

2016 BUDGET ADDRESS

(As delivered in Parliament)

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“The Future: A Strong Fiji. A Fair Fiji, A Healthy Fiji.”

Madam Speaker,

It is my honour today to deliver to this Parliament the 2016 Budget.

Madam Speaker, a nation sets its priorities and projects its values through its budget, through the policies and objectives that the budget supports, and through the statement the budget makes to the people. In developing the budget, a government must make hard decisions. It must balance many worthwhile needs against economic reality, in the same way every family and business in Fiji manages its finances.

But a budget is much more than a means of controlling money in and money out. I am pleased, Madam Speaker, to share with this Parliament the ways that Government is fashioning the budget to be an instrument to secure Fiji's future and to advance the values of equality, fairness, personal responsibility and good governance.

The 2016 budget makes a bold statement to the Fijian people. It says, “Your Government believes in you. It will do everything that government can properly do to help you be successful, to help you live a productive and balanced life, and to ensure that your country stands as an equal to any country in the world, large or small. We will do all we can to root out unfairness and to eliminate undue burdens, particularly on those least able to bear those burdens. We will also build a society where people have

more options—and a greater opportunity to make their own choices for their own good.

We will not burden the Fijian people with low expectations, nor will we ask them to limit their horizons. On the contrary, we wish to clear the way for all Fijians to broaden their horizons to ambitions we have never seen. We will ask everyone to do their fair share, to play by the rules, and to understand that by helping the neediest Fijians succeed, we are helping ourselves.

Madam Speaker, a powerful wind is blowing through Fiji. In Government, we strongly sense that a growing number of our citizens, in particular our youths, believe that Fiji is capable of anything. Indeed, this is what we expected to happen when we launched a solemn project to create a true democracy, one in which all Fijians were equal under the law.

Democracy rests on the idea that ordinary people are capable of extraordinary things. In a democratic society, the test of a government's strength lies not in the way it controls or prescribes to its people, but in what it demands of itself. The test of a government's competence lies not in the passive management of the status quo, but in its ability to push for something better. Not sometime in the future, but now. The wisdom of government lies not in making all decisions for its people, but in creating the conditions that allow the people to seize opportunities to improve themselves—to create, to build, to grow, and to contribute to building a nation that is more prosperous, more just and more modern every day.

That is what the FijiFirst Government attempts to do with the budget. We are rooted in the present but focused unrelentingly on Fiji's future. Our

actions of today, which was the future of yesterday, are very much focused on the tomorrow.

Madam Speaker, in today's world, the advantages of modern communications and transportation are levelling the playing field among nations. We Fijians want to grab the respect we deserve in the world, as a small and very able people with the skills, ingenuity and courage to accomplish whatever we choose and to compete with the best of any other country. We have had a strong taste of that. Our military is well respected. We have produced world-champion athletes. Our fashion designers are gaining acclaim. Our agricultural products are in demand. And our hospitality industry is second to none. And we want to consolidate on these strengths, build upon them and position ourselves for more. That must be our future.

Unprecedented Growth and Economic Performance

Madam Speaker, just as Fiji, a small developing island nation—demands a level playing field in the world, so we must also provide a level playing field at home for our citizens. We will seek to use the resources we have today, built up because of sound governance from 2007 under the Bainimarama Government then and the FijiFirst Government now, to secure this bright and fair future for all Fijians. Those resources include the revenue at Government's disposal, the ingenuity and wisdom of Government in managing those resources, and our unshakable belief that if we do our job wisely and well, the people of Fiji will create the future our country deserves.

We have now enjoyed four years of economic growth of more than 4%, and growth of 5% for only the 7th time in our history. We are enjoying

unprecedented investment, both foreign and domestic. Vigorous engagement by multi-lateral and bi-lateral partners is unprecedented. All this is proof that people at home and abroad have confidence in this country. They believe we are on the right path, and they are betting on us to succeed. We should be proud, but this confidence is not a medal or a trophy, to be polished and displayed. This confidence must be harnessed and blessings of opportunity and economic growth shared. All Fijians deserve to share in this prosperity and stake their future on our success.

The Fiji Bureau of Statistics recently completed its exercise on rebasing GDP to the year 2011. With the new base year, we now estimate the economy to have expanded by 5.3% in 2014 and 4.7 % in 2013, following growth of 1.4 % in 2012.

The real good news is that growth is broad-based with the exception of the forestry and logging sector. The transport, financial, hospitality, services, wholesale and retail trade, construction and public administration and defence sectors are expected to contribute the most towards growth for 2015.

The services industry is projected to dominate economic activity this year. Increased tourism is expected to spur further growth in the transport and hospitality sectors. We expect increased commercial banking and insurance activity and increased wireless telecommunication services. Improved consumer and business confidence should underpin growth in the wholesale and retail trade sector.

We expect major contributions from construction and manufacturing activities. There are several major projects in addition to the ongoing upgrades by the Fiji Roads Authority, including Water Authority of Fiji's infrastructure upgrade projects, the Nadi International Airport upgrade,

the Momi Bay Resort project, the Vunabaka Tourism development on Malolo Island, the Fijian Resort upgrade, the Nadi Bay Resort & Spa and other real estate, manufacturing, industrial and housing projects. Additionally, gold production has increased and is expected to drive growth in the mining & quarrying sector.

Madam Speaker, the successes of 2015 have created momentum and should carry over to 2016, when we expect the economy to grow by 3.5%, with the same industries driving that growth, and on into 2017 and 2018, when the economy is forecast to grow by 3.1 % in each year.

Indeed, Madam Speaker, the International Monetary Fund (IMF) team that recently visited Fiji expressed remarkable confidence in us, and the IMF's forecasts are even more positive than ours. They called Fiji's growth momentum "exceptionally strong," and predicted that GDP would grow by 4.3% in 2015 and show continued momentum in 2016. They said, and I quote "Risks to growth are largely related to external developments." But they were extremely bullish on the internal factors, the things that we can control through policies. They also said, and I quote "Sustaining strong growth will depend on timely implementation of reforms to further bolster the business climate, raising private investment and fostering private sector development."

Madam Speaker, those words are music to our ears because Government's 2016 Budget will do all those things—implement reforms, improve the business climate, increase private investment opportunities and develop the private sector.

The IMF has remarked that our debt-to-GDP ratio is healthy, that we are using debt prudently to build infrastructure that will generate income and build the economy. Our overall debt is going down, which is one factor

that allows us to reform our taxation system. Economic growth has also resulted predictably in increased revenues. Government revenues have risen from \$1.4 billion in 2006 to a projected \$2.6 billion in 2015 (apart from asset sales).

Madam Speaker, Government's broad fiscal policy remains focused on growing the economy through investment, while at the same time ensuring fiscal sustainability. This strategy ensures that resources are adequately provided towards priority and growth sectors such as infrastructure, education, health, agriculture, housing and social protection. At the same time, targeted private sector participation and investment is supported and encouraged through a competitive and investor friendly tax regime. The overarching objective is to ensure a high quality fiscal deficit and manageable debt level.

Madam Speaker, in 2016, net deficit is set at \$285.8 million or 2.9% of GDP. Total revenue is projected at \$3.13 billion and total expenditure at \$3.41 billion. Government debt level is estimated to be around 48.1% of GDP next year. Fiscal deficit for 2017 and 2018 is forecast at 2.5% and 2% of GDP, respectively. As a result, debt is expected to reduce further to around 48% of GDP in 2017 and 47.3% of GDP in 2018.

Capital investments provide returns not only to Government, but to all Fijians. The capital to operating expenditure mix has significantly improved in recent years from a mere 14% in 2007 to 40% in the 2016 Budget. The expenditure mix in 2016 has been maintained at 60% operating and 40% capital. The higher the proportion of capital expenditure to total spending, the higher will be the quality of budget deficit.

Our recent successful bond launch was another international show of confidence in Fiji, and I want to thank you, Madam Speaker, for holding a closed session of Parliament so that members of Parliament could learn about and discuss the bond sale confidentially. That action saved Fiji \$9 million in the buy back and approximately \$100million in interest payments over a period of 5 years.

Madam Speaker, you may be aware that we had wanted to sell assets in 2014 and 2015. None of the asset sales materialised in 2014, the primary reason being that it was an election year and the FijiFirst Government has been focused on getting the right strategic partner at the right price. These divestments are taking longer than expected.

However, Madam Speaker, only yesterday afternoon the Hon. Prime Minister signed the Agreement for the partial divestment of shares in Fiji Ports Corporation Limited. Our superannuation fund, the FNPF, is for the first time venturing into infrastructure enterprise with a strategic partner, Aitken Spence, a listed Fortune 200 company with experience in port management in many other parts of the world. Aitken Spence has been recognised for three consecutive years by *Forbes* magazine as one of the world's most successful publicly traded companies. The divestment of the shares plus some residual payments will net the Fijian government a total of approximately \$100 million for 59% of the company. We intend to settle this matter next week on Friday.

Madam Speaker, this brings about a number of opportunities to develop Fiji as a key transshipment hub with internationally recognised port managers. As part of the sale agreement, the company with the new shareholders has to develop a new Port Development Master Plan, which will also be supported through technical assistance by the Asian

Development Bank (**ADB**) with whom we have already signed an agreement. What is also unique is that none of the landed assets have been sold to the company. The assets will still be owned by the Fijian Government but will be leased through a holding company to Fiji Ports Corporation Limited with its new shareholders. After all, such business partners are not necessarily interested in owning real estate. They are interested in actual management services and the delivery of efficient port services.

Madam Speaker, we expect to divest shares in FEA and AFL with the same approach next year. Negotiations are currently underway in respect of AFL, and Expressions of Interest for FEA will be assessed through interviews in the next few months.

Madam Speaker, the 2016 National Budget is designed to contribute to that growth and the overall economic health of the nation. It is notable for three main things: First, we will continue to develop our infrastructure—our roads and jetties, airports and seaports, electrical grid and potable-water supply. Failure to fully develop these basic resources will only hold our people back. But every dollar spent in these areas repays us many times over because they make such a huge difference in people’s lives. They give people access to markets, information, better health, education, employment and create sustainable livelihoods.

Education and Health Priorities

Second, we will continue to invest in education and health. The modern Fiji must be a Fiji in which people have access to quality education to make the best decisions in their own lives and to contribute meaningfully to our economy and our society. They also must be stronger and

healthier, with the ability to live long, productive lives that are free of preventable diseases, and they must be able to get the kind of treatment that will help them overcome diseases and conditions that can be treated. Modern medicine and medical technology are rapidly changing our expectations for how well and how long we live, and that should include every Fijian.

Third, we will organise Government and its resources to ensure that everyone is treated fairly and equally, that Government operates with more efficiency and transparency every day, and that our tax system becomes progressive and maximises revenue without unduly burdening or favouring any individual or sector.

Madam Speaker, like the infrastructure of this country that was ignored for so many years—allowed to deteriorate where it existed, not expanded to where it was needed, and managed with indolence and indifference for many years—so our government services need better direction, better organisation, and better planning. The demands of a modern Fiji will only grow, and our civil servants need proper systems, infrastructure and aptitude and attitude, in order to do the work that the people of Fiji deserve and demand.

Madam Speaker, I would like to turn our attention first to these areas—to explain the ways Government will be managed and financed, and how that will benefit every Fijian.

Civil Service and Administrative Reform

First, we wish to develop our human capital—that is, the people we need to carry out the work of Government at all levels. The reform of the Civil Service will create a Ministry of Civil Service that will set standards for organisation, hiring, evaluation, discipline and emoluments. It will be up to the individual ministries to manage their own personnel while adhering to these guidelines. This is a global best practice, and is much like systems used in the United States, Europe, Singapore, Japan and Mauritius. The Public Service Commission will have one very important role: to recruit, hire, monitor and evaluate Government's permanent secretaries. Madam Speaker, the permanent secretaries are the senior non-political executives in Government. They must have sector expertise, management and leadership ability, acumen, and integrity. They will drive performance, and we must have the best people available to fill those positions, whether they are Fijians or professionals recruited from abroad.

So I am pleased to announce that Government has made progress with the Civil Service Reforms, this is despite the disappointingly very slow start to the project made by the World Bank.

We have established the Civil Service Reform Management Unit (CSRMU) that is supported by an international Advisor and all progress on reforms to date have been achieved through this Unit. We continue to be disappointed by the lack of responsiveness of the World Bank to our needs, as they continue to send short term missions to review and write reports, which do not lead to expected action. Through the CSRMU though, we have made some very real achievements.

A review of the role and functions of the current Public Service Commission Ministry has been completed, along with analysis of the role

of a Central Agency under the devolutions detailed in our Constitution. As a result, the Public Service Commission Ministry is to be abolished effective from 31 December 2015, and a new Ministry of Civil Service established from 1 January 2016. The new Ministry of Civil Service will be much leaner, with functions specifically designed to support Ministries to carry out their Constitutional responsibilities while maintaining central coordination of key areas to ensure consistency across the Civil Service. Some continuing functions will move to different Ministries, along with the relevant staff, for instance, the Fiji Volunteer Service will move to the Ministry of Employment, Industrial Relations and Productivity and the Office Accommodation and Government Housing Division will move to the Division of Asset Management Unit of the Ministry of Finance. Positions for the new Ministry of Civil Service will be advertised later this month for open merit selection. The 2016 Budget includes funding for staff carrying out transition duties, funding for the staff of the new Ministry and funding for any remote possibility of redundancies which may need to be paid if staff are not transferred to another Ministry by 29 February 2016.

Our other major achievement is the development of a Guideline for Ministries to fully implement open merit selection for all positions within the Civil Service. This guideline is being finalised and implementation will begin this month. This is a major change to the way we manage Recruitment and Selection, and requires Ministries to consider and apply fair, accountable, OPEN merit techniques to all their recruitment and selection activities. Although merit has been a determining factor for some years now, the change here is the requirement to treat internal and external applicants equally, with no preference to either and the decision for appointment (or transfer or promotion) to be made only on the actual

requirements of the job. This will require major training for staff, for which significant resources have been allocated in this budget.

Also this year, we have provided funds to engage an independent, international Recruitment Company to support the Public Service Commission in their recruitment and selection of Permanent Secretaries. Together, they have developed a rigorous process which will ensure that we are able to engage high performing executives to lead our Civil Service through the coming period of change and improved professionalism and service to the public. A major shift in our approach towards managing Permanent Secretaries is that the budget for their salaries will be managed by the Public Service Commission, enabling transparency and accountability for these key positions.

Looking forward, we have provided the CSRMU with \$1 million in 2016 to enable them to continue to work with Ministries to drive and achieve our vision of Reform. The CSRMU will engage with specialists to develop a comprehensive, tailored Induction Program for our new Permanent Secretaries, to ensure that they are fully equipped for their challenging roles ahead. Central guidelines are being developed on Core Skills Training and on Discipline and Grievance management. Ministries are preparing requests for assistance to restructure and reform themselves in order to meet their new mandates. Government, through the CSRMU will also look to other donors for assistance with specific activities as they are identified.

Madam Speaker, we are not reluctant to bring in skilled administrators from abroad for these positions. To the contrary, we embrace the idea when doing so will yield the best talent to serve the people. Countries such as Singapore and Mauritius have had great success in this way. In

fact, we see great advantage in bringing to Fiji accomplished professionals with skills and experiences that may not be available here. These individuals will not only give us sound administration for today; they will also help us develop our own cadre of skilled professionals in each ministry where they work. We are investing in our Fiji.

We will also continue to invest more heavily in IT systems. We have not been satisfied with the progress so far, which has been slow to our standards and expectations. But we will continue to pursue the most modern systems possible, and we believe that experience from outside will help accelerate the process. The National Switch and 'FijiPay' System, which has been delayed, will be implemented by the first quarter of next year, as a result of numerous consultations with relevant stakeholders, and we will be tabling a law for the National Switch to ensure that the interests of all stakeholders are protected and compliance with financial regulations.

Madam Speaker, we will also realign the process of procurement for all of government to make it more efficient and reliable. Too often, appropriated funds have been left unspent and projects have been delayed because ministries and offices have not been able to lay all the groundwork and follow all the necessary steps. This has been a particular problem with capital projects, where the delays are caused not because of a lack of funds or government will, but simply because the ministries have lacked the experience and technical expertise or have not carried out the necessary preliminary ground work to take the project from beginning to end. For example, the new police station in Beqa, which has been promised for two years, remains unbuilt because the land for the post has never been secured and the community has not reached a consensus about the location of the facility. Ministry and agencies' submissions for

capital projects in particular, will now need to meet minimal threshold requirements of readiness before they are approved. Sometimes, the ministries become aspirational without considering the reality on the ground.

We have kept this in mind as we set aside funds to help iTaukei landowners develop their land. We have received more than 30 proposals so far, but we are determined to do this right. We must make sure that the projects are properly planned and that competent project-management teams are in place to see the project through. These things cannot be rushed. This is the first time we are doing such a thing and we need to get it right. We have had too many false starts - right from Independence, too many unfulfilled promises, too many plans that turned out to be little more than dreams. These iTaukei landowners deserve better, and we will give it to them.

Madam Speaker, the way we have been procuring medicines and medical supplies has also suffered from this lack of expertise, and we are suffering because we have been buying many end-of-life products. These medications and treatments lose their potency before they can be used, and they have to be discarded at great cost to the taxpayer and the patients who might need them. We will carry out a number of reforms in procuring medicine and the sources from which they are to be purchased.

I am pleased to announce, Madam Speaker, that with help from the Australian Government, we will at the end of this month begin work with international procurement specialists to develop a National Procurement Strategy and Policy. In fact, two specialists have been to Fiji to carry out preliminary works. An important component of this work will be to

review and improve procurement regulations and build in-house capacity on procurement best practices.

We will from next week also centralise the coordination of all capital construction through a specialist division in the Ministry of Finance. From 2016, we will also require all public sector tenderers and parties submitting expressions of interest to be tax compliant. To give an example, Madam Speaker, we have capital projects that are given to the Ministry of Health, however their job is to deliver health services, not build hospitals. But this has been the practice since independence- we rely on people with a particular skill-set to go and work in an unrelated area. This will now be specialised and centralised.

Madam Speaker, in 2016 we will also reassign and centralise climate change coordination and project implementation, monitoring and reporting functions at whole of government level with the Strategic Planning Office of the Ministry of Finance. This will ensure that budget-funded programs and projects are implemented in a holistic and well coordinated manner. The Strategic Planning Office will be responsible for the assessment and tracking of performance of all government Ministries through the new National Development Plan. The Office will also be the national focal point, coordinating with development partners on all technical, policy development, and administrative functions related to climate change.

This will streamline and centralise reporting so that ministries are not tied up in meeting reporting requirements every month. They will be freer to concentrate their efforts on implementation. Ministries will not only be fully accountable at all stages of a project, they will also be more efficient and productive. For his part, the Hon. Prime Minister will have an

accurate snapshot of all projects without having to search through dozens of individual reports. This is a best practice worldwide, where one agency responsible for budget monitors not just the dollars that are spent, but the faithfulness of the spending and the quality with which projects are managed and juxtaposed with its corporate plans.

Madam Speaker, from next year, within certain government ministries and in order to improve efficiency, we will be putting in place specific timelines by which government entities must respond to applications. If prescribed timelines are not met, then certain applications may be deemed approved.

Tax Reform

Madam Speaker, we must address two important weaknesses in our tax structure. We must make the system more equitable and transparent, which means simplifying and rationalising the system to root out inconsistencies or special privileges that serve no useful social or economic purpose. And we need to do a better job of collections. There is significant leakage in our system, and we are simply not collecting all the revenue we should be collecting. In the process, ordinary Fijians suffer, and the nation as a whole suffers.

Madam Speaker, you may recall, that we have, through this House, passed a law, that gave amnesty to Fijians who had undeclared assets offshore. And if they declared those assets by 15 October this year, they would not suffer any repercussions, but they would pay taxes starting in 2016. I am proud to say that more than half a billion dollars' worth of assets have now been declared in response to that amnesty- half a billion dollar worth of assets that were completely unaccounted for and the

numbers are still growing, because some of the assets that have been declared do not have the full value attached. We know Madam Speaker, some are still to declare. We will pursue the taxes that they owe us.

Madam Speaker, Fiji has one of the lowest tax rates in this part of the world, so the choice should be easy: Even though you have assets offshore, you should pay your taxes here.

So Madam Speaker, I wish to thank all the Fijians who came forward and put their faith in the FijiFirst Government. Others have yet to come forward. The very positive response to this amnesty, in a short period of time, has compelled us to offer a similar amnesty for all Fijians to declare assets owned here in Fiji that they have not declared previously, including assets held in the name of others but for the benefit of someone else.

Madam Speaker, furthermore we have many citizens who have not fulfilled their tax obligations because they have not filed or paid due taxes pertaining to previous taxable periods. We want to give them equal and a last opportunity to voluntarily come forward to pay the due taxes by the end of December 2015. Late lodgement and late payment penalties will be waived in full.

Madam Speaker, tax avoidance—and in some cases, outright tax evasion—is a problem that we are going to attack aggressively, by collection and by reform. When privileged people and corporations don't pay legitimate taxes, they put more burden on the poor and the working class. This is not fair!

Government will not tolerate it, and we as a people should not tolerate it.

Madam Speaker, throughout this presentation, I will give examples of ways that individuals and companies have simply been ducking their civic responsibilities. For example, one well-known company that owns major grocery outlets with other businesses across Fiji has paid no taxes in the last 6 years. Yet it is inconceivable that this company has made no profits. By not paying taxes, company management is denying services and opportunities to ordinary Fijians—the very people they need to sustain their business.

We have also learned that a major accounting firm—in breach of its civic responsibility and the ethics of the accounting profession—has helped its clients make exaggerated claims of allowable expenses. This has to stop.

FRCA will develop a Tax Agents Code of Ethics for tax agents to ensure that everyone understands the rules and the conduct required of tax agents. Then there will be no excuse for dishonesty. And agents will be held accountable for the advice they give their clients and their companies.

We also know that in the past, when Government reduced duty on goods, merchants often have not passed those savings on to customers. They broke faith with their customers, taking their reduced cost as something to boost their income. But Madam Speaker, Government doesn't reduce duties to benefit a few merchants; it reduces duties to end economic distortions, to give consumers greater choice, to boost economic activity and opportunities and to put more money in the hands of the ordinary Fijians.

We are going to confront these practices, and we will enact responsible and comprehensive measures to change this selfish and pernicious

behaviour. We are also going to use technology to do a better job of collections.

Much income goes unreported through the informal economy or through simple tax evasion because we have lacked a credible system to encourage or compel tax compliance. We will invest \$5 million in technology for the Ministry of Finance and FRCA to ensure better reporting and compliance, including a system to link FRCA to cash registers so that retail and wholesale transactions will automatically and in real time be reported. It is only fair.

VAT was instituted in 1992 through the VAT Decree, and some shops have long been able to manipulate VAT returns by mixing accounting of VAT and non-VAT items. When customers pay taxes in good faith to merchants who pocket the money, those merchants are stealing from their customers and from Government. The merchants hold the VAT in trust, and it is their responsibility to turn it over to Government.

Madam Speaker, the current structure of exempt VAT, zero rated VAT, and normal VAT provides the window of opportunity to unscrupulous traders to manipulate their records to underreport VAT sales. What this means is that VAT collected from ordinary Fijians is not passed over to the Government. And on the contrary, these traders overstate their input expenses to claim undue refunds. This is a double whammy because it hurts ordinary Fijians and the Fijian Government, and the punishment will fit the crime – triple the tax due.

By having exemptions to VAT, we also create a regressive taxation system. In other words, if the logic is that VAT should be exempt on certain items because you want to protect the less well-off then it does not

work because the rich also don't pay VAT on those items. What is fairer and financially sound is that assistance to the needy is targeted.

Madam Speaker, many of our businesses rely on a model of high margin and low volume because it makes a kill on one sale. We encourage them to move to a different model, one in which lower margins stimulate consumption and produce a higher volume of sales. This is a better model for the economy because it encourages production, lowers costs, and in the long run increases sustained profits for the merchant.

Madam Speaker, we will propose to this Parliament, legislation to reform the VAT system, which is a part of the daily lives of all Fijians. This will make taxes more equitable and less burdensome while producing more revenue for Government to provide essential services. Under this legislation, the VAT will be reduced from 15% to 9%, and exemptions that currently exist on rice, cooking oil, fish, flour, tea, powdered milk, kerosene and prescription drugs will be eliminated.

This reduction in VAT will reduce overall costs to citizens as measured by the Consumer Price Index through the RBF by 4.5%, and it will reduce the overall cost of food to all Fijians by 0.4%. We will further reduce the impact of VAT on the poor by continuing the FijiFirst Government's current free food voucher program and free medications for individuals with incomes less than \$20,000 a year, and providing subsidised electricity of up to 95kwh for those households that earn less than \$30,000, as aligned to the \$30,000 threshold for the Free Water Scheme. The free-medicine list, from next year, will also be greatly expanded from 72 to 142 items. This benefit will be financed by the VAT collected on purchases of prescription drugs and basic food by people who CAN afford to pay. And so they MUST pay.

While people in outer islands will pay a bit more for kerosene, that will be more than offset by lower costs of other items such as outboard motor fuel, which will now decline by 6%, and other food items and other materials which I will highlight. Madam Speaker, the reduction in VAT rate will present a situation of significant tax savings. In fact, this savings will gradually increase as the person consumes more goods. In other words, Madam Speaker, the more you buy, the more you save!

And, Madam Speaker, when VAT is reduced, we must ensure that consumers benefit. We are not reducing VAT to increase profit margins for retailers; we are reducing VAT to put more purchasing power in the hands of ordinary Fijians. Let me quantify this with a real-life example. Parents who spend \$200 on uniforms for their children will save \$12 from the reduction in VAT alone. But those same children's clothes will already be as much as 5% cheaper because of the elimination of duty going forward from today on fabric, thread, buttons, zippers and other items that make up the garments. So the total savings could be as much as \$20.00.

But the price reductions go much further and much deeper. While VAT will be applied to rice, cooking oil, tinned fish, flour, tea, powdered milk, kerosene and prescription drugs, in 2016 the overall cost of groceries will still come down. This is because we have decreased the VAT on other everyday items. The prices of soap, toothpaste and toilet paper will come down. The prices of meat, salt, onions, potatoes, butter, biscuits and garlic will come down. Household appliances, furniture, hardware materials and mosquito coils will all become more affordable. Bus fares will also be lowered – an everyday cost for many working Fijians.

For items where the duties have also been reduced, such as deodorant, sanitary products, running shoes, baby clothes and diapers, the prices will come down even further. In the case of tea, although VAT will now be applied, the removal of the duty by 10% will decrease the net price. And of course, there is still no VAT on the fresh fruits, vegetables and other things you buy in the market, as has always been the case. There is also no VAT and duty on items used by disabled persons, for example wheelchairs and hearing aids.

Also, for an ordinary family looking to purchase a \$20,000 car. That family will now save \$1,200 thanks to the VAT reduction from 15% to 9%. This kind of savings can make dreams a reality for many Fijians who will now have greater purchasing power in the marketplace.

Madam Speaker, this is a tax reform for the consumer. This is a tax reform for the ordinary Fijian. This is a tax reform that will put money back in the pockets of families all over the country and give them the choice of how they want to spend their hard-earned cash.

We will also propose legislation requiring sellers of goods to reflect the lower value added tax in their prices. Dealers who attempt to pocket the difference will face stiff punishment – fines of up to \$100,000 or five years imprisonment. This may sound tough, but this is a serious issue that requires a sufficient deterrent. FRCA and Ministry of Finance have already conducted price surveillance in cooperation with the Consumer Council of Fiji, and we have provided \$150,000 to the Consumer Council to operate a hotline to receive consumer complaints. The lines will be running hot beginning next week, and anyone calling will speak to a person who can begin an investigation of their complaint and report it directly to FRCA.

As part of this more progressive system, the Service Turnover Tax will increase from 5% to 10%, and we will impose an environmental levy of 6% to those businesses currently paying the STT. Those who use services in this sector will pay the increase Madam Speaker, but we note most Fijians do not use, or very rarely use, these services.

Our Constitution guarantees all Fijians the right to a clean environment and this measure reinforces Government's commitment guaranteeing that right. Ordinary Fijians will not be affected by this tax.

Madam Speaker, Fiji is a premier destination offering a high-value vacation product. Visitors come for the luxury of the accommodations and the natural beauty and recreational opportunities in Fiji, and they will willingly pay a small additional charge to support environmental protection programmes. As a point of reference, Maldives charges tourists USD6 per day for a night spent. Given the VAT reduction, visitors will pay only 5% more in taxes than they do today, and, Madam Speaker, Fiji is well worth it. We are now consulting with other industries to see how they can participate in this measure to protect the environment.

Madam Speaker, the policy mix involving VAT rate reduction, broadening of VAT base by imposing VAT on some items, prescription medicine and kerosene, along with increase in the STT rate and the introduction of environmental levy will not place tax revenues in a precarious position. In fact, Madam Speaker, the overall impact of these changes is expected to lead to a revenue gain of **\$38.5m**. The VAT rate reduction is a pro-growth tax policy and will have expansionary impact on the economy and the overall revenue gain will be much higher than this. This is similar to the 2012 income tax cuts where revenue collections

increased phenomenally and FRCA reported an average revenue growth over 10%. The income tax cut impact has actually been felt over a number of years and we will expect the same trend for VAT rate reduction. Madam Speaker, although the VAT rate reduction itself will have a loss of **\$316m**, this will be offset by a gain of **\$108.6m** through VAT on basic food items, **\$127.5m** from STT and Environmental Levy, and **\$120m** from VAT compliance initiatives, particularly through the VAT monitoring system.

Madam Speaker, there are many anomalies in our tax system that are caused by the accumulation over the years of different privileges and tax breaks, taxes on selected items and exemptions on other items with no logic or consistency behind them. All of this leads sometimes to cheating and other times to manipulation. People feel that they can play the system rather than work within it because the system appears to be a game. That is why we need to straighten it out.

Madam Speaker, we will not ask anything of Fijian citizens that we do not demand of ourselves. The people who assess, collect and record taxes and duties must be unquestionably honest. We have been dismayed by instances of corruption uncovered recently by FICAC involving payments and favours to FRCA employees. Freight handlers who give gifts to FRCA employees if they agree to falsify customs documents could very well end up sharing a prison cell with their co-conspirator. FICAC, the FRCA Board and the Ministry of Finance will be unrelenting in rooting out corruption and in prosecuting to the fullest extent anyone who betrays the people's trust. We are asking people to pay their share. They must believe they can trust their government.

We have some tax breaks that need to be ended because they serve no useful purpose. One of those is the Short Life Investment Package, or SLIP, which grants the hotel industry certain tax holidays of ten years for investments of \$7 million or more. This may well have been a valuable programme when we were trying to build our tourism industry in the 60's, 70's and 80's but it has outlived its usefulness. We have a mature world-class hospitality sector, yet of 263 hotel companies, only 68 paid taxes in 2014, and we collected only \$8 million in corporate income taxes from hotel companies. And, Madam Speaker, sole traders in the hotel industry weren't any better: Of 294 sole proprietorships, only 89 paid any income taxes at all. FRCA Reports estimate revenue of the entire hotel sector at \$830 million for 2014, but Government received only \$8.56 million in income tax. All SLIP applications from now until 31 December 2016 will be processed under existing SLIP framework. But in the future, it will change.

Madam Speaker, Fiji's economy has responded well to the reforms put in place over the last several years, and we will continue to root out policies that stifle innovation, create perverse incentives for business, or have no discernible social or economic value. We will continue to fine-tune the reforms to meet the demands of the modern global economy. As we do that, we will encourage more investment.

Investment Fiji issued 228 foreign investment registration certificates in the past eight months, valued at more than \$722 million and with 2,903 proposed new jobs. Applications are up 39 % over last year. These investments are distributed across sectors, including services, utilities and manufacturing.

This is added to the unprecedented rise in significant investment by Fijians, which has increased from 164 last year to 228 this year. This confidence in Fiji's future is both a pat on the back and a challenge: We must be up to the task of ensuring that people who bet on Fiji's future come out winners. If they win, the Fijian people win. We are putting the elements in place to make Fiji the Geneva of the Pacific.

We have a foreign policy that seeks good relations with all nations. We have a strategic location that makes us a commercial and telecommunications hub for this part of the world and a leader in pressing the interests of the South Pacific island nations internationally. We have a hard-working, educated and civil population. And we are putting the macroeconomic policies and budgetary priorities in place to accelerate those other advantages. The international community has taken note of what we are doing. We have made believers out of sceptics and given hope and new ambition to Fijians.

So with all this good news, how will we fine-tune the reforms and root out counterproductive policies, laws and regulations? How will we eliminate privilege and ensure that people who are reaping the benefits of this economy are paying their fair share in taxes? We have developed a comprehensive series of reform of taxes and duties designed to achieve that and to propel our economy forward, as the IMF has suggested.

We will eliminate the Duty Suspension Scheme, which will mean zero duty on plant and machinery, raw materials, and other inputs for manufacturing—everything from shirt buttons to chemicals, and we will reduce the duty on quad bikes, used almost exclusively in the tourist industry, from 15% to 5%. The Fiji Exporters Council will also no longer

need to pay a role, and compliance costs for business should go down dramatically.

This is one more factor in making Fiji more attractive to investors, but it also serves Fijian consumers. Reducing costs of duty, compliance and cash flow will give them the promise of higher-quality goods at lower cost.

We have eliminated or reduced duty on many items that are very personal in nature and make a difference in the lives of Fijians. There will be no duty on sanitary pads, tampons and diapers. Duty will be reduced from 32% to 5% for baby garments, undergarments for men and women, and deodorants. Skin-care products, shaving preparations, cameras and camcorders, sunglasses and binoculars, electronic games, and watches and jewellery will carry a duty of 15%.

For the sake of public safety, we will eliminate duties on fire-safety awareness equipment. And consumers will benefit from a reduction in the duty on motorcycles from 15% to 5%, and the complete elimination of the duty on bicycles.

Also for safety, we will ban the importation of used tyres by 2017, but we will also reduce the duty on new tyres from 32% to 5%. Used tyres present a safety hazard on our roads. As we get better roads, people are speeding more and we see more accidents and the Fijian people deserve better. We will also provide funding to the Land Transport Authority for mobile weigh bridges and enforcement personnel. We have spent hundreds of millions of dollars to improve our roads over the last three years, and we simply must protect them from overburdened trucks traveling in the night.

All new motor vehicles imported to Fiji must now be Euro 4 compliant. We know, Madam Speaker, that a number of new-car dealers are importing Euro 2 vehicles—vehicles that do not meet safety and environmental standards in Europe and elsewhere. So Fijians are getting a raw deal: They are paying for the newest vehicles but getting the vehicles that cannot be sold in more-developed countries. Used vehicles may be imported only if they are Euro 4 compliant. Vehicles with engines running on both unleaded petrol and diesel fuel must be less than 5 years from the year of manufacture, and vehicles running on LPG or CNG or with solar, electric or hybrid engines must be less than 8 years from year of manufacture.

Madam Speaker, small and medium-sized enterprises (SMEs)—that is, businesses with gross turnover of less than \$500,000—drive growth and innovation in the economy, and we want to encourage and nurture them. Stamp duties have been a fact of life for SMES, as they are for most Fijians, for as long as anyone can remember. We are eliminating stamp duties on all instruments for SMEs, but with the understanding that the onus is on each business to prove that it is a legitimate SME.

SMEs will also no longer have to pay fees to the Fire Authority of Fiji or Occupational Health and Safety. The SME Credit Guarantee Scheme, which is facilitated through the Reserve Bank of Fiji and has made loans valued at \$61 million over the last three years, will continue.

We will continue to invest in infrastructure. The new four-lane highway linking Suva and Nadi has won accolades from local and foreign investors and experts, and the emphasis on improving transportation infrastructure is paying benefits that go far beyond dollars and cents. It means more unity, more opportunity and less isolation in Fiji.

We will continue to support improvements in road, maritime and air transportation. Madam Speaker, the ADB in one of its recent publications noted the important role of air links between the Pacific and the rest of the world, Asia in particular, in lifting export prospects and establishing new markets in key sectors such as tourism, agriculture and fisheries. The ADB had in fact identified Nadi as the South Pacific's regional hub, given Fiji's connectivity and, might we add, Fiji Airways' standing as the lead provider of air services in the Pacific. The study also noted that due to market size, the cost of air travel in the region is among the most expensive in the world. For this reason, a number of Pacific islands are now offering incentives to commercial airlines to increase flights.

Madam Speaker, we are proud to announce that Fiji Airways from April 2016 will commence a new route to Singapore with the arrival of its new Airbus A330-300 aircraft. To support our national carrier in this new endeavour to aggressively market and put in place attractive ticketing pricing, Government has provided a sum of **\$18.0 million** in the 2016 Budget to Fiji Airways. Singapore is a major international hub with extensive connections to other Asian ports including India, Bangkok, China as well as Europe and the Middle East, which will further promote tourism arrivals and cargo traffic to the country. We will now have air connections to every continent that borders the Pacific Rim except South America. In addition to opening up new opportunities for trade between Fiji and Singapore, these direct flights will also be in time for the IRB Rugby 7s series in April next year. Those of you who follow rugby will know that Singapore has replaced Tokyo as the next venue after Hong Kong.

Madam Speaker, not all Fijians can take direct advantage of international air travel, but many depend on air transport to travel within Fiji. So we

will increase allocations for domestic air services in order to keep it affordable and accessible. We will subsidise a total of 390 trips at a cost of **\$1.85 million**.

This support for domestic air travel is one of the many ways we are meeting the FijiFirst Government's long-standing commitment to unite the Fijian people and to end the inequality that stems from geographic isolation and poverty. We will reinforce this commitment with an increased allocation to build Legal Aid offices to serve people in outer islands and rural communities. These people need access to legal services as much as anyone in the cities, and they will have it. Government will increase that allocation to **\$5 million**. Legal Aid will open new Offices in Levuka, Nabouwalu, Kadavu and Rotuma. We have already opened Offices in Taveuni, Korovou, Nausori, Nasinu, Suva, Navua, Nadi, Lautoka, Ba, Tavua, Rakiraki, Labasa and Savusavu. This is unprecedented.

We will also work to eliminate the backlog of some 2,500 workers' compensation cases. For this, an amount of **\$5 million**, an increase of \$2.4 million, is provided in 2016. These are people who claim that injuries suffered on the job have prevented them from working and earning a living. These cases need to be adjudicated for the benefit of the workers and the employers. Facts must be ferreted out, truth must be determined, and compensation must be paid where it is warranted. Madam Speaker, justice delayed is justice denied. The very credibility of Fiji's commitment to protect workers and maintain an insurance scheme to shelter hard-working people from unforeseen workplace injuries is at stake.

We also need to be more generous in compensating injuries and deaths on the job. Worker's compensation was established to compensate workers and their families for their inability to earn a living, so the payments must reflect to some extent the realities of the job market and the economy. So we have increased the maximum payment to eligible families of workers killed on the job from \$24,000 to \$50,000. We have also expanded the definition of family to include de facto partners. Madam Speaker, these are families who have lost a breadwinner and a loved one. We have also increased the amounts payable for incapacitation or disability from the workplace. We may not be able to make them fully whole, but we should ensure as much as possible that we relieve their grief and their exposure to indignity.

Madam Speaker, one of the most important institutions acting in the interests of all Fijians is the Fiji National Provident Fund (FNPF), which invest the funds deposited by workers in order to pay out retirement and disability pensions. FNPF is recognised internationally for its excellent management, and we are proud to say that just on Monday, FNPF was awarded the Certificate of Merit by the International Social Security Association in recognition of the IT Reform supported by the FijiFirst Government. FNPF has made all the right reforms to ensure that depositors' funds are safe and that the value of its assets grows swiftly. FNPF's investment income was \$252.8 million in 2014 and stands at \$302.7million today, an increase of 20%. That is the highest ever in the Fund's history, and that is good news for all Fijians.

A Drive for Better Health Care

Madam Speaker, I mentioned that this bright future that Fijians are embracing must include good health. Our health system suffers from decades of neglect that have left us with inadequate infrastructure and a lack of sufficient qualified medical professionals. Medical science is progressing rapidly, and advanced medicine is no longer the exclusive domain of the wealthiest and most advanced countries. Open-heart surgeries are now routine, and people are released from hospital within a few days following the procedure. Yet there is no one in all of Fiji—not one doctor—who is qualified and available full time to perform open-heart surgery. This means that Fijians who do not have the means to travel to India or Singapore or Australia or New Zealand for the procedure must live with their condition or wait for some group to come from overseas, limiting their activity and denying their families and their country of their full efforts.

To have such surgeons require decades of training and specialisation. Unfortunately, previous governments did not invest in our human resources. But we are determined to catch up, and the FijiFirst Government has a series of programmes, projects and fiscal and budgetary measures to help us make up that lost ground. This must be a long-term effort, but there can be no compromise, no hedging, and no half-measures. The modern Fiji must be a healthy Fiji.

Madam Speaker, I am very pleased to announce that from 2016, investors who set up private hospitals with a minimum investment of \$7 million will receive a 10-year tax holiday; can access 60% deduction for new capital improvements, and receive duty free importation of capital goods. We need to do this, we need to get more people into this space.

Investors who establish ancillary medical services such as diagnostics and laboratories receive a 4-year tax holiday for a minimum investment of \$2 million, and the same 60% investment allowance and customs concessions for private hospitals.

Both types of investors will be able to carry losses forward for 8 years.

Madam Speaker, we will also increase funding for operational costs of existing public health facilities and to establish more positions for doctors and skilled nurses and technicians. We will recruit talent from outside in order to give Fiji the best professionals we can acquire, professionals who will bring new skills to pass on to our doctors. But our objective goes well beyond the facilities and personnel that our budget can provide. Our objective is to raise the standard for medical care in Fiji, to fundamentally change our belief in what is possible and what is achievable. We want every Fijian to expect good health and a long life, and to have well-justified faith that the care he or she gets in Fiji will guarantee that good health and long life—at least as much as medical science makes that possible.

We want to provide full tertiary care for our own people, partnering with the private sector when necessary to build and operate the hospitals and to teach and train professionals. There is no reason why we cannot eventually have a university hospital in Fiji.

Madam Speaker, to make our health system more efficient and to use our allocated funds more effectively, we are centralising procurement and bringing in professional contract management to direct new construction. The new hospital in Ba where Government joined forces with the Ba Chamber of Commerce, has the potential to benefit around 140,000 people, is an excellent example of how this can work effectively to

produce a well-designed facility on time and on budget. The new Ba Hospital is being built to World Health Organisation standards and will be a bridge between the smaller Tavua and Rakiraki hospitals and the larger Lautoka Hospital. So it's more than just a hospital; it is a critical link in a system designed to deliver quality care.

We will also begin purchasing generic drugs from India—as the health systems in nations like Canada and Australia do—in order to obtain critical medications at the lowest cost. Why should Fijians pay top dollar for life-giving medications when people in Australia and Canada get them at a fraction of the cost of brand-name medicines?

Madam Speaker, in addition to providing medical treatment, we need to do more to combat the terrible problem we have with non-communicable disease like diabetes, lung cancer and heart disease, and we will use taxation to encourage people to alter unhealthy behaviours and to fund prevention and awareness programs. In order to improve awareness and diagnosis, we will eliminate duties to zero on health diagnostic equipment and products, including diabetes diagnostic strips.

We will increase the tax on cigarettes by 12.5% and add an additional health levy of 6%. Add to that the provision of free prescription medicines to persons earning less than \$20,000 a year, and we have the beginnings of a tax scheme that supports good health. The number of items available on the Free Medicine List has also been increased from 72 to 142—nearly double.

We will increase the excise duty on sweet drinks such as sodas from 5 cents to 10 cents. These drinks are seductive, because they taste good. But overconsumption of these drinks, which often have no nutritional value, can lead to long-term problems of obesity. Children who consume

too many sugary drinks can set themselves up for a lifetime of poor health, obesity, and a near-addiction to sugar.

We will maintain the 32% duty on powdered milk in order to ensure that our own Fijian dairy industry continue to thrive and produce high-quality milk and milk products. With the worldwide price of milk in decline, Fijian dairy farmers continue to get paid up to \$1 a litre for farmgate price when their counterparts in New Zealand are getting half of that, if that at all. We want fresh milk, produced locally by our own farmers. It is an important national interest, and it is a benefit to the Fijian people.

Despite the decreasing world price of milk, the price Fijians pay has remained the same because merchants importing these products are not passing on these savings. This is unacceptable.

Government Functions: Ministries, Offices and Commissions

Health

Madam Speaker, the health challenges that we confront—particularly the problem of non-communicable diseases like diabetes, which has produced an epidemic of amputations—stand in contrast to the image we have of ourselves as an active, healthy, athletic people. Indeed, encouraging participation in sports and creating opportunities for physical activity remain priorities for the government.

Government has allocated **\$280million** to the Ministry of Health in 2016, an increase of \$11 million over the 2015 Budget level. Madam Speaker, we have rearranged the Ministry's Budget to clearly show the level of funding provided to each of the major urban hospitals, the health facilities

in each of the Divisions, as well as funding for drugs and medical equipment. Programs and activities are now more detailed.

Fiji desperately needs more qualified doctors and nurses, and we have budgeted an increase of nearly \$9 million to recruit an additional 150 doctors and 200 nurses.

\$39.4 million is allocated to the Colonial War Memorial Hospital, one of the largest hospitals in Fiji, an increase of \$2.6 million, mainly to hire an additional 36 doctors and 20 nurses in 2016, to add to the 1,446 existing staff at the hospital. The 135,000 annual outpatients at the hospital and average occupancy rate of 80% have required that Government allocate an additional budget of **\$1.3 million** for the hospital's operational expenses. The allocation will cover major expenses of power supply, laboratories test referrals, and rations for hospital patients – things like oxygen.

A total of **\$39.8 million** is allocated toward Government's long-term plans to develop its health infrastructure in all four Divisions. The majority of this allocation, **\$21 million**, will go towards the construction of the new 70-bed Ba Hospital. As mentioned, Madam Speaker, this project is being undertaken in partnership with the Ba Chamber of Commerce and is the first arrangement of its kind. We believe it is a model for future development.

Government has also provided for much-needed infrastructural development at CWM, including **\$1.3 million** for the extension of CWM Maternity Unit. Other major developments planned for CWM include the construction of the new 200-bed Maternity Hospital and the new National Radiotherapy Centre.

Madam Speaker, we have increased funding for health services in all of Fiji's divisions. Central Division health services will receive **\$16.0 million**, an increase of \$1.4 million. Eastern Division will receive **\$8.4 million**, an increase of \$853,000. Western Division will receive **\$16.1 million**, an increase of \$1.7 million. Northern Division will receive **\$10.9 million**, an increase of \$1.7 million over the 2015 level. All of these increases are due to the hiring of more doctors and nurses. In addition, the Eastern, Western, and Northern Divisions will receive allocations of **\$3 million** each to upgrade and maintain health facilities.

Fiji Pharmaceutical and Biomedical Services Centre is the centralised procurement centre for the Ministry of Health and Medical Services for biomedical equipment and medical consumables distributed to all Government health facilities, and it is allocated **\$57 million**, an increase of \$6.9 million over 2015. This increase will cover the purchase of three new vaccines—Rotavirus, Pneumococcal and HPV, at a cost of \$5.7 million. For next year, we have increased the allocation for the Free Medicine Program from \$8 million to **\$10 million** to provide approved prescribed medication free to Fijians with an annual income that does not exceed \$20,000.

Education

Madam Speaker, this Government has made the improvement of education and, just as importantly, equal access to quality education for the poor and people in remote areas a priority. The 2016 Budget for the Ministry of Education stands at **\$432.2 million**, which is an increase of \$30.6 million above the 2015 level.

In a major new initiative, Government is providing \$6.87 million to the Ministry to improve the teacher- student ratio by hiring 250 additional teachers. These funds will be spread evenly where the need arises, with the goal of reducing the teacher-to-student ratio to 1 to 35 in primary schools. We will also raise the pay of the 250 existing teachers in primary schools to a base salary of \$16,610 and upgrade the existing 150 teachers to a base salary of \$23,411.

Recognising the constitutional rights of children with special needs and the extra burden of their care and education for parents and teachers, we have increased the special-needs grant to primary schools to \$3.3 million, an increase of \$565,000. This is for all special primary schools. This includes an increase in the grant for each child from \$250 to \$500 a year. As we know, children in special schools need special care. In fact, Madam Speaker, we have a problem. We do not have teachers in Fiji who are trained to be teaching in an environment where you have children with special needs. Many of these schools have teachers with ordinary qualifications without any up skilling. We recognise their efforts and thank them for their patience, and we need more such teachers who are fully trained in this curriculum.

We will also examine ways to provide additional grants for capital projects on a needs basis through the Small Grants Projects. In addition, special aids and equipment for disabled persons, such as lenses, hearing aids and prosthetics, are now exempt from VAT. They have been imported duty-free for many years, and the elimination of VAT will make them even more affordable for the people who need them.

We have allocated **\$6.7 million** for the construction, upgrade and maintenance of schools around the country. In addition, we have

allocated **\$7.9 million** to increase allowances for teachers in areas identified as “very remote” in order to adjust for cost of living expenses in those locations, as another measure of our commitment to taking the benefits of education to every corner of Fiji and to leave no child without the chance to attend school with a qualified teacher. Fiji will need to dominate information and computer technology if we are to realise our ambitions in this world, and we begin with an allocation of **\$2 million** for digital literacy. We have made very good partnerships with organisations like Microsoft and Intel with respect to this program. We have also increased the allocation for library programs to **\$2 million**, and we will begin digitising the library collection in order to conform to international best practises.

We have allocated **\$19 million** to support the three technical colleges that were established this year and the eight new technical colleges to be established in 2016. Madam Speaker, technical education to prepare our people for the skills of the modern workplace and the modern global economy is essential if we are to seize the future that rightly belongs to us.

I wish to add, Madam Speaker, that building a healthy Fiji is not just the job of the Ministry of Health. It requires good education and good nutrition in the schools. In 2016, the Free Milk Program will continue to be funded with an allocation of nearly **\$3.6 million**.

Fiji’s heritage is priceless, and we have also allocated **\$758,000** to upgrade the Fiji Museum and World Heritage structures in Levuka and **\$150,000** to rehabilitate Thurston Garden. This area now Madam Speaker, will be a very well-developed area including the construction taking place in Albert Park.

Higher Education

Madam Speaker, the future of Fiji demands that we develop our universities and give our brightest young people as many opportunities as possible to reach their potential. The university age is an age of tremendous intellectual and personal growth, and we need the institutions and programmes to channel that growth and nurture the potential we have in our midst. We will continue funding the highly successful Toppers Scheme and the Tertiary Education Loans Scheme and we have allocated **\$52.5 million** for both Schemes next year. We will also extend TELS to students with disabilities and for selected areas of Post Graduate studies in particular, medical studies.

As part of its investment in education, Government provides grants to a number of tertiary institutions in Fiji that allow them to provide world-class education and training for Fiji's young people.

A total funding of **\$76.6 million** is provided as Higher Education Institution Grants in 2016. The University of the South Pacific will receive an operating base grant of **\$30.2 million**, Fiji National University's operating grant will be **\$36 million**, and the University of Fiji will receive a grant of **\$2.3 million**.

In addition to its operating grant, FNU will receive a capital grant for work on its Labasa campus in Macuata in the sum of **\$5 million** for ongoing development and civil works at the campus.

FNU is also allocated **\$1 million** for preparatory work to establish a teaching hospital in Lautoka. The hospital will eventually train doctors, dentists, nurses and other health workers for Fiji and the region and,

provide advanced medical and surgical procedures to local communities. Madam Speaker, this is a very important need for Fiji if we are to bring our healthcare system to the standard we deserve.

Development and Natural Disaster Mitigation

Madam Speaker, the development of our rural and maritime communities is essential if we are to achieve true equality of opportunity in Fiji and help all our citizens realise their potential. We have challenges that many other countries cannot imagine, challenges of terrain and distance over water. These challenges require special efforts to overcome. The allocation of the Ministry of Rural Development and National Disaster Management is the focus of much of our effort, but programmes to bring our remote communities closer to the heart of Fiji can be found in the budgets of several ministries, including Education, Health and Transport.

The Ministry of Rural and Maritime Development and National Disaster Management is allocated **\$36.9 million** for 2016, an increase of around \$5million over 2015.

A sum of **\$3.8 million** is provided for disaster management in 2016. We have maintained an allocation of \$2 million for Climate Change Mitigation, to minimise the impact of disasters on vulnerable sectors of the economy, particularly the flood-prone areas. This will also cover the relocation of the Tukuraki Village. The Disaster Rehabilitation Fund of **\$1 million** has also been maintained.

A sum of **\$11.2million** is provided for overall management, research, analysis and policy development. Part of this sum will be used for the “Government Roadshow to Remote Rural Locations” programme, a cost-effective way to bring together all Government agencies, partners and the

private sector to provide services from a single location. This has been a major success for little cost, only **\$200,000**.

The allocation for the Committee on Better Utilisation of Land has been maintained at **\$7.8 million**.

A sum of **\$2.2 million** is provided to the Commissioner Central for programmes in the Central Division, including the construction of the Wainua Government Station and project preparatory work for upcoming divisional projects.

The Commissioner Western will receive **\$5 million**, an increase of \$2.7 million over 2015. The increase is for divisional development projects including **\$418,000** for the second phase of construction of the ADO Korolevu Office, **\$915,000** for the construction of the Votualevu Health Centre, and **\$500,000** for preparatory work for upcoming divisional projects. A sum of **\$1.2 million** is also provided for the Relocation of Nacula Health Centre.

The Commissioner Northern will receive **\$6.5 million**, an increase of \$3.6 million over the 2015 level. The increase is due to a number of new divisional development projects, including **\$442,000** for construction of quarters and general upgrading of the Tawake Nursing Station, **\$720,000** for construction of staff quarters at Seaqaqa Health Centre, **\$400,000** for construction of staff quarters at Naduri Health Centre, **\$720,000** for construction of staff quarters at Nabouwalu Hospital, and **\$500,000** for preparatory work for upcoming divisional projects. An allocation of **\$2 million** is provided for the construction of Kubulau Government Station.

The Commissioner Eastern is allocated **\$2.4 million** for its programme, including **\$300,000** for construction of a suspension foot bridge in

Nalotu; **\$400,000** for a foot crossing connecting Gasele-Nacuiwai, and **\$500,000** for preparatory work for upcoming divisional projects.

A sum of **\$3.5 million** is provided for Rural Infrastructure, including **\$1.5 million** to upgrade non-cane access roads. Most rural farmers prefer farming in virgin lands, which are only available in remote areas with very poor roads. This project provides road access to these isolated rural areas.

The Self Help Scheme, funded at **\$1.5 million**, supports and encourages local initiative by assisting rural dwellers in the construction of small infrastructural and income-generating projects. The scheme operates on a partnership basis in which the community provides one-third of the program cost and Government provides two-thirds.

The Rural Housing Unit, which procures, stores and delivers building materials for projects in rural areas and coordinates the Rural Housing Assistance Program, will receive **\$2.2 million**. These funds will cover housing assistance to former Emperor Gold Mine employees. Rural Housing Assistance has been maintained at **\$1.4 million** to help people in outer islands build affordable, cyclone-resistant homes. Government covers the cost of building materials under this programme.

Foreign Affairs

Madam Speaker, Fiji has a more active—and a more activist—foreign policy than ever before. We have taken a leadership role in the United Nations and regional groupings, and we are making our voice heard loud. Fijians live and work around the world, and they often need government support and services. Fiji has 19 missions abroad, including relatively

new embassies in the United Arab Emirates and Brazil to reflect these realities, and we enjoy the respect and friendship of many other nations. The Ministry is provided **\$43 million** to manage our foreign policy. An outlay of \$555,000 will be necessary in 2016 to expand our new embassy in Abu Dhabi. We are also relocating our Mission in Pretoria to Addis Ababa where many other international and regional organisations are hosted. The total budget for Fijian missions in 2016 is **\$33 million**.

Madam Speaker, we are enacting a new law to clarify that taxation of entities under the Diplomatic Privileges and Immunities Act will be governed by agreements signed between Government and multi-lateral and international organizations.

National Security

Government has allocated **\$79 million** in 2016 to Peacekeeping Missions for RFMF and Fiji Police Force peacekeeping operations, which currently include more than 1,000 deployed personnel. This includes an increase of more than **\$6 million** to cover an increase in the Location Allowance for the Multinational Force and Observers.

Madam Speaker, Fiji's contributions to UN peacekeeping span more than 35 years, and are part of a proud military tradition going back much farther. This tradition and the accomplishments and sacrifices of Fijians who have answered the call of duty since the First World War must be properly recognized, commemorated and taught. Therefore, we have allotted **\$1 million** toward the completion of the National War Memorial

and Military Museum, which will include a memorial to the Unknown Soldier.

The Ministry of Defence, National Security and Immigration will also receive **\$750,000** to purchase hardware and software that will allow passports to be issued in the divisions and embassies. At the moment, if you are a Fijian living in Vanua Levu or the Western Division, to get a passport, you have to come to Suva. With this investment, they will be able to get passports issued in Labasa, Macuata and in the Western Division. This will be a significant convenience for ordinary Fijians living outside Suva, who will no longer have to bear the expense of traveling to the capital for a passport.

Given the fact that there is economic growth and the need for more services, many of which are not available because Fiji does not have the expertise nor the skill set to provide these services. For this reason, we will need to take a more liberal approach to immigration rules and to remove unnecessary obstacles for foreigners such as the issuance of work permits. Madam Speaker, only a few years ago, we only had one speech therapist in Fiji and she was a foreigner. We don't even know whether she is still there or not, but our children need access to speech therapists. Our children need access to these kinds of professionals. Our industries need professionals. Even our catering industries need professionals. We bring them in, we train our people and we will improve our economy.

Madam Speaker, the Fijian people need to feel and believe that they are protected by a police force that is adequately staffed and trained and working to the highest professional standards. The budget of the Fiji Police Force has been increased by \$5.8 million, to **\$126.3 million**. The increase is due to the addition of 108 positions—Border Police,

prosecutors, support staff and research officers. The Border Police will be placed in the Western division, while the others will be deployed around the country. The sum of **\$2.4 million** is allocated to build a new police station in Valelevu. Again, one of those projects that was delayed because the land matter was not sorted out.

Our police force needs to be properly equipped and given the tools of modern police work. The sum of **\$732,000** has been provided for additional equipment purchases for quality assurance systems for the Forensic Bio and DNA Lab. The objective of the project is to ensure that those who commit crimes are convicted, innocent suspects cleared, and past wrongful convictions reversed.

Government has provided **\$400,000** for communication equipment to migrate police communication systems from analogue to a full digital multiband platform. It will be an expensive exercise requiring a five-year rollout period. The upgrade will allow full network connectivity among the four police divisions and Police HQ for the first time. Phase Two of the project will start in 2016 and will encompass procurement of digital equipment. Deployment will begin with the urban centres and the Divisional Command Centre and will be phased to the rural and maritime stations.

Purchase of Traffic Management Equipment, budgeted at **\$350,000**, will help make roads safer. The role of the Traffic Control Unit is to enforce highway laws and educate the public about road safety. The project involves the purchase of laser speed detectors and equipment for testing drunk drivers.

The purchase of new standard equipment is funded at **\$400,000** to ensure that all officers are properly equipped while performing their duties.

Standard equipment is needed to protect the officers from injuries, help them make arrests and contain volatile situations.

The sum of **\$307,940** is provided for the purchase of special operational equipment to be used for disasters, civil disturbances, and search and rescue operations.

The purchase of analytical forensic chemistry equipment is funded at **\$400,000**. The objective of the project is to purchase the laboratory equipment that will provide a strong capability in toxicology analysis and trace-evidence analysis, which will lead to greater accuracy and improved detection and conviction rates. These forensic chemistry capabilities—trace-evidence analysis of things like paint chips, glass fragments and fibre—were previously unavailable to the Fiji Police Force. This will allow for greater certainty when searching for illicit drugs, chemicals and poisons.

Justice

A total of **\$4.9 million** has been allocated to the Ministry in the 2016 Budget. This is an increase of \$104,227 over the 2015 allocation mainly due to 36 new positions—at a cost of **\$0.6 million**—that have been regularised as established staff to support the registry offices and the digitisation of records.

The Ministry of Justice is making a major effort to bring its services closer to the people, make its processes and systems more user-friendly, and develop a more effective and efficient record management system. It is decentralising services by establishing Births, Deaths and Marriages offices around the country to provide full services in Ba and Nadi at a level similar to those provided in Suva, Savusavu, Lautoka, Rakiraki and

Labasa. The Department is allocated **\$200,000** to support this initiative. It is all very service driven, Madam Speaker.

Corrections

Madam Speaker, Fiji's corrections institutions must keep the public safe and maintain humane conditions with the goal of eventually rehabilitating inmates and re-integrating them into society. Government is committed to ensuring that dangerous convicts will remain in custody once they are sentenced, and we understand that we—as a civilised and decent people—have an obligation to uphold international standards and the moral code with which we were raised in the way we treat those who have broken the law.

Fiji Corrections Service is provided **\$39.4 million** in the 2016 Budget, an increase of \$1.4 million. This increase is largely to provide funds for capital projects. The officer-inmate ratio in Fiji has dropped from 1:10 in 2012 to 1:6 now, close to the United Nations standard of 1:4.

Government has allotted **\$4.5 million** to complete construction of Lautoka Remand Centre, which will have quarters to accommodate 95 staff, and **\$1.8 million** will go towards construction of New Women's Correction Facility in Lautoka. To date Madam Speaker, the only women's correction facility has been in Suva. So women from the Western Division would be removed from their families, and children and would have to move to Suva. Now, we will have a correction facility in Lautoka and eventually, we are looking at having one in the Northern Division.

iTaukei Affairs

Madam Speaker, we Fijians in this Budget, the Ministry of iTaukei Affairs is allocated **\$11.5 million**, an increase of \$1.2 million over its last allocation. The grant for the iTaukei Affairs Board has been increased from nearly \$3 million to nearly **\$4 million**. Among the Ministry's many valuable projects is the Cultural Mapping Program, which aims to preserve and safeguard iTaukei cultural heritage, and Government has provided it **\$222,724**. The Program involves the collection and documentation of tangible and intangible iTaukei cultural heritage in all the 14 Provinces in Fiji. In 2016, the project will focus on Nadroga & Navosa Province and transcribing 500 tapes in the Tailevu Province. The information collected will be stored in the National Inventory for Traditional Knowledge and Expressions of Culture. The verification of the data collected is an integral part of this exercise, therefore to speed up the verification process a sum of **\$33,440** is provided in 2016.

Housing

Madam Speaker, the Constitution requires Government to use its available resources to progressively ensure the right of every person to accessible and adequate housing. To do this, Government has adopted a holistic approach to housing that is in large part carried out by the Department of Housing. The National Housing Policy emphasises upgrading and resettlement programs for the less fortunate in Fiji. But it is much more than resettlement, Madam Speaker. When our Hon. PM gives 99-year leases to squatters, as we have been doing, we give them a stake in the economy, property that they can improve and expand, property that they can use as collateral for loans rather than deal with unscrupulous moneylenders, property that they can lease or sell should their circumstances change. But we are not in the business of building

impersonal government housing for people; we are engaging the private sector to build viable communities where families can grow and prosper in the same way that we are working with the private sector in the health sector and public enterprises. Madam Speaker, we will provide developer profit exemptions on a tiered approach, duty concessions on materials and subsidy by the State on project costs depending on the size, to attract private sector investment in developing housing estates to fast track the provision of affordable housing to many Fijians as possible.

The Department of Housing is provided with a total allocation of **\$30.8 million**, which is an increase of \$3.1 million above the 2015 level. One important increase is for the Lagilagi Housing Development Project or commonly known as Jittu Estate, an initiative of the People's Community Network to provide decent and affordable housing for low-income households, especially squatters. We have already seen the fruits of this relationship. Its allocation will increase from \$2 million to **\$3.3 million** to complete Phase Two.

Government is providing a new allocation of **\$2.6 million** to build 36 rental flats in Lautoka to help meet the increased demand for rental units. The Housing Authority will receive **\$4.9 million** for the Matavolivoli Project to develop a 45-acre parcel as a subdivision for low- and middle-income families in Nadi. People earning as little as \$8,000 a year can now own a home.

Outlays for the upgrading of informal settlements along the Lami-Suva-Nausori corridor will decrease from \$3 million to **\$1 million** to reflect the progress already made, and the allocation for assistance to first-time home owners will be maintained at **\$10 million**. This is a program that provides grants of \$5,000 or \$10,000 to persons buying or building their

first residential property, respectively. This will now expand, Madam Speaker, to assist those people who have been given 99 year leases. Even though they may have a shack, now they can get access to loans and they will also qualify for the first-time home-owner grant scheme.

Madam Speaker, to assist low-income households with TLTB lease arrears, we have allocated a sum of **\$500,000** to subsidise lease payments. Madam Speaker, there are many people who are in poverty who cannot afford this. They are on the cusp of losing their lease holdings. Government is going to step in, identify those people and subsidise the lease payments to TLTB, which will go directly to the landowners. As a sign of collaboration, the TLTB Board has also set aside an almost equivalent amount of money contributing towards this payment. Again the money will go from their savings, directly to the landowners. In addition, **\$200,000** has been provided to review many of the administrative anomalies and identify them – where sometimes renewals have been done without the landowner’s consent or approvals for lease have been given to would-be lessees have not come through. Next year, Madam Speaker we will identify those processes, travel around the country and make sure these anomalies are addressed.

Women, Children and Poverty Alleviation

Government is allocating **\$52.2 million** to the Ministry of Women, Children and Poverty Alleviation in 2016, including an increase of \$1.2 million for the Child Protection Allowance, which is designed to help provide care for disadvantaged children under kinship care and in residential homes. That allocation is now **\$3.2 million**, and an additional **\$500,000** is provided for the Child Protection Programme, which

involves awareness programmes and implements the recommendations of the Convention of the Rights of the Child.

In 2016, Government will increase funding for the Social Pension Scheme from \$8 million to **\$13 million**, which will allow us – as stated in the FijiFirst Manifesto - to reduce the age of eligibility to receive pension from 68 to 66 years in July 2016 and maintain the allowance at \$50 a month. The scheme provides pensions for persons who have no other form of income or pension, or who have never been beneficiaries of any superannuation scheme. This scheme is highly successful and greatly appreciated by the beneficiaries, Madam Speaker. The disabled and elderly aged 65 and above will also continue to be assisted with bus fare subsidies to ease the cost of travel.

The Poverty Benefit Scheme, which provides food vouchers of \$50 a month and a cash payment of \$50 a month, is allocated **\$22 million**.

Pregnant women in rural areas will continue to receive assistance through the Food Voucher Program to reduce cases of malnutrition and complications during pregnancy, and **\$500,000** has been allocated for this program.

Government has once again provided **\$500,000** to the Ministry's Welfare Graduation Program. This Program is aimed at helping social welfare recipients move from "welfare to workfare." Fiji does not wish to encourage a culture of dependency. On the contrary, we want to help people become self-sufficient. When people move from welfare to work, they regain their self-esteem and confidence.

Another **\$1 million** is provided for the Women's Plan of Action, a programme that works to develop employment in the formal sector, equal

participation for women in decision-making, elimination of violence against women, and access to services for women. New funding of **\$170,000** is being provided for the Domestic Violence Hotline, and the very valuable and successful Fiji Women's Expo, which gives women artisans and entrepreneurs access to markets, will again be funded at **\$500,000**.

Youth and Sports

Madam Speaker, it goes without saying that our young people are Fiji's most precious asset. They are our future, and we must nurture them and help them grow in mind, body and spirit and help them develop the skills and—perhaps more importantly—the attitudes they will need to have productive lives and contribute fully to the development of our nation. We have long known that participation in sport and in activities to engage the mind and channel intellectual energies do much to develop those skills and attitudes.

Government will continue with its programmes to promote sporting activities, develop sports facilities, encourage civic awareness among youth and build the capabilities of young people through multi-skill training.

Government has allocated a budget of **\$22.5 million** to the Ministry for Youth Development and Sports Programmes in 2016. This represents an increase of nearly \$5.8 million, which is mainly to allow youth sports teams to compete in a number of major events overseas in 2016.

Funding for the Youth Capacity Building Program at **\$1 million** will help widen the scope of the program and continue its Seeds of Success,

Empowerment Training, Youth Feed the Nations and Multi Skills/Mobile Skills training programmes.

A budget of **\$706,000** is allocated to upgrade the five main youth training centres - Nasau Youth Training Centre in Sigatoka, Yavitu Training Centre in Kadavu, Naleba Training Centre in Macuata, Naqere Training Centre in Savusavu, and the National Youth Band Centre in Valelevu. These centres provide vital training for skills that give our young people building blocks for the workplace, entrepreneurship, and technical or tertiary education.

The Sports Section's budget has been increased by nearly \$5.7 million to **\$16.9 million**, mostly due to the expansion of operations into the Eastern Division. The budget includes a grant of **\$1 million** to continue funding of the Fiji National Sports Commission.

Government has allocated **\$5.4 million**, to be administered by the FNSC, to work with other sporting agencies and coordinate Fiji's participation in major international sporting tournaments held in 2016. These include: the Rio Olympics, Northern Rugby Tour, Pacific Nations Cup, U20 World Rugby, Pacific Challenge and the National Rugby Championship.

Government has provided an increased budget of **\$2 million** to continue with work on the rural sporting complex at Vunisea in Kadavu and Sawaieke in Gau as part of its long-term program to develop top-level sporting facilities in rural areas.

Madam Speaker, Government has increased the allocation to the Ministry to continue developing rural playing fields to **\$400,000**. This will provide more opportunities for rural sporting talent to develop and to encourage more young people in rural areas to participate in sport and other kinds of

organised physical activity. 4 fields were completed in 2015, with 10 additional fields set for completion in 2016.

Government has also allocated **\$3 million** for the upgrade and maintenance of the Government-owned sports facilities across Fiji. Work was completed on Lawaqa Park this year and is set to begin on the Fiji Flour Mills Gymnasium in 2016. The Fiji Sports Council will prioritise its projects based on which facilities need urgent work and shall receive \$500,000 for its operations.

We are justifiably proud of the respect we have earned in world rugby and of the way champion athletes like Vijay Singh have carried the flag of Fiji throughout the world. Madam Speaker, we can parlay Fiji's love of sports and its reputation into huge economic opportunities and even greater national prestige. Madam Speaker, Government will allocate **\$2.6 million** to host the Crusaders vs. Chiefs on 1 July 2016 in the first Super Fifteens match ever played outside Australia, New Zealand or South Africa, with the exception of the match played at Twickenham after the exceptional situation of the Christchurch earthquake five years ago. This is an investment to show the world what we Fijians can do and to show Fijians that we can aspire to world-class status in anything we choose. It will also bring home, professional rugby to many of our aspiring rugby players.

We will also dedicate **\$9 million** to continue hosting the Fiji International Golf Tournament. FNPf will also refurbish and upgrade the Natadola Bay Championship Golf Course, to be designed by Vijay Singh, to meet the high standards of the Professional Golfers' Association and ensure that our tournament becomes an institution on the PGA tour. Put simply,

it makes Natadola a more enjoyable golf course and, more importantly for our FNPF members, the real estate around it becomes more attractive.

And speaking of Vijay Singh, Madam Speaker, I am pleased to announce that he will represent Fiji at the 2016 Olympic Games in Rio de Janeiro, where golf will be played in the Games for the first time.

Madam Speaker, we add to that an allocation of nearly **\$1.4 million** to host 16 international sporting events in 2016, including the Oceania Weightlifting and Swimming Championships. We believe we are well on the way to making Fiji a premier destination for major international sporting events, and that is good for all Fijians. These events require an upgrading of existing sports facilities, including Vodafone arena and the Hockey Turf, which is allocated **\$3 million**. Madam Speaker, we will also continue to fund the bringing in of professional coaches for the various sporting groups in Fiji, including netball, rugby, football, cricket and boxing.

Agriculture

Madam Speaker, agriculture is the backbone of the country's economy, accounting for around 9.3% of Fiji's GDP. We cannot overstate the importance of agriculture for rural development, food security and better national health.

Government's agricultural policy is focused on helping Fijians provide for themselves and their families, and we pay special attention to competitive exports. We promote farming as a business as opposed to farming as just a way of life. Farming today is a highly specialised occupation, as our Minister of Agriculture, can tell us. A farmer today is

part entrepreneur and part scientist. He invests cash and sweat in his business and toils long hours, yet he can see all his investment and labour wiped out by drought, disease or an unforeseen weather event. Our farmers know their business, and Government is taking a “bottom-up” approach to agricultural policies and programmes. The Ministry listens to farmers, responds to their needs, and keeps an eye out for opportunities in the market.

The “Green Growth Framework for Fiji” makes clear the need to ensure food security by farming more efficiently and managing competing demands for land with efficiency and sensitivity.

The 2016 Budget for the Ministry of Agriculture has been increased from \$64.9million in 2015 to **\$76.2 million**. Government has provided funding support in areas of our competitive advantage that we believe will increase production, farm incomes and GDP.

Madam Speaker, this is all about modernising the agriculture sector, and one important step Government is taking is to revive the Agriculture Marketing Authority (**Authority**), which helps smallholder farmers in remote and isolated areas sell their produce. The Authority buys produce from farmers in rural, interior and maritime areas and sells it to local and overseas markets. This important program promotes agricultural activity among these communities. The Authority will receive increased funding of **\$5.6 million** in 2016 to fund infrastructure improvements and to ensure that the farmers we are helping understand and meet the new international standards for exports.

To further assist small farmers and farmers in the most remote areas, Government will provide an allocation of **\$800,000** to purchase new agricultural implements and machinery, like tractors and cultivators. This

will help bring farming in Fiji into the 21st century by mechanising processes that are currently done by hand, saving farmers both time and money. Farmers can apply in groups for a Government subsidy that will allow for the purchase of specialised machinery. The land clearing programme has been allocated **\$500,000** in 2016. The programme assists farmers by subsidising the preparation of land for farming. The subsidy covers 90% of the cost of land development, and will help them expand farming operations by reducing their costs.

In addition, a sum of **\$1 million** is also provided for the Rural and Outer Island Agricultural Development Programme, which focuses on projects that improve food security in remote and maritime areas by constructing the necessary infrastructure. 45 projects were completed in 2015, and we have targeted an additional 50 for 2016.

Government has allocated **\$300,000** to promote agricultural through Fijian trade missions in the European Union and China, and the Ministry conduct weekly demand surveys in the United States and Australian markets. This is to improve information on supply and demand in import and export markets.

We are pleased to report that the International Fund for Agriculture is providing a **\$2 million** four-year loan to fund the Fiji Agricultural Partnership Project, which will support agribusiness in the provinces of Ba, Nadroga/Navosa and Naitasiri, through 2019.

Madam Speaker, managing precious water has never been more important than it is today, and Government has allocated **\$820,400** for the Land and Water Resources Management Division, headquartered in Raiwaqa and with administrators in Luvuluvu, Ba, Navua and Labasa. The Division's engineers, environmentalists and other staff works with

other Government agencies to provide technical services and advice to develop sustainable practises, manage water resources and improve crop yield.

Madam Speaker, Government is committed to providing essential services to farming communities through extension services, and we have allocated **\$914,000** to increase staff mobility, facilitate day-to-day logistical operations and purchase new office equipment.

Government will continue to support industry development programmes across the country to assist farmers with the necessary tools, resources, infrastructure and expertise for specific crops. **\$350,000** is provided for the Rice Revitalisation Programme, **\$500,000** for the Coconut Development Programme, **\$530,000** for the Cocoa Revitalisation Programme, **\$800,000** for the Ginger Development Programme, **\$50,000** for the Vanilla Development Programme, and **\$100,000** for the Cottage Industry Development Programme.

Most importantly, Madam Speaker, Government will launch two new agricultural initiatives in 2016 to support yaqona and dalo production to meet increased overseas and domestic demand. Government has allocated **\$1.7 million** for this assistance. Current dalo production in Taveuni has suffered from a decrease in fertility, so farming operations are being relocated to the flat areas in Naitasiri. The Ministry of Agriculture will work with farmers in these regions to build capacity for dalo production to meet the increased demand.

The Coconut Development Programme has proven to be a success, with more than 480,000 seedlings already replanted. The target is to replant one million coconut trees over the next two years.

The Ginger Development Programme has been increased by \$300,000 to assist farmers with land preparation and procurement of seedlings and agro inputs. This increase is attributed to increased demand in overseas markets for ginger.

The extension division is providing rice machines and other services to rice farmers to develop potential rice areas, and assisting rice farmers in the North to increase production. The Ministry has significantly improved the lives of rural women through the Cottage Industry Development Programme, and this important work will continue in 2016.

The goal of the Yaqona Revitalisation Programme is to increase production through mechanisation, increase cultivation of highly recommended varieties, provide training for farmers to improve the quality of kava, and strengthen market linkages between buyers and producers.

The Ministry aims to increase cocoa production in 2016 by opening new areas to cultivation and rehabilitating existing plantations. Initially, we expect to export around 12 tons of dry cocoa beans to Australia annually.

The extension division is providing machinery to rice farmers to develop new rice areas, and mechanical and agro inputs to rice farmers in the North to increase production.

Government will allocate **\$1 million** for the Livestock Rehabilitation Programme, an ongoing activity that supports the growth of the livestock industry through proper artificial insemination. The target in 2016 is to inseminate 2,000 cows.

Madam Speaker, we must also ensure the health of our livestock, so Government will continue efforts to eradicate brucellosis through the

Brucellosis Tuberculosis Eradication Campaign, which is funded at **\$1 million**.

Government will allocate **\$1.4 million** for watershed management, focusing on the construction of check dams to regulate the peak flow of flood waters during periods of high-intensity rainfall to reduce the impact of flooding in the lower river basin. These small-scale structures work in many ways to mitigate the effects of drought and control sediment. The funding is specifically for the construction of the reinforced concrete retention dam in the Namosi Tributary in the Nadi Watershed. A total of four retention weir dams have been constructed.

Drainage and flood protection projects are allocated **\$6 million**. Priorities for 2016 are the dredging of the Sigatoka River and continuing work on the Rewa and Labasa Rivers by the Government-owned dredgers.

Government believes that better farming roads will lead to better production, and we have allocated **\$2 million** for this activity. Developing new farm roads and improving existing ones will make farming areas more accessible and reduce travel time to and from farms. Everyone will benefit by the improved quality of agricultural products, greater consistency of supply, and increased acreage under cultivation.

The Rural and Outer Island Programme is allocated **\$1 million**. This is an integrated market-driven agricultural programme to help rural and outer-island farmers meet market demands. It is not a hand out program, Madam Speaker. Applicants must contribute to the program through land lease, labour and aid in kind.

Government is allocating **\$2 million** for the Drainage Subsidy, which funds the three divisional drainage boards that maintain and operate drainage schemes under their jurisdictions.

Fisheries and Forests

The Ministry of Fisheries and Forests is funded at **\$26.3 million** for 2016 to carry out its responsibilities to promote the sustainable development and management of Fiji's fisheries and forest resources.

Grants and transfers account for **\$2.8 million**, including the operating grant to the Fiji Pine Trust. That grant has been nearly doubled in 2016, to **\$550,000**, with the aim of extending pine plantations in Fiji where landowners manage forests, sell logs and receive full stumpage.

Government has also allocated **\$700,000** in 2016 - an increase of \$200,000 - to continue the construction of the multi-species hatchery in Ra, which has been delayed for some time. The project will eventually produce freshwater marine fish fry and post-larval prawn and shrimp. These can be used for cultivation, to re-seed the overfished reefs, to feed or generate supplementary income for rural populations, to open opportunities for aquaculture export markets, to relieve inshore fishing pressure, and to create opportunities for employment.

The ice plant in Ahau, Rotuma, will be completed in 2016 with funding of **\$600,000**. This was a two-year project.

Government has allocated **\$2.6 million** for the forest conservation information systems and databanks through forest inventory, GIS and remote sensing, forest surveys and national forest monitoring systems.

The Reducing Emission from Deforestation and Forest Degradation Project or REDD+, will continue in 2016 and is funded at **\$100,000**. In 2015, the Ministry conducted all baseline assessments for the Emalu site in Navosa for the REDD+ program and did necessary work for the Forest Carbon Assessment Program, a carbon-trading program that compensates Fiji for preserving forests and reducing carbon emissions.

Lands and Mineral Resources

Madam Speaker, the Ministry of Lands and Mineral Resources plays a pivotal role in Fiji's national development by helping land developers, tenants, investors and indigenous landowning units put land to productive use.

The Ministry administers State-owned land, which comprises 4% of land in Fiji and generates approximately \$11 million in ground rental annually. Since much of the State's land is located within major urban centres around the country, its effective management is crucial to national development. The Ministry's total budget in 2016 is **\$31.0 million**, which is a decrease of \$2 million from the 2015 allocation.

\$4.6 million is allocated for Geological and Mineral Investigation in 2016, including **\$1.2 million** for surveys and assessments of potential mineral and groundwater sites. This work provides valuable information to potential investors and gives the people of Fiji access to clean and safe water.

Groundwater Assessment and Development for Large Islands is allocated **\$750,000**, nearly triple the 2015 allocation for this program, which will allow people facing water scarcity in rural areas have access to clean and safe drinking water generated from boreholes.

We are allocating **\$2.7 million** for Development of State Land, an increase of \$900,000, in order to develop all vacant and under-utilised State land to its best condition and lease parcels out for productive use. Development work includes roads and accesses, water supply, sewerage, power supply and drainage, after which maintenance becomes the responsibility of the relevant national and local Government authorities.

Industry, Trade and Tourism

The Ministry of Industry, Trade and Tourism is allocated **\$58.9 million** in 2016.

Madam Speaker, Fiji is attracting more investor interest by the day, and Fijian exports are growing. Fijian investors are confident, and foreign investors are optimistic about what Fiji can offer. Tourism continues to go as the word spreads that Fiji is a vacation destination that stacks up to any in the world. This is the result of hard work by the Fijian people and sound Government policies and plans that are executed in large part by the Ministry.

Madam Speaker, tourism has driven tremendous economic and social growth, increased Fiji's prestige in the world, encouraged development and raised living standards. Every dollar we invest to attract visitors is repaid many times over. So Tourism Fiji's Marketing Grant has been increased from \$23.5 million to **\$30 million**. This is money well spent to encourage people in our most important target markets to visit Fiji. The increase will intensify that effort and support promotion in new markets with strong potential.

The allocation for Micro and Small Business Grants has been increased from \$1 million to **\$2.2 million**. Government initiated this programme in

2015 to provide assistance for start-ups and improve the quality of products and services for existing micro and small businesses. This programme Madam Speaker, is highly successful.

The Department of National Trade Measurement and Standards is allocated a budget of **\$3.5 million** to carry out its mission of protecting consumers from unsafe and poor-quality products, adopting quality standards, maintaining the nation's system of units and standards of measurement, and generally creating favourable conditions for the exchange of goods.

Government has provided **\$2 million** for the purchase of laboratory equipment for NTMS in 2016. This equipment will include an automatic bell prover for certifying weighing instruments, vapor meters for liquefied petroleum gas, and instruments to improve accuracy in measurements by land surveyors.

Sugar

Madam Speaker, Government has made the prosperity and future viability of Fiji's sugar cane industry a priority. The days of talking about survival are long past. Some 200,000 Fijians dependent on the sugarcane industry, and a healthy cane industry benefits all Fijians. Eight years ago, Government intervened to put a comprehensive series of reforms into action, and these reforms have been producing a remarkable turn-around. In 2016, the Ministry of Sugar is seeking to collaborate with international organisations to fund capital projects to improve harvesting and transportation for cane growers.

Overall the budget for the Ministry is **\$23.8 million** in 2016, an increase of \$12 million over 2015.

Government has increased funding for upgrading of cane access roads, from \$2.5 million to **\$3 million**. The project will involve grading and gravelling of cane access roads, drainage work, installation of culverts, and construction of crossings.

In 2016, Government will continue to provide funding for fertiliser for sugar cane farmers. The allocation will be maintained at **\$9.7 million** in 2015.

Government will continue the allocation of the Sugar Development Programme at **\$5 million**. This programme has two elements. First is the Cane Development Grants, which targets farmers who have fallow land and new growers who lack start-up capital. The Ministry projects that 2,060 hectares will be planted under this programme. The second is the Cash-Back Incentive scheme incentivises growers with the resources to plant new cane at a total of \$400 an acre. This scheme can generate an additional 3,000 acres under cultivation.

Public Enterprises

Madam Speaker, Government is committed to a rational and pragmatic reforming Fiji's public enterprises so that they serve the public interest efficiently and support economic growth. Government should do that which government does best or which cannot be done by the private sector, and State-owned enterprises must be commercially viable.

Government has wholly or partially divested some assets in order to work with the private sector to improve performance and increase efficiency.

The Amendment to the Public Enterprises Act 2014 charges the Ministry of Public Enterprises with oversight of 25 State-owned enterprises, and

the Ministry has been allocated **\$16.1million** in 2016 to carry out that role.

Madam Speaker, the Biosecurity Authority of Fiji is on the front lines protecting Fiji from invasive pests and ensuring that Fiji's trading partners are assured that our export crops are safe to import into their countries. It is a job of constant vigilance requiring careful management and scientific precision, and it relies on the absolute integrity of the people who manage the inspections.

BAF will receive a Capital Grant of **\$5.7 million**, up from \$2 million last year, which is a measure of Fiji's commitment to unquestionable quarantine services at all ports of entry. In 2016, Government will fund the construction of a new Transit Containment Centre in Suva and Lautoka, and termite operations and construction of wash bays and mobile treatment facilities for Natovi, Savusavu, Kadavu, Rotuma, Nabouwalu, Natuvu and Taveuni Ports.

The Government Printing and Stationery Department is allocated **\$2.7 million** in 2016. Government solicited expressions of interest last February for the sale of the Government Printery. We would like to promote high-quality printing, particularly for export, and we are in negotiation with preferred investors. One of them is a major Fijian enterprise.

Madam Speaker, the potential divestiture of the Government Printery is not the only reform we are pursuing in order to modernise and - more importantly - maximise the potential of these State enterprises. As highlighted earlier on Madam Speaker, the Honourable Prime Minister signed the divestment of the shares agreement yesterday. We hope to also, as highlighted, continue the divestment of shares with some very

well-known management companies that are interested in the Airports Fiji Limited. We have already received expressions of interest for Fiji Electricity Authority (**FEA**) for its partial divestiture and conversion to a commercial entity with both public and private partnership.

Separating FEA's regulatory and commercial functions would promote competition and lead to efficient and affordable electricity services to the general public. FEA will perform a review of the Electricity Act in 2016.

Government completed the sale of eight vacant lots at Kalabu Tax Free Zone (**KFTZ**) in July and generated **\$5 million**. To maximise return and promote investment, Government will be looking to sell the remaining two properties at KTFZ.

Finally, Madam Speaker, Government is working with the Fiji National Provident Fund to sell 10 foreign-mission properties: four properties in New Zealand, two in Australia, three in the United Kingdom and one in Brussels. The sale of foreign-mission properties will increase FNPF's foreign investment portfolio for the benefit of its members and reduce Government's management and maintenance obligations for offshore properties. But also keep these properties in the hands of the Fijians, right down to the grassroots.

Finance

Madam Speaker, the Ministry of Finance will be leading several of the reform initiatives we have outlined in our budget presentation. It is provided with a budget of **\$84.1 million** in 2016, an increase of \$3.3 million. FRCA's budget has slightly increased, to **\$52.5 million** in 2016. A sum of **\$40.7 million** is provided for FRCA's operating budget and another **\$10 million** is allocated to fund FRCA's capital expenses. This

will mainly be focused on the upgrading of ICT infrastructure to improve communication and service delivery, and the new technology that will connect cash registers to FRCA's offices

The Fiji Bureau of Statistics has been allocated **\$6.2 million** for 2016, a \$1.4 million increase, to hire 17 additional staff to strength the department's analytical capacity to meet increasing demands for detailed, clear and accurate statistics and the development of new economic indicators. The Strategic Planning Office is allocated **\$6.1 million**, an increase of 0.8 million that is mainly due to new divisional capital projects and the hiring of 13 new staff to assist with the Climate Change section and the Capital Monitoring Unit.

The Aftercare Fund, which provides monthly allowances, medical assistance, educational assistance and death benefits to ex-servicemen or their beneficiaries, will be funded at **\$8.8 million**. This is an increase of \$400,000 over 2015 in order to meet the shortfall in the budget for the current recipients, who now stand at 6,768. The Aftercare fund will cater for an additional 137 applicants in 2016.

Pensions

The Pensions budget, which is administered by the Ministry of Finance, has been maintained at **\$42.3 million** in 2016.

Local Government and Environment

Madam Speaker, the Ministry of Local Government and Environment is provided **\$35 million** in 2016, an increase of \$2.4 million over the 2015 level. The Ministry's five-year strategic plan supports Fiji's economic

growth, promotes sustainable development and seeks to improve the services that Government provides to all Fijians through 2019.

Construction of the Naboro Landfill moves to Stage Two and is allocated **\$1.7 million**. This will provide future space with at least six months of contingency airspace remaining.

The construction of a Waste Transfer Station to improve environmental health in the Central Division is allocated more than **\$2 million**. The Division is one of the most inefficient areas in waste management, largely because the options available to properly dispose of solid waste are expensive.

National Fire Authority is provided **\$4 million** to purchase fire trucks and ambulances; fire appliances and personal protective equipment and to build fire stations and satellite stations, including the Nabouwalu fire station. An additional **\$900,000** is allocated to procure and install fire hydrants in strategic locations around the country.

Madam Speaker, a total of **\$7 million** is allocated to complete the Albert Park Redevelopment project in Suva. Albert Park is at the heart of our capital city, a point of pride for the Fijian people and a focus of civic and family activity. The redevelopment of Albert Park will enable organisations to host major events in the country with an improved playing facility and hold national functions

The Lautoka City Council will receive **\$2.8 million** to begin work on the redevelopment of Churchill Park. We need to have same-type and same-calibre facilities that we have in Suva, out in the Western Division, Madam Speaker.

The Challenge & Investment Fund for Municipal Town Councils is provided **\$4 million** to help municipal councils fund upgrading and maintenance of specific capital projects on a shared basis in partnership with private business. It is a public-private partnership challenge and investment fund that provides seed capital and working capital for all 13 Local and Municipal Councils to use in these partnerships. Funding for 2016 will support the upgrading of Rakiraki market facilities, the extension of Garvey Park, construction of the New Namaka Market – given the four-laning expansion-, the upgrading of Johnny Park, Ganilau Park and Nayawa Recreational Center, and riverbank development and extension of Garvey Park.

Lautoka City Council will receive **\$250,000** for preliminary work to build a swimming pool at the Lautoka Botanical Garden. The project will include beautification of the area, and the total cost of the project will be **\$1.6million**.

Nasinu Town Council will receive **\$500,000** for preliminary work to build a stadium at Valelevu Ground. The proposed stadium will include two changing rooms, a pavilion with seating capacity of 3,500, public conveniences, a medical room, a media room and a car park. The total Project cost is **\$3.45million**.

Government is allocating **\$1.9 million** to develop town centres in rural areas of five provinces that have been identified as growth centres. These include Nabouwalu Centre in Bua, Seaqaqa in Macuata, Vunidawa in Naitasiri, Keiyasi in Nadroga/Navosa and Korovou in Tailevu. Funds for 2016 will be directed toward the development of the Keiyasi, Nabouwalu and Seaqaqa sites.

Infrastructure and Transport

Madam Speaker, the Ministry of Infrastructure and Transport is a linchpin ministry because it plans, regulates and carries out activities that help drive economic growth, protect and raise the country's standard of living and ensure public health and safety. It is also critical to many activities carried out by other ministries and the private sector. The Ministry's budget for 2016 totals **\$122.2million**, with **\$61.4 million** allocated for operations and **\$56.7 million** allocated for capital expenditures. This is an increase of \$9.2 million over the 2015 level, mainly due to increases in operating costs for the Land Transport Authority and new capital expenditures.

The Operating Grant for the Land Transport Authority is increased from \$15 million to **\$18 million**, but its capital grant is increased to **\$6.5 million** for new projects such as an electronic queue management system and other system upgrades. The overall increase will provide the additional 71 staff required for law enforcement and road safety and will meet operational expenses for LTA and four new offices around the country—in Nabouwalu, Lekutu, Korovou and Navua. The Maritime Safety Authority of Fiji's Operating Grant is also increased slightly, to \$2.5 million.

Government Shipping Services (**GSS**) is funded at **\$22 million** to allow it to provide important services and development to Fiji's maritime communities with a modern, well-provisioned fleet. Major activities include the second phase of the re-construction of the Government wharf at a cost of **\$2.9 million** and the upgrade of Government Shipping Services Building, which is budgeted **\$2.3 million**. GSS will also receive **\$5 million** to purchase a new vessel. We are amending the law to allow

for older but refurbished vessels that have met maritime safety standards to be imported. This will provide more competition and services to the maritime dwellers in Fiji.

Meteorological Services is provided a new allocation of **\$1.3 million** to replace the aging and worn out Nadi radar antenna components. These components are more than twenty years old, and Madam Speaker, with the unpredictable weather we face for the foreseeable future, we can't afford not to replace it.

Fiji Roads Authority

Madam Speaker, the FijiFirst Government and the Bainimarama Government that preceded it have made the upgrade of the nation's roads a matter of urgency. We are about half way through our 10-year plan to essentially create a new, modern land transport infrastructure. Fiji Roads Authority is allocated a total of **\$635.7 million** in 2016, **\$79.8 million** of which is for basic ongoing maintenance. Government is providing **\$75 million** for renewal and replacement of roads that are beyond reasonable repair. Around 230kms of the sealed road network need major renewal, and more than 700kms need resealing. Government has also allocated **\$7.6 million** for the capital community program to improve the quality of roads in rural areas and enhance pedestrian safety through the construction of urban footpaths, and **\$30.6 million** upgrading and replacement of bridges has been allocated. There are still more than 100 bridges that are in danger of collapse and need to be replaced urgently. The maintenance and renewal of jetties in Savusavu, Vunisea in Kadavu and Natovi is provided **\$11.7 million** in 2016.

Madam Speaker, we have also, for the first time, reached an agreement with the four divisional commissioners and FRA. They will next week be signing an agreement where they have identified roads that need to be fixed up immediately. \$50 million has been specifically allocated, Madam Speaker, for the maintenance of rural roads (apart from the other major projects for the rural roads division).

Madam Speaker, street lighting is critical for safety—for motorists, for pedestrians and for personal security. We have prioritised street lighting through the Streetlight Improvement Programme, which is funded at **\$1.1 million**, nearly all of that through a loan by the Asian Development Bank. Less than \$1.2 million comes from current funds. This is a good example of how debt can be used for investment that will actually produce growth. And **\$5.6 million** will fund the installation of rural street lighting systems. Madam Speaker, a number of villages that have been identified from Suva to Nailega in Ba will have street lighting by May or June next year and another trench of villages along Kings road going toward Rewa past the airport will also have street lighting by the end of next year. There is a long list of villages but I will keep that for the committee stage discussions.

The ADB and World Bank are also funding renewal and replacement of roads to the tune of **\$83million**, the upgrading and replacement of bridges, for which they have contributed **\$16.2 million**, and the upgrading of rural roads, at **\$7.7 million**.

As highlighted Madam Speaker, the agreements will be signed next week between FRA and the Divisional commissioners. One of the major challenges to make roads that meet international standards, in particular in remote islands and some of the rural areas, is access to gravel.

Recently, to build good roads in Kadavu, they are looking at options of getting gravel or right aggregate from Viti Levu which is obviously very expensive. So many of these issues where we want to address long term road construction, need to be addressed in a very fundamental manner and of course, accessibility to gravel is very critical to this.

Energy

The Department of Energy's allocation is increased to **\$34.8 million**, and the rural electrification project is allocated **\$15 million**. A number of new grid extension projects will be undertaken in 2016, and others in progress will be continued. The total allocation for these grid extension projects stands at **\$7.5 million**.

FEA is provided **\$7.2 million** to establish a depot on Taveuni to allow it to oversee the supply and distribution of electricity to households in Somosomo. Four new grid extension projects are earmarked for 2016 and funded at **\$2.6 million**. They are in Lomaivuna Sector in Naitasiri; Wainivoce and nearby areas in Tavua; Nabukelevu and Nuku Village; and Lawaki Village to Wairiki District School. The Tokaimalo grid extension is entering stage two of construction in Ra. This project, funded at **\$2.3 million**, connects 656 customers in 10 villages, 26 settlements and 1 school. The Koronubu-Namau Project, funded at **\$1.8 million**, will extend the FEA grid along Koronubu to Navala Village, benefitting 153 families. The grid Extension from Lawaki Village to Navakuru/Suweni/Wairiki District School and Vatudamu/Keani settlement in Cakaudrove province is funded at **\$260,000**. Electrification of Rural Government Stations is provided **\$400,000** to ensure operations in the four Rural Government Stations--Lakeba, Kadavu, Nabouwalu and

Rotuma. And **\$900,000** is allocated for Phase 2 of the grid extension project that will benefit 125 households in the Bureiwai District and some 270 more in Nakorotubu District.

Madam Speaker, we are also happy to announce that from 2016 onwards Government will no longer require the partial deposit of 10% by communities for grid extensions. Government will now fully fund this. Our main priority Madam Speaker is to identify those communities that have been in the system for a long period of time and ensure that they will be the first ones to get the grid extension. One of the reasons why it has been held up is, for example, if there were 10 homes in a particular area that all had to pay \$2000 each and out of the 10, only five paid. That money paid has been held in trust and that money will be returned to them and those projects will be funded completely by Government.

Water

Madam Speaker, we all must be committed to extending adequate potable water to all Fijians and providing proper sewerage and sanitation systems. The Operating Grant for the Water authority of Fiji is increased by more than \$10 million in 2016, to **\$74.2 million**, and the capital grant will be increased to **\$176.3 million**.

Major capital works to be implemented in 2016 include the replacements of bulk trunk lines, and further funding of **\$31.1 million** to improve water distribution. Government has provided **\$24.4 million** to further improve water treatment quality, **\$14.1 million** for replacement of old meters; and **\$8.7 million** for Non-Revenue Water. We are providing **\$13.1 million** for wastewater treatment and **\$15.4 million** for wastewater distribution in an effort to connect Fijians in urban areas to the wastewater reticulation and

eliminate the use of septic tanks. We are providing **\$5 million** for FRA counterpart funding for the relocation of existing water and wastewater pipelines.

Government is maintaining funding at **\$7 million** to improve water and sanitation standards for Fijians living in rural settlements and **\$3 million** for improvement of catchment and water-source areas.

Madam Speaker, our rural communities are suffering the most from drought, and Government is also providing a new allocation of **\$1.4 million** for free water tanks for Fijians living in maritime and rural drought-stricken areas. A total of 2,000 water tanks will be distributed to these communities in 2016. Another new allocation of **\$4.5 million** has been provided for a Government subsidy programme for rainwater harvesting systems targeting areas that suffer from an intermittent supply of water. The programme will be expanded in 2017.

In 2016, Government is allocating **\$5 million** to complement \$5.7 million in funding from the Asian Development Bank for the Urban Water Supply and Wastewater Management project. The project will undertake preparatory works for the new water treatment plant at Rewa River and the sewage extension at Kinoya.

Madam Speaker, we are also complying with the Job Evaluation Exercise where all the non-management staff of FEA will be given their new pay rise.

Madam Speaker, we are also happy to announce, just as with electricity, where you had 10% deposit requirements, communities will no longer have to pay that 10%. Government will fully fund those projects where they need to have access to water and will firstly address communities

that have already partially paid their deposits. They will be the first ones to be beneficiaries of this new initiative by Government.

Communications

Madam Speaker, Government is committed to spreading the benefits of technology to all Fijians. As recently seen by our Prime Minister accepting an award, we have been recognised for bridging the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite. In pursuit of this goal, the Ministry of Communications is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology—or ICT—sector, and a total Budget of **\$26.4 million** is provided to fund its operations. As we said, the International Telecommunications Union (ITU) has given the Honourable Prime Minister an award in recognition of harnessing the potential of information and communication technology in Fiji. We are taking another big step towards digital television and we have allotted **\$2 million** for the purchase of digital set top boxes that will allow Fijians to view the enhanced images and gain the advantages of digital television. Madam Speaker, we also have a new allocation Of **\$350,000** to support local movie producers who want to make movie productions. We have seen advertised recently that the first ever trilingual soap opera has been produced in Fiji through FNU and which will be shown on FBC, through the PSB service. And Madam Speaker, this \$350,000 will also encourage other producers and will also be used to cultivate Fijian talent in writing and publishing novels. This will be done through the Ministry of Communications.

Office of the President

The Office of the President is allocated **\$3.4 million** for 2016, including **\$1.4 million** for capital projects. This includes **\$580,000** for upgrade of the recreation facility at the State House and **\$711,000** to complete stage 2 of the Coronation Ground Drainage project.

Office of the Prime Minister

The Office of the Prime Minister's Budget allocation of **\$15.5 million** represents a slight increase of about \$1.2 million compared with 2015. The funding for the Fiji Mahogany Trust is also maintained at its 2015 level with an allocation of **\$250,000**. The allocation for the Prime Minister's Small Grant Scheme is also maintained at **\$7 million**. The support to Funds for the Education of Needy Children (**FENC**) will continue in 2016 at **\$200,000**.

Office of the Attorney General

The Office of the Attorney General is allocated **\$18.3 million**. A budget of **\$5 million** is allocated to enable the Legal Aid Commission to provide legal assistance to those who cannot afford the high cost of legal services. The Commission has already opened offices in Taveuni, Korovou, Nausori, Nasinu, Suva, Navua, Sigatoka, Nadi, Lautoka, Ba, Rakiraki, Tavua, Labasa and Savusavu. It is currently in process of opening four additional offices in 2016.

Madam Speaker, to cover the associated legal costs of providing refuge for Pacific Islanders displaced by the effects of climate change and to look at the legal implications, we have allotted **\$50,000**.

And **\$1.9 million** has been allocated for Government's Domestic Air Service Subsidy Program for Fiji's domestic air service providers, Fiji Link and Northern Air, to operate flights to areas within Fiji that would not otherwise be commercially viable, such as Koro, Gau, Ono-i-Lau, Cicia, Lakeba, Rotuma and Vanuabalavu. Reliable air services to Fiji's outer islands provides critical access to services and markets for the local populations and are also essential for unlocking the economic potential of these areas.

Parliament

The total budget for Parliament in 2016 is **\$9.9 million**, which is a \$962,644 million increase over 2015. The increase is due to a number of capital projects and an increase in sitting allowances for those members in committees. This will facilitate delivery of documents and reduce paper costs and complement the IT upgrade that will take place. A **\$60,000** allocation is provided for the construction of a ramp for people with disabilities to enter this Parliament.

Auditor General

The Office of the Auditor General has been allocated a sum of **\$4.2 million** in the 2016 Budget to carry out its important function in the transparent running of Government. This increase of \$143,556 over the 2015 level is to account for the increase in salary levels for audit officers. As discussed with the Auditor General, many of the officers leave after a

period of time because there are better conditions elsewhere so we increased their allocation to allow for them to retain their staff.

Fiji Elections Office

Madam Speaker, the Fiji Elections Office, needless to say about its functions, has been allocated **\$6.4 million**.

Judiciary

A total budget of **\$44 million** is provided to the Judiciary, an increase of \$3.6 million when compared to the 2015 level. Part of this increase is due to the fact that the Judiciary has assumed responsibility for the Public Service Disciplinary Tribunal and Agricultural Tribunal. It also reflects increases in judges' salaries. **\$2.5 million** is allocated for upgrading and renovating the courts around the country, and **\$7 million** is allocated for extending the Lautoka High Court.

Director of Public Prosecutions

The Office of the Director of Public Prosecutions has been allocated **\$6.1 million** in the 2016 Budget with an increase of \$342,554.

Employment, Productivity and Industrial Relations

Madam Speaker, the Constitution guarantees every Fijian's right to economic participation, a just minimum wage, speedy resolution of employment grievances and disputes, and fair employment practices and conditions. Government is committed to doing everything in its power to

uphold these rights for workers across the country, while at the same time helping employers grow and succeed.

The Ministry of Employment, Productivity and Industrial Relations is provided **\$17.3 million** in 2016, slightly more than in 2015, to account for an increase in the worker's compensation allowance. National Occupational Health and Safety Service is allocated **\$7.6 million**.

Independent Commissions

Finally, Madam Speaker, Fiji's independent commissions directly serve the people in specialised areas where objective and non-political judgment is required. These commissions gain credibility over time by applying the law independently, and are a valuable tool for democratic governance. They share the larger purpose of defending the dignity of the individual in society, keeping institutions and the people who serve the public accountable, and serving as a constant reminder that Government serves the people.

A sum of **\$15.88 million** is provided to fund the operations of the five Independent Commissions: the Human Rights and Anti-Discrimination Commission, the Accountability and Transparency Commission, the Freedom of Information Commission, Public Service Commission and the Fiji Independent Commission Against Corruption.

Tax Policies

Madam Speaker, the 2016 revenue policies will accomplish the following objectives:

- Reduce the tax burden on ordinary Fijians;
- Promote investment and support economic growth;

- Achieve greater progressivity in the overall tax system;
- Adopt a low rate and broad-based tax regime;
- Respond aggressively to tax non-compliance; and
- Simplify tax administration.

Madam Speaker, as highlighted earlier on, a number of incentives have been place in respect of duty reduction and duty increase in various areas, many of which I have highlighted. But Madam Speaker, I would like to highlight some of the ones which have not been mentioned:

- The duty on mini-vans will be reduced from 32% to 5% to promote transportation safety, particularly for ordinary Fijians. These are the mini-buses. Many of them are used by ordinary Fijians. We want them to use new quality vehicles so we reduced the duty from 32% to 5%.
- As I mentioned about the tyres Madam Speaker, that will be changed now.
- Further to the removal of the duty suspension scheme, all raw materials and packaging materials will be duty free.
- Duty rates will increase to 32% for solar batteries as we have local producers of it, unless they come with the vehicle.
- All duty will be removed on sewing machines, spare parts and consumables such as buttons, fasteners, needles and zippers.
- A reduced duty of 5% will now apply on deodorants, underpants and briefs, baby garments, kayaks, auto rickshaws, and air compressors.

- Duty on what we call “tourism items” will be reduced from 32% to 15% and these of course include a number of items which have been highlighted Madam Speaker.
- We will, for the first time in Fiji, introduce downtown duty free shopping. Which basically means Madam Speaker, that, if a tourist or foreigner walks into any accredited shop that has been certified by FRCA, they will be able to purchase those goods duty-free, as it will be marked, and pick up those goods at the airport or the port where they leave. This will of course enhance the shopping experience in Fiji and give more opportunities to our businesses to create jobs, because you will need more sales people and VAT from those items.
- To assist poultry production in Fiji, we will reduce duty on day-old chicks and fertile eggs to zero.
- The fiscal duty for electrical cables that cannot be manufactured locally has been reduced from 32% to 5% and the import excise has been reduced from 10% to 5%.
- Given the rise in fire incidents in Fiji, duty on fire-safety awareness equipment will be waived.
- Madam Speaker, we get a lot of section 10 requests for duty free access to furniture for religious organisations and schools who get donated furniture. Madam Speaker, in order to allow for that, we are going to give a one year exemption where these items can be brought in at a fiscal rate of 5% duty and 5% excise, for one year from today. So please, if you are aware of any organisations that

want to import this type of furniture, please inform them as they will be given these concession rates.

- To strengthen Customs administration, the comptroller of Customs will now be able to dispose of goods that have been placed under lien for recovery of duty and penalty.
- For ease of Customs business, importers will have the option to prepay or defer customs payment or pay in instalments for duty shortfalls that have been determined by investigations and audit.

Madam Speaker, the following are income tax changes in 2016:

- To promote further development, Tax Free Region is extended from the Nausori Airport side of the Rewa Bridge (excluding township boundary) to the Ba side of Matawalu River. Originally, as you know, it was marked from Korovou to Tavua. Now it extends all the way, including parts of Rewa, Tailevu and going across to the border at Matawalu River. All projects must commence within 18 months from the date of provisional approval and therefore, they will be able to receive this. The credit card levy, Madam Speaker, in order to control our credit, will increase from 2% to 3%.
- To ease the burden of tax and simplify administration, Contractors Provisional Tax will reduce from 15% to 5% and Certificates of Exemption will no longer be issued.
- A tax deduction of 150% will be allowed to foreign companies for capital expenditure incurred for the set-up of Headquarters relocated to Fiji.

- A 50% tax deduction will be offered to businesses that supply Fijian-made uniforms to their staff, provided cost is not recovered from the staff.
- To ease compliance for employers, the Employer Monthly Schedule can be lodged half yearly if all employees are below the \$16,000 income tax exemption threshold.
- FRCA Gold Card taxpayer membership will be expanded to include taxpayers who have an improved tax compliance rating.
- Taxation of entities under the Diplomatic Privileges and Immunities Act will be governed by agreements signed by Government.
- FRCA will reinstate bad debts for collection of tax based on taxpayers' ability to pay.
- An audit penalty will apply to all erroneous claims of losses.
- Compulsory TIN requirement will be extended to the following institutions:
 - Fiji Public Trustee Corporation
 - Any licensing or registration agency
 - All Government agencies
 - Professional bodies
- A 50% export income deduction will be continued in 2016 whereby 50% of income from exports will not be subject to tax.

Madam Speaker, there are a number of clarifications that have been put in place regarding the STT and these have been now streamlined.

Madam Speaker, a number of amendments have also been applied to the Stamp Duties Act. As you know, the micro finance businesses, but also we have identified areas where people are by-passing the payment of stamp duties, in particular, in inter-company loans where they are simply signing a deed. So these will also now be caught under the new provisions of the Stamp Duties Act. Madam Speaker, we are also relegating the power to waive stamp duties of the CEO FRCA to the sum of \$10,000 to fast-track these applications.

Madam Speaker, as highlighted, we have also removed a number of those VAT anomalies that have been put in place.

Conclusion

Madam Speaker, finally I thank you for this opportunity to present the 2016 Budget to this Parliament. We have actually seen a brief outline of what is contained in the Budget and the budget itself is more detailed. However in the interest of time, I have cut this delivery short. As you can see, we are working hard not just to manage Government's revenue, but to put in place a fiscal and regulatory regime that rewards hard work, honesty and initiative. We are trying to institutionalise through Government policies and programmes the inherent kindness and charity of the Fijian people toward their less fortunate neighbours. We are committed to giving Fijians the kind of education, health care and infrastructure that they deserve for a full life. And we are certain that if we stay the course, Fiji will grow more prosperous, more healthy, and more united each day.

Madam Speaker, I now have much pleasure to commend the 2016 Budget to Parliament and I do so with the concurrence of Cabinet.

Vinaka Vakalevu. May God bless Fiji.