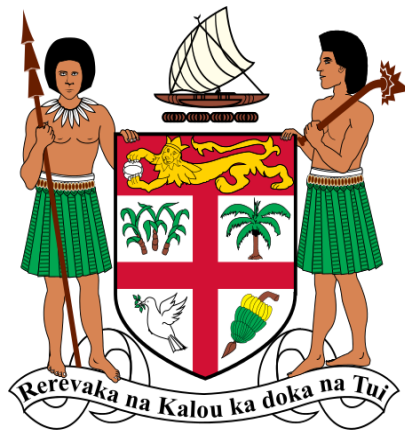


REPUBLIC OF FIJI

ECONOMIC AND FISCAL UPDATE
SUPPLEMENT TO THE 2018-2019 BUDGET ADDRESS



Ministry of Economy
28 June 2018

FOREWORD

The Supplement to the 2018-2019 Budget Address highlights Fiji's economic & financial performance and outlook. It also provides the fiscal strategy and direction for the medium term, which focuses on inclusive economic growth and prudent financial management.

This report was compiled by the Ministry of Economy in consultation with Government Ministries, the Fiji Revenue and Customs Service, the Reserve Bank of Fiji and other Government agencies. The information contained in this document is information as of June 2018.



Makereta Konrote
Permanent Secretary for Economy
28 June 2018

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CHAPTER 1: ECONOMIC PERFORMANCE & OUTLOOK

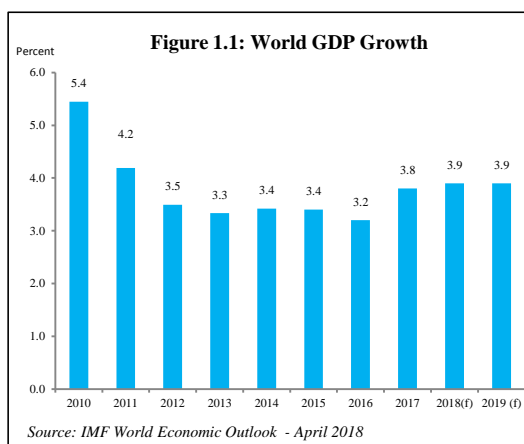
Introduction

- 1.1 This chapter provides an update on recent developments in the global economy, and the economic performance of Fiji's major trading partners. It also discusses the growth prospects for the domestic economy in the medium term taking into account foreseeable risks and challenges.

International Outlook

- 1.2 The global economy is projected to grow by 3.9 percent in 2018 and 2019 (Figure 1.1). This is supported by higher growth from advanced economies such as the United States (US), Japan and the Euro zone.

- 1.3 Emerging market and developing economies are also expected to experience higher growth in the medium term, spurred by relatively higher commodity export prices.



- 1.4 After being relatively low since 2014, crude oil prices are expected to increase further this year following attempts by OPEC¹ to cut oil supplies. Moreover, the recent withdrawal by the US from the 'Iran Nuclear Deal' and other geopolitical tensions are expected to impose significant upside pressures to future crude oil prices.

Fiji's Trading Partners

United States

- 1.5 The US economy is anticipated to maintain its positive growth momentum from last year boosted by an expansionary fiscal policy. Growth is expected at 2.9 percent in 2018, supported by lower corporate and individual tax rates, as well as increased government spending. In 2019, the US economy is forecast to grow by 2.7 percent. Annual inflation in the US stood at 2.8 percent in May and is estimated to rise by 2.5 percent in 2018 and 2.4 percent in 2019.

¹ Organisation of Petroleum Exporting Countries.

Eurozone

- 1.6 The Eurozone economy is expected to further improve from its 2017 growth momentum, albeit at a slower pace. Consumer confidence has remained relatively stable due to comfortable household finances and improved employment expectations. Annual inflation in the Eurozone is estimated at 1.5 percent in 2018 and 1.6 percent in 2019. The European Central Bank has kept its benchmark refinancing rate at zero percent in May. The Eurozone is forecast to expand by 2.4 percent in 2018 and 2.0 percent in 2019.

Australia

- 1.7 The Australian economy remained firm in the first quarter of 2018. Business activity rose mostly in the manufacturing, and food and services sectors despite concerns of potential trade wars between the US and China. Consumer confidence in Australia has remained upbeat supported by increased consumer credit. The Reserve Bank of Australia maintained its benchmark interest rate unchanged at 1.5 percent in May 2018.
- 1.8 The economy is expected to grow by 3.0 percent in 2018 and 3.1 percent in 2019. Inflation is estimated to be around 2.2 percent in 2018 and 2.4 percent in 2019.

New Zealand

- 1.9 The New Zealand economy is anticipated to grow by 2.9 percent in 2018, driven by a strong growth in business services which more than offset lower output from the manufacturing sector and dairy exports.
- 1.10 Following a slump after last year's general election, consumer confidence in New Zealand improved slightly this year, supported by strong labour market conditions. The Reserve Bank of New Zealand maintained the official cash rate at 1.75 percent in May. The economy is anticipated to grow by 2.9 percent in 2019. Inflation is estimated to be around 1.7 percent in 2018 and 2.1 percent in 2019.

Japan

- 1.11 The Japanese economy is expected to grow by 1.2 percent in 2018. Japanese business activity rose in April this year driven largely by robust manufacturing activity.
- 1.12 Labour market conditions in Japan have remained stable and the unemployment rate stood at 2.5 percent at the end of April. The Bank of Japan has kept its

benchmark interest rate at minus 0.1 percent up until May this year. In 2019, the Japanese economy is expected to grow by 0.9 percent while inflation is estimated to remain stable at 1.1 percent over the period 2018 and 2019.

China

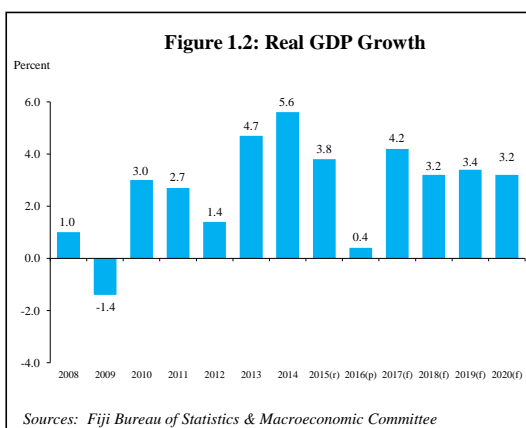
- 1.13 The Chinese economy is expected to grow by 6.6 percent in 2018, driven by strong private consumption and robust investments in the real estate and service sectors. The People's Bank of China has maintained its benchmark interest rate at 4.35 percent in May. For 2019, China expects to grow by 6.4 percent. Inflation is expected to be around 2.5 percent in 2018 and 2.6 percent in 2019.

India

- 1.14 The Indian economy continues to show signs of recovery with growth expected at 7.7 percent in the March quarter of 2018. The temporary effects of demonetisation and the goods and services tax are now slowly tapering off, paving the way for an immediate economic resurgence. Moreover, higher capital spending and private investments are expected to provide further impetus for India's future growth. The Reserve Bank of India increased its key policy rate to 6.25 percent in June, citing inflationary pressures on the back of rising crude oil prices. The economy is projected to grow by 7.4 percent in 2018 and 7.8 percent in 2019 while inflation is estimated to remain at 5.0 percent in 2018 and 2019.

Domestic Outlook

- 1.15 The Fijian economy is on track to register its ninth consecutive year of positive economic growth. The economy rebounded after a 0.4 percent growth in 2016 and expanded by 4.2 percent in 2017. Figure 1.2 shows Fiji's Real Gross Domestic Product (GDP) growth rates from 2008 to 2020.



Overview 2017

- 1.16 The Fijian economy is estimated to have expanded by 4.2 percent in 2017, supported by growth in the financial & insurance activities, public administration & defence, construction, wholesale & retail trade and the accommodation & food services sectors.

- 1.17 The services sector is envisaged to have been the main driver of growth in 2017, led by higher growth in commercial banking and insurance activities. Growth in the transport sector has been fuelled largely by higher profits attained by Fiji Airways on account of strong visitor arrivals recorded last year. Moreover, the wholesale & retail trade sector is estimated to have grown as evidenced by an increase in domestic VAT collections.
- 1.18 Private construction activities registered positive growth in 2017, driven mainly by the continual construction of post-TC Winston rehabilitation projects. However, growth in the manufacturing sector had slowed due to lower production of sugar, bread, dairy products, and processed fruits & vegetables.
- 1.19 For the primary sectors, prolonged dry weather conditions in the Western and Northern Divisions largely contributed to lower sugarcane production. Similarly, output in the forestry & logging sector is anticipated to drop due to lower harvesting of mahogany and pine.

Overview 2018

- 1.20 A growth of 3.2 percent is anticipated for 2018 despite the negative impact of Tropical Cyclones Josie and Keni, and floods in April.
- 1.21 Positive contributions are expected from the public administration & defence, wholesale & retail trade, construction, information & communication, and accommodation & food service sectors while agricultural production and related manufacturing activities are expected to negatively affect growth in 2018.
- 1.22 The services sector is forecast to dominate economic activity in 2018 with wholesale & retail trade being the major driver; led by increased sales of motor vehicles as well as retail sale of food & non-alcoholic beverages, hardware materials, paints and other specialised household articles.
- 1.23 Higher growth is also forecast for the construction sector, based on positive investment projections for private sector projects, post-disaster rehabilitation activities and planned Government capital expenditure as approved in the National Budget.
- 1.24 Lower contributions to growth; however, is envisaged from the transport & storage sector, driven mainly by higher intermediate costs for air transport services as global oil price increases. The financial & insurance services sector is also predicted to experience subdued growth due to increased insurance claims for damages emanating from recent natural disasters.

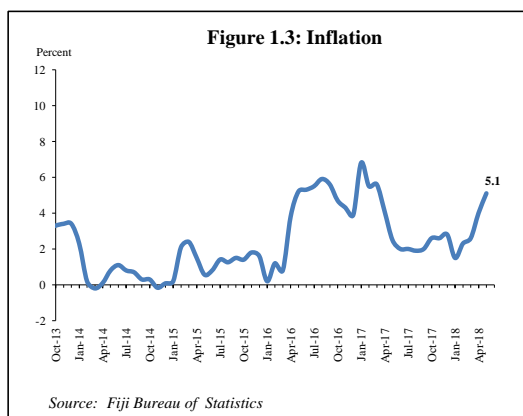
- 1.25 Moreover, the performance of the accommodation & food services sector is anticipated to be below forecast by the end of the year owing to a slowdown in short-term accommodation activities.
- 1.26 On a positive note, pine and mahogany production is expected to rebound strongly this year and contribute positively to the higher growth for the forestry & logging sector.

Overview 2019 and 2020

- 1.27 In 2019, the economy is projected to grow by 3.4 percent with major contributions from the manufacturing, transport, financial & insurance and wholesale & retail trade sectors. In addition, the agriculture sector is anticipated to recover from the natural disasters in 2018.
- 1.28 In 2020, a broad-based growth of 3.2 percent is forecast for the domestic economy with major contributions expected from the manufacturing, transport & storage, accommodation & food services, wholesale & retail trade and construction sectors.

Inflation

- 1.29 Annual inflation stood at 2.8 percent in 2017, lower than the 3.9 percent registered at the end of 2016.
- 1.30 The lower prices in 2017 were largely supported by the replenishment of agriculture market supplies following the aftermath of TC Winston. Soft trading partner inflation and persistent weakness in global commodity prices also contributed to the lower inflation in 2017.



- 1.31 Inflation spiked in May this year at around 5.1 percent, following 4.0 percent in the previous month. In the aftermath of TC Josie and Keni, instantaneous price increases were felt for fruits and vegetables, kava, alcohol and tobacco. Nevertheless, as experienced in the past, prices would stabilise in the coming months once market supplies increase.

- 1.32 Inflationary pressures for the remaining months of this year are expected to be driven by higher fuel prices and trading partner inflation, as well as higher domestic demand.
- 1.33 The year-end inflation for 2018 is forecast to be around 3.0 percent. This is expected to reduce to 2.5 percent in 2019 and 2020, barring any further supply-side shocks.

Exports²

- 1.34 In **2017**, total exports grew by 6.0 percent to \$2,052.9 million. Growth was led by higher exports of sugar, mineral water, molasses, fruit & vegetables, kava, non-petroleum re-exports and other domestic exports. These more than offset the lower exports of timber, fish and re-exported petroleum products. The growth in sugar and molasses exports emanated from post-TC Winston recovery efforts to rejuvenate production, while timber exports fell due to lower woodchip and mahogany exports.
- 1.35 In **2018**, total exports are forecast to grow by 7.5 percent led by higher exports of timber, mineral water, gold, fish, fruits & vegetables, re-exports and other domestic exports. Re-exports of petroleum products are forecast to increase significantly spurred by higher anticipated prices for crude oil. However, sugar and molasses exports are forecast to decline due to the negative impacts of TC Josie and Keni.
- 1.36 In **2019** and **2020**, exports are forecast to expand by 4.7 percent and 4.0 percent, respectively. This is expected to be led by higher exports of sugar, mineral water, gold, fish, molasses, fruits & vegetables, re-exports and other domestic exports. Re-exports of petroleum products are expected to drop in line with lower projections for future crude oil prices.

Imports³

- 1.37 In **2017**, total imports grew by 2.2 percent, supported by higher imports of mineral fuels, manufactured goods, chemicals and oil & fat commodities.
- 1.38 In **2018**, total imports are expected to grow by 10.2 percent driven by positive contributions from all categories of imports, particularly mineral fuel imports. Mineral fuel imports are expected to increase by 29.3 percent in 2018, driven by rising crude oil prices.

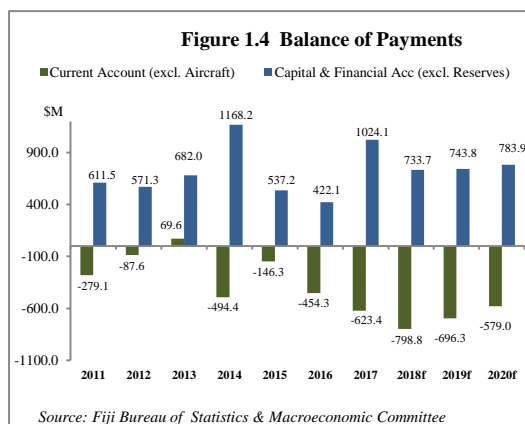
²Exports excluding aircraft.

³Imports excluding aircraft.

- 1.39 In **2019** and **2020**, total imports are expected to expand by 3.7 percent and 3.5 percent respectively, led by growth in all categories of imports, except mineral fuels. Imports of mineral fuels are forecast to decline based on future global price projections.

Balance of Payments⁴

- 1.40 Fiji recorded a current account deficit of \$623.4 million in 2017, equivalent to 5.9 percent of GDP. The deficit stemmed from a deterioration in the trade account and primary income account balances, which more than offset improvements to the balances for service account and secondary income account. The capital and financial account (excluding reserves) recorded an increased balance of \$1,024.1 million.



- 1.41 Fiji achieved a positive balance of payments position in 2017, which resulted in its Reserve Assets increasing by \$343.0 million.
- 1.42 Tourism earnings reached a record high of \$1,800.2 million in 2017. With visitor arrivals projected to increase to 880,814 in 2018, tourism earnings have also been projected to rise by 8.0 percent accordingly. Similarly, tourism earnings are expected to increase by 8.0 percent in both 2019 and 2020, pushing up earnings to beyond the \$2 billion mark.
- 1.43 Remittances stood at \$533.2 million in 2017 and are expected to increase by 3.4 percent to \$551.2 million in 2018. In 2019 and 2020, remittances are projected to grow by 3.9 percent and 3.0 percent respectively, in line with global growth projections.
- 1.44 In 2018, the current account balance is expected to register a deficit of \$798.8 million, equivalent to 7.1 percent of GDP (Figure 1.4). This is largely due to the widening of the trade deficit, driven mainly by higher valued mineral fuel imports. The capital and financial account balance is projected at \$733.7 million in 2018. The overall balance of payments for 2018 is forecast to fall by \$34.7 million.

⁴Excluding aircraft.

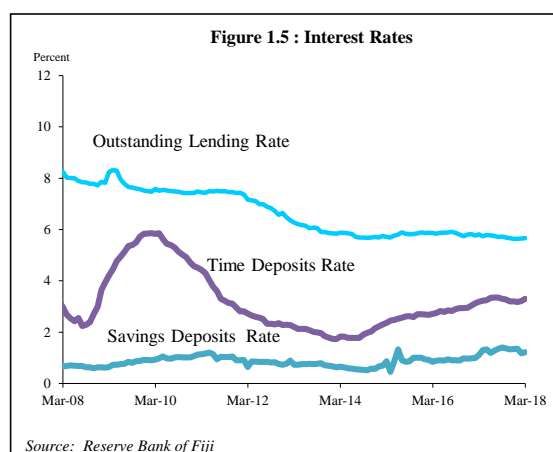
- 1.45 In 2019, the current account deficit is projected to decrease to \$696.3 million or around 5.8 percent of GDP; and narrow further to 4.5 percent of GDP in 2020. This outcome is mainly the result of an improvement in the balance for the services account combined with a lower trade deficit. The capital and financial account is forecast to register a higher balance in 2019 compared to 2018.
- 1.46 The overall balance of payments position is expected to be in surplus in 2019 and 2020, with Reserve Assets forecast to increase by \$15.8 million in 2019 and \$87.6 million in 2020.

Money and Credit

- 1.47 Overall, credit growth continued to expand in 2017, driven by new lending for consumption and investment purposes. By April 2018, credit to the private sector had grown by 7.7 percent to \$7,517.2 million. Further credit growth is expected this year, spurred by the current low interest rate environment and growing consumer and business confidence.
- 1.48 Credit outcomes will also be influenced by liquidity levels within Fiji's financial system. As at end of May 2018, liquidity stood at \$526.2 million. The high liquidity has been supported by Fiji's strong foreign reserve position.

Interest Rates

- 1.49 Interest rates within the banking sector remained low due to high liquidity and stiff competition amongst banks. As such, commercial banks' lending rates continued on a general downward trend over the past year through March 2018.



- 1.50 The weighted average outstanding lending rate for commercial banks fell to 5.68 percent in April 2018 compared to 5.74 percent a year ago (Figure 1.5). In the same period, the weighted average outstanding time deposit rate rose to 3.34 percent from 3.30 percent, while the weighted average savings deposits rate increased from 1.22 percent to 1.29 percent.

Exchange Rates

- 1.51 Over the year to May 2018, the Fiji dollar strengthened against the US dollar (0.5%) and the NZ dollar (2.1%), but weakened against the Euro (-3.5%), the Japanese Yen (-1.2%) and the Australian dollar (-1.0%).
- 1.52 The Nominal Effective Exchange Rate (NEER) fell by 1.1 percent over the year to April 2018. This indicated a general weakening of the Fiji dollar against its major trading partner currencies.
- 1.53 The Real Effective Exchange Rate (REER), on the other hand, rose by 0.9 percent over the year, reflecting a rise in Fiji's domestic inflation rate relative to most trading partner countries.

Monetary Policy

- 1.54 Monetary policy will continue its focus to achieve low inflation and adequate foreign reserves. As at end of May 2018, foreign reserves levels stood at around \$2,163.3 million, providing 5.0 months coverage for retained imports of goods and non-factor services. The 2018 year-end inflation is forecast to be around 3.0 percent.
- 1.55 The Reserve Bank of Fiji (RBF) has continued to maintain an accommodative policy stance and has kept the Overnight Policy Rate unchanged at 0.5 percent. The Bank will continue with its monitoring of domestic and global economic developments to detect potential opportunities and risks and align its policies accordingly to stimulate growth and secure overall macroeconomic stability.

CHAPTER 2: NATIONAL DEVELOPMENT PLAN

Introduction

- 2.1 Fiji's 5-Year & 20-Year National Development Plan (NDP) was launched by the Honourable Prime Minister on 15 November 2017 at the margins of COP23 in Bonn, Germany. The Plan reflects the outcome of exhaustive consultations with various stakeholders across Fiji, including private sector entities, civil society groups, non-governmental organisations, community groups, village settlements and individual citizens at large.
- 2.2 During the nationwide consultation process, every Fijian was given an opportunity to provide feedback towards the Plan's formation; making it a truly inclusive national document reflecting the dreams and aspirations of the Fijian people to build a peaceful, prosperous, and better future for the nation.
- 2.3 In summary, the NDP provides the forward-looking vision for "**Transforming Fiji**" towards a more progressive, vibrant and inclusive society. This vision builds on past efforts to empower Fijians with the knowledge and resources to take the country forward, and secure a prosperous future; one that unlocks opportunities for all Fijians to flourish and fully realise their true potential.
- 2.4 The 20-Year NDP is built on two key foundational prongs or approaches which are as follows:
 1. **Inclusive socio-economic development** – will ensure that all socio-economic rights in the Constitution are realised and inclusivity will be at the centre of growth and development; and
 2. **Transformational strategic thrusts** – are game-changing, forward-looking policies that seek to revolutionise development in key priority sectors to boost future growth and ensure Fiji continues on a path of sustainable economic development.

20-Year NDP Targets

Inclusive Socio-Economic Development

- 2.5 Some of the key development targets as prescribed under Fiji's 20-Year NDP are discussed below. These targets have been aligned to the Sustainable Development Goals (SDGs) as well as key priorities on Government's policy agenda to be achieved by 2036 (unless stated otherwise):

- Achieve 4 to 5 percent growth rate per annum;
- A fourfold increase in GDP per capita;
- Government debt to be reduced to 35 percent of GDP;
- Reducing unemployment rate to below 4 percent;
- Reduce incidence of poverty to 10 percent;
- All Fijians to have access to clean and safe drinking water by 2031;
- All Fijians to have access to electricity by 2021. By 2036, 100 percent of Fiji's energy requirements will be supplied from renewable energy sources;
- All households to have access to affordable housing;
- All Fijians to have access to quality education at all levels;
- High quality health care system in line with international standards with a major focus on tertiary health care and overall medical service delivery;
- Raise the doctor to patient ratio to 1 doctor per 1,000 people;
- Ensuring food and nutrition security through increased local production, and raising farm efficiency and productivity;
- Women empowerment and development;
- Protecting culture and heritage and national environment; and
- Ensure security and effective crime prevention.

Transformational Strategic Thrusts

- 2.6 Fiji's geographical location and economic prospects, together with ongoing infrastructure development and strong institutions, has well-positioned the country to become the regional hub of the Pacific.
- 2.7 Some of the key targets under this approach include:
- Nurturing new and emerging growth sectors;
 - Improving transport and digital connectivity;
 - Improving skill development and enhancing demographic dividend;
 - Adopting new technology for improving productivity; and
 - Development of cities, towns and rural areas.

5-Year Development Plan

- 2.8 The 5-Year Development Plan sets out priority areas for development under each sector of the economy. These are highlighted below.

Inclusive Socio-Economic Development

Water and Sanitation

- Strengthen water policy planning and sustainable resource management.
- Expand access of water and sanitation services to all Fijians.

Energy

- Ensure all Fijians have access to affordable, reliable, and sustainable energy services.
- Increase private sector participation in the energy market, particularly in the provision of electricity supply.
- Improve energy efficiency and cost-effectiveness.
- Encourage renewable energy development as a strategy to reduce fossil fuel imports for energy production and promote clean energy.
- Promote sustainable development of renewable energy resources based on principles of the Green Growth Framework.

Housing Development

- Provide affordable and safe housing for all Fijians, especially for poor and low-income households.
- Redevelop informal settlements with basic utilities such as piped water supply, electricity and proper sanitation facilities.
- Strengthen partnerships between Government and Non-Governmental Organisations to provide affordable housing for the poor and disadvantaged.

Food and Nutrition Security

- Develop a national food and nutrition security policy or framework.
- Increase awareness of the importance of food and nutrition security.
- Encourage the better implementation of food and nutrition security priorities in agriculture, fisheries and other sectors.

Education

- Ensure every Fijian student has equal and unrestrained access to education.
- Improve the quality of education at all levels of Fiji's education system i.e. at pre-school, primary school, secondary school, and university and technical colleges.
- Improve standards for the technical and vocational curriculum in Fiji.
- Enhance support for higher education institutions.

Health and Medical Services

- Build a healthy and productive nation by providing effective medical services, with contemporary health facilities.
- Improve the quality of primary, secondary and tertiary health care in Fiji to international standards.

- Strengthen medical services for maternal, infant, and adolescent health to reduce infant mortality rates.
- Improve medical services for emergencies and disaster response.
- Strengthen services for communicable and non-communicable diseases.

Youth & Sports Development

- Develop our youth and young adults to become productive and reliable leaders of tomorrow, and increase their participation in public decision-making processes.
- Provide high-quality education and training for young people to secure decent jobs in formal and informal markets.
- Provide opportunities for young aspiring entrepreneurs to become ‘job creators’ with new innovative business ventures.
- Develop a systematic and well-coordinated national sports development programme to promote healthy living and enhance labour productivity.
- Provide every citizen access to proper sporting facilities.

Women in Development

- Increase women’s participation in the formal sector.
- Increase women’s representation at all levels of Government and civil society, and within the private sector.
- Eliminate all forms of violence against women and children through proactive policing and interventions.
- Improve women’s access to all social services.
- Review of legislations and policies to enhance their relevance to women and gender equality.

Culture and Heritage

- Protect Fiji’s diverse cultural heritage.
- Promote cultural heritage for sustainable development.

National Security & Rule of Law

- Strengthen border security and trade facilitation.
- Maintain safe and secure communities, and improve general societal well-being.
- Strengthen border security by improving defence and intelligence coordination with regional and global partners.
- Strengthen Fiji’s legal and justice system to maintain its independence.

Transformational Strategic Thrusts

Modernising Land Transport

- Ensure the overall public transportation system in Fiji is safe, efficient, reliable and environmentally sustainable.

- Continue to upgrade Fiji's road networks until it is up to par with international standards.
- Provide efficient rural transportation services.
- Efficiently manage traffic congestion in Fiji's major towns and cities.

Inter-Island Network

- Ensure safe, efficient, affordable and environmentally sustainable inter-island shipping services.
- Provide regular shipping services for uneconomical or costly outer island routes.
- Develop essential infrastructure for maritime transportation, including jetties, wharves and passenger shelters.

Domestic Air Services

- Ensure domestic air services are safe, secure, reliable and affordable.
- Expand domestic air services to new destinations within Fiji.
- Build new airport facilities at all airstrips around the country, including remote outer island airstrips.
- Ensure international aviation safety standards are maintained for domestic air services.

International Connectivity (Airports & Sea Ports)

- Continue with expansion plans for Nausori Airport to cater for more international flights.
- Upgrade Fiji's main sea ports with modern infrastructure and facilities.
- Implement international best practices at all sea ports to enhance security, improve trade facilitation and comply with global environmental standards.

Modernising the Business Regulatory Environment

- Strengthen land administration in Fiji to improve land productivity and utilisation.
- Create a sound regulatory framework for environmental conservation and protection in line with strategies under Fiji's Green Growth Framework.
- Improve labour productivity by implementing performance management reward systems and introducing new technologies.
- Continue to improve the efficiency of Fiji's tax administration system.
- Formulate a privatisation policy framework and implement privatisation programmes for State Owned Entities (SOEs).
- Develop a comprehensive national competition and consumer protection policy.

Micro, Small & Medium Enterprises (MSMEs) Development

- Review key provisions of Fiji's business regulations to promote the development of MSMEs across the country.
- Ensure MSMEs have better access to finance, business training and Government support schemes.

Manufacturing & Commerce

- Expand the capacity of Fiji's industrial and manufacturing sector and increase value addition.
- Establish special programmes with tertiary and vocational institutions to support the manufacturing and commerce sectors.
- Develop rural-based industrial enterprises by facilitating development of appropriate infrastructure.
- Promote green manufacturing, including clean energy production.

Sustainable Cities & Towns

- Strengthen urban town planning and management with a specific focus on identifying new growth centres within municipal boundaries and city suburbs.
- Develop fully-integrated plans for town and city development with strategies to strengthen urban infrastructure resilience against future climatic events.
- Inculcate outcomes of disaster vulnerability assessments in urban infrastructure plans and designs.

Expanding the Rural Economy

- Improve the quality of life for people living in rural and outer islands by implementing effective community self-help initiatives.
- Ensure rural dwellers secure better access to urban markets and Government services.
- Improve the operations of cooperative institutions to support income generating activities in rural regions.
- Ensure rural community buildings are cyclone and flood resistant.

Sugar

- Secure new export markets for Fiji's sugar industry with favourable pricing and quota arrangements.
- Implement on-farm mechanisation schemes to boost sugarcane production.
- Implement policies to reduce sugar supply-chain costs, including cultivation & harvesting costs, transportation costs and milling & marketing costs.

Non-Sugar Agriculture

- Continue broad-based support for agriculture development to improve the sectors impact on growth, exports and poverty alleviation.

- Strengthen commodity development programmes for specific agricultural produce with lucrative markets.
- Empower farmers with regular training and extension services to improve land use, enhance farming efficiency and increase crop output.

Fisheries

- Sustainably manage offshore fisheries resources through finalising the National Fisheries Policy.
- Further develop Fiji's inshore and coastal fisheries resources, including the expansion of aquaculture, and brackish water breeding schemes.

Forestry

- Promote sustainable forest management practises.
- Encourage private sector involvement in forest plantation development.
- Create new opportunities for timber product development.

Tourism

- Regularly improve hospitality and tourism services in Fiji.
- Review current marketing strategies to diversify and expand Fiji's tourism source markets.
- Continue to promote 'Brand Fiji' tourism through incorporating traditional culture and art.
- Develop new tourism products to improve the attractiveness of Fiji's tourism sector and expand Fiji's tourism clientele.

Information & Communication Technology (ICT)

- Expand Fiji's telecommunications infrastructure to all communities across the country.
- Ensure all Fijians have equal access to ICT services.
- Strengthen the regulatory framework for Fiji's ICT sector.
- Promote the use of green technology.

2.9 More details and specific targets and programmes are available in the 5-Year & 20-Year NDP, which can be downloaded from the Ministry of Economy website.

CHAPTER 3: MEDIUM TERM STRATEGY

Introduction

- 3.1 This chapter discusses Government's fiscal policy direction over the medium term and provides the overarching principles that will guide the allocation of financial resources, formulation of taxation and customs policies and debt management. It also provides updates on the progress of major public sector reforms and plans for the medium term.

Medium Term Fiscal Strategy

- 3.2 Fiscal policy for medium term will be geared towards sustaining Fiji's current positive economic growth momentum and securing financial stability. To achieve these objectives, tax policies will continue to support private sector investments, more resources will be channelled to priority sectors that focus on raising the productive capacity and deficits and debt will be managed within budgeted levels.
- 3.3 Policies in the 2018-2019 Budget have been designed to achieve the following key macroeconomic targets over the medium to long term, barring any unexpected shocks to the economy including natural disasters:
- Achieve growth of 4-5 percent on an annual basis;
 - Propel annual investments (combined private & public investments) to rise beyond 25 percent of GDP;
 - Manage inflation at around 3 percent to protect consumers from global price volatilities and curb any increase in cost of living;
 - Ensure foreign reserves are sufficient to cover 4-5 months of retained imports of goods and non-factor services;
 - Maintain budget deficits at sustainable levels; and
 - Reduce Government's debt stock to 40 percent of GDP in the medium term, and work towards reducing debt to 35 percent of GDP by 2036 as outlined in the NDP.

Medium Term Fiscal Framework

- 3.4 A net deficit of \$414.2 million or 3.5 percent of GDP has been budgeted for FY 2018-2019. The deficit stems from the projected difference between budgeted revenues of \$4,236.4 million and budgeted expenditures of \$4,650.5 million. Based

on the net deficit, Government's debt stock is estimated to be around \$5,583.2 million or 47.8 percent of GDP at the end of FY 2018-2019.

- 3.5 Table 3.1 below outlines the medium term fiscal targets for the fiscal years 2018-2019, 2019-2020 and 2020-2021.

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

	2018-2019 Budget	2019-2020 Target	2020-2021 Target
Revenue:	4,236.4	4,008.3	4,202.8
<i>As a % of GDP</i>	<i>36.3</i>	<i>32.7</i>	<i>32.6</i>
Expenditure:	4,650.5	4,376.6	4,525.3
<i>As a % of GDP</i>	<i>39.8</i>	<i>35.7</i>	<i>35.1</i>
Net Deficit	(414.2)	(368.2)	(322.5)
<i>As a % of GDP</i>	<i>(3.5)</i>	<i>(3.0)</i>	<i>(2.5)</i>
Debt	5,583.2	5,951.4	6,273.9
<i>As a % of GDP</i>	<i>47.8</i>	<i>48.5</i>	<i>48.6</i>
GDP at Market Prices	11,673.5	12,274.0	12,900.0

(Source: Ministry of Economy)

- 3.6 As shown above, Government's net deficit is planned to be reduced gradually to 3.0 percent in FY 2019-2020 and 2.5 percent in FY 2020-2021. Consequently, debt stock relative to GDP is anticipated to be around 48.6 percent in FY 2020-2021.

Revenue Policy

- 3.7 The following key principles have been adopted to design Government's revenue and tax policies for the medium-term:
- Maintain low & competitive tax rates and broaden the tax base;
 - Streamline tax administrative processes and tighten compliance by clamping down on tax evaders and tax cheats;
 - Strengthen capacity within Fiji Revenue and Customs Service (FRCS) to minimise revenue leakages and improve the efficiency of tax collection;
 - Ensure customs administrative processes are simple, streamlined and aligned to international best practices;
 - Provide adequate resources to monitor prices of imported tariff concession items and ensure the prices of commodities are reduced to reflect adjustments to tariff rates;

- Review current tax legislations to be in line with rapidly changing commercial environment;
- Adopt new technologies to digitalise taxation services, including the new roll-out of Electronic Fiscal Devices to capture VAT dues and other taxable incomes;
- Make tax incentives more attractive to draw new private investments in priority areas like ICT development, housing, SME development and resource-based sectors;
- Address environmental challenges and financing of climate adaptation and green projects;
- Combat non-communicable diseases by promoting healthy lifestyles and discouraging consumption of harmful health products;
- Review current fees and charges for Government services on a cost recovery basis whilst taking into account improvements to service delivery.

3.8 Details of new revenue policy measures for the 2018-2019 Budget are provided in Chapter 8.

Expenditure Policy

3.9 The following principles have been adopted to determine expenditure allocations for the 2018-2019 Budget:

- Ensure adequate funding is provided for infrastructure development to continue to upgrade roads, bridges and jetties, and improve access to isolated regions;
- Improve access to quality education in Fiji through continuation of free education, hiring of additional teachers, transportation assistance and funding support for tertiary education;
- Continue to improve health services in Fiji by hiring more qualified doctors & nurses, extending access to private general practitioners, upgrading existing health facilities and supporting new public-private partnerships (PPP) in the health sector;
- Ensure the entire country is provided with safe drinking water, consistent power supply and effective sewerage disposal services;

- Continue support towards SME development, including the Youth Entrepreneurship Scheme, in order to empower people to raise incomes with innovative business ideas;
- Continue to fine tune social protection programmes so that they are well-targeted and sensitive to the special needs of the poor, disabled, elderly and the disadvantaged;
- Promote land development for residential purposes, encourage home ownership through funding support and explore options for securing feasible PPPs for housing developments;
- Expand the provision of legal services to all districts and towns in the country;
- Accelerate the implementation of new public sector reform initiatives in the civil service, SOEs and public financial management;
- Set aside contingency resources for disaster rehabilitation & recovery and pursue risk-sharing initiatives by providing house insurance, crop insurance, and bundled insurance packages;
- Allocate sufficient budgetary resources to progress the implementation of various commitments related to climate change;
- Invest in Fiji's primary industries as a strategy to reduce poverty, manage urban migration, expand exports, create employment, promote food security and progress rural development;
- Ensure sufficient resources are allocated for Fiji's hosting of the Asian Development Bank (ADB) Annual Meeting in 2019;
- Ensure remuneration rewards for civil servants are based on productivity improvements and improved service delivery;
- Maintain law & order and strengthen border security; and
- Promote investments in other priority sectors identified in Fiji's NDP and Green Growth Framework.

3.10 A full record of Government's expenditure programmes are displayed in the 2018-2019 Budget Estimates and discussed in depth in the Supplement to the Budget Estimates and the Budget Flyers.

Debt Policy

- 3.11 Government's debt policy for the medium term will be focused on maintaining debt at sustainable levels through executing prudent risk management strategies.
- 3.12 Key objectives for debt policy in the medium term are as follows:
- Prudently manage fiscal deficits to reduce debt to below 40 percent of GDP in the medium term;
 - Prioritise the domestic capital market for financing annual deficits to prevent risks associated with offshore borrowings and develop the domestic market;
 - Manage foreign debt repayments to minimise risks associated with exchange rate fluctuations;
 - Actively explore opportunities to refinance expensive debt with lower-cost financing facilities;
 - Promote growth in the domestic bond market by encouraging secondary market trading and diversification;
 - Encourage subscription of green bonds to raise funds for green projects and climate change related initiatives; and
 - Prudently manage risks associated with on-lending to State entities and contingent liabilities.

Structural Reforms

- 3.13 Structural reforms aim to improve the quality of Government services and ensure public resources are utilised in a manner that is cost-effective and achieves its key priorities. An update of major structural reform initiatives within Government are discussed below.

Civil Service Reforms

- 3.14 The Civil Service Reform Management Unit (CSRMU) has implemented several new reform initiatives to modernise human resource management practices in the civil service. A summary of each reform activity is provided below.
- 3.15 **Open Merit Recruitment & Selection (OMRS):** The new OMRS Guideline was introduced in January 2016 to serve as the overarching guide for staff recruitment in the civil service based on the requirements of the job and the applicant's

knowledge, experience, skills and abilities. The OMRS Guideline was updated in 2017 with the inclusion of a new Procedure Review Process to allow job applicants to lodge appeals against job selection decisions.

- 3.16 ***Discipline Guideline:*** This guideline outlines the processes and conditions by which Permanent Secretaries can institute disciplinary action for civil servants which must be executed fairly, consistently and transparently. Extensive training has been conducted on the Discipline Guideline with supervisors and managers across the civil service and this will continue in FY 2018-2019.
- 3.17 ***Civil Service Pay Review:*** The civil service pay review was completed in January 2017 and implemented from July to September 2017. Fifteen new broad salary bands (A to O) have been implemented through the review, capturing all job professions across the civil service.
- 3.18 The Job Evaluation Exercise has now been fully completed across the civil service. Ongoing evaluations are conducted by trained evaluators for any job changes and when new jobs are created in ministries. As announced last year, job evaluation is now part of the ongoing work of Human Resource Departments and will not be considered as a one-off exercise.
- 3.19 ***Performance Management Framework (PMF):*** Consultations on the new PMF was convened from November 2017 to January 2018. The framework adopts an evidence-based PMF system for the civil service. The PMF is designed to reward civil servants with pay increments or bonuses for satisfactorily delivering key outputs that are outlined in the Strategic Operational Plans of line Ministries. PMF training sessions have been undertaken in all line ministries.
- 3.20 ***Learning & Development Guideline:*** This guideline sets the criteria for taking study leave (with & without pay) within the civil service. While Ministries and Departments are committed to investing in building internal capacity, the guideline ensures priority is offered to training in scarce skill areas.

Public Enterprise Reforms

- 3.21 SOE reforms in Fiji are improving the financial performance of public entities. The paragraphs below discuss updates on key SOE reforms.
- 3.22 ***Energy Fiji Limited:*** The Fiji Electricity Authority was corporatised on 16 April 2018 into a public limited liability company and renamed as Energy Fiji Limited (EFL). To make the reform process more inclusive, Government offered 5.0 percent of the shares in EFL to individual domestic account holders as non-voting shares. Government also has plans to divest a maximum of 44.0 percent of its

shares to institutional investors as voting shares. This is expected to be completed in FY 2018-2019.

- 3.23 Furthermore, as part of the broader energy sector reform, the Electricity Act 2017 was passed by Parliament in March 2017. Once the legislation is enacted, it will form the basis for deregulating the energy sector by separating EFL's commercial and regulatory functions.
- 3.24 ***Government Printing & Stationery Department (GPSD)***: An Expression of Interest for the sale of the GPSD assets was advertised in 2015. Government has signed a Letter of Intent with the preferred consortium and discussions are currently underway to execute a sale agreement. This is expected to be finalised in 2018-2019 financial year.
- 3.25 ***Kalabu Tax Free Zone (KTFZ) properties***: Government will continue to market its remaining properties at KTFZ to investors. The sale of the remaining two properties will complete the entire process for disposing KTFZ assets.
- 3.26 ***Savusavu Industrial Zone (SIZ)***: SIZ is situated on a 5.2 acre land area, consisting of 18 vacant lots. An Expression of Interest (EOI) was advertised in November 2017 inviting potential investors to secure vacant lots under 99-year lease arrangements. The EOI closed on 26 January 2018 with the final decision on land sale expected to be made by end of 2018.
- 3.27 ***Review of Public Enterprises Act 1996***: This review is currently being pursued with technical assistance from the ADB. The review aims to strengthen the existing legislation with provisions to effectively monitor SOEs and ensure they achieve desired financial targets whilst delivering key policy goals.
- 3.28 Further details on the financial performance of SOEs are discussed in Chapter 5.

Financial Management Reforms

Public Expenditure Financial Accountability (PEFA)

- 3.29 The PEFA assessment carried out in 2013 provided recommendations to improve Fiji's Public Financial Management (PFM) System. Government sought assistance from the Pacific Financial Technical Assistance Centre (PFTAC) and ADB to effectively implement the recommendations. The following PFM initiatives are earmarked for implementation in 2018-2019:
 - i) Review of the Financial Management Act 2004, the Finance Instructions 2010, and the Procurement Regulations;

- ii) Formulation of the Financial Reporting Guideline for Ministries and Departments in line with International Public Sector Accounting Standards (IPSAS);
- iii) Continue to verify and update Government's National Fixed Asset Register;
- iv) Review of the Chart of Accounts for Whole of Government;
- v) Undertake a Public Expenditure Review (PER); and
- vi) Assess Fiji's readiness to move towards medium term expenditure budgeting.

Labour Reforms

- 3.30 Progressive implementation of labour reforms over the years has provided the impetus for the review of industrial relations legislations and the establishment of labour market institutions such as the National Occupational Health & Safety Service, the Labour Standard Service, the Mediation Service and the National Employment Centre.
- 3.31 **New Leave Entitlements** - Government will increase the maternity leave period from 84 days to 98 days. In addition, five days paternity leave and five days family care leave will also be introduced. To encourage greater uptake by employers, a 150 percent tax deduction will be applicable for wages and salaries paid for these leave entitlements.
- 3.32 **Workers Compensation Reform** - The 1.0 percent National Training & Productivity Centre (NTPC) levy payable by employers will be restructured with 0.5 percent directed to expanding access to private medical services, 0.4 percent as workers compensation levy and 0.1 percent to be maintained as NTPC levy.
- 3.33 The 0.4 percent workers compensation levy will be redirected to the Accident Compensation Commission of Fiji (ACCF) to cover costs of no-fault accident compensations at the workplace and injury at schools. To further support capacity building by employers, Government will also be introducing a 150 percent tax deduction on employee training costs.
- 3.34 **Seasonal Employment Scheme:** Employment secured for local workers under the Seasonal Worker Scheme have continued to grow. From 2015 to May 2018, a total of 781 Fijians found jobs under the New Zealand Recognised Seasonal Employers Programme. During the same period, around 469 workers were able to secure employment under the Australian Seasonal Worker Programme. Employment generated through these programmes is expected to rise further in the future.

- 3.35 The **Fiji Volunteer Service (FVS)** has provided opportunities for many of Fiji's retirees to serve in various countries such as Nauru, Marshall Islands, Vanuatu and Tuvalu. A total of 53 volunteers are currently working in the education and health sectors in these countries. The local component of the FVS has also facilitated the employment of 43 recipients (volunteers, skilled employees, unemployed & retirees) currently engaged in various local organisations and Government agencies.

Land Reforms

- 3.36 Government will continue to promote the productive use of idle land through the land bank initiative, and ensure both landowners and lessees derive maximum benefits from all land deposited through the Land Bank. A total of 107 parcels of native land have been designated to the Land Bank to date, covering a total area of 10,003 hectares. Total lease payments received from these leasing arrangements have accumulated to \$9.1 million.
- 3.37 Another 41 landowning units are expressing interest to deposit 12,263 hectares to the Land Bank. Negotiations have commenced to register these lands.
- 3.38 A sum of \$2.0 million has been provided in 2018-2019 Budget to support development of iTaukei land under the land bank initiative.

Financial Sector Reforms

- 3.39 The RBF coordinates and oversees reforms in the financial sector to secure stability and inclusiveness. The paragraphs below highlight the progress of on-going financial sector reforms.
- 3.40 ***Proposed Pensions Savings Legislation:*** RBF will continue to work towards finalising a comprehensive pension savings legislation to strengthen the supervision of pension fund activities in Fiji. The newly-drafted legislation proposes to widen the scope of supervision beyond FNPF and include other pension savings providers.
- 3.41 ***Proposed New Credit Union Legislation:*** The new draft Credit Union legislation will be presented in Parliament in 2019. In formulating this law, RBF will be consulting all credit union industry players, to clearly articulate the Bank's new supervisory role, as well as new financial requirements for strengthening the governance of Credit Unions.
- 3.42 ***Proposed New Banking Legislation:*** In 2018, the IMF conducted a comprehensive review of the stability of Fiji's financial sector. Based on the recommendations,

RBF will review the Banking Act 1995 in 2019 to ensure it remains relevant in today's changing business environment.

- 3.43 ***Proposed New Insurance Legislation:*** A full review of the Insurance Act 1998 and the Insurance Regulations will be implemented soon to respond to new changes in Fiji's business environment and accommodate an increasing demand for insurance coverage.
- 3.44 ***Fair Reporting of Credit Act:*** The Fair Reporting of Credit Act and its subsidiary regulations came into force in May 2016. On 29 March 2018, RBF issued a licence to Credit Information Reporting Agency PTE Limited (CIRA) to commence operations as a credit reporting agency in Fiji.
- 3.45 ***Personal Properties Securities Act:*** This new legislation was passed in Parliament last year to provide an institutional framework that would allow moveable property to be used as collateral for credit purposes. As part of this reform, a Personal Properties Securities Registry will be developed for lenders to register their charge of interest over movable property.
- 3.46 ***Small and Medium Enterprises (SME) Credit Guarantee Scheme:*** This scheme provides full guarantees on loans rendered to small and medium enterprises. Since 2012, Government has allocated around \$4.0 million towards the scheme. By end of February 2018, a total of 1,712 loans valued at over \$99.5 million were approved under the scheme. Losses under this scheme have been less than 1.0 percent of the scheme's total loan portfolio.
- 3.47 ***Import Substitution & Export Finance Facility:*** This facility offers concessional loans to promote investments in exports, import substitution, renewable energy and sustainable public transportation. By end of April 2018, the Facility had disbursed a total of \$119.9 million, of which \$34.1 million has been repaid.
- 3.48 ***Housing Facility:*** This facility aims to improve accessibility to housing credit by low-income earners through the Housing Authority, commercial banks, licensed credit institutions and Fiji Development Bank. The total funds available for lending was increased from \$35 million to \$60 million in 2017. Utilisation of funds under the facility has increased from \$25 million in July 2017 to around \$37.8 million to date.
- 3.49 ***Exchange Control:*** Given the latest outlook for foreign reserves, RBF has made further changes to exchange control measures which will become effective from 1 August 2018. These measures are shown in Table 14 of the Appendices.

CHAPTER 4: GOVERNMENT'S FISCAL POSITION

Introduction

- 4.1 This chapter discusses the fiscal position of Government for three financial years. It provides the actual fiscal position for FY 2016-2017, the revised projection for FY 2017-2018 and the budget for FY 2018-2019⁵.

2016-2017 Actual Outturn

- 4.2 At the end of FY 2016-2017, Government registered a net deficit of \$222.8 million equivalent to 2.2 percent of GDP. The total revenue collection amounted to \$2,837.4 million while the total expenditure stood at \$3,060.3 million.

2017-2018 Revised Projection

- 4.3 In line with the financial performance by end of May 2018, the net deficit for FY 2017-2018 is projected to be \$497.4 million, equivalent to 4.5 percent of GDP. The total revenue collection for the financial year has been revised to \$3,372.2 million while the total expenditure has been revised to \$3,869.5 million.
- 4.4 The relatively higher deficit in FY 2017-2018 compared to FY 2016-2017 was planned for, due to reconstruction post TC Winston. Additional funding was also needed following Government assistance provided in the aftermath of TC Keni and TC Josie and the devastating floods under the Cyclone Assistance Relief Effort (CARE) for Fiji programme. Despite this, expenditure is maintained within budgeted levels and the fiscal deficit will remain at 4.5 percent of GDP as budgeted.

2018-2019 Budget

- 4.5 The net deficit for the FY 2018-2019 is budgeted at \$414.2 million or 3.5 percent of GDP. This is based on an estimated total revenue of \$4,236.4 million and total expenditure of \$4,650.5 million.
- 4.6 Table 4.1 provides Government's Cashflow Statements⁶ for FY 2016-2017 to FY 2018-2019.

⁵ Minor differences in numbers are due to rounding off decimal places.

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

Table 4.1: Cashflow Statements (FY 2016-2017 to FY 2018-2019)

(\$M)	2016-2017 (Actual)	2017-2018 (Revised ⁷)	2018-2019 (Budget)
<u>Receipts</u>			
Direct Taxes	763.7	887.8	1,011.3
Indirect Taxes (<i>excluding SEG 13 VAT</i>)	1,779.6	2,046.4	2,331.2
VAT (<i>excluding SEG 13 VAT</i>)	666.5	768.5	877.0
Customs Duties	607.3	666.6	759.3
Service Turnover Tax	133.7	114.8	130.8
Water Resource Tax	62.6	69.9	79.6
Departure Tax	145.1	172.2	196.2
Stamp Duty	81.0	97.8	111.4
Fish Levy	0.1	0.05	0.1
Telecommunication Levy	1.1	1.0	1.1
Credit Card Levy	0.3	-	-
Third Party Insurance Levy	1.7	1.2	-
Environment and Climate Adaptation Levy	79.1	150.5	171.4
Health Levy	1.1	3.9	4.4
Fees, Fines & Charges	127.8	147.9	158.0
Grants in Aid	18.8	35.6	19.6
Dividends from Investments	25.3	105.5	157.7
Reimbursement & Recoveries	30.9	24.4	25.2
Other Revenue & Surpluses	44.3	46.9	50.6
Total Operating Receipts	2,790.3	3,294.5	3,753.7
<u>Payments</u>			
Personnel	854.0	953.3	1,093.2
Transfer Payments	553.3	718.5	839.9
Supplies and Consumables	246.8	244.2	320.2
Special Expenditures (Purchase of Outputs)	67.9	76.6	134.0
Interest	274.9	298.0	332.2
Other Operating Payments	1.9	10.1	9.2
Total Operating Payments	1,998.8	2,300.7	2,728.7
Net Cashflows from Operating Activities	791.6	993.8	1,025.0
As % of GDP	7.7%	9.0%	8.8%
<u>Receipts</u>			
Sale of Government Assets	2.5	0.6	395.4
Interest from Bank Balance	1.2	1.5	1.6
Repayment of Term Loans and Advances	1.4	7.4	10.2

⁷ Figures have been revised based on performance until 31 May 2018, hence, may not match with other Budget documents.

(\$M)	2016-2017 (Actual)	2017-2018 (Revised ⁷)	2018-2019 (Budget)
Return of Surplus Capital from Investments	6.2	5.6	5.9
Total Investing Receipts	11.2	15.1	413.1
Payments			
Loans	86.4	159.1	205.6
Transfer Payments	807.6	1,098.3	1,308.2
Purchase of Physical Non-Current Assets	131.5	248.9	338.5
Total Investing Payments	1,025.6	1,506.3	1,852.2
Net Cashflows from Investing Activities	(1,014.4)	(1,491.2)	(1,439.1)
<i>As % of GDP</i>	<i>-9.9%</i>	<i>-13.6%</i>	<i>-12.3%</i>
Net (Deficit)/Surplus	(222.8)	(497.4)	(414.2)
<i>As % of GDP</i>	<i>-2.2%</i>	<i>-4.5%</i>	<i>-3.5%</i>

(Source: Ministry of Economy)

Table 4.2: Summary of Cashflow Statements (FY 2016-2017 to FY 2018-2019)

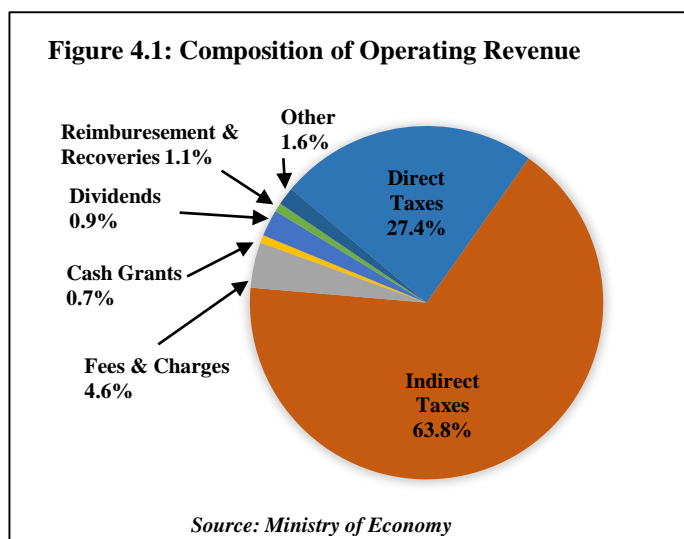
(\$M)	2016-2017 Actual	2017-2018 Revised	2018-2019 Budget
Total Revenue (excluding SEG 13 VAT)	2,801.5	3,309.7	4,166.8
<i>as a % of GDP</i>	<i>27.3%</i>	<i>30.1%</i>	<i>35.7%</i>
Total Expenditure (excluding SEG 13 VAT)	3,024.4	3,807.0	4,581.0
<i>as a % of GDP</i>	<i>29.5%</i>	<i>34.6%</i>	<i>39.2%</i>
Total Revenue (including SEG 13 VAT)	2,837.4	3,372.2	4,236.4
<i>as a % of GDP</i>	<i>27.7%</i>	<i>30.7%</i>	<i>36.3%</i>
Total Expenditure (including SEG 13 VAT)	3,060.3	3,869.5	4,650.5
<i>as a % of GDP</i>	<i>29.8%</i>	<i>35.2%</i>	<i>39.8%</i>
GDP at Market Prices	10,252.9	10,989.1	11,673.5

(Source: Ministry of Economy)

Operating Revenue

- 4.7 Government's operating revenue is made up of indirect taxes, direct taxes, fees, fines & charges, dividends, other revenue & surpluses, reimbursement & recoveries and cash grants.

4.8 As depicted in Figure 4.1, the major component of operating revenue in FY 2016-2017 comprised of indirect taxes representing around 63.8 percent, followed by direct taxes at 27.4 percent, fees, fines & charges at 4.6 percent and the remaining emanating from other non-tax revenue categories.



Direct Taxes

4.9 The major component of direct taxes includes PAYE, corporate tax, social responsibility tax, fringe benefit tax, withholding tax and capital gains tax.

4.10 The total collection for direct taxes in FY 2016-2017 stood at \$763.7 million. The collection is projected to increase to \$887.8 million in FY 2017-2018 and to \$1,011.3 million in FY 2018-2019.

4.11 The 16.2 percent growth in direct taxes for FY 2017-2018 is largely due to strong collections of corporate taxes, as business profits increased due to buoyant economic activity and large one-off collections arising from compliance audits by FRCS. Despite the increase in income tax threshold from \$16,000 to \$30,000, PAYE collections remained strong supported by increase in civil service salaries and improved labour market conditions.

4.12 Direct tax collections are again projected to increase by 13.9 percent in FY 2018-2019. This is attributed to expected growth in corporate and personal income taxes in line with economic growth, and strengthened compliance measures supported by rollout of revenue monitoring devices to capture real time sales activities. The strong emphasis on tax compliance will be a key focus of Government, as ongoing investigations indicate large revenue leakages through creative accounting and intentional tax avoidance.

Indirect Taxes

4.13 Indirect taxes comprise of Value Added Tax (VAT), customs duties, ECAL, service turnover tax, water resource tax, departure tax, stamp duties and other levies.

- 4.14 Total collections for indirect taxes amounted to \$1,779.6 million in the FY 2016-2017. Indirect taxes are expected to increase to \$2,046.4 million in FY 2017-2018 and to around \$2,331.2 million in FY 2018-2019. The details of the performance of major categories of indirect taxes are discussed below.
- 4.15 **VAT** is the major contributor to indirect taxes and the largest source of Government revenue. In FY 2016-2017, VAT contributed around 37.5 percent to indirect taxes and 23.8 percent of total revenue with a collection of \$666.5 million. VAT revenue is expected to increase to \$768.5 million in FY 2017-2018 and to \$877.0 million in FY 2018-2019.
- 4.16 The continuous buyout performance in VAT collection is in line with increases in consumption spending in the economy, which is being spurred by rising disposable incomes, increased fiscal stimulus and expanded VAT base. With reduction in the VAT rate and higher take-home pay as a result of increase in the income tax threshold, increasing income levels and personal remittances have propelled domestic consumption.
- 4.17 The record growth in visitor arrivals and high-yield tourists has also stimulated consumption activity, which is driving growth in domestic VAT collections. Rising trade flows and increased importation for both investment and consumption purposes are contributing to higher import VAT. All of these factors, together with higher compliance, are expected to contribute towards record VAT collections.
- 4.18 **Customs duties** includes fiscal duty, local excise duty, import excise duty, export duty and luxury vehicle levy. Revenue receipts from customs duties in FY 2016-2017 amounted \$607.3 million, while the projected collection for FY 2017-2018 is \$666.6 million. Customs revenue for FY 2018-2019 is anticipated to increase to \$759.3 million.
- 4.19 The increased collections from customs revenue mirrors rising cross-border trade flows, increase in local and import excise tax on tobacco and alcohol by 15 percent and tighter scrutiny at ports of entry to ensure zero tolerance to under-declaration and customs fraud.
- 4.20 Table 4.3 below provides gross revenues from various components of customs duties.

Table 4.3: Gross Customs Duty Collections (\$M)

Customs Duties	2016-2017(A)	2017-2018(R)	2018-2019(B)
Fiscal Duty	405.0	434.1	494.5
Import Excise Duty	51.0	58.7	66.9
Excise Duty	143.6	166.4	189.6
Export Duty	9.8	10.1	11.5

Customs Duties	2016-2017(A)	2017-2018(R)	2018-2019(B)
Luxury Vehicle Levy	1.8	2.3	2.6

(Source: Ministry of Economy)

- 4.21 Collections from **Service Turnover Tax (STT)** stood at \$133.7 million in FY 2016-2017. The collection is expected to be lower at around \$114.8 million in FY 2017-2018 due to reduction in STT rate from 10 percent to 6 percent in the 2017-2018 Budget.
- 4.22 For FY 2018-2019, revenue from STT is forecast to be \$130.8 million. In the 2018-2019 Budget, a turnover threshold of \$1.25 million is introduced for the applicability of STT and ECAL on other prescribed services, which is aligned to the current \$1.25 million turnover threshold for restaurants. Despite this, STT collections are expected to increase as high-end spending rises and tourism numbers grow.
- 4.23 Actual collections for **Water Resource Tax (WRT)** accumulated to \$62.6 million in FY 2016-2017. The revenue is expected to be around \$69.9 million in FY 2017-2018 and \$79.6 million in FY 2018-2019.
- 4.24 Revenue receipts from **Departure Tax** amounted to \$145.1 million in FY 2016-2017. Departure tax collection is forecast to further increase in line with the projected growth in visitor arrival numbers. The revenue from departure tax is anticipated to increase to \$172.2 million in FY 2017-2018 and further rise to \$196.2 million in FY 2018-2019.
- 4.25 Proceeds from **Stamp Duties** amounted to \$81.0 million in FY 2016-2017. The estimated collection for FY 2017-2018 is \$97.8 million and for FY 2018-2019 is projected at \$111.4 million. The increase in stamp duties collection is largely supported by the growing activities in the real estate sector and increased business and financial transactions.
- 4.26 For FY 2016-2017, actual revenue for **Environment & Climate Adaptation Levy (ECAL)** stood at \$79.1 million. Collections are anticipated to increase to \$150.5 million in FY 2017-2018, mainly due to the increase in ECAL rate from 6 percent to 10 percent and expansion of ECAL coverage to include luxury vehicles, superyachts, personal earnings of above \$270,000 and the introduction of 10 cents per plastic bag levy at point of sale.
- 4.27 In FY 2018-2019, revenue form ECAL is forecast to be around \$171.4 million. As discussed above, ECAL and STT will now be applicable only on prescribed services with a turnover above \$1.25 million, with the exception of luxury vehicles, superyachts, income above \$270,000 and plastic bags. In addition, the plastic bag levy has been increased from 10 cents to 20 cents per bag in this Budget.

- 4.28 The revenue from ECAL is deposited into a dedicated bank account and solely used to fund climate adaptation and green projects. A detailed breakdown of projects funded in 2017-2018 has been published by the Ministry of Economy.

Fees, Fines & Charges

- 4.29 Fees, Fines and Charges are made up of various categories of revenues such as LTA fees & fines, road user levy, water charges, telecommunication & television licenses, court fines and immigration fees.
- 4.30 Total receipts from fees, fines & charges stood at \$127.8 million in FY 2016-2017. Collection for FY 2017-2018 is anticipated to further increase to \$147.9 million. The 2018-2019 Budget has a forecast collection of \$158.0 million.
- 4.31 A detailed breakdown of collections from Governments fees, fines, and charges are provided in the 2018-2019 Budget Estimates.

Cash Grants

- 4.32 Government received \$18.8 million in cash grants in FY 2016-2017, while the estimated collection for FY 2017-2018 is \$35.6 million. The expected cash grant for FY 2018-2019 is \$19.6 million.
- 4.33 Further details on grant assistance from development partners and donors are discussed in Chapter 7.

Dividends from Investments

- 4.34 Government received dividends of around \$25.3 million from SOEs in FY 2016-2017. Revenue from dividends are expected to increase to around \$105.5 million in FY 2017-2018 and to \$157.7 million in FY 2018-2019. The bulk of the dividends are expected to be received from Fiji Airports Limited, Energy Fiji Limited, Fiji Ports Corporation Limited, Amalgamated Telecom Holdings Limited, Yaqara Pastoral Company Limited and profits from the RBF.
- 4.35 Additional details on the performance of SOEs are provided in Chapter 5.

Reimbursement and Recoveries

- 4.36 Reimbursement and Recoveries encompasses refunds of contributions for overseas peacekeeping missions and reimbursement for Government services. Receipts from this category amounted to \$30.9 million in FY 2016-2017 and are anticipated

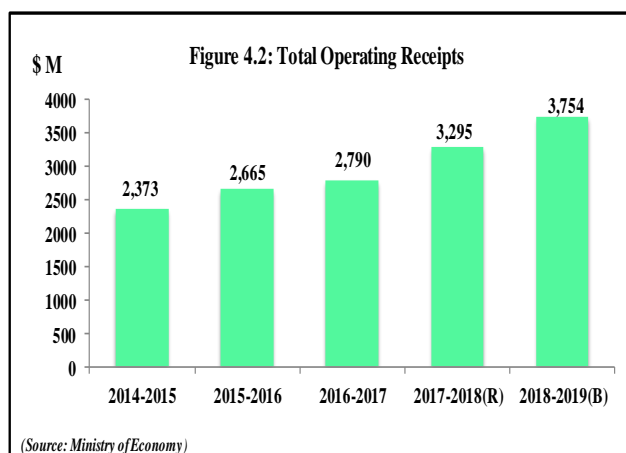
to be \$24.4 million in FY 2017-2018. The collection from reimbursement & recoveries is forecast to be around \$25.2 million in FY 2018-2019.

Other Operating Revenue and Surpluses

- 4.37 This category comprises of revenue from rental of Government properties, commissions, surpluses from Government agencies and other miscellaneous items. Total receipts from other revenue and surpluses for FY 2016-2017 amounted to \$44.3 million, while the projection for FY 2017-2018 is \$46.9 million. Revenue for FY 2018-2019 have been budgeted at \$50.6 million.

Total Operating Revenue

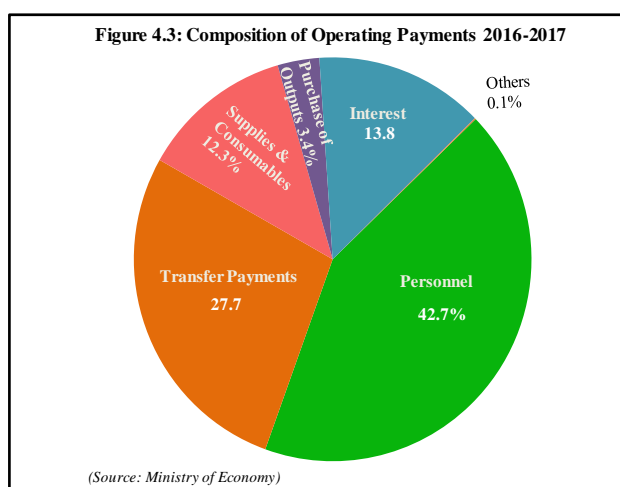
- 4.38 As depicted in Figure 4.2, Government's operating revenue has been increasing over recent years. Operating revenues are expected to increase from \$2,790.3 million in FY 2016-2017 to \$3,294.5 million in FY 2017-2018. Total operating revenue for FY 2018-2019 are budgeted at \$3,753.7 million.



Operating Payments

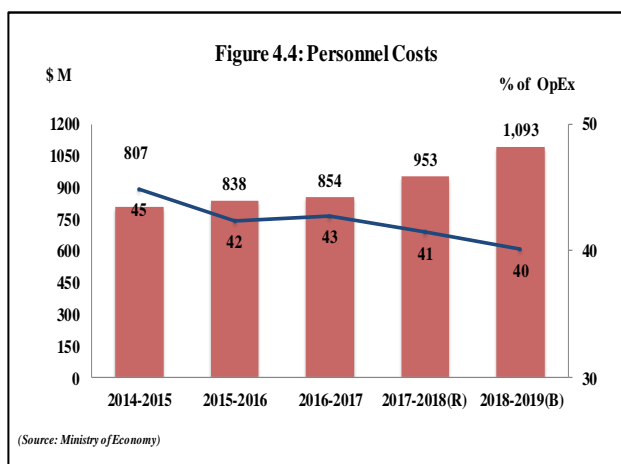
- 4.39 Government's operating expenditures include wage & salaries, transfers, supplies & consumables, purchase of outputs, interest payments and other operating payments.

- 4.40 In FY 2016-2017, personnel costs constituted around 42.7 percent of total operating expenditure. Transfer payments comprised around 27.7 percent, followed by interest payment at 13.8 percent, supplies & consumables at 12.3 percent, purchase of output at 3.4 percent and other operating payments at 0.1 percent.



Personnel Costs

- 4.41 Personnel costs (wages and salaries) make up the largest component of Government's operating expenditure. In FY 2016-2017, actual spending on wages and salaries amounted to \$854.0 million. Wage bill spending is expected to increase to \$953.3 million in FY 2017-2018 and to \$1,093.2 million in FY 2018-2019. The increase in personnel costs is mainly attributed to



remuneration realignment following the Jobs Evaluation Exercise, the filling of vacant positions together with hiring of additional teachers, increased budget for the Police Force and the introduction of a PMF within Government.

Transfer Payments

- 4.42 Operating transfers encompass grants provided to statutory bodies and other entities outside of Government to support their operations. This also includes funding for social protection programmes and other subsidies.
- 4.43 In FY 2016-2017, total operating transfers stood at \$553.3 million while the projection for FY 2017-2018 is around \$718.5 million. Operating transfers will increase in FY 2018-2019 with a budget allocation of \$839.9 million.
- 4.44 Table 4.4 shows major operating grant allocations in the 2018-2019 Budget.

Table 4.4: Major Operating Grants (SEG 6)

Activity	(\$M)
Water Authority of Fiji	102.8
Judiciary	69.2
Fiji Revenue and Customs Service	68.8
Fiji National University	65.1
Social Pension Scheme	47.4
Poverty Benefit Scheme	38.1
Free Education Year 1-8	35.0
University of the South Pacific	33.0
Free Education Year 9-13	31.4
Fiji Roads Authority	29.6
Land Transport Authority	28.3
Bus Fare Assistance	25.0

Activity	(\$M)
Fiji Elections Office	20.4
Grant to Fiji's Servicemen's After Care Fund	11.7
Parliament	10.8
Tourism Fiji	10.4
Legal Aid Commission	10.4
Child Protection Allowance	9.3
Fiji Independent Commission Against Corruption	8.5
Office of the Director of Public Prosecutions	7.7
Public Service Commission	7.3
Allowance for Persons with Disability	6.9
Office of the Auditor General	6.6
iTaukei Affairs Board	5.2
Biosecurity Authority of Fiji	4.8
University of Fiji	4.2
Overseas Sports Tournaments	4.1
Fijian Competition and Consumer Commission	3.8
Maritime Safety Authority of Fiji	3.6
Tertiary Scholarship and Loans Board	3.4
Hosting of International Tournaments	3.2
Fiji Higher Education Commission	2.9
Tuition Subsidy Grant	2.8
Investment Fiji	2.7
Human Rights and Anti-Discrimination Commission	2.4
Shipping Franchise Scheme	2.3
Film Fiji	2.2

(Source: Ministry of Economy)

Supplies and Consumables

- 4.45 Supplies and consumables represent costs associated with the provision of public goods and services. This category comprises expenditures on travel & communications, maintenance and operations and purchases of goods & services.
- 4.46 Total spending on supplies and consumables amounted to \$246.8 million in FY 2016-2017. The estimated spending for FY 2017-2018 is \$244.2 million while the projected spending for FY 2018-2019 is \$320.2 million.

Special Expenditures

- 4.47 Special expenditures mainly covers one-off unique programmes. Expenditures for special projects amounted to \$67.9 million in FY 2016-2017, while the projection for FY 2017-2018 is \$76.6 million. For FY 2018-2019, spending is estimated to increase to \$134.0 million. A key allocation for FY 2018-2019 is for the hosting of the 2019 Annual ADB Meeting which amounts to \$10.0 million.

- 4.48 Table 4.5 below shows major allocations for special expenditures in FY 2018-2019.

Table 4.5: Purchase of Outputs (SEG 7)

Activity	(\$M)
Digital Government Transformation	14.6
52 nd ADB Meeting	10.0
Sustainable Rural Livelihood (EU)	5.5
Insurance to Social Welfare Recipients, Civil Service and Disciplinary Forces	5.0
Reimbursement for Grid Extension for Vunimanuca School, Kawakawavesi, Vunivere, Navai, Seaqaqa Scheme	5.0
Community Health Workers	4.6
Fiji Ridge to Reef (UNDP)	3.6
National Gallery for Contemporary Art	3.0
Medical HR Contingency	2.6
Reducing Emissions from Deforestation & Forest Degradation (WB)	2.5
Kidney Dialysis Treatment Centre (Suva and Nadi)	2.0
Household, Income and Expenditure Survey	2.0
General Election Expenses	2.0
Implementation Analogue to Digital Roadmap	2.0
National Export Strategy	2.0
Consultancy Payments	2.0
Civil Service Reform Management Unit	2.0

(Source: Ministry of Economy)

Interest Payments

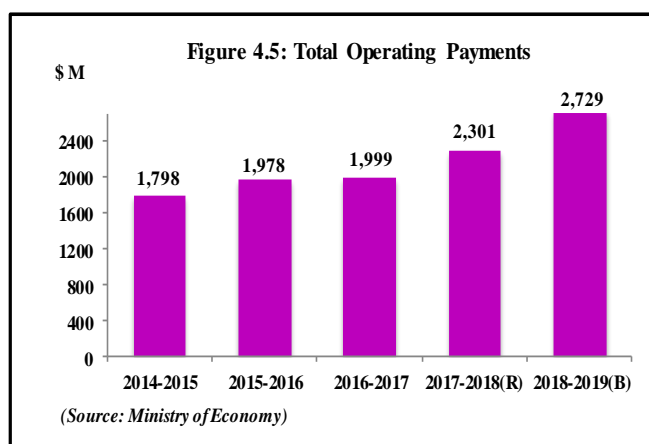
- 4.49 Total interest payments in FY 2016-2017 amounted to \$274.9 million. Interest payments is projected to increase to around \$298.0 million in FY 2017-2018 and to \$332.2 million in FY 2018-2019. Interest costs relate to debt servicing associated with domestic borrowings, external loans from bilateral and multilateral agencies and global bonds.

Other Operating Payments

- 4.50 Other operating payments comprise of miscellaneous charges associated with debt financing, along with subscription and listing fees. In FY 2016-2017, other operating payments totalled \$1.9 million. The anticipated spending for FY 2017-2018 and FY 2018-2019 are \$10.1 million and \$9.2 million, respectively.

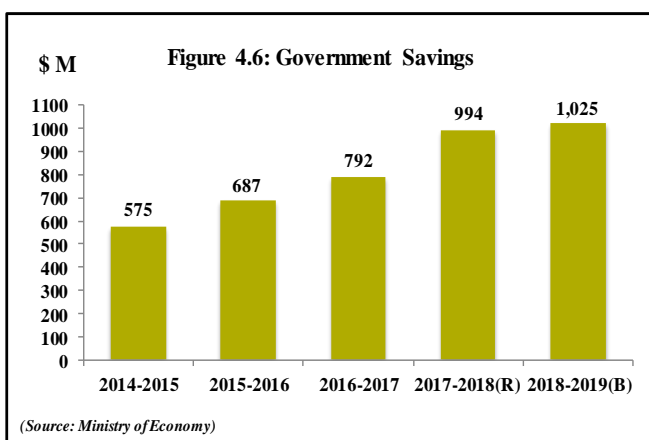
Total Operating Payments

- 4.51 The total operating payments in FY 2016-2017 amounted to \$1,998.8 million representing around 66.1 percent of total expenditure. Total spending on operating activities is projected to be \$2,300.7 million in FY 2017-2018, while the anticipated spending for FY 2018-2019 is \$2,728.7 million.



Government Savings

- 4.52 Government Savings details the excess of operating revenue over operating expenditure. As shown in Figure 4.6, Government has progressively recorded operating savings in recent years. For FY 2016-2017, Government recorded an operating savings of \$791.6 million, equivalent to 7.7 percent of GDP. The projected savings for FY 2017-2018 and FY 2018-2019 are \$993.8 million and \$1,025.0 million, respectively.



- 4.53 The growing operating savings over the years indicates Government's capacity to fully fund its operations through normal revenues and strength of state finances. These operating savings and any other borrowings to finance deficit is channelled solely towards the capital expenditure of Government.

Investing Revenue

- 4.54 Government's investing revenues include proceeds from divestment of shares in SOEs, disposal of state assets, interest from bank balance & term loans, loan repayment to Government and surpluses from trading & manufacturing account operations.

- 4.55 Investing receipts in FY 2016-2017 amounted to \$11.2 million. In FY 2017-2018, investing revenue is anticipated to slightly increase to \$15.1 million. The estimated revenue in FY 2018-2019 is around \$413.1 million, mainly from planned divestment of shares in EFL, which was recently corporatised. Government will divest its 44 percent stake in EFL and 5 percent of shares are being allocated to EFL customers.

Investing Payments

- 4.56 Government's investing payments are made up of loans, capital transfers and the purchase of assets.

Loans

- 4.57 This includes loans disbursed through the Tertiary Education Loan Scheme (TELS). Total lending in FY 2016-2017 amounted to \$86.4 million. The lending for FY 2017-2018 is expected to increase to around \$159.1 million, mainly due to the changes made in the 2017-2018 Budget to increase student allowances and accommodate for additional recipients.
- 4.58 For FY 2018-2019, total loans are projected to further increase to \$205.6 million due to a projected increase in the number of recipients.

Transfer Payments

- 4.59 Capital transfers include grants to agencies to undertake investment projects, such as the upgrading of roads, bridges, jetties, water supply infrastructure and other public utilities.
- 4.60 In FY 2016-2017, spending on capital grants and transfers totalled \$807.6 million. This is anticipated to increase to \$1,098.3 million in FY 2017-2018. Government in FY 2018-2019 has allocated a sum of \$1,308.2 million to undertake capital projects. Table 4.6 below shows allocations for major capital grants & transfers in FY 2018-2019.

Table 4.6: Major Transfer Payments (SEG 10)

Activity	(\$M)
Fiji Roads Authority	471.8
Water Authority of Fiji	238.9
Tertiary Education Loan Scheme	205.6
Rehabilitation and Construction of Schools and Public Buildings	90.0
Rural Electrification Project	50.8
National Toppers Scholarship Scheme	49.5
Tourism Fiji Marketing Grant	29.8

Activity	(\$M)
Grant to Walesi	19.0
Fertiliser Subsidy - FSC	15.4
Sugarcane Development and Farmers Assistance - FSC	15.4
First Home Purchase	15.0
iTaukei Land Development	12.0
Fiji Revenue and Customs Service	10.0
Land Transport Authority	9.2
Small Grants Project	9.0
Wairabetia Economic Zone	9.0
Committee on Better Utilisation of Land	7.8
Micro and Small Business Grant	6.4
Weedicide Subsidy – FSC	6.3
FNU Labasa Campus	6.0
Cane Access Roads – FSC	6.0
Cane Cartage (Penang to Rarawai) - FSC	5.7
Agriculture Marketing Authority	5.6
First Land Purchase	5.0
Ongoing Contingency Funds for Disaster Risks	5.0
Parenthood Assistance Payment	5.0
Fiji Maritime Academy	5.0
New Town Development	4.7
FNU Nasinu Campus	4.0
EFL Subsidy	4.0
Challenge & Investment Fund – Town/City Councils	4.0
FNU Veterinary Laboratory, Hospital and Livestock Shed	4.0
Rehabilitation of Solar Home Systems and Diesel Schemes for the Relocated Communities and Reconstructed Homes – TC Winston	3.8
Maintenance of Drainage – Municipal Councils	3.8
Hosting of Super Rugby Game	3.6
Kidney Dialysis Treatment Subsidy	3.5
Land Acquisition and Survey for Infrastructure Assets (Roads and Water)	3.5
FDB Subsidy: Interest on Agricultural Loans to Fijians	3.1
Micro, Small and Medium Enterprises Central Coordinating Agency	2.8
On-going Construction – Lautoka Botanical Garden Swimming Pool	2.5
Additional Survey for the Nadi Flood Alleviation Project	2.5
Development of iTaukei Land – Land Use	2.0
Young Entrepreneurship Scheme	2.0
Standardised Road Side Stalls	2.0
Upgrade of State Homes for the Elderly	2.0
Construction of Rural Sports Complexes	2.0
New Farmers Assistance - FSC	2.0

(Source: Ministry of Economy)

Purchase of Physical Non-Current Assets

- 4.61 In FY 2016-2017, Government spending on capital construction activities and capital purchases amounted to \$131.5 million. The estimated expenditure for FY 2017-2018 is \$248.9 million while the forecast spending for FY 2018-2019 is around \$338.5 million.
- 4.62 Table 4.7 below shows some key allocations for purchase of assets in FY 2018-2019.

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

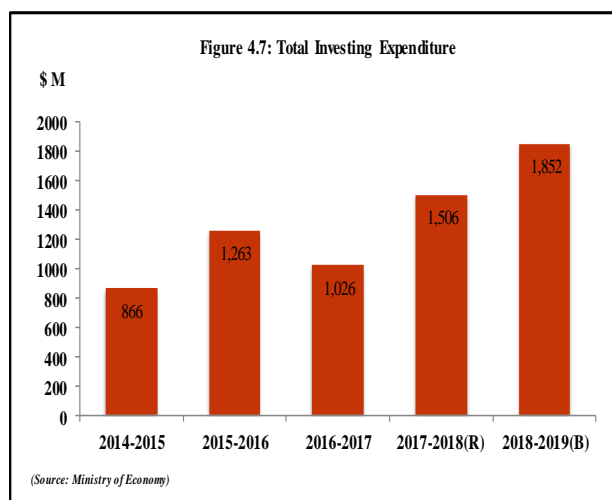
Activity	(\$M)
Vehicle Leasing	25.0
Drainage and Flood Protection	14.5
Coastal Erosion Protection Works	14.0
Extension of CWM Hospital Maternity Unit	11.0
Construction of Navosa Sub-Divisional Hospital	11.0
New Office Complex for the Office of the Prime Minister	8.0
Upgrade of Town Wide Informal Settlements	5.8
Bio-Medical Equipment – Urban and Sub-Divisional Hospitals	5.0
Construction of New Nadi Police Station	5.0
Construction of Lautoka Police Station	5.0
Maintenance of Sub-Divisional Hospitals, Health Centres and Nursing Stations	5.0
Construction of Nakasi Police Station	5.0
Upgrade of Informal Settlements	4.5
Purchase of MRI Machine - CWMH	4.0
Office Refurbishment	3.5
Ba Hospital - Final Payment	3.4
Construction of Naboro Landfill – Stage 2	3.3
State House Refurbishment	3.1
Purchase of New Vessel	3.0
Office Fittings	3.0
Drainage for Rural Residential Areas	3.0
Construction of Retaining Wall – Government Wharf	3.0
Drainage for Farmlands	3.0
Purchase of Drilling Equipment	3.0
Upgrade of Lautoka Hospital Operating Theatre and X-Ray Department	3.0
Construction of Retaining Wall – Government Wharf	3.0
BTEC	2.8
Maintenance and Drainage Systems for Non-Municipal Areas	2.8
Construction of Government Stations (Vunidawa, Wainikoro, Kubulau and Wainua)	2.8
Farm Access Roads	2.5

Activity	(\$M)
Civil Works – Naboro Corrections Centre	2.5
Construction of Barefoot College	2.5
Irrigation Support for Farm Development	2.5
Upgrade of Valelevu Health Centre	2.5
Grid Extension to Lagalaga Settlement in Labasa	2.3
Grid Extension to Lalakoro, Vunimako, Rokosalase and Daqau Settlement, Seaqqa	2.1
Grid Extension to Nalawa District, Nasau in Rakiraki	2.0
Provision to meet the Purchase of Vehicles	2.0
Upgrade and Maintenance of Urban Hospitals and Institutional Quarters	2.0
Rehabilitation of Thurston Garden	2.0
Community Access Roads, Footpaths and Footbridges	2.0
Fiji Agricultural Partnership Project (IFAD)	2.0
Upgrade and Construction of President's Office	2.0
Watershed Management	2.0
Groundwater Assessment and Development – Large Islands	2.0

(Source: Ministry of Economy)

Total Investing Payments

- 4.63 In FY 2016-2017, total capital expenditure amounted to \$1,025.6 million, representing around 33.9 percent of total expenditure. Spending is expected to increase to \$1,506.3 million in FY 2017-2018 and to \$1,852.2 million in 2018-2019 Budget.

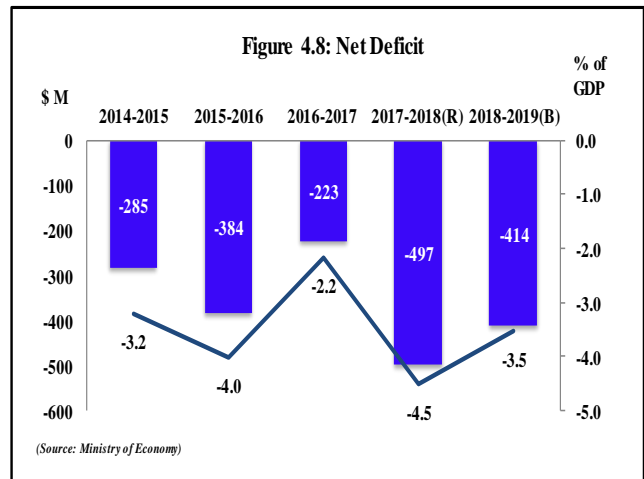


Net Cashflows from Investing Activities

- 4.64 The net investing cashflow position shows the variance between Government investing revenues and investing payments. A net investing deficit of \$1,014.4 million was recorded by Government in FY 2016-2017. For FY 2017-2018 and FY 2018-2019, Government anticipates net investing deficits of \$1,491.2 million and \$1,439.1 million, respectively.

Net Deficit

4.65 Net Deficit is a key indicator of Government's financial position. It is the difference between total revenue and total expenditure of Government in a given period. In FY 2016-2017, Government achieved a net deficit position of \$222.8 million or 2.2 percent of GDP. The projected net deficit for FY 2017-2018 is \$497.4 million or 4.5 percent of GDP. The net deficit target for the 2018-2019 Budget is set at \$414.2 million or 3.5 percent of GDP.



- 4.66 The lower net deficit in FY 2018-2019 is in line with the medium term fiscal framework to gradually reduce deficits in coming years. The lower deficit of 3.5 percent of GDP reflects the continuation of double digit growth in tax revenue supported by strong economic activity, private sector business confidence and spending for investment and consumption purposes.
- 4.67 On the expenditure side, reconstruction post TC Winston is nearing completion and stabilises real expenditure growth. With 40 percent of expenditure directed towards capital spending, borrowing is fully committed for productive purposes thus enhancing the quality of deficit.

CHAPTER 5: GOVERNMENT'S BALANCE SHEET

Introduction

- 5.1 This chapter presents the key components of Government's Balance Sheet, covering assets and liabilities, arrears of revenue, public debt and contingent liabilities.
- 5.2 Government is periodically monitoring investments in commercial and statutory entities to ensure broader strategic objectives are achieved and returns are maximised. This strategy has worked well in improving service delivery, strengthening the financial position of these entities and ensuring fiscal risks to Government are well managed.
- 5.3 On the liabilities side, prudent management of public debt and contingent liabilities has been a key priority for Government, including management of risk exposure, rationalising debt servicing costs and balancing the maturity profile. Consequently, Government has managed to reduce its debt exposure in recent years.

Government's Equity Investment⁸

- 5.4 Government continues to monitor SOEs and implement reform initiatives that are geared to improve productivity and enhance service delivery. An overview of Government's shareholding in SOEs is tabulated in Table 5.1 below.

Table 5.1: Shares & Portfolio Allocations in SOEs

	State Owned Entities	Shares (%)	Sector/Portfolio
Government Commercial Companies (GCC)			
1	Fiji Airports Limited (FAL)	100	Transport & Infrastructure
2	Fiji Broadcasting Corporation Ltd (FBCL)	100	Communication
3	Fiji Hardwood Corporation Ltd (FHCL)	100	Fisheries & Forests
4	Fiji Public Trustee Corp Ltd (FPTCL)	100	Trade & Finance
5	Food Processors (Fiji) Ltd (FPFL)	100	Agriculture
6	Post Fiji Ltd (PFL)	100	Communication
7	Fiji Rice Ltd (FRL)	100	Agriculture
8	Unit Trust of Fiji (Mgt) Ltd (UTOFML)	100	Trade & Finance
9	Viti Corps Company Ltd (VCCL)	100	Agriculture
10	Yaqara Pastoral Corporation Ltd (YPCL)	100	Agriculture
11	Energy Fiji Limited (EFL)	100 ⁹	Transport & Infrastructure
Commercial Statutory Authorities (CSA)			

⁸ Government's equity investments are categorised into Government Commercial Companies (GCCs), Commercial Statutory Authorities (CSAs), Majority Owned Companies (MACs) and Minority Owned Companies (MICs).

⁹ Following the corporatisation of EFL, the entity is in the process of divesting its 5 percent shareholding in the form of non-voting rights shares to its customers.

	State Owned Entities	Shares (%)	Sector/Portfolio
1	Biosecurity Authority of Fiji (BAF)	100	Agriculture
2	Fiji Meats Industry Board (FMIB)	100	Agriculture
3	Housing Authority (HA)	100	Trade & Finance
4	Public Rental Board (PRB)	100	Trade & Finance
5	Water Authority of Fiji (WAF)	100	Transport & Infrastructure
Majority Owned Companies (MAC)			
1	Fiji Pine Ltd (FPL)	99.8	Fisheries & Forests
2	Pacific Fishing Company Ltd (PAFCO)	98	Fisheries & Forests
3	Copra Millers Fiji Ltd (CMFL)	96	Agriculture
4	Fiji Sugar Corporation Ltd (FSC)	68	Agriculture
5	Fiji Airways (FA)	51	Transport & Infrastructure
6	Air Terminal Services (ATS)	51	Transport & Infrastructure
Minority Owned Companies (MIC)			
1	Fiji Ports Corporation Ltd (FPCL)	41	Transport & Infrastructure
2	Amalgamated Telecom Holdings (ATH)	17.3	Communication

(Source: Ministry of Public Enterprises)

Government Equity Investment Performance

- 5.5 From 2014-2017, SOEs achieved mixed financial performance. This is depicted in Table 5.2 below, which shows the Return on Asset (ROA) and Return on Equity (ROE) for various SOE categories.

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

Type	2014		2015		2016		2017	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
GCC	3.90	5.31	8.41	11.72	24.23	33.52	12.99	17.60
CSA	-0.82	-1.13	0.57	0.82	1.47	2.13	1.80	2.69
MAC	6.95	39.71	-0.03	-0.13	1.26	6.39	1.80	9.39
MIC	9.25	10.90	12.26	14.14	14.76	19.11	12.71	18.06

(Source: Ministry of Public Enterprise)

- 5.6 As illustrated in Table 5.2 above, CSAs and MACs achieved higher financial outturns for 2017 compared to 2016. However, while GCCs and MICs attained relatively lower financial results over the same period, their returns remain in double digits.
- 5.7 For the GCCs, higher returns were recorded for FAL while for FHCL, FPTCL, UTOFML and FRL, returns were slightly lower in 2016 compared to 2017. For MACs, the favourable outturn is attributed mainly to better returns from FA and PAFCO. The slight underperformance for MICs was underpinned by lower profits recorded by FPCL.

- 5.8 SOE investments are largely concentrated in the following sectors: agriculture; transport & infrastructure; communication; trade & finance; and fisheries & forests. Table 5.3 below shows the performance of SOEs by economic sectors.

Table 5.3: Average¹⁰ Return by Sector (%)

Sector	2014		2015		2016		2017	
	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
Agriculture	3.90	-19.98	-6.83	31.44	-13.13	40.42	-11.46	22.74
Communication	8.22	10.73	11.25	14.79	11.78	18.04	10.84	18.47
Fisheries & Forestry	14.52	19.40	-5.36	-6.90	20.57	25.22	1.31	1.56
Trade & Finance	1.07	2.99	1.52	4.10	1.54	3.95	1.28	2.98
Transport & Infrastructure	1.02	1.64	2.30	3.78	3.98	6.59	4.46	7.49

(Source: Ministry of Public Enterprise)

- 5.9 SOEs in the agricultural sector achieved the highest returns in 2017, largely attributed to profits from BAF and FMIB. Returns from the communications sector was marginally higher due to positive performance of FBCL in 2017. Similarly, the transport and infrastructure sector yielded positive outcomes with FA, EFL and FAL contributing the higher returns. The trade & finance and fisheries & forestry sectors recorded modest returns.

Dividend from Government Investments

- 5.10 In 2017, Government received the highest dividend pay-outs from SOEs and statutory bodies, amounting to \$90 million. EFL paid its first-ever dividend of \$20 million following large profits recorded by the entity. The largest share of dividend was received from FAL amounting to \$45 million. Other entities including FPCL, also paid out dividends to Government. Table 5.4 below shows dividends by shareholding categories.

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

Type	2014	2015	2016	2017
GCC	13.42	17.30	33.29	46.90
CSA	-	-	-	31.80
MAC	0.40	3.06	-	-
MIC	10.96	13.93	8.29	11.34
Total	24.78	34.29	41.58	90.04

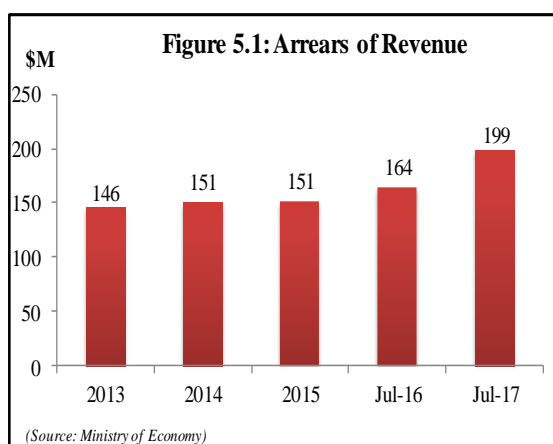
(Source: Ministry of Public Enterprise)

Revenue Arrears

- 5.11 Arrears of Government revenues consist of unpaid taxes, and overdue rates, fees, charges, penalties and fines.

¹⁰**Note:** The average analysis is conducted in determining overall sector performance. However, each company within these sectors may have different assets, equity base and earning capacity.

5.12 Revenue arrears have been gradually rising, as overall revenue base of Government expands, however, revenue arrears as percentage of revenue is on a downward trend. As depicted in Figure 5.1, total arrears stood at \$198.6 million as of 31 July 2017, an increase of \$34.7 million compared to end of July 2016. This increase is mainly attributed to a growth in unpaid taxes, crown land rent and water bills.



5.13 Table 5.5 shows that unpaid taxes constituted the largest share of arrears at \$114.9 million, followed by water bills (\$33.0 million), crown lease rentals (\$21.8 million), and Judicial fees, fines & charges (\$13.5 million).

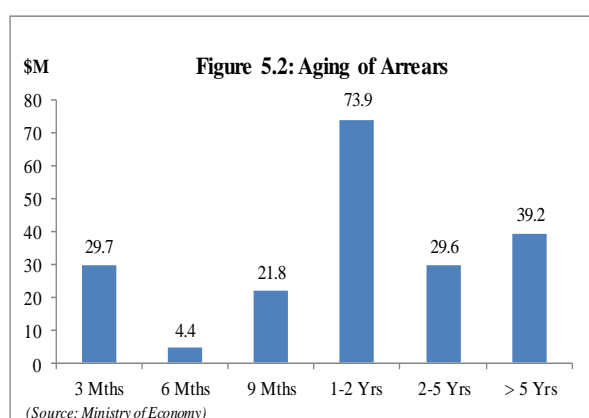
Table 5.5 Arrears of Revenue (\$M)

Particulars	2014	2015	July -16	July-17
Total Arrears	150.8	151.4	163.9	198.6
<i>Major components:</i>				
Taxation & Customs	65.5	52.7	79.5	114.9
Lands Crown Rent	25.3	26.9	20.8	21.8
Water Rates	32.4	29.0	32.9	33.0
Judicial Fees & Fines	11.7	13.2	13.5	13.5

(Source: Ministry of Economy)

5.14 Figure 5.2 shows the age of outstanding revenue arrears as at 31 July 2017.

5.15 Around \$39.2 million or 20 percent of Government's revenue arrears are more than five years old whilst the remaining 80 percent are less than five years. Concerted efforts are being made to recover these arrears.



Government Debt

5.16 Government's total debt stock stood at \$4.7 billion at end of July 2017. The debt to GDP ratio decreased from 47.3 percent in July 2016 to 45.6 percent at end of

July 2017. The debt to GDP ratio at the end of FY 2016-2017 was around 10 percentage points lower compared to 56.2 percent in 2010. Debt to GDP ratio at the end of July 2017 was also at its lowest level in 15 years.

- 5.17 The steady decline in debt to GDP ratio reflects the fast-growing Fijian economy and prudent financial management of Government, with deficits maintained on average below 3 percent. This has been well recognised by multilateral agencies such as IMF, World Bank and ADB and is also reflected in Fiji's improved credit ratings over the years by Moody's Investor Service and Standard & Poor's Financial Services.
- 5.18 For the medium term, Government plans to reduce its debt to below 40 percent of GDP and to 35 percent of GDP by 2036 as committed in the NDP.
- 5.19 Government maintains a domestic and foreign borrowing mix of 70:30 (+/- 5 percent). This supports efforts to develop the domestic debt market and manage exposure to foreign currency fluctuations.

Table 5.6: Total Government Debt (\$M)

Particulars	July-14	July-15	July-16	July-17	July-18 (F)
Domestic Debt	2,847.6	2,997.5	3,245.0	3,300.8	3,691.6
External Debt	1,081.5	1,385.3	1,262.6	1,370.9	1,477.5
Total Debt	3,929.1	4,382.8	4,507.7	4,671.7	5,169.1
Debt (as a % of GDP)	48.3%	49.4%	47.3%	45.6%	47.0%
Domestic Debt to Total Debt (%)	72.5%	68.4%	72.0%	70.5%	71.4%
External Debt to Total Debt (%)	27.5%	31.6%	28.0%	29.5%	28.6%

(Source: Ministry of Economy)

Domestic Debt Stock

- 5.20 The domestic capital market remains the major source of borrowing for Government, with institutional investors like FNPF, insurance companies, commercial banks and other non-bank financial institutions playing an active role. Major debt instruments for the domestic market include Fiji Infrastructure Bonds, Fiji Green Bonds, Viti Bonds and Treasury Bills.
- 5.21 Fiji issued its first-ever sovereign green bond in November 2017, becoming the first developing country in the world to pursue such an initiative. Government had planned for a \$100 million Green Bond issuance with \$86.2 million raised by June 2018 with tenors of 5 years and 13 years. Fiji has also listed the green bond on the London Stock Exchange. Projects financed from the Fiji green bond will focus primarily on climate change adaptation and building resilience.

- 5.22 Fiji Infrastructure Bonds and Fiji Green Bonds are fixed semi-annual coupon securities and have maturities ranging from 2 years to 30 years. The Viti Bond has three maturity profiles: 5 year has an annual coupon rate of 4.0 percent; 7 year with a coupon rate of 4.5 percent and 10 year with coupon rate of 5 percent. The maturity period for Treasury Bills range from 14 to 364 days and interest rates vary from time to time as determined by market conditions.
- 5.23 At the end of July 2017, total domestic debt stood at \$3.3 billion or around 32.1 percent of GDP. Total domestic debt as of July 2016 was slightly over \$3.2 billion equating to around 34.1% of GDP.

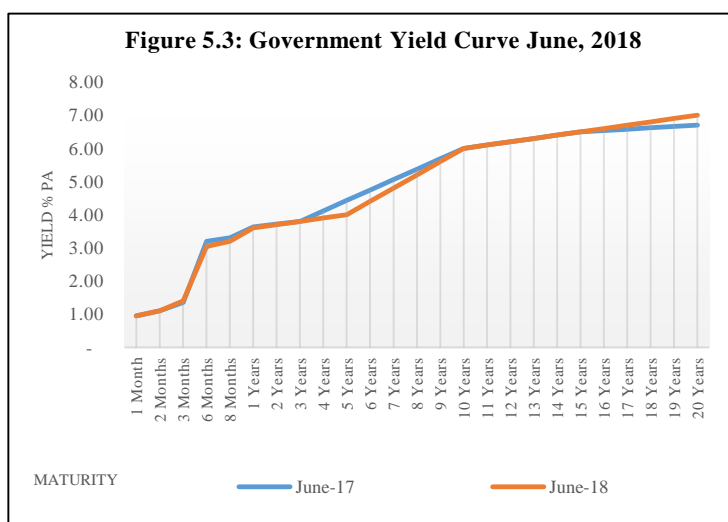
Table 5.7: Government's Domestic Debt Stock (\$M)

Particulars	July-14	July-15	July-16	July-17	July-18(F)
Bonds	2,761.8	2,831.8	3,079.8	3,204.4	3,546.1
Treasury Bills	82.6	165.7	165.2	96.4	145.5
Loan	3.2	0.0	0.0	0.0	0.0
Total Domestic	2,847.6	2,997.5	3,245.0	3,300.8	3,691.6
Domestic Debt to GDP (%)	35.0%	33.8%	34.1%	32.1%	33.6%

(Source: Ministry of Economy)

Domestic Interest Rate Structure

- 5.24 Movements in Government bond yields were mixed in 2018. Yields were generally lower for the short term duration, but edged higher for the upper end of the maturity spectrum, driven by higher long term debt issuance (Figure 5.3).



External Debt Stock

- 5.25 External debt stood at \$1.4 billion, equivalent to 13.3 percent of GDP as of July 2017. Table 5.8 below shows Government's actual external debt position for the period July 2014 to July 2017 along with the forecast for July 2018.

Table 5.8: Government's External Debt (\$M)

Particulars	July-14	July-15	July-16	July-17	July-18(F)
External Debt	1,081.5	1,385.3	1,262.6	1,370.9	1,477.5
Global Bonds	463.7	535.7	415.7	402.3	401.2
Loans	617.8	849.6	846.9	968.6	1,076.3
External Debt to GDP (%)	13.3%	15.6%	13.3%	13.3%	13.4%

(Source: Ministry of Economy)

- 5.26 In terms of composition of external debt as of July 2017, global bonds comprised around 29.3 percent of the total external debt portfolio, bilateral loans constituted 37.5 percent and multilateral loans made up 33.1 percent. The majority of Fiji's external debt is denominated in US dollars (62.3 percent) followed by the Chinese Yuan (36.3 percent), the Japanese Yen (1.0 percent) and the Euro (0.2 percent).

Table 5.9: External Debt Stock by Creditors (\$M)

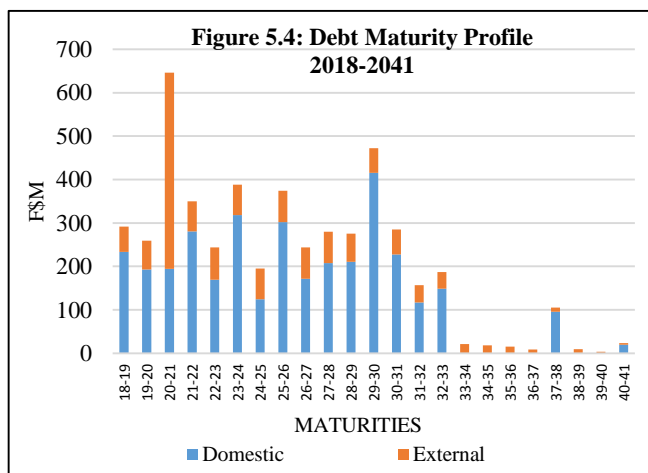
Particulars	July-14	July-15	July-16	July-17 (R)
Bilateral	370.9	568.9	585.6	514.6
Multilateral	246.9	280.7	261.3	454.0
Global Bond	463.7	535.7	415.7	402.3
Total External Debt	1,081.5	1,385.3	1,262.6	1,370.9

(Source: Ministry of Economy)

Government Debt Maturity Profile

- 5.27 Figure 5.4 illustrates Government's debt maturity profile for the period 2018-2019 to 2040-2041.

- 5.28 Majority of the debt maturing between 2018 and 2041 are denominated in Fijian dollars. The maturity of external debt is spread out evenly over this period with a yearly redemption average of \$59.9 million. The only exception is the spike in redemption payment in 2020-2021, which reflects mainly the maturity of the Global Bond.



- 5.29 To maintain an optimal maturity structure, Government will be adopting strategies to smoothen out the maturity of its debt commitments, including the option of pursuing the early redemption of some expensive debt.

Risk Indicators

- 5.30 The refinancing risk for Government debt remains stable supported by the smooth redemption profile as outlined above. Overall, the average time to maturity for Government's total debt is around 7.3 years. This is a reasonable benchmark considering Fiji's strong and favourable loan repayment capacity and risk profile.
- 5.31 Table 5.10 below shows key risk indicators associated with Government's debt.

Table 5.10: Risk Exposure as of July 2017

Risk Indicators		External	Domestic	Total
Debt (\$M)		1,370.9	3,300.8	4,671.7
Debt (% of GDP)		13.3	32.1	45.6
Refinancing risk	Average Term to Maturity (yrs)	6.9	7.4	7.3
	Debt maturing in 1yr (% of total)	3.8	7.8	6.6
Interest rate risk	Average Time to Refixing (yrs)	3.6	7.4	6.3
	Debt refixing in 1yr (% of total)	35.6	7.8	16.0
	Weighted Average Interest Rate (%)	3.3	7.2	6.0
Foreign Exchange Risk (% of Total Debt)		29.5		

(Source: Ministry of Economy)

- 5.32 The interest rate risk reflects the volatility of the various interest rate structures. Three indicators to measure interest rate risk are: Average Time to Refixing (ATR), Debt Refixing in 1 Year and Weighted Average Interest.
- 5.33 ATR describes the time taken in years to fix the interest rates, thus a shorter ATR implies that the portfolio is more exposed to variable interest rate shocks. The ATR for total debt is 6.3 years with external debt at 3.6 years and domestic debt at 7.4 years. This implies that Government has adequate time to fix the interest rates in terms of interest rate shocks.
- 5.34 Weighted average interest rate is relatively low at 6.0 percent for the total debt stock with domestic debt having an average interest rate of 7.2 percent and external debt of 3.3 percent. The lower external interest is mainly attributed to concessional financing from bilateral and multilateral partners.
- 5.35 In terms of exposure to foreign exchange rate risk, 29.5 percent of the total debt is denominated in foreign currency. The external debt exposure is within our portfolio mix and given Fiji's strong foreign reserves position and stable exchange rates, foreign exchange risk remains minimal.

Contingent Liabilities

- 5.36 Total contingent liabilities declined from \$1,259.2 million in 2015-2016 to \$1,019.8 million in 2016-2017, a reduction of 19.0 percent. This is equivalent to 9.9 percent of GDP.
- 5.37 The total guaranteed debt (explicit liabilities) accumulated to \$562.2 million at the end of July 2017, compared with \$787.4 million in the preceding year. The reduction is largely due to repayment of guaranteed debt and financing institutions agreeing to refinance EFL without Government guarantee. Guaranteed liabilities of various entities are shown in Table 5.11 below.

Table 5.11: Contingent Liabilities (\$M)

Government Guarantees	2014	2015	Jul-16	Jul-17
Fiji Development Bank	157.9	170.0	183.9	190.6
Energy Fiji Limited	349.6	335.5	324.5	99.2
Fiji Harwood Corporation Limited	13.4	6.4	5.2	5.1
Fiji Pine Limited	4.2	3.5	3.2	2.5
Fiji Sugar Corporation	185.6	200.0	173.3	178.2
Housing Authority	78.6	79.6	74.6	69.4
Fiji Sports Council	8.5	4.3	2.1	-
Fiji Ports Corporation Limited	11.1	5.2	1.4	-
Fiji Broadcasting Corporation	19.3	17.6	16.5	14.6
Pacific Fishing Company Limited	4.4	2.4	2.6	2.6
Total Government Guarantees (A) (Explicit)	832.6	824.5	787.4	562.2
% growth	2.5%	-1.0%	-4.5%	-28.6%
As a share of GDP	9.9%	9.0%	8.0%	5.5%
International Bank for Reconstruction & Development (IBRD)	7.1	7.1	237.5	229.9
Asian Development Bank (ADB)	-	-	198.6	193.9
Total Other Explicit Contingent Liabilities (B)	7.1	7.1	436.1	423.8
National Bank of Fiji	7.9	6.3	6.3	6.3
Provincial Council	-	1.4	1.9	1.9
Municipal Council	-	28.5	27.5	25.7
Total Other Implicit Contingent Liabilities (C) (Implicit)	7.9	36.2	35.7	33.9
Total Other Contingent Liabilities (B+C)	15.0	43.3	471.8	457.6
Total Contingent Liabilities (A+B+C)	847.6	867.8	1,259.2	1,019.8

Government Guarantees	2014	2015	Jul-16	Jul-17
% growth	3.1%	2.4%	45.1%	-19.0%
Total Contingent Liabilities to GDP (%)	10.0%	9.4%	13.2%	9.9%

(Source: Ministry of Economy)

- 5.38 Government will continue to monitor the activities of guaranteed entities closely, and would put in place stringent risk management measures to improve the commercial performance of these entities, and reduce any risk of defaulting on guaranteed debt commitments. Some guaranteed entities serve as an extended arm of Government in key sectors delivering vital development goals, therefore it's essential that the entities maintain long-term financial viability.

CHAPTER 6: INVESTMENT FACILITATION

Introduction

- 6.1 With investments currently booming in Fiji, Government will continue with current investor friendly policies and further streamline Fiji's business approvals process.
- 6.2 Fiji is on track to achieve its investment target of 25 percent of GDP in the coming years. This would require firm commitment from all stakeholders across various sectors, including private entrepreneurs, licensing agencies, municipal councils and line departments, to work together in facilitating the investment plans of prospective foreign and domestic investors.
- 6.3 Fiji's strong growth performance in recent years has been driven by a bold ambition to implement forward looking and pro-growth policies that aim to transform the country into a modern, vibrant investment hub in the Pacific.

Investment Fiji

- 6.4 Investment Fiji is the Government's arm for promoting and marketing Fiji as a lucrative destination for foreign investments. Through the agency, Government will continue to adopt a performance-oriented approach towards the provision of marketing and promotional services, focusing primarily on investment promotion and facilitation as well as export promotion.
- 6.5 A dynamic model for boosting customer relationships and improving productivity in critical business areas is currently being phased into Investment Fiji's work programme. This is expected to improve the promotion and surveillance of various investment projects across the country.
- 6.6 Investors will also get to experience improvements to services, where dedicated attention will be accorded to addressing individual investor queries.
- 6.7 Investment Fiji has been allocated a sum of \$2.7 million in the 2018-2019 Budget.

Foreign Investment Update

- 6.8 From 2013-2017, foreign investment registrations in Fiji surged from 257 to 418, a 62.6 percent increase over the period. In total, these investments are expected to create an additional 21,562 new jobs.

Table 6.1: Investment Proposals 2013-2017

Investment Indicators	2013	2014	2015	2016	2017	Total
Number of Investment Proposals Registered	257	261	362	368	418	1,666
Value of Investment Proposals Registered (\$M)	1,189	500	1,109	1,626	841	5,265
Employment Proposal	4,664	4,041	3,953	4,435	4,469	21,562

(Source: Investment Fiji)

- 6.9 Growing investor confidence over the past 8 years has been fuelled by many factors, in particular, political stability, improved law and order, continued improvements to infrastructure, expanding pool of well qualified Fijians, low interest rates and an attractive tax regime.

Investment Reforms

Review of the Investment Policy & Investment Act

- 6.10 With technical support from the IFC, Government has embarked on a special review exercise to reform and modernise all investment related laws & regulations, and formulate an effective Investment Policy for Fiji.
- 6.11 The review began with an initial survey of Fiji's entire investment environment, which provided the basis for developing a detailed Investment Reform Map (IRM) highlighting key strengths and weaknesses within Fiji's current policy and regulatory landscape.
- 6.12 The IRM also establishes an action plan to formulate a comprehensive Investment Policy for Fiji, one that promotes the nurturing of credible investments that support Government's national policy objectives. IRM also works to protect the rights and obligations of both domestic and foreign investors by strengthening regulatory provisions.

After-Care Support Services

- 6.13 Investment Fiji's 'After Care Division' provides a client driven approach to facilitating investment. Follow-up services are rendered throughout the life of the investment, from establishment to post-establishment and expansion. The aim is to maximise the economic contribution of investment, while retaining existing investors and encouraging re-investment.

Local Investment

- 6.14 Investment Fiji is currently working with local exporters and investors to facilitate business development and identify joint venture partnerships for investment-ready projects. In 2017, Investment Fiji organised a total of eight local seminars and workshops to progress this initiative.
- 6.15 Over 100 local companies were assisted in 2017, with 31 projects reaching implementation level, an increase from 28 companies in 2016. These projects have generated an additional \$146 million in investment and 1,333 additional jobs in Fiji.

Capability Program for Exporters

- 6.16 Investment Fiji is developing capability support programmes and enterprise development tools to increase domestic exports. These include the provision of technical assistance, logistics support, regulatory information and market research.
- 6.17 Helping local exporters become first-tier suppliers will improve the attractiveness of Fiji for inward investment and boost local sourcing for business investors. This programme is designed to build capacity in export sectors where Fiji has strategic comparative advantages, which will provide maximum long-term benefits for both local and foreign investors.

Trade & Investment Missions

- 6.18 Both in-bound and out-bound trade and investment missions are organised annually by Investment Fiji in collaboration with Government. These missions comprise of trade and investment exhibitions and other targeted promotional activities, which aim to establish new investor networks and identify potential investment and export opportunities for Fiji.
- 6.19 Investment Fiji has identified several potential corporate investors in 2018 by using existing business networks and working closely with trade offices and embassies in Australia, New Zealand, USA and China.

Webinars

- 6.20 Webinars have been identified as a cost-effective online tool to promote investment and trade opportunities to a broad range of audiences globally. This complements efforts to promote Fiji through other mediums such as promotional campaigns, exhibitions, conferences, investment missions and trade missions.

CHAPTER 7: EXTERNAL TRADE & DEVELOPMENT COOPERATION

Introduction

- 7.1 International trade plays a crucial role in promoting growth in a developing economy like Fiji, as it opens up opportunities for new export markets, reduces commodity prices for imported goods, and creates a free-flowing space for cross-border trade and investments. To realise these benefits, there must be genuine commitment and resolve amongst trading partners to secure mutual benefits from trade agreements.
- 7.2 Fiji will continue to negotiate for fair and equitable trade agreements that take into account our unique challenges and constraints, as well as our comparative advantages in key strategic sectors. This strategy is necessary to protect the nation's interests and ensure Fiji continues on a path of sustainable growth and development in the future.
- 7.3 This chapter provides an update on the progress of Fiji's external trade arrangements with various trading partner countries, covering both bilateral and multilateral trade agreements. The latter part of the chapter discusses Official Development Assistance (ODA) received from donors and development partners, and its trend in recent years.

Fiji's Trade Policy Framework

- 7.4 The Fijian Government has committed itself to implementing key strategies outlined in Fiji's Trade Policy Framework 2015-2025. The framework will continue to guide the scope and focus of future trade negotiations to enhance Fiji's effective integration into the regional and global trading environment, as well as augment the country's economic and commercial interests.

Regional & International Trade Agreements

- 7.5 ***Developing Country (DC) Preferences Scheme*** - Following the expiration of the SPARTECA-TCF Scheme in December 2014, Fijian products continued to enter the Australian market through the DC Preferences Scheme. This Scheme facilitates the entry of Fijian-made garments into Australian market under special preferential access arrangements.
- 7.6 ***Pacific Island Countries Trade Agreement (PICTA)*** – This is a Free Trade Agreement between Forum Island Countries (FICs) which came into force in 2006.

Twelve countries¹¹ have ratified the Agreement but only seven have announced their readiness to trade, including Fiji.

- 7.7 ***Melanesian Spearhead Group Trade Agreement (MSGTA)*** - Fiji signed the Melanesian Free Trade Agreement (MFTA) in January 2017. Preparations are underway to ratify the Agreement and commence with trade negotiations.
- 7.8 ***Comprehensive Economic Partnership Agreement (CEPA)*** - Fiji will continue to press for the resumption of CEPA trade negotiations with the EU, which has now been suspended for 3 years. The ultimate goal for Fiji is to make this Agreement development friendly and less restrictive with the removal of several non-trade provisions in the Agreement.
- 7.9 ***PACER Plus*** - For Fiji, the PACER Plus Agreement is more than just a traditional free trade agreement focused solely on opening markets through elimination of tariffs.
- 7.10 Fiji's position is clear that this Agreement should also support the development agenda of small vulnerable Pacific economies by integrating them smoothly into the regional and global trading system. As such, Fiji had narrowed its position in the Trade in Goods Chapter to two vital provisions, namely the provisions on Infant Industry Development and the Most Favoured Nation (MFN) clause. Fiji's position is that both these provisions must be implemented with a certain degree of flexibility. This minimises any potential impacts on the domestic economy and allows for sufficient policy space to adjust to the fiscal impacts of tariff erosion.
- 7.11 ***WTO Trade Facilitation Agreement (TFA)*** - The WTO Agreement on Trade Facilitation came into force in February 2017 and was ratified by Fiji in March 2017. The Agreement sets out provisions for expediting the movement, release and clearance of goods across borders as well as measures for effective cooperation between Customs and other relevant Authorities involved in the transition of tradable goods and services at the border.
- 7.12 Fiji is working closely with the World Bank (International Finance Corporation) to effectively implement its commitments under the TFA, which includes several key trade facilitation reforms aimed at improving trade systems, services and practices. Full execution of these reforms should potentially lead to efficient transfer of goods and services at low cost, improved private sector competitiveness, and increased volumes of trade flows with enhanced security measures at the border.

¹¹ Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

- 7.13 ***Fiji-China Bilateral Discussions*** – In July 2015, Fiji and China signed a Memorandum of Understanding (MOU) to undertake a joint feasibility study to assess the practicality of a Fiji-China Free Trade Agreement. The study was to set the pathway for formal trade negotiations between both countries.
- 7.14 During a Trade Working Group meeting in November 2016, in Beijing, the Chinese delegation presented their part of the joint feasibility study. Fiji has also completed its counterpart study, which is currently being discussed with key industry stakeholders. The study explores potential preferential trade options for a trade deal with China, with different levels of commitments in terms of trade and economic cooperation. It also explores new opportunities for Fijian exporters to exploit the lucrative Chinese market and gain a competitive edge in niche export commodities.
- 7.15 ***Fiji-UK Bilateral Dialogue*** - The withdrawal of the United Kingdom from the European Union is scheduled to take place on 29 March 2019. This withdrawal will have implications on Fiji's trade with the UK, particularly under the Interim Economic Partnership Agreement (IEPA) which currently comes under the ambit of a Fiji-EU trade arrangement.
- 7.16 Fiji has commenced technical discussions with UK officials to establish a new bilateral trade agreement with the UK, replicating relevant provisions in IEPA. The aim is to make this agreement the main legal framework for trade between the two countries. More comprehensive discussions on the proposed agreement will be convened following the Brexit transitional period.

Development Cooperation

- 7.17 ODA complements Government's efforts to greater socio-economic development in the country. Over the years, Fiji has been the recipient of various forms of ODA, covering critical areas such as health, education, poverty alleviation, law & order, natural resource development, youth empowerment and support for women & children.
- 7.18 As depicted in Table 7.1 below, the total value of ODA to Fiji in 2018-2019 is estimated to be around \$169.5 million, of which \$19.6 million will be disbursed as cash grant, whilst the remaining \$149.9 million will comprise aid-in-kind (AIK) contributions.

Table 7.1: Official Development Assistance 2016–2019

Particulars	2016-2017 (A)		2017-2018 (P)		2018-2019 (F)	
	(\$M)	%	(\$M)	%	(\$M)	%
Cash Grants	18.8	12.2	35.6	18.7	19.6	11.6
Aid in Kind	135.8	87.8	155	81.3	149.9	88.4
TOTAL ODA	154.6	100	190.6	100	169.5	100

(Source: Ministry of Economy)

Cash Grant

7.19 Table 7.2 below shows the sectorial distribution of cash grants.

Table 7.2: Cash Grants by Sector

Sector	2018-2019 (F)	
	(\$M)	%
General Administration	1.4	7.1
Social Services	0.8	4.1
Economic Services	13.6	69.4
Infrastructure	3.8	19.4
Total	19.6	100

(Source: Ministry of Economy)

- 7.20 The Economic Sector is expected to receive the highest cash grant of \$13.6 million or close to 70 percent of the total grant. A large portion of this grant represents funds from the European Union (EU) which will be directed towards the continued rehabilitation of sugarcane and other agricultural sector. It also includes a contribution of \$2.5 million from the World Bank for the REDD+ project.
- 7.21 In the Infrastructure Sector, a cash grant of \$3.8 million from UNDP is earmarked for the on-going Fiji Ridge to Reef and Cross Cutting Capacity Development projects.
- 7.22 The General Administration Sector will receive around \$1.4 million. The majority of this grant is expected to be received from the EU for support measures towards EDF 11.
- 7.23 The Social Services Sector will receive a total cash grant of \$0.8 million from UNICEF to sponsor programmes for health, education development and child protection schemes.

Aid-in-Kind

7.24 Table 7.3 below highlights the sectorial distribution of AIK in FY 2018-2019.

Table 7.3: Aid-in-Kind by Sector

Sector	2018-2019 (F)	
	(\$M)	%
General Administration	53.5	35.7
Social Services	41.9	28.0
Economic Services	48.4	32.3
Infrastructure	6.1	4.0
Total	149.9	100.0

(Source: Ministry of Economy)

- 7.25 In 2018-2019, the General Administration Sector is anticipated to receive the largest support in AIK donations valued at around \$53.5 million. Most of this will comprise scholarships funded by the Australian and New Zealand Governments. Australia will also be providing substantial support for its on-going governance programme. Furthermore, the Government of the People's Republic of China will be providing assistance towards the Port Security Inspection Scanner Project valued at close to \$17.0 million, which will enhance our border security capabilities.
- 7.26 The Economic Sector will receive around \$48.4 million as AIK in the FY 2018-2019. It is anticipated that the EU will provide around \$25.7 million as funding support for the sugar sector. The Government of the People's Republic of China will maintain its support for agriculture projects in Vanua Levu, and it will also continue its assistance towards the Juncao Technology Demonstration Programme.
- 7.27 The New Zealand Government will be supporting key initiatives in the dairy industry and provide technical assistance to improve capacity at the BAF. The Australian Government will also be continuing its support for export promotion through the Fiji Community Development Programme and the Market Development Facility.
- 7.28 In FY 2018-2019, the Social Sector expects around \$41.9 million in AIK assistance. Majority of the assistance will be provided by the Government of Australia for its on-going Access to Quality Education Programme (AQEP) and the Fiji Health Sector Support Programme (FHSSP). Other development partners such as NZAID, UNICEF, JICA and WHO will also be supporting key programmes in the Health Sector.
- 7.29 Around \$6.1 million in AIK assistance will be granted to the Infrastructure Sector in 2018-2019. JICA will be providing the largest component of this assistance through its installation of Hybrid Power Generation Systems in various rural

communities and the facilitation of specialised training for the Fiji Meteorological Services Office. In addition, JICA will be continuing its support for WAF's rural water supply scheme.

CHAPTER 8: 2018-2019 TAX POLICY MEASURES

- 8.1 This chapter provides details of various tax and customs policy measures introduced in the 2018-2019 Budget.

Part 1 – Direct Tax Measures

(i) Income Tax

Policy	Description
1. Aligning Residential Interest Withholding Tax Exemption Threshold to Income Tax	The current Residential Interest Withholding Tax (RIWT) threshold will be increased from \$16,000 to \$30,000 to be consistent with the existing individual income tax exemption threshold.
2. Tax Deduction for Salaries/Wages Paid during Paternity and Family Care Leave.	An introduction of 150% tax deduction on salaries/wages paid to employees during paternity and family care leave.
3. Amend the definition of ICT	The definition of ICT in the Income Tax Regulations will be amended to include “customer contact centres, engineering and design, research and development, animation and content creation, distance learning, market research, travel services, finance and accounting services, human resource services, legal procedure, compliance and risk services and other administrative services (e.g. purchasing, etc.). The above services will need to be ICT enabled.
4. Accelerated Depreciation Provision.	All greenhouse and nursery buildings, research labs and pack houses will be included under the Accelerated Depreciation Provision.
5. Incentive Package for Electric Vehicle (EV) Charging Stations	The minimum capital investment for setting up of EV charging stations will be further reduced from \$500,000 to \$100,000.
6. Tax Incentive for 2019 ADB Annual Meeting in Fiji	A 150% tax deduction will be provided for cash contribution above \$10,000 by corporate sponsors towards the hosting of the event.
7. Application of Medical Incentive Package for Government PPP Arrangements	The Income Tax (Medical Investment Incentives) Regulations 2016 will be amended to include hospitals under PPP arrangements to be eligible for the medical tax incentives.
8. Modernisation of buildings in towns/cities	<p>As the Fijian Economy has been rapidly expanding and to capitalise on the rapid expansion of the economy, low interest rates, rising income and high investor confidence in Fiji, the following incentive package is available:</p> <ul style="list-style-type: none"> ➤ For capital investments above \$1 million (excluding interior furnishings, furniture and fittings), the following will apply: <ul style="list-style-type: none"> • 125% tax deduction on total expenditure incurred for renovation and redevelopment; and • 25% investment allowance on total capital expenditure incurred for extension or redevelopment. ➤ This incentive will be available to buildings that are 5 years or older.
9. Incentive package for Research and Development (R&D)	Introduction of 250% tax deduction on any expenditure incurred by an eligible company investing in R&D. This will only be applicable to ICT and Renewable Energy Industries.
10. Investments in Electric Buses	A tax deduction of 55% will be allowed to investments in electric buses.

Policy	Description
11. Tax Deduction for salaries/wages paid for staff training through accredited training providers.	A 150% tax deduction will be provided to employers for cost of staff training through accredited training providers.
12. CGT and Income Tax Exemption for South Pacific Stock Exchange Listing	<ul style="list-style-type: none"> ➤ The Income Tax Act will be amended to grant exemption for any gain made by a resident person from the sale of any capital asset including shares where the company undergoes listing. ➤ The Income Tax (Exempt Income) Regulations will be amended to extend the current exemption which is applicable to the 'income made from the gain of the sale of shares by resident private companies arising from the re-organisation, restructure or amalgamation of a company for the purpose of listing on the South Pacific Stock Exchange' to include 'any income' in addition to gain made. ➤ The exemption will be extended to public companies.

(ii) Tax Administration Act

Policy	Description
1. Offences relating to Tax Agents Registration	Section 116 of the Act will be amended to hold Tax Agents liable for non-compliance. Similar to Section 137 of the Customs Act whereby Customs Agents are held liable and penalised.
2. Offences for making false or misleading statement	Section 53 of the Act will be amended to include 'fraudulent conduct' apart from misleading/false statement in relation to Taxation Offences.
3. Jurisdiction of Tax Tribunal	Section 81 of the Act will be amended to increase jurisdiction of Tax Tribunal from \$50,000 to \$500,000.
4. Offence for failure to file a tax return	Section 49(1)(a) of the Act will be amended to include the word " <i>in the approved form</i> " after the word ' <i>due date</i> '.
5. Issue of TIN	Section 38 of the Act will be amended to make TIN Registration mandatory and failure to comply will be treated as an offence.
6. Offences for failure to comply with obligations under this Act	Section 50(1)(a) will be amended to insert a new provision " <i>(vii) comply with section 38</i> ".
7. TIN Registration	To insert a new Section 38A or 38B for business taxpayers to update their details if there are any changes similar to Section 24 of VAT legislation.
8. Strengthen Self-Assessment Regime	FRCS is rolling out the New Tax Administration System (NTIS) that will mainly be using the self-assessment provisions. The Tax Administration Act will be amended to strengthen the Self-Assessment Regime for a smooth transition and operation.
9. Issuance of Infringement Notice for Offences under the Act	To amend the Act to include the issuance of the infringement notice for offences under the Act.
10. Mandatory declaration of assets by all tax payers	All business and commercial taxpayers will be required to declare their assets along with their Income Tax Returns in the approved form. The tax payers will also have to declare any assets paid for by them – even if held in any other person's name.

Policy	Description
	A penalty of \$250,000 will be charged for failure to declare or false declaration.
11. Environment and Climate Adaptation Levy (ECAL)	A new provision will be included to deal with offences for those who are not supposed to charge ECAL.
12. Offences and Penalty for Specified Offences	A new provision in Section 71 and 72 of the Act will be added to deal with offences for those who are not supposed to charge VAT.
13. Issuance of Infringement Notice for Offences under the Act	To amend the Act to include the issuance of the infringement notice for offences under this Act.

(iii) FRCS Act

Policy	Description
1. Institute proceedings	Section 51 of the Act will be amended to allow CEO-FRCS to amend or withdraw charges.

Part 2 - Indirect Tax Measures

(i) Service Turnover Tax

Policy	Description
1. Introduce a threshold for application of STT	Threshold of \$1.25m which is currently levied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to all other prescribed services for the application of STT.

(ii) Environment and Climate Adaptation Levy

Policy	Description
1. Introduce a threshold for application of ECAL	Threshold of \$1.25m which is currently levied for licensed restaurants, bars, clubs, bistros and coffee shops, will now be aligned to all other prescribed services for the application of ECAL.
2. Increase Plastic Bag Levy	To discourage use of plastic bags and promote the use of reusable bags in line with Government's commitment towards environment initiatives, plastic bag levy will be increased to 20 cents.

(iii) Value Added Tax Act

Policy	Description
1. Time of Supply rule for land development	Section 18(2)(e) of the Act will be amended to include the word "land development". This provision allows special time of supply rules to various industries where payment of VAT becomes applicable whenever any payment in respect of a supply becomes due. This is to support the current commercial basis of how Land Development Business is moving.

(iv) Customs Tariff Act - Fiscal Duty Changes

Policy	Description
1. Reducing fiscal duty on used vehicles aged 2 years and below (from the year of manufacture)	Fiscal duty on used vehicles aged 2 years and below will be reduced from 32% to 15% or half the current specific rate.
2. Concessionary duty incentive for Public Transportation	<ul style="list-style-type: none"> ➤ The concessionary duty rates for taxis will be extended to used diesel/petrol vehicles aged 2 years and below (half the subsisting rate currently applied on used vehicles). ➤ This incentive will be extended for another 2 years (until 30 June 2021), including the concessionary duty regime for bus industry and inter-island shipping.
3. Concession Code 245	Will be amended to include 'marine paints not manufactured or available locally' at 15% Fiscal, Free Import Excise and 9% VAT.
4. Concession Code 236	To amend column 2 by replacing the word 'Minister' with 'Comptroller'.
5. Duty free fruits and vegetables	Reduce duty from 5% to 0% on Apples, Carrots, Grapes, Oranges, Pears, Mixed Vegetables, Celery, Capsicum, Mushrooms, Kiwi Fruits, Asparagus, Strawberries, Leeks, Spinach, Apricot, Peaches, Plum, Grapefruit, Raspberries, Cranberries, Pomegranate, Cauliflower, Broccoli and Brussels Sprouts to ensure affordability of healthy foods, promote combating of NCDs and encourage importation to complement local supply.
6. Reduced duty on tea	Duty reduction on tea from 5% to 0%.
7. Breakdown of Chassis	To create a local breakdown for Chassis which is to be classified separately in the Customs Tariff.
8. Importation of photocopying apparatus (Full colour)	Section 64 of the CPIER to be amended to remove the requirement of an import licence on colour photocopy apparatus from Schedule 3, Item 4 of the CPIER.
9. New Concession Code for Food Grade Plastic Pallets	To create a separate concession code for importation of Food Grade Plastic Pallets. The duty rates applicable will be Free Fiscal, Free Import Excise and 9% VAT.
10. Expanding Concession Code 275 to include importation of noodle taste makers (flavours) in bulk.	To expand concession code 275 to include importation of noodle taste makers (flavours) in bulk for repacking. The duty rates applicable will be Free Fiscal, Free Import Excise and 9% VAT.
11. New Concession Code (Code 217A)	<p>To create a separate concession code (Code 217(A)) for local airline companies involved in international flights:</p> <p>The list of items are as follows:</p> <ul style="list-style-type: none"> ➤ Inclusion of the following aircraft consumables under Concession code 217(A): <ul style="list-style-type: none"> 1. Aircraft paints, paint thinner and paint hardener 2. Aircraft cleaning chemicals (various specialised chemicals for aircraft cleaning for e.g. lavatory chemical, sink cleaning, etc.) 3. Aircraft adhesives and sealants (various to be used on board) 4. Aircraft disinfection spray – aerosol and liquid (for fumigation and disinfectant purposes) 5. Aircraft biocide chemicals (used to clean aircraft fuel tank to eliminate fungus) 6. Aircraft seat cover material – fabric and leather 7. Aircraft decals and placards (signage used on the aircraft)

Policy	Description
	8. Aircraft pre-mask spray set (stencils for aircraft logo, design, etc.) 9. Aircraft manuals – books and compact discs 10. In-flight audio tapes, compact discs and on-board media loaded drives. 11. Aircraft fuel tank treatment kits (to check fuel samples before and after biocide cleaning) 12. Oil sample kits (Oil is filled in the kits and sent to laboratory abroad for testing) 13. Water finding paste to test for any leakages. Comes in the form similar to “plasticine” or “crystals”. 14. All kinds of tapes used for aircraft maintenance (Aluminium Tapes, Ducting Tape, High Speed Tape etc.) 15. Grease for aircraft servicing (current concession is on oil, fuel and grease used in the production of cooling agent).
12. Amendment in the Customs Tariff to Separate Telecom and Electrical Cables	The Customs Tariff will be amended to separate Telecom and Electrical Cables and provide a duty reduction on telecommunications cables not exceeding 100V from 15% to 5%.
13. New concession code 231A	To create new Code 231A to grant a concession on packaging material to approved exporters of local fresh produce.
14. Increase fiscal duty on Linear Low Density Polyethylene (LLDPE) Stretch Wraps	To protect the local manufacturers, fiscal duty on Linear Low Density Polyethylene (LLDPE) Stretch Wraps will be increased from 5% to 32%.
15. Increase fiscal duty on structural floor (decking) sheets	To protect the local manufacturers, fiscal duty on structural floor (decking) sheets will be increased from 5% to 32%.
16. Increase fiscal duty on imported sweetened and carbonated drinks	A higher specific rate of duty of 32% or \$2 per litre will be applied to imported sweetened and carbonated drinks.

(v) Import Excise Duty

Policy	Description
1. Increase in import excise duty on cigarettes, tobacco and alcohol	Increase in import excise duty by 15% on cigarettes, tobacco and alcohol.

(vi) Local Excise Duty Changes

Policy	Description
1. Increase in local excise duty on Cigarettes, Tobacco and Alcohol	The local excise duty on Cigarettes, Tobacco and Alcohol will be increased by 15%.

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

	2017-2018 Rates	2018-2019 Rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.98/litre	\$3.43/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$3.47/litre	\$3.99/litre

	2017-2018 Rates	2018-2019 Rates
Potable Spirit Not Exceeding 57.12 GL	\$65.63/litre	\$75.47/litre
Potable Spirit Exceeding 57.12 GL	\$114.93/litre	\$132.17/litre
Still Wine	\$4.63/litre	\$5.32/litre
Sparkling Wine	\$5.28/litre	\$6.07/litre
Other fermented beverages: Still	\$4.63/litre	\$5.32/litre
Sparkling	\$5.28/litre	\$6.07/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$2.13/litre	\$2.45/litre
Cigarettes from local tobacco per 10 sticks	\$201.69 cents	\$231.94 cents
Cigarette from imported tobacco per 10 sticks	\$302.51cents	\$347.89 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$174.31/kg	\$200.45/kg
Manufactured tobacco containing tobacco grown in Fiji	\$102.40/kg	\$117.76/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
❖ Tobacco grown outside Fiji	\$174.31/kg	\$200.45/kg
❖ Tobacco grown in Fiji	\$102.40/kg	\$117.76/kg

(vii) Customs Legislation

Policy	Description
1. Loading without Customs Entry (Pre-Shipment)	Section 66 of the Customs Act will be amended to include “\$100 per day per entry to be imposed for failure to perfect SAD for a pre-shipment within the required period”.
2. Definitions	Section 2 of the Customs Act will be amended to include definition of Authorised Economic Operator (AEO).
3. Deferred Payment System	The Customs Regulations 47(4) will be amended to exclude AEO.
4. Provisional Entries	Customs Regulations Section 82 will be amended to impose penalty at an initial rate of 25% on the export value with a 5% compounding rate.
5. Entries for Export (Late Penalty Fine)	Customs Regulation 82(3) will be amended to exclude AEO.
6. Customs Act Section 92	Section 92 of the Customs act will be amended to include 25% penalty on late payment for AEO.
7. Drawback allowed on re-export	Section 98(1)(b) of the Customs Act will be amended to reduce the 2-year duty-drawback claim period to 1 year.
8. All Licensing under Customs Act	The Customs Regulation will be amended for the validity of licenses to be changed for 3 years from the current 1-year period. The annual renewal fee will be thrice the amount of current licence renewal fee.
9. Miscellaneous	Section 114 of the Customs Act to be amended to allow Customs Officers to retrieve sample of goods already cleared.
10. Auction Sale	To amend the Customs Act by removing the word ‘AUCTION SALE’ and replace with ‘SALE’. This will mean that the method of disposal of goods will depend on FRCS.

Appendices

Table 1: Gross Domestic Product by Sector 2013–2020 (\$M)

Activity	Base Weight	2013	2014p	2015r	2016p	2017e	2018f	2019f	2020f
AGRICULTURE	8.2	497.1	500.4	541.8	500.8	509.0	504.1	525.5	539.7
General Government	0.1	8.7	10.1	11.3	9.9	9.6	10.0	10.2	10.4
Subsistence	2.7	154.5	153.9	153.3	149.1	150.0	150.9	151.8	152.7
Formal Non-Government Agriculture	4.8	295.7	298.4	339.4	305.0	312.3	305.8	325.9	338.8
Taro	0.7	51.4	36.8	35.7	22.3	29.0	30.4	35.0	38.5
Sugarcane	1.2	44.2	50.3	50.7	37.9	44.6	44.6	54.4	57.0
FORESTRY AND LOGGING	0.6	40.6	47.9	44.1	34.5	25.9	31.2	32.1	33.2
FISHING AND AQUACULTURE	2.1	115.3	116.9	121.1	119.2	121.2	123.3	124.9	126.5
Formal Non-Government Fishing and Aquaculture	1.3	69.5	70.7	74.2	72.2	73.6	75.5	76.7	78.0
MINING & QUARRYING	1.6	58.4	51.2	54.4	57.8	58.3	63.7	67.8	71.2
MANUFACTURING	14.1	838.2	848.7	871.1	854.8	872.8	898.8	938.1	969.8
Informal manufacturing	3.0	174.3	174.9	175.9	176.4	177.5	178.5	179.6	180.7
Manufacture of food and beverages	5.2	307.0	305.9	309.3	295.8	318.2	321.4	344.7	360.0
Sugar	1.0	81.3	64.6	61.8	48.1	62.2	59.1	72.1	76.4
Mineral water	0.5	10.4	16.7	22.0	26.1	31.5	34.7	38.1	42.0
Non Food Products	4.9	301.0	308.8	324.9	322.2	315.0	334.9	347.9	361.3
Wearing apparel	1.0	59.8	57.5	53.8	54.7	52.0	52.5	54.1	55.7
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.9	121.1	121.6	127.4	130.3	140.8	145.7	150.1	154.6
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.3	19.6	20.7	21.0	20.7	22.2	22.4	23.1	24.0
CONSTRUCTION	2.7	165.7	175.1	185.7	207.3	242.0	267.5	286.9	307.9
Formal Non-Government Construction	1.6	116.0	124.5	133.4	151.2	181.4	203.2	219.5	237.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	11.7	696.4	716.2	738.6	790.2	821.8	849.7	871.8	894.5
Informal WRT	3.3	191.1	191.2	192.8	193.3	195.0	196.7	198.5	202.3
Formal Non-Government WRT	8.3	505.3	525.0	545.9	596.9	618.7	644.8	664.6	685.1
TRANSPORT AND STORAGE	6.3	451.2	574.7	591.5	593.1	609.8	625.9	650.7	676.7
Formal Non-Government Transport & Storage	5.9	428.9	551.8	567.6	568.8	585.5	601.3	625.9	651.6
Land Transport	1.2	68.3	73.5	76.6	77.8	79.4	81.0	82.6	84.3
Water & air transport	2.3	212.5	322.7	328.4	323.5	333.2	340.9	357.9	375.8
ACCOMODATION AND FOOD SERVICE ACTIVITIES	6.4	380.4	395.5	418.4	392.0	416.0	434.6	455.8	478.2
Formal Non-Government Accommodation and Food Service Activities	6.3	370.0	385.0	407.8	381.5	405.5	424.0	445.2	467.4
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	331.9	345.6	364.8	335.5	355.6	371.6	390.2	409.7
INFORMATION AND COMMUNICATION	5.9	357.3	367.7	384.7	406.7	426.9	449.3	466.2	483.9
Formal Non-Government Information and Communication	5.8	350.2	360.9	377.7	399.4	420.1	442.0	458.8	476.4
Wired telecommunications activities	1.4	81.0	82.0	84.9	86.7	88.4	90.1	92.0	93.8
Wireless telecommunications activities	3.0	171.2	173.2	181.4	200.5	216.6	233.9	245.6	257.9
FINANCIAL AND INSURANCE ACTIVITIES	9.2	557.3	629.5	644.7	629.5	679.7	693.2	717.3	742.4
Central banking	0.2	12.2	12.2	12.3	12.2	12.1	12.3	12.5	12.8

Activity	Base Weight	2013	2014p	2015r	2016p	2017e	2018f	2019f	2020f
Other monetary intermediation	4.1	253.3	306.7	323.6	336.7	370.3	385.1	400.5	416.6
Activities of holding companies	1.6	90.4	96.4	98.9	100.9	104.9	108.1	111.3	114.7
REAL ESTATE ACTIVITIES	5.0	296.2	296.9	300.9	280.6	286.5	289.6	292.8	296.0
Owner Occupied Dwellings	3.9	229.7	229.9	230.9	210.4	214.6	215.9	217.2	218.5
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	2.2	147.7	157.2	161.0	165.4	172.7	180.3	187.1	194.1
ADMINISTRATIVE AND SUPPORT SERVICES	2.3	137.2	146.0	151.2	154.6	158.9	163.5	167.7	172.1
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	7.6	509.6	548.6	581.4	607.7	643.4	674.1	686.0	698.0
General Public administrative activities	2.8	186.7	198.2	209.7	220.1	246.5	271.2	276.6	282.1
Defence activities	2.0	132.9	147.4	157.8	162.6	165.9	167.5	169.2	170.9
Public order and safety activities	2.4	154.0	164.0	167.8	176.1	179.6	183.2	186.9	190.6
EDUCATION	7.1	435.8	448.7	460.3	471.4	483.4	490.3	499.4	508.8
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.4	134.3	136.3	145.3	151.0	157.2	163.8	168.7	173.8
ARTS, ENTERTAINMENT AND RECREATION ACTIVITIES	0.4	22.6	22.4	23.4	23.8	24.3	24.8	25.3	25.8
OTHER SERVICE ACTIVITIES	2.0	113.2	114.6	116.4	118.5	120.5	122.6	124.6	126.6
GRAND TOTAL (GDP @ CONSTANT PRICES)	100.0	6,095.4	6,436.9	6,684.4	6,709.8	6,993.3	7,218.5	7,462.0	7,697.5
GDP @ CURRENT BASIC PRICE		6,429.0	7,066.1	7,609.7	8,014.9	8,596.8	9,123.0	9,665.8	10,225.0
ADD NET TAXES		1,286.7	1,396.3	1,540.6	1,769.6	2,033.6	2,190.9	2,360.1	2,542.3
GDP @ MARKET PRICES		7,715.7	8,462.4	9,150.3	9,784.5	10,630.4	11,313.8	12,025.9	12,767.4

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

Table 2: GDP Growth by Sector 2013–2020 (% Change)

Activity	Base Weight	2013	2014p	2015r	2016p	2017e	2018f	2019f	2020f
AGRICULTURE	8.2	6.8	0.7	8.3	-7.6	1.6	-1.0	4.2	2.7
General Government	0.1	12.8	15.3	12.0	-12.5	-3.0	5.0	2.0	2.0
Subsistence	2.7	0.8	-0.4	-0.4	-2.7	0.6	0.6	0.6	0.6
Formal Non-Government Agriculture	4.8	11.0	0.9	13.7	-10.1	2.4	-2.1	6.6	4.0
Taro	0.7	45.5	-28.3	-3.0	-37.7	30.0	5.0	15.0	10.0
Sugarcane	1.2	4.1	13.8	0.7	-25.2	17.6	0.0	22.0	4.8
FORESTRY AND LOGGING	0.6	26.9	17.9	-7.8	-21.9	-24.8	20.3	3.2	3.2
FISHING AND AQUACULTURE	2.1	0.7	1.4	3.6	-1.6	1.7	1.8	1.3	1.3
Formal Non-Government Fishing and Aquaculture	1.3	-0.4	1.7	4.9	-2.7	2.0	2.5	1.6	1.6
MINING & QUARRYING	1.6	-31.1	-12.3	6.1	6.2	0.9	9.4	6.4	5.0
MANUFACTURING	14.1	5.9	1.2	2.6	-1.9	2.1	3.0	4.4	3.4
Informal Manufacturing	3.0	0.4	0.3	0.6	0.3	0.6	0.6	0.6	0.6
Manufacture of food and beverages	5.2	7.1	-0.4	1.1	-4.4	7.6	1.0	7.3	4.4
Sugar	1.0	88.3	-20.6	-4.3	-22.2	29.3	-5.0	22.0	6.0
Mineral water	0.5	-36.8	61.1	31.8	18.4	21.0	10.0	10.0	10.0
Non Food Products	4.9	8.1	2.6	5.2	-0.8	-2.2	6.3	3.9	3.9
Wearing apparel	1.0	14.5	-3.8	-6.5	1.8	-5.0	1.0	3.0	3.0
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	1.9	6.1	0.4	4.7	2.3	8.0	3.5	3.0	3.0
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.3	2.1	5.4	1.3	-1.1	7.0	1.0	3.0	4.0
CONSTRUCTION	2.7	16.4	5.6	6.1	11.7	16.8	10.5	7.3	7.3
Formal Non-Government Construction	1.6	20.9	7.3	7.2	13.3	20.0	12.0	8.0	8.0
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	11.7	3.2	2.8	3.1	7.0	4.0	3.4	2.6	2.6
Informal WRT	3.3	-0.2	0.1	0.8	0.3	0.9	0.9	0.9	1.9
Formal Non-Government WRT	8.3	4.6	3.9	4.0	9.3	3.6	4.2	3.1	3.1
TRANSPORT AND STORAGE	6.3	16.0	27.4	2.9	0.3	2.8	2.6	4.0	4.0
Formal Non-Government Transport & Storage	5.9	16.8	28.7	2.8	0.2	2.9	2.7	4.1	4.1
Land Transport	1.2	17.5	7.6	4.2	1.6	2.0	2.0	2.0	2.0
Water & air transport	2.3	39.0	51.9	1.8	-1.5	3.0	2.3	5.0	5.0
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	6.4	2.6	4.0	5.8	-6.3	6.1	4.5	4.9	4.9
Formal Non-Government Accommodation and Food Service Activities	6.3	2.7	4.1	5.9	-6.5	6.3	4.6	5.0	5.0
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	5.6	3.5	4.1	5.6	-8.0	6.0	4.5	5.0	5.0
INFORMATION AND COMMUNICATION	5.9	2.9	2.9	4.6	5.7	5.0	5.2	3.8	3.8
Formal Non-Government Information and Communication	5.8	3.0	3.1	4.6	5.8	5.2	5.2	3.8	3.8
Wired telecommunication activities	1.4	2.0	1.2	3.6	2.0	2.0	2.0	2.0	2.0
Wireless telecommunications activities	3.0	0.8	1.2	4.8	10.5	8.0	8.0	5.0	5.0
FINANCIAL AND INSURANCE ACTIVITIES	9.2	5.7	13.0	2.4	-2.4	8.0	2.0	3.5	3.5
Central banking	0.2	2.9	0.0	0.5	-0.8	-0.9	2.0	2.0	2.0
Other monetary intermediation	4.1	2.2	21.1	5.5	4.0	10.0	4.0	4.0	4.0
Activities of holding companies	1.6	-3.7	6.7	2.6	2.0	4.0	3.0	3.0	3.0
REAL ESTATE ACTIVITIES	5.0	1.6	0.2	1.3	-6.8	2.1	1.1	1.1	1.1
Owner Occupied Dwellings	3.9	1.1	0.1	0.4	-8.9	2.0	0.6	0.6	0.6
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	2.2	8.0	6.4	2.4	2.7	4.4	4.4	3.7	3.7

Activity	Base Weight	2013	2014p	2015r	2016p	2017e	2018f	2019f	2020f
ADMINISTRATIVE AND SUPPORT SERVICES	2.3	-3.1	6.4	3.6	2.2	2.8	2.9	2.6	2.6
PUBLIC ADMINISTRATION AND DEFENCE; OMPULSORY SOCIAL SECURITY	7.6	5.1	7.6	6.0	4.5	5.9	4.8	1.8	1.8
General public administrative activities	2.8	2.4	6.2	5.8	5.0	12.0	10.0	2.0	2.0
Defence activities	2.0	5.3	10.9	7.0	3.0	2.0	1.0	1.0	1.0
Public order and safety activities	2.4	7.0	6.5	2.3	5.0	2.0	2.0	2.0	2.0
EDUCATION	7.1	3.6	3.0	2.6	2.4	2.5	1.4	1.9	1.9
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	2.4	-1.7	1.5	6.6	3.9	4.1	4.2	3.0	3.0
ARTS, ENTERTAINMENT AND CREATION ACTIVITIES	0.4	0.3	-0.7	4.6	1.7	2.0	2.0	2.0	2.0
OTHER SERVICE ACTIVITIES	2.0	0.3	1.2	1.6	1.8	1.7	1.7	1.6	1.6
GRAND TOTAL (GDP @ CONSTANT PRICES)	100.0	4.7	5.6	3.8	0.4	4.2	3.2	3.4	3.2
GDP @ CURRENT BASIC PRICE		7.1	9.9	7.7	5.3	7.3	6.1	6.0	5.8
ADD NET TAXES		16.0	8.5	10.3	14.9	14.9	7.7	7.7	7.7
GDP @ MARKET PRICES		8.5	9.7	8.1	6.9	8.6	6.4	6.3	6.2

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

Table 3: Fiscal Year GDP Growth by Sector 2013-2019 (\$M)

Activity	2013-2014	2014-2015	2015-2016	2016-2017p	2017-2018f	2018-2019f	2019-2020f
Agriculture	497.1	524.4	521.7	503.5	505.0	508.5	514.8
Forestry and Logging	44.8	45.7	38.6	29.6	28.9	31.7	32.6
Fishing & Aquaculture	115.9	119.3	120.0	120.2	122.3	124.2	125.6
Mining & Quarrying	54.3	53.0	56.3	58.1	61.4	66.1	69.8
Manufacturing	843.9	860.9	862.3	864.6	882.2	914.1	951.5
Electricity, Gas Steam and Conditioning Supply	121.4	125.0	129.1	136.5	143.7	148.3	152.7
Water Supply, Sewerage, Waste Management and Remediation Activities	20.2	20.8	20.8	21.5	22.3	22.8	23.6
Construction	171.0	181.1	197.9	227.0	256.4	278.5	298.8
Wholesale and Retail and Repair of Motor Vehicles and Motor Cycles	707.7	729.0	768.1	803.6	829.6	853.9	877.0
Transport and Storage	520.0	584.3	592.6	602.6	619.0	639.9	664.3
Accommodation and Food Service Activities	388.8	408.2	403.9	405.4	426.3	446.4	468.2
Information and Communication	363.4	377.6	397.5	418.5	440.0	459.2	476.6
Financial and Insurance Activities	600.2	638.6	636.0	648.5	669.8	689.7	714.1
Real Estate Activities	296.6	299.2	289.1	284.1	288.3	291.5	294.6
Professional, Scientific and Technical Activities	153.3	159.4	163.6	169.7	177.1	184.2	191.1
Administrative and Support Services	142.4	149.1	153.2	157.1	161.6	166.0	170.2
Public Administration and Defence; Compulsory Social Security	534.4	584.9	604.3	629.0	661.8	681.2	693.2
Education	443.6	455.7	467.0	478.6	487.6	495.8	505.1
Human Health and Social Work Activities	135.4	141.6	148.6	154.6	161.1	166.7	171.7
Arts, Entertainment and Recreation Activities	22.5	23.0	23.7	24.1	24.6	25.1	25.6
Other Service Activities	114.0	115.7	117.6	119.7	121.8	123.7	125.7
GDP @ Constant Prices	6,290.8	6,596.5	6,711.8	6,856.3	7,090.7	7,317.4	7,546.8
Growth Rate	N/A	4.9	1.7	2.2	3.4	3.2	3.1
GDP @ Market Prices	8,142.5	8,878.9	9,527.1	10,252.9	10,989.1	11,673.5	12,274.0
Growth Rate	N/A	9.0	7.3	7.6	7.2	6.2	5.1

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

Note: *Figures are rounded-off

Table 4: Total Exports by Major Commodities 2011–2020 (\$M)

COMMODITIES	2011	2012	2013	2014	2015r	2016p	2017p	2018f	2019f	2020f
Sugar	127.1	174.6	142.2	201.4	129.4	103.1	194.9	109.0	149.0	162.3
Molasses	16.2	14.9	15.6	17.2	19.6	5.9	20.3	13.5	20.3	21.9
Gold	143.0	136.9	101.2	91.0	93.1	121.0	118.9	142.1	158.1	170.3
Timber, Cork & Wood	62.1	68.9	81.3	90.5	93.2	63.8	26.9	86.8	65.6	68.5
Fish ¹²	264.5	320.1	263.3	302.0	258.3	284.6	263.8	277.6	286.3	295.4
Fruit & Vegetables	44.3	39.3	42.7	39.1	36.4	36.5	45.6	47.9	53.9	59.2
<i>o/w Dalo</i>	22.3	15.2	12.8	21.7	22.1	23.9	22.2	24.0	28.3	31.9
Yaqona	5.7	5.9	6.5	7.5	8.8	14.2	19.6	18.8	19.2	19.9
Coconut Oil	6.8	6.6	2.8	5.3	4.9	7.9	6.5	6.4	6.8	7.4
Textiles	9.4	13.3	7.0	8.0	7.1	6.8	6.5	6.8	7.8	7.5
Garments	90.0	88.7	107.0	101.1	110.0	102.2	90.8	94.4	99.7	105.3
Footwear	1.4	3.1	1.4	2.4	1.5	5.7	2.0	2.1	2.1	2.2
Mineral Water	127.4	160.6	156.4	186.3	199.8	214.4	243.3	275.7	310.9	350.7
Other Domestic Export	279.3	272.6	266.9	272.0	306.5	308.2	321.8	339.1	361.8	382.2
Re- Exports (exc. Fish)	738.9	884.0	900.0	973.0	985.8	662.6	693.1	803.5	804.0	749.3
Total Exports	1916.1	2189.5	2094.3	2296.8	2058.9	1936.9	2054.0	2223.6	2344.9	2402.2
Total Exports excl. Aircraft	1911.8	2140.8	2056.8	2287.4	2049.2	1936.6	2052.9	2206.0	2309.6	2402.2

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

Table 5: Fiscal Year Exports 2014-2019 (\$M)

Commodities	2013-2014	2014-2015	2015-2016	2016-2017p	2017-2018f	2018-2019f	2019-2020f
Total Exports	2,222.4	2,258.4	1,994.9	2,002.3	2,148.7	2,291.4	2,376.9
Total Exports Excl. Aircraft	2,207.4	2,239.3	1,990.3	2,001.5	2,138.3	2,263.8	2,361.2
Growth Rate (%)	9.8	1.4	-11.1	0.6	6.8	5.9	4.3

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

Note: *Figures are rounded-off

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

Table 6: Total Imports by Category 2011–2020 (\$M)

ECONOMIC CATEGORY	2011	2012	2013	2014	2015	2016r	2017p	2018f	2019f	2020f
Food	757.9	772.6	747.8	784.9	800.0	789.4	789.8	829.7	869.8	910.5
Beverage & Tobacco	33.5	32.1	36.0	33.6	48.6	44.7	49.3	52.6	56.3	60.3
Crude Materials	30.6	40.8	48.9	45.0	39.2	66.9	47.7	51.0	54.1	57.3
Mineral Fuels	1,165.7	1,212.0	1,219.9	1,392.7	997.2	726.7	931.2	1,204.1	1,167.2	1,123.0
Oil & Fats	47.1	48.3	43.7	45.2	47.2	41.6	51.9	55.5	58.8	62.3
Chemicals	301.5	325.4	337.9	363.6	391.2	418.8	427.3	449.9	474.7	499.9
Manufactured Goods	465.3	507.8	560.0	599.8	696.9	773.5	760.5	797.6	840.8	885.1
Machinery & Transport Equipment	839.2	765.8	1,822.3	1,340.6	1,283.5	1,470.4	1,373.1	1,488.7	1,538.5	1,598.9
o/w Aircraft Imports	72.4	14.5	816.2	145.1	94.9	0.2	30.3	54.4	24.0	0.0
Miscellaneous Manufactured Goods	282.7	307.0	358.6	376.8	417.2	469.3	510.4	540.0	579.4	614.5
Other Commodities	17.9	26.4	28.4	30.4	35.8	37.7	36.3	38.2	40.3	42.5
Total Imports	3,941.4	4,038.2	5,203.5	5,012.6	4,756.8	4,839.0	4,977.5	5,507.2	5,679.8	5,854.1
Total Imports Excl. Aircraft	3,869.0	4,023.7	4,387.3	4,867.5	4,661.9	4,838.80	4,947.20	5,452.8	5,655.8	5,854.1

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

Table 7: Fiscal Year Imports 2014-2019 (\$M)

Commodities	2013-2014	2014-2015	2015-2016	2016-2017p	2017-2018f	2018-2019f	2018-2019f
Total Imports	4,945.4	4,963.2	4,682.1	5,012.9	5,260.9	5,602.0	6,022.7
Total Imports Excl. Aircraft	4,586.1	4,792.1	4,663.8	5,012.9	5,218.6	5,566.0	6,022.7
Growth Rate (%)	8.7	4.5	-2.7	7.5	4.1	6.7	8.2

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

Note: *Figures are rounded-off

Table 8: Balance of Payments 2011–2020 (\$M)

ITEMS	2011	2012	2013	2014	2015p	2016p	2017p	2018f	2019f	2020f
BALANCE ON GOODS	-1,531.6	-1,378.1	-2,133.5	-1,941.9	-1,902.1	-2,091.5	-2,242.0	-2,606.6	-2,636.7	-2,679.0
Exports f.o.b	1,915.4	2,156.4	2,111.1	2,279.4	2,038.4	1,928.2	2,052.2	2,182.4	2,285.5	2,377.4
Imports f.o.b	3,447.0	3,534.5	4,244.6	4,221.3	3,940.5	4,019.6	4,294.2	4,788.9	4,922.2	5,056.4
BALANCE ON SERVICES	1,131.2	1,160.4	1,161.1	1,270.7	1,449.9	1,476.8	1,588.5	1,718.4	1,870.2	2,041.7
Export of Services	2,097.0	2,188.4	2,277.1	2,410.0	2,640.4	2,682.5	2,938.6	3,140.3	3,341.1	3,555.9
Import of Services	965.8	1,028.0	1,116.0	1,139.3	1,190.5	1,205.7	1,350.1	1,421.9	1,470.8	1,514.3
BALANCE ON PRIMARY INCOME	-207.9	-262.5	-150.9	-425.4	-430.7	-438.3	-628.7	-611.4	-619.8	-623.4
Income from non-residents	179.3	135.4	162.3	112.0	139.9	151.4	158.9	160.3	164.8	168.7
Income to non-residents	387.2	397.9	313.2	537.4	570.6	589.7	787.6	771.7	784.6	792.1
BALANCE ON SECONDARY INCOME	256.8	378.1	376.7	457.1	562.9	562.7	628.5	646.3	665.9	681.8
Inflow of current transfers	362.9	496.6	512.8	597.0	714.9	735.3	808.4	825.9	845.5	861.4
Outflow of current transfers.	106.1	118.5	136.1	139.9	152.0	172.6	179.9	179.6	179.6	179.6
CURRENT ACCOUNT BALANCE	-351.5	-102.1	-746.6	-639.5	-320.0	-490.2	-653.7	-853.2	-720.3	-579.0
CURRENT ACCOUNT BALANCE (Excluding aircraft)	-279.1	-87.6	69.6	-494.4	-146.3	-454.3	-623.4	-798.8	-696.3	-579.0
CAPITAL ACCOUNT BALANCE	10.6	7.1	8.9	8.2	8.4	9.0	9.1	9.1	9.1	9.1
FINANCIAL ACCOUNT BALANCE (Excluding RA)	600.9	564.2	673.1	1,160.0	528.8	413.1	1,015.0	724.6	734.7	779.8
Errors & Omissions	-50.9	-347.6	204.7	-600.9	-80.5	53.7	-27.4	84.8	-7.7	-122.3
RESERVE ASSETS	209.1	121.6	140.1	-72.2	136.7	-14.4	343.0	-34.7	15.8	87.6

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

Table 9: Tourism Statistics 2011–2020

	2011	2012	2013	2014p	2015p	2016p	2017p	2018f	2019f	2020f
Visitors (000)	675,050	660,590	657,706	692,630	754,835	792,320	831,936	880,814	924,854	971,097
Average length of stay (days)	9.4	9.6	9.5	9.5	9.5	9.5	9.6	9.7	9.7	9.7
Visitors days (millions)	6.3	6.3	6.1	6.5	7.0	6.8	7.0	7.0	7.0	7.0
Earnings (F\$M)	1,286.5	1,300.0	1,318.2	1,404.6	1,560.2	1,602.9	1,800.2	1,944.2	2,099.8	2,267.7

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

Table 10: Sugar Production, Export and Price 2011–2020

	2011	2012	2013	2014	2015r	2016p	2017p	2018f	2019f	2020f
Export Quantity Sugar (000 tonnes)	122.0	138.0	160.6	204.6	176.8	143.0	198.3	141.4	179.1	191.6
Unit Value (F\$/tonne)	1041.8	1265.2	885.4	984.4	731.9	721.0	982.9	771.2	832.4	847.2
Sugar Export Earnings (F\$M)	127.1	174.6	142.2	201.4	129.4	103.1	194.9	109.0	149.0	162.3
Molasses Production (000 tonnes)	62.4	66.4	64.9	66.9	79.9	24.6	66.0	66.0	99.0	107.0
Molasses Export Earnings (F\$M)	16.2	14.9	15.6	17.2	19.6	5.9	20.3	13.5	20.3	21.9

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

Table 11: Inflation Rates 2013–2018

	2013	2014	2015	2016	2017	2018 (April)
All items	3.4	0.1	1.6	3.9	2.8	4.0
Food and Non Alcoholic Beverage	5.1	1.5	5.0	2.9	-2.8	6.1
Alcoholic Beverages, Tobacco and Narcotics	6.1	14.3	7.3	35.5	26.1	17.2
Clothing & Footwear	3.3	0.5	2.5	0.8	0.7	0.2
Housing, Water, Elec., Gas and Other Fuels	0.9	-1.5	-4.3	-4.2	2.3	0.1
Furnishings Hhld Equip. & Routine Hhld Maint.	2.9	1.6	0.8	-0.6	-0.9	-1.6
Health	2.1	4.4	1.1	4.5	0.6	-0.9
Transport	-0.1	-2.2	-2.6	-3.6	1.8	0.6
Communications	0.0	0.1	0.2	-1.7	-0.2	0.1
Recreation & Culture	7.6	-1.1	2.2	-2.6	0.5	0.2
Education	6.5	-17.1	0.0	9.0	0.0	0.0
Restaurant & Hotels	8.4	3.5	0.0	3.9	3.1	2.3
Miscellaneous Goods & Services	-0.3	1.3	3.8	-0.9	-1.0	0.0

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

Table 12: Employment by Sector 2003–2009 (in thousands of persons)

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

(Source: Fiji Bureau of Statistics)

*Reference to period was end of December.

r=revised

Table 13: Employment by Sector 2010–2016 (in thousands of persons)

ECONOMIC ACTIVITY	2010r	2011r	2015-2016e
Agriculture, Forestry Fishing	2.2	1.6	62.8
Mining & Quarrying	0.9	0.1	2.1
Manufacturing	22.0	22.4	17.9
Electricity, Gas & Air Conditioning Supply	0.1	0.8	1.2
Water Supply; Sewerage, waste management and Remediation activity	1.3	1.9	1.5
Construction	6.9	6.2	24.3
Wholesale and Retail; Repair of motor vehicles and motor cycle	21.4	22.0	56.7
Transport and Storage	8.3	8.9	21.3
Accommodation and Food Services	13.6	14.2	14.6
Information and Communication	2.2	2.7	1.2
Financial and Insurance activities	3.8	3.9	4.0
Real Estate Activities	1.1	1.2	0.0
Professional Scientific and Technical Activities	3.2	5.3	9.4
Admin and Support Services Activities	6.1	6.6	10.7
Public admin and defence compulsory social security	11.3	10.7	14.7
Education	15.2	15.4	15.9
Human Health and social work activities	4.9	5.2	6.6
Arts, Entertainment and recreation	0.5	0.5	4.0
Other Service Activities	1.5	1.7	6.7
Activities of household as employers; undifferentiated	0.1	0.1	51.4
Total	126.6	131.6	327.1

(Source: Fiji Bureau of Statistics)

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

Latest data is for the period 2015-2016. No Survey was conducted in 2014.

r=revised; e= estimate

Table 14: Exchange Control Relaxations

The changes to the exchange control policies to be effective from 1 August 2018 are as follows.

	Category of Payments	Current Delegated Limit	New Delegated Limit
1	Charges/Services/Fees	\$500,000 per invoice	\$1,000,000 per invoice
2	Opening of Foreign Currency Accounts (FCA) for film production	Not Delegated	Full Delegation
3	Opening of Retained Foreign Currency Accounts(RFCA)	Not Delegated	\$100,000 per company
4	Advance Import Payments made to Individuals	Not Delegated	\$2,000 per invoice
5	Reimbursement of Rental Bond/Immigration Bond/Other	\$2,000 per month	\$10,000 per month
6	Withdrawal of Foreign Currency for Foreign Vessels	\$10,000 per beneficiary	\$50,000 per withdrawal
7	Lubricant/Engine Oil/Hydraulic Oil	Not Delegated	\$10,000 per invoice
8	Local Foreign Currency Loans	Not Delegated	\$2,000,000 per company per annum

(Source: Reserve Bank of Fiji)