

CSD STATEMENT ON GOVERNMENT BORROWING AND PUBLIC DEBT

IN THE CONTEXT OF FIJI'S MEDIUM TERM FISCAL STRATEGY

The Fiji Government, through the Ministry of Finance, Strategic Planning, National Development and Statistics, has developed a Medium Term Fiscal Strategy 2024–2026(MTFS) as part of its annual budgetary process. The release of the MTF Strategy was followed by a National Economic Summit (20–21 April, 2023), a consultation mechanism last implemented in 2008. As its host, the Minister for Finance invited participants to a renewed process of dialogue, consultation and collaboration to reshape Fiji's economy and therefore the collective future of its people.

The Summit was framed as an opportunity to re-look at Fiji's key economic challenges, in particular the triple threat of critical levels of debt against GDP which today stands at \$9.6billion, delayed investments in critical essential infrastructure, and excessive exposure to global shocks including the global pandemic, climate emergency and the war in Ukraine.

These were the bases on which the new Coalition Government convened this Summit.

Against this backdrop, representatives and associates of national and regional civil society organisations held a two-day workshop on debt and other key components of Fiji's fiscal policies and plans. Participants were presented with and had the opportunity to consider and discuss nuances of Fiji's national debt and government borrowing, Fiji's debt profile, its drivers and dynamics, and how debt is/should be governed.

Following the insightful discussions over the two-day workshop, and consistent with the view that open and honest dialogue with communities had, for some considerable time, neither been a prominent nor frequent characteristic of governance in Fiji, there needed to be a re-learning of the principles and practice of inclusive government;

Recognising that the right processes must be found and refined to ensure none, particularly workers and ordinary citizens who are amongst Fiji's most vulnerable, are left behind;

Firmly believing in the people of Fiji, including the numerous communities represented by civil society organisations, as holders of knowledge and expertise, with their creative energy and willingness to share responsibility, together constitute Fiji's greatest economic strength;

CALL on the Fiji Government, and in particular the Minister for Finance, Strategic Planning, National Development and Statistics, as well as the Fiscal Review Committee,

to consider the following recommendations in renewed efforts to reweave Fiji's economic policies and rebuild its economy:

That, the Government will continue to ensure the following PRINCIPLES are included:

- **Accessibility, Inclusiveness, Accountability and Transparency** in its economic decision-making processes. Specifically;
 - Building on the Resolutions from the Summit, a post-summit consultative framework must ensure greater inclusion and involvement of civil society;
 - **Established civil society organisations and representatives shall be critical and valued participants** in Government's policy-making processes as, without their participation, national consultations would not be genuinely inclusive, strategies would be rendered ineffective, and programme implementation unsustainable;
 - Civil society organisations and representatives shall be **compulsory participants in the nation's economic governance** along the lines of the 'tripartite' model.
- **Debt sustainability is considered holistically**, through sustainable economic and social development policies, fiscal responsibility and lowering the costs of public borrowings;
- **Equity** in access to growth incentive opportunities as well as in burden-sharing so that people in the lower socio-economic brackets are not excluded from opportunities to improve their living standards and well-being; and
- **Cost-cutting measures introduced to service debt** are not considered in isolation from their impacts on people's daily lives. Austerity measures are considered only as a last resort and must prioritize **people's well-being and ensure that people in lower socio-economic brackets are not** made to carry disproportionately the burdens of such measures. There must also be intergenerational equity to ensure that women and young people aren't saddled with restrictive debt burdens.

We urge the Government to consider the following recommendations and proposals:

That in its pursuit of Fiscal Consolidation, the Government:

- pursue the reduction of wastage from government spending as a first step in debt management, as pointed out in the Economic Summit Resolution; (1)
- conduct impact assessments of austerity measures in terms of longer-term economic and human development ramifications especially on the poorest and most vulnerable segments of society, so that they can be made more equitable and fair with the burden of austerity not being borne disproportionately by the most economically vulnerable;
- review the national taxation system with a view to making it more equitable by taxing income earners in proportion to their ability to pay. A fairer, progressive

taxation system is to be adopted in place of the proposed VAT increase to 15% across the board, which will disproportionately hurt lower-income earners. The taxation system shall also consider increasing corporate tax, reducing tax holidays, applying tariffs on high-end imports, raising the departure tax while maintaining the threshold for PAYE tax, and the limits on repatriating funds out of Fiji;

- given the implications of job cuts in social services which are often targeted for cutbacks, reconsider the option of 'right-sizing' the public sector through inclusive consultation with trade unions;
- actively manage its public debt portfolio including its contingent liabilities so that it is borrowing at the lowest possible cost and risk;
- actively seek grant-based budget support from all development partners without explicit or hidden conditionalities;
- maintain prudent levels of public spending on social programs and refrain from 'knee-jerk' reductions in order to accommodate debt servicing requirements;
- explore and maximise the use of all available 'levers' for economic diversification to increase economic growth; and
- make all efforts to avoid resorting to borrowing for debt servicing as an immediate recourse.

That its Growth Plan should:

- serve the economy holistically benefiting sustainability, livelihoods, environment and social functioning. Private sector-led growth in this regard shall always serve the community and not be a goal in and of itself;
- in this regard, and underscoring the Economic Summit Resolution, any growth plan should be made in full consultation and "partnership... with civil society organisations and stakeholders to create jobs and raise people's income level and living standards." (2)
- ensure diversification of the economy, given the vulnerabilities to high dependency of a few sectors, whilst noting the need for greater domestic investment and FDI that brings lasting genuine benefits and re-investments into our national economy, rather than capital repatriation;
- as a further consideration of the approach proposed in Resolution 6 of the Summit Outcomes, invest more robustly in the diversification of agriculture options, maximizing branding and access to niche or high-value markets for Fiji-made products;
- enhancing the ease of doing business as an incentive to benefit and prioritize local ventures and MSMEs as opposed to primarily incentivizing foreign investment. However, incentives to encourage local ventures and MSMEs should not be used as a pretext for inappropriate liberalization and marketization that only foreign businesses are able to take advantage of;
- ultimately the final measure of any growth plan is its contribution to actual human development. In this regard, in keeping with the emphasis on human development as reflected in Resolution 2 of the Summit Outcomes, undertake an urgent review of the education curriculum and education delivery platforms, such as vocational

education and training (3) (NTPC), to increase relevance and ensure correspondence to Fiji's growth needs; and

- review revenue generation avenues such as FDI and remittances to enable a better assessment of their net benefits when compared to the steep social and opportunity costs to Fiji.

In summary, in considering how best to manage the country's public debt, the Government should:

- prioritize grant funding;
- where loans are necessary, apply due diligence in seeking 'lowest rates over the longest periods' as well as 'wiggle room' in debt servicing options;
- conduct a risk assessment on its borrowings and how identified risks, including contingent liabilities, are to be managed;
- be purposeful and explicit in its borrowing objectives;
- renegotiate with foreign lenders so that exogenous shocks such as natural disasters or pandemics shall automatically suspend repayments and interest payments until countries are in a better position;
- ensure that geo-political and other pressures do not undermine the autonomy of Fiji to choose the best financing options on whom to borrow from and that borrowings are not tied to economic or political conditionalities, thereby reducing the policy space the country needs to pursue its developmental priorities; and
- explore the idea of establishing a regional debt governance agency or competency to provide Pacific Small Island Developing States jurisdictions with high-level technical advice and assistance in the formulation and implementation of debt management strategies.

In the governance of debt,

- reiterating the Economic Summit Resolution, the Government shall put in place "...Parliamentary processes to build a national consensus..." on how to manage and govern public debt, which clearly poses an "inter-generational challenge," (4)
- recognize that Fiji's debt management strategy should not be the exclusive purview of the Minister for Finance and that there is a need for broader engagement with other relevant agencies, government bodies and the Parliament, as well as consultation mechanisms for civil society, media, academics and other stakeholders;
- ultimately, the Executive is accountable to Parliament for the management and governance of the country's public debt. The country's debt management strategy and annual borrowing plans should be debated and approved by the Parliament;
- the Government should review and strengthen Fiji's current economic and debt governance structure, jurisdictions and interlocking functions in terms of transparency, accountability and capacity, particularly given the onerous challenges facing the economy in the context of multiple threats and exposure to external shocks;
- ensure an enhanced role for the Auditor-General to assess the performance of the Government's debt management function both substantively and procedurally, and

its adherence to a debt strategy and borrowing plan that have been approved by Parliament, as well as to relevant primary and secondary legislation relating to public finance management and debt management;

- the Auditor-General shall perform this task in an independent and timely manner and shall present its public debt audit to Parliament.

We look forward to ongoing discussions and opportunities to provide proposals on how to address Fiji's debt obligations.

Endorsed:

1. Fiji Council of Social Services (FCOSS);
2. Fiji Public Service Association (FPSA)
3. Social Empowerment Education Programme (Fiji) (SEEP);
4. Adi Finau Tabakauoro;
5. Ms Kuni Lutua;
6. Mrs Priscilla Singh;
7. Dr Claire Slatte;
8. Pacific Island Association of Non-Government Organisations (PIANGO);
9. Pacific Islands Climate Action Network (PICAN)
10. Pacific Youth Council (PYC); and
11. Pacific Network on Globalisation (PANG).

Endnotes:

- 1) [Resolutions – National Economic Summit 2023](#). Macro-economic and Fiscal Framework, "...reinforced the need for sound fiscal management discipline and practice by reducing wastage in Government spending." Para 9.
- 2) [Resolutions – National Economic Summit 2023](#). Sustainable Private sector Participation, "... encouraged Government to work in genuine partnership with the private sector, civil society and other stakeholders to create jobs and raise our people's income levels and living standards." Para 17.
- 3) [Resolutions – National Economic Summit 2023](#). Employment and Labour Market, "...emphasized the serious lack of skilled labour arising from labour mobility and urged government to re-establish the apprenticeship schemes training under the Fiji National Training Productivity Council as a strategy to address the skills gaps." Para 65.
- 4) [Resolution – National Economic Summit 2023](#). Governance and Reforms, "...underscored the need for the legislature to work as intended and to use Parliamentary processes to build a national consensus on inter-generational challenges such as health, education, the sugar industry and economic growth to improve predictability and unity of purpose." Para 32.