

**Pacific High-level Policy Dialogue on
“The Role of Macroeconomic Policy and Energy Security in supporting
Sustainable Development in the Pacific”**

8-9 October 2012, Nadi, Fiji

**Jointly organized by
UN ESCAP and Sustainable Development Working Group of the Council of Regional
Organizations in the Pacific (CROP)**

**Session 1 – Stimulating and Sustaining Growth, Building Resilience: the
Role of Macroeconomic Policies**

**Policy Dialogue: UNESCAP Macroeconomic Policy & Energy
Security Forum**

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Policy Dialogue: UNESCAP Macroeconomic Policy & Energy Security Forum

Tanoa Hotel, Nadi
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Overview

- Macroeconomic Objectives
- Global and Domestic Overview
- Immediate and Medium Term Challenges
- 2013 Fiscal Strategy and Framework
- Fiscal Policy Measures

Macroeconomic Objective



- 2013 Budget Strategy:
 - Ø aligned to macroeconomic targets in the *People's Charter for Change, Peace and Progress* and the *Roadmap for Democracy and Sustainable Socio Economic Development*; and
 - Ø focuses on fostering sustainable growth and achieving fiscal sustainability over the medium term.



Macroeconomic Objective



- Government medium term policy targets :
 - Ø Inflation to be kept at around 3 percent;
 - Ø Maintaining adequate level of foreign reserves;
 - Ø Investment to increase to 25 percent;
 - Ø Government debt stock to reduce to less than 45 percent of GDP;
 - Ø Government deficit to be lower than 3 percent of GDP; and
 - Ø Capital to operating expenditures to target 30:70.

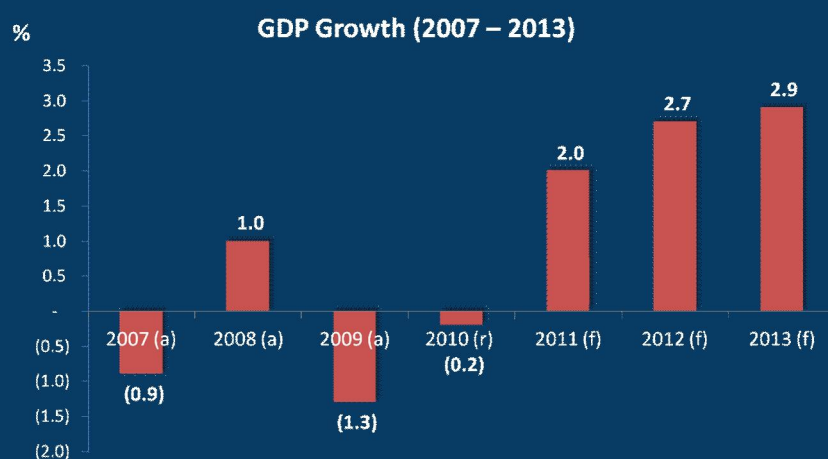


Global Overview

- IMF global growth forecast revised from 3.3 to 3.5 percent for 2012 and 4.0 to 4.1 percent in 2013
- Fiji's major trading partners are expected to grow moderately
- Accelerated growth for Australia (natural resource sector) and NZ (Christchurch rehab expenditure)
- Euro Zone growth muted due to sovereign debt crisis
- Japan growth reflects post-earthquake reconstruction



Domestic Overview



(Source: Macro Policy Committee as at May 2012)



Domestic Overview



(Source: Macro Policy Committee as at May 2012)



Domestic Overview



(Source: Macro Policy Committee as at May 2012)



Domestic Overview



Immediate and Medium Term Challenges



- Potential external shocks :Euro debt crisis spillover;
- World commodity price shocks (food and oil prices):
- Identifying new sources of revenue without overtaxing the economy;
- Channeling expenditure to priority sectors to foster growth, maintaining control over wages and salaries, and recurrent outlays
- Establishing Contingency Fund for annual natural disasters

Immediate and Medium Term Challenges



- Raising economic growth and private sector investment
- Accelerating structural reforms
- Sustaining Debt by containing fiscal balance within target of 2 percent of GDP in 2013-2014

2013 Fiscal Policy Measures Revenue



- Revenue: policies will be framed to promote growth and investment such as:
 - reviewing existing Government incentives and concessions
 - assisting export development and value adding
 - encouraging small and medium enterprises
 - offsetting revenue measures to mitigate revenue losses from recent budget measures and trade liberalization
 - review import duty and tariff rates to deter sin goods

2013 Fiscal Policy Measures Expenditure



- Expenditure allocations will follow the Sectoral and Government Agency Expenditure Envelope method
- Additional expenditure pressures are to be accommodated through reprioritization and identified savings within
- Reduction of operating budget (particularly personal emoluments)
- Strict adherence to Capital Operating Mix target
- Monitoring of reformed agencies to determine their viability

2013 Fiscal Policy Measures Structural Reform



- Acceleration of structural reforms:
 - to alleviate rigidities that contribute to slow growth and investment
 - raise investment opportunities
 - improving economic development
- This include land, sugar, financial sector, goods market, trade, and public sector reforms

2013 Fiscal Policy Measures Debt



- Debt policies are designed to:
 - promote growth and investment
 - lower costs and minimize risks
 - maintain and efficient market for Government securities
 - sustain growth of debt level

Thanks

