

SU/20/31

February 25, 2020

**The Acting Chair's Summing Up  
Republic of Fiji—2019 Article IV Consultation  
Executive Board Meeting 20/20  
February 24, 2020**

Executive Directors agreed with the staff appraisal. They welcomed the recent pickup in activity after a sharp slowdown in 2019. Directors noted that the medium-term growth outlook is favorable but subject to significant risks, including rising fiscal and external imbalances, and natural disasters. They emphasized the need to consolidate the fiscal position, boost potential growth, and build resilience to weather-related shocks.

Directors stressed the importance of growth-friendly fiscal consolidation to rebuild buffers and ensure debt sustainability. In this context, they encouraged the authorities to rationalize current spending and protect priority investments and social programs. They agreed that a credible medium-term fiscal strategy would help underpin the consolidation efforts and place the debt-to-GDP ratio firmly on a downward path.

Directors noted that the stance of monetary policy is appropriate and should continue to focus on maintaining adequate foreign reserves. They agreed that the central bank should continue to rely on the automatic stabilizing mechanism of the peg, avoid financing the government, and strengthen its operational independence. Directors also encouraged the authorities to gradually relax the remaining exchange restrictions, with technical support from the Fund.

Directors underscored the need to safeguard financial stability, including by upgrading the supervision of nonbank financial institutions, adopting the Credit Union Act, and closely monitoring nonperforming loans. They looked forward to further progress in strengthening the AML/CFT framework in line with the recommendations of the FATF.

Directors welcomed the authorities' structural reform initiatives. They encouraged sustained efforts to improve the business environment, foster private sector investment, and strengthen governance. Directors recommended reforms to improve the functioning of the labor and product markets, including measures to boost female labor force participation and rationalize price controls. They also highlighted the importance of aligning the investment regime with international best practices, and upgrading the disaster risk management framework.

It is expected that the next Article IV consultation with the Republic of Fiji will be held on the standard 12-month cycle.