



Concept Paper

Project Number: 48490-002
November 2017

Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 Republic of Fiji: Sustained Private Sector-Led Growth Reform Program

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Asian Development Bank

CURRENCY EQUIVALENTS
(as of 20 October 2017)

Currency unit	–	Fiji dollar (F\$)
F\$1.00	=	\$0.4884
\$1.00	=	F\$2.047

ABBREVIATIONS

ADB	–	Asian Development Bank
GDP	–	gross domestic product
NDP	–	National Development Plan
PFM	–	public financial management
PPP	–	public–private partnership
SOE	–	state-owned enterprise
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., FY2017 ends on 31 July 2017.
- (ii) In this report, “\$” refers to United States dollars unless otherwise stated.

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CONTENTS

	Page
PROGRAM AT A GLANCE	
I. THE PROGRAM	1
A. Rationale	1
B. Outcome and Outputs	2
C. Program Costs and Financing	3
D. Indicative Implementation Arrangements	4
II. DUE DILIGENCE REQUIRED	4
III. PROCESSING PLAN	4
IV. KEY ISSUES	4
APPENDIXES	
1. Design and Monitoring Framework	5
2. Problem Tree	8
3. Initial Poverty and Social Analysis	9
4. Fiji: National Budget Actuals and Estimates (% of GDP), FY2015–FY2018	12

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 48490-002	
Project Name	Sustained Private Sector-Led Growth Reform Program (Subprogram 1)	Department /Division	PARD/SPSO
Country Borrower	Fiji, Republic of Fiji, Republic of	Executing Agency	Ministry of Economy
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Law and judiciary		10.00
	Public expenditure and fiscal management		30.00
	Reforms of state owned enterprises		30.00
		Total	70.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
Environmentally sustainable growth (ESG)	Urban environmental improvement		
Regional integration (RCI)	Pillar 2: Trade and investment		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Anticorruption	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Public financial governance		
Partnerships (PAR)	Knowledge sharing activities		
Private sector development (PSD)	Implementation Private Sector Promotion of private sector investment Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	Yes	Nation-wide	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. Risk Categorization:	Low		
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		70.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		70.00	
Ordinary capital resources			
Cofinancing		50.00	
World Bank - Loan (Not ADB Administered)		50.00	
Counterpart		0.00	
None		0.00	
Total		120.00	

I. THE PROGRAM

A. Rationale

1. The proposed Sustained Private Sector-Led Growth Reform Program will help the Government of Fiji accelerate structural reforms in the medium term, and rebalance the economy by shifting its focus from public investment toward greater private investment and private sector participation. The program builds on ongoing technical assistance (TA) in support of the government's efforts to promote private sector-led economic growth in Fiji.¹ The programmatic approach will allow the chronological sequencing of reforms in 2017 and 2019.²

2. **Development context.** Fiji is a small, remote, upper middle-income country 2,000 kilometers away from New Zealand and 3,000 kilometers away from Australia, both of which countries are major trade, investment, and tourism sources. Poverty incidence in Fiji declined from 35% in 2002 to 28% in 2014, although rural poverty remains high.³ The government is finalizing a National Development Plan (NDP) for 2017–2036 that targets growth and shared prosperity by positioning Fiji to become a regional hub of the South Pacific and a center for business, transport, communications, and other services.⁴

3. **Recent economic and fiscal performance.** Fiji's economy grew by an average of 2.2% during 2006–2015, with growth increasing toward the end of the period. This was achieved through accommodative monetary and fiscal policies, including an increase in capital expenditure from 5.6% of gross domestic product (GDP) in 2010 to 9.4% in 2015. Average growth increased to 2.4% in 2010–2012 and 4.6% in 2013–2015, before slowing to 2.0% in 2016 due to damage and losses from Tropical Cyclone Winston, estimated at \$1.4 billion (29.2% of GDP).

4. **The outlook for growth.** Growth is forecast at 3.6% in 2017 (Fiji's 8th year of continuous growth, a trend unprecedented since the country's independence in 1970), and 3.9% in 2018.⁵ These expectations are driven by continued fiscal expansion to support post-cyclone reconstruction and ambitious public infrastructure investments in roads and water. The FY2018 national budget targets public expenditure equivalent to 39.9% of GDP and a 4.6% net fiscal deficit financed by external and domestic borrowings. With total public debt equaling 46.6% of GDP in FY2017, the government remains free to take on additional borrowings, although it is approaching its sustainable debt limits. Fiji's national budget performance for FY2015–FY2018 is summarized in Appendix 4.

5. **Reform agenda.** Between 2006 and 2015, total investment averaged 19.6% of GDP, 5.4 percentage points lower than the government's 25.0% target needed to achieve a long-term GDP growth rate of 5%.⁶ Although public investment increased in 2010–2015, private and state-owned enterprise (SOE) investments increased only marginally from 13.9% of GDP in 2006–2009 to 14.1% in 2010–2015. Recognizing this, the government has embarked on a medium-term structural reform program to increase private investment and reduce reliance on public sector

¹ ADB. 2010. *Pacific Economic Management–Enhanced Economic Management* (Subproject 2). Manila; ADB. 2013. *Pacific Private Sector Development Initiative Phase III*. Manila; ADB. 2016. *Promotion of International Arbitration Reform for Better Investment Climate in the South Pacific*. Manila.

² The program is included in ADB. 2016. *Country Operations Business Plan: Fiji, 2017–2019*. Manila. It is aligned with ADB's Pacific Approach 2016–2020.

³ Narsey, W. 2006. *Report on the 2002–13 Household Income and Expenditure Survey*. Suva; Fiji Bureau of Statistics. 2015. 2013–14 Household Income and Expenditure Survey. Suva.

⁴ Government of Fiji. 2017. *National Development Plan 2017–2036*. Suva (Draft).

⁵ ADB. 2017. *Asian Development Outlook Update*. Manila.

⁶ ADB. 2015. *Fiji: Building Inclusive Institutions for Sustained Growth*. Manila.

investment as a driver of economic growth. Reform areas include fiscal and public financial management, SOEs, and the business and investment climate.

6. **Program modality.** The government has requested a programmatic policy-based loan series with two subprograms to support the implementation of its medium-term reform program. The Asian Development Bank (ADB) has been a major reform partner and TA provider in fiscal policy, SOE, and private sector development reforms (footnote 1). The program will leverage complex and critical reforms (costing significant political capital), which provide a range of benefits including a reduced fiscal deficit, improved debt position, and efficiencies in public service provision.⁷ The proposed program is fully integrated with the government-led joint policy reform dialogue, and is aligned with a World Bank development policy operation also planned for Board approval in February 2018. The program incorporates past lessons and good practice, including the need to (i) build strong political consensus, (ii) limit reform to a few major actions, (iii) institutionalize a joint government–development partner coordination mechanism, and (iv) adopt a medium-term perspective recognizing that deep institutional and structural change requires time to take root.⁸

B. Impacts, Outcome, and Outputs

7. The program's intended impact will be inclusive socioeconomic development, and the outcome will be sustained private sector-led economic growth. The program's three outputs will align with the government's current reform efforts.

8. **Output 1: Fiscal management improved.** A key policy priority for the Ministry of Economy is to promote fiscal resilience by strengthening public financial management (PFM). Strong PFM is vital to macroeconomic stability and private sector development. The government is progressively implementing its PFM Improvement Programme 2016–2019,⁹ which was developed based on an unpublished 2015 Public Expenditure and Financial Accountability report. Policy actions that the government believes will promote fiscal discipline, the strategic allocation of resources, and efficient service delivery include the following:

- (i) Improving the link between national and sector plans, and the budget; for example, by changing the budget format and adopting sector allocation targets based on priorities in the NDP.
- (ii) Strengthening predictability and control in budget execution; for example, by adopting a more fit-for-purpose financial management information system that automates key PFM functions.
- (iii) Improving accounting, recording, and reporting. In-year expenditure reports that monitor budget implementation must be improved and made publicly available.
- (iv) Strengthening external scrutiny and audit. Due to the recent change in the fiscal year, the government has not met its statutory requirements for the submission of whole-of-government audited financial statements to Parliament within 9 months of the end of the fiscal year; this backlog must be addressed.¹⁰
- (v) Digitizing government payments such as social welfare and lease payments, to ensure that payments reach recipients in a more timely and cost-effective manner.

⁷ A program impact assessment will be prepared as part of the program documents.

⁸ ADB. 2011. *Policy Brief: Policy-Based Programs for the Pacific Islands*. Manila; Independent Evaluation Department. 2015. *Corporate Evaluation Study: ADB Support to Small Pacific Island Countries*. Manila.

⁹ Government of Fiji. 2016. *Fiji Public Financial Management Improvement Programme 2016–2019*. Suva.

¹⁰ In March 2016, the government announced that from August 2016 the fiscal year would switch from the calendar year, to one beginning on August 1 and ending on July 31.

9. **Output 2: Policy, legal, and institutional framework for state-owned enterprises improved.** SOEs provide a range of basic infrastructure services. The program will help the Ministry of Public Enterprises—which has embarked on a program to strengthen the policy, legal, and institutional framework for SOEs—strengthen governance, transparency, and accountability, and improve SOE performance and service delivery. This will help reduce contingent liabilities, create more room for private investment, and improve the reliability, efficiency, and affordability of public services. It includes the drafting of a new Public Enterprise Bill, and efforts to improve SOE compliance with statutory requirements, such as the submission of audited annual reports and statements of corporate intent. The program will also look to put in place and implement SOE divestiture guidelines and a public–private partnership (PPP) framework to bring in new investment, innovation, and private sector expertise. To this end, work has also commenced on restructuring a number of SOEs (including partial privatizations), full privatizations, and PPPs.

10. **Output 3: Business and investment climate improved.** Private investment remains relatively low and is insufficient to support targeted rates of economic growth.¹¹ With support from development partners, including ADB, the government is taking steps to improve the business and investment climate. To facilitate greater access to credit for businesses, particularly for small and medium-sized enterprises, the program will support the implementation of personal property securities reform to allow borrowers to pledge moveable assets as collateral for loans more easily. To encourage investment, the investment policy framework and legislation will be reviewed, and international arbitration reform implemented. To reduce the cost of international trade, the government will ratify the World Trade Organization Trade Facilitation Agreement, and develop and implement a national action plan to expedite the movement, release, and clearance of goods. To reduce the cost of doing business, it will establish expedited processes for obtaining building permits, particularly for commercial purposes.

C. Program Costs and Financing

Table 1: Tentative Financing Plan

Source	Total (\$ million)		Share of Total (%)
	Subprogram 1	Subprogram 2	
Asian Development Bank	70.0	110.0	78.3
World Bank	50.0	TBC ^a	21.7
Total	120.0	110.0	100.0

TBC = to be confirmed.

^a The program amount will be finalized once the World Bank confirms cofinancing for Subprogram 2. Although International Bank for Reconstruction and Development resources are globally constrained, half of resources estimated to be available for Fiji in the next 3 years have been committed to Subprogram 1.

Source: Asian Development Bank.

11. The proposed program amount is \$180 million financed from ADB's ordinary capital resources, and \$50 million in parallel collaborative partner cofinancing by the World Bank. The program will be divided into two subprograms approximately 18 months apart—\$70 million in FY2018 and \$110 million in FY2020—and will help the government meet its total financing requirements between FY2018–FY2020 (projected to be more than \$900 million). The gap will be filled by concessional project loans and domestic bonds. The program has considered the government's financing needs and reform commitment, and the estimated costs of designing and implementing the reform program minus the estimated financial support from other partners.

¹¹ ADB. 2013. *Re-Invigorating Private Sector Investment: A Private Sector Assessment for Fiji*. Manila; World Bank. 2017. *Republic of Fiji: Systematic Country Diagnostic*. Washington, DC.

D. Indicative Implementation Arrangements

12. The Ministry of Economy will be the executing agency. The Ministry of Public Enterprises; the Ministry of Industry, Trade and Tourism; the Solicitor General's Office; the Fiji Revenue and Customs Service; and the Reserve Bank of Fiji will be the implementing agencies. Program implementation will be overseen by the Budget Support Management Committee, chaired by the Permanent Secretary for Economy and comprising representatives of the implementing agencies.

II. DUE DILIGENCE REQUIRED

13. Due diligence for the program, to be prepared in cooperation with development partners, will include (i) a sector assessment focusing on public sector reforms; (ii) a macroeconomic assessment, including debt sustainability; (iii) a risk assessment and risk management plan covering the country's public financial management systems; and (iv) a program impact assessment. The program is expected to be category C for environment, involuntary resettlement, and indigenous peoples, and is classified as no gender elements. An International Monetary Fund Assessment letter will be provided. The initial poverty and social analysis is in Appendix 3.

III. PROCESSING PLAN

14. **Risk categorization.** The program is categorized as complex, as the total loan amount exceeds \$50 million. The program contains several low risk characteristics: (i) ADB's sound record of previous experience in Fiji, with ongoing support for policy and institutional reforms such as fiscal policy and business regulatory and SOE reforms (footnote 1); (ii) reasonable executing agency capacity in terms of externally financed program administration; and (iii) an expected safeguard categorization of other than A.

15. **Resource requirements and processing schedule.** ADB staff will prepare the program utilizing an estimated 10 person-months of international and 6 person-months of national staff time. Country and regional TAs will be available to support fiscal and structural reform implementation (footnote 1). ADB TA is being processed to support PFM reform while other development partners, including the Government of Australia, World Bank Group, and Pacific Islands Financial Technical Assistance Centre, are providing ongoing TA support.¹²

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
Fact-finding mission	20–27 September 2017
MRM	27 November 2017
Loan negotiation	11 December 2017
Board consideration	26 February 2018

MRM = Management Review Meeting
Source: Asian Development Bank.

IV. KEY ISSUES

16. Particular attention during processing and implementation will be paid to (i) maintaining reform commitment and managing the political economy, especially between election cycles; (ii) ensuring timely TA to provide technical expertise or supplement government capacity; and (iii) ensuring close collaboration with development partners, especially the World Bank.

¹² Proposed TA: ADB. 2017. *Fiji: Public Financial Management Reform*. Manila (TA 50378-01).

DESIGN AND MONITORING FRAMEWORK

Impact the Program is Aligned with			
Inclusive socioeconomic development achieved (<i>forthcoming</i> National Development Plan 2017–2036) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Private sector-led economic growth sustained	By the end of 2020: a. PEFA ratings for Fiji improved from D to D+ or C for PI-9, PI-12, PI-15, PI-18, and PI-22 (2013 baseline: D) ^b b. Distance to frontier score ^c in the World Bank Doing Business report increased to at least 64.00% (2017 baseline: 60.71%) c. Growth in financial institutions lending to the private sector for commercial purposes (2016 baseline: 48.3% of GDP)	a. PEFA assessment (or comparable assessments) b. World Bank Doing Business reports c. Reserve Bank of Fiji Economic Review reports	Changes in government policy or commitment shift resources away from implementing the program. Leadership and political will to complete the reforms is lacking due to vested interests.
Outputs 1. Fiscal management improved	Subprogram 1 By the end of 2017: 1a. 100% of the FY2017 debt management strategy implemented (2016 baseline: FY2017 debt management strategy approved by the Cabinet) Subprogram 2 By the end of 2019: 1b. 75%–80% of government payments are made through digital platforms (2016 baseline: 70% of government payments are made through digital platforms) 1c. The capacity of the Ministry of Economy to formulate and implement a medium-term budgeting framework strengthened through the training of relevant staff (2017 baseline: only forward estimates used, without	1a. FY2017 debt management strategy approved by the Cabinet 1b. <i>Better Than Cash Alliance</i> progress reports 1c. National budget documents	Frequent staff changes compromise coordination and implementation.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	clear links to the national planning framework)		
2. Policy, legal, and institutional framework for SOEs improved	<p>Subprogram 1 By the end of 2017: 2a. A PPP policy framework approved by the Cabinet (2016 baseline: no PPP policy framework exists)</p> <p>Subprogram 2 By the end of 2019: 2b. A Public Enterprise Bill approved by the Cabinet and submitted to Parliament (2017 baseline: draft bill)</p> <p>2c. At least three SOEs reformed, through either substantial restructuring or full privatization (2017 baseline: 21 unreformed SOEs)</p>	<p>2a. Cabinet decision</p> <p>2b. Cabinet decision</p> <p>2c. Ministry of Public Enterprises reports</p>	
3. Business and investment climate improved	<p>Subprogram 1 By the end of 2017: 3a. An International Arbitration Bill and Personal Property Securities Bill approved by the Cabinet and submitted to Parliament (2017 baseline: bills drafted)</p> <p>3b. The WTO Trade Facilitation Agreement ratified (2016 baseline: agreement drafted but not ratified)</p> <p>Subprogram 2 By the end of 2019: 3c. National Action Plan for the WTO Trade Facilitation Agreement, including the completion of at least eight Category B commitments, implemented (2017 baseline: No Category B</p>	<p>3a. Cabinet decisions</p> <p>3b. WTO website and reports</p> <p>3c. WTO website and reports</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	commitments implemented) 3d. Review of the foreign investment policy framework and legislation completed (2017 baseline: not done)	3d. Program progress reports	
Key Activities with Milestones			
Not applicable			
Inputs			
ADB:	Subprogram	Regular OCR Loans	
	Subprogram 1	\$70 million	
	Subprogram 2	\$110 million	
Assumptions for Partner Financing			
Partner	Parallel financing	Output	
World Bank	\$50 million	All outputs	

ADB = Asian Development Bank, GDP = gross domestic product, IMF = International Monetary Fund, NA = not applicable, OCR = ordinary capital resources, PEFA = public expenditure and financial accountability, PFM = public financial management, PI = performance indicator, SOE = state-owned enterprise, TA = technical assistance, WTO = World Trade Organization.

^a Government of Fiji. *National Development Plan 2017–2036*. Suva (draft).

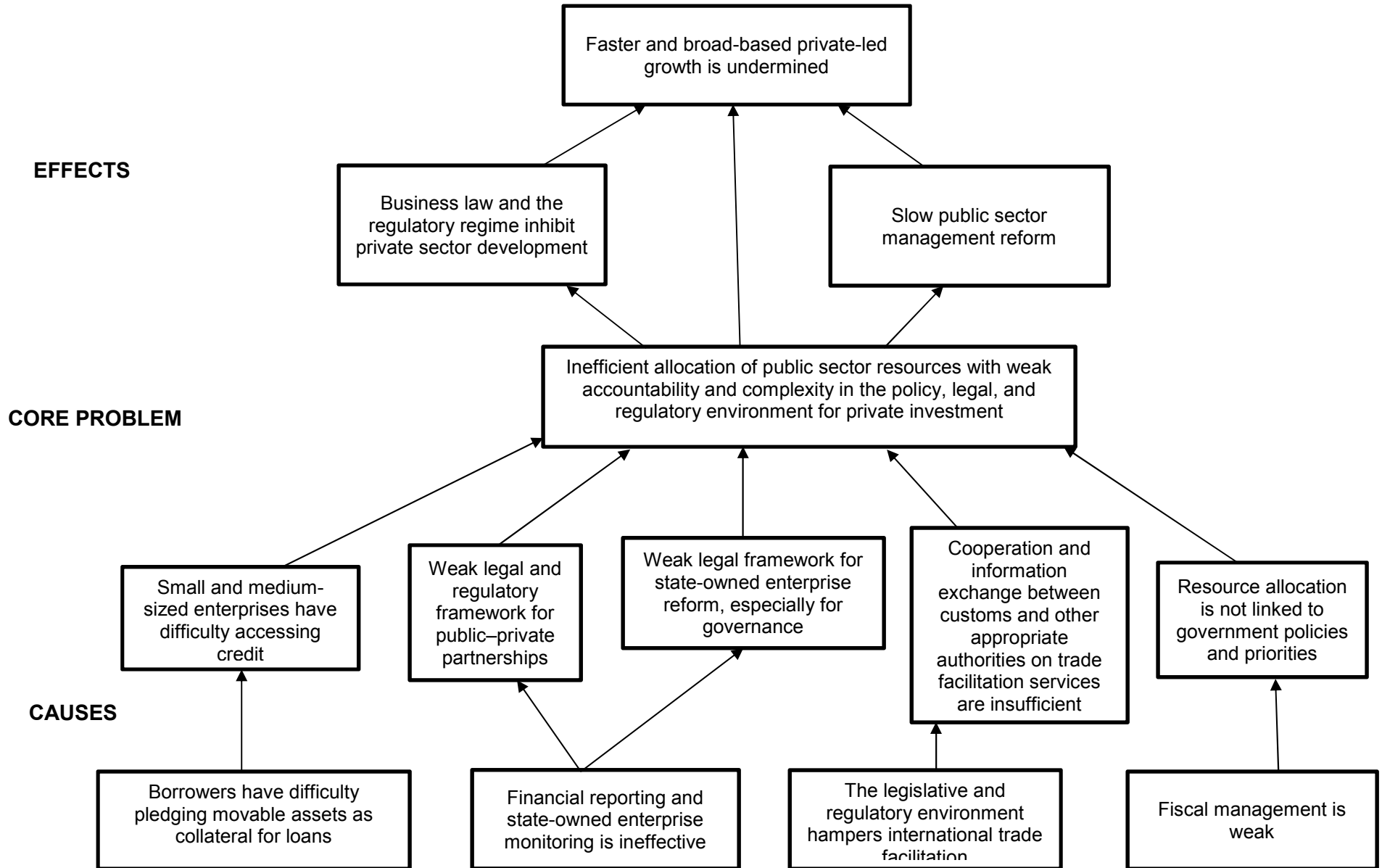
^b PEFA indicators: PI-9: oversight of aggregate fiscal risk from other public sector entities; PI-12: multi-year perspective in fiscal planning, expenditure policy, and budgeting; PI-15: effectiveness in the collection of tax payments; PI-18: effectiveness of payroll controls; PI-22: timeliness and regularity of accounts reconciliation.

^c Distance to frontier shows how far on average an economy is from the best performance achieved by any economy on a specific Doing Business indicator. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier).

Note: 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., FY2017 ends on 31 July 2017.

Source: ADB.

PROBLEM TREE



INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Fiji	Project Title:	Sustained Private Sector-Led Growth Reform Program
Lending/Financing Modality:	Policy-Based	Department/Division:	Pacific Regional Department/Pacific Subregional Office

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Fiji's most recent poverty profile (based on the Household Income and Expenditure Survey 2013-14^a) shows that poverty remains a significant concern, despite the overall level of development and moderately high average incomes in the Pacific region. Poverty trends indicate that the national incidence of poverty declined from 35% in 2002–2003 to 31% in 2008–2009. However, this reduction was uneven; in urban areas poverty declined from 28% to 19%, while in rural areas it increased from 40% to 43%, possibly due to the decline in the sugar industry and expiring land leases for agriculture. While overall poverty incidence declined in urban areas, poor people are concentrated in both urban and peri-urban areas. Employment offers the best route out of poverty; however, job opportunities are limited. Fiji needs high value-adding, innovative investment (the primary driver of higher productivity) and, in turn, income growth, to sustain economic growth, create job opportunities, and reduce poverty. The proposed Sustained Private-Led Growth Program aims to achieve economic growth that is private sector-led, broad-based, and sustainable in order to reduce poverty and boost living standards through increased employment creation.

B. Poverty Targeting:

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income Millennium Development Goals (TI-M1, M2, etc.)

Fiji's economy, like other island economies in the Pacific region, is characterized by its geographical remoteness and smallness, dispersed population, and vulnerability to natural disasters. Recent economic developments have been mostly positive and encouraging, with average growth at 3% since 2010. Growth outcomes have been influenced by both external factors (natural disasters, commodity price shocks, downturns in advanced economies impacting tourism and remittances, and the phasing out of preferences for key export commodities such as sugar and garments) and internal factors (political events and ensuing uncertainty). Limited diversification of the country's production structure and export basket, due to its remoteness and smallness, exacerbated the impact of these shocks. The proposed program will help rebalance Fiji's economic growth, ensuring that it is broad-based, sustainable, and private sector-led.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Recent poverty trends reflect a range of factors, including (i) decreasing incomes due to the gradual decline in sugar prices, (ii) job loss in the garment industry due to the closing of preferential access to the main export markets, (iii) rising consumer prices, and (iv) low real wage growth due to stagnant labor productivity growth. These factors have eroded the standard of living for the poorest people. Fiji needs high value-adding, innovative investment to accelerate economic growth. The proposed program will help the Government of Fiji maintain its efforts to attract increased private investment by implementing changes to make public sector management more efficient and the business environment less onerous, and ensure that large state-owned enterprises (SOEs) are well governed and managed.

2. Impact channels and expected systemic changes. Improving fiscal management, the policy, legal and institutional framework for SOEs, and the climate for private sector development will (i) promote more efficient and higher quality service provision directly benefiting the poor, (ii) help ensure the pro-poor orientation of the national budget and public sector investments, and (iii) ensure maintenance funding for basic social spending in health and education.

3. Focus of (and resources allocated in) project preparatory technical assistance or due diligence. There is no project preparatory technical assistance (PPTA). Due diligence is supported by ADB's ongoing engagement in the policy reform matrix process; analyses conducted for the country partnership strategy, 2014–2018; and ADB technical assistance projects, that is, the Private Sector Development Initiative and Pacific Economic Management.

4. Specific analysis for policy-based lending. The policy intervention requires demonstrated government commitment to improving fiscal management, public sector performance, and business regulations. Specific short-term actions include (i) implementing the Fiji Public Financial Management Improvement Programme 2016–2019 to enable the government to promote fiscal discipline, manage the strategic allocation of resources, and improve the efficiency of service delivery; (ii) enacting a Public Enterprise Bill that strengthens the legal framework for public enterprises, including corporate governance; and (iii) enacting the Personal Property Securities Bill, which will facilitate greater access to credit for businesses and individuals.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?

Given the macroeconomic nature of this program, no key gender issues are likely to be relevant.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by enabling women to access and use opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain.

The program will improve fiscal management, public sector performance, and the business climate. This will result in improved service delivery, a friendlier business climate (particularly for small and medium-sized enterprises), and increased employment opportunities.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain.

The program will not adversely impact women or girls nor widen gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)

SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The people of Fiji are all potential stakeholders in this program lending operation. The implementing agencies are also key stakeholders and are continuously consulted through the Budget Support Steering Committee process. The program is aligned with and supports the implementation of the government's strategies and plans, which have been developed through nationwide consultations.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable, and excluded groups? What issues in the project design require the participation of the poor and excluded?

The program will be based on government strategies and plans, including the National Development Plan for 2017–2036 that sets out a vision for growth and shared prosperity. The implementing agencies will participate in the program design during program processing. Other stakeholders, such as the SOEs targeted for rationalization and the private sector (through industry associations), will be consulted on specific policy issues.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing Consultation Collaboration Partnership

Both the private sector industry associations and civil society organizations will be consulted during program preparation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No
 As the program addresses macroeconomic challenges, it does not allow the poor and excluded to participate directly. However, the government regularly consults and ensures the participation of all stakeholders in economic and fiscal reform through national development planning and budget preparation.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim as their ancestral domain? Yes No

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

- Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement. None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design?

The government has a policy of no labor retrenchment. As SOE rationalization strategies are yet to be designed, mitigation strategies will be included in the report and recommendation of the President if appropriate. It is envisaged that this risk will be minimal as the government has already begun the rationalization process.

VI. PROJECT PREPARATORY TECHNICAL ASSISTANCE OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during the PPTA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified?
 Yes No Not applicable

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting a poverty, social, and/or gender analysis, and participation plan during the PPTA or due diligence?

Not applicable

FIJI: NATIONAL BUDGET ACTUALS AND ESTIMATES (% of GDP), FY2015–FY2018

	FY2015	FY2016	FY2017 ^a	FY2018
OPERATING REVENUE				
Indirect Taxes	19.6	18.1	19.4	21.5
Direct Taxes	6.0	7.3	7.1	7.4
Nontax Revenue	2.5	2.8	2.1	3.3
Grants	0.2	0.2	0.0	0.3
Total Operating Revenue	27.6	27.8	28.1	31.5
Total Operating Revenue and Grants	27.8	27.9	28.1	31.8
OPERATING EXPENDITURE				
Wages and Salaries	9.0	8.5	8.6	9.6
Travel and Communication	0.3	0.3	0.3	0.3
Maintenance and Operations	1.1	0.9	0.7	0.7
Purchase of Goods and Services	1.0	1.3	1.5	1.6
Operating Grants and Transfers	4.5	5.5	5.7	6.7
Special Expenses	0.8	0.9	1.1	1.1
Pension	0.4	0.4	0.4	0.4
Total Operating Expenditure	17.1	17.7	18.4	20.5
OPERATING BALANCE	10.7	10.3	9.7	11.3
CAPITAL EXPENDITURE				
Capital Construction	0.7	1.2	1.6	1.8
Capital Purchases	0.5	0.5	0.5	1.0
Capital Grants/Transfers	8.5	11.6	12.0	13.8
Total Capital Expenditure	9.7	13.2	14.2	16.5
Primary Balance	1.0	-2.9	-4.5	-5.2
Interest Payments	3.0	3.1	2.9	2.9
GROSS FISCAL DEFICIT	-2.0	-6.0	-7.4	-8.1
Asset Sales	0.0	2.0	0.0	3.5
NET FISCAL DEFICIT	-2.0	-4.0	-7.4	-4.6
Debt Repayments	2.0	7.3	1.5	2.0
Gross Financing Required	4.0	11.4	8.9	6.7

GDP = gross domestic product.

^a FY2017 numbers are based on approved revised estimates contained in the FY2018 budget.

Note: 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., FY2017 ends on 31 July 2017.

Source: Government of Fiji. Asian Development Bank staff estimates.