.1	45.5	-28.8	0.0	10.0	5.0	5.0
Sugarcane	1.2	-38.8	4.1	13.8	-2.3	10.0	10.0	10.0
<b>FORESTRY AND LOGGING</b>	<b>0.6</b>	<b>-1.7</b>	<b>26.9</b>	<b>19.1</b>	<b>-1.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>FISHING AND AQUACULTURE</b>	<b>2.1</b>	<b>-3.6</b>	<b>0.7</b>	<b>1.4</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
Formal Non-Government Fishing and Aquaculture	1.3	-5.5	-0.4	1.7	2.2	2.2	2.2	2.2
<b>MINING &amp; QUARRYING</b>	<b>1.6</b>	<b>-5.7</b>	<b>-31.1</b>	<b>-2.4</b>	<b>6.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
<b>MANUFACTURING</b>	<b>14.1</b>	<b>-1.9</b>	<b>5.9</b>	<b>2.1</b>	<b>2.1</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
Informal Manufacturing	3.0	-0.2	0.4	-0.1	0.9	0.9	0.9	0.9
Manufacture of food and beverages	5.2	-3.8	7.1	3.9	1.1	5.2	5.1	5.2
Sugar	1.0	-23.1	88.3	13.8	-4.9	10.0	10.0	10.0
Mineral water	0.5	-44.5	-36.8	20.0	5.0	5.0	5.0	5.0
<b>Non Food Products</b>	<b>4.9</b>	<b>-2.0</b>	<b>8.1</b>	<b>1.1</b>	<b>3.8</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>
Wearing apparel	1.0	-11.8	14.5	-1.7	5.0	5.0	5.0	5.0
<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	<b>1.9</b>	<b>4.4</b>	<b>6.1</b>	<b>0.4</b>	<b>1.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	<b>0.3</b>	<b>4.0</b>	<b>2.1</b>	<b>5.4</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>
<b>CONSTRUCTION</b>	<b>2.7</b>	<b>-7.4</b>	<b>16.4</b>	<b>9.0</b>	<b>14.4</b>	<b>8.7</b>	<b>7.3</b>	<b>5.0</b>
Formal Non-Government Construction	1.6	6.3	20.9	12.1	18.0	10.0	8.0	5.0
<b>WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES</b>	<b>11.7</b>	<b>0.8</b>	<b>3.2</b>	<b>1.2</b>	<b>3.8</b>	<b>3.1</b>	<b>2.5</b>	<b>2.8</b>
Informal WRT	3.3	0.3	-0.2	-0.2	0.9	0.9	0.9	1.9
Formal Non-Government WRT	8.3	1.0	4.6	1.7	4.9	3.8	3.1	3.1
<b>TRANSPORT AND STORAGE</b>	<b>6.3</b>	<b>8.2</b>	<b>16.0</b>	<b>26.3</b>	<b>6.9</b>	<b>5.7</b>	<b>4.0</b>	<b>4.1</b>
Formal Non-Government Transport & Storage	5.9	8.5	16.8	27.4	7.2	5.9	4.2	4.2
Land Transport	1.2	-17.1	17.5	4.8	3.0	2.0	2.0	2.0
Water & air transport	2.3	17.7	39.0	49.3	10.0	8.0	5.0	5.0
<b>ACCOMODATION AND FOOD SERVICE ACTIVITIES</b>	<b>6.4</b>	<b>0.3</b>	<b>2.6</b>	<b>3.4</b>	<b>7.5</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>
Formal Non-	6.3	0.3	2.7	3.4	7.7	4.8	4.8	4.8



Activity	Base Weight	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
<b>Government Accommodation and Food Service Activities</b>								
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	0.6	3.5	3.9	8.0	5.0	5.0	5.0
<b>INFORMATION AND COMMUNICATION</b>	<b>5.9</b>	<b>1.9</b>	<b>2.9</b>	<b>3.1</b>	<b>3.7</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Formal Non-Government Information and Communication</b>	<b>5.8</b>	<b>1.6</b>	<b>3.0</b>	<b>2.9</b>	<b>3.8</b>	<b>3.6</b>	<b>3.6</b>	<b>3.6</b>
Wired telecommunication activities	1.4	-3.6	2.0	0.4	2.0	2.0	2.0	2.0
Wireless telecommunications activities	3.0	0.0	0.8	3.0	5.0	5.0	5.0	5.0
<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	<b>9.2</b>	<b>-0.2</b>	<b>5.7</b>	<b>13.0</b>	<b>5.2</b>	<b>3.8</b>	<b>3.3</b>	<b>3.3</b>
Central banking	0.2	1.0	2.9	0.0	2.0	2.0	2.0	2.0
Other monetary intermediation	4.1	5.3	2.2	21.1	7.0	5.0	4.0	4.0
Activities of holding companies	1.6	1.0	-3.7	6.7	2.0	2.0	2.0	2.0
<b>REAL ESTATE ACTIVITIES</b>	<b>5.0</b>	<b>1.4</b>	<b>1.6</b>	<b>0.4</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>
<b>Owner Occupied Dwellings</b>	<b>3.9</b>	<b>0.7</b>	<b>1.1</b>	<b>0.1</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
<b>PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	<b>2.2</b>	<b>6.9</b>	<b>8.0</b>	<b>3.6</b>	<b>4.9</b>	<b>4.0</b>	<b>3.6</b>	<b>3.6</b>
<b>ADMINISTRATIVE AND SUPPORT SERVICES</b>	<b>2.3</b>	<b>6.6</b>	<b>-3.1</b>	<b>2.2</b>	<b>2.8</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
<b>PUBLIC ADMINISTRATION AND DEFENCE; OMPULSORY SOCIAL SECURITY</b>	<b>7.6</b>	<b>10.8</b>	<b>5.1</b>	<b>7.8</b>	<b>4.0</b>	<b>2.0</b>	<b>1.7</b>	<b>1.7</b>
General public administrative activities	2.8	12.4	2.4	7.5	4.0	2.0	2.0	2.0
Defence activities	2.0	11.7	5.3	10.9	3.0	2.0	1.0	1.0
Public order and safety activities	2.4	6.4	7.0	5.4	5.0	2.0	2.0	2.0
<b>EDUCATION</b>	<b>7.1</b>	<b>2.7</b>	<b>3.6</b>	<b>3.9</b>	<b>2.7</b>	<b>2.4</b>	<b>2.0</b>	<b>2.0</b>
<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	<b>2.4</b>	<b>-1.0</b>	<b>-1.7</b>	<b>1.5</b>	<b>4.6</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>ARTS, ENTERTAINMENT AND CREATION ACTIVITIES</b>	<b>0.4</b>	<b>4.1</b>	<b>0.3</b>	<b>0.0</b>	<b>1.8</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
<b>OTHER SERVICE ACTIVITIES</b>	<b>2.0</b>	<b>-1.0</b>	<b>0.3</b>	<b>1.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>GRAND TOTAL</b>	<b>100.0</b>	<b>1.4</b>	<b>4.7</b>	<b>5.3</b>	<b>4.0</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>

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

**Table 3: Total Exports by Major Commodities (\$M) 2010-2018**

COMMODITIES	2010	2011	2012	2013 (p)	2014 (p)	2015 (f)	2016 (f)	2017 (f)	2018 (f)
Sugar	70.1	113.3	155.7	159.6	201.4	160.4	191.8	213.3	236.8
Molasses	23.1	30.4	13.5	15.6	17.3	18.5	16.9	20.4	23.0
Gold	148.4	143.0	132.2	101.0	91.0	100.7	103.0	108.8	115.3
Timber, Cork & Wood	79.6	62.1	70.8	81.3	90.5	101.6	102.1	102.1	102.1
Fish <sup>9</sup>	243.8	272.3	335.7	263.3	302.0	360.6	367.8	386.6	406.6
Fruits & Vegetables	37.6	43.9	39.1	42.8	39.2	37.4	38.2	38.9	39.7
o/w Dalo	23.8	22.3	23.5	23.9	21.7	21.1	21.5	22.0	22.6
Yaqona	3.9	5.7	6.6	6.6	7.6	7.9	8.2	8.5	8.8
Coconut Oil	5.5	6.8	7.3	2.8	5.2	5.2	5.5	5.8	6.1
Textiles, Yarn & Made Up Articles	8.8	9.4	8.8	7.0	7.6	8.1	8.5	8.9	9.4
Garments	99.3	93.5	92.9	107.0	101.1	107.2	112.5	118.2	124.1
Footwear	1.9	1.5	1.2	1.4	1.5	1.4	1.5	1.5	1.6
Mineral Water	119.2	127.5	160.6	156.4	186.3	195.6	205.4	215.7	226.4
Other Domestic Export	261.2	283.6	337.7	266.8	277.6	324.7	338.2	351.5	366.0
Re- Exports (excl fish)	542.5	901.2	1143.6	1068.1	1196.8	1165.3	1128.9	1210.6	1277.8
<b>Total Exports</b>	<b>1605.2</b>	<b>1924.9</b>	<b>2243.4</b>	<b>2111.5</b>	<b>2302.2</b>	<b>2326.3</b>	<b>2355.8</b>	<b>2502.2</b>	<b>2638.0</b>
<b>Total Exports excl. Aircraft</b>	<b>1,605.4</b>	<b>1,924.9</b>	<b>2,181.7</b>	<b>2,056.5</b>	<b>2,292.8</b>	<b>2,316.6</b>	<b>2,355.8</b>	<b>2,502.2</b>	<b>2,638.0</b>

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

**Table 4: Total Imports by Category (\$M) 2010-2018**

ECONOMIC CATEGORY	2010	2011	2012	2013 (p)	2014 (p)	2015 (f)	2016 (f)	2017 (f)	2018 (f)
Food	573.1	730.2	765.0	743.2	784.9	44.2	900.5	953.4	1,009.5
Beverage & Tobacco	31.3	33.5	32.1	36.0	33.6	46.4	36.0	47.0	52.7
Crude Materials	30.3	30.6	40.8	48.9	45.0	1,125.7	47.8	49.3	50.7
Mineral Fuels	1,100.5	1,165.7	1,212.0	1,219.9	1,392.7	45.7	1,028.8	1,138.2	1,211.9
Oil & Fats	29.9	47.1	48.3	43.7	45.2	396.7	48.1	50.5	53.2
Chemicals	294.2	301.5	325.4	337.9	363.6	652.2	421.3	446.1	472.3
Manufactured Goods	467.1	465.3	507.8	560.0	599.8	1,271.3	692.8	733.4	776.6
Machinery & Transport Equipment	625.7	839.2	765.8	1,822.3	1,340.6	77.8	1,362.0	1,442.0	1,526.8
Aircraft Imports	5.3	72.4	14.5	816.2	145.1	77.8	5.6	8.2	-
Miscellaneous Manufactured Goods	297.2	282.7	307.0	358.6	376.8	387.2	422.1	446.9	473.2
Other Commodities	15.4	17.9	26.4	28.4	30.4	33.8	35.3	37.4	39.6
<b>Total Imports</b>	<b>3,464.7</b>	<b>3,913.7</b>	<b>4,030.6</b>	<b>5,198.9</b>	<b>5,012.6</b>	<b>4,863.0</b>	<b>5,006.0</b>	<b>5,347.0</b>	<b>5,666.0</b>
<b>Total Imports Excl. Aircraft</b>	<b>3,459.4</b>	<b>3,841.3</b>	<b>4,016.1</b>	<b>4,382.7</b>	<b>4,867.5</b>	<b>4,785.6</b>	<b>5,000.1</b>	<b>5,338.8</b>	<b>5,666.4</b>

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

<sup>9</sup> Total Fish = Fish Exports + Fish Re-exports

**Table 5: Balance of Payments (\$M) 2010-2018**

ITEMS	2010	2011(r)	2012(r)	2013(r)	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
<b>BALANCE ON GOODS</b>	-1,406.1	-1,512.5	-1,378.1	-2,149.5	-1,940.2	-1,747.1	-1,906.0	-2,053.8	-2,058.6
exports f.o.b	1,581.6	1,915.4	2,156.4	2,095.8	2,279.4	2,302.7	2,331.4	2,477.9	2,755.4
imports f.o.b	2,987.7	3,428.0	3,534.5	4,245.3	4,219.6	4,049.7	4,237.5	4,531.7	4,814.0
<b>BALANCE ON SERVICES</b>	1,041.3	1,131.3	1,160.4	1,160.7	1,260.7	1,299.0	1,337.0	1,357.8	1,383.8
Export of Services	1,902.8	2,097.0	2,188.3	2,276.6	2,410.0	2,461.2	2,512.9	2,570.9	2,609.1
Import of Services	861.5	965.8	1,027.9	1,115.9	1,149.3	1,162.2	1,175.9	1,213.0	1,225.3
<b>BALANCE ON PRIMARY INCOME</b>	-193.6	-204.6	-255.1	-148.3	-375.5	-459.0	-441.4	-441.1	-443.5
Income from non-residents	147.0	177.2	134.9	161.9	111.4	116.0	118.8	121.6	121.6
Income to non-residents	340.6	381.8	390.0	310.2	486.9	575.0	560.1	562.7	565.1
<b>BALANCE ON SECONDARY INCOME</b>	286.5	256.8	378.1	376.7	440.4	558.7	616.8	690.0	690.0
Inflow of current transfers	388.0	362.9	496.6	512.8	580.4	695.7	753.8	820.7	820.7
Outflow of current transfers.	101.5	106.1	118.5	136.1	140.0	137.1	137.1	130.7	130.7
<b>CURRENT ACCOUNT BALANCE</b>	-281.1	-329.2	-94.7	-760.4	-614.6	-348.4	-393.6	-447.2	-428.4
<b>CAPITAL ACCOUNT BALANCE</b>	5.6	10.6	7.1	8.9	8.1	8.1	8.1	8.1	8.1
<b>FINANCIAL ACCOUNT BALANCE (Excluding RA)</b>	556.3	846.4	600.3	750.6	994.0	710.2	722.0	696.1	707.3
<b>Errors &amp; Omissions</b>	-21.6	-318.7	-391.1	141.0	-351.1	-270.0	-436.5	-357.0	-337.0
<b>RESERVE ASSETS</b>	259.2	209.1	121.6	140.1	36.4	100.0	-100.0	-100.0	-50.0

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

**Table 6: Tourism Statistics, 2010 – 2018**

	2010	2011	2012	2013(r)	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
Visitors (000's)	631,868	675,050	660,590	657,707	692,630	748,040	785,442	824,715	865,950
Average length of stay (days)	9.6	9.4	9.4	9.5	9.5	9.5	9.5	9.5	9.5
Visitors days (millions)	6.0	6.3	6.3	6.1	6.5	6.5	6.5	6.5	6.5
Earnings (F\$M)	1,194.4	1,286.4	1,300.0	1,318.2	1,404.6	1,488.9	1,548.4	1,610.4	1,674.8

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

**Table 7: Sugar Production, Export and Price 2010 – 2018**

	2010	2011	2012	2013(r)	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
Export Quantity Sugar (000 tonnes)	96.0	123.1	138.0	112.9	204.6	190.6	212.2	235.9	262.0
Unit Value (F\$/tonne)	727.0	920.3	1129.2	1413.6	984.4	841.6	904.0	904.0	904.0
Sugar Export Earnings (F\$M)	70.1	113.3	155.7	159.6	201.4	160.4	191.8	213.3	236.8
Molasses Production (000 tonnes)	106.9	132.2	65.0	64.9	66.9	70.7	71.6	85.2	95.0
Molasses Export Earnings (F\$M)	23.1	30.4	13.5	15.6	17.3	18.5	16.9	20.4	23.0

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

**Table 8: Inflation Rates (%) (2011 –2015)**

	2011	2012	2013	2014	2015(Sept)
All items	6.4	2.7	3.4	0.1	1.5
Food and Non Alcoholic Beverage	10.7	3.8	5.1	1.5	5.3
Alcoholic Beverages, Tobacco and Narcotics	9.4	11.6	6.1	14.3	8.6
Clothing & Footwear	1.5	0.5	3.3	0.5	2.2
Housing, Water, Elec., Gas and Other Fuels	2.1	1.2	0.9	-1.5	-4.7
Furnishings Household Equip. & Routine Household Maint.	4.0	-0.5	2.9	1.6	0.2
Health	4.8	7.0	2.1	4.4	2.1
Transport	10.9	0.6	-0.1	-2.2	-3.3
Communications	-0.4	-0.5	0.0	0.1	0.1
Recreation & Culture	-0.6	1.0	7.6	-1.1	0.5
Education	0.9	1.0	6.5	-17.1	0.0
Restaurant & Hotels	4.7	10.5	8.4	3.5	1.5
Miscellaneous Goods & Services	0.1	-0.2	-0.3	1.3	3.9

(Source: Fiji Bureau of Statistics (2011 Base))

**Table 9: Employment by Sector 2000-2009 (in thousands of persons)**

ECONOMIC ACTIVITY	2000	2003	2004	2005	2006	2007(r)	2009(r)
Agriculture, Forestry Fishing	1.8	1.7	1.6	1.4	1.6	1.3	1.3
Mining & Quarrying	1.7	1.9	2.4	1.9	2.2	0.2	2.6
Manufacturing	28.5	25.5	25.0	25.5	27.2	22.1	21.8
Electricity, Water & Gas	2.6	2.3	2.2	2.7	2.3	2.3	2.1
Construction	2.7	6.4	7.2	8.5	9.3	8.6	7.4
Distribution (incl. Tourism)	22.1	25.8	26.7	27.2	30.2	31.0	29.6
Transport & Communication	11.3	10.7	9.9	9.2	10.8	9.8	10.5
Finance, Insurance & Business Services	5.7	7.8	8.1	7.8	9.4	8.5	8.8
Other Services	39.3	37.9	39.0	41.0	41.9	43.0	41.0
<b>Total</b>	<b>115.8</b>	<b>119.9</b>	<b>122.0</b>	<b>125.2</b>	<b>134.9</b>	<b>126.7</b>	<b>125.1</b>

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

(Note: Due to low response rate, figures for the years 2001 were not compiled. No survey was conducted in 2002.)

**Table 10: Employment by Sector 2010-2011 (in thousands of persons)**

<b>ECONOMIC ACTIVITY</b>	<b>2010(r)</b>	<b>2011(r)</b>
Agriculture, Forestry Fishing	2.2	2.3
Mining & Quarrying	0.9	1.5
Manufacturing	20.9	21.0
Electricity, Gas & Air Conditioning Supply	0.7	0.8
Water Supply; Sewerage, waste management and Remediation activity	1.3	1.9
Construction	6.4	6.1
Wholesale and Retail; Repair of motor vehicles and motor cycle	20.7	21.4
Transport and Storage	8.2	8.7
Accommodation and Food Services	13.5	13.6
Information and Communication	2.2	2.7
Financial and Insurance activities	3.8	3.7
Real Estate Activities	1.0	1.1
Professional Scientific and Technical Activities	3.1	3.8
Admin and Support Services Activities	6.0	6.5
Public admin and defence compulsory social security	13.8	13.9
Education	14.8	15.4
Human Health and social work activities	4.9	5.2
Arts, Entertainment and recreation	0.5	0.5
Other Service Activities	1.4	1.5
Activities of household as employers; undifferentiated	0.1	0.1
<b>Total</b>	<b>126.6</b>	<b>131.6</b>

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

(Note: The change in the classification of industries is derived from the Fiji Standard Industrial Classification (FSIC) 2010 which was enhanced to suit and reflect Fiji's current economic phenomena.)

**Table 11: Exchange Control Relaxations**

The following relaxations will be effective from 1 January 2016:

<b>Payments</b>	<b>Current Limit</b>	<b>New Delegated Limit</b>
Advance import payment	Up to \$500,000 per invoice	\$1 million per invoice
Deposits into External Accounts <ul style="list-style-type: none"><li>• Reimbursement/living allowance/fees/bonds</li></ul>	Up to \$500 per month	\$2,000 month.
Loan repayments	Up to \$500,000 per amount due as scheduled	\$1 million per amount due as scheduled
Offshore Investment by Fiji residents	\$15,000 per family per annum	\$25,000 per family per annum