

Fiji Budget 2016/2017

Budget Report

22 June 2016



PwC in the Community

Our vision - doing the right thing for our clients, our people, our communities and our planet reflects that we believe we have a responsibility not just to our clients and employees but to a broader society. So our strategy includes an objective to give something back to the community.

Each year PwC carries out work in the community. PwC has run tax and business workshops in the community. We have also assisted and visited various homes and charities including St Christopher's Home, Old People's Home in Samabula, Homes of Hope, Father Law Home, Vincent House, etc. This year, after Tropical Cyclone (TC) Winston, PwC visited affected areas, distributed rations and supplies and volunteered our time and assisted the Fiji Red Cross.

In visiting the villages, we saw that almost all the houses in Nabukadra Village (in Ra) had been destroyed. Families were forced to take shelter in a nearby cave during the height of the cyclone and have been living in makeshift homes and tents since that time. We are assisting with the rebuilding of this village by providing financial assistance in addition to that being provided by Government for the rebuilding of homes. Our staff will also be involved with the construction works.

The following photographs depict some of the work we have been doing in the community.



Senior Partner's Message



The Attorney General and Minister of Finance, Public Enterprises, Public Service & Communications, Honourable Aiyaz Sayed-Khaiyum delivered the 2016/2017 Budget with the adoption of a new fiscal year commencing on 1 August 2016.

The Budget concentrates heavily on Government's plans relating to the expenditure of \$207.9 million to finance recovery and rehabilitation works arising from the damage caused by Tropical Cyclone Winston. As a consequence the Budget forecasts a deficit of \$468 million for 2017, with a growth estimate of 3.6%.

The Government has continued the emphasis on capital expenditure with a spend of 40%. Inflation is forecasted at 2.0% and 2.5% for 2017 and 2018 respectively.

The Government has announced various initiatives to improve overall living standards by engaging in inclusive social development and sustainable development programmes. Resources are being channelled towards programmes to facilitate investment, income and employment opportunities. A range of new incentives have been introduced under the Employment Taxation Scheme. The Government has signalled the importance of promoting the Micro, Small & Medium Enterprises (MSME's) with the Prime Minister to chair the National MSME Council.

Priority and significant investment will continue in health, infrastructure, education, housing, water and energy.

In order to achieve the desired revenue to fund the expansionary plans, the Government will continue to enforce strict compliance with the taxation laws and revenue measures. The Government reiterated the proposal it introduced last year to link cash registers of retail outlets to FRCA. The Government wants to ensure that consumers receive the benefit of tax and import duty reductions through lower retail prices.

Notable policy changes include the re-introduction of deemed dividends, taxation of debt forgiveness on related party loans, and increases in various duties on second-hand vehicles including hybrid vehicles and increase in water resource taxes. As expected, increases were imposed on cigarettes, alcohol and sugar sweetened and carbonated drinks.

The Minister announced some positive measures in attracting transit visitors and elimination of credit card levies. From 1 January 2017 Government will reduce fiscal duty to 5% on new vehicles with engine capacity not exceeding 2500cc.

Overall, one could say the budget had no major surprises and to the relief of many, the much anticipated Cyclone Winston tax did not eventuate.

The Ministry of Finance will be known as the Ministry of Economy from 1 August 2016.

PwC is pleased to present this Budget Report. Please feel free to contact any of the Partners for further clarification.

A handwritten signature in blue ink that reads "Jenny Seeto".

Jenny Seeto
Senior Partner, PwC Fiji

Contents

PwC in the Community	i
Senior Partner's Message	ii
1 Spotlight on the Budget	1
1.1 Budget Estimates and Key Indicators	1
2 State of the Nation	2
2.1 Economic Position	2
2.2 Government Revenue	6
2.3 Government Expenditure	6
2.4 Investing Activities	8
2.5 Government Debt	8
3 Tax Measures	11
3.1 Income Tax Policy Changes	11
3.2 Stamp Duty	12
3.3 Value Added Tax (VAT)	12
3.4 Service Turnover Tax (STT) and Environmental Levy	12
3.5 Airport Departure Tax	13
3.6 Water Resource Tax Promulgation	13
3.7 Tax Administration Decree (TAD) Changes	13
3.8 FRCA Act Changes	13
3.9 Customs and Excise Changes	13
4 Strategic Direction	14
4.1 Government's Policy Framework	14
4.2 Medium Term Strategy	14
5 Budget Allocations	16
Appendix A Customs and Excise Import Changes	18
Appendix B Reform Programmes	22
Appendix C Budget Allocations and Other Key Initiatives	26

1 Spotlight on the Budget

1.1 Budget Estimates and Key Indicators

	2016 Budget \$m	2016/2017 Budget \$m	2017/2018 Target \$m	2018/2019 Target \$m
Revenue	3,128.7	3,175.3	3,073.1	3,221.7
Expenditure	3,414.5	3,643.3	3,437.1	3,549.3
Net Deficit	(285.8)	(468.0)	(364.0)	(327.6)
GDP at market prices	9,691.1	9,866.8	10,401.3	10,920.7
Debt	4,659.90	4,969.3	5,334.4	5,661.0
Debt as a % of GDP	48.1%	50.4%	51.3%	51.8%
Growth rate	2.4% (rf)	2.8%(f)	3.6(f)	3.2(f)

	2015	2016	2017	2018
Visitor arrivals	754,835 (f)	815,222 (f)	855,983 (f)	898,782 (f)
Inflation	1.6%	2.0(f)	2.0(f)	2.5%(f)
Anticipated sugar export quantity (000s)	191.9 (e)	134.6 (f)	187.5 (f)	230.0 (f)

	2015 (p)	2014	2013
Contingent Liabilities (\$m)	2,797.2	2,556.7	2,191.4

Source: 2016/2017 Budget Supplement

Key:

(f) Forecast

(rf) Revised forecast

(p) Provisional

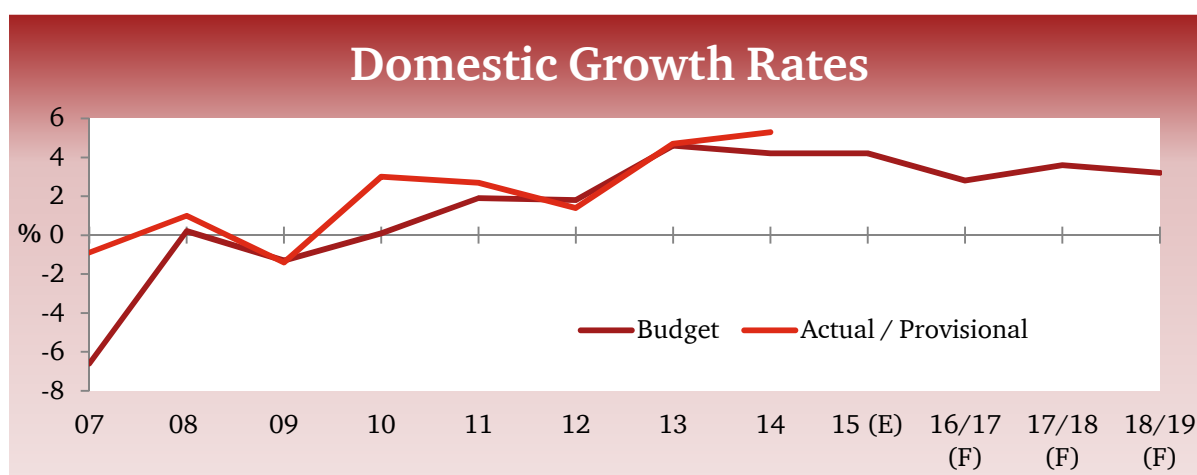
N/A Data not available

2 State of the Nation

2.1 Economic Position

2.1.1 Growth rate

2016/2017=2.8% (2015 revised budget=2.4%)



Source: 2016/2017 Budget Supplement

International Outlook

The International Monetary Fund (IMF) has projected global growth to slow to 3.2% in 2016 and 3.5% in 2017.

Domestic Outlook

The domestic economy is estimated to have expanded by 4.2% in 2015 after growing by 5.3% in 2014 and 4.7% in 2013.

Overview 2016

The Fiji economy is forecasted to grow by 2.4% (revised) in 2016 and takes into account the negative impact from Tropical Cyclone (TC) Winston.

The projected drivers for growth are the transport and storage sector; financial and insurance activities; accommodation and food services; wholesale and retail trade; construction and the public administration and defence sectors.

Overview 2017

The domestic economy is projected to grow by 3.6% in 2017. This is an upward revision from the 3.1% growth forecasted in the 2016 budget. While all the sectors are expected to grow, the major drivers of growth are transport and storage; manufacturing; financial and insurance activities; wholesale and retail trade; accommodation and food services sectors; and construction and rehabilitation.

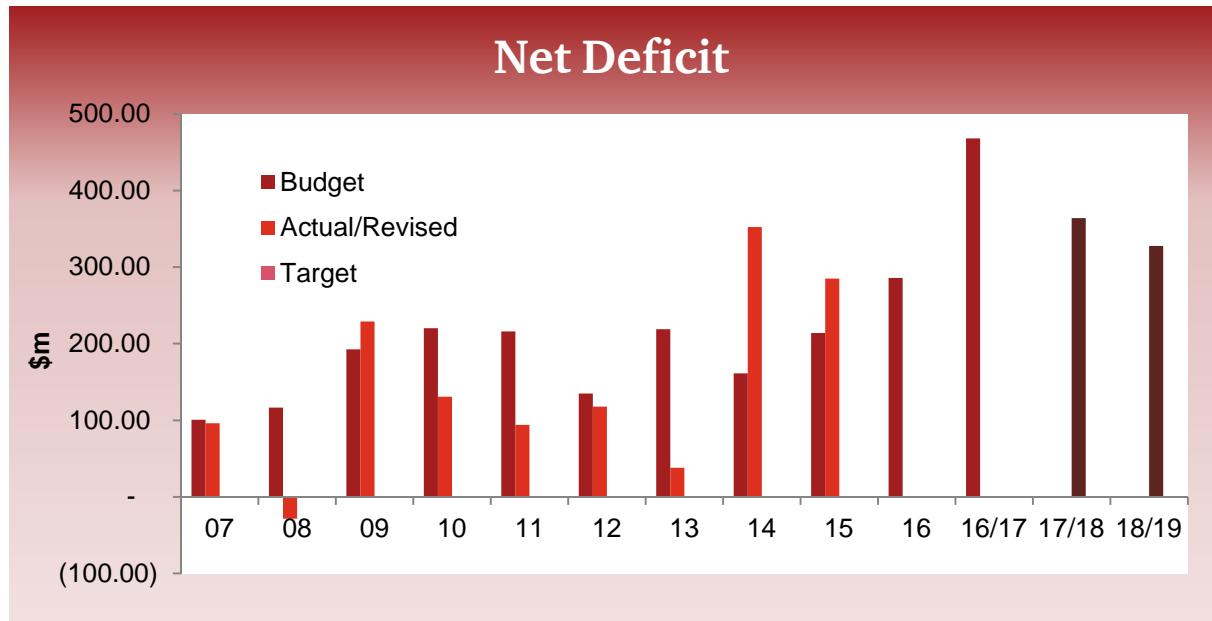
Overview 2018

The economy is expected to grow by 3.2% in 2018.

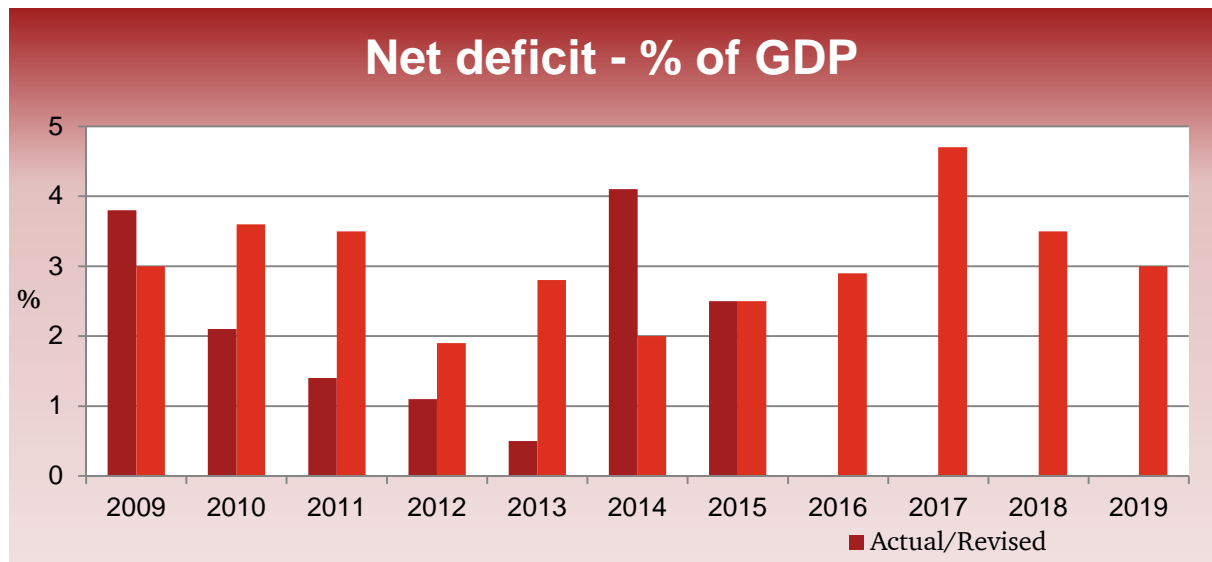
Growth is anticipated to be driven from all sectors.

Tourist arrivals of 815,222 (2015 forecasted – 754,835) and sugar export of 134,600 tonnes (2015: 191,900 tonnes) expected for 2016.

2.1.2 Budget Deficit



Source: 2016/2017 Budget Supplement



Source: 2016/2017 Budget Supplement

2015 Actual Performance

The Government recorded a net deficit of \$284.8 million, equivalent to 3.2% of GDP at the end of 2014/2015. Total actual revenue amounted to \$2,431.3 million, while total expenditure stood at \$2,716.1 million.

2015/2016 Projection

The net deficit for FY 2015/2016 is estimated at \$146.0 million, or 1.6% of GDP, with total revenue of \$2,799.6 million and total expenditure of \$2,945.6 million.

2016/2017 Budget Estimates

The Government has announced that total revenue for 2016/2017 is forecast at \$3,175.3 million with a total budgeted expenditure of \$3,643.4 million. This provides a net fiscal deficit of \$468.1 million, equivalent to 4.7% of GDP.

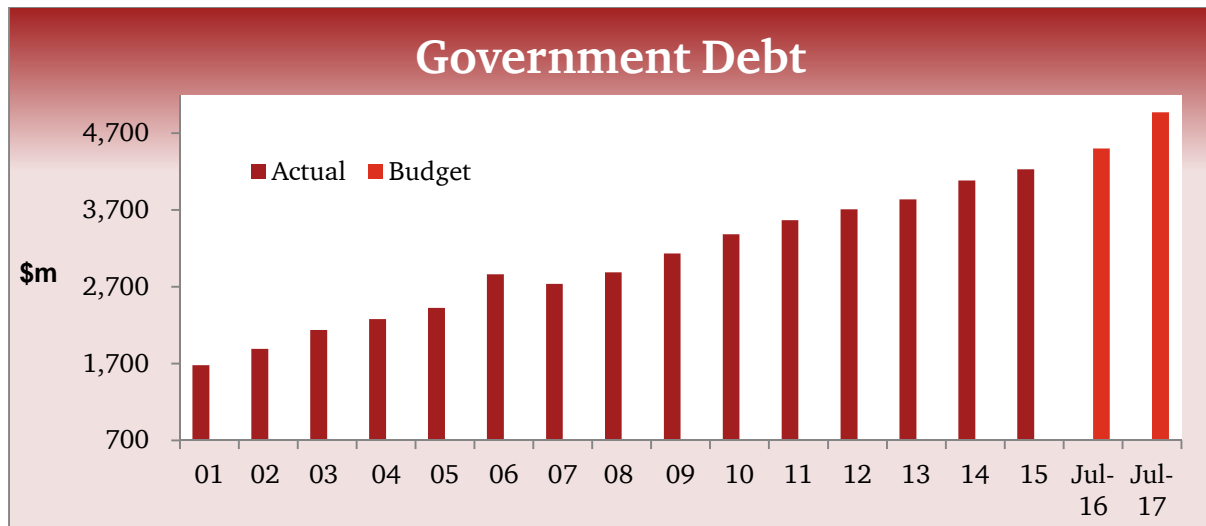
The higher net deficit is driven by the reconstruction and recovery plans for TC Winston to which \$207.9 million has been allocated.

2.1.3 Balance of payments

In 2016, the current account deficit is expected to be 1% of GDP. The lower deficit is due to inward remittances and higher foreign aid for TC Winston rehabilitation. The current account deficit for 2017 is projected to rise to 2.3% of GDP and a similar percentage is expected for 2018 and these exclude aircraft expenditure.

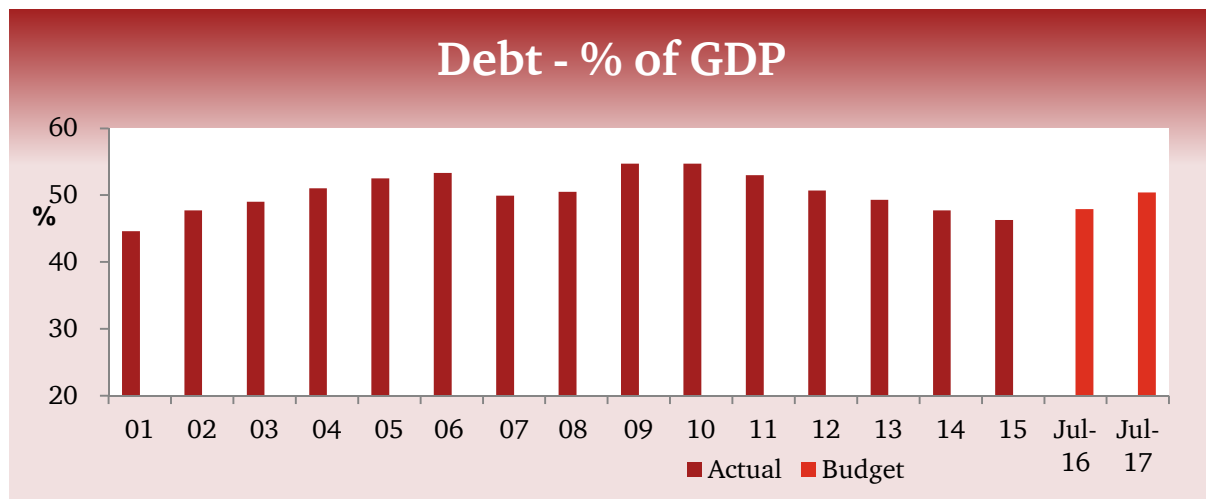
2.1.4 Government debt

The government debt position for July 2016 is forecasted at \$4.5 billion.



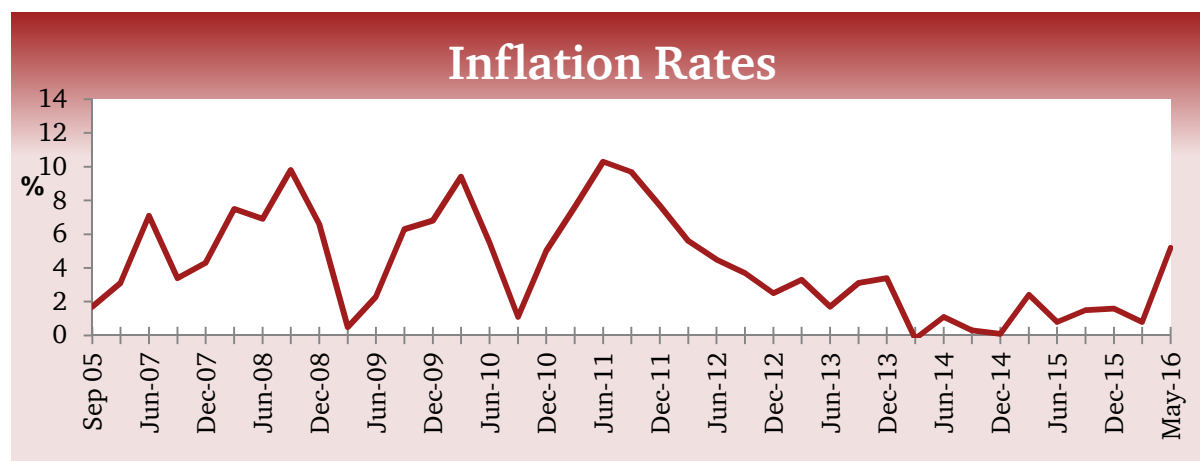
Source: 2016/2017 Budget Supplement

The Government debt is projected to be 47.9% of GDP in July 2016 and forecasted at 50.4% of GDP in July 2017.



Source: 2016/2017 Budget Supplement

2.1.5 Inflation



Source: RBF Quarterly/ Economic Reviews and 2016/2017 Budget Supplement

The 2015 inflation was 1.6% up from 0.1% in 2014. Imported inflation from low global fuel prices continues to keep inflationary pressures subdued.

Inflation averaged around 1.7% from January to May 2016 and is projected to be around 2.0% by year-end.

Inflation is forecasted at 2.0% and 2.5% for 2017 and 2018 respectively.

2.1.6 Exports and Imports

2015 exports are estimated to have contracted by 13.2% compared to the forecasted growth of 1%. This is from a combination of lower re-exports mainly led by reduction in prices of mineral fuels and other re-export commodities, with marginal increase in domestic exports. The domestic exports were mainly led by fish, timber, gold, mineral water and garments, but offset by decline in sugar, fruits and vegetables and molasses.

Total exports are expected to decline by 1.4% in 2016 due to TC Winston. Total exports are expected to grow by 8.9% in 2017 and 6.3% in 2018.

Total imports are estimated to have declined by 13.2% in 2015 led by lower imports of mineral fuel, food, machinery and transport equipment.

Import growth for 2016, 2017 and 2018 is projected at 8.5%, 5.8% and 3.0% respectively.

2.1.7 Monetary Policy

The overnight policy rate remained unchanged at 0.5% in the first five months of 2016. The Government indicated that monetary policy continued to focus on safeguarding the twin objectives of low inflation and adequate foreign reserves.

2.1.8 Interest Rates

Commercial banks' lending and deposit rates have trended upwards in the year to April 2016.

2.1.9 Exchange Rates

The Government reported that the Nominal Effective Exchange Rate (NEER) index declined over the month of May by 1.6%. Similarly, the Real Effective Exchange Rate (REER) index also declined by 1.3% over the month.

2.2 Government Revenue

2.2.1 Direct taxes

Direct taxes make up 20.8% of the Government's operating revenue. In 2014/2015, total direct tax collection amounted to \$538.6 million, while the projection for 2015/2016 is \$582.0 million. The collection is forecast to increase to \$659.9 million in 2016/2017.

2.2.2 Indirect taxes

2014/2015 amounted to \$1,593.8 million. The collection is anticipated to increase to \$1,745.7 million in 2015/2016 and to \$1,967.2 million in 2016/2017.

The key changes in indirect taxes include:

- Increase in fiscal duty on second-hand vehicles.
- Imposition of fiscal duty on hybrid vehicles.
- Increase in fiscal duty by 15% and local excise duty by 15% on cigarettes and alcohol.
- Increase in import excise duty on imported cigarettes.
- Increase in excise tax on sugar sweetened and carbonated drinks by 20 cents per litre.
- Increase in water resource tax rates.

2.2.3 Other Government Revenue

The Government is expected to generate revenue of \$188.2 million and \$250.0 million from sale of Government assets during 2015/2016 and 2016/2017 respectively.

2.3 Government Expenditure

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

2.3.1 Operating Payments

The budget details indicate that personnel cost is expected to be the largest component of the Government's operating expenditure being 43.4% and 42.3% of Government's operating expenditure during 2015/2016 and 2016/2017 respectively. During 2016/2017, this is followed by transfer payments at 26.4%, interest payments at 13.3%, supplies and consumables at 12.1%, special expenditures at 5.3% and other operating payments at 0.5%.

2.3.2 Personnel Costs

Wages and salaries expenditure during 2014/2015 amounted to \$806.7 million, while the projection for 2015/2016 is \$857.8 million. This is expected to increase to \$903.9 million during 2016/2017.

2.3.3 Transfer Payments

Total operating transfers during 2014/2015 stood at \$445.1 million. This is expected to increase to \$489.3 million during 2015/2016 and \$565.3 million in 2016/2017.

The major operating grants provided in the Budget include:

Water Authority of Fiji	– \$79.3 million
Fiji National University	– \$45.1 million
FRCA Grant	– \$42.9 million
Fee Free Education Years 1-8	– \$35.0 million
Fee Free Education Year 9-13	– \$31.4 million
University of the South Pacific	– \$30.2 million
Poverty Benefit Scheme	– \$23.2 million
Bus Fare Assistance	– \$20.0 million
Land Transport Authority	– \$19.0 million
Fiji Road Authority	– \$16.6 million
Social Pension Scheme	– \$14.0 million
Fiji Elections Office	– \$12.7million
Parliament	– \$10.8 million
Grant to Fiji's Servicemen's After Care Fund	– \$8.8 million
Fiji Independent Commission Against Corruption	– \$8.5 million
Grant to Tourism Fiji	– \$8.3 million
Salary grant for early childhood education teachers	– \$6.8 million
Public Service Broadcast (Radio)	– \$6.7 million
Biosecurity Authority of Fiji	– \$6.1 million
Public Service Commission	– \$5.5 million
Legal Aid Commission	– \$5.0 million

2.3.4 Supplies and Consumables

During 2014/2015, total expenditure on supplies and consumables amounted to \$211.8 million. The allocation for 2015/2016 is \$253.0 million and is expected to increase to \$259.8 million in 2016/2017.

2.3.5 Special Expenditures

During 2014/2015, spending on special expenditures such as trainings and consultancies amounted to \$68.6 million. Projections for 2015/2016 and 2016/2017 are \$100.4 million and \$114.0 million, respectively.

2.3.6 Interest Payments

Total interest payments during 2014/2015 amounted to \$264.3 million. The expected interest payments for 2015/2016 and 2016/2017 are \$267.0 million and \$284.9 million, respectively.

2.4 Investing Activities

Investing revenue in FY 2014/2015 stood at \$5.9 million. Government has projected around \$193.6 million and \$255.7 million from investing revenues during FY 2015/2016 and FY 2016/2017 respectively. This is mainly from the sale of Government assets.

In 2014/2015, around \$758.4 million was provided as capital grants and transfers, while the anticipated spending for 2015/2016 is \$708.6 million. For 2016/2017, Government has allocated \$1,229.1 million for undertaking capital projects.

The allocations for major capital grants and transfers during FY 2016/2017 include:

Fiji Roads Authority	– \$510.6 million
Water Authority of Fiji	– \$229.4 million
Cyclone rehabilitation for 250 schools	– \$132.0 million
Tourism Fiji Marketing Grant	– \$27.6 million
Help for homes initiative	– \$20.0 million
Marketing Support to Fiji Airways	– \$18.0 million
Rural Electrification Projects	– \$14.9 million
FRCA Capital Grant	– \$11.8 million
National Toppers Scholarship	– \$10.6 million
First Home buyers	– \$10.0 million
iTaukei Land Development	– \$10.0 million

Total purchase of physical non-current assets, including spending on capital construction and purchases, during 2014/2015 amounted to \$107.5 million. The spending is anticipated to increase to \$205.5 million in 2015/2016 and \$225 million in 2016/2017.

Net investing deficit of \$860.0 million was recorded during 2014/2015. Government has projected a net investing deficit of \$720.6 million and \$1,198.3 million for FY 2015/2016 and FY 2016/2017, respectively.

The major allocations for TC Winston rehabilitation and reconstruction during FY 2016/2017 (which are part of the major capital grants and transfers) include:

Rehabilitation Cost for 250 Schools	– \$132.0 million
Rehabilitation of Roads, Bridges and Jetties	– \$31.8 million
Rehabilitation Works for Water and Sewerage Facilities	– \$8.6 million
Rehabilitation of Micro and Small Businesses	– \$6.4 million
Rehabilitation of Solar Home Systems and Diesel Schemes	– \$5.9 million

2.5 Government Debt

The underlying Government debt policy is to maintain debt at a sustainable level. The focus is not primarily on the level of debt but also on the composition of debt to safeguard against any downside risks. Public debt has been falling as a share of GDP over recent years due to Fiji's strong economic performance.

The following table summarises total Government debt:

	2013 \$m	2014 \$m	2015 \$m	Jul 2016 \$m	Jul 2017 \$m
Domestic debt	2,744.2	2,829.0	2,982.1	3,180.0	3,371.9
– as a percentage of GDP	36.9%	33.1%	32.7%	33.83%	34.17%
External debt	1,094.1	1,254.3	1,245.8	1,321.3	1,597.4
– as a percentage of GDP	14.7%	14.7%	13.7%	14.1%	16.2%
Total debt	3,838.3	4,083.2	4,227.9	4,501.3	4,969.3
Debt as a % of GDP	51.7%	47.7%	46.3%	47.9%	50.4%
Domestic/Total Debt Ratio	71.5%	69.3%	70.5%	70.6%	67.9%
External/Total Debt Ratio	28.5%	30.7%	29.5%	29.4%	32.1%

Source: 2016/2017 Budget supplement

2.5.1 Domestic Debt Stock

Domestic debt stock mainly comprises debt securities such as treasury bills and bonds with maturities ranging from 14 days to 1 year and from 2 years to 15 years, respectively. Total domestic debt in 2015 was equivalent to 32.7% of GDP. The Government indicated that in 2015 there was an increase in preference for 8 year, 10 year and 15 year maturities, indicating investor appetite in Government's long term debt securities.

2.5.2 External Debt Stock

The external debt stood at \$1.2 billion, equivalent to 13.7% of GDP at the end of 2015. External debt holding by creditor includes EXIM Bank of China (39%), the ADB (22%), EXIM Bank of Malaysia (1.3%), the Japan International Cooperation Agency (1.3%) and China Development Bank (1.1%).

Total overseas borrowing in 2015 amounted to \$4079.1 million of which 90% was attributed to US\$200 million bond issue. The bond attracted a lower interest rate of 6.625% compared to the 6.8% and 9% providing savings in interest costs.

2.5.3 Risk Indicators and Exposure of Debt Stock

In terms of risk assessment, the exposure of the current debt portfolio was measured against the refinancing risk, interest rate risk and exchange rate risk.

The budget indicates that the Government debt remained sustainable given the elimination of a major roll-over risk and the decrease in foreign exchange (FX) risk exposure to 29.1% in March 2016 from 31.1% in 2015.

2.5.4 Contingent Liabilities

Contingent liabilities include Government guaranteed debt of state owned entities and statutory authorities' debt (includes implicit liabilities).

Total contingent liabilities increased by 9.4% to \$2,797.2 million in 2015, largely due to increased Fiji National Provident Fund member contribution. The Government indicated that the total contingent liabilities stood at 30.7% of GDP at the end of 2015, while total guaranteed debt (explicit liabilities) comprised \$824.5 million, equivalent to 9% of GDP.

3 Tax Measures

3.1 Income Tax Policy Changes

Policy	Description
1. Incentive package for those that invest in setting up of Electric Vehicle Charging Stations	<p>The following incentives will be available:</p> <ul style="list-style-type: none"> ▪ Seven (7) years tax holiday ▪ Shall be granted a subsidy up to a maximum of: <ul style="list-style-type: none"> – 5% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$3,000,000. – 7% of the total capital outlay incurred in the development of electric vehicle charging stations provided that the capital expenditure is not less than \$10,000,000. ▪ Loss carried forward of 8 years.
2. Deemed dividend provisions	<ul style="list-style-type: none"> ▪ Deemed dividend provisions to be re-introduced for dividends with respect to tax year 2016 and onwards.
3. Employment taxation scheme	<ul style="list-style-type: none"> ▪ Tax deduction for wages paid on the first full-time employee to continue, with an increased rate of 200%, effective from 1 August 2016. ▪ 200% tax deduction on apprenticeship in the related area of study up to 6 months in a year before graduation, as part of course requirements. ▪ 200% tax deduction on wages paid to students employed in the related area of study up to 3 months in a year. ▪ 300% tax deduction on wages paid in the employment of disabled people who will be employed continuously for a period of 3 years. ▪ 150% tax deduction of employees' education fees who are allowed to study (up-skill) and attend training to obtain a professional qualification during their course of employment. ▪ All of the above will expire in 2020 except the 300% tax deduction on wages paid in the employment of disabled people, which will expire in 2022.
4. Resident interest withholding tax	<ul style="list-style-type: none"> ▪ Part 4(4) of the Income Tax Regulations Legal No. 2 will be deleted to simplify application of resident interest withholding tax (RIWT) as final tax. The first \$200 exemption is now removed in line with RIWT being final tax.
5. Credit card levy	<ul style="list-style-type: none"> ▪ The credit card levy of 3% will be removed effective from 1 August 2016.
6. Principal place of residence – capital gains tax (CGT)	<ul style="list-style-type: none"> ▪ Series of disposal of principal place of residence will now be subject to CGT.

Policy	Description
7. Tax Free Region (TRF) Regulation changes	Amendments to the TFR Regulations: <ul style="list-style-type: none"> ▪ The Minister has the powers to extend time of commencement of business under the TFR licence if the business cannot commence at the date fixed by the Minister. ▪ The Minister has the powers to change the conditions of the TFR licence.
8. Forfeited deposits	<ul style="list-style-type: none"> ▪ Forfeited deposits will now be taxed as income.
9. Definition of “capital asset”	<ul style="list-style-type: none"> ▪ The definition of capital assets is extended to include ships and boats.
10. Debt forgiveness	<ul style="list-style-type: none"> ▪ Debt forgiveness (related party loans being forgiven) will be taxed under the Income Tax Act.
11. Non-resident withholding tax – reimbursement for professional services	<ul style="list-style-type: none"> ▪ Reimbursement for expenses under Professional Services Fees will be subject to non-resident withholding tax.

3.2 Stamp Duty

Policy	Description
1. Legal document	<ul style="list-style-type: none"> ▪ Any instrument of nomination, novation or assignment, howsoever titled shall be charged with ad valorem duty as a transfer on sale.

3.3 Value Added Tax (VAT)

Policy	Description
1. Business of dealing in residential accommodation	<ul style="list-style-type: none"> ▪ VAT is applicable on business of dealing in residential accommodation rental exceeding \$100,000 per year.
2. VAT refunds	<ul style="list-style-type: none"> ▪ Interest will be applied on late VAT refunds at a Market Lending rate determined by the Reserve Bank of Fiji.
3. VAT monitoring system	<ul style="list-style-type: none"> ▪ Supporting laws for new VAT monitoring system will be introduced.

3.4 Service Turnover Tax (STT) and Environmental Levy

Policy	Description
1. Bus companies engaged in carriage of tourists	<ul style="list-style-type: none"> ▪ STT and environmental levy will be charged on bus companies that engage in carriage of tourists.

3.5 Airport Departure Tax

Policy	Description
1. Waiver of Airport Departure Tax on transit passengers	<ul style="list-style-type: none"> Waiver of Departure Tax for stopovers of less than 72 hours.

3.6 Water Resource Tax Promulgation

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

3.7 Tax Administration Decree (TAD) Changes

Policy	Description
1. Administrative summons	<ul style="list-style-type: none"> Section 36 of the TAD is amended to prescribe time for furnishing of documents under Administrative Summons.
2. Appeals to Court of Appeal	<ul style="list-style-type: none"> Amend section 109(3) of the TAD to align Court of Appeal rules for 42 days.

3.8 FRCA Act Changes

Policy	Description
1. FRCA's financial year	<ul style="list-style-type: none"> FRCA's financial year will be aligned with the Government's new financial year.

3.9 Customs and Excise Changes

Please refer to **Appendix A** for details of the Customs and Excise change.

4 Strategic Direction

4.1 Government's Policy Framework

4.1.1 Formulation of 5-Year and 20-Year National Development Plan (NDP)

Government indicated the timeline for the formulation and adoption of the 20-year and 5-year NDP has been extended in the wake of TC Winston. A Post Disaster Needs Assessment and short term Disaster Recovery Framework for TC Winston are now being incorporated into the 5-year Development Plan.

The 20-year plan will outline broad national outcomes, goals and strategies, and identify and address key challenges, opportunities and resources for realising this vision.

The 5-year plan will set out detailed strategies and programmes for the allocation of resources for all sectors, such as education, health, water, electricity, roads, bridges and ports.

Government advised that a NDP will be made available to the public for further comments and feedback before finalisation. The next round of consultations is planned for July 2016. The 20-year and 5-year NDP are expected to be finalised before the end of 2016.

4.2 Medium Term Strategy

Government stated that its broad macroeconomic targets have acted as a guide for prudent macroeconomic management. Government will continue to maintain the following medium term macroeconomic targets:

- Annual economic growth rate of 5%;
- Total investment level above 25% of GDP;
- Managing inflation at around 3%;
- Ensuring foreign reserves level cover 4-5 months of import;
- Annual budget deficits at less than 3% of GDP; and
- Maintaining Government debt at sustainable levels.

The following table summarises Government's medium term fiscal targets:

Fiscal Targets	2016/2017 Budget (\$m)	2017/2018 Target (\$m)	2018/2019 Target (\$m)
Revenue:	3,175.3	3,073.1	3,221.7
– As a % of GDP	32.2%	29.5%	29.5%
Expenditure:	3,643.3	3,437.1	3,549.3
– As a % of GDP	36.9%	33.0%	32.5%
Net Deficit	(468.0)	(364.0)	(327.6)
– As a % of GDP	(4.7%)	(3.5%)	(3.0%)

Fiscal Targets	2016/2017 Budget (\$m)	2017/2018 Target (\$m)	2018/2019 Target (\$m)
Debt:	4,969.3	5,333.4	5,661.0
– As a % of GDP	50.4%	51.3%	51.8%
GDP at Market Prices	9,866.8	10,401.3	10,920.7

4.2.1 Government Policies

Government's policies relating to revenue, expenditure and debt are summarised as follows.

Revenue

- Ensuring a simple, transparent and equitable tax system;
- Broadening the tax base while maintaining low tax rates;
- Modernising tax laws to ensure clarity and certainty in its interpretation and application;
- Adopting best practices in tax administration;
- Promoting tax compliance to improve collection of revenue and arrears; and
- Supporting investment and business development including clean energy.

Expenditure

- Channelling public resources towards programmes that will facilitate investment, income and employment opportunities and inclusive growth;
- Minimising operational costs to improve the quality of Government spending;
- Providing adequate funds for basic essential services and social programmes;
- Supporting key infrastructure development programmes;
- Promoting self-help initiatives, MSME development and financial inclusion initiatives;
- Allocating contingency funding for natural disasters;
- Supporting the acceleration of key structural reforms; and
- Upholding green economy initiatives aligned to the Green Growth Framework.

Debt

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

4.2.2 Reform Programmes

Government has implemented a number of reform initiatives over the past few years. This includes the civil service reform, financial management reforms, sugar industry reforms, labour market reforms and financial sector reforms.

Please refer to **Appendix B** for details on these reforms.

5 Budget Allocations



Department of Housing - \$25.4 million



Ministry of Education, Heritage and Arts - \$448.5 million, an increase of \$26.6 million from the revised estimate for 2015/2016.

Higher Education Institutions - \$93.3 million, an increase of \$22.0 million from the revised estimate for 2015/2016.



Ministry of Health - \$244.0 million, a decrease from \$277.1 million provided in the revised estimate for 2015/2016



Fiji Roads Authority (FRA) - \$527.2 million

Water Authority of Fiji - \$308.6 million

Department of Energy - \$28.8 million, includes Rural Electrification Project of \$14.9 million



Ministry of Agriculture's - \$74.4 million from \$64.7 million in the 2015/2016 revised estimate

Ministry of Sugar – \$27.5 million



Fiji Police Force - \$131.7 million

Republic of Fiji Military Forces - \$96.4 million



Ministry for Women, Children and Poverty Alleviation - \$56.0 million

Ministry of Youth and Sports - \$16.4 million



Ministry of Industry, Trade and Tourism - \$77.0 million, compared to \$50.2 million in the 2015/2016 revised estimate



Ministry of Civil Service - \$45.4 million, an increase of \$25.8 million from the revised 2015/2016 estimate

Please refer to **Appendix C** for more details on the allocations and Government's other key initiatives.

Appendices

Appendix A Customs and Excise Import Changes	18
Appendix B Reform Programmes	22
Appendix C Budget Allocations and Other Key Initiatives	26

Appendix A Customs and Excise Import Changes

1 Fiscal Duty Changes

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

Policy	Description
15. Impose duty on hybrid vehicles from 1 January 2017	<ul style="list-style-type: none"> ▪ From 1 January 2017, the following specific rates of duty will apply on hybrid vehicles: <ul style="list-style-type: none"> – Less than 1500cc vehicles will attract \$2,000 specific duty. – Greater than 1500cc but less than 2500cc vehicles will attract \$2,500 specific duty. – Greater than 2500cc vehicles but less than 3000cc will attract \$3,000 specific duty. – Greater than 3000cc vehicles will attract \$6,500 specific duty. ▪ All new hybrid vehicles will continue to attract zero duty.
16. Create provision for humanitarian aid and natural disaster relief goods	<ul style="list-style-type: none"> ▪ Review of Customs Tariff Act to accommodate and create provision for goods of humanitarian aid and natural disaster relief in nature to allow expeditious clearance of such goods.

2 Import Excise Changes

Policy	Description
1. Tobacco	<ul style="list-style-type: none"> ▪ Increase import excise duty on imported cigarettes.

3 Local Excise Changes

Policy	Description
1. Tobacco and alcohol	<ul style="list-style-type: none"> ▪ Increase excise tax on cigarettes, tobacco and alcohol by 15%.
2. Sugar sweetened and carbonated drinks	<ul style="list-style-type: none"> ▪ Increase excise tax on sugar sweetened and carbonated drinks by 20 cents per litre.

4 Excise Rates

Description	2016 rates	2016/2017 rates
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or less	\$2.25/litre	\$2.59/litre
Ale, Beer, Stout and other fermented liquors of an alcoholic strength of 3% or more	\$2.63/litre	\$3.02/litre
Potable Spirit Not Exceeding 57.12 GL	\$49.63/litre	\$57.07/litre
Potable Spirit Exceeding 57.12 GL	\$86.90/litre	\$99.94/litre

Description	2016 rates	2016/2017 rates
Wine: Still	\$3.50/litre	\$4.03/litre
Sparkling	\$3.99/litre	\$4.59/litre
Other fermented beverages: Still	\$3.50/litre	\$4.03/litre
Sparkling	\$3.99/litre	\$4.59/litre
Ready to Drink Mixtures of any Alcohol and non-alcoholic beverages of an alcoholic strength by volume of 11.49% or less	\$1.61/litre	\$1.85/litre
Cigarettes from local tobacco per 10 sticks	152.50 cents	175.38 cents
Cigarette from imported tobacco per 10 sticks	228.74 cents	263.05 cents
Manufactured tobacco containing tobacco grown outside Fiji	\$131.80/kg	\$151.57/kg
Manufactured tobacco containing tobacco grown in Fiji	\$77.43/kg	\$89.04/kg
Manufactured tobacco containing tobacco grown outside Fiji and tobacco grown in Fiji:		
▪ Tobacco grown outside Fiji	\$131.80/kg	\$151.57/kg
▪ Tobacco grown in Fiji	\$77.43/kg	\$89.04/kg

5 Customs Legislative Changes

Policy	Description
1. Legislate requirements for life jackets and life belts	<ul style="list-style-type: none"> Legislate stringent requirements for life jackets and life belts suppliers – “The supplier should be able to respond by 24 hours and also supply as and when required by the purchaser.”
2. Realign Customs Tariff for infant food	<ul style="list-style-type: none"> Align tariff rates on infant food to Concession code 104.
3. Strengthen Section 95 of the Customs Act	<ul style="list-style-type: none"> Recovery of duties under Section 95 of the Customs Act to be extended to properties of importers or agents. Align to section 28 of the Tax Administration Decree.
4. Section 159 amendment	<ul style="list-style-type: none"> Amend section 159 of the Customs Act to give powers to Comptroller of Customs to dispose of detained and prohibited goods in any manner to be determined by the Comptroller.
5. Amend tariff headings 0105 of the Customs Tariff	<ul style="list-style-type: none"> Remove day old from the Customs Tariff.
6. Amend section 95A1 of Customs Act	<ul style="list-style-type: none"> Align timelines to the Tax Administration Decree – Section 30(5)(a)(b) <ul style="list-style-type: none"> <i>In case of perishable goods, within a period that the CEO or authorised tax officer considers reasonable having regard to the condition of the goods; or</i> <i>In any other case, within 10 consecutive days after the distress is executed.</i>

Policy	Description
7. Amend Customs Regulations 47	<ul style="list-style-type: none"> ▪ Customs Regulations 47(4) to read – <ul style="list-style-type: none"> – <i>In addition to the fee prescribed in sub-regulation (3) of this regulation, the agent, importer, exporter or owner as the case may be, shall pay to the comptroller an additional fee per entry per day, if entries are not claimed and collected within 4 working days after lodgement.</i>
8. Align Customs binding rulings to WCO model	<ul style="list-style-type: none"> ▪ Customs binding rulings (tariff opinions) – Align it to WCO and WTO requirements. To this effect, a holistic Customs legislation rewrite will take place.
9. Increase minimum amount of refund that can be claimed to \$50	<ul style="list-style-type: none"> ▪ Increase application fee for claim of refund of duty from \$2 to \$50 and drawback claimed from \$20 to \$50.
10. Increase Customs fees and charges	<ul style="list-style-type: none"> ▪ All Customs fees and charges will be increased.

Appendix B Reform Programmes

1 Civil Service Reforms

The Civil Service Reform Management Unit (CSRMU) continues to work closely with the World Bank to provide models of best practice aimed at strengthening the civil service. Under the key pillars of the reform, several reviews have been undertaken and are awaiting finalisation of reports for Government consideration.

A benchmark compensation survey has been completed whereby more than 140 civil service positions were reviewed. The survey collected salary data of positions in the private sector, and international and regional organisations to assess appropriate salary levels for comparative positions in the civil service.

The World Bank has also carried out specially scoped reviews on the following Ministries: (1) Public Service Commission - implementation is now complete with the establishment of the Ministry of Civil Service and amended mandate. All constitutional powers previously exercised by the Public Service Commission have been devolved to individual Ministries; (2) Ministry of Infrastructure & Transport: the review has been completed and awaiting Cabinet consideration. Implementation of the recommendations will commence following Cabinet approval.

To improve service delivery through the use of E-services, the CSRMU is working to scope for a long term adviser position to support ITC progress development of e-services systems.

Government has allocated \$2 million in the 2016 – 2017 Budget for the civil service reform.

2 Financial Management Reforms

The Pacific Financial Technical Assistance Centre (PFTAC) of the International Monetary Fund (IMF) has assisted Government in reviewing the Financial Management Act 2004 to improve and strengthen the transparency and accountability framework of financial management in the public sector, and also take into account the requirements of the 2013 Constitution. The review of the Finance Instructions 2010 and Procurement Regulations 2010 will also continue into FY 2016-2017.

The Public Financial Management Improvement Programme (PFM-IP) 2014-2019 report by the Public Expenditure and Financial Accountability (PEFA) had made recommendations on improving and building a strong Public Financial Management System. Some key recommendations currently being implemented include the review of legislation, improvement of financial reporting and development of National Asset Management Framework.

PFTAC is also working with Government on aligning financial reporting with the International Public Sector Accounting Standards (IPSAS). Financial policies have been aligned to IPSAS, which include the Trading & Manufacturing Policy, Electronic Fund Transfer Guideline and Exchange Rate Policy. The corresponding capacity building programmes will continue in FY 2016-2017.

The new internet banking facilities aimed at streamlining payment processes and improving efficiency for daily transactions will be rolled out to the Trading & Manufacturing Accounts (TMAs) and Trust Accounts. The project will be implemented with the finalisation of the Internet Banking Policy.

3 Sugar Industry Reforms

Government announced that it will continue to implement the Sugarcane Industry Strategic Action Plan 2013 to 2022 to revitalise and sustain the industry by focusing on six core areas: (i) crop production & grower advisory services; (ii) harvesting & transport; (iii) milling & processing; (iv) cane quality payment system; (v) revenue generation; and (vi) industry restructuring & legislation.

Government announced that in 2016-2017 it will provide funding of \$11 million to the Sugar Development and Farmer Assistance Programme. The allocation caters for cane development grant and cash-back incentive initiatives.

Government will continue to support improvement of cane access roads to allow for uninterrupted transportation of harvested cane to the mills. An allocation of \$3 million has been provided in the 2016-2017 Budget for this initiative.

Government has set aside \$9.7 million as subsidy for fertilizers in the 2016-2017 Budget. Around 31,651 metric tonnes of fertilizers will be sold to sugarcane farmers at the subsidised price of \$31.50 which is equivalent to 633,027 bags.

4 Labour Market Reforms

Since the commencement of the labour market reforms, Fiji successfully implemented six of the seven phases of the reforms. This includes OHS Reform, Employment Relations Reform, Productivity Reform, Wages Reform, Employment Creation Reform and the Operational Management Reform. The draft legislation for the final phase, Workers Compensation Reform, is completed for the tripartite consultation.

Since 2015, 351 Fijians benefited from the seasonal workers programme offered by Australia and New Zealand. About 500 workers for New Zealand and 1,000 workers for Australia are anticipated for 2017 with further employment opportunities to extend to United States and Canada.

5 Financial Sector Reforms

Pensions Savings Act: The drafting of the Act commenced in 2013, which provide general powers to RBF to supervise FNPF has been finalised. A key inclusion is the provision to allow new entrants (private sector participation) to the pension fund market in Fiji, to provide options for members who have excess funds, and choices for pensioners to purchase additional retirement income products.

Review of the Credit Union Act: As part of the reform of the credit union sector, RBF had engaged the technical expertise of IMF's PFTAC in the review of the Credit Union Act 1978. The first draft of the Bill, endorsed by the Solicitor General's Office, is with the credit union industry for written submissions. Public consultations will also take place and is expected to conclude by August 2016.

Inclusive Insurance Framework for Fiji: RBF has continued to work with the United Nations Pacific Financial Inclusion Programme on the project to develop a policy framework, aimed at facilitating the expansion of inclusive insurance in Fiji. This is part of the initiatives of the National Financial Inclusion Taskforce to reach the "under-served".

Regulation of the Capital Markets Industry: The Companies Act 2015 and its accompanying Regulations came into effect from 1 January 2016, repealing the Capital Markets Decree 2009. RBF will continue to review supervision policies and procedures of the capital markets industry as per the change in legislation.

Fair Reporting of Credit Act: RBF has commenced the implementation of the requirements of the Fair Reporting of Credit Act 2016. The Bank will continue to develop an effective supervisory framework for credit reporting agencies, which will supplement the licensing and registration requirements detailed in the Fair Reporting of Credit Regulations.

Secured Transactions Bill: Work on reforms for secured transactions in Fiji to develop Micro, Small & Medium Enterprises (MSMEs) has continued under the collaboration of Government, RBF, the Secured Transactions Reform Taskforce and ADB's Private Sector Development Initiative. A draft Bill is currently undergoing legal vetting with the Office of the Solicitor General. The proposed Bill establishes key legal concepts for securing interest in movable assets and an online registry on pledged collateral.

Financial Sector Development Plan: The 10-year plan will strengthen and deepen the domestic financial sector to contribute further to economic growth. It also recognises key reform areas to address the obstacles that inhibit the sector from meeting the intermediation needs of our economy. Following Cabinet's endorsement, the Plan will be implemented and driven by a multi-stakeholder effort.

Financial Inclusion: A new medium term Financial Inclusion Strategic Plan for Fiji for the five year period 2016-2020 has been finalised. This will continue on the platform set by the first national strategy. The focus is on giving more Fijians access and usage of financial services and products and adopting innovative technology to deliver financial services and products in a cost effective and sustainable manner.

Capital Market Development: The Capital Market Development Master Plan is a 10-year plan that will map the development of Fiji's stock, debt, and unit trust markets. The Master Plan was reviewed in 2016 and its tenure extended to 2025 to align with the Financial Sector Development Plan. The Capital Markets Task Force is overseeing the development work in the capital markets.

National Payment System Act: In 2016 Government developed a legislation to establish a national payments switch. The National Payments System Bill currently under review will form the umbrella legislation for the regulation and oversight of payment systems.

Small and Medium Enterprises (SME) Credit Guarantee Scheme: This scheme has continued to achieve its objective by increasing access to credit with Government sharing the risk with lending institutions. Since its inception in 2012, the scheme has grown to cover over 1,300 loans valued at around \$77.3 million. Loss ratio has been remarkably low at less than 1 percent or \$38,251. Government is committed to continuing its support in 2017.

Import Substitution and Export Finance Facility: This facility provides funding at concessional interest rates to promote exports, import substitution and investment in renewable energy projects. At the end of May 2016, total outstanding advances under the Facility stood at \$54.8 million, of which \$23.5 million has been settled. The facility will continue in FY 2016-2017 and the RBF will continue to work closely with stakeholders to ensure that more businesses benefit from this facility and therefore, contribute towards improving Fiji's balance of payments.

Housing Facility: The facility was established in 2012 to provide affordable housing for low income earners with an allocation of \$35 million. The allocation to the Housing Authority of \$25 million has been fully disbursed. RBF will continue to assess its role in supporting the development of affordable housing in FY 2016-2017.

Natural Disasters Rehabilitation Facility: This facility was reactivated following TC Winston, and expanded to include assistance to affected homeowners. At the end of May 2016, advances under the Facility totalled \$14.8 million for 37 businesses and 60 homeowners. The facility expired on 30 June 2016.

Mutual Evaluation Report: The Financial Intelligence Unit and RBF are finalising Fiji's mutual evaluation report. The report contains findings of peer review on Fiji's anti-money laundering and combating the financing of terrorism (AML/CFT) framework. The evaluation undertaken in 2015 and early 2016 assessed Fiji's compliance with the international AML/CFT standards and the Financial Action Taskforce's (FATF) recommendations. While Fiji's AML/CFT framework is generally compliant with the FATF standards, some gaps have been noted in the draft report. These include: (1) criminalising the terrorism financing offence and other related measures as required under the UN Security Council Resolutions; (2) powers of the Fiji Police Force and FICAC; (3) preventative measures for financial institutions; (4) enforceability of AML/CFT laws and regulations; and (5) regulation and supervision of non-financial businesses and non-profit organisations. The evaluation report will be finalised and tabled in the APG Annual Meeting to be held in July 2016. Once finalised, the National AML Council will provide recommendations for the Government to consider in terms of legislative and institutional arrangements to more effectively combat terrorist financing, money laundering and other serious financial crimes in Fiji.

Appendix C Budget Allocations and Other Key Initiatives

1 Poverty Alleviation and Social Empowerment

The poverty alleviation programmes and key social empowerment initiatives of the Government are as follows:

Social Protection

Key initiatives	
Welfare Graduation Programme	To assist beneficiaries of the Poverty Benefit Scheme & Care and Protection Programmes with income generating projects so that they can be graduated from the system. Budget allocation of \$1 million.
Capital Grant to Voluntary Organisation	Capital grant of \$0.2 million to NGOs that provide care and protection to children and the disadvantaged in the communities.
Poverty Benefit Scheme	Each household (maximum of 4 individuals) is eligible for a maximum of \$160 per month inclusive of \$50 food voucher. Budget allocation of \$23.2 million.
Social Pension Scheme	Establishes a social safety net for people above the age of 68 years and who do not receive any form of government assistance by providing \$50 monthly allowance. Reduction in the age eligibility from 68 to 66 years effective 1 July 2016. A sum of \$14 million has been allocated.
Education	A sum of \$53.1 million for tertiary education scheme. This includes funding for the National Toppers Scholarship Scheme, provision of low interest loans for tertiary education, accommodation and transport costs, pocket allowances, books and study materials and other associated costs.
Bus Fare Subsidy	Bus fare subsidy to assist students from low income households. The assistance will also cover students who travel by boat, carriers and other modes of transportation where bus services are not available. An increased funding of \$20 million with inclusion of technical colleges under the scheme.
Electricity Subsidy	\$5.7 million has been allocated for electricity subsidy to support low income families.
Northern Development Programme	A sum of \$1.5 million to fund SME development in Vanua Levu.

Women

Key initiatives	
Women's Plan of Action (WPA)	Aims at boosting women's employment opportunities, equal participation in decision making, eliminating violence against women and children, improving women's access to basic needs and addressing other women's issues. Budget allocation \$1 million.
Fiji Women's Federation	National advisory body to the Minister of Women for the improvement and coordination of women's programmes around Fiji. Budget allocation \$0.2 million.
NGO Grants	A sum of \$0.2 million to women organisation to advance the interest of women and children around the country.
Fiji National Women's Expo	A sum of \$0.5 million to host the third National Women's Expo.
Food Voucher Programme	A sum of \$0.5 million comprises of \$30 monthly food voucher for the duration of 10 months to pregnant women in rural areas to assist reduce cases of malnutrition and complications during pregnancy.
Domestic Violence Helpline	\$170,000 allocated for establishment and operation of a 24 hours toll free Domestic Violence helpline which will provide reporting and free referral platform for victims of domestic violence and sexual assaults.
Women in Policing	A sum of \$0.02 million to encourage and improve working capabilities for women, including encourage equal employment opportunities to enhance effective and efficient policing.
Cottage Industry Development	A sum of \$0.1 million to assist women in cottage industries.

Children

Key initiatives	
Child Protection Allowance	A sum of \$3.5 million to assist children from poor families, single parent families, prisoner dependents, children with disability and children under residential care.
Child Protection Programme	An additional \$1.0 million which involves awareness programmes and the implementation of the recommendations of the Convention of the Rights of the Child and continuation of the operations and monitoring of the 24 hours toll free helpline for children.
Institutional Services	A sum of \$1.0 million for management of institutional homes for children under the age of 18 who are awaiting court hearings or who have been placed under the care and protection of the state.
Education for Needy Children	\$0.2 million for Funds for the Education of Needy Children organisation that provides financial supports to disadvantaged children in Fiji.

Key initiatives	
Child Protection Division	A sum of \$0.02 million for the division responsible for handling sexual offences and other related offences in which children are the victims.
Child Health Development Programme / Food Supplement for Malnourished Children	A sum of \$0.08 million for Child Health Development Programme and \$0.05 million for the Food Supplement for Malnourished Children.
Infants Food	Food specially prepared for infants to be duty free.

People with Disabilities

Key initiatives	
Fiji National Council for Disabled Persons	An increased funding of around \$0.4 million to assist in the implementation of the Rights of Persons with Disabilities Bill 2016.
Initiatives for the Disabled	A sum of \$1.6 million to cater for the establishment of a disability centre in Lautoka to serve as a meeting place for disabled persons in the West. The facility will also provide a storage space for donated items and equipment, cater for the increase in salary of teachers paid by registered special schools and the purchase of a disability-inclusive bus.
Employment Taxation Scheme for People with Disabilities	Extension of the Employment Taxation Scheme to include employment of disabled people for a period of 3 years with 300% tax deduction.
Special Education	A budget of \$3.3 million for grant to children with special needs, salaries for teachers and other operational expenditure including the purchase of assistive devices and special books. A sum of \$0.2 million is also provided under the scholarship scheme for children with special needs.

Housing

Key initiatives	
Help for Homes	A further \$20 million to assist persons with annual income below \$50,000 a year whose homes were damaged or destroyed in the cyclone.
Training of Rural Carpenters	A budget of \$0.2 million to conduct trainings and practical workshops to up-skill rural dwellers in building cyclone resilient houses in all divisions.
National Housing Policy Implementation Plan	A budget of \$0.2 million for the review and implementation of the National Housing Policy.
Public Rental Board (PRB) Subsidy	A budget allocation of \$1 million to subsidise the rental obligations of the disadvantaged PRB tenants in all divisions.

Key initiatives	
Squatter Upgrading & Resettlements	A budget of \$2.1 million to complete civil construction at Omkar, Cuvu, Sasawira, Namara, Lakena Hill No. 1, Caubati and Ledrusasa.
City Wide Squatter Upgrading Project	A budget of \$0.4 million for the upgrading of squatter settlements in the urban and peri-urban areas that lie within Suva-Nausori corridor, Nadi-Lautoka corridor, Labasa and Savusavu in collaboration with cities and town councils.
Housing Assistance Relief Trust (HART)	A budget of \$0.5 million to construct and renovate low cost housing villages to accommodate the destitute and near destitute families. Families under the programme pay \$1 to \$5 rent per week depending on the type of home they occupy.
PRB – Simla Development Project	A budget allocation of \$2.6 million for the construction of 36 rental flats (one bedroom) in Kuata Street, Lautoka.
Town Wide Informal Settlement Upgrading Project	A budget allocation of \$4 million for upgrading of informal settlements on iTaukei land along the Lami-Suva-Nausori corridor of which \$1 million is for consultancy works for the 3 sites (Waidamudamu, Qauia and Wakanisila) and utilities. The World Bank will reimburse Government the expenditure on infrastructure development upon the completion of the project before August 2018.
Sustainable Income Generating Project	To control squatter formation through provision of housing and income generation from sustainable farming in rural settlements. A budget allocation of \$0.3 million to ensure completion of on-going projects in areas of Vanuakula, Vunisinu, Naboutini, Nakoro, Nakama, and Nabouwalu. The project includes initiatives such as poultry farms, piggery, beehive, construction of farm houses and handicraft projects for women.
Social Housing Policy	To assist those who have paid more than 1.5 times the principal loan after deducting fees and charges and who are retired or medically unfit or mentally disabled or unemployed or have low income qualify for this assistance. Budget allocation of \$0.5 million.
Matavolivoli Development Project	\$2.5 million to complete land development which includes roads, water supply, sewerage, power transmission and supply works. Through this project, new sub-divisions will be developed to provide affordable housing to low and middle income earners.
First Home Buyers	To provide financial assistance to families and individuals who are intending to construct or purchase their first homes and earning below \$50,000 per annum. Budget allocation of \$10 million.
Housing Assistance to Fire Victims	To provide financial assistance to families who are affected by fire and earning less than \$20,000 with proper leases but with no insurance. Budget allocation of \$0.5 million.

2 Priority Sectors

Education

The Government has budgeted \$448.5 million for the Ministry of Education, Heritage and Arts, of which \$424.9 million is for operating expenditure and \$20.1 million for capital expenditure.

Some of the programmes are as follows:

- Free Education Programme - \$200 million

This covers tuition grants for Early Childhood Education (ECE), primary and secondary education levels and Technical Vocational Education and Training (TVET). The ECE tuition grant will cover three terms as opposed to the two school terms currently covered.

- Salary grant for ECE teachers - \$3.5 million

This is to cater for an increase in salary based on qualification.

- Printing of textbooks - \$5.5 million

The budget is for the printing of textbooks for primary and secondary schools to ensure timely provision of textbooks.

- Rehabilitation works - \$142.6 million

The rehabilitation works are for 495 schools affected by TC Winston, which includes the reconstruction and upgrading of existing schools, provision of furniture and equipment, educational resources and other supporting services, including counselling.

- Access to quality education - \$0.3 million

As an on-going initiative for students having difficulty with transportation, boat and out-board motor engine would be purchased.

- Digital Literacy Programme (DLP) - \$0.8 million

This involves the purchase and distribution of laptops and tablets to Year 1 to Year 8 students in selected schools. The Government advised that 729 primary schools have been assisted under the programme since 2013.

The Government has also budgeted \$3.6 million for the free milk for Year 1 students and another \$8.4 million for location allowance to cover expenses for teachers in remote to very remote areas.

The Government advised that a sum of \$1 million has been budgeted for the maintenance and upgrading of school buildings and institutional quarters. A total of \$3.9 million is set aside for the upgrading, maintenance and construction of workshops and the purchase of specialised equipment for technical colleges.

The Government also stated that it will continue to promote skills development training through the establishment of technical schools. Funding support of \$13.9 million is provided to cover the operating grant of 11 technical colleges.

A sum of \$42.5 million would be provided for the Tertiary Education Loan Scheme. National Toppers Scheme will receive \$10.6 million with an additional 30 new places expected to be offered. Other existing scholarships have a budget of \$4.3 million.

To encourage employment creation and availability of employment opportunities for students, the Government has increased the Employment Taxation Scheme deduction rate from 150 percent to 200 percent and also widened the scope to include apprenticeship in related area of study and employment during holidays.

Other major projects of the education sector include:

- Grant to Multi-cultural Activities (\$0.2 million);
- New Bau Central College (\$1.6 million);
- Building Grant for Heritage Schools - Delana Secondary School and Marist Covenant School in Levuka (\$0.4 million);
- Upgrading of Levuka World Heritage Site (\$0.6 million);
- Rehabilitation of Thurston Garden (\$0.2 million); and
- Upgrade of Fiji Museum (\$0.2 million).

Health

The Government indicated that it has allocated \$244 million to the Ministry of Health and Medical Services. A budget of \$8.8 million has been allocated to recruit more doctors and nurses. Of this, the Government has allocated \$3.9 million for the recruitment of 200 new nurses with the Government's intention of achieving the target of 1,000 nurses by 2017 or a ratio of 40 nurses to 10,000 population. In addition, \$5 million is allocated to create 150 new doctor positions, which will increase doctors to 900 by 2017 yielding a doctor to population ratio of 1:1,000, which the Government indicated is in line with the World Health Organisation standards.

The Government has allocated \$1.7 million to the In-service Training to meet the full training cost for doctors and nurses. The Government advised that the allocation for doctors' salaries amounting to \$40.7 million (personal emoluments & FNPF) has been moved to the Ministry of Civil Service budget. The Ministry of Civil Service will manage the implementation of the new salary scale as well as other terms of employment related to doctors.

The Government has allocated \$37.1 million for the procurement of major consumables such as drugs, x-ray materials, dental prosthetic, dressings, beddings and linens, family planning supplies, staff clothing, laboratories and the purchase of three new vaccines namely Rotavirus, Pneumococcal and HPV. The Government also indicated that the Free Medicine Programme will continue with an allocation of \$10 million. Fijians below the annual income of \$20,000 will be eligible to receive free medication from the list of 142 essential medications.

The Government further stated that the following has been included in the Budget:

- Cost of overseas and medical referrals given the increasing number of patients needing overseas treatment that are not available in Fiji (\$1.3 million)
- Charter of aircrafts to meet the demand for medical evacuation of high-risk patients from remote locations, particularly in the rural and maritime areas (\$2.2 million)
- Public Health Service Unit, whose core role is to promote awareness, prevent and control NCDs, HIV/AIDS and encouraging family, adolescent, child, environment and mental health (\$6 million)

Budget Allocations and Other Key Initiatives

- Construction and maintenance of new health facilities and upgrading of existing infrastructure (\$43 million)
- Upgrading and maintenance of major urban hospitals and institutional quarters around the country (\$2.5 million)
- Rehabilitation of health facilities severely damaged by TC Winston (\$3.7 million)
- Extension of CWM Maternity Unit, which includes the construction of 200-bed maternity unit (\$3 million)
- Construction of boundary fence, storm water alignment and landscaping of the Navua Hospital (\$3.8 million)
- Completion of the Ba Hospital, which the Government stated will be used as a model for future development (\$13.4 million)
- Upgrading of Keiyasi Health Centre to a sub-divisional hospital (\$6.3 million)
- Continued construction work on the new Rotuma Hospital (\$2 million)
- Relocation of the Naulu Health Centre to a new site (\$4.1 million)

The Government indicated that a Complaints Hotline will be created through the Ministry of Civil Service. It will include development and dissemination of information kits on complaints lodgement and other related public relations material.

Infrastructure Development and Public Utilities

Transport Infrastructure

The Government has allocated \$510.6 million to the Fiji Roads Authority (FRA) to cater for on-going construction and maintenance of roads, bridges and jetties around the country. A further sum of \$16.6 million has been allocated to meet the FRA's operational costs.

The Government indicated that the funding of \$99.5 million for renewals and replacements of roads, upgrading and replacement of bridges, rural roads, streetlights and traffic signals will be sourced through ADB and World Bank loans earmarked for transport sector projects. \$31.8 million has been allocated for rehabilitation works on roads, bridges and jetties for damages sustained by TC Winston.

Other major allocations under the FRA budget are as follows:

- Maintenance Programme (\$79.8 million)
- Emergency Repairs Programme (\$13.8 million)
- Renewals and Replacements – Roads and Services (\$85 million)
- Upgrading and Replacement of Bridges – Bridge Renewals (\$38.2 million)
- Urgent Repair of 9 High Priority Bridges – Walu Bay Bridge, Tamavua Bridge, Labasa Bridge, Lami Bridge, Vesidrua Bridge, Tavua Levu Bridge, Naiyalayala Bridge, Matanaivuso Bridge, and Nakasava Bridge (\$4.5 million)
- Construction of Nakabuta Bridge (\$1.5 million)
- Maintenance of Ellington Wharf (\$0.5 million)
- Maintenance and Renewals of Jetties in Savusavu, Vunisea, Natovi and investigation of future renewals at Makogai, Koro, Nabouwalu Stage II, Lomaloma, and Nabukeru (\$7.4 million)
- Upgrading of Rural Roads (\$56.9 million)
- Capital - Access Programme (\$10.6 million)

Budget Allocations and Other Key Initiatives

- Streetlight Improvement Programme (\$10.7 million)
- Capital – Congestion and Capacity Improvements (\$8.3 million)
- Capital – Resilience Programme (\$3.4 million)
- Four Lane Projects for Nadi and Suva (\$56.6 million)

Water and Sewerage

The Government has allocated \$308.6 million to the Water Authority of Fiji.

The Government indicated it will continue with the provision of 91,250 litres free water per year scheme. Households with income of \$30,000 or below automatically qualify for this initiative. The Government advised that around 25,338 households have benefitted from this initiative to date.

The Government has budgeted \$7.5 million for the Rural Water Supply Programme, to allow safe, quality and sustainable drinking water supply systems for rural communities. A sum of \$19.6 million has allocated for the project design works for urban water supply and wastewater management. The Government stated that \$5 million will be sourced from ADB concessional loan.

The Government indicated that new projects include the Occupation Health and Safety Programme (\$1.6 million) and rural water carting to non-metered areas (\$3.6 million). A sum of \$8.6 million has been allocated for the rehabilitation of water and sewerage facilities damaged during TC Winston.

The Government indicated it will continue with the distribution of free water tanks (5,000L and 1,100L) in maritime/drought stricken areas (\$1.4 million) and rainwater harvesting systems (\$4.5 million).

Other major capital projects for the FY 2016-2017 are as follows:

- Water Sources and Water Treatment Plants (\$15 million)
- Water Distribution System Project (\$29.1 million)
- Integrated Meter Management Project (\$7.5 million)
- Non-Revenue Water Reduction Project (\$6.3 million)
- Wastewater Treatment Plant (\$10.5 million)
- Improvement and Upgrade of Wastewater Distribution System (\$10.7 million)
- Relocation of Existing Water and Wastewater Pipeline (\$8.9 million)
- Electrical Upgrading Project (\$7.4 million)
- Automation of Water and Wastewater Control System (\$5 million)
- Purchase of Micro Tunnelling Machine (\$1 million)

Energy and Electricity

The Government stated that \$28.8 million is allocated to the Department of Energy. The Rural Electrification Programme is allocated \$14.9 million for the extension of electricity supply, solar home system installation, house wiring, as well as the clearing of electrification project backlog. \$5.9 million is allocated for the rehabilitation costs of solar home systems and diesel schemes damaged by TC Winston. The Government indicated that a total of 680 solar home systems will be repaired at a cost of \$1.6 million while 54 diesel schemes in three divisions will be replaced with solar home systems at a cost of \$4.3 million.

The Government further indicated that the Electricity Subsidy Scheme will continue for which \$5.7 million has been allocated. It targets households with a combined income of \$30,000 or less. The

Government advised that to date around 9,674 households have benefitted from this scheme. Households consuming 95 units or less per month qualify for the subsidy.

Information, Communication & Technology

The Government has allocated \$9.2 million for the construction of a fibre cable spur from Suva to Savusavu. The Government indicated that the project will be undertaken together with the TUI-Samoa Cable Connection from Apia to Suva to benefit from economies of scale and possible synergies of both the projects.

The provision of the fibre connectivity to Vanua Levu is expected to benefit businesses with faster connections to the outside world and lower telecommunication charges. This development will also open up investment opportunities in ICT related businesses, further boosting employment and productivity.

Agriculture

The Government indicated that the Fiji 2020 Agriculture Policy Agenda is geared towards reinvigorating the agriculture sector, increasing the value of non-sugar agricultural exports, progressively reduce food imports, increase support for self-sufficiency and strengthening import substitution. The Export Promotion Programme (EPP) and Food Security Programme (FSP) have been allocated \$1 million each. The Government advised that the primary objective of the EPP is to strengthen commercial agriculture and promote export opportunities, while the FSP promotes and supports selected locally produced crops, vegetables, fruits and livestock which could substitute import.

The agriculture sector was severely affected by TC Winston. According to the Post Disaster Needs Assessment, the sector suffered damage and loss estimated at \$542 million. Rehabilitation and recovery works are budgeted under various programmes and projects to ensure speedy recovery and restoration of livelihoods particularly in the rural areas.

The Government indicated that the Fiji 2020 Agriculture Sector Policy Agenda focuses on restoring the agriculture sector's economic contribution to 15% of GDP, increasing the value of non-sugar agricultural exports and gradually reducing the dependence on imports of fruits and vegetables.

Both the Export Promotion Programme and Food Security Programme have been allocated \$1 million each. Other major on-going projects under the Ministry of Agriculture are as follows:

- Fiji Agriculture Partnership Programme (2.0 million)
- Construction of Office and Staff Quarters (1.5 million)
- Agricultural Extension Services – Crops (0.8 million)
- Cyclone Rehabilitation – Dalo (0.5million)
- Cyclone Rehabilitation – Yaqona (0.7 million)
- Ginger Development Programme (0.8 million)
- Agriculture Marketing Authority (4 million)
- Brucellosis Tuberculosis Eradication Campaign (BTEC) (\$1 million)
- Livestock Rehabilitation Programme (1 million)
- Farm Mechanisation (\$1 million)
- Farm Access Roads (\$2 million)
- Agro Inputs Subsidy (1 million)
- Land Clearing (1.5 million)
- Drainage and Flood Protection (\$5 million)

Budget Allocations and Other Key Initiatives

- Watershed Management (\$1.4 million)
- Drainage Subsidy (\$2 million)
- Sugar Development Programme (\$8.5 million)
- Upgrading of Cane Access Road (3million)
- Subsidy to South Pacific Fertilizer Limited (9.7 million)

The Government has reduced the duty on Rough Terrain Vehicles from 32 percent to 5 percent to assist farmers in the transition towards mechanised farming.

Fisheries

The Government indicated that the damages inflicted by TC Winston on the fisheries sector is valued at over \$40.7 million. The Government has allocated \$2.4 million to support the reconstruction and recovery needs of the sector. In addition, \$1.6 million has been set aside for the construction of institutional buildings that were damaged by TC Winston.

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

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

Forestry

The Government is allocating \$200,000 to continue Fiji's progress in its commitment and readiness to the Reducing Emissions from Deforestation and Forest Degradation (REDD Plus) programme. The Government indicated that \$2.3 million would be provided by the World Bank to complement the programme. The objective of the REDD Plus is to provide developing countries with a financial incentive to reduce their levels of deforestation and forest degradation to increase their forest carbon stocks.

The Government has also allocated \$200,000 for the purchase of equipment for the Lakeba Pine Scheme. The Government will provide a \$0.6 million operating grant to support the Fiji Pine Trust. The Trust assists landowners through establishment of nurseries, raising, nurturing and distribution of pine seedlings, supervision in plantation establishment and monitoring.

The Government further indicated that other major programme are as follows:

- Sandalwood Development Programme (\$0.1 million)
- Research & development of wood & non-wood species (\$0.2 million)
- Reforestation of degraded forests (\$0.5 million)
- Utilisation of wood (\$0.4 million)
- Upgrading of the Timber Research Division's Entomology Laboratory in Colo-i-Suva (\$0.1 million)
- Purchase of a stress grading machine for the Timber Utilisation Division in Nasinu (\$0.1 million)

Climate Change

The Government indicated that it transferred the Climate Change Division to the Ministry of Economy in early 2016 as a strategic move to strengthen the mainstreaming of climate change adaptation and disaster risk management more effectively throughout the development process and activities undertaken in Fiji. A sum of \$0.2 million has been set aside to cover the operations of the unit.

A complementary sum of \$215,000 has been provided for the purpose of the Climate Change Financing initiative. This is a joint initiative between the Fiji Government and UNESCAP to provide hands-on training and capacity-building support to national planners and Finance Ministry officials in the Pacific SIDS to address the constraints in accessing climate finance.

The Government launched a Disaster Risk Management and Climate Change Mitigation programme under the National Disaster Management Office in 2014 to build resilience of vulnerable communities. The programme aims to assist vulnerable communities in adapting to the impacts of natural disasters and climate change. The programme has been allocated \$2 million.

The Government has also launched The Watershed Management project which is focused on optimizing the usage of water. The Government has allocated \$1.4 million to rehabilitate the Namosi No. 1 and 2 Flood Retention Dams and Nawaka No. 1 and 2 Flood Retention Dams.

The Government advised that it has been dredging rivers, constructing river bank boulders to prevent coastal erosion and conducting environment impact assessments to mitigate flood risks as part of a resilience building exercise. A sum of \$5.9 million has been allocated for the project.

The Government as part of its disaster management initiatives is strengthening its early warning systems. A new weather office in Labasa will be constructed at the Vaturekuka Government Station at a cost of \$1.3 million. This will allow the expansion of Fiji Meteorological Services (FMS) to the Northern Division, which will improve climate tracking and forecasting.

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

Youth and Sports

The Government has allocated \$0.6 million to upgrade youth training centres in Naleba, Naqere, Valelevu, Sigatoka and Yavitu. An additional sum of \$1.4 million is provided for youth development and training, including the Youth Capacity Building and Training Programme (\$1 million), Youth Voluntary Organisation Training Programme (\$0.2 million) and International Youth Exchange Programme (\$0.1 million).

The Government has allocated \$1 million under Construction of Rural Sports Complex and an additional \$0.2 million for Rural Sports Ground Fields to develop international standard sporting facilities in rural communities.

The Government is providing funding of \$1.2 million for the upgrade and maintenance of Fiji Sports Council facilities. In addition, a sum of \$1.9 million has been allocated for hosting international tournaments.

The Government indicated that, to raise the standard and performance of national teams, it will continue to support the engagement of professional coaches with a budget of \$1.5 million.

3 External Trade and Development Cooperation

Trade policy framework and update on regional and international trade negotiations

The Government launched its first Trade Policy Framework (TPF) in 2015 with a vision to develop Fiji into a vibrant, dynamic and international competitive economy serving as the hub of the Pacific.

The TPF identifies Fiji's trade interests in the goods and services sectors and clearly outlines the key objectives and strategies to be pursued as part of its overall sustainable development programme. The TPF also provides a broader investment policy and necessary recommendations aimed at continuously improving the investment and business climate in Fiji. It also provides guidance in the trade-related engagements, including the negotiation and implementation of various trade agreements.

The Government provided an update on some of its key regional and international trade agreements as follows:

South Pacific Regional Trade & Economic Co-operation Agreement (SPARTECA)

SPARTECA is a non-reciprocal and non-discriminatory trade agreement where Australia and New Zealand provide duty free access to all products originating in Forum Island Countries (FICs) except for sugar in the case of Australia. SPARTECA has played an integral part in Fiji's development and achievement of sustainable economic growth. Fiji continues to export under SPARTECA and has led to the growth of various sectors. From 2001 to 2014, the Textile, Clothing and Footwear (TCF) sector benefitted under SPARTECA – TCF scheme, which has since been replaced by the Developing Country Preferences Scheme in 2015 in the case of Australia.

Developing Country Preferences Scheme (DCPS)

Australia operates a system of tariff preferences for imports from the world's least developed and developing countries. The intent of the Australian System of Tariff Preferences (ASTP) is to support the integration of development countries into the global trading system as a means to promote their development.

Pacific Island Countries Trade Agreement (PICTA)

This agreement between Pacific Island Forum Countries grants member countries "duty free & quota free" trade of goods within the region. Fiji has opened its market to all parties under PICTA. Fiji and PNG, two of the major players in the region, are yet to sign the PICTA Trade in Services Agreement.

Melanesian Spearhead Group Trade Agreement (MSGTA)

The Melanesian Spearhead Group (MSG) is the most important and largest regional trading block comprising of Fiji, Papua New Guinea, Solomon Islands and Vanuatu. The Kanak and Socialist National Liberation Front, a political lobby group in New Caledonia, is an observer to the MSG.

The MSG Trade Ministers in May 2016 finalised the revised MSG Trade Agreement or MSGTA3 for endorsement by the MSG Leaders. The MSGTA3 has broadened its scope beyond trade in goods and now includes areas such as, trade in services, investment and labour mobility.

Comprehensive Economic Partnership Agreement (CEPA)

The CEPA negotiations with the EU have been on-going for almost 10 years and the delay is attributed to the contentious issues such as the infant industry clause, non-execution clause, fisheries issues and development cooperation. The EU called for a suspension in the negotiations in August 2015 to allow the PACP states to formulate measures for the effective conservation of their fisheries resources. The Pacific ACP Ministers are calling for political intervention as technical officials have exhausted all avenues to resolve these issues.

PACER Plus

Fiji has participated in eight intercessional meetings since joining in 2014. PACER Plus has been under negotiation for six years and a total of 15 rounds of negotiations have been completed with the last meeting in June 2016 in Fiji.

World Trade Organisation (WTO) Trade Policy Review (TPR)

Government has concluded the third trade policy review in February 2016. The TPR takes account of the major structural and economic reforms undertaken to promote trade and economic growth.

WTO Trade Facilitation Agreement (TFA)

The WTO Ministerial Conference held in Bali in 2013 endorsed the WTO Agreement on Trade Facilitation. The Agreement sets out provisions for expediting the movement, release and clearance of goods, including goods in transit and measures for effective cooperation between customs and other appropriate authorities. It also facilitates the development and participation of Least Developed Countries in the multilateral trading system by simplifying preferential rules of origin.

A total of 82 WTO member countries have ratified the TFA and another 26 members are required to meet the two-third threshold to bring the Agreement into effect. Fiji is in the process of completing all the relevant domestic processes for the ratification of the Agreement before the end of 2016.

Fiji-China Bilateral Discussions

Government stated that it has signed a Memorandum of Understanding (MOU) with China for a joint feasibility study to assess the practicality of a Fiji-China Free Trade Agreement.

Development Cooperation

In 2016, the total value of official development assistance is expected to be around \$117.8 million and is estimated to be around \$170.4 million in 2016/2017.

Aid-In-Kind

Government announced that the value of Aid-In-Kind (AIK) expected in 2016/2017 is \$135.8 million. The Economic Sector will receive the bulk of AIK support valued at \$46 million. Out of this, the European Union will provide around \$32 million as funding support towards the Sugar Industry. The Chinese Government will also provide aid valued at around \$10 million towards the Mushroom Technology Demonstration and the Rice Technical Cooperation programmes. In addition, New Zealand Government will assist the dairy industry while JICA will provide technical assistance for the Nadi River Flood Control Structures. Similarly, the Government of Australia will continue to assist export facilitation through the Pacific Horticultural and Agricultural Market Access (PHAMA) programme.

The Social Sector will receive around \$45 million, the Infrastructure Sector will receive around \$12 million and the General Administration Sector will receive around \$27 million worth of AIK.

The Energy Sector will receive close to \$4 million from the Government of New Zealand to support power restoration in the country following TC Winston. JICA will also provide technical experts to assist in infrastructure planning and maintenance, rural water supply and the effective control of water loss in the reticulation system.

Cash Grant

Total cash grants for 2016/2017 is \$34.6 million. The General Administration Sector will receive the highest grant of around \$23.5 million with close to \$23 million being provided by the European Union for TC Winston. The Economic Services Sector will receive \$7.9 million which will be mainly attributed to the Micro & Small Business Grant Facilities. The Social Services Sector will receive around \$2.8 million with \$1.8 million being provided by the Global Fund to Ministry of Health and Medical Services. The Infrastructure Sector will receive \$0.4 million which will be provided by the World Bank and UNDP Programme for financing of renewable energy projects.

SUVA

8th Floor, Civic Tower
 272 Victoria Parade
 G.P.O. Box 200
 Suva
 Fiji

Ph: (679) 331 3955/ 331 5199
 Fax: (679) 330 0947

LAUTOKA

52 Narara Parade
 P.O. Box 54
 Lautoka
 Fiji

Ph: (679) 666 0400/ 666 1055
 Fax: (679) 666 1798

Partners

Jenny Seeto
 jenny.seeto@fj.pwc.com
 7020898 / 9990898



Nitin Gandhi
 nitin.gandhi@fj.pwc.com
 7020894 / 9990894



Jerome Kado
 jerome.kado@fj.pwc.com
 7020899 / 9990899

Wiliki Takiveikata
 wiliki.takiveikata@fj.pwc.com
 7020895 / 9990895



Kaushick Chandra
 kaushick.xx.chandra@fj.pwc.com
 7020900 / 9992070



Should you wish to discuss any aspect of the budget or any other matter, please contact us.

This Fiji Budget Report has been prepared to provide a prompt overview of the general issues raised in the 2016/2017 Fiji Budget. It does not exhaustively cover the subjects discussed. When specific issues occur in practice it may be necessary to refer to the laws and regulations and to obtain appropriate professional advice.

Whilst every care has been taken in the preparation of this publication, no warranty is given as to the correctness of the information it contains and no liability is accepted for any statement or opinion, nor for any error or omission.

Copyright © 2016 PricewaterhouseCoopers, a Fiji partnership. All rights reserved. PwC refers to the Fiji member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.