REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE
SUPPLEMENT TO THE 2021-2022 BUDGET ADDRESS

Ministry of Economy
16 July 2021

FOREWORD

The Supplement to the 2021-2022 Budget Address discusses Fiji's current macroeconomic and fiscal position and forward projections for the next three years.

The 2021-2022 Budget builds on key measures that were introduced in the 2020-2021 Budget to support economic recovery, rejuvenate private sector activity, protect jobs, assist the unemployed and maintain overall macro-fiscal sustainability.

This document was compiled by the Ministry of Economy in consultation with other Government ministries, the Fiji Revenue and Customs Service and the Reserve Bank of Fiji. The information contained in this document is current as of July 2021.

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Acting Permanent Secretary for Economy
16 July 2021

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Introduction

1.1 The COVID-19 crisis has had a devastating impact on the Fijian economy, business activity, employment & socio-economic conditions and public finances. The Fijian economy registered its largest ever economic contraction of 15.7 percent in 2020 with the economy projected to register a further 4.1 percent contraction in 2021. This means a loss of over $2 billion in GDP leading to a major setback to the development gains realised from the 9 years of consecutive economic growth from 2010 to 2018. Although the economy is projected to rebound in 2022, it will take more than 3 years for the economy to return to pre-COVID-19 levels.

1.2 Unemployment soared to unprecedented levels in the aftermath of the crisis with over 100,000 jobs affected both in the formal and informal sector. Public finances came under pressure as tax revenues fell by over 50 percent compared to pre-COVID levels. To sustain public spending at levels similar to pre-COVID expenditures, Government increased its fiscal deficit in the COVID-19 Response Budget and FY2020-2021 Budget, with high level of borrowings only made possible through the support of external bilateral and multilateral development partners.

1.3 To support businesses and those unemployed, Government provided unemployment support with direct cash transfers to those affected in the formal and informal sector and concessional loan funding for Micro, Small and Medium Enterprises (MSMEs). Apart from this, loan repayment holidays were provided to both businesses and personal customers. Other forms of cash flow relief including deferment of tax payments, targeted wage support and low interest rate financing through the Reserve Bank of Fiji (RBF) were made available to businesses.

1.4 The FY2021-2022 Budget is being presented as the Fijian economy tries to brace its way through the second wave of the pandemic with a key focus on vaccination, income support for unemployed, business revival, economic diversification and macro-fiscal stability. This chapter discusses these key focus areas in detail.

COVID-19 containment, vaccination and herd immunity

1.5 Only an effective health response to the pandemic will secure a sustainable foundation for the recovery of the Fijian economy. Scientific evidence suggests that mass vaccination is the only way out of this crisis and this is now also backed up by country experiences where high rates of vaccination have brought about a lot of normalcy.

1.6 The Fijian Government ramped up its vaccination drive with a national target of 80 percent of the target population to be fully vaccinated by 31 October 2021. Fiji's target population over the age of 18 years is estimated at 586,651, and to reach the 80 percent vaccination rate, 469,321 individuals have to be vaccinated (2 doses). Through the support of Australia and New Zealand who have pledged for the supply of 1.5 million doses of the vaccine and with supply from other partners like India and others through the COVAX facility, Fiji has secured enough vaccines to fully vaccinate its target population.

1.7 As of 15 July 2021, 377,090 Fijians or 64 percent of the target population have already received their first dose of the AstraZeneca vaccine while 73,127 or 12.5 percent of the target population has been fully vaccinated with 2 doses. Based on this trend and the planned vaccination drive, Fiji should be able to achieve the targeted vaccination rate and achieve herd immunity in the next few months.

1.8 To support the drive, Government has also introduced "No Jab No Job" policy. In accordance with section 127(8) of the Fijian Constitution and with the approval of the Minister responsible, it is now a condition of employment, and of access to employment, for all employees to be vaccinated against COVID-19. It is now mandatory that all civil servants must have at least received their first dose of the COVID-19 vaccine no later than 15 August 2021 and receive their second dose of the vaccine 8 weeks after the first dose. There are some exceptions.

1.9 Apart from the mass vaccination, the current containment measures are on-going. With the increased test capacity, the Ministry of Health and Medical Services (MOHMS) is able to test, identify and isolate COVID-19 positive patients and their primary contacts. Logistical support is also provided by the security forces and various Ministries and Departments.

1.10 MOHMS is provided with an increased budget of $403.3 million, which includes hiring of additional 238 intern nurses, 140 medical interns, 114 doctors, 10 nurse practitioners and 43 midwives and a specific $25 million COVID-19 contingency fund. Apart from this, there is an additional funding provision of $12 million for supply of food and other essential items to those in quarantine and isolation and $5 million allocated for the engagement of private general practitioners to relieve pressure from the public health system.

1.11 The development partners, private sector and civil society groups have been also providing their support to create awareness, provide technical support and with provision of medical and other essential items. More awareness campaigns and incentives will be rolled out in the days ahead to ensure that Fiji achieves herd immunity by 31 October 2021.

Income support for the unemployed and vulnerable

1.12 To support livelihoods during this pandemic, Government had rolled out a number of initiatives to provide income support to those that have lost jobs and are on reduced hours in both the formal and informal sector. This was also supported through the continuation of social welfare payments and other social protection initiatives.

1.13 Those fully unemployed in the formal sector were eligible to withdraw $220 per fortnight from their FNPF General Account (GA) while those on reduced hours were eligible for a pro-rata payment based on the number of days they were not working. Those members that did not have sufficient balance in their GA were paid by the Government. A total of $387 million has been paid to the 114,335 members, of which $205 million has been directly paid by the Government and $182 million withdrawn from member GA **(Table 1.1)**.

1.14 For the informal sector, Government provided a first round of $90 cash assistance and two rounds of $50 cash assistance to assist Fijians buy food and other essential items. A total of $32 million has been paid out to over 250,000 Fijians. This income support to the informal sector was paid out through MPAiSA and MyCASH mobile wallets.

Table 1.1: Unemployment Assistance Scheme

Unemployment Assistance for the Formal Sector		
	Total Assisted/Total Paid	**Paid By Fijian Government**
Amount Paid	**$387 million**	**$205 million**
Number Assisted	114,335	68,864
Female	43,545	29,219
Male	70,790	39,645
Assistance Range	**Number of People**	**Number of People**
less than $500	22,735	13,548
$501 to $1,000	15,025	8,985
$1,001 to $1,500	12,736	7,350
$1,501 to $2,000	7,089	5,122
$2,001 to $2,500	9,877	5,108
$2,501 to $3,000	5,432	3,824
$3,001 to $3,500	6,259	4,559
$3,501 to $4,000	3,500	3,519
$4,001 to $4,500	7,756	5,063
$4,501 to $5,000	3,331	2,931

Unemployment Assistance for the Formal Sector		
	Total Assisted/Total Paid	**Paid By Fijian Government**
More than $5,000	20,595	8,855
Unemployment Assistance for the Informal Sector		
Cash Assistance	**Total Number Assisted**	**Total Paid**
Round 1 - $90	118,000	$10.6 million
Round 2 - $50	224,000	$11.2 million
Round 3 - $50	205,000	$10.2 million
Total		**$32 million**

Source: Ministry of Economy and Fiji National Provident Fund

1.15 **$200 million unemployment support** – Government will continue with the unemployment support with an increased funding allocation of $200 million provided in the FY2021-2022 Budget. Those affected in the formal sector and with sufficient GA balance, will continue to be eligible for a fortnightly withdrawal of $220 and pro-rata assistance for those on reduced hours.

1.16 Those in the formal sector without sufficient GA balance and those affected in the informal sector will now be covered under this new initiative where affected Fijians will be eligible for $120 per month for the next 6 months directly paid through Government. The first payment of $360 will be made in August to cater for the three months ending till October 2021.

1.17 This assistance will only be provided to eligible Fijians who have received their first dose of vaccination before the first week of August. The second payment of $360 will be paid out in November to cater for the three months ending January 2022 and will only be paid to eligible Fijians who are fully vaccinated before 31 October.

1.18 For the formal sector, those unemployed across Fiji will qualify while only those in the informal sector in Viti Levu will qualify. This includes those above the age of 18 years and not receiving any other forms of Government assistance. It will be mandatory for applicants to provide their Birth Registration Number (BRN) and Tax Identification Number (TIN) apart from other relevant information.

1.19 Around 300,000 Fijians are expected to be assisted. For avoidance of doubt, this $720 payment over a period of 6 months will be paid on an individual basis. Therefore, a household with 4 eligible members will qualify for $2,880 and a household of 10 eligible members will qualify for $7,200. This is expected to provide significant boost to economic activity.

1.20 **Social welfare support** – Government will continue with the support provided through social welfare to 137,987 Fijians with a total funding of $145.5 million. This includes $55.3 million allocated for the Social Pension Scheme, which will support 44,489 Fijians above the age of 65 with a monthly payment of $100. A sum of $36 million is allocated for the Poverty Benefit Scheme, which provides income support to the poor and vulnerable and consists of the monthly cash transfer support ranging from $35 to $127 and a $50 food voucher for 23,817 Fijians.

1.21 The $90 monthly Disability Allowance will also continue with an allocation of $10.8 million, benefiting 9,142 Fijians. A further $11.3 million is allocated under the Child Protection Allowance to support vulnerable children. The Bus Fare Support for elderly and disabled persons will continue with a monthly top up of $10 with a funding allocation of $5 million, benefitting 47,532 Fijians. A further $1 million is allocated for the Food Voucher Programme for rural pregnant mothers.

1.22 **Electricity and Water Subsidy** – Currently, the Fijian Government provides a subsidy of 16.34 cents per unit for the first 100kwh of electricity for households with incomes under $30,000. From 1 August 2021 to 31 January 2022, Government will fully subsidise the 34.01 cents per unit of electricity for households with annual income less than $30,000. This effectively means that for the next 6 months, eligible households will not pay any electricity cost. After the 6 months, these households will continue to receive a subsidy of 16.34 cents per unit. This is expected to assist around 50,000 households with a total funding support of $11 million.

1.23 Apart from this, Government will continue the free water initiative for households earning less than $30,000 for up to 92,500 litres of water. Currently, around 31,026 households are assisted under this initiative.

1.24 **Stronger Together Job Support Scheme and Jobs for Nature** – Government will continue with this scheme as it provides employment opportunities for people in the informal sector and those that have lost jobs. Under this scheme, employers are granted a wage subsidy equivalent to the minimum wage rate ($2.68) for a three-month period when they employ eligible Fijians, in particular, people from the informal sector. To date, around 48 employers has participated in the scheme creating 831 new jobs. Government has spent around $3 million on this initiative and an additional $5 million is allocated in the FY2021-2022 Budget. This initiative will be extended to the jobs for nature programme to engage those who are unemployed to undertake nature reforestation work such as planting of mangroves and sea grass with an additional allocation of $4 million.

1.25 **Supply of food to those in quarantine or isolation** – Government will also continue to provide household packs to Fijians who upon the advice of the

MOHMS have gone into isolation after testing positive or being identified as a primary or secondary contact, with an allocation of $12 million. The provision of household packs is currently outsourced to New World Supermarket and Shop and Save Supermarket. This is aligned with Government's objective of creating employment and economic activity through the outsourcing and engagement of the private sector.

1.26 **Access to Private General Practitioners (GPs)** – Government will also continue to provide medical services through GPs to Fijians who used to depend fully on the public health system for General Outpatient Services, with an allocation of $5 million. This reduces the patient load and risk at public hospitals and at the same time ensures that ordinary Fijians are not deprived of essential medical care. A total of 17 GP clinics are currently part of this initiative.

1.27 **Stall Fees/Fishing Fees** – To support around 7,800 market vendors across the country and provide them financial relief, Government has allocated $2.6 million to pay the full market stall fees for one year for both permanent and temporary market vendors. $200,000 is also allocated to pay the full fishing license fees and associated MSAF fees for the next 2 years.

1.28 Government will pay training and certification fees for sea farers for one year effective from 1 August 2021. A total of $100,000 has been allocated in the Budget to fund this initiative.

1.29 **Support for transportation** – The accident levy charged by the Accident Compensation Commission of Fiji (ACCF) will be waived for the next 12 months effective from 1 August 2021 for all motor vehicle owners, including buses, taxis, minibuses, rentals, carriers and private vehicles. This is a financial relief of around $11 million.

1.30 The FY2021-2022 budget has also allocated $2.5 million to assist public transportation providers to pay the base fee or entry fee paid to the municipal councils by taxis, minibuses, carriers and omnibuses for one year. For the bus industry, the e-ticketing commission charge will be reduced from 4.5 percent to 3.5 percent.

1.31 Government will also pay Public Service Vehicle (PSV) drivers licence fee and defensive driving course fee for all those that need renewal from 1 August 2021 to 31 July 2022. A sum of $200,000 has been allocated for this initiative.

1.32 Apart from this, all compounded or expired vehicles will not be charged the road user levy, wheel tax and any other charges by LTA for the compounded or expired period and fees charged for amending customer records by LTA will be removed.

1.33 **Provision of sanitary pads** – In this Budget, Government will provide sanitary pads to all female students from year 7 to year 13 with an allocation of $1.5 million. This will ensure that girls will not miss school for precious learning days each month and is an important part of Government's commitment to gender equality. Over 55,000 female students are expected to be assisted.

1.34 **Education support** – Despite these challenging times, Government will continue to ensure that every child receives primary and secondary education fully paid by the Government. The FY2021-2022 Budget has set aside $59.4 million to cater for 217,000 primary and secondary school students from Years 1 to 13 under the free education initiative introduced in 2014. A further $17.1 million is provided as transportation assistance for more than 103,000 primary and secondary students from low-income families.

1.35 The Tertiary Education Loans Scheme (TELS) and National Toppers Scheme (NTS) will continue to support eligible students to continue their education with an allocation of $158.1 million. The TELS entry mark has been increased to a minimum of 280 and in areas where there is over supply of graduates, eligibility marks will be increased to 300 for Year 13. This includes Accounting, Tourism, Law, Management and Public Administration and certain areas in teacher training, medicine, and health.

1.36 A new financial assistance scheme will be in place for all TSLB students who are required to complete a period of industrial or clinical attachments to allow them to graduate from their sponsored programme. This will be a $100 monthly top up in addition to what is being currently provided by their employers.

1.37 Government is also introducing a new TELS stream with 5,000 placements available for TVET courses for Certificates 3, 4 and Diploma Level 5 at Fiji National University. Those students who will not be able to achieve the cut off mark for TELS for Degree programmes will be able to join this scheme.

1.38 In the FY2021-2022, all MBBS students that had privately enrolled with a minimum Year 13 mark of 340, with the first year GPA of 3.0 or more, and combined family income below $100,000 will be eligible for a one off $10,000 Government grant towards their education.

1.39 Government will continue with the scholarship support through NTS in priority areas, however, the scholarship award has been reduced from 600 to 480. The 120 awards will be redirected in areas of inclusive education, early childhood education, counselling, and psychology, with 95 placements, and another 25 awards for post graduate programmes such as dermatology, anaesthesia, epidemiology, mid-wifery obstetrics, gynaecology, emergency nursing, surgery and pathology. Priority will be given to female applicants.

1.40 Effective from 1 January 2023, students who complete foundation studies will be disqualified from TELS eligibility criteria. Students who are currently enrolled in foundation studies and complete by the end of this year will be eligible for TELS in 2022.

1.41 **FNPF Measures** – FNPF members between the ages 50 to 54 years who have FNPF balance up to $10,000, and affected due to COVID-19, will now be able to withdraw funds from their account. This will provide financial support to these members to support their livelihood and members can also use these funds to set up small businesses. Other affected members will also be able to withdraw up to $10,000 for business related purposes. This will be an injection of around $30 million in the economy and around 15,000 members qualify to withdraw their funds.

1.42 FNPF has also extended the COVID-19 Home Loan Assistance until 31 September 2021 with acceptance of moratoriums dated after 31 March 2021. This assistance will enable members to dip into their preserved account to help pay for their mortgage or monthly repayments. Members are able to access 100 percent of their General Account and 50 percent of their Preserved Account. As at end of June 2021, around 1,911 members have accessed this assistance with a total value of $15.3 million.

1.43 **Loan repayment holiday** – Financial institutions have been providing principal and interest repayment holidays to both businesses and personal customers. This relief will continue on a case-by-case basis.

Supporting and reviving businesses

1.44 The COVID-19 pandemic has had significant impact on business and investment activity. While the movement restrictions and supply chain disruptions contributed to some delays in major investment projects, the economic and financial repercussions of the crisis together with the lingering uncertainty has caused a major blow to investor confidence and investment prospects.

1.45 Reviving private sector investment activity is critical for the sustainable recovery of the Fijian economy and job creation. The FY2020-2021 introduced various measures to prop up investor confidence, support on-going investments and entice investments in new areas of the economy.

1.46 A wide range of taxes and duties were reduced aimed at rebuilding the competitiveness of the tourism sector and support investments in other sectors of the economy. The Environmental and Climate Adaptation Levy (ECAL) was reduced from 10 percent to 5 percent, the departure tax was reduced from $200 to $100, alcohol taxes were slashed by 50 percent and import tariffs were unilaterally reduced on around 2,000 items. The 6 percent service turnover tax and stamp duties were completely abolished with the requirement of business licenses removed to help investors and private sector businesses grow.

1.47 Apart from some of these deeper taxation and regulatory reforms, existing businesses were provided relief through deferment of tax payments, repayment holidays on existing loans, cheaper access to financing through the Reserve Bank of Fiji, concessional working capital support through Government and other assistance to keep them afloat during these challenging times.

1.48 The FY2021-2022 Budget builds upon this foundation with numerous regulatory changes, continuation of the low and competitive tax regime, introduction of attractive tax incentive packages and provision of financing support with a huge focus on economic diversification.

Financial support for business revival

1.49 **COVID-19 recovery credit guarantee scheme** – Keeping existing businesses afloat and reviving them is a focus of the FY2021-2022 Budget. To provide working capital support for businesses to sustain themselves at the final stages of the crisis, the FY2021-2022 Budget has made available $200 million for businesses to meet their operational needs, including payment of wages and salaries, rental cost, utility bills, purchase of stocks and other working capital requirements.

1.50 Existing micro businesses with turnover less than $50,000 will be eligible for a maximum funding of $10,000. Small businesses with annual turnover of $50,000 to $300,000 will be eligible for a maximum funding of $20,000 while medium sized businesses with annual turnover of $300,000 to $1.25 million are eligible for a maximum financing of $50,000. Large sized businesses with turnover more than $1.25 million can access up to $100,000 under this new COVID-19 Recovery Credit Guarantee Facility.

1.51 The Reserve Bank of Fiji will provide a special funding of $200 million that can be accessed by commercial banks, Fiji Development Bank (FDB) and other licensed credit institutions at a very low rate of 0.25 percent. These financial institutions will on-lend these funding at a maximum lending rate of 3.99 percent.

1.52 The Fijian Government will fully subsidise the 3.99 percent interest cost for the first 2 years with a total funding allocation of $8 million in the FY2021-2022 Budget and an additional funding of $8 million that will be provided in the following budget. This implies that for the first 2 years, none of these qualifying businesses under this Facility will be required to make any repayments as the Fijian Government will pick up the interest cost and ensure that the loans are fully serviced. The banks have agreed that these will be interest only loans for the first 2 years and the default rate will be zero in the next 2 years.

1.53 This gives businesses 2 years to stabilise and recover before they start the loan repayments from year 3. However, if there will be some loans that may go bad from year 3, the Government through the RBF is providing a guarantee of 90 percent of the loan for micro businesses, 85 percent for the small businesses, 80 percent for medium sized businesses and 75 percent for large businesses. A sum of $5 million is appropriated in the FY2021-2022 Budget that will be paid to the RBF to manage the guarantee. Further allocations will be made over the years to ensure that sufficient funding is held at the RBF to cater for any future defaults.

Table 1.2: COVID-19 Recovery Credit Guarantee Scheme

Classification	Turnover	Max eligibility	Guarantee
Micro	Less than $50,000	$10,000	90
Small	$50,001 to $300,000	$20,000	85
Medium	$300,001 to $1,250,000	$50,000	80
Large	Greater than $1,250,000	$100,000	75
Total Available Funding		$200 million	
Interest rate		3.99 percent	

1.54 This Facility will complement the concessional loan funding provided by Government to MSMEs in FY2020-2021. Over 5,000 MSMEs were supported with a total pay-out of around $30 million in the agriculture, wholesale and retail, food & hospitality, transportation, manufacturing and other service industries.

1.55 Micro-enterprises were eligible to borrow a maximum of $7,000 at 0.5 percent. Existing small enterprises were entitled to borrow a maximum of $14,000 at 1 percent while existing medium-enterprises could borrow $21,000 at an interest rate of 1.5 percent. All loans are for five-year term inclusive of a one-year grace period. Approved loans to existing micro-enterprises totalled $13.4 million, followed by $13.3 million for new micro-enterprises, $4.7 million for small-sized businesses and $2.7 million for medium-sized businesses.

1.56 For MSMEs with turnover less than $1.25 million who are paying commercial rates will now pay residential rates with Government subsidising the difference for a period of six months effective from 1 August 2021. A total budget of $7 million is being provided for small businesses.

1.57 Other specific taxation and customs policy measures are detailed in Chapter 7.

Economic Diversification

1.58 The COVID-19 crisis and the downturn of the tourism industry have clearly necessitated the urgent need for economic diversification to create investment activity, jobs and to manage risks.

1.59 In the agricultural sector, large-scale commercialisation will be pursued and nurtured to compete in the export market and to be able to effectively meet the demand for the local tourism industry. At the same time small holder farms can continue to serve the domestic market.

1.60 For the resource-based sectors like forestry and fisheries, greater value addition will be promoted as it will create higher value and more returns. Sustainable ecotourism venture has to be supported to promote our unique flora and fauna, cultural events and adventure activities such as whale and dolphin watching or fishing. Promotion of traditional handicrafts, natural body products, local ceramic ware and exotic herbs and spices offer a great opportunity for women and small entrepreneurs which are critical for economic empowerment.

1.61 Development of niche products and services for export will be supported. This includes organic agricultural produce, agro-processing, premium-quality garments, increasing the range of tourism products (sports tourism, cruise tourism, wedding tourism, retirement villages, medical tourism and conference tourism), regional communications and transport services, and many other new sector initiatives.

1.62 Manufacturing sector is also growing in Fiji with potential for further expansion and entry into new manufacturing activities. Support will be provided in terms of adoption of new and better technology, new ideas and expertise which will allow cost reduction and enhance competitiveness. There is also a need to entice more foreign investment in the manufacturing sector which will bring in the technical knowhow and external financing.

1.63 To ensure these initiatives are sustainable, the private sector has to play the lead role with Government providing the enabling environment in terms of infrastructure, incentives, policy certainty and assisting in terms of access to markets. This Budget introduces a number of policies and financial support towards economic diversification which are discussed below.

Attractive Tax Incentive Packages

1.64 Fiji has a wide range of tax incentive packages comprising of income tax holidays, customs duty exemptions, investment allowances and income tax deductions. These incentives are aimed at incentivising investments, supporting targeted economic sectors, propping up new investments in economically depressed regions and enticing investments in areas of the economy to support diversification of the Fijian economy.

1.65 **Tourism Sector** – Under the Short Life Investment Package (SLIP), new hotel investment projects are offered 5 years income tax holiday for capital investments from $250,000 to $1 million, a 7-year tax holiday for investments between $1 million to $2 million and a 13-year tax holiday for capital investment between $2 million to $40 million. To further incentivise new investments in hotels, a 20-year income tax holiday will be offered to investments above $40 million. Customs duty exemption will continue to be provided on all capital goods, including capital equipment, plant & machinery, building materials, furnishing & fittings, room amenities, kitchen & dining equipment and specialised water equipment.

1.66 For existing hotels, currently a 25 percent investment allowance is provided. To further support renovations and refurbishments, existing hotels with investments above $2 million will be extended a one off 5-year income tax holiday and customs duty exemption. For investments below $2 million, the investment allowance will be extended to 50 percent.

1.67 Duty concession will also be provided to all hotels on the importation of items under Code 245 of the Customs Tariff until 31 December 2022.

1.68 **Business Process Outsourcing (BPO)**– To support investment in BPOs, a 13-year tax holiday and customs duty exemption is currently available for businesses engaged in software development, call centres, customer contact centres, engineering and design, research and development, animation and content creation, distance learning, market research, travel services, finance and accounting services, human resource services, compliance and provision of risk administration services. To further incentivise investments in the BPO sector, a 20-year tax holiday will be provided to BPO operators.

1.69 To incentivise investment in buildings and other infrastructure development for the BPO sector, including costs incurred to meet the specific requirement of BPO operators, a new income tax incentive package will be offered to investors with the condition that 90 percent of the income should be generated from BPO services. Income tax exemption will be provided as follows:

- 10 year tax holiday for investments ranging from $2 million to $5 million;
- 15 year tax holiday for investments ranging from $5 million to $10 million; and
- 20 year tax holiday for investments ranging above $10 million.

1.70 A further 25-year income tax holiday and duty concession will be provided for development of an Information and Communications Technology (ICT) park, exclusively available to the Amalgamated Telecom Holdings and its subsidiaries in Suva in a specifically dedicated area approved by the Government.

1.71 To attract investment in ICT cable landing and infrastructure, a 30 year tax holiday with duty concession package is available for investment above $40 million for any company to land network cable (submarine cable) and undertake associated infrastructure development in Fiji.

1.72 **Agriculture** – A new attractive package is being provided to support the development of the commercial agricultural sector and agro processing as follows together with duty free concessions.

- 5 year tax holiday for investments ranging from $100,000 to $250,000;
- 10 year tax holiday for investments ranging from $250,000 to $1 million;
- 15 year tax holiday for investments ranging from $1 million to $2 million; and
- 20 year tax holiday for investments above $2 million.

1.73 A 60 percent export income deduction is currently available to exporters. This incentive is extended till 31 December 2024. The agriculture and fisheries sector will be further incentivised with a 90 percent export income deduction to support new and existing businesses to venture into agriculture exports and increase access for farm produce to international markets. This will also assist in the diversification of the economy and income generation for rural Fijians.

Expenditure Support

1.74 The Ministry of Agriculture has been provided a total budget of around $62 million in the FY2021-2022 to pursue opportunities in ensuring food security, sustainable livelihoods and income generation through supply in both the domestic and export markets. The Ministry will further its service delivery to provide effective and efficient support to stakeholders including farmers. For crop extension services, the Ministry is provided $14.2 million and a further $8.5 million for research. Livestock extension services and research is provided with a funding of around $15 million. Financial support is also provided to the Agricultural Marketing Authority to a tune of over $2 million with $6.9 million funding support for the Committee for Better Utilisation of Land (CBUL) initiative.

1.75 The Ministry of Fisheries is provided a budget funding of $13.1 million to protect, sustain and manage Fiji's fisheries resources with a further $13.2 million provided to the Ministry of Forestry with a key focus on income generation and sustainable management of forest resources.

1.76 **Sugar Industry** – The Ministry of Sugar Industry is provided with a funding of $72.2 million in the FY2021-2022 Budget. This includes a funding allocation of around $47 million for the sugar cane price support with Government providing an additional year of a minimum guaranteed price of $85 per tonne for the 2021 season. This includes around $22.9 million for the additional top-up payment required for the 2020 season and $24.1 million for the 2021 season. Further allocation of around $8 million dependant on the cane harvest will be provided in the FY2022-2023 Budget to meet the final payment for the 2021 season. This would be the fourth consecutive year where Government is providing a minimum guaranteed sugar price of $85 per tonne.

1.77 Apart from this, Government will continue to provide the fertiliser subsidy to farmers at a rate of $25.59 per bag with a total funding allocation of $15.6 million. This means that farmers will only have to pay a price of $20 per bag of fertiliser. Apart from this, $3.8 million is provided for the cane cartage subsidy from Penang to Rarawai mill. A further $3.3 million is provided for cane access roads ($2 million), sugarcane development farmer assistance, weedicide subsidy and new farmer assistance.

Raising Productivity

1.78 Productivity growth is often the most important source of long-term economic growth. When productivity improves this means we are able to work smarter, using the same amount of inputs to raise the output per worker. While there is a lack of reliable data to measure national productivity, there is a lot of opportunity to improve productivity in Fiji.

1.79 Apart from the wide-ranging reduction in taxes, the unilateral reduction in import taxes in the FY2021-2022 Budget lays the foundation for reducing input costs and making Fiji more competitive not only in the domestic market but to promote Fijian exports. Other specific taxation and customs measures are detailed in Chapter 7.

1.80 Government has also assisted through policy measures that have stimulated both labour and capital productivity. On the capital side, Government has spent heavily since 2014 on hard and soft infrastructure development and has introduced numerous tax incentives to spur private capital accumulation. On the labour side, funding has been channelled to provide the enabling environment to promote labour supply, including establishing labour market institutions.

1.81 Raising the baseline for national productivity will require substantial long-term investment in technology, capital and skills development. In the short-term, there are a number of incremental policy changes that will be pursued to provide immediate productivity gains, including setting the right incentives to promote healthy competition, investing in creation of ideas and entrepreneurship and promoting use of new and better technology.

1.82 The Fijian Government with the support of the World Bank and the International Finance Corporation (IFC) has rolled out the new Investment Act 2020. The new legislation aligns Fiji's regulatory framework to international best-practice, is more responsive to the needs of modern investors, and increase investment opportunities for both foreign and domestic investors.

1.83 The Ease of Doing Business (EODB) Reform Taskforce has been working on regulatory reforms such as the elimination of business licenses, online registration of business with the Registrar of Companies, and the creation of the BizFiji portal, which allows investors to register their TIN, start a business and obtain construction permits online.

1.84 The mandatory implementation of the VAT Monitoring System (VMS) will be deferred for an additional two years to 1 January 2024. However, businesses may voluntarily implement VMS with the Fijian Government providing a 300 percent tax deduction with associated costs. A number of other legislative changes are also being undertaken to streamline processes in major areas of regulatory approval processes and tax payments.

Maintaining macro-fiscal stability

1.85 Macroeconomic stability is a prerequisite for sustained economic recovery.

1.86 **External sector stability** – Unlike any previous economic crisis, our balance of payment condition was relatively strong with a healthy level of foreign exchange when the COVID-19 crisis struck Fiji. Despite the closure of the tourism industry, Fiji's largest foreign exchange earner, foreign reserves levels have not deteriorated but in fact increased substantially supported by external grants and borrowings and large inflow of foreign exchange following the divestment of EFL. Muted import demand due to the downturn in the economy was also a contributor.

1.87 The strong reserves position has also ensured stability of the exchange rate and avoiding any unwarranted speculations that would have affected confidence in the Fijian dollar. It also helped the RBF maintain an accommodative monetary policy stance which was crucial at these challenging times. The strong reserves position will greatly support the recovery process as the financial sector remains flush with liquidity keeping a downward pressure on interest rates. As the credit risk conditions improve, major reductions are expected in interest rates that will support private sector investments and business activity.

1.88 While foreign reserves remain comfortable, proactive and sustainable measures are needed to address the underlying balance of payment issues. The export sector must be increased, new foreign direct investments enticed and the tourism sector rebuilt and diversified. Much needed productivity improvements across the economy to regain competitiveness is also critical.

1.89 **Financial sector stability** – The financial sector continues to be sound, backed by the strong capital positions of banks. The banks and financial institutions have also undertaken large amounts of loan provisioning to account for the increased likelihood of payment defaults due to the COVID-19 crisis. The RBF is continually monitoring the situation and will mitigate any risk of contagion effects to the financial sector.

1.90 **Fiscal stability** – The increased level of borrowings post COVID-19 has increased the level of public debt. While this counter cyclical response was appropriate, returning to a macro-fiscal equilibrium will be a key focus for the medium term. Risks emanating from contingent liabilities have to be also managed to avoid any materialisation of fiscal risks. The public debt to GDP ratio will be put on a downward path and is discussed in detail in Chapter 4.

CHAPTER 2: ECONOMIC PERFORMANCE & OUTLOOK

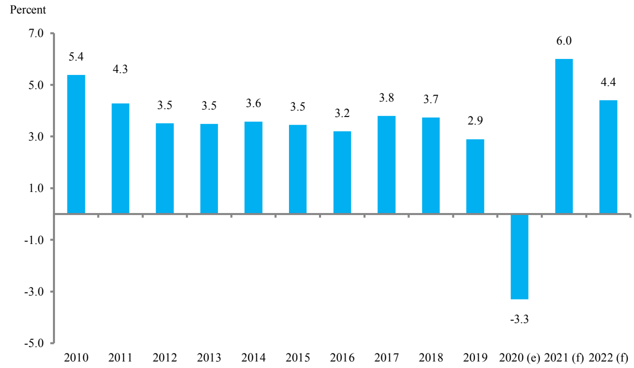
Introduction

2.1 This chapter provides an update on recent developments in the global economy, the performance of Fiji's major trading partners, an overview of the current domestic economic situation and projections for the medium-term. It also discusses developments and outlook for trade, balance of payments, monetary aggregates, inflation and foreign reserves.

International Outlook

2.2 While the COVID-19 pandemic continues to weigh on the global economy for a second year, some economies have now begun to show signs of a rebound. The International Monetary Fund (IMF), in its April World Economic Outlook (WEO), projects that after contracting by 3.3 percent in 2020, the global economy will grow by 6.0 percent in 2021, driven by large fiscal support, accommodative monetary policy, increased vaccination and adaptation to the pandemic life. For 2022, global growth is projected to moderate to 4.4 percent.

Figure 2.1: World GDP Growth



Source: IMF World Economic Outlook - April 2021

2.3 While prospects have improved, IMF forecasts that GDP levels in most economies will remain below the pre-pandemic level by at least 2024. The economic recovery is expected to be prolonged for countries dependent on tourism and with less fiscal buffers.

2.4 Recovering global demand and tight supplies have put upward pressure on commodity prices, in particular fuel and food prices. Futures indicate that crude oil prices are expected to increase to around US$70.0 per barrel in 2021, almost double the average price in 2020. Global food commodity prices have also increased over the last 12 months and are expected to rise further in the near-term.

Fiji's Trading Partners

2.5 The **United States (US)** economy contracted by 3.5 percent in 2020. In 2021, the US economy is expected to rebound strongly by 7.0 percent, largely supported by the Biden Administration's US$1.9 trillion rescue package, increased vaccination and reopening of businesses. Most states in the US have already had more than 70.0 percent of their population vaccinated. In 2022, the US economy is expected to grow by 3.3 percent. Inflation is estimated to be 3.0 percent in 2021 and 2.1 percent in 2022.

Figure 2.2: Major Trading Partner Growth in 2021

Sources: Country Authorities and IMF World Economic Outlook - April 2021

2.6 The **Eurozone** economy contracted by 6.6 percent in 2020 and is expected to grow by 4.3 percent in 2021. However, the expectation of economic rebound is based on increased vaccination rates and the gradual ease of containment measures, given the resurgence of coronavirus in the region. In 2022, the Eurozone economy is expected to grow by 4.4 percent. Annual inflation is estimated at 1.7 percent in 2021 and 1.3 percent in 2022. The European Central Bank has kept its main interest rate at zero percent and maintained the €1.85 trillion Pandemic Emergency Purchase Program.

2.7 The **Australian** economy contracted by 2.4 percent in 2020 and is forecast to grow by 4.75 percent in 2021. The Reserve Bank of Australia (RBA) has kept its cash rate unchanged at 0.1 percent due to subdued inflationary pressures and to maintain supportive monetary conditions. The RBA completed its first AUD$100 billion Government bond purchasing program in mid-April 2021, and began an additional program of AUD$100 billion. The Australian economy is expected to grow by 3.5 percent in 2022. Inflation is expected to be 1.5 percent in 2021 and 2.0 percent in mid-2023.

2.8 **New Zealand's** economy contracted by 3.0 percent in 2020 as the pandemic forced border closure and reduced trade flows. The recent emergence of COVID-19 and restriction measures is expected to dampen recovery in 2021. The Reserve Bank of New Zealand has kept the official cash rate unchanged at 0.25 percent and maintains its large-scale Asset Purchase Programme targeting up to NZ$100 billion of bonds to be purchased by June next year. Inflation is forecast to be around 1.8 percent in 2021 and 1.6 percent in 2022.

2.9 The **Japanese economy** contracted by 4.8 percent in 2020. While the economy was anticipated to grow by 3.3 percent in 2021, the recent surge in daily new cases of coronavirus and the resultant declaration of a state of emergency is expected to impinge on recovery. On the vaccination front, Japan had been lagging significantly behind other developed nations, however, the country commenced a mass vaccination programme as it moved forward with preparations to host the Summer Olympics. The Bank of Japan continues with its accommodative monetary policy in 2021. The Japanese economy is forecast to grow by 2.5 percent in 2022. Inflation is expected to be 0.1 percent in 2021 and 0.7 percent in 2022.

2.10 In 2020, the **Chinese** economy grew by 2.3 percent, amidst the COVID-19 pandemic. In June this year, China noted a resurgence of COVID-19 cases in the Guangzhou Province that led to localised restrictions. Hence, Chinese authorities had increased the pace of inoculation targeting 80 percent of its population by the end of 2021. The People's Bank of China had reduced its interest rates and reserve ratios in early 2020 and has continued its accommodative monetary policy stance in 2021. The Chinese economy is expected to expand by 8.4 percent and 5.6 percent in 2021 and 2022, respectively. Inflation is expected to be around 1.2 percent in 2021 and 1.9 percent in 2022.

2.11 **The Indian** economy declined by 8.0 percent last year with an initial expected recovery of 12.5 percent in 2021. However, the second, deadlier and more disruptive wave of COVID-19 poses a serious threat to the country and its pace of economy recovery. This was further compounded by significantly lower vaccination rates. In response to the economic situation, the Reserve Bank of India (RBI) kept its benchmark repo rate at 4.0 percent and reverse repo rate at 3.35 percent in June.[1] The RBI continues to maintain an accommodative monetary policy stance and expanded its asset purchase initiative programme in June. The Indian economy is expected to grow by 12.5 percent in 2021 and by 6.9 percent in 2022, while inflation is forecast to be 4.9 percent in 2021 and 4.1 percent in 2022.[2]

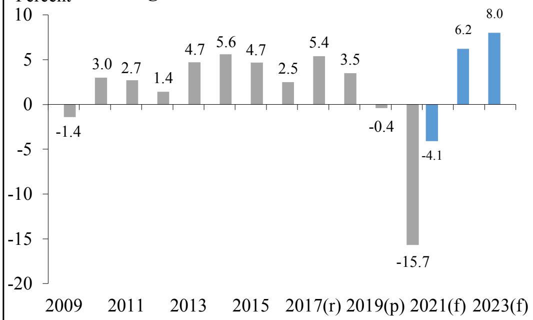
[1] Repo rate is the rate at which the RBI lends funds to commercial banks while the reverse repo is the rate at which the RBI borrows from banks.
[2] Estimates are based on fiscal years.

Domestic Outlook

Overview 2020

2.12 The Fijian economy is estimated to have contracted by 15.7 percent in 2020 due to the halt in tourism activity after border closures which resulted in record low consumer and business confidence, increase in unemployment and decline in business and household incomes as well as a fall in Government's tax collections and ultimately suppressed domestic demand (**Figure 2.3**).

Figure 2.3: Real GDP Growth



(Sources: Fiji Bureau of Statistics and Macroeconomic Committee)

2.13 The contraction in 2020 is the largest in Fiji's modern history and was relatively broad-based given the economic interlinkages. The main sectors contributing to the decline were tourism and related sectors such as the Accommodation & Food Services; Transport & Storage; as well as others such as Construction; Public Administration & Defense; Administrative & Support Services; Manufacturing; Wholesale & Retail trade; and Finance. Nevertheless, sectors such as Agriculture, Health, Education, Information & Communication and Electricity remained resilient in the year.

Overview 2021

2.14 The second wave of COVID-19 infection in the country has resulted in localised lockdowns and restrictions in movement and economic activity in most parts of Viti Levu, resulting in an expected economic contraction of 4.1 percent this year.

2.15 However, there are downside/upside risks to the outlook as the duration of the second wave of the virus remains considerably uncertain with its future evolution and the extent of economic impact and the possibility of any major natural disasters.

2.16 The tourism-related sectors such as Accommodation & Food Services; Transport & Storage; Wholesale & Retail Trade; and Administrative & Support Services are expected to decline. While subdued domestic demand, reduced production and increase costs associated with mandatory "COVID-safe" operating procedures is expected to impact Manufacturing, Construction, Professional, Scientific and Technical activities. The performance of the Public Administration & Defence; Financial & Insurance Activities is also expected to remain subdued.

2.17 Primary and utilities sectors, Health, Information & Communication activities are expected to register positive growth. The increased expenditure for containment and mitigation measures will drive growth in the Health sector, while increased data usage due to work from home and increased adoption of technology will provide the necessary boost to the Information & Communications sector. The improvement in Primary sectors is attributed to the expected growth in non-cane crops, rise in export demand for pine and increase in production of marine fishing.

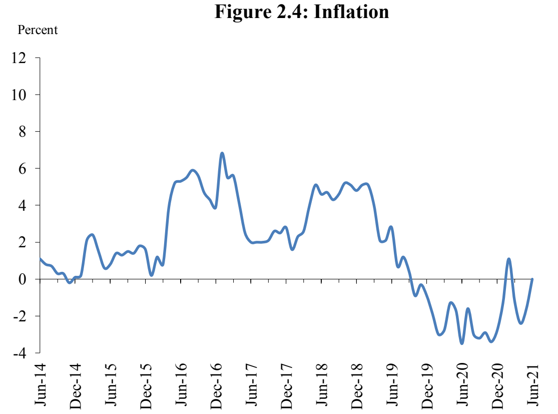
Overview 2022 and 2023

2.18 The economy is projected to rebound in 2022 and 2023 by 6.2 percent and 8.0 percent respectively. The recovery is based on expected re-opening of borders to international travel by early or mid-2022 and Government's initiative to rejuvenate the domestic economy activities. The resumption of tourism activity will lead to broad-based growth in 2022 and 2023 as overall domestic demand rebounds.

Inflation

2.19 Headline inflation remained negative throughout 2020. It had been on this trajectory since October 2019 and only increased temporarily in February this year due to the impact of Tropical Cyclone Ana on locally produced fruit and vegetables. The year-end annual inflation in 2020 was -2.8 percent, mainly due to lower prices in the alcoholic beverages, housing, water, electricity, gas & other fuels, recreation & culture, clothing & footwear and transport categories.

Figure 2.4: Inflation



(Source: Fiji Bureau of Statistics)

2.20 Annual headline inflation in June was zero percent largely driven by lower prices for food and non-alcoholic beverages, cooking gas and transport categories. Furthermore, while growth in annual consumer prices is expected to turn positive in the coming months, further inflationary pressures may emanate from interrupted supply chains due to containment zones and stringent COVID-19 measures in place affecting business operations and labour supply, which are expected to raise the cost of production.

2.21 The year-end outlook for 2021 inflation is 1.5 percent, reflecting the increase in global oil and food prices this year. Nevertheless, risks to the outlook remain elevated, stemming from higher commodity prices, freight costs and cost of doing business. The year-end inflation for 2022 and 2023 is projected to increase further to 2.4 percent and 3.4 percent, respectively in line with the expected economic recovery and anticipated increases in food and crude oil prices globally.

Exports[3]

2.22 **In 2020**, total exports fell by 19.0 percent to total $1,755.4 million, following a 2.7 percent expansion in 2019. The outcome was led by a contraction in both re-exports and domestic exports. The decline in re-exports was mainly underpinned by mineral fuels, machinery & transport equipment, fresh fish and gas cylinders. For domestic exports, negative contributions from mineral water, fish, garments and mahogany exports more than offset positive export performances in gold, woodchips, kava and sugar. The COVID-19 pandemic negatively affected the global economy and its supply chains, impacting the production and demand for Fiji's export commodities.

2.23 In **2021,** total exports are projected to contract by 5.4 percent (to $1,661.5m), led by expected contraction of 10.5 percent in re-exports and -2.6 percent in domestic exports. Re-exports of machinery & transport equipment, mineral fuels, fresh fish and gas cylinders are forecast to decline. The fall in domestic exports is expected to be driven by lower sugar, machinery & transport equipment, molasses, woodchips, fresh fish, manufactured goods and garments exports which more than offset the anticipated growth in exports of mineral water, magnetite, gold and kava. The projected fall in Fiji's exports is due to continued subdued global demand as well as supply issues as a result of the prolonged pandemic induced crisis.

2.24 In **2022**, total exports are anticipated to rebound by 16.1 percent to total $1,929.5 million, driven by a projected expansion in all major export categories. The expected growth is in line with the anticipated recovery in both the global and domestic economy following the opening of borders, removal of COVID-19 related restrictions and improved vaccination rates.

2.25 In **2023**, total exports are projected to continue recovering and expand by 20.1 percent to $2,317.3 million, led by positive contributions from all export categories reflecting continued growth in both the domestic and global economy.

Imports[4]

2.26 In **2020**, total imports fell sharply by 26.4 percent to $3,738.1 million, after an 8.6 percent decline in 2019, led by lower imports of machinery & transport equipment, lower prices of mineral fuels, manufactured goods, miscellaneous manufactured

*3*All analysis on Exports are excluding re-exports of aircraft.
4 Excluding aircraft imports.

goods, food & live animals, beverage and tobacco, chemicals and crude materials which more than offset the increase in animal & vegetable oils & fats imports. The outcome was in line with the sharp contraction in domestic economic activity that reduced the demand for imports as well as the ability to import goods given the financial strains of firms and individuals. Supply-side issues due to COVID-19 induced restrictions also impacted the logistics of trade globally.

2.27 In **2021**, total imports are projected to fall by 2.0 percent to total $3,663.6 million, as the COVID-19 pandemic continued to negatively impact the world into 2021. This forecast accounts for the expected decline in mineral fuels, manufactured goods, food & live animals and machinery & transport equipment (excluding aircraft) imports which more than offset the growth in imports of chemicals.

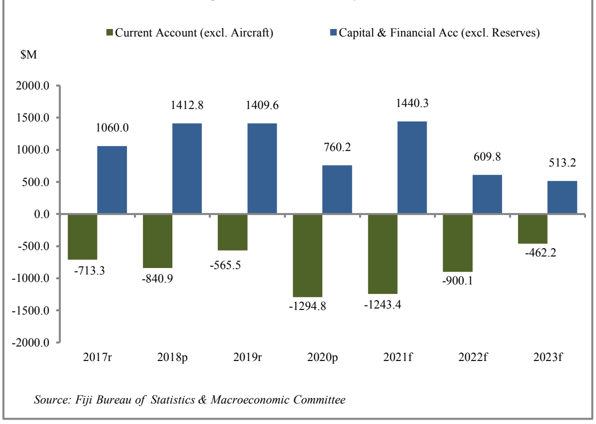
2.28 In **2022**, total imports are expected to grow by 11.7 percent to $4,090.5 million, led by a broad growth in all major import categories. The expected pick up in imports is in line with the expected recovery in domestic economic activity, reopening of borders, removal of COVID-19 related restrictions and mass vaccinations, as well as higher global commodity prices for food and crude oil.

2.29 In **2023**, total imports are forecast to grow by 18.6 percent to $4,849.4 million, led by positive contributions from all major categories of imports, in line with the projected growth of the domestic economy.

Balance of Payments[5]

2.30 Fiji recorded a current account deficit of $1,294.8 million in 2020 equivalent to 13.2 percent of GDP, deterioration from a deficit of 4.8 percent of GDP in 2019. This is largely underpinned by the deterioration of the services balance, which more than offset the improved trade, primary and secondary income balances. The capital and financial account (excluding reserve assets) were around $760.2 million, equivalent to 7.7 percent of GDP. The overall balance was negative in 2020, resulting in a reduction in reserve assets by $37.9 million **(Figure 2.5).**

Figure 2.5 Balance of Payments



Source: Fiji Bureau of Statistics & Macroeconomic Committee

[5] Excluding aircrafts.

2.31 Tourism earnings declined significantly by 84.8 percent to total $314.9 million in 2020. With visitor arrivals envisaged to contract further this year, tourism earnings are projected to fall by 95.5 percent. For 2022 and 2023, tourism earnings are expected to increase gradually with the reopening of international borders.

2.32 Personal remittances stood at $652.7 million in 2020 and are forecast to grow by 8.7 percent to $709.3 million in 2021. Remittances are projected to increase further by 3.0 percent in 2022 and by 0.5 percent in 2023, with the expected recovery in global growth and Fiji's continued participation in regional labour schemes.

2.33 In **2021**, the current account deficit is expected to narrow slightly to $1,243.4 million, equivalent to 13.1 percent of GDP. This is largely due to the anticipated increase in secondary income balances led by personal transfers and an improvement in the primary income deficit, which offsets the deterioration of the goods and services balances as tourism earnings, travel and transportation services are expected to decline. The capital and financial account balances (excluding reserve assets) is projected at $1,440.3 million in 2021, equivalent to 15.1 percent of GDP, largely underpinned by Government's external loan drawdowns and foreign direct investment driven by the sales of Energy Fiji Limited shares abroad. The overall balance of payments for 2021 is forecast to be positive, and reserve assets are projected to increase by $824.0 million.

2.34 In **2022**, the current account deficit is projected to narrow to $900.1 million or -8.8 percent of GDP. This outcome is mainly led by an increase in the services and secondary income balances due to the expected rebound in tourism and remittance inflows. This is projected to offset the deterioration in the goods and primary income balances caused by an expected recovery in imports and re-invested earnings with the recovery in the domestic economy. The capital and financial account (excluding reserve assets) is projected to be around $609.8 million, equivalent to 6.0 percent of GDP and led by anticipated reduction in government loan drawdowns. The overall balance is forecast to be negative and reserve assets are expected to decrease by $420.8 million.

2.35 In **2023**, the current account deficit is projected to narrow further to $462.2 million or -4.0 percent of GDP. This outcome is mainly led by further increases in the services and secondary income balance due to higher anticipated tourism and remittance inflows. The capital and financial account (excluding reserve assets) is forecast at $513.2 million, equivalent to 4.5 percent of GDP. The overall balance is forecast to be negative and reserve assets are anticipated to decrease by $130.9 million.

Money and Credit

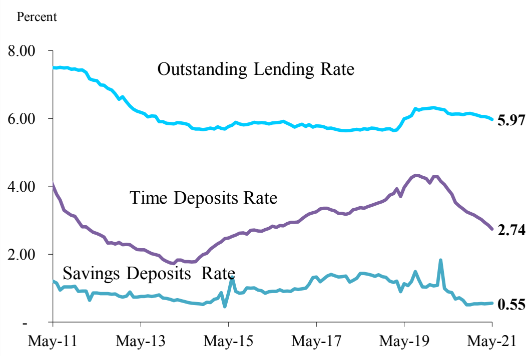
2.36 Subdued real sector activity was reflected in the financial sector as overall credit growth contracted by 0.7 percent in December 2020 to $8,736.7 million, driven by lower lending to the private sector by most financial institutions. Private Sector Credit (PSC) registered its first year-end contraction (-3.1%) after over more than a decade, with contractions noted for both private sector business entities (-3.9%) and private individuals (-1.2%). In contrast, claims on the public sector (210.9%) noted a significant increase on account of the Reserve Bank of Fiji's monetary policy stimulus measures. This included investment in Government bonds and the expansion of the RBF's various credit facilities.

2.37 In the year to May 2021, overall credit growth noted a contraction of 0.2 percent, as increased claims on the public sector held. The contraction in PSC persisted from the end of 2020 to May this year (-3.6%) as lending to both private individuals and business entities declined. Going forward, credit activity is expected to remain subdued in line with real sector activity. Moreover, credit risks have heightened in tandem as debt serviceability and risk appetites have fallen amidst the prolonged pandemic. As such, adequate provisioning will continue to be a priority for financial institutions.

Interest Rates

2.38 The RBF reduced its overnight policy rate (OPR) in March 2020 to support economic recovery and lending and deposit rates[6] generally fell thereafter. More recently, the downward movement in lending rates have been due to high liquidity and subdued lending activity.

Figure 2.6: Commercial Banks' Interest Rates



(Source: Reserve Bank of Fiji)

2.39 The weighted average outstanding lending rate for commercial banks was 5.97 percent in May 2021, 15 basis points lower when compared to December 2020 (**Figure 2.6**). Similar reductions have also been noted for yields on Government securities, as discussed in **Chapter 5**. In contrast, the weighted average outstanding time deposit rate fell to 2.74 percent from 3.16 percent in December 2020. The weighted average savings deposit rate picked up from 0.54 percent to 0.55 percent from the end of last year.

[6] Interest rates refers to weighted average commercial bank's lending rates and money market rates.

Exchange Rates

2.40 Over the year in June 2021, the Fijian dollar (FJD) strengthened against the Japanese Yen (7.9%), United States dollar (4.9%) but was lower against the Australian (-4.1%) and New Zealand (-3.7%) dollars and the Euro (-0.9%).

2.41 In June, the Nominal Effective Exchange Rate (NEER) index was higher over the year (0.7%), indicating general strengthening of the FJD.

2.42 However, the Real Effective Exchange Rate (REER) index fell over the year (-1.5%), denoting gain in trade competitiveness largely on account of lower relative prices against major trading partner currencies.

Monetary Policy and Support to the Fiji Economy

2.43 The RBF provided various support to the economy on the onset of COVID-19, which included a reduction of its OPR to 0.25 percent from 0.50 percent, an expansion of its various lending facilities and other quantitative easing measures.

2.44 The RBF maintained its accommodative stance through 2020 into 2021, as its monetary policy objectives of adequate foreign reserves and stable inflation remained intact.

2.45 In May 2021, the RBF reduced the interest rates charged to financial institutions, from 1.00 percent to 0.25 percent, on its Import Substitution and Export Finance Facility (ISEFF), Disaster Rehabilitation and Containment Facility (DRCF) and the Housing Facility (HF). Consequently, the maximum interest rate charged by lending institutions to eligible customers has also been reduced from 5.00 percent to 3.99 percent.

2.46 As at 15 July, foreign reserves (RBF holdings) levels were around $3,125.8 million, equivalent to 10.8 months of retained imports.

2.47 Going forward, the Bank will continue to support economic recovery via both conventional and unconventional means to ensure adequate liquidity levels.

2.48 From a macro-prudential perspective, supervisory assessments have shown that the financial system remains stable, supported by adequate capital positions, high level of banking system liquidity and sufficient provisioning levels. However, going forward, the reopening of borders and resumption of international travel will be crucial for the recovery of the economy and continued stability.

2.49 As at May 2021, a total of 8,850 customers with a total loan of $1.2 billion are currently being assisted by commercial banks and other financial institutions. The

Association of Banks in Fiji (ABIF) has agreed to extend the support to these customers until September 2021, on a case-by-case basis.

2.50 By year-end, banking system liquidity is expected to remain more than ample against the backdrop of Government's higher external loan drawdowns and lower import payments. As at 14 July, liquidity levels were around $1,623.6 million. Given excess liquidity and the current accommodative monetary policy stance, interest rates are projected to remain stable.

CHAPTER 3: GOVERNMENT'S FISCAL PERFORMANCE

Introduction

3.1 The COVID-19 crisis continues to have a major impact on public finances. With the international travel restrictions in place and its repercussions on the overall economy, tax revenue collections have been almost 50 percent lower relative to pre-COVID-19 levels. The counter cyclical response to the crisis has been appropriate with the provision of targeted unemployment support and continuation of critical public expenditures. However, the prolonged duration of the crisis with its associated uncertainties have made the fiscal policy environment challenging.

2019-2020 Actual Performance

3.2 In response to the COVID-19 crisis, a revised FY2019-2020 COVID Response Budget was presented which recalibrated the budget framework with a higher projected net deficit of $1,028.7 million or 9 percent of GDP as revenue levels declined. However, with a tighter control on Government spending and higher than budgeted collections from non-tax revenues, the actual fiscal deficit stood at a much lower $637 million, equivalent to 5.9 percent of GDP.

Table 3.1: Fiscal Framework 2021-2022

($M)	2019-2020 (Actual)	2020-2021 (Budget)	2020-2021 (Revised)	2021-2022 (Budget)
Revenue	**2,716.7**	**1,673.6**	**2,111.2**	**2,085.1**
As a % of GDP	25.3	16.9	22.0	21.1
Tax Revenue	2,194.0	1,465.7	1,410.9	1,597.6
Non-Tax Revenue	522.7	207.9	700.3	487.5
Expenditure	**3,353.7**	**3,674.6**	**3,216.7**	**3,690.5**
As a % of GDP	31.2	37.1	33.5	37.3
Net Deficit	**(637.0)**	**(2,001.0)**	**(1,105.5)**	**(1,605.4)**
As a % of GDP	**(5.9)**	**(20.2)**	**(11.5)**	**(16.2)**
Debt	6,686.0	8,256.4	7,606.0	9,061.4
As a % of GDP	62.3	83.4	79.2	91.6
GDP at Market Prices	**10,739.6**	**9,905.3**	**9,598.1**	**9,889.2**

Source: Ministry of Economy

FY2020-2021 Revised Projections

3.3 The FY2020-2021 Budget was delivered under a period of great uncertainty and thus the budget framework was based on a very conservative revenue projection resulting in a large projected deficit of $2 billion, equivalent to 20.2 percent of

GDP. With FY2020-2021 almost coming to a close, the fiscal deficit is likely to be around 11.5 percent of GDP, almost half of the 20.2 percent budgeted net deficit. This is attributed to over three times higher inflows of non-tax revenues emanating largely from grants and divestment receipts and also tight control on public spending.

3.4 Government has to date received around $250 million in cash budget support grants from Australia, New Zealand, European Union and other development partners, compared to a budget projection of just $29 million. The receipt of around $210 million from the divestment of shares in Energy Fiji Limited also provided a major boost to non-tax revenue collections as divestment receipts were not budgeted in line with our conservative revenue estimation strategy. While tax collections were slightly above projection in the first half of FY2020-2021, the impact of the second wave of the virus on the economy will result in around a $55 million under collection in tax revenues.

3.5 Tight control on public spending during the year is likely to result in a 12.5 percent under spending with total expenditure estimated at around $3.2 billion. This is despite the overspending in unemployment support which was budgeted at $100 million, with Government spending over $210 million for targeted income support in both the formal and informal sector. An additional $30 million was paid as part of the COVID-19 Response Budget.

3.6 With a lower projected net deficit of around 11.5 percent in FY2020-2021, Government debt is estimated to be around $7.6 billion or 79.2 percent of GDP as at July 2021. This is $650 million lower than the earlier projected debt of $8.3 billion or 83.4 percent of GDP. The lower than budgeted debt to GDP ratio is despite a 3.1 percent lower nominal GDP due to the contraction of the Fijian economy in 2021. If the nominal GDP was unchanged at the levels projected in the Budget, the debt to GDP ratio would have been at a much lower 76.8 percent of GDP.

FY2021-2022 Budget

3.7 While the lower than budgeted fiscal deficit in FY2020-2021 helped contain public debt much lower than earlier projected, the second wave of the virus and its implications on the economy and the associated uncertainties creates further challenges in setting the budget framework for FY2021-2022.

3.8 Similar to the last Budget, revenue projections in an uncertain environment like this is quite challenging. As such, and based on the experience from the FY2020-2021 Budget, a conservative revenue estimation strategy has been adopted. Unfortunately, the downside of this strategy is that projected debt levels look higher. However, it is a prudent strategy to adopt during times of uncertainty with any over collections in revenues serving as a buffer and consequently lower borrowings and debt levels than planned. The alternative of misjudging and over projecting revenues can result in major cash flow challenges which will be counterproductive in such an environment.

3.9 For FY2021-2022, tax revenue collections are projected at $1,597.6 million, 43.3 percent lower than pre-COVID levels. Compared to FY2020-2021, tax collections are higher due to lower estimated VAT refunds as large backlog of outstanding refunds were cleared in this financial year. This higher collection is also based on the assumption that there will be some form of reopening of the borders in the first half of 2022, but arrivals are conservatively estimated at around 20 percent of pre-COVID levels for revenue projection purposes.

3.10 It is important to note that Government will also carry over around $150 million in cash balances to the new financial year. This provides an additional buffer in the event if tax revenues do not perform as projected. This is a change in strategy as cash balances carried forward for FY2020-2021 was included as part of loan funding which was clearly explained in the FY2020-2021 Budget documents.

3.11 Apart from this, non-tax revenues are estimated at $487.5 million, lower than FY2020-2021. As part of its public sector reforms, Government had embarked on attracting strategic partners in state owned entities to improve service delivery and efficiency in the operations of these entities. The divestment of EFL is a recent example which attracted a reputable foreign strategic partner in Fiji's energy sector. Government will continue these reforms with further divestments planned for Amalgamated Telecom Holdings Limited, Fiji Airports Limited and some other small entities. This is expected to generate around $150 million in non-tax revenues for FY2021-2022.

3.12 Cash budget support grants from Fiji's key development partners have been a key feature of bilateral support during the COVID-19 crisis with around $250 million received this financial year. Government is in discussion with a number of development partners for more budget support grants in FY2021-2022 which is again conservatively budgeted at around $116.3 million. Given that formal confirmation is yet to be received, a large component of this projected inflow is not linked to any specific development partner. Early indications show that cash grants could easily be more than budgeted, but it is conservatively set in line with the revenue estimation strategy.

3.13 Based on the above assumptions, the total revenue for FY2021-2022 is projected to be around $2.1 billion. This includes tax revenue of around $1.6 billion and $488 million in non-tax revenue including grants and divestment of shares. Detailed revenue breakdowns are provided in the FY2021-2022 Budget Estimates.

3.14 On the expenditure front, reductions have been made in operational expenditures across Government, including a freeze in civil service recruitments and reductions in other current expenditures. However, new expenditure demands have been catered for to provide targeted assistance to those unemployed and vulnerable, and fiscal support provided to businesses and the tourism industry to sustain themselves before the borders open up. As such, the total expenditure for FY2021-2022 is budgeted at around $3.69 billion. Expenditure details are provided in the FY2021-2022 Budget Estimates and other chapters of the Budget Supplement.

3.15 Based on budgeted total revenue of $2.1 billion and total expenditure of $3.69 billion, the estimated net deficit for FY2021-2022 is around $1.6 billion or 16.2 percent of GDP. Consequently, Government debt is projected to be around $9.1 billion or 91.6 percent of GDP by end of the financial year (July 2022). However, as seen in this financial year, it is likely that actual debt could be lower than projected if border reopening and pick up in tourism and other sectors are much stronger than anticipated.

3.16 The Ministry of Economy will closely monitor the fiscal performance in the months ahead with a likely revision of the Budget in the second half of FY2021-2022 if the situation deteriorates. This would mean a tight restraint and possibly major reductions in Government spending. Alternatively, if the situation improves, a revision of the Budget may again be necessary to recalibrate the budget framework with expenditure reprioritisations.

3.17 Table 3.2 below show the fiscal framework for FY2021-2022. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments is around $1.96 billion. The gross deficit will be financed through borrowings from multilateral and bilateral development partners, domestic market and cash holdings carried from this financial year.

Table 3.2: Fiscal Framework 2021-2022

Particulars	**FJ $m**
Revenue	**2,085.1**
Tax Revenue	1,597.6
Non-Tax Revenue	487.5
Expenditure	**3,690.5**
Net deficit	**1,605.4**
add debt repayments	367.8
Gross Deficit	**1,973.2**
Financed by:	
World Bank	349.1
ADB	327.9
Bilateral	327.9

Particulars	FJ $m
EIB	15.7
Direct Payments	90.7
Cash at bank (Domestic)	150.0
Domestic borrowing (bonds, t-bills)	711.9
Total available financing	**1,973.2**

Source: Ministry of Economy

3.18 **Table 3.3** depicts Government's Cashflow from FY2019-2020 to FY2021-2022.

Table 3.3: Cashflow Statement

$ millions	2019-2020(a)	2020-2021(r)	2021-2022(b)
Receipts			
Direct taxes	610.5	462.3	457.2
Indirect taxes (excluding SEG 13 VAT)	1,551.7	922.9	1,094.6
Value Added Tax	*596.1*	418.5	498.2
Customs Taxes	*528.9*	398.1	459.4
Service Turnover Tax	*62.5*	1.1	-
Water Resource Tax	*56.2*	73.6	89.8
Departure Tax	*113.8*	1.1	10.2
Stamp Duty	*66.3*	7.9	-
Fish Levy	*0.02*	-	-
Telecommunication Levy	*0.9*	0.8	1.0
Environment and Climate Adaptation Levy	*126.9*	21.7	35.9
Fees, Fines, Charges & Penalties	141.7	124.1	130.9
Grants in aid	67.6	250.2	116.3
Dividends from Investment	49.5	51.2	48.0
Reimbursement & Recoveries	14.0	27.8	10.4
Other Revenues and Surpluses	31.5	26.1	24.8
Total operating receipts	**2,466.5**	**1,864.6**	**1,882.1**
Payments			
Personnel	987.8	934.0	988.6
Transfer payments	655.6	605.4	646.5
Supplies and consumables	276.3	243.9	252.5
Purchase of outputs	57.2	48.8	145.8
Interest paid	345.1	374.7	376.9
Other operating payments	11.9	0.9	13.2
Total operating payments	**2,333.8**	**2,207.7**	**2,423.5**
Net cash flows from operating activities	**132.7**	**(343.1)**	**(541.4)**
as a % of GDP	*1.2%*	*-3.6%*	*-5.5%*
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Government Assets	211.3	210.5	150.0
Interest from Bank Balance	2.2	1.9	1.5

$ millions	2019-2020(a)	2020-2021(r)	2021-2022(b)
Interest on term loans and advances	0.4	5.1	2.6
Return of Surplus Capital from Investment	4.3	3.5	3.0
Foreign Exchange Rate Gains	0.2	-	-
Total investing receipts	**218.5**	**220.9**	**157.2**
Payments			
Transfer payments	843.0	871.9	1,075.7
Purchase of physical non-current assets	145.2	111.4	145.5
Total investing payments	**988.2**	**983.3**	**1,221.2**
Net cash flows from investing activities	**(769.7)**	**(762.4)**	**(1,064.1)**
as a % of GDP	***-7.2%***	***-7.9%***	***-10.8%***
NET (DEFICIT)/SURPLUS	**(637.0)**	**(1,105.5)**	**(1,605.4)**
as a % of GDP	***-5.9%***	***-11.5%***	***-16.2%***

3.19 **Table 3.4** provide the revenue and expenditure aggregates and the summary of fiscal position, respectively, from FY2019-2020 to FY2021-2022.

Table 3.4: Revenue and Expenditure Aggregates

($M)	2019-20(a)	2020-21(r)	2021-22(b)
Total Revenue (excluding SEG 13 VAT)	**2,684.9**	**2,085.5**	**2,039.3**
as a % of GDP	25.0%	21.7%	20.6%
Total Expenditure (excluding SEG 13 VAT)	**3,322.0**	**3,191.0**	**3,644.7**
as a % of GDP	30.9%	33.2%	36.9%
Total Revenue (including SEG 13 VAT)	**2,716.7**	**2,111.2**	**2,085.1**
as a % of GDP	25.3%	22.0%	21.1%
Total Expenditure (including SEG 13 VAT)	**3,353.7**	**3,216.7**	**3,690.5**
as a % of GDP	31.2%	33.5%	37.3%
GDP at Market Prices	**10,739.6**	**9,598.1**	**9,889.2**

Source: Ministry of Economy

Operating Revenue

3.20 Tax revenues which comprised around 90 percent of pre-COVID total revenues, have been 50 percent lower on average every month after the pandemic. There are no major changes in taxes in FY2021-2022. However, the reduction in a number of taxes in FY2020-2021 to stimulate economic activity, support tourism and domestic demand will continue as opening up of borders will generate the much-needed revenue for Government.

3.21 In FY2020-2021, Government reduced fiscal and import excise duties on around 2,000 items to either zero or 5 percent. Tourism related taxes such as the 6 percent STT was abolished, ECAL was reduced from 10 percent to 5 percent, departure tax halved from $200 to $100 and excise tax on alcohol reduced by 50 percent as part of the package to improve the price competitiveness of the tourism industry. Apart from this, Government also removed all stamp duties and business licence requirements to reduce cost of doing business and streamline processes last financial year.

3.22 With the vaccination progress and the increased likelihood of border reopening, these reduction in taxes will help in the revival of the tourism industry and consequently improve tax collections for Government. Collections are expected to rise also via other indirect taxes like VAT and income taxes if the tourism industry picks up.

3.23 In terms of non-tax operating revenue, while there is a general decline in fees, fines and charges and dividends, projected large grants in FY2020-2021 and FY2021-2022 is expected to boost the collection in non-tax revenues.

3.24 For FY2021-2022, Government expects to receive around $1,882.1 million in operating revenue, a slight increase of $17.5 million or 0.9 percent when compared to FY2020-2021.

Operating Payment

3.25 In FY2019-2020, personnel costs which is the largest component of Government's expenditure was around $987.8 million or 42.3 percent of operating expenditure and 29.7 percent of total expenditure.

3.26 With 10 percent pay cut for Permanent Secretaries, Heads of Independent Commissions, Bodies and Statutory Authorities and 20 percent pay cut for Members of Parliament in FY2020-2021, personnel costs is estimated to be lower at $934 million this financial year.

3.27 The wage bill is expected to be around $988.6 million in FY2021-2022. Apart from the Ministry of Health and Medical Services and Fiji Police Force, all major agencies have their recruitment put on freeze. The moderate increase in the wage bill caters for additional human resources for an effective health and COVID containment response. Government has also increased the mandatory FNPF contribution for both employer and employee from 5 percent to 6 percent from 1 January 2022.

3.28 In addition to the recruitment freeze, other cost cutting measures such as reduced meal allowance for civil servants, limited overtime & honorarium allowances, suspension of rural & remote allowances, reductions in travel, communications, maintenance and procurement of other goods and services will remain in place for FY2021-2022.

3.29 Civil service pay has not been reduced as a countercyclical measure to continue to support the domestic economy as most civil servants support their family members affected by COVID-19 in the tourism, hospitality and other sectors of the economy. Permanent Secretaries and heads of agencies will work closely with the Ministry of Economy to tightly control public spending and ensure adherence to the whole of Government cost control measures.

3.30 While a number of operational expenditures has been reduced in the next financial year, some key initiatives have been introduced in FY2021-2022 Budget to support individuals and small businesses during the COVID-19 period. These targeted cash transfer initiatives are being discussed in detail in **Chapter 1** of the Budget Supplement with detailed breakdown of expenditures provided in the Budget Estimates.

Net Cashflow from Operating Activities

3.31 In FY2019-2020, Government recorded an operating saving of $132.7 million or 1.2 percent of GDP. For FY2020-2021 and FY2021-2022, Government is expected to register operating deficits of -3.6 percent and -5.5 percent of GDP, respectively.

Investing Revenue

3.32 Investing revenue which comprises proceeds from disposal of Government assets, interest from bank balances & term loans and return of surplus from Trading & Manufacturing Account (TMA) operations stood at $218.5 million in FY2019-2020. Government received around $206.1 million from 20 percent divestment of EFL shares in FY2019-2020.

3.33 In FY2020-2021, investing receipts is anticipated to be around $220.9 million, mainly attributed to the further divestment of Government's 24 percent share in EFL which raked in around $210 million. In FY2021-2022, investing revenue is expected to be around $157.2 million as Government plans to divest shares in ATH Limited, Fiji Airports Limited and other smaller state-owned entities in the next financial year.

Investing Payments

3.34 Government will continue with existing and new investment projects such as for roads, water and energy in the FY2021-2022 Budget.

Roads

3.35 Around $272.4 million has been allocated to Fiji Roads Authority to upgrade and maintain roads in the Budget. Of this, $72.9 million is allocated for essential maintenance of road assets, $50 million for ongoing renewal and rehabilitation, $34 million for upgrade and replacement of bridges, $15.9 million for rural roads and $15 million for Stage 2 of the Queen Elizabeth Drive, Nasese upgrade project.

3.36 In addition, the Transport Infrastructure Investment Sector Project aims to rehabilitate roads, bridges and jetties to achieve climate-resilient transport infrastructure, more efficient project management support and effective institutional management. The project is financed through Asian Development Bank (ADB) and World Bank loans of US$100 million and US$50 million respectively, supplementing already-robust Government investment. The breakdown for the FY2021-2022 Budget allocation of $70 million are as follows: ADB - $50 million and World Bank - $20 million.

3.37 Through the transport infrastructure investment project loan, major arterial Queens and Kings Road will be rehabilitated with new footpaths and street lights including bus shelters across the villages and settlements. The design for forty (40) new critical bridges and three major jetties (Savasavu, Nabouwalu and Natovi) will also be completed. Foster Road would be having a major facelift with new surface, alongside with parking provisions and new traffic lights amongst major intersections.

Water

3.38 In FY2021-2022 Budget, $194.9 million has been allocated for investment in water and sewerage projects. Access to clean water is a fundamental right of every Fijian as enshrined in the Fijian Constitution. Government will undertake major investments to cater for the country's long-term water supply needs. This includes an investment of $13.7 million to improve water distribution systems, $20.2 million to further improve water treatment quality, $0.5 million for the replacement of water meters, $2.9 million for non-revenue water, $6.8 million for the upgrade of wastewater treatment plants and $1.2 million to upgrade the wastewater distribution system.

3.39 In addition, Government has allocated $4.5 million under Rural Water Supply Programme in order to provide access to clean water in rural communities. An allocation of $1.5 million is provided for rural water carting to communities in non-metered areas during periods of drought, water disruption and during the current recovery period from the COVID-19 pandemic.

3.40 An Urban Water Supply and Wastewater Management Project is designed to augment vital urban infrastructure and services, supporting sustainable growth and development in the Greater Suva Area by increasing water-supply capacity by 26 percent and wastewater-treatment capacity by 164 percent. As part of the project, a new 40 mega litre treatment plant is constructed in Viria, Rewa. Blended funding provided by the ADB ($7 million), European Investment Bank ($12 million), the Green Climate Fund ($10 million), and local sources ($26 million) has made this immense project possible.

Energy

3.41 Government will continue with its ongoing electrification projects to provide affordable, reliable, modern and sustainable energy services for all Fijians. In total, around $11 million has been allocated for major electrification activities which include house wiring and grid extension programme. Around 50,000 Fijians will benefit from the programme.

3.42 For the residential customers, Government will fully pay the 100 percent of the electricity bill for those on the subsidy programme for the first six (6) months (till 31st July 2021). For MSMEs with turnover less than $1.25 million who are paying commercial rates will now pay residential rates with Government subsidising the difference for a period of six months effective from 1 August 2021. A budget of $18 million has been allocated, of which, $11 million is to subsidise residential customers and $7 million for small businesses.

Waterways and Environment

3.43 Government will continue to maintain drainage systems and manage Fiji's creeks, tributaries and rivers and mitigate economic loss caused by floods. An allocation of $0.9 million is provided through the Drainage & Flood Protection Programme to help alleviate flooding issues. Provision of $1.3 million is made for the construction of seawalls, groyne and wave breakers for villages and communities, $0.13 million for farm development, $0.22 million for the Maintenance of Irrigation Schemes, $0.5 million for the Drainage for Rural Residential Areas and $0.5 million for improvement of farmland drainage.

3.44 To curb pollution and conserve Fiji's natural resources, including lakes and rivers, our biodiversity, forests and wildlife, $1 million is allocated for subsidy for Naboro Landfill. The completion of construction of Naboro landfill – stage 2 cell 3 is allocated $1.5 million.

3.45 Government will continue with existing initiatives and introduce new measures to support the unemployed, businesses, tourism and other sectors in the economy. In the FY2021-2022 Budget, Government has allocated an increased amount of $200 million funding to provide unemployment assistance to people affected by COVID-19. Government will make first payment of $360 in August to cater the 3 months ending October 2021 and second payment of $360 in November to cater for 3 months ending January 2022 to eligible Fijians 18 years and over who are fully vaccinated before 31 October.

Construction Projects

3.46 Major building construction projects funded in the FY2021-2022 Budget include the CWM maternity ward ($7 million), Labasa hospital interior upgrade ($2.5 million), construction of Nakasi, Nadi, Nalawa and Lautoka police stations ($25 million) and other capital works. This will assist in creating new employment opportunities and also absorb workers whose employment has been affected due to the pandemic.

3.47 The total capital expenditure for FY2021-2022 is expected to be around $1,221.2 million, higher by around $237.9 million or 24.2 percent compared to FY2020-2021.

Net Cashflows from Investing Activities

3.48 A net investing deficit of $769.7 million was recorded in FY2019-2020. The projected deficit for FY2020-2021 is $762.4 million and for FY2021-2022 is around $1,064.1 million.

Net Deficit

3.49 Government had a net deficit position of $637 million or 5.9 percent of GDP in FY2019-2020. The estimated net deficit for FY2020-2021 is $1,105.5 million or 11.5 percent of GDP while the net deficit target for FY2021-2022 is $1,605.4 million or 16.2 percent of GDP.

3.50 While budget deficits have increased in recent years, Government is committed to fiscal consolidation and in gradually reducing budget deficits and debt in the medium-term as discussed in **Chapter 4** of the Budget Supplement.

CHAPTER 4: MEDIUM-TERM FISCAL STRATEGY

Introduction

4.1 The Financial Management (Amendment) Bill 2021 to be tabled as part of the FY2021-2022 Budget strengthens fiscal management & planning and prescribes that the budget should be set in accordance with a medium-term fiscal framework.

4.2 This requires the Government to set a fiscal strategy that outlines the medium-term plans on public finance management and enhance great accountability, transparency, fiscal discipline and financial sustainability.

4.3 This chapter provides the Government's medium-term fiscal strategy, medium-term fiscal framework and the overarching principles for expenditure allocation, revenue strategies and debt management.

Medium-Term Fiscal Strategy

4.4 Fiscal consolidation will be the cornerstone of our medium-term fiscal strategy aimed at putting the debt to GDP ratio on a downward trajectory. This is line with the principles of responsible financial management which encapsulated in the Financial Management (Amendment) Bill in order to ensure fiscal sustainability and efficient and effective use of public financial resources.

4.5 The COVID-19 crisis and its implication on the Fijian economy has placed undue pressure on Government finances as revenue levels reduced drastically and expenditure demands increase to support the delicate economic situation and livelihoods of Fijians. Government borrowings were ramped up in the COVID-19 Response Budget and the FY2020-2021 Budget to sustain expenditures at levels similar to pre-COVID spending amidst a devastating blow to Government revenues.

4.6 A similar fiscal stance has been adopted again for the FY2021-2022 Budget with a relatively higher fiscal deficit and elevated projected debt. This counter-cyclical fiscal stance is unavoidable as protecting the vulnerable, assisting households in need of financial support and keeping the economy afloat amidst the final stages of the crisis is critical. The alternative will be painful and counterproductive at this stage.

4.7 However, a credible course back to a macro-fiscal stability with lower debt levels and a sustainable debt profile is necessary. This requires revenue reforms aimed at broadening the tax base, moderate tax increases and simplification of the tax policy structure to restore revenues broadly at pre-pandemic levels. However, the timing and sequencing of the revenue reforms is important as the reform package has to be carefully selected to avoid harming the fragile economy and ensuring that these reforms are equitable and growth friendly to support the recovery process.

4.8 Accessing budget support grants and divestment of state entities will also be pursued. Restraint on Government expenditures, especially containing the size of the civil service, scaling back operating transfers and careful appraisal and selection of capital projects is equally important. Focus on zero based budgeting and medium-term focus on expenditures will be adopted to improve the quality and effectiveness of public spending.

4.9 Debt management would focus on prudent borrowings at lowest cost possible with a key focus on concessional financing through multilateral and bilateral development partners, and managing fiscal risks emanating from contingent liabilities. Policy based development finance contingent upon deep rooted economic and public financial management reforms will continue pursued with agencies like the World Bank, ADB, Asian Infrastructure Investment Bank, JICA and other development partners.

4.10 The Fijian Government's first ever Medium-Term Debt Management Strategy (MTDS) for FY2020-2021 to FY2022-2023 has been approved and published. The MTDS articulates the Government's debt objectives and outlines the framework for formulation and implementation of a prudent borrowing program. The medium-term fiscal strategy will complement this to ensure debt sustainability and fiscal discipline.

4.11 Apart from the fiscal restraint, a strong private sector led economic recovery is equally important to raise GDP and help Government revenues rebound. Supporting private sector-led growth by streamlining regulatory hurdles, improving productivity and helping boost competitiveness will be necessary. Reforms are also needed to increase productivity and efficiency in state-owned enterprises through strategic partnerships with both foreign and domestic investors. This will support efforts to reduce the size of Government with the State focussing on provision of public goods and an enabling environment for the private sector to flourish.

Medium-Term Fiscal Framework

4.12 The Medium-Term Fiscal Framework provides the broad revenue, expenditure, deficit and debt targets for the next 15 years.

Table 4.1: Medium-Term Fiscal Targets ($M)

($M)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 9	Year 12	Year 15
FY Ending	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2030**	**2033**	**2036**
Revenue	**2,085.1**	**2,965.6**	**3,095.5**	**3,267.8**	**3,450.4**	**3,643.7**	**4,295.4**	**5,070.4**	**5,992.2**
As a % of GDP	21.1	26.4	26.2	26.1	26.0	25.9	25.7	25.4	25.2
Tax	*1,597.6*	*2,695.5*	*2,832.3*	*3,002.2*	*3,182.3*	*3,373.3*	*4,017.6*	*4,785.0*	*5,699.1*
Non-Tax	*487.5*	*270.1*	*263.3*	*265.6*	*268.0*	*270.4*	*277.8*	*285.4*	*293.1*
Expenditure	**3,690.5**	**3,493.8**	**3,567.5**	**3,643.0**	**3,715.5**	**3,924.8**	**4,630.2**	**5,469.1**	**6,467.1**
As a % of GDP	37.3	31.1	30.2	29.1	28.0	27.9	27.7	27.4	27.2
Net Deficit	**(1,605.4)**	**(528.2)**	**(472.0)**	**(375.2)**	**(265.2)**	**(281.1)**	**(334.8)**	**(398.7)**	**(474.9)**
As a % of GDP	**(16.2)**	**(4.7)**	**(4.0)**	**(3.0)**	**(2.0)**	**(2.0)**	**(2.0)**	**(2.0)**	**(2.0)**
Debt	9,061.4	9,589.6	10,061.5	10,436.8	10,701.9	10,983.0	11,931.5	13,061.1	14,406.6
As a % of GDP	91.6	85.3	85.3	83.4	80.7	78.2	71.3	65.5	60.7
Nominal GDP	**9,889.2**	**11,237.5**	**11,799.3**	**12,507.3**	**13,257.7**	**14,053.2**	**16,737.6**	**19,934.7**	**23,742.6**

Source: Ministry of Economy

4.13 The net deficit for FY2021-2022 is $1,605.4 million or 16.2 percent of GDP based on projected total revenues of $2,085.1 million and total expenditures of $3,690.5 million. Accordingly, Government debt stock is estimated to be around $9,061.4 million or 91.6 percent of GDP.

4.14 In FY2022-2023, Government revenues are expected to rebound back to 90 percent of pre-COVID revenue levels or $2,965.6 million with expenditures to reduce to $3,493.8 million. As a result, the net deficit in FY2022-2023 is expected to decline to 4.7 percent and further reduce over the four-year period to 2 percent by FY2025-2026. This should result in Government achieving a Debt to GDP ratio of 80.7 percent by FY2025-2026 and highlights the commitment to medium term fiscal consolidation and reverting Debt to GDP levels to a downward trajectory.

4.15 From FY2025-2026 onwards, Government will target to maintain deficit levels at 2 percent of GDP which should result in the Debt to GDP ratio dropping to 60.6 percent by 2036. This is part of the long term objective of Government to maintain debt sustainability and promote long term economic development.

4.16 To achieve this, appropriate revenue measures will be implemented post COVID-19 to increase revenue and ensure set fiscal targets and expenditure demands are met in the medium term. On the expenditure side, tight control will be maintained and spending will be set within the medium term targets for the next 15 years.

4.17 In addition, in the medium term, more emphasis will be placed on private sector led-growth. This will ultimately help Government in increasing its revenue base and also shave some expenditure that is currently allocated to support the economy.

Resetting the medium term fiscal parameters

4.18 The COVID-19 crisis resultant fiscal imbalances have to be reversed to ensure macro-fiscal stability. The broad fiscal parameters have been redefined as follows:

- Debt to GDP ratio to be put on a downward path reaching 80 percent of GDP by FY2025-2026 and 60 percent of GDP by FY2035-2036;

- Fiscal deficit to reduce to below 5 percent from FY2022-2023 and further reduce to 2 percent of GDP post FY2025-2026 or earlier;

- Revenue to GDP ratio to be maintained at 26 percent of GDP by FY2022-2023;

- Expenditure to GDP ratio to be reduced to 30 percent of GDP by FY2023-2024;

- Target to achieve and maintain an operating surplus (operating revenues less operating expenditures) from FY2022-2023;

- Return to and maintain surplus primary balance position from FY2023-2024 or earlier; and

- Direct borrowings only to high impact, high return and strategic capital expenditures.

Expenditure Policy

4.19 Focus will be placed on public expenditure restraint and reprioritisation. A holistic review of all public expenditures is required with a view to rationalise expenditure through the following principles:

- Adopt zero-based budgeting[7] for the FY2022-2023 Budget with caps placed on operating expenditure across all Ministries and agencies;

- Continuing the freeze on public sector hiring and remuneration, including for all grant recipient entities;

- Undertake a holistic review to right size the civil service;

[7] Zero based budgeting requires Ministries and agencies to provide justification for every dollar of funding requested. The process of zero based budgeting starts from a "zero base," and every activity within an appropriation head is thoroughly analysed.

- All new projects that have not started to be put on hold, unless critical;
- Review and downsize the scope and design for all planned projects;
- Projects that have already started to be slowed down or re-scoped if possible;
- Tighten control on operational expenditures, including travel, communications, trainings, workshops, hiring of halls, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets;
- Review service contracts and renegotiate pricing based on current economic environment;
- Cancel contracts if commencement and completion of projects in the later years will result in cost savings;
- Review grant funding to state entities and industries;
- Review the Tertiary Education Loans Scheme (TELS) and Toppers scholarship programmes;
- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs;
- Proper feasibility including a cost benefits analysis to be undertaken for all new capital projects by the Ministry of Economy;
- Resources to be allocated based on a multi-year perspective and the implementation capacity of agencies considering the need to meet competing expenditure demands;
- Ministries to submit expenditure for 3 budget years;
- Low impact expenditure programmes should be ceased;
- Any new initiatives should be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives;
- All existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive real value for money;

- Maintain an optimal capital operating mix by strengthening control on operational spending;

- Encourage more private sector participation in public infrastructure projects and delivery of other public services through innovative financial mechanisms; and

- Proper and effective monitoring of projects and budget utilisation through the Ministry of Economy.

Revenue Policy

4.20 In the post COVID-19 recovery, focus will be placed on achieving sustainable revenue trajectory in the medium term. Some of the guiding revenue principles to achieve revenue targets are as follows:

- Widening the tax base;

- Implementing fees, fines and charges on a cost recovery basis;

- Improving compliance and collection of revenue and arrears;

- Promoting the user-pay principle;

- Review existing Government incentives and concessions to ensure that assistance remains well targeted and loss of revenue is minimised;

- Simplifying and streamlining bureaucratic tax administrative processes; and

- Maintaining a simple, equitable and non-distortionary tax system and tax laws.

Debt Policy

4.21 Broad Government debt policy objectives will be as follows:

- Put debt to GDP ratio back on a downward trajectory;

- Lower the cost of debt through concessional financing from multilateral and bilateral partners;

- Maintain an optimal cost and maturity structure for the debt portfolio to ensure prudent liability management;

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

- Ensure consistent domestic market operation and provide clear investor guidance and market signalling for market development; and

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

CHAPTER 5: GOVERNMENT DEBT AND INVESTMENTS

Introduction

5.1 This chapter provides an update on Government's Balance Sheet, which includes details on public debt, contingent liabilities and investments in State Owned Entities (SOEs). It also discusses recent trends in market yields, redemption profile and risk indicators for the public debt portfolio.

Government Debt

5.2 The FY2020-2021 Budget projected Government debt to reach $8.3 billion or 83.4 percent of GDP by the end of July 2021[8]. However, it is now estimated that Government debt as at 31 July 2021 will be much lower at around $7.6 billion or 79.2 percent of GDP. The debt to GDP ratio would have been at a much lower 76.5 percent had the nominal GDP remained as earlier anticipated. However, with the second wave of the virus, the nominal GDP levels for FY2020-2021 have reduced[9].

5.3 The lower than projected debt for end of July 2021 mirrors the lower fiscal deficit estimated for FY2020-2021. Fiscal deficit for FY2020-2021 is now estimated at around 11.4 percent of GDP, substantially lower than the budgeted 20.2 percent of GDP. The lower fiscal deficit is attributed to the higher than expected revenue collections, largely from divestment receipts and budget support grants and the lower than budgeted public spending.

5.4 **Table 5.1** depicts Government's total debt position from FY2016-2017 to FY2020-2021.

Table 5.1: Total Government Debt ($M)[10]

Particulars	Jul-17	Jul-18	July-19	July-20	July-21(f)
Domestic Debt	3,300.8	3,763.0	4,278.5	4,976.5	5,240.8
External Debt	1,370.9	1,457.5	1,456.8	1,709.5	2,365.2
Total Debt	**4,671.7**	**5,220.5**	**5,735.2**	**6,686.0**	**7,606.0**
% growth	**3.6%**	**11.7%**	**9.9%**	**16.6%**	**13.8%**
Debt (as a % of GDP)	**43.5%**	**46.0%**	**49.3%**	**65.5%**	**79.2%**
Domestic Debt to Total Debt (%)	71%	72%	75%	74%	69%
External Debt to Total Debt (%)	29%	28%	25%	26%	31%

Source: Ministry of Economy

[8] Source: 2020-2021 Budget Supplement
[9] Had the GDP remained at $$9,905.3 billion, the forecast debt to GDP would have been 76.5 percent at the end of July 2021. The GDP has been revised downward to $9,598.3 billion.
[10] Minor differences in totalling of numbers in this chapter are due to rounding off decimal places.

5.5 The recently published Medium Term Debt Management Strategy ('MTDS') for FY2020-2021 to FY2022-2023 articulates Government's debt objectives and expresses Government's intention to source financing needs and payment obligations at the lowest possible cost, balanced with acceptable levels of risk.

5.6 Government borrowings will be guided by the MTDS, the medium-term fiscal strategy, existing debt policies and principles of responsible financial management to ensure that public debt remains within sustainable levels. To track the progress of the MTDS, the Ministry of Economy will publish information on cost and risk indicators in the regular quarterly debt bulletins. The MTDS will be reviewed annually in light of changing economic and market conditions.

Domestic Debt Stock

5.7 Domestic debt is expected to reach $5.2 billion by the end of July 2021, equivalent to 54.6 percent of GDP. Domestic debt is predominantly held by institutional investors such as the Fiji National Provident Fund (FNPF) and insurance companies which hold long term Government bonds. **Table 5.2** depicts Government's domestic debt position from FY2016-2017 to FY2020-2021.

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

Particulars	Jul-17	Jul-18	Jul-19	July-20	July-21(f)
Bonds	3,204.4	3,575.5	3,971.0	4,681.0	4,970.3
Treasury Bills	96.4	187.5	307.5	269.7	270.5
Loans	-	-	-	25.8[11]	-
Total Domestic Debt	**3,300.8**	**3,763.0**	**4,278.5**	**4,976.5**	**5,240.8**
% growth	**1.7%**	**14.0%**	**13.7%**	**16.3%**	**5.3%**
Domestic Debt to GDP (%)	**30.7%**	**33.2%**	**36.8%**	**48.7%**	**54.6%**

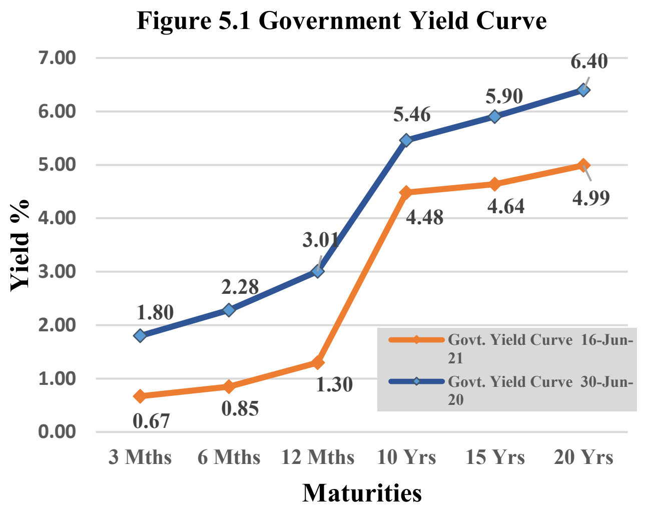
Source: Ministry of Economy

5.8 Treasury bills ('T-bills') remain an important liquidity risk management avenue for commercial banks, while providing financing for temporary shortfalls and the development of the market yield curve, particularly in the short end.

5.9 To support the development of a well-functioning domestic market for debt securities, Government intends to change the existing maturity profile of the total debt portfolio through the gradual reduction of T-bills and the issuance of short and medium-term bonds (2-5 year tenure) from FY2021-2022 onwards. Government will also continue issuances of long-term bonds with maturities of 10 years, 15 years and 20 years.

[11] FSC Government guaranteed bonds issued to FNPF called during FY2019-2020 due to FSC defaulting on its bond redemptions. This was fully settled by Government in FY2020-2021.

5.10 While Government is mindful of the refinancing risks associated with issuing short and medium-term bonds, it recognises the important role it plays in the development of the domestic securities market. The introduction of short-term and medium-term bonds will support the development of the yield curve, reduce refinancing risk and diversify the investor base for Government bonds.



Source: Ministry of Economy

Domestic Interest Rate Structure

5.11 Record high levels of foreign reserves and liquidity in the banking system has resulted in declining yields for all Government debt instruments issued in the market.

5.12 Market yields for the shorter-term T-bills have dropped significantly in June 2021 compared to the same period last year, largely owing to excess liquidity in the banking system which has surged to over $1.6 billion. The shorter end of the yield curve (3 months, 6 months and 12 months) fell by 113 basis points, 143 basis points and 171 basis points respectively, while the longer end (10 years, 15 years, and 20 years) fell by 98 basis points, 126 basis points and 141 basis points, respectively.

External Debt Stock

5.13 External debt stock is projected to increase to $2.4 billion by the end of July 2021, equivalent to 24.6 percent of GDP. **Table 5.3** depicts Government's external debt position from FY2016-2017 to FY2020-2021.

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

Particulars	Jul-17	Jul-18	Jul-19	Jul-20	July-21(f)
Loans	968.6	1,037.2	1,023.8	1,285.3	2,365.2
Global Bonds	402.3	420.3	433.0	424.2	-
Total External Debt	**1,370.9**	**1,457.5**	**1,456.8**	**1,709.5**	**2,365.2**
% growth	**8.6%**	**6.3%**	**-0.1%**	**17.4%**	**38.4%**
External Debt to GDP (%)	**12.8%**	**12.8%**	**12.5%**	**16.7%**	**24.6%**

Source: Ministry of Economy

5.14 Government had successfully refinanced the US$200 million global bond on 2 October 2020 through funding secured from multilateral lenders. Government managed to access loans relating to Subprogram 3 of the Sustained Private Sector-Led Growth Reform Program from the ADB and the Asian Infrastructure Investment Bank (AIIB) amounting to US$200 million (FJ$424.5 million) and US$50 million (FJ$106.2 million), respectively.

5.15 In relation to the Japan International Cooperation Agency (JICA) Stand-by loan for Disaster Recovery and Rehabilitation, Government accessed the remaining JPY2.85 billion (FJ$55 million) in February 2021 to support its recovery and rehabilitation efforts in the aftermath of Tropical Cyclone Yasa.

5.16 The Fijian Government also managed to secure a US$50 million loan on 15 February 2021 from the World Bank International Development Association (IDA) for the Fiji Social Protection COVID-19 Response and System Development Project. This will provide concessional financing to mitigate the impact of the COVID-19 crisis on the income of the unemployed and underemployed and to increase the efficiency and adaptability of the social protection system.

5.17 JICA also provided a 'COVID-19 Crisis Response Emergency Support Loan' of JPY10 billion (FJ$187.4 million) which was signed on 2 March 2021. This was a budget support facility aimed at providing financial support for economic and fiscal counter measures to improve public financial management, policy, legal and institutional frameworks and the improvement of the business and investment climate in Fiji.

5.18 The World Bank's Fiji Recovery and Resilience First Development Policy Financing with a Catastrophe Deferred Drawdown Option amounting to US$145 million was signed on 28 April 2021, comprising US$120 million[12] (FJ$243.7 million) in concessional financing from IDA and US$25 million (FJ$51.0 million) from the International Bank for Reconstruction and Development (IBRD).

5.19 In terms of external debt composition by currency, the US dollar continues to dominate the portfolio with 69.3 percent, followed by the Chinese Renminbi Yuan (CNY) at 18.7 percent, the Japanese Yen (JPY) at 12 percent and the Euro (EURO) at 0.03 percent. As depicted in **Table 5.4** below, USD-denominated loans have seen an uptick over the years attributed to policy-based programmatic loans and on-going infrastructure loans with multilateral banks.

[12] US$10 million from the total IDA financing amount is a Catastrophe Deferred Drawdown Option Facility ('Cat-DDO'). The Cat-DDO can be immediately accessed in the event of a catastrophe.

Table 5.4: External Debt Stock by Currency ($M)

Particulars	Jul-17	Jul-18	Jul-19	Jul-20	Jul-21(f)
USD	854.2	954.5	982.6	1,247.3	1,640.0
CNY	501.3	489.3	462	409.0	441.3
JPY	13.2	11.5	9.7	50.9	283.1
EUR	2.1	2.2	2.5	2.3	0.7
Total External Debt	**1,370.9**	**1,457.5**	**1456.8**	**1,709.5**	**2,365.2**

Source: Ministry of Economy

5.20 The Fijian Government participated in the Debt Service Suspension Initiative (DSSI) rolled out by the G20 member countries and the Paris Club to benefit from the suspension windows[13] of debt servicing owed to bilateral creditors.

5.21 As of April 2021, Government has finalised Debt Suspension Agreements with the EXIM Bank of China. This has resulted in the suspension of debt servicing amounting to CNY143.8 million (equivalent to FJ$45.2 million). The temporary suspension of these amounts has created fiscal space allowing the Government to channel funds into its COVID-19 response in the form of social, health and economic programs.

5.22 Furthermore, Government has signed Amendments to Loan Agreements with the World Bank Group, ADB and AIIB for the London Interbank Offered Rate (LIBOR)[14] transition implementation. As of 31 May 2021, 56 percent of external debt is pegged to the USD 6 months LIBOR rate, which includes loans from ADB (39.4 percent), the World Bank Group (12.2 percent) and AIIB (4.4 percent).

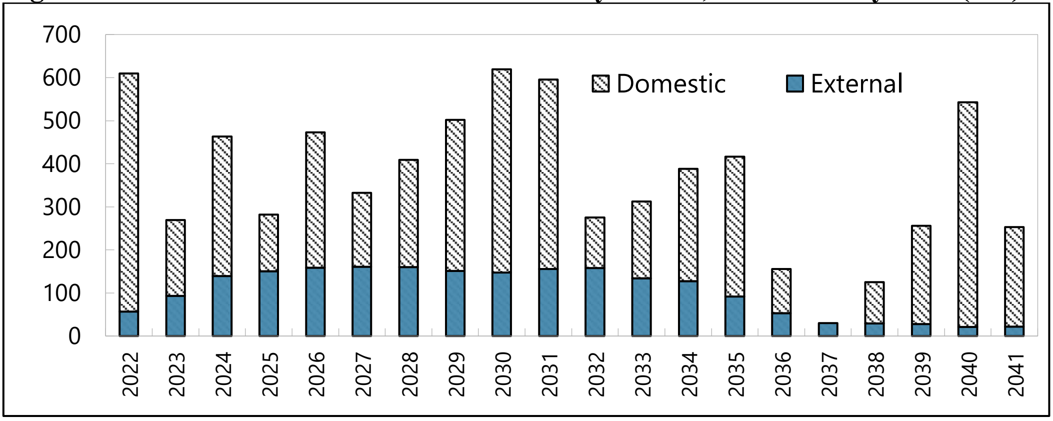
Government Debt Redemption Profile

5.23 Government's debt portfolio is actively managed to ensure an optimal cost and maturity structure. As noted in **Figure 5.2**, the maturity structure indicates that FY2029-2030, FY2030-2031 and FY2039-2040 are relatively higher than other years attributed to the significant proportion of domestic bonds maturing in the respective periods. FY2021-2022 shows a higher maturity structure due to the presence of shorter term T-bills. Operations such as bond buybacks will allow Government to actively manage the refinancing risk associated with large maturities in a fiscal year.

[13] Suspension Windows under the DSSI is from 1 May 2020 - 31 December 2020 and from 1 January 2021 to 30 June 2021)

[14] LIBOR is being phased out across all its underlying currencies by 31 December 2021. The alternatives for LIBOR are Secured Overnight Financing Rate (SOFR) in the US, Sterling Overnight Index Average (SONIA) in Great Britain, EURIBOR for the European Union and Tokyo Overnight Average Rate (TONAR).

Figure 5.2: Forecast Government Debt Maturity Profile, at end of July 2021 ($M)[15]



Source: Ministry of Economy

Risk Indicators

5.24 The risk indicators for public debt are summarised in **Table 5.5** below. At the end of July 2021, the forecast weighted average interest rate (cost of debt) for the total portfolio declined by 80 basis points to 4.8 percent compared to the end of the previous financial year. This was mainly attributed to the refinancing of the global bond via lower cost policy-based loans and the increased access to concessional financing over the period.

5.25 The Average Time to Maturity (ATM) of Government's debt portfolio has improved from 8.7 years at the end of July 2020 to 9.9 years at the end of July 2021. This indicates a reduction in refinancing risk and was mainly attributed to financing from domestic bonds and external loans with longer tenors.

Table 5.5: Risk Exposure[16]

Risk Indicators		**Jul-20**			**Jul-21**		
		External Debt	**Domestic Debt**	**Total Debt**	**External Debt**	**Domestic Debt**	**Total Debt**
Cost of Debt	Weighted Av.IR(percent)	2.3 (r)	6.7	5.6	1.2	6.5	4.8
Refinancing risk	Average Time to Maturity ATM (years)	7.2 (r)	9.3	8.7	11.2	9.3	9.9
Interest rate risk	Average Time to Refixing ATR (years)	2.4	9.3	7.5 (r)	6.9	9.3	8.5
FX risk	FX debt (percent of total debt)	25.6 (r)			31.1		

[15] Government's debt maturity profile is based on July 2021 disbursed outstanding debt (DOD) forecast.
[16] Risk exposure for July 2021 is based on the July 2021 DOD forecast.

5.26 The Average Time to Refixing (ATR) reflects the average time it takes for principal repayments to be subjected to a new interest rate; thus, a shorter ATR implies that the portfolio is more exposed to variable interest rate shocks. ATR at the end of July 2021 is forecast to increase to 8.5 years from 7.5 years in the previous financial year. This indicates an increase in time available for Government to refix interest rates.

Contingent Liabilities

5.27 At the end of April 2021, total contingent liabilities stood at $1.6 billion or 16.8 percent of GDP. Government guaranteed debt accounted for 64 percent while other explicit contingent liabilities and implicit contingent liabilities accounted for the remaining 30.4 percent and 5.6 percent, respectively.

5.28 Total Government guaranteed debt stood at $1 billion, equivalent to 10.8 percent of GDP at the end of April 2021. This represents a 9.9 percent increase when compared to the previous quarter, which was mainly attributed to the utilisation of approved guaranteed facilities by the Housing Authority (HA), FDB and Fiji Airways (FA).

Table 5.6 : Contingent Liabilities ($M)

Government Guarantees	Jul-17	Jul-18	Jul-19	Jul-20	Apr-21
Fiji Airways (FA)				279.0	391.9
Fiji Development Bank (FDB)	190.6	200.0	291.9	307.8	329.5
Energy Fiji Limited (EFL)	99.2	94.5	53.9	50.2	-
Fiji Harwood Corporation Limited (FHCL)	5.1	5.2	3.6	1.7	1.2
Fiji Pine Limited (FPL)	2.5	1.8	-	-	-
Fiji Sugar Corporation Limited (FSC)	178.2	210.2	241.3	199.2	199.6
Housing Authority (HA)	69.4	59.7	68.0	90.2	102.2
Fiji Broadcasting Corporation (FBC)	14.6	12.6	10.5	8.3	6.9
Pacific Fishing Company Limited(PAFCO)	2.6	2.7	4.1	2.5	0.9
Total Government Guarantees (A) (Explicit)	562.2	586.7	673.3	939.0	1,032.2
% growth	-28.6%	4.4%	14.8%	39.4%	9.9%
As a share of GDP	5.2%	5.2%	5.8%	9.2%	10.8%
International Bank for Reconstruction & Development (IBRD)	229.9	303	312.2	305.9	293.5
Asian Development Bank (ADB)	193.9	202.2	204.2	204.7	196.4
Total Other Explicit Contingent Liabilities (B)	423.8	505.2	516.4	510.6	489.9
National Bank of Fiji – Asset Management Bank	6.3	2.4	0.7	0.7	0.4

Government Guarantees	Jul-17	Jul-18	Jul-19	Jul-20	Apr-21
Fiji Revenue & Customs Services (FRCS)	47.8	53.6	51.2	91.0	70.4
Provincial Council	1.9	1.4	1.2	0.9	0.8
Municipal Council	25.7	23.8	21.6	19.4	18.7
Total Implicit Contingent Liabilities (C) (Implicit)	81.7	81.3	74.8	112.0	90.3
Total Other Contingent Liabilities (B+C)	505.5	586.5	591.2	622.6	580.2
Total Contingent Liabilities (A+B+C)	1,067.7	1,173.2	1,264.6	1,561.5	1,612.4
% Growth	-15.6%	9.9%	7.8%	23.5%	3.3%
Total Contingent Liabilities to GDP (%)	9.9%	10.3%	10.9%	15.3%	16.8%

Note: EFL has fully settled its outstanding debt of $50.2 million during the financial year.

5.29 In May 2021, Parliament unanimously approved a Government guarantee for a sum of $170 million for the 12 month period from 1 March 2021 to 28 February 2022 for FDB and that FDB pay a guarantee fee of 0.075 percent on the cumulative utilised guaranteed credit.

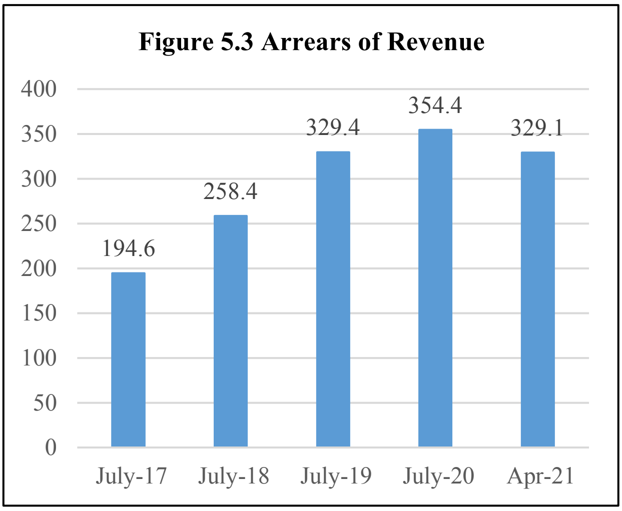
5.30 Parliamentary approval dated 25 May 2020 for the $455 million Government guarantee to Fiji Airways was also amended to read as follows: "*Parliament approves that the Government of the Republic of Fiji guarantee Fiji Airways borrowings consisting of a mix of domestic borrowings up to FJ$191.1 million and offshore borrowings up to US$117.1 million with a total limit of approximately FJ$455 million valid until the guaranteed facilities are discharged by the lender or fully settled*". Fiji Airways must pay a one-off fee of 15 percent on the $455 million Government guarantee.

5.31 As of June 2021, Government has fully settled the Fiji Sugar Corporation's (FSC) defaulted bonds to FNPF, paying a total sum of $26.4 million. As required by the Financial Management Act 2004, the amounts repaid to FNPF will be recognised as a loan to FSC and Government is in the process of finalising a loan agreement with FSC.

5.32 Government will stringently monitor guaranteed entities to ensure that fiscal risks associated with any default on the guarantee are assessed and mitigated in a timely manner.

Arrears of Revenue

5.33 Government's revenue arrears include unpaid direct & indirect taxes, fees, rates, charges, penalties and fines.



Source: Ministry of Economy

5.34 As shown in **Figure 5.3**, total arrears as of 30 April 2021 stood at $329.1 million, a decline of $25.3 million or 7.1 percent when compared to July 2020. This was mainly attributed to the decline in direct & indirect taxes and land and survey fees.

5.35 As noted in **Table 5.7** below, unpaid direct and indirect taxes constitute the largest share of arrears at 60.6 percent, followed by water rates at 15 percent, land and survey fees at 8.3 percent, LTA fees and fines at 6.6 percent, judicial fees and fines at 4 percent, telecommunication license fees at 3.2 percent and other agencies at 2.3 percent.

Table 5.7 Arrears of Revenue ($M)

	Jul-17	Jul-18	Jul-19	Jul-20	Apr-21
Total Arrears	**194.6**	**258.4**	**329.4**	**354.4**	**329.1**
Major components:					
Fiji Revenue & Customs Service (FRCS)- Direct & Indirect Taxes	111.0	151.1	204.1	225.1	199.5
Water Authority of Fiji (WAF)-Water Rates	33.0	35.8	38.6	42.9	49.4
Ministry of Lands & Mineral Resources- Land and Survey Fees	21.8	23.5	26.9	30.3	27.4
Land Transport Authority (LTA)-Fees and Fines	-	17.6	21.8	20.3	21.7
Judiciary Department- Court Fees & Fines	13.5	13.3	13.4	13.0	13.2
Telecommunication Authority of Fiji (TAF)-Telecommunication License	7.6	8.4	15.3	15.3	10.4
Other Government Agencies	7.7	8.7	9.3	7.5	7.5

Source: Ministry of Economy
Note: LTA arrears have been included from July 2018 onwards.

Lending/On-Lending Fund

5.36 The lending portfolio comprises of Government lending and on-lending to Government entities and agencies which includes loans disbursed under the Tertiary Education Loans Scheme (TELS) program.

5.37 As depicted in **Table 5.8** below, total outstanding loans stood at $751.9 million at the end of April 2021, a decline of $2.7 million (0.4 percent) from the previous financial year. This was mainly attributed to the full settlement of the Fiji Pine Limited (FPL) loan balance of $2.2 million and loans recovered from TELS amounting to $0.52 million.

5.38 Furthermore, Government's participation in the DSSI with the EXIM Bank of China has created temporary relief to two entities, namely Housing Authority and the Public Rental Board, with deferment of its on-lending repayments to Government for FY2020-2021 of approximately $3.4 million and $0.9 million, respectively.

Table 5.8: Lending Fund ($M)

Lending/On-Lending Fund Agencies	Jul-17	Jul-18	Jul-19	Jul-20	Apr-21
Lending Agencies					
FRCS-Tertiary Education Loan Scheme (TELS)	209.1	302.5	388.6	472.7	472.1
Fiji Sugar Corporation Limited (FSC)	173.8	173.8	173.8	200.2	200.2
South Pacific Fertilizers Limited (SPFL)	9.7	9.7	9.7	9.5	9.5
Pacific Fishing Company Limited (PAFCO)	9	9	9	9	9
FRCS-PSC Scholarship Recovery[17]	9	9	8.9	8.8	8.8
Fiji Sports Council	4.5	4.5	4.5	4.5	4.5
I-Taukei Affairs Board	5.8	5.7	5.3	4.5	4.5
Viti Corporation Company Limited (VCCL)	2.9	2.9	2.9	2.9	2.9
Food Processors Fiji Limited	1.9	1.9	1.9	1.9	1.9
Fiji Rice Limited (FRL)	1.9	1.9	1.9	1.9	1.9
Public Officers and Ministers	0.01	0.01	0.01	0.01	0.01
Fiji Pine Limited (FPL)[18]	8.4	7.2	2.2	2.2	-
Total Lending	**436.0**	**528.1**	**608.8**	**718.0**	**715.3**
On-Lending Agencies					

[17] *Revisions made to FRCS-PSC Scholarship Recovery due to revised confirmations received.*

[18] *FPL balances revised to reflect correct balances.*

Lending/On-Lending Fund Agencies	Jul-17	Jul-18	Jul-19	Jul-20	Apr-21
Housing Authority (HA)	36.2	34.7	32.7	28.9	28.9
Public Rental Board (PRB)	9.7	9.3	8.8	7.7	7.7
Total On-Lending	**45.9**	**44.0**	**41.5**	**36.6**	**36.6**
Total Outstanding Loans	**481.9**	**572.1**	**650.2**	**754.6**	**751.9**

Source: Ministry of Economy

5.39 The conversion of certain loans into equity is in progress and should further reduce the total outstanding lending fund portfolio. Government is currently working with FSC, VCCL, FRL, FPFL and PAFCO on the conversion process, which involves the acquisition of shares in some cases to ensure all legal requirements are met.

Equity Investment

5.40 SOEs play a pivotal role in the Fijian economy given their vast asset base, contributions to GDP, employment generation and provision of important public goods and services. SOEs in the infrastructure and transport sector have been affected by border closures. The Ministry of Economy, as part of its monitoring role, has requested SOEs to incorporate both financial and non-financial impacts of the pandemic into their strategic plans and develop necessary recovery action plans.

5.41 Government will continue to undertake reforms to improve the financial performance and service delivery of SOEs. Government shares and investment in SOEs comprise a major component of total assets, therefore continuous monitoring and surveillance of their financial performance and position are critical to maximise returns and improve service delivery. Similarly, the management of SOE liabilities is equally important to safeguard fiscal risks and ensure the sustainability of entities in the long-term.

5.42 The Ministry of Economy is guided by the Public Enterprise Act 2019 (PE Act 2019) and other relevant policies/frameworks for effective monitoring and surveillance of SOEs to ensure improved financial performance and operational efficiencies. A total of 13 entities which meet the definition of 'public enterprise' are listed under Schedule 1 of the PE Act 2019, while all other entities are excluded. However, Government continues to report on all SOEs in which it has shareholding interest.

5.43 **Table 5.9** below provides an overview of Government's shareholding in SOEs.

Table 5.9: Shares & Portfolio Allocations in SOEs

	State Owned Entities	Shares (%)	Sector/Portfolio
	Public Enterprises (PEs)		
1	Fiji Airports	100	Transport & Infrastructure
2	Fijian Broadcasting Corporation Pte Limited (FBCL)	100	Communication
3	Fiji Hardwood Corporation Pte Limited (FHCL)	100	Fisheries & Forests
4	Fiji Public Trustee Corporation Pte Limited (FPTCL)	100	Trade & Finance
5	Food Processors (Fiji) Pte Limited (FPFL)	100	Agriculture
6	Post Fiji Pte Limited (PFL)	100	Communication
7	Fiji Rice Pte Limited (FRL)	100	Agriculture
8	Unit Trust of Fiji (Management) Limited (UTOFML)	100	Trade & Finance
9	Pacific Fishing Company Pte Limited (PAFCO)	100	Fisheries & Forestry
10	Yaqara Pastoral Company Pte Ltd (YPCL)	100	Agriculture
11	Biosecurity Authority of Fiji (BAF)	100	Agriculture
12	Fiji Meats Industry Board (FMIB)	100	Agriculture
13	Fiji Coconut Millers Pte Limited (FCML)	96	Agriculture
	Not Listed as Public Enterprises		
1	Housing Authority (HA)	100	Trade & Finance
2	Public Rental Board (PRB)	100	Trade & Finance
3	Water Authority of Fiji (WAF)	100	Transport & Infrastructure
4	Viti Corps Company Ltd (VCCL)	100	Agriculture
5	Maritime Safety Authority of Fiji	100	Transport & Infrastructure
6	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
7	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
8	Energy Fiji Limited (EFL)	51	Transport & Infrastructure
9	Air Pacific Limited T/A Fiji Airways & Subsidiaries (FA)	51	Transport & Infrastructure
10	Air Terminal Services (ATS)	51	Transport & Infrastructure
11	Fiji Ports Corporation Pte Ltd (FPCL)	41	Transport & Infrastructure
12	Amalgamated Telecom Holdings (ATH)	17.3	Communication

Source: Ministry of Economy

5.44 **Table 5.10** below shows the financial performance of all twenty-five (25) SOEs.

Table 5.10: Overall SOE Portfolio Performance

Financial Indicators	Total SOE Portfolio			
	2016	2017	2018	2019
	(000's)	(000's)	(000's)	(000's)
Total Assets	6,156,226	6,362,687	6,758,862	8,170,951
Total Liabilities	2,733,934	2,831,580	2,991,804	4,404,890
Shareholder's Equity	3,422,292	3,531,107	3,767,057	3,766,061
Net Profit After Tax	233,810	227,048	239,826	167,809
Dividends	33,613	22,746	121,313	73,300
Return on Assets (ROA)	3.9%	3.6%	3.7%	2.2%
Return on Equity (ROE)	7.0%	6.5%	6.6%	4.5%
Debt to Equity	79.9%	80.2%	79.4%	117.0%

Source: Ministry of Economy

5.45 Total assets of SOE portfolios have grown significantly from $6.2 billion in 2016 to $8.2 billion in 2019, attributed to an increase in the assets of SOEs in the infrastructure and transport sectors, including Fiji Airways, Energy Fiji Limited, Water Authority of Fiji and Fiji Airports. Similarly, consolidated SOE liabilities has increased given their external borrowings to finance capital investments. Aggregate net profit after tax, dividends and shareholder equity all declined in 2019 compared to the previous financial year.

5.46 **Table 5.11** below illustrates the sectorial performance of SOEs. Over the past four years, entities in the communication sector – notably ATH and FBCL – have contributed the highest returns on assets and equity. With the exception of agriculture and fisheries & forestry, all other entities recorded modest returns in 2019.

Table 5.11: Average ROA and ROE by Sector (%)

Sector	2017		2018		2019	
	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	-11.92	-23.32	-5.69	-9.92	-23.23	-37.47
Communication	10.61	17.60	10.20	16.53	9.41	15.30
Fisheries & Forestry	7.58	8.91	3.49	4.11	-3.35	-4.04
Trade & Finance	2.95	7.18	2.11	5.15	2.03	4.98
Transport &Infrastructure	3.60	6.01	3.65	6.10	3.33	6.19

Source: Ministry of Economy

Dividends from Government Investments by Sector

5.47 **Table 5.12** below outlines the dividends received from SOEs by sector from 2016 to 2020.

Table 5.12: Dividends by Sector ($m)

Sector Type	2016	2017	2018	2019	2020
Agriculture	1.4	13.7	-	-	3.5
Communication	2.2	5.1	4.7	1.4	2.2
Fisheries & Forestry	-	-	-		-
Trade & Finance	-	1.9	-	0.5	0.7
Transport &Infrastructure	30.0	2.0	116.6	71.4	14.3
Total	**33.6**	**22.7**	**121.3**	**73.3**	**20.7**

Source: Ministry of Economy

5.48 In recent years, SOEs in the transport and infrastructure sector have paid out comparatively higher dividends than other sectors because of their large asset base and consistently strong performance. However, in FY2019-2020, there was an across-the-board decline in dividends due to the impact of the pandemic on SOE cash flows. Government received a total of $20.7 million in dividends from EFL ($14.3 million), ATH ($1.9 million), PFL ($0.3 million), YPCL ($3.5 million) and UTOF ($0.7 million) in 2020, a 72 percent decline over the previous year.

Divestment of EFL shares

5.49 In March 2021, Government entered into an agreement with Sevens Pacific Pte Limited, a consortium owned by Chugoku Electric Power Company (CEPCO) and the Japan Bank for International Cooperation (JBIC) to acquire shares in EFL.

5.50 The sale was completed on 1 June 2021, with the consortium acquiring 24 percent of EFL's shares from Government and the entirety of FNPF's 20 percent share. Government remains the major shareholder in EFL with 51 percent shares, while Sevens Pacific Pte Ltd owns 44 percent and the remaining 5 percent is held by Fijian domestic account holders.

5.51 With CEPCO and JBIC as strategic shareholders, EFL will have the ability to tap into world-leading operational expertise, project delivery experience, technology and financial capacity to support the company in meeting the growing electricity demands and its renewable energy targets, while also providing reliable, renewable and affordable electricity to all Fijians.

CHAPTER 6: EXTERNAL TRADE & DEVELOPMENT COOPERATION

Introduction

6.1 This chapter provides an update on the progress of Fiji's key bilateral, regional and multilateral trade agreements, and Official Development Assistance (ODA) received from our development partners.

Fijian Trade Policy Framework

6.2 The Fijian Trade Policy Framework (FTPF) 2015-2025 will be reviewed to monitor progress and recommend necessary strategic adjustments to ensure that targets are achieved within the plan period. The review will also help identify challenges and assess the relevance of the various policy recommendations given the current economic conditions.

Update on Regional & International Trade Agreements

6.3 ***Review of PICTA Rules of Origin (ROO)*** – In April 2021, the consultation report outlining the key recommendations and a work plan on the ROO stipulating that the value-addition performed on an exported product must exceed 40 percent of the total manufacturing cost was presented to the PICTA ROO Committee for endorsement. Subsequently, a production mapping exercise is expected to be completed by 2021.

6.4 ***World Trade Organization (WTO) Trade Facilitation Agreement (TFA)*** – Fiji is working closely with the World Bank Group and other development partners to fulfil its commitments under the TFA. The implementation of the TFA is an opportunity to improve the speed and efficiency of border procedures, thereby reducing trade costs and enhancing Fiji's participation in the global value chains.

6.5 ***Fiji-Indonesia Preferential Trade Arrangement*** – A preliminary feasibility study is being undertaken to determine whether a preferential trade agreement with Indonesia will be beneficial for Fiji in the long term. The study is expected to be completed by 2021.

6.6 ***US-Fiji Trade and Investment Framework Agreement (TIFA)*** – The TIFA was signed virtually on 16 October 2020. It provides a strategic framework and principles for dialogue on trade and investment issues between USA and Fiji. Upon signing of the TIFA, the first meeting was convened in February 2021 to discuss a wide range of matters and outline areas of ongoing cooperation.

6.7 ***United Kingdom (UK) – Pacific Interim Economic Partnership Agreement (IEPA)*** – Fiji's trade with the UK was governed by the EU-Pacific IEPA, a tripartite agreement between Fiji, Papua New Guinea (PNG) and the EU. This meant that following Brexit, trade will no longer be governed by the EU-Pacific IEPA. Therefore, a formal arrangement was put in place to ensure continuity of trade and certainty for businesses with UK post-Brexit.

6.8 On 22 February 2019, Cabinet approved the provisional application of a new UK-Pacific IEPA. The Agreement was signed on 14 March 2019 in London and provisionally came into effect from 1 January 2021.

6.9 ***Agreement on Climate Change, Trade and Sustainability (ACCTS)*** – The Agreement between Fiji, Costa Rica, Iceland, New Zealand, Norway and Switzerland was launched in September 2019. It is aimed at building momentum towards wider, globally agreed solutions to environmental challenges. The intention is to have a mutually reinforcing agreement on trade, climate and environmental policy.

6.10 ***World Trade Organization (WTO) Fisheries Subsidies Agreement*** – At the UN General Assembly, WTO members agreed to prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing. The Trade Negotiations Committee was unable to finalise the negotiation at the 14 December informal meeting due to COVID-19. Thus, a new meeting schedule is being developed for 2021.

Development Cooperation

6.11 The total value of ODA expected in FY2021-2022 is $132 million, consisting of $116.3 million in cash grants and $15.7 million in aid in kind (AIK). Of the total cash grants received, a total of $16.3 million is for various initiatives that are to be implemented in FY2021-2022 and beyond. Focus areas for ODA in this financial year include COVID-19 economic recovery and response, health, education, gender equality, social protection, child protection, agriculture, and governance. The ODA forecast for this fiscal year is modest compared to the previous year because a substantial amount of ODA received in FY2020-2021 is earmarked for FY2021-2022.

6.12 Government is in discussion with a number of development partners for more budget support grants in FY2021-2022, however, formal confirmation is yet to be received.

Table 6.1: Official Development Assistance 2019- 2022

Particulars	2019-2020(a)		2020-2021 (a)		2021-2022 (f)	
	($M)	%	($M)	%	($M)	%
Cash Grants	67.6	58.2	250.2	77.7	116.3	88.1
Aid in Kind	48.5	41.8	71.7	22.3	15.7	11.9

Particulars	2019-2020(a)		2020-2021 (a)		2021-2022 (f)	
	($M)	%	($M)	%	($M)	%
Total ODA	**116.1**	**100.0**	**321.9**	**100.0**	**132.0**	**100.0**

Source: Ministry of Economy (a) Actual (f) Forecast

Cash Grants

6.13 **Table 6.2** below outlines the sectorial distribution of cash grants expected to be received in FY2021-2022.

Table 6.2: Cash Grants by Sector

Sector	2021-2022 (f)	
	($M)	%
General Administration	12.2	10.5
Social Services	1.8	1.5
Infrastructure	0.4	0.3
Economic Services	2.0	1.7
Others	100.0	86.0
Total	**116.3**	**100.0**

Source: Ministry of Economy

6.14 The ***General Administration*** sector is forecast to receive $12.2 million in cash grants from the European Union as budget support under the Sustainable Livelihood program and support measures for the 11th European Development Fund.

6.15 In addition, cash grants of $24.12 million received in FY2020-2021 will assist the implementation of projects in FY2021-2022 and beyond. These include $19.51 million from the Australian Government to help schools with post-cyclone recovery till the end of FY2023-2024, $1.71 million for the digitisation of the Fijian Immigration Department's systems and processes, which will be implemented till the end of FY2022-2023 and $2.9 million from the Government of Indonesia for Phase 2 of the rehabilitation of Queen Victoria School. This is in addition to the Australian Government's budget support of $99.68 million provided in FY2020-2021 that will be used in this fiscal year. Furthermore, a total of $58.4 million is provided by the New Zealand Government as budget support for various initiatives in FY2021-2022.

6.16 The ***Social Services*** sector is expected to receive around $1 million in cash grants from UNICEF for various initiatives in health, social protection, children protection, water sanitation and hygiene (WASH). The New Zealand Government will also provide a total of $0.8 million in FY2021-2022 to support Fiji with the procurement of COVID-19 vaccines.

6.17 In addition, the following cash grants to the sum of $5.5 million were received in FY2020-2021 for implementation of projects in FY2021-2022; $2.9 million from the New Zealand Government to assist the implementation of Fiji's COVID-19 vaccination plans; $2.2 million from the Australian Government for social protection policy reforms and $0.4 million from the Government of Indonesia to support Fiji's COVID-19 response. In addition, the Australian Government has provided a total of $31.04 million to support social welfare payments in FY2020-2021 and FY2021-2022.

6.18 In the ***Infrastructure*** **Sector**, the World Bank is expected to support a sustainable energy financing project with a cash grant of $0.4 million.

6.19 The ***Economic*** **Services** sector is also anticipated to receive $2 million in cash grants from the World Bank to support the Reducing Emissions from Deforestation and Forest Degradation (Redd+) Program.

Aid in Kind

6.20 **Table 6.3** below outlines the sectorial distribution of AIK in FY2021-2022.

6.21 The ***General Administration*** sector is expected to receive the equivalent of $5.5 million in AIK in FY2021-2022, of which $3.4 million will be provided by the ADB to enhance Fiji's COVID-19 preparedness for economic recovery. The Korean International Cooperation Agency (KOICA) will provide $1.2 million for the Fiji Agrophotovoltaic Programme in Ovalau, while the Government of China will provide $0.6 million for communications and lab equipment to the Fiji Police Force. UNICEF will provide $0.2 million for child protection, social policy, and social protection.

Table 6.3: Cash Grants by Sector

Sector	2021-2022 (f)	
	($M)	%
General Administration	5.5	35.0
Social Services	2.4	15.3
Infrastructure	1.0	6.4
Economic Services	6.8	43.3
Total	**15.7**	**100.0**

Source: Ministry of Economy

6.22 The ***Social Services*** sector is expected to receive around $2.4 million in AIK in FY2021-2022 from UNICEF for initiatives in child protection, early childhood development, WASH, social policy, policy evidence and health and nutrition.

6.23 The ***Infrastructure Sector*** is expected to receive the equivalent of around $6.8 million from the Japan International Cooperation Agency (JICA) for projects in disaster risk management, capacity building for meteorology services, improving rural water and water efficiency, waste management, flood alleviation and bridge reconstruction.

6.24 The ***Economic Services*** sector is expected to receive around $1 million in AIK from JICA in FY2021-2022 for capacity building and technical support in sustainable fisheries.

CHAPTER 7: 2021-2022 TAX POLICY MEASURES

7.1 This chapter provides details of various tax and customs policy measures introduced in the 2021-2022 Budget.

Part 1 – Direct Tax Measures

(i) Income Tax Act

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td>1. Investment in Infrastructure for ICT purposes</td><td>
➢ Any new investment in the infrastructure for businesses engaged in the ICT Sector will be granted a tax holiday and a duty concession package, provided that 90% of the income for the investor shall be derived from the ICT business.

1. <u>Tax Exemption Structure</u>

<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$2,000,000 to $5,000,000</td><td>10 years</td></tr>
<tr><td>$5,000,001 to $10,000,000</td><td>15 years</td></tr>
<tr><td>In excess of $10,000,000</td><td>20 years</td></tr>
</table>

2. If the investor is also involved in developing strata titles and selling it to ICT/Business Process Outsourcing (BPO) companies, the sale proceeds will also be exempt from income tax.

3. <u>Customs Exemption</u>

Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.

➢ The same tax holiday period will also be extended to existing ICT/BPO companies.
</td></tr>
<tr><td>2. Incentive for Investment in ICT Park</td><td>Any new investment in an ICT Park (including data storage services) will be granted a tax holiday and a duty concession package.</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td>
1. <u>Tax Exemption Structure</u>
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$10,000,000 to $30,000,000</td><td>20 years</td></tr>
<tr><td>In excess of $30,000,000</td><td>25 years</td></tr>
</table>
2. <u>Customs Exemption</u>
Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.
</td></tr>
<tr><td>3. Incentive for investment in Cable Landing and Infrastructure</td><td>
Any company who wishes to invest in network cable (submarine cable) and associated infrastructure development will be provided a tax holiday and duty concession package. The cable should land in Fiji.
1. <u>Tax Exemption Structure</u>
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>Investment above $40,000,000</td><td>30 years</td></tr>
</table>
2. <u>Customs Exemption</u>
Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.
</td></tr>
<tr><td>3. Hotel Investment Incentive</td><td>
1. Extend SLIP to renovations and refurbishments of existing hotels or resorts
➢ 5 year tax holiday for investments more than $2,000,000. The incentive will be available effective from 1 August 2021 until 31 December 2022. This incentive can be claimed only once.
2. SLIP for new hotels
➢ For new hotels, increased income tax exemption is available for substantial investments of more than $40,000,000. The revised tier will be as follows:
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$250,000 - $1,000,000</td><td>5 years</td></tr>
<tr><td>$1,000,001 - $2,000,000</td><td>7 years</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Policy</th><th>Description</th></tr>
<tr><td></td><td>
<table>
<tr><td>$2,000,001 - $40,000,000</td><td>13 years</td></tr>
<tr><td>In excess of $40,000,000</td><td>25 years</td></tr>
</table>

3. Standard Allowance will be increased to 50% from 25%.
4. Duty free importation for all hotels and resorts will be available from 1 August 2021 until 31 December 2022. 5% ECAL will also be waived on all imports.
</td></tr>
<tr><td>4. Incentive for Investment in Recycling Business</td><td>
Any new investment in the recycling business will be granted a tax holiday and a duty concession package.

<u>Tax Exemption Structure</u>
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$250,000 to $500,000</td><td>3 years</td></tr>
<tr><td>$500,001 to $2,000,000</td><td>5 years</td></tr>
<tr><td>$2,000,001 to $5,000,000</td><td>10 years</td></tr>
<tr><td>$5,000,001 to $10,000,000</td><td>15 years</td></tr>
<tr><td>In excess of $10,000,000</td><td>20 years</td></tr>
</table>

<u>Customs Exemption</u>

Customs import duty exemption for the establishment of the business will be available on the importation of raw materials, machinery and equipment including spare parts.
</td></tr>
<tr><td>5. Agriculture Incentive</td><td>
➢ In the bid to encourage investment in the agriculture sector, the Government has further incentivised the agriculture industry, whereby any new activity in commercial agricultural farming and agro-processing qualify for income tax exemption based on the following capital investment levels:
<table>
<tr><th>Capital Investment ($)</th><th>Tax Holiday</th></tr>
<tr><td>$100,000 - $250,000</td><td>5 years</td></tr>
<tr><td>$250,001 - $1,000,000</td><td>10 years</td></tr>
<tr><td>$1,000,001 - $2,000,000</td><td>15 years</td></tr>
<tr><td>More than $2,000,000</td><td>20 years</td></tr>
</table>

➢ Duty free importation of all machinery, plants, equipment and tools will continue for the agriculture sector.
</td></tr>
</table>

Policy	Description
6. Natural Disaster Reserve Fund	➢ Funds kept in the Natural Disaster Reserve Fund as at 30 June 2021 can be also utilised for current pandemic purposes. ➢ A new Reserve Fund for business continuity during pandemics will be set-up for future use.
7. Export Income Deduction Incentive	➢ As announced in the COVID-19 Response Budget, the Export Income Deduction was increased from 50% to 60% and the rate is valid till 2022. The 60% Export Income Deduction has been extended until 31 December 2024. ➢ Agriculture and fisheries sector will qualify for an increased Export Income Deduction of 90%. This deduction will be available until 31 December 2024.
8. Taxation of the mining sector	➢ The taxation on mining sector as stipulated under Part 6 of the Income Tax Act 2015 will be made effective from 1 August 2021.
9. Income Tax Exemption for Unit Trusts	➢ All Unit Trusts will be exempted from Income Tax.
10. Tax deduction for development or upgrade of online shopping websites with integrated payment platforms	➢ A 200% tax deduction will be allowed on the development or upgrade of online shopping websites with integrated payment platforms.
11. Tax deduction for investment in fogging machines	➢ A 200% tax deduction will be allowed for investment in fogging machines specifically used for decontamination and sanitizing purposes.
12. Debt Forgiveness	➢ As announced in the COVID-19 Response Budget and the 2020-2021 National Budget, debt forgiveness is not subject to income tax for all debt outstanding forgiven from 1 April 2020 up to 31 December 2021. This policy will now be further extended.

Policy	Description
	➢ Debt creation period will be extended from 31 December 2020 to 31 December 2021. ➢ Debt forgiveness period will be extended from 31 December 2021 to 31 December 2022.
13. Exempt interest income	➢ Income Tax Act will be amended to simplify the rules to allow interest income earned to be exempted on income less than $30,000.
14. Re-organization	➢ Section 88 of the Income Tax Act 2015 will extend the scope to cover partnership structure. ➢ Furthermore, the definition of group companies will be expanded to include transfer of assets between companies that have common shareholders.
15. Tax deduction for salaries and wages	➢ The 300% deduction allowed on salaries and wages paid to an employee quarantined and/or tested positive for COVID-19 will be further extended from 31 December 2020 to 31 December 2022. ➢ A letter from the Ministry of Health and Medical Services will be required for verification.
16. Tax deduction for reduction of commercial rent	➢ The tax deduction given to landlords for the amount of reduction of commercial rent will be increased from 100% to 200%. ➢ The tax deduction will be further extended until 31 July 2022.
17. FNPF Contribution	➢ The mandatory employer and employee FNPF contribution will be increased from 5% to 6% effective from 1 January 2022 till 31 December 2022. ➢ Employer contribution exceeding the 6% mandatory FNPF contribution up until 10% will be allowed a tax deduction of 300%.

(ii) Tax Administration Act

Policy	Description
1. Withholding Tax on professional service fees	➢ Consistent with Double Taxation Agreement (DTAs) and domestic law provisions, FRCS will facilitate refund of withholding tax collected on professional service fees. o Withholding tax directly paid to non-residents will be refunded through discussions with the respective competent authorities using Mutual Agreement Process article in the DTAs. Tax Administration Act will be amended to explicitly provide for this; o Withholding tax paid by Fiji residents on behalf of non-residents will be paid using the section 33(5) of the Tax Administration Act after verifying documents and assessments.
2. Section 11 – Amendment of Tax Assessments	➢ FRCS will only go back 3 years to amend tax returns of companies that have a gross turnover of less than $1.25 million. Section 11 of the Tax Administration Act will be amended accordingly.
3. Dishonored cheques	➢ In an effort to deter taxpayers from presenting dishonored cheques, a fine of $500 will be imposed.
4. Tax write-off threshold	➢ The tax write-off threshold will be increased from $500 to $100,000.
5. Tax amnesty	➢ Tax amnesty will be granted to taxpayers with tax arrears to obtain waiver for all penalties upon payment of real taxes. ➢ To qualify for the amnesty, taxpayers must make payment arrangements within 3 months from 1 August 2021 and make payments before 30 June 2022.
6. Tax refunds to offset customs debt and customs refund to offset tax debt	➢ Tax payers will be allowed to use excess credit in VAT/Income Tax or any other tax type to offset against customs debt. This policy will not be applicable for disputed tax. Similarly taxpayers will be allowed to use excess customs credit to offset against any tax debt.
7. Rulings	➢ The ruling legislation will be implemented from 1 August 2021.
8. Any court of competent jurisdiction may	➢ Section 86 of the Tax Administration Act will be amended to allow matters to be referred to the CEO by any court of competent jurisdiction.

Policy	Description
remit the matter to the CEO	
9. VAT Monitoring System (VMS)	➢ The implementation of the VAT Monitoring System (VMS) as captured in the Electronic Fiscal Device (EFD) Regulations will be further deferred until 31 December 2023. Implementation will be made compulsory on businesses from 1 January 2024. ➢ Furthermore, businesses who wish to implement VMS on a voluntary basis until 31 December 2023, will qualify for a tax deduction of 300% based on the expenditure incurred in the implementation process.

Part 2 – Indirect Tax Measures

(i) Value Added Tax Act

Policy	Description
1. VAT exemption on parametric insurance	➢ Schedule 1 of the VAT Act will be amended to ensure that parametric insurance is an exempt supply. ➢ Indemnity pay-out will also be exempted from VAT.
2. Definition for omnibus	➢ The definition of omnibus for VAT zero rating purposes will be amended to align with the definition contained in the LTA Act.
3. Disclosure of VAT registration status	➢ The Value Added Tax Act will be amended to include the provision of disclosing or publishing of registration status of registered persons by the FRCS CEO.
4. VAT exemption on crew allowance	➢ Section 14 will be amended to include concession code 218A for VAT exemption on crew allowance.
5. VAT exemption on unaccompanied luggage	➢ Section 14 will be amended to include concession code 219A for VAT exemption on unaccompanied luggage for a travelling passenger.

(ii) Environmental & Climate Adaptation Levy Act

Policy	Description
1. Refund of the Environment & Climate Adaptation Levy (ECAL)	➢ Provision will be made to allow refund of ECAL for any errors and omissions, along with customs duty.
2. ECAL exemption on private importation	➢ Schedule 2 of ECAL Act will be amended to include concession code 212 for exemption of ECAL on private importation.
3. ECAL exemption on passenger/ crew allowance	➢ Schedule 2 of ECAL Act will be amended to include concession codes 218 and 218A for exemption of ECAL on crew allowance.
4. ECAL exemption on travelling passenger's unaccompanied luggage	➢ Schedule 2 of ECAL Act will be amended to include concession codes 219A for exemption of ECAL on travelling passenger's unaccompanied luggage.
5. ECAL exemption on importation of goods for hotels and resorts	➢ Schedule 2 of ECAL Act will be amended to include concession codes 235 and 235A for exemption of ECAL on importation of goods for hotels and resorts.

(iii) Customs Tariff Act – Fiscal Duty and Import Excise Changes

Policy	Description
1. Increase fiscal duty on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing	➢ Tariff on steel pipes, galvanized pipes, stainless steel pipes and rectangular tubing will be increased to fiscal duty of 32% or $0.40 per kg whichever is greater and 10% import excise. The description will be aligned to include pipes with a wall thickness of 1.6mm to 2.3mm.
2. Reduction in fiscal duty on liquid milk, full cream milk, yogurt, butter and cheese	➢ Fiscal duty on liquid milk, full cream powdered milk, yogurt, cheese and butter will be reduced to 5%. ➢ The new duty will be effective from 31 August 2022.

Policy	Description
3. Reduction in fiscal duty on green tea	➢ Fiscal duty on green tea will be further reduced from 5% to 0%.
4. Concession Code 221 – Shipping companies	➢ Concession code 221 will be extended to include plastic seals, bolt seals and dangerous goods stickers.
5. Reduction in fiscal duty on spare parts for electrical equipment	➢ Fiscal duty on spare parts for electrical equipment such as detector machines will be reduced to 0%.
6. Reduction in fiscal duty on cement	➢ Given the current shortage of cement in the market, fiscal duty on cement will be reduced to 5% for a period of 6 months, from 1 August 2021 to 31 January 2022. ➢ Importation of cement will be facilitated under concession code 124.
7. Importation of egg trays and cup holders	➢ Importation of egg trays and cup holders will be subject to fiscal duty of 32%, however orders placed prior to 16 July 2021 can be facilitated under concession code 231.
8. Concession code 124 – Concessions applicable to particular goods	➢ Concession code 124 will be extended to include cement, timber, reinforcing bars, veneer plywood and nails in the event that there is unavailability of supply by local manufacturers.
9. Reduction in duty on fruit juices	➢ Fiscal Duty will be reduced from 32% to 15% on fruit juices that are not manufactured locally or have no added sugar.
10. Increase in fiscal duty on nonwoven bags	➢ Fiscal duty on nonwoven bags classified under chapter 63 will be increased to 32%. ➢ To provide protection for the domestic suppliers and align the tariff, the fiscal duty will be increased from 5% to 32% on sacks and bag falling under heading 6305 of the Customs Tariff Act.
11. Reduction in fiscal duty on	➢ As a relief measure to bus companies and taxi operators, fiscal duty on all automotive batteries will be reduced from 32% to 15%.

Policy	Description
automotive batteries	
12. Concession code 302 – broadcasting and network service provider	➢ Duty concession at the rate of Free fiscal duty and Free import excise will be extended towards importation of transmission and graphic equipment and spare parts.
13. Reduction in fiscal duty on audio visual equipment	➢ Fiscal duty on audio visual equipment as stipulated below, will be reduced to 0%: i. Television cameras, digital cameras and video camera recorders; ii. Pocket-size radio cassette players; and iii. Radio receivers.
14. Concession code 256 – Companies, entities and educational institutions	➢ Concession code 256 applicable to companies, entities and educational institutions will be removed as fiscal duty for items classified under this code have already been reduced in the 2020-2021 National Budget.
15. Removal of Her Majesty Customs (HMC) License	➢ To reduce cost of doing business and modernise/simplify business processes, the requirement to acquire a HMC license will be revoked.
16. Fiscal duty for vegemite	➢ Fiscal duty on vegemite will be reduced from 32% to 5%.
17. Concession code 235 – Existing hotels and resorts	➢ Concession code 235 will be extended to include outdoor equipment. ➢ In addition, duty concession on heavy plant and machinery will be removed as fiscal duty has already been reduced in the 2020 – 2021 National Budget.
18. Concession code 219 – A bona fide passenger finally disembarking in Fiji	➢ Concession code 219 will be extended to include provision for unaccompanied luggage. ➢ In addition, concession code 219 will be extended to include 219A to accommodate duty free allowance on unaccompanied luggage of a travelling passenger.

Policy	Description
19. Concession code 218 – A bona fide passenger finally disembarking in Fiji	➢ Concession code 218 will be amended to increase allowance for accompanied luggage from $1,000 to $2,000. ➢ The code will also be amended to include allowance for unaccompanied luggage of an accumulated value of $2,000. ➢ In addition, concession code 218 will be extended to include 218A to legislate crew allowance for flight crew disembarking from an aircraft.
20. Concession code 115 – Concessions applicable to particular goods	➢ Concession code 115 will be amended to **remove** vessels classified under headings 89.01, 89.02, 89.03, 89.04 and 89.05 as fiscal duty for these have already been reduced to 0% in the 2020-2021 National Budget. ➢ Furthermore, the code will be amended to **include** vessels classified under heading 8903.99.90 – other vessels.
21. Concession code 273 – Companies or entities	➢ Concession code 273 will be extended to include equipment, accessories and chemicals related to desalination and sewerage treatment projects.
22. Concession code 252 – Companies or entities involved in mining industry	➢ Concession code 252 will be extended to include companies involved in mining exploration.
23. Concession code 301 – termidor chemicals	➢ Duty concession on the importation of termidor chemicals to Free fiscal duty.
24. Concession code 117 - Concessions applicable to particular goods	➢ Concession code 117 applicable on shaped textile fabric or assembled fabrics will be removed as fiscal duty for items classified under this description have already been reduced to 5% in the 2020-2021 National Budget. ➢ Additional Note 15 to Chapter 50 will also be deleted as it is an explanatory note for concession code 117.
25. Concession code 287 – Approved taxi operators	➢ Concession code 287 (iv) will be amended to increase the age limit for used and reconditioned petrol and diesel

Policy	Description
	vehicles from 2 years to 5 years from the year of manufacture.
26. Concession code 291 – Approved companies or entities	➢ Concession code 291 applicable on approved companies or entities will be removed as fiscal duty on importation of ethyl alcohol classified under this code have already been reduced significantly in the 2020-2021 National Budget.

(iv) Customs Legislation

Policy	Description
1. Dishonored cheques	➢ A fine of $500 will be imposed for both tax and customs revenue streams.
2. Advanced notification of arrival of a ship	➢ Section 11A of the Customs Act will be amended to allow ships to provide advanced notification of arrival not less than 48 hours.
3. Importation of goods for commercial purposes	➢ A maximum threshold of $2,000 will be introduced for the registration of the Customs entry import value for commercial consignments for Gold Card Tax Payers.
4. Section 96	➢ A new provision on re-lodgement of refund will be included in Section 96 of the Customs Act 1986, whereby re-lodgement will be allowed for maximum of 30 days. ➢ Furthermore, Section 96(6) of the Customs Act 1986 will be amended to increase the minimum refund amount to $50 from $10.
5. Customs refunds to offset tax debt	➢ Excess credit or overpayment of customs duties, bonds or fees will be used to offset against tax debt. This policy will not be applicable for disputed amount.
6. New 100% Electric vehicles and quad bikes	➢ Schedule 3 Item 6 of the Customs Prohibited Imports and Exports Regulations will be amended to exempt new 100% electric vehicles and quad bikes from being Euro 4 compliant.

Policy	Description
7. Arrival and Report of Aircraft and Ships	➢ Section 36(1) of the Customs Regulations will be amended to reword and replace the words "excess or short" with "amendment", to allow all forms of amendments to be made to the inward report.
8. Departure and Clearance of Aircraft and Ships	➢ Regulation 94 of the Customs Regulations will be amended to reword and replace the words "excess or short" with "amendment", to allow all forms of amendments to be made to the manifest.
9. Service of Notices	➢ Section 188 of the Customs Act will be amended to include provision for serving notice by electronic means.
10. Penalty	➢ Regulation 15 of the Customs Prohibited Imports and Exports Regulations will be amended to increase penalty from $10,000 to $25,000. This is to align to the other penalties for offences stipulated in the Custom laws.
11. Duty Deferment payment for Bonded Warehouse Operators	➢ Section 92 of the Customs Act will be amended to allow removal of goods from Bonded Warehouse without customs duty being payable immediately, subject to certain conditions.
12. Notice of Claim on seizure of goods	➢ Section 157 (1) of the Customs Act will be amended to reduce the period of claim from 3 months to 14 days. ➢ Section 158 will also be amended to reduce the period for procedure after notice of claim from 2 months to 14 days.
13. Recovery of Duties	➢ With the aim of harmonising tax and customs legislations, Section 95 of the Customs Act will be amended to include provisions where Directors/Shareholders will be personally liable for recovery of duties and penalties for companies that are in financial difficulty.
14. Offence for not maintaining Proper Records	➢ Section 114B of the Customs Act will be amended to include an offence provision whereby businesses will be deemed accountable for failing to keep proper records.
15. Electronic Submission of documents	➢ Regulation 107(3) of the Customs Regulations will be amended to allow taxpayers or customs agents to submit relevant documents electronically.

Policy	Description
16. E-cigarettes	➢ Schedule 2 – Item 16 of the CPEIR will be amended to include e-cigarettes as a restricted item for importation. A permit to import will be required prior to importation.
17. Definition of freight forwarders	➢ To ensure compliance to customs laws, the Customs Act will be amended to include the definition of freight forwarders.
18. Licensing of freight forwarders	➢ The Customs Act will be amended to include provision for licensing of freight forwarders.
19. Recovery of Duty as a result of Audit and Investigation	➢ Section 101A of the Customs Act will be amended to include timeline for recovery of duty as a result of audit or investigation. In the case of fraud, recovery can be made anytime, while for any other reason, recovery is to be made within 6 years.
20. Import VAT payments	➢ Import VAT payments for Gold Card Taxpayers will be deferred for two (2) months effective from 1 August 2021.
21. Importation of pasta, chips, noodles and biscuits	➢ To ensure availability of unexpired quality products, the CPIER will be amended to include provision remaining shelf life on the importation of pasta, chips, noodles and biscuits to not less than 12 months.

(v) Gambling Turnover Tax Act

Policy	Description
1. Gambling Turnover Tax	➢ The Gambling Turnover Tax rate will be applied at the rate of 15% on the value of ticket.

(vi) Fiji Revenue and Customs Service (Information Sharing) Regulations 2019

Policy	Description
1. Information Sharing	➢ Information sharing will be extended between FRCS, authorised government agencies and statutory bodies.

Appendices

Table 1: Gross Domestic Product by Sector 2016-2023 ($M)

Activity	Base Weight	2016r	2017r	2018r	2019(p)	2020(e)	2021f	2022f	2023f
AGRICULTURE	**8.3**	**580.9**	**650.8**	**686.9**	**725.8**	**747.4**	**755.5**	**787.8**	**822.2**
General Government	0.1	8.7	9.7	10.0	10.2	9.7	9.2	9.2	9.2
Subsistence	1.8	125.5	126.8	127.3	128.1	133.2	134.5	135.9	137.3
Formal Non-Government Agriculture	6.0	418.7	485.3	520.3	557.6	573.7	580.7	611.6	644.4
Taro	0.9	39.4	44.2	50.6	52.9	58.2	62.9	65.4	66.7
Sugarcane	1.3	73.2	86.3	89.7	95.6	91.5	71.5	79.4	90.0
FORESTRY AND LOGGING	**0.8**	**24.2**	**22.5**	**26.1**	**24.7**	**26.7**	**27.5**	**28.4**	**29.3**
FISHING AND AQUACULTURE	**1.2**	**75.7**	**80.9**	**69.0**	**66.2**	**65.3**	**67.7**	**65.6**	**64.0**
Formal Non-Government Fishing and Aquaculture	0.8	48.5	54.0	43.4	40.9	39.2	41.5	39.2	37.4
MINING & QUARRYING	**0.9**	**79.3**	**62.9**	**52.4**	**49.3**	**48.0**	**50.8**	**53.5**	**69.3**
MANUFACTURING	**13.5**	**1095.8**	**1111.3**	**1137.1**	**1111.1**	**1060.5**	**1063.7**	**1101.0**	**1145.1**
Informal manufacturing	2.5	184.3	187.0	187.0	185.8	186.9	188.0	189.2	190.3
Sugar	0.9	40.2	37.1	22.5	25.6	23.0	17.8	19.8	22.5
Mineral water	1.0	122.7	150.8	165.3	133.5	120.4	138.4	152.3	167.5
Wearing apparel	1.1	77.3	89.3	91.7	87.4	65.5	62.2	62.9	63.5
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**109.8**	**147.0**	**200.2**	**201.0**	**207.2**	**211.5**	**232.5**	**237.3**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**50.5**	**57.1**	**58.7**	**59.2**	**54.1**	**55.1**	**56.1**	**57.6**
CONSTRUCTION	**2.9**	**242.3**	**265.7**	**285.9**	**305.8**	**245.1**	**231.6**	**244.0**	**260.1**
Formal Non-Government Construction	1.9	158.3	170.3	186.8	200.8	150.6	137.1	146.7	159.9
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**917.0**	**932.7**	**901.6**	**915.6**	**870.5**	**828.0**	**853.1**	**883.0**
Informal WRT	3.4	243.7	245.1	246.4	247.4	240.6	225.2	229.5	233.9
Formal Non-Government WRT	7.9	673.3	687.6	655.2	668.2	629.9	602.7	623.6	649.1
TRANSPORT AND STORAGE	**7.9**	**487.7**	**539.6**	**537.1**	**482.0**	**295.0**	**224.0**	**283.4**	**456.9**
Formal Non-Government Transport & Storage	7.7	474.3	527.4	523.8	470.0	283.2	212.5	271.9	445.4
Water & air transport	3.9	162.5	193.4	184.8	135.3	40.6	4.1	34.8	136.4
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**428.8**	**453.7**	**481.1**	**519.0**	**147.0**	**59.1**	**130.4**	**327.1**
Formal Non-Government Accommodation and Food Service Activities	6.1	416.8	441.7	469.0	506.8	134.7	46.8	118.0	314.6
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	376.9	398.8	424.0	460.0	123.7	37.1	103.9	277.2
INFORMATION AND COMMUNICATION	**5.4**	**463.9**	**447.0**	**452.2**	**436.9**	**454.6**	**464.2**	**474.2**	**485.5**
Formal Non-Government Information and Communication	5.3	455.8	442.0	447.0	431.8	449.8	459.6	469.6	480.9
Wired telecommunications activities	1.1	81.6	80.1	74.6	61.0	64.0	65.9	67.6	69.4
Wireless telecommunications activities	2.6	240.5	242.0	246.7	234.8	251.2	258.8	264.8	270.9
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**706.9**	**742.6**	**751.2**	**755.4**	**716.9**	**680.5**	**758.9**	**802.6**
Central banking	0.2	16.5	16.2	16.4	15.9	15.1	15.1	15.1	15.1
Other monetary intermediation	5.0	369.7	389.4	399.3	391.1	367.7	338.3	405.9	438.4

Activity	Base Weight	2016r	2017r	2018r	2019(p)	2020(e)	2021f	2022f	2023f
Activities of holding companies	0.9	62.0	62.5	62.7	63.1	63.7	64.4	65.0	65.7
REAL ESTATE ACTIVITIES	**4.0**	**268.1**	**291.3**	**299.3**	**304.4**	**274.9**	**274.5**	**280.1**	**290.3**
Owner Occupied Dwellings	3.1	204.2	224.6	229.5	232.8	221.1	221.1	225.6	232.3
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**181.1**	**186.9**	**191.1**	**196.6**	**179.7**	**180.3**	**185.8**	**190.5**
ADMINISTRATIVE AND SUPPORT SERVICES	**2.0**	**138.2**	**144.0**	**151.3**	**152.8**	**94.6**	**92.1**	**109.3**	**136.4**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**755.2**	**777.2**	**817.5**	**789.3**	**730.7**	**694.1**	**728.9**	**728.9**
General Public administrative activities	2.2	182.1	195.5	219.5	188.3	156.3	148.5	155.9	155.9
Defence activities	2.4	193.9	186.1	185.7	168.6	163.5	155.3	163.1	163.1
Public order and safety activities	2.6	200.2	195.9	195.5	203.0	196.9	187.1	196.4	196.4
EDUCATION	**7.6**	**591.4**	**615.7**	**629.2**	**640.3**	**657.6**	**662.1**	**672.8**	**682.4**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**190.2**	**188.9**	**200.5**	**227.7**	**254.1**	**289.8**	**309.6**	**325.0**
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	**0.4**	**29.2**	**28.9**	**28.9**	**30.4**	**24.0**	**24.0**	**24.8**	**25.2**
OTHER SERVICE ACTIVITIES	**1.2**	**91.9**	**91.2**	**93.0**	**93.2**	**90.7**	**91.9**	**93.9**	**95.5**
GVA @ CONSTANT PRICES)	**100.0**	**7,507.8**	**7,838.0**	**8,050.1**	**8,086.7**	**7,244.5**	**7,027.8**	**7,474.0**	**8,114.2**
ADD NET TAXES		**2,306.1**	**2,501.3**	**2,683.3**	**2,599.0**	**1,760.9**	**1,611.2**	**1,698.2**	**1,788.2**
REAL GDP		**9,813.9**	**10,339.3**	**10,733.5**	**10,685.7**	**9,005.3**	**8,639.0**	**9,172.2**	**9,902.4**

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

Table 2: GDP Growth by Sector 2016-2023 (% Change)

Activity	Base Weight	2016r	2017r	2018r	2019(p)	2020	2021f	2022f	2023f
AGRICULTURE	**8.3**	**-8.7**	**12.0**	**5.5**	**5.7**	**3.0**	**1.1**	**4.3**	**4.4**
General Government	0.1	-9.8	12.1	3.4	1.1	-5.0	-5.0	0.0	0.0
Subsistence	1.8	-2.0	1.0	0.4	0.6	4.0	1.0	1.0	1.0
Formal Non-Government Agriculture	6.0	-10.6	15.9	7.2	7.2	2.9	1.2	5.3	5.4
Taro	0.9	-35.7	12.0	14.5	4.7	10.0	8.0	4.0	2.0
Sugarcane	1.3	-25.0	17.8	4.0	6.6	-4.3	-21.9	11.1	13.3
FORESTRY AND LOGGING	**0.8**	**-44.1**	**-7.3**	**16.2**	**-5.4**	**8.1**	**3.2**	**3.3**	**3.2**
FISHING AND AQUACULTURE	**1.2**	**-10.3**	**6.9**	**-14.8**	**-4.0**	**-1.4**	**3.7**	**-3.0**	**-2.4**
Formal Non-Government Fishing and Aquaculture	0.8	-15.4	11.3	-19.7	-5.8	-4.1	5.7	-5.5	-4.5
MINING & QUARRYING	**0.9**	**6.1**	**-20.7**	**-16.7**	**-6.0**	**-2.6**	**5.9**	**5.3**	**29.5**
MANUFACTURING	**13.5**	**6.0**	**1.4**	**2.3**	**-2.3**	**-4.6**	**0.3**	**3.5**	**4.0**
Informal Manufacturing	2.5	0.5	1.5	0.0	-0.6	0.6	0.6	0.6	0.6
Sugar	0.9	-33.5	-7.7	-39.4	13.7	-9.9	-22.6	11.1	13.3
Mineral water	1.0	65.7	22.9	9.6	-19.3	-9.8	15.0	10.0	10.0
Wearing apparel	1.1	3.5	15.5	2.6	-4.7	-25.0	-5.0	1.0	1.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	**1.0**	**19.6**	**33.9**	**36.2**	**0.4**	**3.0**	**2.1**	**9.9**	**2.1**
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	**0.7**	**0.2**	**13.0**	**2.7**	**1.0**	**-8.7**	**1.8**	**1.8**	**2.8**
CONSTRUCTION	**2.9**	**10.1**	**9.7**	**7.6**	**7.0**	**-19.8**	**-5.5**	**5.4**	**6.6**
Formal Non-Government Construction	1.9	12.4	7.5	9.7	7.5	-25.0	-9.0	7.0	9.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	**11.3**	**8.9**	**1.7**	**-3.3**	**1.6**	**-4.9**	**-4.9**	**3.0**	**3.5**
Informal WRT	3.4	0.4	0.6	0.5	0.4	-2.8	-6.4	1.9	1.9
Formal Non-Government WRT	7.9	12.4	2.1	-4.7	2.0	-5.7	-4.3	3.5	4.1

Activity	Base Weight	2016r	2017r	2018r	2019(p)	2020	2021f	2022f	2023f
TRANSPORT AND STORAGE	**7.9**	**-10.1**	**10.6**	**-0.5**	**-10.3**	**-38.8**	**-24.1**	**26.5**	**61.2**
Formal Non-Government Transport & Storage	7.7	-10.4	11.2	-0.7	-10.3	-39.7	-25.0	28.0	63.8
Water & air transport	3.9	-22.9	19.0	-4.4	-26.8	-70.0	-90.0	757.1	292.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	**6.3**	**-9.8**	**5.8**	**6.0**	**7.9**	**-71.7**	**-59.8**	**120.5**	**150.9**
Formal Non-Government Accommodation and Food Service Activities	6.1	-10.0	6.0	6.2	8.0	-73.4	-65.3	152.1	166.7
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	-8.6	5.8	6.3	8.5	-73.1	-70.0	180.0	166.7
INFORMATION AND COMMUNICATION	**5.4**	**8.7**	**-3.6**	**1.2**	**-3.4**	**4.1**	**2.1**	**2.1**	**2.4**
Formal Non-Government Information and Communication	5.3	8.4	-3.0	1.1	-3.4	4.2	2.2	2.2	2.4
Wired telecommunication activities	1.1	0.4	-1.8	-6.9	-18.3	5.0	3.0	2.6	2.6
Wireless telecommunications activities	2.6	8.2	0.6	1.9	-4.8	7.0	3.0	2.3	2.3
FINANCIAL AND INSURANCE ACTIVITIES	**10.2**	**-2.9**	**5.1**	**1.1**	**0.6**	**-5.1**	**-5.1**	**11.5**	**5.8**
Central banking	0.2	1.0	-1.8	1.6	-3.3	-5.2	0.0	0.0	0.0
Other monetary intermediation	5.0	3.1	5.3	2.5	-2.0	-6.0	-8.0	20.0	8.0
Activities of holding companies	0.9	0.2	0.7	0.4	0.6	1.0	1.0	1.0	1.0
REAL ESTATE ACTIVITIES	**4.0**	**-9.1**	**8.7**	**2.8**	**1.7**	**-9.7**	**-0.1**	**2.1**	**3.6**
Owner Occupied Dwellings	3.1	-8.7	10.0	2.2	1.4	-5.0	0.0	2.0	3.0
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	**2.4**	**4.5**	**3.2**	**2.2**	**2.9**	**-8.6**	**0.4**	**3.1**	**2.5**
ADMINISTRATIVE AND SUPPORT SERVICE	**2.0**	**-10.7**	**4.2**	**5.0**	**1.0**	**-38.1**	**-2.7**	**18.8**	**24.7**
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	**9.4**	**2.4**	**2.9**	**5.2**	**-3.4**	**-7.4**	**-5.0**	**5.0**	**0.0**
General public administrative activities	2.2	-4.7	7.3	12.3	-14.2	-17.0	-5.0	5.0	0.0
Defence activities	2.4	7.0	-4.0	-0.2	-9.2	-3.0	-5.0	5.0	0.0
Public order and safety activities	2.6	3.5	-2.1	-0.2	3.8	-3.0	-5.0	5.0	0.0
EDUCATION	**7.6**	**4.5**	**4.1**	**2.2**	**1.8**	**2.7**	**0.7**	**1.6**	**1.4**
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	**2.6**	**2.2**	**-0.6**	**6.1**	**13.6**	**11.6**	**14.0**	**6.8**	**5.0**
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	**0.4**	**5.9**	**-1.1**	**0.3**	**5.0**	**-21.1**	**0.2**	**3.3**	**1.4**
OTHER SERVICE ACTIVITIES	**1.2**	**0.7**	**-0.8**	**2.0**	**0.2**	**-2.6**	**1.3**	**2.1**	**1.8**
GVA @ CONSTANT PRICES	**100.0**	**0.4**	**4.4**	**2.7**	**0.5**	**-10.4**	**-3.0**	**6.3**	**8.6**
ADD NET TAXES		**9.9**	**8.5**	**7.3**	**-3.1**	**-32.2**	**-8.5**	**5.4**	**5.3**
REAL GDP		**2.4**	**5.4**	**3.8**	**-0.4**	**-15.7**	**-4.1**	**6.2**	**8.0**

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

Table 3: Nominal GDP 2016-2023 ($M and %)

	2016r	2017r	2018r	2019p	2020e	2021f	2022f	2023f
Nominal GDP ($M)	10,327.3	11,065.0	11,650.6	11,874.1	9,833.1	9,512.7	10,302.8	11,517.0
Growth Rate (%)	5.1	7.1	5.3	1.9	-17.2	-3.3	8.3	11.8

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

Table 4: Fiscal Year Nominal GDP 2016–2023 ($M and %)

	2016-17	2017-18e	2018-19f	2019-20e	2020-21f	2021-22f	2022-2023f
Nominal GDP ($M)	10,736.7	11,384.6	11,773.3	10,739.6	9,598.1	9,889.2	11,237.5
Growth Rate (%)	6.3	6.0	3.4	-8.8	-10.6	3.0	13.6

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

Table 5: Total Exports by Major Commodities 2016–2023 ($M)

COMMODITIES	2016	2017p	2018p	2019p	2020(p)r	2021f	2022f	2023f
Sugar	117.2	178.6	78.5	97.6	101.6	60.7	80.3	94.3
Molasses	5.6	18.1	15.1	17.7	20.5	14.9	16.8	19.0
Gold	120.9	118.7	113.7	108.6	134.2	137.0	144.0	216.1
Timber	55.3	19.7	100.4	57.0	64.6	59.5	60.2	61.1
Fish	110.1	94.4	100.8	95.2	70.1	65.3	65.1	65.7
Yaqona	14.1	19.7	30.8	32.5	43.6	45.9	45.9	45.9
Textiles	6.8	6.3	7.7	7.6	8.2	8.2	8.5	8.8
Garments	101.8	91.4	97.3	93.7	71.6	68.2	70.1	72.8
Mineral Water	214.4	243.4	263.5	293.5	223.2	257.2	288.2	293.5
Other Domestic Exports	389.8	398.5	385.4	374.0	405.5	396.6	435.6	473.8
Re- Exports (excl. aircraft)	792.9	845.8	917.1	990.4	612.3	548.0	710.6	961.7
Total Exports	**1,930.9**	**2,035.6**	**2,120.0**	**2,228.8**	**1,792.0**	**1,662.7**	**1,925.4**	**2,312.5**
Total Exports Excl. Aircraft	**1,929.0**	**2,034.5**	**2,110.3**	**2,167.8**	**1,755.4**	**1,661.5**	**1,925.4**	**2,312.5**

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

Table 6: Fiscal Year Exports 2016–2023 ($M and %)

Commodities	2016-2017p	2017-2018p	2018-2019r	2019-2020p	2020-2021f	2021-2022f	2022-2023f
Total Exports ($M)	**1,918.8**	**2,091.0**	**2,201.6**	**1,949.4**	**1,698.7**	**1,716.1**	**2,054.7**
Total Exports Excl. Aircraft ($M)	**1,917.7**	**2,081.3**	**2,143.7**	**1,945.7**	**1,698.7**	**1,716.1**	**2,054.7**
Exports Excl. Aircraft Growth Rate (%)	**-8.1**	**8.5**	**3.0**	**-9.2**	**-12.7**	**1.0**	**19.7**

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

Table 7: Total Imports by Category 2016–2023 ($M)

ECONOMIC CATEGORY	2016	2017p	2018p	2019p	2020(p)r	2021f	2022f	2023f
Food	786.7	794.9	802.0	787.4	737.5	717.0	761.1	819.8
Beverage & Tobacco	44.8	49.3	58.0	55.6	34.6	33.9	36.6	40.2
Crude Materials	66.7	47.9	71.6	56.6	44.3	45.1	48.2	52.3
Mineral Fuels	725.8	930.5	1,165.1	1,123.7	656.6	625.9	865.3	1372.2
Oil & Fats	41.6	51.6	49.3	38.7	51.2	50.0	54.0	59.4
Chemicals	418.5	427.3	500.0	421.5	385.4	397.6	411.7	426.0
Manufactured Goods	772.5	760.4	808.5	720.3	609.5	586.9	626.6	678.5
Machinery & Transport Equipment	1,469.2	1,373.3	1,728.5	2,317.6	838.2	1102.0	876.0	959.2
-of which large items	*8.8*	*30.1*	*139.8*	*934.7*	*15.1*	287.7	0.0	0.0
Miscellaneous Manufactured Goods	468.0	496.5	486.1	460.6	383.4	380.5	406.1	435.9
Other Commodities	26.2	32.0	26.9	28.6	12.5	12.3	13.3	14.6
Total Imports	**4,820.1**	**4,963.8**	**5,696.1**	**6,010.5**	**3,753.2**	**3,951.3**	**4,098.8**	**4,858.0**
Total Imports Excl. Aircraft	**4,811.3**	**4,933.7**	**5,556.3**	**5,075.8**	**3,738.1**	**3,663.6**	**4,098.8**	**4,858.0**

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

Table 8: Fiscal Year Imports 2016–2023 ($M and %)

Commodities	2016-2017p	2017-2018p	2018-2019r	2019-2020f	2020-2021f	2021-2022f	2022-2023f
Total Imports ($M)	**4,988.1**	**5,376.6**	**5,669.2**	**5,150.0**	**3,753.8**	**4,070.4**	**4,546.1**
Total Imports Excl. Aircraft ($M)	**4,986.9**	**5,320.0**	**5,432.4**	**4,323.7**	**3,627.0**	**3,909.5**	**4,546.1**
Imports Excl. Aircraft Growth Rate (%)	**7.4**	**6.7**	**2.1**	**-20.4**	**-16.1**	**7.8**	**16.3**

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

Table 9[19]: Balance of Payments 2016–2023 ($M)

ITEMS	2016	2017p	2018p	2019(p)r	2020p	2021f	2022f	2023f
BALANCE ON GOODS	-2,086.3	-2,258.3	-2,820.6	-2,995.8	-1,432.0	-1,760.1	-1,575.1	-1,934.3
Exports f.o.b	1,928.4	2,033.7	2,115.4	2,227.7	1,772.3	1,636.0	1,933.7	2,285.3
Imports f.o.b	4,014.7	4,292.0	4,936.0	5,223.5	3,204.3	3,396.1	3,508.8	4,219.6
BALANCE ON SERVICES	1,685.6	1,709.6	1,934.0	1,772.6	-165.5	-419.1	220.3	1,170.0
Export of Services	2,889.0	3,054.6	3,466.8	3,487.5	906.3	489.2	1,377.9	2,381.0
Import of Services	1,203.4	1,345.0	1,532.8	1,714.9	1,071.8	908.3	1,157.6	1,211.1
BALANCE ON PRIMARY INCOME	-569.7	-874.5	-751.1	-973.7	-604.7	-384.3	-540.8	-582.1
Income from non-residents	151.4	159.5	144.7	132.9	129.2	115.3	116.9	118.1
Income to non-residents	721.1	1034.0	895.8	1,106.6	733.9	499.6	657.7	700.1
BALANCE ON SECONDARY INCOME	595.7	679.8	657.1	698.6	892.3	1,033.8	983.2	871.8

[19] 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.

ITEMS	2016	2017p	2018p	2019(p)r	2020p	2021f	2022f	2023f
Inflow of current transfers	772.6	865.3	874.6	903.4	1,065.3	1,202.4	1,157.7	1,056.6
Outflow of current transfers.	176.9	185.5	217.5	204.8	173.0	168.6	174.4	184.8
CURRENT ACCOUNT BALANCE	-374.7	-743.4	-980.6	-1,498.3	-1,309.9	-1,529.8	-912.3	-474.6
CURRENT ACCOUNT BALANCE (excl. aircraft)	-374.5	-713.3	-840.9	-565.5	-1,294.8	-1,242.1	-912.3	-474.6
CAPITAL ACCOUNT BALANCE	9.0	9.1	10.4	6.9	7.7	7.8	7.4	6.9
FINANCIAL ACCOUNT BALANCE (excl. RA)	643.1	1,050.9	1402.5	1,402.7	752.5	1,697.5	602.5	506.4
Errors & Omissions	-269.1	31.3	-696.1	291.6	511.8	648.6	-118.3	-169.6
RESERVE ASSETS	8.3	347.9	-263.8	202.9	-37.9	824.0	-420.8	-130.9

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

Table 10: Tourism Statistics 2016–2023

	2016	2017	2018	2019p	2020p	2021f	2022f	2023f
Visitors	792,320	842,884	870,309	894,389	146,905	16,892	268,317	715,511
Average length of stay (days)	11.2	11.2	11.2	11.1	11.0	11.0	11.0	11.0
Visitors days (millions)	7.0	7.2	7.6	7.6	1.5	1.5	2.7	5.3
Earnings (F$M)	1,823.3	1,924.3	2,010.3	2,065.5	314.9	14.3	486.6	1,035.0

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

Table 11: Sugar Export and Price 2016–2023

	2016	2017	2018	2019p	2020f	2021f	2022f	2023f
Export Quantity Sugar (000 tonnes)	141.7	189.8	114.4	145.6	111.0	71.7	100.4	117.8
Unit Value (FJ$/tonne)	826.9	940.6	686.0	670.3	915.8	846.0	800.0	800.0
Sugar Export Earnings (F$M)	117.2	178.6	78.5	97.6	101.6	60.7	80.3	94.3
Molasses Export Earnings (F$M)	5.6	18.1	15.1	17.7	20.5	14.9	16.8	19.0

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

Table 12: Inflation Rates 2016–2023

	2016	2017	2018	2019	2020	2021f	2022f	2023f
All items (year-end) %	3.9	2.8	4.8	-0.9	-2.8	1.5	2.4	3.4

(Source: Fiji Bureau of Statistics and RBF forecasts)

Table 13: Employment by Sector 2011–2019 (in thousands of persons)

ECONOMIC ACTIVITY	2011	2014	2016	2017r	2018p	2019p
Agriculture, Forestry Fishing	2.3	2.7	5.7	5.7	5.7	5.9
Mining & Quarrying	1.5	2.1	2.0	2.0	2.1	2.1
Manufacturing	21.0	20.1	20.1	23.3	24.3	23.3
Electricity, Gas & Air Conditioning Supply	0.8	0.8	0.8	0.8	0.8	0.8
Water Supply; Sewerage, waste management and Remediation activity	1.9	2.4	3.2	3.3	3.1	3.3
Construction	6.1	11.3	11.6	11.7	11.8	12.1
Wholesale and Retail; Repair of motor vehicles and motor cycle	21.3	21.2	29.0	30.0	30.0	30.7
Transport and Storage	8.7	8.7	13.3	13.3	13.4	13.8
Accommodation and Food Services	13.6	13.4	16.9	17.2	17.6	17.9
Information and Communication	2.7	4.6	3.8	3.9	3.9	4.0
Financial and Insurance activities	3.7	5.0	5.2	5.3	5.3	5.4
Real Estate Activities	1.1	0.5	0.7	0.7	0.7	0.7
Professional Scientific and Technical Activities	3.8	2.5	5.9	5.9	5.7	6.0
Admin and Support Services Activities	6.5	7.5	7.2	7.5	7.6	7.7
Public admin and defence compulsory social security	13.8	15.8	17.0	17.1	17.2	17.7
Education	15.4	16.3	15.9	16.7	16.7	17.0
Human Health and social work activities	5.2	5.8	9.3	7.5	7.5	8.4
Arts, Entertainment and recreation	0.5	0.6	0.7	0.7	0.8	0.8
Other Service Activities	1.6	2.6	1.6	1.6	1.7	1.7
Activities of household as employers; undifferentiated	0.1	0.0	0.7	0.1	0.1	0.1
Activities of Extra Territorial Organizations and Bodies	0.0	0.0	0.0	0.7	0.8	0.7
Total	**131.6**	**144.2**	**170.6**	**174.8**	**176.8**	**180.0**

(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.
r=revised; e= estimate; p=provisional)