



Country Partnership Strategy

March 2019

Fiji, 2019–2023 —Achieving Sustained, Inclusive, Private Sector-Led Growth

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 March 2019)

Currency unit	–	Fiji dollar/s (F\$)
F\$1.00	=	\$0.4687
\$1.00	=	F\$2.134

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
CSO	–	civil society organization
EIB	–	European Investment Bank
GDP	–	gross domestic product
IMF	–	International Monetary Fund
NDP	–	National Development Plan
PPP	–	public–private partnership
SIDS	–	small island developing states
SMEs	–	small and medium-sized enterprises
SOE	–	state-owned enterprise
TA	–	technical assistance
USP	–	University of the South Pacific

NOTES

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

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COUNTRY AT A GLANCE

Economic^a	2014	2015	2016	2017	2018^b
GDP (\$ billion, current)	4.5	4.4	4.6	4.9	5.1
GDP per capita (\$, current)	5,139.1	4,972.8	5,202.8	5,499.4	5,677.9
GNI per capita (\$, atlas method)	4,750.0	4,810.0	4,800.0	4,970.0	...
GDP growth (% , in constant prices)	5.6	3.8	0.7	3.0	3.0
Agriculture	0.7	6.3	(5.1)	4.8	2.0
Industry	1.9	3.3	2.3	1.8	2.3
Services	7.4	3.6	1.2	3.1	3.3
Gross domestic investment (% of GDP)	19.2	20.1	20.6
Gross domestic saving (% of GDP)	15.4	17.1	12.0	13.6	...
Consumer price index (annual % change)	0.5	1.4	3.9	3.3	4.1
Liquidity (M2) (annual % change)	10.6	14.3	4.6	8.5	2.1
Overall fiscal surplus (deficit) (% of GDP)	(4.2)	(2.0)	(4.1)	(2.3)	(5.3)
Merchandise trade balance (% of GDP)	(22.9)	(20.9)	(21.8)	(22.4)	(21.5)
Current account balance (% of GDP)	(6.2)	(2.3)	(2.8)	(5.8)	(5.2)
External debt service (% of exports of goods and services)	1.6	1.7	12.7	5.0	3.0
External debt (% of GDP)	12.8	15.1	13.2	13.6	14.0

Poverty and Social	2017	
Population (million)	0.9	
Population growth (annual % change)	0.4	
Maternal mortality ratio (per 100,000 live births)	30.0	[2015]
Infant mortality rate (below 1 year/per 1,000 live births)	21.4	
Life expectancy at birth (years)	70.4	
Adult literacy (%)	...	
Primary school net enrollment (%)	97.3	[2016]
Child malnutrition (% below 5 years old)	7.0	[2008]
Population below poverty line (%)	28.1	[2013]
Population with access to safe water (%)	93.7	[2015]
Population with access to sanitation (%)	95.7	[2015]

Environment	2017	
Carbon dioxide emissions (million tons)	1.2	[2014]
Carbon dioxide emissions per capita (tons)	1.3	[2014]
Forest area (000 square kilometers)	10.2	[2016]
Urban population (% of total population)	55.9	

ADB Portfolio (active loans)^c	As of 31 December 2018	
Total number of loans		
Sovereign		3
Nonsovereign		0
Total loan amount (\$ million) ^d		
Sovereign		157.1
Nonsovereign		0
Disbursements		
Disbursed amount (\$ million, 2018)		16.4
Disbursement ratio (%)		11.8

... = not available, () = negative, [] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, GNI = gross national income, M2 = broad money, OCR = ordinary capital resources.

^a All data are based on the calendar year except overall fiscal surplus (deficit) (% of GDP) series. The government changed the financial year from January–December to August–July in 2016. 2015 data for this series is in calendar year (previously financial year) and 2016 and onward data reflects August–July financial year.

^b 2018 data are latest available forecasts.

^c Covers ADF and OCR financing for projects and programs, including policy-based lending.

^d Net of droppages and cancellation.

Sources: ADB; Government of Fiji, Fiji Bureau of Statistics; Government of Fiji, Reserve Bank of Fiji; World Bank, World Development Indicators.

I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Key development challenges.** Fiji achieved its ninth consecutive year of growth in 2018. Growth averaged 3.1% per annum during 2010–2018, despite a downturn in 2016 because of Tropical Cyclone Winston, which caused damage and losses equivalent to 29.2% of gross domestic product (GDP). The economic base is narrow and remains heavily reliant on the tourism sector. Major challenges for sustained and inclusive growth in Fiji include (i) relatively low levels of private investment and reliance on public investment to drive economic growth, (ii) constrained access to quality services and economic opportunities caused in part by infrastructure deficits, and (iii) vulnerability to climate and disaster risks and other external shocks that erode fiscal buffers and cause economic volatility. These challenges are exacerbated by the country's relative smallness and remoteness despite it being one of the larger and more developed Pacific island countries. Fiji has opportunities to further leverage (i) its central position in the Pacific, which makes it a natural regional hub; and (ii) its relatively well-educated, English-speaking workforce, beyond temporary labor migration.

2. **The Asian Development Bank's strategic objectives and priorities.** The Asian Development Bank (ADB), through its country partnership strategy (CPS), 2019–2023, will support Fiji to achieve sustained, inclusive, private sector-led growth. In doing so, ADB proposes to focus on three strategic objectives: (i) promoting private sector investment and growth through investments in infrastructure to boost competitiveness, and promoting policy-based lending and technical assistance (TA) to improve the business and investment climate; (ii) broadening access to quality services and economic opportunities through inclusive infrastructure investments, improving social services, and supporting efforts that increase opportunities for employment and income-generating activities; and (iii) building resilience and reducing economic volatility, including through investment in climate change- and disaster-resilient infrastructure assets, and supporting government efforts to build macroeconomic buffers and fiscal resilience. Accelerating progress in gender equality, fostering regional cooperation and integration, and leveraging private sector investment (including through nonsovereign operations) and public–private partnerships (PPPs) are priorities that will be mainstreamed in all strategic objectives.

3. **Alignment with government development plans.** The government has confirmed that the proposed strategy is in line with its priorities.¹ The government's National Development Plan (NDP), 2017–2036 sets out a vision for inclusive socioeconomic development.² It aims for inclusivity to be at the center of growth and development, and for the benefits of prosperity to be shared widely. This will help address remaining poverty and reduce inequalities while accelerating progress in gender equality. The NDP stresses the importance of sustained economic expansion supported by private sector investment and trade, and the enhanced provision of social services and public goods. It sets a strategy for Fiji to become a regional hub of the South Pacific for business, including by improving transport and digital connectivity, and developing a skilled workforce and productive jobs, which will contribute to regional cooperation and integration. The NDP is aligned with and outlines strategies to achieve Fiji's global commitments, including the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.

¹ The new government established after the elections in November 2018 has confirmed continuation of major policies and implementation of the National Development Plan (NDP), 2017–2036.

² Government of Fiji, Ministry of Economy. 2017. [5-Year and 20-Year National Development Plan: Transforming Fiji](#). Suva.

4. **Alignment with Strategy 2030.** The CPS and ADB's engagement in Fiji are closely aligned with ADB's corporate strategy, Strategy 2030.³ In line with Strategy 2030, ADB takes a differentiated approach to small island developing states (SIDS).⁴ In particular, ADB focuses on climate change adaptation, environmental sustainability, and disaster risk management, such as through investment in climate change- and disaster-resilient infrastructure assets. Strategy 2030 has established seven operational priorities, of which ADB's operations in Fiji will support six (paras. 26–28). Within each of these six operational priorities, ADB will selectively engage in subsectors and areas based on its comparative strength and development partners' activities. ADB's engagement in rural development and food security is expected to be limited, given the focus on addressing urban poverty and ADB's comparative advantage and experiences. The CPS is also aligned with ADB's Pacific Approach, 2016–2020.⁵

5. **ADB's value addition.** In line with Strategy 2030, ADB will seek to combine finance, knowledge, and partnerships throughout its operations. As a financier and catalyzer of finance, ADB will pursue sovereign and nonsovereign lending opportunities, and will mobilize external concessional and commercial resources for Fiji. ADB will be prepared to provide emergency finance, if requested. As a knowledge provider, ADB will provide knowledge and advisory services that replicate good practices, drive innovation, and fit local conditions. As a convener of partnerships, ADB will work with diverse partners and stakeholders to promote dialogue and collaboration. Policy-based operations will provide a platform for dialogue on public financial management and business environment reforms. ADB will also seek to expand its engagement with civil society organizations (CSOs). ADB will promote regional cooperation and integration by supporting Fijian companies to expand internationally, and by supporting Pacific regional institutions and initiatives, such as the University of the South Pacific (USP).

II. COUNTRY DEVELOPMENT CONTEXT

6. **Country background.** Fiji has a total land area of about 18,273 square kilometers and a population of about 885,000. The population is concentrated on the two main islands of Viti Levu (about 80% of the total population) and Vanua Levu (about 15% of the total population)—these two islands make up about 87% of the total land area. Fiji faces constraints common to small and remote island states. The closest major markets are New Zealand and Australia, which are about 2,000–3,000 kilometers away. Fiji is vulnerable to disasters triggered by natural hazards, such as cyclones and floods. In 2016, Tropical Cyclone Winston caused damage and losses equivalent to 29.2% of GDP. While Fiji shares common constraints of small island states, it is classified as an upper middle-income country and is relatively more developed and larger than most other Pacific island countries.

7. **Economic overview.** Fiji's economy has outperformed most other Pacific island countries, enjoying steady growth since 2010—longer than any other period since it gained

³ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.

⁴ Strategy 2030 recognizes that SIDS are particularly vulnerable to climate change and disaster-related shocks. Their economies are often constrained by small domestic markets, a high cost of doing business, and challenges in connectivity to regional and international markets. SIDS also confront severe institutional capacity constraints. They are vulnerable to economic shocks, which are further magnified because of their narrow economic base, limited exports, and high dependence on foreign suppliers for many essential goods and services.

⁵ ADB. 2016. *Pacific Approach, 2016–2020*. Manila. The Pacific Approach serves as the operational framework of ADB for the Pacific region and prioritizes (i) value creation through support for private sector investment and growth; (ii) reductions in cost of doing business and providing services; and (iii) management of risks from economic shocks, natural disasters, and climate change.

independence in 1970. Average growth during 2010–2018 was 3.1%, which was more than three times the annual growth during 2000–2009, when Fiji was facing significant political uncertainty. Average annual inflation during 2010–2018 was 3.4%, just above the government target of 3.0% per year. Per capita income increased from \$3,684 in 2010 to \$5,678 in 2018.⁶ The services sector, in particular tourism, dominates Fiji's economy. Its share of GDP increased from 68.6% in 2010 (constant prices) to 71.2% of GDP in 2018, while the share of the agriculture sector (e.g., sugar) and the manufacturing sector (e.g., garments) decreased. Overall growth was driven by public investments and tourism, while private investment outside of the tourism industry remained low. Major exports are bottled water, fish, sugar, and garments. The trade deficit is offset by remittances and tourism earnings.

8. **Fiscal policy.** From 2010 to fiscal year (FY) 2018, the fiscal deficit averaged 2.6% of GDP per annum.⁷ Total public debt fell as a result of strong economic growth and improved fiscal management, declining from 56.2% of GDP in 2010 to 50.0% of GDP in FY2018. External public debt was equivalent to 27.9% of total debt in FY2018. The government's fiscal policies aim to (i) maintain the budget deficit at less than 3.0% of GDP per annum, (ii) maintain debt below 50% of GDP and external debt below 30% of total debt, and (iii) reduce debt to 45% of GDP by 2026 and 40% of GDP by 2031 (footnote 2). While within the prudential target, fiscal policy has been accommodative, which has supported sustained economic growth since 2010. The International Monetary Fund (IMF) has recommended that fiscal consolidation measures be pursued to rebuild buffers and support external stability.⁸ Buffers are necessary to provide fiscal space to respond to shocks, such as disasters triggered by natural hazards.

9. **Investment for higher growth.** Fiji needs further investments, especially by the private sector, to sustain and drive growth. From 2010 to 2016, total investment averaged 20.6% of GDP, which was lower than the government's 25.0% target (footnote 2). Although public investment increased from an average of 3.0% of GDP in 2005–2009 to 4.5% in 2010–2016, private and state-owned enterprise (SOE) investments decreased from 14.4% of GDP in 2005–2009 to 13.9% in 2010–2016.⁹

10. **Business environment.** Fiji's small size, remoteness, and significant levels of disaster risk contribute to high costs of doing business. These factors, coupled with a weak regulatory framework for registering, starting, and operating a business, discourage private sector investment. For example, Fiji's rank in the World Bank's Doing Business report was 101st out of 190 countries in 2019.¹⁰ Fiji has a competitive financial sector, and interest rates have fallen and are low relative to other Pacific island countries.¹¹ Nevertheless, lack of access to finance remains a constraint, particularly for small and medium-sized enterprises (SMEs). Fiji is taking steps to improve the business and investment climate. Ongoing activities include efforts to (i) rationalize taxes, (ii) develop modern company legislation, (iii) strengthen the legal framework for contract

⁶ GDP per capita at current market prices in United States dollars.

⁷ In March 2016, the government announced that from August 2016 it would change the fiscal year from a calendar year to one beginning on 1 August and ending on 31 July.

⁸ IMF. 2019. [Republic of Fiji: Staff Report for the 2018 Article IV Consultation](#). *IMF Country Report*. No. 19/57. Washington, DC.

⁹ The latest available investment data is for 2016. Government of Fiji, Reserve Bank of Fiji. 2018. [Quarterly Review: September 2018](#). Suva.

¹⁰ Fiji's rank in the World Bank's Doing Business report was 54th out of 183 economies in 2010, which indicates that Fiji's investment climate has deteriorated compared to other countries. Changes in sample size and methodology mean that direct comparison of ranking between years is not possible. World Bank. 2019. [Doing Business 2019: Training for Reform](#). Washington, DC.

¹¹ The weighted average commercial bank lending rate in Fiji fell from 7.4% in 2010 to 5.7% at the end of June 2018. This compares to a rate of 9.0% in Samoa and a rate of 10.8% in Solomon Islands at the end of June 2018.

enforcement and dispute resolution, (iv) facilitate increased access to finance through personal property securities reform, and (v) improve land use administration. Despite these efforts, however, further reform is needed.

11. **Infrastructure deficit.** Fiji's geography makes connective infrastructure and services essential for socioeconomic development. While Fiji's infrastructure compares favorably to other countries in the Pacific, there are still significant deficiencies in infrastructure and corresponding services. This raises the cost of doing business, reduces Fiji's competitiveness in international markets, and discourages private investment. Key constraints include (i) inadequate upgrading and maintenance of roads, (ii) low capacity at its main ports, (iii) limited connectivity infrastructure in remote areas and outer islands, and (iv) inadequate urban services to keep up with growing urbanization. As the tourism sector continues to grow, infrastructure investment will also be needed to ensure that such growth is environmentally sustainable.¹²

12. **Poverty and human development.** Although poverty has fallen, it remains a concern, and the government is determined to reduce it further. The government estimates that the incidence of poverty declined from 31.0% in 2008–2009 to 28.1% in 2013–2014.¹³ The government aims to reduce poverty to 25% by 2021 and 20% by 2026 (footnote 2). Rural poverty rates have come down, but urban poverty rates have risen in 2013–2014 compared to 2008–2009. Only 1.4% of the population lived in absolute poverty (below income of \$1.90 per day) in 2013.¹⁴ The government has expanded social protection measures that benefit women and vulnerable groups.¹⁵ Private social protection mechanisms, including remittances and informal communal mechanisms, remain significant. Sustained economic growth has contributed to higher human development. From 1990 to 2017, Fiji's Human Development Index value increased from 0.641 to 0.741. During the same period, (i) life expectancy at birth increased by 4.9 years, (ii) mean years of schooling increased by 2.4 years, (iii) expected years of schooling increased by 3.2 years, and (iv) gross national income per capita increased by 40.4%.¹⁶

13. **Gender equality.** Occupational discrimination and gender segregation in education and the labor market are persistent challenges in Fiji, as in most Pacific countries. Women's share of employment is significantly lower than that of men, and there is a gender wage gap. According to the 2017 census, the labor force participation rate for women was 37.4% compared to 76.4% for men, and the unemployment rate for women was 7.8% compared to 2.9% for men.¹⁷ Many women work in the informal sector. Fiji has higher financial inclusion rates for women than other Pacific island countries but more women than men are excluded from financial services. On the United Nations Gender Inequality Index, Fiji had an index value of 0.352 in 2017, ranking it at 79th out of 160 countries (footnote 16). In 2018, a World Economic Forum report on gender gaps ranked Fiji 106th out of 149 countries.¹⁸ The report identified economic participation and opportunity, and political empowerment to be key issues, though Fiji ranked better for health and survival and

¹² ADB. 2018. [Tourism as a Driver of Growth in the Pacific](#). *Issues in Pacific Development*. No. 2. Manila.

¹³ Government of Fiji, Fiji Bureau of Statistics. 2015. [2013–2014 Household Income and Expenditure Survey, Preliminary Findings – Release 1](#). Suva. Poverty incidences are computed using the national poverty line per adult per week (F\$55.12 for urban areas, and F\$49.50 for rural areas).

¹⁴ World Bank. [World Development Indicators](#) (accessed 3 December 2018).

¹⁵ Vulnerable groups currently supported under the welfare programs include the elderly; the chronically ill; the disabled; and families that live below the national poverty line, including female-headed households.

¹⁶ United Nations. 2018. [Human Development Indices and Indicators: 2018 Statistical Update](#). New York.

¹⁷ Government of Fiji, Fiji Bureau of Statistics. 2018. [2017 Population and Housing Census, Release 1](#). Suva.

¹⁸ World Economic Forum. 2018. [The Global Gender Gap Report 2018](#). Geneva.

educational attainment.¹⁹ Nevertheless, challenges remain in areas such as sexual and reproductive health and rights, and gender-based violence. Furthermore, women hold only 19.6% of parliamentary seats in Fiji. The migration of men to urban areas has increased the number of female-headed households in rural areas, which can lead to changes in traditional gender roles. The government's NDP emphasizes an enhanced role of women in the country's development.

14. **Climate change and natural hazards.** Fiji's economy and population face significant levels of climate and disaster risk, which undermines achievements in economic growth and poverty reduction. While poverty is in decline, it is estimated that cyclone and flood losses push 25,700 people on average into poverty every year.²⁰ Given that significant losses are absorbed by the government, these threats also jeopardize fiscal stability. In addition to climate change, socioeconomic developments such as urbanization and the concentration of assets along coastlines increase the cost of natural hazard-induced disasters. The government has reflected disaster risk management considerations across its development plans. Substantial resources will be required by Fiji to mainstream disaster resilience and climate change adaptation in its infrastructure investments.

15. **Political economy.** Fiji's development progress has been hampered by past political upheaval. Following a 2006 coup, a fourth constitution (in 4 decades) was promulgated in 2013. National elections in 2014 were won convincingly by the FijiFirst party. Fiji's transition from a military to a democratically elected government received significant support from development partners, as central accountability mechanisms were rebuilt. Political stability contributed to higher economic growth. The FijiFirst party retained a majority in Parliament at the national elections in November 2018 and will continue with reforms that support private sector-led growth.

III. COUNTRY STRATEGY FRAMEWORK

A. Lessons from Previous Strategy

16. **Country partnership strategy final review and validation.** The CPS, 2014–2018 marked ADB's full reengagement with Fiji after national elections in September 2014.²¹ The final review of the CPS, 2014–2018 assessed that ADB's overall support to Fiji was successful.²² ADB acted effectively as a project developer, helping the government mobilize large financing packages for investments, including concessional financing from development partners such as the Green Climate Fund. ADB led most projects that involved external borrowing during the period. Total financing committed to Fiji, including cofinancing, exceeded the CPS's indicative resource parameters for the period. ADB also responded flexibly to exogenous events, such as by providing emergency assistance following Tropical Cyclone Winston. The final review recommended that ADB continue proactively mobilizing cofinancing and remain flexible to adapt to emerging assistance needs. It acknowledged that some projects faced implementation challenges. Lessons include the need for extensive project design and implementation support,

¹⁹ The two indices use different methodologies. The United Nations Gender Inequality Index places more weight on female health, in which Fiji does comparatively well, and is a composite index measuring male and female equity. The World Economic Forum report places equal weight on all key indicators, and Fiji does comparatively poorly on political participation by women.

²⁰ Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. [Climate Vulnerability Assessment: Making Fiji Climate Resilient](#). Washington, DC.

²¹ ADB's engagement during 2007–2013 was limited and guided by ADB. 2007. *Fiji Islands: Reengagement Approach*. Manila.

²² ADB (Pacific Department). 2018. Fiji Country Partnership Strategy Final Review, 2014–2018. Memorandum. 24 July (internal).

and the choice of an appropriate financing instrument depending on implementing agency capacity.

17. The CPS, 2014–2018 final review validation confirmed that ADB’s support to Fiji has been successful, and recommended ADB (i) pay more attention to tailored and gradual capacity development support in the next Fiji CPS for long-term sustainable results; (ii) pursue the improvement of financial, climate, and social resilience, and better define ADB’s role with relevant and realistic support; (iii) invest in project designs and implementation that ensure benefits to vulnerable citizens; (iv) develop a specific private sector development approach in the next CPS; and (v) integrate the Fiji program with the ADB program and other strategic regional programs.²³

18. ADB operations will seek to respond to lessons from past operations and will leverage ADB’s comparative strengths in infrastructure to promote connectivity, resilient urban infrastructure, and public sector management. ADB operations will focus on subsectors, which enable deep engagement in sector planning, investment, and public sector capacity building.

B. National Development Strategy

19. **Long-term development strategy.** The government’s NDP (footnote 2) sets out a vision for inclusive socioeconomic development. It sets inclusiveness at the center of growth and development, and aims for the benefits of prosperity to be shared widely, with no one left behind regardless of geographical location, gender, ethnicity, and social and economic status. It stresses the importance of sustained economic expansion supported by private sector investment and trade, and the enhanced provision of social services and public goods. It sets a goal of a fourfold increase in per capita income by 2036 and the eradication of poverty, and it has a vision of universal access to electricity, clean and safe water and proper sanitation, and quality education and health care systems. It sets out a strategy to expand Fiji’s role as a regional hub of the South Pacific for business, including by improving transport and digital connectivity, and developing a skilled workforce and productive jobs. It further recognizes the importance of women in development, and the protection of national cultural heritage and the environment in achieving the intended inclusive and sustainable economic development. The NDP is aligned with and outlines strategies to achieve Fiji’s global commitments, including the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.²⁴

20. **Key initiatives to implement the government strategy.** To realize the vision for a modern and inclusive Fiji, key government initiatives implemented from 2010 include (i) increased investment in infrastructure, particularly for connectivity (land transport, air transport, and information and communications technology); (ii) increased investment in water and sanitation, which has been shown to especially benefit women and girls; (iii) increased investment in social sectors (expanded social protection measures that benefit women and vulnerable groups, and free primary and secondary education, expanded access to health services); and (iv) reforms to strengthen the business environment, including regulatory reforms and corporate and individual tax incentives to encourage greater investments.

²³ Independent Evaluation Department. 2019. *Fiji Country Partnership Strategy Final Review Validation, 2014–2018*. Manila: ADB.

²⁴ Fiji was the first country globally to ratify the Paris Agreement on climate change in 2016. Its Nationally Determined Contribution aims for the share of electricity generated from renewable sources to approach 100% by 2030, up from 60% in 2013. It will also pursue economy-wide energy efficiency improvements. Collectively, these measures aim to reduce emissions by 30% from a business-as-usual baseline scenario by 2030.

C. Role of Development Partners

21. **Major partners.** Fiji's major development partners include ADB, the European Union, and the World Bank, as well as the governments of Australia, India, Japan, New Zealand, and the People's Republic of China. The European Investment Bank (EIB) and the Green Climate Fund have also financed public investments, including by cofinancing ADB projects. Bilateral partners have a stronger presence in the social sectors (health, education, social housing, and rural livelihoods). United Nations agencies provide specialized technical support in social and environmental sectors. A range of CSOs, including international organizations, are also active in Fiji. Institutional arrangements for development coordination in Fiji are well established. The Ministry of Economy is the focal point for development coordination across development partners. Development partner assistance is guided by the NDP.

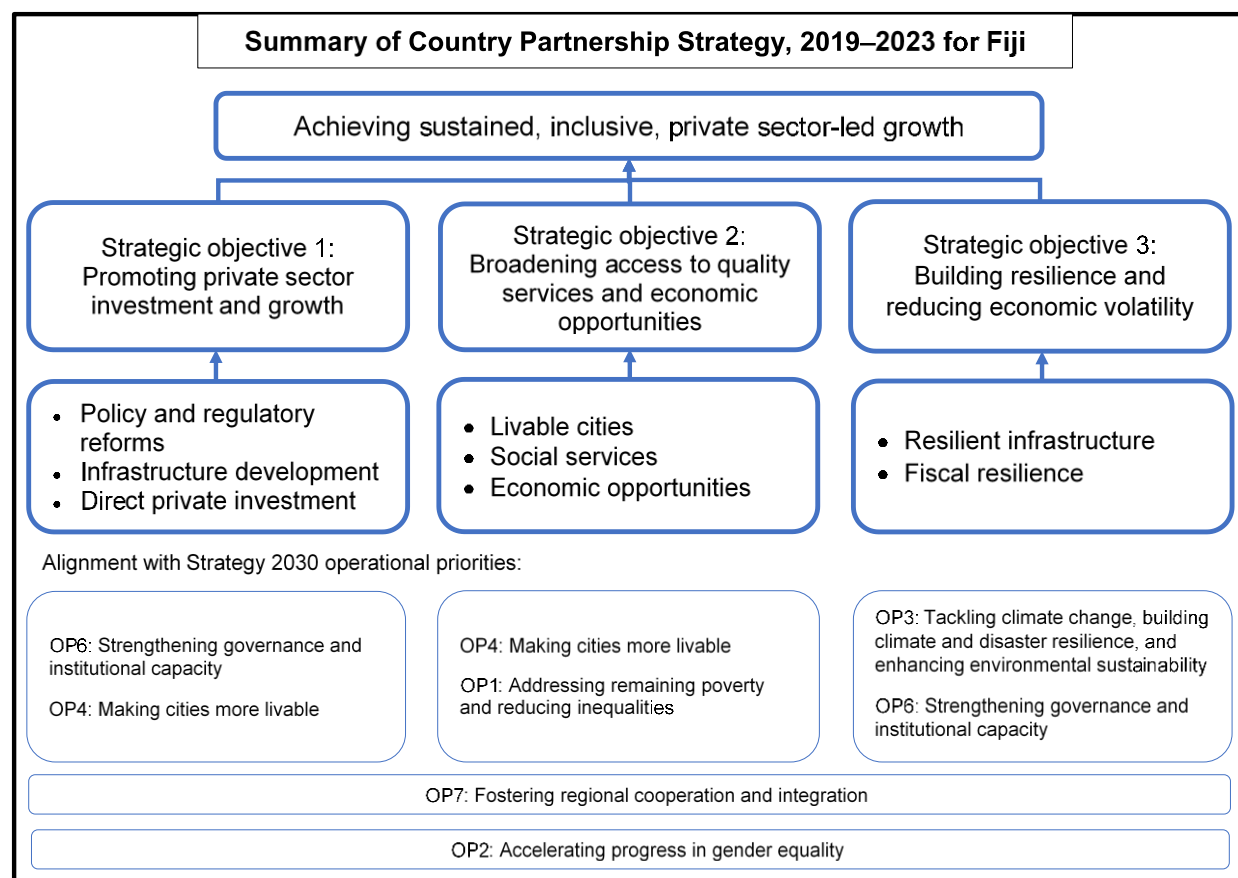
22. **Partnerships and areas of coordination.** Major multilateral and bilateral partners have established their regional offices in Fiji, which facilitates formal and informal coordination among the partners. ADB focuses on sectors and areas where it has comparative advantages over other development partners. ADB works closely with development partners and catalyzes their funding for projects. For example, ADB is working with (i) the World Bank on transport investments;²⁵ (ii) the EIB on water and sanitation; (iii) the World Bank and the Government of Australia on public sector management; and (iv) the Japan International Cooperation Agency on flood control infrastructure. ADB is also working with CSOs on projects such as on strengthening women's resilience to external shocks.²⁶ ADB coordinates with development partners in policy dialogue, implementation arrangements, capacity building, and monitoring and review. Leveraging cofinancing from development partners and the private sector to maximize finance for development will remain a priority. ADB will also look for opportunities to (i) strengthen collaboration with CSOs, particularly in operations that can benefit from participatory approaches to target the poor and vulnerable groups; and (ii) engage new partners, including academia, philanthropic organizations, subregional organizations, and the private sector, in its operations to introduce knowledge and innovation.

D. ADB's Strategic Objectives and Operational Priorities

23. **Country partnership strategy objectives.** As a trusted development partner, ADB will support Fiji in achieving sustained, inclusive, private sector-led growth. ADB support will focus on (i) promoting private sector investment and growth through investments in infrastructure to boost competitiveness, as well as policy-based lending and TA to improve the business and investment climate; (ii) broadening access to quality services and economic opportunities through making inclusive infrastructure investments, improving social services, and supporting efforts that increase opportunities for employment and income-generating activities; and (iii) building resilience and reducing economic volatility, including through investing in climate change- and disaster-resilient infrastructure assets, and supporting government efforts to build macroeconomic buffers and fiscal resilience. Accelerating progress in gender equality, fostering regional cooperation and integration, and expanding nonsovereign operations and PPPs are priorities that will be mainstreamed in ADB's engagement across all strategic objectives. There will be special focus on growing ADB's nonsovereign operations and leveraging cofinancing to maximize finance for development.

²⁵ The World Bank sought and obtained the first-ever waiver to use ADB procurement policies and procedures for its cofinancing.

²⁶ ADB. [Regional: Strengthening Women's Resilience to Climate Change and Disaster Risk in Asia and the Pacific.](#)



OP = operational priority.

Source: Asian Development Bank staff.

24. **Differentiated approach.** In line with Strategy 2030, ADB will apply the differentiated approach for SIDS in its engagement with Fiji. ADB support will focus on climate change adaptation, environmental sustainability, and disaster risk management, such as through investing in climate change- and disaster-resilient infrastructure assets. To address the vulnerability to natural hazards and economic shocks, ADB will support Fiji to strengthen its institutional capacity to manage risks, including in disaster risk reduction and readiness. ADB will strengthen connectivity and access to help address the costs associated with Fiji's remoteness. Through policy-based loans and associated TA, ADB will also help Fiji to improve its business environment, reform SOEs, enhance PPPs, reduce the cost of doing business, strengthen the quality of public service delivery, and promote private sector-led growth.

25. **ADB value addition.** ADB will add value by combining finance, knowledge, and partnerships throughout its operations. As a financier and catalyzer of finance, ADB will pursue opportunities for sovereign and nonsovereign lending (including through SOEs) and will build on past success to mobilize external concessional and commercial resources for Fiji.²⁷ It will stand ready to provide emergency finance, if requested. As a knowledge provider, ADB will provide

²⁷ During 2014–2018, ADB successfully mobilized concessional finance from the EIB and the Green Climate Fund for investments in water and sanitation. Further cofinancing from the EIB and the Japan International Cooperation Agency is expected for a planned flood control project and the second tranche of an ongoing water supply and wastewater investment program. To catalyze commercial finance, ADB is assisting in establishing an enabling environment for PPPs, and is actively pursuing nonsovereign operations.

knowledge and advisory services with practical value that fit local conditions. ADB will look for opportunities to replicate good practices and drive innovation across the region, such as Fiji's potential role as a regional hub for arbitration of international commercial disputes.²⁸ As a convener of partnerships, ADB will promote dialogue and collaboration among diverse partners and stakeholders. For example, an ongoing policy-based program will provide a platform for dialogue on public financial management and business environment reforms between the government, development partners, and the private sector.²⁹ ADB will also seek to expand its engagement with CSOs and with new partners, such as global funds, philanthropic organizations, and technology providers. ADB will also promote regional cooperation and integration by supporting Pacific regional institutions and initiatives, such as USP, and by supporting Fijian companies to expand internationally, in particular in the Pacific region. ADB will seek opportunities to introduce new approaches in operations and innovative technologies in projects.

26. Strategic objective 1: Promoting private sector investment and growth. To promote private sector investment, ADB will support the government's efforts to create a more business-friendly regulatory environment and develop infrastructure to boost competitiveness. This primarily supports Strategy 2030's operational priority on strengthening governance and institutional capacity by strengthening the quality and capacity of public institutions to undertake reforms and promote private sector development. Infrastructure investments will support Strategy 2030's operational priority on making cities more livable. ADB will also directly support private sector investment through nonsovereign operations. Stronger private sector activity and investment will help Fiji sustain higher economic growth while reducing the burden on public sector finances, enabling the building of fiscal buffers to respond to external shocks.

- (i) **Policy and regulatory reforms.** ADB will support public management reforms to help Fiji improve governance and create an enabling environment for sustainable growth. Building on reforms advanced under the previous CPS, ADB will continue to provide analytical and advisory support for the government's efforts to improve the business environment and reduce the cost of doing business. This will include ongoing reforms that increase access to finance, promote SOE reform and PPPs, and improve frameworks for competition.³⁰ ADB's engagement with private companies through nonsovereign operations will help identify critical barriers to private investment, which will guide the design of policy and regulatory reforms. ADB will continue to support SOE reforms that improve SOEs' financial management and internal governance, and enable them to access finance on commercial terms, including ADB nonsovereign finance. Policy and transaction advisory support for SOE divestments and PPPs may also be provided to bring in private sector investment, innovation, and expertise. ADB's Office of Public–Private Partnerships and the Asia Pacific Project Preparation Facility will play a key role in this.³¹ Competition reform support will include strengthening competition policies and laws, and improving regulators' capacity, to promote the development of competitive markets for goods and services. Assistance will be provided through a combination of policy advice, TA, and policy-based lending programs.
- (ii) **Infrastructure development.** ADB will continue to provide assistance to improve domestic and regional connectivity through transport infrastructure. This includes investments in land transport infrastructure, including roads and bridges in urban

²⁸ ADB. [Regional: Promotion of International Arbitration Reform for Better Investment Climate in the South Pacific.](#)

²⁹ ADB. [Fiji: Sustained Private Sector-Led Growth Reform Program.](#)

³⁰ ADB. [Regional: Pacific Private Sector Development Initiative, Phase III.](#)

³¹ ADB. [Regional: Asia Pacific Project Preparation Facility.](#)

centers, and links to improve market connectivity for rural centers that enhance agricultural value chains and rural income-earning opportunities.³² In addition, ADB will explore sovereign and nonsovereign investment opportunities in port infrastructure following the development of a ports master plan in 2017.³³ The aim is to reduce operational costs of businesses, improve productivity, and improve access to key public services. This will contribute to Strategy 2030's operational priorities of addressing remaining poverty and reducing inequalities, and fostering regional cooperation and integration. In addition, investments will help offset pressures on public infrastructure associated with the continued growth of the tourism sector, and will facilitate the sustainable expansion of tourism into new areas. The financial sustainability of infrastructure investments and asset maintenance, including development of sustainable financing mechanisms, will continue to be prioritized. ADB will also explore investment opportunities in the energy sector, including in electricity generation (with a focus on renewable sources to support Fiji in meeting its commitments under the Paris Agreement) and transmission infrastructure. Assistance in renewable energy will prioritize nonsovereign operations with the majority state-owned electric utility and/or independent power producers.

- (iii) **Direct private investment.** ADB will seek opportunities to collaborate with private sector companies on commercially viable transactions that generate financial returns while also achieving development objectives of the CPS. It is anticipated that there may be investment opportunities in Fiji and regional opportunities with Fijian companies (thus fostering regional cooperation and integration). Target sectors include renewable energy, financial institutions, transportation infrastructure, agribusiness, and health. ADB will seek to crowd in private sector finance, including from regional commercial banks and pension and provident funds. Through its Trade Finance Program, ADB will continue to help to close gaps in trade finance by providing guarantees and loans to banks. ADB's Pacific Department and Private Sector Operations Department will partner with one another in Fiji, providing joint teams to accelerate market development and transaction origination.

27. Strategic objective 2: Broadening access to quality services and economic opportunities. ADB will support Fiji in broadening access to quality services and economic opportunities through making inclusive infrastructure investments, such as those that strengthen water and other urban infrastructure; improving social services; and supporting efforts that increase opportunities for employment and income-generating activities. This strategic objective directly supports Strategy 2030's operational priorities on addressing remaining poverty and reducing inequalities and making urban centers more livable. ADB support will be mainly through sovereign operations, while nonsovereign operations will also be explored, including in the health sector.

- (i) **Livable cities.** ADB will continue to improve infrastructure to make it more accessible for the broader population. Rapid urbanization is putting serious strain on existing infrastructure, causing traffic congestion, and expanding informal settlements in peri-urban areas. To make urban centers more livable as envisaged in Strategy 2030, ADB will support the government to improve water supply and sanitation by (i) increasing treatment capacity and (ii) expanding the network to

³² ADB. [Fiji: Transport Infrastructure Investment Sector Project.](#)

³³ ADB. [Fiji: Ports Development Master Plan in Fiji.](#)

peri-urban areas and new growth centers, including informal settlements.³⁴ Land transport investments will help link rural areas to urban centers, and will help address urban congestion. ADB will also support government efforts to promote safe, inclusive, and reliable urban public transport to ease traffic congestion, reduce pollution, and benefit citizens without private vehicles. ADB will focus on the greater Suva area, based on its importance and ongoing development partner support in other cities and towns.

- (ii) **Social services.** In line with Strategy 2030, ADB will look for opportunities to engage in the social sectors, particularly through targeted support in health and education that can help address the non-income dimensions of poverty. In health, ADB will continue to provide advisory support to guide the potential engagement of the private sector to expand access to public primary health services, particularly in rural areas. ADB will also pursue emerging opportunities for nonsovereign investments in the health sector, including through PPPs. In education, ADB may support education infrastructure planning and open, distance, and flexible learning by leveraging the regional network of USP. ADB will coordinate and collaborate with development partners that have ongoing programs in health and education, and will be targeted and selective in any engagement in the social sectors.
- (iii) **Economic opportunities.** ADB's support for promoting private sector investment and increased access to finance are particularly expected to benefit SMEs and women-owned enterprises, which are essential for creating broad economic opportunities. ADB will continue to support implementation of the Personal Property Securities Act, which facilitates the use of movable property as collateral. This is expected to spur financial product innovation and improve access to finance for private enterprises, especially SMEs and women-owned enterprises that tend to suffer from lack of land and other fixed assets.

28. **Strategic objective 3: Building resilience and reducing economic volatility.** Fiji, like other SIDS in the Pacific, is highly vulnerable to climate change and natural hazards. Disasters triggered by natural hazards, particularly floods and cyclones, have in the past caused significant economic volatility and drained fiscal buffers. Tropical Cyclone Winston caused damage and losses equivalent to 29.2% of GDP and caused economic growth to slow to 0.7% in 2016. ADB will invest in infrastructure that is resilient to climate change and disasters, and support government efforts to build macroeconomic buffers and fiscal resilience. This supports Strategy 2030's operational priorities on (i) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; and (ii) strengthening governance and institutional capacity. Under this strategic objective, ADB will focus on climate change adaptation and disaster risk management.³⁵

- (i) **Resilient infrastructure.** In all infrastructure investments, ADB will seek to design and build to construction standards that ensure that infrastructure assets are resilient to climate and disaster risks. To help protect vital economic infrastructure in the Nadi River catchment area, ADB will support construction of flood control structures, promote nature-based solutions, and build capacity for integrated water resources and flood risk management. This will reduce the cost of disasters on key economic sectors, such as tourism, and the broader economy. In addition to its own financing, ADB will continue to pursue opportunities to catalyze concessional

³⁴ ADB. [Fiji: Urban Water Supply and Wastewater Management Investment Program](#).

³⁵ Potential ADB support for renewable energy (strategic objective 1) and green public transport (strategic objective 2) would contribute to Fiji achieving its climate change mitigation commitments under the Paris Agreement (footnote 24).

- resources from climate funds to scale up support to address climate change, disaster risk, and environmental degradation as envisaged under Strategy 2030.
- (ii) **Fiscal resilience.** ADB will support the government to maintain a sound fiscal position by promoting fiscal discipline, strategic allocation of resources, and efficient service delivery. In the event of disasters, the government absorbs most of the losses by increasing expenditure, given that Fiji has limited advance financing arrangements in place for disaster recovery and rehabilitation. Therefore, the government must maintain fiscal flexibility and buffers. ADB will support the government to strengthen public financial management and build fiscal buffers. This will ensure that adequate resources are available to respond to external shocks, including disasters. Opportunities to support the government to develop advance financing arrangements will also be explored. Assistance will be provided through policy-based lending programs and TA, and emergency assistance loans if requested.

29. **Regional cooperation and integration.** ADB will promote regional cooperation and integration in the Pacific region by supporting Fiji's role as a regional hub, as envisioned in Strategy 2030's operational priority on fostering regional cooperation and integration. Fiji is a geographical hub in the Pacific, connecting islands through information and communication technology and providing access to regional and global markets through maritime and air transport infrastructure. Fiji hosts regional organizations that promote regional cooperation (such as the Pacific Islands Forum Secretariat) and provide public services and public goods (such as higher education through USP). ADB will work closely with Pacific island countries and regional organizations to promote dialogue and common approaches to be in line with international standards in areas of common interest, such as on international arbitration, energy sector regulation, and climate change and disaster risk management. ADB supported the development of the new Pacific Regional Education Framework, and in conjunction with development partners will support its implementation. ADB will continue to partner with USP as a key knowledge institution in the region, guided by a cooperation agreement signed in 2017.³⁶ Through its nonsovereign operations, ADB will look for opportunities to support the regional expansion of Pacific companies.

30. **Gender equality.** ADB will support Fiji to accelerate progress in gender equality, in line with government policies and Strategy 2030. Fiji's NDP recognizes the important role of women in development and targets women's empowerment, increasing opportunities for participation in leadership and decision-making, and eliminating inequality and discrimination. In its projects, ADB will prepare quality gender action plans with defined and measurable targets and will make sure that adequate resources are provided to support the implementation of gender action plans. Women's participation in decision-making and project implementation structures will be prioritized. Infrastructure investments, such as in water, sanitation, and land transport, will help reduce the time poverty of women and create employment opportunities where possible. Safety and mobility of women will be considered in designing urban infrastructure. ADB's support for reforms that improve the business environment will seek opportunities to promote women's economic empowerment and entrepreneurship, and address barriers to accessing finance. To strengthen women's resilience to external shocks, ADB will continue to promote women's access to green jobs and will seek to develop and advance gender-responsive sector policies and actions on climate change and disaster risk management (footnote 26).

³⁶ ADB and USP signed a cooperation agreement to strengthen knowledge collaboration in July 2017. ADB is providing ongoing support to strengthen USP's Centre for Economic Policy and Modelling.

E. Priorities for Knowledge Support

31. Fiji is faced with complex and diverse challenges as it seeks to implement its NDP. This creates an increasingly important role for ADB in supporting policy reforms and providing innovative knowledge-based solutions. Delivery of knowledge products and services will be embedded in ADB's strategy and operations to ensure alignment and synergies. ADB's country knowledge plan, 2019–2023 for Fiji (Appendix 2) sets out the priorities for ADB knowledge production and dissemination. The regional director of ADB's Pacific Subregional Office will act as the knowledge custodian and ensure that all knowledge support, including that under regional TA, is aligned with the CPS. ADB will collaborate with development partners and academia (including USP) in preparing and disseminating knowledge solutions. Given that Fiji is one of the larger and more developed Pacific countries, ADB will seek opportunities to introduce innovation and high-level technology through its operations, such as digital technology for communally owned land records³⁷ and a pilot on the use of water-sensitive approaches to improve sanitation outcomes in urban settlements.³⁸ Fiji will also be ADB's partner for knowledge generation, sharing of experiences, and strengthening of knowledge cooperation within the Pacific region for innovative approaches to common development challenges.

IV. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

32. Fiji is a regular ordinary capital resources-only ADB developing member. ADB proposes a sovereign and nonsovereign financing program of \$600 million for 2019–2023, subject to financing availability, government demand, market environment, cofinancing mobilization, project readiness, and portfolio performance.³⁹ ADB will seek transformative investments, coupled with strategic policy advice. ADB has agreed cost-sharing arrangements with the government.⁴⁰ ADB will explore cofinancing opportunities, where appropriate, for sovereign and nonsovereign operations, even if it may result in a smaller amount of ADB financing. ADB will seek to introduce new financial products in its operations, such as local currency lending, project readiness financing facilities, and small expenditure financing facilities. ADB will continue to provide TA to help the government prepare and implement projects, execute reforms, strengthen institutional capacity, and build knowledge in line with CPS priorities.

B. Implementation Priorities

33. **Improving portfolio performance.** A major focus will be to improve project implementation and portfolio performance, following the recommendations of the CPS, 2014–2018 final review and the validation report (footnotes 22 and 23). To achieve this, ADB will place a renewed emphasis on project readiness and building capacity in implementing agencies, particularly to strengthen procurement capacity. To improve project readiness, preparatory activities, including detailed engineering design, will be undertaken through the project readiness financing facility, small expenditure financing facility, and prior tranches of multitranches financing facilities.

³⁷ ADB is supporting the iTaukei Land Trust Board to explore a blockchain pilot for land records management. [ADB. Regional: Promoting Smart Systems in ADB's Future Cities Program.](#)

³⁸ ADB. [Regional: Revitalization of Informal Settlements and their Environments using a Water-Sensitive Approach.](#)

³⁹ Indicative regular ordinary capital resources available for commitment in 2019–2021 amount to \$203 million.

⁴⁰ While the Fiji cost-sharing and financial parameters allow ADB to finance up to 99% of project costs, this flexibility would only be used fully in exceptional cases.

34. **One ADB approach.** As highlighted in Strategy 2030, ADB will reinforce a One ADB approach in its operations in Fiji, bringing together expertise and knowledge from across the institution to provide integrated solutions. For example, ADB's Pacific Department and Private Sector Operations Department will continue to work closely together to identify and process projects, and to identify barriers to private investment that ADB can seek to address through policy advice and policy-based operations. Cofinancing will be pursued in partnership with the Office of Cofinancing Operations. The Pacific Department will capitalize on the expert knowledge of sector and thematic groups in the Sustainable Development and Climate Change Department to develop transformative projects.⁴¹ Research collaboration with the Economic Research and Regional Cooperation Department will help enhance the analytical base of operations and policy dialogue. Opportunities to introduce new financial products will be pursued, such as through collaboration with the Treasury Department on potential local currency financing.

C. Monitoring of Results

35. ADB will monitor CPS implementation using the CPS results framework (Appendix 1), which it will update during annual country programming missions. Sector specialists will compile sector outcome data in collaboration with relevant government ministries and agencies. ADB will monitor the gender equality results of projects classified *gender equity*, *effective gender mainstreaming*, and *some gender elements*. ADB will monitor the continued alignment of the CPS with government priorities and update the results framework and the country program as necessary. ADB will document lessons and best practices through knowledge products for distribution in training and peer-to-peer learning in country and subregional events.

D. Risks

36. **External shocks.** Fiji's small and narrowly based economy makes it vulnerable to exogenous economic shocks and disasters triggered by natural hazards. ADB will help reduce risks by encouraging the building of fiscal buffers and more resilient infrastructure. In the event of shocks, ADB will be ready to respond quickly with emergency operations to mitigate the impact of those shocks. Disasters may also affect ongoing and planned infrastructure projects.

37. **Preference for concessional resources.** Fiji is a regular ordinary capital resources-only borrower without access to concessional assistance. A range of partners provide concessional finance (including grants) to Fiji, including bilateral partners (the governments of Australia, India, Japan, New Zealand, and the People's Republic of China) and global environment and climate funds. ADB will strive to mobilize concessional cofinancing where feasible and will remain highly responsive to the priorities of Fiji.

38. **Implementation capacity.** Project implementation performance has been hampered by project start-up delays and the capacity of implementing agencies in the past. ADB will promote project readiness by using project readiness financing facilities and small expenditure financing facilities to fund feasibility studies, detailed designs, and procurement-related project preparation activities. ADB will also build capacity within the core executing and implementing agencies, in particular where the program may involve new areas.

⁴¹ For example, this includes ongoing collaboration on (i) strengthening women's resilience to climate change and disaster risk; (ii) promoting smart infrastructure and systems to make cities more livable; and (iii) potentially engaging the private sector to expand access to public primary health services, particularly in rural areas.

COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Impact Indicators with which the CPS is Aligned				
1. Average GDP growth rate of 3.1% during 2019–2023 (2010–2018 baseline: 3.1%) 2. National incidence of poverty reduced to 25% by 2023 (2013–2014 baseline: 28.1%) 3. Private sector investment increased to more than 15% of GDP by 2023 (2016 baseline: 11.3% of GDP)				
CPS Strategic Objectives	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
Promoting private sector investment and growth	Policy and regulatory reforms (primarily aligned with OP6: strengthening governance and institutional capacity)	Investment climate and business environment enhanced	Distance to frontier score in the World Bank Doing Business report increased to at least 64% by 2023 (2018 baseline: 61%) Policies and regulatory reforms with gender equality objectives (including addressing barriers to women's economic advancement) introduced or implemented	Ongoing portfolio: As of 31 December 2018 Sovereign loan projects Number: 3 Amount: \$157.1 million Planned operations and contribution (3-year pipeline as per latest COBP): Sovereign Lending: \$281.1 million of OCR and \$84.2 million of cofinancing for 2019–2021
	Infrastructure development (primarily aligned with OP4: making cities more livable)	Transport connectivity improved	More than 700 km of roads renewed and replaced during 2019–2023 (2018 baseline: 150 km)	
Broadening access to quality services and economic opportunities	Livable cities (aligned with OP4: making cities more livable)	Priority urban infrastructure developed	Percentage of greater Suva area population with access to safe water supply increased to 98% by 2025 (2014 baseline: 95%) Percentage of greater Suva area population with access to reticulated sewerage network increased to 60% by 2025 (2014 baseline: 36%) Population of greater Suva area, an estimated 290,000 people, of whom 145,000 are women, has improved and potable water supply by 2025 (baseline: NA)	
	Social services (primarily aligned with OP1: addressing remaining poverty and reducing inequalities)	Access to health care increased	Percentage of women who receive antenatal clinic in their first trimester increased to 50% by 2023 (2017 baseline: 26.8%)	

CPS Strategic Objectives	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
	Economic opportunities (primarily aligned with OP1: addressing remaining poverty and reducing inequalities)	Access to finance increased Employment opportunities created	Number of loans secured by movable assets increased by 30% by 2023 (disaggregated by sex) (2019 baseline: to be determined through TA support for implementation of Personal Property Securities Act 2017) Labor force participation rate for women increased to 40% by 2023 (2017 baseline: 37.4%)	
Building resilience and reducing economic volatility	Resilient infrastructure (primarily aligned with OP3: tackling climate change and disaster resilience and enhancing environmental sustainability)	New infrastructure climate proofed Risk of flooding in areas with key economic infrastructure is reduced	Climate and disaster risk incorporated into all ADB-supported project designs Area at risk of a 1 in 25-year flood event in Nadi township reduced by 50% by 2027 (2019 baseline: to be determined under transaction TA)	
	Building fiscal resilience (primarily aligned with OP6: strengthening governance and institutional capacity)	Public debt levels reduced Public financial management strengthened	Public debt reduced to 45% of GDP by 2026 (2018 baseline: 50% of GDP) PEFA assessment scores improved by 2023 (2014 baseline: 18 out of 35 indicators not rated or rated D or D+)	

ADB = Asian Development Bank, COBP = country operations business plan, CPS = country partnership strategy, GDP = gross domestic product, km = kilometer, OCR = ordinary capital resources, OP = operational priority, PEFA = public expenditure financial accountability, TA = technical assistance.

Sources: ADB; Government of Fiji, Ministry of Economy. 2017. [5-Year and 20-Year National Development Plan: Transforming Fiji](#). Suva.

COUNTRY KNOWLEDGE PLAN

A. Knowledge Needs

1. A country diagnostic study published in 2015 identifies the critical constraints to inclusive economic growth in Fiji.¹ The Asian Development Bank (ADB) also prepared an Inclusive and Sustainable Growth Assessment that identifies key impediments to inclusive and sustainable growth and their implications for ADB's engagement in Fiji.² In addition, ADB prepared a final review of the country partnership strategy (CPS), 2014–2018, which highlighted lessons from ADB's past operations in Fiji.³

2. These analytical works identified that Fiji needs knowledge products and services to (i) address weaknesses in the business regulatory environment; (ii) improve the policy, legal, and institutional framework for state-owned enterprises and public–private partnerships; (iii) invest in infrastructure, with a focus on upgrading and maintaining roads, improving port capacity, and improving infrastructure in remote areas and outer islands; and (iv) address uneven access to productive assets, particularly land and finance. Fiji needs ADB's support for policy reforms and to identify innovative knowledge-based solutions to address these issues.

B. Scope of ADB's Planned Knowledge Operations

3. ADB has made knowledge solutions an integral part of its long-term mission. In line with Strategy 2030, ADB will provide knowledge in combination with finance and partnerships to add value in its operations. As a knowledge provider, ADB will provide knowledge and advisory services that fit local conditions, replicate good practices, and drive innovation. Applying ADB's collective know-how to solve complex development challenges supports the quicker achievement of lasting development results. ADB also recognizes that knowledge solutions must be a clear response to priority development challenges facing developing member countries individually or collectively.

4. Knowledge solutions will play a key role in ADB's strategic engagement with Fiji during the period covered by the CPS, 2019–2023. Delivery of knowledge products and services will be embedded in the CPS and ADB's financing operations to encourage alignment and synergy between them. ADB will take the One ADB approach to deliver integrated knowledge solutions. Close coordination will be promoted among the Pacific Department, the Private Sector Operations Department, sector and thematic groups in the Sustainable Development and Climate Change Department, the Economic Research and Regional Cooperation Department, and other departments to mobilize expertise to respond to the country's knowledge needs.

5. **Macroeconomic assessment.** A deep understanding of macroeconomic developments is a critical foundation for effective operations. This is particularly important for small island developing states like Fiji, for which detailed analytical works are not readily available from the government and other sources. ADB's flagship publications the *Asian Development Outlook* and the *Pacific Economic Monitor* will continue to provide analysis of economic developments, including gross domestic product growth and inflation, and explore policy issues in Fiji and other developing countries in Asia and the Pacific. The *Pacific Economic Monitor* is a biannual

¹ Asian Development Bank (ADB). 2015. [Fiji: Building Inclusive Institutions for Sustained Growth](#). Manila.

² Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3).

³ ADB (Pacific Department). 2018. Fiji Country Partnership Strategy Final Review, 2014–2018. Memorandum. 24 July (internal).

publication produced by ADB with contributions from development partners and knowledge organizations engaged in economic analysis of the Pacific.

6. **Strategic objective 1: Promoting private sector investment and growth.**

- (i) **Policy and regulatory reforms.** Building on reforms advanced under the previous CPS, ADB will continue to provide analytical and advisory support for the government's efforts to improve the business environment and reduce the cost of doing business. This will include support through the Pacific Private Sector Development Initiative,⁴ which will continue to (i) advance knowledge work to increase access to finance, including identifying and implementing secured transactions applications, especially for agriculture value chain finance; and (ii) advocate for and support reforms to the policy, regulatory, and institutional frameworks for state-owned enterprises and public-private partnerships. Competition reform support will include strengthening competition policies and laws and improving regulators' capacity to promote the development of competitive markets for goods and services. ADB will also continue to support the implementation of international arbitration reforms, including through training for national government officials, judges, law practitioners, the private sector, and others who contract with foreign parties.⁵
- (ii) **Infrastructure development.** Knowledge products and services will complement infrastructure investments that boost competitiveness. ADB will continue to provide support for long-term planning, asset management, and reforms that contribute to the financial sustainability and effective operation and maintenance of infrastructure. This will include support through the multi-donor Pacific Region Infrastructure Facility, which will also play a role in supporting donor coordination in support for infrastructure development.⁶

7. **Strategic objective 2: Broadening access to quality services and economic opportunities.**

- (i) **Livable cities.** To help address traffic congestion in urban areas, ADB will seek to provide knowledge support to develop intelligent transport systems and promote safe and inclusive public transport. Furthermore, ADB will pilot test effective approaches to improve access to services as well as the environmental quality and health of residents in peri-urban informal settlements.⁷
- (ii) **Social services.** In health, ADB will continue providing advisory support to guide the potential engagement of the private sector to provide public primary health services and explore further opportunities to improve access to health services in rural areas. In education, ADB will explore opportunities to engage Fiji under regional initiatives, such as open distance learning and implementation of the Pacific Regional Education Framework. ADB will coordinate and collaborate with development partners that have ongoing programs in health and education, and will be targeted and selective in any engagement in the social sectors.
- (iii) **Economic opportunities.** ADB's knowledge services to increase access to finance are particularly beneficial to small and medium-sized enterprises and women-owned enterprises. ADB's Trade Finance Program will continue to support

⁴ ADB. [Regional: Pacific Private Sector Development Initiative, Phase III.](#)

⁵ ADB. [Regional: Promotion of International Arbitration Reform for Better Investment Climate in the South Pacific.](#)

⁶ ADB. [Regional: Establishment of the Pacific Region Infrastructure Facility Coordination Office.](#)

⁷ ADB. [Regional: Revitalization of Informal Settlements and their Environments using a Water-Sensitive Approach.](#)

banks in Fiji and the region to build capacity to offer trade finance products to customers, which is expected to especially benefit small and medium-sized enterprises that seek to trade across borders. In addition, ADB will seek to demonstrate the potential for green jobs for women, including through a labor market gender assessment and analysis of green jobs in Fiji.⁸

8. **Strategic objective 3: Building resilience and reducing economic volatility.**

- (i) **Resilient infrastructure.** ADB will continue to provide knowledge products and services, including training, on mainstreaming climate change and disaster risk in the design of infrastructure assets. ADB will also support the Government of Fiji to build capacity for integrated flood risk management, including nature-based flood management practices, alongside investment in flood control structures, such as in the Nadi River catchment area. In 2018, ADB delivered an assessment of Fiji's legal readiness for climate finance and climate investments, which identified key legal, policy, and governance barriers to accessing climate finance and effectively implementing climate investment projects. During the CPS period, ADB will look for opportunities to support implementation of the recommendations.
- (ii) **Fiscal resilience.** ADB will continue to provide technical assistance (TA) to support the implementation of the Government of Fiji's Public Financial Management Improvement Programme, 2016–2019.⁹ This will include support for reviews of financial reporting templates and the chart of accounts, Fiji's integrated financial management information system, and budget processes, drawing on international standards and best practice. Implementing the Public Financial Management Improvement Programme will help promote fiscal discipline, the strategic allocation of resources, and efficient service delivery.

13 **Knowledge sharing.** ADB will provide training and facilitate knowledge-sharing events that will benefit Fiji and other developing member countries in the Pacific. These may include sector forums (transport, water resource, energy, urban development, and education), as well as thematic forums and workshops (safeguards, gender, climate change, and anticorruption). Specific topical workshops (macroeconomic management and fiscal policy, private sector development, gender, climate change, and disaster risk management) will also be pursued. As a natural hub of the South Pacific, Fiji will be used as site for regional forums for knowledge sharing. ADB's knowledge cooperation agreement with the University of the South Pacific (USP) will strengthen knowledge collaboration through joint research, workshops, and policy forums. In particular, the Center for Economic Policy and Modeling being established in USP with ADB TA support will help provide macroeconomic policy analysis and advice for the Pacific region.

14. **Tacit knowledge for project implementation.** ADB will work closely with the government to deliver practical knowledge that will improve project implementation. Executing and implementing agencies will continue to benefit from capacity building programs financed by regional TA projects, including the Building Project Implementation Capacities in the Pacific TA project.¹⁰ The TA project aims to improve procurement performance by reducing procurement time, increasing administrative efficiency, and improving project delivery while maintaining sound fiduciary oversight. It also presents a networking and discussion platform to exchange information and inspire new and improved ideas to shape the future of project design and implementation.

⁸ ADB. [Regional: Strengthening Women's Resilience to Climate Change and Disaster Risk in Asia and the Pacific.](#)

⁹ ADB. [Fiji: Supporting Public Financial Management Reform.](#)

¹⁰ ADB. [Regional: Building Project Implementation Capacities in the Pacific.](#)

C. Areas of Collaboration with Partners

15. ADB will coordinate and collaborate with the government, development partners, and other stakeholders, including think tanks (such as the ADB Institute) and academic institutions (such as the USP), in planning, programming, and delivering knowledge products and services. Partners will complement ADB's knowledge in their areas of comparative advantage, and partnerships will provide avenues for sharing and exchange of knowledge. For example, ADB will collaborate with USP through joint research, workshops, and policy forums (para. 13).

16. ADB will strengthen knowledge partnerships and leverage regional knowledge resources for the benefit of Fiji's development. Key actions will include participating in annual International Monetary Fund Article IV review missions; expanding linkages with regional and national tertiary institutions; strengthening dialogue with the Pacific Region Infrastructure Facility for design of new infrastructure investments; and participating in a public sector management donor coordination group with major donors in the sector, known as Friends of Pacific Budget Support.

D. Resource Allocation

17. The regional director of ADB's Pacific Subregional Office will act as the knowledge custodian and ensure that all knowledge support, including that under regional TA, is aligned with the CPS. TA and staff consultancies will be an important resource for the delivery of outputs. Investment projects will also include suitable knowledge products and services. In addition to country-specific assistance, the findings of regional TA by ADB and the ADB Institute will be utilized in assisting the government. Cofinancing from development partners and cost sharing with the government will also support knowledge work.

LIST OF LINKED DOCUMENTS

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

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix
3. Country Operations Business Plan, 2019–2021