

REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE SUPPLEMENT TO THE 2024-2025 BUDGET ADDRESS



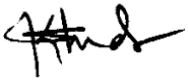
Ministry of Finance, Strategic Planning, National
Development and Statistics
28 June 2024

FOREWORD

The Supplement to the 2024-2025 Budget Address discusses Fiji's current macroeconomic and fiscal position and forward projections for the next three years.

The 2024-2025 Budget presents key measures stemming from an extensive public dialogue process with the theme “*An Economically Stable, Secure and Sustainable Fiji*”. This National Budget places greater emphasis on macroeconomic stability and fiscal sustainability and ensures that adequate funding is channelled towards rebuilding infrastructure and improving public service delivery, social welfare, education and health and supporting the economic sectors such as agriculture.

This document was compiled by the Ministry of Finance, Strategic Planning, National Development and Statistics in consultation with other Government Ministries, the Fiji Revenue and Customs Service (FRCS) and the Reserve Bank of Fiji (RBF). The information contained in this document is current as of June 2024.



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Strategic Planning, National Development and Statistics

28 June 2024

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CHAPTER 1: INTRODUCTION

Economic Recovery

- 1.1 The Fijian economy recovered strongly from the pandemic induced downturn in 2020 and 2021, with GDP surpassing pre-pandemic levels in 2023, much earlier than anticipated. Fiji's economic recovery is also the fastest amongst the other tourism-based dependent countries.
- 1.2 The resurgence has been largely driven by a robust recovery in the tourism sector with visitor arrivals exceeding expectations in 2023. Visitor arrivals in 2023 reached historic high of 929,740, 4.0 percent, higher than the previous peak of 894,389 in 2019. This is attributed to the rapid restoration of air travel and robust tourism demand (including during the off-season). Further to this, tourism earnings stood at \$2,367.7 million in 2023, an increase of 14.6 percent from 2019 levels. The economic impact from tourism was further amplified by a significant increase in daily tourist expenditure which rose by an average of 15.1 percent in 2023 in comparison to 2019.
- 1.3 For 2024, growth has been slightly revised down to 2.8 percent. This is largely attributed to under-performing resource-based sectors (except mining) and a slowdown in domestic consumption spending as a result of a decline in population led by permanent migration, Fijians going on work permits under various employment schemes and longer-term visitors visas. Nonetheless, tourism demand remains buoyant and will continue to grow in 2024. Going forward, growth is expected to return to the pre-pandemic trend of around 3.0 percent in the medium term

Fiji's National Development Plan (NDP) 2025-2029 and Vision 2050

- 1.4 In FY2023-2024, the Coalition Government embarked on the formulation of a new National Development Plan (NDP) 2025-2029 and Vision 2050. The foundation of the new NDP is based on 3 key pillars, namely *economic resilience, people empowerment, and good governance*. The goal of the NDP is to improve social wellbeing and bring greater prosperity to the people and the nation. All Fijians will be at the centre of development and therefore the NDP is configured as a "*Plan of the people, for the people*". The NDP resonates with the United Nations 2030 Agenda and is grounded on the principles of diversity and inclusivity to ensure that no one is left behind from mainstream progress and prosperity.
- 1.5 This is evident in the extensive engagements and consultations that were undertaken to understand the issues and challenges confronting our people, beginning with the National Economic Summit in April 2023. This was followed by Technical Working Group meetings with key stakeholders including the private sector, civil society organisations (CSOs), academia and multilateral and bilateral development partners to get inputs and feedback on specific areas of development.

The extensive engagements concluded with face-to-face consultations with over 21,000 people across the 4 divisions of Fiji, with overwhelming participation from women and youths.

- 1.6 The Plan specifies the outcomes to be achieved in 3 years (2025 – 2027) and 5 years (2025 – 2029). For the 3 years, greater emphasis is on *‘getting the basics right’* by focussing on enhancing the provision of necessities that can tangibly improve the quality of life of ordinary Fijians. It also focuses on impactful quick wins to catalyse and propel economic growth, while mitigating against highly probable downside risks including the impact of natural disasters and climate risks.
- 1.7 The 3 Pillars under the NDP are substantiated by 7 Focus Areas as presented in **Table 1** below:

Table 1: NDP Pillars

Pillars	Focus Areas
1. Economic Resilience	i. Building Macroeconomic Confidence and Stability
	ii. Fostering International and Regional Relations
	iii. Revitalizing Natural Resources
	iv. Catalysing Economic Growth and Diversifying the Economy
2. People Empowerment	v. Uplifting Socioeconomic wellbeing
	vi. Developing Public Infrastructure, Protecting Environment and Addressing Climate Change
3. Good Governance	vii. Committing to Governance, Institutional and State-Owned Entity Reforms

- 1.8 The Plan considers Fiji’s international obligations under the United Nations, and other international and regional bodies and conventions. The Plan has consciously aligned itself to the Sustainable Development Goals (SDGs). It also mainstreams other cross-cutting priorities including gender equality, community empowerment, addressing climate change, upholding moral and ethical values, good governance and the commitment to political stability which are imperative to achieving holistic and balanced development.
- 1.9 Fiji’s international and regional relations will foster bilateral and multilateral cooperation to enhance trade and investment. The resource-based sectors can become key drivers of economic growth with sustainable management of natural resources, particularly in the agriculture, fisheries and forestry sector. Initiatives will also be taken to catalyse and diversify the economic base by encouraging greater private sector participation and promoting tourism, outsourcing industry and manufacturing. The Micro, Small and Medium Enterprises (MSMEs) will be supported to increase their contribution to the economy whilst the R&D and innovation will be promoted to move up the value chain and increase productivity.
- 1.10 The NDP takes a holistic approach towards uplifting the social wellbeing of the people which will include addressing poverty, education, healthcare, affordable

housing, urban development, empowering women, and the protection of children and people with disabilities.

- 1.11 Urban development will focus on spurring economic activities, enhancing liveability, improving infrastructure, harmonising environmental sustainability and increasing resilience to the impact of climate change and natural disasters. Thus, there will be renewed emphasis on rural and outer island development, particularly improving infrastructure such as roads, jetties, bridges, coastal protection works and drainage. Access to electricity, water, transportation and communication will also be prioritised.
- 1.12 The NDP emphasises the need for strengthening governance and undertaking institutional reforms to ensure the holistic and effective implementation of the Plan. It will encompass civil service, rule of law, state administration and State-Owned Enterprises (SOEs) reforms to improve service delivery, strengthen security and enhance accountability and transparency.
- 1.13 Moreover, the NDP will have a strong implementation, monitoring and evaluation framework to ensure successful implementation of the Plan with each sector having measurable key performance indicators for the next 3 and 5 years. This will provide a clear and systematic mechanism to achieve better performance, minimise inefficiencies and enhance accountability.
- 1.14 The NDP is near finalisation and will be launched by the Honourable Prime Minister in due course.

Major Announcements in the 2024-2025 National Budget

Economic fairness and equity through a living wage

- 1.15 Government will increase the National Minimum Wage to \$5.00 per hour in a two phased approach. Effective from 1 August 2024, the National Minimum Wage will increase to \$4.50 an hour. This will be further increased to \$5.00 an hour effective from 1 April 2025. All sectoral wages will also increase by \$0.50 across the board effective from 1 August 2024 followed by a further increase of \$0.50 from 1 April 2025.

A fair and equitable pay for civil servants to enhance service delivery

- 1.16 A sum of \$85.0 million is allocated in FY2024-2025 for the increase in wages and salaries of civil servants, certain independent institutions and the Fiji Corrections Service (FCS).
- 1.17 A total of around 33,000 civil servants will have a salary increase effective from 1 August 2024. The increase in salary for the other 5,000 civil servants who were awarded an early pay rise will continue in the next budget.

- 1.18 All salary based civil servants will receive a pay rise in the range of 7 percent to 10 percent, while wage earners will get an increment ranging from 10 percent up to 20 percent. The civil service salary bands will also be restructured by replacing the current Step 1 with Step 2 salary which will become the new Step 1 (the current and new salary bands are included in the **Appendices**).
- 1.19 For all hourly paid civil servants on Bands A to D, hourly pay will be increased by \$1.00 per hour across all the Steps. For example, the lowest wage rate in the civil service on Band A Step 1 will be increased from \$4.60 an hour to \$5.60 an hour, an increase of 20 percent. Those on Band B, receiving \$6.27 an hour on Step 3, will get a 16 percent increase, with a new hourly rate of \$7.27. For instance, drivers who are currently getting \$7.33 per hour on Band C, Step 3, they will have their rates increased to \$8.33 per hour, an increase of around 14 percent.
- 1.20 The increase in salaries for the civil servants will cost Government an additional \$66.0 million.
- 1.21 An additional \$5.0 million is allocated for independent institutions that have not had a Job Evaluation Exercise (JEE) and a salary adjustment recently. This includes the Parliament Office, Legal Aid Commission, Office of the Director of Public Prosecutions and the Office of the Auditor-General.
- 1.22 The FCS has also been allocated an additional \$14.0 million in FY2024-2025 to cater for the salary increase for FCS officers following a JEE which was approved by Cabinet.

FNPF Pensioners

- 1.23 The Coalition Government is providing a funding of \$4.0 million in FY2024-2025 to reinstate the pension payments for pensioners that opted for a reduced pension rate following the 2011 pension reforms.
- 1.24 The pension payment will be restored from 1 August 2024 and moving forward. This only applies to those pensioners that opted for full pension after the reforms and excludes those that fully or partially withdrew their funds. The full actuarial cost of this reinstatement for around 1,500 pensioners is \$57.0 million over the next two decades.
- 1.25 The earlier arrangement for the affected pensioners to access the Government social pension scheme will cease effective 1 August 2024.

Vatukoula Mine Workers Strike Settlement

- 1.26 Government has reached a resolution to end the longest strike in the world which has lasted over 33 years. As part of the settlement, around 368 Vatukoula Mine

workers will be paid \$25,000 each, costing Government \$9.2 million. In the FY2024-2025 Budget, each affected worker will be paid \$10,000 while a further \$15,000 will be paid in FY2025-2026. The Ministry of Employment, Productivity and Workplace Relations will work together with the affected workers and the union representatives to bring a final closure to the strike.

Workers Compensation

- 1.27 To bring greater synergy and efficiency, the functions of Accident Compensation Commission of Fiji (ACCF) relating to workers compensation and injury at school will be transferred to the Ministry of Employment, Productivity and Workplace Relations. ACCF will focus on its core role to manage motor vehicle accidents.
- 1.28 A sum of \$6.0 million is allocated to cater for compensation relating to workplace and school injury. The operational transition started on 1 June 2024 with around 1,200 claim files being handed over to the Ministry.

Investing in future generations and addressing the skills gap in the country

Education

- 1.29 The Ministry of Education is provided with the total budget of \$627.6 million, an increase of \$18.9 million from FY2023-2024. The major programmes are discussed in the ensuing paragraphs below:

Early Childhood Education (ECE)

- 1.30 Government recognises the importance of early childhood care and education services in Fiji and has therefore increased the allocation for ECE by \$2.5 million to \$22.3 million in FY2024-2025.

Primary and Secondary Education

- 1.31 A total of \$408.3 million has been allocated for primary and secondary education which signifies Government's commitment towards achieving greater investment and increasing our human capital capacity.

Transport Assistance for Students

- 1.32 Government will continue to provide transport assistance to students whose combined parental income is \$16,000 or less with an allocation of \$37.0 million in FY2024-2025.

Back-to-School Support

- 133 The Coalition Government will continue with the Back-to-School support for all ECE to Year 13 students in the 2025 school year for which a sum of \$40.0 million has been allocated. A total of 212,740 students were assisted under this programme, with a total payout of \$42.5 million in FY2023-2024.

Tertiary Scholarships Scheme

- 134 A sum of \$150.5 million has been allocated to Tertiary Scholarships and Loans Service (TSLS) in FY2024-2025 for numerous scholarship schemes and trainings. Four new scholarship schemes in partnership with overseas universities will be available in FY2024-2025 as follows:

- ***Overseas Ph.D. and Masters Scheme*** - a sum of \$1.8 million has been provided to fund 20 students for study in the priority research areas at selected universities in Australia on cost sharing basis. The tuition fee will be borne by the participating universities while the Fiji Government will pay for the living allowances and travel cost.
- ***Merit Based In-Service Overseas Scholarship for Postgraduate Diploma/ Specialization Scheme*** - a sum of \$1.6 million is allocated for 20 students to undertake postgraduate diploma studies in specialist areas which are not offered locally, including veterinary science, engineering studies and medical.
- ***Industry/Employer Based Skills Qualification Scheme*** - a sum of \$1.6 million is allocated for industry/employer providers which are recognised with Fiji Higher Education Commission (FHEC) to provide Certificate Level III, IV or Diploma level 5 programmes to Year 12 and 13 students (300 awards available).
- ***Graduate Business Start Up Grant Scheme*** - a sum of \$0.3 million is budgeted for final semester graduating students to undergo training for setting up businesses. This scheme will be managed by Fiji Commerce & Employers Federation with an available grant of \$10,000 per student.

Value Adding and Expanding Existing Schemes

- ***Micro Qualification Grant*** - to mitigate shortage of skilled labour, Government will continue with the targeting unemployed youths who are early school dropouts to take 150-160 hours of competency-based training after which they can obtain some form of employment in FY2024-2025. A sum of \$1.4 million is allocated for this FY2024-2025.

- ***Merit Based Undergraduate Overseas Scheme*** - the number of awards will be increased from 40 to 80 awards to meet workforce demand on the skills set not offered by local training providers. A sum of \$13.4 million is allocated for this scheme in FY2024-2025.
- ***Masters & PHD by Research Scheme*** - Out of the 10 PhDs and 20 Masters by research awards, Government will set aside 3 PhDs and 5 Masters awards for study at New Zealand universities, while the remaining will be for local studies. A budget of \$1.4 million has been set aside in FY2024-2025 for this.
- ***Merit Based Higher Education Level 7 Scheme*** - \$27.4 million has been allocated to cater for the 700 awards under this scheme. From this, 100 awards will be reserved for rural and maritime Year 13 students.
- ***Merit Based Skills Qualification Scheme*** - \$7.0 million is allocated for this scheme in FY2024-2025.
- ***Tuition Only Hardship Assistance Scheme*** - In FY2024-2025, the scheme will be extended to students doing Skills Qualification (TVET) privately at Diploma level. Students under this scheme will be paid an allowance of \$2,000 per annum. A funding of \$5.9 million is allocated in FY2024-2025.
- ***Students with Special Needs Scheme*** - 20 awards will be available in FY2024-2025 with the funding allocation of \$0.4 million.
- ***Skills Qualification Based on Offer Letter Scheme*** – a sum of \$25.0 million is allocated for this scheme. The combined parental income threshold will change from \$100,000 to \$150,000, while the assessment for business owners will change from business net worth of not more than \$100,000 to business net profit of not more than \$20,000 unless allowed by means testing.
- ***Tuition only Study Loan-Inservice Scheme*** – a sum of \$1.0 million has been allocated in FY2024-2025.
- ***Apprenticeship Scheme*** - a sum of \$1.0 million is allocated for this scheme. TSLs will pay 50 percent tuition fee to encourage employers to pay the apprentice students attractive wages to offset expenses or provide wage top-up. The Industrial Attachment Allowance scheme will be phased out in the FY2024-2025.
- ***Micro-qualification or Competency Based training Scheme*** - A sum of \$1.4 million is allocated in FY2024-2025 to cater for the monthly

allowance of \$75, which is in addition to the \$500 tuition for 2,500 students. The scheme targets unemployed youths and school dropouts:

- 1,000 for tourism and hospitality - basics of housekeeping, restaurant services, front office operations and performing arts;
 - 500 for construction - tile layering, painting, plumbing, block laying, joinery and cabinet making;
 - 400 for white goods repair - basics of white good repair;
 - 400 for existing small business owners - basics of finance, bookkeeping and marketing; and
 - 200 for automotive - basics of panel beating and automotive painting.
- ***Higher Education Level 7 with Minimum Cutoff Mark Scheme*** - a sum of \$60.4 million is provided for 2500 awards in FY2024-2025 for students with minimum cutoff mark for this scheme for Degree Programmes. 250 marks for all other schools and 245 for schools which are categorised as rural and maritime.
 - ***In-Service Local Scholarship Scheme*** - a sum of \$0.7 million is allocated in FY2024-2025 for public sector organisations at local universities in medicine & health services, education, land/town planning and information technology services.

Establishment of Fiji Public Sector Learning Institute

- 1.35 In addition to TSLS Programs, Government has established a new institution to create high-quality, learning environment. A sum of \$0.3 million is allocated for this initiative.

Modernising Government's IT Infrastructure

Implementation of Payroll and FMIS Software

- 1.36 To enhance efficiency and service delivery, Government has allocated a sum of \$8.0 million to facilitate the Ministry of Finance's transition to an Integrated Financial Management Information System (IFMIS) with Payroll Module.

Implementation of New Budget System

- 1.37 Government has allocated a sum of \$2.7 million for the implementation of the New Budget System to improve efficiency and effectiveness in the budget process.

Upgrade of IT Infrastructure

- 1.38 A sum of \$13.3 million is allocated to Government Information Technology Computing (ITC) Services of which around \$2.2 million is allocated specifically for upgrade of IT Infrastructure.

Strengthening Statistics

Employment and Unemployment Survey (EUS)

- 1.39 In FY2024-2025, a sum of \$0.6 million is allocated towards EUS. The objective is to determine the size and structure of the workforce by obtaining comprehensive statistical data on Fiji's economically active population, including the employed, unemployed, and inactive individuals of working age.

Household Income and Expenditure Survey (HIES)

- 1.40 In FY2024-2025, a sum of \$2.3 million is allocated towards HIES. The objective is to obtain comprehensive statistical data on the nation's poverty rate and produce information on people's living conditions with income and expenditure patterns for reference period.

Empowering our Indigenous Communities through Targeted Support and Incentives

Grant to Provisional Councils

- 1.41 A sum of \$7.0 million has been allocated to Provisional Councils to assist in funding the remuneration and FNPF contribution of Council Officers and the operational expenses with the goal of improving service delivery.

Village Transformation Initiative

- 1.42 A funding of \$2.0 million has been earmarked for the continuation of the physical beautification and general improvements of villages, focusing on upgrading community halls, evacuation centers and sanitation facilities.

iTaukei Resources Owners Development Scheme

- 1.43 Government has allocated \$4.0 million for interest subsidy to aid iTaukei landowners for land development, capital investment and expansion based on commercial viability.

Reviving our health systems with a focus on primary health care

Health Services

- 1.44 The Ministry of Health and Medical Services has been allocated a sum of \$451.8 million to deliver quality health care services to Fijians.
- 1.45 A funding of \$90.0 million has been allocated for the ongoing operations and maintenance cost to Health Care (Fiji) Pte Ltd for the Lautoka and Ba hospitals under the Public-Private Partnership (PPP) arrangement.

A holistic approach is needed to tackle the drug problem

- 1.46 A sum of \$2.0 million has been allocated for the establishment of the Narcotics Bureau, an independent agency tasked to holistically combat the proliferation of hard drugs at the national level in terms of disrupting the supply and flow of illicit drugs. Government has also launched its National Counter Narcotics Strategy 2023-2028 to holistically co-ordinate Fiji's response to fight against drugs.
- 1.47 In addition, funding will be provided to the Fiji Police Force to procure drug testing equipment to ramp up drug tests across the country, while additional funding has been provided to set up a special drugs unit within the Office of the Director of Public Prosecutions.
- 1.48 Apart from this, a Drug Rehabilitation Incentive Package has been developed for private sector and other civil society organisations to setup drug rehabilitation centres to further boost our efforts in the fight against drugs. An incentive package encompassing tax holiday and duty concession on equipment and machineries that will be procured to set up a Drug Rehabilitation Centre has been developed. A 100 percent tax deduction will also be available for donations made to any Drug Rehabilitation Centre (refer to **Chapter 9** for more details).

Rural High Risk Water Sanitation Project (RHRWS)

- 1.49 A sum of \$1.0 million is allocated for the continuation of RHRWS to ensure rural communities have access to clean and safe water and sanitation facilities. This includes:
- Construction of Ecological Purification System (EPS);
 - Construction of Sanitation facilities;
 - Installation of Desalination; and
 - Evacuation Centre Inclusive Sanitation.

Social Protection Programmes (SPP)

- 150 A sum of \$171.7 million has been allocated towards Social Protection Programmes. The funding will cater for the following aimed to provide a safety net to the poor and the vulnerable:
- Social Pension Scheme - \$78.2 million;
 - Family Assistance Scheme - \$44.3 million;
 - Child Protection Allowance - \$17.5 million;
 - Allowance for persons with disability - \$17.7 million;
 - Transport assistance scheme - \$13.4 million; and
 - Food allowance for rural pregnant mothers - \$0.4 million.

Formalisation of Informal Settlements

- 151 In FY2024-2025, a total sum of \$13.5 million has been allocated towards the formalisation of 5 informal settlements (Nepani, Raiwaqa, Davuilevu, Wainibuku and Tavakubu).

Developing and maintaining key infrastructure is critical for the economy

- 152 The Coalition Government will continue to invest in infrastructure development to raise the standard of essential infrastructure and improve access to markets and services.

Funding to Ministry of Public Works

- 153 The Ministry of Public Works, Meteorological Services and Transport (MPWMST) has been allocated a sum of \$721.4 million in FY2024-2025 with major allocations discussed in the ensuing paragraphs.

Water and Sewerage

- 154 A sum of \$259.5 million has been allocated to the Water Authority of Fiji in FY2024-2025 which consists of \$123.6 million as Operating Grant and \$135.8 million in Capital Grant. Major capital programmes to be implemented in FY2024-2025 include the following:
- Water Programme - \$82.3 million;
 - Special Funded Programme - \$15.0 million;
 - Wastewater Programme - \$8.5 million;
 - Asset Management Programme - \$8.5 million;
 - Rural Programme – \$7.5 million;
 - Emergency Response Programme - \$8.6 million; and
 - Digital Transformation Programme - \$5.4 million.

Ground Water Assessment (Borehole)

- 155 The funding for ground water assessment has increased from \$2.5 million to \$5.0 million in the FY2024-2025 Budget to carry out borehole projects around the country. A total of 1,700 borehole projects is planned across the country, 1,000 in Viti Levu, 500 in Vanua Levu and 200 in Maritime Islands.

Road Infrastructure

- 156 In FY2024-2025, a sum of \$338.8 million has been allocated to the Fiji Roads Authority (FRA) to cater for on-going construction and maintenance of roads, upgrading and replacement of bridges and jetties and the upgrading of rural roads (access). A further sum of \$16.0 million has been allocated to meet its operational costs.

Public Works Department (PWD)

- 157 The newly established PWD within the Ministry is responsible to improve the state of rural roads in Fiji and a sum of \$5.0 million is allocated for the maintenance and upgrade of rural roads.
- 158 In addition, \$6.0 million is allocated for the maintenance and refurbishment of public structures and water & sewer lines.

Energy and Electricity

- 159 A sum of \$9.6 million is allocated to the Department of Energy in FY2024-2025. Major programmes that will be implemented include the Solar Home Systems Programme (\$3.0 million), House-wiring for Completed Grid Extension Projects (\$2.0 million) and Extension of Grid Power - Rotuma and Lakeba Government Power Stations (\$1.0 million).
- 160 In addition, \$10.0 million has been allocated for the Electricity Subsidy in FY2024-2025.

Agriculture

Non-Sugar

- 161 The commodities under non-sugar agriculture comprise of root crops, tropical fruits, vegetables, spices, coconut products, dairy and livestock. In FY2024-2025, a sum of \$101.2 million has been allocated to the Ministry of Agriculture and Waterways to enhance its roles and responsibilities in providing food security, employment, income and economic diversification particularly in rural and maritime areas. Some major programmes under the Ministry include:
- Dredging - \$5.5 million;

- Navuso Agriculture Technical Institute - \$3.1 million;
- Farm Mechanisation - \$2.5 million;
- Drainage Board Capital Grant - \$2.7 million;
- Farm Access Roads - \$2.0 million;
- Beef Revitalisation Programme - \$1.5 million; and
- Fertiliser and Weedicide subsidy (ginger, dalo, cassava, vegetables) - \$1.0 million.

Sugar

- 1.62 In FY2024-2025, a sum of \$76.1 million has been allocated to the Ministry of Sugar Industry & Multi-Ethnic Affairs to fund for fertilizer subsidy (\$20.0 million), the FSC Working Capital Support (\$15.0 million), drainage for sugarcane farms (\$5.5 million) and sugar stabilisation fund support (\$4.0 million).

Grant to Fiji Servicemen's Aftercare Fund

- 1.63 To support the ex-servicemen or their beneficiaries, a sum of \$14.9 million is allocated to fund the monthly allowances, medical and education assistance. The allowances will be as follows:
- Married recipient allowance is \$229.32 per month;
 - Single recipient allowance is \$143.29 per month;
 - The allowance per child for eligible recipients is \$39.25 per month; and
 - Disabled child allowance is \$99.70 per month.

Streamlining and Reviewing of Tax System

- 1.64 ***Departure Tax*** – as a pandemic measure, the departure tax was reduced from \$200.00 to \$100.00 while specific tourism taxes like Service Turnover Tax (STT) and Environment and Climate Adaptation Levy (ECAL) was abolished. In FY2023-2024, departure tax was increased from \$100.00 to \$140.00. Given the industry is in a much better position, departure tax will increase by \$30.00 to \$170.00 from 1 August 2024 and return to the pre-pandemic rate of \$200.00 from 1 August 2025.
- 1.65 ***Reduction in transit hours for departure tax exemption*** - effective from 1 August 2024, transit hours for departure tax exemption will reduce from 96 hours to 48 hours.
- 1.66 ***Removal of 3 percent fiscal duty on Customs Concession Code 231 and 236*** – in FY2023-2024, 3 percent fiscal duty was imposed specifically on the importation of raw materials, machinery and packaging materials that are not manufactured and available locally. Given the sentiments received from the industry particularly on the challenges faced on the increased cost of production, the 3 percent fiscal duty on Codes 231 and 236 has been removed in this Budget.

- 1.67 ***Reduction in fiscal duty on prefabricated buildings*** – to assist with the high building & material costs and increase construction related activities in the economy, the fiscal duty on prefabricated buildings (consisting of prefab buildings of wood, modular building units of steel and other prefab buildings) will reduce from 32 percent to 5 percent, while fiscal duty on steel structures or articles of iron will be maintained at 5 percent.
- 1.68 ***Increase in excise duty*** – Government will further increase the excise duty on alcohol and tobacco products by 5 percent. In FY2023-2024, excise duty was increased by 5 percent for alcohol and tobacco products. The increase in excise tax will assist in mitigating non-communicable diseases associated with the consumption of alcohol and tobacco.
- 1.69 ***Increase in Water Resource Tax*** - effective from 1 August 2024, water resource tax rate will increase from 1 cent per litre to 5 cents per litre for producers who extract water between 0 to 9,999,999 litres per month. The rate on extraction for producers over 10 million litres per month remains unchanged at 19.5 cents per litre which was increased from 18 cents per litre in FY2023-2024.
- 1.70 ***Customs and VAT Amendments for Personal Imports*** - the maximum threshold for personal imports concession will be reduced from \$2,000 to \$1,000. Prior to June 2020, the threshold was \$400 and increased to \$2,000 during the COVID-19 Budget to encourage imports for personal use and assistance from families overseas.
- 1.71 ***Tax incentive for Sports*** - A 200 percent deduction will be allowable for donations over \$10,000 towards the 2031 Pacific Games. To support the Fiji National Rugby League, a 200 percent deduction will be allowed on cash sponsorships over \$250,000 including a 13-year tax holiday, similar to the incentive package offered to the Fijian Drua.
- 1.72 ***Export duty on Sugar*** - The 3 percent export duty on sugar has been removed to encourage private businesses to export sugar to overseas markets. Over the last many years, exemption was provided to all exports of sugar.
- 1.73 ***Pacific Koro Business Park considered for Tax-Free Region (TFR)*** - The TFR incentive has been extended to facilitate Lyndhurst Ltd to develop Lots 1-7 (in Kalabu) to attract international ICT/BPOs sectors.
- 1.74 ***TFR for Indigenous companies*** - TFR incentive will be amended to accommodate existing indigenous i-Taukei companies to qualify for new investments above \$250,000.
- 1.75 ***Extension of Subdivision of Land Incentives*** - The Subdivision of land incentive is set to expire on 31 July 2024 and will be extended for another year to 31 July 2025.

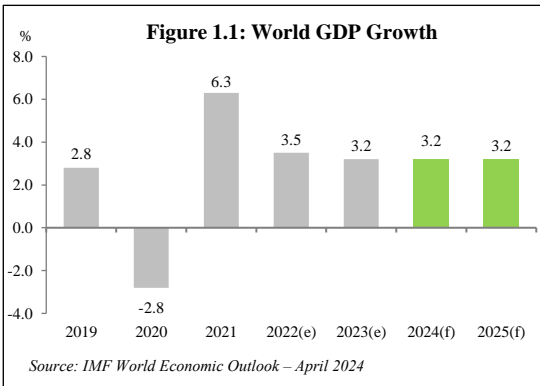
- 1.76 ***Tourism/Hotel development*** – A 20-year tax holiday that is available under SLIP to new hotels will be extended to companies who acquire existing hotels & resorts and undertake renovations & refurbishments over \$50.0 million. Standard investment allowance will be reduced from 50 percent to pre-COVID-19 rate of 25 percent.

CHAPTER 2: ECONOMIC PERFORMANCE & OUTLOOK

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

International Outlook

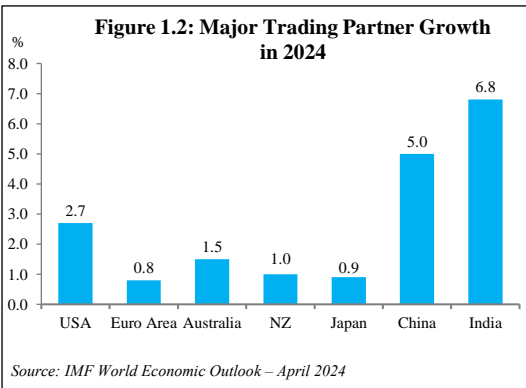
2.2 The International Monetary Fund (IMF), in its April 2024 World Economic Outlook (WEO), projected global growth to remain steady at 3.2 percent in 2024 and 2025, following a similar expansion in 2023 (Figure 1.1). The economic resilience around the globe has largely contained the financial sector risks emanating from the central bank interest rate hikes following the health pandemic.



2.3 However, the rate of global expansion is below the historical average of 3.8 percent. Growth is weighed down by elevated interest rate conditions, withdrawal of fiscal support, geopolitical fragmentation, continued conflicts in Ukraine and Gaza and an uneven outlook in worldwide productivity.

Fiji’s Trading Partners

2.4 Fiji’s major trading partners are projected to grow modestly in 2024 (Figure 1.2). The US economy grew by 2.9 percent in the March quarter. Economic conditions remain positive but risks to growth persist as tight financial conditions fail to suppress persistent price pressures. The annual inflation rate has been above the target of 2.0 percent, with the April reading at 3.4 percent, while the unemployment rate remained low at 4.0 percent in May 2024. As such, the federal funds rate was maintained at 5.25-5.50 percent in May 2024, unchanged since July 2023. The US economy is projected to expand by 2.7 percent in 2024 before moderating to 1.9 percent in 2025. On the other hand, consumer prices are anticipated to ease from 2.9 percent in 2024 to 2.0 percent in 2025.



- 25 The **Eurozone** economy expanded by 0.4 percent in the March quarter, rebounding after near flat outcomes over the second half of 2023. Inflation pressures have moderated and stood at 2.6 percent in May, and the European Central Bank (ECB) is intent on seeing gradual disinflation towards its target. After careful consideration, the ECB lowered its three key rates, with its main refinancing rate lowered by 25 basis points to 4.25 percent in May. Growth is forecast at 0.8 percent in 2024 before picking to 1.5 percent in 2025, while headline inflation is expected to moderate from 2.4 percent in 2024 to 2.1 percent in 2025.
- 26 The **Australian** economy is forecast to register a modest growth of 1.5 percent in 2024 and 2.0 percent in 2025. Growth is expected to be softer compared to 2023 due to tighter macroeconomic policies and financial conditions. Nonetheless, growth is forecast to pick up in 2025 once real incomes recover to support household spending. The economy grew by 1.1 percent in the first quarter of 2024, while inflation remained elevated, at 3.6 percent. With inflation still above the Reserve Bank of Australia's (RBA) target of 2.0 percent, the cash rate has been left unchanged at 4.35 percent since November 2023. Annual headline inflation is forecast to average 3.5 percent in 2024 and 3.0 percent in 2025.
- 27 **New Zealand** (NZ) has experienced two technical recessions over the span of eighteen months. Prolonged periods of high interest rates and inflation have dampened household spending as well as residential and business investment. Annual inflation was registered at 4.0 percent in the March 2024 quarter, remaining above the Reserve Bank of New Zealand's (RBNZ) 3 percent target band. Given this, the RBNZ has kept its official cash rate high at 5.50 percent. Annual headline inflation is forecast to average 3.1 percent in 2024 and taper to 2.5 percent in 2025. Growth is forecast to pick up to 1.0 percent in 2024 (from 0.6 percent in 2023) and 2.0 percent in 2025.
- 28 In the first quarter of 2024, the **Japanese** economy contracted by 0.2 percent annually, primarily due to sluggish consumer spending. However, the recent wage hike is expected to help stimulate consumption spending, particularly in the latter half of the year. Annual inflation stood at 2.5 percent in April 2024, largely fuelled by higher food prices. Inflation has declined from 2023 levels and is expected to average 2.2 percent in 2024, before moderating further to 2.1 percent in 2025. In March, the Bank of Japan transitioned from an extremely accommodative monetary policy, raising its key short-term interest rate to 0.1 percent, a level which has been maintained since.
- 29 The **Chinese** economy expanded by 5.3 percent annually during the first quarter of 2024, primarily driven by the substantial growth in high-tech manufacturing. However, challenges in the property market persists, constraining growth prospects. Projections for 2024 indicate a growth of 5.0 percent,¹ supported by robust policy stimulus and steady global demand. The headline inflation rate

¹ This is an upgrade from IMF April 2024 WEO.

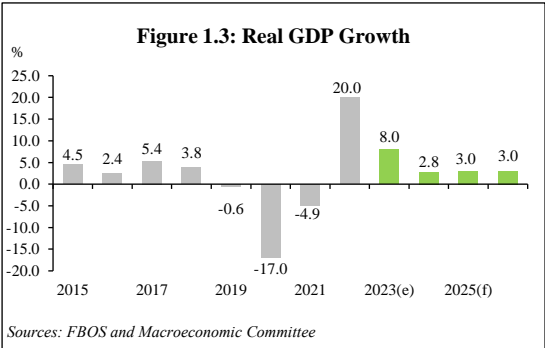
climbed to 0.3 percent in April, driven by a recovery in domestic demand. In May, the People's Bank of China (PBoC) maintained its key lending rates, with the one-year loan prime rate (LPR) at 3.45 percent and the five-year LPR at 3.95 percent, both historic lows, reflecting PBoC's endeavours to stimulate domestic demand.

2.10 The **Indian** economy remains the world's fastest growing major economy, expanding by an annual 7.8 percent in 2023 on the back of strong manufacturing and construction activity. Forecasts point to a 6.8 percent expansion for 2024, propelled by public sector investment, and a 6.5 percent growth for 2025. The annual inflation rate stood at 4.8 percent in April, above the Reserve Bank of India's (RBI) 4.0 percent target. The RBI held its benchmark policy repo at 6.5 percent for the seventh consecutive meeting in April, amid persistent price pressures. Inflation rates are forecast to moderate to 4.6 percent and 4.2 percent in 2024 and 2025, respectively.

Domestic Outlook

Overview 2023

2.11 Following a strong economic rebound of 20.0 percent in 2022, the Fijian economy has recovered to pre-pandemic GDP levels, growing by an estimated 8.0 percent in 2023 (**Figure 1.3**). Visitor arrivals rose by 46.1 percent in comparison to 2022 and 4.0 percent when compared to 2019 reaching a new record of 929,740. As such, growth for 2023 was mainly driven by the tourism and related sectors such as accommodation & food services, transport & storage, financial, wholesale & retail, and administration services. In addition, the agriculture, information & communication, public administration, professional, education, electricity, construction and health sectors and net taxes are estimated to positively contribute to overall growth.



Overview 2024

2.12 For 2024, the growth forecast has been revised downwards to 2.8 percent from 3.4 percent projected in November 2023. This is largely due to softening consumption spending, lower anticipated growth in visitor arrivals² following two consecutive years of strong growth, slow implementation of investment projects and sluggish performance in the resource-based sectors. In terms of major contributors of growth, tourism related sectors including transport & storage, accommodation &

² Visitor arrivals is expected to grow by 3.0 percent in 2024, which is below the average historical growth.

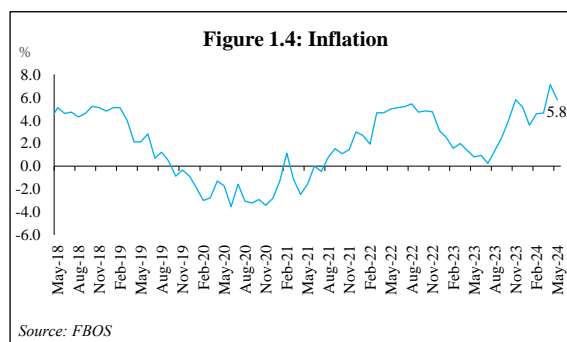
food services, wholesale & retail sales, financial services, and administration services are expected to contribute the most towards the growth this year. Also, positive contributions are expected from agriculture, manufacturing, information & communication, electricity, construction and mining sectors as well as net indirect taxes.

Overview 2025 and 2026

- 2.13 Growth is forecast to return to the pre-pandemic trend in the medium term. As such, a broad-based growth of 3.0 percent is forecast for 2025 and 2026, respectively.
- 2.14 Risks to the growth outlook are tilted to the downside in light of the possible spillovers from the global headwinds, continued loss of labour due to migration and its impact on domestic production and consumption activities as well as inherent threat of climate change & natural disasters.

Inflation

- 2.15 The annual headline inflation rate fell to 5.8 percent in May from the decade high of 7.1 percent recorded in April (**Figure 1.4**). However, this is still significantly higher against the 0.8 percent recorded in the same period a year ago. Higher prices were mainly noted for food and non-alcoholic beverages (+2.9pp), alcoholic beverages, tobacco & narcotics (+1.1pp), transport (+0.7pp), housing & utilities (+0.5pp), restaurants & hotels (+0.3pp), furnishing (+0.1pp), health (+0.1pp) and miscellaneous (+0.1pp) categories.



- 2.16 Annual average inflation rate is anticipated to be around 4.4 percent in 2024 compared to 2.3 percent in 2023. Higher prices are expected for food and non-alcoholic beverages and alcoholic beverages, tobacco & narcotics categories as well as the impact of VAT that is expected to continue till August this year. Year-end inflation is forecast at 3.1 percent for 2024 and is projected to moderate to 2.5 percent and 2.0 percent in 2025 and 2026, respectively.

Exports³

- 2.17 In 2023, total merchandise exports expanded by 3.5 percent to \$2,402.7 million led by a notable expansion in re-exports, particularly for mineral fuels and lubricants,

³ All analysis on exports excludes re-exports of aircraft.

which offset the decline in domestic exports. Last year, the exports from resource-based sectors such as fish, mineral water, gold and forestry outputs, showed dismal performance, negatively impacting domestic exports.

- 2.18 For 2024, total exports are expected to expand by 5.5 percent to \$2,534.7 million, backed by growth in re-exports, coupled with a recovery in domestic exports. The expected pickup in aviation activity, along with elevated mineral fuel prices, is poised to benefit Fiji's re-exports. On the other hand, domestic exports will be driven by gold amidst record-high gold prices, molasses, fresh fish, taro and other food and live animal exports.
- 2.19 Total exports are forecast to expand by 7.4 percent to \$2,721.3 million and 3.3 percent to \$2,810.4 million in 2025 and 2026, respectively. The anticipated growth is in line with the expected improvement in domestic production of mineral water, gold, fresh fish and woodchips. On the other hand, the growth in re-exports is anticipated to fallout as high mineral fuel prices gradually decline amid a stabilisation in volume demand.

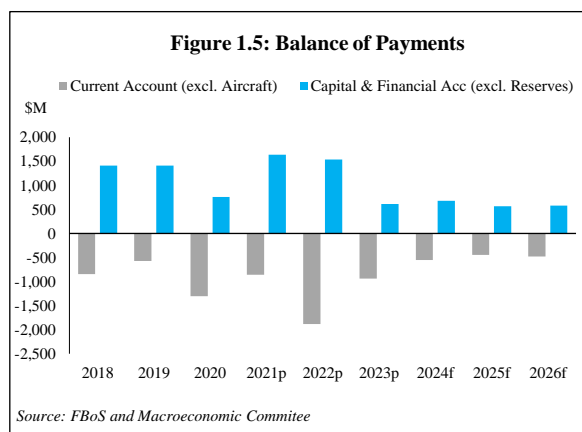
Imports⁴

- 2.20 In 2023, Fiji's total merchandise imports rose by 6.0 percent to \$6,979.0 million. The expansion is mainly driven by higher imports of machinery and transport equipment, particularly road vehicles, as well as mineral fuels, food and miscellaneous manufactured articles. The strong growth in 2023 is attributed to higher commodity prices, increased import demand stemming from higher tourism activity and a rebounding economy.
- 2.21 In 2024, imports are forecast to expand by 2.7 percent to \$7,170.9 million. The major drivers of imports are food imports which is forecast to moderate, owing to slowdown in domestic consumption and tourism activity, while the steady paced growth in construction is expected to underpin machinery imports.
- 2.22 Total imports are forecast to rise by 2.3 percent to \$7,337.1 million in 2025 before slowing to a 1.6 percent growth to \$7,453.5 million in 2026. The deceleration is on the back stabilising global commodity prices particularly food and mineral fuels.

⁴ All analysis on imports excludes aircraft.

Balance of Payments (BOP)⁵

2.23 The current account deficit (CAD) narrowed to \$935.4 million (7.4 percent of GDP) in **2023** from \$1,883.8 million in 2022 (17.3 percent of GDP). The improvement was largely underpinned by the improvement in services account (due to tourism and transport) and secondary income (supported by remittances and grants) balances, which more than offset the widening trade and primary income (led by profit repatriation) deficits.



2.24 In **2024**, the CAD is forecast to further narrow by 40.8 percent to \$553.6 million (equivalent to 4.1 percent of GDP) led by the projected improvements in the services and secondary income surpluses and lower trade deficit, which offset the expected higher primary income deficit. The anticipated decline in the trade deficit is due to a rise in exports combined with a slight fall in imports. The surplus in the services account is attributed to higher tourism earnings and transport receipts, while the secondary income balance is strengthened by stronger personal transfers. On the other hand, the wider primary income deficit is attributed to expected higher profit repatriation and re-invested earnings. The Capital and Financial Account (excluding reserve assets) surplus is forecast to rise by 10.9 percent to \$675.6 million, backed by the anticipated recovery in net Foreign Direct Investment (FDI). The overall BOP balance is projected to be negative, consequently the reserve assets are expected to fall by \$296.0 million in 2024.

2.25 The CAD is projected to further narrow to \$447.3 million (3.1 percent of GDP) in **2025**, before rising to \$479.9 million (3.2 percent of GDP) in 2026. In 2025, the improvements in primary income (lower profit repatriation) and trade deficits more than compensate for the decrease in secondary income (Government grants) and services (tourism earnings) surpluses. However, in **2026**, the higher deficits in primary income (profit repatriation and re-invested earnings) and trade accounts are expected to contribute to a rise in the CAD. The Capital and Financial Account (excluding reserve assets) is forecast to fall to \$563.8 million (3.9 percent of GDP) in 2025 before rising to \$581.2 million (3.9 percent of GDP) in 2026. Net Government loan drawdowns are expected to be lower in 2025, while FDI inflows are anticipated to continue to rise in the two years. The overall BOP balance is projected to be negative and reserve assets are expected to fall by \$137.3 million and \$336.8 million in 2025 and 2026, respectively.

⁵ Analysis on Current Account Deficit excludes aircraft while analysis on Capital and Financial Account excludes Reserve Assets.

Remittances

- 2.26 In 2023, inward remittances increased by 21.3 percent to \$1,262.8 million, amidst continued emigration. The use of mobile money channels has grown quite rapidly over the years and is now the most common channel to transfer funds given the accessibility and lower cost. Cumulative to March this year, inward remittances expanded by 14.3 percent to \$310.5 million, driven by higher personal transfers. Inward remittances are projected to grow by 10.1 percent to \$1,390.3 million by year end. For 2025 and 2026, remittances are forecast to rise moderately to \$1,434.8 million and \$1,480.6 million, respectively.

Tourism Earnings

- 2.27 In 2023, tourism earnings hit a new record of \$2,367.7 million, a significant growth of 57.9 percent over 2022 and outpacing 2019 levels by 14.6 percent. Higher visitor arrivals combined with higher spending by tourists underpinned the favourable outcome. In the first quarter of 2024, tourism earnings totalled \$490.7 million, a growth of 16.7 percent in comparison to same period in 2023, stemming from the higher average daily spending (per-diem) by tourists. In 2024, tourism earnings are projected to increase to \$2,565.5 million given the anticipated increase in visitor arrivals. In 2025 and 2026, tourism earnings are forecast to remain above the \$2.5 billion mark.

Foreign Reserves

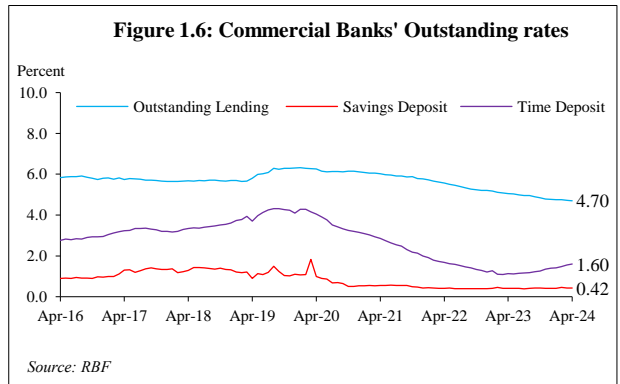
- 2.28 In 2023, foreign reserves stood at \$3.4 billion, sufficient to cover 5.4 months of retained imports. As at 27 June, foreign reserves (RBF holdings) were around \$3.3 billion, equivalent to 5.3 months of retained imports.

Money and Credit

- 2.29 Money supply expanded in April 2024 (7.7 percent) led by increased credit to the private sector business entities and households. Consumption related spending rose (10.2 percent) in the year to April, while investment lending rose by 5.1 percent in April 2024.

Interest Rates

230 Outstanding lending rates have fallen to historical lows as a result of the build-up of liquidity in the banking system and subdued demand. Liquidity stood at \$1.9 billion as of 26 June 2024. While there has been some uptick in time deposit rates recently, overall rates remain below pre-covid levels (**Figure 1.6**).



Exchange Rates

231 The Fiji dollar (FJD) strengthened against the Japanese Yen (JPY) and the New Zealand dollar (NZD), while it weakened against the United States dollar (USD), the Euro and the Australian dollar (AUD) over the year in April. However, on a monthly basis, the FJD strengthened against the JPY, Euro and the NZD while it depreciated against the AUD and USD.

232 In April, the nominal effective exchange rate (NEER) rose by 1.1 percent both over the month and year mostly driven by the USD and Euro. Similarly, the real effective exchange rate (REER) also appreciated over the month (2.2 percent) and year (3.5 percent) denoting an overall weakening in trade competitiveness with its key trading partners.

Monetary Policy

233 The Reserve Bank of Fiji (RBF) has maintained an accommodative monetary policy stance with the Overnight Policy Rate (OPR) unchanged at 0.25 percent since March 2020.

CHAPTER 3: GOVERNMENT'S FISCAL PERFORMANCE

- 3.1 Strengthening fiscal and debt sustainability remains a key priority for the Coalition Government. In the 2023-2024 National Budget, the path for fiscal consolidation has been cemented with a combination of well-crafted revenue reforms and expenditure policies. As such, Government debt has been successfully put on a downward trajectory and is projected to fall to around 78.0 percent of GDP by July 2024, down from 90.6 percent recorded in July 2022.
- 3.2 While rebuilding fiscal buffers is imperative, fiscal consolidation measures must be considerate of macroeconomic stability and socio-economic needs of Fiji. In this context, fiscal policy design going forward must be agile and responsive to prevailing economic conditions to allow Fiji to have a stable, secure and sustainable economic growth and development in the long term.
- 3.3 Global economic conditions have been marred by tight financial conditions, geoeconomic fragmentation and ongoing geopolitical tensions. While global growth is anticipated to be steady at 3.2 percent, the medium-term outlook is much lower than the 20-year average of 3.8 percent.
- 3.4 The economic slowdown in Fiji's major trading and tourism markets especially Australia and New Zealand pose additional challenges to the Fijian economy. In addition, domestically, the weak performance in resource-based sectors in the first five months of this year coupled with slow implementation of key investment projects due to capacity constraints and loss of skilled workers and its ensuing impact on consumption spending will be a drag on growth in 2024.
- 3.5 Consequently, the 2024 growth forecast has been downgraded to 2.8 percent from an earlier projection of 3.4 percent. Growth in the medium-term is projected to be similar to the pre-pandemic trend of around 3.0 percent. Given the recent developments, fiscal policy in this Budget has been geared to provide additional impetus to support growth with adequate funding in key priority sectors and high impact infrastructure projects.

FY2023-2024 Fiscal Performance

- 3.6 At the end of FY2023-2024, Government is anticipated to record a net deficit of around \$528.6 million, equivalent to -4.0 percent of GDP, lower than the budgeted net deficit of -4.8 percent and -7.1 percent net deficit achieved in FY2022-2023. This is derived from estimated total revenues of \$3,577.6 million (27.2 percent of GDP) and total expenditures of \$4,106.2 million (31.2 percent of GDP). **Table 2** below provides the summary of Government's fiscal performance for FY2023-2024.
- 3.7 Compared to the previous financial year (FY2022-2023), total revised revenue estimates are higher by \$827.8 million or 30.1 percent, while total revised

expenditure estimates are higher by \$517.0 million or 14.4 percent. In contrast, in comparison to the FY2023-2024 Budget, the revised revenue estimates are lower by \$123.1 million or -3.3 percent, while the revised expenditure estimates are lower by \$233.6 million or -5.4 percent.

Table 2: Fiscal Performance for FY2023-2024

\$Million	2022-2023 (Actual)	2023-2024 (Budget)	2023-2024 (Revised Estimate)
Revenue	2,749.8	3,700.7	3,577.6
<i>As a % of GDP</i>	<i>23.1</i>	<i>27.9</i>	<i>27.2</i>
Tax Revenue	2,285.0	3,107.7	3,035.9
Non-Tax Revenue	464.8	593.1	541.7
Expenditure	3,589.2	4,339.9	4,106.2
<i>As a % of GDP</i>	<i>30.2</i>	<i>32.7</i>	<i>31.2</i>
Net Deficit	-839.4	-639.1	-528.6
As a % of GDP	-7.1	-4.8	-4.0
Debt	9,747.5	10,521.4	10,276.1
<i>As a % of GDP</i>	<i>82.0</i>	<i>79.3</i>	<i>78.0</i>
GDP at Market Prices	11,880.0	13,266.6	13,170.2

Source: Ministry of Finance

- 38 Tax revenue for FY2023-2024 is expected to be \$3,035.9 million, lower by \$71.7 million or -2.3 percent compared to the original budget and higher by \$750.9 million or 32.9 percent relative to FY2022-2023. On one hand, income taxes have been broadly buoyant driven by the better performance in corporate taxes and PAYE, while on the other, there has been consecutive below forecast collections in consumption taxes especially VAT. Apart from this, the forecast did not anticipate a payout of \$26.0 million in Capital Gains Tax refund to Fiji Cayman Holdings.
- 39 The underperformance particularly in domestic VAT is due to a combination of factors such as existing compliance issues and slowdown in consumer spending largely attributed to the decline in population as a result of migration, Fijians going on longer term work permits and as well as student and tourist visas. Compared to the previous years, actual VAT collections have been strong given the pick-up in the economy and the increase in the VAT rate. In FY2023-2024, net VAT collections is expected to rise by a significant 32.4 percent when compared to FY2022-2023.
- 3.10 In the first ten months of FY2023-2024 (August 2023 to May 2024), Government collected \$2,461.0 million in tax revenues, 81.1 percent of the revised tax revenue. Compared to the same period last financial year (August 2022 to May 2023), overall tax collections have increased by \$601.7 million or 32.4 percent.
- 3.11 Non-tax revenue is estimated at \$541.7 million, lower than the budget by \$51.3 million or -8.7 percent. This is largely attributed to lower collections from grants-in-aid and reimbursement and recoveries, while higher collections were received

from other revenue and surpluses, dividends from investments and sale of Government assets. When compared to FY2022-2023, non-tax revenue is higher by \$76.9 million or 16.5 percent.

- 3.12 In the first ten months of FY2023-2024, non-tax revenue stood at \$359.7 million, representing 66.4 percent of the total revised non-tax revenue that is expected to be collected by the end of July 2024.
- 3.13 Total Government spending for FY2023-2024 is estimated at \$4,106.2 million, lower by \$233.6 million or -5.4 percent compared to the budget. Operating expenditure has been revised to \$2,984.1 million, while Capital expenditure has been revised to \$1,039.0 million from \$3,036.9 million and \$1,192.1 million, budgeted for FY2023-2024, respectively. In terms of the utilisation against the total revised estimate, total spending in the first ten months of the current fiscal year stood at 78.2 percent.
- 3.14 Given the lower deficit of -4.0 percent of GDP estimated for FY2023-2024, Government debt is now projected at 78.0 percent of GDP (\$10,276.1 million) compared to earlier forecast of 79.3 percent of GDP.

FY2024-2025 Budget

- 3.15 For FY2024-2025, net deficit is budgeted at \$635.5 million or -4.5 percent of GDP. This is based on an estimated total revenue of \$3,916.7 million and total expenditure of \$4,552.2 million. The targeted fiscal deficit for FY2024-2025 will be financed by a combination of domestic and concessional external borrowing. Government debt is projected at 77.8 percent of GDP (\$10,911.6 million) by the end of July 2025.
- 3.16 Tax revenue collections are projected at \$3,299.0 million for FY2024-2025, an increase of \$263.1 million (8.7 percent) compared to the revised FY2023-2024 estimate. The increase in tax revenue is largely driven by the broad-based economic growth, strengthening compliance as well as increase in departure tax rates, excise duties and water resource tax.
- 3.17 The tax to GDP ratio is forecast to improve to 23.5 percent in FY2024-2025 from 23.1 percent in FY2023-2024. The following key revenue measures are considered in the Budget:
- Given the strong recovery in the tourism sector, the departure tax will increase from \$140.00 to \$170.00 from 1 August 2024. Apart from this, the transit hours for airport departure tax exemption will be reduced from 96 hours to 48 hours effective from 1 August 2024. This will give around \$46.4 million in additional revenues. Departure tax will be further increased to \$200.00 from 1 August 2025;

- In the FY2023-2024 Budget, a 3 percent fiscal duty was imposed on raw materials. Based on the sentiments received from the industry particularly on the challenges faced relating to cost of production and loss of competitiveness, the 3 percent fiscal duty will be removed on Customs Concession Code 231 and 236 specifically on the importation of raw materials, machinery and packaging materials that are not manufactured and available locally. As a result, Government would forego revenues of around \$20.9 million from this change;
- The construction industry has noted a shift from conventional building methods towards modern building techniques and prefabricated buildings. To assist the construction sector in light of the high building & material costs, the fiscal duty on prefabricated buildings (consisting of prefab buildings of wood, modular building units of steel and other prefab buildings) will be reduced from 32 percent to 5 percent, resulting in an estimated revenue loss of \$1.3 million. However, fiscal duty on steel structures or articles of iron will be maintained at 5 percent;
- Increase in excise duty on alcohol and tobacco products by 5 percent, while duty on carbonated or sugar-sweetened beverages will be maintained at 40 cents per litre/kg. This is estimated to have a revenue gain of \$6.1 million. The increase in excise tax will assist in mitigating non-communicable diseases associated with the consumption of alcohol and tobacco in addition to complementing revenue;
- In the 2023-2024 National Budget, the Water Resource Tax (WRT) was increased from 18.0 cents to 19.5 cents for producers extracting over 10 million liters per month. Along with the increase in the WRT, the income of entities involved in the extraction and bottling of water was exempt from income tax for 7 years. The increase in WRT was intended to recoup the income tax foregone as a result of income tax exemption. The rate, however, was only increased for the top tier, while the income tax exemption was granted to the entire industry. To bring fairness in the industry and ensure that all the industry players contribute to taxes, the water resource tax rate for producers extracting below 10 million liters per month will be increased from 1 cent per liter to 5 cents per liter effective from 1 August 2024, which is expected to generate around \$2.3 million in additional revenue;
- Prior to June 2020, the threshold for personal imports under Code 212 was \$400. The threshold was increased to \$2,000 during COVID-19 to encourage imports for personal use and assistance from families overseas. The threshold for personal imports under Code 212 will be reduced to \$1,000 and 15 percent VAT will be applied. This is expected to result in a revenue gain of \$0.9 million. Importation under this Code will further prohibit importation of electronic cigarettes and vapes, which currently prohibits all types of liquor and tobacco only; and

- 3.18 Other tax reforms include the review of the customs concessions and tax incentives regime aimed at reducing costs, removing protectionism and harmonising the rates. Refer to **Chapter 9** on Tax Policy Measures for more details.
- 3.19 Non-tax revenues are estimated at \$617.7 million in FY2024-2025, an increase of \$76.0 million or 14.0 percent compared to FY2023-2024. Government is expected to receive around \$178.6 million in cash grants and around \$162.3 million in dividends from State Owned Enterprises (SOEs) and profits from the RBF in FY2024-2025. Additional revenues of \$50.0 million in reimbursement and recoveries from various existing trust fund accounts is also expected to be received by Government.
- 3.20 Based on the above, the total revenue projection for FY2024-2025 is \$3,916.7 million. This includes tax revenue of around \$3,299.0 million and \$617.7 million in non-tax revenue. A detailed breakdown of revenues is provided in the 2024-2025 Budget Estimates.
- 3.21 Total Government expenditure for FY2024-2025 is budgeted at \$4,552.2 million, around \$446.0 million or 10.9 percent higher than the revised estimate for FY2023-2024. The increase in total expenditure accounts for increases in both current and capital expenditure, including increased funding for social protection, education, health and infrastructure. The operating capital mix for the 2024-2025 Budget stands at 73:27. Further expenditure details are provided in the 2024-2025 Budget Estimates.
- 3.22 **Table 3** below outlines the fiscal framework for FY2024-2025. The projected total gross deficit, which is the sum of the net deficit and principal debt repayments, is around \$984.6 million. The gross deficit will be financed through domestic market and external borrowings from multilateral and bilateral development partners. The financing details are provided in the 2024-2025 Budget Estimates.

Table 3: Fiscal Framework FY2024-2025

Particulars	\$Million
Revenue	3,916.7
As a % of GDP	27.9
<i>Tax Revenue</i>	<i>3,299.0</i>
<i>Non-Tax Revenue</i>	<i>617.7</i>
Expenditure	4,552.2
As a % of GDP	32.5
Net Deficit	-635.5
<i>As a % of GDP</i>	<i>-4.5</i>
Gross Deficit	-984.6
Debt	10,911.6
<i>As a % of GDP</i>	<i>77.8</i>
GDP at Market Prices	14,022.8

Source: Ministry of Finance

- 3.23 **Table 4** depicts Government's Cashflow from FY2022-2023 to FY2024-2025.

Table 4: Cashflow Statement

\$Million	2022-2023 (Actual)	2023-2024 (Revised)	2024-2025 (Budget)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Direct Taxes	659.4	977.1	1,029.7
Indirect Taxes (excluding SEG 13 VAT)	1,586.4	1,975.7	2,152.3
<i>Value Added Tax</i>	968.8	1,251.1	1,346.2
<i>Customs Taxes</i>	471.7	553.4	569.6
<i>Service Turnover Tax</i>	0.1	0.2	-
<i>Water Resource Tax</i>	74.7	71.8	81.2
<i>Departure Tax</i>	61.7	88.4	144.2
<i>Stamp Duty</i>	0.2	0.1	-
<i>Telecommunication Levy</i>	0.8	0.8	0.8
<i>Environment and Climate Adaptation Levy</i>	8.3	9.9	10.2
Fees, Fines, Charges & Penalties	161.7	164.0	169.4
Grants in aid	167.0	191.6	178.6
Dividends from Investment	80.2	126.7	162.3
Reimbursement & Recoveries	12.9	11.4	61.1
Other Revenues and Surpluses	40.1	37.8	39.2
Total Operating Receipts	2,707.6	3,484.3	3,792.6
Payments			
Personnel	963.9	1,032.4	1,188.3
Transfer Payments	678.4	863.0	932.0
Supplies and Consumables	300.1	324.1	367.9
Purchase of Outputs	166.0	233.5	203.9
Interest Paid	456.3	529.4	540.0
Other Operating Payments	1.7	1.7	3.7
Total Operating Payments	2,566.4	2,984.1	3,235.7
Net cash flows from operating activities	141.2	500.3	556.9
<i>As a % of GDP</i>	<i>1.2</i>	<i>3.8</i>	<i>4.0</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Sale of Government Assets	1.4	7.9	1.2
Interest from Bank Balance	0.5	1.5	1.8
Interest on Term Loans and Advances	0.9	0.8	4.0
Return of Surplus Capital from Investment	0.1	-	-
Total Investing Receipts	3.0	10.1	7.0
Payments			
Transfer Payments	879.2	866.5	963.4
Purchase of Physical Non-current Assets	104.4	172.5	236.0
Total Investing Payments	983.7	1,039.0	1,199.4
Net Cash Flows from Investing Activities	(980.7)	(1,028.9)	(1,192.4)
<i>As a % of GDP</i>	<i>-8.3</i>	<i>-7.8</i>	<i>-8.5</i>
NET (DEFICIT)/SURPLUS	(839.4)	(528.6)	(635.5)
<i>As a % of GDP</i>	<i>-7.1</i>	<i>-4.0</i>	<i>-4.5</i>

Source: Ministry of Finance

324 **Table 5** provides the revenue and expenditure aggregates from FY2022-2023 to FY2024-2025.

Table 5: Revenue and Expenditure Aggregates

\$Million	2022-2023 (Actual)	2023-2024 (Revised)	2024-2025 (Budget)
Total Revenue (excluding SEG 13 VAT)	2,710.6	3,494.5	3,799.6
<i>As a % of GDP</i>	<i>22.8</i>	<i>26.5</i>	<i>27.1</i>
Total Expenditure (excluding SEG 13 VAT)	3,550.0	4,023.1	4,435.1
<i>As a % of GDP</i>	<i>29.9</i>	<i>30.5</i>	<i>31.6</i>
Total Revenue (including SEG 13 VAT)	2,749.8	3,577.6	3,916.7
<i>As a % of GDP</i>	<i>23.1</i>	<i>27.2</i>	<i>27.9</i>
Total Expenditure (including SEG 13 VAT)	3,589.2	4,106.2	4,552.2
<i>As a % of GDP</i>	<i>30.2</i>	<i>31.2</i>	<i>32.5</i>
GDP at Market Prices	11,880.0	13,170.2	14,022.8

Source: Ministry of Finance

Operating Revenue

325 Total direct tax collections (personal income tax, corporate tax, withholding tax, capital gains tax, fringe benefit tax and other taxes) is anticipated at \$977.1 million in FY2023-2024 and \$1,029.7 million in FY2024-2025. Collections for indirect taxes (including VAT, customs duties, water resource levy, departure tax and other levies) are projected at \$1,975.7 million in FY2023-2024 and \$2,152.3 million in FY2024-2025, an increase of \$176.6 million or 8.9 percent.

326 Increase in collections for fees, fines and charges in FY2023-2024 and FY2024-2025 is driven by Land Transport Authority fees and fines, water charges and immigration fees. For grants-in-aid, the estimated collection at the end of FY2023-2024 is forecast at \$191.6 million, while the projection for FY2024-2025 is \$178.6 million. Dividend receipts are expected to total \$126.7 million in FY2023-2024 and increase to \$162.3 million in FY2024-2025.

327 For FY2024-2025, Government expects to receive around \$3,792.6 million in operating revenue, an increase of \$308.3 million (8.8 percent) when compared to FY2023-2024.

Operating Payments

328 For FY2023-2024, the largest component of operating expenditure is personnel costs, which was around \$1,032.4 million⁶, representing 34.6 percent of operating expenditure and 25.1 percent of total expenditure. For FY2024-2025, personnel costs are expected to be around \$1,188.3 million, an increase of \$155.9 million (15.1 percent) to cater for salary increment and superannuation contributions.

⁶ Revised estimate based on the August 2023-May 2024 performance.

- 329 A number of other operational expenditures are being considered for next financial year, while some key initiatives are discussed in **Chapter 1**, with a detailed breakdown of expenditures provided in the 2024-2025 Budget Estimates.
- 330 Based on these changes, the total operating expenditure for FY2024-2025 is set at \$3,235.7 million, an increase of \$251.7 million or 8.4 percent. Operating expenditure accounts for around 73.0 percent of total expenditure.

Net Cashflow from Operating Activities

- 331 Government recorded an operating surplus of \$141.2 million (1.2 percent of GDP) in FY2022-2023. For FY2023-2024, Government is anticipated to record operating surplus of \$500.3 million (3.8 percent of GDP) and for FY2024-2025, Government is expected to continue recording an operating surplus of around \$556.9 million (4.0 percent of GDP).

Investing Revenue

- 332 Investing revenues, comprising receipts from disposal of Government assets, interest from bank balance & term loans, and return of surplus from Trading & Manufacturing Account (TMA) operations, stood at \$3.0 million in FY2022-2023 and is anticipated to be around \$10.1 million in FY2023-2024. For FY2024-2025, investing revenue is expected to be around \$7.0 million.

Investing Payments

- 333 Government will fund existing and new investment projects for roads, water, health and energy in the 2024-2025 Budget. Based on the changes in investing programmes, total capital expenditure for FY2024-2025 is around \$1,199.4 million, higher by \$160.4 million or 15.4 percent in comparison to FY2023-2024.

Net Cashflows from Investing Activities

- 334 A net investing deficit of \$980.7 million was recorded in FY2022-2023. For FY2023-2024 and FY2024-2025, the anticipated net investing deficit is around \$1,028.9 million and \$1,192.4 million, respectively.

Net Deficit

- 335 Government achieved a net deficit position of \$839.4 million (-7.1 percent of GDP) in FY2022-2023. The estimated net deficit for FY2023-2024 is \$528.6 million (-4.0 percent of GDP), while the net deficit target for FY2024-2025 is \$635.5 million (-4.5 percent of GDP).

CHAPTER 4: MEDIUM-TERM FISCAL STRATEGY & 15-YEAR FISCAL FRAMEWORK

- 4.1. This chapter discusses the Coalition Government's strong commitment to restore fiscal sustainability, reduce debt, improve fiscal transparency and accountability, ensure quality and targeted expenditure.
- 4.2. The Medium-Term Fiscal Strategy (MTFS) covering the period FY2024-2025 to FY2026-2027 was approved by Cabinet and tabled to Parliament earlier this year. The overarching objective of this MTFS is to safeguard macroeconomic stability by promoting sustainable and resilient growth, addressing socio-economic challenges, nurturing inclusive development and building economic and fiscal safeguards to respond to future shocks.
- 4.3. In addition, with Fiji's commitment to advancing gender equality, the MTFS also places a strong emphasis on Gender Responsive Budgeting (GRB). Through targeted allocations and policies, the Government aims to address gender disparities, foster inclusivity, and promote sustainable development. This proactive approach underscores Fiji's dedication to ensuring that budget decisions positively impact all genders, fostering a more equitable and resilient society.

Medium-Term Fiscal Framework

- 4.4. The Medium-Term Fiscal Framework (MTFF) provides the broad revenue, expenditure, deficit and debt targets for FY2024-2025 and the medium-term. With expected revenue collections of \$3,916.7 million and expenditure level of \$4,552.2 million, Government is projected to achieve a net deficit target of \$635.5 million, equivalent to -4.5 percent of GDP in FY2024-2025. Accordingly, Government debt will fall to 77.8 percent of GDP from 78.0 percent of GDP anticipated for FY2023-2024.
- 4.5. **Table 6** provides the fiscal framework for FY2024-2025 and the medium-term.

Table 6: Medium-Term Fiscal Targets

\$Million	2023-2024 (Revised)	2024-2025 (Budget)	2025-2026 (Budget)	2026-2027 (Budget)
Revenue	3,577.6	3,916.7	4,095.9	4,214.5
As a % of GDP	27.2	27.9	27.8	27.2
Tax	3,035.9	3,299.0	3,469.9	3,644.9
Non-Tax	541.7	617.7	626.0	569.5
Expenditure	4,106.2	4,552.2	4,648.1	4,758.7
As a % of GDP	31.2	32.5	31.5	30.7
Net Deficit	(528.6)	(635.5)	(552.2)	(544.2)
As a % of GDP	(4.0)	(4.5)	(3.7)	(3.5)
Debt	10,276.1	10,911.6	11,463.8	12,008.0
As a % of GDP	78.0	77.8	77.7	77.6
GDP at Market Price	13,170.2	14,022.8	14,745.9	15,483.2

Source: Ministry of Finance

- 4.6. The net deficit for FY2025-2026 is \$552.2 million or 3.7 percent of GDP based on projected total revenues of \$4,095.9 million (27.8 percent of GDP) and total expenditure of \$4,684.1 million (31.8 percent of GDP). Accordingly, Government debt stock is estimated to be around \$11,463.8 million or 77.7 percent of GDP.
- 4.7. With a net financing requirement of less than \$600.0 million in the next fiscal year, deficit financing is not expected to be an issue given the appetite of local financial institutions such as FNPF and the availability of concessional financing from multilateral banks and development partners. Hence, in FY2025-2026 and FY2026-2027, net deficit targets of \$552.2 million (-3.7 percent of GDP) and \$544.2 million (-3.5 percent of GDP) can be easily financed domestically.

Revenue Strategy

- 4.8. Government revenue is now projected to increase to around 27.0 percent of GDP in the medium term, similar to pre-COVID levels. Since significant changes to taxes have been implemented, there is little opportunity for subsequent changes in tax rates in the near to medium-term. The focus therefore will shift towards improving compliance through education and self-regulation, streamlining and re-evaluating some of the tax exemptions and incentives and putting strategies to counter deliberate tax evasion and avoidance.
- 4.9. The following will be the guiding policy principles in the medium term:
- Widen the tax base by gradually removing exemptions and other distortions and bringing provisions in place to collect revenues from e-commerce transactions;
 - Improve tax compliance and collection of tax arrears;
 - Make the tax regime and tax administration even simpler to encourage tax compliance;
 - Review the VAT regime to move towards a single rate when the time is appropriate, including expenditure strategies to support the vulnerable;
 - Review the Export Income Deduction incentive with a view to remove Fiji out of the EU blacklist; and
 - Review non-tax revenues on a cost recovery basis while also ensuring that the vulnerable and disadvantaged are protected.

Expenditure Strategy

- 4.10. The expenditure policy outlined in this MTFS aims to maintain a level of spending that can be financed at a reasonable cost, considering prevailing economic conditions and anticipated revenue. In the medium term, operating expenditures must be capped, service delivery to be improved through increasing efficiency,

reducing unproductive spending⁷, reviewing/reducing transfers to extra budgetary units, streamlining operations and at the same time prioritizing high impact capital projects. In view of this, total expenditure in the medium-term should be reduced to below 30 percent of GDP with operating to capital mix of at least 70:30. Government's expenditure plans will be guided by these strategies:

- Increase the efficiency of public expenditure to control the growth of expenses at sustainable levels;
- Undertake a holistic review to right-size the civil service and contain the public sector wage bill;
- Tighten control on operational expenditures, including travel, communications, trainings, workshops, fuel & maintenance and purchase of supplies with KPIs of agency heads and Permanent Secretaries linked to these targets;
- Restructure the social protection framework to prioritize the most vulnerable segments of society, and reforming existing subsidy mechanisms;
- Conduct proper investment appraisal and project selection for all new capital projects and strictly adhering to the Public Sector Investment Programme guidelines;
- Resources must be allocated based on a multi-year perspective and the implementation capacity of agencies, considering the need to meet competing expenditure demands;
- Major existing programmes to be reviewed and Government should ensure that all financial resources allocated are used prudently to derive real value for money;
- All new initiatives to be rolled out in phases to manage costs and pilot testing should be done for the rollout of major initiatives;
- Encourage more private sector participation in public infrastructure projects and delivery of other public services through PPP and other innovative arrangements;
- Proper and effective monitoring of projects and budget utilisation through the Ministry of Finance; and
- Funding for ongoing programmes to be based on assessment of current and past performance and progressive achievement of planned outputs.

⁷ To improve the effectiveness and quality of public services, Government will focus on zero-based budgeting in the medium-term. Zero-based budgeting requires that all Ministries and agencies provide proper 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.

Debt Management Strategy

4.11. The broad objectives of Government debt strategy in the medium-term will remain as follows:

- Minimise the medium to long-term cost of Government debt within prudent levels of risk; and
- Support the development of a well-functioning domestic market for debt securities.

4.12. Government will focus on the following debt management policies to guide its borrowing in FY2024-2025 and onwards in order to achieve the above objectives:

- Continue to lower the cost of debt through concessional financing from development partners;
- Change the maturity profile through a gradual reduction in Treasury Bills and issuances of short and medium-term bonds (2-year to 5-year tenor);
- Continue issuances of long-term bonds (10-year to 20-year tenor) and introduce new maturity terms (above 20 year) to finance deficits;
- Develop the domestic bond market to focus more on transparency, secondary market trading, settlement mechanisms and investor diversification;
- Undertake liability management operations such as call-backs, bond buybacks and switch operations;
- Consider the embedded options available for external loans; and
- Undertake thorough analysis and assessment of Government agencies with lending and on lending arrangement and guarantees to minimise risks.

15-Year Fiscal Framework

4.13. The 15-Year Fiscal Framework provides the broad revenue, expenditure, deficit and debt targets for the next 15 years (**Table 7**). The baseline assumptions for this framework are as follows:

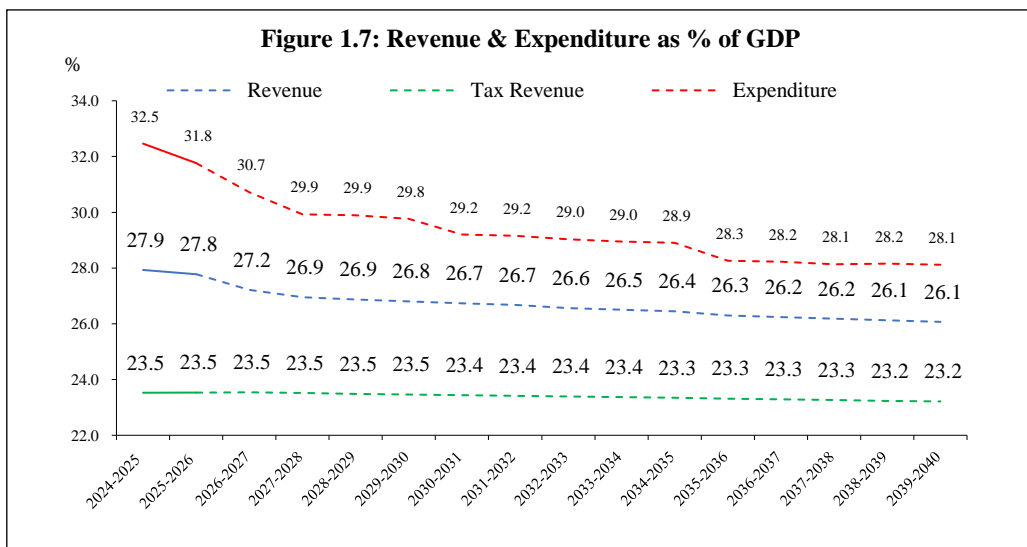
- Real GDP growth of 3.0 percent;
- Inflation of 2-3 percent;
- Domestic interest rates to be around 10-year average; and
- Financing mix to be around 70:30 (+/-5).

Table 7: 15-Year Fiscal Framework Targets

\$Million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 9	Year 12	Year 15
FY Ending	2026	2027	2028	2029	2030	2031	2034	2037	2040
Revenue	4,095.9	4,214.5	4,402.1	4,631.5	4,873.3	5,128.4	5,969.3	7,005.6	8,253.2
As a % of GDP	27.8	27.2	26.9	26.9	26.8	26.7	26.5	26.2	26.1
Tax	3,469.9	3,644.9	3,841.1	4,047.9	4,265.9	4,495.8	5,263.1	6,217.6	7,346.9
Non-Tax	626.0	569.5	561.0	583.6	607.4	632.6	706.1	788.0	906.3
Expenditure	4,648.1	4,758.7	4,891.3	5,154.3	5,413.8	5,604.1	6,524.2	7,540.6	8,900.3
As a % of GDP	31.5	30.7	29.9	29.9	29.8	29.2	29.0	28.2	28.1
Net Deficit	(552.2)	(544.2)	(489.2)	(522.9)	(540.4)	(475.7)	(555.0)	(535.0)	(647.2)
As a % of GDP	-3.7%	-3.5%	-3.0%	-3.0%	-3.0%	-2.5%	-2.5%	-2.0%	-2.0%
Debt	11,463.8	12,008.0	12,497.2	13,020.1	13,560.6	14,036.2	15,627.8	17,248.0	19,063.9
As a % of GDP	77.7	77.6	76.5	75.6	74.6	73.2	69.4	64.6	60.2
Nominal GDP	14,745.9	15,483.2	16,334.7	17,233.2	18,181.0	19,180.9	22,523.0	26,698.8	31,648.7

Source: Ministry of Finance

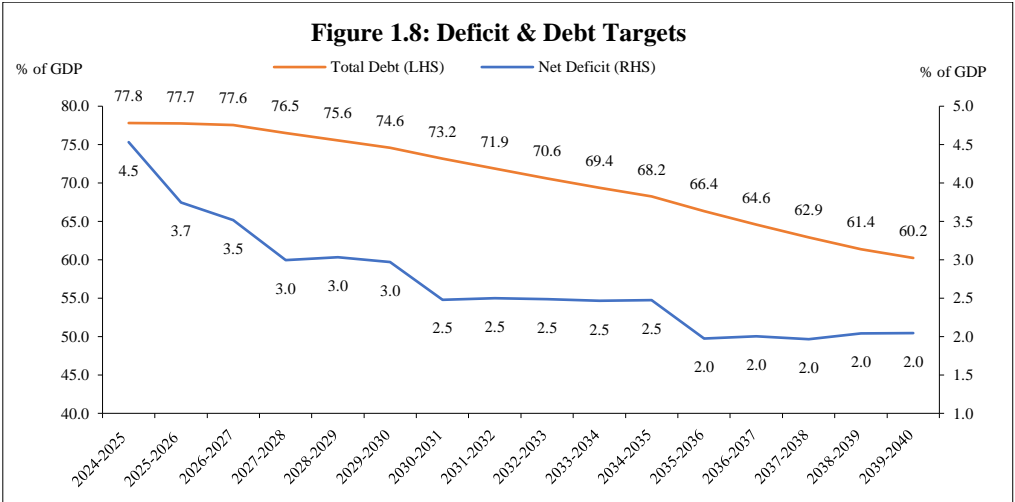
- 4.14. Government revenue is projected to remain above 26.0 percent of GDP, while tax revenues as a percent of GDP will average around 23.4 percent of GDP over the period of 15 years. The relatively stable tax revenues will be complemented by improvement in tax compliance and greater efficiency in the tax system. The slight reduction in total revenue from 27.9 percent in FY2024-2025 to 26.1 percent in FY2039-2040 is largely due to lower budget support grants expected from our development partners (**Figure 1.7**).



Source: Ministry of Finance

- 4.15. Government intends to improve the quality of spending with strict adherence to PSIP guidelines, scaling up growth enhancing expenditure and enhancing implementation capacity with performance-based budgeting and other major expenditure reforms in the next 15-years. Government spending is projected to decrease from 32.5 percent of GDP in FY2024-2025 to 28.1 percent of GDP by FY2039-2040. In the review period, operating expenditure as a percent of GDP is projected to decline from 23.1 percent to 18.2 percent of GDP. In contrast, capital

expenditure as percent of GDP is projected to increase from 8.6 percent to 9.3 percent by FY2039-2040. Subsequently, operating to capital mix is expected to improve from 73:27 to 66:34 by FY2039-2040.



Source: Ministry of Finance

- 4.16. In the next 3 fiscal years, net deficit as a percent of GDP will be above 3.0 percent of GDP as Government will focus on getting the basics right through higher capital spending to improve economic and social infrastructure. Net deficit will gradually reduce from 2.5 percent of GDP to 2.0 percent over the 10-year period (FY2030-2031 to FY2039-2040). Primary balance as a percent of GDP is expected to improve from -0.7 percent to an average of 0.6 percent by FY2039-2040 (**Figure 1.8**).
- 4.17. Consistent with deficit target set for the 15 years, Government debt is projected to fall from 77.8 percent of GDP in FY2024-2025 to 60.2 percent by FY2039-2040. The debt to GDP ratio of 60.2 percent by the end of FY2039-2040 is based on the real growth of 3.0 percent and inflation of 2 to 3 percent.
- 4.18. Should the economy grow faster than 3.0 percent, the debt to GDP ratio target of 60.0 percent can be achieved much earlier. For instance, with a real growth of 5.0 percent, debt to GDP target of 60.0 percent can be achieved in just 9 years. Therefore, a clear growth-raising policy is fundamental to complement deficit reduction and a faster lowering of the debt to GDP ratio.

CHAPTER 5: GOVERNMENT DEBT AND INVESTMENTS

- 5.1 This chapter provides an update on Government's Balance Sheet, covering major assets and liabilities, arrears of revenue, public debt, contingent liabilities and Government's investment in State Owned Enterprises (SOEs).

Government Debt

- 5.2 Section 59 of the Financial Management Act (FMA) 2004 provides legal framework for the Minister responsible for Finance to borrow money on behalf of the Government of Fiji. Under Section 59A of the FMA (Amendment Act) 2021 the Ministry of Finance is required to prepare the debt management strategy which sets out Government of Fiji's plan to source financing, manage associated costs and risks and pursue its objectives.
- 5.3 Government with the assistance of ADB has developed and approved its Medium-Term Debt Management Strategy (MTDS) for the three fiscal years, FY2023-2024 to FY2025-2026. The MTDS is aligned with Government's medium-term fiscal framework with an overarching objective to manage financing, minimise the cost of debt within prudent levels of risk and to support the development of a well-functioning domestic market for debt securities. The MTDS will guide borrowing decisions for Government programs and capital infrastructure projects, while being mindful of the cost of debt and minimising risks embedded in the current debt portfolio.
- 5.4 The Coalition Government's fiscal consolidation plan to reduce deficits through major revenue reforms in FY2023-2024 Budget has put debt on a downward trajectory. Debt as a percentage of GDP fell over the last two fiscal years, declining from 90.6 percent in FY2021-2022 to 82.0 percent in FY2022-2023 and further to 78.0 percent by the end of FY2023-2024.
- 5.5 The projected total Government debt as of July 2024 is \$10,276.1 million, equivalent to 78.0 percent of GDP, of which \$6,593.2 million (64.2 percent) is domestic debt and \$3,682.9 million (35.8 percent) external debt. **Table 8** shows Government's debt position from FY2019-2020 to FY2023-2024.

Table 8: Total Government Debt (\$Million)

Particulars	July-20	July-21	July-22	July-23	July-24(f)
Domestic Debt	4,976.5	5,241.2	5,767.4	6,170.5	6,593.2
External Debt	1,709.5	2,422.5	3,364.1	3,577.0	3,682.9
Total Debt	6,686.0	7,663.7	9,131.5	9,747.5	10,276.1
Debt (As a % of GDP)	62.7	84.2	90.6	82.0	78.0
Domestic Debt to Total Debt (%)	74.4	68.4	63.2	63.3	64.2
External Debt to Total Debt (%)	25.6	31.6	36.8	36.7	35.8
Nominal GDP	10,660.7	9,098.8	10,082.4	11,880.0	13,170.2

Source: Ministry of Finance

- 5.6 Government's borrowing mix since July 2022 has slightly deviated from its internal benchmark of 70:30 (+/-5) domestic to external debt. This is attributed to the increase in concessional borrowings from development partners in the last three years amounting to \$1.0 billion. Concessional borrowings are characterised by lower interest rates and longer grace periods and repayment terms.
- 5.7 The Ministry of Finance has finalised the joint budget support policy-based operations with development partners, including ADB, World Bank, Government of Australia (GoA), New Zealand Government (NZGov) and the European Union.⁸ The total funding comprises loans and grants of almost \$542.0 million, with \$474.0 million as immediate disbursement, while close to \$69.0 million will be accessed upon the declaration of any natural disasters. The funding from the ADB and the World Bank as lead development partners for the budget support program is pegged to a policy reforms package (refer to Chapter 7).
- 5.8 In early 2022, the ADB Board approved Fiji's reclassification as a Group B country under its graduation policy which allowed Fiji to access ADB concessional financing. Towards the end of 2023, the ADB further endorsed soft lending terms to Small Island Developing States (SIDS), including Fiji and aligned their maturity terms with the World Bank IDA terms. This will immensely benefit climate-resilient project financing and support efforts to reduce Fiji's cost of borrowing and re-build fiscal space.

Domestic Debt

- 5.9 Domestic debt is projected to be around \$6,593.2 million, equivalent to 50.1 percent of GDP by the end of July 2024 (**Table 9**). This comprises \$6,314.2 million in domestic bonds and \$279.0 million in Treasury bills (T-Bills). Institutional investors like the Fiji National Provident Fund (FNPF), insurance companies, commercial banks and other non-bank financial institutions play an active role in the domestic capital market, which continues to be the primary source of Government financing.

Table 9: Government's Domestic Debt (\$Million)

Particulars	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24 (f)
Bonds	4,681.0	4,967.7	5,483.9	5,905.4	6,314.2
Treasury Bills	269.7	273.5	283.5	265.1	279.0
Loan	25.8	-	-	-	-
Total Domestic Debt	4,976.5	5,241.2	5,767.4	6,170.5	6,593.2
Domestic Debt to GDP (%)	46.7	57.6	57.2	51.9	50.1

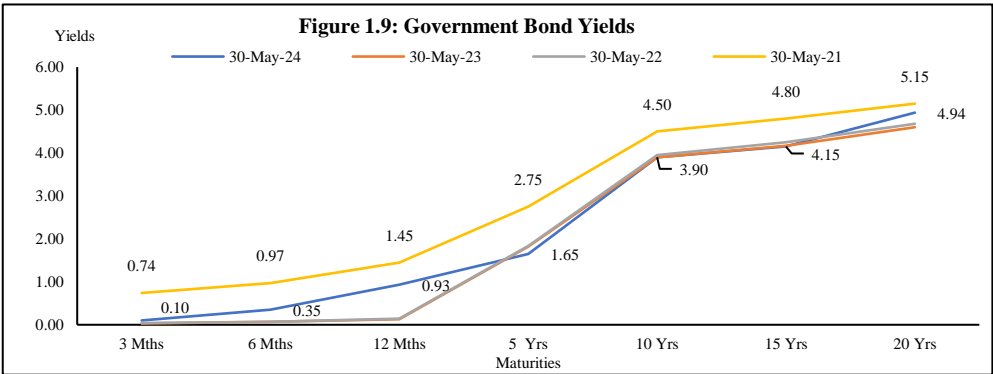
Source: Ministry of Finance

⁸ The Budget Support financing includes ADB-US\$70.0 million, World Bank-US\$125.0 million, GoA-AU\$58.0 million, NZGov-NZ\$4 million and EU-EUR3.0 million.

- 5.10 During FY2023-2024, domestic debt instruments consisted of Fiji Infrastructure Bonds (FIB), Fiji Sovereign Blue Bonds (FSBB) and retail bonds (Viti Bonds). A milestone achievement by Government in the domestic capital market was the issuance of its first FSBB on 8 November 2023 amounting to \$20.0 million for a term of 3 years and 15 years. Government received overwhelming support from financial institutions and stakeholders with an oversubscription three times more than the amount issued. Total of 18 projects have been selected for funding under the FSBB, which are expected to yield multiplier economic benefits focusing on four key thematic areas: coastal protection, aquaculture sector, developing sustainable towns and cities with blue town concepts and enhancing solid waste management.
- 5.11 Similarly, retail bonds uptake during the financial year continue to attract small investors in the domestic capital market thus largely contributing to our expanded investor base. Retail bonds annual limit is \$10.0 million with the increase in uptake, the limits have been fully utilised annually since FY2019-2020. During FY2023-2024, Viti Bonds were on high demand and fully utilised within the first six months of the fiscal year.

Domestic Interest Rate Structure

- 5.12 Liquidity levels post COVID-19 was recorded at an all-time high exceeding the \$2.0 billion mark since January 2022 and remain at adequate levels until end of May 2024. This has pushed yields for Government debt instruments to historic lows resulting in slightly lower uptake of long-term Government securities. At the end of May 2024, liquidity stood at \$1.9 billion.
- 5.13 As illustrated in **Figure 1.9** below, at the end of May 2024, the shorter end of the yield curve rose significantly by 7 basis points, 28 basis points and 80 basis points for the 3-months, 6-months and 12 months respectively, while the longer end of the yield curve (20-year) rose by 34 basis points. In addition, the market yields for 10-year remained unchanged, while the 15-year bonds fell by 2 basis points when compared to the same period last year.



Source: Ministry of Finance

External Debt

- 5.14 External debt stock is projected to increase to \$3,682.9 million by the end of July 2024, equivalent to 28.0 percent of GDP (**Table 10**). The increase in external debt over the years is attributed to the concessional financing accessed by Government during and post COVID-19 periods.

Table 10: Government External Debt (\$Million)

Particulars	July-20	July-21	July-22	July-23	July-24 (f)
Loans	1,285.3	2,422.5	3,364.1	3,577.0	3,682.9
Global Bonds	424.2	-	-	-	-
Total External Debt	1,709.5	2,422.5	3,364.1	3,577.0	3,682.9
External Debt to GDP (%)	16.0	26.6	33.4	30.1	28.0

Source: Ministry of Finance

- 5.15 As at May 2024, a total of \$1.0 billion or 28.5 percent of external debt is highly concessional. However, the appreciation of the US dollar against the Fiji dollar has led to the increase in the value of external debt given that 81.9 percent of the external debt portfolio is denominated in US dollar.
- 5.16 In FY2023-2024, Government secured a budget support policy-based loan amounting to US\$125.0 million (approximately \$283.6 million) from the World Bank – IDA under the Fiji Growth and Resilience First Development Policy Financing and US\$70.0 million (approximately \$158.8 million) from the ADB under its Sustainable and Resilient Growth Program. The financing is co-funded with other development partners with the aim to restore fiscal sustainability and resilient economic growth, while building fiscal, community and private sector resilience to climate change and future shocks.
- 5.17 The USD denominated loans have increased significantly over the years attributed to policy-based programmatic loans with ongoing projects and infrastructure loans with multilateral lenders. By currency composition, USD denominated loans stands at 81.9 percent, followed by the Japanese Yen (JPY) and Chinese Renminbi (CNY) at 9.8 percent and 8.3 percent, respectively (**Table 11**).

Table 11: External Debt Stock by Currency (\$Million)

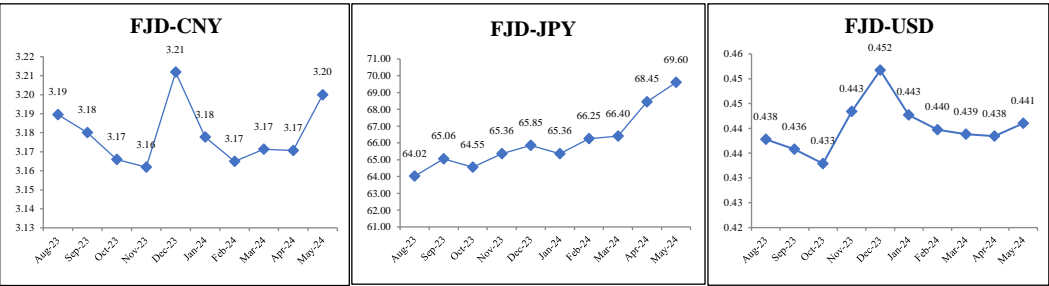
Particulars	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24(f)
USD	1,247.3	1,686.7	2,519.0	2,815.5	3,015.3
CNY	409.0	444.8	431.4	363.0	307.7
JPY	50.9	290.3	413.7	398.5	359.9
EUR	2.3	0.7	-	-	-
Total External Debt	1,709.5	2,422.5	3,364.1	3,577.0	3,682.9

Source: Ministry of Finance

- 5.18 In the first five months of 2024, the exchange rate movements have been generally mixed against major currencies as outlined in **Figure 2.0** below. The FJD was

relatively steady against the USD and CNY in contrast to the persistent strengthening against the JPY.

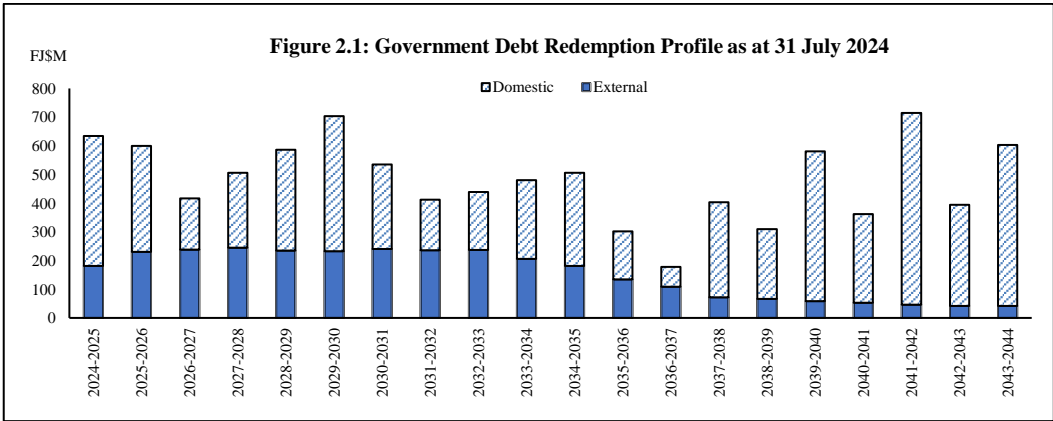
Figure 2.0: Exchange Rate Movements as at 31 May 2024



Source: Ministry of Finance

Government Debt Redemption Profile

5.19 Government’s debt portfolio is moderately smooth with an exception to the FY2028-2029, FY2029-2030, FY2041-2042 and FY2043-2044 periods which are relatively higher, attributed to the significant debt repayments in these respective periods. The FY2024-2025 domestic debt redemption is inclusive of short-term T-Bills. Government may explore some liability management operations such as bond buybacks and call backs to maintain an optimal maturity structure. **Figure 2.1** illustrate Government’s debt redemption profile.⁹



Source: Ministry of Finance

Risk Indicators

5.20 The risk indicators for Government debt portfolio are summarised in **Table 12** below.

⁹ Government’s debt maturity profile is based on the July 2024 disbursed outstanding debt (DOD) forecast.

Table 12: Risk Exposure as of July 2024¹⁰

		FY2022-2023			FY2023-2024 (f)		
		External debt	Domestic debt	Total debt	External debt	Domestic debt	Total debt
Amount (FJ\$ Million)		3,577.0	6,170.5	9,747.5	3,682.9	6,593.2	10,276.1
Amount (US\$ Million)		1,593.2	2,748.4	4,341.6	1,634.3	2,884.0	4,518.3
Nominal debt (% of GDP)		30.1	51.9	82.0	28.0	50.1	78.0
Refinancing risk	ATM (years)	10.7	10.3	10.5	11.0	10.5	10.7
	Debt maturing in 1 year (% of total)	4.8	9.5	7.8	6.1	5.7	5.9
Interest rate risk	ATR (years)	6.9	10.3	9.1	7.8	10.2	9.3
	Debt re-fixing in 1 year (% of total)	57.0	9.5	27.3	53.6	11.3	26.4
	Weighted Av. IR (%)	3.6	5.9	5.1	1.9	5.8	4.4
FX risk	FX debt (% of total debt)	36.7			35.8		

Source: Ministry of Finance

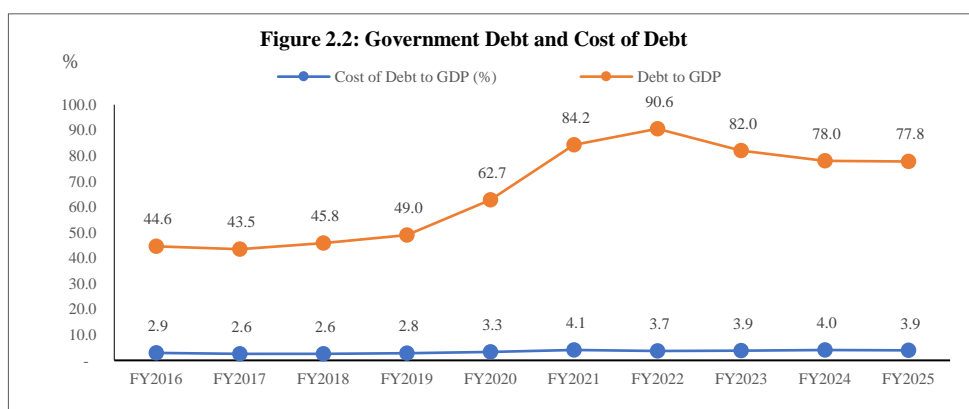
- 5.21 At the end of July 2024, the forecast weighted average interest rate for the total portfolio is expected to decline by 7 basis points to 4.4 percent when compared to 5.1 percent at the end of July 2023. This is based on the expected concessional financing towards the end of the period.
- 5.22 The Average Time to Maturity (ATM) of Government's debt portfolio, remain stable at close to 11 years with external at 11 years and domestic at 10.5 years. This is attributed to the longer-term maturities from the issuance of long-dated bonds in the domestic market and concessional financing during the period from development partners.
- 5.23 The Average Time to Refixing (ATR) describes the time taken in years to fix the interest rates. A shorter ATR implies that the debt portfolio is exposed to variable interest rate shocks. ATR at the end of July 2024 is expected at 9.3 years compared to 9.1 years in the previous financial year which implies that Government has adequate time to re-fix interest rates.
- 5.24 In terms of exposure to foreign exchange rate risk, 35.8 percent of the total Government debt portfolio is denominated in foreign currency. Government will explore the embedded options available which allow for interest rate swaps and currency conversions to mitigate exchange rate risk.

Cost Indicators

- 5.25 Cost of debt has been broadly stable since FY2020-2021 on the back of low interest rates in the domestic market amidst high liquidity levels coupled with highly concessional external financing as shown in **Figure 2.2**.
- 5.26 Interest payments as a percentage of GDP was recorded at 2.8 percent in FY2015-2016 with total Government debt to GDP at 44.6 percent. This is projected at 4.0

¹⁰ Risk exposure for July 2024 is based on the July 2025 DOD forecast.

percent at the end of July 2024 and is expected to fall to around 3.8 percent at the end of FY2024-2025. The decline is attributed to the increase in concessional financing where interest rates were between 0.01 percent and 0.75 percent with longer maturity terms and grace periods.



Source: Ministry of Finance

Contingent Liabilities

- 5.27 As at 30 April 2024, total contingent liabilities stood at \$1,659.0 million or 12.7 percent of GDP (**Table 13**). This comprised of explicit guarantees (61.2 percent), other explicit contingent liabilities (35.3 percent) and implicit contingent liabilities accounted for the remaining 3.5 percent.
- 5.28 Government guaranteed debt stood at \$1,015.9 million, equivalent to 7.8 percent of GDP at the end of April 2024. This represents a decline of 6.7 percent when compared to the previous financial year mainly attributed to the continued servicing of guaranteed debt.

Table 13: Contingent Liabilities

Government Guarantees	Jul-20	Jul-21	Jul-22 (r)	Jul-23 (r)	Apr-24
Air Pacific Limited trading as Fiji Airways (FA)	279.0	421.7	439.4	423.8	432.9
Fiji Development Bank (FDB)	307.8	308.8	301.5	274.6	215.8
Energy Fiji Limited (EFL)	50.2	-	-	-	-
Fiji Hardwood Corporation Limited (FHCL)	1.7	0.7	-	-	-
Fiji Sugar Corporation Limited	199.2	216.9	243.0	280.2	276.2
Housing Authority (HA)	90.2	102.2	81.7	109.1	88.5
Fijian Broadcasting Corporation Limited (FBCL)	8.3	-	-	-	-
Pacific Fishing Company Pte Limited (PAFCO)	2.5	0.8	3.0	0.8	2.5
Total Explicit Government Guarantees (A)	938.9	1,051.1	1,068.6	1,088.5	1,015.9
% of Government Guarantees to GDP	8.8	11.6	10.6	9.2	7.8

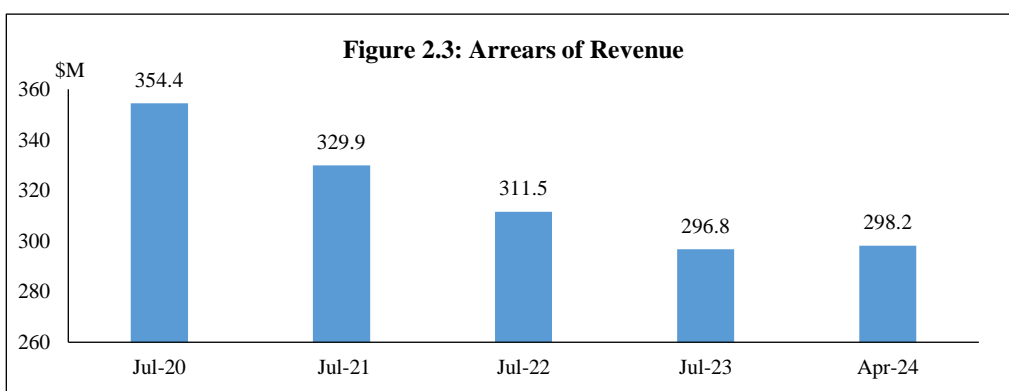
Government Guarantees	Jul-20	Jul-21	Jul-22 (r)	Jul-23 (r)	Apr-24
International Bank for Reconstruction & Development (IBRD)	305.9	300.6	329.4	347.1	352.6
Asian Development Bank (ADB)	204.7	204.2	200.2	206.8	210.1
Asian Infrastructure Investment Bank (AIIB)	21.2	20.8	22.1	22.5	22.8
Total Other Explicit Contingent Liabilities (B)	531.8	525.6	551.7	576.4	585.5
Total Implicit Contingent Liabilities (C)	111.8	78.1	90.7	89.6	57.6
Total Other Contingent Liabilities (B+C)	643.6	603.7	642.4	665.2	643.1
Total Contingent Liabilities (A+B+C)	1,582.5	1,654.7	1,711.0	1,753.7	1,659.0
Total Contingent Liabilities to GDP (%)	14.8	18.2	17.0	14.8	12.7

Source: Ministry of Finance

- 5.29 Government will continue stringent monitoring of activities of guaranteed entities to ensure minimal fiscal risks.

Arrears of Revenue

- 5.30 Government's arrears of revenue comprise of unpaid taxes and non-tax revenues (duties, fees, rates, charges, penalties, and fines) levied on the provision of goods and services (**Figure 2.3**). At the end of April 2024, total arrears of revenue stood at \$298.2 million, a slight increase of 0.5 percent when compared to the last fiscal year FY2022-2023.



Source: Ministry of Finance

Lending/On-Lending Fund (Term Loan Receivables)

- 5.31 The lending portfolio comprises of Government lending and on-lending to Government entities and agencies. As shown in **Table 14** below, term loan receivables are forecasted at \$303.2 million at the end of FY2023-2024, a decline by 1.4 percent from the previous year. This is attributed to the repayment of loans by agencies.

Table 14: Lending Fund (\$Million)

Lending/On-Lending Fund Agencies	Jul-20	Jul-21	Jul-22	Jul-23	Jul-24 (f)
Lending Agencies					
Public Officers and Ministers	0.01	0.01	0.01	0.01	0.01
iTaukei Affairs Board	4.5	4.5	4.3	4.1	4.0
FRCS-Tertiary Education Loan Scheme (TELS)	474.4	539.4	589.1	-	-
FRCS-PSC Scholarship Recovery	8.9	8.8	8.8	8.7	8.7
Fiji Sports Council	4.5	4.5	4.5	4.4	4.2
Fiji Pine Limited (FPL)	2.2	-	-	-	-
Fiji Sugar Corporation Limited (FSC)	200.3	200.3	200.2	200.2	200.2
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 Pte Limited (FRL)	1.9	1.9	1.9	1.9	1.9
South Pacific Fertilizers Limited (SPFL)	9.7	9.2	8.8	8.7	8.7
Pacific Fishing Company Limited (PAFCO)	9.0	9.0	9.0	9.0	9.0
Public Rental Board (PRB)	-	-	1.0	1.0	1.0
FRCS MSME Loan Scheme	-	-	33.32	32.24	32.24
Total Lending	720.2	782.4	865.7	275.1	274.8
On-Lending Agencies					
Housing Authority (HA)	28.9	28.0	25.5	25.5	22.4
Public Rental Board (PRB)	7.7	7.5	6.8	6.8	6.0
Total On-Lending	36.6	35.5	32.3	32.3	28.4
Total Outstanding Loans	756.8	817.9	898.0	307.4	303.2

Source: Ministry of Finance

Equity Investment

- 5.32 The Ministry of Public Enterprises is guided by the Public Enterprises Act 2019 and other policies/frameworks for effective monitoring and surveillance of SOEs. A total of 13 entities have been designated as public enterprises and are listed under Schedule 1 of the Public Enterprises Act 2019. However, Government continues to report on all SOEs in which it has investment shareholding interest.
- 5.33 Government shares and investment in SOEs feature as a prominent asset item in Government's balance sheet. To ensure the sustainability and continuity of SOEs, Government provides both direct and indirect, financial and non-financial support, including grants and aid, loans and Government guarantees.

- 5.34 Government, through the Ministry of Public Enterprises, appoints Directors to serve on Boards of Public Enterprises and Statutory Authorities listed in Schedule 3 of the Public Enterprise Act.
- 5.35 In collaboration with the Pacific Private Sector Development Initiative, the Ministry held its annual Corporate Governance Workshop for SOE directors. The Workshop was attended by Board Directors of Public Enterprises and Statutory Bodies, Senior Executive Management and Company Secretaries. The aim of the Workshop was to provide participants with greater insight into the principles of good governance, role of Board Directors versus Management, duties and responsibilities of Directors and Officers, financial and risk management, strategic planning, and roles of Board Secretaries. For appointment of Board Directors in the SOEs, the Ministry uses Merit-Based Selection and Appointment Process.
- 5.36 **Table 15** below provides an overview of Government's shareholding in SOEs.

Table 15: Shares & Portfolio Allocations in SOEs

	State Owned Entities	Shares (%)	Sector/Portfolio
Public Enterprises (PEs)			
1	Airports Fiji Limited (AFL) T/A 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)	99.6	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 &	51	Transport & Infrastructure

	State Owned Entities	Shares (%)	Sector/Portfolio
	Subsidiaries (FA)		
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 Finance & Ministry of Public Enterprises

5.37 **Table 16** below shows the financial position and performance of all 25 SOEs.

Table 16: SOE Portfolio Performance (\$Million)

Financial Indicators	Total SOE Portfolio			
	2020	2021	2022	2023
Total Assets	8,244.2	8,841.2	9,145.9	9,859.7
Total Liabilities	4,410.0	5,116.8	5,273.0	5,829.8
Shareholder's Equity	3,834.2	3,724.4	3,872.9	4,029.9
Total Revenue	1,419.4	1,187.4	2,378.2	3,148.6
Total Expenditure	1,522.0	1,411.9	2,315.5	2,915.3
Net Profit After Tax	-102.6	-224.6	62.7	233.2
Dividends	20.8	21.9	31.0	37.7
Return on Assets (ROA)	-1.23%	-2.63%	0.70%	2.45%
Return on Equity (ROE)	-2.64%	-5.94%	1.65%	5.90%
Debt to Equity	115%	137%	136%	145%

Source: Ministry of Finance & Ministry of Public Enterprises

- 5.38 Total asset base of the SOE portfolio has grown significantly in the last 3 years, standing at over \$9,859.7 million as at end of 2023 with entities in the infrastructure and transport sector (AFL, EFL, FPCL and Fiji Airways) having the largest asset base. Similar trend has been noted in consolidated SOE liabilities due to the increase in externally funded capital investments and borrowings during the pandemic and for further upgrades.
- 5.39 SOEs experienced an improvement in Net Profit after Tax and dividends in 2023 with the strong recovery in the Fijian economy, supported by a strong rebound in tourism and related sectors, particularly for entities in the infrastructure and transport sectors, which were severely affected by border closures and the grounding of the national airline.
- 5.40 **Table 17** below shows sectoral performance of SOEs. Over the years, entities in the communications sector have contributed the highest returns on assets and equity, specifically ATH and FBCL. ROAs and ROEs from the fisheries and forestry sector deteriorated in 2021 onwards after positive return was noted in 2020. In 2020, FPL undertook fair value adjustment of its plantation resulting in an improvement in returns.
- 5.41 A significant improvement was also noted in the trade and finance sector in 2022. The improvement was due to the revaluation of PRB buildings. The transport and infrastructure sector experienced negative returns for 3 consecutive years from

2020 to 2022. The returns improved post pandemic with border openings and resumption of business activities.

Table 17: Average ROA and ROE by Sector (%)

Sector	2020		2021		2022		2023	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	-9.42	-12.97	-13.34	-14.56	-4.81	-4.27	-4.93	-4.00
Communication	5.88	9.04	4.20	6.02	2.99	4.11	3.20	4.27
Fisheries & Forestry	13.78	16.26	6.04	7.10	3.60	4.19	3.33	3.88
Trade & Finance	1.55	3.87	0.08	0.20	17.97	40.85	0.61	1.21
Transport & Infrastructure	-2.72	-5.63	-3.68	-8.22	-0.29	-0.71	2.65	6.55

Source: Ministry of Finance & Ministry of Public Enterprises

Dividends from Government Investments by Sector

5.42 **Table 18** below outlines the dividends received from SOEs by sector from 2020 to 2024.

Table 18: Dividends by Sector (\$Million)

Sector Type	2020	2021	2022	2023	2024
Agriculture	3.5	-	-	-	-
Communication	2.2	-	1.5	-	-
Fisheries & Forestry	-	-	-	0.4	-
Trade & Finance	0.7	-	-	0.8	0.7
Transport & Infrastructure	14.3	21.9	29.4	36.5	14.4
Total	20.7	21.9	30.9	37.7	15.1

Source: Ministry of Finance & Ministry of Public Enterprises

5.43 In recent years, SOEs in the transport and infrastructure sector have paid out comparatively higher dividends than other sectors given their large asset base and consistently strong financial performance. Government experienced a significant decline in dividends in 2020 and 2021 due to the effects of the pandemic especially on the transport & infrastructure sector. In 2024, Government received dividends from FAL (\$6.0 million), FPCL (\$6.3 million), ATS (\$2.0 million) and FPTCL (\$0.7 million), lower than 2023 as entities retained profits for capital expansion and upgrades.

CHAPTER 6: FISCAL RISK

- 6.1 This new chapter is the outcome of a recent IMF Fiscal Risk Assessment Tool (FRAT) assessment undertaken in late 2023. Some of the major highlights have been included in line with our focus to improve fiscal transparency and enhance fiscal risk management.
- 6.2 Fiscal risks are factors that may cause fiscal outcomes to deviate from expectations or forecasts. These factors comprise potential shocks to Government revenues, expenditures, assets, or liabilities, which are not reflected in the Government's fiscal forecasts. The sources of risks are diverse which can be grouped into several risks such as macroeconomic risks, specific risks, institutional risks, and other risks that may be relevant to specific countries or circumstances.
- 6.3 By nature, fiscal risks are either exogenous or endogenous to Government decisions. Exogenous risks are those arising from actions or events largely outside of Government control, for instance, natural disasters whilst endogenous risk are those generated from Government activities or where Government can influence the outcomes like credit guarantee.
- 6.4 A comprehensive disclosure and analysis of fiscal risks can help Government to ensure that fiscal policy can respond to potential future economic and fiscal shocks, that specific risks are actively monitored and managed, and that abrupt and disruptive changes in policy are avoided when risks materialise.

Current Fiscal Context of Fiji

- 6.5 Fiji is a small open economy, remotely located with high dependency on imports and tourism, and very vulnerable to climate change and developments in the global economy. During the COVID-19 pandemic, Government revenues fell by almost 50 percent given the sharp economic contractions of 17.0 percent in 2020 and 4.9 percent in 2021. In light of this, Government had to borrow heavily to fund its operations and also assist Fijians that were affected by the pandemic. As such, Government recorded net deficits of over \$1 billion during the pandemic years.
- 6.6 In view of this, the Coalition Government has embarked on a medium-term fiscal consolidation strategy to reduce fiscal deficits, rebuild fiscal buffers, put the debt-to-GDP ratio on a downward trajectory and enhance long-term debt sustainability from FY2023-2024. Given the exorbitant fiscal deficits during the pandemic years and consequent build up in public debt level, fiscal risk analysis is of critical importance to assess Fiji's ability to absorb shocks going forward.

Fiscal Risk Assessment Tool (FRAT)

- 6.7 FRAT was introduced by IMF to assist countries in identifying, quantifying, disclosing and managing fiscal risks. FRAT provides high level portfolio

perspective on a wide range of fiscal risks which Government are typically exposed to and helps countries identify the largest and most important sources of fiscal risks.

- 6.8
- It is important for Governments to have a holistic view on the range of fiscal risks they are exposed to, in order to have a better understanding of the interactions among risks, their macro-criticality, and how to prioritise scarce resources for risk management.
- 6.9
- The FRAT analysis provided a formal structure to assess the relative importance of various risks in terms of their likelihood and impact. As depicted in **Figure 2.4** Fiji’s main fiscal risks stem from macroeconomic risks, environmental risks and Government guarantees.

Figure 2.4: Fiscal Risk Matrix According to the FRAT Analysis

Potential Fiscal Impact % GDP	High (>1%)	Specific Revenues	Macroeconomic Risks	
	Medium (>0.2%<1%)		Government Assets and Liabilities and Public Investment	Environmental Risk
	Low (<0.2%)	Public Corporations		Government Guarantee
		Remote (<10%)	Possible (10%><50%)	Probable (>50%)
Likelihood of Realisation				

Source: Ministry of Finance

- 6.10
- Based on the outcome of the Fiscal Risk Matrix, macroeconomic risks are considered possible in terms of likelihood of realization, with potentially high fiscal impacts. In contrast, environmental risks and Government guaranteed debt are considered probable, with potentially medium fiscal impacts.
- 6.11
- The output from the above analysis assists in making better-informed decision, prioritising risk mitigation measures, adopting prudent macro-fiscal policies, strengthening institutional arrangements and fostering transparency and accountability.

Macroeconomic Risks

- 6.12
- Given Fiji’s interconnectedness and reliance on the global economy, developments in the international markets including Fiji’s major trading partner economies,

geopolitical tensions, volatility in the commodity prices can have a significant impact on the domestic economy. Apart from this, lack of economic diversification and over reliance on tourism and handful resource-based sectors increases Fiji's vulnerability to macroeconomic shocks. In addition, the persistent large current account deficits over the years have been primarily driven by burgeoning imports and anaemic exports. Volatility in the global commodity prices further exacerbates the impact on Fiji's foreign reserves and external stability.

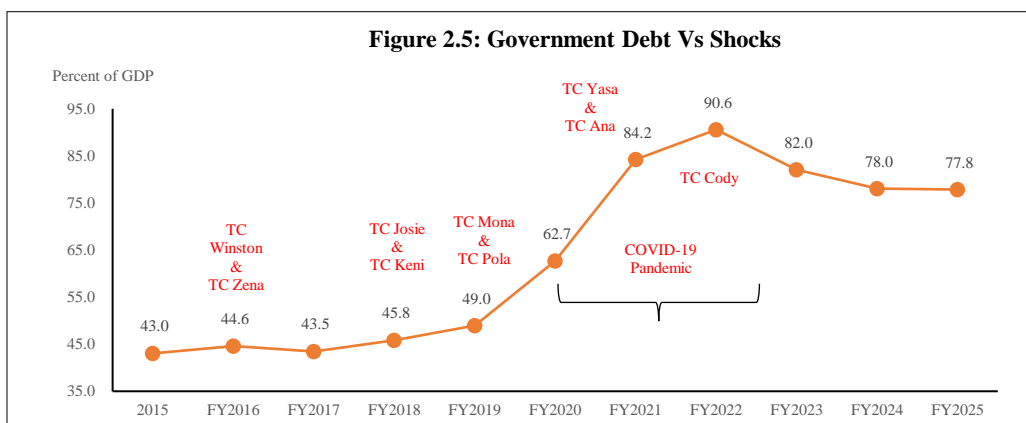
- 6.13 The COVID-19 experience is a classic example of how a global health pandemic setback Fiji's growth and development, diminished fiscal space, increased public debt levels and aggravated socio-economic challenges.

Environmental Risks

- 6.14 Fiji is highly vulnerable to climate change and climate-induced disasters. The level of destruction from natural disasters pose significant fiscal risks as the burden of rehabilitation and restoration of public services falls on Government. Tax revenues usually decline during disasters which poses additional pressure on Government finances. Moreover, such disasters may demand further support to SOEs, and trigger guarantees on SOE debts. In the last 6 years, Government has spent around \$500 million in rehabilitation works.
- 6.15 To mitigate this, Government has secured disaster financing through standby facilities with JICA and the World Bank so that it can access funding in the event of natural disasters.

Government Debt Risk

- 6.16 Increases in Government debt is also highly correlated with shocks as depicted in **Figure 2.5**. Since 2016, Government debt as a percent of GDP has risen after natural disasters as Government usually ends up funding for rehabilitation and reconstruction works. For instance, after Tropical Cyclone Winston (Category 5), the total cost borne by Government alone was \$480.1 million. During the COVID-19 pandemic, Government undertook large borrowings to finance expenditures as revenues plummeted by almost 50 percent. Consequently, debt as a percent of GDP rose from 48.0 percent in FY2018-2019 to 90.6 percent by the end of FY2021-2022.



Source: Ministry of Finance

- 6.17 Following the fiscal consolidation strategy implemented by the Coalition Government in form of major revenue reforms and expenditure rationalisation, deficit as a percent of GDP has been brought down from an average of 9.2 percent of GDP (between FY2019-2020 to FY2021-2022) to around 4.0 percent in FY2023-2024. Consequently, Government debt has fallen to below 80 percent of GDP in FY2023-2024. As per the IMF Article IV report released in June 2024, Fiji's debt is assessed to be sustainable with moderate risks. Even though the debt ratio has fallen below 80 percent of GDP, the fiscal space is limited compared to pre-pandemic levels. In this regard, any fiscal support by Government to respond to future shocks will also be limited and therefore may not be impactful which can lead to economic scarring.
- 6.18 Moreover, it is important to be mindful of the debt structure as foreign currency denominated debt can pose exchange rate risks and have negative impact on Government Balance Sheet if not managed well. Fiji's external debt currently stands at around 28.0 percent of GDP or 35.8 percent of total debt. While the internal debt mix ratio is around 70:30 (+/-5), any further deviation from the target must be thoroughly assessed in the context of concessionality, maturity profile, grace period and exchange rate risks.

Contingent Liabilities

- 6.19 Section 145 of the 2013 Constitution and Section 62 of the Financial Management Act 2004 provide legal framework for Government to guarantee financial liability of state-owned entities. These liabilities are part of the Government contingent liabilities categorised as explicit guarantees where Government is directly exposed to, that is, in the event of default, Government is obligated to pay.
- 6.20 Government total contingent liabilities stood at \$1.7 billion or 12.7 percent of GDP as at 30 April 2024. Government is exposed to around \$1.0 billion or 61.5 percent of the total contingent liabilities at least in the next 10 to 15 years assuming there is no additional guarantee approved in the near future by Parliament. In addition, Government guaranteed support to SMEs and financial institutions also poses high

risks in terms of recovering these debts. This assistance was arranged with financial institutions through the Reserve Bank of Fiji since the COVID-19 pandemic to assist SMEs start up or revive their own businesses.

State Owned Entities

- 6.21 Other than the guaranteed entities, there are underperforming government-owned entities that depend on financing from Government without which their operations will be affected and result in loss of employment. Accordingly, Government continues to monitor these entities through the Ministry of Public Enterprises and the respective line ministries and continue to support them through budgetary funding to ensure that such risks do not materialise.

CHAPTER 7: BUDGET SUPPORT OPERATIONS

- 7.1 This new chapter is a record of major reforms undertaken as part of the various policy based/budget support operations since FY2018-2019. This new modality of accessing finance from bilateral and multilateral partners have been a great success with Government accessing around \$2.7 billion in budget support loans and grants.
- 7.2 Apart from this access to finance, through these operations Government has undertaken a comprehensive reform programme with development partners to improve Fiji's governance and management of public finance; enhance the policy, legal and institutional framework for SOEs and Government agencies; improve trade and public investments; and promote private sector led growth.
- 7.3 These reforms are pegged to blended financing from development partners in the form of concessional loans and grants as well technical assistance and capacity development. Key development partners include, Australian Department of Foreign Affairs and Trade (DFAT), New Zealand Ministry of Foreign Affairs and Trade (MFAT), JICA and EU, multilateral agencies such as World Bank, ADB and AIIB.
- 7.4 Government commenced with the budget support policy reforms with the three ADB sub-programs rolled out from FY2018-2019 to FY2020-2021 under the Sustainable Private Sector Led Growth Reform Programme. The total financing for FY2018-2019 was around \$62.8 million (**Table 19**).

Table 19: FY2018-2019 Financing (\$Million)

Lender	Currency	FJD	Financing Type
ADB	USD15.0	\$31.4	Loan
World Bank	USD15.0	\$31.4	Loan
Total	USD30.0	\$62.8	

- 7.5 Government commenced with the budget support policy reforms in FY2018-2019 with the ADB and World Bank. The reform areas focussed on three pillars including improved fiscal management; improved policy, legal and institutional framework for Public Enterprises and Private Public Partnerships (PPPs); and improved business and investment climate (**Table 20**):

Table 20: Key Reforms undertaken in FY2018-2019

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> Reviewed the Financial Management Act 2004 with its associated regulations to enhance fiscal discipline, strengthen controls and reporting, improve transparency and accountability, and introduces new legal requirements for procurement and cash management; Continued the implementation of the Fiji Public Financial Management Improvement Programme 2016–2019 (PFMIP) through improved recording and monitoring of revenue arrears, including preparing an aging debtor's report, and publishing a

Focus Area	Key Reforms
	<p>summary of revenue for FY2017–2018 in the FY2019 national budget supplement;</p> <ul style="list-style-type: none"> • Approved the revised budget templates to include forward expenditure estimates; • Piloted the planning framework to assist Ministries to better align their service delivery, staffing and corporate planning requirement by Ministry of Women, Children and Poverty Alleviation; Ministry of Health and Medical Services; and Ministry of Education, Heritage and Arts; and • Approved the Debt Management Strategy for FY2018-2019 and initiated the review of the Financial Management Information System (FMIS).
Enhance performance of SOEs and PPPs	<ul style="list-style-type: none"> • Harmonized all public enterprises under a single framework with commercial mandates and delegated authority to Minister of Public Enterprises for public enterprises with clear duties and responsibilities; • Established a non-commercial obligation regime; and • Strengthened the director appointment process and director's duties and responsibilities.
Strengthen community and climate resilience	<ul style="list-style-type: none"> • Cabinet approved the National Disaster Risk Reduction Policy (NDRRP); • DRR officers appointed in National Disaster Management Office (NDMO); • Development of the Master Plan of Nadi River Flood Control; • Identification of prioritized flood risk areas other than Nadi, constructed sea walls, and conducted dredging; • Commenced meteorological and hydrological observation for the accurate and timely weather observation through Fiji Meteorological Services (FMS); • The commencement of training neighbouring nations; • FMS readiness to start storm surge forecasting from November 2019; and • Fiji Broadcasting Corporation rehabilitated Mediumwave Radio for the prompt and precise delivery of disaster information.

7.6 In FY 2019-2020, a total of \$288.3 million was available which was co-financed by ADB, World Bank and Government of Australia through DFAT as indicated below in **Table 21 & 22** which outlines the reforms carried out in FY2019-2020.

Table 21: FY2019-2020 Financing (\$Million)

Lender	Currency	FJD	Financing Type
ADB	USD 65.0	\$142.3	Loan
World Bank	USD 63.7	\$144.5	Concessional Loan
DFAT	AUD 1.0	\$1.5	Grant
TOTAL		\$288.3	

Table 22: Key Reforms undertaken in FY2019-2020

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> • Cabinet approved the Public Financial Management Bill 2021 for tabling in Parliament; • Ministry of Finance completed the public expenditure reviews of expenditure categories according to the national budget and with a synopsis made available to the public; • Ministry of Finance fully implemented the Medium-Term Expenditure Framework through the use of costed sector strategies, forward estimates and clear links between investments and recurrent cost requirements; • Three additional Ministries adopted the use of the planning framework that will aid Ministries to better align their service delivery, staffing and corporate planning requirements; • 80 percent of Government payments are made through digital platforms;
Enhance performance of SOEs and PPPs	<ul style="list-style-type: none"> • Minister responsible for Public Enterprises made regulations under the Public Enterprises Act 2019 in relation to the percentage of share ownership or control for the purposes of section 43(2)(e); • Department of Public Enterprises conducted training programs for 75 percent of directors and 75 percent of senior management of public enterprises on the compliance requirements of the Public Enterprises Act 2019; • Privatization guidelines came into force and the Fijian Government made the guidelines available to the public; • Cabinet approved the PPPs implementation guidelines; • Cabinet approved a new policy framework for on-lending to public enterprises; • Government progressed a minimum of one additional transaction comprising either (i) a reform of a public enterprise or Government department or agency which may consist of a corporatization, (partial) privatization, divestment, liquidation, or substantial restructuring; or (ii) a PPP formation; and • Government incorporated the advice of a transaction advisor for any PPP transaction undertaken.
Promote conducive environment for business and investment and support for private sector led growth	<ul style="list-style-type: none"> • Cabinet approved the Investment Bill 2020 for tabling in Parliament; • Government completed four additional Category B commitments; • Government established the Personal Property Securities Registry; • Regulation of Building Permits Act 2017 came into force; the Minister responsible for Industry and Trade made regulations under the Act that include harmonized forms, and appointed the Building Permits Evaluation Committee members; and an online information portal on obtaining a building permit was launched; • Cabinet approved (i) a Bill relating to trademarks, (ii) a Bill relating to designs, and (iii) a Bill relating to patents, in each case for tabling in Parliament; and • Cabinet approved a policy framework and drafting of a Bill relating to competition and consumer law.

7.7 Total financing received from development partners in FY2020-2021 was \$1,092.1 million (Table 23 & 24):

Table 23: FY2020-2021 Financing (\$Million)

Lender	Currency	FJD	Financing Type
ADB	USD 200.0	\$424.5	Loan
World Bank	USD 134.5	\$274.3	Concessional Loan
AIIB	USD 50.0	\$106.2	Loan
JICA	JPY 10,000.0	\$187.4	Concessional Loan
DFAT	AUD 63.5	\$99.7	Grant
Total		\$1,092.1	

Table 24: Key Reforms undertaken in FY2020-2021

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> Parliament: (a) eliminated the dividend taxation regime; (b) raised the minimum income tax threshold for its residents from \$16,000 to \$30,000 per annum; (c) increased the Environment and Climate Adaptation Levy from 6 to 10 percent; (d) introduced a \$0.10 charge per bag on plastic bags at retail outlets; and (e) increased fiscal duties on cigarettes, tobacco, and alcohol by 15 percent; Government through Ministry of Finance approved a new framework to guide the strengthening of financial oversight of its SOEs; Cabinet approved the National Payment System Bill 2020 to improve the efficiency of payments system and foster digital solutions; Government through the Minister responsible for Finance approved the Wholesale Corporate Bonds (WCB) Regulation 2021; Cabinet approved Fiji's first Medium-Term Debt Management Strategy (MTDS) 2021-2024 to improve debt management; and To strengthen public financial management, Government approved (i) Financial Management (Amendment) Bill 2021; (ii) applied Gender Responsive Budgeting principles in its FY2020-2021 budget process with regard to two pilot ministries, namely, the Ministry of Commerce, Trade, Tourism & Transport; and the Ministry of Fisheries; and (iii) agreed that Gender Responsive Budgeting principles will be rolled out to other ministries in the future.
Strengthen community and climate resilience	<ul style="list-style-type: none"> Cabinet approved the National Oceans Policy 2020-2030 to enhance resilience of coastal communities and marine ecosystems; The Minister of Commerce, Trade, Tourism and Transport approved the revised Standard FS AS/NZS 4671: 2001 Steel Reinforcing Materials to improve the structural resilience of buildings to climate risks and earthquakes; and Cabinet approved the Social Assistance Policy: Protecting the Poor and Vulnerable to better target social assistance programs and improve socio-economic and climate resilience of the poor and vulnerable.

Focus Area	Key Reforms
Promote conducive environment for business and investment and support for private sector led growth	<ul style="list-style-type: none"> Parliament enacted the International Arbitration Act 2017 to improve the framework governing international commercial arbitration; and Parliament approved a new policy framework for issuing building permits to expedite the process for obtaining building permits for non-residential purposes by businesses and individuals.

7.8 World Bank rolled out its sub-programme two under the ‘Fiji Recovery and Resilience Development’ policy financing, whilst the ADB reforms continued its finance support through the Sustainable and Resilience Recovery Programme. The AIIB and JICA co-financed the ADB program with DFAT providing the largest grant financing of AUD85.0 million. In FY2021-2022, total financing received was \$971.4 million (**Table 25 & 26**):

Table 25: FY2021-2022 Financing (\$Million)

Lender	Currency	FJD	Financing Type
ADB	USD 150.0	\$331.6	Loan
World Bank	USD 98.7	\$221.1	Concessional Loan
JICA	JPY 10,000.0	\$176.8	Concessional Loan
AIIB	USD 50.0	\$113.0	Loan
DFAT	AUD 85.0	\$128.8	Grant
Total		\$971.4	

Table 26: Key Reforms undertaken in FY2021-2022

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> Parliament passed the Financial Management (Amendment) Act 2021 to foster fiscal sustainability and the rebuilding of buffers. Additional reporting requirements brought about by the Act includes, inter alia, the preparation of fiscal strategy, amendment of the annual budget through a supplementary budget; pre-election economic and fiscal update, procurement and cash flow forecast; debt management strategy, internal audit charter, internal audit committee etc; To increase fiscal sustainability and resilience by lowering debt servicing costs and refinancing risks, Cabinet approved Fiji’s MTDS for FY2021–2023. The MoF published the MTDS and implemented an annual borrowing plan commencing from FY2021, consistent with the MTDS, and integrated the plan into its MTFS; FRCS established and operationalized a new tax information system to improve domestic resource mobilization by facilitating taxpayer compliance and collecting real-time data for better decision making, forecasting and planning, including for risk-based tax audits; Cabinet approved a MTFS that strengthens fiscal discipline and initiates fiscal consolidation through expenditure-side measures, consistent with debt sustainability; and Cabinet approved the Government Guarantee Policy for granting guarantees to government entities.

Strengthen community and climate resilience	<ul style="list-style-type: none"> Parliament passed the Climate Change Act 2021 to establish a gender-sensitive framework for resilience-building and mitigation that mainstreams climate change throughout the public sector, including through introducing requirements for the inclusion of climate change considerations in public procurement, the national budget, and agencies' budget submissions.
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Fiscal Year 2022-2023

- 7.9 DFAT was the only development partner that provided budget support grant financing amounting to AUD55.0 million equivalent to FJ\$81.5 million. This was tied to the policy reform actions around strengthened public financial management for fiscal resilience and sustainability; enhanced climate and social resilience; enabling environment for resilient private sector recovery and growth as the key areas of reform (**Table 27**).

Table 27: Key Reforms undertaken in FY2022-2023

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> Approved the guidelines for preparation, appraisal and approval of Projects under the Public Sector Investment Programme and piloted the implementation of the new guidelines with Ministry of Education, across their major capital programmes as part of the budget process for FY2024-2025; Following the approval of the Financial Management (Amendment) Act 2021, the Minister for Finance, Strategic Planning, National Development and Statistics approved the framework for the review of the subsidiary legislations, namely the Financial Instructions and the Procurement Regulations; To strengthen the Cabinet decision making process and ensuring better alignment of Government initiatives, Cabinet approved the formation of the Cabinet Sub-committee on Budget; To strengthen the planning, production, analysis, documentation, storage, dissemination and use of official statistics, Cabinet approved the review of the Statistics Act 1961; To strengthen the oversight of public expenditure functions of the Office of the Auditor-General, Cabinet approved the review of the Audit Act 1969; Cabinet approved the Medium-Term Fiscal Strategy tabling in Parliament and publishing on the Ministry's website; FRCS revised and approved the Compliance Improvement Strategy 2023-2025; FRCS approved the new Strategic Plan 2023-2025, with an enhanced focus on improved compliance, simplification of the tax system and supporting private sector growth; The Minister of Women, Children and Poverty Alleviation presented the draft technical review report of the social assistance programs and the recommendations on the framework for the management information system for Cabinet approval; Cabinet approved the Fiji National Action Plan to Prevent Violence Against Woman and Girls 2023-2028; and Developed and launched the Sustainable Bond Framework to enable

Focus Area	Key Reforms
	the issuance of thematic bonds related to Fiji's sustainable development ambitions.
Strengthen community and climate resilience	<ul style="list-style-type: none"> Minister responsible for climate change approved the strategic implementing framework for the Climate Change Act 2021; Cabinet approved the National Energy Policy 2023 – 2030 to ensure a highly sustainable, resilient, inclusive, reliable, and affordable energy services sector; and Cabinet approved the transaction structure report for the Fiji Affordable Housing Public Private Partnership initiative to address the supply of affordable and climate resilient housing for the Fijian population.

Fiscal Year 2023-2024

7.10 Tabulated below is the financing arrangement under the budget support reforms from FY2023-2024. **Table 28 & 29** illustrates the reforms undertaken in FY2023-2024.

Table 28: FY2023-2024 Financing (\$Million)

Lender	Currency	FJD	Financing Type
ADB	USD70.0	\$159.8	Concessional Loan
World Bank	USD125.0	\$281.9	Concessional Loan
DFAT	AUD58.0	\$86.9	Grant
MFAT	NZD4.0	\$5.58	Grant
Total		\$534.1	

Table 29: Key Reforms undertaken in FY2023-2024

Focus Area	Key Reforms
Improve fiscal sustainability and management	<ul style="list-style-type: none"> The revenue reforms announced in the FY2023-2024 National Budget was approved by Parliament; The FY2024-2025 Medium-Term Fiscal Strategy was approved by Cabinet and tabled to Parliament and published on the Ministry's website; The Compliance Improvement Strategy was approved and published; Fiji joined the Global Forum; The Guidelines for Use in the Preparation, Appraisal and Approval of Projects Under the Public Sector Investment Programme (PSIP) beginning with the ten pilot ministries/entities in the FY2024-2025 Budget was approved; The implementation of gender responsive budgeting in at least 2 programs across 28 departments and ministries in the FY2024-2025 Budget was approved; The Budget Classification Structure and revised Chart of Accounts to support the implementation of a new FMIS and allow for gender and climate budget tagging for regional coding was approved; The MTDS FY2024-2026 was approved and published; The revised Procurement Regulations 2024 was approved; The transition from the Commonwealth Secretariat Debt Recording

Focus Area	Key Reforms
	<p>and Management System (CS-DRMS) to the new Commonwealth Meridian system was approved to strengthen debt recording, payment and reporting and integrate the system with the new FMIS;</p> <ul style="list-style-type: none"> • The launch and the official use of the new FMIS across Government for enhanced controls, better security and reporting capabilities and an inclusion of the payroll module into the FMIS. • Financial Handbook for Permanent Secretaries was approved; • The internal audit charter which sets out the standards and procedures consistent with international standards and procedures for the professional practice of internal audit and the functions and powers of internal auditors was approved and published; • The National Audit (Amendment) Bill 2024 was approved to be tabled to Parliament; • The appointment of commencement date of the National Payments Acts and its subsequent regulations; • The implementation of the Real Time Gross Settlement System, the Central Securities Depository and the Automated Clearing House for electronic and instant funds transfers in November 2023 to enable efficient transactions settlement across all banking institutions and electronic payments; • The Access to Business Funding Bill 2024 was approved to be tabled to Parliament by the Minister for Trade, Cooperatives, Small and Medium Enterprises and Communications; • Agreement signed for Women Entrepreneur Finance Code which will allow for gender disaggregated data collection across financial institutions; • Prudential supervision policy issued setting the minimum requirements for the management of conduct and culture risk by supervised entities regarding the provision of financial services information and a complementary policy for the Fair Treatment and Protection of Financial Consumers; • The Credit Union Bill 2024 was approved to be tabled to Parliament by the Minister for Finance, Strategic Planning, National Development and Statistics; • To support the development of the Fiji Women's Economic Empowerment National Action Plan (WEE NAP) 2024-2029, the WEE NAP Secretariat and the WEE NAP Taskforce was established; • The commencement of Policy on ex-ante approval of any additional borrowings by 'guaranteed' entities; • The Strategic Implementation Roadmap 2022-2024 was approved; and • The Access to Business Funding Bill 2024 was endorsed and tabled to Parliament.
Strengthen community and climate resilience	<ul style="list-style-type: none"> • The National Disaster Risk Management Bill 2024 was approved to be tabled to Parliament; • Fiji Health Promoting Schools and School Health Policy 2024-2029 for Children and Youth in Early Childhood Education, Primary and Secondary Schools to build a resilient population was endorsed; • Adaptive Social Protection Strategy and its Implementation Plan was endorsed; • The revised Standard Operating Procedures for the six social protection schemes was approved; and

Focus Area	Key Reforms
	<ul style="list-style-type: none"> • The amendments to the Health and Safety at Work (General Workplace Conditions) (Amendment) Regulations 2024 were endorsed.

CHAPTER 8: EXTERNAL TRADE, DEVELOPMENT COOPERATION, INVESTMENT FACILITATION

External Trade

- 8.1 Fiji's external trade plays a crucial role in economic development by focusing on expanding market access and diversifying exports to reduce reliance on specific sectors. Government's strategic efforts to engage in global trade agreements and enhance trade facilitation are central to achieving these objectives. Building on the 2015-2025 Trade Policy Framework, Fiji aims to refine its trade policies to effectively address current challenges and capitalize on emerging opportunities. The key priorities for 2024-2025 include strengthening Fiji's export capacity, promoting digital trade, and streamlining trade procedures. These efforts are pivotal for creating a resilient and inclusive trade environment that fosters sustainable economic development.

2015-2025 Trade Policy Framework

- 8.2 Government will maintain constructive dialogue with trading partners and stakeholders following Fiji's fourth successful Trade Policy Review at the World Trade Organization (WTO) in July 2023. The outcome of the review will guide the refinement and enhancement of Fiji's Trade Policy Framework to effectively address contemporary challenges and seize opportunities.
- 8.3 As the conclusion of the Fiji Trade Policy Framework in 2025 approaches, Government will focus on evaluating achievements and developing a robust trade policy framework for the next decade. This new framework will be aligned with global best practices, National Development Plan goals, and emerging trade issues such as digital trade, climate change, and supply chain challenges.
- 8.4 Recognizing the critical role of investment in fostering economic growth, Government has actively sought to attract Foreign Direct Investment through advocacy for regulatory reforms and digitalization. These efforts are aimed at fostering a conducive business environment and enhancing operational efficiency.
- 8.5 Building on the successes of the 2023-2024 financial year, Government remains dedicated to fostering a vibrant and inclusive trade environment that contributes to sustainable economic growth and enhances the livelihoods of the people of Fiji.

Trade Priorities for 2024-2025

- 8.6 **Enhancing Export Diversification:** Government will continue to diversify its export base to reduce reliance on a few sectors. Promotion of non-traditional sectors, including services, manufacturing, and value-added industries, will be a focus. Support will be provided to micro, small, and medium-sized enterprises

(MSMEs) through targeted initiatives, trade promotion, and market access facilitation.

- 8.7 **Empowering E-commerce:** The implementation of the National E-commerce Strategy will be prioritized to unlock the growth potential of e-commerce for Fijian businesses. This includes supporting digital infrastructure development, building capacity for MSMEs to embrace online platforms, and streamlining e-commerce regulations.
- 8.8 **Trade Facilitation Reforms:** Building on the WTO Trade Facilitation Agreement, efforts to streamline trade procedures and reduce administrative burdens for businesses will continue. This will involve investment in trade infrastructure modernization and the adoption of efficient digital trade tools, such as the National Single Window.
- 8.9 **Market Access for Fijian Products:** Expanding market access for Fijian exports remains a core focus. Active pursuit of trade agreements, arrangements, and discussions that secure favourable market access conditions for Fijian-made products, particularly in sectors with a comparative advantage, will be undertaken. This includes ongoing negotiations and strengthening existing partnerships.
- 8.10 **Kava Market Access:** Government will continue to advocate for the removal of the ban on kava exports in key markets such as the European Union and the UK. This involves scientific collaboration with relevant stakeholders to address concerns and demonstrate the safety of Fijian kava.
- 8.11 **Geographical Indicator (GI) Safeguards:** Recognizing the importance of protecting Fijian products with unique characteristics, Government will work with stakeholders to strengthen safeguards for GI such as kava.
- 8.12 **Participating in Innovative Trade and Economic Cooperation Agreements:** Government will proactively address global trade challenges by participating in innovative trade and economic agreements. With the substantial conclusion of the negotiations of the Indo-Pacific Economic Framework (IPEF), priority will be given to the implementation of agreements related to supply chain resilience, a clean economy, and anti-corruption and taxation, to benefit from the regional partnership.
- 8.13 **Concluding the Negotiations on the WTO Fisheries Subsidies Agreement (Fish 2):** While the 13th WTO Ministerial Conference (MC13) yielded progress in some areas, the deadlock in fisheries subsidies negotiations remains a significant concern. Government will continue to firmly advocate for addressing overcapacity and overfishing in oceans with utmost urgency.
- 8.14 **Ease of Doing Business Project:** As part of Fiji Government's digital transformation efforts, the Ministry of Trade is leading the development of an

integrated digital platform to facilitate 'Starting a Business' and 'Obtaining Construction Permits' processes. This platform will encompass around 16 agencies and provide 25 e-services, with the initial phase intended for launch in July 2024. In the forthcoming financial year, extensive policy and technical initiatives are planned to fully digitalize and operationalize these processes. This digital implementation is expected to significantly streamline administrative workflows, reduce bureaucratic hurdles, and improve the efficiency and responsiveness of government services.

Development Cooperation

- 8.15 The Government anticipates a total sum of \$178.6 million in cash grants and \$64.2 million in Aid in Kind (AIK) from development partners in FY2024-2025 to support various capacity building programmes, infrastructure development, health, climate and community resilience, renewable energy, waste management and for general budget support (**Table 30**).

Table 30: Official Development Assistance 2022-2023 to 2024-2025 (\$Million)

Particulars	2022-2023 (a)		2023-2024 Revised (e)		2024-2025 (f)	
	\$	%	\$	%	\$	%
Cash Grants	167.0	87.4	191.6	80.5	178.6	73.6
Aid in Kind	24.0	12.6	46.5	19.5	64.2	26.4
Total ODA	191.0	100.0	238.1	100.0	242.8	100.0

Source: Ministry of Finance

- 8.16 The General Administration (GA) sector anticipates cash grants of \$12.9 million and AIK of \$13.6 million. Cash grants programmes include disaster risk management by New Zealand's Ministry of Foreign Affairs and Trade, the implementation of the Climate Change Act 2021 by the European Union (EU) and social policy and education programme by UNICEF. For AIK, Government anticipates the procurement of patrol boats from the Government of Japan and various capacity development and training programme that will be offered by the Japan International Cooperation Agency (JICA), Korea International Cooperation Agency (KOICA) and the International Labour Organisation (ILO), including the community-based integrated national resources management by Food Agriculture Organisation (FAO). These programmes will be undertaken by the development partners in collaboration with the implementing line ministries and departments such as the National Disaster Management Office (NDMO), Ministry of Environment and Climate Change, Ministry of Forestry, Ministry of Civil Service, Ministry of Foreign Affairs, Ministry of iTaukei Affairs, Ministry of Finance, Fiji Military Forces and Fiji Bureau of Statistics.
- 8.17 The Social Services (SS) sector is expected to receive cash grants amounting to \$11.1 million and AIK of \$13.2 million. Cash grants and AIK programmes for the SS sector relates to various social policy, child protection, education and health programmes by the United Nations Agencies, Fund and Programme. AIK

programmes also include the procurement of medical container from Japan, the establishment of the Fiji Rehabilitation Centre by KOICA, and various other projects by JICA for the prevention and control of non-communicable diseases and improvement of health services. These initiatives will be undertaken by the development partners in collaboration with Ministry of Health and Medical Services, Ministry of Education and Ministry of Women, Children and Social Protection.

- 8.18 The Economic Services (ES) sector is expected to receive around \$10.1 million in cash grants and \$13.2 million in AIK. Cash grants programmes relates to the Carbon Fund Emission Reduction Program by the World Bank and the construction of the Dobuilevu Regional Agriculture Training Centre whereas AIK includes the procurement of fish research vessel and ice making machine from Japan, preparatory survey for the Nadi flood alleviation project, disaster risk reduction of widespread volcanic hazards and capacity enhancement for achieving SDG 14 by JICA. Furthermore, FAO will provide support for the formulation of the Green Climate Fund (GCF) proposal titled “Fiji Forest Landscape Restoration for climate benefits and resilience” and support for the development of new planted forest policy. These initiatives will be undertaken by the development partners in collaboration with Ministry of Agriculture, Ministry of Lands, and Ministry of Fisheries and Forest.
- 8.19 The Infrastructure Sector (IS) is expected to receive a total of \$5.0 million in cash grants and \$26.3 million AIK. Cash grant programmes for the IS sector relates to the drinking water treatment project by France, enhancing COVID-19 preparedness for tourism by ADB, climate resilience project by the World Bank, and water, sanitation and hygiene projects by UNICEF. AIK includes the procurement of oil spill equipment from Japan and other JICA funded projects such as the reconstruction of Tamavua-i-wai bridge, capacity improvement of non-revenue water reduction in Nadi/Lautoka region, the formulation of wastewater treatment master plan in the western division, improvement of safety facilities at major airports, energy transition project and other capacity development programmes. These projects will be undertaken in collaboration with Ministry of Public Works, Meteorological Services and Transport.
- 8.20 It is to be noted that around \$178.6 million in general budget support will also be mobilised by development partners to support Government on various programmes and initiatives in FY2024-2025 apart from the direct assistance that Government will receive from donors as stated above.

Investment Facilitation

- 8.21 Government is committed to fostering a thriving private sector characterized by sustainable investment, innovation, and job creation. Both domestic and foreign investments, are seen as catalysts for bringing in capital, technology, and expertise,

enabling diversification into new industries and facilitating the integration of local companies into global value chains, among other advantages.

- 8.22 Government is dedicated to enhancing Fiji's appeal as a prime investment location for both domestic and international investors. This commitment involves further streamlining the investment process, eliminating obstacles, and promoting cooperation between investors and pertinent Government bodies to ensure the seamless and timely execution of investment initiatives.

Trends in Investment and Trade

- 8.23 According to the UNCTAD's Investment Trends Monitor in January 2024, a modest increase in FDI flows this year appears possible, as projections for inflation and borrowing costs in major markets indicate a stabilization of financing conditions for international investment deals. However, significant risks persist, including geopolitical risks, high debt levels accumulated in many countries, and concerns about further global economic fracturing.
- 8.24 In 2023, a total of 114 projects was registered with a proposed investment value of \$341.3 million in sectors such as Tourism, Manufacturing, Agriculture, Wholesale & Retail and Services sectors. Investment Fiji has noted an increase in the interest and number of committed leads in the Tourism, Real Estate and Services sectors.

Investment Outlook

- 8.25 Government is focused on having a dynamic private sector that invests, innovates and creates jobs. Investments, especially domestic and foreign direct investments (DDI and FDI), can facilitate the entry of capital, technology and know-how and diversification into new sectors and activities, and foster the integration of domestic firms into global value chains, among other benefits. To reap the maximum benefits out of the DDI and FDI and to foster a positive image of Fiji as a profitable investment destination, it is important to ensure that investment facilitation is given the highest priority by the Government. In order to achieve this goal, an Investment Facilitation Committee (IFC) was formed to serve as a platform for both new investors and established businesses to address recurring or unresolved issues that impede investment and business activities in Fiji. The goal is to implement regulatory reforms fostering investment growth and enhancing the overall business environment in Fiji.
- 8.26 The Investment Facilitation Committee is chaired by the Deputy Prime Minister and Minister for Trade, Co-operatives, Small and Medium Enterprises and Communications and comprise the following members:
- i. Deputy Prime Minister and Minister for Finance, Strategic Planning, National Planning and Development;
 - ii. Deputy Prime Minister and Minister for Tourism and Civil Aviation;
 - iii. Minister for Environment;

- iv. Attorney General;
- v. Minister for iTaukei Affairs;
- vi. Minister for Lands and Mineral Resources;
- vii. Minister for Local Government and Housing; and
- viii. Minister for Home Affairs.

- 8.27 Investment Fiji is currently facilitating 88 major projects with a proposed investment value of \$4.98 billion which are expected to commence trading over the next few years. Thirty-nine projects with a total value of \$1.22 billion is in the construction phase and is expected to commence trading over the next three years. An additional 22 projects with a combined value of \$1.47 billion are anticipated to start construction in the next few years.
- 8.28 Additionally, the recent launch of the businessNOW portal formally known as “bizfiji” serves as Fiji's comprehensive platform for entrepreneurs and investors. The system makes it easier for investors to both lodge and track applications with various Government agencies.

Investment Promotion

- 8.29 Investment Fiji's outreach extends globally to include 44 different countries such as New Zealand, Australia, United States, India, Japan, China, Singapore, the United Kingdom, Korea, and Canada. The top sectors that garnered significant attention from foreign investors include Services, Tourism, Energy, Real Estate & Construction, Manufacturing, Agriculture and Business Process Outsourcing (BPO).
- 8.30 Additionally, Investment Fiji's presence at global events such as the World Investment Forum, Pacific Fair in New Caledonia, and the Hotel Investment Conference Asia Pacific in Singapore further showcased Fiji's investment potential and translated into major leads, promising fruitful collaborations in the years to come.
- 8.31 Following significant events such as the inaugural Tourism Summit and the Fiji – New Zealand Business Forum in 2023, Investment Fiji successfully generated more than 30 foreign investment leads and 55 trade leads, underscoring the growing interest for Fijian products and investment prospects.
- 8.32 Furthermore, Investment Fiji's marketing initiatives facilitated the organization's steady expansion of its lead pipeline, with notable interest observed across the Tourism, Services, Manufacturing, and Energy sectors. Most of these leads originated from countries including New Zealand, Australia, China, the USA, and India.
- 8.33 Fiji also attracted global brands, like Google, Alibaba and Starlink choosing to set up operations. Google has invested around \$198.0 million. Google's substantial

investment in Fiji, as part of the broader South Pacific Connect Initiative, promises to revolutionize digital connectivity across the region. The initiative aims to establish a robust and reliable network, offering vital backup, expanded capacity, and minimizing delays for users in Fiji. This transformative step underscores Fiji's growing significance in the global digital landscape.

- 8.34 Investment Fiji has planned a series of international events and business missions designed to showcase Fiji's investment potential, foster global partnerships, and attract foreign investments. The North America Business Mission held from 4th to 14th May 2024 was a pivotal opportunity to expand Fiji's reach in the North American market and strengthen ties with its diaspora community through business forums, networking events, and Government-to-Government meetings.

Trade Promotion

- 8.35 In 2023, Investment Fiji actively participated in 5 trade focused events. These events were held across key markets such as Australia, New Zealand, China, and New Caledonia with a focus on sectors such as Food & Agriculture, Manufacturing, and Beauty & Cosmetics. Investment Fiji facilitated participation of 50 Fijian exporters at these outbound trade events, and secured deals valued at \$1.7 million

Diversification of the Fijian Economy

- 8.36 Investment Fiji chairs the newly established Commercial Agriculture Taskforce to support diversification and expansion. This taskforce is focused on generating new opportunities for potential investors and attracting investment into the agriculture sector for a sustainable growth of Fiji's economy.
- 8.37 The Government recently approved the establishment of the medicinal cannabis industry following extensive consultations and careful deliberation. Investment Fiji is part of a Taskforce established in August 2023, mandated to oversee the feasibility of this industry and assess the laws required for this emerging market.
- 8.38 Investment Fiji is also currently reviewing its 2023-2025 Strategic Plan to realign its strategies and activities to match the global investment and trade landscape further enabling the organisation to attract investment and foster trade into new and emerging industries.

Strategic Partnerships and Regional Presence

- 8.39 Investment Promotion Agencies (IPAs) are playing an increasingly more significant role in the development of both the national and regional economies in which they operate. Investment Fiji is hence working closely with the World Bank Group to share expertise and assist IPAs and relevant departments from other

Pacific Island Countries in attracting higher quality FDI, jobs and new technologies.

- 8.40 Investment Fiji has also collaborated with Fiji's Trade Offices and Embassies, as well as various international and local organizations, to bolster its capabilities, expand expertise and resources, improve market access, host investment and trade events in international markets, and strengthen economic and trade ties.

Contribution to Sustainable Development Goals (SDGs)

- 8.41 Investment Fiji has long recognized the importance of Sustainable Development Goals (SDGs) and its pivotal role in driving economic growth. As the first Investment Promotion Agency in the Pacific region to prioritize Gender Equality in its operations, Investment Fiji collaborated with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) to enhance support for women entrepreneurs. Through expert advice, training and assistance, Investment Fiji empowered women entrepreneurs, enabling them to access resources and explore new international markets.

CHAPTER 9: 2024-2025 TAX POLICY MEASURES

Part 1 – Direct Tax Measures

(i) Income Tax Act

Policy	Description										
1. Advance Tax Payment Rules	<ul style="list-style-type: none"> ➤ The payment of advance tax will be reverted to pre-pandemic rules. ➤ For companies, effective from tax year 2025, advance taxes will be paid in the sixth, ninth and twelfth months of their tax year. ➤ For other businesses, effective from the tax year 2025, advance taxes will be paid in April, August and November. 										
2. Accelerated Allowance for Depreciation on Buildings	<ul style="list-style-type: none"> ➤ The accelerated depreciation allowance will be reorganized to be claimed from the existing 100% in the first year to 20% per annum in the next 5 years. 										
3. Depreciation Schedule	<ul style="list-style-type: none"> ➤ The depreciation rates will be extended to include specialized assets such as dams and other assets specific to electricity generation. 										
4. Transfer of Benefits for Reorganization	<ul style="list-style-type: none"> ➤ The tax losses incurred under the accelerated depreciation incentive can now be transferred under the reorganization provision provided that the same asset qualifies for the transfer. 										
5. Incentive for 2031 Pacific Games Bid	<ul style="list-style-type: none"> ➤ A 200% tax deduction will be available for any donations made above \$10,000 to support Fiji's bid in hosting the 2031 Pacific Games. 										
6. National Rugby League (NRL) Bid Incentive	<ul style="list-style-type: none"> ➤ Rugby League Bid (Fiji) Pte Ltd is bidding for a place in the NRL competition and to support the bid, a 200% tax deduction will be available for sponsorship over \$250,000 to Rugby League Bid (Fiji) Pte Ltd. ➤ A 13-year tax holiday and duty concession will also be available to Rugby League Bid (Fiji) Pte Ltd, similar to the Fijian Drua incentive once the bid is successful. 										
7. Business Losses	<ul style="list-style-type: none"> ➤ The provision introduced during the COVID-19 pandemic which allowed for the offset of business losses of up to \$20,000 against employment income will be reversed. ➤ This will be effective for tax year 2024. 										
8. Fringe Benefits Tax (FBT) – Value per Quarter for Motor Vehicles	<ul style="list-style-type: none"> ➤ The FBT value per quarter will be amended to the following new rates as summarized below: <table border="1"> <thead> <tr> <th>Threshold (engine capacity)</th><th>New Rates</th></tr> </thead> <tbody> <tr> <td>Less than 1,800cc</td><td>\$2,000</td></tr> <tr> <td>1,800cc to 2,000cc</td><td>\$3,000</td></tr> <tr> <td>Above 2,000cc</td><td>\$4,000</td></tr> <tr> <td>Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000</td><td>\$5,000 plus 4% of the excess of the cost above \$100,000</td></tr> </tbody> </table>	Threshold (engine capacity)	New Rates	Less than 1,800cc	\$2,000	1,800cc to 2,000cc	\$3,000	Above 2,000cc	\$4,000	Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000	\$5,000 plus 4% of the excess of the cost above \$100,000
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Above 2,000cc	\$4,000										
Irrespective of the engine capacity, if the cost of the vehicle exceeds \$100,000	\$5,000 plus 4% of the excess of the cost above \$100,000										

Policy	Description										
	<p>➤ This will be effective from 1 January 2025.</p>										
9. Fringe Benefits Tax (FBT) – Value per Quarter for Electric Vehicles	<p>➤ The FBT value per quarter table will be extended to electric vehicles as summarized below:</p> <table border="1"> <thead> <tr> <th>Threshold (cost)</th><th>New Rates</th></tr> </thead> <tbody> <tr> <td>Less than \$20,000</td><td>\$2,000</td></tr> <tr> <td>\$20,000 to \$40,000</td><td>\$3,000</td></tr> <tr> <td>\$40,000 to \$60,000</td><td>\$4,000</td></tr> <tr> <td>Above \$60,000</td><td>\$5,000 plus 4% of the excess of the cost above \$60,000</td></tr> </tbody> </table> <p>➤ This will be effective from 1 January 2025.</p>	Threshold (cost)	New Rates	Less than \$20,000	\$2,000	\$20,000 to \$40,000	\$3,000	\$40,000 to \$60,000	\$4,000	Above \$60,000	\$5,000 plus 4% of the excess of the cost above \$60,000
Threshold (cost)	New Rates										
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\$20,000 to \$40,000	\$3,000										
\$40,000 to \$60,000	\$4,000										
Above \$60,000	\$5,000 plus 4% of the excess of the cost above \$60,000										
10. Exemptions for Nonprofit Organizations	<p>➤ To ensure fairness in the application of taxation, along with ‘business income’, ‘property income’ derived by non-profit organizations will now be subject to income tax.</p>										
11. Clarity on the Incentive Applications	<p>➤ The requirement to obtain a provisional approval will be clarified to state that the provisional approval must be obtained prior to the commencement of the construction of the project.</p>										
12. Project Definition Under the Tax-Free Region Incentive	<p>➤ The definition of “Project” will now be enhanced under the Tax-Free Region (TFR) Regulations. The new definition will ensure that a TFR license can only be granted to a new entity based at a single location in the TFR.</p>										
13. TFR Incentive – Existing Indigenous Companies.	<p>➤ The TFR incentive will be amended to allow existing i-Taukei companies to qualify for the TFR incentive for new investments above \$250,000.</p>										
14. TFR Incentive	<p>➤ The new Pacific Koro Business Park development in Kalabu, Valelevu will be declared as a TFR.</p>										
15. Information Communication Technology (ICT) Incentives	<p>➤ The ICT Incentive Regulations will be amended to include the requirement of obtaining a provisional approval and a final approval.</p> <p>➤ Additionally, the ICT incentive qualifying criteria will be amended to comply with the European Union (EU) taxation standards.</p>										
16. Pandemic Reserve	<p>➤ With the World Health Organization declaring an end to the pandemic, the 150% tax deduction available for deposit(s) made to a pandemic reserve account will be removed.</p>										
17. Investment Allowance – Hotel Incentives	<p>➤ The investment allowance under the hotel incentives which was increased to 50% during the pandemic will be reverted to 25%.</p>										
18. Short Life Investment Package (SLIP) – Existing Companies	<p>➤ The 20-year tax holiday available to new hotels under SLIP will be extended to companies who acquire existing hotels & resorts and undertake extensions & refurbishments over \$50 million.</p>										

Policy	Description								
19. Drug Rehabilitation Centre Incentive	<p>➤ A new incentive with tax holidays and import duty concessions will be available for companies setting up a specialized Drug Rehabilitation Centre. The tiers of tax holidays are as follows:</p> <table border="1"> <tr> <th>Capital Investment</th><th>Tax Holiday Period</th></tr> <tr> <td>\$250,000 to \$1,000,000</td><td>5 years</td></tr> <tr> <td>\$1,000,001 to \$2,000,000</td><td>7 years</td></tr> <tr> <td>Over \$2,000,001</td><td>13 years</td></tr> </table>	Capital Investment	Tax Holiday Period	\$250,000 to \$1,000,000	5 years	\$1,000,001 to \$2,000,000	7 years	Over \$2,000,001	13 years
Capital Investment	Tax Holiday Period								
\$250,000 to \$1,000,000	5 years								
\$1,000,001 to \$2,000,000	7 years								
Over \$2,000,001	13 years								
20. Elimination of Double Taxation for Fiji Citizens Working Abroad	➤ The Exempt Income Tax Regulations will be amended to prevent double taxation for Fiji citizens employed by the Fiji Government working in countries that do not have double tax agreements with Fiji.								
21. Employment Taxation Scheme	<p>➤ The 300% tax deduction available for wages or salaries paid for work placements, apprenticeship and part-time workers will be extended for another 12 months until 31 December 2025.</p> <p>➤ The 400% tax deduction currently available for wages or salaries paid to persons with disability will also be extended until 31 December 2025.</p>								
22. Sub-Division of Land Incentive	➤ The Sub-Division of Land Incentive will be extended by another 12 months until 31 July 2025.								
23. Export Income Deduction	➤ The Export Income Deduction incentive will be extended until tax year 2025.								

(ii) Tax Administration Act (TAA)

Policy	Description
1. VAT Evasion Penalty	<p>➤ To ensure VAT compliance, a 200% VAT evasion penalty will be introduced.</p> <p>➤ Previously, the VAT evasion penalty was 300% but was removed during the pandemic.</p>
2. Forfeited Refunds	➤ The forfeited refunds provision will be amended to allow for the offset of any new tax debt.
3. Offsetting of Refunds	➤ Tax refund balances with FRCS cannot be used to offset against Water Resource Tax and Airport Departure Tax payables.
4. Detained Non-Perishable Goods	➤ The 10 days for the seizure & detainment of non-perishable goods will be increased to 30 days.
5. Bulk Data Collection	➤ FRCS will now be able to request bulk data for risk analysis.

Part 2 – Indirect Tax Measures

(i) Value Added Tax (VAT) Act

Policy	Description
1. Issuance of Tax Invoice for Transactions below \$10	➤ The VAT Act will be amended to mandate the issuance of tax invoices for all transactions, irrespective of the transaction amount.
2. VAT Monitoring System (VMS)	<ul style="list-style-type: none">➤ The implementation of VMS was suspended for a few years following the rollout of phases 1 and 2. Effective from 1 August 2024, VMS will be reactivated, and businesses included in phases 1 and 2 that have not yet been implemented will be required to implement.➤ The industry list for the rollout of phase 3 will be reviewed and the effective date will be announced with the new industry listing at a later date.
3. VAT Return Filing	<ul style="list-style-type: none">➤ The annual VAT filing option will be removed, and taxpayers will be transitioned to quarterly or monthly filing options.➤ This will be effective from 1 January 2025.

(ii) Airport Departure Tax Act

Policy	Description
1. Airport Departure Tax	<ul style="list-style-type: none">➤ The Airport Departure Tax will increase to:<ul style="list-style-type: none">1. \$170 effective from 1 August 2024; and2. \$200 effective from 1 August 2025.➤ The 96-hour exemption period on transit will be reduced to 48 hours effective from 1 August 2024.

(iii) Fiji Revenue and Customs Service Act

Policy	Description
1. Information Sharing	➤ The Information Sharing Regulation will be amended to allow sharing of information with the Outsource Fiji/BPO Council of Fiji.

(iv) Customs Tariff Act

Policy	Description
1. Prefabricated Buildings	➤ The fiscal duty on the importation of prefabricated buildings will be reduced from 32% to 5%.
2. Motor Vehicle for the Members of Parliament	➤ A new concession under code 201C will be available to exempt duty and Import VAT on the acquisition of one motor vehicle per member of parliament within their term.
3. Personal Imports Concession	➤ The \$2,000 threshold for personal imports will be reduced to \$1,000.

Policy	Description
	<ul style="list-style-type: none"> ➤ Import VAT will now be levied on all imports cleared under concession code 212. ➤ The exclusion list under this concession will now include e-cigarettes, vapes and vape refills.
4. Passenger Allowance	<ul style="list-style-type: none"> ➤ The passenger allowance for passengers disembarking in Fiji will be extended to include electronic cigarettes, vapes and vape refills not exceeding 200ml. ➤ The liquor allowance has increased from 2.25 liters to 3 liters.
5. Crew Allowance for International Scheduled Flights	<ul style="list-style-type: none"> ➤ The crew allowance will be applied to local airline crew only who depart for international scheduled flights.
6. Removal of the 3% Fiscal Duty for Approved Manufacturer/ Producer	<ul style="list-style-type: none"> ➤ The 3% fiscal duty applicable on raw materials, machinery, and packaging materials under concession codes 231, 231A, 231B, 236 and 236A will be removed.
7. New Concession Code 236C	<ul style="list-style-type: none"> ➤ A new concession code will be introduced to accommodate manufacturers processing alcoholic beverages through the mixing & blending process.
8. Manufacturers and Producers Concession	<ul style="list-style-type: none"> ➤ To provide clarity, the conditions for concession code 236 will be amended to include the requirement of a substantial transformation process.
9. Yachting Period	<ul style="list-style-type: none"> ➤ The tourist vessel/yacht cruising period which was increased to 54 months during the pandemic to assist the yachts will be reduced to 24 months under concession code 228.
10. Import of Ships, Boats & Floating Structures	<ul style="list-style-type: none"> ➤ A 5% fiscal duty will be levied on imports of ships, boats and floating structures under Chapter 89. ➤ The 32% fiscal duty on other boats (HS Code 8903.99.90) manufactured locally will be maintained.
11. Goods Imported for Disabled Persons	<ul style="list-style-type: none"> ➤ Hospital beds will be exempt from fiscal duty and import VAT.
12. Mining Industry or Mining Exploration	<ul style="list-style-type: none"> ➤ To provide additional support to the mining industry, concession code 252 will be amended to include “any other relevant goods” along with the existing list of concessions available to the industry.

(v) Excise Act

Policy	Description
1. Excise Duty	<ul style="list-style-type: none"> ➤ The domestic excise duty on alcohol & tobacco will be increased by 5%. ➤ A corresponding increase to the import excise on the above products will also be imposed.

Policy	Description
2. Electronic Copies of Warehouse Documents	➤ The Excise Act will be amended to include the storage of electronic copies of documents by the excise manufacturers.
3. Duty Accounting Period for Manufacturers of Excise Products	➤ For ease of business administration, an additional option of monthly filing of returns and payments will be available to excise manufacturers who are involved in the manufacturing of sweet biscuits, snack food and sugar confectionaries.
4. Penalty Provisions – Warehousing of Excisable Goods	➤ A late payment penalty of \$115 will be applicable if excise duty is not paid within 3 working days of lodgment.
5. Penalty Provisions – Duty Accounting Period.	➤ A late payment penalty of 5% will be applicable on the unpaid excise duty. ➤ A further 2% penalty will be applicable for each month of default.

(vi) Water Resource Tax Act

Policy	Description
1. Increase in the Water Resource Tax Rate	➤ The water resource tax rate for extraction below 10 million liters per month will increase from 1 cent per liter to 5 cents per liter.

(vii) Customs Act/Regulations

Policy	Description
1. Customs Objection Period	➤ The customs objection decision timelines will be increased from 20 working days to 90 consecutive days with an additional 90 consecutive days subject to the submission of additional information.
2. Fiscal Duty Deferral for the Importation of Yachts	➤ The time to pay arrangement for the payment of duty for yacht imports above \$2 million will be removed.
3. Sugar Exports	➤ The 3% export duty on sugar will be removed. ➤ The requirement to obtain a permit for the export of sugar will also be removed.
4. Definitions under the Customs Act	➤ To provide clarity, the following definition(s) will be amended: - <ol style="list-style-type: none"> Manufacturer – A manufacturer is a person or company that produces finished goods from raw materials by using various tools, equipment, and processes, that transform materials into new products. Produce – means any tangible commodity extracted, cultivated or harvested from the land, underground, from the seas of Fiji, including from under the sea,

Policy	Description
	<p>from the seabed and beneath the seabed or other natural resources.</p> <p>c. Producer – means the owner or entity that yields or causes to yield a tangible commodity through extraction, cultivation, or harvesting from the land, from the seas of Fiji, or other natural sources.</p> <p>d. Mixing & Blending – The process of mixing and blending two or more local or imported products together to make the final product.</p>
5. Electronic Signature	➤ The Customs Act is amended to allow the use of electronic signatures in customs documents.
6. Penalty Provisions – Goods Delivered Under Special Circumstances	➤ A penalty provision of \$115 will be applicable if the Single Administrative Documents (SADs) for goods delivered under special circumstances are not filed within 48 hours.
7. Penalty Provisions – Late Inward Manifest Registration	➤ A penalty provision of \$115 per application will be imposed for the late submission of an airway bill or bill of lading.
8. Penalty Provisions for Petroleum Companies	➤ A 5% penalty provision will be applicable for petroleum companies who fail to make payments by the specified dates under the regulations.
9. Overtime Provisions – Inspection of Aircraft	➤ A new overtime fee of \$1,725 will be introduced for the inspection of private and unscheduled flights.
10. Overtime Provisions – Weekday/ Weekend	<p>➤ The overtime rates for weekends and public holidays will be amended to \$50 per hour or a portion of an hour.</p> <p>➤ The overtime rates for weekdays, but outside of the working hours will be amended to \$60 per hour or a portion of an hour.</p>
11. Customs Prohibited Import Export Regulation (CPIER)	➤ The list of goods that may be imported on conditions (Schedule 2, Item 14 (a)) is amended to include the exemption of 8 years age criteria for the imports of used or reconditioned motor vehicles for the purpose of medical, tourism and tourism investment projects, national security & defense and mining.
12. Customs Prohibited Import Export Regulation (CPIER)	➤ The list of imported goods, that are absolutely prohibited (Schedule 1, Item 7) is amended to extend the remaining shelf life on the importation of pasta, chips, noodles and biscuits from 3 months to 6 months.

APPENDICES

Table 1: Current Civil Service Salary Bands

Band	Step 1	Step 2	Step 3	Step 4 Mid	Step 5	Step 6	Step 7
A	\$8,849.10	\$9,529.80	\$10,323.95	\$11,345.00	\$12,025.70	\$12,819.85	\$13,840.90
	\$4.60	\$4.95	\$5.37	\$5.90	\$6.25	\$6.66	\$7.19
B	\$10,339.99	\$11,135.38	\$12,063.32	\$13,256.40	\$14,051.78	\$14,979.73	\$16,172.81
	\$5.37	\$5.79	\$6.27	\$6.89	\$7.30	\$7.79	\$8.41
C	\$12,081.69	\$13,011.05	\$14,095.31	\$15,489.35	\$16,418.71	\$17,502.97	\$18,897.01
	\$6.28	\$6.76	\$7.33	\$8.05	\$8.53	\$9.10	\$9.82
D	\$14,428.13	\$15,537.98	\$16,832.82	\$18,497.60	\$19,607.46	\$20,902.29	\$22,567.07
	\$7.50	\$8.08	\$8.75	\$9.61	\$10.19	\$10.86	\$11.73
E	\$19,041.75	\$20,506.50	\$22,215.38	\$24,412.50	\$25,877.25	\$27,830.25	\$30,515.63
F	\$22,528.74	\$24,261.72	\$26,283.53	\$28,883.00	\$30,615.98	\$32,926.62	\$36,103.75
G	\$28,605.45	\$32,038.10	\$34,707.95	\$38,140.60	\$40,429.04	\$43,480.28	\$47,675.75
H	\$34,760.31	\$37,434.18	\$40,553.70	\$44,564.50	\$47,684.02	\$51,249.18	\$56,596.92
I	\$43,296.63	\$46,627.14	\$50,512.74	\$55,508.50	\$59,394.10	\$63,834.78	\$70,495.80
J	\$51,132.98	\$55,066.28	\$59,655.14	\$65,555.10	\$70,143.96	\$75,388.37	\$83,254.98
K	\$59,945.18	\$64,556.35	\$69,936.05	\$76,852.80	\$82,232.50	\$88,380.72	\$97,603.06
L	\$67,830.20	\$73,047.91	\$79,135.24	\$86,961.80	\$93,049.13	\$100,006.07	\$110,441.49
M	\$74,710.90	\$80,457.89	\$87,162.71	\$95,783.20	\$103,445.86	\$112,066.34	\$124,518.16
N	\$77,174.96	\$83,111.49	\$90,037.45	\$98,942.25	\$106,857.63	\$115,762.43	\$128,624.93
O	\$83,687.06	\$90,124.52	\$97,634.90	\$107,291.10	\$115,874.39	\$125,530.59	\$139,478.43

Table 2: Revised Civil Service Salary Bands Effective 1 August 2024

Band	Revised Step 1	Revised Step 2	Revised Step 3	Revised Step 4 Mid	Revised Step 5	Revised Step 6	Revised Step 7
A	\$10,774.40	\$11,447.80	\$12,255.88	\$13,275.60	\$13,949.00	\$14,737.84	\$15,757.56
	\$5.60	\$5.95	\$6.37	\$6.90	\$7.25	\$7.66	\$8.19
B	\$12,255.88	\$13,063.96	\$13,987.48	\$15,180.36	\$15,969.20	\$16,911.96	\$18,104.84
	\$6.37	\$6.79	\$7.27	\$7.89	\$8.30	\$8.79	\$9.41
C	\$14,006.72	\$14,930.24	\$16,026.92	\$17,412.20	\$18,335.72	\$19,432.40	\$20,817.68
	\$7.28	\$7.76	\$8.33	\$9.05	\$9.53	\$10.10	\$10.82
D	\$16,354.00	\$17,469.92	\$18,759.00	\$20,413.64	\$21,529.56	\$22,818.64	\$24,492.52
	\$8.50	\$9.08	\$9.75	\$10.61	\$11.19	\$11.86	\$12.73
E	\$20,506.50	\$22,215.38	\$24,412.50	\$25,877.25	\$27,830.25	\$30,515.63	\$32,956.88
F	\$24,261.72	\$26,283.53	\$28,883.00	\$30,615.98	\$32,926.62	\$36,103.75	\$38,992.05
G	\$32,038.10	\$34,707.95	\$38,140.60	\$40,429.04	\$43,480.28	\$47,675.75	\$51,489.81
H	\$37,434.18	\$40,553.70	\$44,564.50	\$47,684.02	\$51,249.18	\$56,596.92	\$61,124.67
I	\$46,627.14	\$50,512.74	\$55,508.50	\$59,394.10	\$63,834.78	\$70,495.80	\$76,135.46
J	\$55,066.28	\$59,655.14	\$65,555.10	\$70,143.96	\$75,388.37	\$83,254.98	\$89,915.38
K	\$64,556.35	\$69,936.05	\$76,852.80	\$82,232.50	\$88,380.72	\$97,603.06	\$105,411.30
L	\$73,047.91	\$79,135.24	\$86,961.80	\$93,049.13	\$100,006.07	\$110,441.49	\$119,276.81
M	\$80,457.89	\$87,162.71	\$95,783.20	\$103,445.86	\$112,066.34	\$124,518.16	\$134,479.61
N	\$83,111.49	\$90,037.45	\$98,942.25	\$106,857.63	\$115,762.43	\$128,624.93	\$138,914.92
O	\$90,124.52	\$97,634.90	\$107,291.10	\$115,874.39	\$125,530.59	\$139,478.43	\$150,636.70

Table 3: Real Gross Domestic Product by Sector 2019-2026 (\$Million)

Activity	Base Weight	2019	2020r	2021r	2022p	2023e	2024f	2025f	2026f
AGRICULTURE	8.3	726.3	756.2	764.4	796.4	838.4	868.2	895.5	925.3
General Government	0.1	10.2	9.1	9.0	9.0	9.1	9.1	9.1	9.2
Subsistence	1.8	128.1	132.0	132.7	134.5	135.3	136.1	136.9	137.8
Formal Non-Government Agriculture	6.0	558.1	584.1	591.4	620.0	660.2	688.6	714.5	742.9
Taro	0.9	52.9	55.3	55.8	66.5	68.0	72.1	75.7	79.4
Sugarcane	1.3	95.6	91.4	74.6	86.1	82.3	84.1	85.2	86.4
FORESTRY AND LOGGING	0.8	24.7	25.5	34.2	31.1	27.4	26.5	27.9	28.4
FISHING AND AQUACULTURE	1.2	66.2	61.1	50.9	56.8	59.2	60.5	62.4	64.2
Formal Non-Government Fishing and Aquaculture	0.8	40.8	35.5	27.9	33.0	34.8	35.5	36.7	37.9
MINING & QUARRYING	0.9	60.7	57.8	53.6	45.8	43.7	50.9	65.2	70.3
MANUFACTURING	13.5	1,111.1	1,018.6	1,001.1	1,011.5	992.5	1,008.4	1,039.2	1,064.1
Informal Manufacturing	2.5	185.8	179.6	176.8	180.9	179.1	182.7	186.4	190.1
Sugar	0.9	25.6	19.1	17.0	23.2	20.8	21.7	22.0	22.3
Mineral water	1.0	133.5	120.0	162.5	170.6	149.1	140.1	154.2	161.9
Wearing apparel	1.1	87.4	65.7	57.8	53.5	52.4	53.4	54.0	54.5
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.0	176.2	153.1	158.1	202.1	208.3	218.8	228.7	237.9
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.7	59.2	54.6	53.6	55.5	57.7	62.1	63.9	65.7
CONSTRUCTION	2.9	311.5	259.3	173.9	207.5	213.6	222.9	240.6	267.9
Formal Non-Government Construction	1.9	206.5	154.7	93.8	116.6	123.6	129.8	142.8	164.2
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES (WRT)	11.3	915.7	893.4	771.5	827.2	866.3	882.7	902.4	922.7
Informal WRT	3.4	247.4	247.8	246.3	248.8	253.7	256.3	260.3	262.6
Formal Non-Government WRT	7.9	668.3	645.6	525.2	578.4	612.6	626.4	642.2	660.1
TRANSPORT AND STORAGE	7.9	415.9	18.0	168.6	587.6	803.0	825.3	847.6	870.6
Formal Non-Government Transport & Storage	7.7	403.9	8.2	159.4	577.4	792.4	814.5	836.7	859.4
Water & air transport	3.9	69.2	-285.5	-110.8	270.2	459.4	473.1	487.3	502.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	6.3	520.3	164.9	90.7	335.9	561.2	577.9	595.1	612.8
Formal Non-Government Accommodation and Food Service Activities	6.1	508.1	153.5	79.7	324.0	548.8	565.3	582.2	599.7
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer Parks	5.4	460.0	122.7	56.9	282.1	493.6	508.4	523.7	539.4
INFORMATION AND COMMUNICATION	5.4	448.5	398.5	385.0	418.7	442.8	456.2	469.6	483.5
Formal Non-Government Information and Communication	5.3	443.4	393.8	380.5	414.3	438.4	451.7	465.2	479.0
Wired telecommunications activities	1.1	72.6	74.9	66.0	71.1	74.6	76.9	79.2	81.6
Wireless telecommunications Activities	2.6	234.8	203.6	215.5	226.5	237.8	244.9	252.3	259.8
FINANCIAL AND INSURANCE ACTIVITIES	10.2	755.3	737.0	769.7	929.4	980.3	1,010.4	1,042.5	1,075.3
Central banking	0.2	15.9	15.0	15.2	14.2	14.8	15.0	15.0	15.1
Other monetary intermediation	5.0	391.1	377.7	409.7	545.3	588.9	612.5	637.0	662.5

Activity	Base Weight	2019	2020r	2021r	2022p	2023e	2024f	2025f	2026f
Activities of holding companies	0.9	63.1	62.7	62.6	63.6	64.3	64.9	65.6	66.2
REAL ESTATE ACTIVITIES	4.0	307.5	293.0	275.9	270.8	275.7	278.7	283.6	286.9
Owner Occupied Dwellings	3.1	232.8	228.7	221.8	214.2	216.4	217.4	220.7	222.9
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2.4	187.0	158.2	139.7	158.7	166.1	170.6	176.4	180.9
ADMINISTRATIVE AND SUPPORT SERVICES	2.0	160.8	102.9	63.1	129.0	164.4	170.4	175.2	179.8
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	9.4	810.1	793.4	731.6	743.8	753.2	757.0	764.6	779.9
General Public administrative Activities	2.2	210.0	199.9	174.1	181.1	182.9	183.8	185.6	189.4
Defence activities	2.4	168.6	162.5	151.6	150.6	153.7	154.4	156.0	159.1
Public order and safety activities	2.6	203.0	214.7	214.6	216.6	218.8	219.9	222.1	226.5
EDUCATION	7.6	639.3	628.6	629.1	646.2	652.8	656.2	669.3	682.7
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.6	251.6	300.7	356.0	245.7	251.0	254.3	257.2	260.1
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	0.4	30.9	24.2	16.5	24.4	26.2	27.2	28.3	29.4
OTHER SERVICE ACTIVITIES	1.2	93.2	85.8	59.9	82.0	83.7	85.2	86.8	88.4
GROSS VALUE ADDED (GVA) @ CONSTANT PRICES	100.0	8,072.2	6,985.0	6,747.1	7,806.3	8,467.5	8,670.3	8,921.9	9,176.9
ADD NET TAXES		2,598.9	1,867.8	1,673.6	2,300.0	2,449.5	2,547.5	2,636.6	2,728.9
REAL GDP		10,671.0	8,852.8	8,420.7	10,106.2	10,917.0	11,217.8	11,558.5	11,905.8

(Sources: Fiji Bureau of Statistics and Macroeconomic Committee; r-revised, p-provisional, e-estimate, f-forecast)

Table 4: Real GDP Growth by Sector 2019-2026 (Percent Change)

Activity	Base Weight	2019	2020r	2021r	2022p	2023e	2024f	2025f	2026f
AGRICULTURE	8.3	5.7	4.1	1.1	4.2	5.3	3.6	3.1	3.3
General Government	0.1	1.1	-10.1	-2.0	0.7	0.5	0.5	0.5	0.5
Subsistence	1.8	0.6	3.1	0.5	1.4	0.6	0.6	0.6	0.6
Formal Non-Government Agriculture	6.0	7.3	4.7	1.3	4.8	6.5	4.3	3.8	4.0
Taro	0.9	4.7	4.4	1.0	19.0	2.3	6.0	5.0	5.0
Sugarcane	1.3	6.6	-4.4	-18.4	15.5	-4.5	2.2	1.3	1.5
FORESTRY AND LOGGING	0.8	-5.4	3.3	34.1	-8.9	-12.1	-3.2	5.4	1.9
FISHING AND AQUACULTURE	1.2	-4.0	-7.7	-16.8	11.7	4.3	2.2	3.2	2.9
Formal Non-Government Fishing and Aquaculture	0.8	-6.1	-13.0	-21.5	18.6	5.4	1.9	3.5	3.1
MINING & QUARRYING	0.9	15.7	-4.6	-7.3	-14.6	-4.6	16.4	28.2	7.8
MANUFACTURING	13.5	-2.3	-8.3	-1.7	1.0	-1.9	1.6	3.1	2.4
Informal Manufacturing	2.5	-0.6	-3.3	-1.6	2.4	-1.0	2.0	2.0	2.0
Sugar	0.9	13.7	-25.2	-10.9	36.3	-10.4	4.2	1.6	1.5
Mineral water	1.0	-19.3	-10.0	35.4	5.0	-12.6	-6.0	10.0	5.0
Wearing apparel	1.1	-4.7	-24.9	-12.0	-7.5	-2.0	2.0	1.0	1.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.0	-12.0	-13.1	3.3	27.8	3.1	5.0	4.5	4.0
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.7	1.0	-7.9	-1.8	3.7	3.8	7.6	2.9	2.9
CONSTRUCTION	2.9	9.0	-16.7	-32.9	19.3	2.9	4.4	7.9	11.3
Formal Non-Government Construction	1.9	10.5	-25.1	-39.4	24.4	6.0	5.0	10.0	15.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	11.3	1.6	-2.4	-13.6	7.2	4.7	1.9	2.2	2.3
Informal WRT	3.4	0.4	0.1	-0.6	1.0	2.0	1.0	1.5	0.9
Formal Non-Government WRT	7.9	2.0	-3.4	-18.6	10.1	5.9	2.2	2.5	2.8

Activity	Base Weight	2019	2020r	2021r	2022p	2023e	2024f	2025f	2026f
TRANSPORT AND STORAGE	7.9	-22.6	-95.7	834.3	248.5	36.6	2.8	2.7	2.7
Formal Non-Government Transport & Storage	7.7	-22.9	-98.0	1,853.4	262.1	37.3	2.8	2.7	2.7
Water & air transport	3.9	-62.5	-512.3	61.2	343.9	70.0	3.0	3.0	3.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	6.3	8.1	-68.3	-45.0	270.5	67.1	3.0	3.0	3.0
Formal Non-Government Accommodation and Food Service Activities	6.1	8.3	-69.8	-48.1	306.5	69.4	3.0	3.0	3.0
Short-term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.4	8.5	-73.3	-53.6	395.8	75.0	3.0	3.0	3.0
INFORMATION AND COMMUNICATION	5.4	-0.8	-11.1	-3.4	8.8	5.8	3.0	2.9	2.9
Formal Non-Government Information and Communication	5.3	-0.8	-11.2	-3.4	8.9	5.8	3.0	3.0	3.0
Wired telecommunication activities	1.1	-2.7	3.2	-11.8	7.6	5.0	3.0	3.0	3.0
Wireless telecommunication activities	2.6	-4.8	-13.3	5.8	5.1	5.0	3.0	3.0	3.0
FINANCIAL AND INSURANCE ACTIVITIES	10.2	0.6	-2.4	4.4	20.7	5.5	3.1	3.2	3.1
Central banking	0.2	-3.3	-5.5	1.1	-6.1	4.0	1.0	0.5	0.5
Other monetary intermediation	5.0	-2.1	-3.4	8.5	33.1	8.0	4.0	4.0	4.0
Activities of holding companies	0.9	0.6	-0.7	-0.2	1.7	1.0	1.0	1.0	1.0
REAL ESTATE ACTIVITIES	4.0	2.7	-4.7	-5.8	-1.9	1.8	1.1	1.7	1.2
Owner Occupied Dwellings	3.1	1.4	-1.7	-3.0	-3.4	1.0	0.5	1.5	1.0
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	2.4	-2.1	-15.4	-11.7	13.6	4.6	2.7	3.4	2.6
ADMINISTRATIVE AND SUPPORT SERVICE	2.0	6.3	-36.0	-38.7	104.5	27.4	3.6	2.8	2.6
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	9.4	-0.9	-2.1	-7.8	1.7	1.3	0.5	1.0	2.0
General public administrative activities	2.2	-4.3	-4.9	-12.9	4.0	1.0	0.5	1.0	2.0
Defence activities	2.4	-9.2	-3.6	-6.7	-0.6	2.0	0.5	1.0	2.0
Public order and safety activities	2.6	3.8	5.8	-0.1	0.9	1.0	0.5	1.0	2.0
EDUCATION	7.6	1.6	-1.7	0.1	2.7	1.0	0.5	2.0	2.0
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.6	25.5	19.5	18.4	-31.0	2.2	1.3	1.1	1.1
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	0.4	6.9	-21.6	-32.1	48.4	7.3	3.9	3.9	3.9
OTHER SERVICE ACTIVITIES	1.2	0.2	-7.9	-30.2	37.0	2.1	1.8	1.8	1.9
GVA @ CONSTANT PRICES	100.0	0.3	-13.5	-3.4	15.7	8.5	2.4	2.9	2.9
ADD NET TAXES		-3.1	-28.1	-10.4	37.4	6.5	4.0	3.5	3.5
REAL GDP		-0.6	-17.0	-4.9	20.0	8.0	2.8	3.0	3.0

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

Table 5: Nominal GDP 2019-2026

	2019	2020r	2021r	2022p	2023e	2024f	2025f	2026f
Nominal GDP (\$Million)	11,762.1	9,613.2	8,914.1	10,963.0	12,563.4	13,613.3	14,324.0	15,056.3
Growth Rate (%)	1.0	-18.3	-7.3	23.0	14.6	8.4	5.2	5.1

(Source: Macroeconomic Committee; r-revised, p-provisional, e-estimate, f-forecast)

Table 6: Fiscal Year Nominal GDP 2020–2026

	2019-20	2020-21r	2021-22p	2022-23e	2023-24f	2024-25f	2025-26f
Nominal GDP (\$Million)	10,660.7	9,098.8	10,082.4	11,880.0	13,170.2	14,022.8	14,745.9
Growth Rate (%)	-9.0	-14.7	10.8	17.8	10.9	6.5	5.2

(Source: Macroeconomic Committee; e-estimate; p-provisional; f-forecast)

Note: Figures are rounded-off

Table 7: Total Exports by Major Commodities 2019–2026 (\$Million)

Commodities	2019	2020	2021	2022r	2023p	2024f	2025f	2026f
Sugar	99.4	104.5	64.1	132.8	145.3	139.3	135.5	138.5
Molasses	14.3	20.7	19.5	26.9	14.5	26.0	28.9	30.8
Gold	108.6	134.2	132.4	101.4	97.8	134.6	201.8	224.3
Timber	48.2	64.5	89.3	71.4	63.2	60.7	66.1	68.8
Fish	96.1	70.3	55.4	77.9	60.6	70.6	82.0	93.5
Yaqona	32.5	43.6	41.9	40.7	38.1	39.4	40.6	42.6
Textiles	7.6	8.2	10.0	8.4	6.9	7.3	7.6	7.8
Garments	94.8	71.6	70.9	65.5	66.5	67.8	69.2	70.6
Mineral Water	293.5	223.2	312.9	361.8	356.4	335.9	385.2	396.3
Other Domestic Exports	372.1	405.4	436.1	487.4	497.8	530.8	557.8	584.9
Re- Exports (excl. aircraft)	990.6	612.3	573.7	948.4	1,055.8	1,122.3	1,146.6	1,152.8
Total Exports	2,218.7	1,794.0	1,808.2	2,323.0	2,402.7	2,534.7	2,721.3	2,810.9
Total Exports Excl. Aircraft	2,157.7	1,758.5	1,805.6	2,322.2	2,402.7	2,534.7	2,721.3	2,810.9

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

Note: Figures are rounded-off

Table 8: Fiscal Year Exports 2020–2026

	2019-20	2020-21	2021-22p	2022-23p	2023-24f	2024-25f	2025-26f
Total Exports (\$Million)	1,945.8	1,787.4	1,934.7	2,502.0	2,426.7	2,639.4	2,771.5
Total Exports Excl. Aircraft (\$Million)	1,942.0	1,751.2	1,931.6	2,502.0	2,426.7	2,639.4	2,771.5
Exports Excl. Aircraft Growth Rate (%)	-8.3	-9.8	10.3	29.5	-3.0	8.8	5.0

(Source: Macroeconomic Committee; r-revised, p-provisional, f-forecast)

Note: Figures are rounded-off

Table 9: Total Imports by Category 2019–2026 (\$Million)

Economic Category	2019	2020	2021	2022p	2023r	2024f	2025f	2026f
Food	787.0	737.5	783.4	1,070.5	1,144.2	1,152.1	1,163.5	1,172.8
Beverage & Tobacco	55.6	34.6	36.7	70.3	88.5	91.2	93.9	96.7
Crude Materials	56.6	44.3	46.1	57.3	46.5	48.4	50.2	52.2
Mineral Fuels	1,123.7	656.6	721.3	1,626.1	1,694.2	1,841.9	1,864.4	1,842.2
Oil & Fats	38.7	51.2	62.8	126.6	75.4	79.7	83.6	87.9
Chemicals	422.1	385.4	501.1	677.4	553.1	532.5	519.1	507.0
Manufactured Goods	719.7	609.5	640.2	914.1	832.4	886.3	928.2	964.0
Machinery & Transport Equipment	2,315.8	838.2	1,251.7	1,425.8	1,713.0	1,806.9	1,883.9	1,959.7
- of which large items	934.7	15.1	308.7	12.4	2.0	0.0	0.0	0.0
Miscellaneous Manufactured Goods	460.8	383.4	433.4	615.8	818.6	716.4	733.8	753.8
Other Commodities	28.6	12.5	8.3	14.7	15.1	15.5	16.3	17.2
Total Imports	6,008.5	3,753.2	4,484.9	6,598.6	6,981.1	7,170.9	7,337.1	7,453.5
Total Imports Excl. Aircraft	5,073.8	3,738.1	4,176.2	6,586.2	6,979.0	7,170.9	7,337.1	7,453.5

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

Note: Figures are rounded-off

Table 10: Fiscal Year Imports 2020–2026

Commodities	2019-20	2020-21	2021-22p	2022-23p	2023-24f	2024-25f	2025-26f
Total Imports (\$Million)	5,149.0	4,147.9	5,283.4	6,974.4	7,012.9	7,259.4	7,399.9
Total Imports Excl. Aircraft (\$Million)	4,322.8	3,847.7	5,265.6	6,969.4	7,012.7	7,259.4	7,399.9
Imports Excl. Aircraft Growth Rate (%)	-20.4	-11.0	36.9	32.4	0.6	3.5	1.9

(Sources: Macroeconomic Committee; r-revised, p-provisional, f-forecast)

Note: Figures are rounded-off

Table 11: Balance of Payments 2019–2026 (\$Million)

Items	2019	2020	2021	2022p	2023p	2024f	2025f	2026f
BALANCE ON GOODS	-3,004.0	-1,421.8	-1,743.0	-3,599.5	-4,003.0	-3,800.4	-3,753.2	-3,768.0
Exports f.o.b	2,218.0	1,775.4	1,798.2	2,318.0	2,400.6	2,533.2	2,721.2	2,810.8
Imports f.o.b	5,222.0	3,197.2	3,541.3	5,917.5	6,403.5	6,333.6	6,474.4	6,578.8
BALANCE ON SERVICES	1,770.2	-182.1	-430.3	1,284.8	2,489.5	2,710.7	2,646.7	2,667.8
Export of Services	3,482.0	899.9	589.8	2,952.2	4,577.2	4,882.5	4,908.1	4,993.0
Import of Services	1,711.8	1,082.0	1,020.1	1,667.4	2,087.8	2,171.8	2,261.4	2,325.2
BALANCE ON PRIMARY INCOME	-973.7	-609.6	-518.3	-583.0	-701.2	-954.7	-771.7	-855.7
Income from non- residents	132.9	134.2	127.9	127.1	202.4	209.7	215.2	205.1
Income to non- residents	1,106.6	743.8	646.2	710.1	903.6	1,164.5	986.8	1,060.8
BALANCE ON SECONDARY INCOME	698.4	895.4	1,527.3	1,001.4	1,277.3	1,490.9	1,430.9	1,476.1

Items	2019p	2020p	2021p	2022f	2023p	2024f	2025f	2026f
Inflow of current transfers	903.2	1,070.2	1,704.1	1,198.1	1,495.6	1,734.8	1,677.8	1,725.8
Outflow of current transfers.	204.8	174.8	176.8	196.7	218.3	244.0	246.9	249.7
CURRENT ACCOUNT BALANCE	-1,509.1	-1,318.1	-1,164.3	-1,896.2	-937.4	-553.6	-447.3	-479.9
CURRENT ACCOUNT BALANCE (excl. aircraft)	-574.4	-1,303.0	-855.6	-1,883.8	-935.4	-553.6	-447.3	-479.9
CAPITAL ACCOUNT BALANCE	6.9	7.7	6.6	6.5	7.5	6.6	6.7	6.7
FINANCIAL ACCOUNT BALANCE (excl. RA)	1,402.7	752.7	1,628.0	1,530.5	601.7	669.0	557.1	574.5
Errors & Omissions	302.4	519.8	539.2	560.4	322.7	-418.0	-253.9	-438.1
RESERVE ASSETS	202.9	-37.9	1,009.5	201.2	-5.5	-296.0	-137.3	-336.8

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

Table 12: Tourism Statistics 2019–2026

	2019	2020	2021	2022	2023p	2024f	2025f	2026f
Visitors	894,389	146,905	31,618	636,312	929,740	957,632	986,361	1,015,952
Average length of stay (Days)	11.1	12.2	12.6	11.8	11.1	11.1	11.1	11.1
Visitors days (Millions)	8.1	1.5	0.2	5.3	7.6	8.2	8.4	8.6
Earnings (\$Million)	2,065.4	314.9	36.6	1,499.3	2,367.7	2,565.5	2,510.7	2,508.4

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

Table 13: Sugar Export and Price 2019–2026

	2019	2020	2021	2022p	2023p	2024f	2025f	2026f
Export Quantity Sugar (000 tonnes)	145.6	139.9	84.2	127.7	116.1	116.4	117.8	125.3
Unit Value (FJS/tonne)	682.7	746.9	761.4	1,040.1	1,251.0	1,196.8	1,150.6	1,105.7
Sugar Export Earnings (\$Million)	99.4	104.5	64.1	132.8	145.3	139.3	135.5	138.5
Molasses Export Earnings (\$Million)	14.3	20.7	19.5	26.9	14.5	26.0	28.9	30.8

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

Table 14: Inflation Rates 2019–2026

	2019	2020	2021	2022	2023	2024f	2025f	2026f
All items (year-end) %	-0.9	-2.8	3.0	3.1	5.1	3.1	2.5	2.0
Average Annual Inflation (%)	1.8	-2.6	0.2	4.3	2.3	4.4	2.6	2.5

(Sources: Fiji Bureau of Statistics and RBF forecast)

