REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE
SUPPLEMENT TO THE 2019-2020 BUDGET ADDRESS

Rerevaka na Kalou ka doka na Tui

Ministry of Economy
7 June 2019

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FOREWORD

The 2019-2020 Supplement to the Budget Address provides an overview of Fiji’s current macroeconomic and fiscal position and projections for the next three years. It also outlines Government’s overall fiscal strategy and direction for the medium term, which is geared towards achieving inclusive economic growth and fiscal sustainability.

This report was compiled by the Ministry of Economy in consultation with Government ministries, the Fiji Revenue and Customs Service, the Reserve Bank of Fiji and other Government agencies. The information contained in this document is current as of May 2019.

Makereta Konrote
Permanent Secretary for Economy
7 June 2019

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CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK

Introduction

1.1 The global economy is showing signs of weakness which has implications for Fiji's major trading partners and has subsequently translated into slower demand for Fijian exports, a slowdown in visitor arrivals, tourism spending and personal remmittances. Being a relatively small and open economy, Fiji is heavily dependant on imports, and any volatile changes in major commodity prices (like fuel) can have a significant impact on our import bill, balance of payments and foreign reserves.

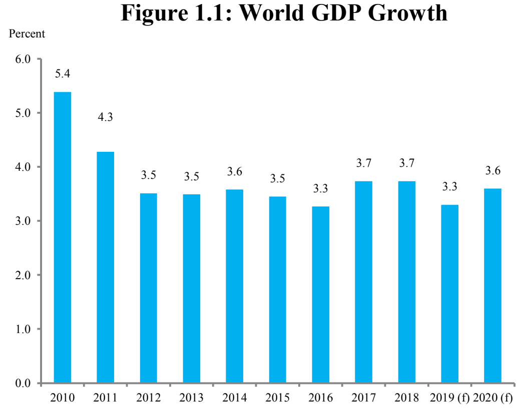
1.2 This chapter provides an update on the recent developments in the global economy and the performance of Fiji's major trading partners. It also discusses the performance of the domestic economy and prospects for growth in the medium term.

International Outlook

1.3 There has been a notable slowdown in the global economy since the second half of 2018, largely due to weakening growth in major advanced economies, trade tensions between the United States and China, uncertainty over Brexit, a growth slowdown in China and the general tightening of global financial conditions. The risks are tilted to the downside with further escalation of trade tensions and recent geopolitical developments.

1.4 Growth in the global economy is expected to moderate to 3.3 percent in 2019, lower than the earlier forecast of 3.5 percent by the International Monetary Fund (IMF). Growth for 2019 has also slowed compared to 3.7 percent in 2018 (Figure 1.1).

Figure 1.1: World GDP Growth



Source: IMF World Economic Outlook - April 2019

1.5 With the exception of Japan and India, all of Fiji's major trading partners are expected to slowdown in 2019 compared to 2018. Global growth for 2020 is projected at 3.6 percent.

1.6 Commodity prices, particularly crude oil prices are expected to average around US$68.65 per barrel in 2019 compared to an average price of US$71.50 per barrel in 2018. Although the average price in 2019 is lower than 2018, it still remains relatively high. Tightening of supply by the Organisation of Petroleum Exporting Countries (OPEC), coupled with longer-than-anticipated disruptions in Venezuela and a slowdown in US shale oil production could exert upward pressure on oil prices.

Fiji's Trading Partners

1.7 The **US** economy is projected to expand by 2.3 percent in 2019, a moderation from the 2.9 percent growth in 2018. Growth is expected to further decelerate to 1.9 percent in 2020 with the unwinding of the fiscal stimulus. This slowdown also reflects the impact of the Government shutdown and softened investment activity in the second half of 2018. In light of the slowing global economic conditions and muted inflation pressures in the US, the Federal Reserve signalled the continuation of the accommodative monetary policy stance.

1.8 The trade tension between the world's two largest economies escalated further, with the US re-imposing tariffs on US$200 billion worth of Chinese products from 10 percent to 25 percent. In response, China has retaliated by imposing a 25 percent tariff on US$60 billion worth of US products from 1 June. The deteriorating trade relations is not only going to affect both the countries but has serious repercussions on the entire global economy.

1.9 The **Australian** economy slowed sharply in the second half of last year and recent leading indicators suggest growth will remain sluggish for the remainder of 2019. Weak household consumption, a slowing property market, and dampened external demand (especially from China) is affecting the Australian economy. Recently, business conditions have further deteriorated as activity in the services and manufacturing sector declined. The Australian economy is expected to slowdown from 2.8 percent in 2018 to 2.1 percent this year. The Reserve Bank of Australia kept its benchmark interest rate unchanged at 1.50 percent in May 2019, however, there are expectations of a possible cut in the cash rate.

1.10 The **New Zealand** economy is also projected to soften due to subdued consumer spending, slowing investment and tightening external demand. The economy is expected to grow at a slower rate of 2.5 percent in 2019 after growing by 3.0 percent in 2018. Pressures on external accounts have resulted from the decline in export of meat, milk powder, butter and other dairy products which are anticipated to persist in 2019. This is largely underpinned by the weaker global growth and ongoing trade conflict between the US and China. The Reserve Bank of New Zealand reduced its official cash rate to 1.5 percent in May.

1.11 The **Japanese** economy lost some momentum in the first quarter of 2019 following strong growth in the final quarter of last year. Industrial production picked up after the manufacturing sector rebounded in May following three months of consecutive decline. In an attempt to revive economic growth, the parliament approved a record US$900 billion budget for financial year 2019[1]. Spending was increased for welfare, public works and defence which will help reduce the impact of the planned tax hike in October. The Bank of Japan maintained its benchmark interest rate at -0.1 percent in April. The Japanese economy is projected to grow by 1.0 percent in 2019 and by a further 0.5 percent in 2020.

1.12 Growth in the **Euro area** is expected to moderate from 1.8 percent in 2018 to 1.3 percent in 2019. Growth rates in major economies like Germany have slowed down due to soft private consumption and industrial demand. Recent data reveal contraction in manufacturing activity for the third consecutive month in April while the services sector also slowed down. The European Central Bank maintained its benchmark refinancing rate at 0.0 percent in April 2019. The Euro area economy is expected to grow by 1.5 percent in 2020.

1.13 The **Chinese** economy grew by 6.4 percent in the March quarter of this year, driven by growth in industrial output and strengthened consumer demand amid Government's pro-growth policies. The People's Bank of China maintained its benchmark interest rate at 4.35 percent in March. For 2019 and 2020, China is expected to grow by 6.3 percent and 6.1 percent, respectively. Inflation is expected to be around 2.3 percent in 2019.

1.14 The **Indian** economy slowed in the fourth quarter of 2018 due to weaker expansion in private consumption owed to tighter financial conditions. The Reserve Bank of India (RBI) lowered its benchmark interest rate by 25 basis points to 6.0 percent on 4 April. However, the RBI has continued to maintain its neutral monetary policy stance due to the slowdown in the growth momentum of major advanced economies and emerging market & developing economies coupled with the rise in global crude oil prices. The economy is projected to grow by 7.3 percent in 2019 and 7.5 percent in 2020. Inflation is expected to hover around 3.9 percent in both the years.

[1] The financial year starts in April 2019 and ends March 2020

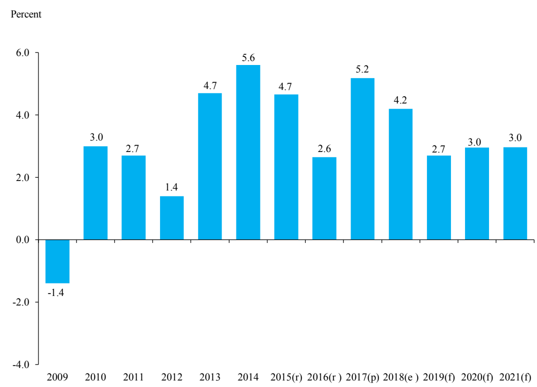
Domestic Outlook

GDP Rebase

1.15 The Fiji Bureau of Statistics recently completed its exercise on rebasing GDP to the year 2014.[2]

1.16 The Fijian economy grew at a strong pace from 2013 to 2018. On average, the economy expanded by 4.5 percent during this period, and excluding the lower growth in 2016 which was a result of TC Winston, the average growth was almost 5.0 percent.

Figure 1.2: Real GDP Growth



Sources: Fiji Bureau of Statistics & Macroeconomic Committee

1.17 With the new base year, the revised growth for the Fijian economy is 4.7 percent in 2015, 2.6 percent in 2016 and 5.2 percent in 2017. The economy is estimated to grow by 4.2 percent in 2018 supported by wholesale & retail trade, accommodation & food services, agriculture, information & communication and the construction sector.

Overview 2019

1.18 Growth in the Fijian economy is expected to moderate to around 2.7 percent in 2019 from 4.2 percent in 2018. The moderation in economic activity is in line with the slowdown projected for the global economy, domestic private sector credit and the fiscal consolidation as announced in the 2019-2020 National Budget.

1.19 Nonetheless, major contributions to growth are expected to emanate from the agriculture, manufacturing, information & communication, accommodation & food services and the wholesale & retail trade sectors.

1.20 The agriculture sector is forecast to drive growth, underpinned by an increase in cane production coupled with general increases expected in production of

[2] Fiji's Real Gross Domestic Product (GDP) for 2014 to 2016, as well as the 2017 provisional GDP figure are now based on 2014 constant prices. FBOS Release No 20, 2018; *Fiji's Gross Domestic Product Rebased to 2014* dated 20 March, 2019.

most agricultural crops and livestock. The manufacturing sector is also expected to contribute positively based on anticipated improvements in sugar production, mineral water, dairy products and wearing apparel. The information & communications sector is expected to continue to grow as a result of increased wireless, data processing and satellite telecommunications activity.

1.21 Conversely, a lower growth is forecast for the accommodation & food services sector led by a slowdown in short-term accommodation services. The mining & quarrying sector is also expected to decline due to lower gold production forecast for 2019. Activity in the wholesale & retail trade sector is expected to moderate due to a slowdown in consumption spending while a decline is envisaged for the transport sector owing to a fall in air transport activity.

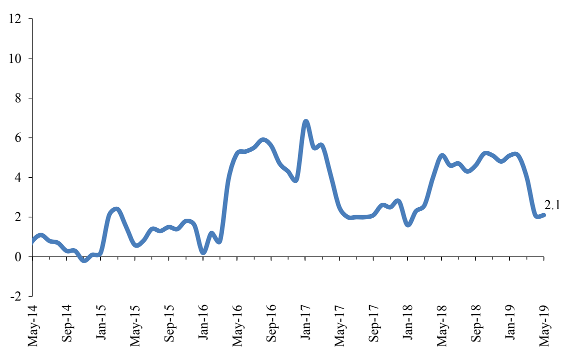
Overview 2020 and 2021

1.22 The economy is projected to have a broad-based growth of 3.0 percent in both 2020 and 2021, respectively, with major contributions expected from the agriculture, manufacturing, information & communication, wholesale & retail trade and the accommodation & food services sectors.

Inflation

1.23 Inflation as of May 2019 stood at 2.1 percent, significantly lower than 4.8 percent recorded at the end of 2018.

Figure 1.3: Inflation



Source: Fiji Bureau of Statistics

1.24 Higher prices in 2018 were mainly due to the effects of TCs Josie and Keni, and the series of floods in the Western and Northern Divisions in the early months of 2018. This led to higher prices of market items including yaqona and fruits & vegetables combined with the impact of increases in duty on alcohol, tobacco and cigarettes and higher domestic fuel prices.

1.25 Inflationary pressures for the remaining months of 2019 are expected to be driven by movements in the international commodity prices. The 2019 year-end inflation is forecast to be around 3.5 percent. Inflation is projected to come down to around 3.0 percent in 2020 and 2021, barring any further supply-side shocks.

Exports[3]

1.26 In **2018**, total exports increased by 3.7 percent to a total of $2,110.3 million. This was mainly contributed by the higher increase in re-exports and domestic exports of mineral water, cement, kava, garments and fish.

1.27 In **2019**, total exports are expected to grow by 8.5 percent to a total of $2,288.6 million, led by growth in all export categories with the exception of gold. Domestic exports are mainly led by a rebound in sugar, as cane production is anticipated to be higher given the absence of natural disasters so far this year.

1.28 In **2020** and **2021**, exports are anticipated to expand by 5.1 percent and 4.4 percent, respectively, underpinned by increases in all categories of exports.

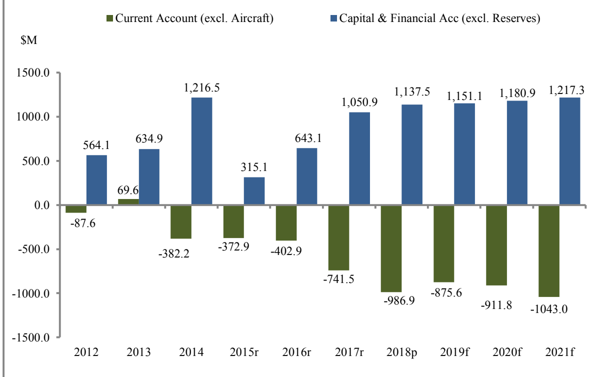
Imports[4]

1.29 In **2018**, total imports grew by 14.6 percent to $5,652.2 million led by increases in most categories of imports, with the exception of animal and vegetable oil & fats, miscellaneous manufactured goods and other commodities.

1.30 In **2019**, total imports are expected to grow by 2.1 percent to $5,770.5 million, with all categories of imports expected to contribute positively to the overall growth, except machinery & transport equipment. A lower forecast for mineral fuel is anticipated based on slightly lower oil prices relative to 2018.

1.31 In **2020** and **2021,** total imports are projected to grow by 4.3 percent and 4.4 percent, respectively, led by growth in all categories of imports.

Figure 1.4 Balance of Payments



Source: Fiji Bureau of Statistics & Macroeconomic Committee

Balance of Payments[5]

1.32 Fiji recorded a current account deficit of $986.9 million in 2018, equivalent to 8.4 percent of GDP. The deficit stemmed from a deterioration in the trade and secondary income balance which more than offset the improvement in services and primary

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[3] Exports excluding aircraft.
[4] Imports excluding aircraft.
[5] Excluding aircraft.

income balances. The capital and financial account (excluding reserves) was $1,147.9 million.

1.33 Fiji achieved a negative balance of payments position in 2018, which resulted in its Reserve Assets decreasing by $263.8 million.

1.34 Tourism earnings grew by 4.5 percent to $2,010.3 million in 2018. For 2019, tourism earnings are projected to grow at a slower pace of 3.0 percent due to the global economic slowdown and its impact on Fiji's major source markets. For 2020 and 2021, tourism earnings are expected to increase by 5.0 percent annually.

1.35 Personal remittances stood at $564.0 million in 2018 and are expected to increase by 3.3 percent to $582.6 million in 2019. Remittances are projected to grow by 3.6 percent in both 2020 and 2021.

1.36 In 2019, the current account deficit (excluding aircraft) is expected to narrow slightly to $875.6 million, equivalent to 7.1 percent of GDP. (Figure 1.4) The improvement results from a larger surplus in the services and secondary income accounts. The capital and financial account balance is projected to increase slightly to $1,151.1 million in 2019, equivalent to 9.3 percent of GDP. The overall balance of payments for 2019 is forecast to be in deficit and Reserve Assets are projected to fall by $90.9 million.

1.37 In 2020 and 2021, the current account deficit is projected to increase to $911.8 million or 7.0 percent of GDP and $1,043.0 million or 7.6 percent of GDP, respectively. The capital and financial account balances are also expected to improve in both years. The overall balance is forecast to be positive at $71.8 million and $154.4 million, respectively.

Money and Credit

1.38 Overall, credit expanded by 9.7 percent in 2018 mainly driven by the outturn in private sector credit and higher disbursements to Government. By April 2019, domestic credit had grown annually by 7.7 percent to $8,329.5 million, backed by private sector credit growth of around 8.3 percent.

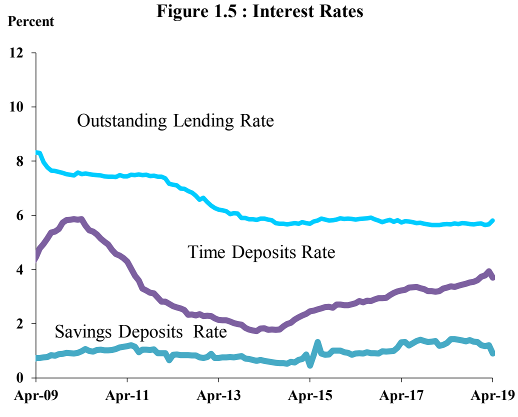
1.39 Given the moderation in the domestic economy coupled with increases in new lending rates in the first four months of 2019, credit growth is expected to slow down this year. Credit outcomes will also be influenced by liquidity levels within Fiji's financial system. At the end of May 2019, liquidity stood at $323.2 million which is sufficient to support the nation's current credit demand.

Interest Rates

1.40 Lending rates in the banking sector remained relatively low and stable due to strong competition amongst banks and adequate liquidity in the banking system. However, time deposit rates have increased due to the decline in liquidity levels compared to last year.

1.41 The weighted average outstanding lending rate for commercial banks was 5.81 percent in April 2019, higher than the 5.68 percent recorded in the corresponding period in 2018. (Figure 1.5). In contrast, the weighted average outstanding time deposit rate rose to 3.70 percent from 3.34 percent, while the weighted average savings deposit rate fell substantially to 0.90 percent from 1.29 percent in the same period.

Figure 1.5 : Interest Rates



Source: Reserve Bank of Fiji

Exchange Rates

1.42 Over the year to May 2019, the Fiji dollar appreciated against the Australian dollar (+4.8%), New Zealand dollar (+2.6%) and Euro (+0.1%), but weakened against the US dollar (-4.5%), and the Japanese Yen (-3.9%).

1.43 The Nominal Effective Exchange Rate (NEER) Index noted a marginal increase over the year (+0.7%) in April 2019, suggesting a general strengthening of the Fiji dollar against its major trading partner currencies.

1.44 Similarly, the Real Effective Exchange Rate (REER) rose by 1.7 percent over the year, reflecting a rise in Fiji's domestic inflation rate relative to most trading partner countries. Moreover, the annual increase in the REER index suggests a loss in trade competitiveness.

Monetary Policy

1.45 Monetary policy will continue to focus on supporting the domestic economy, safeguarding foreign reserves and maintaining low inflation. As of 4 June, foreign reserve levels were around \$1,928.8 million, providing 4.2 months coverage for retained imports of goods and non-factor services. The 2019 year-end inflation is forecast to be around 3.5 percent.

1.46 Given the comfortable outlook for its monetary policy objectives, the Reserve Bank of Fiji (RBF) has continued to maintain the Overnight Policy Rate unchanged at 0.5 percent. Going forward, the RBF will continuously monitor international and domestic developments and align its policies accordingly to safeguard the twin objectives of monetary policy.

CHAPTER 2: NATIONAL DEVELOPMENT PLAN

Introduction

2.1 The economic and social progress accomplished over the past decade reflects Government's unwavering commitment towards building a better Fiji for all. The 5-Year & 20-Year National Development Plan (NDP), launched in 2017, will build on this progress, guiding our continued journey to transform Fiji into a modern, progressive and vibrant society.

2.2 The rapid economic expansion, successful economic, social and political reforms, our large young population, the substantial investments in public infrastructure and our leadership on the global stage have put Fiji on a solid platform to embrace a new wave of inclusive and sustainable development.

2.3 On the global front, Fiji's prominence on climate change issues confirms our ability to provide leadership in the international arena on critical issues that not only affect Fiji, but are common among other small island developing states. Fiji's COP 23 Presidency was an historic milestone for Fiji marking a new chapter of global advocacy and an international platform for climate action.

2.4 Compounding on this success, Fiji's recent chairmanship of the annual meetings of the World Bank and International Monetary Fund (IMF), the Small States Forum and the hosting of the 52nd Asian Development Bank (ADB) Annual Meeting have further cemented our position on the global stage. This leadership streak has provided invaluable opportunities for Fiji to lead key global and regional discussions on development challenges, opportunities and solutions.

5-Year & 20-Year National Development Plan

2.5 The NDP, which includes individual sector development plans, outlines various development priorities, policies and programmes that must be implemented over the duration of five to 20 years. Since the launching of the NDP in 2017, Government has injected substantial resources to implement targeted development programmes and policies – a critical step towards the realisation of socio-economic rights guaranteed under the Fijian Constitution and, more broadly, uplifting Fiji's economic potential.

2.6 Substantial funding has been provided towards the provision of clean water, access to electricity, and physical and digital connectivity. Government has also been injecting significant capital towards education and skills development, the provision of better health services, access to justice and the enforcement of law and order. Government has also introduced and expanded various social protection initiatives to protect the disabled, elderly and financially vulnerable.

2.7 Increasing private sector investment and job creation is also a key objective of the NDP. Fiji's low and business-friendly tax regime, the expansion of access to finance, improvements in approval processes and maintaining policy certainty have been some of the key measures pursued by Government. A dedication to the funding and nurturing micro, small and medium enterprises (MSMEs) has created income-generating opportunities for Fijians and promoted exports and foreign exchange inflows.

2.8 Government will continue to allocate adequate financial resources in its capacity to implement the planned programmes and policies outlined in the NDP. The support of development partners is also critical in implementing some of these planned interventions.

2.9 As substantial progress has been made in terms of socio-economic empowerment, strong emphasis will be placed on longer-term structural issues identified under the transformational strategic thrusts of the NDP. This is critical to deliver on the broad vision of "Transforming Fiji".

2.10 The NDP also places strong emphasis on expanding Fiji's international presence; in particular, capitalising on our status as the hub of the Pacific – both generally and across several specific industries. In 2019, Fiji was given the opportunity to host the ADB Annual Meeting and will be chairing the World Bank and IMF Annual Meeting. The ensuing sections discuss these key milestones.

52nd Annual Meeting of the Asian Development Bank

2.11 The 52nd ADB Annual Meeting, held from 1 to 5 May 2019, symbolised another opportune event for Fiji and marked an end to "era of missed opportunities" for the Pacific. While the ADB Governors had an opportunity to discuss pressing development issues facing Asia and the Pacific, hosting the event in Fiji presented numerous benefits for the Fijian economy. The initial estimates show that the overall economic impact from hosting the ADB meeting was around $30-$40 million, however, the tangential benefits have been much larger.

2.12 This includes marketing Fiji as more than a tourist destination by leveraging the success of the event to promote Fiji as a host country with the capacity and capability to capitalise on the fast-expanding Meetings, Incentives, Conventions and Exhibitions (MICE) market. This is a high niche segment of the tourism industry, and successfully hosting the ADB meeting has laid a solid platform to host other economically-stimulating events in the future.

2.13 Hosting this event also demonstrated to the world from the larger ADB member countries, to donors, development partners and international media, the catastrophic challenges of climate change and the need for access to grants and concessional financing to address these challenges.

2.14 It also provided a platform for Pacific Governors to raise issues such as the need for embedding vulnerability and fragility as essential criteria for access to concessional finance and grants from multilateral banks. Calls for ADB to offer differential pricing for borrowing under the Ordinary Capital Resources (OCR) facility will benefit middle-income countries like Fiji in the near future.

2.15 It also gave an opportunity for Fiji to stress the importance of ensuring long term sustainability of key economic sectors such as tourism, and the need to build resilience to extreme climate events which can have catastrophic implications for our largest economic sector.

2.16 ADB has committed to further assisting Fiji in infrastructure development, including the funding of the Nadi River Project, supporting new ICT-enabled sectors, diversification of the tourism industry, investment in soft infrastructure and assisting Fiji to propel private sector development.

Chairmanship of the World Bank and IMF

2.17 Fiji's Chairmanship of the 2019 World Bank and IMF Board of Governors Meeting and the Chairmanship of the Small States Forum at the World Bank marks yet another historic opportunity on the global stage. It has given Fiji the leverage to work with multilateral financial institutions to further mobilise development and climate finance which would benefit Fiji and other small states.

2.18 The World Bank and IMF play a very critical role in promoting global growth and economic stability through their policy advice, lending operations, provision of grants and technical assistance. The Chairmanship therefore gives Fiji an invaluable platform to bring further attention to the unique challenges faced by small island developing states while also influencing broader global economic and financial policy issues.

2.19 Fiji's role as Chair of the Small States Forum is a critical platform for engaging in high-level dialogue with the World Bank on how it can help to address the special development needs of its members. Entrenched in the priorities of the Small States Forum Roadmap, the World Bank has ramped up support to small states in three broad areas: enhancing development finance; fostering private investment and diversification; and strengthening of small states.

2.20 Recent assistance to Fiji under the small states platform includes technical assistance for the formulation of the first-ever Climate Vulnerability Assessment and the issuance of the country's first-ever Sovereign Green Bonds. These innovative initiatives have created new opportunities for deeper collaboration with other states and multilateral institutions, with the possibility of securing more financial resources for development.

CHAPTER 3: MEDIUM TERM FISCAL STRATEGY

Introduction

3.1 Fiscal consolidation is a key focus of Government's medium-term fiscal strategy. Government expenditures have been scaled back in the 2019-2020 Budget with a strong focus on improving operational efficiency and the need to build fiscal buffers following the substantial reconstruction spending post TC Winston and the successive natural disasters in 2018.

3.2 The relatively lower fiscal deficit mirrors this expenditure adjustment together with continued focus on strengthening revenue administration. Consolidation will continue in the medium term, and fiscal deficits will be further reduced, putting the debt to GDP ratio on a downward trajectory and further enhancing long-term debt sustainability.

3.3 Apart from ensuring fiscal sustainability, this planned fiscal consolidation will support balance of payments by dampening import demand and consequently reducing the current account deficit. This is critical in the face of a global slowdown which is expected to affect our export demand, tourism activity and inflows of foreign exchange into the country. Safeguarding against the adverse developments in the external sector is important to ensure overall macroeconomic stability.

3.4 This chapter provides detailed discussions on Government's medium-term fiscal strategy, broad guidelines for revenue and expenditure policies, public debt management strategy and an update on the progress of key public sector reforms.

Medium Term Fiscal Strategy

3.5 Government's medium-term fiscal strategy is set against the backdrop of a delicate global economy, moderation in domestic economic activity and the need to rebuild fiscal space to be able to respond to internal and external shocks. The fiscal framework is anchored on further reducing the debt to GDP ratio to 45.9 percent by 2021-2022.

3.6 Expenditure restraint is the key focus of this fiscal adjustment. Government will ensure that growth in nominal expenditures is muted and overall expenditure in real terms (adjusted for inflation) is constrained further. Expenditure decisions will be guided by the pursuit of high-impact investments, value for money, operational efficiency and containing any further expansion of the public sector wage bill. These will be balanced against the need to enhance inclusive socio-economic development.

3.7 The medium-term fiscal strategy also takes into consideration the soft growth in revenues as business activity and domestic demand is expected to moderate in 2019-2020. However, with improved revenue administration supported through adoption of the new IT system by FRCS and additional resources directed towards tax compliance, revenue collections are expected to improve in the medium term.

3.8 Long term structural adjustments will also be pursued to diversify the economy and reduce hindrances that constrain our true economic potential. Focus is being placed on improving the ease of doing business which will propel private sector investments and further entice foreign direct inflows. The low tax regime, access to finance and overall economic stability will help accelerate capital formation and improve productivity.

3.9 While the medium-term fiscal strategy focuses on consolidating public finances, the broader macroeconomic objectives continue to remain as follows:

- Economic growth of 4-5 percent;
- Investment level of 25 percent of GDP;
- Inflation at 3 percent or below;
- Foreign reserves to cover 4-5 months of retained imports of goods and non-factor services;
- Budget deficits at below 3.0 percent of GDP; and
- Government's debt stock of 45 percent of GDP in the medium term.

Medium Term Fiscal Framework

3.10 A net deficit of $349.2 million or 2.7 percent of GDP has been budgeted for 2019-2020. The net deficit is drawn from budgeted total revenue of $3,491.7 million and total expenditure of $3,840.9 million. Given the level of net deficit, Government's debt stock is estimated to be around $5,978.6 million or 47.1 percent of GDP at the end of July 2020 (Government's debt position is further discussed in Chapter 5).

3.11 Table 3.1 below provides medium term fiscal targets for the financial years 2019-2020, 2020-2021 and 2021-2022.

Table 3.1: Medium Term Fiscal Targets ($M)

	2019-2020 Budget	2020-2021 Target	2021-2022 Target
Revenue:	3,491.7	3,577.8	3,749.9
As a % of GDP	27.5	26.8	26.6
Tax Revenue	*3,080.2*	*3,250.6*	*3,422.0*
Non-Tax Revenue	*411.5*	*327.2*	*327.9*
Expenditure:	3,840.9	3,845.3	3,961.1
As a % of GDP	30.2	28.8	28.1
Net Deficit	**(349.2)**	**(267.5)**	**(211.2)**
As a % of GDP	**(2.7)**	**(2.0)**	**(1.5)**
Debt	5,978.6	6,246.0	6,457.2
As a % of GDP	47.1	46.7	45.9
GDP at Market Prices	**12,703.8**	**13,373.5**	**14,078.6**

(Source: Ministry of Economy)

3.12 With the current planned fiscal consolidation in the medium-term, the net deficit is projected to gradually decline to 2.0 percent in 2020-2021 and 1.5 percent in 2021-2022. Accordingly, debt as a percentage of GDP is expected to be around 46.7 percent in 2020-2021 and 45.9 percent in 2021-2022.

Revenue Policy

3.13 The following key principles will guide the revenue policies for the medium-term:

- maintain consistency in tax policies with low and attractive tax rates;
- ensure a simple, equitable and non-distortionary tax system and laws;
- improve customer relationships and streamline taxation & customs administrative processes;
- digitise taxation services to improve service delivery and at the same time ensure compliance through initiatives such as gradual implementation of electronic fiscal devices (VAT Monitoring System) across businesses;
- review tax and customs incentives to entice private sector participation in areas, such as ICT development, housing, value addition, SME development, service industries and resource-based sectors;
- implement policies to reduce environmental challenges and secure financing for climate adaptation and green projects;

- strengthen capacity within FRCS, Ministry of Economy and other regulatory agencies to monitor prices of items under duty concession and ensure benefits are passed to ordinary Fijians;

- review Government fees, fines and charges on a cost recovery basis where feasible and appropriate; and

- adequately equip FRCS with financial resources for effective tax collection.

3.14 Details of new revenue policy measures for the 2019-2020 Budget are provided in Chapter 8.

Expenditure Policy

3.15 The expenditure policies in the 2019-2020 Budget are designed to strike a balance between funding for priority areas and overall planned fiscal consolidation in the medium term. Accordingly, the expenditure policies are guided by the following principles:

- ensure prudent utilisation of allocated resources to derive real value for money;

- promote efficient management of operational spending such as wage bill, travel, telecommunication and other incidentals;

- ensure adequate funding is directed towards infrastructure development to uplift the standard of our roads, bridges and jetties and develop a standardised selection criteria for screening of all project proposals within predefined parameters, in line with the 5-Year and 20-Year NDP;

- maintain access to quality education;

- modernise our health and medical services through public private partnerships;

- channel adequate financial resources towards provision of clean and safe water, electrification and expansion of sewerage services;

- encourage home ownership through affordable housing and strata titles;

- ensure a well-targeted and effective social protection system for the elderly, disabled and financially disadvantaged;

- provide adequate resources for disaster rehabilitation, climate change adaptation and mitigation;

- continue to digitise Government services to improve ease of doing business and access to public services;

- incentivise investments in emerging sectors such as ICT that will support value addition and job creation; and

- effectively monitor implementation of projects through the Ministry of Economy.

3.16 Government expenditure programmes are detailed in the 2019-2020 Budget Estimates and further discussed in the Supplement to the Budget Estimates and Budget Booklet.

Debt Policy

3.17 The broad medium-term focus for Government is to build fiscal buffers through low budget deficits and maintain a sustainable debt path. In addition, Government will continue to adopt prudent debt and risk management strategies.

3.18 Key objectives of Government's debt policy in the medium term are outlined below:

- reduce debt to around 45 percent of GDP by 2021-2022;

- focus on domestic capital markets as a major source of funding to mitigate the risks associated with offshore borrowings such as exchange rate and interest rate fluctuations;

- maintain an optimal cost and maturity structure for the debt portfolio;

- actively pursue opportunities to refinance debt at lower costs, including the refinancing of the Global Bond due in 2020;

- manage foreign debt repayments to minimise exchange rate risks;

- develop the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanism and investor diversification;

- improve management of Government's arrears of revenue; and

- minimise risks associated with on-lending and contingent liabilities.

Structural Reforms

3.19 Government's structural reforms aim to address challenges within the public sector, ensure resources are utilised efficiently and raise the quality of service delivery. Key structural reforms are discussed in the ensuing paragraphs.

Civil Service Reforms

3.20 The Civil Service Reform Management Unit (CSRMU) manages the civil service reform programme in accordance with the Constitution of the Republic of Fiji and the Civil Service Act. The progress of key reform guidelines is outlined below:

3.21 ***Open Merit Recruitment & Selection (OMRS) Guideline:*** Amendments to the Guideline were approved by the Public Service Commission (PSC) in April 2018 to further strengthen the application of the merit principle. The focus for 2019-2020 will be towards training of potential applicants to ensure they compete equitably for civil service jobs.

3.22 ***Discipline Guideline:*** This guideline was approved in January 2017 with a focus on modern approaches of positive management and ensuring natural justice. An updated Discipline Guideline was approved and distributed by the PSC following a review that was conducted in 2018. Training and awareness of this Guideline will continue in 2019-2020.

3.23 ***Job Evaluation and Civil Service Remuneration Guideline*****:** The Civil Service Salary Bands were implemented in 2017. Ensuring parity of salaries and wages across Government, including appropriate allocation of new and existing jobs to Salary Bands under the Civil Service Remuneration Structure will continue in 2019-2020.

3.24 ***Performance Management Framework (PMF)*****:** The PMF was approved in November 2017 and updated in August 2018. It aims to objectively link and measure civil servants work against the outcomes of their Ministry. It confirms the parameters for applying performance-based pay, contract renewals and the basis for probation and annual assessments. PMF training and awareness will continue in 2019-2020.

3.25 ***Learning & Staff Development Guideline*****:** The Guideline provides the policy basis for Permanent Secretaries to ensure all Learning and Development activities are effectively transferred to the workplace, thereby providing a fair return on investment. In the new fiscal year, CSRMU will continue to implement this initiative.

3.26 Government is also currently coordinating the review of the General Orders, which will be replaced by further guidelines and regulations issued by the PSC.

Public Enterprise Reforms

3.27 Government is undertaking reforms of various SOEs to improve their financial performance and service delivery to the public. Updates on key reforms are discussed below:

3.28 ***Energy Fiji Limited:*** In making the corporatisation of Energy Fiji Limited (EFL)[6] more inclusive, Government offered 5.0 percent of its shares in EFL to individual domestic account holders as non-voting shares, and is in the process of further divesting 44.0 percent of its shares to institutional and technical investors as voting shares.

3.29 ***Government Printing & Stationery Department (GPSD)***: The sale of GPSD assets was completed on 18 January 2019 for a sum of $6.0 million to Serendib Investment Pte Limited (SIPL).

3.30 ***Fiji Ports Corporation Ltd (FPCL):*** The divestment of 59 percent shares in FPCL in November 2015 has resulted in the improved financial performance of the entity. The company has paid $16.2 million to Government for the year ending December 2018.

3.31 ***Foods Processors (Fiji) Pte Limited (FPFL):*** An Expression of Interest (EOI) was advertised in September 2018 for the sale of FPFL's non-core assets and the sale was approved by Cabinet in early 2019.

3.32 ***Review of Public Enterprise Act 1996***: The review of this Act has been completed following approval of the Public Enterprise Bill by Parliament in April 2019. The Bill aims to strengthen the existing legislation to effectively monitor SOEs and ensure they achieve desired financial targets.

3.33 The financial performances of SOEs are further discussed in Chapter 5.

Financial Management Reforms

Public Expenditure Financial Accountability (PEFA)

3.34 The recommendations of the Public Expenditure Financial Accountability (PEFA) assessment conducted in 2013 provided a platform for Government to review and

[6] The former Fiji Electricity Authority (FEA) was corporatised on 16 April 2018 into a public limited liability company and renamed as Energy Fiji Limited (EFL).

improve its Public Financial Management (PFM) system. Key focal areas for review were incorporated in the Public Financial Management Improvement Plan (PFMIP), a document that has been instrumental in securing financial assistance from international organisations.

3.35 The progress of PFMIP is critical to ensuring greater accountability and transparency in Fiji's PFM. Key initiatives in the PFMIP for the 2019 to 2024 are given in the ensuing paragraphs.

3.36 ***Review of the Financial Management Act (FMA) 2004:*** PFMIP requires the FMA to reflect PFMS processes that are benchmarked to international standards and practices. The current PFM Bill has been drafted with the assistance of the Pacific Financial Technical Assistance Centre (PFTAC), which focuses on strengthening fiscal discipline and enhancing reporting and accountability.

3.37 ***Review of the Chart of Accounts:*** this review is important to assess the effectiveness of the current structure, focusing on improving the quality of financial information for decision making purposes. The new structure is intended to take into account macro-fiscal planning, budgeting, accounting & financial reporting, and management reporting of all Government agencies. This also supports reporting to be aligned to International Public Sector Accounting Standards (IPSAS) and Government Finance Statistics (GFS) Manual 2014.

3.38 ***Implementation of Cash Basis IPSAS at Agency Level:*** Currently, IPSAS Financial Statements are formulated at the Whole-of-Government level. Government will encourage line Ministries and Departments to formulate their respective Agency Financial Statements (AFS) for 2019-2020 in accordance with cash-based IPSAS. The Ministry of Economy will continue to engage Accounting Heads in the rolling out of cash-based IPSAS.

3.39 ***Review of the Financial Management Information System (FMIS) -*** under the PFMIP roadmap, Government needs a more robust and effective system to support its modern PFM systems for formulation and execution of the budget, financial accounting and reporting. A fully-integrated system will not only capture financial information, but also assist in providing sound and effective decision making in budgetary planning. Discussions are currently underway to acquire this through donor assistance.

3.40 ***Implementation of the National Fixed Asset Management Framework:*** Through the technical assistance provided by the Pacific Region Infrastructure Facility, a draft National Asset Management Policy, draft Valuation Policy, draft implementation strategy and related policies for accounting and reporting of assets have been formulated. The Ministry of Economy will continue to provide training and assistance to line ministries and departments to accurately capture and record their assets and roll out the implementation of the framework in 2019-2020.

Labour Reforms

3.41 Fiji's labour reforms will continue to promote a workplace culture of non-discrimination, equal employment opportunities and a safe working environment. Protections have increased tremendously under new and reformed legislation, extending to the unemployed, people with disabilities, retirees, informal and rural workers, young people (including children) and women, as well as migrant workers.

3.42 In 2019-2020, the strategic focus is towards employment growth and decent work, which is aligned with the Sustainable Development Goal 8[7]. Specific priority activities will be pursued, including National Employment Policy (NEP) implementation, activation of the signed Pacific Labour Scheme (PLS) with Australia, extension of the National Job Fair, National Minimum Wages Agenda, completion of the review of Employment Relations Act 2007 and the formulation of new Regulations and Code of Practices, Policies and Procedures. Nationwide consultations have also started for the review of the national minimum wage.

Land Reforms

3.43 Government has undertaken a number of reforms to encourage the productive use of idle land. Ongoing land reforms are discussed below.

3.44 **Land Bank:** This initiative ensures both landowners and lessees receive the full benefits of all land deposited through the Land Bank. Government has secured financial assistance for agriculture tenants through joint collaborations with the Fiji Development Bank (FDB) to ensure rental payments are based on market value. A total of 113 parcels of native land with combined area of 10,564 hectares have been committed to the Land Bank, with total lease payments received of $9.4 million.

3.45 Government will also continue to assist landowners by providing funding for proper surveying of land. To date, Government has surveyed 78 parcels of land and issued 46 leases.

3.46 To enhance transparency and encourage landowner participation, Government will issue landowners with Bio Data Profile handbooks for all designated land leases.

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[7] Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

3.47 A sum of $1.5 million has been provided in 2019-2020 Budget to support development of iTaukei land under the land bank initiative.

Financial Sector Reforms

3.48 The RBF oversees reforms in the financial sector to ensure financial stability and inclusiveness. The paragraphs below highlight key on-going reforms in the sector.

3.49 ***Proposed Pensions Savings Legislation:*** The draft legislation incorporates all the necessary requirements for the prudential supervision of the FNPF and the superannuation industry in Fiji. This is expected to be reviewed by the Solicitor General's Office in 2019.

3.50 ***Proposed New Credit Union Legislation:*** The draft of the new Credit Union legislation is expected to be presented in Parliament in 2019. The RBF will be consulting credit union industry players to emphasise the Bank's new supervisory role and the new financial requirements.

3.51 ***Proposed New Banking Legislation:*** The Banking Act 1995 will be revised to address loopholes and incorporate new recommendations provided under the Fiji Financial Stability Review Report conducted by the IMF in 2018.

3.52 ***Proposed New Insurance Legislation:*** A full review of the Insurance Act 1998 and the Insurance Regulations 1998 is currently being undertaken to incorporate new changes and initiatives within the domestic insurance industry and its business environment to accommodate the rising demand for insurance coverage.

3.53 ***Fair Reporting of Credit Act:*** The Act and its regulations were enacted in 2016. In 2018, RBF issued a licence to Credit Information Reporting Agency PTE Limited (CIRA) to operate in Fiji. To date, four entities have been registered as both Credit Information Providers and Credit Report Recipients (this includes a licensed bank and a licensed credit institution).

3.54 ***Personal Properties Securities Act (PPSA):*** The Act, which was passed in Parliament in 2017, aims to provide an institutional framework that would allow moveable property to be used as collateral for credit purposes. In 2018, a registry vendor was appointed with the assistance of the ADB Private Sector Development Initiative (ADB-PSDI). The ADB-PSDI team and vendor have since developed the PPSA registry and demonstrated the system to licensed financial institutions.

3.55 ***Small and Medium Enterprises (SME) Credit Guarantee Scheme:*** In 2012, Government introduced a scheme that has since provided guarantee on loans rendered to small and medium enterprises. By the end of February 2019, a total of

1,955 loans valued at over $114.8 million were approved under the scheme, while losses claimed were less than 1.0 percent of the scheme's total loan portfolio.

3.56 ***Import Substitution & Export Finance Facility (ISEFF):*** ISEFF provides concessional loans to encourage investment in exports, import substitution, renewable energy and sustainable public transportation. By the end of March 2019, the facility had disbursed loans totalling $146.3 million, of which $59.9 million has been repaid.

3.57 ***Housing Facility*****:** This facility provides low-income earners easy access to housing credit through eligible lending institutions. In 2017, total funds available for lending was increased from $35.0 million to $60.0 million. The utilisation of funds under the facility has progressively increased from $25.0 million in July 2017 to around $57.0 million as at 17 April 2019.

3.58 ***Anti-Money Laundering (AML) and Combating Terrorist Financing (CTF):***

a. ***AML Supervision:*** The Financial Intelligence Unit is conducting onsite inspections of law firms, accounting firms and real estate agents to ensure compliance under the Financial Transactions Reporting Act.

b. ***Public Order Act:*** Provisions on imposing sanctions on property related to terrorist entities and proliferation financing are being reviewed to ensure that Fiji is addressing its international obligations under the relevant United Nations Security Council Resolutions.

c. ***Companies Regulations:*** Government will review the Companies Regulations to strengthen requirements on transparency and beneficial owners of legal persons and arrangements.

d. ***Non-Profit Organisations (NPO):*** Government will undertake a review of the NPO sector in Fiji that will include a risk assessment, the adequacy of laws, and licensing, administration and supervisory framework.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

4.1 Fiscal policy has played an instrumental role in growing the Fijian economy, providing public goods, redistributing income and ensuring overall macro-fiscal stability. After the devastation caused by TC Winston in 2016, Government pursued an expansionary fiscal policy stance to fund rehabilitation and reconstruction works in an aggressive effort to rejuvenate the economy and bring back Fiji to normalcy. The expansionary stance continued over two fiscal years, including funding of the rehabilitation package after TC Keni and Josie, with Government spending close to $500 million for the massive reconstruction exercise.

4.2 The post disaster reconstruction works resulted in higher fiscal deficits for 2017-2018 and 2018-2019 fiscal years. Apart from the increased public spending, the temporary slowdown in revenue collections due to disruptions to business and economic activity also contributed to higher fiscal deficits. Subsequently, the debt to GDP ratio increased from a low of 43.9 percent at the end of July 2017 to 45.9 percent in July 2018. Debt to GDP ratio is estimated to be around 46.7 percent at the end of fiscal year 2018-2019.

4.3 Following the two consecutive years of fiscal stimulus, Government is consolidating public finances by lowering the fiscal deficit in the 2019-2020 Budget to 2.7 percent of GDP. This reduction in fiscal deficit will continue in the medium term to put the debt to GDP ratio again on a downward path with debt projected to be around 45.9 percent at the end of July 2022.

4.4 Growth in overall Government spending has been significantly curtailed in the 2019-2020 Budget and revenue projections have been recalibrated. Government has drastically reduced its primary deficit from 1.8 percent of GDP in 2017-2018 and will return to a primary surplus in 2019-2020. The debt to GDP ratio remains the primary anchor of fiscal policy and Government is committed to reduce it to around 45 percent within the next three years.

4.5 This chapter discusses the fiscal outturn for 2017-2018, revised projections for 2018-2019 and estimates for 2019-2020. The revised revenue projections for 2018-2019 are based on first nine months of actual collections and expected outturn in the remaining three months. Projections for the 2019-2020 Budget take into consideration domestic macroeconomic outlook, global economic developments, demand sensitivities and additional compliance and audit cases pursued by FRCS. Aggregate expenditure is revenue driven and is in line with Government's overarching fiscal consolidation strategy.

2017-2018 Actual Outturn

4.6 With actual revenues amounting to $3,244.4 million and expenditures standing at $3,742.2 million, Government recorded a net deficit of $497.7 million equivalent to 4.4 percent of GDP in 2017-2018. The net deficit was largely financed from the domestic market together with the refinancing of maturing debt.

2018-2019 Revised Projection

4.7 Based on the financial performance by the end of April 2019, the net deficit for 2018-2019 is projected to be around $408.8 million, equivalent to 3.4 percent of GDP. This is derived from estimated total revenues of $3,256.1 million and total expenditures of $3,664.9 million. Estimated expenditure is expected to be lower than the previous year while a minor growth is expected for total revenues.

4.8 The relatively lower deficit in 2018-2019 compared to 2017-2018 was in line with Government's planned deficit reduction strategy. The revised revenue estimates are much lower than the original budget due to the delay in the materialisation of divestment receipts and muted tax collections contrary to earlier optimism. With the reduction in revenue inflows, Government expenditures have been controlled and kept within the approved financing limits.

2019-2020 Budget

4.9 As discussed in Chapter 3, Government has started consolidating its finances and thus expenditure has been set at $3,840.9 million. With this level of total expenditure and total revenue forecast at $3,491.7 million, the net deficit for 2019-2020 is budgeted at $349.2 million or 2.7 percent of GDP.

4.10 Expenditure growth is around 4.8 percent with revenues projected to grow by 7.2 percent. Tax revenue growth is expected to be around 5.9 percent in line with the nominal GDP growth rate. The relatively higher revenue growth is driven by higher growth of non-tax revenues. However, divestment receipt from EFL is budgeted at only $80 million, less than 20 percent of the planned divestment valuation, and much lower than what was budgeted in the previous fiscal year.

4.11 Table 4.1 provides Government's Cashflow Statements[8] for 2017-2018 to 2019-2020.

[8]The numbers excludes SEG 13 or Government VAT. The exclusion of Government VAT from revenue and a similar amount from expenditure does not affect the overall net deficit position. Also, minor differences in numbers are due to rounding off decimal places.

Table 4.1: Cashflow Statements (2017-2018 to 2019-2020)

($M)	2017-2018 (Actual)	2018-2019 (Revised[9])	2019-2020 (Budget)
Receipts			
Direct Taxes	826.8	768.5	804.8
Indirect Taxes *(excluding SEG 13 VAT)*	1,967.3	2,090.8	2,221.9
VAT (excluding SEG 13 VAT)	*751.3*	*805.5*	*855.5*
Customs Duties	*668.6*	*701.1*	*746.0*
Service Turnover Tax	*97.9*	*87.9*	*93.5*
Water Resource Tax	*64.3*	*77.8*	*82.8*
Departure Tax	*147.5*	*153.5*	*163.3*
Stamp Duty	*85.3*	*99.1*	*105.4*
Fish Levy	*0.1*	*0.1*	*0.1*
Telecommunication Levy	*1.0*	*1.1*	*1.1*
Third Party Insurance Levy	*1.0*	*0.0*	-
Environment and Climate Adaptation Levy	*150.5*	*164.8*	*174.1*
Fees, Fines & Charges	143.0	137.4	163.2
Grants in Aid	49.1	29.6	13.8
Dividends from Investments	149.8	106.6	87.2
Reimbursement & Recoveries	20.9	14.9	14.4
Other Revenue & Surpluses	34.7	36.1	38.1
Total Operating Receipts	**3,191.6**	**3,183.9**	**3,343.5**
Payments			
Personnel	959.4	991.7	1,038.4
Transfer Payments	717.5	726.0	732.1
Supplies and Consumables	265.3	264.8	282.7
Special Expenditures (Purchase of Outputs)	88.3	88.9	119.0
Interest	289.6	332.2	353.4
Other Operating Payments	1.9	3.2	9.2
Total Operating Payments	**2,322.0**	**2,406.8**	**2,534.8**
Net Cashflows from Operating Activities	**869.7**	**777.2**	**808.7**
As % of GDP	***7.7%***	***6.4%***	***6.4%***
Receipts			
Sale of Government Assets	1.4	5.0	80.0
Interest from Bank Balance	1.9	1.1	1.2
Repayment of Term Loans and Advances	6.0	10.8	7.1
Return of Surplus Capital from Investments	6.0	6.4	6.4
Total Investing Receipts	**15.2**	**23.4**	**94.7**
Payments			
Loans	109.1	133.0	138.0
Transfer Payments	1,094.2	850.9	897.7
Purchase of Physical Non-Current Assets	179.3	225.5	216.9
Total Investing Payments	**1,382.6**	**1,209.4**	**1,252.6**

[9] Figures have been revised based on performance until 31 May 2019, hence, may not match with other Budget documents.

($M)	2017-2018 (Actual)	2018-2019 (Revised[9])	2019-2020 (Budget)
Net Cashflows from Investing Activities	**(1,367.4)**	**(1,186.0)**	**(1,157.9)**
As % of GDP	***-12.0%***	***-9.8%***	***-9.1%***
Net (Deficit)/Surplus	***(497.7)***	***(408.8)***	***(349.2)***
As % of GDP	***-4.4%***	***-3.4%***	***-2.7%***

(Source: Ministry of Economy)

Table 4.2: Revenue and Expenditure Aggregates (2017-2018 to 2019-2020)

($M)	2017-2018 Actual	2018-2019 Revised	2019-2020 Budget
Total Revenue (excluding SEG 13 VAT)	***3,206.9***	***3,207.3***	***3,438.2***
as a % of GDP	*28.2%*	*26.6%*	*27.1%*
Total Expenditure (excluding SEG 13 VAT)	***3,704.6***	***3,616.2***	***3,787.5***
as a % of GDP	***32.6%***	***30.0%***	***29.8%***
Total Revenue (including SEG 13 VAT)	***3,244.4***	***3,256.1***	***3,491.7***
as a % of GDP	*28.6%*	*27.0%*	*27.5%*
Total Expenditure (including SEG 13 VAT)	***3,742.2***	***3,664.9***	***3,840.9***
as a % of GDP	*32.9%*	*30.4%*	*30.2%*
GDP at Market Prices	***11,361.3***	***12,063.7***	***12,703.8***

(Source: Ministry of Economy)

Table 4.3: Summary (2017-2018 to 2019-2020)

($M)	2017-2018 Actual	2018-2019 Revised	2019-2020 Budget
Tax Revenue	2,831.6	2,908.0	3,080.2
Non-Tax Revenue	412.8	348.0	411.5
Total Revenue	**3,244.4**	**3,256.1**	**3,491.7**
Operating Expenditure	2,322.0	2,406.8	2,534.8
Capital Expenditure	1,382.6	1,209.4	1,252.6
SEG 13 VAT	37.5	48.7	53.5
Total Expenditure	**3,742.2**	**3,664.9**	**3,840.9**
Net Deficit	**(497.7)**	**(408.8)**	**(349.2)**
As % of GDP	***(4.4)***	***(3.4)***	***(2.7)***

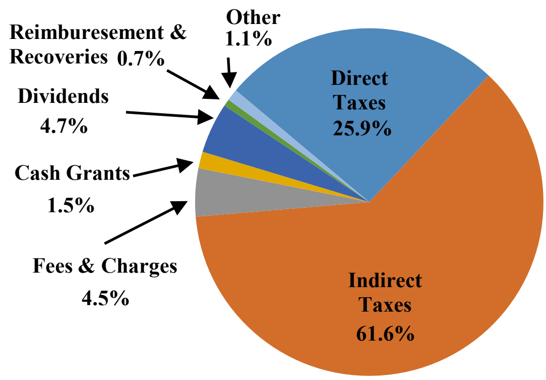
(Source: Ministry of Economy)

Operating Revenue

4.12 Government's operating revenue comprises indirect taxes, direct taxes, fees, fines & charges, dividends, other revenue & surpluses, reimbursement & recoveries and cash grants. A detailed breakdown of revenues is provided in the Budget Estimates.

4.13 Figure 4.1 shows the composition of operating revenues in 2017-2018. Indirect taxes constitute the largest component of operating revenue at 61.6 percent, followed by direct taxes at 25.9 percent, with a range of other categories making up the remaining balance.

Figure 4.1: Composition of Operating Revenue 2017-2018



Source: Ministry of Economy

Direct Taxes

4.14 Direct taxes are derived largely from personal incomes and corporate profits. The key components of direct taxes are PAYE, corporate tax, social responsibility tax, fringe benefit tax, withholding tax and capital gains tax.

4.15 Total direct tax collections in 2017-2018 amounted to $826.8 million. Collections are anticipated to decline to $768.5 million in 2018-2019, mainly due to large one-off corporate tax collections in 2017-2018. For 2019-2020, direct tax collections are projected to increase to $804.8 million or by 4.7 percent.

Indirect Taxes

4.16 Indirect taxes include Value Added Tax (VAT), customs duties, ECAL, service turnover tax, water resource tax, departure tax, stamp duties and other levies. Total collection for indirect taxes accumulated to around $1,967.3 million in 2017-2018 while the revised forecast for 2018-2019 is estimated to increase to $2,090.8 million. The total projection for 2019-2020 is $2,221.9 million, an increase of $131.1 million or 6.3 percent. The ensuing paragraphs discuss the performance of each category of indirect taxes.

4.17 **VAT** collections are the largest source of revenue for Government. In 2017-2018, total VAT collections stood at $751.3 million, comprising 38.2 percent of indirect taxes and 23.4 percent of total revenue. VAT revenue is expected to increase to $805.5 million in 2018-2019 and to $855.5 million in 2019-2020. Slower growth in VAT collections is expected in line with the current global economic slowdown and softening of domestic growth.

4.18 **Customs duties** are comprised of fiscal duty, local excise duty, import excise duty, export duty and luxury vehicle levy. In 2017-2018, revenue receipts from customs duties amounted to $668.6 million. This is expected to increase to $701.1 million in 2018-2019 and further to $746.0 million in 2019-2020. A detailed breakdown of customs duties is provided in the 2019-2020 Budget Estimates.

4.19 **Service Turnover Tax (STT)** collections amounted to $97.9 million in 2017-2018. Collections are expected to fall to around $87.9 million in 2018-2019 before increasing to $93.5 million in 2019-2020, corresponding with the anticipated increase in tourist arrivals.

4.20 Revenue receipts from **Water Resource Tax** stood at $64.3 million in 2017-2018. The revenue is expected to be around $77.8 million in 2018-2019 and $82.8 million in 2019-2020. This is attributed to an expected increase in the demand for export of mineral water.

4.21 Proceeds from **Departure Tax** amounted to $147.5 million in 2017-2018. Departure tax collection is forecast to further increase to $153.5 million in 2018-2019 and further rise to $163.3 million in 2019-2020. This is directly associated with an expected increase in resident and non-resident departures.

4.22 **Stamp Duties** collections in 2017-2018 amounted to $85.3 million. The estimated collections for 2018-2019 are $99.1 million and for 2019-2020 are projected at $105.4 million. To lower the costs of foreign borrowing, stamp duties levied on all offshore borrowing transactions have been removed in the 2019-2020 Budget with the requirement that funds are brought into Fiji.

4.23 **Environment & Climate Adaptation Levy (ECAL)** collections stood at $150.5 million in 2017-2018 and $164.8 million in 2018-2019. Collections are forecast to increase to $174.1 million in 2019-2020. As announced in the 2018-2019 Budget, plastic bags will be banned from 1 January 2020. However, Low-Density Polyethylene (LDPE) plastic bags will not be banned but will attract a higher ECAL of 50 cents per bag from 1 January 2020. In addition, a 10 percent ECAL has been introduced on the importation of selected white goods and motor vehicles.

Fees, Fines & Charges

4.24 Fees, fines & charges includes various categories of non-tax revenues such as LTA fees & fines, road user levy, water charges, telecommunication & television licenses, court fines and immigration fees.

4.25 Receipts from fees, fines & charges accumulated to $143.0 million in 2017-2018. Collections for 2018-2019 are anticipated to decline to $137.4 million. The 2019-2020 Budget has a forecast collection of $163.2 million. This is mainly attributed to growth in some major categories such as water charges, immigration fees and fees associated with Birth, Death & Marriages and Registrar of Companies.

4.26 A detailed breakdown of collections from Government's fees, fines & charges is provided in the 2019-2020 Budget Estimates.

Cash Grants

4.27 In 2017-2018, Government received $49.1 million as cash grants. The estimated collection at the end of 2018-2019 is $29.6 million while the projection for 2019-2020 is $13.8 million.

4.28 Further details on grant assistance from development partners and donors are discussed in Chapter 7.

Dividends from Investments

4.29 Government received around $149.8 million worth of dividends from state owned entities in 2017-2018. Dividend receipts for 2018-2019 are expected to accumulate to $106.6 million. The estimated dividend revenues in 2019-2020 are forecast at $87.2 million.

4.30 Additional details on the performance of SOEs and dividend proceeds are provided in Chapter 5.

Reimbursement and Recoveries

4.31 Receipts from this category include reimbursements for Government services and refunds of contributions for overseas peacekeeping missions. In 2017-2018, the collections from reimbursement & recoveries amounted to $20.9 million. The anticipated revenue for 2018-2019 is $14.9 million, while $14.4 million is forecast for 2019-2020.

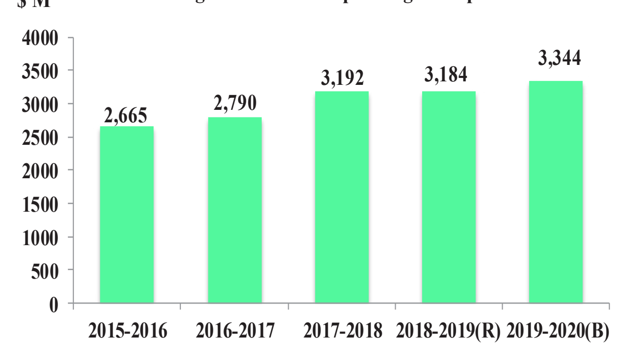
Other Operating Revenue and Surpluses

4.32 This category comprises revenue from rental of Government properties, commissions, surpluses from Government agencies and other miscellaneous items. In 2017-2018, total receipts from other revenue and surpluses amounted to $34.7 million, while the projection for 2018-2019 is $36.1 million. Revenues for 2019-2020 have been budgeted at $38.1 million.

Total Operating Revenue

4.33 As depicted in Figure 4.2, Government's total operating revenue has been increasing over recent years. Meanwhile, operating revenues are expected to decrease slightly from $3,191.6 million in 2017-2018 to $3,183.9 million in 2018-2019. Total operating revenue for 2019-2020 are budgeted at $3,343.5 million.

Figure 4.2: Total Operating Receipts



(Source: Ministry of Economy)

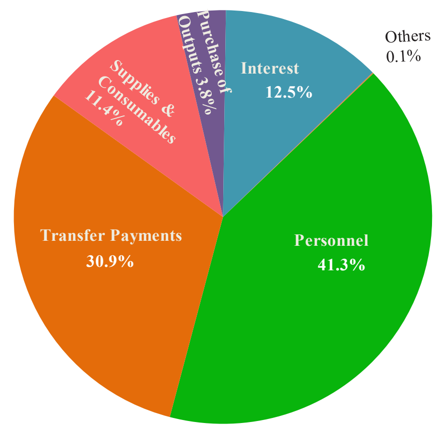
Operating Payments

4.34 Government's operating expenditures are categorised as follows:

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

4.35 The largest component of operating expenditure is personnel cost or wages & salaries, which accounted for 41.3 percent of operating expenditures in 2017-2018. This was followed by transfer payments at 30.9 percent, interest payments at 12.5 percent, supplies & consumables at 11.4 percent, purchase of output at 3.8 percent and other payments at 0.1 percent.

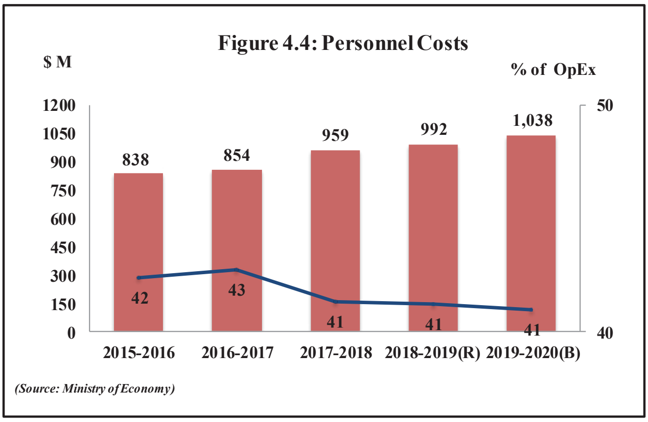
Figure 4.3: Composition of Operating Payments 2017-2018



(Source: Ministry of Economy)

Personnel Costs

4.36 Wages and salaries expenditure for Government in 2017-2018 amounted to $959.4 million, and projections for 2018-2019 stand at $991.7 million. For 2019-2020, $1,038.4 million is budgeted, which is equivalent to 41.0 percent of total operating expenditure.



Transfer Payments

4.37 Operating transfers include grants provided to statutory bodies and other entities outside of Government. It also encompasses funding for social protection programmes. Total operating transfers in 2017-2018 stood at $717.5 million, while the projection for 2018-2019 is around $726.0 million. Transfers will increase in 2019-2020 with a budget allocation of $732.1 million.

4.38 Table 4.4 shows major operating grant allocations in the 2019-2020 Budget.

Table 4.4: Major Operating Grants (SEG 6)

Activity	($M)
Water Authority of Fiji	89.0
Fiji National University	56.2
Fiji Revenue and Customs Service	55.2
Judiciary	54.4
Social Pension Scheme	46.0
Poverty Benefit Scheme	36.0
Free Education Year 1-8	33.6
University of the South Pacific	32.0
Free Education Year 9-13	30.1
Bus Fare Assistance	20.0
Land Transport Authority	23.3
Fiji Roads Authority	19.7
Grant to Fiji's Servicemen's After Care Fund	11.7
Legal Aid Commission	10.7
Tourism Fiji	8.9
Parliament	10.2
Bus Fare Programme for Elderly/Disabled Persons	10.0
Child Protection Allowance	8.0

Activity	($M)
Fiji Independent Commission Against Corruption	8.0
Office of the Director of Public Prosecutions	7.2
Technical College of Fiji	6.9
Fiji Elections Office	6.4
Office of the Auditor General	6.4
Public Service Commission	6.3
iTaukei Affairs Board	5.2
Allowance for Persons with Disability	5.0
Fijian Competition and Consumer Commission	4.3
Overseas Sports Tournaments	4.1
Maritime Safety Authority of Fiji	3.7
University of Fiji	3.2
Hosting of International Tournaments	3.1
Waste Collection Subsidy – Municipal Councils	3.0
Tuition Subsidy Grant	2.8
Investment Fiji	2.3
Shipping Services Subsidy	2.3
Accident Compensation Commission of Fiji	2.3
Fiji Higher Education Commission	2.1

(Source: Ministry of Economy)

Supplies and Consumables

4.39 Supplies & consumables is comprised of expenditure related to travel, communications, maintenance and purchase of goods and services for the provision of public goods.

4.40 Total spending on supplies & consumables amounted to $265.3 million in 2017-2018. The estimated spending for 2018-2019 is $264.8 million, while the projected spending for 2019-2020 is $282.7 million.

Special Expenditures

4.41 This category covers expenditures associated with unique programmes or projects. Expenditures for special projects amounted to $88.3 million in 2017-2018, while the projection for 2018-2019 is $88.9 million. For 2019-2020, spending is estimated to increase to $119.0 million.

4.42 Table 4.5 below shows major allocations for special expenditures in 2019-2020.

Table 4.5: Purchase of Outputs (SEG 7)

Activity	($M)
Public Private Partnership (PPP) for Health	34.4

Activity	($M)
Insurance to Social Welfare Recipients, Civil Servants and Discipline Forces	5.0
National Agriculture Census	4.5
Sustainable Rural Livelihood (EU)	4.0
Technical Support for Economic Reforms (NZMFAT)	3.6
National Gallery for Contemporary Art	3.0
Medical HR Contingency	2.6
Community Health Workers	2.5

(Source: Ministry of Economy)

Interest Payments

4.43 Interest costs relate to debt servicing associated with domestic borrowings, external loans from bilateral and multilateral agencies and global bonds. Total interest payments in 2017-2018 amounted to $289.6 million. Interest payments are projected to increase to around $332.2 million in 2018-2019 and to $353.4 million in 2019-2020.

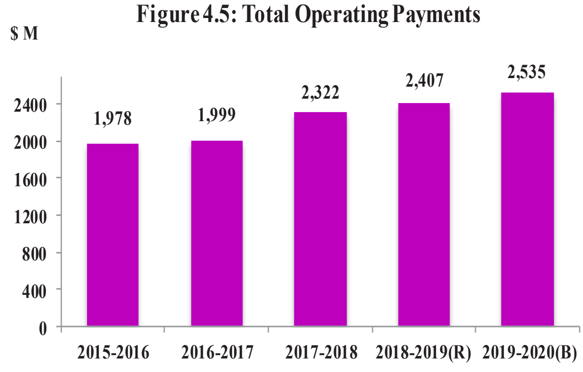
Other Operating Payments

4.44 Other operating payments, which consist of miscellaneous charges associated with debt financing such as subscription and listing fees, amounted to $1.9 million in 2017-2018. The projected payment for 2018-2019 is $3.2 million and for 2019-2020 is $9.2 million.

Total Operating Payments

4.45 Total operating payments stood at $2,322.0 million in 2017-2018, representing around 62.7 percent of total expenditure. This is anticipated to be around $2,406.8 million in 2018-2019, while projected spending for 2019-2020 is $2,534.8 million.

Figure 4.5: Total Operating Payments

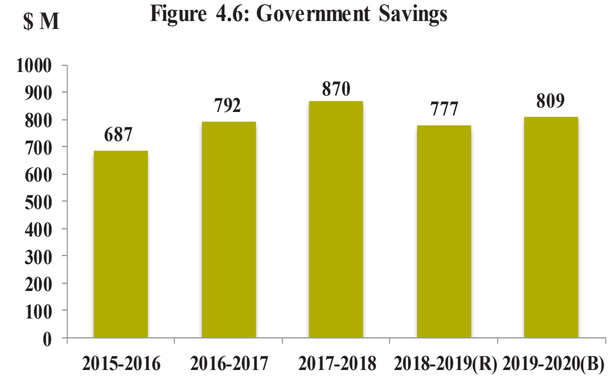


(Source: Ministry of Economy)

Government Savings

4.46 Over the years, Government has consistently recorded operating savings i.e. excess of operating revenue over operating expenditure. As shown in Figure 4.6, Government in 2017-2018 recorded an operating savings of $869.7 million, equivalent to 7.7 percent of GDP. The projected savings for 2018-2019 and 2019-2020 are $777.2 million and $808.7 million, respectively.

Figure 4.6: Government Savings



(Source: Ministry of Economy)

4.47 The growing operating savings over the years indicate Government's capacity to self-finance its day to day operations. Borrowings are solely undertaken to finance capital expenditure programmes.

Investing Revenue

4.48 Government's investing revenues are made up of receipts from divestment of shares in SOEs, disposal of state assets, interest from bank balance & term loans, loan repayment to Government and surpluses from trading & manufacturing account operations.

4.49 Total investing revenue in 2017-2018 amounted to $15.2 million. In 2018-2019, investing revenue is anticipated to slightly increase to $23.4 million. For 2019-2020, the projected revenue is around $94.7 million.

Investing Payments

4.50 Government's investing payments comprise loans, capital transfers and purchase of assets.

Loans

4.51 Total lending under TELS in 2017-2018 amounted to $109.1 million. The lending for 2018-2019 and 2019-2020 is expected to be around $133.0 million and $138.0 million, respectively.

Transfer Payments

4.52 Capital transfers cover funding that Government provides to agencies and statutory authorities to undertake investment projects, such as the upgrading of roads, bridges, jetties, water supply infrastructure and other public utilities.

4.53 Spending on capital grants and transfers in 2017-2018 totalled to $1,094.2 million. This is anticipated to decrease to $850.9 million in 2018-2019. Government in 2019-2020 has allocated a sum of $897.7 million to undertake capital projects.

4.54 Table 4.6 below shows allocations for major capital grants & transfers in 2019-2020.

Table 4.6: Major Transfer Payments (SEG 10)

Activity	($M)
Fiji Roads Authority	300.8
Water Authority of Fiji	156.2
Tertiary Loan Scheme – Tuition	87.6
Tertiary Loan Scheme – Accommodation	50.4
National Toppers Scholarship Scheme – Local Scholarship Scheme	38.8
Ongoing Rehabilitation and Construction of Schools and Public Buildings	35.0
Sugar Stabilisation Fund	30.0
Tourism Fiji Marketing Grant	29.8
Fertiliser Subsidy - FSC	15.6
FNU Capital Projects	15.0
Grant to Walesi	10.3
Grid Extension Programme – Energy Fiji Limited	9.2
Additional Survey for the Nadi Flood Alleviation Project	8.0
Committee on Better Utilisation of Land	6.9
Agriculture Marketing Authority	5.6
Solar Home Systems Programme	5.4
Parenthood Assistance Payment	5.0
Completion of Swimming Pool - Lautoka	4.1
Sugarcane Development and Farmers Assistance - FSC	4.0
Small Grants Project	4.0
Challenge & Investment Fund – Municipal Councils	4.0
Cane Cartage (Penang to Rarawai) - FSC	4.0
Land Transport Authority	3.4
House Wiring for Grid Extension Projects – Energy Fiji Limited	3.3
Ongoing Contingency Funds for Disaster Risks	3.0
Municipalities Master Plan – Singapore Cooperation Enterprise	3.0
EFL Subsidy	4.0
Cane Access Roads – FSC	3.0
FDB Subsidy: Interest on Agricultural Loans to Fijians	2.5
Completion of New Bau College	2.5
National Toppers Scholarship – Overseas Scholarship Scheme	2.3
Maintenance of Drainage – Municipal Councils	2.3
Rehabilitation of Diesel Schemes for the Relocated Communities and Reconstructed Homes – TC Winston	2.2

Activity	($M)
Koroipita Model Town	2.0
iTaukei Land Development	2.0
First Home Purchase (Income Threshold $50,001 to $100,000)	2.0
First Home Purchase (Income Threshold $50,000 and below)	2.0

(Source: Ministry of Economy)

Purchase of Physical Non-Current Assets

4.55 In 2017-2018, total expenditure on capital purchases and construction activities stood at $179.3 million. The spending on these activities is expected to be $225.5 million in 2018-2019 and $216.9 million in 2019-2020.

4.56 Table 4.7 below shows some key allocations for purchase of assets in 2019-2020.

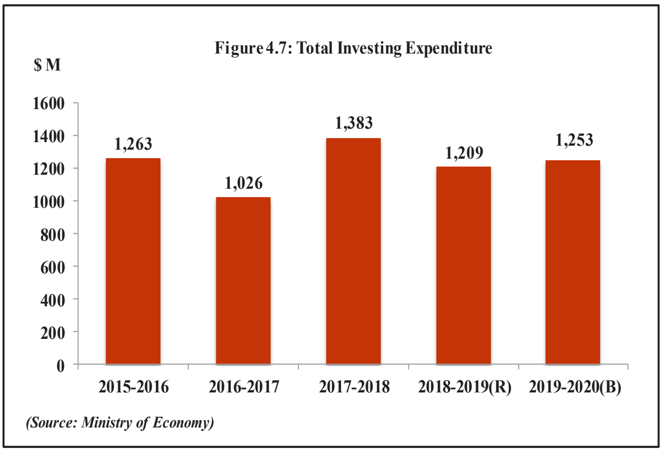
Table 4.7: Major Purchases of Physical Non-Current Assets (SEGs 8 & 9)

Activity	($M)
Digital Government Transformation	39.1
Vehicle Lease	20.0
Construction of Navosa Sub-Divisional Hospital	7.5
Construction of New Police Stations (Nakasi, Nadi, Lautoka and Nalawa)	6.7
Purchase of Trucks	5.9
Bio-Medical Equipment – Urban and Sub-Divisional Hospitals	5.5
Construction of Naboro Landfill – Stage 2	5.2
Coastal Erosion Protection Works	5.0
Upgrade of Lautoka Hospital Operating Theatre and X-Ray Department	4.4
Extension of CWM Hospital Maternity Unit	4.0
Construction of Government Stations and District Offices (Wainikoro, Kubulau, Korolevu, Namarai, Kavala and Vanua Balavu)	3.5
Office Refurbishment	3.3
Ba Hospital - Final Payment	3.2
Drainage and Flood Protection	3.0
Purchase of New Vessel	3.0
BTEC	2.8
Maintenance of Drainage Systems for Non-Municipal Areas	2.8
Maintenance of Sub-Divisional Hospitals, Health Centres and Nursing Stations	2.0
Community Access Roads, Footpaths and Footbridges	2.0
Formalisation of Informal Settlements	2.0
Disaster Recovery Site	2.0

(Source: Ministry of Economy)

Total Investing Payments

4.57 Capital expenditure in 2017-2018 amounted to $1,382.6 million, representing around 37.3 percent of total expenditure. The spending on these activities is expected to reduce to $1,209.4 million in 2018-2019, before increasing to $1,252.6 million in 2019-2020.

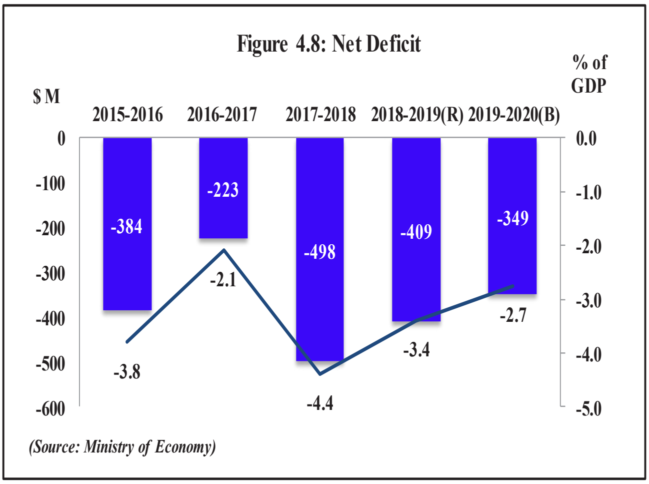


Net Cashflows from Investing Activities

4.58 The net investing cashflow position shows the variance between Government investing revenues and investing payments. A net investing deficit of $1,367.4 million was recorded by Government in 2017-2018. For 2018-2019 and 2019-2020, Government anticipates net investing deficits of $1,186.0 million and $1,157.9 million, respectively.

Net Deficit

4.59 The net deficit represents the excess of total expenditure over total revenue in a given fiscal year. Government achieved a net deficit position of $497.7 million or 4.4 percent of GDP in 2017-2018. The estimated net deficit for 2018-2019 is $408.8 million or 3.4 percent of GDP, while the target for 2019-2020 is set at $349.2 million or 2.7 percent of GDP.



4.60 The lower net deficit in 2019-2020 is in line with Government's medium-term plan to streamline expenditure and reduce fiscal deficits.

CHAPTER 5: GOVERNMENT DEBT AND INVESTMENTS

Introduction

5.1 This chapter provides an update on the key components of Government's Balance Sheet, in particular, public debt, contingent liabilities and investments in state owned enterprises.

5.2 Government will continue to ensure prudent management of public debt and contingent liabilities, including management of risk exposures and debt servicing costs. The medium-term strategy focuses on reducing fiscal deficits by controlling the growth of expenditures to ensure debt and servicing costs remain sustainable. Government also ensures that state owned enterprises are governed efficiently and provide adequate returns.

Government Debt

5.3 Government's debt position remains sustainable and is in line with international benchmarks. Total debt at the end of July 2018 stood at $5,220.5 million equivalent to 45.9 percent of GDP (Table 5.1). With an estimated deficit of 3.4 percent of GDP for 2018-2019, the debt to GDP ratio is projected to be 46.7 percent at the end of July 2019. Debt is projected to be 47.1 percent of GDP at the end of July 2020 (Further details on medium term debt projections are provided in Chapters 3 and 4).

5.4 The increase in debt from 43.9 percent of GDP in July 2017 was largely due to additional spending on reconstruction works in the aftermath of TC Winston and back-to-back natural disasters in 2018. Approximately $500 million, equivalent to around 4 percent of GDP, was channelled by Government towards reconstruction and rehabilitation works.

Table 5.1: Total Government Debt ($M)

Particulars	Jul-15	Jul-16	Jul-17	Jul-18 (R)	July-19 (F)
Domestic Debt	2,997.5	3,245.0	3,300.8	3,763.0	4,131.1
External Debt	1,385.3	1,262.6	1,370.9	1,457.5	1,498.2
Total Debt	**4,382.8**	**4,507.7**	**4,671.7**	**5,220.5**	**5,629.3**
Debt (as a % of GDP)	**45.8**	**44.6**	**43.9**	**45.9**	**46.7**
Domestic Debt to Total Debt (%)	68.4	72.0	70.7	72.1	73.4
External Debt to Total Debt (%)	31.6	28.0	29.3	27.9	26.6

(Source: Ministry of Economy)

5.5 Apart from ensuring that the debt position remains on a sustainable path, Government also ensures that the debt mix between domestic and external is well-managed to safeguard against any exchange rate risks. Focus is also placed on reducing the cost of debt by accessing concessional finance through development partners.

5.6 Financing decisions consider the need to ensure domestic market liquidity is not crowded out and avoid exerting undue pressure on interest rates. Managing refinancing and interest rate risk continues to be a key component of Government's responsible debt management strategy.

5.7 Government maintains a domestic and foreign borrowing mix of 70:30 (+/- 5 percent). In July 2018, domestic debt comprised 72.1 percent of the total public debt portfolio with the remaining 27.9 percent as external debt. Discussions are in advanced stages with the Asian Development Bank (ADB) and the World Bank for the refinancing of the US$200 million global bond due in October 2020 through a policy-based operation.

5.8 The funding from ADB and World Bank is based on a package of policy reform triggers in the areas of fiscal management, institutional and legal framework for state owned enterprises and improving the private sector business environment. Other bilateral partners have expressed interest to participate in this operation. Refinancing of the global bond through a policy-based operation will assist in the implementation of various reforms, and help reduce the cost of borrowing and minimise refinancing risks.

5.9 Apart from this, the World Bank Board of Governors on 26 March 2019 approved Fiji's inclusion as an IDA-eligible Small Island Economy. Effectively, this means that Fiji has become a "blend country", which allows it to access funding through the IDA and IBRD financing facility windows. As such, the Fijian Government will be able to access around SDR21.0 million (approx. FJ$55 million) at zero interest on an annual basis with an extended repayment term of 40 years, including a 10-year grace period. This funding is vital to support the financing of our development and disaster resilience needs.

Domestic Debt Stock

5.10 Total domestic debt stood at $3,763.0 million or around 33.1 percent of GDP, at the end of July 2018. Outstanding domestic debt at the end of July 2019 is projected to be around $4,131.1 million (Table 5.2). Institutional investors like FNPF, insurance companies, commercial banks and other non-bank financial institutions play an active role in the domestic capital market, which continues to be the primary source of Government financing.

5.11 Major debt instruments for the domestic market include the Fiji Infrastructure Bonds (FIB), Fiji Green Bonds, Viti Bonds and treasury bills. Long-term FIB's are used to finance major capital expenditure projects, while the $100 million Green Bond raised in 2017-2018 was solely used for environmental and climate change related expenditures. Viti Bonds, which are tailor made to attract retail investors, have encouraged participation of smaller investors in the domestic capital market and have also expanded our investor base. Short-term financing needs are managed through the issuance of treasury bills.

Table 5.2: Government's Domestic Debt Stock ($M)

Particulars	Jul-15	Jul-16	Jul-17	Jul-18 (R)	July-19 (F)
Bonds	2,831.8	3,079.8	3,204.4	3,575.5	3,932.8
Treasury Bills	165.7	165.2	96.4	187.5	198.3
Total Domestic Debt	**2,997.5**	**3,245.0**	**3,300.8**	**3,763.0**	**4,131.1**
Domestic Debt to GDP (%)	**31.3**	**32.1**	**31.0**	**33.1**	**34.2**

(Source: Ministry of Economy)

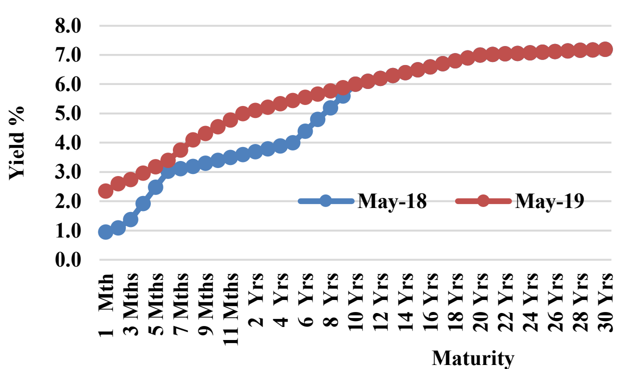
5.12 Maturity profiles for domestic debt vary, with FIB and Fiji Green Bonds on fixed, semi-annual coupon securities with maturities ranging from two to 30 years. Viti Bonds have three maturity profiles: five year, with an annual coupon rate of 4.0 percent, seven year with a coupon rate of 4.5 percent and 10 year with a coupon rate of 5.0 percent. The maturity period for treasury bills range from 14 to 364 days, and interest rates vary from time to time as determined by market conditions.

Domestic Interest Rate Structure

5.13 Coupled with tightened financial markets and increased demand for funds, the yield curve has skewed slightly upward trending. (Figure 5.1).

5.14 On the same note, there has been a higher appetite for borrowing options with shorter maturities which has pushed up interest rates.

Figure 5.1: Government Yield Curve



(Source: Ministry of Economy)

External Debt Stock

5.15 External debt stood at $1.46 billion, equivalent to 12.8 percent of GDP, as of July 2018, and is expected to be around similar levels by the end of July 2019. Table 5.3 depicts Government's external debt position from 2015 to 2019.

Table 5.3: Government's External Debt ($M)

Particulars	Jul-15	Jul-16	Jul-17	Jul-18 (R)	Jul-19
Loans	849.6	846.9	968.6	1,037.2	1,068.5
Global Bonds	535.7	415.7	402.3	420.3	429.7
Total External Debt	**1,385.3**	**1,262.6**	**1,370.9**	**1,457.5**	**1,498.2**
External Debt to GDP (%)	**14.5**	**12.5**	**12.9**	**12.8**	**12.4**

(Source: Ministry of Economy)

5.16 In terms of external debt composition, the global bond comprises around 28.8 percent of the total external debt portfolio, bilateral loans constitute 34.4 percent and multilateral loans make up around 36.8 percent. The majority of Fiji's external debt is denominated in US dollars (65.5 percent) followed by the Chinese Yuan (33.6 percent), the Japanese Yen (0.8 percent) and the Euro (0.2 percent).

Table 5.4: External Debt Stock by Creditor Category ($M)

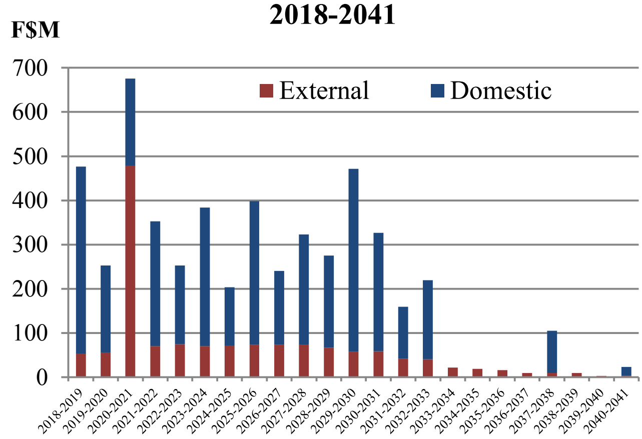
Particulars	July-15	July-16	July-17	July-18 (R)
Bilateral	568.9	585.6	514.6	500.8
Multilateral	280.7	261.3	454.0	536.5
Global Bond	535.7	415.7	402.3	420.2
Total External Debt	**1,385.3**	**1,262.6**	**1,370.9**	**1,457.5**

(Source: Ministry of Economy)

Government Debt Maturity Profile

5.17 Government's debt maturity profile is relatively smooth with the exception of fiscal year 2020-2021 (during which the global bond is due). Government will continue to maintain an optimal maturity structure, including the option of pursuing the early redemption of expensive debt. Figure 5.2 illustrates Government's debt maturity profile from 2018 to 2041.

Figure 5.2: Debt Maturity Profile 2018-2041



(Source: Ministry of Economy)

Risk Indicators

5.18 Government's Medium Term Debt Strategy (MTDS) sets out the key parameters and considerations for cost and risk trade-offs of its debt portfolio. This assists Government in adopting strategies that will provide the optimal combination of lowest possible cost and risk. Table 5.5 below shows key risk indicators associated with Government's debt as at July 2018.

Table 5.5: Risk Exposure as of July 2018

Risk Indicators		External	Domestic	Total
Debt ($M)		1,457.5	3,763.0	**5,220.5**
Debt (% of GDP)		12.8	33.1	**45.9**
Refinancing Risk	Average Term to Maturity (yrs)	6.4	7.5	**7.2**
	Debt Maturing in 1yr (% of total)	3.7	11.2	**9.1**
Interest Rate Risk	Average Time to Refixing (yrs)	3.2	7.5	**6.3**
	Debt Refixing in 1yr (% of total)	37.1	11.2	**18.5**
	Weighted Average Interest Rate (%)	3.3	6.9	**5.9**
***Foreign Exchange Risk* (% of Total Debt)**			**27.9**	

(Source: Ministry of Economy)

5.19 The refinancing risk reflects the Average Time to Maturity (ATM) of Government's debt portfolio. ATM is 7.2 years with external at 6.4 years and domestic at 7.5 years.

5.20 The interest rate risk reflects the volatility of the various interest rate structures. Three indicators to measure interest rate risk are: Average Time to Refixing (ATR), Debt Refixing in 1 Year and Weighted Average Interest.

5.21 ATR describes the time taken in years to fix the interest rates, thus, a shorter ATR implies that the portfolio is more exposed to variable interest rate shocks. The ATR for total debt is 6.3 years, with external debt at 3.2 years and domestic debt at 7.5 years. This implies that Government has adequate time to fix the interest rates in terms of interest rate shocks. Debt maturing in one year stood at 9.1 percent of total debt.

5.22 Weighted average interest rate is relatively low at 5.9 percent for the total debt stock with domestic debt having an average interest rate of 6.9 percent and external debt of 3.3 percent. The lower external interest is mainly attributed to concessional financing from bilateral and multilateral partners.

5.23 In terms of exposure to foreign exchange rate risk, 27.9 percent of the total debt is denominated in foreign currency. The external debt exposure is within our pegged threshold. Given Fiji's strong foreign reserves position and stable exchange rates, foreign exchange risk remains minimal.

Contingent Liabilities

Table 5.6: Contingent Liabilities ($M)

Government Guarantees	**2015**	**Jul-16**	**Jul-17**	**Jul-18**
Fiji Development Bank	170.0	183.9	190.6	200.0
Energy Fiji Limited	335.5	324.5	99.2	94.5
Fiji Harwood Corporation Limited	6.4	5.2	5.1	5.2
Fiji Pine Limited	3.5	3.2	2.5	1.8
Fiji Sugar Corporation Limited	200.0	173.3	178.2	210.2
Housing Authority	79.6	74.6	69.4	59.7
Fiji Sports Council	4.3	2.1	-	-
Fiji Ports Corporation Limited	5.2	1.4	-	-
Fiji Broadcasting Corporation	17.6	16.5	14.6	12.6
Pacific Fishing Company Limited	2.4	2.6	2.6	2.7
Total Government Guarantees (A) (Explicit)	824.5	787.4	562.2	586.7
% growth	-1.0%	-4.5%	-28.6%	4.4%
As a share of GDP	9.0%	7.8%	5.3%	5.2%
International Bank for Reconstruction & Development (IBRD)	7.1	237.5	229.9	303.0
Asian Development Bank (ADB)	-	198.6	193.9	202.2
Total Other Explicit Contingent Liabilities (B)	7.1	436.1	423.8	505.2
National Bank of Fiji	6.3	6.3	6.3	2.4
Provincial Council	1.4	1.9	1.9	1.4
Municipal Council	28.5	27.5	25.7	23.8
Total Other Implicit Contingent Liabilities (C) (Implicit)	36.2	35.7	33.9	27.7
Total Other Contingent Liabilities (B+C)	43.3	471.8	457.6	532.9
Total Contingent Liabilities (A+B+C)	867.8	1,259.20	1,019.80	1,119.6

Government Guarantees	2015	Jul-16	Jul-17	Jul-18
% Growth	2.4%	45.1%	-19.0%	9.8%
Total Contingent Liabilities to GDP (%)	9.5%	12.5%	9.6%	9.9%

(*Source: Ministry of Economy)*

5.24 As at 31 July 2018, the total guaranteed debt (explicit liabilities) comprises of $586.7 million compared with $562.2 million in preceding year. The slight increase in explicit guarantee was mainly associated with new guarantees taken by various entities. As a percentage of GDP, this is equivalent to 5.2 percent. Guaranteed liabilities of various entities are shown in Table 5.6 above.

5.25 Total contingent liabilities increased by 9.8 percent to $1,119.6 million compared to July 2017. This is mainly driven by increases in explicit contingent liabilities underpinned by new guarantees granted. As a percentage of GDP, total contingent liabilities stood at around 9.9 percent.

5.26 In line with the Fiscal Risk Assessment and Management Framework, stringent monitoring of activities of guaranteed entities will be conducted by the Government. Assessment of these Government entities will focus on quantitative and qualitative indicators, including any systemic demand and supply side constraints. This is to ensure long term financial viability of these entities, and importantly, appraise any fiscal risks and risk of default. In addition, guarantee fee will be based on the overall risk profile of the entity. Exemptions may apply with due regard of the SOE's financial status and the implications of any disruptions to its operations.

Government's Equity Investment[10]

5.27 Government continues to undertake reform initiatives to improve the financial performance and service delivery of SOEs. Table 5.7 below provides an overview of Government's shareholding in SOEs.

Table 5.7: Shares & Portfolio Allocations in SOEs

	State Owned Entities	Shares (%)	Sector/Portfolio
	Government Commercial Companies (GCC)		
1	Fiji Airports Limited (FAL)	100	Transport & Infrastructure
2	Fiji Broadcasting Corporation Ltd (FBCL)	100	Communication
3	Fiji Hardwood Corporation Ltd (FHCL)	100	Fisheries & Forests
4	Fiji Public Trustee Corp Ltd (FPTCL)	100	Trade & Finance
5	Food Processors (Fiji) Ltd (FPFL)	100	Agriculture
6	Post Fiji Ltd (PFL)	100	Communication
7	Fiji Rice Ltd (FRL)	100	Agriculture

[10] Government's equity investments are categorised into Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), Majority Owned Companies (MACs) and Minority Owned Companies (MICs).

	State Owned Entities	Shares (%)	Sector/Portfolio
8	Unit Trust of Fiji (Mgt) Ltd (UTOFML)	100	Trade & Finance
9	Viti Corps Company Ltd (VCCL)	100	Agriculture
10	Yaqara Pastoral Corporation Ltd (YPCL)	100	Agriculture
	Commercial Statutory Authorities (CSA)		
1	Biosecurity Authority of Fiji (BAF)	100	Agriculture
2	Fiji Meats Industry Board (FMIB)	100	Agriculture
3	Housing Authority (HA)	100	Trade & Finance
4	Public Rental Board (PRB)	100	Trade & Finance
5	Water Authority of Fiji (WAF)	100	Transport & Infrastructure
	Majority Owned Companies (MAC)		
1	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
2	Pacific Fishing Company Ltd (PAFCO)	99.5	Fisheries & Forests
3	Energy Fiji Limited (EFL)	95[11]	Transport & Infrastructure
4	Copra Millers Fiji Ltd (CMFL)	96	Agriculture
5	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
6	Fiji Airways (FA)	51	Transport & Infrastructure
7	Air Terminal Services (ATS)	51	Transport & Infrastructure
	Minority Owned Companies (MIC)		
1	Fiji Ports Corporation Ltd (FPCL)	41	Transport & Infrastructure
2	Amalgamated Telecom Holdings (ATH)	17.3	Communication

(Source: Ministry of Economy)

Government's Equity Investment Performance

5.28 Table 5.8 below shows the financial performance of various SOE shareholding categories from 2015-2018, in particular, the Return on Asset (ROA) and Return on Equity (ROE).

Table 5.8: Average ROA/ROE by Government Shareholding (%)

Type	2015		2016		2017		2018	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
GCC	8.41	11.72	24.20	33.46	12.79	17.39	10.29	13.96
CSA	-1.03	-1.30	-0.54	-0.71	-0.19	-0.27	0.31	0.45
MAC	1.40	4.13	2.80	8.01	4.20	11.65	4.10	11.24
MIC	12.26	14.14	14.96	19.73	13.02	19.20	12.86	18.44

(Source: Ministry of Economy)

5.29 The overall performance of the SOEs were slightly less in 2018 compared to 2017. GCCs, MACs and MICs achieved lower financial returns for 2018 compared to 2017. However, CSAs has shown improvements in its financial results over the same period.

[11] Following the corporatisation of EFL, the entity divested its 5 percent shareholding in the form of non-voting right shares to its customers in 2018 hence, the classification has changed from GCC to MAC.

5.30 The slight decline in returns for the GCCs was attributed to lower profits recorded by FAL, FBCL and FHCL in 2018 compared to 2017. However, FPTCL, UTOFML and PFL achieved better returns. For CSAs, the favourable outturn is mainly attributed to better financial performance by WAF. The slight underperformance for MACs was underpinned by relatively lower profits recorded by EFL, FPL and PAFCO.

5.31 SOE investments can also be categorised in the following sectors: agriculture; transport & infrastructure; communication; trade & finance; and fisheries & forests. This is depicted in Table 5.9 below.

Table 5.9: Average Return by Sector (%)

Sector	2015		2016		2017		2018	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	-6.85	-31.44	-13.13	-40.36	-11.52	-22.90	-5.89	-8.86
Communication	11.25	14.79	11.73	17.95	10.79	18.39	10.29	17.09
Fisheries & Forestry	-5.36	-6.90	20.57	25.22	7.58	8.91	3.73	4.38
Trade & Finance	1.52	4.10	1.54	3.95	2.96	7.24	1.83	4.46
Transport &Infrastructure	2.36	3.89	4.05	6.74	4.49	7.59	4.41	7.56

(Source: Ministry of Economy)

5.32 The highest returns were recorded by SOEs in the communication sector in 2018. This was mainly attributed to profits from ATH and FBCL. All other sectors excluding agriculture recorded modest returns in 2018.

Dividend from Government Investments

5.33 In the fiscal year 2017-2018, Government received a total of around $122.4 million in dividends from FAL ($90 million), EFL ($20 million), FPCL ($7.7 million) and ATH ($4.7 million). A sum of $76.1 million is expected to be received in 2018-2019. Details are provided in the 2019-2020 Budget Estimates.

Lending Fund

5.34 Government lending to SOEs, students under the TELS program and other agencies is outlined in Table 5.10 below.

Table 5.10: Lending Fund ($)

	Other Agencies	31 July 2017	31 July 2018
1	Public Officers and Ministers	14,476	14,476
2	iTaukei Affairs Board	5,778,924	5,678,924
3	Student Loan Scheme	218,101,454	311,548,698
4	Loans to Fiji Sports Council	4,450,611	4,450,611
5	Fiji Pine Limited	8,400,000	7,200,000
6	Pacific Fishing Company Limited	9,000,162	9,000,162

	Other Agencies	31 July 2017	31 July 2018
7	Fiji Sugar Corporation Limited	173,816,930	173,816,930
8	South Pacific Fertilizers limited	9,722,100	9,722,100
9	Viti Corporation Company Limited	2,905,000	2,905,000
10	Housing Authority	36,230,048	34,740,200
11	Public Rental Board	9,708,881	9,309,634
12	National Trading Corporation Limited	1,900,000	1,900,000
13	Rewa Rice Limited	1,900,000	1,900,000
	Total Outstanding Loan	**481,928,586**	**572,186,735**

(Source: Ministry of Economy)

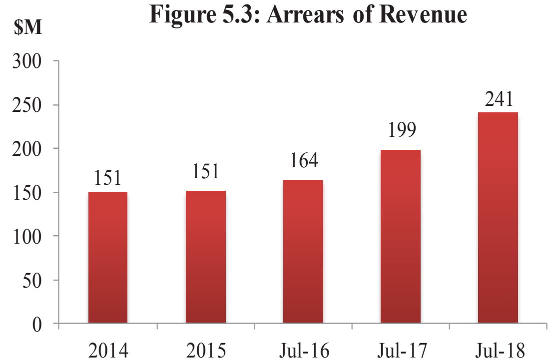
5.35 The total outstanding loans stood at $572.2 million at the end of July 2018, representing an increase of 18.7 percent compared to 2016-2017. The increase is largely attributed to increase in loans under TELS.

Revenue Arrears

5.36 Government's arrears of revenue consist of unpaid taxes and duties, rentals, rates and fees, fines & charges.

5.37 Total arrears of revenue have increased from $199 million in July 2017 to $241 million in July 2018, mainly attributed to a growth in unpaid taxes and customs duties. Table 5.11 below shows major arrears of revenue for Government.

Figure 5.3: Arrears of Revenue



(Source: Ministry of Economy)

5.38 The major arrears of revenue was from unpaid taxes and customs duties ($151.1 million), followed by water charges ($35.8 million), crown rents ($24.0 million) and Judicial fees & fines ($13.3 million).

Table 5.11 Arrears of Revenue ($M)

Particulars	2015	July-16	July-17	July-18
Total Arrears	**151.4**	**163.9**	**198.6**	**240.6**
Major components:				
Taxation & Customs	52.7	79.5	114.9	151.1
Lands - Crown Rents	26.9	20.8	21.8	24.0
Water Rates	29.0	32.9	33.0	35.8
Judicial Fees & Fines	13.2	13.5	13.5	13.3

(Source: Ministry of Economy)

CHAPTER 6: INVESTMENT FACILITATION

Introduction

6.1 Government recognises the importance of encouraging both local and foreign direct investment in Fiji to create employment, generate export earnings and provide income support for Fijians. In order to support the private sector and provide a conducive environment for investment, Government in the 2019-2020 National Budget will continue to maintain a low and attractive tax regime, develop infrastructure and improve services to support investments and streamline business processes through the adoption of digital platforms.

6.2 This chapter discusses the trends in investment, Government's policies relating to investment promotion and facilitation, and the reforms undertaken by Investment Fiji as the country's focal investment promotion agency.

Trends in Investment

6.3 Investment activity has been a key driver of Fiji's growth over the last 10 years. From a low of 13.4 percent of GDP in 2007, investment to GDP ratio averaged around 18.5 percent from 2014 to 2017. Private sector led investment made up the major component of total investments and is expected to increase further in the years ahead.

6.4 The total value of work put in place, a key investment indicator, has also witnessed double-digit growth since 2013. Annual growth in the value of work put in place averaged 10.9 percent from 2014 to 2017. Other major indicators of investment activity, including private sector credit and importation of investment goods, also remained high during this period.

6.5 In terms of registrations, the value of investment registered in Fiji rose from $500 million to $1,096.6 million from 2014 to 2018. These investments are estimated to have created 24,613 new jobs in the country. Though the number of investment proposals was lower in 2018 compared to 2017, the increase in the value of investment indicates high-impact investments coming into Fiji.

Table 6.1: Investment Proposals 2014 r– 2018

Investment Indicators	2014	2015	2016	2017	2018	Total
Number of Investment Proposals Registered	261	362	368	418	279	**1,688**
Value of Investment Proposals Registered ($M)	500	1,109	1,626	841	1,096.6	**5,173**
Employment Proposal	4,041	3,953	4,435	4,469	7,715	**24,613**

(Source: Investment Fiji)

Major Initiatives to Promote Investments

6.6 Government has recently formulated a comprehensive investment policy, and is currently in the process of reviewing the Investment Act. This will provide the overarching framework for a transformational shift in harnessing private sector investments in Fiji. Apart from the Investment Act, consultations have been undertaken with key stakeholders, including the private sector, on the review of the Fijian Competition and Consumer Commission Act 2010. This review is aimed at modernising Fiji's regulatory environment to promote greater competition and enhance business innovation.

6.7 To support expansion of businesses and entice new investments in Fiji, the 2019-2020 Budget has introduced a number of new taxation and customs incentives together with streamlining existing incentive packages. These incentives will support growth in the areas of tourism, manufacturing, transportation, housing, retirement villages & aged care, ICT and waste recycling. Other taxation and customs measures announced in this Budget will give further impetus to private sector investments (with further details of taxation and customs policy changes are provided in chapter 8).

6.8 The 2019-2020 Budget also provides substantial funding to digitalise Government services, which will help improve service delivery, promote efficiency, and support financial inclusion. Apart from ICT-enabled business process improvements, Government agencies will continue to improve existing processes and accelerate processing timelines. Government has provided a budget of $39.1 million for this sweeping digitalisation project for 2019-2020 fiscal year.

6.9 Investment Fiji has also developed an inclusive strategy that focuses on the areas of investment promotion, investment facilitation and export promotion. This represents a strategic shift from a process-orientated to a performance-orientated approach. Investment Fiji will continue to strengthen facilitation of both local and foreign investment projects in the country, undertake investment and export promotion, and provide after-care services.

After-Care Support Services

6.10 Investment Fiji is actively developing relationships across the local community, including entrepreneurs, investors, exporters, Government officials and business groups to work together to catalyse investments as the key driver of the domestic economy. The collaborative approach for after-care services is aimed at encouraging communication and identifying potential solutions, igniting investor confidence and businesses growth.

Customer Engagement Model

6.11 Investment Fiji has also developed and implemented a Customer Engagement Model (CEM) approach, allowing the organisation to better understand its customers business, set definite outcomes of the engagement through objectives and activities, and coordinate with Government agencies to fulfil customer needs. The CEM also captures key information, such as investment level, employment, re-investment, and ensures compliance of registered projects.

Memorandum of Understanding

6.12 Investment Fiji has embarked on signing Memorandums of Understanding (MOUs) with various Government agencies, ministries and NGOs to share information, data and knowledge with the aim of stimulating sustainable trade and investment. To date, 15 MOUs has been endorsed by Investment Fiji with various agencies.

Capability Progam for Exporters

6.13 To increase Fijian exports, Investment Fiji is developing capability support programs and enterprise development tools. These include the provision of technical assistance and logistical information, regulatory environment improvements and new market research.

6.14 This key service is part of the agency's support services, designed to assist local and foreign investors in developing comparative advantages of their products for export.

Trade and Investment Missions

6.15 Both inbound and outbound trade and investment missions are organised annually. These missions aim to promote Fiji in trade and investment exhibitions, create and strengthen networking and identify potential investment and export opportunities.

6.16 Investment Fiji will actively focus on attracting foreign direct investment from Australia, New Zealand, USA, China and Japan, among others. The objective of the trade missions is to reinforce and expand Fiji's existing economic links with target nations.

Online Marketing

6.17 Investment Fiji is focussing on digital marketing to develop a platform that attracts foreign investors. This will promote investment opportunities through engaging advertisements. Plans are also in place to build a high quality, informative database for investors and importers.

CHAPTER 7: EXTERNAL TRADE & DEVELOPMENT COOPERATION

Fiji's Trade Policy Framework

7.1 Fiji's Trade Policy Framework (TPF) 2015-2025 continues to develop and strengthen the nation's global and regional trade interests, identify opportunities for trade and investment in goods and services, and provide guidance for bilateral, regional and multilateral trade discussions.

7.2 The TPF provides a sustainable pathway for Fiji to liberalise trade in goods and services, and soften foreign investor requirements to promote competition across borders. The framework aims to develop Fiji into a "vibrant, dynamic and internationally competitive economy serving as the hub of the Pacific".

Update on Regional & International Trade Agreements

7.3 ***Developing Country (DC) Preferences Scheme*** **–** The DC Preferences Scheme was introduced in 2015, following the expiry of the SPARTECA-TCF Scheme in December 2014. The Scheme facilitates the export of Fijian-made garments into the Australian market under a special preferential access arrangement, which requires the final process of manufacture to be performed in Fiji.

7.4 ***Pacific Island Countries Trade Agreement (PICTA)*** **–** This is a Free Trade Agreement between Forum Island Countries (FICs) which came into effect in 2006. Of the 12 countries that have ratified the Agreement (Cook Islands, Fiji, Niue, Samoa, Solomon Islands, Tuvalu, Vanuatu, Kiribati, Nauru, PNG, Tonga, and FSM), only seven have announced their readiness to trade, while the remainder are expected to soon fulfil the necessary requirements. FSM has yet to ratify the Agreement, while Palau and the Republic of the Marshall Islands are the only FICs which have yet to sign PICTA.

7.5 ***Melanesian Free Trade Agreement (MFTA)*** **–** Fiji signed the MFTA in January 2017, and preparations are underway to ratify the Agreement. Fiji's trade with the MSG countries is currently under the ambit of the Melanesian Spearhead Group Trade Agreement, which is a goods-only agreement. The MFTA is expected to improve the implementation of trade in goods while also expanding the scope of provisions on trade in services, labour mobility, investment and government procurement.

7.6 ***European Union-Pacific Interim Economic Partnership Agreement (IEPA)*** – Fiji signed the IEPA in 2009 to protect duty and quota-free access for exports to the EU (mostly sugar) and avoid general disruptions to trade. Fiji has been applying a provisional IEPA since July 2014 to ensure continued preferential market access. However, it should be noted that the IEPA has a number of contentious provisions that continue to limit policy space and sovereignty. Fiji's goal is to negotiate a more comprehensive EPA that addresses our existing concerns and is easier to implement.

7.7 ***UK-Pacific Interim Economic Partnership Agreement (IEPA)*** – The deadline for the UK's withdrawal from the EU (Brexit) has been extended until October 2019. Currently, all Fiji-UK trade is governed by an IEPA between Fiji and the EU. Therefore, in order to minimise disruptions and ensure continuity of trade post-Brexit, Fiji and the UK have agreed to develop a two-year transition plan, including a standalone trade agreement which closely mirrors the previous IEPA. Fiji and PNG signed the UK-Pacific IEPA on 14 March 2019 and are awaiting confirmation from the UK on its provisional application.

7.8 ***WTO Trade Facilitation Agreement (TFA)*** - The TFA sets out provisions for expediting the movement, release and clearance of goods across borders as well as measures for effective cooperation between Customs and other relevant Authorities.

7.9 ***The National Trade Facilitation Committee (NTFC)*** – The NTFC guides the implementation of the TFA via four working groups: Single Window, Risk Management, Communication and Test Procedures. Fiji is working closely with the World Bank (International Finance Corporation) to meet its Category B and C commitments under the TFA.

7.10 ***Fiji-China Bilateral Discussions*** – In 2015, Fiji and China signed a MOU to undertake a joint feasibility study to assess the merits of a Fiji-China Free Trade Agreement. The Chinese delegation presented their portion of the joint feasibility study at a Trade Working Group meeting in 2016 in Beijing. Fiji has also completed its counterpart study, and the Ministry of Industry, Trade and Tourism (MITT) will work with the Chinese Authorities to consolidate the two reports.

7.11 ***Fiji-Indonesia Preferential Trade Arrangement*** – On 19 March 2019, Fiji and Indonesia released a joint statement to undertake negotiations on a preferential trade arrangement. Fiji will conduct a feasibility study to determine the parameters for negotiations and identify key priorities to be addressed by the trade arrangement.

7.12 ***Fiji-New Caledonia Preferential Trade Agreement*** – New Caledonia has signalled its interest in negotiating a Trade Agreement with Fiji. The official announcement is expected to be made during the upcoming Economic Mission to Fiji, which will be led by the President of New Caledonia sometime in mid- 2019.

Development Cooperation

7.13 The total value of Official Development Assistance (ODA) to Fiji in 2019-2020 is expected at around $154.4 million, consisting of $13.8 million to be disbursed as cash grants and $140.6 million of aid-in-kind (AIK) contributions. Priority areas for ODA support in 2019-2020 include education, health, agriculture, financial inclusion, poverty alleviation, social mitigation and renewable energy.

Table 7.1: Official Development Assistance 2017–2020

Particulars	2017-2018 (A)		2018-2019 (R)		2019-2020 (B)	
	($M)	%	($M)	%	($M)	%
Cash Grants	49.1	24.1	29.6	16.5	13.8	8.9
Aid in Kind	155	75.9	149.9	83.5	140.6	91.1
TOTAL ODA	**204.1**	**100.0**	**179.5**	**100.0**	**154.4**	**100.0**

(Source: Ministry of Economy)

Cash Grants

7.14 Table 7.2 below outlines the sectorial distribution of cash grants in 2019-2020.

Table 7.2: Cash Grants by Sector

Sector	2019-2020 (B)	
	($M)	%
General Administration	6.0	43.5
Social Services	0.5	3.6
Economic Services	6.5	47.1
Infrastructure	0.8	5.8
Total	**13.8**	**100.0**

(Source: Ministry of Economy)

7.15 The Economic Services sector is expected to receive the majority of the cash grants at $6.5 million, of which $4.0 million will be provided by the European Union (EU) for the Sustainable Rural Livelihood programme. In addition, $1.5 million will be provided by the World Bank for the REDD+ project, while the Government of India has committed $1.0 million towards the Micro Small Business Grant initiative.

7.16 The General Administration sector is expected to receive $6.0 million in cash grants, of which $3.6 million has been allocated by the Government of New Zealand to support reforms focused on improving fiscal management, strengthen the legislative and institutional framework for public enterprises and public-private partnerships (PPPs), and improve the business and investment climate in Fiji. Around $1.6 million has been committed by the UNDP for the Fiji Access to Justice Project. The EU will provide $0.5 million for support measures for EDF11, while UNICEF will provide around $0.3 million towards the Child Protection Programme.

7.17 In the Infrastructure Sector, total cash grants of $0.8 million are expected in 2019-2020. About $0.3 million will be provided by the UNDP for the Fiji Ridge to Reef Project, while a grant of $0.5 million is expected from the World Bank for the Sustainable Energy Financing Project, which provides a 50 percent loan guarantee for sustainable energy and energy efficiency projects.

7.18 The Social Services sector is expected to receive around $0.5 million from UNICEF for the Water, Sanitation and Hygiene (WASH) Programme.

Aid-in-Kind

7.19 Table 7.3 below outlines the sectorial distribution of AIK in 2019-2020.

Table 7.3: Aid-in-Kind by Sector

Sector	2019-2020 (F)	
	($M)	%
General Administration	41.0	29.2
Social Services	58.5	41.6
Economic Services	30.6	21.8
Infrastructure	10.4	7.4
Total	**140.6**	**100.0**

(Source: Ministry of Economy)

7.20 The Social Services sector is expected to receive the largest support in AIK donations in 2019-2020, worth around $58.5 million. The majority of these funds will be provided by the Australian Government for the Australia-Pacific Technical College, the Access to Quality Education Program, the Fiji Health Sector Improvement Program and the Pacific Women Shaping Pacific Development Program. The New Zealand Government has allocated $7.8 million for various projects in the health, education and housing sectors. In addition, KOICA has committed $2.4 million to strengthen competencies in health sector responses to climate change, and $3.7 million will be provided for a medical volunteer scheme in the fields of dietetics, physiotherapy and biomedical services.

7.21 A sum of $41.0 million in AIK assistance will be granted to the General Administration sector in 2019-2020, of which $14.5 million will be provided by the Australian Government for AusAID scholarships and ongoing governance-related activities. Furthermore, $5.6 million has been committed by the Government of New Zealand for the UNDP Parliament Strengthening Project (Phase 2) as well as technical support for the Fiji National Disaster Management Office to improve disaster and emergency response, and disaster risk reduction (DRR) capabilities. In addition, the EU will provide $8.3 million for community development projects and public administration and governance reforms.

7.22 The Economic Services sector will receive $30.6 million in 2019-2020. Of this, the Australian Government will provide $12.8 million towards PHAMA, the Market Development Facility, and financial inclusion activities implemented by PFIP, among other programs. The EU has committed $7.7 million towards the Accompanying Measures for Sugar Protocol Programme, and to promote El Niño adaptation and preparedness in rural communities with a focus on improving food security. Around $5.0 million will be provided by the International Finance Corporation (IFC) for various projects relating to tourism, investment facilitation, capital markets development, climate resilient housing, and promotion of women's employment in the formal workforce. The New Zealand Government has also allocated $4.9 million for various agriculture and fisheries projects.

7.23 Around $10.4 million will be provided to the Infrastructure Sector, with JICA providing the majority of this assistance towards various projects, which includes hybrid power generation, a preparatory survey for the reconstruction of the Tamavua-i-wai Bridge, improving capacity for DRR implementation, solid waste management, environmental education volunteer scheme, and improving water and sewerage management. In addition, KOICA has committed $1.9 million to establish a solar energy project on Taveuni, as well as to deliver renewable energy capacity building programs to Government officials and traditional leaders throughout the Melanesian states.

CHAPTER 8: 2019-2020 TAX POLICY MEASURES

8.1 This chapter provides details of various tax and customs policy measures introduced in the 2019-2020 Budget.

Part 1 – Direct Tax Measures

(i) Income Tax

Policy	Description
1. Export Income Deduction Incentive	➢ The Export Income Deduction will be re-introduced with retrospective application from 2018 and maintained for 3 years. The Export Income Deduction will be allowed at the rate of 50%. ➢ The Export Income Deduction will expire in 2020.
2. Deduction for Employers Contribution to FNPF	➢ The deduction for employer's contribution to FNPF will be increased from 50% to 100% effective from 1 January 2020.
3. Incentive for Renovations of Buildings	➢ The threshold to qualify for the 25 percent investment allowance under the Income Tax (Renovation of Building Incentive) Regulations will be reduced from $1 million to $250,000. ➢ The incentive will be extended to other buildings apart from those in towns and cities but will only be available to commercial buildings.
4. Film Making and Audio Visual Incentives	➢ The Income Tax (Audio Visual Incentives) Regulations 2016 will be amended with the following changes: • The film tax rebate will be increased from 47% to 75% and will be based on the expenditure incurred in Fiji and paid to Fiji Resident companies for goods and services. • The maximum rebate payable per approved final certificate will not be more than $15 million. ➢ A 200% tax deduction will be available to companies investing in camera and other filming equipment for audio visual productions. ➢ Income tax holiday will be available to companies who set up production facilities including equipment, cameras, editing and post production studios. • Income tax exemption for a period of 7 years will be available provided capital investment level is more than $2 million. • Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.
5. Tax Exemption on Interest Earned on Government Securities and Government Guaranteed Securities	➢ Tax exemption on interest earned from Government, State-Owned Entities and Statutory Authorities financial instruments (bonds, treasury bills and promissory notes) by individuals and private entities excluding financial institutions.

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td></td></tr>
<tr><td>6. Residential Housing Development Incentive</td><td>➢ Income Tax (Residential Housing Development Package) Regulations 2016 will be amended to provide clarification on a ceiling on the sale price of residential housing so that it is affordable to potential average Fijian home buyers.

➢ The incentive will only be available with the following condition to a multi-storey development:

• Each storey to have at least 15% of the units below the price ceiling of $300,000. This requirement only applies to the first 5 storeys of the development.

➢ The incentive will also be available for a ground level multi-unit housing developments.

➢ The following incentives will also be available:

• Income tax exemption on developer profits for the entire project.

• Import duty exemption on the importation of capital equipment, plant and machinery.

• Subsidy on the proportion of capital investment incurred for the development of the housing units at the following rates:

▪ Less than $100,000 – 7%
▪ $100,000 to $200,000 – 5%
▪ $200,001 to $300,000 – 3%</td></tr>
<tr><td>7. Private Public Partnership (PPP) on Rental Housing</td><td>➢ Any private sector business investing in a multi-unit rental housing development will be granted an income tax holiday for the entire duration of the PPP Agreement with Government.</td></tr>
<tr><td>8. Tax incentive for retirement villages and aged care facilities</td><td>➢ A new incentive package will be available to investments in retirement villages and aged care facilities. The following incentives will be available:

• Income tax exemption based on the following capital investment levels:

<table><tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr><tr><td>$250,000 - $1,000,000</td><td>5 Years</td></tr><tr><td>$1,000,000 - $2,000,000</td><td>7 Years</td></tr><tr><td>More than $2,000,000</td><td>13 Years</td></tr></table>
• Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.</td></tr>
<tr><td>9. Tax incentive for waste recyclers</td><td>➢ To promote safer and environmentally friendlier waste management initiatives, the following incentives will be granted to companies engaged in waste recycling business in Naboro:

• Income tax exemption based on the following capital investment levels:</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td>
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
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<tr><td>More than $2,000,000</td><td>13 Years</td></tr>
</table>
Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.
</td></tr>
<tr><td>10. Incentives for construction of warehouses or similar investments</td><td>
➢ Government will be encouraging investment in the business of warehousing and storage facilities given the increasing business needs. Storage facilities require significant set up and operation costs. Therefore, a new incentive package is granted to companies investing in warehouses and storage facilities.

➢ Incentive Package 1: Companies engaging in warehousing business.
Income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$250,000 - $1,000,000</td><td>5 Years</td></tr>
<tr><td>$1,000,000 - $2,000,000</td><td>7 Years</td></tr>
<tr><td>More than $2,000,000</td><td>13 Years</td></tr>
</table>
Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business.
➢ Incentive Package 2: Existing companies engaged in any business investing in warehouses.
50% investment allowance for capital investment more than $1 million.
100% investment allowance for capital investment more than $2 million.
</td></tr>
<tr><td>11. Loss Carried Forward</td><td>➢ The loss carried forward provision will be increased from 4 years to 8 years. This will only be applicable to losses incurred in financial year starting 1 January 2019 and onwards.</td></tr>
<tr><td>12. ICT Incentives</td><td>➢ The ICT Incentive (13-year tax holiday) is available under the Income Tax (Exempt Income Incentives) Regulations 2016.

➢ To promote investments in the ICT sector, the conditions of employing a minimum of 50 employees and exporting 60% of the services to qualify for the ICT incentive will be removed.

➢ The annual licence fee of $1,000 will also be removed.</td></tr>
<tr><td>13. Incentive package for pharmaceutical manufacturing</td><td>➢ To promote investment in the pharmaceutical manufacturing sector, the following incentive will be granted to businesses investing in pharmaceutical manufacturing:</td></tr>
</table>

Policy	Description
	• Income tax exemption based on the following capital investment levels: **Capital Investment ($)** / **Tax Holiday**: $250,000 - $1,000,000 — 5 Years $1,000,000 - $2,000,000 — 7 Years More than $2,000,000 — 13 Years • Import duty exemption on raw materials, plant, machinery and equipment (including spare parts) required for the establishment of the business. ➢ This incentive will also be available to any existing business in the pharmaceutical manufacturing sector and the tax holiday will start from the date approval will be granted.
14. Hotel Investment Incentives	➢ The current duty exemption available under the Short Life Investment Package (SLIP) incentive on the importation of capital equipment, plant and machinery will be extended to include building materials, furnishings & fittings, equipment, room amenities, kitchen and dining room equipment & utensils, and specialised water sports equipment.
15. Pay day reporting summary for PAYE	➢ To promote on-time lodgement, effective from 1st January 2020, every employer lodging monthly Electronic Monthly Summary (EMS) will be required to lodge pay day reporting summary for PAYE.
16. Tax deduction for donation to the Sports Fund.	➢ The threshold to qualify for the 150% tax deduction available for donations to Sports Fund will be reduced from $50,000 to $15,000.
17. Income Tax Act 2015 – Section 67 (d): Exempt Capital Gains	➢ Section 67(d) will be amended to exclude CGT exemption from gains made on disposal of shares other than disposal of share by companies listed in the South Pacific Stock Exchange.
18. Income Tax Act - Rates and Levies Regulations	➢ The Rates and Levies Regulation will be amended to include redundancy in excess of $15,000 together with chargeable income and apply normal rate of income tax. This change will align the redundancy provision to the normal income tax bracket.
19. Collection of Provisional Tax Regulation	➢ Collection of Provisional Tax Regulation has been amended to include penalty provisions for the offence of Withholding Electronic Provisional Tax (EPT) and not remitting to FRCS.

(ii) Tax Administration Act

Policy	Description
1. Section 2 of TAA	➢ Section 2 of TAA will be amended to include the definition of Trust and Trustee as in the Income Tax Act. ➢ *A trustee is defined in the Income Tax Act as 'an executor of the deceased person's estate'. Hence, it is important to define in TAA as well for the purpose of recovery of deceased person's liability.*

2.	Recovery of tax debt owed by deceased person	➢ Section 22 of TAA will be amended to cover all taxes as tax debt recoverable.
3.	Section 33 of TAA - Refunds	➢ Section 33 of TAA will be amended to include forfeiture of refunds after 3 years. ➢ Section 33(3) of TAA will be amended to remove the word "Fiji" as this will allow refunds to be made to taxpayers that do not have bank accounts in Fiji.
4.	TAA 34 (1) (b) - Record Keeping and Information collection - Accounts and records	➢ Amend Section 34(1)(b) to include additional provisions to take reasonable care of maintaining the accounts, documents, in the most appropriate manner (*including electronic format*) in a secure place, for a period of not less than 7 years after the end of the tax period to which they relate.
5.	Section 49 of TAA and the Tax Administration (Infringement Notices) Regulations 2018	➢ Section 49 of TAA will be amended to include non-filing of other documents in addition to the tax returns similar to Section 43 of TAA. Other documents may include Electronic Monthly Summary (EMS) and Electronic Provisional Tax (EPT) Summary. Failure to file other documents also becomes an offence. ➢ The Tax Administration (Infringement Notice) Regulations 2018 will be amended to include the amendment to Section 49 of TAA.
6.	Section 70 of TAA - Lodging of Documents	➢ Section 70 of TAA will be extended to include lodging of documents electronically. Currently Section 70 of TAA specifies that matter of lodging of documents for tax purposes must be delivered by personal delivery, registered or normal post.
7.	Section 72 of TAA- Service of notices.	➢ Section 72 of TAA will be amended to include service of notice through electronic means in addition to personal and postal service.
8.	Lodgement/Payments Due Date	➢ Section 74 of TAA will be amended to state "last day of the month" to cater for online lodgements and payments.

(iii) Stamp Duty Act

Policy		Description
1.	Stamp duty exemption on offshore borrowing	➢ Stamp duties levied on all offshore borrowings will be removed with the requirement that funds are brought into Fiji.
2.	Definition of Small and Micro Enterprise (SME)	➢ The definition of a SME will be amended to address non-compliance. Businesses will no longer be regarded as SMEs if they are connected to larger entities.

Part 2: Indirect Tax Measures

(i) Value Added Tax Act

Policy	Description
1. VAT exemption on importation of aircrafts and vessels.	➢ To assist the airline and shipping companies in Fiji, licensed under Civil Aviation Act 1976 and Maritime Transport Act 2013 respectively, the importation of aircraft and vessel will be exempted from Import VAT.
2. Import VAT exemption for hybrid and electric ships	➢ Importation of hybrid and electric ships will be granted VAT exemption.
3. VAT Monitoring System (VMS) support for SME's	➢ Entities with an annual turnover of less than $500,000 will be granted a free VMS application software, free smart card and free card reader by the Fiji Revenue and Customs Service.

(ii) Environmental and Climate Adaptation Levy Act

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Environmental and Climate Adaptation Levy on Motor Vehicles</td><td>
➢ To curb the issues of traffic congestion, accidents, infrastructure damage and loss of time and productivity, a 10% ECAL will be imposed on motor vehicles.

<u>ECAL Structure on Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Description</th><th>ECAL</th></tr>
<tr><td rowspan="2">Less than 1,500 cc</td><td>New</td><td>10 %</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">exceeding 3,000 cc</td><td>New</td><td>No additional ECAL (10% ECAL already in place)</td></tr>
<tr><td>Used</td><td>No additional ECAL (10% ECAL already in place)</td></tr>
</table>
<u>ECAL Structure on Non Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Description</th><th>ECAL</th></tr>
<tr><td rowspan="2">Less than 1,000 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">1,000 cc to 1,500 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>10%</td></tr>
<tr><td>Used</td><td>10%</td></tr>
<tr><td rowspan="2">exceeding 3,000 cc</td><td>New</td><td>No additional ECAL (10% ECAL already in place)</td></tr>
<tr><td>Used</td><td>No additional ECAL (10% ECAL already in place)</td></tr>
</table>
</td></tr>
<tr><td>2. Plastic Levy</td><td>➢ Plastic levy will be increased from 20 cents to 50 cents on Low Density Polyethylene (LDPE) plastic bags effective from 1 January 2020.</td></tr>
</table>

Policy	Description
3. White Goods	➢ A 10% ECAL will be levied on the import of the following goods: • Smart phones; • Air conditioners; • Freezer/Refrigerator; • Television; • Washing Machines; • Dryers; • Dishwashers; • Electric Stoves; • Microwaves; and • Electric Lawn Mowers.

(iii) Customs Tariff Act - Fiscal Duty Changes

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Increase fiscal duty on passenger motor vehicles</td><td>➢ To curb the issues of traffic congestion, road accidents and loss of time and productivity, import duty on passenger motor vehicles will be increased with the following new rates.

<u>Tariff Structure on Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Type</th><th>Current Fiscal Duty</th><th>New Duty Rates</th></tr>
<tr><td rowspan="2">Less than 1,500 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$2, 000 per unit</td><td>$4,000 per unit</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$2,500 per unit</td><td>$5,000 per unit</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$3,000 per unit</td><td>$6,000 per unit</td></tr>
<tr><td rowspan="2">exceeding 3,000 cc</td><td>New</td><td>Free</td><td>Free</td></tr>
<tr><td>Used</td><td>$6,500 per unit</td><td>$13,000 per unit</td></tr>
</table>

<u>Tariff Structure on Non-Hybrid Vehicles</u>
<table>
<tr><th>Cylinder Capacity</th><th>Type</th><th>Current Fiscal Duty</th><th>New Specific Duty</th></tr>
<tr><td rowspan="2">Less than 1,000 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $3,550 per unit</td><td>32% or $7,000 per unit</td></tr>
<tr><td rowspan="2">1,000 cc to 1,500 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $7,500 per unit</td><td>32% or $11,500 per unit</td></tr>
<tr><td rowspan="2">1,500 cc to 2,500 cc</td><td>New</td><td>5%</td><td>15%</td></tr>
<tr><td>Used</td><td>32% or $11,500 per unit</td><td>32% or $16,000 per unit</td></tr>
<tr><td rowspan="2">2,500 cc to 3,000 cc</td><td>New</td><td>32%</td><td>32%</td></tr>
<tr><td>Used</td><td>32% or $18,000 per unit</td><td>32% or $23,000 per unit</td></tr>
<tr><td rowspan="2">exceeding 3,000 cc</td><td>New</td><td>32%</td><td>32%</td></tr>
<tr><td>Used</td><td>32% or $23,000 per unit</td><td>32% or $28,500 per unit</td></tr>
</table></td></tr>
<tr><td>2. Concessionary duty incentive for Public Transportation</td><td>➢ This incentive will be extended for another 2 years (until 30 June 2023). The concessionary duty regime includes taxis, buses and inter-island shipping.</td></tr>
<tr><td>3. Fiscal duty on buses</td><td>➢ Fiscal duty on new buses (not less than 16 seats) will be reduced to 0%.

➢ Fiscal duty on used buses (not less than 16 seats) will be reduced to 5%. This concession will only be available for 2 years.</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td></td></tr>
<tr><td>4. New readymade clothing for children</td><td>➢ Fiscal duty on new readymade clothing for children will be reduced from 32% to 5%. The reduced rate will be based on global sizes in children’s category.</td></tr>
<tr><td>5. Reduction in fiscal duty on vehicles used for transporting of goods/ trucks stipulated under Heading 8704 of the Customs Tariff</td><td>➢ To assist businesses in the agriculture and wholesale & retail sector, fiscal duty on trucks primarily used for the transport and delivery of goods has been reduced.

➢ All new vehicles under Heading 8704 of the Customs Tariff which currently attracts a fiscal duty rate of 15% will be reduced to 5%. This will exclude dual purpose (twin cab) vehicles.

➢ All used vehicles under Heading 8704 of the Customs Tariff which currently attracts a fiscal duty rate of 32% will be reduced to 15%. The specific rates of duty will be reduced by 50%. This will exclude dual purpose (twin cab) vehicles.

➢ The age limit requirement on used vehicles under Heading 8704 for transport of goods will be removed provided the vehicles are Euro 4 compliant.</td></tr>
<tr><td>6. Reduction of import duty on heavy machinery under Chapter 84 of the Customs Tariff</td><td>➢ Given the increased civil and road construction work, import duty on heavy machinery is reduced by 5%.

➢ Items under Chapter 84 amongst other items include ship derricks and cranes, fork-lift trucks, work trucks, bulldozers graders, levellers, excavators, shovel loaders, road rollers and scrapers. The details are provided below:
<table>
<tr><th>Type</th><th>Current Fiscal Duty</th><th>Current Import Excise</th><th>New Fiscal Duty</th><th>New Import Excise</th></tr>
<tr><td>New</td><td>5%</td><td>5%</td><td>5%</td><td>Free</td></tr>
<tr><td>Used</td><td>15%</td><td>Free</td><td>5%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>7. Ethanol for pharmaceutical manufacturing industries</td><td>➢ Fiscal Duty on the importation of ethanol by manufacturers of pharmaceutical supplies will be reduced to zero.</td></tr>
<tr><td>8. Biodegradable kitchenware and tableware</td><td>➢ Fiscal duty on biodegradable kitchenware and tableware will be reduced from 32% to 0%.</td></tr>
<tr><td>9. Duty concession for the hotel industry</td><td>➢ For all hotels, fiscal duty on the importation of capital equipment, plant, machinery, building materials, furnishings and fittings, equipment, room amenities, kitchen and dining room equipment and utensils, specialised water sports equipment will be reduced to 5% for all items having a fiscal duty of 5% and above and for all items having fiscal duty of 5% will be reduced to 3%.</td></tr>
<tr><td>10. Biodegradable and environmentally friendly cleaning chemicals and detergents</td><td>➢ Fiscal duty on biodegradable and environmentally friendly cleaning chemicals and detergents will be reduced from 32% to 0%.</td></tr>
<tr><td>11. Wheeled Trolleys</td><td>➢ Fiscal duty on wheeled trolleys will be reduced from 15% to 5%.</td></tr>
<tr><td>12. Bicycle and motor cycle tyres</td><td>➢ Fiscal duty on bicycle and motor cycle tyres will be reduced from 5% to 0%.</td></tr>
</table>

Policy	Description
13. Steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing	➢ Fiscal duty on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing not manufactured in Fiji will be granted a concessionary duty rate of 5%.
14. Cane Knives	➢ Fiscal duty on cane knives will be reduced from 5% to 0%.
15. Batteries for laptop, tablets, cellular mobile phone and power banks	➢ Fiscal duty on batteries for laptop, tablets, cellular mobile phone and power banks will be reduced from 32% to 5%.
16. Wind Ventilators	➢ Fiscal duty on wind ventilators will be reduced from 15% to 0%.
17. Non-Woven Plastic Bags	➢ Fiscal duty on non-woven plastic bags will be increased from 15% to 32%.
18. Soap Noodles	➢ Fiscal duty on soap noodles will be reduced to 0%.

(iv) Import Excise Duty

Policy	Description
1. Import Excise and ECAL on Non-Hybrid Motor Vehicles	➢ The Import Excise rate will be reduced from 15% to 5% and a 10% ECAL will be introduced on non-hybrid vehicles. The tax burden will remain the same. The new Import Excise and ECAL rates will be restructured as follows:

Cylinder Capacity	Type	Import Excise	ECAL
Less than 1,000 cc	New	5%	10%
	Used	5%	10%
1,000 cc to 1,500 cc	New	5%	10%
	Used	5%	10%
1,500 cc to 2,500 cc	New	5%	10%
	Used	5%	10%
2,500 cc to 3,000 cc	New	5%	10%
	Used	5%	10%
exceeding 3,000 cc	New	5%	10%
	Used	5%	10%

Policy	Description
2. Import excise on buses	➢ Import excise on new buses (not less than 16 seats) will be reduced to 0%. ➢ Import excise on used buses (not less than 16 seats) will be reduced to 0%. This concession will only be available for 2 years.
3. Ethanol for pharmaceutical manufacturing industries	➢ Import Excise on the importation of ethanol by manufacturers of pharmaceutical supplies will be reduced to 0%.
4. Chicken	➢ Import Excise on the import of chicken will be increased from 0% to 10%.
5. Reduction of import excise on heavy machinery under Chapter 84 of the Customs Tariff	➢ Given the increased civil and road construction work, import duty on heavy machinery is reduced by 5%. ➢ Items under Chapter 84 amongst other items include ship derricks and cranes, fork-lift trucks, work trucks, bulldozers graders, levellers, excavators, shovel loaders, road rollers and scrapers. The details are provided below:

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td><table>
<tr><th>Type</th><th>Current Fiscal Duty</th><th>Current Import Excise</th><th>New Fiscal Duty</th><th>New Import Excise</th></tr>
<tr><td>New</td><td>5%</td><td>5%</td><td>5%</td><td>Free</td></tr>
<tr><td>Used</td><td>15%</td><td>Free</td><td>5%</td><td>5%</td></tr>
</table></td></tr>
<tr><td>6. Reduction in import excise on vehicles used for transporting of goods stipulated under Heading 8704 of the Customs Tariff</td><td>➢ To assist businesses in the agriculture and wholesale & retail sector, import excise on trucks primarily used for the transport and delivery of goods has been reduced.

➢ All new vehicles under Heading 8704 of the Customs Tariff which currently has import excise rates at 5% and 15% will be reduced to 0%. This will exclude dual purpose (twin cab) vehicles.

➢ All used vehicles under Heading 8704 of the Customs Tariff which currently has import excise at a rate of 15% will be reduced to zero. This will exclude dual purpose (twin cab) vehicles.

➢ The age limit requirement on used vehicles under Heading 8704 for transport of goods will be removed. The vehicle will have to be Euro 4 compliant.</td></tr>
<tr><td>7. Steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing</td><td>➢ Import excise on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing not manufactured in Fiji will be granted a concessionary duty rate of 5%.</td></tr>
</table>

(v) Customs Legislation

Policy	Description
1. New provision in the Customs Act to allow the offsetting of customs liability if the tax payer has pending customs refunds	➢ Customs duty refunds to be allowed to be offset against the duty liability of tax payers. This will minimize refunds and will ensure there are no outstanding liabilities.
2. Duty Protection	➢ Previously, manufacturers and producers who were granted duty protection were required to seek approval from Permanent Secretary for Economy prior to increasing prices. ➢ Section 137F of the Customs Act will be amended to remove this requirement. Manufacturers and producers will now only be required to inform Permanent Secretary for Economy. ➢ Fijian Competition and Consumer Commission (FCCC) will be engaged if any review of prices is required.
3. Restrict the Import of left hand drive Vehicle	➢ To align with LTA regulations which does not approve the registration of the left hand drive vehicles, Customs Prohibited Imports & Exports Regulation (CPIER) will be amended to restrict the importation of left hand drive vehicles. The importation will be subject to approval by LTA.
4. Expiry of goods	➢ A new provision will be introduced in the Excise Act whereby goods will have to be cleared from the excise bond and excise warehouse prior to product expiry date. A new provision will incorporate the expiry date of the warehousing period for the excisable goods.

Policy	Description
5. Period of Warehousing of the Bonded Goods	➢ Section 52 (2) of the Customs Act will be amended whereby the customs bonded warehousing period and extension of re-warehousing will be reduced from 1 year to six months for all goods. The change in warehouse period will allow for faster turnover and better control and management of the stock.
6. Administrative Summons	➢ Custom Act Section 95E will be amended to include a penalty provision for failing to comply with administrative summons.
7. Extension of "time to pay duty"	➢ Section 101B of the Customs Act will be amended to allow the extension of time to pay duties and penalties. The current provision only allows extension in time for payment of duties.
8. Keeping of Business Records	➢ Section 114A of the Customs Act will be amended to include third parties associated with import and export to maintain all business records and other prescribed information. The current provisions only limits record keeping for licensees, importer and exporter.
9. Grounds For Remission of Penalty	➢ Section 137C(a) will be amended to set a timeframe of 15 working days after clearance of goods for voluntary disclosure of errors or omission.

Appendices

Table 1: Gross Domestic Product by Sector 2014-2021 ($M)

Activity	Base Weight	2014	2015	2016r	2017p	2018e	2019f	2020f	2021f
AGRICULTURE	**8.3**	**598.9**	**636.4**	**580.9**	**650.8**	**680.4**	**709.6**	**737.3**	**764.3**
General Government	**0.1**	**8.5**	**9.6**	**8.7**	**9.7**	**10.2**	**10.4**	**10.6**	**10.8**
Subsistence	**1.8**	**128.2**	**128.1**	**125.5**	**126.8**	**127.6**	**128.3**	**129.1**	**129.9**
Formal Non-Government Agriculture	**6.0**	**432.0**	**468.6**	**418.7**	**485.3**	**513.5**	**541.5**	**568.2**	**593.9**
Taro	0.9	63.0	61.3	39.4	44.2	48.6	51.0	53.6	56.2
Sugarcane	1.3	97.0	97.7	73.2	86.3	89.7	98.9	105.8	111.1
FORESTRY AND LOGGING	**0.8**	**55.1**	**43.4**	**25.1**	**17.8**	**19.6**	**19.7**	**19.8**	**19.9**
FISHING AND AQUACULTURE	**1.2**	**88.4**	**84.4**	**75.7**	**69.5**	**52.0**	**52.1**	**53.4**	**54.8**
Formal Non-Government Fishing and Aquaculture	**0.8**	**61.2**	**57.4**	**48.5**	**43.2**	**25.7**	**25.7**	**27.0**	**28.3**
MINING & QUARRYING	**0.9**	**64.2**	**74.7**	**81.1**	**61.1**	**58.8**	**57.7**	**59.6**	**61.5**
MANUFACTURING	**13.5**	**976.7**	**1,034.1**	**1,099.1**	**1,127.4**	**1,146.7**	**1,172.5**	**1,195.1**	**1,217.4**
Informal manufacturing	2.5	183.4	183.3	184.3	187.9	189.0	190.1	191.3	192.4
Sugar	0.9	64.4	60.5	40.7	42.9	38.1	41.9	44.9	47.1
Mineral water	1.0	75.4	74.0	124.3	138.0	151.8	159.4	164.2	169.1
Wearing apparel	1.1	79.7	74.7	77.3	89.4	93.9	96.7	99.6	102.6
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**74.3**	**91.8**	**109.8**	**147.0**	**161.6**	**169.7**	**174.9**	**180.2**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**49.5**	**50.4**	**50.6**	**54.3**	**55.8**	**57.4**	**59.0**	**60.6**
CONSTRUCTION	**2.9**	**211.6**	**220.1**	**242.3**	**262.6**	**284.8**	**294.2**	**304.0**	**314.2**
Formal Non-Government Construction	**1.9**	**133.4**	**140.9**	**158.3**	**167.2**	**185.5**	**193.0**	**198.8**	**204.7**
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**812.5**	**842.0**	**917.0**	**932.0**	**968.9**	**981.8**	**999.7**	**1,018.0**
Informal WRT	**3.4**	**242.4**	**242.8**	**243.9**	**245.5**	**247.0**	**248.4**	**249.9**	**251.4**
Formal Non-Government WRT	**7.9**	**570.2**	**599.2**	**673.1**	**686.6**	**721.9**	**733.4**	**749.7**	**766.6**
TRANSPORT AND STORAGE	**7.9**	**571.1**	**542.4**	**490.0**	**532.5**	**546.5**	**535.6**	**548.1**	**561.0**
Formal Non-Government Transport & Storage	**7.7**	**558.6**	**529.2**	**476.6**	**520.4**	**534.6**	**523.5**	**535.9**	**548.7**
Water & air transport	3.9	283.8	210.9	163.1	192.3	196.2	176.6	178.3	180.1
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**451.0**	**475.4**	**428.8**	**451.8**	**481.9**	**500.6**	**515.6**	**531.0**
Formal Non-Government Accommodation and Food Service Activities	**6.1**	**439.0**	**463.3**	**416.8**	**439.7**	**469.8**	**488.4**	**503.4**	**518.7**
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	389.4	412.3	376.9	398.8	426.7	443.8	457.1	470.8
INFORMATION AND COMMUNICATION	**5.4**	**385.8**	**426.9**	**464.0**	**476.3**	**500.6**	**520.0**	**540.3**	**561.5**
Formal Non-Government Information and Communication	**5.3**	**379.3**	**420.4**	**455.8**	**471.1**	**495.6**	**514.9**	**535.0**	**556.1**
Wired telecommunications activities	1.1	82.1	81.3	81.6	88.5	88.5	88.5	89.4	90.3
Wireless telecommunications activities	2.6	190.0	222.2	240.6	263.8	284.9	299.2	314.1	329.8
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**737.7**	**742.8**	**728.3**	**769.1**	**782.9**	**791.7**	**805.5**	**819.5**
Central banking	0.2	16.8	16.3	16.5	16.2	16.3	16.5	16.7	16.8
Other monetary intermediation	5.0	360.0	373.3	391.1	419.1	435.9	440.2	449.0	458.0
Activities of holding companies	0.9	61.8	61.9	62.0	62.5	63.1	63.7	64.4	65.0

Activity	Base Weight	2014	2015	2016r	2017p	2018e	2019f	2020f	2021f
REAL ESTATE ACTIVITIES	**4.0**	**288.9**	**294.8**	**268.1**	**290.2**	**293.1**	**295.1**	**297.0**	**299.0**
Owner Occupied Dwellings	**3.1**	**221.8**	**223.8**	**204.2**	**224.6**	**226.8**	**228.2**	**229.6**	**230.9**
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**171.3**	**173.3**	**181.1**	**179.0**	**185.8**	**189.7**	**194.4**	**199.3**
ADMINISTRATIVE AND SUPPORT SERVICES	**2.0**	**143.7**	**154.7**	**142.7**	**142.3**	**146.8**	**150.0**	**153.8**	**157.7**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**678.9**	**737.3**	**755.2**	**765.5**	**780.9**	**789.9**	**797.8**	**805.8**
General Public administrative activities	2.2	158.1	191.0	182.1	191.2	200.8	202.8	204.8	206.9
Defence activities	2.4	170.8	181.3	193.9	186.1	187.9	189.8	191.7	193.6
Public order and safety activities	2.6	184.5	193.3	200.2	194.5	200.4	204.4	206.4	208.5
EDUCATION	**7.6**	**550.8**	**565.9**	**591.4**	**616.1**	**627.0**	**637.5**	**648.6**	**659.8**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**184.6**	**186.1**	**190.2**	**191.2**	**201.0**	**210.8**	**217.1**	**223.6**
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	**0.4**	**27.3**	**27.5**	**29.2**	**29.4**	**30.2**	**30.8**	**31.5**	**32.1**
OTHER SERVICE ACTIVITIES	**1.2**	**88.0**	**91.3**	**91.9**	**91.8**	**92.3**	**92.8**	**93.2**	**93.7**
GVA @ CONSTANT PRICES)	**100.0**	**7,210.3**	**7,495.4**	**7,542.3**	**7,857.8**	**8,097.6**	**8,259.1**	**8,445.6**	**8,635.1**
ADD NET TAXES		**1,956.7**	**2,099.1**	**2,306.1**	**2,500.7**	**2,700.7**	**2,835.8**	**2,977.6**	**3,126.4**
REAL GDP		**9,167.0**	**9,594.6**	**9,848.4**	**10,358.5**	**10,798.3**	**11,094.8**	**11,423.2**	**11,761.6**

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

Table 2: GDP Growth by Sector 2015–2021 (% Change)

Activity	Base Weight	2015	2016r	2017p	2018e	2019f	2020f	2021f
AGRICULTURE	**8.3**	**6.3**	**-8.7**	**12.0**	**4.5**	**4.3**	**3.9**	**3.7**
General Government	**0.1**	**12.5**	**-9.8**	**12.1**	**5.0**	**2.0**	**2.0**	**2.0**
Subsistence	**1.8**	**-0.1**	**-2.0**	**1.0**	**0.6**	**0.6**	**0.6**	**0.6**
Formal Non-Government Agriculture	**6.0**	**8.5**	**-10.6**	**15.9**	**5.8**	**5.5**	**4.9**	**4.5**
Taro	0.9	-2.7	-35.7	12.0	10.0	5.0	5.0	5.0
Sugarcane	1.3	0.7	-25.0	17.8	4.0	10.2	7.0	5.0
FORESTRY AND LOGGING	**0.8**	**-21.3**	**-42.1**	**-29.3**	**10.3**	**0.3**	**0.7**	**0.7**
FISHING AND AQUACULTURE	**1.2**	**-4.6**	**-10.3**	**-8.2**	**-25.2**	**0.1**	**2.5**	**2.6**
Formal Non-Government Fishing and Aquaculture	**0.8**	**-6.2**	**-15.4**	**-10.9**	**-40.5**	**0.0**	**4.9**	**4.9**
MINING & QUARRYING	**0.9**	**16.4**	**8.6**	**-24.7**	**-3.8**	**-1.9**	**3.2**	**3.3**
MANUFACTURING	**13.5**	**5.9**	**6.3**	**2.6**	**1.7**	**2.2**	**1.9**	**1.9**
Informal Manufacturing	**2.5**	**-0.1**	**0.5**	**1.9**	**0.6**	**0.6**	**0.6**	**0.6**
Sugar	0.9	-6.1	-32.7	5.6	-11.2	10.0	7.0	5.0
Mineral water	1.0	-1.8	67.9	11.1	10.0	5.0	3.0	3.0
Wearing apparel	1.1	-6.3	3.5	15.7	5.0	3.0	3.0	3.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**23.5**	**19.6**	**33.9**	**9.9**	**5.0**	**3.1**	**3.1**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**1.9**	**0.3**	**7.5**	**2.8**	**2.8**	**2.8**	**2.8**
CONSTRUCTION	**2.9**	**4.0**	**10.1**	**8.4**	**8.5**	**3.3**	**3.3**	**3.3**
Formal Non-Government Construction	1.9	5.6	12.4	5.6	11.0	4.0	3.0	3.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**3.6**	**8.9**	**1.6**	**4.0**	**1.3**	**1.8**	**1.8**
Informal WRT	**3.4**	**0.2**	**0.5**	**0.6**	**0.6**	**0.6**	**0.6**	**0.6**
Formal Non-Government WRT	**7.9**	**5.1**	**12.3**	**2.0**	**5.2**	**1.6**	**2.2**	**2.2**
TRANSPORT AND STORAGE	**7.9**	**-5.0**	**-9.7**	**8.7**	**2.6**	**-2.0**	**2.3**	**2.4**
Formal Non-Government Transport & Storage	**7.7**	**-5.3**	**-10.0**	**9.2**	**2.7**	**-2.1**	**2.4**	**2.4**
Water & air transport	3.9	-25.7	-22.6	17.9	2.0	-10.0	1.0	1.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**5.4**	**-9.8**	**5.4**	**6.7**	**3.9**	**3.0**	**3.0**
Formal Non-Government Accommodation and Food Service Activities	**6.1**	**5.5**	**-10.0**	**5.5**	**6.8**	**4.0**	**3.1**	**3.1**
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	5.9	-8.6	5.8	7.0	4.0	3.0	3.0
INFORMATION AND COMMUNICATION	**5.4**	**10.6**	**8.7**	**2.7**	**5.1**	**3.9**	**3.9**	**3.9**
Formal Non-Government Information and Communication	**5.3**	**10.8**	**8.4**	**3.3**	**5.2**	**3.9**	**3.9**	**3.9**
Wired telecommunication activities	1.1	-1.0	0.4	8.5	0.0	0.0	1.0	1.0
Wireless telecommunications activities	2.6	17.0	8.3	9.6	8.0	5.0	5.0	5.0
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**0.7**	**-2.0**	**5.6**	**1.8**	**1.1**	**1.7**	**1.7**
Central banking	0.2	-3.0	1.0	-1.8	1.0	1.0	1.0	1.0
Other monetary intermediation	5.0	3.7	4.8	7.2	4.0	1.0	2.0	2.0
Activities of holding companies	0.9	0.2	0.2	0.7	1.0	1.0	1.0	1.0
REAL ESTATE ACTIVITIES	**4.0**	**2.0**	**-9.0**	**8.2**	**1.0**	**0.7**	**0.7**	**0.7**
Owner Occupied Dwellings	**3.1**	**0.9**	**-8.7**	**10.0**	**1.0**	**0.6**	**0.6**	**0.6**
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**1.2**	**4.5**	**-1.2**	**3.8**	**2.1**	**2.5**	**2.5**
ADMINISTRATIVE AND SUPPORT SERVICES	**2.0**	**7.6**	**-7.8**	**-0.3**	**3.2**	**2.2**	**2.5**	**2.5**

Activity	Base Weight	2015	2016r	2017p	2018e	2019f	2020f	2021f
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**8.6**	**2.4**	**1.4**	**2.0**	**1.1**	**1.0**	**1.0**
General public administrative activities	2.2	20.8	-4.7	5.0	5.0	1.0	1.0	1.0
Defence activities	2.4	6.1	7.0	-4.1	1.0	1.0	1.0	1.0
Public order and safety activities	2.6	4.8	3.5	-2.8	3.0	2.0	1.0	1.0
EDUCATION	**7.6**	**2.7**	**4.5**	**4.2**	**1.8**	**1.7**	**1.7**	**1.7**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**0.8**	**2.2**	**0.5**	**5.1**	**4.9**	**3.0**	**3.0**
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	**0.4**	**0.9**	**5.9**	**0.8**	**2.8**	**2.0**	**2.0**	**2.0**
OTHER SERVICE ACTIVITIES	**1.2**	**3.8**	**0.7**	**-0.1**	**0.5**	**0.5**	**0.5**	**0.5**
GVA @ CONSTANT PRICES	**100.0**	**4.0**	**0.6**	**4.2**	**3.1**	**2.0**	**2.3**	**2.2**
ADD NET TAXES		**7.3**	**9.9**	**8.4**	**8.0**	**5.0**	**5.0**	**5.0**
REAL GDP		**4.7**	**2.6**	**5.2**	**4.2**	**2.7**	**3.0**	**3.0**

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

Table 3: Nominal GDP ($M)

	2014	2015	2016r	2017p	2018e	2019f	2020f	2021f
GVA @ CURRENT PRICE	7,210.3	7,708.4	8,399.4	8,759.7	9,405.2	9,913.3	10,443.8	10,997.1
ADD NET TAXES	1,956.7	2,113.7	1,920.6	2,133.6	2,304.3	2,419.5	2,540.5	2,667.5
NOMINAL GDP	**9,167.0**	**9,822.1**	**10,320.0**	**10,893.3**	**11,709.5**	**12,332.8**	**12,984.2**	**13,664.6**
Growth Rate		**7.1**	**5.1**	**5.6**	**7.5**	**5.3**	**5.3**	**5.2**

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

Table 4: Fiscal Year GDP by Sector ($M)

Activity	2015-16	2016-17	2017-18f	2018-19f	2019-20f	2020-21f
Agriculture	611.7	617.5	666.9	694.4	723.5	751.3
Forestry and Logging	32.9	20.9	18.8	19.6	19.7	19.9
Fishing & Aquaculture	79.4	72.2	59.5	52.0	52.7	54.1
Mining & Quarrying	78.4	69.6	59.8	58.2	58.8	60.7
Manufacturing	1,069.3	1,114.6	1,137.9	1,160.7	1,184.8	1,207.3
Electricity, Gas Steam and Conditioning Supply	102.3	131.6	155.5	166.3	172.7	178.0
Water Supply, Sewerage, Waste Management and Remediation Activities	50.5	52.8	55.2	56.7	58.3	59.9
Construction	232.7	253.9	275.1	290.1	299.8	309.8
Wholesale and Retail and Repair of Motor Vehicles and Motor Cycles	884.8	925.6	953.1	976.3	992.0	1,010.1
Transport and Storage	513.2	513.9	540.6	540.7	542.8	555.6
Accommodation and Food Service Activities	449.4	441.5	468.4	492.2	508.9	524.2
Information and Communication	448.5	471.2	490.5	511.9	531.9	552.7
Financial and Insurance Activities	734.6	752.5	777.4	788.1	799.9	813.8
Real Estate Activities	279.2	281.0	291.9	294.3	296.2	298.2
Professional, Scientific and Technical Activities	177.9	179.9	183.0	188.1	192.5	197.2
Administrative and Support Services	147.7	142.5	144.9	148.7	152.2	156.0
Public Administration and Defence; Compulsory Social Security	754.9	761.2	774.8	786.3	794.6	803.3
Education	581.2	606.2	622.6	633.3	644.1	655.3
Human Health and Social Work Activities	188.5	190.8	196.9	206.7	214.5	220.9
Arts, Entertainment and Recreation Activities	28.5	29.3	29.9	30.6	31.2	31.8
Other Service Activities	91.6	91.9	92.1	92.6	93.0	93.5
GVA @ Constant Prices	**7,537.2**	**7,720.6**	**7,994.9**	**8,187.9**	**8,364.3**	**8,553.9**
Add Net Taxes	**2,219.9**	**2,419.6**	**2,617.4**	**2,779.5**	**2,918.5**	**3,064.4**
Real GDP	**9,757.0**	**10,140.2**	**10,612.3**	**10,967.4**	**11,282.7**	**11,618.3**
Growth Rate (%)	**3.4**	**3.9**	**4.7**	**3.3**	**2.9**	**3.0**

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

Table 5: Fiscal Year Nominal GDP ($M)

	2015-16	2016-17	2017-18e	2018-19f	2019-20f	2020-21f
GVA@ Current Prices	8,107.2	8,603.4	9,128.1	9,692.2	10,213.7	10,759.0
Add Net Taxes	2,001.1	2,044.9	2,233.2	2,371.5	2,490.1	2,614.6
GDP @ Market Prices	**10,108.3**	**10,648.3**	**11,361.3**	**12,063.7**	**12,703.8**	**13,373.5**
Growth Rate (%)	**5.7**	**5.3**	**6.7**	**6.2**	**5.3**	**5.3**

(Source: Fiji Bureau of Statistics & Macroeconomic Committee; p = provisional; f = forecast)
*Note: *Figures are rounded-off*

Table 6: Total Exports by Major Commodities 2012–2021 ($M)

COMMODITIES	2012	2013	2014	2015r	2016p	2017p	2018p	2019f	2020f	2021f
Sugar	174.6	142.2	201.4	129.4	117.2	178.6	78.7	136.0	172.9	190.2
Molasses	14.9	15.6	17.2	19.6	5.6	18.1	15.1	18.4	16.0	17.6
Gold	136.9	101.2	91.0	93.1	121.1	118.7	113.7	91.2	95.7	100.5
Timber	69.0	81.4	90.5	93.2	57.5	19.7	100.4	104.8	108.7	112.8
Fish	57.8	95.1	79.1	115.9	107.3	94.4	100.8	103.4	110.5	118.3
Yaqona	5.8	6.4	7.5	8.8	14.3	19.7	30.8	35.4	38.9	42.8
Textiles	12.9	7.0	8.0	7.1	6.8	6.3	7.7	8.1	8.6	9.2
Garments	92.9	106.9	101.1	110.0	102.3	91.4	97.3	99.2	101.2	103.2
Mineral Water	160.6	156.4	186.3	199.8	214.4	243.4	263.5	286.5	304.0	322.5
Others	319.7	313.7	324.3	374.1	389.3	398.4	385.4	403.0	417.9	433.2
Re- Exports (exc.Aircraft)	1,146.3	1,030.7	1,186.5	898.6	814.7	845.8	917.1	1,002.6	1,032.1	1,062.5
Total Exports	**2,191.4**	**2,094.1**	**2,302.3**	**2,059.2**	**1,950.4**	**2,035.6**	**2,120.0**	**2,289.9**	**2,411.7**	**2,512.7**
Total Exports excl. Aircraft	**2,191.4**	**2,056.6**	**2,292.9**	**2,049.5**	**1,950.4**	**2,034.5**	**2,110.3**	**2,288.6**	**2,406.4**	**2,512.7**

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

Table 7: Fiscal Year Exports 2015-2021 ($M)

Commodities	2014-2015	2015-2016	2016-2017p	2017-2018f	2018-2019f	2019-2020f	2020-2021f
Total Exports	**2,258.4**	**1,994.9**	**1,913.4**	**2,090.7**	**2,224.1**	**2,349.6**	**2,463.3**
Total Exports Excl. Aircraft	**2,239.3**	**1,990.3**	**1,912.6**	**2,081.0**	**2,224.1**	**2,349.6**	**2,463.3**
Growth Rate (%)	1.4	-11.1	-3.9	8.8	6.9	5.6	4.8

(Source: Macroeconomic Committee; p = provisional; f = forecast)
*Note: *Figures are rounded-off*

Table 8: Total Imports by Category 2012–2021 ($M)

ECONOMIC CATEGORY	2012	2013	2014	2015	2016r	2017p	2018p	2019f	2020f	2021f
Food	573.0	730.2	784.9	800.0	793.8	794.9	897.9	937.7	985.5	1,035.8
Beverage & Tobacco	31.2	33.5	33.6	48.6	44.8	49.3	58.1	60.7	63.9	67.3
Crude Materials	30.3	30.6	45.0	39.2	66.8	47.9	71.6	75.0	78.9	83.0
Mineral Fuels	1,100.6	1,165.6	1,392.7	997.2	725.0	930.5	1,165.2	1,200.1	1,236.1	1,273.2
Oil & Fats	29.9	47.1	45.2	47.2	41.6	51.6	49.3	50.8	52.4	54.1
Chemicals	294.1	301.5	363.6	391.2	418.6	427.3	500.0	523.1	548.9	575.9
Manufactured Goods	467.1	465.3	599.8	696.9	773.6	760.4	808.4	840.6	878.5	918.1
Machinery & Transport Equipment	625.7	839.2	1,340.6	1,283.5	1,470.6	1,373.3	1,632.7	1,640.9	1,713.2	1,788.9
-of which large items	5.3	72.4	145.1	94.9	0.2	30.1	43.9	81.3	85.1	88.3
Miscellaneous Manufactured Goods	297.3	282.6	376.8	417.2	469.1	510.3	486.0	495.5	521.0	547.7
Other Commodities	15.4	17.9	30.4	35.8	35.2	32.0	26.9	27.4	27.9	28.5
Total Imports	**3,464.6**	**3,913.5**	**5,012.6**	**4,756.8**	**4,839.2**	**4,963.8**	**5,696.1**	**5,851.8**	**6,106.2**	**6,372.5**
Total Imports Excl. Aircraft	**3,459.3**	**3,841.1**	**4,867.5**	**4,661.9**	**4,839.0**	**4,933.7**	**5,652.2**	**5,770.5**	**6,021.1**	**6,284.2**

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

Table 9: Fiscal Year Imports 2015-2021 ($M)

Commodities	2014-2015	2015-2016	2016-2017p	2017-2018f	2018-2019f	2019-2020f	2020-2021f
Total Imports	**4,963.2**	**4,682.1**	**4,994.6**	**5,355.2**	**5,779.8**	**5,989.0**	**6,249.9**
Total Imports Excl. Aircraft	**4,792.1**	**4,663.8**	**4,994.6**	**5,298.5**	**5,715.9**	**5,905.7**	**6,163.1**
Growth Rate (%)	4.5	-2.7	7.1	6.1	7.9	3.3	4.4

(Source: Macroeconomic Committee; p = provisional; f = forecast)

*Note: *Figures are rounded-off*

Table 10[12]: Balance of Payments 2012–2021 ($M)

ITEMS	2012	2013	2014	2015r	2016r	2017r	2018p	2019f	2020f	2021f
BALANCE ON GOODS	-1,378.1	-2,133.4	-1,941.8	-1,912.4	-2,086.2	-2,258.5	-2,754.5	-2,773.2	-2,874.8	-3,002.9
Exports f.o.b	2,156.4	2,111.1	2,279.6	2,038.6	1,942.4	2,033.5	2,172.3	2,283.8	2,398.6	2,503.8
Imports f.o.b	3,534.5	4,244.5	4,221.4	3,951.0	4,028.6	4,292.0	4,926.8	5,057.0	5,273.4	5,506.7
BALANCE ON SERVICES	1,160.3	1,161.1	1,382.8	1,537.1	1,657.1	1,681.6	1,818.7	1,908.6	1,990.7	2,077.6
Export of Services	2,188.3	2,277.1	2,522.1	2,728.2	2,862.8	3,026.6	3,327.3	3,462.9	3,609.0	3,761.6
Import of Services	1,028.0	1,116.0	1,139.3	1,191.1	1,205.7	1,345.0	1,508.6	1,554.3	1,618.3	1,684.0
BALANCE ON PRIMARY INCOME	-262.5	-150.9	-425.4	-596.5	-569.7	-874.5	-752.4	-767.2	-807.3	-920.9
Income from non-residents	135.4	162.3	112.0	139.9	151.4	159.5	143.1	151.7	155.5	160.0
Income to non-residents	397.9	313.2	537.4	570.6	721.1	1,034.0	895.5	918.9	962.8	1,081.0
BALANCE ON SECONDARY INCOME	378.1	376.6	457.1	598.8	595.9	679.8	657.4	674.8	694.5	714.8
Inflow of current transfers	496.6	512.7	597.0	715.4	773.0	865.3	874.2	891.6	911.3	931.6
Outflow of current transfers.	118.5	136.1	139.9	157.0	177.1	185.5	216.8	216.8	216.8	216.8
CURRENT ACCOUNT BALANCE	-102.2	-746.6	-527.3	-373.0	-402.9	-771.6	-1,030.8	-956.9	-996.9	-1,131.3
CURRENT ACCOUNT BALANCE (Excluding aircraft)	-87.6	69.6	-382.2	-372.9	-402.9	-741.5	-986.9	-875.6	-911.8	-1,043.0
CAPITAL ACCOUNT BALANCE	7.1	8.9	8.2	6.4	9.0	9.1	10.4	10.4	9.1	10.4
FINANCIAL ACCOUNT BALANCE (Excluding RA)	-564.1	-634.9	-1216.5	-315.1	-643.1	-1,050.9	-1,137.5	-1140.7	-1170.5	-1,206.9
Errors & Omissions	-347.4	234.2	-769.6	188.2	-240.9	59.5	-380.9	-285.0	-112.3	68.5
RESERVE ASSETS	121.6	140.1	-72.2	136.7	8.3	347.9	-263.8	-90.9	71.8	154.4

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

[12]This table is presented in general accordance with the principles laid down by the International Monetary Fund, in the sixth edition of the Balance of Payments Manual.

Table 11: Tourism Statistics 2012–2021

	2012	2013	2014p	2015p	2016p	2017p	2018p	2019f	2020f	2021f
Visitors	660,590	657,707	692,630	754,835	792,320	842,884	870,309	892,067	918,829	946,394
Average length of stay (days)	9.6	9.5	11.2	11.3	11.2	11.2	11.2	11.2	11.2	11.2
Visitors days (millions)	6.3	6.1	6.5	7.0	7.0	7.4	7.7	7.0	7.0	7.0
Earnings (F$M)	1,300.0	1,318.2	1,512.2	1,683.4	1,823.3	1,924.3	2,010.3	2,070.8	2,174.4	2,283.1

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

Table 12: Sugar Production, Export and Price 2012–2021

	2012	2013	2014	2015r	2016p	2017p	2018p	2019f	2020f	2021f
Export Quantity Sugar (000 tonnes)	138.0	160.6	204.6	176.8	143.0	198.9	114.4	177.8	192.3	203.4
Unit Value (FJ$/tonne)	1,265.2	885.4	984.4	731.9	721.0	897.9	687.7	764.8	899.3	935.1
Sugar Export Earnings (F$M)	174.6	142.2	201.4	129.4	117.2	178.6	78.5	136.0	172.9	190.2
Molasses Export (000 tonnes)	66.8	59.1	77.7	76.3	62.8	66.4	85.2	91.0	78.0	86.0
Molasses Export Earnings (F$M)	14.9	15.6	17.2	19.6	5.6	18.1	15.1	18.4	16.0	17.6

(Sources: Fiji Bureau of Statistics, Fiji Sugar Corporation, Macroeconomic Committee; NA = Not Available, r = revised, p = provisional, f = forecast)

Table 13: Inflation Rates 2014–2019

	2014	2015	2016	2017	2018	2019 May
	2011 Base			2014 Base		
All items	0.1	1.6	3.9	2.8	4.8	2.1
Food and Non Alcoholic Beverage	1.5	5.0	2.9	-2.8	5.1	4.7
Alcoholic Beverages, Tobacco and Narcotics	14.3	7.3	35.4	26.1	17.2	8.0
Clothing & Footwear	0.5	2.5	0.9	0.7	0.2	0.7
Housing, Water, Elec., Gas and Other Fuels	-1.4	-4.3	-4.2	2.2	3.7	0.3
Furnishings Household Equipment & Routine Household Maintenance	1.6	0.8	-0.6	-0.9	2.0	0.7
Health	4.4	1.1	4.5	0.6	-2.2	-1.2
Transport	-2.2	-2.6	-3.6	1.8	3.4	-0.2
Communications	0.1	0.2	-1.7	-0.2	0.1	-15.2
Recreation & Culture	-1.1	2.2	-2.5	0.4	0.2	0.2
Education	-17.1	0.0	9.0	0.0	0.0	5.2
Restaurant & Hotels	3.5	0.0	3.9	3.0	0.8	0.2
Miscellaneous Goods & Services	1.3	3.8	-0.9	-1.0	0.7	0.0

(Source: Fiji Bureau of Statistics)

Table 14: Employment by Sector 2003–2009 (in thousands of persons)

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

(Source: Fiji Bureau of Statistics)
**Reference to period was end of December.*
r=revised

Table 15: Employment by Sector 2010–2016 (in thousands of persons)

ECONOMIC ACTIVITY	2010r	2011r	2014p	2015-2016e
Agriculture, Forestry Fishing	2.2	2.3	2.7	62.8
Mining & Quarrying	0.9	1.5	2.1	2.1
Manufacturing	20.9	21.0	20.1	17.9
Electricity, Gas & Air Conditioning Supply	0.7	0.8	0.8	1.2
Water Supply; Sewerage, waste management and Remediation activity	1.3	1.9	2.4	1.5
Construction	6.4	6.1	11.3	24.3
Wholesale and Retail; Repair of motor vehicles and motor cycle	20.7	21.3	21.2	56.7
Transport and Storage	8.2	8.7	8.7	21.3
Accommodation and Food Services	13.5	13.6	13.4	14.6
Information and Communication	2.2	2.7	4.6	1.2
Financial and Insurance activities	3.8	3.7	5.0	4.0
Real Estate Activities	1.0	1.1	0.5	0.0
Professional Scientific and Technical Activities	3.1	3.8	2.5	9.4
Admin and Support Services Activities	6.0	6.5	7.5	10.7
Public admin and defence compulsory social security	13.8	13.8	15.8	14.7
Education	14.8	15.4	16.3	15.9
Human Health and social work activities	4.9	5.2	5.8	6.6
Arts, Entertainment and recreation	0.5	0.5	0.6	4.0
Other Service Activities	1.4	1.6	2.6	6.7
Activities of household as employers; undifferentiated	0.1	0.1	0.0	51.4
Total	**126.6**	**131.6**	**144.2**	**327.1**

(Source: Fiji Bureau of Statistics)
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.
Latest data is for the period 2015-2016.
r=revised; e= estimate