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Report No: ICR00005173

IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IBRD-88400 AND IDA-65010, IDA-65000, IBRD-90160)

ON A

DEVELOPMENT POLICY LOAN/CREDIT

COMPRISING

AN IBRD LOAN IN THE AMOUNT OF US\$15 MILLION AND

US\$64 MILLION EQUIVALENT COMPRISING: IBRD LOAN IN THE AMOUNT OF US\$6 MILLION, IDA  
SCALE-UP FACILITY CREDIT IN THE AMOUNT OF US\$29 MILLION AND IDA CREDIT IN THE  
AMOUNT OF SDR 21.05 MILLION (US\$29 MILLION EQUIVALENT)

TO THE

REPUBLIC OF FIJI

FOR A

FISCAL SUSTAINABILITY AND CLIMATE RESILIENCE DPO

AND A

FIJI SECOND FISCAL SUSTAINABILITY AND CLIMATE RESILIENCE DPO

October 29, 2021

Macroeconomics, Trade and Investment Global Practice  
East Asia and Pacific Region

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### CURRENCY EQUIVALENTS

(Exchange Rate Effective October 19, 2021)

Currency Unit = Fijian Dollar (FJD)

FJD 2.08 = US\$1

US\$ 0.48 = SDR 1

### GOVERNMENT FISCAL YEAR

August 1–July 31

### ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CPF	Country Partnership Framework
DPO	Development Policy Operation
ECAL	Environment and Climate Adaptation Levy
EIA	Environmental Impact Assessment
EOI	Expression of Interest
FDI	Foreign Direct Investment
FNPF	Fiji National Provident Fund
GDP	Gross Domestic Product
IFC	International Finance Corporation
IMF	International Monetary Fund
ISR	Implementation Status and Results Report
IT	Indicative Trigger
M&E	Monitoring and Evaluation
MCTTT	Ministry of Commerce, Trade, Tourism and Transport
MoE	Ministry of Economy
MTFS	Medium-Term Fiscal Strategy
NCCP	National Climate Change Policy
NDP	National Development Plan
PA	Prior Action
PDO	Program Development Objective
PFTAC	Pacific Financial Technical Assistance Centre
RBF	Reserve Bank of Fiji
RI	Results Indicator
ROC	Registrar of Companies
SCD	Systematic Country Diagnostic
SOE	State-Owned Enterprise
TC	Tropical Cyclone
TIN	Tax Identification Number

Regional Vice President: **Manuela V. Ferro**

Country Director: **Stephen N. Ndegwa**

Regional Director: **Hassan Zaman**

Practice Manager: **Lars Christian Moller**

Task Team Leaders: **Demet Kaya, Tuimasi Radravu Ulu**

ICR Main Contributor: **Angella Faith Montfaucon**



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DATA SHEET

BASIC INFORMATION

Program Series

Project ID	Short Name	Full Name
P165276	Fiji DPO	Fiscal Sustainability and Climate Resilience DPO
P168402	Fiji DPO2	Fiji Second Fiscal Sustainability and Climate Resilience DPO

Series Details (USD)

Project ID	Approved Amount	Disbursed Amount
P165276	15,000,000.00	15,000,000.00
P168402	64,000,000.00	63,730,092.38
<b>Total</b>	<b>79,000,000.00</b>	<b>78,730,092.38</b>

	P165276	P168402
Policy-Based Guarantees	No	No
Ln/Cr/TF	IBRD-88400	IDA-65010,IDA-65000,IBRD-90160
Concept Review	28-Sep-2017	26-May-2019
Decision Review	07-Nov-2017	06-Aug-2019
Approval	02-Apr-2018	07-Nov-2019
Effectiveness	27-Apr-2018	25-Mar-2020
Original Closing	30-Jun-2019	07-Nov-2020
Actual Closing	30-Jun-2019	07-Nov-2020



Crisis or Post-Conflict	No	No
Regular Deferred Drawdown Option	No	No
Catastrophe Deferred Drawdown Option	No	No
Sub-National Lending	No	No
Special Development Policy Lending	No	No

**Organizations**

Series Project	Borrower	Implementing Agency
P165276	Ministry of Economy	
P168402	Republic of Fiji	Ministry of Economy

**Program Development Objective (PDO)**

Program Development Objective (PDO) (From last operation in the series)

The Development Objective of the Second Fiscal Sustainability and Climate Resilience DPO is to support the government's effort to: (i) strengthen medium-term fiscal sustainability; (ii) improve the investment climate; and (iii) build climate resilience.

**PROGRAM FINANCING DATA (USD)****World Bank Administered Financing**

	Approved Amount	Actual Disbursed
<b>P165276</b>		
IBRD-88400	15,000,000	15,000,000
<b>P168402</b>		
IDA-65010	29,000,000	28,730,092
IDA-65000	29,000,000	29,000,000
IBRD-90160	6,000,000	6,000,000
<b>Total</b>	<b>79,000,000</b>	<b>78,730,092</b>



**RATINGS SUMMARY**

**Program Performance**

<b>Overall Outcome</b>	<b>Relevance of Prior Actions</b>	<b>Achievement of Objectives (Efficacy)</b>
Moderately Unsatisfactory	Satisfactory	Moderately Unsatisfactory

**Bank Performance**

Moderately Satisfactory

**ACCOUNTABILITY AND DECISION MAKING**

**At ICR:**

<b>Regional Vice President</b>	<b>Country Director</b>	<b>Director</b>
Manuela V. Ferro	Stephen N. Ndegwa	Hassan Zaman
<b>Practice Manager</b>	<b>Task Team Leader(s)</b>	
Lars Christian Moller	Demet Kaya, Tuimasi Radravu Ulu	

**At Approval:**

<b>P165276</b>		
<b>Regional Vice President</b>	<b>Country Director</b>	<b>Director</b>
Victoria Kwakwa	Michel Kerf	Carlos Felipe Jaramillo
<b>Practice Manager</b>	<b>Task Team Leader(s)</b>	
Ndiame Diop	Mizuho Kida	

<b>P168402</b>		
<b>Regional Vice President</b>	<b>Country Director</b>	<b>Director</b>
Victoria Kwakwa	Michel Kerf	Hassan Zaman
<b>Practice Manager</b>	<b>Task Team Leader(s)</b>	



Ndiame Diop

Demet Kaya

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## I. PROGRAM CONTEXT AND DEVELOPMENT OBJECTIVES

### A. Context at Appraisal<sup>1</sup>

#### Context

- In the years leading up to the two Development Policy Operation (DPO) series, greater political stability provided a favorable context for growth, despite Fiji's exposure to natural disasters.** Frequent natural disasters, especially cyclones and floods, has been one reason Fiji has not yet realized its full development potential. This high risk from frequent natural disasters, prior intermittent political crisis, high costs of doing business, and difficulties of finding and retaining skilled workers, also contributed to low investment. Since 2014, a more stable political environment, along with a reengagement with the international financial community provided a favorable context for economic growth and development.
- Economic growth in recent years was underpinned by robust tourism, rising household consumption, investment growth and expansionary fiscal policy from post-cyclone reconstruction. Average growth during 2014-18 was 4.3 percent (3.9 percent in per capita terms), compared to 1.5 percent (0.9 percent in per capita terms) during 2007-13 and Fiji's estimated potential growth rate of 3 percent.** Inflation was broadly contained but ticked up to 4.1 percent year-on-year in December 2018,<sup>2</sup> mainly due to the effects of TC Josie and TC Keni, and the series of floods in the early months of the year.
- Despite higher tourism and transport receipts, the external balance deteriorated due to a sharp increase in the trade deficit.** The current account deficit widened in 2018 to 9.4 percent of GDP from 7.1 percent in 2017. The larger current account deficit, combined with lower foreign direct investment (FDI) primarily because of repatriation of investment dividends, resulted in an 18 percent reduction of foreign reserves, which were US\$940 million at end-2018, equivalent to 4.4 months of imports.
- Increasing investment in basic infrastructure and human capital formation led to an expansionary fiscal policy stance since 2014.** Damages caused by TC Winston in early 2016 required a substantial recovery and reconstruction program that was being implemented during the period of the series. As a result, Fiji went from a significant reduction in the debt-to-GDP ratio (56.2 percent at end-2010 to 43.5 percent in FY2017), to a widening net fiscal deficit (4.6 percent in FY2018) and higher public debt (45.9 percent in FY2018). Tax revenue to GDP averaged 24.4 percent of GDP in the three years before DPO2 (FY15–FY18). As a means to boost revenue, mainly given the large size of the informal economy (around 30 percent of GDP), the Government centered on expanding the revenue base through simplifying the tax system, lowering tax rates to encourage compliance, and promoting private investment.
- The pre-COVID trajectory was positive.** The fiscal outlook was positive given the government's commitment to fiscal consolidation over the medium-term. The medium- and long-term targets projected

<sup>1</sup> The Program Context comprises a brief summary of relevant country political, macroeconomic, and structural/sector background, at the time of the preparation of the operation. See program document *at this link* for more details.

<sup>2</sup> The Fiji Bureau of Statistics (FBOS), with support from the International Monetary Fund (IMF) Pacific Financial Technical Assistance Centre (PFTAC) completed its exercise on rebasing GDP to the year 2014. The recent macroeconomic trends partially reflect the resulting upward adjustments in Fiji's real GDP figures, which are now based on 2014 constant prices.





to reduce debt to 45 percent of GDP and the deficit to 2 percent of GDP (Table1), prior to COVID-19. The medium-term growth outlook was also positive, driven by tourism, but subject to downside risks. Downside risks were expected to stem from natural disasters, higher oil prices, slower growth in main trading partners, and delays in implementing structural reforms required to mobilize private investment.

**Table 1. Key Macroeconomic Indicators at the Time of Preparation of DPO2<sup>a</sup>**

	2015	2016	2017	2018	2019	2020	2021	2022
			Est.	Est.	Proj.	Proj.	Proj.	Proj.
<b>Real Economy</b>								
Annual percentage change, unless otherwise indicated								
GDP (nominal FJ\$, mn)	9,822	10,320	10,893	11,710	12,333	12,984	13,665	14,375
Real GDP	4.7	2.6	5.2	4.2	2.7	3.0	3.0	3.0
Per Capita GDP (in current US\$)	5,310	5,548	6,001	6,151	6,446	6,758	7,045	7,898
GDP deflator	2.4	2.4	0.4	3.3	2.7	2.5	2.5	2.5
Consumer price inflation, period average	10.6	3.8	3.3	4.1	3.5	3.0	3.0	3.0
<b>Fiscal Accounts</b>								
Percent of GDP								
Revenues	27.4	27.5	27.8	27.6	27.3	27.1	26.7	26.7
Expenditures	30.9	30.4	31.2	31.4	30.3	29.4	28.4	28.2
General Government Balance	-3.5	-2.8	-3.4	-3.8	-3.0	-2.3	-1.7	-1.5
Government debt	44.4	44.2	45.1	46.4	46.9	46.9	46.2	45.4
Domestic	31.7	31.5	32.2	33.8	34.2	33.7	32.5	31.9
External	12.7	12.7	12.8	12.6	12.7	13.2	13.7	13.5
<b>Balance of Payments</b>								
Percent of GDP, unless otherwise indicated								
Current Account Balance	-3.8	-4.0	-7.1	-9.4	-7.7	-7.7	-7.5	-7.5
Trade balance	-19.5	-20.4	-20.7	-24.1	-22.5	-22.1	-21.2	-21.2
Goods Imports	40.2	39.0	39.4	42.1	41.0	40.6	39.5	39.5
Goods Exports	20.8	18.7	18.7	18.0	18.5	18.5	18.3	18.3
Services (net)	15.7	16.1	15.4	15.5	15.5	15.3	15.2	15.2
Income (net)	-6.1	-5.5	-8.0	-6.4	-6.2	-6.2	-6.7	-6.7
Transfers (net)	6.1	5.8	6.2	5.6	5.5	5.3	5.2	5.2
Foreign Direct Investment (net)	5.1	8.2	7.4	6.2	5.8	5.8	5.9	5.9
Gross reserves (in US\$)	914	902	1,108	940	919	957	1,005	1,005
In months of retained imports	5.5	5.3	5.8	4.4	4.7	4.7	4.8	4.8
<b>Selected Monetary Accounts</b>								
Annual percentage change, unless otherwise indicated								
Base Money	8.4	0.5	18.4					
Credit to private sector	14.4	12.7	9.3					
Interest (key policy rate, %)	0.5	0.5	0.5					
<b>Other memo items</b>								
GDP (US\$, mn)	4,617	4,845	5,309	5,467	5,755	6,060	6,408	6,845
Exchange rate (FJ\$/USD, period average)	2.13	2.13	2.05	2.14				
Remittances (% of GDP)	5.0	5.2	4.9	4.8	4.7	4.6	4.6	4.6

Source: Ministry of Economy (MoE) and International Monetary Fund (IMF) and World Bank staff estimates.

Note: a. Table 1 is the macroeconomic outlook at the preparation phase, which was significantly affected by the economic effects of the COVID-19 pandemic. This is discussed in more detail in the efficacy section of this report.

**6. The DPO series supported Fiji’s reform effort to strengthen medium-term fiscal sustainability while undertaking reforms to improve the business climate and resilience to climate change.** The series supported the Government’s efforts to strengthen fiscal sustainability in the medium term, following the 2018 budget’s focus on completing the TC Winston reconstruction program. The Government also aimed to reduce fiscal risk by rationalizing policies for granting of Government guarantees to state-owned enterprises (SOEs). The series also supported the Government’s efforts to increase private sector investment through measures aimed at improving the business environment, streamlining the procedures for business registration, and strengthening governance. This was through amendments to investment laws and regulations and the implementing framework of the Personal Property Securities Act 2017. The reforms in the second operation aimed to strengthen the resilience of single-story schools and housing



that has proved to be highly vulnerable to climate-related disasters and improve the resilience of transport infrastructure and water supply.

7. **The series was aligned with priorities in the National Development Plan (NDP) 2017 of the Government and with the priorities identified by the Systematic Country Diagnostic (SCD) of June 2017.** The priorities identified by the SCD of June 2017 remained central to the objectives and proposed outcomes of the first Country Partnership Framework (CPF) for Fiji that was in preparation during DPO2. The series directly contributed to three of the five strategic priorities identified in the SCD to accelerate Fiji's progress toward the twin goals of ending extreme poverty and promoting shared prosperity in a sustainable manner through (a) safeguarding fiscal sustainability, (b) improving the business environment, and (c) investing in climate resilience. The new five-year CPF (2018–22) was expected to be completed in 2018.<sup>3</sup> The DPO also built on the considerable policy engagements and investments by the International Finance Corporation (IFC). Finally, the second operation was closely aligned with the mainstreaming of climate resilience activities evident across all sectors in NDP 2017 and focused on objectives articulated in the previous DPO1.

#### **Original Program Development Objective(s) (PDO) (as approved)**

8. **The series supported the Government of Fiji through three main PDOs.** These PDOs were: reforms to (a) safeguard medium-term fiscal sustainability while (b) creating an environment for private sector-led growth and (c) building climate resilience.

#### **Original Policy Areas/Pillars Supported by the Program (as approved)**

9. **The series was structured around three pillars of policy actions that aligned with the three objectives: (a) Improving fiscal sustainability, (b) Improving investment climate, and (c) Building climate resilience.** Each pillar was directly formulated based on each PDO.

10. **Pillar I: Strengthening medium-term fiscal sustainability relates directly to the PDO to safeguard medium-term fiscal sustainability.** This focused on the need for the Government to ensure prudent fiscal policy and rebuild fiscal buffers to enable effective responses to future climate and financial shocks. This pillar supported the Government's efforts to implement an expenditure-led medium-term fiscal consolidation, simplify the tax system to encourage compliance and private sector-led growth, and strengthen the framework of monitoring fiscal risks associated with Government guarantees provided to the Government entities.

11. **Pillar II: Improving investment climate supported the Government's effort to attract more FDI.** This was achieved by updating the country's arbitration law to recognize and enforce overseas arbitration awards and improve the business climate by reducing the costs of dealing with construction permits, starting a business, and increasing access to finance. This pillar is directly linked to the PDO, centering on removing constraints to FDI and reducing the costs of doing business in Fiji.

12. **Pillar III: Building climate resilience supported the Government's effort to strengthen climate resilience by strengthening new single-story schools and residential housing to withstand cyclone winds**

<sup>3</sup> Fiji's first CPF covering FY2021–24 was approved and launched in early 2021 and is available at <https://openknowledge.worldbank.org/handle/10986/35099>.



**and enhance the resilience of key vulnerable sectors.** DPO1 had no prior actions (PAs) for this pillar but an indicative trigger (IT) for the next operation for the Government to incorporate improved building standards in the Fiji National Building Code.

### B. Significant Changes During Implementation

#### Revised Program Development Objectives (PDOs)

13. **The three PDOs generally remained unchanged through the course of the DPO series.**

#### Revised Policy Areas/Pillars supported by the Program

14. **The three specific pillars generally remained unchanged through the course of the DPO series, with some changes in wording and added areas of focus of the sub-pillars of Pillar III.** There was a change in the wording of Pillar I from simply 'fiscal sustainability' to 'medium-term fiscal sustainability' but there were no changes in the main policy areas of the pillars. However, there were some changes in terms of the sub-themes of the pillars. DPO2 introduced added focus on two aspects. The first is on access to credit especially for women and the second is on climate change resilience. The focus on gender and climate change was both on the back of the second operation being the first IDA operation, which entails a key focus on the two areas but also added focus on these policy issues for the Government. On the Government side, Fiji launched a National Gender Policy in 2014, but policy discussions and engagements on gender became more apparent after DPO1. On climate change, in 2017, the Government developed a National Climate Change Policy and completed the Climate Vulnerability Assessment. The Government also demonstrated a strong commitment to improving Fiji's resilience to natural hazards as illustrated by its efforts to integrate climate and disaster risk and resilience into NDP 2017.

#### Other Changes

15. **The second operation was the first IDA operation and was mainly implemented during the COVID-19 period.** This was the first DPO for Fiji and the second DPO was the first IDA operation. The majority of the implementation period for the second operation was during the COVID-19 pandemic, which affected the operation as a whole. More details are discussed in the efficacy section in sub-section B of section II. There were changes in the ITs and results indicators (RIs) that are also further discussed in the next section.



**II. ASSESSMENT OF KEY PROGRAM DESIGN AND OUTCOMES**

Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
<b>Pillar I. Improving fiscal sustainability/Strengthen medium-term fiscal sustainability</b>		
<p><b>PA#1:</b> The Borrower, through its Parliament, has: (a) eliminated the dividend taxation regime; (b) raised the minimum income tax threshold for its male and female residents from F\$16,000 to F\$30,000 per annum; (c) increased the Environment and Climate Adaptation Levy from 6 to 10 percent; (d) introduced a F\$0.10c charge per bag on plastic bags at retail outlets; and (e) increased fiscal duties on cigarettes, tobacco, and alcohol by 15 percent.</p>	<p><b>IT#1:</b> The 2018-19 budget introduces expenditure measures to help achieve the government’s medium-term fiscal consolidation, including: (a) rationalizing capital expenditure; (b) not increasing current expenditure in real terms; and (c) adopting additional expenditure side measures identified by the public expenditure review that will be completed in 2018.</p> <p><b>PA#1:</b> The Recipient, through its Cabinet, has approved a Medium-Term Fiscal Strategy that strengthens fiscal discipline and initiates fiscal consolidation through expenditure-side measures, consistent with debt sustainability.<sup>4</sup></p>	<p><b>The fiscal deficit is reduced.</b></p> <p><b>Original</b> Baseline (2017–18):<sup>5</sup> The budgeted fiscal deficit is 7.4 percent of GDP. Target (2019–20): The actual fiscal deficit is less than 2.8 percent of GDP. Result (2019–20): 4.7 percent of GDP</p> <p><b>Revised</b> Baseline (2017–18): 4.4 percent of GDP Target (2019–21): Less than 3.0 percent of GDP Result (2019–21): 7.0 percent of GDP<sup>6</sup> Current status (2021): 16.2 percent of GDP <sup>7</sup> (Source: MoE, FY22 budget)</p>

<sup>4</sup> Strengthened and reformulated from a focus to a single budget to mandating a structural change over the medium term.

<sup>5</sup> 2017–18 implies FY18, 2021 implies average of FY21, and so on. This is based on the baseline values which were set on the fiscal year and not the calendar year. Nevertheless, the achievement of targets has the same outcome using with the calendar year or the fiscal year.

<sup>6</sup> This is the average of the deficits as follows: FY19 (3.5 percent of GDP), FY20 (5.9 percent of GDP), and FY21 (11.5 percent of GDP).

<sup>7</sup> Estimated for FY22.



Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
<p><b>PA#2:</b> The Borrower, through its Ministry of Economy, has approved a new framework to guide the strengthening of fiscal oversight of its State-Owned Enterprises.</p>	<p><b>IT#2:</b> A new policy framework for granting on-lending and/or government guarantees to SOEs is approved.</p> <p><b>PA#2:</b> The Recipient, through its Cabinet, has approved the Government Guarantee Policy for granting guarantees to government entities.</p>	<p><b>The Government moves to a more prudent and transparent approach to granting guarantees to Government entities.</b></p> <p><b>Original</b>  SOE Credit Risk  Baseline (2016–17):  Decisions to on-lend and give guarantees do not consider the SOE’s credit risk.  Target (2019–20): Decisions to on-lend and give guarantees are justified with explicit reference to the SOE’s credit risk, as evidenced by the Minister for Economy’s written approval in the case of on-lending and by the minutes of the Cabinet decision in the case of guarantees.<sup>8</sup>  Result (2019–20): Risk is being assessed, and the Guarantee policy is in place.<sup>9</sup></p> <p><b>Revised</b>  SOE fiscal risks  Baseline (2016–18): Fiscal risks arising from entities are not quantified or reported.  Target (2019–20): Fiscal risks arising from entities are quantified and reported annually.  Result (2019–20): The 2019/20 Government debt report by the MoE reports the risk profiles of publicly guaranteed liabilities.  Current status (2021): The 2020/21 report continues to provide the risk profiles of publicly guaranteed liabilities.</p> <p>Guarantee fees  Baseline (2016–18): Guarantee fees do not consider the entity’s credit risk.  Target (2019–20): New guarantee fees will be based on the overall risk profile of the entity.</p>

<sup>8</sup> This indicator was replaced in DPO2 by the two indicators on broader fiscal risks as well as guarantee fee, as it is quite challenging to measure.

<sup>9</sup> The Government passed the Government guarantee policy, approved on March 19, 2019, which assesses SOEs’ financial health but not explicitly credit risk. The MoE will provide the list of guarantees. This policy is in place and is being followed. The Government cannot share the Cabinet approval but the MoE confirmed this. List of Government Guarantees is available in the ‘Government Annual Debt Report’ published on the MoE website.



Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
		<p>Result (2019–20). Entities are charged guaranteed fees based on the overall risk profile of the entity. Exemptions may apply as advised otherwise by the MoE in exceptional cases.<sup>10</sup></p> <p>Current Status (2021). Three out of six entities were exempted from payment of guarantee fees, two of which were as a result of COVID-19. (Source: MoE 2019/2020 Annual Debt Report).</p>
<b>Pillar II. Improving Investment Climate</b>		
<p><b>PA#3:</b> The Borrower, through its Parliament, has enacted the International Arbitration Act 2017 to improve the framework governing international commercial arbitration.</p>	<p><b>IT#3:</b> Amendments to investment laws and regulations to improve the legal framework for confiscation and repatriation of profits are approved.</p> <p><b>PA#3:</b> The Recipient, through its Cabinet, has approved the draft Fiji Direct Investment Bill and an Investment Policy Statement that provide a simple, transparent process for entry of foreign investment and establish investor protections.<sup>11</sup></p>	<p><b>Greater compatibility of investment law in Fiji reduces real and perceived risk of investing in Fiji.</b><sup>12</sup></p> <p><b>Original</b>                      Baseline (2015–17): The average number of expressions of interest (EOIs) from foreign investors received by Investment Fiji in 2015-17 was 1,148.<sup>13</sup>                      Target (2018–20): The average number of EOIs received by Investment Fiji increases by more than 10 percent from the baseline.                      Result (2018–20): 576, which is a decrease of 50 percent</p> <p><b>Revised</b>                      Baseline (2015–18): The average number of EOIs from foreign investors received by Investment Fiji was 762.42: Revised to 697.<sup>14</sup>                      Target (2019–20): At least 5 percent increase from the baseline.                      Result (2019–20): 297 which is a 57 percent decrease from the baseline.</p>

<sup>10</sup> What criteria these exemptions may follow is not given in the policy, risking the reform to become discretionary. However, the MoE confirms that thorough financial analysis is undertaken incorporating historical performance, current performance, cashflows, and the economic environment to inform the exemptions.

<sup>11</sup> The Investment Bill was only tabled and passed in Parliament in 2021. The Investment Act replaced Foreign Investment Act 1999 and aims to (a) contribute to an attractive investment climate in Fiji, (b) increase both foreign and domestic investments, (c) generate employment, (d) contribute to sustainable and social development, and (e) promote growth for the benefit of Fijians.

<sup>12</sup> Fiji, unfortunately, is not included in international comparisons such as International Country Risk Guide (ICRG) Country Risk Rating, Multilateral Investment Guarantee Agency (MIGA) World Investment and Political Risk Rating, or IFC Investing Across Borders, which makes it difficult to have a quantitative indicator for this action.

<sup>13</sup> The number of EOIs over time is volatile, so an average over three years is taken in defining both the baseline and the targets. The original baseline was 762.42 but this was revised during the ICR process as the previous methodology was revised by Investment Fiji in 2018. The assessment is based on the new data from Investment Fiji using the same time frame for the baseline (2015–2017) and target.

<sup>14</sup> Similar to the original indicator, the baseline used here was 762.42. The new data were used for the 2015–18 period for the baseline and for the target, keeping the assessment against the targeted increase unchanged.



Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
		Current status (2021, January–July): 46. (Source: Investment Fiji).
<p><b>PA#4:</b> The Borrower, through its Parliament, has approved a new policy framework for issuing building permits to expedite the process for obtaining building permits for non-residential purposes by businesses and individuals.<sup>15</sup></p>	<p><b>IT#4:</b> A new policy framework for issuing business licenses is approved by Cabinet to streamline the approval process for starting a business.</p> <p><b>PA#4:</b> The Recipient, through its Cabinet, has adopted a strategy for improving the business environment and through its Ease of Doing Business taskforce started its implementation including establishment of online company registration.</p>	<p><b>Time and costs spent obtaining a construction permit and starting a business are reduced.</b></p> <p><b>Original</b>  Baseline (2016–17): Based on the World Bank’s Doing Business: obtaining a construction permit takes on average 141 days and costs 0.6 percent of the value of construction.  Target (2019–20): The average time spent obtaining a construction permit is reduced by 50 percent.<sup>16</sup>  Result (2019–20): No documented change in the number of days/cost for obtaining a construction permit.<sup>17</sup>  Current status (2021): Internal administrative reforms have been undertaken to reduce the processing time.<sup>18</sup></p> <p>Baseline (2016–17): Based on the World Bank’s Doing Business: starting a business takes on average 40 days.  Target (2019–20): The average time spent starting a business is reduced by 50 percent (to 20 days).</p>

<sup>15</sup> One of the RIs linked to this PA was dropped.

<sup>16</sup> The cost of obtaining a construction permit in Fiji in 2017 at 0.6 percent of the value of construction is already low—within the top 20th percentile of the East Asia and Pacific Region—so reducing it was not included as a target.

<sup>17</sup> This is not rated because it was dropped but informs part of the review of RIs in Section B.

<sup>18</sup> The Doing Business Reforms progress of August 2021 documents that the Investment Facilitation Committee, chaired by the Permanent Secretary of Commerce, Trade, Tourism and Transport, co-chaired by the Governor, is looking into expediting the investment approval processes. Legislative reforms are being done to the Town and Country Planning Act, including changes being made to include descriptive role of qualified persons and their ability to lodge building applications. Moreover, the digitalization of the approval processes for both Starting a Business and Obtaining Construction Permit, should kick-start by September 2021.



Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
		<p>Result (2019–20): Average time for starting a business is estimated to have reduced by 25 percent to 30 days.<sup>19</sup></p> <p>Baseline (2016–17): Based on the World Bank’s Doing Business: starting a business takes on average 17.9 percent of per capita income.<sup>20</sup></p> <p>Target (2019–20): The average cost spent starting a business is reduced by 50 percent.</p> <p>Result (2019–20): No information on the per capita income share of the cost of doing business</p> <p><b>Revised</b></p> <p><b>Improvement in the time sub-indicator of the Doing Business score for starting a business.</b></p> <p>Baseline (2016–18): Starting a business takes on average 40 days.</p> <p>Target (2019–20): Number of days to start a business is aligned to the East Asia and Pacific average of 25.9 days</p> <p>Result (2019–20): Average time for starting a business is estimated to have reduced by 10 days to 30 days.</p> <p>Current status (2021): Likely the number of days is well below 20 following elimination of several redundant procedures<sup>21</sup></p> <p>(Source: Doing Business 2021 and Doing Business 2022 data - MCTTT Reform Submissions to Doing Business, May 2020 and May 2021).</p>
	<b>PA#5:</b> The Recipient, through the Ministry of Economy, has established the regulatory	<b>Improvement in the legal rights index of the Doing Business score for getting credit</b>

<sup>19</sup> Data not available as the Doing Business Report has been discontinued. Using a proxy, the average time for starting a business is estimated to have reduced by 10 days to 30 days, which is less than 50 percent. This is based on the reforms that the World Bank Doing Business Team acknowledged to the Government of Fiji following their submission of reform memos for the unpublished Doing Business 2021 report. These are reforms that would be captured as taking place between May 2, 2019, and May 1, 2020, and affecting the Doing Business indicators. Two procedures were confirmed as follows: Submit the tax identification number (TIN) to the Registrar of Companies (ROC) for final certification of registration which used to take 1 day was eliminated and the application of business license from the city/town council which used to take 11 days was reduced to 2 days (this process is now not required as business license has been abolished - FY21 National Budget).

<sup>20</sup> Result indicator dropped.

<sup>21</sup> For instance, discussions with Ministry of Commerce, Trade, Tourism and Transport (MCTTT) during Virtual Mission to Fiji confirmed that the procedure to check uniqueness of company name and reserve the name has been eliminated.





Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
	<p>framework and institutions necessary to allow moveable property to be used more securely as collateral for credit purposes by:</p> <p>(a) the commencement of the Personal Property Securities Act 2017; (b) the publication and commencement of the Personal Property Securities Regulations 2019; (c) the appointment of the Reserve Bank of Fiji (RBF) as the Registrar and administrator of the Personal Property Securities Registry.</p>	<p>Baseline (2018): The legal rights index is 5 (out of 12).            Target (2019–20): The legal rights index is 6 (out of 12).            Result (2019–20): The getting credit score above the targeted is 6 out of 12.<sup>22</sup></p> <p><b>Improvement in number/ratio of registration of security interest on movable collateral are owned by women or women-owned businesses.</b>            Baseline (2018): Moveable property is not allowed to be used as collateral, with a disproportionate negative impact on women.            Target (2019–20): 25 percent of registrations of security interest on movable collateral are owned by women or women-owned businesses.            Result (2019–20): 28 percent of registration of security interest on movable collateral are owned by women-only, women-majority, or women-men equal-owned businesses.            Current status (2021): 35 percent            (Source: MCTTT Reform Submissions to Doing Business, May 2020 and May 2021, Personal Property Securities Regulations 2019 <a href="https://www.laws.gov.fj/Acts/DisplayAct/2406">https://www.laws.gov.fj/Acts/DisplayAct/2406</a> Reserve Bank of Fiji, Filings by Individuals and Enterprises).</p>
<b>Pillar III. Building Climate Resilience</b>		
	<p><b>IT#5:</b> The updated building codes and standards are incorporated in the Fiji National Building Code, which will be applied to all new buildings to improve their climate resilience.</p> <p><b>PA#6:</b> The Recipient, through its Cabinet, has approved Resilient Building Guidelines that:</p> <p>(i) strengthen new single-story schools and</p>	<p><b>Original</b>  <b>Improved building codes and standards are implemented and enforced.</b>            Baseline (2016–17): Updated building codes and standards not yet in place            Target (2019–20): To be specified during the preparation of the second operation in the series.            Result (2019–20): Specified in the second series.</p> <p><b>Adherence of new single-story schools and houses on native lands to the National Building Code - Fiji</b></p>

<sup>22</sup> No data available due to the Doing Business report not being published, thus a proxy was used. Five of the six points of reforms on the getting credit-legal rights index that were submitted to Doing Business by the Government were acknowledged for an update in the coming report, which would increase the index. This could go as high as 9 or 10 out of 12.



Prior Actions (PAs) for DPO1	Indicative Triggers (ITs) from DPO1 and PAs for DPO2	Result Indicators (RIs) (Original and Revised)
	residential housing on native lands against climate-related risks and earthquakes aligned with the National Building Code - Fiji requirements; and (ii) form contents of training for building practitioners in rural areas.	<p>Baseline (2016–18): 0 houses Target (2019–20): At least 20 houses Result (2020): 7 houses<sup>23</sup></p> <p>Baseline (2016–18): 10 schools Target (2019–20): At least 30 schools Result (2020): 26 schools</p> <p><b>Training material developed and used for improving capacity of building practitioners in rural areas.</b> Baseline (2016–18): no systematic training. Target (2019–20). at least 100 practitioners, of which at least 25 percent are women, trained in five rural areas. Result (2020): Workshops were set up in Suva and 26 people were trained, of which 12 percent were women.</p>
	<b>PA#7:</b> The Recipient, through its Cabinet, has approved the Climate Change Policy 2018-2030 to scale-up Recipient’s activities for enhancing resilience of key vulnerable sectors.	<p><b>Establishment of a Cabinet-level committee to provide oversight on climate-resilient development outcomes.</b> Baseline (2016–18): No such committee exists. Target (2019–20): Cabinet-level committee to provide oversight on climate-resilient development outcomes for the National Climate Change Policy (NCCP) established and functioning as demonstrated through meeting agenda and minutes of the meetings if publicly available. Result (2019–20): A Cabinet level committee was not established.<sup>24</sup></p> <p><b>Progress on at least two objectives and strategies of climate-resilient development outcomes reported to the National Climate Change Committee.</b> Baseline (2016–18): No or limited reporting on climate-resilient development outcomes</p>

<sup>23</sup> Houses were meant to be built by the local communities. Private houses on communal land (traditional land holding system, carpenters within the communities). The constructions were derailed due to pandemic response. This information was received from the MoE through the World Bank Team in Fiji.

<sup>24</sup> According to the MoE, this RI was no longer practical and setting up such a committee is not a current practice in Fiji.



<b>Prior Actions (PAs) for DPO1</b>	<b>Indicative Triggers (ITs) from DPO1 and PAs for DPO2</b>	<b>Result Indicators (RIs) (Original and Revised)</b>
		Target (2019–20): Reported progress on implementation of objectives and strategies including in transport and water sectors Result (2019–20): Reported progress on two of the seven objectives including on transport (Objective 1.3) but not the water sector. <sup>25</sup>

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<sup>25</sup> Under Objective 1.3: To accelerate resilient development objectives through the use of national standards of compliance, strategy on emissions standards for vehicles, white goods, and electronic products is used to manage and reduce national emissions, the pollution of the immediate local environment, and impacts upon human health.

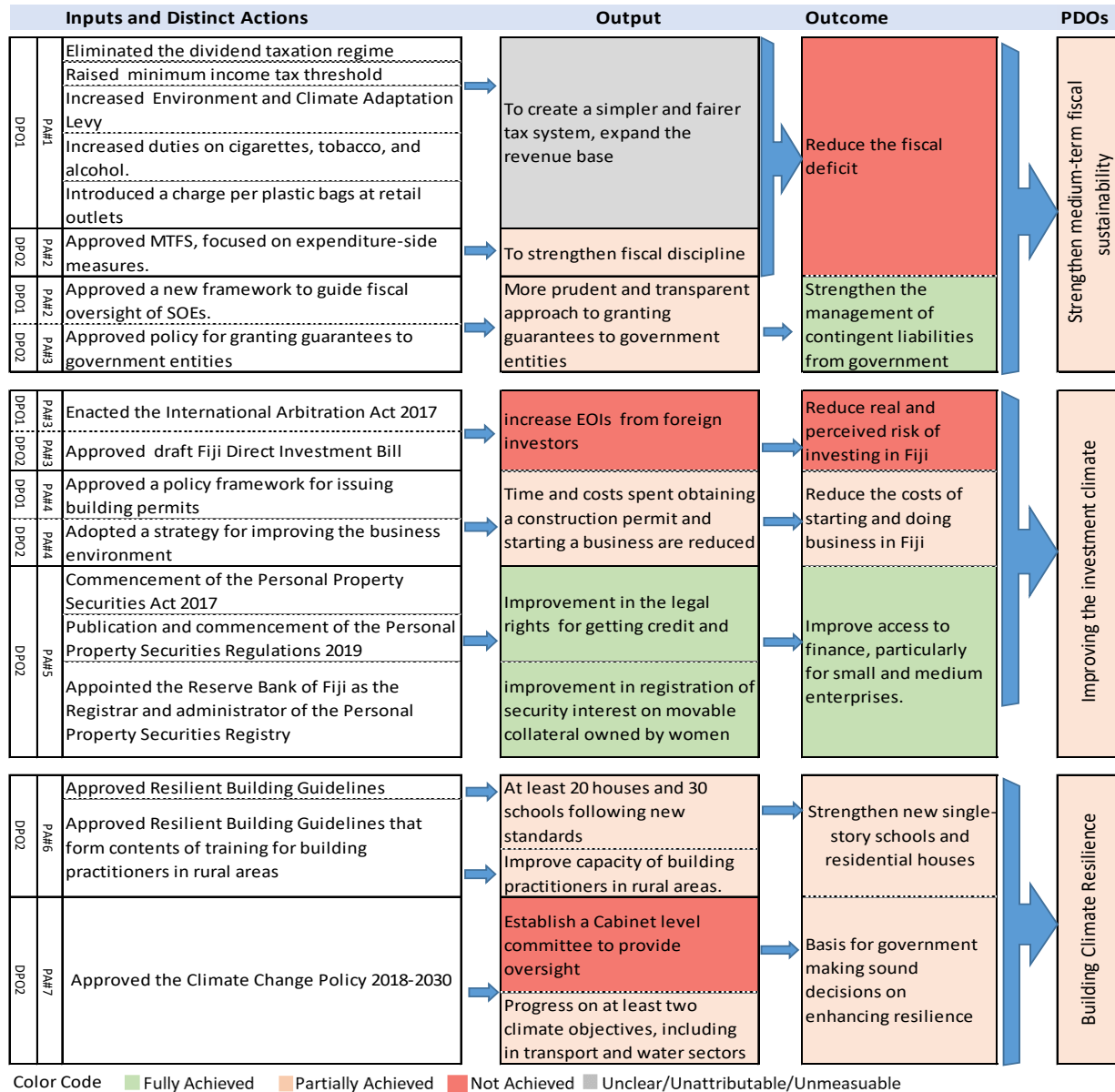


A. Relevance of Prior Actions<sup>26</sup>

Rating: Satisfactory

16. Most PAs addressed challenges to meeting development objectives and were mostly well informed by a credible Results Chain (Figure 1). However, some were less attributable to achieving PDOs such as some of the fiscal measures.

Figure 1. Fiji DPOs 1 and 2 Results Chain (Theory of Change, Ex Ante, and Ex Post Assessment)



<sup>26</sup> Focuses on the causal links between policy actions (PAs) and PDOs. Rating is in a 6 point scale—highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, and highly unsatisfactory.



## **Pillar I. Strengthen medium-term fiscal sustainability (PDO: strengthen medium-term fiscal sustainability)**

### *Revenue-side Measures*

17. **Revenue-side measures had a relatively weak link to the outcome of reducing the fiscal deficit and crating fairer tax system.** Revenue-side measures included actions under PA#1 in DPO1, relating to changes in five different types of taxes (Figure 1) to create a simpler and fairer tax system, given the large size of the informal economy. These were aimed to encourage compliance, promote private investment, and expand the revenue base. This, in principle, had some link to the outcome of reducing the fiscal deficit, although without an interim measure (that is, the actual effect on some measure of revenue performance or administration), the link becomes relatively weak. Moreover, measuring whether these created a fairer system is problematic and not included.<sup>27</sup>

18. **An indicator related to revenue collection linked to the specific tax policy measure adopted under DPO1 would have been more clearly attributable to achievement of the PDO.** The justification showed that the measures would collectively result in net revenue losses of FJD 20 million, weakening the credibility of their contribution to achieving a lower deficit (inadequacy). The estimated positive impact that was meant to result from these measures<sup>28</sup> is mentioned but not estimated. These revenue measures are missing from DPO2 and any further efforts to ensure the measures continue to contribute to an increase in tax revenues is not discussed.

### *Expenditure-side Measures*

19. **The original trigger was revised from a focus to a single budget to mandating a structural change over the medium term, as the original trigger was not sufficient as an institutional or policy change.** IT#1 in DPO1 was dropped as it contained specific expenditure items which were not considered PAs as they would not constitute policy or institutional change but a change in the allocated expenditure item in a specific budget year. These were intended to cater to the reduction of the deficit in the second operation. Second, the IT may not have been possible as the budget approval time line is after finalization of DPO2, so the team opted for Cabinet-approved medium-term fiscal strategy (MTFS). The main challenge is that the MTFS is not an operational document and thus the link with the PDO, especially through the outcome of reduced deficit, is not as direct. The measures included PA#1 in DPO2 (related to IT#1 in DPO1) and PA#2 in DPO2.

20. **The rationale provided evidence of the key importance of contingent liabilities stemming from SOEs in the expenditures of Fiji's budget.** Further, DPO2 included both managing past liabilities and better selection of new guarantees.

## **Pillar II. Improving Investment Climate (PDO: Improving the investment climate)**

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<sup>27</sup> Tax fairness considerations include the relative taxation of the poor and the rich; corporate and individual taxpayers; cities and rural areas; formal and informal sectors, labor, and investment income; and the older and the younger generations. The PA cannot be measured with regard to its fairness nor with regard to its impact on revenue.

<https://www.worldbank.org/en/topic/taxes-and-government-revenue>.

<sup>28</sup> Through increased consumption, investment, and corporate income tax in the medium term (Program Document of DPO1).



### *Investment Measures*

21. **The original trigger was reformulated to increase clarity and broaden the coverage to the entire investment framework.** PAs in DPO1 aimed to remove constraints to FDI by improving the framework governing international commercial arbitration. PA#3 in DPO2 aimed to provide a simple, transparent process for entry of foreign investment and establishment of investor protections. PA#3 in DPO1 went further by having the law enacted rather than only approved which would positively signal investors. This was crucial given the slow implementation of past reforms. While more transparent arbitration rules and enhanced investor protection can certainly improve the attractiveness of Fiji as a destination for investment, that does not directly and strongly link to the outcome variable: the number of EOIs. The reason is that FDI inflows depend on many other factors (global liquidity conditions, relative appeal of other destinations, risk perception, and so on). Thus, an indicator of transparency, investor protection, or time to process an investment would have been more directly attributable to the policy actions adopted.

### *Doing Business Measures*

22. **Most PAs directly link to the PDO of improving the investment climate, and some PAs with relatively weak contributions to achieving the PDOs were revised and improved.** PAs in DPO1 aimed to reduce the costs of doing business in Fiji by focusing on streamlining the process of obtaining building permits. PAs in DPO2 broadened the scope to facilitate Doing Business reforms, but the PAs in DPO2 are quite vague on the specific reforms. The original trigger was revised to broaden the focus of the policy action from issuing business licenses alone to cover all four areas where Fiji ranks poorly. However, these four areas are not explicitly given. The linked result to the PA on starting a business remained the same.

### *Access to Finance Measures*

23. **PA#5 was introduced in DPO2, following the added focus on small and medium enterprises and gender.** It embodies three distinct actions relating to the use of moveable property as collateral for credit purposes. The linked RI included two distinct measures on access to credit protections and access to credit for women-owned businesses. Both of these aspects have a clear link in improving the investment climate and are well justified, as access to credit is a binding constraint especially for women and poorer entrepreneurs. Permitting the use of moveable assets as collateral could make it easier for women and poor and vulnerable households to boost their productivity by starting small businesses that are not hampered by unfavorable credit terms.

## **Pillar III. Building Climate Resilience (PDO: Building Climate Resilience)**

### *Building Codes*

24. **PAs in DPO2 provided a strong rationale in addressing meaningful constraints to achieving climate resilience following the damage to houses and schools due to TC Winston.** They aimed to strengthen new single-story schools and residential houses to better withstand cyclones and earthquakes. PA#6 sought to ensure that future investment activities in housing follow guidelines that reduce the damage from natural disasters and climate change and for community schools, compliance with the requirements of the National Building Code—Fiji (NBC). It was formulated to enable adherence to the guidelines in native lands for single-story houses and schools. The focus on native lands is also relevant



for the reduction in urban-rural inequality, as poverty is still much higher in Fiji's rural areas than its urban areas, and because the building codes are currently better enforced and implemented in urban areas, which has left rural areas more heavily affected by past disasters.

### *Climate Change Policy*

25. **The linked results indicator to this PA was also appropriate in demonstrating progress and commitment to the policies.** PAs in DPO2 aimed to provide the basis for the Government making sound decisions on enhancing resilience of Fiji in the short and long term. This was a new policy action proposed to align with the emphasis on climate resilience in NDP 2017 and a new NCCP 2018–30 across multiple sectors.

#### **B. Achievement of Objectives (Efficacy)<sup>29</sup>**

##### **Rating: Moderately Unsatisfactory**

22. **The series only partially achieved its objectives (Figure 1), especially as the last year of the operation coincided with COVID-19, with 5 out of 16 specific targets achieved (annex 1).** There were 16 targets corresponding to the various RIs. A total of eight targets were not met, of which five made progress, and three were dropped. DPO2 was approved in November 2019. In March 2020, Fiji reported its first case of COVID-19 and the rest of the second operation's lifetime was during the pandemic until closure in November 2020. While in some cases, the COVID-19 pandemic played a role in the lack of achievement of targets, in other instances, progress was already slow before then.<sup>30</sup> The climate and fiscal pillar targets were the most affected by COVID-19. Most RIs were relevant, and targets were set at appropriate levels, but some were not easily measurable.

##### **Pillar I: Strengthen medium-term fiscal sustainability**

23. **The measure of the impact of PA#1 was mostly measurable and appropriate but relevance could have been improved.** The first RI in this reform area was a reduction to the fiscal deficit as a percent of GDP, as a measure of the impact of PA#1 (DPO1 and DPO2), which was clearly defined and measurable. The target was also realistic given the trajectory of the deficit in the previous years and was set as an average of 2019–21, which signaled the medium-term focus of the PDO. The target was revised slightly downward from 2.8 in DPO1 to 'less than' 3.0 in DPO2, which was explicitly included in the MTFs. The fiscal deficit may not have been sufficient to assess the impact of PA#1 in DPO1 on revenue measures, which could have been better measured by a revenue performance indicator. The fairer tax system objective is also difficult to measure and link to fiscal deficit as an outcome of the tax reforms. On expenditure, the MTFs is not operational. As an outcome, the deficit-to-GDP ratio is sensitive to factors other than tax and expenditure policies and administration, as evidenced by the external economic shock of COVID-19 and natural disasters. This makes it less attributable to the PAs.

24. **The second RI to measure the impact of PA#2 (DPO1 and 2) was initially measured by decisions to on-lend and give guarantees but was revised, which improved measurability.** Measuring whether

<sup>29</sup> This section describes the extent to which program objectives were achieved.

<sup>30</sup> Based on 14 distinct RI targets, the PDO for Pillar I was less than 50 percent achieved, about 50 percent for Pillar II, and about one-third for Pillar III.



decisions to give guarantees were following the guidelines in PA#2 seemed relatively vague and open to interpretation. The target was changed in DPO2 into two targets. The first was to focus on simply quantifying and reporting fiscal risks arising from entities, which improved measurability. The second was an additional target of guarantee fee being based on overall risk profiles of entities, which is also quantifiable. These were relevant and appropriate with respect to PA#2 (DPO1 and DPO2). With respect to the development objective, the targets could have been more ambitious, as reporting risks on its own may not entail that there is improved management of those risks and thus better MTFS.

25. **The target for RI#1 was not met, mainly due to the COVID-19 pandemic shock and the Government's response.** Before the pandemic, the target of the fiscal deficit was on track, recording 3.6 percent in FY2018–19. Some revenue items from specific PAs in DPO1 were showing signs of improvement.<sup>31</sup> The Fijian economy was hard hit by the COVID-19 pandemic with the economy contracting by 15.7 percent in 2020, the single largest contraction in Fiji's history. The net deficit was 7 percent of GDP between the 2019–21 target period,<sup>32</sup> much higher than the 3.0 percent target and the 2.7 percent budgeted in FY20. To mitigate the impact of the pandemic, the authorities announced a stimulus package of 9.5 percent of GDP in the FY20 COVID-19 Response Budget, financed by both budgetary and non-budgetary sources.<sup>33</sup> The package included expenditures on public health, supplemental transfers to support the informal sector, and support to individuals and businesses affected by COVID-19 infections and quarantine. A substantial package of tax and tariff reductions included, among others, tourism and export investment incentives, expanded incentives under the employment taxation scheme, value added tax and customs tariff exemptions for medical supplies, and relaxed requirements for tax return filing and payments. The Fijian Government intends to gradually reduce deficits to below 3 percent by 2025 and debt to GDP to 60 percent in the next 15 years.

26. **The targets for RI#2 were met.** The 2019/20 Government debt report stated the risk profiles of publicly guaranteed liabilities. The Government Guarantee Policy requires fiscal risks assessment (three-tier risk assessment approach). Contingent liability information, outlining SOE performances and risks, is in the FY20 annual debt report and FY20 Q3 debt bulleting. Further, Section 8 of that policy specifies guaranteed fee up to 1 percent and the report mentioned that entities were charged guaranteed fees based on the overall risk profile. This signals that the targets were fully met. On the first target attributable to PA#2, however, the exceptions that would imply waiver charging of guarantee fees were not outlined which could risk transparency due to the provided discretion. These measures do, however, strengthen the management of contingent liabilities from Government guarantees and are ultimately crucial for the PDO.

## Pillar II: Improving Investment Climate

### *Investment Measures*

<sup>31</sup> For instance, Environment and Climate Adaptation Levy (ECAL) increased due to higher rate and new plastic bag charge, and excise tax increased due to increase in import duty and local excise rates.

<sup>32</sup> This is the average between FY19 and FY21. The deficits as a percent of GDP were FY19: 3.6, FY20: 9.0, and FY21: 8.7.

<sup>33</sup> The non-budgetary sources include loan repayment holidays offered by commercial banks and concessional loans from the RBF, and the pension fund, namely the Fiji National Provident Fund (FNPF). The relief financed by the FNPF included substantial reductions of pension fund contributions for employers and employees as well as cash grants for employees affected by job loss and COVID-19-related restrictions.





27. **The RI under this reform area was mostly appropriate, but the target was not sufficiently attributable to the PAs.** There were five targets to the RIs in this pillar. The first indicator, also the only target for investment measures in PA#3 (DPO1 and 2), was the number of EOIs from foreign investors. As with the fiscal deficit, the number of EOIs will depend on exogenous factors beyond the scope of the impact of the PAs. The target was revised to a less ambitious target in DPO2 (from 10 percent to a 5 percent increase from the baseline of 762.42), perhaps given the Government's slow implementation of past reforms. This slow implementation is demonstrated by the fact that although PA#3's Cabinet endorsement of the draft enabled the tabling of the Investment Bill, it was tabled only in December 2020 and its passage in Parliament was in June 2021. Consequently, this weakens the attribution of the target to the PA, despite the draft possibly positively signaling investors.

28. **The target for RI#3 was not met.** The original EOI data were unavailable, as there was a revision in the estimation of EOIs by Investment Fiji.<sup>34</sup> Using a revised baseline for the same period of 2015–17 for the baseline shows there was a decline of 50 percent in the projects, on average, for the target period of 2018–20. This is against a targeted increase of 10 percent. Using the revised baseline, the result still falls far short of the target with 57 percent drop from 2015 to 2018, against a target of a 5 percent increase in the 2019–20 period. There is a downward trend in the indicator from 2017; thus, this is not necessarily attributed to COVID-19. Using the value of EOIs still reveals a decline of 15.5 percent.<sup>35</sup> Even when the drop in 2017 and 2020 is discarded, which could be attributed to the 2018 election and COVID-19 respectively, the value indicator still shows a decrease. The election year may have played a role with investors assessing political risk. There could be some progress however, as there is a notable uptick in the value of EOIs though there are few projects in 2021. Furthermore, there was a 34 percent increase in manufacturing FDI between 2015 and 2017 and 2018 and 2020, which may indicate increased efficiency seeking FDI and contribute to economic growth and the revision period.

#### *Doing Business Measures*

29. **The impact of PA#4 (DPO1 and 2) was initially measured by both time and costs of obtaining a construction permit and starting a business but was reformulated to better link to policy reforms.** The target in DPO1 was inappropriately linked to PA#4, as it involved reducing the number of business days following reforms in construction permits. Yet construction permits are not among the 11 procedures for starting business and the PAs did not address these procedures. This was later revised in DPO2 to include only the time it takes to start a business, while the cost aspect and construction target were dropped. The target was also more modest (from reduction by 50 percent [20 days] in DPO1, to the East Asia and Pacific average of 25.9 days in DPO2). This may have been due to slow reform in this area acknowledged in the operation document. Most of the RIs were measurable and appropriate to assess whether program objectives were reached. However, in terms of being attributable, the PAs were not explicit in the policies

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<sup>34</sup> The change in the definition of EOIs and some restriction in what accounts as EOIs were put in place to improve efficiency seeking FDI.

<sup>35</sup> From the 2015–17 average to the 2018–20 average. Although the project values slightly increased between 2018 and 2019, on average, there was a significant decline in value between 2018 and 2020. There was also a significant decrease in the number of projects and in the value of implemented projects in the time period. The Government is also undertaking reforms to make it easier for foreign companies to register their businesses.



undertaken to reduce the time it takes to start a business except for business licenses which is only one of 11 procedures that feed into the 40 days baseline.<sup>36</sup>

30. **The target for RI#4 was not met but there was progress.** The Government has eliminated the process of submission of TIN to ROC for final certification of registration which used to take 1 day and reformed the application for business license from relevant authority (local government), which used to take 11 days but now takes 2 days. These are the reforms that have been accepted by the Doing Business team, and thus would reduce the length of starting a business by about 10 days to 30 days which is notable progress.<sup>37</sup> The Government has made several other reforms that if validated could bring the number of days down to 12.5 days and from 11 to 6 procedures. On construction permits, internal administrative reforms have been undertaken, as the Government established the Building Permits Evaluation Committee (BPEC) to fast-track building permit applications for industrial and commercial buildings so approvals can be issued in 60 days.<sup>38</sup> It is not yet clear if the number of days has reduced from the baseline of 141 days. Discussions with construction and architect representatives in Fiji in preparing this report suggested that this is not yet the case.<sup>39</sup> These reforms are likely to take slightly longer to be in effect and the Government is still working with IFC on this.

#### *Access to Finance Measures*

31. **The impact of PA#5 of DPO2 was measured by two distinct targets: the legal rights index for getting credit and the number/ratio of registration of security interest on movable collateral owned by women or women-owned businesses.** Both RIs were measurable, and targets appropriately set, with the former relying on the Doing Business report and the latter on data from the RBF. The targets were a 1 point increase in the index and 25 percent registration of security interest after the law in PA#5 came into effect. The RIs were also attributable directly to the PA#5 (Personal Property Securities Regulations 2019)<sup>40</sup> which provided both the legal provisions linked in the targets. These improvements are also relevant measures for the development objective.

32. **All the targets for RI#5 were met and exceeded.** As the legal rights index depended on the Doing Business report, the evaluation used the provisions of the Personal Property Securities Act (PPSA) to assess the underlying regulations considered in the index that the Doing Business provides. Of the six reforms made under this index, five were acknowledged by the Doing Business Team for the 2021 Doing Business - Fiji. These included (a) collateral registry in operation; (b) a notice-based collateral registry where all functional equivalents are registered; (c) a modern collateral registry in which registration, amendments, cancellations, and searches can be performed online by any interested third party; (d) an integrated or unified legal framework for secured transactions that extends to the creation, publicity, and enforcement of functional equivalents to security interests in movable assets exists in the economy; and

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<sup>36</sup> Apart from online company registration, PA#4 spoke of a 'a strategy' for improving the business environment including establishment of online company registration, but other reforms are not explicit in the Program Document. Given that 11 procedures must be followed when starting a business, the reduction in the number of days could be due to some of these strategies but it is not clear.

<sup>37</sup> This is the approximate based on reforms accepted and how much they have reduced the days, in the absence of official Doing Business report on this measure.

<sup>38</sup> Doing Business reform memos.

<sup>39</sup> These were informal interviews with private sector players during the ICR mission.

<sup>40</sup> <https://www.laws.gov.fj/Acts/DisplayAct/2406>



(e) secured creditors are paid first (that is, before tax claims and employee claims) when a debtor defaults outside an insolvency procedure. Even without a formal index from the Doing Business report, these newly acknowledged reforms clearly indicate the index would increase by more than the targeted 1 point from the baseline of 5 (out of 12). Additionally, the second RI target was met, with 28 percent of registrations being done by businesses either owned by all females or more females than males (17.1 percent), or equal male and female businesses (10.7 percent). The current figures in 2021 were well above 30 percent.

### Pillar III. Building Climate Resilience

#### *Building Codes*

33. **PA#6 in DPO2 was measured by two targets, which were houses (20) and schools (30) built following the new guidelines and second for the guidelines to be used for training at least 100 practitioners.** The targets were relevant and appropriate to assess that the guidelines were being implemented and that knowledge on how to do so could be disseminated. They were also appropriate and measurable in that the calculation was clear but the data source for measuring was not very clear nor readily available, which may have needed actions taken to improve monitoring mechanisms.

34. **The targets for RI#6 were not met, but there was progress.** The Government built 7 out of the targeted 20 houses and 26 out of the targeted 30 schools.<sup>41</sup> The 7 houses were those constructed on traditional lands in Narikoso Village, Kadavu (island south of Fiji) under the National Relocation Programme which were built using Category 4 Cyclone Standards. As for capacity building, 26 practitioners were trained in 2019, of which 12 percent were women, out of a targeted 25 percent. The results were affected by travel restrictions within the country during the planned training period, the closing of a vocational collage due to COVID-19 and the effect of the tropical cyclones that hit Fiji in late 2020. However, more of the RIs are expected to improve in future years.

#### *Climate Change Policy*

35. **Two RIs were meant to measure the impact of PA#7, reflecting high-level commitment of the Government to climate change policy, but the ministerial committee target was not appropriate.** The targets were measurable and relevant. They included setting up of a Cabinet-level committee with evidence that such a committee was functioning, and reporting progress on at least two objectives and strategies of climate-resilient development outcomes reported to the National Climate Change Committee, including in transport and water sectors, following the 2018–30 Climate Change Policy. The target on the Cabinet-level committee was deemed ‘impractical’ by the MoE during the ICR, as the Cabinet does not have committees which deliberate on certain subject matters. As this is not a current practice in Fiji, perhaps the target could not be reached.<sup>42</sup>

36. **The target for setting up a Cabinet-level committee was not met.** There has been progress at the technical level and more recently in the broader Climate Change Bill 2021 endorsed by the Cabinet. No regular Cabinet committee meetings have been held over the past 18 months due to the COVID-19

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<sup>41</sup> For the 26 completed schools, 4 are Early Childhood Education Centers (ECE), 19 are primary schools, and 3 are secondary schools. For those under construction, 1 is ECE and 6 are primary schools.

<sup>42</sup> These were comments made by the MoE for the ICR document. Design aspects of the operation are further discussed under ‘Bank performance’



challenges and disruption due to three cyclones. Cabinet meetings were few and met on an ad hoc basis mostly to respond to emergency issues. Given the conditions, there has been no oversight on the implementation of the NCCP. At the technical level, however, task forces such as those under the Planned Relocation Guidelines have been established and met to ensure progress on this work—part of the objectives and strategies for climate resilience development outcomes. Additionally, the Climate Change Bill,<sup>43</sup> which encompasses the NCCP was endorsed by the Cabinet in June 2021 with enactment date expected in September 2021. It is unlikely that such a committee will be set up as the target is no longer practical.<sup>44</sup>

37. **The target of progress on two objectives on climate development outcomes was only partially met, having been affected by the flow of funds from the Environment & Climate Adaptation Levy (ECAL).** The Government made progress on the following objectives. Objective 1.4: to improve national capacity for strategic foresight;<sup>45</sup> and two strategies as part of Objective 3.4: to implement climate change adaptation solutions which are inclusive, equitable, and locally driven. The first of the two strategies was on sustainable and resilient infrastructure.<sup>46</sup> The second was on relocation of at-risk communities where six at-risk communities consisting of 78 households were successfully relocated through a participatory relocation process and supported by the Government to do so.<sup>47</sup> Although these were partially met, they were not in the targeted transport and water sectors. These were affected by the flow of funds from ECAL and general workplan of these agencies due to the attention to deal with COVID-19 and the impacts of three cyclones. In FY2020–21, tourism-related taxes such as the 6 percent service turnover tax was abolished, ECAL was reduced from 10 percent to 5 percent and the departure tax rate halved, as part of the package to improve the price competitiveness of the tourism industry.<sup>48</sup>

### C. Overall Outcome Rating and Justification

**Rating: Moderately Unsatisfactory<sup>49</sup>**

38. **The series mostly targeted appropriate reforms but most targets were not met, hence the overall outcome rating of this series is ‘Moderately Unsatisfactory’.** This rating is derived through the combination of the relevance of PAs, which was rated ‘Satisfactory’ while the efficacy rating was ‘Moderately Unsatisfactory’. As acknowledged by both the Bank and the Government,<sup>50</sup> the series

<sup>43</sup> Available at <http://www.parliament.gov.fj/wp-content/uploads/2021/08/Bill-31-Climate-Change-Bill-2021.pdf>.

<sup>44</sup> The Government used to have Cabinet Sub-committees before, such as Cabinet Sub-committee on the budget or investment, and so on. It has not been practiced now as everything is deliberated at the main Cabinet. At preparation, it seemed practical given Fiji's strong involvement in the climate change front, however, it did not eventuate.

<sup>45</sup> Supporting the design of innovative risk financing tools to reduce risk and vulnerability. The Fiji Government, in partnership with UN Capital Development Fund (UNCDF), launched a pilot Climate and Disaster Resilience parametric insurance covering tropical cyclone and flood that targets sugarcane farmers, rice farmers, dairy farmers, fisherfolks, and people with disabilities.

<sup>46</sup> After the cyclones, Fiji's National Planned Relocation Guidelines were operationalized through the development of standard operating procedures which established proactive processes for addressing the risk of climate and disaster-driven displacement.

<sup>47</sup> [https://www.fiji.gov.fj/Media-Centre/Speeches/English/PRIME-MINISTER-HON-VOREQE-BAINIMARAMA-S-SPEEC-\(16\)](https://www.fiji.gov.fj/Media-Centre/Speeches/English/PRIME-MINISTER-HON-VOREQE-BAINIMARAMA-S-SPEEC-(16)) and <https://www.fiji.gov.fj/Media-Centre/News/Feature-Stories/Families-Grateful-For-Relocation-Assistance>.

<sup>48</sup> The 2019–20 actual ECAL was FJD 126.9 million, the revised projection for 2020–21 was FJD 21.7 million. The 2021–22 budget is projected to be FJD 35.9 million. There was also some mention on page 11, para 1.46 and page 36 para 3.21. Source: [https://www.economy.gov.fj/images/Budget/budgetdocuments/supplements/Budget\\_Supplement\\_2021-2022\\_Web.pdf](https://www.economy.gov.fj/images/Budget/budgetdocuments/supplements/Budget_Supplement_2021-2022_Web.pdf).

<sup>49</sup> Derived by combining sections A and B above.

<sup>50</sup> See Appendix 3 on Borrower Comments



correctly targeted the areas in which institutional frameworks, legislations, and policies needed to be revised. However, most targets for results were not fully met, in part due to COVID-19. At the same time, the series contributed to the Fijian Government being able to access much-needed, given the significant impact on Government revenues brought about by the COVID-19 pandemic.

39. **The series supported crucial and well-designed reforms spanning from fiscal policy, private sector development, and climate change, but the outcomes were mostly not met.** There were some shortcomings related to the tax aspect of Pillar I and investment aspect of Pillar II. The objectives remain relevant to both the Government and the World Bank's engagement in Fiji. Most PAs had a strong and direct link to the achievement of PDOs. There have been some achievements in the outcomes and where these achievements are minimal or not met, most can be attributed to the COVID-19 pandemic, compounded by the three cyclones, putting the country in an ongoing mode of response and recovery.

40. **Fiscal risk monitoring (Pillar I) has been improved through better management of contingent liabilities and increased accountability and transparency, especially with the high-risk entities, but fiscal indicators are yet to improve.** Despite being the PDO most affected by the COVID-19 economic shock, there is commitment to still attain medium-term fiscal sustainability through expenditure and revenue-side measures. This includes the Government's efforts to revise taxes to decrease dependency on tourism.

41. **The investment climate objectives (Pillar II) are likely to benefit from reforms that have reduced procedures for starting a business, improved access to credit and legal rights of creditors and debtors, and the 2021 Investment Act.** The RBF has borne the cost in the initial stages of the collateral registry following the Personal Property Securities Registry (PPSR) and women have particularly benefited. The investment aspect has not progressed as much, mainly because the law that was expected to improve this aspect was only passed in 2021 after an initial draft in 2019. There has also been little progress in regard to getting construction permits, which could also be linked to FDI. However, as discussed in the previous section, several steps have been taken by the Government to attempt to improve this.

42. **Finally, the climate resilience pillar has had mixed success, but there is progress with regard to having the basis for Government decision-making on enhancing resilience.** The capacity-building efforts and infrastructure efforts were negatively affected by COVID-19; however, progress on some high-level objectives was achieved and the Government is on track and remains committed to the PDO in this pillar.

### III. OTHER OUTCOMES AND IMPACTS

#### A. Poverty, Gender and Social Impacts

43. **In broad terms, greater fiscal stability benefits the poor and vulnerable by ensuring the stability of public service delivery in the long term but in the short term, the distributional impacts of the reforms would have to be quantified with specific assessments.** On the revenue front, increasing the personal income tax threshold was expected to benefit the lowest-income households by reducing their tax burden. It is also expected to benefit more women wage earners, who tend to work in lower-paying jobs and whose average estimated earned income is less than 40 percent of men.<sup>51</sup> Raising duties on alcohol

<sup>51</sup> ADB Fiji Country Gender Assessment 2015.



and tobacco could have a mixed impact on poverty and likely positive effects on gender.<sup>52</sup> Raising environmental levies was expected to raise revenue to finance projects to enhance climate resilience, which would disproportionately benefit the poor who tend to be more exposed to climate-related shocks, have less financial assets to respond, and take longer to recover.

44. **Reform actions for improving the ease of starting a business and improvements in the credit markets enable access by poorer entrepreneurs and support the creation of more and better jobs, with potentially high poverty reduction and gender impacts.** Ultimately, however, the magnitude of the impact on poverty and inequality depends on what types of jobs are created from increased businesses, whether the poor and vulnerable have the required qualification and skills to access these jobs, and whether there exist ways to obtain these qualifications and skills through education and training. Reforms supported through PA#5 reduced gender gaps in women's access to credit by having an increase in the number of female-owned businesses registering movable collateral as the personal securities targeted women's registration.

45. **Boosting resilience to disaster-related shocks also has a positive impact on the poor and reduces the urban-rural gap in disaster resilience.** These measures would benefit the poor who tend to be in rural and native lands and also save lives. Similarly, mitigating the impact of disasters and climate change and focusing on the water supply and transport infrastructure have a substantial impact on poverty and inequality, as Fiji's poor and vulnerable are disproportionately affected by disaster and climate risks, due to lower-quality housing, a lack of formal safety nets (for example, savings and insurance) to cope with the impacts of shocks, and a higher reliance on public services and public infrastructure.

## B. Environmental, Forests, and Natural Resource Aspects

46. **The policy actions supported under the proposed operation either created no significant negative impacts or likely had positive effects on Fiji's environment, natural resources, or forests.** The policy actions relating to increasing environmental levies and introducing a charge on plastic bags likely had a direct positive environmental impacts, both by raising revenue to finance Fiji's large investment needs for climate adaptation and by mitigating the environmental externalities from increasing consumption of plastic bags. The policy actions relating to strengthening the building standards may also have had a positive effect on the environment as the stronger buildings will withstand natural disasters, have longer life-span and thus reduce the demand for natural resources, such as sand rocks and/or timber, needed for construction.

47. **Reforms to promote an increase in FDI could have potential negative effects on the environment, but the environmental protection considerations in the Investment Act help mitigate risks.**<sup>53</sup> The Investment Act (2021) which follows the reform action specifies that investors have duties

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<sup>52</sup> Taxes on cigarettes and alcohol are regressive and likely to hit the poor hardest. On the other hand, people on lower incomes are more sensitive to price increases, thus more likely to alter their consumption by either quitting or reducing their consumption and, therefore, more likely to improve their health (World Health Organization 2014). The increased tax on alcohol holds promise for reducing the prevalence of gender-based violence in Fiji, where the proportion of women experiencing physical or sexual abuse by their husband or partner remains among the highest in the world (Fiji SCD 2017).

<sup>53</sup> If the investments are in sectors such as tourism and coastal zone development.





and obligations for ‘environmental protection’ to help mitigate any potential negative effects.<sup>54</sup> In addition, there has been strengthening of the implementation of the Environmental Impact Assessment (EIA) process in mid-2019. Other policy reforms supported through the other PAs (1, 2, 4, and 5) are expected to have neither positive nor negative effects on the environment, natural resources, or forests. Fiji also committed to strengthen the implementation process for EIA under the Ministry of Environment for reducing adverse environmental effects and enhancing positive at the policy level.

### C. Institutional Change/Strengthening

48. **The DPO series has affected institutional strengthening with regard to Government guarantees, access to credit, and resilient infrastructure.** The introduction of guarantee fees and assessment of SOE risk when considering Government guarantees will improve internal controls of the process. The series also made significant contributions toward the legal framework of access to credit, by supporting the setup of a collateral registry and legal protections for debtors and lenders. Similarly, the adherence to the National Building Codes presents a change in the design and construction of public infrastructure (such as schools and public housing). Continued systematic training of building practitioners ensures capacity building that will have an impact in the design of houses in rural areas.

### D. Other Unintended Outcomes and Impacts

49. **There were no other unintended outcomes and impacts.**

## IV. BANK PERFORMANCE

### Rating: Moderately Satisfactory

50. **World Bank performance mostly meets expected achievement in the preparation and implementation of the series, especially as some risks were unanticipated.** An Implementation Status and Results Report (ISR) was not prepared for the series, and there are moderate shortcomings in the monitoring aspects of the operation.

#### *Preparation*

51. **The design of the operation’s broad reform areas partially relied on analytical work conducted by the World Bank and other development partners, Government policy documents, and academic research.** The analytical underpinnings of the operation at entry were provided from strategic documents that provided evidence of Fiji’s key development challenges.<sup>55</sup> Policy reforms also relied on key and recurring data releases and diagnostics of the macroeconomy such as the IMF Article IV Consultation and the private sector such as World Bank Doing Business. The reform actions also relied on rigorous and published academic research. These multifaceted sources were necessary given that the operation was aiming to have changes in aspects that greatly affect the economy as a whole (fiscal policy and private sector notably). However, the access to credit and investment reforms required strengthening in terms of

<sup>54</sup> Section 17 (e), but this is mentioned only once and may be more explicit in the implementation regulations yet to be passed <http://www.parliament.gov.fj/wp-content/uploads/2021/06/Act-5-Investment.pdf>.

<sup>55</sup> Such as the Fiji Systematic Country Diagnostic (2017) and Fiji 5-Year and 20-Year National Development Plan (2017).



causal links, updated analysis (and comparable to an economy such as Fiji), and the identification of the binding constraints.<sup>56</sup>

52. **Several targets for results were mostly bundled within one indicator, which may have masked how ambitious the operation may have been in terms of intended outcomes.** Clearer discussions with the borrower on new target indicators such as the Cabinet-level committee introduced in the second operation may also have avoided some interpretation challenges between the Government and the World Bank on targets at the evaluation stage.

53. **The possible major risks were appropriately identified and analyzed; however, mitigating measures were less than adequate as some risks were unanticipated.** The overall risk of the operation was ‘Substantial’ in DPO1 due to Fiji’s vulnerability to extreme weather events (macroeconomic, environmental, and social risks) and an election in 2018 (political risk). This was downgraded to ‘Moderate’ in DPO2. This was on the back of downgrading of the political risk. The mitigating factors surrounding the macroeconomic risks included the operation itself and financing from the Asian Development Bank (ADB) provided under the joint policy matrix. This was meant to alleviate fiscal pressures in the short run in the event of a shock. However, the economic shock from COVID-19 was unanticipated and therefore the mitigation measures were inevitably inadequate, especially following the cyclone as well.

54. **The World Bank coordinated extensively with other development partners in several reform areas supported by the DPO.** Following an established practice in the Pacific, the operation used a joint policy matrix with the ADB to underpin the budget support, reducing transaction costs for the authorities while increasing the policy impact. The ADB provided its budget support using criteria that are consistent with the World Bank’s proposed operation under the fiscal sustainability pillar and the improvement in investment climate pillar. In addition, the World Bank, along with the ADB, consulted regularly with the European Union, Australia and New Zealand High Commissions, and the IMF and its PFTAC to coordinate policy advice and technical assistance, especially in areas of fiscal policy, SOE reform, and public financial management.

### *Implementation*

55. **In general, the Government’s commitment to reforms was established as early as the DPO preparation stage.** This was evidenced by the addition of new PAs in the second operation that focused on broader areas while maintaining the original objectives. However, the World Bank failed to anticipate the challenges to implementing the Investment Act, which was only passed in 2021 following reform based on a draft bill in 2019. Investment reforms usually take time and can be contentious.

56. **A strong relationship and engagement with the MoE helped ensure collaboration in tracking targets, including in adapting to COVID-19, supported by the presence of World Bank staff in the field.** The DPO document stated that the Budget Support Steering Committee under the MoE would serve as the institutional structure for the monitoring and evaluation (M&E) process. Although the committee had

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<sup>56</sup> For instance, there is relatively little analytical underpinnings based on Fiji and underlying evidence of policy links to results is majorly based on evidence of other countries in the case of movable collateral, access to finance as well as improving women’s businesses. Additionally, no analytical evidence is provided on what the main constraints to FDI inflows in Fiji are, rather a focus for Fiji to be more aligned to international practices and the importance of FDI, making links to the policy reforms less direct.





no tracking report of its own, it worked closely with the World Bank to organize meetings with the MoE and other stakeholders in an effort to obtain information on the progress. This showed strong commitment of both the Government and the World Bank on assessment of results. Further, the World Bank team continued to support the implementing agency stakeholders in adapting to changing situations including COVID-19, notably through the strong presence of World Bank staff in the field and the successful operation that followed as discussed below in the next phase. The team provided technical assistance through public expenditure review work that helped inform the consolidation of PAs. IFC provided support with all the actions under the private sector.

57. **The World Bank made an effort to improve and align to the evolving situation at the country and program levels, in the face of anticipated and unanticipated risks, but the M&E framework could have been improved.** The series faced three cyclones, an election, and the COVID-19 pandemic. The second series had the same baseline in most instances as the first DPO, while indicators were still set to the end of the series. DPO2 also did not report on progress toward targets for RIs, at which point some targets that may have been off-track (for example, investments) may have been flagged. M&E was extensively revised for DPO2, also to address some previous shortcomings and adapt to the evolving situation. Some RIs were dropped while other targets were revised to less ambitious targets to reflect slow progress and more realistic targets. This reflects some evaluation in between the DPOs. However, an ISR was not prepared despite the two series being more than 12 months apart, which would also have contributed to the more World Bank engagement in supervision of implementation.<sup>57</sup> This notwithstanding, other reform areas progressed well.

## V. RISK TO SUSTAINABILITY OF DEVELOPMENT OUTCOMES

58. **The sustainability of development outcomes continues to be threatened by macroeconomic risks, especially arising from continued natural disasters, slowdown in tourism, and setback to fiscal consolidation.** Fiji remains vulnerable to extreme weather which has, over the years, eroded its fiscal space and intensified the challenge it faces with fiscal consolidation. These risks include the ensuing impact and unpredictability of COVID-19 which remains a threat to the tourism sector, a key of the economy. To cushion against these possible uncertainties, the Government has already taken steps to reduce tourism dependency of the economy. It will, however, need to be clearer on waivers to guarantee fees to ensure transparency prevails and that the checks and balances work well. Continued Government commitment to fiscal discipline and consolidation is expected to sustain the reform momentum. The World Bank is also expected to continue to work with development partners to monitor macroeconomic risks and provide policy advice to the Government as needed.

59. **Institutional capacity for implementation poses a risk to the sustainability of results especially on investment and credit reforms.** Implementation reforms have to be well designed for the Investment Act to have the intended impact. Given the relatively slow reform in this area and the time it took from drafting to passing of the law, the risk remains that major aspects of the reforms may not yet affect investor sentiments. On the PPSA, the RBF is currently shouldering the cost of the collateral registry and has made it free. This is not a perpetual measure and users may be asked to pay a fee in the future. This could risk negatively affecting the positive results seen so far if not well managed and communicated.

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<sup>57</sup> It should be noted there was a significant change of World Bank staff between the two operations which also led to the changes



With regard to climate change and resilient infrastructure, the Government may have to provide incentives for rural households to switch and design according the new building guidelines to mitigate the potential costs. The climate change reforms were the most affected by the COVID-19 response and will need to continue being supported. These risks are mitigated by continued capacity building, technical assistance, and engagement with the Government, and other development partners such as the ADB are also providing support in these reform areas.

57. **Changes in Government administration may pose political and governance risks as Fiji approaches the next election in 2022.** Policy priorities could be altered from possible changes in Government administration and thus the development outcomes may not be sustained. Additionally, some policy commitments may be put on hold until after the elections if they are politically sensitive. As a result, there is a high risk that the policy reforms supported by the DPO may not be maintained sufficiently to yield the expected outcomes.

## VI. LESSONS AND NEXT PHASE

### A. Lessons Learned

58. **The DPO series helped to prioritize reforms and provided much needed financing during the initial COVID-19 period.** Among lessons learnt, the Government of Fiji found the operations vital to the Fijian Government for two main reasons. First, the series addressed appropriate reforms for Fiji and provided an avenue to prioritize reforms which may have otherwise been sidelined. Second, as the series was in implementation when the COVID-19 crisis emerged, the Fijian Government was uniquely able to access much-needed funding from multilateral and bilateral creditors. Despite this being the first such series, and not designed as COVID-19 response, the DPO series enabled needed flexibility to the response and ensured that the Fijian economy was less in a better position than would have otherwise been

59. **Clear communicating of policy reforms by the Government is key to ensuring uptake and understanding for the general public and commitment and ownership of the Government.** The Government communicated to the public on reforms on the collateral registry, business licensing, and new guidelines for building houses and schools that are resilient to extreme weather events, among others. This increased uptake of the business licensing in Fiji for example. Several high-level personnel also continued to encourage implementation, such as building guidelines. This ownership is likely to improve outcomes especially for policies that require action and initiatives from the general public.

60. **To ensure higher likelihood of outcomes and stronger results from policy actions, the DPO series may consider supporting more advanced level of reforms in the second series and set achievable targets.** Supporting a more advanced level of reform or implementation of specific reforms (for example, the commencement of Personal Property Securities Act as opposed to a draft bill), especially in the second operation in a series of two, may be more likely to achieve results. Although supporting a draft reform (such as in the case on investment), a strategy (such as the MTFs) or guideline (such as building guidelines), may signal support and rally on the political process, as the series draws to a close, results are unlikely if these are not operational and/or if subsequent reforms related to implementation are still being decided/debated. In targeting results, the Government capacity and the length of the operation should be kept in mind to target achievable results, and the second operation should not have too many new



indicators.<sup>58</sup> Anchoring the program on existing technical assistance, choosing results that are more attributable to the actions selected (for example, look at yearly change in revenues instead of GDP ratios given the recurrent shocks to GDP), and conducting single DPO operations or a programmatic series with a short break between them would all be measures that can help improve future results amid such a volatile environment.

**61. Clarity on how the data will be collected and using the preparation of the second series to track progress of targets can lead to better monitoring.** At the preparation stage, ensuring that targets are measurable and clarifying how the data will be collected and by whom and how it will be reported are key to monitoring. Further, reporting on progress of targets when preparing a subsequent series ensures tracking of progress, especially in the absence of an ISR. If the same baseline is used in the first and second series for instance, it may signal that there has not been progress.

**62. Evaluating an operation in extraordinary circumstance under the standard ICR format may need to be reconsidered.** Given the impact of the COVID-19 pandemic on the institutional and policy environment for both the Government and the World Bank, evaluating an operation within the standard format may prove challenging. It is not always clear what can be attributable to a shock such as the pandemic, especially as it is ongoing, and what may be due to institutional challenges or reform. In this case, most targets had the commitment of the Government, but a good number were affected by the COVID-19 pandemic.

## **B. Next Phase**

**63. In March 2021, the Fiji Recovery and Resilience First Development Policy Operation with a Catastrophe-Deferred Drawdown Option was approved, with reform areas that are a continuation of those in this series.** The operation supports policy reforms under three pillars as follows: (a) promote private sector-led economic recovery; (b) enhance climate, disaster, and social resilience; and (c) strengthen debt and public financial management.

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<sup>58</sup> For instance the second operation only had one year, which is a relatively short time to observe the impact of policy actions.



ANNEX 1. RESULTS FRAMEWORK

A. RESULTS INDICATORS

Pillar: Strengthen medium-term fiscal sustainability

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
The average fiscal deficit (as a percentage of GDP)	Percentage	4.40	3.00	7.00
		31-Jul-2018	31-Jul-2021	31-Jul-2021

Comments (achievements against targets):  
Not achieved

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Accounting for the SOE’s credit risk in decisions to on-lend and give guarantees	Text	Decisions to on-lend and give guarantees do not take into account the SOE’s credit risk.	Decisions to on-lend and give guarantees are justified with explicit reference to the SOE’s credit risk, as evidenced by the Minister for Economy’s written approval in the case of on-lending and by	Result Indicator dropped



		31-Dec-2017	the minutes of the cabinet decision in the case of guarantees 31-Dec-2020	31-Dec-2020
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**Comments (achievements against targets):**  
Result Indicator dropped

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Fiscal risks arising from entities are reported	Text	Not quantified or reported 31-Dec-2018	Quantified and reported annually 31-Dec-2020	The 2019/20 government debt report by the Ministry of Economy reports the risk profiles of publicly guaranteed liabilities 31-Dec-2020

**Comments (achievements against targets):**  
Achieved

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Guarantee Fees to Government Entities	Text	Guarantee fees do not take account of the entity's credit risk	New guarantee fees will be based on the overall risk profile of the entity	The 2019/20 government debt report by the Ministry of Economy mentions that the entities are charged guaranteed fees based on



		31-Dec-2018	31-Dec-2020	the overall risk profile of the entity. Exemptions may apply as advised otherwise by the Ministry of Economy in exceptional cases  31-Dec-2020
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**Comments (achievements against targets):**  
 Achieved. Exemptions for the criteria at the discretion of the minister.

**Pillar: Improving Investment Climate**

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
The average number of expressions of interest from foreign investors received by Investment Fiji	Number	697.00 31-Dec-2018	732.00 31-Dec-2020	297.00 31-Dec-2020

**Comments (achievements against targets):**  
 Not achieved. Target was a 5% increase, actual was 55% decrease.  
  
 Note: Data for baseline is revised

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
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The average time spent obtaining a construction permit	Text	141 days 31-Dec-2017	50% drop to 70.5 days 31-Dec-2020	Result Indicator dropped 31-Dec-2020
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**Comments (achievements against targets):**  
Result Indicator dropped

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Cost spent starting a business	Text	Based on the World Bank's Doing Business: starting a business takes on average 17.9 percent of per capita income 31-Dec-2017	The average cost spent starting a business are reduced by 50 percent 31-Dec-2020	Result indicator dropped 31-Dec-2020

**Comments (achievements against targets):**  
Result Indicator dropped

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Number of days to start a business	Days	40.00 31-Dec-2018	25.90 31-Dec-2020	30.00 31-Dec-2020

**Comments (achievements against targets):**



Not achieved (but progressed)

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Improvement in the legal rights index of the Doing Business score for getting credit	Text	The legal rights index is 5 (out of 12) 31-Dec-2018	The legal rights index is 6 (out of 12) 31-Dec-2020	Above 6 31-Dec-2020

**Comments (achievements against targets):**

Achieved, estimated to be a few points above targets based on regulatory reforms and what they cover

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Improvement in number/ ratio of registration of security interest on movable collateral are owned by women or women-owned businesses	Text	Moveable property is not allowed to be used as collateral, with a disproportionate negative impact on women 31-Dec-2018	25 percent of registration of security interest on movable collateral are owned by women or women-owned businesses 31-Dec-2020	28.0 percent of registration of security interest on movable collateral are owned by women-only, women majority or women-men equal owned businesses 31-Dec-2020

**Comments (achievements against targets):**

Achieved





**Pillar: Building Climate Resilience**

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Improved building codes and standards are implemented and enforced	Text	Updated building codes and standards not yet in place. 31-Dec-2017	To be specified during the preparation of the second operation in the series 31-Dec-2020	Specified in the 2nd series 31-Dec-2020
<b>Comments (achievements against targets):</b>				

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Adherence of new single-story houses on native lands to the National Building Code - Fiji	Text	0 houses 31-Dec-2018	At least 20 houses 31-Dec-2020	7 houses 31-Dec-2020
<b>Comments (achievements against targets):</b> Not achieved (but progressed)				

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Adherence of new single-story	Text	10 schools	At least 30 schools	26 schools



schools and houses on native lands to the National Building Code - Fiji		31-Dec-2018	31-Dec-2020	31-Dec-2020
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**Comments (achievements against targets):**  
Not achieved (but progressed)

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Training material developed and used for improving capacity of building practitioners in rural areas.	Text	No systematic training  31-Dec-2018	At least 100 practitioners, of which at least 25 percent are women, trained in five rural areas  31-Dec-2020	26 people trained, of which 12 percent women  31-Dec-2020

**Comments (achievements against targets):**  
Not achieved (but progressed)

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Establishment of a Cabinet level committee to provide oversight on climate resilient development outcomes.	Text	No such committee exists	Cabinet level committee established and functioning as demonstrated through meeting agenda and minutes of the meetings if publicly available	A Cabinet level committee to provide oversight on climate resilient development outcomes for the NCCP was not established.



		31-Dec-2018	31-Dec-2020	31-Dec-2020
<b>Comments (achievements against targets):</b> Not achieved				

Indicator Name	Unit of Measure	Baseline	Target	Actual Achieved at Completion
Progress on at least two objectives and strategies of climate resilient development outcomes reported to the National Climate Change Committee.	Text	No or limited reporting on climate-resilient development outcomes  31-Dec-2018	Reported progress on implementation of objectives and strategies including in transport and water sectors  31-Dec-2020	Reported progress on Objective 1.4 and Objective 3.4, including transport sector  31-Dec-2020

<b>Comments (achievements against targets):</b> Not achieved (not achieved in all the target sectors, but progressed)				
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**ANNEX 2. BANK LENDING AND IMPLEMENTATION SUPPORT/SUPERVISION PROCESSES**

**A. TASK TEAM MEMBERS**

**P165276**

Demet Kaya (Task Team Leader), Mizuho Kida (Task Team Leader), Cristiano Costa e Silva Nunes (Procurement Specialist), Stephen Paul Hartung (Financial Management Specialist), Robert Johann Utz (Team Member), Hiroshi Tsubota (Team Member), Anne Tully (Team Member), Nga Quynh Nguyen (Team Member), Denis Jean-Jacques Jordy (Team Member), Michelle Lee McDonall (Team Member), David Stephen Knight (Team Member)

**P168402**

Demet Kaya (Task Team Leader), Evaron Doris Masih (Financial Management Specialist), Habiba Gitay (Team Member), David Michael Gould (Team Member), Michelle Lee McDonall (Team Member), Cindy Patricia Quijada Robles (Team Member), Rosemary Alexandra Davey (Environmental Specialist)

**ICR Team<sup>59</sup>**

Angella Montfaucon (ICR Task Team Leader), Demet Kaya (DPO Task Team Leader), Tuimasi Radravu Ulu (DPO Task Team Leader), David M. Gould (Team Member), Habiba Gitay (Team Member), Henry Henry Edward Sanday (Team Member, IFC), Michelle Lee McDonall (Team Member) with thanks to advise from Toyin Jagha (Senior Operations Officer)

**B. STAFF TIME AND COST**

**P165276**

Stage of Project Cycle	Staff Time and Cost	
	No. of staff weeks	US\$ (including travel and consultant costs)
<b>Preparation</b>		
FY18	21.127	193,475.68
<b>Total</b>	<b>21.13</b>	<b>193,475.68</b>
<b>Supervision/ICR</b>		
<b>Total</b>	<b>0.00</b>	<b>0.00</b>

<sup>59</sup> ICR cost: FY 21: No. of staff weeks, 5.65 citing US\$31,820 as of October 15, 2021.



<b>P168402</b>		
<b>Stage of Project Cycle</b>	<b>Staff Time and Cost</b>	
	No. of staff weeks	US\$ (including travel and consultant costs)
<b>Preparation</b>		
FY18	21.127	193,475.68
FY19	34.515	326,776.76
FY20	38.915	318,086.88
<b>Total</b>	<b>94.56</b>	<b>838,339.32</b>
<b>Supervision/ICR</b>		
<b>Total</b>	<b>0.00</b>	<b>0.00</b>



### **ANNEX 3. BORROWER COMMENTS - FIJI MINISTRY OF ECONOMY (MoE)**

1. The program objectives and supported reforms of (a) safeguarding medium-term fiscal sustainability while (b) creating an environment for private sector-led growth and (c) building climate resilience are significantly relevant, interdependent, and at the forefront of the Fijian Government's priorities for the medium and long term. The program correctly highlights the areas in which institutional frameworks, legislations, and polices need to be revised to ensure that ultimately the Fijian Government is creating an environment that leads to private sector-led economic growth which in turn supports fiscal sustainability and also improves climate resilience given the vulnerability of Fiji to climate change-related natural disasters.

2. Although the World Bank, in its assessment, finds the program overall outcome to be Moderately Unsatisfactory, the MoE believes that this series of policy-based operations was invaluable to the Fijian Government. It is important to note that the program was one of the first ever policy-based operation that the Fijian Government had undertaken. First, the Fijian Government benefitted in the achievement of reforms which might not have been prioritized and finalized without the programs. Thus, this was an avenue for the ministries to push reforms which would be tagged to funding and greatly assist its prioritization. Second, due to the series of policy-based operations which the Fijian Government was undertaking with the World Bank and the ADB, during the COVID-19 crisis, the Fijian Government was uniquely able to access much-needed funding from multilateral and bilateral creditors using the ongoing policy-based operations. With this financing, the Fijian economy might not be as stable as it currently is given the significant impact on Government revenues brought about by the COVID-19 pandemic.



**ANNEX 4. SECTORS AND THEMES**

**SECTORS AND THEMES**

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**Sectors**

Major Sector/Sector	(%)	Mitigation Co-benefits (%)	Adaptation Co-benefits (%)
<b>Public Administration</b>	<b>50</b>	<b>0.00</b>	<b>0.00</b>
Central Government (Central Agencies)	25	0	0
Other Public Administration	25	0	0
<b>Industry, Trade and Services</b>	<b>50</b>	<b>0.00</b>	<b>0.00</b>
Other Industry, Trade and Services	50	0	0

**Themes**

Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)
<b>Economic Policy</b>	<b>50</b>
Fiscal Policy	50
Fiscal sustainability	25
Tax policy	25
<b>Private Sector Development</b>	<b>50</b>
Business Enabling Environment	50
Investment and Business Climate	50
<b>Public Sector Management</b>	<b>25</b>
Public Finance Management	25
Domestic Revenue Administration	25
Public Administration	25
State-owned Enterprise Reform and Privatization	25

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<b>Sectors</b>			
Major Sector/Sector	(%)	Mitigation Co-benefits (%)	Adaptation Co-benefits (%)
<b>Public Administration</b>	<b>57</b>	<b>7.20</b>	<b>21.60</b>
Central Government (Central Agencies)	21	0	0
Other Public Administration	36	20	60
<b>Industry, Trade and Services</b>	<b>43</b>	<b>0.00</b>	<b>0.00</b>
Other Industry, Trade and Services	43	0	0
<b>Themes</b>			
Major Theme/ Theme (Level 2)/ Theme (Level 3)	(%)		
<b>Economic Policy</b>	<b>29</b>		
Fiscal Policy	29		
Fiscal sustainability	29		
<b>Private Sector Development</b>	<b>43</b>		
Business Enabling Environment	43		
Investment and Business Climate	43		
<b>Public Sector Management</b>	<b>14</b>		
Public Administration	14		
Administrative and Civil Service Reform	14		
<b>Human Development and Gender</b>	<b>29</b>		
Gender	29		
<b>Urban and Rural Development</b>	<b>43</b>		
Disaster Risk Management	43		
Disaster Response and Recovery	29		
Disaster Risk Reduction	14		
<b>Environment and Natural Resource Management</b>	<b>29</b>		
Climate change	29		





Mitigation	7
Adaptation	21