



Report and Recommendation of the President to the Board of Directors

Project Number: 48490-002
May 2018

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 6 April 2018)

Currency unit	–	Fiji dollar (F\$)
F\$1.00	=	\$0.0379
\$1.00	=	F\$2.0433

ABBREVIATIONS

ADB	–	Asian Development Bank
DTF	–	distance to frontier
GDP	–	gross domestic product
MOE	–	Ministry of Economy
MPE	–	Ministry of Public Enterprises
NDP	–	National Development Plan 2017-2036
PEFA	–	Public Expenditure and Financial Accountability
PFM	–	public financial management
PFTAC	–	Pacific Financial Technical Assistance Centre
PFMIP	–	Public Financial Management Improvement Programme
PPP	–	public–private partnership
SOE	–	state-owned enterprise
TA	–	technical assistance
TFA	–	Trade Facilitation Agreement

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 PROPOSAL	1
II. PROGRAM AND RATIONALE	1
A. Background and Development Constraints	1
B. Policy Reform and ADB's Value Addition	3
C. Impacts of the Reform	8
D. Development Financing Needs and Budget Support	9
E. Implementation Arrangements	9
III. DUE DILIGENCE	9
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	13
3. Development Policy Letter	14
4. Policy Matrix	17

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/PAUS
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		5.00
	Public expenditure and fiscal management		5.00
	Reforms of state owned enterprises		5.00
	Total		15.00
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		15.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan): Ordinary capital resources		15.00	
Cofinancing		15.00	
World Bank - Programmatic Approach Policy-Based Lending (Loan) (Not ADB Administered)		15.00	
Counterpart		0.00	
None		0.00	
Total		30.00	

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on (i) a proposed programmatic approach for the Sustained Private Sector-Led Growth Reform Program, and (ii) a proposed policy-based loan to the Republic of Fiji for subprogram 1 of the Sustained Private Sector-Led Growth Reform Program.¹

2. The proposed program, the first policy-based operation for Fiji, will assist the Government of Fiji to rebalance the economy from its present focus on public investment toward greater private investment and private sector participation by accelerating structural reforms over the medium term. It builds on ongoing technical assistance (TA) projects from the Asian Development Bank (ADB) and other development partners, and supports the government's efforts to promote private sector-led economic growth through improvements in fiscal management, in particular public financial management (PFM); the policy, legal, and institutional framework for state-owned enterprises (SOEs) and public-private partnerships (PPPs); and the business and investment climate.² The programmatic approach, with three subprograms in 2018, 2019, and 2020, will allow chronological sequencing of complex and politically sensitive reforms.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Development context.** Fiji is a small Pacific island nation with a population of about 885,000 people. It has a total land area of 18,273 square kilometers covering 332 islands, of which only 110 are inhabited. Major markets such as New Zealand and Australia are 2,000–3,000 kilometers away. Like other Pacific islands, Fiji is vulnerable to disasters triggered by natural hazards, including cyclones and floods. These constraints have contributed to low and volatile real growth in gross domestic product (GDP), averaging 2.9% during 1970–2015.

4. **Recent economic performance.** Economic growth has picked up, averaging about 3.5% per year during 2010–2015. This is more than two times the annual growth during 2000–2009. Economic revival since 2010 has been supported by accommodative fiscal and monetary policies, including tax cuts, low interest rates, and increased public investment. Capital expenditure, for example, increased from 5.6% of GDP in 2010 to 9.7% of GDP in 2015, and spending on social services and social protection programs also went up. Growth fell to 0.4% in 2016 when Tropical Cyclone Winston resulted in estimated losses of 29.2% of GDP. Following post-cyclone reconstruction efforts and large public infrastructure investments, the government estimated the growth to have recovered to 3.9% in 2017. In addition, revenue measures to eliminate dividend taxes and raise the minimum income tax threshold have had a positive impact on investment, consumption, and value-added tax receipts. The growth forecast of 3.6% in 2018 is based on expectations of continued fiscal expansion to support reconstruction.

5. Fiji's small size, remoteness, and susceptibility to natural disasters has led to a high-cost business environment that discourages the private sector, particularly those outside the tourism

¹ The design and monitoring framework is in Appendix 1. The program is in Asian Development Bank (ADB). 2016. *Country Operations Business Plan: Fiji, 2017–2019*. Manila. It aligns with ADB. 2016. *Pacific Approach, 2016–2020*. Manila. The concept paper for the program was circulated to the Board of Directors on 14 November 2017.

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

and construction industries.³ From 2006 to 2015, total investment averaged 19.6% of GDP, lower than the government's 25.0% target needed to achieve a long-term GDP growth rate of 5.0%.⁴ Although public investment increased from 3.0% of GDP in 2006–2010 to 4.2% in 2011–2015, private and SOE investments increased only marginally from 13.7% of GDP in 2006–2010 to 14.3% in 2011–2015. The profitability of Fiji's SOEs has also increased since 2010, but SOE productivity remains low, with Fiji's 18 SOEs contributing only 4.0% to GDP in 2014 while controlling an estimated 12%–17% of total fixed assets in the economy.⁵ Opening this space to the private sector offers considerable potential gains.

6. **Fiscal situation.** Reliance on the public sector to drive growth has led to the net fiscal deficit averaging about 2.4% of GDP from FY2010 to FY2017 (Table 1). In FY2018, public expenditure is estimated at 35.3% of GDP, with a net fiscal deficit of 3.5% financed by external and domestic borrowings and asset sales.⁶ While the government has room to take on additional borrowing, public debt (estimated at 45.5% of GDP in FY2017) is close to the government's ceiling of 50% of GDP and the government recognizes the need for fiscal room in the event of external shocks such as natural disasters. With projected deficits of 3.0% of GDP in FY2019 and FY2020, debt is expected to reach 47.9% in FY2020. Domestic financing of the deficit will crowd out private investments. Given the limited fiscal space, and the need to build fiscal buffers to ensure adequate resources for disaster response, the government needs to manage fiscal consolidation carefully against its impact on public investment levels and economic growth.

Table 1: Selected Economic and Fiscal Indicators
(% of GDP unless otherwise indicated)

Item	FY2014	FY2015	FY2016	FY2017	FY2018p	FY2019p	FY2020p
Real GDP Growth (% change)	5.6	3.8	0.4	3.9	3.6	3.3	2.9
Change in CPI (% change, end period)	0.5	1.4	3.9	3.3	3.0	3.0	3.0
Central Government Budget							
Total revenue	27.2	26.0	27.9	27.7	31.8	29.5	28.4
Total expenditure	31.6	29.8	33.4	29.1	35.3	32.5	31.4
Operating Balance	9.8	8.8	10.2	10.7	12.3	11.7	11.7
Asset Sales	0.2	0.1	2.0	0.1	0.0	0.0	0.0
Net Fiscal Deficit	(4.2)	(3.8)	(3.5)	(2.2)	(3.5)	(3.0)	(3.0)
Public Debt	49.4	48.2	48.4	45.5	47.5	47.6	47.9
External debt	15.9	15.0	12.9	14.0	13.9	13.9	14.0
Nominal GDP (\$ million)	4,463	4,386	4,682	4,942	5,269	5,602	5,930

() = negative, CPI = consumer price index, FY = financial year, GDP = gross domestic product, p = projection

Source: Government of Fiji and Asian Development Bank estimates.

7. **Macroeconomic challenges.** The key macroeconomic challenge Fiji faces is to increase private investment and reduce reliance on public investment to drive economic growth. Addressing this challenge will enable faster and more broad-based growth, while ensuring the government has sufficient fiscal room to respond to shocks with fewer debt-financed public

³ ADB. 2015. *Country Diagnostic Study for Fiji: Building Inclusive Institutions for Sustained Growth*. Manila; and World Bank. 2017. *Republic of Fiji Systematic Country Diagnostic*. Washington, DC.

⁴ Government of Fiji. 2017. *Economic and Fiscal Update Supplement to the 2017–2018 Budget Address*. Suva.

⁵ ADB. 2016. *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Countries*. Manila.

⁶ In practice, if asset sales do not materialize, the government is expected to restrain expenditure as it did in previous years. The planned fiscal deficit in FY2017 was equivalent to 4.7% of GDP when the actual deficit was 2.2%.

investments. The government acknowledges that it needs more private investment to meet its long-term growth target of 5%, which is estimated to require an investment–GDP ratio of 25%.⁷ In 2018, the International Monetary Fund advised the government that sustaining high growth will require continuity in structural reforms that lower the cost of doing business and improve the overall business climate.⁸

8. **Past ADB engagement.** ADB's past engagement in public sector management and private sector development has been mainly through regional TA facilities that have provided support for PFM, SOE reform, and business climate reform.⁹ Lessons from a review of ADB's engagement in these areas during 2006–2013 include (i) identifying champions to strengthen reform commitment and lead implementation, particularly for SOE reform and divestment; (ii) obtaining endorsement so that reforms are not derailed if the leadership changes; (iii) pursuing moderate, stepwise reforms in sequence, especially where institutional capacity is limited; and (iv) providing sufficient time to develop capacity and institutionalize reforms.¹⁰

B. Policy Reform and ADB's Value Addition

9. **Government strategy.** The government's National Development Plan, 2017–2036 (NDP) sets out a vision for inclusive socio-economic development through a strategy to become a regional hub of the South Pacific for business, transport, communications, and other services; and sets out a goal of a four-fold increase per capita income by 2036.¹¹ To achieve this goal, the government recognizes the need for greater private investment and participation by accelerating structural reforms over the medium term.

10. **Structural reform program.** Since 2007, the government has introduced a number of substantive and progressive structural reforms with the objective of improving the business environment and opportunities for private sector-driven growth. Areas of focus have included taxation, telecommunications market liberalization, introducing competition to the land lease process, and strengthening infrastructure services. With support from ADB and other development partners, the government is accelerating its efforts to increase private investment. Reform areas in the NDP prioritized for implementation are (i) fiscal management, in particular PFM; (ii) the policy, legal, and institutional framework for SOEs and PPPs; and (iii) the business and investment climate.¹² The NDP, the product of consultations with private sector associations and civil society groups, provides the basis for policy dialogue and TA coordination between the government, ADB, and other development partners such as the World Bank, the Government of Australia, and the Pacific Financial Technical Assistance Centre (PFTAC).

11. **Assistance modality.** The government has requested a programmatic policy-based loan series with three subprograms (in 2018, 2019, and 2020) to support the implementation of the NDP. The government, ADB, and the World Bank have agreed to substantive policy actions that require sufficient time for preparation and constituency building to garner political support. The sequencing of reforms over three subprograms will accommodate the need for deficit financing for FY2018 and match further program financing to anticipated budget needs, while allowing time for effective and sustained implementation. A programmatic approach allows for prioritization

⁷ Macroeconomic Analysis: Summary (accessible from the list of supplementary documents in Appendix 2).

⁸ International Monetary Fund. 2018. Republic of Fiji: Staff Report for the 2017 Article IV Consultation. *IMF Staff Country Report*. No. 18/34. Washington, DC.

⁹ ADB. 2013. *Technical Assistance for Pacific Private Sector Development Initiative, Phase III*. Manila.

¹⁰ ADB. 2014. *Fiji: Review of ADB Engagement, 2006–2013*. Manila.

¹¹ Government of Fiji, Ministry of Economy. *5-Year and 20-Year National Development Plan: Transforming Fiji*. Suva.

¹² Sector Assessment (Summary): Public Sector Management (accessible from the list of linked documents Appendix 2).

across multiple reform areas to account for limited implementation capacity, while providing flexibility to respond to emerging opportunities and constraints.

12. **Alignment.** The program will help the government achieve its objective of inclusive socioeconomic development (para. 9). It fully aligns with the government's policy priorities set out in the national budget documents and the NDP. The program is consistent with ADB's Pacific Approach, 2016–2019 and its focus on reducing the costs of doing business, managing risks from natural and economic shocks, and enabling value creation by supporting private sector growth.¹³

13. **Policy actions.** The implementation of the government's structural reform agenda underpins the provision of policy-based lending from ADB and the World Bank.¹⁴ Under subprogram 1, ADB supports 14 policy actions across three reform areas contained in the program policy matrix and described in paras. 14–19. The government has completed all 14 actions. Additionally, 21 indicative triggers are shown for subprogram 2 and 17 for subprogram 3, which will be refined based on government priorities and capacity in the coming years. Subprogram 1 actions provide the policy direction for subsequent reform implementation in subprograms 2 and 3, ensuring that the formal policy underpinnings required are provided and that reforms are credible, consistent, and predictable.

14. **Fiscal management.** The government recognizes that achieving a sound fiscal position requires sound PFM systems and processes that promote fiscal discipline, strategic allocation of resources, and efficient service delivery. Sound PFM provides the private sector with policy certainty and business confidence, particularly regarding public procurement and public sector contracts. The policy actions supported under subprogram 1 include:

- (i) **Public financial management framework.** The cabinet has approved a Public Financial Management Improvement Programme (PFMIP), 2016–2019 to address weaknesses identified through a 2013 Public Expenditure and Financial Accountability assessment. The PFMIP, which includes sequenced and prioritized actions to improve PFM systems and processes, will allow greater coordination within the government, and with development partners and technical agencies.¹⁵ A Public Expenditure and Financial Accountability self-assessment, planned for 2018, will provide the basis for measuring reform progress.
- (ii) **Budget transparency and accountability.** The government disclosed to the public budget kits that highlight FY2018 expenditure programs by sector and ministry to raise awareness. The Ministry of Economy (MOE) has published quarterly budget in-year reports on its website to improve monitoring of policy and project implementation. This information is important for private firms that engage with the government regularly through the supply of goods and services. Audited financial statements for the whole-of-government, that is, Government ministries, agencies and departments, were brought up to date following the change in fiscal year, and these, together with the annual appropriation statement, have been

¹³ ADB. 2016. *Pacific Approach, 2016–2020*. Manila.

¹⁴ The NDP forms the basis for reforms contained in the program policy matrix (Appendix 4). The World Bank policy matrix for its parallel program contains five prior actions, of which two are shared. These two actions cover parliamentary approval of the International Arbitration Act, 2017 and the Regulation of Building Permits Act, 2017.

¹⁵ The government, through the PFMIP, acknowledges that a strong PFM system is vital to macroeconomic stability. The PFMIP outlines a time-bound action plan to implement critical and ambitious PFM reforms. Recent PFM improvements include (i) the introduction of pay-as-you-earn as a final tax and value-added tax self-assessment; (ii) the inclusion of performance management in budget documents at the program and activity level and tracking of the implications of new policy decisions; and (iii) the submission of annual procurement plans and their publication on the Ministry of Economy (MOE) website.

published on the website of the Parliament of the Republic of Fiji.¹⁶ Work has commenced to assess the ability of the MOE to formulate and implement a medium-term expenditure framework, which will highlight the government's public investment priorities and provide private firms with clear indication of opportunities for future public sector contracts. The Civil Service Reform Management Unit¹⁷ has prepared a planning framework for the government that allows devolution of a range of functions from central agencies to line ministries, to better align their service delivery, staffing, and corporate planning requirements. Reform progress will be measured through Fiji's participation in the biennial Open Budget Survey.¹⁸

- (iii) **Debt management.** The government is implementing a rolling debt management strategy and adjusting it as appropriate to the government's annual financing needs while minimizing financing costs. Sound risk management strategies that the government is implementing include maintaining low and stable debt servicing costs bearing in mind risks associated with foreign exchange fluctuations, and maintaining a stable and affordable debt maturity structure to reduce the burden of resettlement and minimize exposure. The strategy is a key piece of the government's medium-term debt policy, which focuses on achieving debt sustainability by reducing fiscal deficits and adopting sound risk management strategies (footnote 4). The strategy is also an important tool for private firms that supply government agencies with goods and services.
- (iv) **Financial management.** To improve the integrity of its payments system, and make transactions smoother and more efficient, including for private businesses that supply the government with goods and services, the government has joined the United Nations Better Than Cash Alliance and has committed to increased digitization and use of electronic payments.¹⁹

15. Subprograms 2 and 3 will build on these reforms through cabinet approval of a revised financial management bill, which will strengthen accountability and clarify the financial authority of permanent secretaries, a key first step toward the devolution of decision-making authority. The government will undertake public expenditure reviews that will help evaluate the effectiveness of public expenditure, consistency with policy priorities, and results achieved and develop and implement the medium-term expenditure framework. The planning framework prepared by the Civil Service Reform Management Unit will be pilot tested in at least two ministries before being rolled out to the rest of the government. The MOE will review its current financial management information system and commence implementation of the recommendations. The government will continue to implement electronic payments through digital platforms. ADB TA is available to support several of these reforms.²⁰ Other development partners, including the Government of Australia, the World Bank, and PFTAC, will also provide support.

16. **Policy, legal, and institutional framework for state-owned enterprises and public-private partnerships.** Although the profitability of Fiji's SOE portfolio has improved markedly

¹⁶ In March 2016, the government announced that from August 2016 it would change the fiscal year from a calendar year to one beginning on 1 August and ending on 31 July.

¹⁷ The Civil Service Reform Management Unit was set up within MOE to increase the efficiency, professionalism, and accountability of the Fijian public service.

¹⁸ Fiji's performance can be measured through the biennial Open Budget Survey (<http://news.ccf.org.fj/fijis-open-budget-survey-results/>). In 2017, Fiji ranked 41 out of 100 countries in terms of budget transparency, and 15th for both public participation in the preparation of the budget and oversight of the budget by Supreme Audit Institutions.

¹⁹ The government continues to implement a strategic shift from cash and other paper-based medium of exchange to electronic payment forms, such as for social welfare and land lease payments.

²⁰ ADB. 2017. *Technical Assistance to the Republic of Fiji for Supporting Public Financial Management Reform*. Manila.

since 2010, productivity remains low and the government seeks to improve the sector's performance (para. 5).²¹ The government has launched a program of SOE divestment, outsourcing, and PPPs to bring in new private sector investment, innovation, and expertise. However, progress has been hindered by a lack of consistent and predictable policies and processes. With ADB support, the Ministry of Public Enterprises (MPE) has progressively implemented the following subprogram 1 policy actions to address these issues (footnote 9).

- (i) **State-owned enterprises reform.** To progress of divestment of SOEs, the cabinet has approved privatization guidelines to establish clear and transparent rules and procedures for preparing and executing SOE divestments. These guidelines are expected to lead to more efficient transaction processes and will be published to encourage investor confidence. The MPE is progressing several SOE transactions.
- (ii) **Public-private partnerships reforms.** The cabinet has approved a PPP policy, which allocates lead responsibility for PPPs to the MPE and establishes a robust process for the undertaking of PPPs by Fijian government agencies.²² The policy will facilitate future foreign and domestic private investment in infrastructure and public service delivery in Fiji. The government has appointed the International Finance Corporation as a transaction advisor for a PPP transaction for the Ba and Lautoka hospitals, to attract both foreign direct investment and expertise.

17. Subprograms 2 and 3 will seek cabinet approval to table a public enterprise bill in Parliament to replace the Public Enterprise Act, 1996, which is outdated and no longer reflects international good practice. The bill, when enacted, will establish a clear framework to strengthen SOE governance, transparency, and accountability and to improve performance and service delivery. Training programs for 75% of directors and 75% of senior management of SOEs on the compliance requirements of the Public Enterprise Act will be conducted by MPE.²³ To strengthen financial oversight and monitoring of SOEs, the government will develop and implement a new fiscal risk assessment framework, as well as a new policy framework for government guarantees and a new policy framework for onlending, support the reform of at least two SOEs, which may include a corporatization, partial privatization, divestment, liquidation, or substantial restructuring; or formation of a PPP, develop PPP implementation guidelines, including on the PPP procurement process and appoint transaction advisors to support potential PPP transactions. ADB will continue to support these actions (footnote 9).

18. **Business and investment climate.** Foreign direct investment in Fiji is rising, averaging 7.3% of GDP during 2012–2016. However, this is lower than hoped and inadequate to support target rates of economic growth (footnote 3). This reflects a weak investment climate affected by political instability and policy uncertainty, delays in addressing underlying structural constraints, and gaps in the commercial legal framework. Since 2006, the government has introduced several progressive structural reforms including simplifying the taxation system, liberalizing the

²¹ State-Owned Enterprise Reform and Public-Private Partnerships (accessible from the list of linked documents in Appendix 2) provides additional information on the SOE portfolio, performance, and reform efforts.

²² The PPP policy framework applies to government ministries, local government, departments, and agencies. Application of the policy to public enterprises will be considered project by project. The policy framework specifies (i) the scope and application; (ii) a typical PPP process and steps in the project development cycle where ministerial and cabinet approvals are required; and (iii) the roles and responsibilities of various government stakeholders, including the MOE. Fiji previously had a Public-Private Partnership Act, 2006, which contained provisions that limited foreign investment, and lacked clear guidelines for developing and transacting PPPs. This was repealed in 2016, in line with ADB advice.

²³ A significant improvement over 2017 where less than 25% of directors and senior managers were trained.

telecommunications market, introducing competition in the land lease process, and strengthening infrastructure services.²⁴

19. With support from ADB and other development partners, the government has taken further steps to improve the business and investment climate in consultation with the private sector through the following subprogram 1 policy actions.

- (i) **Foreign investment and trade.** To boost investor confidence and reduce uncertainty around the resolution of international commercial disputes, Parliament has passed international arbitration legislation that provides for arbitrations seated in Fiji and the enforcement of foreign arbitral awards in Fiji.²⁵ The government has also ratified the World Trade Organization Trade Facilitation Agreement (TFA), which will facilitate reforms to improve trade competitiveness.²⁶ The TFA is implemented through a National Action Plan, which has been endorsed by the National Trade Facilitation Committee comprising representatives from the government, private sector, and civil society associations.²⁷ In addition, the Ministry of Industry, Trade, and Tourism has consulted stakeholders for a review of the Foreign Investment Act, 1999.²⁸
- (ii) **Access to finance.** Parliament has passed the Personal Property Securities Act, which will enable lenders to accept movable assets as security for loans more easily, cheaply, and securely. This will facilitate financial product innovation and increase access to finance, particularly for businesses. The existing legal framework in Fiji had deficiencies, which increase the risk and cost to lenders, and restricted lenders' willingness to accept such movable assets as security.²⁹
- (iii) **Ease of doing business.** Parliament has legislated the Regulation of Building Permits Act, which establishes expedited processes for obtaining building permits, particularly for commercial purposes, to reduce costs of doing business.

20. Subprograms 2 and 3 will support the drafting of an investment policy framework and an investment bill. Fiji's compliance with its World Trade Organization TFA commitments, including the approval and implementation of the National Action Plan, will see the completion of at least 11 category B commitments. The government will establish the Personal Property Securities Registry, and regulations will be made under the relevant act. The government also plans to take the necessary steps for the International Arbitration Act and the Regulation of Building Permits Act to come into force. Finally, the cabinet will approve legislation relating to trademarks, designs,

²⁴ The government is strengthening its competition policies and legal framework, and the capacity of the Fijian Competition and Consumer Commission, including the regulation of tariffs for infrastructure services provided by monopoly providers. The government seeks to achieve competitive neutrality for SOEs and private businesses.

²⁵ International arbitration provides an alternative, cost-effective, and time-efficient means of dispute resolution between parties. It is recognized in 157 countries, including Fiji's major sources of foreign direct investment. Fiji's International Arbitration Act 2017 was passed after extensive consultations with private sector businesses and lawyers. It implements Fiji's treaty obligations under the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York, 1958), known as the New York Convention, which it acceded to in 2010.

²⁶ Business and Investment Climate Reform (accessible from the list of linked documents in Appendix 2) provides additional information on barriers to private sector development and ongoing reform efforts.

²⁷ The TFA contains provisions for expediting the movement, release, and clearance of goods, including goods in transit. It also sets out measures for cooperation between customs and other authorities on compliance issues.

²⁸ The new investment policy framework and legislation are expected to cover investment generally, rather than foreign investment specifically, which is now international best practice. This is expected to simplify investment approval processes, strengthen investor protection, and review restricted and reserved investment lists.

²⁹ Personal Property Securities Act 2017. Examples of movable assets include equipment, inventory, crops, livestock, accounts receivable, and vehicles.

and patents, as well as a policy framework and drafting of a bill relating to competition and consumer protection, which are all fundamental building blocks for private sector development and entrepreneurship.

21. **ADB value addition.** ADB has a longstanding engagement with the government on SOE and business climate reforms, though support for fiscal management and PFM reforms has been limited. Through regional TA, ADB has provided advice on macroeconomic management and built fiscal planning and policy-making capacity.³⁰ This experience and the strong relationship with the government have helped ADB to play an important role in identifying and implementing critical structural reforms – specifically ADB has directly supported the development of the medium term expenditure framework, PPP policy, privatization guidelines, and drafting of legislation on international arbitration and personal property securities, and will provide support to their implementation. Given the recent administrative focus on post-cyclone reconstruction (para. 4) and high staff turnover of middle and senior management in the government, reform implementation would have been difficult and costly without ADB analytical, technical, and financial support. ADB will support subsequent subprogram reforms through these TA projects.

22. **Development partner coordination.** The program is part of a well-coordinated multi-donor package of support for structural reform. It is aligned with the World Bank's development policy operations, also planned for approvals in 2018 and 2019. ADB is working closely with the World Bank, the Government of Australia, and PFTAC to support implementation.

C. Impacts of the Reform

23. Implementation of these policy actions under the Sustained Private Sector-Led Growth Reform Program is expected to improve the quality of budget systems and institutions, improve the productivity and competitiveness of SOEs, and facilitate the creation of new businesses and formal job growth.³¹ Research indicates that strong budget institutions help improve fiscal balances and public external debt outcomes, supporting the expectation that the program's reform actions on fiscal management will improve the fiscal balance. Improving the policy, legal, and institutional framework for SOEs in Fiji will strengthen governance, transparency and accountability, which is in turn expected to improve their performance and service delivery and help avoid unsustainable borrowing, reduce contingent liabilities, create more room for private investment, and improve reliability, efficiency, and affordability of public services. Finally, Fiji's business environment reforms are expected to increase the distance to frontier score from 60.7% in 2017 to at least 64.0% by 2020.³² This improvement will bring Fiji close to the performance of Kyrgyz Republic (65.17), South Africa (65.2), and Bhutan (65.37) in 2017. Divanbeigi and Ramalho³³ (2015) analyzed whether business regulatory changes, measured with the distance to frontier scores, are linked to economic outcomes. Using panel data for 2003–2013 across more than 180 countries, they found that an improvement of 10 points in the distance to frontier score is linked to an increase of around 0.5–0.6 new businesses per 1,000 working-age adults. Applying the cross-country average effect in this study to Fiji, an improvement of 4 points in the DTF score, as indicated in the DMF, is expected to create about 95–114 additional businesses annually.

³⁰ ADB. 2009. *Technical Assistance for Pacific Economic Management*. Manila.

³¹ Program Impact Assessment (available from the list of Supplementary Documents in Appendix 2).

³² The Doing Business report of the World Bank presents the ease of doing business ranking based on the distance to frontier (DTF) score which captures the gap between an economy's performance and a measure of best practice

³³ R. Divanbeigi and R. Ramalho. 2015. *Business Regulations and Growth*. Policy Research Working Paper. No. 7299. Washington DC: World Bank.

D. Development Financing Needs and Budget Support

24. The government has requested \$180 million in financial assistance in the form of a programmatic approach, comprising loans of \$15 million for subprogram 1 in FY2018, \$55 million for subprogram 2 in FY2019, and \$110 million for subprogram 3 in FY2020 from ADB's regular ordinary capital resources. The loans will have a 15-year term, a grace period of 3 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan agreement. Parallel collaborative partner cofinancing from the World Bank will comprise \$15 million for subprogram 1 and \$35 million for subprogram 2. It will help meet the government's total financing requirements from FY2018 to FY2020, projected at F\$1.1 billion (about \$530 million), and help finance ongoing post-cyclone reconstruction and social services and social protection programs. The gap will be filled by concessional project loans and domestic bonds. The program has considered the government's financing needs, its ability to rebuild fiscal buffers to respond to natural disasters, the availability of alternative financing including the estimated financial support from other partners, and debt sustainability.

E. Implementation Arrangements

25. The program is expected to be implemented over 40 months from January 2017 to April 2020. The implementation period for subprogram 1 is January 2017–February 2018. The MOE will be the executing agency. The MOE, MPE, Ministry of Industry, Trade, and Tourism, and the Reserve Bank of Fiji will be the implementing agencies. A steering committee (to be established) will oversee program implementation and will meet at least four times a year, with more regular meetings to align with key phases in the national budget cycle and for loan milestones. The proceeds of the policy-based loan will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).³⁴

III. DUE DILIGENCE

26. Following ADB's Safeguard Policy Statement (2009), subprogram 1 is classified category C for the environment, involuntary resettlement, and indigenous peoples. Program activities will be confined to policy and institutional reforms. No activity will result in or lead to involuntary resettlement, or negatively affect indigenous peoples or the environment.

27. The program is expected to have positive social outcomes (para. 23). The public sector is a key provider of infrastructure and services to low-income households. Improved fiscal management will help ensure the government has the resources to respond to future economic shocks and disasters triggered by natural hazards (which tend to have an adverse effect on the poor) while maintaining critical public services. Improving policies and institutions for SOE reforms and private sector participation will increase competition, and make basic goods and services more affordable, while creating more jobs and opportunities in Fiji. The government also agreed to comply with ADB information disclosure and consultation requirements.

28. Major risks and mitigating measures are summarized in Table 2 and described in detail in the risk assessment and risk management plan.³⁵ PFM systems are assessed as capable of supporting mostly reliable service provision. Policy reforms and TA support will address other fiduciary risks. The overall risk of the operation is moderate. To mitigate the risks, the proposed program focuses on areas where the government has a strong record, selects options for policy

³⁴ List of Ineligible Items (accessible from the list of linked documents in Appendix 2).

³⁵ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

actions in subprograms 2 and 3 that would help maintain reform momentum but allow some flexibility, and facilitates strong coordination with other development partners to ensure timely provision of TA to support policy implementation. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the Ministry of Economy.

Table 2: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Change in government policy or commitment shifts resources away from program implementation.	ADB and development partners will engage continuously and intensively with all levels of government and with other relevant stakeholders to develop joint reform expectations and uphold reform pressures and commitments.
Leadership and political will to complete the reforms is lacking because of vested interests.	ADB and development partners will engage continuously with all levels of government to promote reform benefits. Reform solutions need to balance the benefits from improved policy and institutional frameworks with political economy considerations and additional capacity requirements to maintain them sustainably.
Delays in the delivery of required technical assistance.	ADB and development partners will regularly discuss policy implementation with the government to identify and bridge gaps.
Frequent staff changes compromise coordination and implementation.	Reforms are prioritized and sequenced to avoid overburdening the stretched public administration and decision makers. Technical assistance supporting the reforms will provide short- and medium-term capacity supplementation to bridge gaps.

ADB = Asian Development Bank.
Source: Asian Development Bank.

IV. ASSURANCES

29. The government and MOE have assured ADB that implementation of the program shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the loan agreement.

V. RECOMMENDATION

30. I am satisfied that the proposed programmatic approach and policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve

- (i) the programmatic approach for the Sustained Private Sector-Led Growth Reform Program; and
- (ii) the policy-based loan of \$15,000,000 to the Republic of Fiji for subprogram 1 of the Sustained Private Sector-Led Growth Reform Program, from ADB's regular ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

15 May 2018

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective			
Inclusive socioeconomic development achieved (National Development Plan 2017–2036) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Effect of the Reform Private sector-led economic growth sustained	By 2021 a. Improvements in the PEFA ratings for Fiji from D+ to C for PI-9, PI-12, 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% (2017 baseline: 60.71%) c. Financial institutions lending to private sector for commercial purposes maintained or increased (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	Change in the government policy or commitment shifts resources away from implementing the program
Reform Areas under Subprogram 1 1. Fiscal management	Key Policy Actions By end of February 2018: 1a. PFMIP 2016–2019 approved by the cabinet (2017 baseline: not approved) 1b. Ministry of Economy publishes quarterly budget in-year reports on its website, starting with quarterly reports on the FY2018 National Budget (2017 baseline: none)	1a. Letter from the Secretary to Cabinet 1b. National budget documents	Leadership and political will to complete the reforms is lacking because of vested interests.
2. Policy, legal, and institutional framework for SOEs and PPPs	By end of February 2018: 2a. PPP policy and privatization guidelines approved by the cabinet (2016 baseline: none) 2b. Transaction advisor appointed for a hospital PPP transaction (2016 baseline: none)	2a. Letter from Secretary to Cabinet 2b. Letter from Secretary to Cabinet	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. Business and investment climate	By end of February 2018: 3a. International Arbitration Act and Personal Property Securities Act passed by Parliament (2017 baseline: draft bills) 3b. Building Permits Act 2017 passed by Parliament (2016 baseline: building permits bill not passed)	3a. Notice from gazette 3b. Letter from Secretary to Cabinet	
Budget Support ADB: \$15 million (regular OCR loan) World Bank: \$15 million (IBRD Loan)			

ADB = Asian Development Bank; GDP = gross domestic product; IBRD = International Bank for Reconstruction and Development; OCR = ordinary capital resources, PEFA = Public Expenditure and Financial Accountability; PFMIP = Public Financial Management Improvement Programme; PPP = public-private partnership; SOE = state-owned enterprise.

^a Government of Fiji. 2017. *National Development Plan, 2017–2036*. Suva.

^b PEFA indicator: PI-9: Oversight of aggregate fiscal risk from other public sector entities; PI-12: Multiyear perspective in fiscal planning, expenditure policy, and budgeting; 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 (<http://www.doingbusiness.org/>). The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier).

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=48490-002-3>

1. Loan Agreement
2. Sector Assessment (Summary): Public Sector Management
3. Contribution to the ADB Results Framework
4. Development Coordination
5. Country Economic Indicators
6. International Monetary Fund Assessment Letter
7. Summary Poverty Reduction and Social Strategy
8. Risk Assessment and Risk Management Plan
9. List of Ineligible Items

Supplementary Documents

10. Macroeconomic Analysis: Summary
11. Business and Investment Climate Reform
12. State-Owned Enterprise Reform and Public–Private Partnerships
13. Program Impact Assessment

DEVELOPMENT POLICY LETTER



**Attorney-General and Minister for Economy, Public Enterprises,
Civil Service and Communications**

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11 April 2018

By E-mail

President Takehiko Nakao
Asian Development Bank
6 ADB Avenue
Mandaluyong, 1550 Metro Manila
Philippines

Dear President Nakao

Government of the Republic of Fiji Development Policy Letter

1. Fiji is an upper-middle-income country with a population of approximately 884,887 people. Small and remote, we have a total land area of about 18,273 square kilometres consisting of 332 islands, of which only 110 are inhabited. The services sector, and tourism in particular, is the main driver of economic growth and accounts for around 70% of our gross domestic product ('GDP') and is a major contributor to employment. Major trade and investment markets such as New Zealand and Australia are between 2,000 to 3,000 kilometres away. Our small size and remoteness has led to a high-cost business environment for the private sector.
2. Since independence in 1970, economic growth has been low and volatile. Between 1970 and 2015, real GDP grew at an average of 2.9% a year while per capita income grew at an average of 1.6% a year. Low levels of investment, particularly private sector investment, and Fiji's vulnerability to natural disasters such as cyclones and floods, have been major factors. Despite this, poverty rates have declined between 2002 and 2014 and Fiji is ahead of most countries in the region in terms of social development.
3. Economic growth has picked up recently, averaging about 3.5% a year during 2010–2015. The economic revival since 2010 has been supported by the public sector, largely through accommodative fiscal and monetary policies, as well as pick up in private sector investment, which was historically low. In addition, fiscal room to continue to finance large public investment programs and deal with shocks is constrained. The key macroeconomic challenges facing Fiji, therefore, are to increase private investment and reduce reliance on public investment to drive economic growth. Addressing these challenges will enable faster and more broad-based growth, while ensuring the Government has sufficient fiscal room to respond to shocks. This focus on rebalancing Fiji's economic growth is central to

our National Development Plan for 2017-2036 that sets out a vision for growth and shared prosperity through a strategy that positions Fiji to become a regional hub of the South Pacific and centre for business, transport, communications and other services.

4. In relation to public financial management, we have developed an action oriented Fiji Public Financial Management Improvement Programme 2016-2019 ('**PFMI Programme**'). Key focuses of the PFMI Programme are macroeconomic stability, improving governance, effective expenditure management, financial accountability and transparency. This provides the needed thrust to our broad reform agenda for implementation in key areas such as (i) fiscal management, (ii) the policy, legal and institutional framework for Fiji's state-owned enterprises ('**SOEs**') and public-private partnerships ('**PPPs**'), and (iii) business and investment climate. Although steady progress is being made, there is room to further accelerate the pace of reform implementation, which has also been affected by the impacts of natural disasters such as Tropical Cyclone Winston and stretched our administrative capacity. We believe that policy-based lending from ADB will help reinvigorate the implementation of these critical structural reforms. Not only has ADB had a longstanding engagement with Fiji on SOE and business climate reforms, but you are a trusted development partner, one in which the Fijian Government has much confidence.
5. We therefore seek ADB's favourable consideration of Fiji's first policy-based loan for US\$180 million, which is to be disbursed in three subprograms in 2018 (US\$15 million for subprogram 1), in 2019 (US\$55 million for subprogram 2) and in 2020 (\$110 million for subprogram 3). The program policy matrix, agreed between the Fijian Government and ADB (attached), is in line with the Government's broad reform policy agenda. The policy matrix is appropriate for Fiji's context and within our capacity to accomplish.
6. The Government has agreed to substantive policy actions in the policy matrix that need to be accomplished and commits to fulfilling the prior actions in subprogram 1 prior to ADB Board approval in June 2018.
7. Future reforms that have been proposed for subprograms 2 and 3 to improve fiscal management will involve strengthening the financial accountability and clarifying the financial authority of permanent secretaries, completing public expenditure reviews, adopting and implementing a medium term expenditure framework, approval and implementation of the annual Debt Management Strategy and ongoing implementation of other high priority reforms in the PFMI Programme. Reforms to improve the policy, legal and institutional framework for SOEs and PPPs will focus on strengthening the legal framework for SOEs, and the adoption of consistent and predictable policies and processes for privatisations and PPPs. Finally, reforms to improve the business and investment climate will directly address the underlying causes for low private investment such as gaps in the commercial legal framework for international arbitration, foreign investment, trade facilitation, personal property securities and competition and consumer law.
8. We have tasked senior Government officials through the steering committee to be established to monitor program implementation and sector performance. The steering committee will be the main forum for consultation and coordination between the Fijian

Government and development partners, and will be chaired by the Permanent Secretary for Economy.

9. We are confident that the Fijian Government's strong leadership and ownership of the reforms, supported by financial and technical assistance from ADB, and effective development partner collaboration over the medium term, will result in the successful implementation of our structural reform agenda and our vision to achieve inclusive socio-economic development for all Fijians.

Thank you.

Yours sincerely



Aiyaz Sayed-Khaiyum
Attorney-General and Minister for Economy

Enclosure: Program Policy Matrix

cc: Permanent Secretary for Economy

Republic of Fiji: Sustained Private Sector-Led Growth Reform Program

POLICY MATRIX

Principal Objective	Subprogram 1 Policy Actions (February 2018)	Subprogram 2 Indicative Policy Actions (FY2019)	Subprogram 3 Indicative Policy Actions (FY2020)
REFORM AREA 1: IMPROVED FISCAL MANAGEMENT			
1.1 Public financial management regulatory framework, systems and processes	1.1.1 Cabinet approved the Fiji Public Financial Management Improvement Programme 2016-2019 (PFMIP) to enable the government to promote fiscal discipline, to manage strategic allocation of resources and improve the efficiency of service delivery.	1.1.1 Ministry of Economy shall have carried out consultations with Government stakeholders on the review of the Financial Management Act 2004 and associated regulations and financial instructions.	1.1.1 Cabinet shall have approved a Financial Management Bill that will strengthen accountability and clarify the financial authority of Permanent Secretaries.
	<p>1.1.2 Fijian Government improved budget transparency and accountability through:</p> <p>(i) Ministry of Economy publicly disclosing budget kits in a newspaper circulated in Fiji following approval by Parliament;</p> <p>(ii) Parliament approval, and publishing of the Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement for the year ending 31 July 2016; and</p> <p>(iii) Ministry of Economy publishing quarterly budget in-year reports on its</p>	1.1.2 Ministry of Economy shall have continued to implement the PFMIP through improved recording and monitoring of revenue arrears, including preparing an aging debtors report, and publishing a summary of revenue for FY2017–FY2018 in the FY2019 national budget supplement.	1.1.2 Ministry of Economy shall have completed public expenditure reviews of expenditure categories according to the national budget and a synopsis shall have been made available through the Ministry of Economy's newsletter.

	website, starting with quarterly reports on the FY2017/18 National Budget.		
	1.1.3 Ministry of Economy commenced a diagnostic study to scope readiness of MOE's institutional capacity to implement the Medium Term Expenditure Framework (MTEF).	1.1.3 Minister responsible for finance shall have approved diagnostic study for the MTEF and commenced implementation of the recommendations from the study through the adoption of costed sector strategies and forward estimates.	1.1.3 Ministry of Economy shall have fully implemented the MTEF through the use of costed sector strategies, forward estimates and clear links between investments and recurrent cost requirements.
	1.1.4 Civil Service Reform Management Unit drafted a planning framework that will aid ministries to better align their service delivery, staffing and corporate planning requirements.	1.1.4 At least two Ministries shall have trialed the planning framework that will aid Ministries to better align their service delivery, staffing and corporate planning requirements.	1.1.4 At least three additional Ministries shall have adopted use of the planning framework that will aid Ministries to better align their service delivery, staffing and corporate planning requirements.
1.2 Debt Management	1.2.1 Ministry of Economy fully implemented FY2017/2018 Debt Management Strategy and Cabinet approved the FY2017/18 Debt Management Strategy as part of the FY2017/18 National Budget.	1.2.1 Ministry of Economy shall have implemented the Debt Management Strategy for FY2018/19.	
1.3 Financial Management		1.3.1 Ministry of Economy shall have reviewed the current Financial Management Information System (FMIS) to identify whether software is user friendly and fit-for-purpose.	1.3.1 Minister responsible for finance shall have approved the recommendations of the FMIS review, and Ministry of Economy shall have commenced implementation of recommendations.
	1.3.2 Fijian Government joined the UN Better Than Cash Alliance (BTCA), committing to increasing the	1.3.2 At least 75% of government payments shall have been made through digital platforms.	1.3.2 At least 80% of government payments shall have been made through digital platforms.

	percentage of government payments channeled through digital platforms.		
REFORM AREA 2: IMPROVED POLICY, LEGAL AND INSTITUTIONAL FRAMEWORK FOR PUBLIC ENTERPRISES AND PPPs			
2.1 Public Enterprise and PPP policy reform		2.1.1 Fijian Government shall have strengthened the legal framework for public enterprises through the Minister responsible for public enterprises tabling the Public Enterprise Bill to Parliament which (a) harmonizes all public enterprises under a single framework with commercial mandates, (b) establishes a non-commercial obligation regime, (c) makes the Minister for Public Enterprises solely responsible for public enterprises with clear duties and responsibilities, (d) strengthens the director appointment process and director's duties and responsibilities.	2.1.1 Minister responsible for public enterprises shall have made regulations under the Public Enterprise Act upon Parliament's approval of the Bill and if necessary or required by the Act.
			2.1.2 Ministry of Public Enterprises shall have conducted training programs for 75% of directors and 75% of senior management (defined as chief executive officer and chief financial officer, or equivalent positions) of public enterprises on the compliance requirements of the Public Enterprise Act.
	2.1.3 Cabinet approved the Privatization Guidelines, establishing a process for preparing and executing privatization transactions.	2.1.3 Privatization Guidelines shall have come into force and the Fijian Government shall have made the guidelines available to the public.	

	2.1.4 Cabinet approved a Public Private Partnership Policy, establishing a robust and transparent process for the undertaking of public-private partnerships (PPPs).	2.1.4 Public Private Partnership Policy shall have come into force and the Fijian Government shall have made the policy available to the public.	2.1.4 Cabinet shall have approved, and Ministry of Public Enterprises shall have published PPP implementation guidelines.
		2.1.5 Minister responsible for finance shall have approved a new fiscal risk assessment framework to monitor fiscal risks associated with public enterprises.	2.1.5 Cabinet shall have approved a new policy framework for on-lending to public enterprises.
		2.1.6 Cabinet shall have approved a new policy framework for government guarantees for public enterprises.	
2.2 Divestment and PPP transactions		2.2.1 Fijian Government shall have progressed a minimum of one transaction comprising either (i) a reform of a public enterprise or Government department or agency which may consist of a corporatization, (partial) privatization, divestment, liquidation, or substantial restructuring; or (ii) a formation of PPP.	2.2.1 Fijian Government shall have progressed a minimum of one additional transaction comprising either (i) a reform of a public enterprise or Government department or agency which may consist of a corporatization, (partial) privatization, divestment, liquidation, or substantial restructuring; or (ii) a formation of PPP.
	2.2.2 Fijian Government appointed a transaction advisor for a PPP transaction for Lautoka and Ba hospitals.	2.2.2 For any PPP transaction undertaken, the Fijian Government shall have either appointed a transaction advisor or incorporated the advice of a transaction advisor.	2.2.2 For any PPP transaction undertaken, the Fijian Government shall have either appointed a transaction advisor or incorporated the advice of a transaction advisor.
REFORM AREA 3: IMPROVED BUSINESS AND INVESTMENT CLIMATE			
	3.1.1 Parliament passed the International Arbitration Act which	3.1.1 International Arbitration Act shall have come into force.	

3.1 Foreign Investment and Trade	provides for the conduct of international arbitration as a means of settling international commercial disputes and gives effect to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.		
	3.1.2 Ministry of Industry, Trade and Tourism shall have carried out consultations with stakeholders for review of the Foreign Investment Act.	3.1.2 Cabinet shall have approved an Investment Policy Framework and the drafting of an Investment Bill.	3.1.2 Ministry of Industry, Trade and Tourism shall have circulated an Investment Bill to stakeholders for comments.
	3.1.3 Fijian Government ratified World Trade Organization (WTO) Trade Facilitation Agreement; which provides for expedited movement, release and clearance of goods; and National Trade Facilitation Committee drafted National Action Plan.	3.1.3 Cabinet shall have approved the National Action Plan for the WTO Trade Facilitation Agreement, and Fijian Government shall have completed at least 7 Category B commitments.	3.1.3 Fijian Government shall have completed at least 4 additional Category B commitments.
3.2 Access to Finance	3.2.1 Parliament passed the Personal Property Securities Act, which regulates the lending of money secured by personal property as collateral and which facilitates greater access to credit for businesses and individuals.	3.2.1 Minister responsible for finance shall have made regulations under the Personal Property Securities Act to give effect to the Act in relation to the appointment of the Registrar and prescription of fees.	3.2.1 Fijian Government shall have established the Personal Property Securities Registry.
3.3 Doing Business	3.3.1 Parliament passed Regulation of Building Permits Act, which expedites the process for obtaining building permits for non-residential purposes.	3.3.1 Regulation of Building Permits Act shall have come into force; and the Minister responsible for industry and trade shall have made regulations that set out among other details, the timeframe for issuing building permits and standard forms, and shall have	

		appointed the Building Permits Evaluation Committee members.	
		3.3.2 Solicitor-General's Office shall have circulated draft Bills relating to trademarks, designs, and patents to stakeholders for comments.	3.3.2 Cabinet shall have approved a Bill relating to trademarks, a Bill relating to designs and a Bill relating to patents.
		3.3.3 Ministry of Industry, Trade and Tourism shall have circulated a new policy framework on competition and consumer policy and law to stakeholders for comments.	3.3.3 Cabinet shall have approved a policy framework and drafting of a Bill relating to competition and consumer law.