

# **“INVESTING IN OUR FUTURE”**

## **FIJI BUDGET SPEECH 2013**

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**Prime Minister and Minister for Finance, National Planning, Public Service, Peoples’ Charter for Change, Information, Sugar, Foreign Affairs, International Co-operation and Civil Aviation, Indigenous and Multi-Ethnic Affairs and Provincial Development**

**FRCA Building, Nasese, Suva    Thursday, 22nd Nov, 2013**

Cabinet Ministers;

Your Excellencies;

Members of the Diplomatic Corps;

Distinguished Guests;

My Fellow Fijians:

It is my task today as your Prime Minister and Minister for Finance to present to you the 2013 Budget.

Next year will long be remembered as the year that Fiji made a bold investment in its future.

For today, I am announcing a budget that decisively tackles some vital areas of need in our nation and especially one of its biggest challenges – the state of our roads.

Only by an ambitious spending initiative can we overcome our greatest infrastructure problem and one of the biggest barriers to Fiji’s economic development.

So we will do a lot more to fix our roads by increasing our national deficit - from 1.9 per cent to 2.8 per cent .

Yes, it is an increase. But it is not reckless spending. It is a focused and disciplined approach to building the nation's economic capacity. It is a long-term investment in infrastructure that will bear fruit for us in greater productivity.

It is a responsible way to solve a long-acknowledged problem, and every Fijian knows that it is necessary.

We intend to build on my Government's proud record of service delivery to the Fijian people- not only in roads but in a host of other areas that have been neglected for far too long.

Ordinary people will see a difference. This budget will affect every household.

What are we promising? A Government that works for all Fijians. That means that we will push relentlessly for equality of all Fijians.

We will push relentlessly for opportunity and justice for all Fijians. And we will do our best to keep all Fijians safe and secure.

Regardless of religion or ethnicity, whether male or female, urban or rural, young or old, we are all endowed by our nation with the same rights, privileges and opportunities. And this budget reflects that.

Our overall aim is to modernise and streamline all the instruments of government. Civil servants need to be better servants of the people. And they need to be supported by strong institutions, better rewards and more efficient processes.

This budget will strengthen law and order. It will make justice more accessible. It will encourage investment and economic growth. And it will make Fiji stronger and smarter.

It is a budget for the people. And it will set the stage for what we are all working towards in 2014 – the full restoration of parliamentary democracy.

Since I presented the budget last year, nearly half a million Fijians have registered to vote in the election, and we expect to register many more. We are formulating a new constitution with a set of unassailable, universally-accepted principles. Our economy is stable and growing.

They said we couldn't do it. We have.

They say we will never have parliamentary democracy. We will.

We are on our way. And it will be a fairer democracy; a more equal democracy; a democracy that is built to last.

Ladies and Gentlemen and my fellow Fijians, there is one big difference between my Government and those that came before it. We deliver. And we deliver for all Fijians.

In return, we expect all citizens to meet certain standards of behavior.

There is too much personal dishonesty and abuse of the system. We see it in all areas, from those who abuse the free bus vouchers for school children, to those who abuse the social welfare system, to those who continue to break the law by not paying taxes and customs duties. It is also unacceptable that importers and traders continue to charge ordinary Fijians and our visitors exorbitant prices even after Government has zero-rated or reduced duty.

We will not tolerate tax evaders, welfare cheats, or those who unfairly deny ordinary Fijians access to affordable goods - just as we won't tolerate corruption. It is the Government's obligation to the majority of law-abiding and decent Fijians.

### **RESPONSIBLE ECONOMIC MANAGEMENT**

Ladies and Gentlemen and my fellow Fijians, in 2011, the Fijian economy grew by 1.9 per cent. The economy is projected to grow by 2.5 per cent in 2012. Forecast growth for 2013 is 2.7 per cent.

For 2013, we estimate total revenue of \$2.1 billion and a total expenditure of \$2.3 billion. The estimated net deficit for 2013 is \$218 million - or 2.8 per cent of GDP.

The provision for operating expenditure is \$1.55 billion. \$722 million is budgeted for capital expenditure.

We are proud to have increased the proportion of the money that we spend on capital projects.

Previous budgets set allocation for capital works at 20 per cent of the budget and 80 per cent on operational costs.

This year capital expenditure will hit the \$700 million mark for the first time. This represents a budget increase to 32 per cent spent on capital works. That means more money for development projects and initiatives

Inflation is expected to continue to decline during the remaining months of 2012 to around 3.5 per cent.

Our reserves are at comfortable levels at \$1.58 billion, sufficient to cover 5 months of imports of goods and services.

We have eased certain exchange controls, a sign of confidence in the strength of our economy, which investors will find attractive.

This year we refinanced several high-interest loans, with a combined value of \$51 million, which will lead to a saving of \$5.2 million in interest payments next year.

Building on our prudent financial management, we have so far built up our offshore sinking fund to 95 million US dollars. This is expected to surpass 100 million US dollars by the end of this year.

The FPNF reforms have been on-going after the budget announcement in 2010. Since then, significant progress and reforms have been made to ensure the sustainability of the pension scheme and to improve governance and transparency of the only superannuation fund in Fiji.

The recent recognition by the International Social Security Association is a testament to the success of the reforms in FPNF. The announcement of the FPNF annual results only yesterday further shows the strong position of FPNF within the financial sector in Fiji.

However, FPNF is faced with the continuing challenge of finding new investment opportunities that provide adequate returns to its members. It also has the task of turning around some of its non-performing assets. In this regard, I am pleased to announce that Stage One of the Momi Resort Development will commence at the beginning of the second quarter of 2013. Accordingly, FPNF will complete the development of the resort with an estimated investment of \$150 million. Government will assist this initiative by ensuring that the project is completed expeditiously.

As part of Government's collaboration with FNPF, it will sell its overseas mission properties to FNPF and lease them back. This will provide FNPF offshore investment opportunities with attractive and sustained returns while reducing the operational costs for Government.

FNPF will also explore opportunities within the region to ensure that it not only continues to provide better returns for its members, but also diversifies its investment portfolio, thereby reducing its risk.

We have already begun to reap the results of the bold tax cuts I announced last year, which reinvigorated the economy, as expected. Investment levels have reached 18 percent of GDP. New investment lending is growing and consumption is buoyant as a result of the rise in disposable income.

And this will continue. We have added more incentives to attract investment and help our economy grow. We will continue to position Fiji as one of the most preferred locations in the region for both foreign and local investment, through an attractive taxation regime, and investor-friendly and consistent policies.

In a global context, we are faced with many of the same challenges that I outlined last year. Global growth has been revised downwards from 3.9 to 3.6 per cent. The sovereign debt crisis in Europe continues. There is weak demand in the advanced economies, and many developing countries continue to face strong inflationary pressures.

Globally it remains a volatile situation. But we have managed our economy responsibly and well. And we have done so in such a way that is fairer for every Fijian.

We haven't been a business-friendly Government at the expense of the rest of the community. We provide targeted assistance to the poor, the disabled and the disadvantaged.

We support business to sustain and create jobs. Because only by growing our economy and attracting new and re- investment can we raise the living standards of ordinary Fijians. We don't only need to create jobs, we need to create opportunities for ordinary Fijians to have sustained livelihoods.

Our vision for the modern Fiji is for Government, employers and employees to work together to raise living standards, not let political or personal interests, cronyism or corruption get in the way of our development.

We are a small country and cannot escape the impact of what happens globally. That is all the more reason why we need sound policies that respond not just to the requirements of the international marketplace, but also to the needs of our people.

Ladies and Gentlemen and my fellow Fijians, I now have much pleasure in announcing the details of the 2013 Budget.

### **PREPARING FOR NATIONAL ELECTIONS**

We are preparing in earnest for a return to parliamentary democracy in 2014.

As you know, the Constitutional Commission's work will come to an end at the beginning of January, 2013. Following the submission of the draft constitution by the Constitutional Commission to His Excellency our President, a Constituent Assembly will review the draft constitution before final adoption.

The 2013 Budget provides \$1 million for the work of the Constituent Assembly.

The Budget also provides \$11 million for the Elections Office to prepare for the 2014 parliamentary elections.

In preparation for the first sitting of Parliament under the new constitution, \$1 million has been allocated to refurbish and upgrade the existing parliamentary complex.

### **SERVING THE FIJIAN PEOPLE**

Nothing is more important to my Government than to fulfill our promise to deliver basic services to all Fijians.

Given our current resources we can't pretend to provide all of the services that we would like to.

But that doesn't mean that we can't be smarter and make more of the limited resources we have.

We need to stretch our dollar further. And in this budget, we have.

## **EDUCATION**

Increasing the skills base of our country is the key to its development. We need better educated workers for Fiji to be internationally competitive. And it is a great tragedy that we lost so many of our best people because of the political instability of the past 25 years.

We need to rebuild this capacity, so we will continue to expand access to education and remove barriers to learning.

Our commitment as a Government to education begins in early childhood and remains firm right up to the tertiary level.

This year, the Ministry of Education will receive a budget of \$268 million, representing an increase of \$12 million.

It's not enough to just send our children to primary school. We also need to develop a much better pre-school system.

In 2013, we will increase the salary supplement for early childhood teachers to \$3.3 million, from \$1.3 million.

We will allocate \$150,000 to upgrade more kindergartens in Fiji's rural communities, and \$100,000 to buy new equipment for these pre-schools.

Currently, there are a number of children in Classes 1 to 3 who are boarding in order to get education.

We will build new classrooms for Classes 1 to 3, so that these children – at such a young age - will no longer have to stay away from their mums and dads. \$1.2 million has been set aside for this purpose.

A cornerstone of my Government's policy is that education should be accessible to all Fijians. We are committed to making education affordable, especially for our families who would otherwise not be able to send their children to school.

The free text books and bus fare assistance schemes will continue. We have allocated \$11 million to the bus-fare subsidy program.

\$7.6 and \$11.7 million have been given for tuition-fee assistance for primary and secondary school students, respectively. We will ensure that remote and disadvantaged schools will be given adequate funding.

We also need to encourage our students to stay on at school. That is why we are increasing funding for vocational training. \$1.2 million will be spent on bolstering courses such as carpentry and plumbing that provide our teenagers with practical skills that will allow them to get jobs. This will cover all the costs for setting up these vocational programs in 124 schools across the country.

Today, I announce a major initiative to expand the nation's skill-base by providing us with more trades people and creating more employment and business opportunities for young Fijians. We will allocate \$5 million, in 2013, for a new scholarship program to cover tuition fees for more than 1,000 students to undertake vocational courses, through Fiji National University (FNU), to help them acquire specialised trade skills. To enable them, amongst other things, to become certified plumbers, electricians, deckhands, carpenters, mechanics and engineers.

In addition, we will continue to support FNU's vocational training for those living in rural and maritime communities. We will allocate \$1.8 million to this initiative.

We are also committed to continue to expand access to technology in our schools. My Government truly believes that an educated and empowered younger generation, with knowledge and access to technology, is a key to Fiji's future success and prosperity.

A new allocation of \$800,000 will be given to support the One Laptop per Child program in selected primary schools.

This project will complement and enhance other "ICT in education" initiatives and will help develop advanced computer and IT skills in our students.

In other bold initiative to hasten access to technology, generous tax concessions will be given to any taxpayer who donates new computers, including laptops, to our schools. They will get a tax deduction of 150 per cent if they donate computers for urban schools and 200 per cent for rural schools. To qualify, you will need to donate computers worth \$10,000 or more, with a maximum ceiling of \$100,000.



Tertiary education will receive \$67 million in 2013, which includes an additional \$1 million for the School of Maritime Studies.

Government will also provide \$24 million for tertiary scholarships.

To regulate higher education institutions and establish national standards for various qualifications, the Higher Education Commission will receive increased funding of \$800,000.

## **HEALTH**

Better access to health care is central to my Government's program. We all know that the health system in Fiji is not as good as it should be given years of neglect, but we are determined to improve it.

To this end, we have allocated an additional \$15 million to the Ministry of Health, totaling \$167 million.

These funds will allow the Ministry to cover operational costs and improve existing services, equipment, and infrastructure.

Continuing professional development and training is important to ensure that our medical staff is up-to-date on current practices and procedures, and receives specialised training to further advance their knowledge.

We have allocated \$900,000 for the "In Service Training Program," which provides continuing training for our medical personnel. This will go towards covering the cost of both postgraduate studies and overseas placements for our health care workers. This program has already supported 12 officers, who are currently on attachment in India in the areas of cardiology, radiology and orthopaedics. We are investing in the future of our health system.

We will re-launch the Community Health Worker Scheme to improve health services in remote areas. Where there is no nursing centre, these workers can be mobile and carry out basic procedures such as taking peoples' blood pressure. We have set aside \$210,000 for this program.

The Community Health Worker Scheme is currently being piloted in the North before it is extended to other areas.

We will also provide for the maintenance of our health facilities. We are building more community health centres and nursing centres and upgrading others.

\$4 million will be provided for major upgrades at health centres across the country, while \$900,000 will be allocated for minor repairs.

Major capital works are planned for 2013, which include the extension of the Sigatoka Hospital. This will be funded jointly with hoteliers on the Coral Coast.

A new Health Centre will be constructed in Cuvu, Nadroga, and extension works will be undertaken at the Keiyasi Health Centre.

In addition, new nursing stations and staff quarters will be built in Nayavuiria, Raviravi in Beqa, Lakeba, Tonia, Bagasau and Cikobia.

We will continue to upgrade the standard of medical and non-medical equipment in our health facilities. This year we have allocated \$6.9 million for this purpose.

In particular, we have to be smarter about how we maintain our expensive medical equipment, to reduce the number of breakdowns and to ensure that we get the most out of our investment. Our biomedical equipment will now be serviced by professionals, and \$900,000 has been allocated for this purpose.

We have budgeted \$2 million to purchase vaccines that are essential for reducing child mortality, including those for Pneumococcal [New-ma-cock-al] Bacteria and Rotovirus.

We have also allocated \$800,000 to fund public awareness programs to reduce the prevalence of non-communicable diseases. These public awareness programs will focus on reducing alcohol and tobacco use and maintaining a healthy lifestyle, including diet and exercise.

To help fund these initiatives, the excise duty on both cigarettes and alcohol will be increased to 10 per cent.

And to give Fijians access to a more healthy diet, we will reduce the duty on imported vegetables that are not grown locally to 5 per cent, which matches the rate on imported fruits not grown locally.

## **SPORTS AND YOUTH DEVELOPMENT**

All over the world, Governments are increasing their investment in sport to encourage fitness, healthy competition and social cohesion.

Until now, Fiji has had several different sports development programs that were largely unconnected and uncoordinated. This needs to change. So we are providing a new allocation of \$1 million to set up a National Sports Commission to oversee and coordinate sporting development throughout the country.

\$4.2 million will be directed to Fiji Sports Council to assist with the upgrade of the National Stadium to international standards. Once completed, the National Stadium will enhance Fiji's ability to bid for and host regional and international sporting events. This will develop sports tourism.

We will invest \$2.7 million in an ambitious program to set up new integrated sporting facilities in rural communities, with the assistance of the Chinese Government.

Under this program, in 2013, three integrated sporting facilities will be built at Vunidawa, Seaqaqa and Rakiraki. And in 2014, an additional three will be built on Gau, Kadavu and at Korovou in Tailevu. The construction of these integrated sporting facilities will give those in the rural and maritime areas access to amenities which are currently only enjoyed by those living in the urban centers.

We will commit \$490,000 for various sporting activities, such as outreach programs, sporting tours, hosting of international tournaments and sports scholarships.

We will also provide an extra \$200,000 to develop sports grounds in rural communities.

With respect to facilities for youth, we will allocate \$220,000 to upgrade the Naleba, Naqere and Sigatoka Youth Training Centers.

Finally, we will continue to support the National Youth Band in 2013.

## **MARITIME AND EMERGENCY SERVICES**

We are bolstering the services provided by the Maritime Safety Authority of Fiji (MSAF). We are a maritime nation and need a better surveillance and search-and-rescue capability over our vast areas of ocean and coastal waters.

Therefore, MSAF will receive a grant of \$6.6 million to bring Fiji into compliance with all international and national maritime obligations and ensure the safety of all seafarers.

From January next year, MSAF will make lifejackets available to the public, to comply with regulations that require all vessels to have them. We also need to make lifejackets more affordable and readily available to address the alarming incidence of drownings in Fiji. Currently, lifejackets made in Fiji are duty free only for the export market. We are changing this so that locally made lifejackets will be available for purchase duty free in Fiji through MSAF.

\$3 million is allocated for the purchase of a new vessel for Government shipping services, and \$1.5 million for the Shipping Franchise Scheme, to ease transportation access for our maritime population.

On land, we are incorporating ambulance response services into our National Fire Authority (NFA).

Minutes or seconds can make the critical difference between life and death. We want our emergency services to have the capability to respond quickly to save lives.

Currently, the NFA's response units exist in the Suva/Nausori corridor. From 2013, they will be introduced at the Sigatoka and Ba fire stations, and will be rolled out to other stations in the coming years.

This initiative will cost \$400,000 in 2013.

### **ENCOURAGING VOLUNTEERS**

The Fiji Volunteer Service Scheme will be allocated \$400,000 to encourage volunteerism and promote a sense of service and civic pride amongst our citizens.

We have also sent volunteer teachers abroad to the Republic of the Marshall Islands, and are currently processing requests from Nauru, while Kiribati and Vanuatu have expressed interest as well.

## **LAW AND ORDER**

The fundamental responsibility of any government is to provide security for its citizens.

The escape of five dangerous prisoners from Naboro recently reminded us of the absolute need for vigilance and resolve.

## **POLICE AND CORRECTIONAL SERVICES**

Our police need to be properly equipped, trained, compensated and staffed for the important work they do to keep us safe.

So in the 2013 Budget we will provide an additional \$8 million to the Fiji Police Force to improve their operational capacity, to bring the total allocation to \$92 million. This includes an increase of \$6 million to cover operational costs.

We have allocated \$2.5 million to purchase equipment and \$800,000 to upgrade police stations and quarters.

The Force's budget has been reorganised for 2013. Unit heads will now be responsible for financial decisions. This reduces bureaucracy and will lead to improved efficiency, responsiveness and accountability.

We will also strengthen the prison system, adding more than 100 staff to the ranks of prison officers. The Fiji Prisons and Corrections Services will receive \$21 million in 2013, including a \$3 million increase in their operational budget.

In addition, \$700,000 will be allocated to upgrade and maintain staff quarters and prisons. Funds will also be provided to install CCTV cameras in our prisons that will help to minimise security breaches.

I am pleased to announce that the Yellow Ribbon Program will continue in 2013 with an allocation of \$200,000. The program has reduced the rate of recidivism from 21 per cent in 2009 to 3 per cent in 2011.

We have also made good progress in eliminating the corruption at all levels that has long plagued our country. We are winning, but the war on corruption is not over. Corruption steals from ordinary Fijians and erodes the people's faith in their institutions, both public and private.

Complementing law enforcement, FICAC has been diligent and assertive in investigating and rooting out corruption. In 2013, it will receive \$8 million to continue its critical work.

### **LEGAL SERVICES**

We are determined to provide ordinary Fijians with better access to justice and legal services.

Justice should be the basic right of every Fijian, not just a luxury for those who can afford it. We cannot talk about the rule of law if the weak, the vulnerable and the poor do not have access to the justice system.

In 2013, we will provide \$2 million for the operational costs of legal aid offices throughout Fiji, including those that have been recently set up in Nadi, Rakiraki and Nausori and soon to be opened in Sigatoka and Nasinu.

We are also bolstering the court system.

\$4.5 million is provided for much needed extensions to the Lautoka High Court.

\$1 million has been allocated to continue the refurbishment of the Suva Court Complex and to upgrade courts across the country. We will also spend \$300,000 on equipment and sound systems that will make the courts more efficient.

\$350,000 is budgeted to relocate the Ba Magistrates Court to higher ground and improved premises.

People living in isolated parts of Fiji should be able to have access to the courts without having to travel to major centres.

That is why we have allocated \$300,000 to hold court sittings in some of the outer islands. In the past, there were rare or no court sittings in Rotuma, Koro, Rabi, and the Lau Group. Next year, this will change.

And we will also spend \$400,000 to improve the frequency of court sittings the in rural parts of the country, including Nabouwalu, Vunidawa, Taveuni, Rakiraki and Tavua.

## **INFRASTRUCTURE**

While our political and electoral reforms seek to create a modern and truly democratic state, we can never truly be a modern state until we improve our infrastructure. A country's infrastructure is its most basic resource for promoting opportunity, growth and equality. Simply put, a sound and modern infrastructure increases productivity, eases the burdens of daily living, and gives greater access to services. We must make a firm commitment to having the most modern infrastructure.

### **ROADS**

Every Fijian knows that our roads desperately need attention after decades of neglect. First, we needed to reform the management of our roads and end the incompetence, corruption and basic lack of road-building skills.

This is why the Department of National Roads has become the Fiji Roads Authority (FRA).

We needed a clean slate. We needed to build the capacity of FRA to plan, build, and maintain good roads for the nation. And so we are setting aside \$422 million in this budget for roads and bridges, an increase of \$182 million.

We have hired MWH from New Zealand to help oversee this process. We need overseas companies to not just fix our roads but to pass on skills to Fijians.

Earlier this afternoon, I signed three five-year road maintenance contracts with foreign companies – all from New Zealand - to begin work on major road improvements across the country.

These companies will bring new technologies and methods, and will provide long-term solutions, not temporary fixes. They will give us better results and a better return on our investment.

Two companies will work in the Central and Eastern Divisions, one in the West and one in the North. They will not only maintain and rebuild our roads; they will restore our capacity to build roads ourselves.

This means that many unestablished employees from the old Department of National Roads will move from the public sector to the private sector. I am confident that many of these casual workers will be employed by our new partners.

Major road construction will continue in Buca Bay, Moto, Serea and Sigatoka Valley through funding assistance from the Exim Bank of China.

We are also embarking on a major new project in Vanua Levu to tar seal the road from Nabouwalu to Dreketi. This is a huge boost for the economic prospects of the North.

We are also allocating \$13 million for the development of rural roads in the rest of the country.

Four-lane roads will be built between Nakasi and Nausori Airport and Nadi and Denarau. We expect this work to commence in April of next year, with the assistance of the Exim Bank of Malaysia.

The FRA will also be responsible for the management of all bridges in Fiji. We are all aware of the woeful state of some of our bridges and the need to rebuild or improve some thirty bridges across the country.

But we also need to build new bridges, and so a comprehensive plan of action is being drawn up for the proper management of our bridges.

## **WATER**

Access to clean water is a basic right, yet in a country with such high rainfall and major rivers, it is astonishing that many ordinary people still don't have it.

That is why I am pleased to announce that we are allocating \$110 million to improve and expand the services of the Water Authority of Fiji. This is an increase of \$3 million from 2012.

We will continue major projects such as the Suva-Nausori sewerage and water-supply schemes and the Nadi-Lautoka, Ba, and Labasa regional water-supply schemes.

34 rural water schemes have been completed this year, with more to be undertaken in 2013. In addition, a number of feasibility studies will be undertaken to identify new water sources to provide for the increasing demand in the Suva-Nausori corridor.



To ensure that all Fijians have safe drinking water, we will spend \$250,000 on water testing equipment.

All of this is yet another demonstration of our commitment to deliver basic services to every Fijian.

### **RENEWABLE ENERGY**

We must continue to reduce our reliance on fuel imports, which have now reached a staggering \$ 1 billion a year.

We cannot control international prices of commodities. But it is our responsibility to look for alternative energy sources.

My Government is committed to ensuring that we meet at least 90 per cent of our total energy requirements through renewable sources. 60 per cent of our energy needs are already being met from renewable energy now that the Nadarivatu Hydro Scheme is on line.

Because of the benefits expected from this recent investment in our electricity infrastructure, I am proud to announce that Government – based on an assessment by the Commerce Commission - will reduce the price of electricity by five cents a unit across all tariff bands effective from 1 January 2013.

We will contribute \$1 million towards the Somosomo Hydro Power project.

In 2013, a Green Tax based on the “user pays” principle, will commence. The Green Tax will involve the imposition of an extra two cents a litre on all imported fuels, except kerosene, white benzene and pre-mix.

The objective of this policy is to promote a cleaner environment and reduce our dependence on imported mineral fuels.

To ensure this tax does not place a cost burden on public transportation, a rebate of 2 cents per litre will be provided to the bus industry. Inter-island vessels and fishing vessels are exempt from the two cents per litre increase.

We have increased spending on the development of alternative fuel. This year, we commenced bio-diesel projects in Lakeba, Matuku, Moala, Vanua Balavu and Rabi and

Gau. For 2013, we have allocated an additional \$2.5 million to set up further bio-diesel plants elsewhere.

In our continuing effort to find appropriate renewable energy sources for Fiji, we will set aside \$400,000 to study the feasibility of the many different renewable energy sources available, including wind, solar, hydro, biomass and geothermal.

In addition, \$200,000 is allocated for the development of bio-gas projects, and we are purchasing testing equipment for bio-fuel at a cost of \$858,000.

We will increase spending on rural electrification to \$8.5 million. In addition, the grid will be extended to reach more people in Nayavu-Wainibuka, Mataisuva in Rewa, and Wailevu–Cakaudrove.

We will retain existing incentives for the use of renewable energy, including duty concession for imports of equipment used to produce renewable energy.

### **INFORMATION & COMMUNICATIONS TECHNOLOGY**

Ladies and Gentlemen, my Government is committed to establishing Fiji as the regional hub of telecommunications in the Pacific.

We are centrally located, and our size and advanced infrastructure compared to our neighbours make Fiji the obvious point to centralise broadband infrastructure for the region. We are the first Pacific Island country to have a National Broadband Policy.

Developing our broadband capacity is an important way to spur social and economic development. It is also crucial given the vast areas of ocean separating our islands.

Modern technology can create many opportunities for businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government has initiated some fundamental reforms in this sector, and introduced laws that have paved the way for more competition, greater innovation and improved products and services to the people. Fiji's telecommunication sector offers some of the most competitive rates for services anywhere in the world.

One of my Government's objectives has been to bridge the digital divide between the rural and urban, the rich and the poor. We want the benefits of technological advances to be equally accessible for all Fijians and not just the elite.

We will be opening ten more tele-centers in 2013 in rural communities and designated schools to provide internet access for ordinary Fijians.

As testament to our leadership role in this area, Fiji will host and allocate funding for regional ICT meetings over the next two years.

From 2013, duty on smart phones will be reduced to zero so that more Fijians can gain access to data transfer and the internet.

### **CREATING EQUAL OPPORTUNITIES FOR ALL FIJIANS**

You all know the importance my government places on equality and the need for us all to work together to forge a prosperous, united country.

Every Fijian should have exactly the same opportunity to succeed in life.

It is up to them how much they make of it. The role of Government is to provide a level playing field and the framework for individuals to succeed and create a good life for themselves and their families.

### **POVERTY ALLEVIATION AND SOCIAL PROTECTION**

Those Fijians who live below the poverty line need more than our sympathy. They need our assistance to help provide for themselves and their families.

Government must do what it can with our limited resources, and we are implementing major reforms to our social welfare system.

We will target our available resources at those Fijians who need it the most.

This will allow Fiji's social welfare system to better and more widely cover those who meet the criteria and will minimise abuse.

Under this system, a household will receive a maximum of \$150 per month, including a \$30 food voucher. Nearly 13,000 poor households will benefit, and we will increase the

coverage of our poor population from the current 3 per cent to 10 per cent. The total budget for this program is \$22.7 million.

For the first time, Government will introduce pensions for persons aged 70 years and over who do not have any form of income or pension, or who have never been part of a superannuation scheme. As many as 9,000 Fijians will benefit from this assistance. The budget for this program is \$3.2 million.

The Care and Protection Program, which targets children, will continue with a budget of \$5.9 million.

With an allocation next year of \$500,000, the “Welfare Graduation Scheme” focuses on moving recipients from “welfare to workfare.” Fiji cannot support a culture of dependency. We must commit ourselves to the idea that poverty is a temporary state.

As a society, we must uphold the value of work and self-sufficiency. When people move from welfare to work, they regain their self-esteem and confidence. Some participants in this programme have already set up their own businesses or are finding permanent employment.

The subsidised bus fare program will continue for the elderly and the disabled.

The total budget allocated for social protection programs is \$32 million.

In order to ensure that this money is spent properly, we will stamp out social security fraud.

## **HOUSING**

We will continue to provide affordable housing to those Fijians who need it.

We will continue our program to provide debt relief for those who are unable to meet their obligation to the Housing Authority. Hundreds of families are being relieved of the worry of having a mortgage debt they cannot afford to pay.

Through Government’s “social housing policy,” implemented through the Housing Authority, some 200 families will finally have dwellings they can call their own after their loans are written-off. We are setting aside another \$1 million for this program in 2013.

We are allocating \$600,000 as a grant to the Housing Assistance and Relief Trust, which will cover the construction of new HART homes and maintenance of existing ones.

We will also provide \$1 million to the Public Rental Board as rental subsidy for low-income tenants.

Many Fijians have grown impatient with the formal system for acquiring housing and have created informal settlements. These settlements can create unsafe conditions for residents and can cause chaos in urban and rural areas, but they are home to many people who have no other alternative.

To address the growth of informal or squatter settlements and improve the overall quality of housing, we will provide \$1 million for the squatter upgrading and resettlement project. In 2013, this will be directed towards completing ongoing projects at Caubati, Sasawira, Ledrusasa, Cuvu and Narere.

The Sustainable Rural Housing/Income Generating Project will continue with an allocation of \$400,000 to provide both housing and support for income-generating agricultural activities. The targeted areas for 2013 will be Nalotawa and Nativi in the West, Maumi and Toga in the Central division and Vunivutu in the North.

Through funding assistance from the Exim Bank of China, the construction of new housing estates in Raiwai and Raiwaqa will continue in 2013.

The Housing Authority project in Tacirua East and Nepani will also continue next year, as will the Waila City Project.

Thanks to a partnership between the Reserve Bank of Fiji and Housing Authority, citizens earning less than \$16,500 will be able to access affordable home financing. Through this facility, the Housing Authority will be able to provide housing loans at competitive rates to grow home ownership.

To complement this initiative, people who build a new house as their primary residence will again be able to claim a VAT refund up to a maximum of \$120,000 in 2013.

## **EMPOWERMENT OF WOMEN**

Women are the backbone of their families and communities. But the inherent right of equality is still denied to far too many women in Fiji. And this is a wrong that my Government is doing everything in its power to right.

We know that women play as important a role as men in social and economic development. We want to provide more women with the skills and education to provide for themselves and their families.

My Government will continue to provide the necessary support to enable all women to bring about positive changes for themselves, for their families and for their communities.

We are giving \$550,000 to implement the Women's Plan of Action. This will help fund income-generating projects, legal literacy training, and empowerment programs in decision-making.

In addition, \$150,000 is allocated for the construction of four Women's Resource Centers in Serua, Namosi, Ra and Macuata.

My Government has also endorsed the development of a Memorandum of Understanding between Fiji and the Barefoot College of India to establish a regional branch of the college in Fiji. This could greatly benefit our rural women. The curriculum is designed specifically to give practical, on-the-job training to rural dwellers and those with limited education.

## **GOVERNMENT SERVICES**

Ladies and gentlemen, my Government is committed to reforming and modernising the civil service. As servants of the public, we must always remember that we are here to serve our fellow Fijians.

## **PUBLIC SERVICE PAY**

From 1 January 2013, all established staff in the civil service will receive a minimum salary of \$10,000 a year. This pay rise will benefit 1,663 civil servants.

In addition, all unestablished Government wage earners will receive a 10 per cent pay rise, also effective from 1 January 2013. This pay rise will benefit 2,878 government wage earners.

We will introduce performance-based bonuses throughout the civil service. This underscores my Government's fundamental belief that individuals should be rewarded on merit and accomplishment. No longer will seniority and personal connections be a path to advancement. We want to reward the best people and keep them working in Government.

However, this bonus will be paid out only to those who perform over and above what is expected of them. Bonuses for performance in 2013 will be paid in 2014.

We must retain highly skilled and capable officers in the civil service. Too often, they are lost to the private sector or regional and international organisations. By setting salaries that recognize the different skill requirements for each position, we will retain more skilled and competent officers in the service.

The civil service is doing better, but we will not rest until the job is done. We will continue to work to eliminate red tape, buck passing, incompetence, slackness and corruption in the civil service. At same time, we will continue to improve the working conditions of civil servants.

### **PUBLIC SECTOR REFORMS**

My Government is investing in an upgrade of its information technology systems to place many of its services online and allow for around the clock access to government services.

This revolution is a joint venture between Government and the private sector. As a first step, a national IT infrastructure is being set up for the Civil Service and State-owned enterprises.

It will pave the way for the introduction of a portal called "Fiji Service," through which individuals and businesses can access a range of Government services. Some key services will go online by May, 2013.

Government will also introduce a national switch to which all banks and financial institutions will be required to connect.

Called "FijiPay," this interchange network will facilitate easier and cheaper electronic transactions on the part of businesses and consumers.

For too long, Fijians have been saddled with excessive charges when accessing electronic transactions. We are determined to create a level playing field in the financial area.

All these initiatives are designed to make Fiji the IT leader in the region and a preferred hub for data processing services.

Recently, Government has collaborated with Vodafone to facilitate the payment of salaries through the M-Paisa system for those civil servants working and living in remote parts of Fiji.

Electronic Funds Transfer is now being rolled out across Government. This will result in cost savings by eliminating the need to print cheques.

We will also make our financial reporting fully comply with International Public Sector Accounting Standards.

In addition, we will continue to corporatise and privatise Government Commercial Companies and related entities. The sale this year of Fiji Dairy Limited is one such example of collaboration with the private sector.

We will also sell government held shares in FINTEL to ATH to rationalise the ownership structure to ensure that it results in better quality and affordable services in the telecommunications sector.

As stated earlier, Government will sell its overseas mission properties to FNPF and lease them back. This will reduce the operational and maintenance costs of Government.

We will also continue to explore the outsourcing of Government services and functions to improve efficiency and deliver better results to the Fijian people.



Phase 3 of the functional review of Ministries and Departments will continue to find ways to eliminate waste and redundancy.

Finally, in a bid to make Government services more accessible to all Fijians, we have established Government Service Centres in Nausori, Lautoka and Labasa--“one stop shops” that will offer a broad array of services locally.

Government will provide \$1.5 million in 2013, and another \$1.5 million in 2014, towards the cost of the relocation and construction of the Nausori market, which services one of the most heavily populated centres in Fiji.

## **INDUSTRY**

For ordinary Fijians to prosper, we all need healthy industries to provide jobs and create wealth for the entire nation.

My Government firmly supports all industries to prosper and reinvest in new equipment and technology.

## **TOURISM**

Tourism Fiji will again receive \$23.5 million to fund the cost of marketing Fiji abroad. The recent rebranding of the organisation under the slogan “Fiji: Where Happiness Finds You,” and our national airline as “Fiji Airways,” is expected to further boost the performance of the tourism industry. It will cement its place as Fiji’s number one foreign exchange earner.

## **SUGAR INDUSTRY**

Protecting and modernising the sugar industry is a key national priority.

The industry that supports the livelihoods of approximately 200,000 Fijians needs to be sustainable, well managed and properly equipped.

There is much good news to report. There has been a marked increase in the renewal of ALTA leases, more acres are being cultivated, the ratio of tonne cane to tonne sugar has improved, and mills are operating more efficiently. Cane and sugar production would have been much higher this year had it not been for the floods.

And I am very proud to announce that the Fiji Sugar Corporation has made a remarkable financial turnaround. Consequently, Government's direct financial injection into FSC will cease in 2013. This has been no small achievement, given the state of the FSC at the time my Government decided to intervene to save the industry.

However, we will continue to encourage a strong and healthy sugar sector with a budget of \$15 million for the Ministry of Sugar.

We will also implement new laws to complete the restructure of FSC and the sugar industry and to better position this key industry for the future.

\$2 million is allocated to upgrade cane access roads to ensure a consistent supply of cane to the mills and minimise mill stoppages due to lack of supply.

We will also spend \$600,000 next year to upgrade the bridge at Kavanagasau in Nadroga.

Sugar farmers need to play their part in these vital reforms. That is why we are introducing a cane quality payment system next year, with an allocation of \$4.4 million dollars in 2013.

We will provide \$600,000 to help farmers acquire cultivators, ploughs and other vital farming implements.

Fiji will host the International Sugar Organisation conference next year. We have allocated \$250,000 for this prestigious event.

## **AGRICULTURE, FISHERIES AND FORESTS**

Today, I announce a major initiative to encourage our young people to become farmers. We will set up a scholarship program in conjunction with Fiji National University in which 50 Form Six or Seven graduates each year will attend a 12 month certificate course that trains them in various agricultural disciplines. When they graduate, each student will receive a loan package to the value of \$70,000, to cover the costs of:

- 100 acres of farm land
- A tractor and basic farm implements
- Fertilizer and other materials

- A house and shed
- And start-up cash of \$2,000

Each student will be supervised by an agricultural extension officer, and given specific performance targets. The Government hopes to attract many more young people to become farmers, give them sustainable livelihoods, boost the nation's food security, and reduce Fiji's dependence on imported food.

Collectively, \$94 million is allocated to the Ministries of Agriculture, Fisheries & Forests and Lands & Mineral Resources in 2013.

Agriculture is a vital sector of our economy, and we especially need to do what we can to help our nation's farmers maintain a productive and efficient agricultural sector.

Existing programs under the Department of Agriculture will continue next year with total funding of \$5.6 million. This money will cover the development of coconut, cocoa, potato, ginger, vanilla and rice crops. We will further boost the rice revitalization program with technical and financial assistance from the Chinese Government.

To do their jobs, farmers need cheaper tools. In 2013, we are expanding the zero-duty rate for agricultural implements to make them more affordable. All other current agricultural incentives will continue.

An additional \$2.7 million will also be allocated for livestock development.

\$1 million will be allocated for the development of the dairy industry.

In the fisheries sector, we have provided \$1.8 million for the development of various fisheries resources such as aqua-culture, mari-culture and the raising of brackish water species, as well as seaweed and pearl cultivation.

We are providing \$600,000 to establish a multi-species hatchery in Ra.

In forestry, we will promote sustainable forest management practices by allocating \$500,000 for the Biodiversity Enhancement and REDD Plus programs.

\$5 million is also allocated for the Land Reform Program, to make more land available for productive use.

We will also continue the highly successful CBUL program that encourages landowners to re-lease land for productive use. Under this program, Government subsidises lease payments by 4 per cent. This increases lease payments from 6 to 10 per cent.

## **SUPPORTING MICRO AND SMALL BUSINESSES**

Ladies and Gentlemen, experts around the world have recognized that micro, small and medium enterprises are powerful forces for lifting people out of poverty.

Small businesses drive economies because they add to growth by creating jobs and generating revenue. And they do not always remain small. Many grow quickly to become medium and big businesses.

I am pleased to announce that the Credit Guarantee Scheme we set up last year under the Reserve Bank of Fiji has increased lending to the SME sector. During the first nine months of 2012, a total of 163 eligible SME loans valued at \$8.7 million were registered under the scheme.

In 2013, Government will allocate an additional \$1.5 million for this program. We hope this will encourage more commercial-bank lending to SMEs.

The Northern Development Program and the Integrated Human Resource Development Program will receive \$2 million in 2013.

We will also provide \$500,000 to the National Center for Small and Micro Enterprises Development (NCSMED) to support their operations.

In addition, the Fiji Development Bank will be provided approximately \$290,000 to subsidise interest on small business loans.

## **MANUFACTURING**

We will continue our zero-rated duty incentive for the importation of all plant machinery and equipment for manufacturing. We note that this initiative has already created new investment and we will extend it for another year.

We will also continue to give tariff support to local manufactures to help them to grow. We will retain the current 40 per cent export income deduction.

Government will again provide the Textile Clothing and Footwear Council a marketing grant of \$300,000, over three years, to develop new markets for Fijian -made products and grow employment.

## **FOREIGN INVESTMENT**

We are providing \$1.2 million to Investment Fiji to assist them in marketing Fiji as a place to invest.

We are also removing the \$250-thousand minimum investment requirement for foreign investors. This has acted as a restriction on investment opportunities and the change will open up further avenues to attract capital.

More and more films are being shot in Fiji, especially by Bollywood film companies. We will give an additional \$100,000 to Film Fiji to grow this important new market

## **TAXES**

We will continue with the ambitious tax regime we introduced last year.

Any fiscal policy must balance the needs and demands of the people, the economy and Government.

If Government asks for too much, it limits the amount that can be reinvested in new business, growth, and creating jobs.

If a Government asks for too little, it limits its ability to support the many worthwhile things that Government can do - such as giving access to education, building new roads and hospitals, providing electricity and drinking water, and supporting the disadvantaged in our society.

We believe that a tax system must be simple and equitable. It must encourage investment and support business, while making sure not to overburden ordinary Fijians.

We must make sure that we are asking a fair amount from individuals and businesses alike. And we believe we are.

The 2012 Budget took significant steps in liberalising our tax system by reducing tax rates to 20%, benefiting 99% of our individual taxpayers. It also reduced customs duty rates and put in place attractive incentives for foreign investment.

Because we have lowered taxes, we expect everyone to pay their share.

Tax evasion and customs fraud do not simply rob Government of money, but they rob ordinary law-abiding Fijians who rely on the services Government provides.

We also strongly believe in the principle of “user pays,” that those who make use of certain services should be the ones who carry the cost. It is a basic issue of fairness.

In 2013, we are going to further liberalise and simplify our tax system and continue our efforts to get Fijians to comply with the tax laws.

One of our key initiatives is to raise the tax threshold for individuals, the point where tax kicks in for any income earner.

We will raise it from \$15,600 to \$16,000 in 2013. This means that the tax threshold has almost doubled in the five years since 2007, when it was \$8,840. So now, far more Fijians at low income levels will not be paying taxes at all.

Another major initiative is that we are simplifying the way people pay tax. In future, Pay as You Earn taxpayers will not have to file a tax return at the end of the year.

What their employers extract will be their sole obligation. But by shifting to this method, we are also ending the system of claimable tax allowances.

Any losses for individual taxpayers will be more than offset by the generous tax cuts we announced last year.

This change streamlines the operations at FRCA, which will no longer have to process more than 40,000 tax returns every year. And it creates more certainty for tax payers.

We are also making it more attractive for foreign investment in Fiji.

From 2013, a 17 per cent corporate tax rate – plus other incentives - will be available to any foreign company that establishes its regional or global headquarters in Fiji.

This will be effective from 1 January 2013 and further details will be announced in due course.

Companies that list or are listed on the South Pacific Stock Exchange will now pay a reduced corporate tax rate of 18.5 per cent – as opposed to the normal corporate tax rate of 20 per cent. Existing tax deductions and incentives for listing will continue.

In an effort to stimulate economic development, the region from Korovou to Tavua will be declared Tax Free Regions for the agricultural sector. A 13-year tax holiday will be in place for new investments in the agricultural sector. And a 20 year tax holiday will be available for those who set up new dairy farms in the region. Tariff incentives will also be put in place to help Fiji Dairy Limited grow its share of the market while encouraging more local milk production.

Ladies and Gentlemen, we consume nearly 77 million litres of milk each year but produce only 10 million litres. With the increased farm gate milk prices paid to farmers, new incentives and new investment by Fiji Dairy Limited – including chilling plants - we expect this to change.

The Employment Taxation Incentive that provides 150 per cent tax deduction for the employment of first time school leavers will be extended to 2014.

All current zero-rated duties and import incentives will continue next year.

While we will continue to impose the age limit on second-hand vehicles, we will now allow the importation of older vehicles so long as they comply with Euro 4.

We also need to bring Stamp Duty rates up-to-date. The Stamp Duty rates have not been reviewed for many years. This will involve increases that better reflect current costs.

Stamp Duty payable on mortgage will be 1.75 per cent, and 3 per cent for transfer. All new rates will come into effect from 1 January 2013.

All existing stamp duty exemptions will continue, including the exemption for first home buyers.

There will be several changes in 2013 that will simplify tax administration and improve compliance.

First: The Social Responsibility Levy will be renamed the Social Responsibility Tax, which will allow taxpayers to benefit from any Double Tax Agreements.

To prevent tax planning such as the restructuring of salary income, especially by taxpayers earning around \$270,000, the Social Responsibility Tax for resident and non-resident taxpayers will be amended to use an incremental system.

Second: To promote simple administration by financial institutions, the computation of credit card levy will be aligned with the individual billing cycle as opposed to the standard calendar monthly cycle.

Finally: To enhance compliance, my Government will implement a number of changes in 2013:

- Garnishee Order Provisions to also apply on bank overdraft accounts;
- Companies to be liable for shareholders tax liabilities;
- Capital Gains Tax return to be lodged in all cases and not only in payable cases; and
- Agents who manage commercial or home-stay properties for overseas owners shall be responsible for the lodgment and payment of Service Turnover Tax to FRCA.

## **CONCLUSION**

Ladies and Gentlemen, the 2013 Budget is responsible and reflects both our means and our needs. It builds on the policies of my Government over the past few years and our philosophy of prudent financial management, service delivery, and consistency. It provides us with better infrastructure and strengthens our economic base. It is a budget that improves the lot of all Fijians. It empowers them and provides them with better opportunities. It is an investment in all our futures.

Ladies and Gentlemen and my fellow Fijians, I commend the 2013 Budget.

Thank you. Vinaka vakalevu.