

**EXECUTIVE
BOARD
MEETING**

SM/16/11
Supplement 1
Correction 1

February 11, 2016

To: Members of the Executive Board

From: The Secretary

Subject: **Republic of Fiji—Staff Report for the 2015 Article IV Consultation—
Informational Annex**

Board Action:

The attached correction to SM/16/11, Sup. 1 (1/21/16) has been provided by the staff:

Evident Ambiguity

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Questions:

Mr. Guimaraes-Filho, APD (ext. 39947)

WORLD BANK-IMF COLLABORATION

(As of November 13, 2015)

The Fund and the Bank teams maintain close cooperation in various areas. During the current cycle, the Bank staff has joined the IMF missions, including the 2015 Article IV mission. The Fund and the Bank have also been engaged in provision of technical assistance and advice in public financial management and debt management policy. The two institutions extensively shared information and closely coordinated policy advice during the government's preparation of the refinancing of the \$250 million global bond in September.

During the current cycle, the Bank's engagement with the Fiji government has deepened. On March 11, 2015, the World Bank Group's Board endorsed a two year Country Engagement Note (CEN) and approved the US\$50 million IBRD Transport Infrastructure Investment Project, the first World Bank project in Fiji in 23 years. The CEN is structured around two themes: (i) strengthen the foundations for inclusive, private sector led growth, and (ii) protect vulnerable population. Specific areas of support from the WBG in the near term include:

- **Strengthening public infrastructure**—to help the government address the huge backlog in transport infrastructure repair that is urgently needed to support private sector investment and better service delivery;
- **Technical assistance in civil service reform**—to help improve public accountability and transparency;
- **The IFC advisory services on regulatory and administrative reforms**—to improve the business environment.

The program anticipates that IBRD lending envelope of US\$100-125million, including the US\$50 million Transport Infrastructure Investment Project that was presented to the Board together with the CEM. A second IBRD operation is under preparation based on further consultations and analytical work. On the analytical front, the Bank will collaborate with the government to undertake poverty assessment based on the 2013/14 household survey data, public expenditure review, and the country growth diagnostics, all of which will inform a country partnership framework that will outline a 4-6 year program following this CEN cycle.

The Fund and the Bank teams continue to agree that Fiji's main macroeconomic challenges are to safeguard fiscal and external stability and raise potential growth through structural reforms. The authorities have accelerated reforms in recent years, but the key policy challenge remains to raise the potential growth, reduce unemployment and increase resilience to shocks.

While the latest information is from 2009, poverty remains widespread at just over one third of the population according to the basic needs \$3.10 a day threshold, though extreme poverty is relatively rare. Despite the above-trend growth in recent years, continued structural reform is needed to unlock Fiji's potential and sustain growth. In addition to improving infrastructure, the government needs to improve the investment climate (Fiji's *Doing Business* ranking has slipped from 60 in 2013