



Country Operations Business Plan

October 2018

Fiji
2019–2021

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 22 October 2018)

Currency unit	–	Fiji dollar (F\$)
F\$1.00	=	\$0.4652
\$1.00	=	F\$2.150

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
GDP	–	gross domestic product
OCR	–	ordinary capital resources
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Fiji ends on 31 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 July 2018.
- (ii) In this report, "\$" refers to US dollar unless otherwise stated.

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I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. **Country partnership strategy.** The country partnership strategy (CPS), 2014–2018¹ expires at the end of 2018 and a new CPS, 2019–2023 is being developed. Fiji is due to hold general elections before the end of November 2018, and the new CPS is expected to be approved in 2019. This enhanced country operations business plan bridges the gap between the two full CPSs. The new CPS is being developed through close consultation between the Asian Development Bank (ADB), the government, and other stakeholders. It will be aligned with the government's Green Growth Framework for Fiji, 2014; Fiji's 5-Year and 20-Year National Development Plan; ADB's Pacific Approach, 2016–2020; and ADB's Strategy 2030.² Country consultations confirm that ADB's new CPS and future operations are expected to be broadly consistent with the CPS, 2014–2018. Operations are expected to continue in the same sectors—transport, water and other urban infrastructure, public sector management, and energy—with an increased focus on improving resilience to climate change and external shocks to support sustained, inclusive, private sector-led growth. The new CPS is likely to focus on three interlinked priorities: (i) promoting private sector investment and growth, (ii) broadening access to quality services and economic opportunities, and (iii) building resilience and reducing economic volatility. These priorities are reflected in this enhanced country operations business plan, 2019–2021. The country assistance results areas are in Appendix 1. A list of linked documents is in Appendix 2.

2. **Recent economic, social, and political developments.** Fiji is on target for its ninth consecutive year of growth in 2018. Annual growth averaged 3.2% in 2010–2018, a slight improvement from prior years. Since 2010, total investment in Fiji averaged 20.2% of gross domestic product (GDP), below the government's target of 25%, despite higher public expenditure to address infrastructure gaps, particularly in transport and water and sanitation. A key challenge is to increase private investment and reduce reliance on public investment to drive economic growth, and the government is implementing structural reforms with support from development partners. The government has significantly increased spending for education to improve productivity of the population of 884,887 with a labor force participation rate of 57.1%.³ Over half the population, 55.9%, now live in urban areas, which requires adjustments to investments in social and economic infrastructure to ensure urban centers are more livable and climate resilient. Fiji's bilateral and multilateral development partners are also supporting substantial investment in social and economic infrastructure. The government estimates that the incidence of poverty declined from 31.0% in 2008–2009 to 28.1% in 2013–2014.⁴

3. Fiji is vulnerable to disasters triggered by natural hazards, which can undermine sustained economic growth and poverty reduction. According to the United Nations Economic and Social Commission for Asia and the Pacific's ranking of countries most exposed to natural hazard-induced disasters, Fiji is 14th, with 27.7% exposure.⁵ In February 2016, tropical cyclone Winston caused damage and losses equivalent to 29.2% of GDP, which slowed growth to only 0.7% that year. Damage and losses were largely in rural areas and would have been higher had the cyclone

¹ ADB. 2014. *Country Partnership Strategy: Fiji, 2014–2018*. Manila (accessible from list of linked documents in Appendix 2).

² ADB. 2016. *Pacific Approach, 2016–2020*. Manila; ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila; Government of Fiji. 2014. *A Green Growth Framework for Fiji: Restoring the Balance in Development that is Sustainable for Our Future*. Suva; Government of Fiji. 2017. *5-Year and 20-Year National Development Plan: Transforming Fiji*. Suva.

³ Fiji Bureau of Statistics. 2018. *2017 Population and Housing Census*. Suva.

⁴ Fiji Bureau of Statistics. 2015. *2013–2014 Household Income and Expenditure Survey: Preliminary Findings Release 1*. Suva.

⁵ UNESCAP. 2015. *Overview of Natural Disasters and their Impacts in Asia and the Pacific 1970–2014*. Bangkok: United Nations.

hit a major urban center. The government has increased focus on mainstreaming disaster risk management in its development plans and policies, with the support of a number of development partners. ADB will support Fiji in financing its investments for disaster risk reductions. Recent expansionary policies in response to disasters led to increases in debt levels. Debt increased to 49.8% of GDP in FY2018, according to most recent debt statistics. The government plans to keep debt below 50.0% of GDP and to reduce debt to 45.0% of GDP by 2026.

4. **Portfolio performance.** ADB has committed \$509 million in loans, \$4 million in grants, and \$31 million in technical assistance (TA) to Fiji since it joined the bank in 1970. As of 30 June 2018, the active portfolio consisted of (i) a \$100 million transport sector investment, approved in December 2014; (ii) a \$42 million loan for an urban water supply and wastewater management project, approved in December 2016; (iii) \$50 million for emergency assistance following tropical cyclone Winston, disbursed in early 2017; and (iv) a \$15 million public sector management loan, approved and disbursed in 2018.

II. INDICATIVE RESOURCE PARAMETERS

5. **Resource envelope, 2019–2021.** Fiji, a group C developing member country, is eligible for regular OCR lending. The indicative resources available for commitment during 2019–2021 for sovereign operations amount to \$203 million. Cofinancing and funding from other sources, including the regular OCR regional cooperation and integration set-aside, will be explored.

6. The indicative 2019–2021 lending pipeline contains commitments of \$281 million in investments, excluding the Nadi River Flood Control Structures Project.⁶ The indicative lending assistance pipeline (Appendix 3, Table A3.1) includes the following:

- (i) subprograms 2 and 3 of the Sustained Private Sector-Led Growth Reform Program in 2019 (\$55 million from ADB) and 2020 (up to \$110 million from ADB), a policy-based loan with at least \$35 million cofinancing from the World Bank and possible cofinancing from Australia;⁷
- (ii) tranche 2 of the multitranche financing facility for the Urban Water Supply and Wastewater Management Investment Program, an ADB loan of \$111.1 million in 2019, with \$49.2 million cofinancing from the European Investment Bank and the government;⁸ and
- (iii) a project design advance of \$5 million to prepare the Nadi River Flood Control Structures Project (and planned TA of \$2 million to prepare the project, with project approval for financing likely in 2020 or 2021 and total project and ADB financing to be confirmed).

7. **Technical assistance.** Indicative TA of up to \$2.0 million is committed to prepare investments in the flood control structures project. Fiji will continue to benefit from regional TA in line with the regional operations business plan, 2018–2020.⁹ Priorities include building capacity for economic and financial management, providing economic policy advice, mitigating climate

⁶ The Nadi River Flood Control Structures Project is a standby project for 2020. The financing amount is to be confirmed.

⁷ The government has requested total program loan of \$230 million to assist with its financing plans over 2018–2020.

⁸ ADB. 2016. *Urban Water Supply and Wastewater Management Investment Program*. Manila.

⁹ ADB. 2017. *Pacific: Regional Operations Business Plan, 2018–2020*. Manila.

change impacts, and fostering private sector development.¹⁰ The indicative nonlending assistance pipeline for 2019–2021 is in Appendix 3 (Table A3.2).

8. **Non-sovereign operations.** Non-sovereign opportunities will be pursued in all sectors. This includes potential investment opportunities with state-owned enterprises, particularly in energy, ports, and airports. The government expects profitable state-owned enterprises to borrow commercially, without government guarantees. In some cases, there may be opportunities for parallel sovereign and non-sovereign financing.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

9. Major changes to the lending program for 2019–2021 include, at the government's request, removing proposed investments in port infrastructure from the pipeline at this time, given that it needs to clarify ownership structures of new investments, following partial privatization of Fiji Ports Corporation Limited. Tranche 2 of the Urban Water Supply and Wastewater Management Investment Program has been moved from 2018 to 2019 to allow for completion of detailed designs. The assistance program for 2018 is in Appendix 4 and indicative knowledge publications and events are in Appendix 5.

¹⁰ ADB. 2013. *Private Sector Development Initiative, Phase III*. Manila; ADB. 2011. *Pacific Economic Management—Enhanced Economic Management (Subproject 2)*. Manila.

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resource Available for Commitment in 2019–2021	Changes from Last COBP
1. Water and Other Urban Infrastructure and Services			
Increased access to clean and safe water in adequate quantities in urban centers and to sanitary and environmentally safe sewerage waste systems and treatment facilities	Urban water supply and wastewater management Capacity development for strengthening water and sewerage sector regulation	Amount: \$111.1 million (OCR) and \$49.2 million (cofinancing by EIB)	Multitranches financing facility with second tranche to be approved in 2019 instead of 2018
Resilience to climate change and external shocks	Nadi River flood control structures and watershed management	Amount: \$5.0 million (OCR) as PDA; project financing to be confirmed (cofinancing by JICA and potentially EIB) Share of COBP envelope: 41%	Government priority project included
2. Public Sector Management			
Stronger fiscal discipline and improved delivery of public services	Reforms to improve revenue and expenditure management and debt management beginning 2017–2020.	Amount: up to \$165 million (OCR) and at least \$35 million (cofinancing by World Bank; cofinancing from Australia to be determined)	The programmatic approach and subprogram 1 have been approved.
Stronger resource mobilization and private sector-led growth	Reforms to (i) improve the financial performance of SOEs to reduce fiscal strain, (ii) improve infrastructure service delivery, and (iii) facilitate private investment (led by PSDI).	Share of COBP envelope: 59%	

ADB = Asian Development Bank, COBP = country operations business plan, EIB = European Investment Bank, JICA = Japan International Cooperation Agency, OCR = ordinary capital resources; PDA = Project design advance; PSDI = Private Sector Development Initiative; and SOE = state owned enterprise.
Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/COBP/?id=FIJ-2019>

1. Country Partnership Strategy: Fiji, 2014–2018
2. ADB's Pacific Approach, 2016–2020
3. A Green Growth Framework for Fiji: Restoring the Balance in Development that is Sustainable for our Future
4. 5-Year & 20-Year National Development Plan: Transforming Fiji

INDICATIVE ASSISTANCE PIPELINE
Table A3.1: Lending Products, 2019–2021

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of TRTA/PDA	Cost (\$ million)						
						Total	ADB			Total	Gov't	Co-finance
							Regular OCR	COL	ADF Grants			
2019 Firm												
Urban Water Supply and Wastewater Management Project (MFF, tranche 2)	WUS	GI	ESG, GCD, GEM, IEG, PAR	PAUS, SPSO	NA	229.7	111.1	0.0	0.0	111.1	69.4	49.2 ^a
Sustained Private Sector-led Growth Reform Program, subprogram 2 (program loan)	PSM	GI	GCD, IEG, PAR, PSD	PAUS, SPSO	NA	90.0	55.0	0.0	0.0	55.0	0.0	35.0 ^b
Nadi River Flood Control Structures Project (PDA)	WUS	GI	ESG, GCD, GEM, IEG, PAR	SPSO	2019	5.0	5.0	0.0	0.0	5.0	0.0	0.0
2020 Firm												
Sustained Private Sector-led Growth Reform Program, subprogram 3 (program loan)	PSM	GI	GCD, IEG, PAR, PSD	PAUS, SPSO	NA	110.0	110.0	0.0	0.0	110.0	0.0	0.0 ^c
2020 Standby												
Nadi River Flood Control Structures Project	WUS	GI	ESG, GCD, GEM, IEG, PAR	SPSO	2019	TBC ^d	TBC ^d	0.0	0.0	TBC ^d	TBC ^d	TBC ^d
Total						434.7	281.1	0.0	0.0	281.1	69.4	84.2

ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending ESG = environmentally sustainable growth; GCD = governance and capacity development; GEM = gender equity and mainstreaming; GI = general intervention; Gov't = government; IEG = inclusive economic growth; MFF = multitranches financing facility; NA = not applicable; OCR = ordinary capital resources; PAR = partnerships; PAUS = Urban, Social Development and Public Management Division; PDA = project design advance; PSD = private sector development; PSM = public sector management; SPSO = Pacific Subregional Office; TBC = to be confirmed; TRTA = transaction technical assistance; WUS = water and other urban infrastructure and services.

^a European Investment Bank will cofinance with a \$49.2 million loan.

^b World Bank will cofinance subprogram 2. There is interest from Government of Australia for possible cofinancing with amount to be determined.

^c Cofinancing from World Bank is subject to availability of resources. The Government of Australia is considering cofinancing with amount to be determined.

^d Financing amounts to be confirmed. Japan International Cooperation Agency is a likely cofinancing partner for the proposed project.

Source: ADB estimates.

Table A3.2: Nonlending Products and Services, 2019–2021

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				Total (\$'000)
				ADB		Others		
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2019								
Support for Nadi River Flood Control Structures Project	WUS	SPSO	TRTA	0.0	0.0	TBC ^a	2,000.0	2,000.0
Revitalization of Informal Settlements and Environment in the Greater Suva Area Using a Water Sensitive Approach	WUS	SDCC	KSTA	0.0	0.0	TBC	TBC	TBC
Total					0.0		2,000.0	2,000.0
2020								
None								
2021								
None								

ADB = Asian Development Bank; KSTA = knowledge and support technical assistance, SDCC = Sustainable Development and Climate Change Department; SPSO = Pacific Subregional Office; TBC = to be confirmed; TRTA = transaction technical assistance; WUS = water and other urban infrastructure and services.

^a Japan Fund for Poverty Reduction is a possible funding source, subject to the approval of the Government of Japan.

Source: ADB estimates.

ASSISTANCE PROGRAM FOR CURRENT YEAR

Table A4.1: Lending Products, 2018

Project/Program Name	Sector	Poverty Targeting	Strategic Agendas and Drivers of Change	Division	Year of TRTA/PDA	Cost (\$ million)						
						ADB					Gov't	Co-finance
						Total	Regular OCR	COL	ADF Grants	Total		
2018 Firm												
Sustained Private Sector-Led Growth Reform Program (subprogram 1) (PBL)	PSM	GI	ESG, GCD, IEG, PAR, PSD	PAUS	NA	30.0	15.0	0.0	0.0	15.0	0.0	15.0 ^a
Total						30.0	15.0	0.0	0.0	15.0	0.0	15.0

ADB = Asian Development Bank; ADF = Asian Development Fund; COL = concessional OCR lending; ESG = environmentally sustainable growth; GCD = governance and capacity development; GI = general intervention; Gov't = government; IEG = inclusive economic growth; NA = not applicable; OCR = ordinary capital resources; PAR = partnerships; PAUS = Urban, Social Development and Public Management Division; PBL = policy-based loan; PDA = project design advance; PSD = private sector development; PSM = public sector management; TRTA = transaction technical assistance.

^a World Bank cofinanced subprogram 1.

Source: ADB estimates.

Table A4.2: Nonlending Products and Services, 2018

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				
				ADB		Others		Total (\$'000)
				Source	Amount (\$'000)	Source	Amount (\$'000)	
2018								
Supporting Public Financial Management Reform ^a	PSM	SPSO	KSTA	TASF	750.0			750.0
Supporting Public Financial Management Reform (additional financing)	PSM	SPSO	KSTA			AUS	302.0	302.0
Support for Fiji's Ministry of Civil Service ^b	PSM	SPSO	KSTA	TASF	225.0			225.0
Support for Energy Sector Regulatory Capacity and Electrification Investment Planning (additional financing)	ENE	PATE	KSTA	TASF	200.0			200.0
Total					1,175.0		302.0	1,477.0

ADB = Asian Development Bank; AUS = Australia; ENE = energy; KSTA = knowledge and support technical assistance; PATE = Pacific Department's Transport, Energy, Natural Resources Division; PSM = public sector management; SPSO = Pacific Subregional Office, TASF = Technical Assistance Special Funds.

^a The technical assistance was approved on 24 November 2017 and committed on 5 January 2018.

^b The technical assistance was approved and committed on 26 April 2018.

Source: ADB estimates.

INDICATIVE KNOWLEDGE PUBLICATIONS AND EVENTS

Table A5.1: Knowledge Publications and Events for 2019

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Technical Assistance
Asian Development Bank and Fiji: Fact Sheet 2019	ADB administration and governance	Publication or document: Awareness raising brochure or leaflet	DER, PARD	
Pacific Energy Update 2019	Energy	Publication or document: Awareness raising brochure or leaflet	PARD	
Pacific Transport Update 2019	Transport	Publication or document: Awareness raising brochure or leaflet	PARD	
Asian Development Outlook 2019 – Fiji	Economics	Publication or document report	PARD	
Asian Development Outlook Update 2019	Economics	Publication or document report	PARD	
Pacific Economic Monitor July 2019	Economics	Publication or document report	PARD	TA 8565-REG
Pacific Economic Monitor December 2019	Economics	Publication or document report	PARD	TA 8565-REG
Health Financing Report	Health	Publication or document report	SDCC	TA 8983-REG
Total number of publications = 7				
Total number of events = 0				

ADB = Asian Development Bank, DER = Department of External Relations, PARD = Pacific Department, REG = regional technical assistance, SDCC = Sustainable Development and Climate Change Department, TA = technical assistance.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development.

Source: ADB. K-Nexus Database, 21 September 2018.

Table A5.2: Additional Knowledge Publications and Events Delivered in 2018

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Technical Assistance
Pacific Economic Monitor (July 2018)	Economics	Publication or document: Technical study	PARD	TA 8565-REG
Pacific Economic Monitor (December 2018)	Economics	Publication or document: Technical study	PARD	TA 8565-REG
Pacific Energy Update 2018	Energy	Publication or document: Awareness raising brochure or leaflet	PARD	
Pacific Transport Update 2018	Transport	Publication or document: Awareness raising brochure or leaflet	PARD	
Asian Development Bank and Fiji: Fact Sheet 2017	ADB administration and governance	Publication or document: Awareness raising brochure or leaflet	DER, PARD	
Asian Development Outlook 2018 – Fiji	Economics	Publication or document: Technical study	PARD	
Asian Development Outlook Update 2018	Economics	Publication or document: Technical study	PARD	
Total number of publications = 7				
Total number of events = 0				

ADB = Asian Development Bank, DER = Department of External Relations, PARD = Pacific Department, REG = regional technical assistance, TA = technical assistance.

Note: "Publications" may include databases, multimedia, and other forms of documentation. "Events" may include event organization and training or capacity development. The table includes additional knowledge publications and events delivered outside the list of indicative knowledge publications and events included in the 2018 country operations business plan.

Source: ADB. K-Nexus Database, 21 September 2018.

Table A5.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2019

Item	Nature	Project Number	Sector or Theme	Division
Revitalization of Informal Settlements and their Environments using a Water-Sensitive Approach	PLT	51290-001	WUS	SDSC-URB
Total number of innovation, advanced technology, and pilot initiatives = 0				

PLT = pilot initiative; SDSC-URB = Sector Advisory Service Cluster – Urban; WUS = water and other urban infrastructure and services
Source: ADB.