



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 17-Dec-2023 | Report No: PIDIC00074



BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies) Fiji	Operation ID P500609	Operation Name Fiji Growth and Resilience First DPF with a Cat DDO	
Region EAST ASIA AND PACIFIC	Estimated Approval Date 28-Jun-2024	Practice Area (Lead) Macroeconomics, Trade and Investment	Financing Instrument Development Policy Financing (DPF)
Borrower(s) Government of Fiji	Implementing Agency Ministry of Finance, Strategic Planning, National Development and Statistics		

Proposed Development Bank Objective(s)

To support the Government of Fiji in its efforts to (i) building fiscal resilience, (ii) building the foundations for private sector development, and (iii) enhancing climate and disaster resilience.

Financing (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Financing	130.00
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DETAILS

Total World Bank Group Financing	130.00
World Bank Lending	130.00



Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

Fiji is a small island nation in the South Pacific Ocean with population of roughly 900,000 and has one of the most diversified economies among the Pacific Island Countries (PICs). Fiji is on a tropical cyclone (TC) belt, and on average one TC passes through Fijian waters each year. Most disasters in Fiji are climate-related, and climate change will likely worsen disasters wrought by tropical cyclones, storm surges, and heat waves, among others, noted Fiji's Climate Vulnerability Assessment (CVA) 2017. Fiji also faces the development challenges of remoteness and economic concentration. It has experienced greater political stability in the last decade, which has been conducive for economic growth and development supported by a robust tourism sector, rising household consumption, investment growth, and expansionary fiscal policies. The new Government is committed to pro-growth reforms and is preparing a new 3-year National Development Plan (NDP) with a focus on fiscal consolidation; economic diversification and private sector-led growth; infrastructure, health, and education improvements; and climate change adaptation.

The economy has been recovering strongly on the back of a robust tourism rebound and improved confidence post-election, but fiscal buffers and sources of growth remain limited. Projections suggest that poverty increased sharply during the pandemic but will decline to pre-pandemic levels in 2024. The consumption Gini for 2019-20 was 30.7, which is among the lowest in PICs and East Asia Pacific (EAP). However, inequality between regions is evident from the large gaps in regional poverty rates. The proposed series supports the Government of Fiji (GoF) in its efforts to (i) building fiscal resilience, (ii) building the foundations for private sector development, and (iii) enhancing climate and disaster resilience. Pillar 1 supports measures to strengthen fiscal resilience – a pre-requisite to sustainable growth. Pillar 2 aims to further the enabling environment for private sector led economic growth and human capital development. Pillar 3 aims to strengthen disaster preparedness, improving adaptive capacity of communities and ensuring a low-carbon development pathway in the energy sector. The macroeconomic policy framework is adequate for the purposes of the proposed series.

Relationship to CPF

The proposed series is aligned with the priorities identified in the Country Partnership Framework (CPF) covering FY21-24. Pillars 1 and 3 are aligned with Focus Area 2 of the CPF: Building Resilience – Objective 2.1 on strengthening fiscal resilience, including through improved macroeconomic governance and Objective 2.2 on increasing climate resilience and strengthening management of disaster risks and health emergencies. The proposed series also builds on the considerable policy engagements and advisory operations by the IFC and is aligned with the IFC's Country Strategy for Fiji (FY19-24).

C. Proposed Development Objective(s)

To support the Government of Fiji in its efforts to (i) building fiscal resilience, (ii) building the foundations for private sector development, and (iii) enhancing climate and disaster resilience.



Key Results

Pillar 1: Building Fiscal Resilience

Pillar 1 aims to build fiscal resilience by (i) enhancing revenue mobilization, and (ii) improving value-for-money. These reforms are based on GoF's priorities and their importance for growth and resilience.

Enhancing Revenue Mobilization

These reforms are estimated to rake in new revenues although part of these gains will be channeled to GoF's expenditure priorities.

Improving Value-For-Money

The amended Procurement Regulations and Financial Instructions are expected to increase value-for-money through a combination of lower transaction costs and improved small and medium sized enterprise (SME) and gender participation.

Pillar 2: Building the Foundations for Private Sector Development

Pillar 2 aims to promote private sector led economic growth by focusing on (i) enhancing financial inclusion; (ii) promoting entrepreneurship; (iii) improving business environment; and (iv) unlocking productive potential. The proposed reforms reflect GoF's priorities of building a strong private sector that attracts investment, increases productivity, and diversifies the country's export base.

Enhancing Access to Finance

The reforms are expected to expand eCommerce and increase the volume of digital transactions.

Promoting Entrepreneurship

A successful implementation of the bankruptcy framework will ensure the system is cost-effective, time-efficient and streamlined.

Streamlining Business Environment

The reforms would support businesses benefitting from a lower cost business environment.

Unlocking Productive Potential

The reforms will introduce the first national-level framework for systematic promotion of healthy behavior, healthy food and screening among children and youth.

Pillar 3: Enhancing Climate and Disaster Resilience

Pillar 3 aims to enhance resilience to risks from climate change and other natural hazards. This Pillar builds on the reforms supported in the previous DPF series, addresses multiple climate-related risks, and collectively contributes to improving resilience of the people, economy, and environment.

Strengthening Disaster Preparedness



These reforms will support stronger institutional and regulatory systems for social protection (SP), climate resilience and disaster risk management (DRM).

Improving Community Resilience

These reforms will support a comprehensive, transparent, and integrated system for relocation or defense of communities at risk to coastal inundation.

Supporting Energy Transition

The implementation of these reforms will support achieving Fiji's Nationally Determined Contribution (NDC) targets.

D. Concept Description

The proposed series supports GoF's structural reforms to enhance economic growth and build resilience. The proposed reforms represent a subset of the Joint Policy Matrix agreed by the GoF with development partners in early-November 2023 based on (i) their alignment with GoF's priorities articulated in the FY24 Budget, the Medium-term Fiscal Strategy, and the NDP 2017, (ii) strong government commitment and ownership, (iii) continuity of reforms supported in past DPFs, and (iv) availability of Technical Assistance (TA).

Fiji has access to Cat DDO of USD10 million (0.2 percent of GDP) till March 24, 2027. However, a gap remains for expected losses that can go as high as 10 percent of GDP, exacerbated by the impact of climate change. The proposed Cat DDO will help bridge this gap and enhance financial resilience.

The design was informed by lessons learned from the implementation of previous DPFs and Cat DDOs in Fiji and other PICs. The proposed series recognizes the need for selectivity and continuous engagement in policy dialogue. The design is based on critical, Government-led reforms, spread across ministries to avoid overburdening MoF. The design is also underpinned by coordinated budget support from development partners reducing the Government transaction costs and increasing policy impact. Given thin administrative capacity and high exposure to external shocks, flexibility to adjust the reform program is important to ensure that multi-year reform programs remain relevant and supported through TA. This is Fiji's second hybrid DPF with a Cat DDO, reflecting ongoing disaster and climate resilience efforts. The operation builds on the previously delivered Cat DDO (P173558), supporting reforms to further strengthen disaster resilience, particularly on expanding protection for vulnerable communities.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

In isolation, the VAT reform supported under PA 1 could increase poverty by 3.2 percentage points, due to the reform's impact on the prices of most goods and services, but additional revenue is being channeled to increased spending which is used to mitigate the impact on the poor. The other mitigation measure in place is a 15 percent increase in allocations for SP programs, which slightly offsets the welfare losses of the tax reform.

The School Health Policy supported under PA 6 will have outsized benefits to households at the bottom of the welfare distribution. The reforms supported under PA 7 and PA 8 benefit the poor substantially by making them more resilient to the economic shocks of natural disasters. The DRM bill, ASP strategy, and relocation SOP are all targeted at mitigating the impacts of natural disasters and climate change.



Environmental, Forests, and Other Natural Resource Aspects

The prior actions supported under this operation, including those related to climate and disaster resilience, are expected to have neutral to positive impacts on Fiji's environment, natural resources, and forests when compared to the status quo. Specifically, PAs 1 to 6 are not anticipated to generate significant environmental effects. The policy reforms outlined in Pillar 3 are expected to bring positive change to Fiji's environment and enhance efforts in climate change adaptation and mitigation. These positive impacts can be attributed to the encouragement of sustainable risk reduction investments, especially in areas like disaster risk reduction, waste management, and the implementation of nature-based solutions for climate adaptation. These initiatives not only improve Fiji's resilience but also contribute positively to the local environment. Additionally, under PA 9, the series aims to achieve Fiji's energy transition and climate change targets. This transition is likely to have significant positive environmental impacts.

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APPROVAL

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