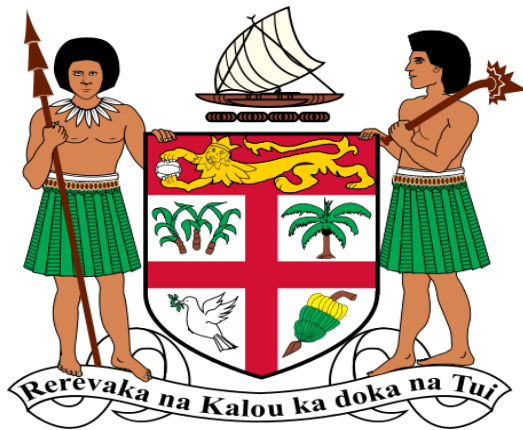


REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE: SUPPLEMENT TO THE 2016-2017 BUDGET ADDRESS



Ministry of Economy
22 June 2016

FOREWORD

The Economic and Fiscal Update is a “Supplement to the 2016-2017 Budget Address”. It provides the general outlook for Fiji’s economic and financial performance and outlines Government’s fiscal strategy for the medium term. The information contained in the Economic and Fiscal Update is as of June 2016.

This report was compiled by the Ministry of Economy with contributions from Government ministries, the Fiji Revenue and Customs Authority and the Reserve Bank of Fiji.

A handwritten signature in black ink, appearing to read 'Makereta Konrote', is positioned above the printed name.

Makereta Konrote
Permanent Secretary for Economy
22 June 2016

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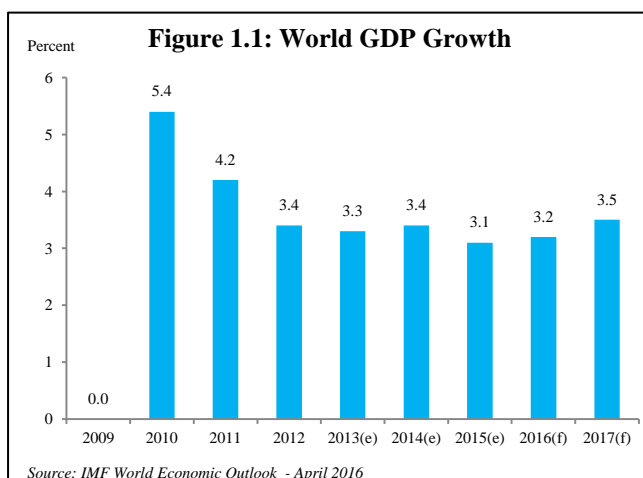
CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK

Introduction

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

International Outlook

- 1.2 According to the International Monetary Fund (IMF) World Economic Outlook April release, global growth is projected to slow to 3.2 percent in 2016 amidst financial turbulence, heightened political uncertainties and falling asset and commodity prices. For 2017, global growth is projected at 3.5 percent.



- 1.3 Commodity prices, particularly crude oil, have recently firmed up, but expected to remain low for this year on account of the slow global growth forecast and the prevailing excess global supply.

Fiji's Trading Partners

- 1.4 For the **United States (US)**, growth is projected to continue at a moderate pace mainly on account of strengthening consumer balance sheets and an improving housing market. The economy improved in the first quarter of 2016 led by stronger consumption activity and improving labour market conditions, while inflation remained below the Federal Reserve benchmark of 2 percent. On the downside, risks remain from lower investment in oil related sectors, and stalling exports due to a relatively strong US dollar. The US economy is expected to grow by 2.4 percent in 2016 and 2.5 percent in 2017. Inflation is expected to be 0.8 percent in 2016 and rise to 1.5 percent in 2017.
- 1.5 Recovery in the **Euro zone** continues at a moderate but uneven pace following a growth of 0.4 percent in Quarter 4 2015 and 0.6 percent in the first quarter of

2016. The manufacturing, services and the retail sectors expanded albeit at a slower pace in the first five months of the year. Inflation remained in the negative territory for the fourth consecutive month in May at -0.1 percent despite the unconventional monetary policy measures. Looking ahead, the European Central Bank (ECB) will continue to aggressively use unconventional monetary policy measures, in its effort to steer inflation towards its target rate of 2 percent. The region's economy is envisaged to grow by 1.5 percent in 2016 and 1.6 percent in 2017. Inflation is forecast to remain low at 0.2 percent in 2016 and 1.3 percent in 2017.

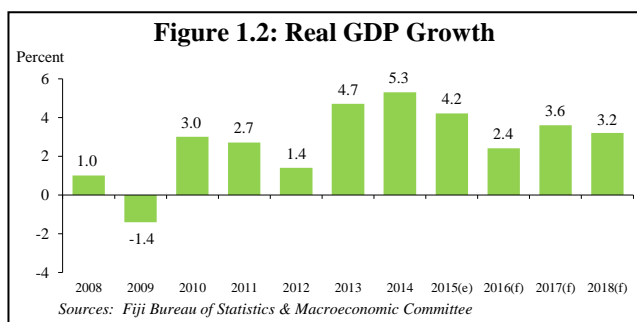
- 1.6 Growth in the **Australian** economy accelerated to 1.1 percent in Quarter 1 2016 from 0.7 percent in Quarter 4 2015 supported by an increase in exports. Consumption activity improved following positive reactions to the expansionary Federal budget of A\$37.1 billion deficit and the reduction in the Reserve Bank of Australia's (RBA) cash rate to 1.75 percent from 2.0 percent recorded in May 2016. However, manufacturing activity decelerated. The Australian economy is projected to grow by 2.5 percent in 2016 and 3 percent in 2017. Inflation is **expected** to be 1.5 percent and 2.4 percent in 2016 and 2017, respectively.
- 1.7 In **New Zealand**, latest data indicate the economy appears to have gained a solid footing since the beginning of the year. Manufacturing activity and consumer confidence remain elevated. On the external front, the annual trade deficit narrowed in April as exports rose faster relative to imports. The New Zealand economy is expected to grow by 2 percent in 2016 and 2.5 percent in 2017. Inflation, on the hand is expected to grow by 0.6 percent in 2016 and rise to 1.7 percent in 2017.
- 1.8 In **China**, latest data reflected a slow growing economy struggling to gain traction amidst structural changes and financial market volatility since the beginning of the year. Manufacturing activity remained steady although weak, while the services sector and consumption activity continued to expand but at a slower pace, weighed down by a decelerating financial services sector. The impact of the accommodative monetary policy measures together with the announcement of further approvals for infrastructure investment are expected to boost growth in the coming quarters. The Chinese economy is projected to grow by 6.5 percent in 2016 and 6.2 percent in 2017. Inflation is expected to remain low at 1.8 percent in both 2016 and 2017.
- 1.9 The **Japanese** economy expanded by 0.5 percent in Quarter 1 2016 compared to a contraction of 0.4 percent in Quarter 4 2015. Growth in the first quarter was underpinned by high private consumption, exports and government spending,

while business spending remained subdued. The strengthening Yen, slowdown in emerging and advanced economies and the rebalancing of growth in China are expected to weigh on exports and manufacturing activity. The Japanese economy is expected to grow by 0.5 percent in 2016 and -0.1 percent in 2017. Inflation is expected to be 0 percent at the end of 2016 and rise to 1.5 percent in 2017.

- 1.10 The **Indian** economy expanded by 7.9 percent in Quarter 1 2016 following a 7.2 percent expansion in the previous quarter. This reflected the seasonal pick-up in sectors like electricity, while manufacturing remains weak on account of subdued investment demand and weak rural consumption. Overall, there was an improvement in business expectations in the first half of 2016-2017, with rising consumer confidence and demand aided by a stronger monsoon. The Indian economy is expected to expand by 7.5 percent in both 2016 and 2017, while inflation is expected to be 5.1 percent in both years.

Domestic Outlook

- 1.11 The domestic economy is estimated to have expanded by 4.2 percent in 2015 after growing by 5.3 percent in 2014 and 4.7 percent in 2013. Fiji's Real Gross Domestic Product (GDP) growth levels from 2008 to 2018 are shown in Figure 1.2.



2015 Overview

- 1.12 The overall growth in 2015 was broad based, with the exception of the forestry & logging sector. The transport & storage; financial & insurance activities; accommodation & food services; wholesale & retail trade; public administration & defence and the construction sectors are expected to have made the largest contribution towards growth last year.
- 1.13 The service industry dominated economic activity in 2015, driven largely by transport & storage sector. Record high visitor arrivals provided the impetus for growth in the transport & storage sector and accommodation & food services sectors. Commercial banking and insurance activities remained upbeat. The information & communication sector also performed well on the backing of increase in wireless telecommunication services. Improved consumer and business confidence supported growth in the wholesale & retail trade sector.

- 1.14 For the industrial sectors, major contributions were made by construction and manufacturing activities, supported by an increase in private sector construction, including Government funded projects undertaken by the private sector. In addition, the mining & quarrying sector especially the turnaround noted in gold production made a positive contribution towards overall growth.
- 1.15 For the primary industries, despite the prolonged El Niño weather conditions, sugarcane production grew marginally by 0.7 percent in the 2015 crushing season. On a positive note, El Niño weather conditions supported the improved performance in the fishing & aquaculture sector. Output in the forestry & logging sector declined in 2015 as a result of supply chain issues, such as access to forests during the rainy season.

2016 Overview

- 1.16 In 2016¹, the Fijian economy is forecast to grow by 2.4 percent, the seventh consecutive year of growth since 2010. This growth estimate takes into account the negative impact from Tropical Cyclone (TC) Winston and the April floods, which caused substantial damage to infrastructure, loss of output in the agricultural sector and in production time of businesses. On a positive note, the growth estimates reflect the expected pickup in construction activities due to post-cyclone reconstruction and rehabilitation work. A temporary boost in spending is projected as households restock or replace damaged household items and purchase reconstruction materials aided by the Fiji National Provident Fund (FNPF) financial assistance, Social Welfare benefits and ‘Help for Homes’ initiative.
- 1.17 Projected drivers for growth this year are: transport & storage; wholesale & retail trade; construction; accommodation & food services; financial & insurance activities and the public administration & defence. Growth in these sectors is projected to outweigh the decline in agriculture, electricity and forestry & logging sectors. Furthermore, strong demand in the tourism sector, increased inward remittances and improved investor confidence will provide needed impetus for growth despite weak global demand.

Overview: 2017 and 2018

- 1.18 For 2017, the Fijian economy is forecast to grow by 3.6 percent. All sectors of the economy are expected to register positive growth with major contributions from manufacturing; transport & storage; financial & insurance activities;

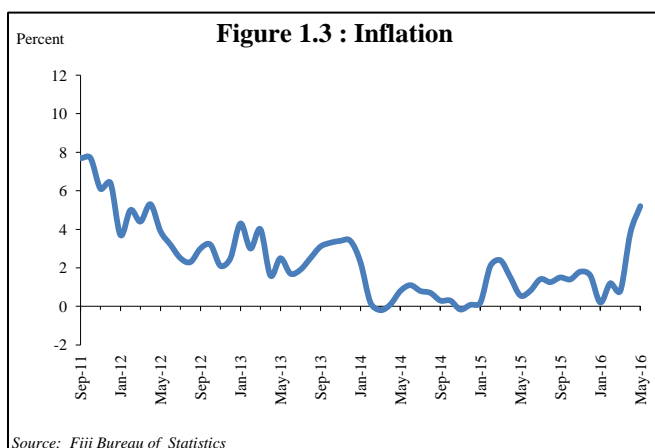
¹ For Government’s financial year August 2016 – July 2017, growth is estimated at 2.8 percent.

wholesale & retail trade and construction sectors. Construction and rehabilitation work following TC Winston will spill over into 2017.

- 1.19 In 2018, a similar growth of 3.2 percent is envisaged with positive contributions from all sectors.

Inflation

- 1.20 Inflation in 2015 was 1.6 percent, up from 0.1 percent in 2014 (Figure 1.3). Imported inflation, especially low global oil prices continued to keep inflationary pressures subdued in 2015.



- 1.21 From January to May 2016, inflation averaged around 1.7 percent. Inflation picked up in April (3.8 percent) and May (5.2 percent), which was largely reflected by temporary supply shortages following the climatic events in February and early April. Inflation this year is mainly underpinned by the food & non-alcoholic beverages; alcoholic beverages; tobacco & narcotics; education; furnishings, household equipment & routine household maintenance and restaurants & hotels categories. Reductions in domestic fuel prices in January and April, as well as VAT from January has resulted in subdued prices in the housing, water, electricity, gas & other fuels and transport categories. Inflation is forecast at around 2.0 percent by year-end.
- 1.22 For 2017 and 2018, inflation is forecast at 2.0 percent and 2.5 percent, respectively barring any risks from global or domestic price shocks.

Exports²

- 1.23 Total exports are estimated to have contracted by 13.2 percent in 2015, led by lower re-exports, while total domestic exports rose marginally. The decrease in re-exports is mainly caused by the re-export of mineral fuel due to lower crude oil prices, and other re-export commodities and fish products. Marginal growth in domestic exports was underpinned by higher gold, garment, fish, mineral water, timber and other domestic exports, which more than offset the decline in sugar,

²Exports excluding aircraft.

fruits & vegetables and molasses. As a percent of GDP, total exports were estimated at 21.8 percent in 2015, compared to 26.8 percent in 2014.

- 1.24 Similarly in 2016, total exports earnings are expected to decline by 1.4 percent. This slowdown is due to decline in re-exports of mineral fuel resulting from lower crude oil prices. In addition, the anticipated decline in agro-based exports, such as sugar, dalo, other fruits & vegetables and yaqona in 2016 is due to the impact of TC Winston. Total exports are expected to be 20.5 percent of GDP in 2016.
- 1.25 Looking ahead, the total exports are projected to grow by 8.9 percent, equivalent to 21.2 percent of GDP in 2017 and by 6.3 percent or 21.3 percent of GDP in 2018.

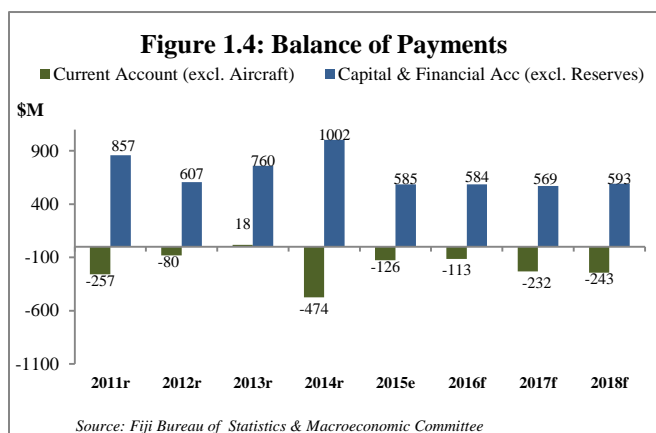
Imports³

- 1.26 Total imports for 2015 are estimated to have declined by 13.2 percent, led by lower imports of mineral fuel, food and machinery & transport equipment. As a percent of GDP, total imports are expected to be 46.3 percent in 2015 compared to 56.9 percent in 2014.
- 1.27 For 2016, total import growth is projected at 8.5 percent mainly attributed to higher demand for manufactured goods, machinery & transport equipment and food. The importation of materials for reconstruction of housing and infrastructural amenities including food for rations in the aftermath of TC Winston is driving the high demand. This projection also takes into account aid-in-kind from overseas donor partners. In contrast, the prevailing lower crude oil prices (around US\$50 per barrel) are expected to weigh on imports growth. As a percent of GDP, total imports are expected to be 47.9 percent.
- 1.28 In 2017, total imports are expected to grow by 5.8 percent, driven by higher payments for manufactured goods, food and mineral fuels. The growth in imports in 2017 mainly reflects the partial impact of TC Winston and the expected rebound in global crude oil prices in 2017. As a percent of GDP, total imports are expected to be 48.1 percent.
- 1.29 In 2018, total imports are expected to grow by 3.0 percent, due to the expected increase across all categories except for beverage & tobacco and manufactured goods, which are expected to decline marginally. As a percent of GDP, total imports are expected to be 47.0 percent.

³Imports excluding aircraft.

Balance of Payments

- 1.30 In 2015, the current account deficit (excluding aircraft) is estimated to have narrowed to around \$126 million. This is mainly due to lower trade deficit, improved secondary income from abroad (personal transfers) and inflows from services (tourism). The surplus in the capital & financial account (excluding reserves) is estimated at around 6.4 percent of GDP. The overall balance of payments increased by \$133 million in 2015.



- 1.31 In 2016, the current account deficit (excluding aircraft) is expected to be around \$113 million, or 1.2 percent of GDP. This lower deficit is mainly due to the inward remittances post TC Winston, higher foreign direct aid to support the rehabilitation process and inflows of services through tourism and transport, especially after the introduction of direct flights from Fiji to Singapore and San Francisco. However, these are expected to be partially dampened by higher imports for TC Winston rehabilitation and the decline in primary income mainly due to higher profit & dividend payment expectations from certain companies. The capital & financial account (excluding reserves) balance is projected to be around 6.1 percent of GDP. Consequently, the overall balance of payments is expected to decline by \$12.7 million.
- 1.32 In 2017, the current account deficit (excluding aircraft) is projected to rise to 2.3 percent of GDP, the balance in the capital & financial account (excluding reserves) is expected to fall to 5.6 percent of GDP on account of lower net Government borrowing and the overall balance of payments is expected to increase by \$7.1 million.
- 1.33 In 2018, the current account deficit (excluding aircraft) is projected to remain steady at around 2.3 percent of GDP while capital & financial account balance (excluding reserves) is expected to be stable at 5.6 percent of GDP. The overall balance of payments is expected to increase by \$74.3 million.

Money and Credit

- 1.34 To date, credit growth has slowed due to lower lending by commercial banks. In the year to April 2016, private sector credit grew by 12.4 percent (\$678.3 million)

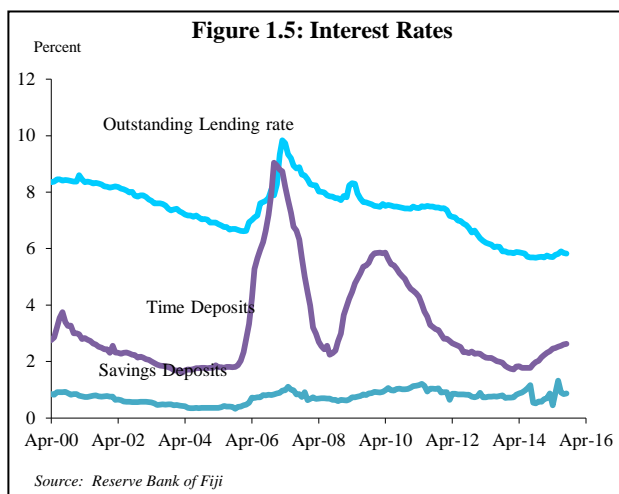
to \$6.1 billion, compared to 15.3 percent growth in April 2015. However, positive consumer and business confidence combined with the current low interest rate environment are expected to continue to support the demand for credit in the near term.

- 1.35 Liquidity in the banking system fell over the month of April 2016 by 10 percent (\$55.1 million) to \$498.7 million, led by a decline in foreign reserves and increases in both currency in circulation and Statutory Reserve Deposits.

Interest Rates

- 1.36 The lending and deposit rates of commercial banks have trended upwards in the year to April 2016.

- 1.37 The commercial banks weighted average outstanding lending rate rose to 5.9 percent in April 2016 from 5.7 percent in April 2015. Over the same period, the commercial banks weighted average outstanding time deposit rate rose to 2.8 percent from 2.5 percent, while the weighted average savings rate increased to 0.9 percent from 0.5 percent.



Exchange Rates

- 1.38 In May 2016, the Fiji dollar rose against the New Zealand (4.5%) and Australian (3.7%) dollars but fell against the Japanese Yen (-12.7%), the Euro (-4.2%), and the US dollar (-2.6%). During the month, the Fiji dollar appreciated against the Australian (3.1%) and New Zealand (1.0%) dollars but weakened against the US dollar (-2.8%), the Euro (-1.0%) and the Japanese Yen (-0.1%).
- 1.39 The Nominal Effective Exchange Rate (NEER) index declined over the month of May by 1.6 percent. Similarly, the Real Effective Exchange Rate (REER) index also declined by 1.3 percent over the month, but increased by 3.1 percent over the year due to higher domestic inflation in May compared to Fiji's trading partner economies.

Monetary Policy

- 1.40 The Reserve Bank of Fiji (RBF) maintained its policy focus on safeguarding its twin objectives of low inflation and adequate foreign reserves.
- 1.41 Foreign reserves remained at comfortable levels throughout the first five months of 2016, averaging around 5.6 months of retained imports of goods and non-factor services. At the end of May 2016, foreign reserves were around \$2 billion.
- 1.42 Inflation is projected to be around 2 percent by year-end, largely due to subdued global commodity prices and low inflation expectations for Fiji's major trading partner economies.
- 1.43 Given the comfortable outlook for monetary policy objectives, the RBF continued with its accommodative monetary policy stance and held the Overnight Policy Rate unchanged at 0.5 percent in the first five months of 2016.

CHAPTER 2: NATIONAL DEVELOPMENT PLAN

Introduction

- 2.1 This chapter provides an update on the formulation of Fiji's new 20-year and 5-year National Development Plan (NDP).

Formulation of 20-Year and 5-Year National Development Plan

- 2.2 Government's next NDP for Fiji will be the country's first ever long-term 20-year plan. The new NDP will provide a vision which all Fijians can aspire to. The 20-year plan will outline broad national outcomes, goals and strategies, and identify and address key challenges, opportunities and resources for realising this vision.
- 2.3 The 5-year NDP will set out detailed strategies and programmes for the allocation of resources for all sectors such as education, health, water, electricity, roads, bridges and ports. It will provide a comprehensive framework for infrastructure development, enhancing social services, safety and security, gender equality, youth empowerment, job creation and building resilience to climate change and natural disasters.
- 2.4 The timeline for formulation and adoption of the 20-year and 5-year NDP has been extended in the wake of TC Winston. A Post Disaster Needs Assessment and short-term Disaster Recovery Framework for TC Winston are now being incorporated into the 5-year Development Plan.

Nationwide Public Consultations

- 2.5 Nationwide consultations were carried out from 22 June to 28 August 2015 to ensure the views and aspirations of ordinary Fijians are captured in the new Plan.
- 2.6 A total of 730 community forums were convened in the four divisions. Around 16,600 people participated in this national consultation exercise.
- 2.7 Three consultation forums were also convened for Non-Government Organisations and the private sector. Submissions were received from individuals and organisations representing the disabled community, women, youth, individual market vendors and farmers, as well as private sector organisations.
- 2.8 Views expressed by Fijians participating in the consultations highlight the importance of growing the economy and developing Fiji into a modern hub of the Pacific. Fijians want to live in a Fiji where democracy is well respected, their

families are safe and secure and opportunities are available to them to improve their standard of living.

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

20-Year Development Strategy

- 2.10 Public feedback from the nationwide consultations and a review of current situation and future potentials suggest that Fiji should follow a two-pronged development strategy towards the achievement of the vision of **‘A Better Fiji for All’**. The two prongs are:
- a. Inclusive Social Development: Basic Needs and Essential Services; and
 - b. Sustainable Economic Development: Pathway to a Modern Regional Hub.
- 2.11 Social inclusion is the process of improving the terms for individuals and groups to take part in society. Providing equal access and opportunity is fundamental to inclusive development. The strategy for inclusive development will focus on meeting each citizen’s basic needs and strengthening social inclusion. Implementing this strategy will embrace a wide range of sector policies and programmes including water and sanitation, housing, food security, energy, education, health, social empowerment, national security, youth development, gender and culture and heritage.
- 2.12 Fiji’s geographic location, its institutions and infrastructure and social and economic growth makes it an ideal hub for the South Pacific region. This in turn provides potential for greater domestic commerce, trade and associated employment and income. It also provides the basis for Fiji to become an even more established regional centre for social, economic and other services. The strategy supporting sustainable economic growth and development, and developing a modern regional hub will focus mainly on modernizing the national transport infrastructure. It will also help create a better environment for robust private sector growth including expanding manufacturing and commerce and Micro, Small and Medium Enterprises.
- 2.13 Underpinning the two-pronged 20-year strategy is an acknowledgement of the imperative of sustainable development and the need to restore and maintain the balance between the three pillars of economic, social and environmental development. The guiding principles of the Green Growth Framework will act as

a filtering lens for further formulation of the national and sector policies and strategies.

Technical Assistance

- 2.14 An international consultant was engaged through the Asian Development Bank in November 2015 to provide overall technical guidance in the preparation of the NDP while the Global Green Growth Institute supported a Green Growth specialist to mainstream the Green Growth Framework for Fiji into the NDP.

Next Steps

- 2.15 A draft NDP will be made available to the public for further comments and feedback before finalisation. The 2nd round of public consultations is planned for July 2016.
- 2.16 The 20-year and 5-year NDP is expected to be finalised before the end of 2016.

CHAPTER 3: MEDIUM TERM STRATEGY

Introduction

- 3.1 This chapter outlines Government's fiscal framework and strategy for the medium term, including budget policies for the FY 2016-2017 and provides an update on key structural reforms.

Macroeconomic Targets and Broad Fiscal Policy

- 3.2 Government's broad macroeconomic targets have acted as a guide for prudent macroeconomic management. This is evident from the robust investment climate that has resulted in sustained economic growth. Government will continue to maintain the following medium term macroeconomic targets:
- i. annual economic growth rate of 5 percent;
 - ii. total investment level above 25 percent of GDP⁴;
 - iii. managing inflation at around 3 percent;
 - iv. ensuring foreign reserves level cover 4-5 months of import;
 - v. annual budget deficits at less than 3 percent of GDP; and
 - vi. maintaining Government debt at sustainable levels.
- 3.3 Government's stewardship of the economy has yielded seven consecutive years of growth and strengthened macroeconomic fundamentals. Growth this year has been dampened by the devastation caused by TC Winston in February that resulted in total damage and loss to the economy of an estimated \$2.85 billion⁵.
- 3.4 Cabinet endorsed a 3-year disaster recovery framework in June this year to guide the reconstruction and recovery process. The budget for the FY 2016-2017 is designed to meet the substantial costs relating to rehabilitation of public infrastructure including schools, health facilities, and housing. The systematic programming of rehabilitation expenditure through the budgetary process will smoothen out expenditure in the latter years.

⁴ Gross Domestic Product means the value of all goods and services produced in Fiji in a given year.

⁵ Post-Disaster Needs Assessment, Tropical Cyclone Winston, Government of Fiji, April 25, 2016

- 3.5 More importantly, this refocusing of expenditure is anticipated to have a positive impact on medium to long term macroeconomic fundamentals of the country. The increased expenditure outlay will stimulate economic activity across a number of sectors and in turn, support employment creation, raise consumption levels and provide further impetus for growth.
- 3.6 The Budget for the FY 2016-2017 has therefore been cast to address the immediate needs facing the country at this point in time, while adhering to the basic fundamentals of prudent macroeconomic management. The 2016-2017 Budget needs to be viewed in the context of the overall multi-year reconstruction and recovery plan of Government.

Medium Term Fiscal Framework

- 3.7 The estimated revenue for the FY 2016-2017 is \$3,175.3 million and expenditure is set at \$3,643.4 million. The net deficit is budgeted at \$468 million or 4.7 percent of GDP.
- 3.8 Of the total expenditure for FY 2016-2017, over \$200 million or slightly above 2 percent of GDP is related to TC Winston rehabilitation and reconstruction.
- 3.9 Table 3.1 below outlines the medium term fiscal framework for FY 2016-2017 to FY 2018-2019.

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

	2016-2017 Budget	2017-2018 Target	2018-2019 Target
Revenue:	3,175.3	3,073.1	3,221.7
<i>As a % of GDP</i>	<i>32.2</i>	<i>29.5</i>	<i>29.5</i>
Expenditure:	3,643.4	3,437.1	3,549.3
<i>As a % of GDP</i>	<i>36.9</i>	<i>33.0</i>	<i>32.5</i>
Net Deficit	(468.0)	(364.0)	(327.6)
<i>As a % of GDP</i>	<i>(4.7)</i>	<i>(3.5)</i>	<i>(3.0)</i>
Debt	4,969.3	5,333.4	5,661.0
<i>As a % of GDP</i>	<i>50.4</i>	<i>51.3</i>	<i>51.8</i>
GDP at Market Prices	9,866.8	10,401.3	10,920.7

(Source: Ministry of Economy)

- 3.10 The budget deficits for FY 2017-2018 and 2018-2019 are projected at 3.5 percent and 3 percent of GDP, respectively with corresponding debt levels estimated at around 51.3 percent of GDP and 51.8 percent of GDP.
- 3.11 The benefit of this stimulus will be realised in the medium term as the growth generated will provide the fiscal space needed to consolidate Government's fiscal

position over the long term. Both net deficit and debt as percentage of GDP are expected to be in line with Government's broad medium term fiscal framework.

Revenue Policy

- 3.12 To support the medium term fiscal framework, Government's revenue policies will be guided by the following principles:
- i. Ensuring a simple, transparent and equitable tax system;
 - ii. Broadening the tax base while maintaining low tax rates;
 - iii. Modernising tax laws to ensure clarity and certainty in its interpretation and application;
 - iv. Adopting best practices in tax administration;
 - v. Promoting tax compliance to improve collection of revenue and arrears; and
 - vi. Supporting investment and business development including clean energy.
- 3.13 To ensure consistency of policy, and support for post TC Winston reconstruction, the revenue measures for the 2016-2017 Budget will:
- i. Continue incentives in support of home ownership, improved medical services and new business development in the manufacturing and service sectors;
 - ii. Encourage tax compliance;
 - iii. Ensure consumers receive the benefit of tax and import duty reductions through lower retail prices;
 - iv. Continue to simplify tax administrative processes while ensuring incentives and concessions are relevant and remain well-targeted; and
 - v. Manage the importation and consumption of health and environmentally hazardous goods through regular tariff reviews.
- 3.14 Key revenue measures are discussed in Chapter 8.

Expenditure Policy

- 3.15 Public expenditure is an important stimulus for economic growth. Historical emphasis of expenditure outlays has been in the areas of infrastructure development, improving health and education services, strengthening natural resource management and supporting and protecting vulnerable groups. While funding of these important areas will continue, a sizeable component of expenditure for the FY 2016-2017 will focus on reconstruction.
- 3.16 The prioritisation of expenditure over the medium term will be guided by the following principles:
- i. Channelling public resources towards programmes that will facilitate investment, income and employment opportunities, and inclusive growth;
 - ii. Minimising operational costs to improve the quality of Government spending;
 - iii. Providing adequate funds for basic essential services and social programmes;
 - iv. Supporting key infrastructure development programmes;
 - v. Promoting self-help initiatives, MSME development and financial inclusion initiatives;
 - vi. Allocating contingency funding for natural disasters;
 - vii. Supporting the acceleration of key structural reforms; and
 - viii. Upholding green economy initiatives aligned to the Green Growth Framework.
- 3.17 The major expenditure programmes are discussed in Chapter 6.

Debt Policy

- 3.18 As a component of the overall fiscal policy, the management of public debt in the medium term will continue to focus on achieving a sustainable level of public debt through prudent and sound risk management strategies.

3.19 Key principles that will guide public debt management over the medium term include:

- i. Prudent management of fiscal deficits to maintain overall debt stock at sustainable levels;
- ii. Give priority to domestic capital market as a major source of funding for Government budget deficits to lessen the risks on exchange rate movements;
- iii. Ensuring external financing is confined to capital projects for optimum returns;
- iv. Minimising risks associated with on-lending and contingent liabilities; and
- v. Developing the domestic bond market to focus more on liquidity, transparency, secondary market trading, settlement mechanism and investor diversification.

3.20 Key debt policies for the 2016-2017 Budget include:

- i. Focusing on the domestic market for major budget financing needs given the existing liquidity and the available appetite in the bond market, while at the same time access concessional overseas funding to cover key capital investments;
- ii. Expanding the investor base for domestic securities market;
- iii. Introduce re-opening of Government bonds in the domestic securities market;
- iv. Efficient cash flow management to avoid any unnecessary borrowing; and
- v. Sound management of contingent liabilities through stringent risk assessment and adherence to guarantee requirements.

Structural Reforms

3.21 Government has implemented a number of reform initiatives over the past few years. Outlined in the ensuing paragraphs are highlights on the progress of these initiatives.

Civil Service Reforms

- 3.22 Government's vision for the nation calls for a skilled, professional and accountable civil service. A modern, high performing civil service that is responsive to the priorities of the Fijian Government; recruits and retains quality staff; provides quality service to the public; and contributes to a better Fiji for all.
- 3.23 The Civil Service Reform Management Unit (CSRMU) continues to work closely with the World Bank to provide models of best practice aimed at strengthening the civil service. Under the key pillars of the reform, several reviews have been undertaken and are awaiting finalisation of reports for Government consideration.
- 3.24 In terms of devolution, a benchmark compensation survey has been completed whereby more than 140 civil service positions were reviewed. The survey collected salary data of positions in the private sector, and international and regional organisations to assess appropriate salary levels for comparative positions in the civil service. The final report of the study is expected later this year. A review of the planning cycle was also undertaken in April and implementation is planned for pilot Ministries from September 2016.
- 3.25 The World Bank has also carried out specially scoped reviews on the following Ministries.
- i. Public Service Commission: implementation is now complete with the establishment of the Ministry of Civil Service and amended mandate. All constitutional powers previously exercised by the Public Service Commission have been devolved to individual Ministries.
 - ii. Ministry of Infrastructure & Transport: the review has been completed and awaiting Cabinet consideration. Implementation of the recommendations will commence following Cabinet approval.
- 3.26 To improve service delivery through the use of E-services, the CSRMU is working to scope for a long term adviser position to support ITC progress development of e-services systems.

Financial Management Reforms

- 3.27 Implementation of Financial Management Reform initiatives is critical to strengthen accountability and transparency, as well as, ensure prudent management of public resources in the civil service.
- 3.28 The Pacific Financial Technical Assistance Centre (PFTAC) of the International Monetary Fund (IMF) has assisted Government in reviewing the Financial

Management Act 2004 to improve and strengthen the transparency and accountability framework of financial management in the public sector, and also take into account the requirements of the 2013 Constitution. The review of the Finance Instructions 2010 and Procurement Regulations 2010 will also continue into FY 2016-2017.

- 3.29 The Public Financial Management Improvement Program (PFM-IP) 2014-2019 report by the Public Expenditure and Financial Accountability (PEFA) had made recommendations on improving and building a strong Public Financial Management System. Some key recommendations currently being implemented include the review of legislation, improvement of financial reporting and development of National Asset Management Framework.
- 3.30 PFTAC is also working with Government on aligning financial reporting with the International Public Sector Accounting Standards (IPSAS). Financial policies have been aligned to IPSAS, which include the Trading & Manufacturing Policy, Electronic Fund Transfer Guideline and Exchange Rate Policy. The corresponding capacity building programs will continue in FY 2016-2017.
- 3.31 The new internet banking facilities aimed at streamlining payment processes and improving efficiency for daily transactions will be rolled out to the Trading & Manufacturing Accounts (TMAs) and Trust Accounts. The project will be implemented with the finalisation of the Internet Banking Policy.

Sugar Industry Reforms

- 3.32 The Sugarcane Industry Strategic Action Plan 2013 to 2022 will continue to guide Government in reviving and sustaining the industry. The Plan focuses on six core areas: (i) crop production & grower advisory services; (ii) harvesting & transport; (iii) milling & processing; (iv) incentivised cane payment system; (v) revenue generation; and (vi) industry restructuring & legislation.
- 3.33 In this regard, Government has increased its funding support in FY 2016-2017 by providing \$11 million to the **Sugar Development and Farmer Assistance Programme**. The allocation caters for cane development grant and cash-back incentive initiatives.
- 3.34 The **Cane Development Grant** assists farmers with large sections of uncultivated land and new growers that require start-up capital. A total of 4,250 hectares are projected to be planted with new sugarcane under this initiative.
- 3.35 The **Cash-back Incentive** encourages farmers to plant new cane by providing them a grant of up to \$2,000 per hectare. This scheme is expected to result in the cultivation of an additional 6,200 hectares of sugarcane.

- 3.36 Government will continue to support improvement of cane access roads to allow for uninterrupted transportation of harvested cane to the mills. An allocation of \$3 million has been provided in the 2016-2017 Budget for this initiative.
- 3.37 Replenishing soil nutrients is critical for enhancing farm yield. While organic fertilizer is being preferred by more affluent countries, Fiji does not have the ability or the capacity to develop this in a scale big enough to support the local industry. To this end Government has again set aside \$9.7 million as **subsidy for fertilizers** in the 2016-2017 Budget. Around 31,651 metric tonnes of fertilizers will be sold to sugarcane farmers at the subsidised price of \$31.50 which is equivalent to 633,027 bags.

Labour Market Reforms

- 3.38 Labour market reforms over the past years have enabled Fiji to be compliant with all eight fundamental International Labour Organisation Conventions. This has benefited Fijian workers, including the unemployed.
- 3.39 Since the commencement of the labour market reforms in 1990, Fiji successfully implemented six of the seven phases of the reforms. This includes OHS Reform, Employment Relations Reform, Productivity Reform, Wages Reform, Employment Creation Reform and the Operational Management Reform. The draft legislation for the final phase, Workers Compensation Reform, is completed for the tripartite consultation.
- 3.40 The Employment Creation Reform resulted in the establishment of the National Employment Centre (NEC) with its four employment creation services: the Fiji Volunteer Services promotes volunteerism among our people and is currently sending retired teachers to the region; the Formal Employment Services promotes local employment creation; the Self Employment Service is yet to be launched which will promote small and micro enterprises; and the Foreign Employment Services promotes foreign employment. Since 2015, 351 Fijians have benefited from the seasonal worker programme offered by New Zealand and Australia.
- 3.41 In 2017, Government anticipates sending 500 workers to New Zealand and some 1,000 workers to Australia. Foreign employment opportunities are further expected to grow and extend to the US and Canada.

Financial Sector Reforms

- 3.42 The Reserve Bank of Fiji is driving key reforms in the financial sector such as the drafting of the Pension Savings Act, the review of the Credit Union Act, the development of an inclusive insurance framework and the implementation of

specific provisions of the Companies Act 2015 and the Fair Reporting of Credit Act 2016.

- 3.43 ***Pensions Saving Act:*** The drafting of the Pensions Savings Act has been finalised. A key inclusion is the provision to allow new entrants (private sector participation) to the pension fund market in Fiji, to provide options for members who have excess funds, and choices for pensioners to purchase additional retirement income products.
- 3.44 ***Review of the Credit Union Act:*** As part of the reform of the credit union sector, RBF had engaged the technical expertise of IMF's PFTAC in the review of the Credit Union Act 1978. The first draft of the Bill, endorsed by the Solicitor General's Office, is with the credit union industry for written submissions. Public consultations will also take place and is expected to conclude by August 2016.
- 3.45 ***Inclusive Insurance Framework:*** RBF has continued to work with the United Nations Pacific Financial Inclusion Program on the project to develop a policy framework, aimed at facilitating the expansion of inclusive insurance in Fiji. This is part of the initiatives of the National Financial Inclusion Taskforce to reach the "under-served".
- 3.46 ***Regulation of the Capital Markets Industry:*** The Companies Act 2015 and its accompanying Regulations came into effect from 1 January 2016, repealing the Capital Markets Decree 2009. RBF will continue to review supervision policies and procedures of the capital markets industry as per the change in legislation.
- 3.47 ***Fair Reporting of Credit Act:*** RBF has commenced the implementation of the requirements of the Fair Reporting of Credit Act 2016. The Bank will continue to develop an effective supervisory framework for credit reporting agencies, which will supplement the licensing and registration requirements detailed in the Fair Reporting of Credit Regulations.
- 3.48 ***Secured Transactions Bill:*** Work on reforms for secured transactions in Fiji to develop Micro, Small & Medium Enterprises (MSMEs) has continued under the collaboration of Government, RBF, the Secured Transactions Reform Taskforce and ADB's Private Sector Development Initiative. A draft Bill is currently undergoing legal vetting with the Office of the Solicitor General. The proposed Bill establishes key legal concepts for securing interest in movable assets and an online registry on pledged collateral.
- 3.49 ***Financial Sector Development Plan:*** The 10-year plan will strengthen and deepen the domestic financial sector to contribute further to economic growth. It also recognises key reform areas to address the obstacles that inhibit the sector from meeting the intermediation needs of our economy. Following Cabinet's

endorsement, the Plan will be implemented and driven by a multi-stakeholder effort.

- 3.50 ***Financial Inclusion:*** A new medium term Financial Inclusion Strategic Plan for Fiji for the five year period 2016-2020 has been finalised. This will continue on the platform set by the first national strategy. The focus is on giving more Fijians access and usage of financial services and products and adopting innovative technology to deliver financial services and products in a cost effective and sustainable manner.
- 3.51 ***Capital Market Development:*** The Capital Market Development Master Plan is a 10-year plan that will map the development of Fiji's stock, debt, and unit trust markets. The Master Plan was reviewed in 2016 and its tenure extended to 2025 to align with the Financial Sector Development Plan. The Capital Markets Task Force is overseeing the development work in the capital markets.
- 3.52 ***National Payment System Act:*** In 2016 Government developed a legislation to establish a national payments switch. The National Payments System Bill currently under review will form the umbrella legislation for the regulation and oversight of payment systems.
- 3.53 ***Small and Medium Enterprises (SME) Credit Guarantee Scheme:*** This scheme has continued to achieve its objective by increasing access to credit with Government sharing the risk with lending institutions. Since its inception in 2012, the scheme has grown to cover over 1,300 loans valued at around \$77.3 million. Loss ratio has been remarkably low at less than 1 percent or \$38,251. Government is committed to continuing its support in 2017.
- 3.54 ***Import Substitution and Export Finance Facility:*** This facility provides funding at concessional interest rates to promote exports, import substitution and investment in renewable energy projects. At the end of May 2016, total outstanding advances under the Facility stood at \$54.8 million, of which \$23.5 million has been settled. The facility will continue in FY 2016-2017 and the RBF will continue to work closely with stakeholders to ensure that more businesses benefit from this facility and therefore, contribute towards improving Fiji's balance of payments.
- 3.55 ***Housing Facility:*** The facility was established in 2012 to provide affordable housing for low income earners with an allocation of \$35 million. The allocation to the Housing Authority of \$25 million has been fully disbursed. RBF will continue to assess its role in supporting the development of affordable housing in FY 2016-2017.

- 3.56 ***Natural Disasters Rehabilitation Facility:*** This facility was reactivated following TC Winston, and expanded to include assistance to affected homeowners. At the end of May 2016, advances under the Facility totalled \$14.8 million for 37 businesses and 60 homeowners. The facility expired on 30 June 2016.
- 3.57 The **Financial Intelligence Unit** and RBF are finalising Fiji's mutual evaluation report. The report contains findings of peer review on Fiji's anti-money laundering and combating the financing of terrorism (AML/CFT) framework. The evaluation undertaken in 2015 and early 2016 assessed Fiji's compliance with the international AML/CFT standards and the Financial Action Taskforce's (FATF) recommendations.
- 3.58 While Fiji's AML/CFT framework is generally compliant with the FATF standards, some gaps have been noted in the draft report. These include: (1) criminalising the terrorism financing offence and other related measures as required under the UN Security Council Resolutions; (2) powers of the Fiji Police Force and FICAC; (3) preventative measures for financial institutions; (4) enforceability of AML/CFT laws and regulations; and (5) regulation and supervision of non-financial businesses and non-profit organisations.
- 3.59 The evaluation report will be finalised and tabled in the APG Annual Meeting to be held in July 2016. Once finalised, the National AML Council will provide recommendations for the Government to consider in terms of legislative and institutional arrangements to more effectively combat terrorist financing, money laundering and other serious financial crimes in Fiji.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

- 4.1 This chapter discusses Government's fiscal position for the past three financial years. It also provides an update on Government's debt and contingent liabilities.

2014-2015 Actual Outturn

- 4.2 Government recorded a net deficit of \$284.8 million, equivalent to 3.2 percent of GDP in the FY 2014-2015. Total actual revenue amounted to \$2,431.3 million, while total expenditure stood at \$2,716.1 million.

2015-2016 Projection

- 4.3 The net deficit for the FY 2015-2016 is estimated to be \$146 million or 1.6 percent of GDP, with a total revenue of \$2,799.6 million and a total expenditure of \$2,945.6 million.

2016-2017 Budget

- 4.4 The total revenue for the FY 2016-2017 is estimated at \$3,175.3 million while total expenditure is set at \$3,643.4 million. This results in a net fiscal deficit of \$468 million, equivalent to 4.7 percent of GDP.
- 4.5 The higher net deficit is driven by the reconstruction and recovery plan in the wake of TC Winston. Over \$207.9 million has been allocated in the 2016-2017 Budget to finance reconstruction and recovery works. Excluding the expenditure committed as a result of TC Winston, the net deficit is around 2.6 percent of GDP.
- 4.6 Table 4.1 below shows TC Winston rehabilitation and reconstruction funding support in the 2016-2017 Budget.

Table 4.1: TC Winston Rehabilitation and Reconstruction Allocations (\$M)

Project/Programme	2016-2017(B)
Rehabilitation Cost for 250 Schools	132.0
Rehabilitation of Roads, Bridges and Jetties	31.8
Rehabilitation Works for Water and Sewerage Facilities	8.6
Rehabilitation of Micro and Small Businesses	6.4
Rehabilitation of Solar Home Systems and Diesel Schemes	5.9
Health Rehabilitation Works	3.7
Rebuilding Grant - Early Childhood Education Centres	3.5
Rebuilding of Non-Government Primary Schools	3.0

Project/Programme	2016-2017(B)
Rebuilding of Boarding Facilities for Primary Schools	1.9
Purchase of Furniture for Cyclone Damaged Schools	1.6
Reconstruction of Fisheries Institutions	1.6
Reconstruction of Office and Staff Quarters	1.5
Rehabilitation of Police Institutions	1.0
Rehabilitation of Facilities at Ba Correction Centre	0.8
Yaqona Rehabilitation and Development Programme	0.7
Rehabilitation of Levuka World Heritage Structures	0.6
Cyclone Recovery - Immediate Needs Packages	0.6
Rehabilitation of Vanuabalavu Meteorological Station	0.6
Rebuilding Grant Non-Government Secondary Schools	0.5
Dalo Rehabilitation Programme	0.5
Rehabilitation of Telemetry Stations	0.5
Rebuilding of Boarding Facilities for Secondary Schools	0.3
Coconut Rehabilitation and Development Programme	0.3
Rehabilitation of Completed Irrigation Schemes	0.2
Rehabilitation of Seaweed Development	0.2
Total	207.9

(Source: Ministry of Economy)

- 4.7 Given below is the cashflow statement that provides the fiscal position of Government for 3 comparable years⁶. It provides the actual outturn for the FY 2014-2015, projection for FY 2015-2016 and the budget estimates for FY 2016-2017.

Table 4.2: Cashflow Statements

(\$M)	2014-2015 (A)	2015-2016 (R)	2016-2017 (B)
Receipts			
Direct Taxes	538.6	582.0	659.9
Indirect Taxes (excl. Govt. VAT)	1,593.8	1,745.7	1,967.2
VAT (excl. Govt. VAT)	757.7	831.2	910.9
Customs	534.8	565.7	678.5
Service Turnover Tax	60.9	64.2	70.4
Water Resource Tax	35.1	42.3	51.9
Departure Tax	131.4	149.3	156.7
Stamp Duty	66.7	74.5	81.6
Fish Levy	0.1	0.1	0.1
Telecommunication Levy	1.2	1.3	1.4
Credit Card Levy	4.0	4.4	1.9
Third Party Insurance Levy	2.0	1.8	1.8
Environmental Levy	-	7.9	8.8

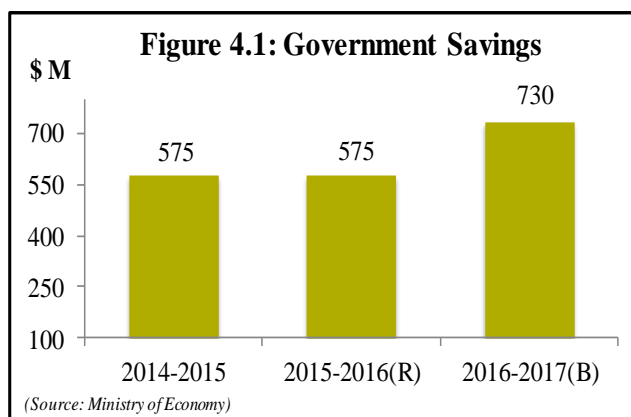
⁶The numbers excludes SEG 13 or Government VAT. The exclusion of Government VAT from revenue and expenditure does not affect the overall net deficit position.

(\$M)	2014-2015 (A)	2015-2016 (R)	2016-2017 (B)
<i>Health Levy</i>	-	3.1	3.3
Fees, Fines & Charges	100.9	109.2	111.8
Grants in Aid	21.8	8.6	34.6
Dividends from Investments	61.6	52.2	39.0
Reimbursement & Recoveries	16.4	15.5	17.1
Other Revenue & Surpluses	39.8	39.3	39.2
Total Operating Receipts	2,372.8	2,552.4	2,868.8
<u>Payments</u>			
Personnel	806.7	857.8	903.9
Transfer Payments	445.1	489.3	565.3
Supplies and Consumables	211.8	253.0	259.8
Special Expenditures	68.6	100.4	114.0
Interest	264.3	267.0	284.9
Other Operating Payments	1.0	10.5	10.5
Total Operating Payments	1,797.5	1,977.9	2,138.5
Net Cashflows from Operating Activities	575.3	574.5	730.3
<i>As % of GDP</i>	<i>6.5%</i>	<i>6.1%</i>	<i>7.4%</i>
<u>Receipts</u>			
Sale of Government Assets	0.01	188.2	250.0
Interest from Bank Balance	0.9	0.01	0.01
Interest on Term Loans and Advances	0.3	0.4	0.4
Return of Surplus Capital from Investment	4.8	5.1	5.3
Total Investing Receipts	5.9	193.6	255.7
<u>Payments</u>			
Transfer Payments	758.4	708.6	1,229.1
Purchase of Physical Non-Current Assets	107.5	205.5	225.0
Total Investing Payments	865.9	914.2	1,454.1
Net Cashflows from Investing Activities	(860.0)	(720.6)	(1,198.3)
<i>As % of GDP</i>	<i>(9.7%)</i>	<i>(7.7%)</i>	<i>(12.1%)</i>
Net (Deficit)/Surplus	(284.8)	(146.0)	(468.0)
<i>As % of GDP</i>	<i>(3.2%)</i>	<i>(1.6%)</i>	<i>(4.7%)</i>

(Source: Ministry of Economy)

Government Savings

- 4.8 Government continues to raise sufficient operating revenue to cover its day-to-day operations. In the FY 2014-2015, operating savings stood at \$575.3 million, while the estimated savings for the FY 2015-2016 is \$574.5 million. For the FY 2016-2017, operating savings of \$730.3 million is forecasted.



- 4.9 The healthy level of operating savings indicate that Government is able to finance its day to day operational activities and any borrowing is for funding its capital expenditure programmes.

Major Operating Grants

- 4.10 Outlined in Table 4.3 is a list of major operating grants in the 2016-2017 Budget.

Table 4.3: Major Operating Grants (SEG 6)

Activity	(\$M)
Water Authority of Fiji	79.3
Fiji National University	45.1
Fiji Revenue & Customs Authority	42.9
Fee Free Education Years 1-8	35.0
Fee Free Education Years 9-13	31.4
University of the South Pacific	30.2
Poverty Benefit Scheme	23.2
Bus Fare Assistance	20.0
Land Transport Authority	19.0
Fiji Road Authority	16.6
Social Pension Scheme	14.0
Fiji Elections Office	12.7
Parliament	10.8
Grant to Fiji's Servicemen's After Care Fund	8.8
Fiji Independent Commission Against Corruption	8.5
Grant to Tourism Fiji	8.3
Salary Grant for Early Childhood Education Teachers	6.8
Public Service Broadcast (Radio)	6.7
Biosecurity Authority of Fiji	6.1
Public Service Commission	5.5

Activity	(\$M)
Legal Aid Commission	5.0
Public Service Broadcast (TV)	4.6
iTaukei Affairs Board	4.0
Child Protection Allowance	3.5
Maritime Safety Authority of Fiji	3.4
Grant to Civil Aviation Authority of Fiji	2.5
Commerce Commission	2.5
University of Fiji	2.3
Shipping Franchise Scheme	2.3
Investment Fiji	2.2
Tuition Grant for Pre-School	2.1
Overseas Sporting Tours	2.0
Hosting International Tournaments	1.9
Film Fiji	1.9
Domestic Air Services Subsidy	1.9
Higher Education Commission	1.6
Human Rights and Anti-Discrimination Commission	1.5
Tuition Fee Free for TVET	1.3
Agriculture Marketing Authority	1.3

(Source: Ministry of Economy)

Major Capital Grants

- 4.11 Outlined in Table 4.4 is a list of major capital grants & transfers in the 2016-2017 Budget.

Table 4.4: Major Capital Grants and Transfers (SEG 10)

Activity	(\$M)
Fiji Roads Authority	510.6
Water Authority of Fiji	229.4
Cyclone Rehabilitation for 250 Schools	132.0
Tourism Fiji Marketing Grant	27.6
Help for Homes Initiative	20.0
Marketing Support to Fiji Airways	18.0
Rural Electrification Projects	14.9
FRCA Capital Grant	11.8
National Toppers Scholarship	10.6
First Home Buyers	10.0
iTaukei Land Development	10.0
Subsidy to South Pacific Fertilizer Limited	9.7
Fiji International Golf Tournament	9.0
Small Grants Project	9.0
Sugar Development Programme	8.5
Committee on Better Utilization of Land (CBUL)	7.8

Activity	(\$M)
Contingency for Disaster Risk	7.0
Land Transport Authority	6.5
Fiji National University Capital Grant: Labasa Campus	6.5
Micro & Small Business Grant	6.4
Cyclone Rehabilitation of Solar Homes and Diesel Schemes	5.9
FEA Subsidy	5.7
FDB Subsidy Grant	4.8
Land Acquisition and Compensation – WAF Complex	4.6
Existing Scholarship Scheme	4.3
Challenge & Investment Fund – Town/City Council	4.0
Agriculture Marketing Authority	4.0
Divisional Development Projects	3.5
National Fire Authority	3.0
Biosecurity Authority of Fiji Capital Grant	3.0
PRB – Simla Development Project	2.6
Housing Authority- Matavolivoli Development Project	2.5
Land Bank Investment	2.5
Fiji Sports Council Grant	2.1
Maritime Safety Authority of Fiji	2.0
Disaster Risk and Climate Change Adaption	2.0
Drainage Subsidy	2.0
Rural Maritime Livelihood Training	1.8
Grant to Disabled People's Organisations	1.6
SME Credit Guarantee Scheme	1.5
Northern Development Programme	1.5
Upgrade and Maintenance of Sports Facilities	1.2
Construction of Rural Sports Complex	1.0
Disaster Relief and Rehabilitation Fund	1.0
New Town Development (Nabouwalu)	1.0

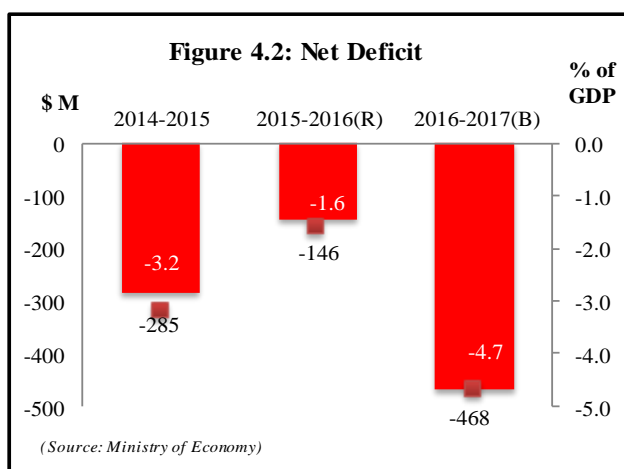
(Source: Ministry of Economy)

Expenditure Mix

- 4.12 Over the past decade, Government has changed the expenditure mix in favour of capital in recognition of the need to renew and rebuild the nation's infrastructure. The operating expenditure to capital expenditure mix for the FY 2014-2015 was 67:33 while the anticipated mix for the FY 2015-2016 is 68:32. For the 2016-2017 Budget, the emphasis on capital expenditure spending remains with a budgeted expenditure mix of 60:40.

Net Deficit

- 4.13 Net deficit or surplus is the difference between Government revenue and expenditure and is the key indicator of Government's fiscal position. As discussed earlier in this Chapter, the net deficit for the FY 2014-2015 was 3.2 percent of GDP while the projected net deficits for the FY 2015-2016 and 2016-2017 are 1.6 percent and 4.7 percent of GDP, respectively.



- 4.14 The higher deficit in the 2016-2017 Budget reflects the first of a three year implementation of the Disaster Recovery Framework which focuses on rebuilding homes, restoring livelihoods, repairing and strengthening critical infrastructure and building resilience. Over the medium term, both net deficit and debt as percentage of GDP are expected to be attuned to Government's broad medium term fiscal framework.

Government Debt

- 4.15 The underlying Government debt policy is to maintain debt at a sustainable level. The focus is not primarily on the level of debt but also on the composition of debt to safeguard against any downside risks. Public debt has been falling as a share of GDP over recent years due to Fiji's strong economic performance.
- 4.16 A robust economy and prudent fiscal management has resulted in public debt falling to below 50 percent of GDP. As shown in Table 4.5 below, total public debt as a percentage of GDP for 2014 and 2015 was 47.7 percent and 46.3 percent, respectively.
- 4.17 In 2015, domestic debt comprised 70.5 percent of the total public debt portfolio.

Table 4.5: Total Government Debt (\$M)

	2013	2014	2015	July-16	Jul-17
Total Debt	3,838.3	4,083.2	4,227.9	4,501.3	4,969.3
<i>as % of GDP</i>	<i>51.7%</i>	<i>47.7%</i>	<i>46.3%</i>	<i>47.9%</i>	<i>50.4%</i>
Domestic	2,744.2	2,829.0	2,982.1	3,180.0	3,371.9
<i>as % of GDP</i>	<i>36.9%</i>	<i>33.1%</i>	<i>32.7%</i>	<i>33.83%</i>	<i>34.17%</i>
External	1,094.1	1,254.3	1,245.8	1,321.3	1,597.4
<i>as % of GDP</i>	<i>14.7%</i>	<i>14.7%</i>	<i>13.7%</i>	<i>14.1%</i>	<i>16.2%</i>
Domestic to Total Debt	71.5%	69.3%	70.5%	70.6%	67.9%
External to Total Debt	28.5%	30.7%	29.5%	29.4%	32.1%

(Source: Ministry of Economy)

- 4.18 The successful implementation of the Disaster Recovery Framework will not only hinge on the mobilisation of domestic public and private resources but more significantly on international finance, both grants and concessional loans.
- 4.19 The immediate priority is to ensure that the necessary enablers of the Fijian economy are kept intact to maintain the growth momentum. The World Bank and the Asian Development Bank (ADB) have each provided an Emergency Recovery Loan facility totalling US\$100 million to support Government's rehabilitation and reconstruction needs.
- 4.20 Government is mindful of the exchange rate risks associated with external borrowing and intends to maintain a domestic debt to external debt composition within the range of 70:30 (+/-5) percent of total debt.

Domestic Debt

- 4.21 As reflected in Table 4.5, domestic debt as a proportion of GDP has been declining over the past 3 years from 39.8 percent in 2012 to 32.7 percent in 2015. However, the domestic market continues to be the main source of financing for Government. This focus allows Government to support the development of the domestic debt market and encourage secondary market trading and develop a broader investor base.
- 4.22 The primary bond market remained active in 2015. Based on the financing program for the 2015 calendar year, Government floated \$250.4 million worth of bonds to finance its deficit, which attracted a total of \$523.6 million worth of tenders. This over-subscription demonstrates the healthy appetite of debt securities in the domestic financial market.
- 4.23 In 2015, there was an increase in preference for 8 year, 10 year and 15 year-maturities, indicating investor appetite in Government's long term debt securities.

External Debt Stock

- 4.24 External debt stood at \$1,245.8 million, equivalent to 13.7 percent of GDP at the end of 2015. External debt holding by creditor includes EXIM Bank of China (39 percent), the ADB (22 percent), EXIM Bank of Malaysia (1.3 percent), the Japan International Cooperation Agency (1.3 percent) and China Development Bank (1.1 percent).
- 4.25 In 2015, total overseas borrowing amounted to \$479.1 million, of which 90.7 percent was attributed to the issuance of the US\$200 million international bond.
- 4.26 The global bond floated in 2015 attracted an interest rate of 6.625 percent as opposed to 6.875 percent and 9 percent in 2006 and 2011, respectively. This not only provided substantial interest cost savings but demonstrates the strong investor confidence in the local economy.

Risk Indicators and Exposure of Debt Stock

- 4.27 In terms of risk assessment, the exposure of the current debt portfolio to the following risk indicators were measured; refinancing risk⁷, interest rate risk⁸ and exchange rate risk⁹.
- 4.28 Government debt remained sustainable given the elimination of a major roll-over risk and the decrease in foreign exchange (FX) risk¹⁰ exposure to 29.1 percent in March 2016 from 31.1 percent in 2015.

Table 4.6: Cost and Risk Indicators for Existing Debt as at March 2016

Risk Indicators		External	Domestic	Total
Amount (in millions of FJD)		1,227.8	2,994.8	4,222.6
Amount (in millions of USD)		591.6	1,442.9	2,034.4
<i>Nominal Debt as % GDP</i>		<i>13.0</i>	<i>31.9</i>	<i>44.9</i>
Cost of Debt	Interest Payment as % GDP	0.4	2.2	2.6
	Weighted Average Interest Rate (%)	3.4	7.1	6.0
Refinancing risk	Average Time to Maturity (years)	6.5	7.5	7.2
	Debt Maturing in 1year (% of Total)	6.4	9.9	8.9
	Debt maturing in 1year (% of GDP)	0.8	3.1	3.9
Interest rate risk	Average Time to Refixing (years)	4.9	7.5	6.8
	Debt Refixing in 1year (% of Total)	24.8	7.3	12.4
	Fixed Rate debt (% of Total)	77.7	96.7	91.1
FX risk	FX debt (% of Total Debt)			29.1

(Source: Ministry of Economy)

⁷Rollover risk (refinancing risk) is the possibility of having the debt to be rolled over at a higher interest.

⁸Risks associated with variable costs of borrowing.

⁹Risks associated with fluctuations of exchange rates.

¹⁰FX risk calculates the percentage of Government's foreign currency debt as a percent of total debt.

- 4.29 With respect to refinancing risks, the current structure of Government's debt portfolio shows that it will take an average of 7.2 years to refinance the total debt portfolio. In relation to interest rate risks, approximately 91.1 percent of the total debt portfolio has fixed interest rates while the remaining 8.9 percent is exposed to variable interest rate with LIBOR as the reference rate.

Contingent Liabilities

- 4.30 Contingent liabilities include Government guaranteed debt of state owned entities and statutory authorities' debt (includes implicit liabilities).
- 4.31 Total contingent liabilities increased by 9.4 percent to \$2,797.2 million in 2015, largely due to increased Fiji National Provident Fund member contribution. As outlined in Table 4.7, total contingent liabilities stood at 30.7 percent of GDP at the end of 2015, while total guaranteed debt (explicit liabilities) comprised \$824.5 million, equivalent to 9 percent of GDP.

Table 4.7: Contingent Liabilities (\$M)

	2013	2014	2015(P)
Government Guarantee (Explicit)	812.4	842.1	824.5
<i>As % of GDP</i>	<i>10.5%</i>	<i>9.8%</i>	<i>9.0</i>
Total Contingent Liabilities	2,191.4	2,556.70	2,797.2
<i>As % of GDP</i>	<i>28.4%</i>	<i>29.9%</i>	<i>30.7%</i>

(Source: Ministry of Economy)

CHAPTER 5: POVERTY ALLEVIATION AND SOCIAL EMPOWERMENT

Introduction

- 5.1 This chapter provides an overview of the poverty alleviation programmes of Government and key social empowerment initiatives for women, children and people with disabilities.

Social Protection

- 5.2 **Welfare Graduation Programme:** The programme was set up to assist beneficiaries of the Poverty Benefit Scheme & Care and Protection Programmes with income generating projects so that they can be graduated from the system. In the 2016-2017 Budget, a sum of \$1 million has been allocated towards this initiative.
- 5.3 **Capital Grant to Voluntary Organisation:** This is an on-going programme to alleviate poverty and contribute to social justice by providing a capital grant to NGOs that provide care and protection to children and the disadvantaged in the communities. A capital grant of \$0.2 million will continue in FY 2016-2017.
- 5.4 **Poverty Benefit Scheme:** A sum of \$23.2 million is provided for the programme which is targeted at assisting destitute families. Each household (maximum of 4 individuals) is eligible for a maximum of \$160 per month, which is inclusive of \$50 Food Voucher. The funding has been increased by \$1.2 million to cater for additional 1,000 recipients under the scheme.
- 5.5 **Social Pension Scheme:** This programme establishes a social safety net for people above the age of 68 years and who do not receive any form of Government assistance by providing \$50 monthly allowance. An allocation of \$14 million is provided in the FY 2016-2017, an increase of \$1 million to cater for the increase in recipient numbers due to the reduction in the eligibility age from 68 years to 66 years effective from 1 July 2016.
- 5.6 **Education:** A sum of \$53.1 million has been allocated for the tertiary education scheme. This includes funding for the National Toppers Scholarship Scheme as well as the provision of low interest loans for tertiary education. The scheme also covers accommodation & transport costs, pocket allowances, books & study materials and other associated costs.
- 5.7 **Bus Fare Subsidy:** Government provides bus fare subsidy to assist students from low income households. The assistance also covers students who travel by boat, carriers and other modes of transportation where bus services are not available.

An increased funding of \$20 million is provided in the Budget with the inclusion of technical colleges under the scheme.

- 5.8 **Electricity Subsidy:** To support low income families, Government will continue to provide an electricity subsidy through a budget allocation of \$5.7 million in the new financial year.
- 5.9 **Northern Development Programme:** Government will continue to fund SME development in Vanua Levu to improve livelihoods and facilitate growth in rural communities. A sum of \$1.5 million is allocated for this programme in the FY 2016-2017.

Women

- 5.10 Government recognizes that empowerment and development of women is a priority for inclusive and sustainable development. The 2014 National Gender Policy which is aligned to the 2013 Constitution of Fiji and with the ratified international conventions is aimed at promoting gender equality, social justice and sustainable development in Fiji.
- 5.11 **Women's Plan of Action** – An allocation of \$1 million is provided for the implementation of the National Gender Policy. The programme largely focuses on the five thematic areas: i) formal sector employment and livelihood; ii) equal participation in decision making; iii) eliminating of violence against women and children; iv) access to basic services; and v) women and the law.
- 5.12 **Fiji Women's Federation** - It is a national advisory body to the Minister of Women for the improvement and coordination of women's programmes around Fiji. A funding of \$0.2 million is provided to the organisation for its operation.
- 5.13 **NGO Grants** - The Government will continue to provide funding of around \$0.2 million to women organisations to advance the interests of women and children around the country.
- 5.14 **Fiji National Women's Expo** - Since 2014, the Fiji National Women's Expo has been held annually focusing on creating a platform for rural women groups to market their products particularly handicrafts and search for development partners to gain access to urban and international markets. More than 1,000 women from 499 women's group around Fiji have been participating since 2014. In the 2016-2017 Budget, Government has allocated a sum of \$0.5 million to host the third National Women's Expo.
- 5.15 **Food Voucher Programme** - Pregnant women in rural areas will continue to receive assistance through the Food Voucher Program to reduce cases of

malnutrition and complications during pregnancy. An allocation of \$0.5 million has been budgeted for this program, which comprises \$30 monthly food voucher for the duration of 10 months for recipients.

- 5.16 **Domestic Violence Helpline** - Government is dedicated towards the protection of women's rights and reduce incidence of violence against women. A sum of around \$170,000 is allocated for the establishment and operations of a 24 hour toll free Domestic Violence Helpline, which will provide reporting and free referral platform for victims of domestic violence and sexual assault.
- 5.17 **Women in Policing** - The Women in Policing Network with the Fiji Police Force was established to encourage and improve working capabilities for police women, at the same time encourage Equal Employment Opportunity within the organization to enhance effective and efficient policing. An allocation of \$0.02 million is budgeted for this programme.
- 5.18 **Cottage Industry Development** – The programme assists women in cottage industries like mat and basket weaving, masi making and floral arrangement. A sum of \$0.1 million is allocated in the Budget for this initiative.

Children

- 5.19 **Child Protection Allowance** - To promote an environment where children are safe and protected, a total of \$3.5 million is allocated under this programme for the FY 2016-2017 to assist children from poor families, single parent families, prisoner dependents, children with disability and children under residential care. This is an increase of \$0.3 million, which will benefit an additional 250 recipients under the programme.
- 5.20 **Child Protection Programme** - An additional \$1.0 million is provided under this scheme, which involves awareness programmes and the implementation of the recommendations of the Convention of the Rights of the Child. This allocation will also ensure the continuation of the operations and monitoring of the 24 hours toll free helpline for children.
- 5.21 **Institutional Services** - Government also oversees the management of Institutional Homes for children under the age of 18 who are awaiting court hearings or who have been placed under the care and protection of the state. A sum of \$1.0 million is allocated for its operations.
- 5.22 **Education of Needy Children** - Government through the Office of the Prime Minister supports Funds for the Education of Needy Children, an organisation that provides financial support to disadvantaged children in Fiji. Around \$0.2 million is allocated for this initiative.

- 5.23 The **Child Protection Division** under the Office of the Director of Public Prosecutions has an allocation of \$0.02 million in the 2016-2017 Budget. The Division is responsible for handling sexual offences and other related offences in which children are the victims.
- 5.24 Government has allocated a sum of \$0.08 million for the **Child Health Development Programme** and an additional \$0.05 million for the **Food Supplement for Malnourished Children**.
- 5.25 **Infants Foods** – Government has made foods specially prepared for infants to be duty free in the 2016-2017 Budget. In addition, to complement this tariff reduction, the Government proposes an amendment to the Food Safety Act Regulations 2008 in respect of product labelling requirements for infant formula. This will allow more infant formula to be brought into Fiji.

People with Disabilities

- 5.26 **Fiji National Council for Disabled Persons** – It is the national coordinating body for disability development initiatives in Fiji. It advocates and promotes inclusive, protective, healthy and enabling environment for disabled persons. An increased funding of around \$0.4 million is provided in the Budget to assist in the implementation of the Rights of Persons with Disabilities Bill 2016 which is currently before Parliament.
- 5.27 The Bill captures a number of salient features of the UN Convention on the Rights of Persons with Disabilities. It provides for the establishment of the National Council for Persons with Disabilities, requires that all organisations providing services to persons with disabilities are registered and provides the detail of the rights of persons with disabilities in Fiji.
- 5.28 **Initiatives for the Disabled** - Government has allocated \$1.6 million to cater for the establishment of a disability centre in Lautoka to serve as a meeting place for disabled persons in the West. The facility will also provide a storage space for donated items and equipment. The funding will also cater for the increase in salary of teachers paid by registered special schools and the purchase of a disability-inclusive bus.
- 5.29 **Employment Taxation Scheme for People with Disabilities** - To encourage employment creation and availability of employment opportunities for disabled persons, Government has extended the Employment Taxation Scheme to include employment of disabled people for a period of 3 years with 300 percent tax deduction. The details of this employment incentive package are outlined in Chapter 8.

- 5.30 **Special Education** - registered special schools are provided \$3.3 million, which covers grant for children with special needs, salaries for teachers and other operational expenditure including the purchase of assistive devices and special books. A sum of \$0.2 million is also provided under the scholarship scheme for children with special needs.

Housing

- 5.31 The Constitution mandates Government to use its resources to grant the right to accessible and adequate housing for all Fijians.
- 5.32 **Help for Homes** - In April 2016, Government launched the Help for Homes initiative to assist affected Fijians whose homes were damaged or destroyed in the cyclone. Government issued electronic cards to families with annual incomes below \$50,000 a year to purchase hardware items from local retailers. In total, \$75.3 million has been uploaded onto electronic cards and distributed.
- 5.33 In the 2016-2017 Budget, the Government has allocated a further \$20 million for continuation of the programme which also includes funding for over 450 applications for refunds received in this financial year.
- 5.34 **Training of Rural Carpenters** - Government has also allocated around \$0.2 million to conduct trainings and practical workshops to up-skill rural dwellers in building cyclone resilient houses in all divisions.
- 5.35 **National Housing Policy Implementation Plan** - A sum of around \$0.2 million is provided in the 2016-2017 Budget for the review and implementation of the National Housing Policy.
- 5.36 **Public Rental Board Subsidy (PRB)** – The Government provides operating grants to subsidise the rental obligations of the disadvantaged PRB tenants in all divisions. A sum of \$1 million has been budgeted for this initiative.
- 5.37 **Squatter Upgrading and Resettlement** - A sum of \$2.1 million is allocated in the 2016-2017 Budget to complete civil construction at Omkar, Cuvu, Sasawira, Namara, Lakena Hill No. 1, Caubati and Ledrusasa. Around 278 households are expected to benefit from the above projects when it is completed. Between 2008 to May 2016, a total of 974 residential lots have been created through this programme, benefiting around 4,893 individuals.
- 5.38 **City Wide Squatter Upgrading Project** will be allocated \$0.4 million in the FY 2016-2017 for the upgrading of squatter settlements in the urban and peri-urban

areas that lie within Suva-Nausori corridor, Nadi-Lautoka corridor, Labasa and Savusavu in collaboration with cities and town councils.

- 5.39 **Housing Assistance Relief Trust (HART)** - A sum of \$0.5 million is allocated in the FY 2016-2017 for the programme. The purpose of the programme is to construct and renovate low cost housing villages to accommodate the destitute and near destitute families, 90 percent of whom are social welfare recipients. Families under the programme pay \$1 to \$5 rent per week depending on the type of home they occupy.
- 5.40 **PRB - Simla Development Project** - Government has allocated \$2.6 million for the construction of 36 rental flats (one bedroom) in Kuata Street, Lautoka to cater for the increased demand for rental housing. Preparatory work and construction will commence in the FY 2016-2017.
- 5.41 **Town Wide Informal Settlement Upgrading Project** - The project involves upgrading of informal settlements on iTaukei land along the Lami-Suva-Nausori corridor. In the FY 2016-2017, \$4 million is budgeted for the project, of which \$1 million is for consultancy works for the 3 sites (Waidamudamu, Qauia and Wakanisila) and utilities. The World Bank will reimburse Government the expenditure on infrastructure development upon the completion of the project before August 2018.
- 5.42 **Sustainable Income Generating Project** aims to control squatter formation through provision of housing and income generation from sustainable farming in rural settlements. A sum of \$0.3 million is provided for the project in the 2016-2017 Budget to ensure completion of on-going projects in areas of Vanuakula, Vunisinu, Naboutini, Nakoro, Nakama, and Nabouwalu. The project includes initiatives such as poultry farms, piggyery, bee-hive, construction of farm houses and handicraft projects for women.
- 5.43 **Social Housing Policy** targets clients who have paid more than 1.5 times the principal loan after deducting fees and charges and who are retired or medically unfit or mentally disabled or unemployed or have low income qualify for this assistance. A sum of \$0.5 million is provided in the 2016-2017 Budget for this initiative. This scheme has benefited around 56 households between 2013 and 2015.
- 5.44 **Matavolivoli Development Project** has been allocated \$2.5 million in FY 2016-2017 to complete land development which includes roads, water supply, sewerage, power transmission and supply works. Through this project, new subdivisions will be developed to provide affordable housing to low and middle income earners.

- 5.45 **First Home Buyers** programme focuses on providing financial assistance to families and individuals who are intending to construct or purchase their first homes. The project targets income earners who earn below \$50,000 per annum. A funding support of \$10 million is provided in the 2016-2017 Budget. From 2014 to 2015, a total number of 448 applicants were assisted, of which 202 bought their first homes, while 246 built their first homes.
- 5.46 **Housing Assistance to Fire Victims** – This programme aims to provide financial assistance to families who are affected by fire and earning less than \$20,000 with proper leases but with no insurance. In the 2016-2017 Budget, a sum of \$0.5 million has been allocated for this initiative. In early 2015, seven houses that were destroyed received \$5,000 each under the project.

CHAPTER 6: PRIORITY AREAS

Introduction

- 6.1 This chapter highlights the priority areas of Government in the 2016-2017 Budget. These include Health, Education, Infrastructure, Agriculture, Fisheries & Forests and Climate Change.

Education

- 6.2 Section 31 of the 2013 Constitution guarantees every Fijian the right to education including access to proper school infrastructure and learning facilities necessary to foster quality education at all levels.
- 6.2 In the 2016-2017 Budget, a total of \$448.5 million is allocated to the Ministry of Education, Heritage & Arts. Of the total allocation, \$424.9 million is allocated for operating expenditure while \$20.1 million is for capital expenditure.
- 6.3 As part of the **free education programme** and initiatives, Government has provided \$200 million towards the free tuition grant. This includes tuition free grant for Early Childhood Education (ECE) - \$2.1 million; Primary (Year 1 to Year 8) - \$35 million; Secondary (Year 9 to Year 13) – \$31.4 million; and TVET - \$1.3 million.
- 6.4 **ECE tuition grant per child** which is \$50 per term will now cover cost for 3 terms as opposed to 2 school terms currently covered. Government has allocated an additional \$0.7 million for this initiative.
- 6.5 An additional budget of \$3.5 million is also provided to cater for an increase in **salary grant for ECE teachers** who are currently paid in 3 categories based on qualifications as follows:
- Degree - increase from \$900/term to \$6,987/annum;
 - Diploma - increase from \$600/term to \$4,300/annum; and
 - Basic training - increase from \$400/term to \$3,225/annum.
- 6.6 Government will ensure timely provision of textbooks to schools. A sum of \$5.5 million is provided in the 2016-2017 Budget for the **printing of textbooks** for primary and secondary schools.
- 6.7 Funding of \$3.6 million is allocated in the 2016-2017 Budget for **free-milk** for Year 1 students. Another \$8.4 million is budgeted for **location allowance** for teachers, which covers expenses for teachers in remote and very remote areas.

- 6.8 A large proportion of the Ministry's expenditure will be on **rehabilitation works** for the 495 schools affected by TC Winston, especially in the Western division, which was the worst affected. A total amount of \$142.6 million (includes \$132 million under miscellaneous services) is allocated for the reconstruction and upgrading of existing schools, provision of school furniture and equipment, educational resources and other supporting services, including counselling.
- 6.9 As an on-going initiative to improve **access to quality education** for students having difficulty with transportation, \$0.3 million is allocated for the purchase of boat and out-board motor engine. These schools include: Uluibau Primary School (Eastern); Bau District School (Nausori); Susui Village School (Eastern); Cakova Village School (Eastern); Sawau District School; Navesi Primary School; Naikeleyaga Village School; Namuka-i-Lau District School (Eastern); Udu District School (Bua/Macuata); Druadrua Island School (Bua/Macuata); Kocoma Village School (Eastern); and Drekeniwai District School (Bua/Macuata).
- 6.10 Government will ensure that adequate learning facilities are available for proper learning and development. A sum of \$1 million is budgeted in the FY 2016-2017 to **maintain and upgrade school buildings and institutional quarters**.
- 6.11 Government has allocated \$0.8 million for the **Digital Literacy Programme (DLP)**, previously known as one learning device per child programme. It involves the purchase and distribution of laptops and tablets to Year 1 to Year 8 students in selected schools. A National Framework for DLP has been developed to support the learning and teaching of digital software in schools. Since 2013, a total of 729 primary schools have been assisted under the programme.
- 6.12 Government will continue to promote **skills development training** of young Fijians through establishment of technical colleges. Funding support of \$13.9 million is provided in the 2016-2017 Budget to cover the operating grant of 11 technical colleges. These technical colleges are: Lautoka Sanatan Campus; Nadroga/Navosa Provincial Campus; Anjuman Hidayat-Ul-Islam Campus (Nausori); Macuata-i-Cake Campus; Ratu Epeli Ravoka Campus (Bua); TISI Sadhu Kuppuswamy Campus (Rakiraki); Tagitagi Campus (Tavua); C. P. Singh Campus (Navua); Dr. Shaukat Ali Sahib Campus (Nadi); Vanua Levu Arya Campus (Labasa); and Nabua Sanatan Campus/SHTT Campus (Suva).
- 6.13 A total of \$3.9 million of capital budget is set aside for the **upgrading and maintenance and construction of workshops**, and the purchase of **specialised equipment for these technical colleges**. This will assist students in acquiring the specialised trade skills that are recognised in the job market.
- 6.14 A sum of \$42.5 million is provided for the **Tertiary Education Loan Scheme** for the FY 2016-2017. **National Toppers Scheme** will receive \$10.6 million

with an additional 30 new places expected to be offered in the FY 2016-2017. Other existing scholarships are provided with the budget of \$4.3 million.

- 6.15 To encourage employment creation and availability of employment opportunities for students, Government has increased the **Employment Taxation Scheme** deduction rate from 150 percent to 200 percent and also widened the scope to include apprenticeship in related area of study and employment during holidays. The details and conditions of this employment incentive package are outlined in Chapter 8.
- 6.16 Other major projects of the education sector in the 2016-2017 Budget include:
- i. Grant to Multi-cultural Activities (\$0.2 million);
 - ii. New Bau Central College (\$1.6 million);
 - iii. Building Grant for Heritage Schools - Delana Secondary School and Marist Covenant School in Levuka (\$0.4 million);
 - iv. Upgrading of Levuka World Heritage Site (\$0.6 million);
 - v. Rehabilitation of Thurston Garden (\$0.2 million); and
 - vi. Upgrade of Fiji Museum (\$0.2 million).

Health

- 6.17 The Constitution mandates Government to take reasonable measures within its available resources to guarantee the right of every person to health and to ensure that the person is not denied access to emergency medical treatment.
- 6.18 The Ministry of Health and Medical Services has been allocated a sum of \$244 million in the 2016-2017 Budget.
- 6.19 A budget of \$8.8 million is allocated to **recruit more doctors and nurses**. Of this, \$3.9 million is allocated for the recruitment of 200 new nurses with the intention of achieving the target of 1,000 nurses by 2017 or a ratio of 40 nurses to 10,000 population. In addition, \$5 million is allocated to create 150 new doctor positions, which will increase doctors to 900 by 2017 yielding a doctor to population ratio of 1:1,000 in line with the World Health Organisation standards.
- 6.20 The **In-service Training** has been allocated \$1.7 million to meet the full training cost for doctors and nurses.
- 6.21 Doctors salary allocation for 2016-2017 amounting to \$40.7 million (personal emoluments & FNPF) has been moved to the Ministry of Civil Service budget. The Ministry of Civil Service will manage the implementation of new salary scale as well as other terms of employment related to doctors.

- 6.22 A total budget of \$37.1 million is allocated for the **procurement of major consumables** such as drugs, x-ray materials, dental prosthetic, dressings, beddings and linens, family planning supplies, staff clothing, laboratories and the purchase of three new vaccines namely Rotavirus, Pneumococcal and HPV.
- 6.23 **Free Medicine Program** will continue in the FY 2016-2017 with an allocation of \$10 million. Fijians below the annual income of \$20,000 will be eligible to receive free medication from the list of 142 essential medications.
- 6.24 A sum of \$1.3 million is provided to cater for **cost of overseas and medical referrals** given the increasing number of patients needing overseas treatment that are not available in Fiji.
- 6.25 An allocation of \$2.2 million is provided for the **charter of aircrafts** to meet the high demand for medical evacuation of high-risk patients from remote locations, particularly in the rural and maritime areas.
- 6.26 A budget support of \$6 million is provided for the **Public Health Service Unit**, whose core role is to promote awareness, prevent and control NCDs, HIV/AIDS and encouraging family, adolescent, child, environment and mental health.
- 6.27 A **Complaints Hotline** will be created in FY 2016-2017 through the Ministry of Civil Service. It will include development and dissemination of information kits on complaints lodgement and other related public relations material.
- 6.28 Funding of \$7.3 million has been provided to cater for rations, laundry, oxygen supplies, minor works, kitchen items and other technical and non-technical equipment, general stores and incidentals for all hospitals, health centres and nursing stations in Fiji.
- 6.29 In recognising the need to enhance health infrastructure, Government will continue to invest in the **construction and maintenance of new health facilities and upgrading of existing infrastructure**. A sum of \$43 million is allocated in the 2016-2017 Budget for these projects, of which \$2.5 million will be for the upgrading and maintenance of major urban hospitals and institutional quarters around the country.
- 6.30 A sum of \$3.7 million is allocated for **rehabilitation of health facilities** severely damaged by TC Winston.
- 6.31 In the FY 2016-2017, around \$3 million is allocated for the **Extension of CWM Maternity Unit**. This includes the construction of 200-bed maternity unit to cater for the growing population within the Suva-Nausori corridor. The project will also include additional delivery suites and operating theatres.

- 6.32 For **Navua Hospital**, a total of \$3.8 million is allocated for the construction of boundary fence, storm water alignment and landscaping. A budget of \$2.3 million is allocated for the completion of the construction of the **Makoi Health Centre**, a 10-bed birthing unit which will see the decentralisation of obstetric services.
- 6.33 The new **Ba Hospital** is expected to be completed in the FY 2016-2017. A budget of \$13.4 million is allocated for the completion of the 70-bed hospital, which will be used as a model for future development.
- 6.34 A budget of \$6.3 million is provided for the **upgrading of Keiyasi Health Centre** to a sub-divisional hospital. The objective is to meet the growing demand for health services in the area. Further, \$2 million is provided for the continuation of the construction work for the **new hospital in Rotuma**.
- 6.35 A total of \$4.1 million is allocated for the **relocation of the Naulu Health Centre** to a new site. The objective is to improve accessibility to health services and to serve a growing population including Waila 3A.
- 6.36 Government will continue to fund the upgrading and maintenance of health centres and nursing stations with a budget of \$2 million.
- 6.37 A provision of \$1.8 million is in the Budget to facilitate the **procurement of non-medical equipment** for urban hospitals, sub-divisional hospitals, health centres and nursing stations.
- 6.38 In the 2016-2017 Budget, a sum of \$0.5 million is allocated for the **purchase of dental equipment** for all dental clinics around the country, including the new Ba hospital, while \$5 million has been allocated for the **purchase of bio-medical equipment**.

Infrastructure Development and Public Utilities

- 6.39 Government continues to invest heavily in infrastructure development to raise the standard of essential infrastructure and improve access to markets and services. The construction sector is currently the major driver of growth, contributing around 0.5 percent to the 2016 GDP growth. This is largely due to recent Government investments that are expected to continue in the FY 2016-2017, including the TC Winston rehabilitation and reconstruction works.

Transport Infrastructure

- 6.40 In fulfilling the constitutional right of every Fijian to reasonable access to transportation, Government continues to provide adequate funds for the development of roads infrastructure. In the 2016-2017 Budget, an allocation of \$510.6 million to the Fiji Roads Authority (FRA) to cater for on-going construction and maintenance of roads, bridges and jetties around the country. A further sum of \$16.6 million has been allocated to meet its operational costs.
- 6.41 A sum of \$99.5 million has been allocated for **renewals and replacements of roads, upgrading and replacement of bridges, rural roads, streetlights and traffic signals**. The funding will be sourced through ADB and World Bank loans earmarked for transport sector projects.
- 6.42 A budget of \$31.8 million has been allocated for **rehabilitation works on roads, bridges and jetties for damages sustained by TC Winston**.
- 6.43 Other major allocations under the FRA budget are as follows:
- i. Maintenance Programme (\$79.8 million);
 - ii. Emergency Repairs Programme (\$13.8 million);
 - iii. Renewals and Replacements – Roads and Services (\$85 million);
 - iv. Upgrading and Replacement of Bridges – Bridge Renewals (\$38.2 million);
 - v. Urgent Repair of 9 High Priority Bridges – Walu Bay Bridge, Tamavua Bridge, Labasa Bridge, Lami Bridge, Vesidrua Bridge (Vanua Levu), Tavua Levu Bridge, Naiyalayala Bridge (Taveuni), Matanaivuso Bridge (Kings Road), and Nakasava Bridge (Vanua Levu) (\$4.5 million);
 - vi. Construction of Nakabuta Bridge (\$1.5 million);
 - vii. Maintenance of Ellington Wharf (\$0.5 million);
 - viii. Maintenance and Renewals of Jetties in Savusavu, Vunisea, Natovi and investigation of future renewals at Makogai, Koro, Nabouwalu Stage II, Lomaloma, and Nabukeru (\$7.4 million);
 - ix. Upgrading of Rural Roads (\$56.9 million);
 - x. Capital - Access Programme (\$10.6 million);
 - xi. Streetlight Improvement Programme (\$10.7 million);
 - xii. Capital – Congestion and Capacity Improvements (\$8.3 million);
 - xiii. Capital – Resilience Programme (\$3.4 million); and
 - xiv. Four Lane Projects for Nadi and Suva (\$56.6 million).

Water and Sewerage

- 6.44 A sum of \$308.6 million is allocated to the Water Authority of Fiji in the 2016-2017 Budget.

- 6.45 Government will continue with the provision of 91,250 litres **free water** per year scheme in the FY 2016-2017. Households with income of \$30,000 or below automatically qualify for this initiative. To date, around 25,338 households have benefitted from this initiative.
- 6.46 In the 2016-2017 Budget, an allocation of \$7.5 million has been made for the **Rural Water Supply Programme**, to allow safe, quality and sustainable drinking water supply systems for rural communities.
- 6.47 A sum of \$19.6 million has allocated for the **project design works for urban water supply and wastewater management**. This project is aimed at upgrading water supply and wastewater services in the greater Suva area to accommodate the needs of increasing population and commercial development. Of the \$19.6 million, \$5 million will be sourced from ADB concessional loan.
- 6.48 New projects that will be funded in FY 2016-2017 include the Occupation Health and Safety Programme (\$1.6 million) and rural water carting to non-metered areas (\$3.6 million). A sum of \$8.6 million has been allocated for the rehabilitation of water and sewerage facilities damaged during TC Winston.
- 6.49 Government will continue with the distribution of free water tanks (5,000L and 1,100L) in maritime/drought stricken areas (\$1.4 million) and rainwater harvesting systems (\$4.5 million).
- 6.50 Other major capital projects for the FY 2016-2017 are as follows:
- i. Water Sources and Water Treatment Plants (\$15 million);
 - ii. Water Distribution System Project (\$29.1 million);
 - iii. Integrated Meter Management Project (\$7.5 million);
 - iv. Non-Revenue Water Reduction Project (\$6.3 million);
 - v. Wastewater Treatment Plant (\$10.5 million);
 - vi. Improvement and Upgrade of Wastewater Distribution System (\$10.7 million);
 - vii. Relocation of Existing Water and Wastewater Pipeline (\$8.9 million);
 - viii. Electrical Upgrading Project (\$7.4 million);
 - ix. Automation of Water and Wastewater Control System (\$5 million); and
 - x. Purchase of Micro Tunnelling Machine (\$1 million).

Energy and Electricity

- 6.51 A sum of \$28.8 million is allocated to the Department of Energy in the 2016-2017 Budget.
- 6.52 Government is committed to ensuring that all Fijians have access to electricity. In the 2016 Budget, Government announced that rural communities will no longer

be required to pay the partial deposit of 5 percent to benefit from rural electrification. This will now be fully funded by Government.

- 6.53 The **Rural Electrification Programme** is allocated \$14.9 million in the FY 2016-2017 for the extension of electricity supply, solar home system installation, house wiring, as well as the clearing of electrification project backlog. An allocation of \$5.9 million is allocated for the **rehabilitation costs** of solar home systems and diesel schemes damaged by TC Winston. A total of 680 **solar home systems** will be repaired at a cost of \$1.6 million while 54 diesel schemes in three divisions will be replaced with solar home systems at a cost of \$4.3 million.
- 6.54 A sum of \$1.8 million is provided to extend the grid in Delaiyadua, Dawasamu, Tailevu to Namarai and Nakorotubu. This is Phase II of the grid extension project that will benefit 219 customers, 7 villages, 3 settlements, one primary school and one Government Station.
- 6.55 Major projects that will be implemented in the FY 2016-2017 are as follows:
- i. Grid Extension Project to Sectors 1,2, 3, 4, 7 & 8, Navunisoroa, Nataveira & Navutu Villages - Lomaivuna, Naitasiri (\$0.6 million);
 - ii. Grid Extension Project in Wainivoce/Vatubo/Waikubukubu – Tavua (\$0.2 million);
 - iii. Grid Extension Project from Koronubu/Namau - Ba (\$0.8 million);
 - iv. Tokaimalo Grid Extension Phase II - Ra (\$0.2 million); and
 - v. Biogas Development in Rural Areas (\$0.2 million).
- 6.56 The **Electricity Subsidy Scheme** will continue in the FY 2016-2017 for which \$5.7 million has been allocated. It targets households with a combined income of \$30,000 or less. To date around 9,674 households have benefitted from this scheme. Households consuming 95 units or less per month qualify for the subsidy.

Information, Communication & Technology

- 6.57 Government is setting aside \$9.2 million in the 2016-2017 Budget for the construction of a **fiber cable spur from Suva to Savusavu**. This work will be undertaken at the same time as the TUI-Samoa Cable Connection from Apia to Suva to ensure that we benefit from economies of scale and possible synergies of both the projects.
- 6.58 The provision of the fiber connectivity to Vanua Levu is expected to open up numerous opportunities. Businesses will benefit from faster connections to the outside world and lower telecommunication charges. This development will also open up investment opportunities in ICT related businesses, further boosting employment and productivity.

Agriculture

- 6.59 The Fiji 2020 Agriculture Policy Agenda is geared towards reinvigorating the agricultural sector, increasing the value of non-sugar agricultural exports, progressively reduce food imports, increase support for self-sufficiency and strengthening import substitution.
- 6.60 Government is focused on the twin objective of promoting exports and supporting food security in the country. Both the **Export Promotion Programme (EPP)** and **Food Security Programme (FSP)** have been allocated \$1 million each in the 2016-2017 Budget. The primary objective of the EPP is to strengthen commercial agriculture and promote export opportunities, while the FSP promotes and supports selected locally produced crops, vegetables, fruits and livestock which could substitute import.
- 6.61 The agriculture sector was severely affected by TC Winston. According to the Post Disaster Needs Assessment, the sector suffered damage and loss estimated at \$542 million. Rehabilitation and recovery works are budgeted under various programmes and projects to ensure speedy recovery and restoration of livelihoods particularly in the rural areas, through the distribution of seedlings, replanting programmes, reconstruction of infrastructure and rehabilitation works for farm access roads, drainage improvements, and supply of agro-inputs through a Government subsidy programme.
- 6.62 The EU has signed an agreement with Government to support TC Winston recovery. The pledged amount of \$23.4 million is provided in the form of a grant and budgetary support earmarked for projects such as rehabilitation of sugarcane, livestock, crops and agriculture related infrastructure.
- 6.63 Some of the major on-going projects under the Ministry of Agriculture are as follows:
- i. Fiji Agriculture Partnership Programme (\$2.0 million);
 - ii. Construction of Office and Staff Quarters (\$1.5 million);
 - iii. Agricultural Extension Services – Crops (\$0.8 million);
 - iv. Cyclone Rehabilitation - Dalo (\$0.5 million);
 - v. Cyclone Rehabilitation - Yaqona (\$0.7 million);
 - vi. Ginger Development Programme (\$0.8 million);
 - vii. Agriculture Marketing Authority (\$4 million);
 - viii. Brucellosis Tuberculosis Eradication Campaign - BTEC (\$1 million);
 - ix. Livestock Rehabilitation Programme (\$1 million);
 - x. Farm Mechanisation (\$1 million);
 - xi. Farm Access Road (\$2 million);

- xii. Agro Inputs Subsidy (\$1 million);
- xiii. Land Clearing (\$1.5 million);
- xiv. Drainage and Flood Protection (\$5 million);
- xv. Watershed Management (\$1.4 million);
- xvi. Drainage Subsidy (\$2 million);
- xvii. Sugar Development Programme (\$8.5 million);
- xviii. Upgrading of Cane Access Road (\$3 million); and
- xix. Subsidy to South Pacific Fertilizer Limited (\$9.7 million).

6.64 Government is committed to revitalising the copra industry and is increasing the base price for copra under the **Copra Price Stabilisation Fund** to \$1,000 per tonne for copra producers, effective from the 1 August 2016.

6.65 Government has reduced the duty on Rough Terrain Vehicles (RTV) from 32 percent to 5 percent to assist farmers in the transition towards **mechanised farming**. This will improve farm productivity and output.

Fisheries

6.66 The damage inflicted by TC Winston on the fisheries sector is valued at over \$40.7 million. The Ministry of Fisheries and Forests has been allocated a sum of \$2.4 million to support the **reconstruction and recovery** needs of the sector. Of this, \$0.6 million is allocated for a **fisheries sector recovery programme**. In addition, \$1.6 million has been set aside for the construction of institutional buildings that were damaged by TC Winston.

6.67 Government is allocating \$0.6 million to complete the construction of the **Rotuma Ice Plant** and has also allocated \$0.1 million to carry out preparatory works for ice plants to be built in Moala and Cicia. These projects seek to strengthen food security and empower communities to manage and benefit from their marine resources.

6.68 Other major fisheries programmes include: \$0.7 million for the completion of Caboni Multi-Species Hatchery; \$0.6 million for Coastal Fisheries Development Programme; \$0.5 million for Aquaculture Development; and \$0.3 million for Brackishwater Development.

Forestry

6.69 The Forestry sector plays an important part in the country's natural ecosystem. Government is allocating \$0.2 million to continue Fiji's progress in its commitment and readiness to the **REDD plus programme**¹¹. A sum of \$2.3

¹¹ Reducing Emissions from Deforestation and Forest Degradation.

million is provided by the World Bank to complement the programme. The objective of REDD Plus is to provide developing countries with a financial incentive to reduce their levels of deforestation and forest degradation to increase their forest carbon stocks.

- 6.70 To encourage value addition, \$0.2 million has been provided for the purchase of equipment for the **Lakeba Pine Scheme**. Government will provide a \$0.6 million operating grant to support the **Fiji Pine Trust**. The Trust assists landowners through establishment of nurseries, raising, nurturing and distribution of pine seedlings, supervision in plantation establishment and monitoring.
- 6.71 Other major programmes in the 2016-2017 Budget include: \$0.1 million for Sandalwood Development Programme; \$0.2 million for Research & Development of Wood & Non-Wood Species; \$0.5 million for Reforestation of Degraded Forests; \$0.4 million for the Utilisation of Wood; \$0.1 million for upgrading of the Timber Research Division's Entomology Laboratory in Colo-i-Suva; and \$0.1 million for the purchase of a Stress Grading Machine for the Timber Utilisation Division in Nasinu.

Climate Change

- 6.72 The severity of TC Winston is a sober reminder of what the world can expect because of climate change. Adapting to this new climatic system is no longer optional for Small Island Developing Countries such as Fiji, which are considered as the most vulnerable. Government recognizes this reality and is taking deliberate actions to mitigate disaster risk and adapt to our changing climate.
- 6.73 At the national level, Government through the Green Growth Framework is committed to pursuing a growth that is environmentally sustainable, inclusive and economically rewarding.
- 6.74 The transfer of the Climate Change Division to the Ministry of Economy in early 2016 was a strategic move to strengthen the mainstreaming of climate change adaptation and disaster risk management more effectively throughout the development process and activities undertaken in Fiji. A sum of \$0.2 million has been set aside to cover the operations of the unit.
- 6.75 A complementary sum of \$215,000 has been provided for the purpose of the Climate Change Financing initiative. This is a joint initiative between the Fiji Government and UNESCAP to provide hands-on training and capacity-building support to national planners and Finance Ministry officials in the Pacific SIDS to address the constraints in accessing climate finance.

- 6.76 While emitting a mere 0.04% of total global greenhouse gas emissions, Fiji is committed to play its role in the global effort to reduce greenhouse gas emissions and has submitted its Intended Nationally Determined Contributions (INDC) in 2015 committing to reduce carbon emissions by 30 percent. This reduction is envisaged to be achieved through energy efficiency measures and investment in renewable energy.
- 6.77 To build resilience of vulnerable communities, Government launched a Disaster Risk Management and Climate Change Mitigation programme under the National Disaster Management Office in 2014. The programme aims to assist vulnerable communities in adapting to the impacts of natural disasters and climate change. This adaptation can take the form of strengthening coastal barriers (e.g. seawalls, gabion walls), support the relocation of families or communities, or addressing food and water security (e.g. improve farm drainage systems to reduce flooding, relocating farms, providing rainwater harvesting systems, water tanks).
- 6.78 Since the programme's inception, it has assisted in the relocation of Vunidogoloa village in Macuata and 19 houses on Yadua Island in Bua. Work has also begun on the relocation of Tukuraki village in Ba. This work is supported by the EU funded Building Safety & Resilience in the Pacific Programme and implemented by the Secretariat of the Pacific Community (SPC). The EU is also supporting the relocation of Waciwaci District School in Lakeba, Lau and Narikoso village in Kadavu. The Disaster Risk Management and Climate Change Mitigation program has been allocated \$2 million in the 2016-2017 Budget.
- 6.79 Freshwater management is important to cater for the various social and economic needs. The Watershed Management project is focused on optimising the usage of water. A sum of \$1.4 million has been allocated in the 2016-2017 Budget to rehabilitate the Namosi No. 1 and 2 Flood Retention Dams and Nawaka No. 1 and 2 Flood Retention Dams.
- 6.80 Flooding in low lying areas is becoming frequent around Fiji during periods of heavy rainfall. To build resilience, Government is dredging rivers, constructing river bank boulders to prevent coastal erosion and conducting environment impact assessments to mitigate flood risks. A sum of \$5.9 million in the 2016-2017 Budget.
- 6.81 To support disaster management planning, Government is strengthening its **early warning systems**. A new weather office in Labasa will be constructed at the Vaturekuka Government Station at a cost of \$1.3 million. This will allow the expansion of Fiji Meteorological Services (FMS) to the Northern Division which will improve climate tracking and forecasting.

- 6.82 In addition, \$0.3 million has been allocated for the installation of water level and rainfall telemetry instruments in all hydrological stations. This will allow the FMS to effectively monitor the river levels around the country and improve the lead time for emergency announcements.

Youth and Sports

- 6.83 Providing opportunities and empowering young people to participate in national development processes and nation building is a priority. To equip young people with knowledge and skills, \$0.6 million has been provided to **upgrade youth training centres** in Naleba, Naqere, Valelevu, Sigatoka and Yavitu.
- 6.84 A sum of \$1.4 million is provided for **youth development and training**, including the Youth Capacity Building and Training Programme (\$1 million), Youth Voluntary Organisation Training Programme (\$0.2 million) and International Youth Exchange Programme (\$0.1 million).
- 6.85 Sports promote national unity, youth development, healthy lifestyles and employment opportunities including sports remittances. To develop international standard sporting facilities in rural communities, Government has allocated \$1 million under **Construction of Rural Sports Complex** and an additional \$0.2 million for **Rural Sports Ground Fields**.
- 6.86 Funding of \$1.2 million is provided for the **upgrade and maintenance of Fiji Sports Council facilities**. In addition, a sum of \$1.9 million has been allocated for **Hosting International Tournaments**.
- 6.87 To raise the standard and performance of national teams, Government will continue to support the **engagement of professional coaches**. An allocation of \$1.5 million has been made for this in the 2016-2017 Budget.

CHAPTER 7: EXTERNAL TRADE & DEVELOPMENT COOPERATION

Introduction

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

Fiji's Trade Policy Framework

- 7.2 In 2015, Fiji's first Trade Policy Framework (TPF) was launched by the Honourable Prime Minister with a vision to "develop Fiji into a vibrant, dynamic and internationally competitive economy serving as the hub of the Pacific".
- 7.3 The TPF identifies Fiji's trade interests in the goods and services sectors and also clearly outlines the key objectives and strategies to be pursued as part of its overall sustainable development programme. The Framework also provides a broader investment policy and necessary recommendations aimed at continuously improving the investment and business climate in Fiji.
- 7.4 It also provides guidance for Fiji's interactions with trading partners at the bilateral, regional or multilateral level. Essentially, the TPF provides guidance to Fiji's trade-related engagements, including the negotiation and implementation of various trade agreements as well as promoting industrial activities and improving domestic trade and commerce.

Update on Regional and International Trade Agreements

- 7.5 South Pacific Regional Trade & Economic Co-operation Agreement (SPARTECA) - is a non-reciprocal and non-discriminatory trade agreement where Australia and New Zealand provide duty free access to all products originating in Forum Island Countries (FICs) except for sugar in the case of Australia. SPARTECA has played an integral part in Fiji's development and achievement of sustainable economic growth. Fiji continues to export under SPARTECA and has led to the growth of various sectors. From 2001 to 2014, the Textile, Clothing and Footwear (TCF) sector benefitted under SPARTECA – TCF scheme, which has since been replaced by the Developing Country Preferences Scheme (DCPS) in 2015 in the case of Australia.
- 7.6 *Developing Country Preferences Scheme (DCPS)* – Australia operates a system of tariff preferences for imports from the worlds' least developed and developing countries. The intent of the Australian System of Tariff Preferences (ASTP) is to

support the integration of developing countries into the global trading system as a means to promote their development.

- 7.7 ***Pacific Island Countries Trade Agreement (PICTA)*** – This is an agreement between Pacific FICs that grants member countries ‘duty free & quota free’ market access to qualifying goods produced within the region. While Fiji has opened its market to all parties under PICTA, some member countries still maintain tariffs on selected items. In regards to PICTA Trade in Services (TIS), the region has successfully concluded the Agreement with half of the FICs signing the treaty. Fiji and PNG, two of the major players in the region, are yet to sign the PICTA TIS Agreement. Fiji would like to see consolidation of the PICTA Trade in Goods and thereafter shift its focus and resources to the implementation of PICTA TIS.
- 7.8 ***Melanesian Spearhead Group Trade Agreement (MSGTA)*** - The Melanesian Spearhead Group (MSG) is the most important and largest regional trading block comprising of Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The Kanak and Socialist National Liberation Front, a political lobby group in New Caledonia, is an observer to the MSG.
- 7.9 The MSG Trade Ministers in May 2016 finalised the revised MSG Trade Agreement or MSGTA3 for endorsement by the MSG Leaders. The MSGTA3 has broadened its scope beyond trade in goods and now includes areas such as, trade in services, investment and labour mobility.
- 7.10 ***Comprehensive Economic Partnership Agreement (CEPA)*** –The negotiations for a CEPA with the EU have been on-going for almost 10 years and the delay is attributed to the contentious issues, which among others include the infant industry clause, non-execution clause, fisheries issues and development cooperation. In August 2015, the EU called for a suspension in the negotiations to allow the Pacific ACP states to formulate measures for the effective conservation of their fisheries resources. The Pacific ACP Ministers are calling for political intervention as technical officials have exhausted all avenues to resolve these issues.
- 7.11 ***PACER Plus*** – Since joining in August 2014, Fiji has participated in eight negotiation rounds held in various capitals around the region. PACER Plus has been under negotiation for six years and a total of 15 rounds of negotiations have been completed with the last meeting held in June 2016 in Fiji.
- 7.12 ***World Trade Organisation Trade Policy Review (TPR)*** – Fiji’s second trade policy review was undertaken in 2009 while the third review was successfully concluded in February 2016. The TPR takes account of the major structural and economic reforms undertaken to promote trade and economic growth.

- 7.13 **WTO Trade Facilitation Agreement (TFA)** - The WTO Ministerial Conference held in Bali in 2013 successfully endorsed the WTO Agreement on Trade Facilitation. The Agreement sets out provisions for expediting the movement, release and clearance of goods, including goods in transit and measures for effective cooperation between customs and other appropriate authorities. It also facilitates the development and participation of Least Developed Countries in the multilateral trading system by simplifying preferential rules of origin.
- 7.14 A total of 82 WTO member countries have ratified the TFA and another 26 members are required to meet the two-third threshold to bring the Agreement into effect. Fiji is in the process of completing all the relevant domestic processes for the ratification of the Agreement before the end of 2016.
- 7.15 **Fiji-China Bilateral Discussions** - In May 2015, Fiji and the People's Republic of China convened a preparatory meeting to discuss the prospects and negotiation modalities of a trade arrangement. Fiji saw this as a good opportunity to further progress bilateral discussions that were undertaken at the last Fiji-China Joint Economic and Trade Commission held in 2014. In July 2015, Fiji signed a Memorandum of Understanding (MOU) with China for a joint feasibility study to assess the type, shape and form of a Fiji-China Trade Arrangement. The joint feasibility study is the first step towards the commencement of formal trade discussions.

Development Cooperation

- 7.16 The Official Development Assistance (ODA) landscape has changed significantly over the years with the emergence of new actors and sources of financing. Fiji's reformed foreign policy has had an impact on development assistance flowing into the country. Development partners are now showing confidence in Government's public financial system to channel aid.
- 7.17 As shown in Table 7.1 below, the total value of ODA for the FY 2016-2017 is estimated at \$170.4 million. A total of \$34.6 million is anticipated as cash grant and \$135.8 million as aid-in-kind (AIK).

Table 7.1: Total Official Development Assistance

ODA	2014(A)		2015(P)		2016(P)		2016-2017(F)	
	(\$M)	%	(\$M)	%	(\$M)	%	(\$M)	%
Cash Grants	25.9	24.5	6.1	4.4	14.4	12.2	34.6	20.3
Aid in Kind	79.8	75.5	133.2	95.6	103.4	87.8	135.8	79.7
TOTAL ODA	105.7	100	139.3	100	117.8	100	170.4	100

(Source: Ministry of Economy)

Cash Grant

- 7.18 Table 7.2 below shows the sectoral distribution of cash grants from 2014 to FY 2016-2017.

Table 7.2: Cash Grants

Sector	2014(A)		2015(P)		2016(P)		2016-2017(F)	
	(\$M)	%	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	22.6	87.3	0.3	4.9	0.5	3.5	23.5	67.9
Social Services	2.7	10.4	5.0	82.0	5.4	37.5	2.8	8.1
Economic Services	0.1	0.4	0.3	4.9	7.9	54.8	7.9	22.8
Infrastructure	0.5	1.9	0.5	8.2	0.6	4.2	0.4	1.2
Total	25.9	100	6.1	100	14.4	100	34.6	100

(Source: Ministry of Economy)

- 7.19 The General Administration Sector will receive a total of \$23.5 million in the new financial year with close to \$23 million by the European Union (EU) for its support towards the immediate recovery efforts for TC Winston. The Government of New Zealand will continue assisting the implementation of the audit and management software that will conclude in 2017.
- 7.20 The Economic Sector anticipates receiving the grant of close to \$7.9 million. A large component of this grant (\$4.7 million) is for Micro & Small Business Grant Facility provided by the Government of India. In addition, \$2.2 million will be provided by the World Bank to support the Ministry of Fisheries and Forests in its on-going 'Reducing Emissions from Deforestation and Forest Degradation' (REDD+) programme. Additionally, the UNDP will provide close to \$1 million to the Ministry of Local Government, Housing and Environment for environment-related programmes.
- 7.21 In the Social Sector, about \$1.8 million will be provided by the Global Fund to the Ministry of Health and Medical Services for the HIV/AIDS, tuberculosis and malaria prevention programmes. In addition, about \$1 million will be provided by the UN agencies (UNDP, UNFPA and UNICEF) to assist the relevant ministries in child protection awareness, strengthening the health system and building capacity for youth.
- 7.22 For the Infrastructure Sector, around \$0.4 million is expected from the World Bank and UNDP for the financing of renewable energy projects.

Aid-in-Kind

- 7.23 Table 7.3 below highlights the sectoral distribution of aid-in-kind (AIK) from 2014 to FY 2016-17.

Table 7.3: Aid-in-Kind

Sector	2014(A)		2015(P)		2016(P)		2016-2017(F)	
	(\$M)	%	(\$M)	%	(\$M)	%	(\$M)	%
General Administration	5.3	6.6	25.6	19.2	18.5	17.9	27.2	20
Social Services	41.4	51.9	28.4	21.4	23.6	22.8	45.3	33.4
Economic Services	32.5	40.7	61.3	46.0	48.4	46.8	46.0	33.9
Infrastructure	0.6	0.8	17.9	13.4	12.9	12.5	17.3	12.7
Total	79.8	100	133.2	100	103.4	100	135.8	100

(Source: Ministry of Economy)

- 7.24 The Economic Sector will receive majority support of AIK valued at around \$46 million in the new financial year. It is anticipated that the European Union will provide about \$32 million as funding support for the Sugar Industry. The Government of the People's Republic of China will also provide assistance valued at close to \$10 million towards the Mushroom Technology Demonstration and the Rice Technical Cooperation programmes.
- 7.25 The Government of New Zealand will continue its support to the dairy industry while the Government of Australia will further assist in export facilitation through the Pacific Horticultural and Agricultural Market Access programme. JICA will also maintain its assistance in the design and formulation of the Master Plan to mitigate flood damages in the Nadi River basin including the provision of technical experts in environmental management and town planning.
- 7.26 The Social Sector will receive around \$45 million as AIK. Majority of the assistance will be provided by the Government of Australia for its on-going support towards the Access to Quality Education Programme and the Fiji Health Sector Support Programme. Other development partners complementing the social programmes in housing, youth and child protection include the UN agencies, WHO, KOICA, JICA and the Government of New Zealand.
- 7.27 The General Administration Sector will receive about \$27 million worth of AIK. A large component of this assistance is the provision of scholarships and short-term training by the Governments of Australia and New Zealand. Similarly, KOICA and JICA are also supporting human resource development through training and attachments abroad. The Government of New Zealand will also continue its TC Winston recovery support in the new financial year.

- 7.28 For the Infrastructure Sector, the Government of the People's Republic of China will provide assistance valued at \$12 million towards the construction of the Stinson Parade Bridge and the Vatuwaqa Bridge. The Energy Sector will receive close to \$4 million from the Government of New Zealand to support power restoration in the country following TC Winston. JICA will also provide technical experts to assist in infrastructure planning and maintenance, rural water supply and the effective control of water loss in the reticulation system.

CHAPTER 8: 2016-2017 TAX POLICY MEASURES

8.1 This chapter provides details of various tax and customs policy measures introduced in the 2016-2017 Budget.

Part 1 – Direct Tax Measures

(i) Income Tax

Policy	Description
1. Incentive Package for those that invest in setting up of Electric Vehicle Charging Stations	<ul style="list-style-type: none"> ❖ The following incentives will be available: <ul style="list-style-type: none"> ➤ Seven (7) years tax holiday ➤ Shall be granted a subsidy up to a maximum of: <ul style="list-style-type: none"> ▪ 5% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$3,000,000. ▪ 7% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$10,000,000. ➤ Loss carried forward of 8 years
2. Deemed Dividend Provisions	<ul style="list-style-type: none"> ❖ Deemed Dividend Provisions to be re-introduced for undistributed profits with respect to tax year 2016 and onwards.
3. Employment Taxation Scheme	<ul style="list-style-type: none"> ❖ Tax deduction on wages paid on first full-time employee to continue, with an increased rate of 200%, effective from 1 August, 2016. ❖ 200% tax deduction on apprenticeship in the related area of study up to 6 months in a year before graduation, as part of course requirements. ❖ 200% tax deduction on wages paid to students employed in the related area of study up to 3 months in a year. ❖ 300% tax deduction on wages paid in the employment of disabled people who will be employed continuously for a period of 3 years. ❖ 150% tax deduction of employees' education fees who are allowed to study (up-skill) and attend training to obtain a professional qualification during their course of employment. ❖ All the above will expire in 2020 except the 300% tax deduction on wages paid in the employment of disabled

Policy	Description
	people, which will expire in 2022.
4. Resident Interest Withholding Tax	❖ Part 4 (4) of the IT Regulations Legal Notice No. 2 will be deleted to simplify application of RIWT as final tax. The first \$200 exemption is now removed in line with RIWT being final tax.
5. Tax Free Region (TFR) Regulation Changes	❖ Amendments to TFR Regulations: <ul style="list-style-type: none"> ➤ The Minister has the powers to extend time of commencement of business under the TFR license if the business cannot commence at the date fixed by the Minister. ➤ The Minister has the powers to change the conditions of the TFR licence.
6. Credit Card Levy	❖ The credit card levy of 3% will be removed effective from 1 August 2016.
7. Principal place of residence - Capital Gain Tax (GCT)	❖ Series of disposal of principal place of residence will now be subject to CGT.
8. Forfeited Deposits	❖ Forfeited deposits will now be taxed as income.
9. Definition of Capital Asset	❖ The definition of capital assets is extended to include ships and boats.
10. Debt Forgiveness	❖ Debt forgiveness (related party loans being forgiven) will be taxed under the Income Tax Act

(ii) Tax Administration Decree

Policy	Description
1. Administrative Summons	❖ Section 36 of TAD is amended to prescribe time for furnishing of documents under Administrative Summons.
2. Appeals to Court of Appeal	❖ Amend Section 109 (3) TAD to align Court of Appeal rules for 42 days.

(iii) FRCA Act

Policy	Description
1. FRCA's Financial Year	❖ FRCA's financial year will be aligned with the Government's new financial year.

Part 2 - Indirect Tax Measures

(iv) Service Turnover Tax

Policy	Description
1. Service Turnover Tax (STT) and Introduce Environmental Levy	❖ STT and Environmental Levy will be charged on bus companies that engage in carriage of tourists.

(v) Stamp Duties Act

Policy	Description
1. Legal Document	❖ Any instrument of nomination, novation or assignment, howsoever titled shall be charged with ad valorem duty as a transfer on sale.

(vi) Value Added Tax Decree

Policy	Description
1. Business of dealing in Residential Accommodation	❖ VAT is applicable on business of dealing in residential accommodation rentals exceeding \$100,000 per year.
2. VAT Refunds	❖ Interest will be applied on late VAT refunds at a Market Lending rate determined by RBF.
3. VAT Monitoring System	❖ Supporting laws for new VAT Monitoring system will be introduced.

(vii) Customs Tariff Act - Fiscal Duty Changes

Policy	Description
1. 2 & 3-seater panel vehicle	❖ Reduce fiscal duty from 15% to 5% on 2 & 3-seater panel vehicles on less than 3 tonne.
2. Rehabilitation materials for Fiji Pearl Industry	❖ Duty free concessions on materials for rehabilitation of the Fiji Pearl Industry for a period of 1 year (concession code 248).
3. Second hand goods-trailer	❖ Reduce duty on second hand goods-trailer from 32% to 15%, or \$6,707 to \$3,000, whichever is greater. ❖ This applies to both trucks and boat trailers.
4. Cash register thermal and bond rolls	❖ Impose 32% duty on import of cash register thermal and bond rolls to protect the local industry.
5. Rough Terrain Vehicles	❖ Reduce duty on Rough Terrain Vehicles (RTV) from 15% to 5%.
6. Modems	❖ Reduce duty on all modems from 5% to 0%.
7. Batteries and power systems	❖ Reduce duty on batteries used for telecommunication related equipment from 32% to 5%.
8. Fiber optic cables	❖ Reduce duty on Fiber optic cables from 5% to 0%.
9. Vape Mats	❖ Reduce duty on vape mats from 15% to 5%.
10. Surgical Gloves	❖ Reduce duty on surgical gloves from 32% to 5%.
11. Dress Patterns	❖ Reduce duty on dress patterns from 5% to 0%.
12. Reduce Duty on New Passenger Vehicles	❖ Reduce duty on new vehicles with engine capacity not exceeding 2500cc from 15% to 5%.
13. Increase Duty on Second-hand vehicles	❖ Specific duty rate on second-hand vehicles will be increased as follows: <ul style="list-style-type: none"> ○ >1000cc < 1500cc vehicles will now attract \$7,500 ○ >1500cc < 2500cc vehicles will now attract \$11,500 ○ >2500cc < 3000cc vehicles will now attract \$18,000 ○ >3000cc vehicles will now attract \$23,000
14. Impose duty on Hybrid	❖ From 1 January 2017, the following specific rates of

Policy	Description
vehicles from 1 January 2017	<p>duty will apply on hybrid vehicles:</p> <ul style="list-style-type: none"> ○ <1500cc vehicles will attract \$2,000 ○ >1500cc < 2500cc vehicles will attract \$2,500 ○ >2500cc < 3000cc vehicles will attract \$3,000 ○ >3000cc vehicles will attract \$6,500 <p>❖ All new hybrid vehicles will continue to attract zero duty.</p>
15. Cigarettes, tobacco and alcohol	❖ Increase import duty on cigarettes, tobacco and alcohol by 15%
16. Create provision for humanitarian aid and natural disaster relief goods.	❖ Review of Customs Tariff Act to accommodate and create provision for goods of humanitarian aid and natural disaster relief in nature to allow expedite clearance of such goods.

(viii) Import Excise Duty

Policy	Description
1. Tobacco	❖ Increase import excise duty on imported cigarettes.

(ix) Local Excise Duty Changes

Policy	Description
1. Tobacco and alcohol	❖ Increase excise tax on cigarettes, tobacco and alcohol by 15%.
2. Sugar Sweetened Drinks	❖ Increase excise tax on sugar sweetened and carbonated drinks by 20 cents per litre.

❖ **New Local Excise Rates for Tobacco and Alcohol are as follows:**

Description	2016 RATES	2016-2017 RATES
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.25/litre	\$2.59/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.63/litre	\$3.02/litre
Potable Spirit Not Exceeding 57.12 GL	\$49.63/litre	\$57.07/litre
Potable Spirit Exceeding 57.12 GL	\$86.90/litre	\$99.94/litre
Wine: Still	\$3.50/litre	\$4.03/litre
Sparkling	\$3.99/litre	\$4.59/litre
Other fermented beverages: Still	\$3.50/litre	\$4.03/litre
Sparkling	\$3.99/litre	\$4.59/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.61/litre	\$1.85/litre
Cigarettes from local tobacco per 10 sticks	152.5 cents	175.38 cents
Cigarette from imported tobacco per 10 sticks	228.74 cents	263.05 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$131.80/kg	\$151.57/kg
Manufactured tobacco containing tobacco grown in Fiji	\$77.43/kg	\$89.04/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji: ❖ Tobacco grown outside Fiji ❖ Tobacco grown in Fiji	\$131.80/kg \$77.43/kg	\$151.57/kg \$89.04/kg

(x) Customs Legislation

Policy	Description
1. Legislate requirements for life jackets and life belts.	❖ Legislate stringent requirements for life jackets and life belts suppliers - “The supplier should be able to respond by 24 hours and also supply as and when required by the purchaser”.
2. Realign Customs Tariff for infant food	❖ Align tariff rates on infant food to Concession Code 104.
3. Strengthen Section 95 of the Customs Act.	❖ Recovery of duties under Section 95 of the Customs Act to be extended to properties of importers or agents. Align to Section 28 of Tax Administration Decree (TAD).
4. Section 159 amendments	❖ Amend Section 159 of Customs Act to give powers to Comptroller to dispose of detained and prohibited goods in any manner to be determined by the Comptroller.
5. Amend tariff heading 0105 of the Customs Tariff.	❖ Remove day old from the Customs Tariff.
6. Amend Section 95A1 of Customs Act.	❖ Align Timelines to TAD - Section 30(5) (a) (b) <ul style="list-style-type: none"> ➤ <i>In the case of perishable goods, within a period that the CEO or authorised tax officer considers reasonable having regard to the condition of the goods; or</i> ➤ <i>In any other case, within 10 consecutive days after the distress is executed.</i>
7. Amend Customs Regulations 47.	❖ Customs Regulation 47(4) to read – ❖ (4) In addition to the fee prescribed in sub-regulation (3) of this regulation, the agent, importer, exporter or owner as the case maybe, shall pay to the comptroller an additional fee per entry per day, if entries are not claimed and collected within 4 working days after assessment.
8. Align Customs binding rulings to WCO model.	❖ Customs binding rulings (tariff opinions) - Align it to WCO and WTO requirements. To this effect, a holistic Customs legislation rewrite will take place.
9. Increase minimum amount of refund that can be claimed to \$50	❖ Increase application fee for claim of refund of duty from \$2 to \$50 and drawback claim from \$20 to \$50

Policy	Description
10. Increase Customs fees and charges	❖ All Customs fees and charges will be increased.

(xi) Airport Departure Tax Act

Policy	Description
1. Waiver of Airport Departure Tax on transit passengers	❖ Waive Departure Tax for stopovers of less than 72 hours.

(xii) Water Resource Tax Promulgation

Policy	Description
1. Increase Water Resource Tax rates	❖ Increase water resource tax: <ul style="list-style-type: none"> ➤ 0.11 cents to 1 cent per litre for extraction of up to 3,499,999 litres of water per month. ➤ 15 cents to 18 cents per litre for extraction of 3,500,000 litres of water and above per month.

Appendices

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

Activity	Base Weight	2011	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
AGRICULTURE	8.2	472.6	465.2	497.1	485.4	494.7	442.5	460.9	478.2
General Government	0.1	8.2	7.7	8.7	10.1	10.4	10.4	10.4	10.4
Subsistence	2.7	152.5	153.3	154.5	153.3	153.9	154.5	155.1	155.8
Formal Non-Government Agriculture	4.8	274.2	266.4	295.7	284.1	292.4	239.4	257.1	273.6
Taro	0.7	39.7	35.3	51.4	36.6	36.6	25.6	30.7	33.8
Sugarcane	1.2	69.4	42.5	44.2	50.3	50.7	37.7	49.0	58.8
FORESTRY AND LOGGING	0.6	32.6	32.0	40.6	48.4	45.6	44.3	45.0	45.7
FISHING AND AQUACULTURE	2.1	118.7	114.5	115.3	116.9	118.7	122.4	125.7	128.4
Formal Non-Government Fishing and Aquaculture	1.3	73.8	69.7	69.5	70.7	72.1	75.5	78.6	81.1
MINING & QUARRYING	1.6	90.0	84.8	58.4	57.1	60.9	64.8	67.8	70.9
MANUFACTURING	14.1	807.1	791.6	838.2	855.5	867.7	859.4	898.3	935.4
Informal manufacturing	3.0	174.1	173.7	174.3	174.1	175.7	177.3	178.9	180.4
Manufacture of food and beverages	5.2	298.2	286.7	307.0	318.8	324.5	304.0	330.2	354.3
Sugar	1.0	56.2	43.2	81.3	92.5	90.2	61.9	80.5	96.6
Mineral water	0.5	29.5	16.4	10.4	12.4	12.9	13.6	14.3	15.0
Non Food Products	4.9	284.0	278.5	301.0	304.4	308.4	317.9	327.8	338.2
Wearing apparel	1.0	59.2	52.2	59.8	58.8	61.7	64.8	68.1	71.5
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.9	109.3	114.1	121.1	121.6	126.3	121.2	127.3	131.1
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.3	18.5	19.2	19.6	20.7	20.9	20.7	21.3	22.0
CONSTRUCTION	2.7	153.7	142.4	165.7	180.6	203.9	237.8	262.4	275.5
Formal Non-Government Construction	1.6	90.3	95.9	116.0	130.0	150.8	181.0	202.7	212.8
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	11.7	669.2	674.6	696.4	704.6	733.9	770.9	796.1	818.6
Informal WRT	3.3	190.8	191.4	191.1	190.8	192.5	194.2	196.0	199.7
Formal Non-Government WRT	8.3	478.4	483.1	505.3	513.9	541.4	576.7	600.1	618.9
TRANSPORT AND STORAGE	6.3	359.3	388.9	451.2	569.8	617.8	660.9	687.6	715.5
Formal Non-Government Transport & Storage	5.9	338.3	367.2	428.9	546.3	593.3	636.4	663.0	690.8
Land Transport	1.2	70.1	58.1	68.3	71.6	73.8	75.2	76.7	78.3
Water & air transport	2.3	129.8	152.9	212.5	317.1	355.2	390.7	410.2	430.8
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	6.4	369.5	370.6	380.4	393.2	426.0	452.4	473.7	496.0
Formal Non-Government Accommodation and Food Service Activities	6.3	359.1	360.2	370.0	382.7	415.5	441.8	463.1	485.3
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	318.7	320.8	331.9	344.8	375.9	400.3	420.3	441.3
INFORMATION AND COMMUNICATION	5.9	340.7	347.1	357.3	368.3	382.5	390.8	404.4	418.6

Activity	Base Weight	2011	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
Formal Non-Government Information and Communication	5.8	334.8	340.0	350.2	360.3	374.2	382.4	396.1	410.3
Wired telecommunications activities	1.4	82.4	79.5	81.0	81.3	83.0	83.0	84.6	86.3
Wireless telecommunications activities	3.0	169.8	169.8	171.2	176.3	185.1	190.7	200.2	210.2
FINANCIAL AND INSURANCE ACTIVITIES	9.2	528.7	527.5	557.3	629.5	664.3	685.3	709.1	733.9
Central banking	0.2	11.8	11.9	12.2	12.2	12.5	12.7	13.0	13.2
Other monetary intermediation	4.1	235.3	247.7	253.3	306.7	328.1	344.5	358.3	372.7
Activities of holding companies	1.6	92.8	93.8	90.4	96.4	99.3	102.3	105.3	108.5
REAL ESTATE ACTIVITIES	5.0	287.5	291.5	296.2	297.5	301.1	304.8	308.6	312.6
Owner Occupied Dwellings	3.9	225.5	227.2	229.7	229.9	230.8	231.7	232.7	233.6
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2.2	128.0	136.8	147.7	153.0	159.4	166.6	172.5	178.7
ADMINISTRATIVE AND SUPPORT SERVICES	2.3	132.9	141.6	137.2	140.2	144.1	147.2	150.7	154.2
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	7.6	437.4	484.7	509.6	549.2	574.1	595.4	605.5	615.8
General Public administrative activities	2.8	162.2	182.3	186.7	200.7	210.8	217.1	221.4	225.8
Defence activities	2.0	113.1	126.3	132.9	147.4	151.9	154.9	156.5	158.0
Public order and safety activities	2.4	135.2	143.9	154.0	162.3	170.4	182.3	186.0	189.7
EDUCATION	7.1	409.6	420.8	435.8	452.7	465.0	474.4	484.1	493.9
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.4	138.0	136.6	134.3	136.3	142.6	148.0	150.9	153.9
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	0.4	21.6	22.5	22.6	22.6	23.0	23.3	23.7	24.1
OTHER SERVICE ACTIVITIES	2.0	113.9	112.8	113.2	114.6	116.1	117.5	118.8	120.2
GRAND TOTAL (GDP @ CONSTANT PRICES)	100.0	5,738.8	5,819.8	6,095.4	6,417.8	6688.7	6850.4	7094.4	7323.3
GDP @ CURRENT FACTOR COST		5738.8	6010.1	6440.0	7129.8	7525.7	7850.3	8292.8	8763.4
ADD NET TAXES		1029.7	1109.5	1286.7	1423.2	1603.0	1725.6	1799.3	1875.7
GDP @ MARKET PRICES		6768.5	7119.6	7726.7	8552.9	9128.6	9575.9	10092.1	10639.1

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

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

Activity	Base Weight	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
AGRICULTURE	8.2	-1.6	6.8	-2.4	1.9	-10.6	4.2	3.8
General Government	0.1	-6.2	12.8	15.3	3.0	0.0	0.0	0.0
Subsistence	2.7	0.5	0.8	-0.8	0.4	0.4	0.4	0.4
Formal Non-Government Agriculture	4.8	-2.8	11.0	-3.9	2.9	-18.1	7.4	6.4
Taro	0.7	-11.1	45.5	-28.8	0.0	-30.0	20.0	10.0
Sugarcane	1.2	-38.8	4.1	13.8	0.7	-25.7	30.0	20.0
FORESTRY AND LOGGING	0.6	-1.7	26.9	19.1	-5.8	-2.8	1.6	1.6
FISHING AND AQUACULTURE	2.1	-3.6	0.7	1.4	1.6	3.1	2.6	2.2
Formal Non-Government Fishing and Aquaculture	1.3	-5.5	-0.4	1.7	2.0	4.8	4.0	3.2
MINING & QUARRYING	1.6	-5.7	-31.1	-2.4	6.7	6.4	4.6	4.6
MANUFACTURING	14.1	-1.9	5.9	2.1	1.4	-1.0	4.5	4.1
Informal Manufacturing	3.0	-0.2	0.4	-0.1	0.9	0.9	0.9	0.9
Manufacture of food and beverages	5.2	-3.8	7.1	3.9	1.8	-6.3	8.6	7.3
Sugar	1.0	-23.1	88.3	13.8	-2.5	-31.4	30.0	20.0
Mineral water	0.5	-44.5	-36.8	20.0	4.0	5.0	5.0	5.0
Non Food Products	4.9	-2.0	8.1	1.1	1.3	3.1	3.1	3.2
Wearing apparel	1.0	-11.8	14.5	-1.7	5.0	5.0	5.0	5.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.9	4.4	6.1	0.4	3.8	-4.0	5.0	3.0
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.3	4.0	2.1	5.4	1.0	-1.0	3.0	3.0
CONSTRUCTION	2.7	-7.4	16.4	9.0	12.9	16.6	10.3	5.0
Formal Non-Government Construction	1.6	6.3	20.9	12.1	16.0	20.0	12.0	5.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	11.7	0.8	3.2	1.2	4.2	5.0	3.3	2.8
Informal WRT	3.3	0.3	-0.2	-0.2	0.9	0.9	0.9	1.9
Formal Non-Government WRT	8.3	1.0	4.6	1.7	5.4	6.5	4.1	3.1
TRANSPORT AND STORAGE	6.3	8.2	16.0	26.3	8.4	7.0	4.0	4.1
Formal Non-Government Transport & Storage	5.9	8.5	16.8	27.4	8.6	7.3	4.2	4.2
Land Transport	1.2	-17.1	17.5	4.8	3.0	2.0	2.0	2.0
Water & air transport	2.3	17.7	39.0	49.3	12.0	10.0	5.0	5.0
ACCOMODATION AND FOOD SERVICE ACTIVITIES	6.4	0.3	2.6	3.4	8.4	6.2	4.7	4.7
Formal Non-Government Accommodation and Food Service Activities	6.3	0.3	2.7	3.4	8.6	6.3	4.8	4.8
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	0.6	3.5	3.9	9.0	6.5	5.0	5.0
INFORMATION AND COMMUNICATION	5.9	1.9	2.9	3.1	3.9	2.2	3.5	3.5
Formal Non-Government Information and Communication	5.8	1.6	3.0	2.9	3.8	2.2	3.6	3.6
Wired telecommunication activities	1.4	-3.6	2.0	0.4	2.0	0.0	2.0	2.0
Wireless telecommunications activities	3.0	0.0	0.8	3.0	5.0	3.0	5.0	5.0
FINANCIAL AND INSURANCE ACTIVITIES	9.2	-0.2	5.7	13.0	5.5	3.2	3.5	3.5
Central banking	0.2	1.0	2.9	0.0	2.0	2.0	2.0	2.0
Other monetary intermediation	4.1	5.3	2.2	21.1	7.0	5.0	4.0	4.0
Activities of holding companies	1.6	1.0	-3.7	6.7	3.0	3.0	3.0	3.0
REAL ESTATE ACTIVITIES	5.0	1.4	1.6	0.4	1.2	1.2	1.3	1.3
Owner Occupied Dwellings	3.9	0.7	1.1	0.1	0.4	0.4	0.4	0.4
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	2.2	6.9	8.0	3.6	4.2	4.5	3.6	3.6
ADMINISTRATIVE AND SUPPORT SERVICES	2.3	6.6	-3.1	2.2	2.8	2.1	2.4	2.4

Activity	Base Weight	2012	2013	2014(p)	2015(f)	2016(f)	2017(f)	2018(f)
PUBLIC ADMINISTRATION AND DEFENCE; OMPULSORY SOCIAL SECURITY	7.6	10.8	5.1	7.8	4.5	3.7	1.7	1.7
General public administrative activities	2.8	12.4	2.4	7.5	5.0	3.0	2.0	2.0
Defence activities	2.0	11.7	5.3	10.9	3.0	2.0	1.0	1.0
Public order and safety activities	2.4	6.4	7.0	5.4	5.0	7.0	2.0	2.0
EDUCATION	7.1	2.7	3.6	3.9	2.7	2.0	2.0	2.0
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.4	-1.0	-1.7	1.5	4.6	3.8	2.0	2.0
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	0.4	4.1	0.3	0.0	1.8	1.6	1.6	1.6
OTHER SERVICE ACTIVITIES	2.0	-1.0	0.3	1.2	1.3	1.2	1.2	1.2
GRAND TOTAL (GDP @ CONSTANT PRICES)	100.0	1.4	4.7	5.3	4.2	2.4	3.6	3.2
GDP @ CURRENT FACTOR COST		4.7	7.2	10.7	5.6	4.3	5.6	5.7
ADD NET TAXES		7.8	16.0	10.6	12.6	7.6	4.3	4.2
GDP @ MARKET PRICES		5.2	8.5	10.7	6.7	4.9	5.4	5.4

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

Table 3: Total Exports by Major Commodities (\$M) 2009-2018

COMMODITIES	2009	2010	2011	2012	2013(p)	2014(p)	2015(e)	2016(f)	2017(f)	2018(f)
Sugar	187.1	70.1	113.3	155.7	159.6	201.4	148.2	108.5	151.2	185.5
Molasses	20.8	23.1	30.4	13.5	15.6	17.3	17.5	11.5	20.8	24.4
Gold	41	148.4	143	132.2	101.0	91	103.4	111.3	122.1	132.5
Timber, Cork & Wood	36.7	79.6	62.1	70.8	81.3	90.5	92.6	101.6	102.4	103.3
Fish ¹²	174.5	243.8	272.3	335.7	263.3	302.0	288.9	298.7	307.8	316.1
Fruits & Vegetables	31.8	37.6	43.9	39.1	42.8	39.2	37.3	30.3	33.7	36.0
o/w Dalo	20.1	23.8	22.3	23.5	23.9	21.7	20.8	13.5	16.2	17.9
Yaqona	3.9	3.9	5.7	6.6	6.6	7.6	8.7	6.3	6.1	6.0
Coconut Oil	6	5.5	6.8	7.3	2.8	5.2	4.4	4.3	4.3	4.3
Textiles, Yarn & Made Up Articles	7.7	8.8	9.4	8.8	7.0	7.6	7.3	7.8	8.5	9.2
Garments	83.9	99.3	93.5	92.9	107	101.1	108.1	115.6	124.9	134.9
Footwear	1.7	1.9	1.5	1.2	1.4	1.5	1.6	1.7	1.7	1.8
Mineral Water	80.2	119.2	127.5	160.6	156.4	186.3	188.4	201.6	211.7	222.3
Other Domestic Exports	237.2	261.2	283.6	337.7	266.8	277.6	295.6	307.5	319.9	332.8
Total Domestic Exports	894.8	1062.9	1023.7	1038.1	1025.9	1105.4	1113.6	1114.5	1219.1	1308.9
Re- Exports (excl fish)	317.7	502.9	731.8	881.3	899.9	973.9	698.1	654.9	720.9	762.0
Total Exports	1,230.2	1,605.2	1,924.9	2,243.4	2,111.5	2,302.2	2,000.1	1,961.6	2,136.1	2,270.9
Total Exports excl. Aircraft	1,230.3	1,605.4	1,924.9	2,243.4	2,074.0	2,292.8	1,989.3	1,961.6	2,136.1	2,270.9

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

Table 4: Total Imports by Category (\$M) 2009-2018

ECONOMIC CATEGORY	2009	2010	2011	2012	2013p	2014p	2015e	2016f	2017f	2018f
Food	521.5	573.1	730.2	765.0	743.2	784.9	706.9	843.8	893.0	916.5
Beverage & Tobacco	22.5	31.3	33.5	32.1	36.0	33.6	44.5	50.0	52.0	48.6
Crude Materials	25.0	30.3	30.6	40.8	48.9	45.0	37.6	38.8	40.0	41.2
Mineral Fuels	720.4	1,100.5	1,165.7	1,212.0	1,219.9	1,392.7	914.7	753.0	881.7	961.0
Oil & Fats	29.1	29.9	47.1	48.3	43.7	45.2	33.9	34.9	36.0	37.1
Chemicals	225.4	294.2	301.5	325.4	337.9	363.6	352.6	397.3	401.1	420.3
Manufactured Goods	404.3	467.1	465.3	507.8	560.0	599.8	584.4	737.7	787.1	770.5
Machinery & Transport Equipment	604.9	625.7	839.2	765.8	1,822.3	1,340.6	1,557.3	1,376.3	1,385.3	1,405.9
o/w Aircraft Imports	0.1	5.3	72.4	14.5	816.2	145.1	421.1	106.8	113.7	116.4
Miscellaneous Manufactured Goods	240.6	297.2	282.7	307.0	358.6	376.8	387.4	423.3	450.7	472.5
Other Commodities	14.2	15.4	17.9	26.4	28.4	30.4	31.9	33.9	36.1	38.5
Total Imports	2,807.9	3,464.7	3,913.7	4,030.6	5,198.9	5,012.6	4,645.0	4,689.1	4,963.0	5,112.2
Total Imports Excl. Aircraft	2,807.8	3,459.4	3,841.3	4,016.1	4,382.7	4,867.5	4,223.8	4,582.2	4,849.3	4,995.8

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

¹² Total Fish = Domestic Fish Exports + Fish Re-exports

Table 5: Balance of Payments (\$M) 2009-2018

ITEMS	2009	2010	2011(r)	2012(p)	2013(p)	2014(p)	2015e	2016f	2017f	2018f
BALANCE ON GOODS	-1,227.3	-1,406.1	-1,531.6	-1,378.1	-2,149.6	-1,940.2	-2,047.4	-2,106.1	-2,164.6	-2,153.1
exports f.o.b	1,201.8	1,581.6	1,915.4	2,156.4	2,095.8	2,279.4	1,962.0	1,932.3	2,104.6	2,237.2
imports f.o.b	2,429.1	2,987.7	3,447.0	3,534.5	4,245.4	4,219.6	4,009.4	4,038.4	4,269.2	4,390.3
BALANCE ON SERVICES	667.1	1,041.3	1,131.2	1,160.4	1,160.9	1,260.7	1,409.3	1,561.6	1,541.6	1,503.1
Export of Services	1,574.6	1,902.8	2,097.0	2,188.3	2,276.9	2,410.0	2,630.8	2,786.3	2,819.8	2,845.0
Import of Services	907.5	861.5	965.8	1,027.9	1,116.0	1,149.3	1,221.5	1,224.7	1,278.2	1,341.9
BALANCE ON PRIMARY INCOME	-22.4	-186.8	-204.6	-255.1	-147.3	-413.6	-489.1	-463.9	-465.0	-490.0
Income from non-residents	120.3	153.8	177.2	134.9	161.9	111.4	138.1	152.2	156.1	156.1
Income to non-residents	142.7	340.6	381.8	390.0	309.2	525.0	627.2	616.1	621.1	646.1
BALANCE ON SECONDARY INCOME	349.3	286.5	256.8	378.1	376.7	454.9	579.7	788.5	742.4	781.0
Inflow of current transfers	445.5	388.0	362.9	496.6	512.8	594.9	710.7	920.3	875.2	914.3
Outflow of current transfers.	96.2	101.5	106.1	118.5	136.1	140.0	131.0	131.8	132.7	133.3
CURRENT ACCOUNT BALANCE	-233.3	-265.1	-348.2	-94.7	-759.3	-638.2	-547.4	-219.9	-345.6	-359.1
CAPITAL ACCOUNT BALANCE	4.6	5.6	10.6	7.1	8.9	8.1	8.1	8.1	8.1	8.1
FINANCIAL ACCOUNT BALANCE (Excluding RA)	153.8	37.7	228.3	357	470.4	917.2	576.9	575.8	560.7	584.6
Errors & Omissions	-322.2	-37.4	-120	-391.1	139.9	-331.3	-170.6	-351.3	-230.3	-307.9
RESERVE ASSETS	397.1	259.2	209.1	121.6	140.1	44.2	133.0	-12.7	7.1	74.3

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

Table 6: Tourism Statistics (2009 – 2018)

	2009	2010	2011	2012	2013p	2014p	2015f	2016f	2017f	2018f
Visitors (000)	542,186	631,868	675,050	660,590	657,707	692,630	754,835	815,222	855,983	898,782
Average length of stay (days)	9.8	9.6	9.4	9.4	9.5	9.5	9.5	9.5	9.5	9.5
Visitors days (millions)	5.3	6.0	6.3	6.3	6.1	6.5	7.0	7.0	7.0	7.0
Earnings (F\$M)	975.3	1,194.4	1,286.5	1,300.0	1,318.2	1,404.6	1,560.2	1,685.0	1,769.3	1,857.7

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

Table 7: Sugar Production, Export and Price (2009 – 2018)

	2009	2010	2011	2012	2013p	2014p	2015e	2016f	2017f	2018f
Export Quantity Sugar (000 tonnes)	199.0	96.4	123.1	138.0	112.9	204.6	191.9	134.6	187.5	230.0
Unit Value (FJ\$/tonne)	940.1	727.0	920.3	1129.2	1413.6	984.4	772.1	806.4	806.4	806.4
Sugar Export Earnings (F\$M)	187.1	70.1	113.3	155.7	159.6	201.4	148.2	108.5	151.2	185.5
Molasses Production (000 tonnes)	119	106.9	132.2	65.0	64.9	66.9	71.3	48.2	87.0	101.8
Molasses Export Earnings (F\$M)	20.8	23.1	30.4	13.5	15.6	17.3	17.5	11.5	20.8	24.4

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

Table 8: Inflation Rates (2011 – 2016)

	2011	2012	2013	2014	2015	2016 (May)
All items	6.4	2.7	3.4	0.1	1.6	5.2
Food and Non Alcoholic Beverage	10.7	3.8	5.1	1.5	5.0	9.9
Alcoholic Beverages, Tobacco and Narcotics	9.4	11.6	6.1	14.3	7.3	27.5
Clothing & Footwear	1.5	0.5	3.3	0.5	2.5	2.1
Housing, Water, Elec., Gas and Other Fuels	2.1	1.2	0.9	-1.5	-4.3	-5.5
Furnishings Hhld Equip. & Routine Hhld Maint.	4.0	-0.5	2.9	1.6	0.8	0.9
Health	4.8	7.0	2.1	4.4	1.1	2.9
Transport	10.9	0.6	-0.1	-2.2	-2.6	-3.4
Communications	-0.4	-0.5	0.0	0.1	0.2	-1.5
Recreation & Culture	-0.6	1.0	7.6	-1.1	2.2	-1.8
Education	0.9	1.0	6.5	-17.1	0.0	9.0
Restaurant & Hotels	4.7	10.5	8.4	3.5	0.0	3.3
Miscellaneous Goods & Services	0.1	-0.2	-0.3	1.3	3.9	-0.5

(Source: Fiji Bureau of Statistics - 2011 Base)

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

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

(Source: Fiji Bureau of Statistics; Note: Due to low response rate, figures for the years 2001 were not compiled. No survey was conducted in 2002. * - As per survey results, - **Reference to period was end of December.)

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

ECONOMIC ACTIVITY	2010(r)	2011(r)
Agriculture, Forestry Fishing	2.2	1.6
Mining & Quarrying	0.9	0.1
Manufacturing	22.0	22.4
Electricity, Gas & Air Conditioning Supply	0.1	0.8
Water Supply; Sewerage, waste management and Remediation activity	1.3	1.9
Construction	6.9	6.2
Wholesale and Retail; Repair of motor vehicles and motor cycle	21.4	22.0
Transport and Storage	8.3	8.9
Accommodation and Food Services	13.6	14.2
Information and Communication	2.2	2.7
Financial and Insurance activities	3.8	3.9
Real Estate Activities	1.1	1.2
Professional Scientific and Technical Activities	3.2	5.3
Admin and Support Services Activities	6.1	6.6
Public admin and defence compulsory social security	11.3	10.7
Education	15.2	15.4
Human Health and social work activities	4.9	5.2
Arts, Entertainment and recreation	0.5	0.5
Other Service Activities	1.5	1.7
Activities of household as employers; undifferentiated	0.1	0.1
Total	126.6	131.6

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