



Concept Paper

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Proposed Policy-Based Loan Fiji: Sustainable and Resilient Recovery Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 January 2022)

Currency unit	–	Fiji dollar (F\$)
F\$1.00	=	\$0.471
\$1.00	=	F\$2.124

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
IMF	–	International Monetary Fund
MOE	–	Ministry of Economy
PFM	–	public financial management
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Fiji ends on 31 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 31 July 2022.
- (ii) In this report, “\$” refers to United States dollars, unless otherwise stated.

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CONTENTS

	Page
PROGRAM AT A GLANCE	
I. THE PROPOSAL	1
II. PROGRAM AND RATIONALE	1
A. Background and Development Constraints	1
B. Policy Reform, ADB's Value Addition, and Sustainability	3
C. Expected Outcome of the Reform	5
D. Development Financing Needs and Budget Support	5
E. Implementation Arrangements	5
III. DUE DILIGENCE REQUIRED	6
IV. PROCESSING PLAN	6
A. Risk Categorization	6
B. Resource Requirements	6
C. Processing Schedule	6
V. KEY ISSUES	6
APPENDIXES	
1. Preliminary Policy Design and Monitoring Framework	7
2. List of Linked Documents	12

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 55116-001	
Project Name	Sustainable and Resilient Recovery Program	Department/Division	PARD/PASP
Country	Fiji, Republic of	Executing Agency	Ministry of Economy
Borrower	Republic of Fiji		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55116-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55116-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Law and judiciary		50.000
	Public expenditure and fiscal management		75.000
	Social protection initiatives		25.000
	Total		150.000
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ OP6: Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	17.250
		Mitigation (\$ million)	5.750
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.3, 1.5, 1.b		Effective gender mainstreaming (EGM) ✓	
SDG 5.c			
SDG 8.10, 8.3			
SDG 10.3, 10.4			
SDG 13.a			
SDG 16.6			
SDG 17.1, 17.4			
4. Risk Categorization: Complex			
5. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		150.000	
Sovereign Stand-Alone Policy-Based Lending (Regular Loan): Ordinary capital resources		150.000	
Cofinancing		60.000	
Government of Australia - Stand-Alone Policy-Based Lending (Grant) (Not ADB Administered)		60.000	
Counterpart		0.000	
None		0.000	
Total		210.000	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The Sustainable and Resilient Recovery Program supports Fiji to undertake reforms to promote a green, inclusive, and climate-resilient pathway for growth following the coronavirus disease (COVID-19) pandemic. The program aims to achieve this through (i) improving public financial management (PFM) for fiscal resilience and debt sustainability, (ii) implementing inclusive fiscal and social policies for community resilience, and (iii) strengthening the enabling environment for resilient private sector recovery. It is aligned with the Asian Development Bank (ADB) Strategy 2030 operational priorities of tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; strengthening governance and institutional capacity; and accelerating progress in gender equality.¹

2. A policy-based loan is proposed to reinforce and start systematically mainstreaming resilience (including climate resilience) into the government's broad reform agenda.² It will build on the programmatic approach completed in 2020, and on reforms supported since 2017 through ADB technical assistance (TA).³ The program will help to restore fiscal sustainability and improve the medium-term debt trajectory negatively impacted by the COVID-19 pandemic through reforms and by providing finance that helps implement the medium-term debt management strategy targets on maturity structure and the currency and interest rate composition of debt. These key reforms and other policy actions under the program will be implemented prior to its consideration by the ADB Board of Directors. Analytical work that forms the basis for a new medium-term reform agenda is ongoing and national elections are expected in late 2022. Taking all these factors into consideration, the program will be supported by a single-tranche, stand-alone, policy-based loan.⁴ The reform momentum will be sustained through a post-program partnership framework and TA.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Development context.** Fiji is a Pacific island nation with a population of about 890,000. It faces constraints common to small island developing states, including a remote location, a geographically dispersed population, and a high-cost business environment. A narrow economic base and heavy reliance on tourism make it vulnerable to external shocks.⁵ Significant climate and disaster risks undermine achievements in economic growth and poverty reduction, and jeopardize fiscal stability. The likelihood of a disaster caused by a natural hazard affecting Fiji in any year is estimated at 70% and average damages at 1.8% of gross domestic product (GDP).⁶

¹ ADB. 2018. [*Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*](#). Manila. The program also contributes to addressing remaining poverty and reducing inequalities.

² The program aims to address vulnerabilities in the response and adaptive capacity of the state, communities, and businesses to climate change. Fiscal resilience, through the rebuilding of buffers, will improve the government's ability to fund a green and resilient transition and respond to climate-change-induced shocks. Reforms to strengthen community and business resilience support their ability to adapt and respond to future climate change impacts.

³ ADB. [Fiji: Sustained Private Sector-Led Growth Reform Program, Subprogram 1](#); ADB. [Fiji: Sustained Private Sector-Led Growth Reform Program, Subprogram 2](#); ADB. [Fiji: Sustained Private Sector-Led Growth Reform Program, Subprogram 3](#); ADB. [Fiji: Supporting Public Financial Management Reform](#); ADB. [Regional: Pacific Private Sector Development Initiative, Phase III](#); and ADB. [Regional: Pacific Private Sector Development Initiative, Phase IV](#).

⁴ Factors Driving Short-Term Uncertainty (accessible from the list of linked documents in Appendix 2).

⁵ Tourism contributed 32.0% of gross domestic product (GDP) in 2019, declining to 10.9% of GDP in 2020 because of COVID-19 impacts. World Travel and Tourism Council. 2021. [Fiji: 2021 Annual Research: Key Highlights](#). London.

⁶ D. Lee, H. Zhang, and C. Nguyen. 2018. [The Economic Impact of Natural Disasters in Pacific Island Countries: Adaptation and Preparedness](#). IMF Working Paper. No. 18/108. Washington, DC: International Monetary Fund (IMF).

4. **COVID-19 situation.** Fiji had recorded 60,931 cases of COVID-19 and 768 deaths as of 21 January 2022.⁷ COVID-19 is having devastating social, economic, and fiscal impacts, primarily driven by the shutdown of tourism, which disproportionately affects women. Government stimulus packages have mitigated private sector employment losses and supported vulnerable households. Fiji is successfully implementing its national COVID-19 vaccination strategy.⁸

5. **Macroeconomic management and recovery.** The COVID-19 pandemic caused international visitor arrivals to fall by 83.6% and the economy to contract by an unprecedented 15.7% in 2020. The economy is expected to have contracted by a further 5.0% in 2021 because of the local COVID-19 outbreak. A collapse in revenue and rising COVID-19 expenditures saw the deficit widen to 5.9% of GDP in fiscal year (FY) 2020 and an estimated 10.9% of GDP in FY2021, driving up public debt from 65.5% of GDP in FY2020 to 79.8% of GDP in FY2021.⁹ The government projects a fiscal deficit equivalent to 16.2% of GDP in FY2022, with debt expected to peak at 91.6% of GDP in FY2022. The reopening of borders in early December 2021 is expected to generate a gradual economic recovery from 2022, and to support a decline in deficits and gradual fall of debt levels in subsequent years.¹⁰ Significant risks remain, including a slower-than-expected tourism recovery and vulnerability to external shocks, including disasters and climate change. While fiscal support needs may continue in the short term, the government is committed to fiscal consolidation as recovery takes hold, including phased revenue reforms and expenditure rationalization, and development partners are providing TA.¹¹ The International Monetary Fund (IMF) has assessed Fiji's debt to be sustainable—but subject to significant risks—based on a steady recovery in economic growth, implementation of a phased fiscal consolidation plan, and no new major shocks.¹² ADB analysis supports the IMF's findings and assesses the general direction of macroeconomic policies to be satisfactory. The exchange rate peg is expected to continue to provide a credible nominal anchor.¹³

6. **Binding constraints.** The government recognizes several binding constraints that can undermine economic recovery. Without concerted reforms, these constraints will negatively impact Fiji's growth, poverty reduction, and human development targets through (i) a lack of financing for the delivery of essential public goods and services, and for a green recovery; (ii) the limited ability of government, businesses, and communities to respond to future external shocks; and (iii) reduced income-earning opportunities for the population, particularly women.

7. Weaknesses in PFM that undermine fiscal stability and elevate debt sustainability risks include (i) an outdated legal framework that reduces control and accountability and lacks strategic direction to support fiscal sustainability and the mainstreaming of climate change; (ii) the lack of a medium-term perspective in borrowing and debt management, which increases debt servicing costs and refinancing risks; and (iii) an outdated tax information system that hinders taxpayer

⁷ Government of Fiji, Ministry of Health and Medical Services. [COVID-19 Update—21-01-2022](#). Fiji recorded only 70 cases of COVID-19 between March 2020 and April 2021.

⁸ As of 21 January 2022, 98.0% of adults (605,582 people) had received at least one dose of a COVID-19 vaccine, and 92.6% were fully vaccinated (572,189). Vaccination of children aged 12–17 years is ongoing (footnote 7).

⁹ External debt is estimated to be equivalent to 31.6% of total debt, and to 25.2% of GDP in FY2021. Government of Fiji, Ministry of Economy. 2021. [2020/2021 Annual Debt Report](#). Suva.

¹⁰ The economy is expected to grow by 8.8% in 2022 and by 7.9% in 2023, and to return to pre-COVID-19 levels in 2024. The deficit is projected to fall to 4.7% of GDP in FY2023 and to 3.0% of GDP in FY2025.

¹¹ For example, the IMF supported a tax policy review with recommendations on revenue measures to be implemented when the economic recovery takes hold, and the World Bank is supporting public expenditure reviews.

¹² IMF. 2021. [Republic of Fiji: 2021 Article IV Consultation—Staff Report](#). *IMF Country Report*. No. 21/257. Washington, DC.

¹³ Sector Assessment (Summary): Public Sector Management (accessible from the list of linked documents in Appendix 2).

compliance and undermines tax administration, forecasting, and planning. Community resilience is not adequately supported through public policy as (i) budget allocations are mostly not based on sound gender-responsive analysis; (ii) social welfare programs exhibit gaps and inadequately target women, the poor, and vulnerable people, including after climate-related disasters, and inadequate access to insurance products for these groups; and (iii) gaps in the access to sustainable, reliable, and affordable water, sanitation, and electricity services which will increase with climate change. The private sector is weakened as (i) otherwise healthy businesses lack sufficient access to working capital to meet operational costs and financing needs to recover from the COVID-19 shock; (ii) the lack of a corporate bond market limits larger businesses' access to longer-term financing; and (iii) the complexity and cost of doing business remains high because of complicated licensing requirements, outdated stamp duties, complex and high customs duties, and an inefficient payment system that is not conducive to the introduction of digital solutions.

B. Policy Reform, ADB's Value Addition, and Sustainability

8. **Government strategy.** The government's National Development Plan, 2017–2036 envisions inclusive socioeconomic development and green growth through a strategy to become a regional hub for business and transport, while strengthening infrastructure, service delivery, and community resilience.¹⁴ Fiji, through the Prime Minister and the attorney general, is a prominent voice in international fora on the need to take action against climate change.¹⁵ The government moved rapidly to mitigate the impact of the COVID-19 pandemic through containment, fiscal stimulus, and an assertive vaccination strategy, while intensifying reforms to rebuild fiscal buffers, support community resilience, and foster economic recovery. Informed by an assessment done in 2020, the government is finalizing a new PFM Improvement Programme 2020–2025.¹⁶

9. **Program description.** The program supports Fiji's efforts to restore fiscal sustainability and inclusive climate-resilient economic growth, which have been adversely affected by the COVID-19 pandemic and coinciding disasters, while building fiscal, community, and private sector resilience to climate change and future shocks (para. 1). The program comprises three reform areas (paras. 10–12), building on and complementing ADB's previous engagement.¹⁷

10. **Reform area 1: Public financial management for fiscal resilience and debt sustainability.** A bill to amend the Financial Management Act 2004 will be tabled for enactment by Parliament to strengthen fiscal policy making, reinforce controls and accountabilities for the management of public funds, and improve the quality of spending through new requirements for procurement and cash management. A new Climate Change Bill 2021 will establish a gender-sensitive framework for resilience building and mitigation, mandating the mainstreaming of climate change considerations in the national budget, agencies' budget submissions, and public procurement. To reduce debt servicing costs and refinancing risks, Fiji's first medium-term debt management strategy will be approved and implemented through annual borrowing plans. A new tax information system will facilitate taxpayer compliance and revenue planning, contributing to increasing revenue collections and rebuilding fiscal buffers.¹⁸ These reforms will help to restore fiscal sustainability and improve the medium-term debt trajectory.

¹⁴ Government of Fiji, Ministry of Economy. 2017. [5-Year and 20-Year National Development Plan: Transforming Fiji](#). Suva.

¹⁵ Fiji presided over the Conference of the Parties to the United Nations Convention on Climate Change in 2017.

¹⁶ IMF. 2020. [Fiji Public Expenditure and Financial Accountability Assessment 2020](#). Washington, DC.

¹⁷ The preliminary policy design and monitoring framework is in Appendix 1. More detail on previous policy actions is in the Medium-Term Reform Program, 2017–2022 (accessible from the list of linked documents in Appendix 2).

¹⁸ These reforms will also support a resilient private sector recovery by mandating company disclosure requirements for financial risks of climate change under the Climate Change Bill 2021 and lowering tax compliance costs.

11. **Reform area 2: Public policy for community resilience.** Building on the gender-responsive budgeting pilot in the previous program, the government will expand its rollout to five additional ministries to inform a more equitable allocation of resources, which will contribute to urban and rural community resilience. An overarching social assistance policy, to be approved and initiated, will set out (i) strategic priorities; (ii) cost-effective selection processes; (iii) information system requirements; and (iv) capacity building, monitoring, and evaluation approaches to address gaps in and support better targeting of social assistance to women, the poor, and vulnerable people, including to scale support after climate-related disasters. Fiji will be one of the first countries globally to exempt parametric insurance products from value-added tax and launch a new market-based climate risk parametric microinsurance product to provide incentive for increased financial protection for women, the poor, and vulnerable people from disasters triggered by natural hazards.¹⁹ Expanded access to sustainable, reliable, safe, and affordable water, sanitation, and electricity services will be supported by a new rural water and sanitation policy and private participation in Energy Fiji Limited, both supported by government subsidy schemes to improve the well-being and resilience of poor and vulnerable households.²⁰

12. **Reform area 3: Enabling environment for resilient private sector recovery.** To support the recovery of businesses and foster the creation of new enterprises, the government will (i) establish and make operational a working capital facility with a 2-year interest rate subsidy, and (ii) simplify compliance and reduce customs and fiscal duties on inputs relevant for business recovery. To encourage formalization and the creation of new businesses, the government will abolish business licensing requirements.²¹ The government will also introduce new regulations under the Companies Act 2015 that will facilitate the issuing of corporate bonds in the primary market and trading in the secondary market, thereby enhancing businesses' access to long-term finance. To facilitate efficient transactions, reduce transaction costs for businesses, and foster innovation in digital payment solutions, the program will support the introduction and implementation of a new national payment system through a new bill, and abolish stamp duties.

13. **Value addition and sustainability.** The program sustains and builds on reforms supported by earlier TA and programs (footnote 3). ADB has advised the Ministry of Economy (MOE) on fiscal policy and PFM, including through TA, to complete the bill to amend the Financial Management Act 2004, expand the strategic perspective in debt management, and institutionalize gender-responsive budgeting.²² Regional TA supports reforms in the finance sector, competition policy and law, and policy and regulatory frameworks for state-owned enterprises (footnote 3). ADB supports the Fiji Revenue and Customs Service to strengthen compliance risk analysis and management.²³ ADB has also supported the MOE to draft the Climate Change Bill 2021, and the Ministry of Women, Children and Poverty Alleviation to analyze how Fiji's laws and policies promote gender equality in climate change and disaster risk management.²⁴ The program is an integral part of dialogue and cooperation with development partners—the governments of

¹⁹ The microinsurance product initially targets farmers, fishers, and market vendors. Subsequently, it will be expanded to other livelihood sectors and small and medium-sized enterprises, which will support private sector resilience.

²⁰ These reforms will also support fiscal resilience by increasing the affordability of better-targeted social assistance programs and eliminating government guarantees for Energy Fiji Limited debt as part of the partial privatization. The private investors in Energy Fiji Limited will bring in private sector financing as well as technological and operational expertise in renewable energy and network optimization to improve performance and service delivery.

²¹ Businesses will still be required to register a legal entity with the registrar for companies and the tax office, and to comply with regulatory requirements related to fire safety, occupational health and safety, etc.

²² ADB has also provided training to the MOE on debt sustainability analysis through ADB. [Regional: Debt Analytics and Technical Capacity Building](#).

²³ This is funded by direct charge to the [Domestic Resource Mobilization Trust Fund](#).

²⁴ ADB. [Regional: Legal Readiness for Climate Finance and Climate Investments](#); and ADB. [Regional: Strengthening Women's Resilience to Climate Change and Disaster Risk in Asia and the Pacific](#).

Australia, Japan, and New Zealand; the European Union; the IMF and its Pacific Financial Technical Assistance Centre; and the World Bank—who are providing complementary TA and aligned budget support.²⁵ ADB will develop a post-program partnership framework during fact finding to support reform sustainability, which could be the basis for any future program or TA.

14. **Key lessons.** Policy-based operations in Fiji and the Pacific more widely, including COVID-19 Pandemic Response Options, highlight the need for (i) flexibility in planning, budgeting, and financing in view of the evolving pandemic situation; (ii) enabling the private sector to play a critical role in recovery; (iii) promoting reforms, beyond short-term COVID-19-related challenges, to strengthen domestic resource mobilization, the targeting and quality of public expenditures, and debt management to rebuild buffers; and (iv) providing TA in targeted reform areas.²⁶

C. Expected Outcome of the Reform

15. The program is aligned with the development objective of inclusive socioeconomic development and green growth (footnote 14). The expected development outcome is fiscally sustainable, climate-resilient, private-sector-led economic growth restored in Fiji. Program reforms will strengthen (i) fiscal resilience by strengthening the legal framework for PFM, expenditure and debt management, and domestic resource mobilization; (ii) community resilience by fostering inclusive public spending and sustainable access to basic services, including for women, the poor, and vulnerable people; and (iii) business resilience by providing recovery support to businesses, increasing their financial protection, and improving the business environment. Improved response and adaptive capacities of the state, communities, and businesses will enhance climate resilience.

D. Development Financing Needs and Budget Support

16. The program will help meet the government's financing requirements for FY2022, which are projected to be \$950 million. The government plans to cover \$535 million (56% of the total) through external financing, \$343 million (36%) through domestic borrowing, and \$72 million (8%) from cash reserves. The proposed ADB program will finance 28% of planned external borrowing, with the remainder expected to come from partners, including budget support loans from the Government of Japan and the World Bank. The governments of Australia and New Zealand are expected to provide grants.²⁷ The Government of Fiji has requested a loan not exceeding \$150 million from ADB's ordinary capital resources to help finance the program. Of this amount, climate financing is estimated to be \$23 million, based on policy actions that result in climate outcomes. ADB loan proceeds will support development financing needs, excluding ineligible items.

E. Implementation Arrangements

17. The MOE will be the executing agency. It will lead in coordinating program implementation, engage in progress meetings with implementing agencies—the Fiji Revenue and Customs Service; the Ministry of Commerce, Trade, Tourism and Transport; the Ministry of Women, Children and Poverty Alleviation; and the Reserve Bank of Fiji—and provide updates to ADB. The government is consulting with the private sector and civil society on reform initiatives as needed. The program is expected to be implemented from July 2020 to May 2022. The proceeds

²⁵ Finalization of the proposed program will build on the IMF's debt sustainability analysis (footnote 12).

²⁶ Footnote 3 and ADB. 2014. *Fiji: Review of ADB Engagement, 2006–2013*. Manila; and Independent Evaluation Department. 2019. [Fiji Country Partnership Strategy Final Review Validation, 2014–2018](#). Manila: ADB.

²⁷ The Government of Australia is expected to provide a grant of \$60 million (A\$85 million), subject to approval.

of the policy-based loan will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

III. DUE DILIGENCE REQUIRED

18. Due diligence for the program, to be prepared in collaboration with partners, will include a risk assessment and mitigation plan, an enhanced sector assessment, and a program economic assessment. The climate financing estimate will be refined during program processing (para. 16).

19. The program is proposed as *effective gender mainstreaming*. The Climate Change Bill 2021 will reflect gender equity principles and mainstream gender into resilience building and mitigation. The rollout of gender-responsive budgeting, complemented by a social assistance policy, will improve the targeting of expenditure programs to women, the poor, and vulnerable people, including after climate-related disasters. A new market-based climate risk parametric microinsurance product in the informal sector will disproportionately benefit women. Government subsidy schemes will further support the provision of sustainable and affordable water, sanitation, and electricity services to disadvantaged households. In addition, a new policy for rural water and sanitation will provide for the participation of women in rural water committees. Reforms to reduce compliance requirements and transaction costs through (i) facilitating tax return filing, (ii) eliminating complex business licensing processes, (iii) simplifying compliance with customs and stamp duty regimes, and (iv) enabling efficient electronic financial transactions will support the formalization of businesses and the resilience and growth of small businesses, particularly benefitting women. The program is expected to be category C for all safeguard categories.

IV. PROCESSING PLAN

A. Risk Categorization

20. The program is considered complex as it exceeds \$50 million. ADB has a sound record of engagement in public sector management in Fiji (footnote 3), and the MOE has relatively strong capacity and experience with ADB and development partner financing.

B. Resource Requirements

21. ADB estimates that the program will require 10 person-months of staff time.

C. Processing Schedule

Proposed Processing Schedule

Milestones	Expected Completion Date
Concept approval	February 2022
Fact-finding mission	March 2022
Management review meeting	April 2022
Loan negotiations	April 2022
Board consideration	May 2022
Loan signing and effectiveness	May 2022

Source: Asian Development Bank.

V. KEY ISSUES

22. ADB will pay particular attention to close economic monitoring and understanding of recovery scenarios, timely TA to support reforms, and close collaboration with partners.

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK^a

Country's Overarching Development Objective Inclusive socioeconomic development and green growth achieved (National Development Plan 2017–2036) ^b	
Outcome Fiscally sustainable, climate-resilient, private-sector-led economic growth in Fiji restored	Risks and Critical Assumptions R: Further economic shocks, including those from natural hazards or other health risks, lead government to divert resources away from the program and derail the economic and fiscal recovery. R: Community spread of COVID-19 or its variants locally and/or in major tourism source markets derails resumption of international tourism. A: Successful vaccine rollout enables the gradual easing of local restrictions and reopening of the border to international travel by the end of 2021.
Indicative Policy Actions July 2020–May 2022	Outcome Indicators By May 2023
Reform Area 1: Public financial management for fiscal resilience and debt sustainability	
1.1. The attorney general will table a bill to amend the Financial Management Act 2004 for enactment by Parliament to foster fiscal sustainability and the rebuilding of buffers by (i) mandating a fiscal strategy that considers the impact of policy decisions on present and future generations, (ii) strengthening controls and accountability of permanent secretaries, and (iii) introducing new legal requirements to improve procurement and cash management. 1.2. The attorney general will table the Climate Change Bill 2021 for enactment by Parliament to establish a gender-sensitive framework for resilience building and mitigation that safeguards the future of Fiji by mainstreaming climate change throughout the public sector, including through introducing requirements for the inclusion of climate change considerations in public procurement, the national budget, and agencies' budget submissions. ^d 1.3. To increase fiscal sustainability and resilience by lowering debt servicing costs and refinancing risks, 1.3.1 Cabinet will approve Fiji's medium-term debt management strategy for FY2021–FY2023 and the Ministry of Economy	a. At least 70% of budget sector agencies submit procurement plans and cash flow forecasts to the Ministry of Economy within 2 weeks after the commencement of the fiscal year ^c (FY2020 baseline: NA [requirement to submit procurement plans and cash flow forecasts not yet legislated]). Source: Ministry of Economy reports. b. Government borrowing complies with target cost and risk indicators set out in the medium-term debt management strategy (FY2020 baseline: NA [medium-term debt management strategy not yet developed]). Source: FY2022 and FY2023 national budgets.

Indicative Policy Actions July 2020–May 2022	Outcome Indicators By May 2023
<p>will publish it on its website to enhance fiscal transparency; and</p> <p>1.3.2 the Ministry of Economy will implement an annual borrowing plan, starting from FY2021, consistent with the medium-term debt management strategy, and integrate the plan into its medium-term fiscal strategy FY2021–FY2023.</p> <p>1.4. The Fiji Revenue and Customs Service will establish and make operational a new tax information system to improve domestic resource mobilization and rebuild fiscal buffers by facilitating taxpayer compliance and collecting real-time data for better decision-making, forecasting, and planning, including for risk-based tax audits.^e</p>	
Reform Area 2: Public policy for community resilience	
<p>1.5. Seven ministries will implement and monitor gender-responsive budget allocations for 14 programs in FY2022, building on lessons from the pilot run in FY2021, to institutionalize the new gender-responsive budgeting methodology that enables a more equitable allocation of resources and strengthens the resilience of women, the poor, and vulnerable people.^f</p> <p>1.6. Cabinet will approve, and the Ministry of Women, Children and Poverty Alleviation will begin to implement, an overarching social assistance policy that guides gender-responsive targeting of social assistance programs to increase the resilience of women, the poor, and vulnerable people, including to climate-related disasters.^g</p> <p>1.7. To provide immediate financial relief to vulnerable people (including farmers, fishers, and market vendors) following disasters caused by natural hazards, with immediate effect the government will</p> <p>1.7.1 exempt from value-added tax the premiums on climate and disaster risk parametric insurance products to accelerate their rollout; and</p> <p>1.7.2 launch a new market-based climate risk parametric microinsurance product that transfers risks from businesses</p>	<p>c. At least 30% of ministries prepare quarterly budget expenditure reports which include specific gender target monitoring and reporting (2020 baseline: 0) Source: Ministry of Economy reports.</p> <p>d. At least 1,000 vulnerable people, including at least 500 women, take out climate risk parametric microinsurance cover (2020 baseline: 0) Source: Ministry of Economy reports.</p> <p>e. Government guarantees for Energy Fiji Limited have been reduced to zero (2020 baseline: F\$50.2 million) Source: Ministry of Economy national budget documentation.</p>

Indicative Policy Actions July 2020–May 2022	Outcome Indicators By May 2023
<p>to the private (re)insurance market, in partnership with local private sector insurance companies.^h</p> <p>1.8. The minister for infrastructure and meteorological services will approve the Rural Water and Sanitation Policy, and the Water Authority of Fiji will begin implementing the policy, including through the government-subsidized Rural Water Supply Programme, to sustainably manage rural water resources and provide reliable, safe, and affordable water and sanitation services to all Fijians (including women, the poor, and vulnerable people).ⁱ</p> <p>1.9. To safeguard and expand the provision of reliable, affordable, and renewable electricity to all Fijians (including women, the poor, and vulnerable people), the government will</p> <p>1.9.1 undertake the partial privatization of Energy Fiji Limited through a share sale agreement with private investors that brings in private sector financing as well as technological and operational expertise in renewable energy and network optimization to improve performance and service delivery; and</p> <p>1.9.2 enter into and implement an agreement with Energy Fiji Limited for maintaining and expanding services to underserved rural communities, in line with an agreed methodology and payment mechanism for noncommercial obligations.^j</p>	
Reform Area 3: Enabling environment for resilient private sector recovery	
<p>1.10. To provide immediate relief to and support the medium-term recovery of existing businesses and the creation of new businesses (including those run by women) from COVID-19 impacts, the government will</p> <p>1.10.1 establish and make operational a working capital facility that provides a 2-year interest rate subsidy and can be accessed through licensed financial institutions, and</p> <p>1.10.2 amend the Customs Tariffs Act 1986 to simplify compliance and reduce customs and fiscal duties on a range of imported inputs relevant for business recovery.</p>	<p>f. At least 5,000 businesses, at least 35% of which are owned or managed by women, receive working capital support to meet liquidity needs during the COVID-19 shock (2020 baseline: NA [working capital facility not yet in place]). Source: Reserve Bank of Fiji reports.</p> <p>g. At least 20% increase in the number of EFTPOS and mobile money transactions (2019 baseline: 5.4 million EFTPOS transactions, 2.3 million mobile money transactions). Source: Reserve Bank of Fiji reports.</p>

Indicative Policy Actions July 2020–May 2022	Outcome Indicators By May 2023
<p>1.11. The attorney general will table a bill in Parliament for the repeal of the Business Licensing Act 1976, to remove the requirement for new businesses to apply for business licenses and promote the formalization and creation of new enterprises (including those run by women).^k</p> <p>1.12. The attorney general will approve for entry into force with immediate effect new regulations under the Companies Act 2015 to clarify the process and regulatory requirements for issuing corporate bonds in the primary market and trading in the secondary market, to improve the financial health and resilience of businesses by enhancing their access to long-term finance.</p> <p>1.13. To improve financial health of businesses and resilience of the private sector by reducing transaction costs for businesses,</p> <p>1.13.1 the attorney general will table the National Payment System Bill 2020 for enactment by Parliament to empower the Reserve Bank of Fiji to regulate, provide oversight over, and supervise the national payment system in a transparent and efficient manner that fosters digital payment solutions;^l</p> <p>1.13.2 the Reserve Bank of Fiji will begin implementing the national payment system framework introduced by the bill; and</p> <p>1.13.3 the attorney general will table a bill in Parliament for the repeal of the Stamp Duties Act 1920 to abolish stamp duties.</p>	

Budget Support

ADB: \$150 million regular ordinary capital resources loan

Government of Australia: \$60 million (A\$85 million) grant (subject to approval)

Other cofinancing to be determined. Each development partner will manage the disbursement of their respective loans and grants in parallel.

A = assumption, ADB = Asian Development Bank, COVID-19 = coronavirus disease, EFTPOS = electronic funds transfer at point of sale, FY = fiscal year, NA = not applicable, R = risk.

^a Indicative actions are based on available information at the concept stage. Further detail will be provided in the report and recommendation of the President.

^b Government of Fiji, Ministry of Economy. [5-Year & 20-Year National Development Plan: Transforming Fiji](#). Suva.

^c Submission is required per section 28A of the Financial Management (Amendment) Bill 2021. If the head of a budget sector agency does not submit the required procurement plans and cash flow forecasts, the permanent secretary responsible for finance can limit the power of that head to incur expenditure.

- ^d The bill will also strengthen climate resilience of the private sector, including through company disclosure requirements for financial risks of climate change and measures adopted to reduce them. The bill will be based on gender-sensitive principles—recognizing the inextricable links between gender equity, social inclusion, and climate change action; and promoting gender equality and responsiveness, women’s human rights, and the empowerment of women—and will require sex-disaggregated implementation reporting, gender-balanced composition of the National Adaptation Plan Steering Committee and the National Ocean Policy Steering Committee, the development of a gender-sensitive national climate change policy, and gender-responsive consultation and participatory processes for the relocation of at-risk communities.
- ^e The system will also facilitate filing by and lower compliance costs of households and the private sector, which has been identified as a barrier in the formalization of micro businesses, many of which are run by women, and a significant cost factor for small businesses.
- ^f The seven ministries comprise the two ministries that piloted the methodology in FY2021 (Fisheries; and Commerce, Trade, Tourism and Transport) and five additional ministries (Agriculture; Education; Forests; Youth and Sports; and Women, Children and Poverty Alleviation). The design of the gradual roll-out approach was supported by ADB. [Fiji: Sustained Private Sector-Led Growth Reform Program, Subprogram 3](#) and is based on global evidence on gender-responsive budgeting, which highlights the need for systematic capacity development to build technical skills for mainstreaming and quality assurance to generate targeted impacts (see, e.g., Combaz. 2013. [Impact of gender-responsive budgeting](#)). The ministries were therefore selected from the total of 23 ministries based on their participation in an institutional capacity building program on gender-responsive planning and policy making, led by the Ministry of Women, Children and Poverty Alleviation. The gradual roll-out will continue over the medium term. Ministries’ budget implementation will be monitored through new quarterly budget expenditure reports that include specific gender target monitoring and reporting.
- ^g The improved targeting under the policy framework will increase fiscal affordability of the government’s various social assistance programs while maintaining their inclusiveness as well as poverty and equity impacts.
- ^h Fiji is one of the first countries globally to exempt climate and disaster insurance products from value-added tax, in line with the recommendation of the V20-led Sustainable Insurance Facility. The microinsurance product will initially cover 500 farmers, fishers, and market vendors and will be scaled up to reach 1,000 people before the end of 2021. Subsequently, the cover will be expanded to other livelihood sectors and micro, small, and medium-sized enterprises. FijiCare and Sun Insurance are the two primary private sector insurers underwriting the product. The insurance is expected to disproportionately benefit women as they predominantly work in the informal areas of small-scale fishing and fish processing, food production, agriculture, hospitality, and tourism (see ADB. 2018. [Women and Business in the Pacific](#), which highlights the need for specific insurance to protect self-employed women). In Fiji, 85% of market vendors are women and 40% of rural women in Fiji work as farmers (COVID-19 Response Gender Working Group. 2020. *Gendered Impacts of COVID-19 on Women in Fiji*. Suva). The pilot is expected to be expanded to Vanuatu and other Pacific island countries.
- ⁱ Apart from benefitting poor and vulnerable households, which are often headed by women, the Rural Water and Sanitation Policy will require all rural water committees to have two female members.
- ^j The increased sustainability, affordability, and reliability of electricity services will also have positive impacts for the private sector. The partial divestment will further reduce fiscal risks, including by removing all government guarantees for Energy Fiji Limited loans as part of the transition from Fiji Electricity Authority to the partially private owned Energy Fiji Limited.
- ^k Most businesses operated by female employers in Fiji are in the informal economy. Studies have shown that the complexity of business licensing is a barrier for women starting and formalizing their own businesses in many Pacific island countries, and particularly in Fiji, with a key strategy recommending simplifying company formation for small businesses (ADB. 2018. [Women and Business in the Pacific](#)).
- ^l The Parliamentary Standing Committee on Justice, Law and Human Rights will carry out a gender-sensitive review of the bill. Studies further show that electronic payments and the use of mobile platforms are particularly important for small businesses, which are often run by women, and are therefore key strategies for empowering women in business (ADB. 2018. [Women and Business in the Pacific](#)).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55116-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Public Sector Management

Supplementary Documents

3. Medium-Term Reform Program, 2017–2022
4. Factors Driving Short-Term Uncertainty