

IMF/ Government of Samoa Pacific Island Conference

PURSUIT OF BROAD BASED GROWTH IN FIJI



23 March, 2012

OUTLINE

- **Medium Term Macroeconomic Targets**
- **Economic Performance**
- **Sectoral Performance**
- **Driving Investment & Growth**
- **Policies To Drive Investment & Growth**
- **Social Protection Initiatives**
- **Lessons Learnt**
- **Conclusion**



MEDIUM TERM MACROECONOMIC TARGETS



MEDIUM TERM TARGETS

Macroeconomic Indicators	Targets
Economic Growth	Achieve growth of around 5.0 percent in the medium term
Inflation	Maintain at around 3.0 percent on average
Foreign Reserves	Maintain at 4-5 months of import cover
Government Deficit	To be below 2.0 percent of GDP
Government Debt	Reduce debt as a share of GDP to a sustainable level
Investment	Raise investment as a percent of GDP to 25.0 percent

MEDIUM TERM STRATEGY

2012 - 2014

- Need to address fundamental challenges :
 - Raising growth and investment;
 - Fast-tracking structural reforms;
 - Prudent financial management by government;
 - Ensuring debt sustainability
(including contingent liabilities);
 - Facilitating inclusive development; and
 - Safeguarding against economic shocks.

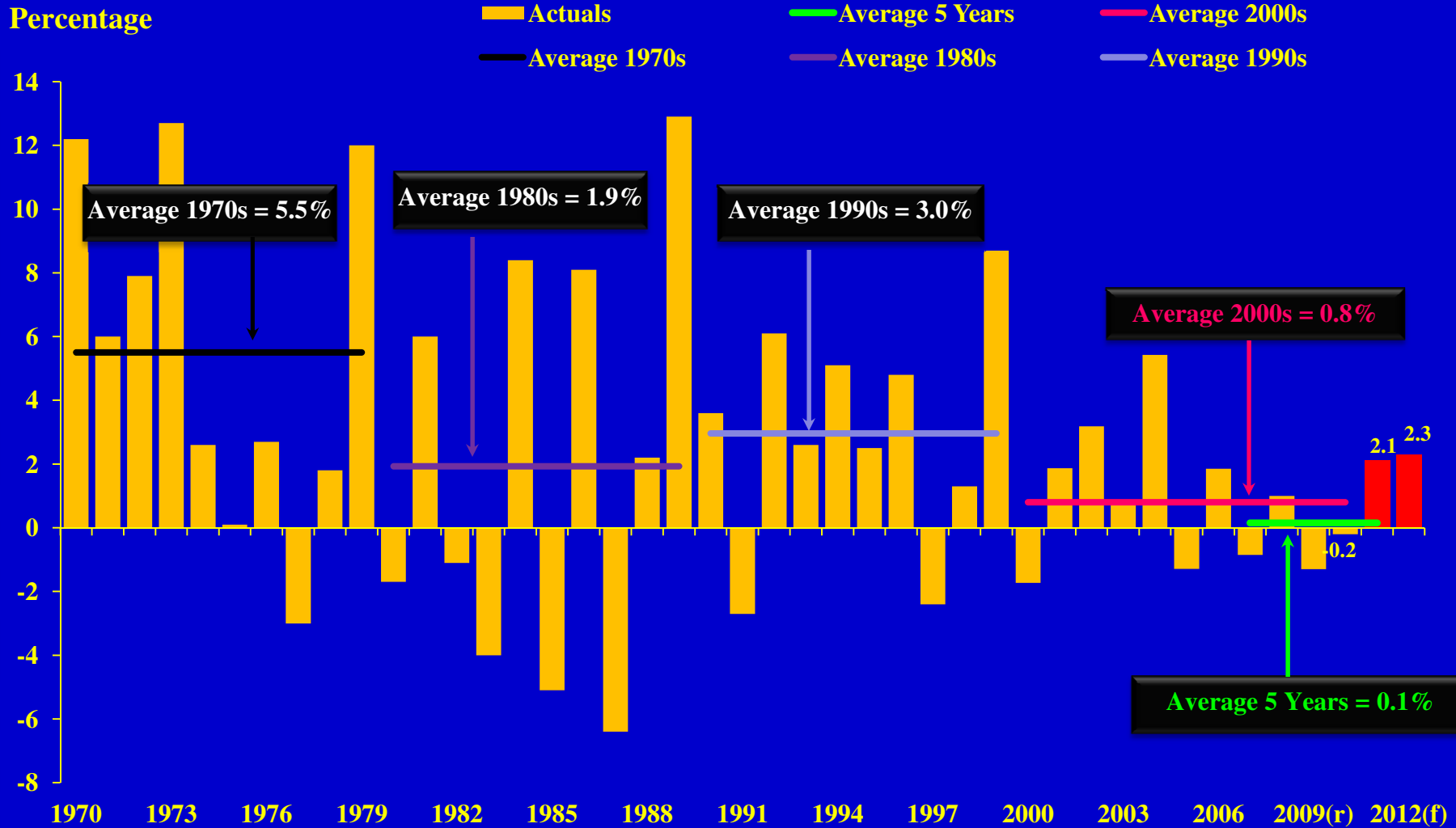


ECONOMIC PERFORMANCE



GDP GROWTH

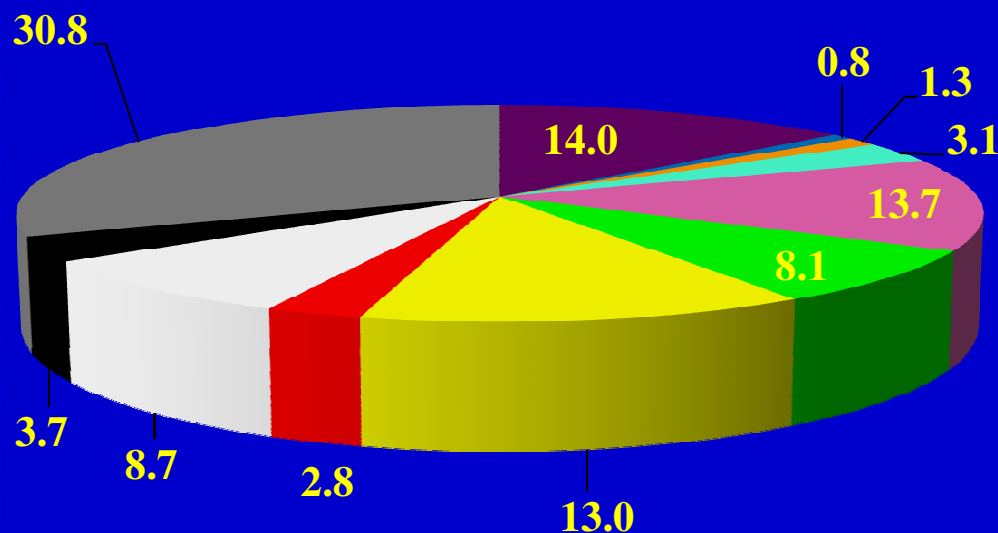
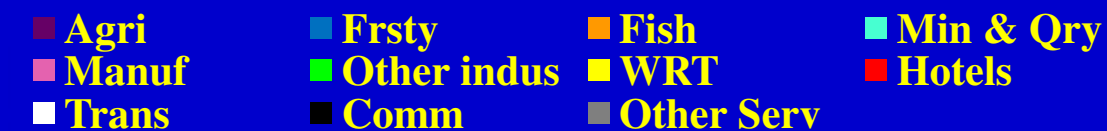
Volatile & Low Economic Performance



Sources: Fiji Bureau of Statistics and Macroeconomic Committee

EVOLUTION OF THE FIJI ECONOMY

1970s-1980s Post Colonial Era



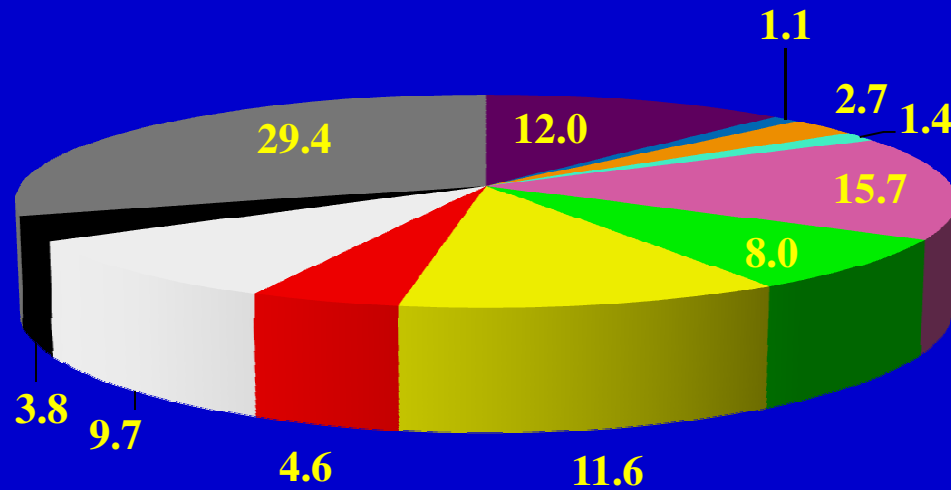
Major Economic Sectors

- Sugar – backbone
- Tourism
- Rice
- Cocoa
- Dairy
- Construction Industry

EVOLUTION OF THE FIJI ECONOMY

1990s

- Agri ■ Frsty ■ Fish ■ Min & Qry
- Manuf ■ Other indus ■ WRT ■ Hotels
- Trans ■ Comm ■ Other Serv



Economic Sectors

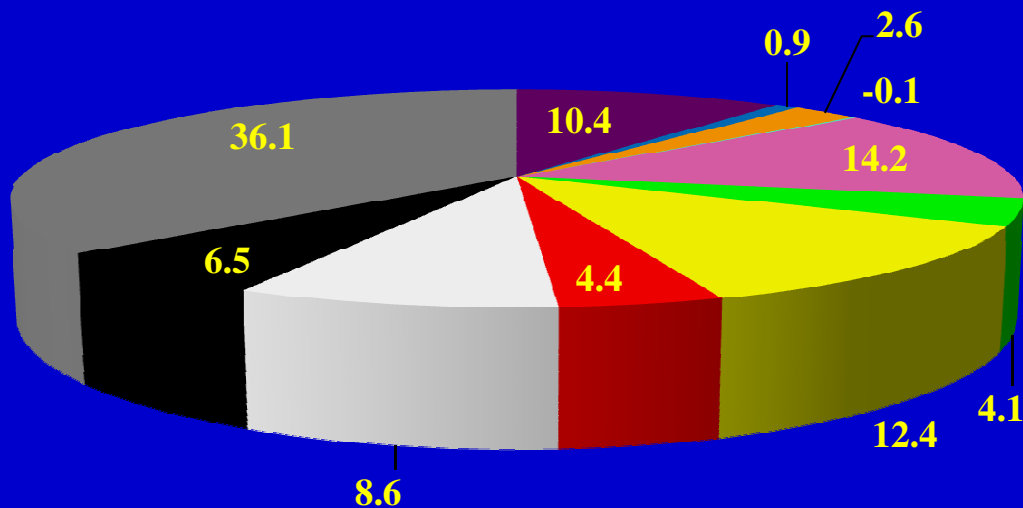
- Tourism
- Sugar
- Mining
- Mineral Water
- Fish
- Forestry

} New industries

EVOLUTION OF THE FIJI ECONOMY

2000s

■ Agri ■ Frsty ■ Fish ■ Min & Qry
■ Manuf ■ Other indus ■ WRT ■ Hotels
■ Trans ■ Comm ■ Other Serv

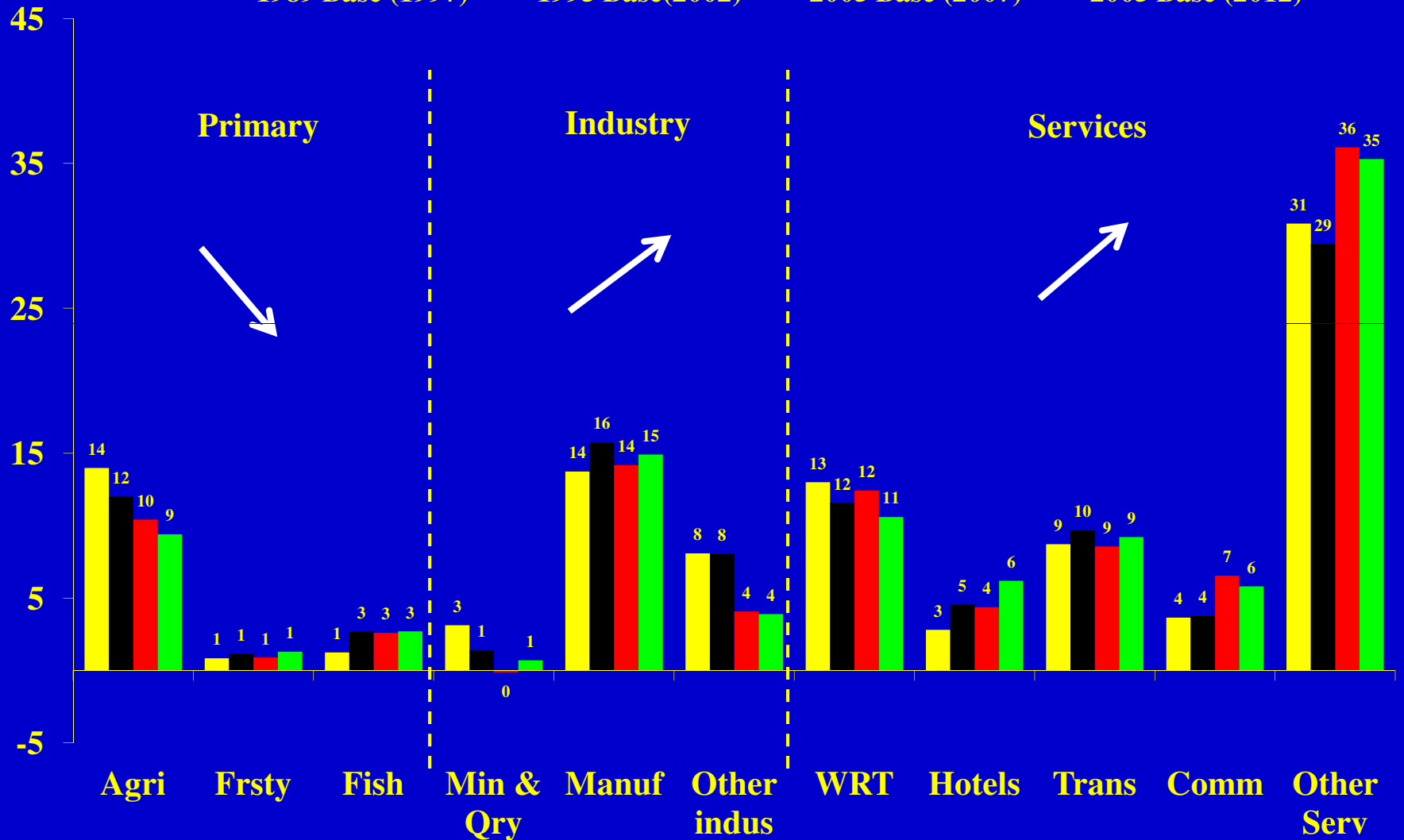


- Tourism - Rapid Expansion
 - Sugar - Reduction in preferential prices and low production
 - Fishing
 - Forestry
 - Mining
 - Clothing and Textiles
 - Manufacturing (Flour, beer, cigarettes, cement, soap)
 - Mineral Water
 - Audio Visual & ICT
 - SME development
- } New industries

SHARE OF GDP

Percentage

■ 1989 Base (1997) ■ 1995 Base (2002) ■ 2005 Base (2007) ■ 2005 Base (2012)

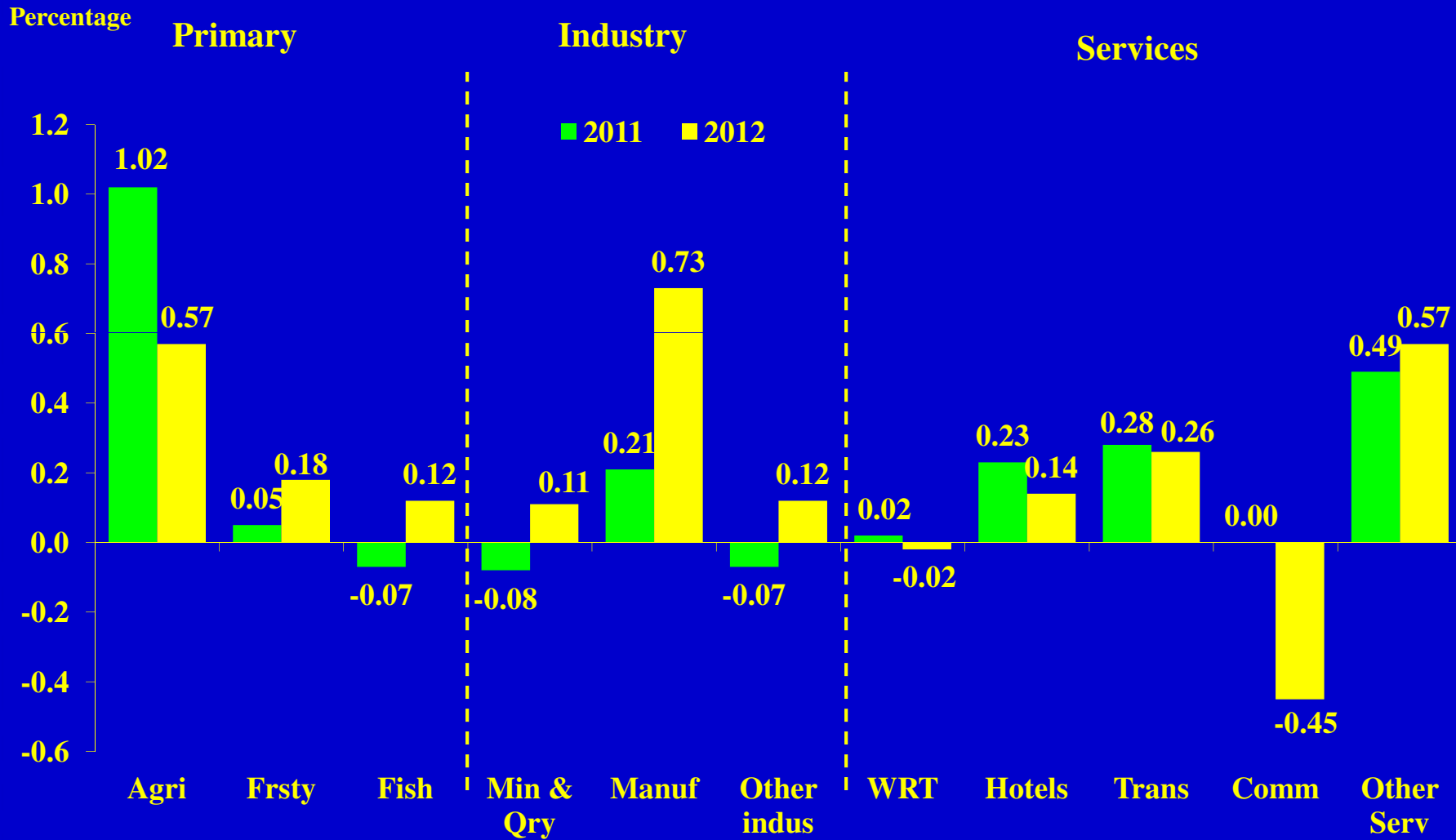


Source: Fiji Bureau of Statistics

SOURCES OF GROWTH IN 2011 & 2012

+2.1% (2011)

+2.3% (2012)



Source: Fiji Bureau of Statistics

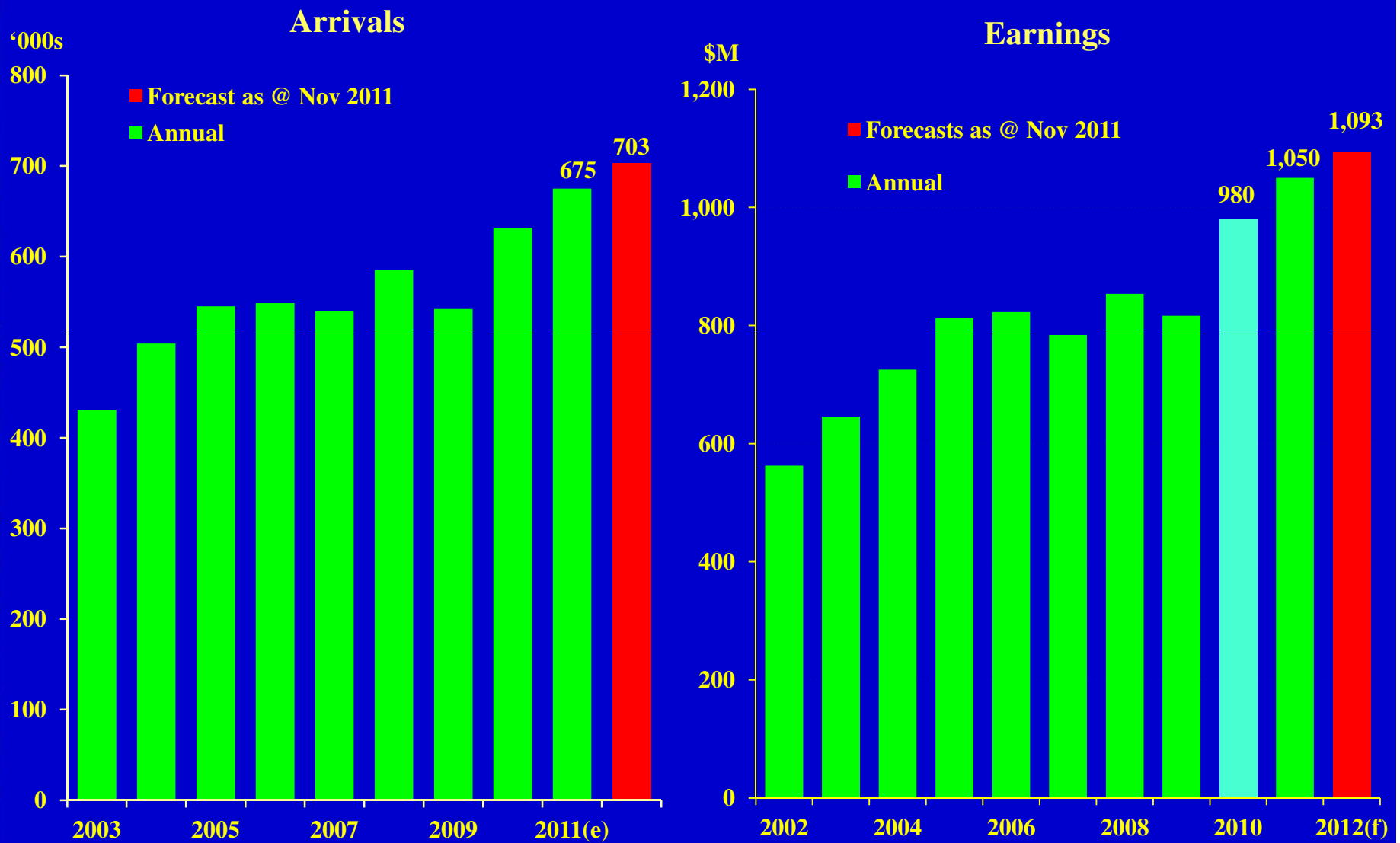


SECTORAL PERFORMANCE



TOURISM

Arrivals & Earnings are at record levels



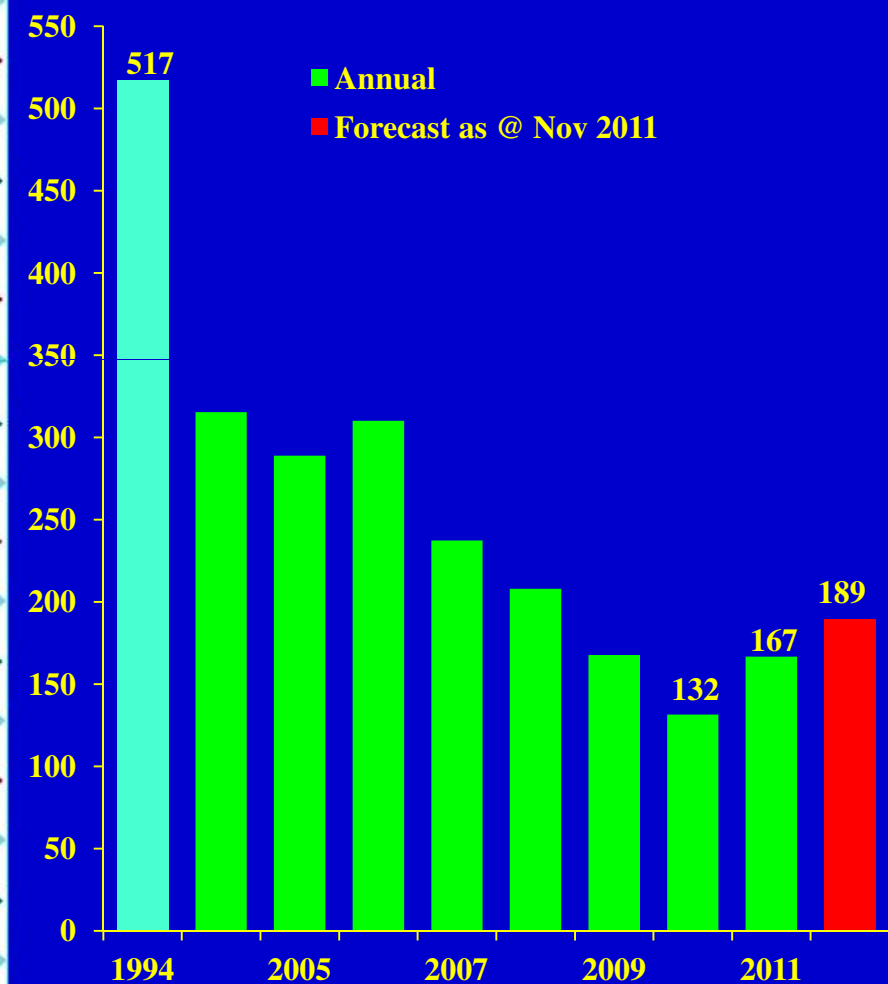
Sources: Fiji Bureau of Statistics and Macroeconomic Committee

SUGAR

Production & earnings expected to increase

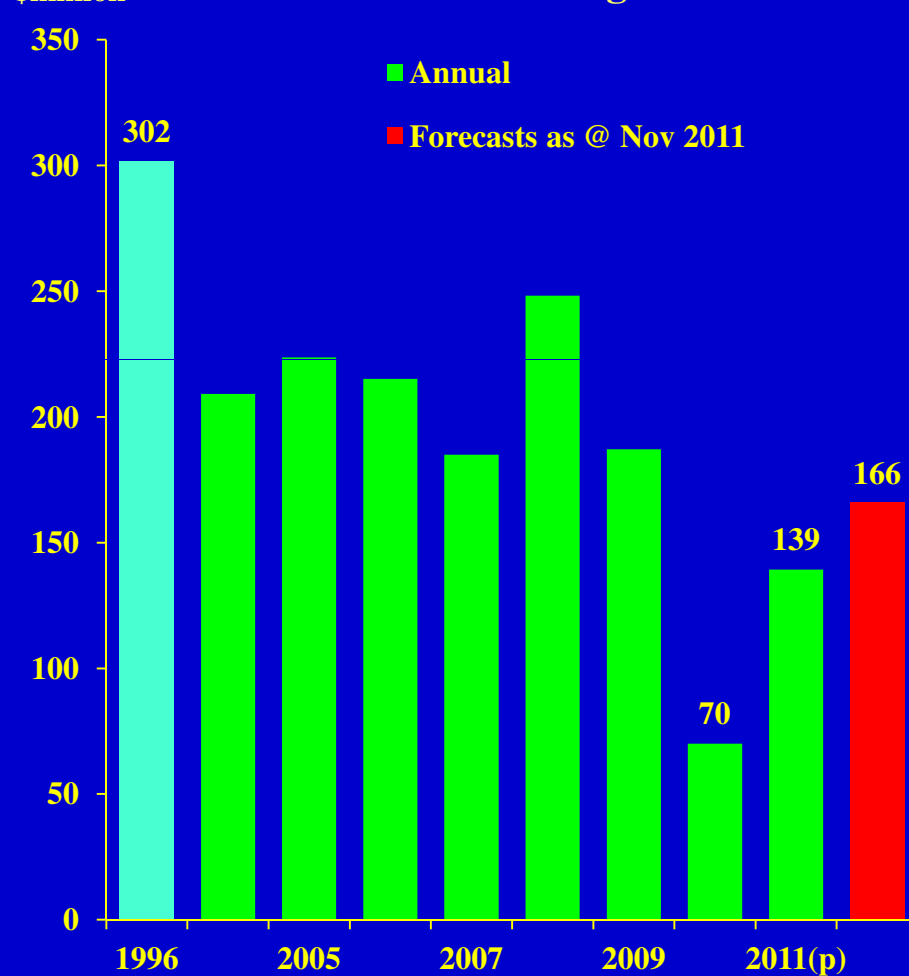
'000 tonnes

Production



\$million

Earnings



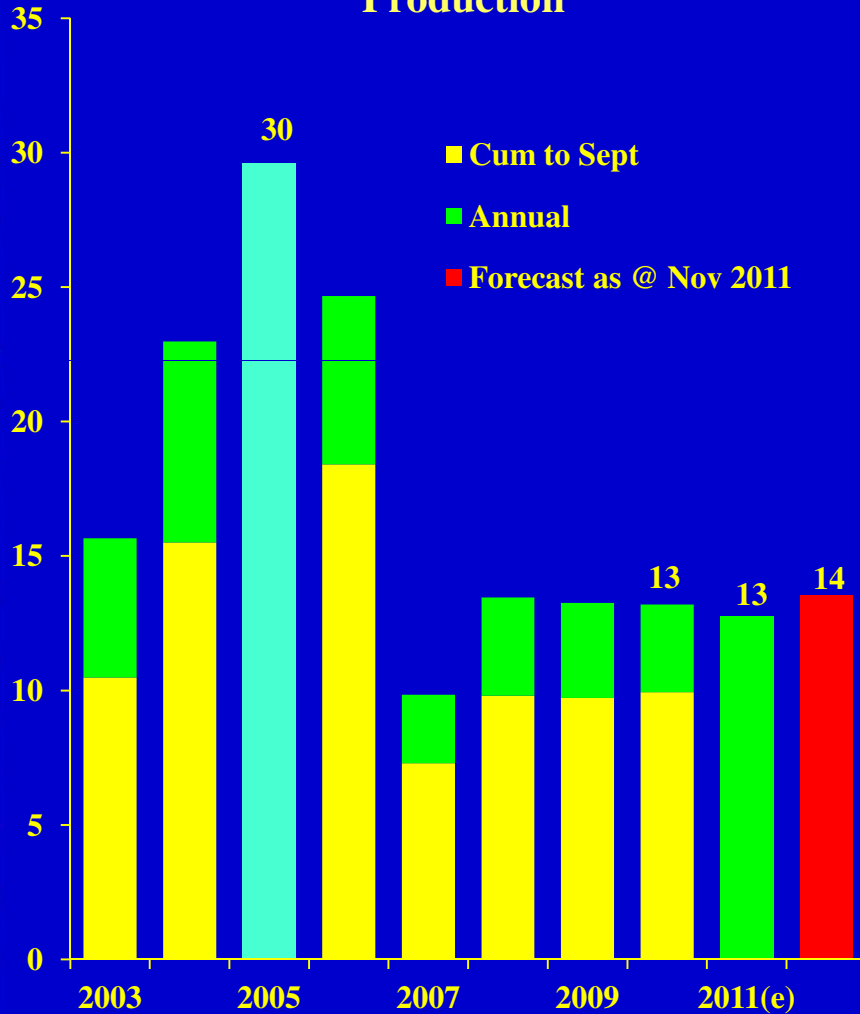
Sources: Fiji Sugar Corporation Limited and Macroeconomic Committee

FISH

Marginal growth expected in production & earnings

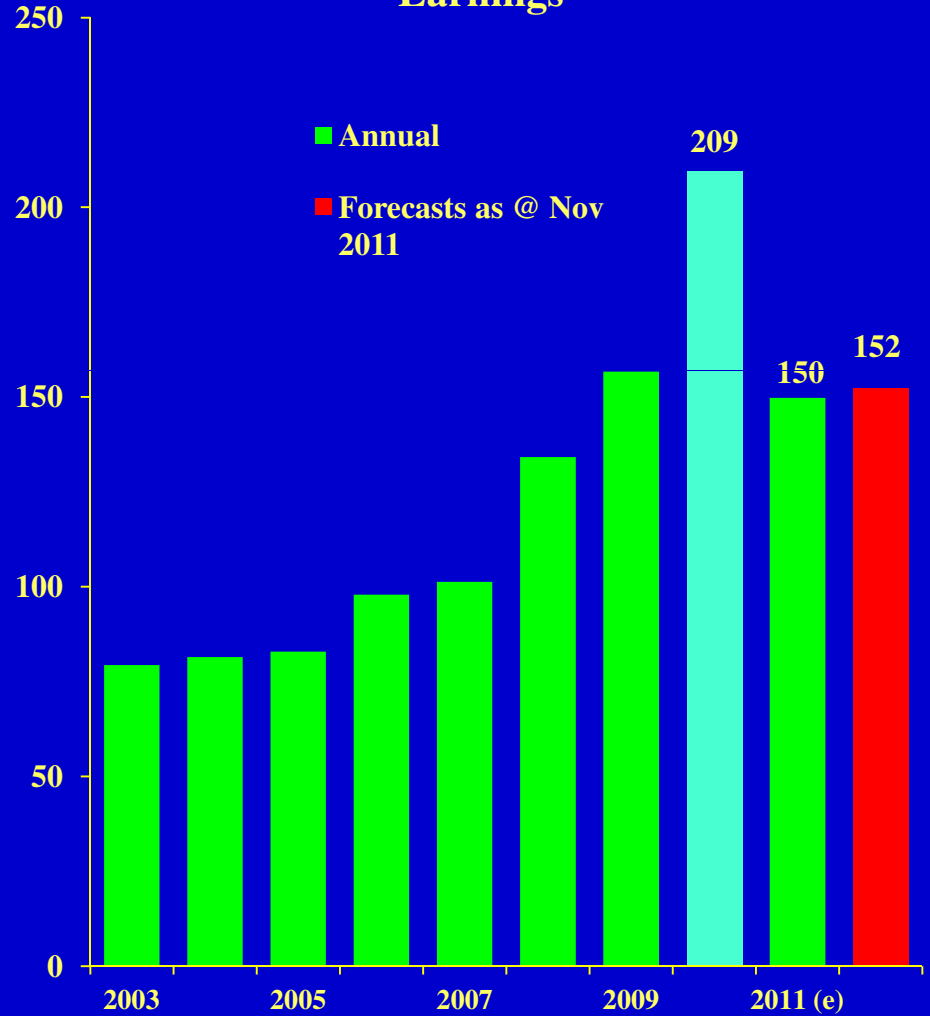
'000 tonnes

Production



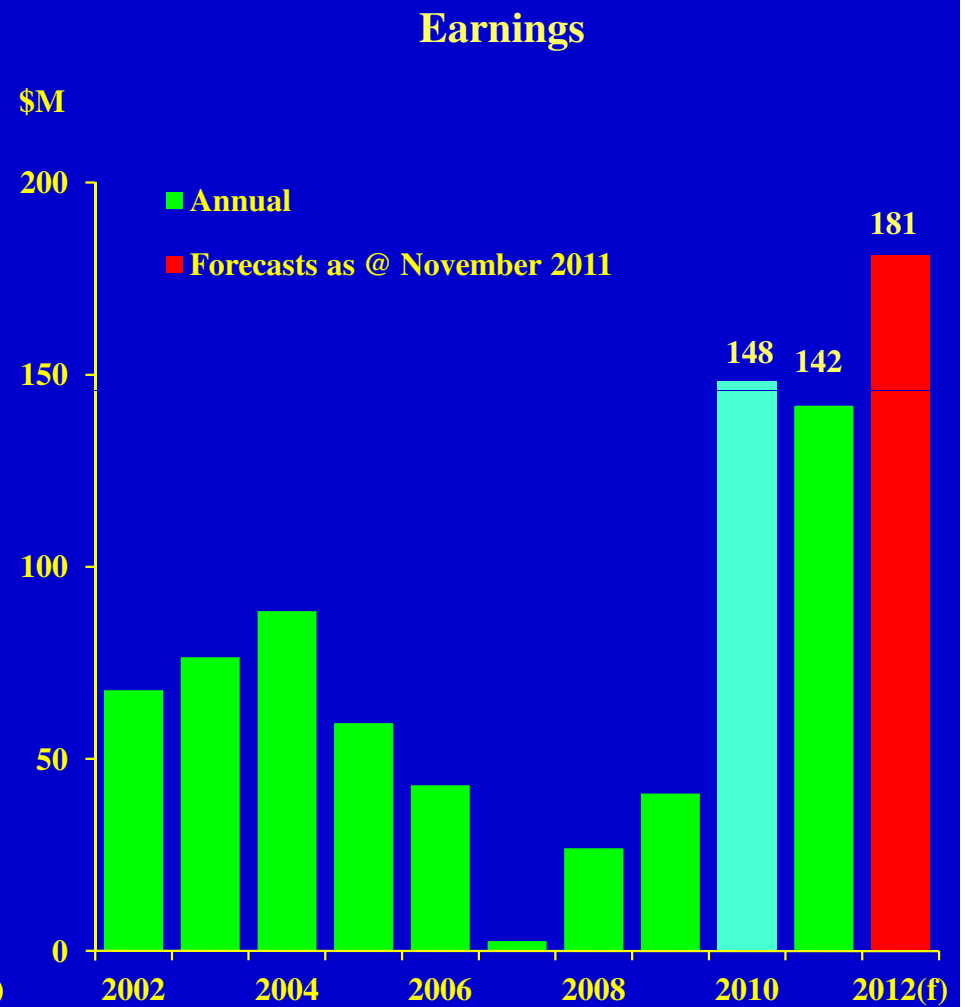
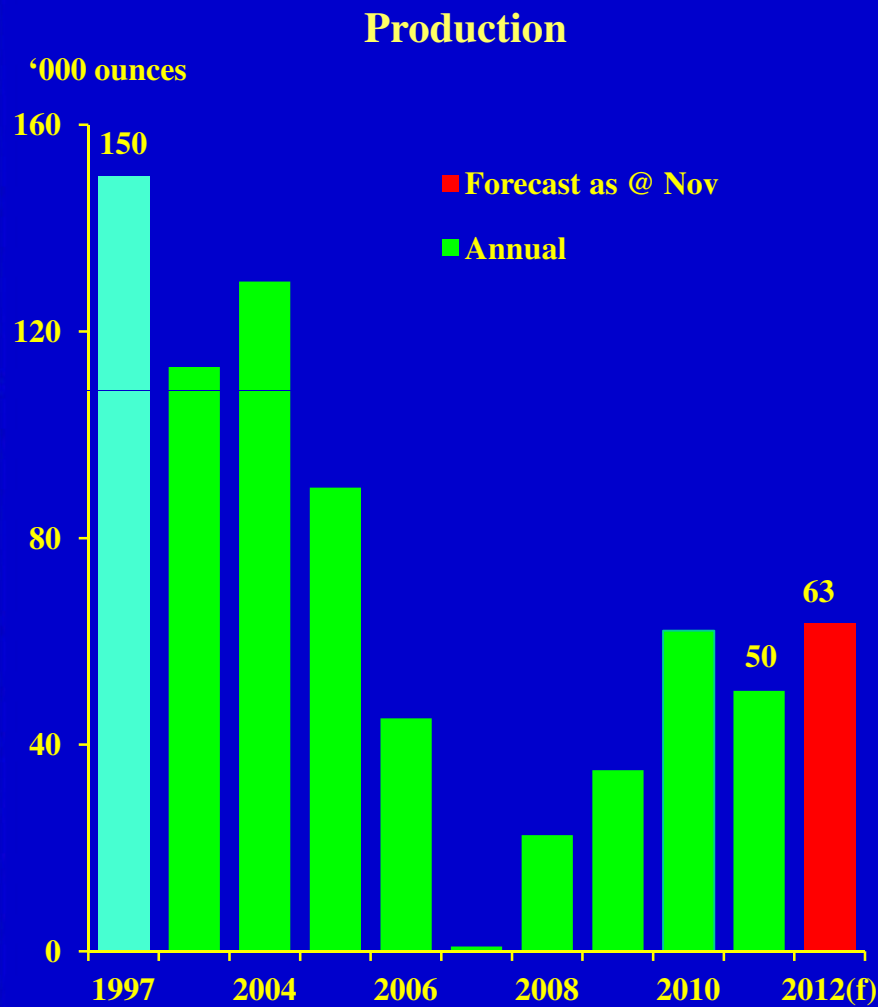
\$M

Earnings



GOLD

Higher production & earnings forecast



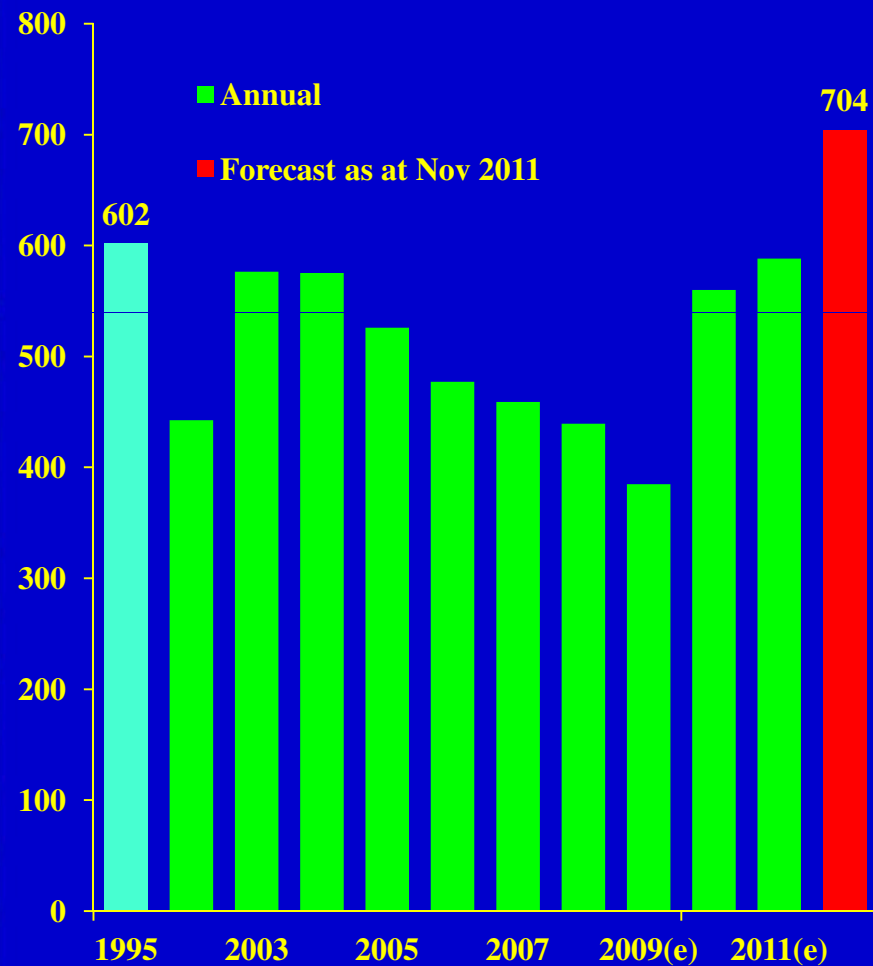
Sources: Vatukoula Gold Mines Limited and Macroeconomic Committee

TIMBER

Production & earnings expected to increase

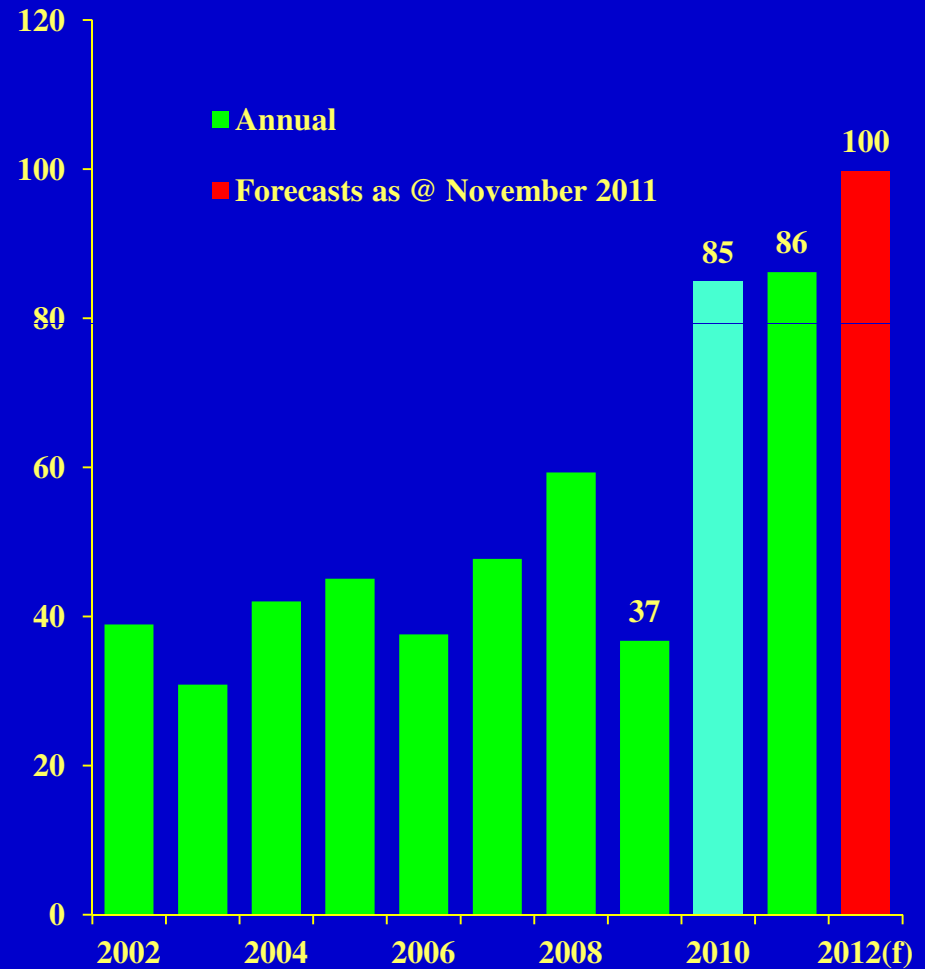
000 m³

Production



\$M

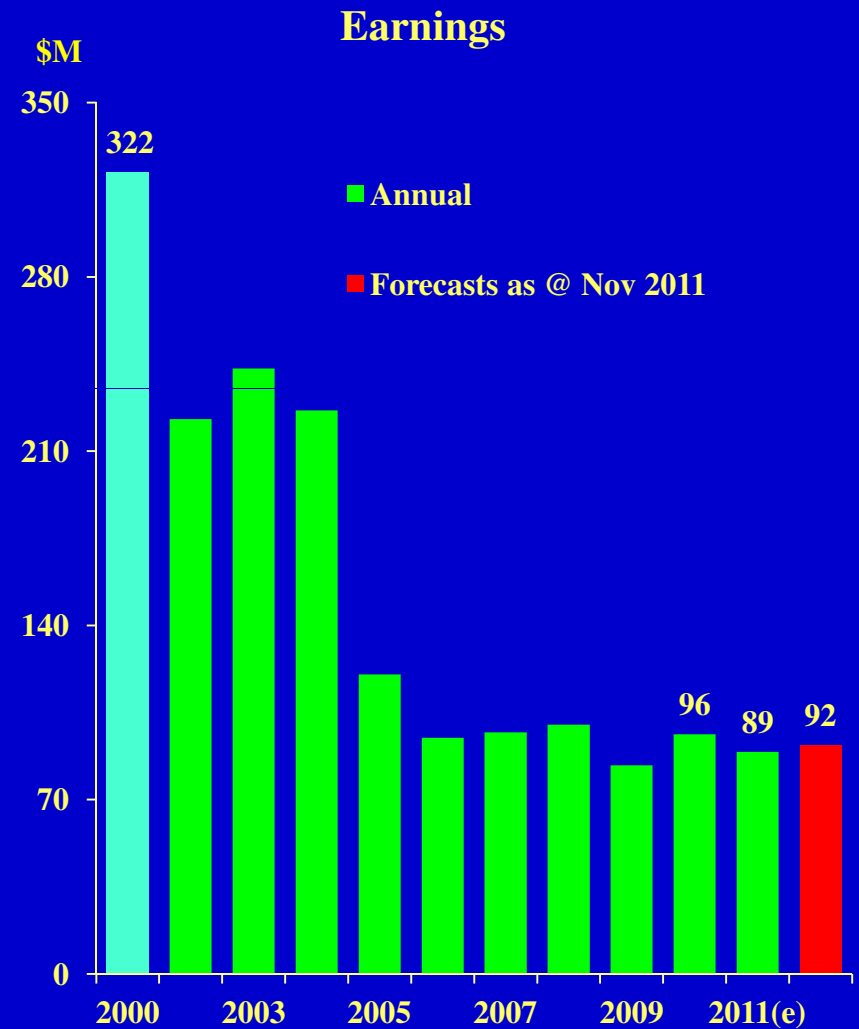
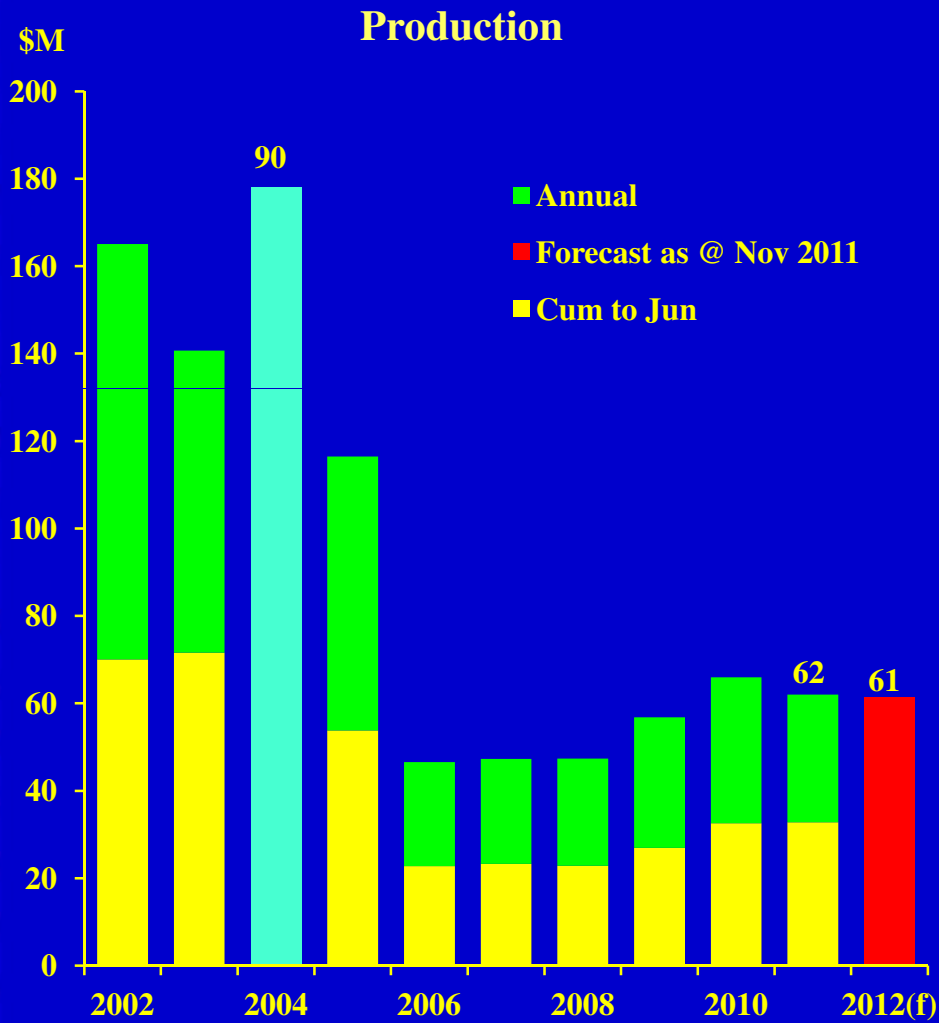
Exports



Source: Fiji Bureau of Statistics and Macroeconomic Committee

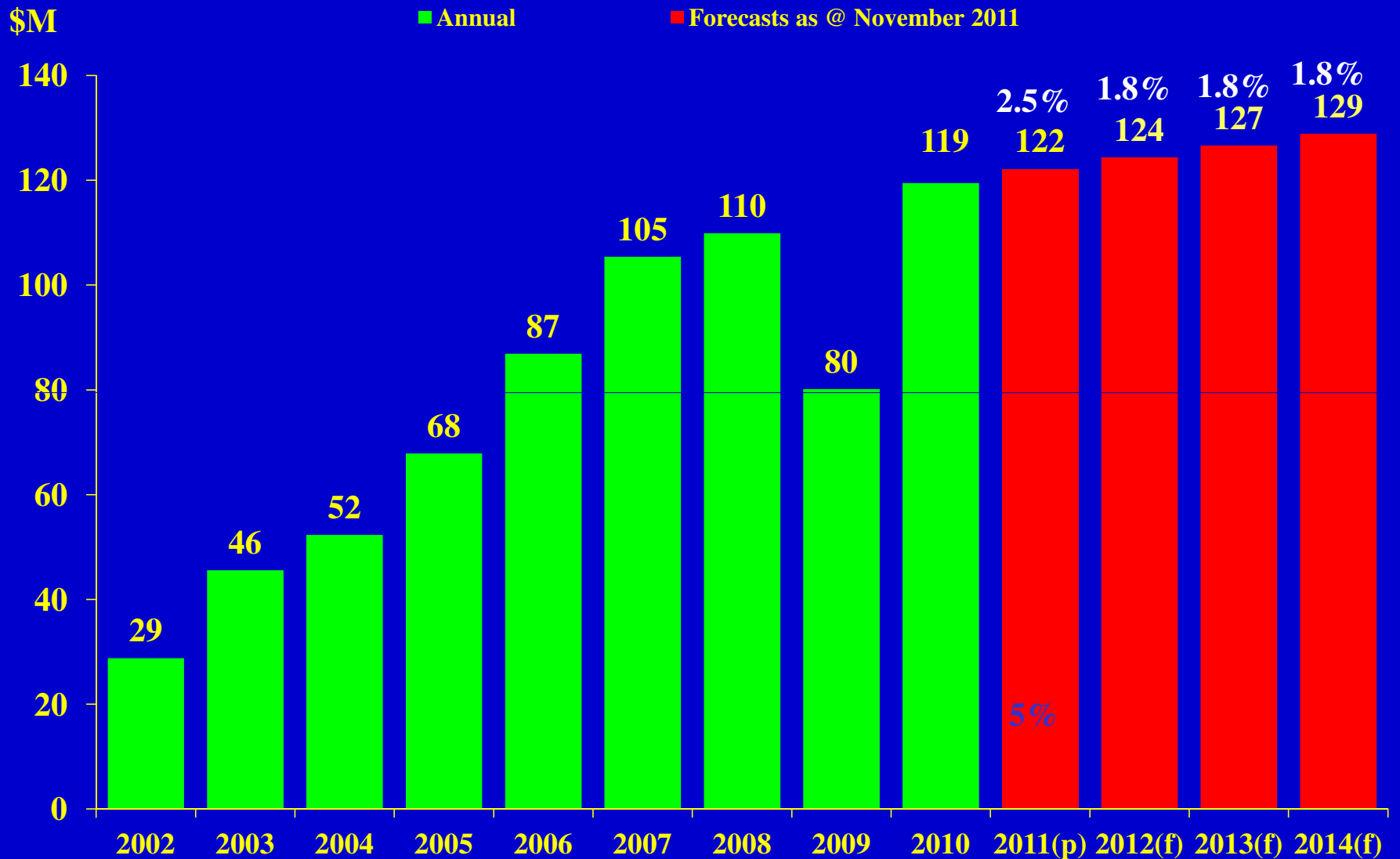
GARMENT

Positive outlook for production & earnings



Source: Fiji Bureau of Statistics

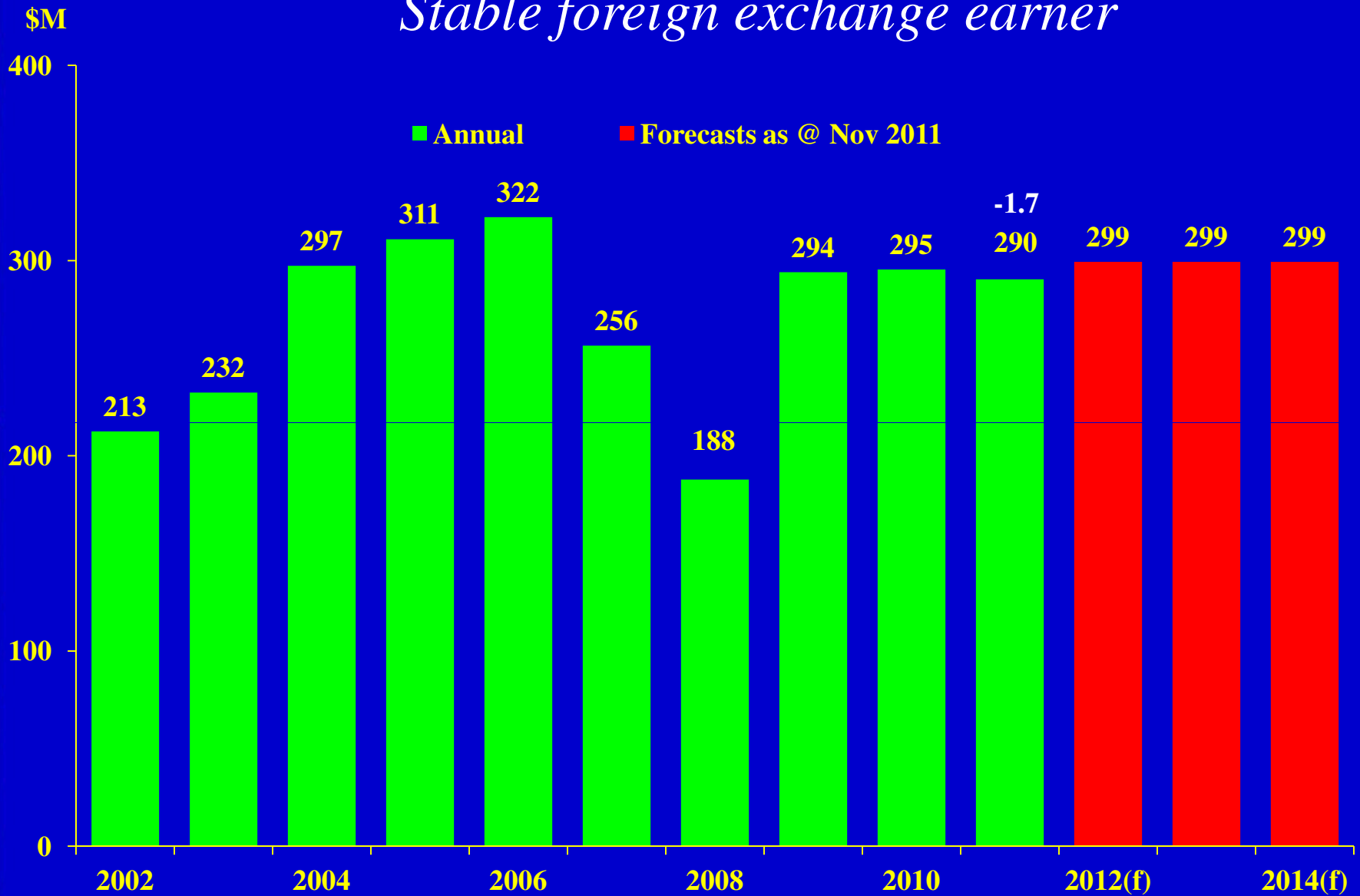
MINERAL WATER EXPORTS



Sources: Fiji Bureau of Statistics and Macroeconomic Policy Committee

PERSONAL REMITTANCES

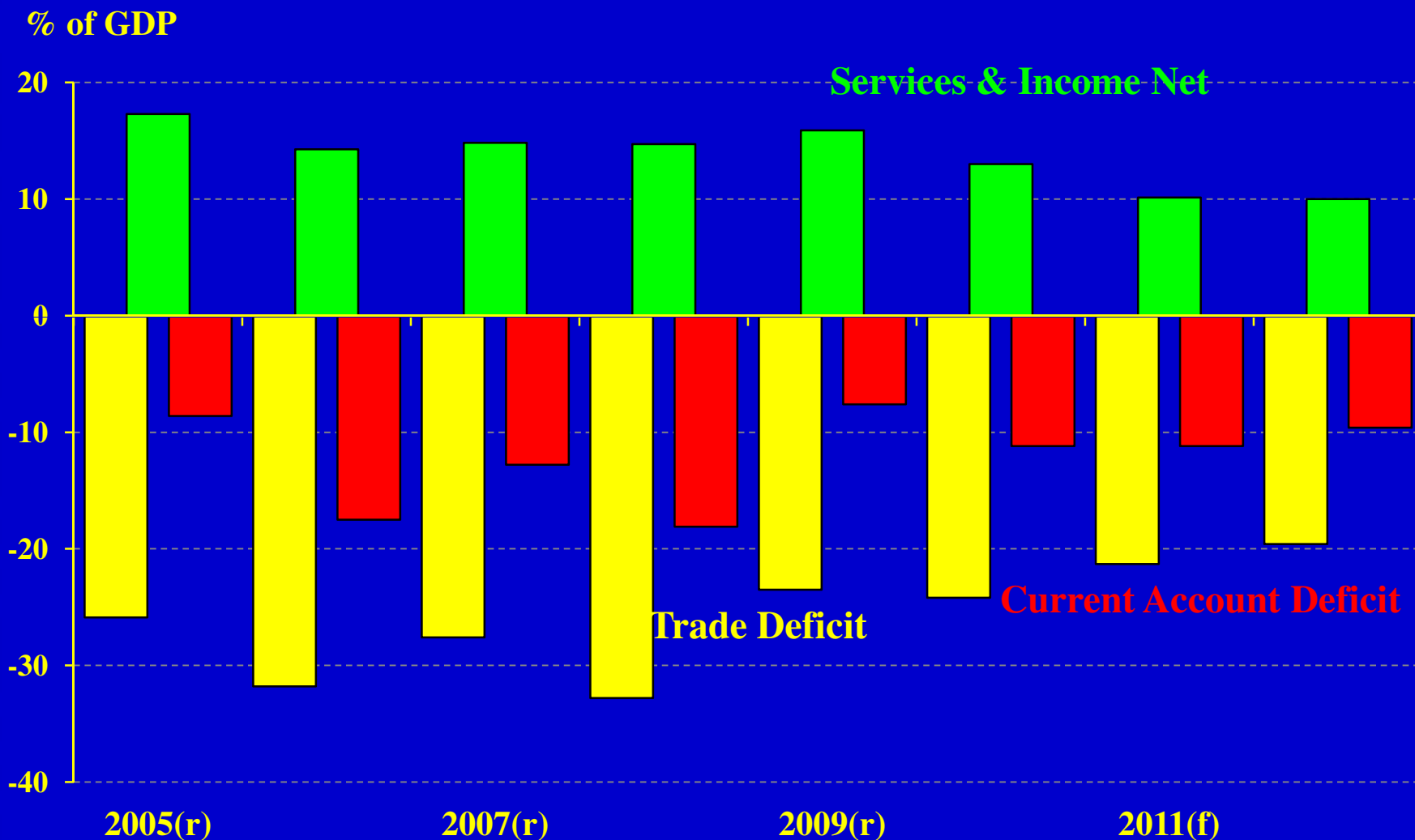
Stable foreign exchange earner



Sources: Fiji Bureau of Statistics and Macroeconomic Committee

CURRENT ACCOUNT BALANCE

Improved trade deficit & service inflows to lower deficit in 2012



Source: Fiji Bureau of Statistics and Macroeconomic Committee

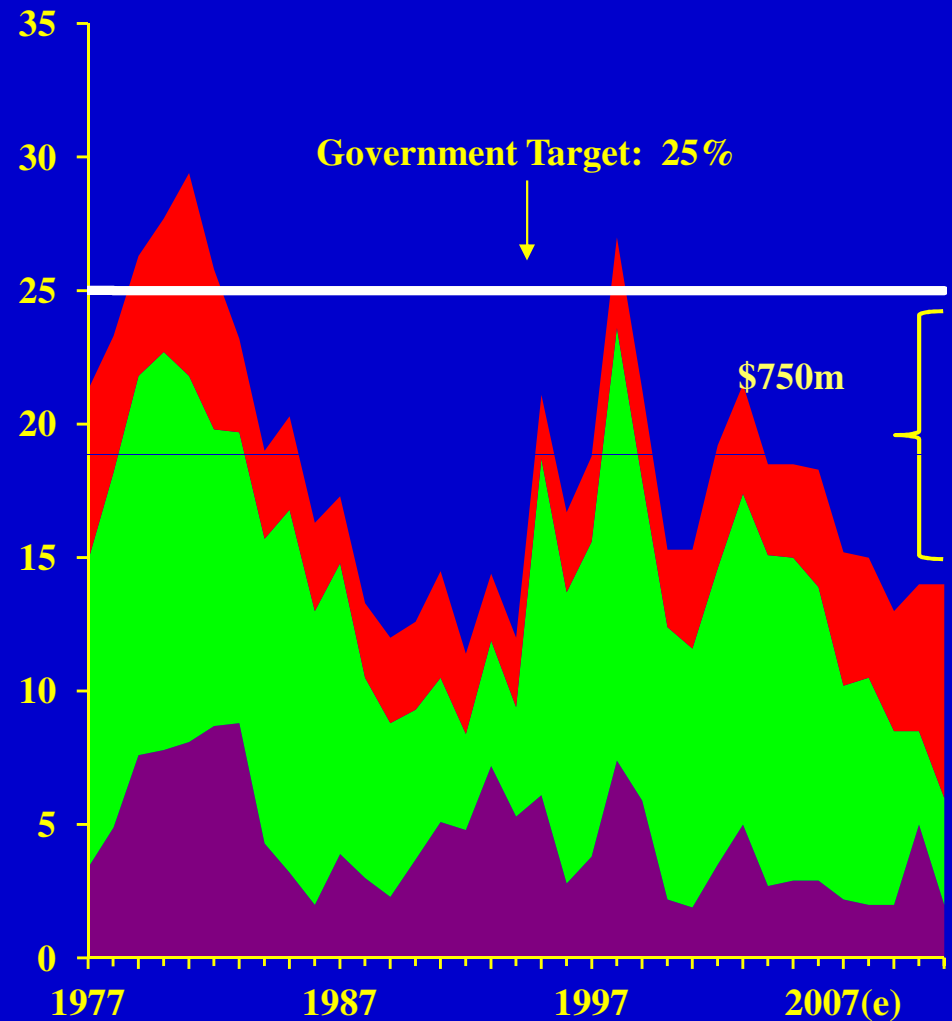


DRIVING INVESTMENT & GROWTH



TOTAL INVESTMENT

- Investment target of 25.0 percent of GDP
- Investment Gap of \$750 million needed
- Significant reduction in private investment to 4.0 percent from 15.0 percent in 1980.
- Consequently, Government has had to increase its capital spending
- Increase in Government investment to an 8.0 percent in 2011 from 5.0 percent in 1980.
- Need to increase private sector participation in the economy – as engine of growth.





POLICIES TO DRIVE INVESTMENT AND GROWTH



FISCAL STRATEGY *2-Pronged Approach*

NEED TO DRIVE INVESTMENT AND BROAD-BASED GROWTH IN THE MEDIUM TERM BY:

- Fostering Sustainable Economic Growth & Investments
- Achieving Fiscal Sustainability

FISCAL POLICIES

The Government Aspires To Empower Fijians, Modernize The Nation And Strengthen The Economy By:

- Lowering Corporate And Personal Taxes
- Investing In Fiji's Infrastructure
- Improving Personal Wellness
- Supporting Fiji's Businesses
- Investing In Outer Island And Rural Areas
- Maintaining Food, Housing And Education Programmes To Support The Less Fortunate

POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

GENERAL INVESTMENT POLICIES

- Tax rate reduction
- Investment allowances
- Export income deduction
- Removal of local equity requirement for Stock Exchange

TOURISM

- 2009 Hotel Incentive Package
- New Short Life Investment Package

POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

AUDIO VISUAL INCENTIVES

- Income Tax Deduction

AGRICULTURE, FORESTRY & FISHERIES INCENTIVES

- Income Tax exemption
- Fiscal Duty reduction
- Duty free concession

POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

OTHER INITIATIVES

- Bilateral Quarantine Agreement (BQA) negotiations and increase engagements with multilateral trade agencies
- Set up National Crop & Livestock Council and the National Research Council
- Disaster Management
- Research
- Fast-track the National Fisheries Policy



POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

MANUFACTURING; WHOLESALAE & RETAIL AND TRANSPORT SECTORS

- Reduction in fiscal duties

OTHER INITIATIVES

- Extension of the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) Textile Clothing and Footwear (TCF) Scheme to 2014

POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

MINING

- Formulate a “Mining Incentives Package”

SMALL AND MICRO ENTERPRISES (SME'S)

- Income tax exemption - maximum turnover threshold of \$300,000
- Introduction of SME Credit Guarantee Scheme

TAX FREE REGIONS

- Tax Exemption
- Extension of the Tax Free Region (TFR)

POLICIES TO SUPPORT INVESTMENT & BROAD BASED GROWTH

MONETARY & OTHER RBF INITIATIVES

- Accommodative monetary policy
- Easing of certain exchange controls
- Import Substitution & Export Finance Facility
- Flood Rehabilitation Facility
- Local Borrowing Requirements
- Fiji “My Second Home” Scheme
- Financial Inclusion & microfinance initiatives



SOCIAL PROTECTION INITIATIVES



SOCIAL PROTECTION INITIATIVES INVESTING IN PEOPLE

EDUCATION

- **Fee-Free Education' for classes 1-8**
- **Free text books for Government-funded schools**
- **Upgrading of school infrastructure and equipment**
- **Bus Fare Subsidy Programme**

SOCIAL PROTECTION INITIATIVES INVESTING IN PEOPLE

POVERTY ALLEVIATION & SOCIAL PROTECTION

- **Family Assistance Allowance (FAS)**
 - Allowance of \$60-\$100 per month is given to destitute families
 - Includes elderly (65 years and over), permanently disabled and chronically ill persons.
 - In 2012, 24,000 recipients are expected to benefit from scheme
- **Food Voucher Programme**
 - For elderly (over 70 years and not receiving any form of government assistance), pregnant mothers who attend rural health clinics and families with children who attend schools in remote rural areas.
 - Government commitment of \$12.6 million for scheme in 2012.

SOCIAL PROTECTION INITIATIVES INVESTING IN PEOPLE

POVERTY ALLEVIATION & SOCIAL PROTECTION

- **Sustainable Rural Housing Income Generation Project**
Facilitate resettlement of squatter dwellers and engages them in income generating agricultural activities.
- **Concessionary Bus Fare for Senior Citizens and Disabled Persons** Senior citizens and disabled persons granted bus fare concession from January 2011.
- **Welfare Graduation Programme**
 - Engage the poor in income-generating activities through the provision of start-up capital.
 - Citizens assessed on income levels and include recipients of the Family Assistance Scheme and the Care & Protection Allowance programme.
 - Program extended to ex-prisoners, youths and families of fire victims. (Move away from a direct 'handout' approach to one that empowers individuals to become self-sufficient)

SOCIAL PROTECTION INITIATIVES INVESTING IN PEOPLE

POVERTY ALLEVIATION & SOCIAL PROTECTION

- **Care and Protection Allowance**

Monthly cash grants by Government to assist families and guardians in support to orphans and abandoned children for provision of essential needs.

- **Electricity Subsidy**

With rising energy costs, the Fiji Government continues to subsidise electricity for residential customers using less than 75 kWh and schools using up to 200 kWh per month.

- **National Housing Policy (NHP) and Housing Assistance**

The NHP aims to provide equitable access to affordable and quality housing to all citizens. In addition, a sum of \$10 million has been provided for first home buyers in the proposed Waila City project.



LESSONS LEARNT



LESSONS LEARNT

- Higher private sector investment is needed for a healthier economy - government intervention cannot be sustained in the long-run
- Infrastructure development is key
- Appropriate fiscal, monetary and exchange rate policies
- Responsive exchange control policies
- Need public & private sector partnerships
- Maintain momentum of structural reforms
- Diversify trade outside traditional trading boundaries
- Support of multilateral and development partners



CONCLUSION



CONCLUSION

- The government is creating an enabling environment for investment and broad-based growth
- Election is scheduled to be held in 2014. Lead up process to this has started. This should provide much needed stability and boost investor confidence
- Fiscal and monetary policies are accommodative and appropriate
- With active engagement by all stakeholders, Fiji will meet its medium-term targets



THANK YOU

