

INTRODUCTION

Mr Speaker Sir,

President of the Senate,

Honourable Prime Minister,

Chief Justice,

Honourable Leader of the Opposition,

Honourable Ministers and Members of Parliament,

Your Excellencies, Members of the Diplomatic Corps,

Distinguished Guests,

Ladies and Gentlemen.

Mr Speaker Sir, it is my honour and privilege to present the 2006 Budget to this august House.

Sir, this is the fifth budget of this Government.

When this Government came into office, our country was emerging from one of the most difficult and uncertain times ever encountered by our people.

As a nation, we must be proud that we have come together to overcome our difficulties. This morning, I want to acknowledge the remarkable progress we have made with hard work, dedication and support of every member of the community. As your Government, we are privileged to be part of this process of reconstruction and growth.

Today, I do not want to dwell on the past. I would rather look forward to what lies ahead of us. But it is of utmost importance that we know how far we have come as a nation in the last five years. Five years Sir, is not a long time. But in that short period we have achieved a lot.

Mr Speaker Sir, we as a nation have clearly delivered. We have restored normalcy in our day-to-day lives and brought back stability to the economy. We have since concluded free and fair elections, which has fully restored democratic governance. We not only have rebuilt the economy, we have gone much further to develop our country and more importantly, improved the lives of our communities.

Throughout this Address, I will be outlining many important things that we have achieved.

Mr Speaker Sir, we have managed to lift the confidence of everyone. Businesses can look forward with hope and confidence. Families are now seeing expanding job possibilities as the economy continues to grow.

Villages and communities are now enjoying better roads to transport their products to markets. Many remote areas are now enjoying access to clean water, telecommunications and even banking services.

Mr Speaker Sir, I know that some may cast doubt over these achievements for their own ends. The international community has commended our efforts. I again emphasise that we have achieved this together as a nation. Government could not have done these on its own.

Mr Speaker Sir, we succeeded because we were united. Our success is a testament to our resilience as a nation and reflects the strong multi-racial and multi-cultural fabric of our country. Every section of the community was resolute and united in its will to move forward. The process of rebuilding has been challenging. But together as a nation, we have come a long way.

Mr Speaker Sir, we have overcome many difficult challenges in the last five years. Much work remains to be done. We must continue to draw strength from our collective efforts and put our minds on the job at hand. Reconciliation and unity is what we need to realise the opportunities that lie ahead of us.

2.0 **FIVE YEAR ACHIEVEMENTS**

Mr Speaker Sir, since assuming office in 2001, Government has made significant progress in taking this country forward. On the bigger picture we have restored economic growth. Business and consumer confidence

have risen. We have not experienced the current level of investment since the late eighties. Sir, we have achieved these with our economic fundamentals intact. Our inflation is low and foreign reserves are at comfortable levels.

Mr Speaker Sir, while we are happy with how the bigger picture has turned out, we are more satisfied with our track record on the ground. We know that what matters to everyone are the benefits we receive as an individual, family and community. Sir, I am happy to report that we have made significant progress in important areas through increased Government assistance. Our track record will show that we have :

- allocated more resources for poverty alleviation;
- provided help to needy families and support to the vulnerable groups in our society;
- implemented many affirmative action programmes;
- provided the most resources to key sectors like education, health, and law and order;
- provided electricity to more villages and rural communities;
- built and upgraded roads;
- improved water supplies throughout Fiji;
- built homes for rural communities and provided them access to clean water and other amenities;
- increased assistance to the maritime provinces;
- provided more assistance to micro finance projects; and
- helped provide greater access to rural telephones and banking services.

Mr Speaker Sir, in the last five years, Government has spent \$3.6 billion on priority sectors of education, health, infrastructure, and law and order. This is an increase of \$1.2 billion or 47 percent when compared to the five-year period ending 2000.

I will elaborate on these achievements later in my Address.

3.0 **STRATEGIC DEVELOPMENT PLAN**

Mr Speaker Sir, Government's development agenda has been driven by our Strategic Development Plan.

Mr Speaker Sir, the current Plan contains a total of 615 key performance indicators covering macro-economic management, sectoral issues, and community and social development. I am pleased to announce that 84 percent of these indicators have been fully implemented or are in the process of being implemented. Major achievements include a stable macro-economic environment, improved law and order, higher investor confidence, better health and education services and the implementation of major infrastructure projects.

Mr Speaker Sir, Government wishes to acknowledge the contribution of the private sector and civil society in monitoring the implementation of the Plan through the National Economic Development Council and the Summit Working Groups. This process has strengthened ownership in the implementation of Government's policies and strategies.

Mr Speaker Sir, the **Millennium Development Goals** have been incorporated into the Plan. A recent review concludes that we have made good progress in achieving six out of the eight goals and will probably meet the set targets by 2015. Indicators that reflect our progress include higher life expectancies, lower infant and maternal mortality rates, low

gender disparity in primary and secondary education, and almost universal primary school enrolment.

Mr Speaker Sir, a new Plan will be prepared to reflect progress to-date and also align key performance indicators to better address our emerging development needs.

4.0 **THEME**

Mr Speaker Sir, we have progressed a lot in the last five years in our journey towards our national vision of a **“Peaceful and Prosperous Fiji”**.

Mr Speaker Sir, the 2006 Budget builds on our past achievements. We need to continue to grow the economy. A growing economy will allow us more opportunity to cater for the poor and the less privileged in our society. It allows us to continue to build more roads, bridges, schools and hospitals. It will create jobs and avoid social problems.

Equally important, this Budget must also be forward looking to safeguard our economic fundamentals. We have many challenges to overcome. Some of these challenges are entirely outside our control. In addition, our resources are limited. We will continue to make prudent decisions on our economic management.

Mr Speaker Sir, while this Budget is still pro growth, it also consolidates our future economic fundamentals.

Mr Speaker Sir, the theme of the 2006 Budget is “*Building a Stronger Economic Platform*”. We will pursue growth but at the same time build a stronger foundation that will deliver us better growth prospects.

5.0 ECONOMIC PERFORMANCE

Mr Speaker Sir, before I elaborate on the strategies and details of the Budget, let me briefly review our current economic conditions.

On the global front, economic growth has remained strong this year. This growth momentum is sustained by robust performance in the United States and China. The outlook for Fiji’s major trading partners like Australia and New Zealand also remains positive.

The positive global outlook provides a favourable backdrop to the domestic economy. Last year, the Fiji economy grew by over 4 percent.

Mr Speaker Sir, the average growth rate for the last twenty-five years to 2000 was 2.5 percent. Fiji’s economy has performed remarkably well since 2000 with an average growth of 3.5 percent. This level of growth, four years in a row is a commendable achievement.

Mr Speaker Sir, the selected mix of an expansionary fiscal stance and an accommodative monetary policy has worked well to restore growth very quickly. This policy package has raised domestic demand, which has driven the economy in the last four years. This has been achieved in a non-inflationary environment and comfortable level of foreign reserves.

Mr Speaker Sir, investments have started to rise after two decades of general decline and confidence in the economy is high.

On the sectoral front, tourism continues to perform well and a record number of visitor arrivals is again expected this year. The industry is well on its way to achieving its \$1 billion target by 2007. The building and construction industry is booming and contributing significantly to growth.

6.0 **ECONOMIC PROJECTIONS**

Mr Speaker Sir, economic growth is projected to slow down in the next two years. One of the major reasons for the lower growth forecast is the withdrawal of market access for our garments, something that was beyond our control.

Let me also add, that the most recent projections have improved the outlook for both 2005 and 2006. Growth for 2005 is now expected at 1.7 percent, higher than the earlier estimate of 1.5 percent announced in the 2005 Budget Address. Moreover, Sir, growth is projected at 2 percent for 2006, compared to the previous estimate of 0.7 percent. I am quietly confident that these figures will be revised upwards in future.

Mr Speaker Sir, the improved outlook in 2006 is attributed to growth in the building and construction, wholesale and retail trade, and hotels and restaurants sectors. The electricity and water, manufacturing, and agriculture, forest and fisheries sectors are also expected to support growth in 2006.

Mr Speaker Sir, looking further ahead, growth is projected to rise to over 2 percent in 2007 and 2008. These estimates have also been revised upwards from earlier forecasts.

Mr Speaker Sir, Government is committed to lifting this growth scenario. I will elaborate on several measures that will help lift growth. These would include: continuing support to the tourism and sugar industry; assistance to Information Communication Technology (ICT) and audio-visual industries, resource based sectors and small and micro enterprise development; and the reforms that we are undertaking to raise productivity and efficiency. I firmly believe that these measures combined with rising confidence of the private sector will result in higher economic growth.

Mr Speaker Sir, we face two major challenges on the international front. Our access to international markets is one of them. Obviously, this issue of market access is not in our control. We also need to comply with the requirements of the World Trade Organisation and other international trade agreements. Government will continue to do all it can to maintain market access. The extension of SPARTECA with Australia and the slower reduction in European Union preferential prices for sugar will assist our exports.

Mr Speaker Sir, the other international challenge is the increase in global oil prices. Our import bills are already rising and escalating oil imports will worsen our trade deficit. Inflation and ultimately growth will be affected. Again we cannot do anything about the rise in global oil prices. But we are doing something locally. Government is exploring various renewable energy sources in particular, bio-fuels. We will also embark on

cogeneration of energy through sugar mills and will further develop wind and hydro energy generation. Later on, I will announce several measures to alleviate the impact of the higher oil prices on our people.

7.0 **MONETARY AND FISCAL POLICY FRAMEWORK**

Mr Speaker Sir, let me explain the broad policy framework that underlines the theme of the Budget of “*Building a Stronger Economic Platform*”.

Mr Speaker Sir, with five years of growth under our belt, it is now time to ensure that our future is secure.

7.1 **Monetary Policy**

On the monetary policy front, the Reserve Bank has signalled its clear intention to safeguard economic stability by again raising its official interest rate to slow demand. The strong consumer spending of the last four years is being fuelled by growth in commercial bank credit. The Reserve Bank has highlighted the need to raise our export performance in order to match the increase in imports now exacerbated by the rise in oil prices. Government fully endorses this call.

Mr Speaker Sir, while the Reserve Bank has raised rates, I am glad to say that the general level of interest rates in Fiji remains historically low and competitive. Our borrowing rates are one of the lowest in the region including New Zealand and Australia. This low interest rate environment will continue to support Government’s efforts to promote growth and investment. Inflation is expected at 3 percent at the end of the year and foreign exchange reserves are forecast to remain at adequate levels.

7.1.1 **Exports**

Mr Speaker Sir, let me now talk about exports. We all agree that due to the size and structure of our economy, exports hold the key to sustained growth. Exports provide the opportunity to grow faster and at the same time support our spending on investment and consumption.

Mr Speaker Sir, let me announce some of the measures that Government is doing to promote our exports:

- earlier this year, the Reserve Bank undertook a Survey to identify the needs of exporters. In this regard, Government will be working with all stakeholders to address the findings of this Survey;
- the Survey has also identified the need for an export credit guarantee facility, and we will continue discussions towards the establishment of such a facility;
- Government will continue to support the tourism industry;
- Government is working with all stakeholders to reform the sugar industry;
- we are introducing incentives for the development of the ICT industry; and
- we are introducing incentives to lift the performance of agriculture, fishing, forestry and other resource based industries.

7.1.2 **Remittances**

Mr Speaker Sir, I am glad to say that increased remittances have been a boon in terms of foreign exchange earnings. Remittances have continued to increase over the last four years reaching \$300 million in 2004 from \$50 million five years ago. Remittances are now equivalent to 7 percent of GDP, and this has become the second largest source of foreign exchange earnings for Fiji.

Mr Speaker Sir, Government recognises the important role that remittances now play in our lives. I understand that a large portion of our rural communities benefit from these remittances. They are a useful source of livelihood for our low income families. They help the fight against poverty. In the next twelve months, Government will examine ways in which we can better understand the nature of these flows, facilitate their transactions and re-channel their use to investment, businesses and micro finance.

7.2 **Fiscal Policy**

Mr Speaker Sir, let me now move on to fiscal policy and explain how it will support the budget theme of building a stronger economic platform.

In discussing this strategy, it is useful to again look back to 2001. The expansionary fiscal policy adopted in 2001 resulted in a growing budget deficit. The deficit grew to 6.5 percent in 2001 and has remained at 5.6 percent in 2002 and 5.9 percent in 2003. This strategy has produced the

right results. Incomes have increased, investment and economic outputs have grown.

Mr Speaker Sir, Government realised that such an expansionary policy would lead to higher debt levels. Our national debt has grown to 51 percent of GDP at the end of 2004. We could have aimed at maintaining a conservative debt level and achieved little growth. This option would have brought its own social problems and exacerbated the volatile situation that we were trying to come out from in 2000. To us, it was far superior to aim for higher growth immediately and then moderate our debt level in the medium term under a growth environment.

Mr Speaker Sir, this is exactly what we are now doing. We have attained economic recovery very quickly. It is now time to moderate the growth rate in our debt level. This strategy actually began last year. In 2004, the budget deficit was reduced to 3.3 percent of GDP from close to six percent in 2003. Our operating balance was in surplus in 2004 and we expect the same this year. We aim to achieve a deficit of 3.5 percent of GDP in 2005. Sir, these low deficit positions in 2004 and 2005 have been achieved without asset sales.

Mr Speaker Sir, in 2006, revenue is projected at \$1.3 billion and total expenditure at \$1.5 billion. The budget deficit in 2006 is 4 percent of GDP. The deficits are much lower in the three years to 2006 than they were in the period 2001 to 2003. The build up in debt has therefore slowed noticeably.

Mr Speaker Sir, in my judgement, the budget deficit in 2006 strikes the appropriate balance between growth and stability. While the budget deficit continues to accommodate more resources to the key sectors that I will announce later, the rate of increase in debt will stay moderate.

Mr Speaker Sir, the build up in debt levels in the last five years has enabled us to improve living standards of our communities with provisions of clean water, electricity and roads. We have also increased allocations to the key sectors like health, education and infrastructure. Let me assure everyone that our expenditure programs since 2001 have led to improvements in the livelihoods of our communities.

8.0 **REFORMS - RAISING ECONOMIC POTENTIAL**

Mr Speaker Sir, this budget calls for “*Building a Stronger Economic Platform*”. While we are doing all we can to realise our existing potential, we also need to push the boundaries of our potential outwards. In this manner, we enhance the opportunities to grow faster and very importantly ensure that the growth is sustainable over time.

Mr Speaker Sir, in order to raise our economic growth potential, we must undertake reforms to change the way we do things and dismantle barriers that are hindering higher productivity and better efficiencies.

Mr Speaker Sir, in the public sector, the underlying theme of the reforms that we are undertaking is to improve our delivery of services to the people of Fiji and account for the resources that we use.

In pursuit of better service deliveries, Sir, Government will continue to reform **public enterprises**. On ports reform, the Fiji Ports Corporation Limited has been established to manage all ports to allow better coordination and improved service delivery in major ports. The transfer of border control services from the Department of Immigration to the Fiji Islands Revenue and Customs Authority should result in faster processing of travel documents and better control of border security. This will permit the Immigration Department to focus and improve the delivery of its core functions.

Mr Speaker Sir, we have seen what private enterprise can do in the dairy industry. With new technology and better resources, changes are already evident at the Dairy Farms Fiji in Navua and similar arrangements are being explored at the Yaqara Pastoral Company.

Mr Speaker Sir, in 2006, the Public Trustee Office is expected to be corporatised to improve its effectiveness, transparency and accountability.

Mr Speaker Sir, the implementation of the Financial Management Act will make more efficient use of government resources and strengthen Government's accountability to the people. Sir, I am pleased to mention that the implementation of the **Financial Management Information System** is on target. The System will provide information to assist budgeting and expenditure control.

Mr Speaker Sir, **civil service** costs continue to impose a heavy burden on tax payers. The wages and salary bill now accounts for 11 percent of GDP, compared to a ratio of around 6 to 8 percent of GDP in other neighbouring

countries. Achieving a lower ratio will be a challenge but it will allow more resources to be directed to priority areas of expenditure.

Mr Speaker Sir, we all want a civil service that is lean, efficient, productive and customer driven.

Mr Speaker Sir, the accountability of Chief Executive Officers will be strengthened in 2006 through performance portfolio statements and annual corporate plans which will clearly outline key deliverables and expectations.

Mr Speaker Sir, I will convene an advisory group from the private sector to advise Government on ways to lift service delivery to levels expected by the public on a cost recovery basis. Such a user pay system will guarantee a shift towards a more customer focused approach to service delivery.

Mr Speaker Sir, **E-government** programmes will also complement our efforts to improve public service delivery. Projects implemented this year include developing systems for the Companies Office, Titles Office, National Statistics Database, and the Town and Country Planning Office. In 2006, a sum of \$2 million has been set side to continue implementation of these projects and also upgrade the national information infrastructure. Our efforts in this area will be complemented by donor funding.

Sir, we have embarked on **regulatory reforms** covering 19 Government agencies aimed at enhancing service delivery and customer-friendliness. A Regulatory Reform Taskforce, including private sector representatives, is coordinating work to improve performance of key agencies such as, the

Immigration Department, Fiji Islands Trade Investment Bureau and the Office of the Registrar of Companies. As a result of the reforms, a recent World Bank report estimates that time taken to start-up a business reduced by over 25 percent, from 64 to 46 days. Other regulatory areas, particularly those which impact investors, are on the reform agenda and will be progressively implemented.

Mr Speaker Sir, **labour market** reforms will be underpinned by the Employment Relations Bill, intended to improve working relationships with our social partners. As a result, lesser industrial actions and disruptions to work are expected. This in turn, will increase productivity. Sir, the Bill also aims to address employment grievances including harassment and discrimination in the workplace.

Mr Speaker Sir, Government is determined to reform the **sugar industry**, which sustains the livelihoods of many of our rural people. There is clearly no other option for this industry. But we cannot do this alone. We need the goodwill of all stakeholders to move swiftly ahead with the reform programme developed in consultation with the Sugar Technical Mission. The longer we procrastinate, the harder it will be on the lives of our people and the entire country is affected by lower export receipts.

Mr Speaker Sir, the benefits of the reform in the sugar sector will be enhanced through diversification. To this end, Government has developed a bio fuel industry strategy, aimed at facilitating ethanol production for export purposes and the cogeneration of electricity at our sugar mills for domestic use. The bio-fuel industry is important in light of the proposed

reduction in preferential sugar prices, higher global oil prices and global warming.

Mr Speaker Sir, on **land reforms**, I wish to reiterate the appeal made by His Excellency the President when opening Parliament this year, and I quote *“I urge you all to come to an agreement within the next few months for the benefit of the landowners, the tenants and the nation. Politics must not be allowed to delay this”*, unquote. If we are serious in taking our people forward, we must respond to this call. The land issue overshadows many important developments for our people. Government stands ready to respond to this call. Our land policy is based on the need to productively use arable land for the benefit of both landowners and tenants.

Mr Speaker Sir, an effective, competitive and stable financial system is essential for *“Building a Stronger Economic Platform”*. I will now turn to policy measures intended to further strengthen our **financial sector**.

Mr Speaker Sir, the **Fiji National Provident Fund** is playing an important role in the development of this country. The Fund is exploring the feasibility of a medical insurance scheme for members and their families to be introduced in 2006.

Mr Speaker Sir, the Fund is also participating in many large development projects. I am pleased that this is happening as it will create jobs and incomes for members of the Fund. These investments also allow the Fund to raise the rate of return to its members. Let me take this opportunity to assure the public that their contributions in the Fund are safe and sound.

Mr Speaker Sir, the **deregulation of the superannuation industry** in Fiji is still very much on our agenda. Such action will promote competition not only in the industry itself, but in the financial system as a whole, as well as improve returns and widen choices available to contributors.

Mr Speaker Sir, last year I mentioned that Government would develop a special legislation for supervision of the superannuation industry. Drafting of the Bill has commenced.

Mr Speaker Sir, the **Fiji Development Bank** will continue to focus on development financing. In 2006, the Bank will lend a further \$20 million for projects in the agricultural sector and rural areas. Currently, the Bank is reviewing its assistance to the beef, dairy, copra and forestry sectors. In addition, the Bank is in the process of obtaining a license to enable it to accept deposits from the public. This will contribute to the Bank's ability to fund its development agenda at a lower cost.

Mr Speaker Sir, our financial system is sound. It is also relatively developed for a country of our size and phase of development. We enjoy many new technologies like ATMs, internet banking and telephone banking. We will continue to develop Fiji's financial system to make it an internationally reputable one. The Reserve Bank has been working with the Association of Banks in Fiji to set up an **electronic payment system** for high value transactions. The System will enable faster and cheaper transfer of funds between transacting parties and is expected to be launched in late 2006.

Mr Speaker Sir, Fiji has agreed to participate in a joint International Monetary Fund and World Bank assessment of our financial sector early next year. The assessment will make our financial system resilient and more responsive. We will use the recommendations of this assessment as a road map to further develop and strengthen our financial system.

Mr Speaker Sir, the development of the **capital market** is an important agenda for Government. We are examining ways to deepen the market in fixed income securities, help increase trading and enhance the attraction to list on the South Pacific Stock Exchange. The possibility of a preferential tax regime to encourage companies to list on the stock exchange will be explored. To further support capital market development, Government will divest some shares in selected entities in 2006.

9.0 **PRIVATE SECTOR DEVELOPMENT**

Mr Speaker Sir, Government has created the right environment for private sector development. Confidence is rising. The consistency in Government's intentions and policies has provided the private sector with certainty that is important in running businesses and investment.

A private sector led strategy will build a stronger growth platform and will allow Government to focus its attention on provision of infrastructure, public goods and improving the social safety net.

Mr Speaker Sir, a conducive and business friendly environment has seen total investment grow to around 17 percent of GDP. When compared to average investment levels of 13 percent of GDP in the last ten years, this is

certainly a commendable achievement. Most encouraging of all is that this growth in investment is now led by the private sector. We are witnessing a boom in investment projects which has brought many jobs and built capacity for future growth.

Mr Speaker Sir, we have succeeded in attracting major international names in hotel management. Sofitel is coming to Fiji, as well as the Hilton, Marriott, and Intercontinental. There are many other hotel projects under construction. These are supplemented by major building projects such as Suva Central, the headquarters of the Great Council of Chiefs and offices for the Fiji Islands Revenue and Customs Authority.

Mr Speaker Sir, there is still some way to go before we reach the level of investment that is necessary to sustain future growth. But, Government is confident that we will reach that level in the near future.

Mr Speaker Sir, Fiji has a lot to offer as an investment destination, with our skilled labour force, preferential market access, generous fiscal incentives, abundance of natural resources and a favourable location.

Mr Speaker Sir, utility providers are also becoming increasingly efficient in providing quality services at competitive prices. Proposed investments in power generation will adequately meet our growing demand for electricity. In addition, the introduction of third generation communications and broadband internet will facilitate investment.

Mr Speaker Sir, allow me to highlight some of the initiatives put in place to facilitate private sector development.

First, amendments have been made to the **Foreign Investment Act** to improve transparency of regulations required for investing in Fiji;

Second, we have made significant improvement in the timeliness of the **approvals process** on all aspects of investment applications. We have reduced the average application processing time for foreign investment registration by the Fiji Islands Trade and Investment Bureau from 15 to 4 working days. Similarly, we have reduced the average time taken to process work permits for new applications to 14 working days from around 40 days. Foreshore lease approvals can now be obtained in less than 5 months compared to 11 months under the old system.

In addition, a roadmap for further reform targeted at reducing the cost of doing business will be progressively implemented in consultation with stakeholders. For instance, we want to reduce the costs and processing times for the enforcement of contracts. Government will encourage alternative mechanisms for settling contract disputes;

Third, through its **Public Sector Investment Programme**, Government is able to better plan and deliver quality infrastructure such as roads, jetties, electricity and water to support private sector development;

Fourth, the **Fiji Investment Corporation** in partnership with the private sector will pursue investment opportunities in the tourism, ICT and natural resource sectors;

Fifth, **incentives** have been put in place to promote broader development as well as support emerging industries. In this regard, specific incentives have been provided for business development in Vanua Levu, and the establishment of audio-visual and ICT operations, private hospitals and retirement resorts;

Sixth, to enhance **skills** required to improve the implementation of projects, Government has allocated \$600,000 to the Training and Productivity Authority of Fiji for an apprenticeship-training scheme specifically for the construction industry and \$400,000 has been set aside for apprenticeship training for other industries. In addition, \$1.2 million is allocated for apprenticeship training in the Public Works Department.

Finally, there is potential for greater partnership between Government and the private sector in the provision of public infrastructure and services. We are putting in place an appropriate legislation to facilitate **Public-Private Partnership**.

10.0 **KEY SECTORS**

Mr Speaker Sir, let me outline the key sectors that this Budget will address.

10.1 **Poverty and Social Welfare**

Mr Speaker Sir, the alleviation of poverty is high on Government's development agenda. Understandably, it is also a key issue of national interest. It is of utmost importance that we do not politicise this issue. The

lives of people are involved. It should be the concern of everyone that we do all we can to eradicate poverty.

Mr Speaker Sir, we welcome the recent official measurement of poverty from the completion of the **2002 Household Income and Expenditure Survey**. A preliminary Report estimates that 28.2 percent of the national population has incomes less than the basic needs poverty level, this compares with 25.5 percent in 1990/91 Survey.

Mr Speaker Sir, rural poverty appears to have increased because of the relative decline in rural incomes compared to urban incomes. The Report notes serious pockets of poverty in urban areas as well, especially for households living in settlements and Housing Authority areas.

Mr Speaker Sir, we note that the Report is based on statistics collected in 2002. Since then, the economy has grown by an accumulated 7 percent. The tourism and non sugar agriculture sectors, which are concentrated in the rural and peri-urban areas, have performed better. These factors would have contributed to poverty alleviation since 2002.

Mr Speaker Sir, Government has increased its allocations towards poverty alleviation and the development of rural and outer islands. The measures in this Budget will further contribute to alleviating poverty.

Mr Speaker Sir, the **Family Assistance Scheme** has assisted around 24,350 recipients over the period 2001 to 2005. These include those who are seriously ill, disabled, single mothers and the elderly. In 2006, the

provision for this Scheme has been increased by \$1 million to \$16 million and is expected to benefit an additional 1,000 recipients.

Mr Speaker Sir, since 2001 Government has allocated around \$6.6 million to assist more than 1,750 families under the **Poverty Alleviation Programme**. The Programme has funded income generating projects like canteens, bakeries, carpentry and joinery, and handicraft weaving. Furthermore, 123 families who have lost their homes due to fires have been provided cash assistance. In 2006, the programme will receive \$4 million and is expected to assist a further 600 families.

Mr Speaker Sir, since 2001, the take home pay of workers has increased, as the taxable threshold has been raised from \$6,500 to \$8,840. This has exempted almost 12,000 workers from paying income taxes. Claimable allowances for children and dependent parents have also increased since 2001.

Mr Speaker Sir, Government has given priority to the provision of decent and affordable housing to the needy and disadvantaged. In the last five years, Government has invested around \$22 million for housing projects through funding to Housing Authority, Public Rental Board, HART (Housing Assistance and Relief Trust) and lots for squatter settlements. A total of \$4.5 million has been set aside in support of these projects in 2006.

Since 2001, the **Housing Authority** has provided 627 new lots, primarily in Lautoka. Development works will be accelerated through the availability of water and sewerage infrastructure. As a result, the Authority targets to provide over 1400 families, new homes within the next twelve months in Lautoka, Waila, Tavua, Savusavu and Ba. In addition, through an annual grant, the Authority provides an interest rate subsidy scheme which has assisted some 6000 families. This Scheme will be continued for eligible tenants in 2006.

Mr Speaker Sir, since 2001, the **Public Rental Board** has constructed 48 new flats at Kalabu and Raiwai and has provided rent subsidy for 544 tenants. The Board will construct 27 new flats in Raiwai in 2006.

Mr Speaker Sir, since 2001, **HART** has constructed 200 new homes, 6 community halls and upgraded 600 units and is expected to provide 50 new units in the next twelve months.

Mr Speaker Sir, the progress in squatter resettlement is clearly visible with the work completed in Jittu Estate and Lakena. Government has allocated \$11.3 million in the last five years for Squatter Resettlement Programmes. In 2006, \$1.5 million is allocated for further development work at Jittu Estate, Narere and Caubati. With aid assistance, 63 lots have been provided at Uciwai in Nadi.

Mr Speaker Sir, Government acknowledges the efforts of the Habitat for Humanity and Rotary Club for the provision of low cost housing.

Mr Speaker Sir, I am pleased to announce that Government will put in place measures in 2006 to assist the travelling public. In this regard, a grant will be provided to the Bus industry, for which the industry has agreed to maintain **bus fares** at current levels to the end of 2006, as well as provide reduced bus fares for the elderly and disabled citizens.

Mr Speaker Sir, to ease the cost of transportation, Government will exempt import duty on **outboard motors** and **premix fuel**. In addition, Government through the Prices and Incomes Board will reduce the percentage mark-up on **kerosene**, which is widely used in rural areas.

10.2 **Rural and Outer Island Development**

Mr Speaker Sir, one of the key strategies of this Government is to help communities in the rural and outer islands. This is in recognition that most of our people who live in rural areas have limited access to housing, water, electricity, health and education services. Sir, we take for granted many of these things in the urban areas.

Mr Speaker Sir, Government has in the last five years allocated around \$440 million towards improving the welfare of rural communities and outer islands. We are pleased with the significant progress that has been achieved. We will continue this work in 2006.

Mr Speaker Sir, allow me to highlight major initiatives implemented by Government in the last five years.

Since 2002, a total of around 560 families have been provided housing through the **Rural Housing Scheme**. In 2006, a provision of \$2.5 million has been allocated which will benefit more than 350 families.

Mr Speaker Sir, Government appreciates that access to potable water by our rural communities merits special attention. In addressing this, the community contribution required under the **Rural Water Supply** scheme has been reduced from one third to one tenth of the total project cost. Since 2001, \$11.5 million has been spent on rural water supplies which has provided over 200 villages access to piped water. In 2006, \$3 million has been provided for this programme and is anticipated to complete more than 45 projects in villages and settlements around the country.

Mr Speaker Sir, since 2001, \$20 million has been provided for the **Rural Electrification Programme** which has completed 400 connections. A sum of \$6 million has been allocated in 2006 to this Programme, which will provide a further 120 connections.

Mr Speaker Sir, since 2001, around 220 projects with an average value of around \$25,000, have been constructed under the **Divisional Development Programme**. Projects covered include village drainage, seawall construction, roads and crossings. In addition, a total of 120 projects are expected to be completed this year with the highlight being the 45 kilometres of access roads in Navatusila, Lagi/Nukusere and

Narokorokoyawa/Tubarua. In 2006, this Programme will receive \$3 million.

Mr Speaker Sir, in the last four years, 2,750 projects have been completed under **Self-Help Schemes**. Projects covered include housing, community halls and upgrade of sanitation facilities. In 2006, \$5 million has been provided to complete over 600 additional projects, to cover targeted communities in the rural, urban and peri-urban areas. This is an increase of \$2 million over last year's allocation.

Mr Speaker Sir, in the last four years, over 1,000 projects at an average cost of \$4,600 have been completed under **Community Development Projects**. In addition, a sum of \$1.6 million has been allocated in 2006 to upgrade communal facilities in Indian and minority settlements.

Mr Speaker Sir, over the past four years, Government has funded 406 projects under the **Village Improvement Scheme**. This comprised 151 multipurpose halls and evacuation centres, 16 village beautification projects, and 239 sanitation schemes. In 2006, a sum of \$1.4 million has been provided to fund an additional 100 projects.

Mr Speaker Sir, 72 percent of villages in rural areas now have access to **telephone services**. In the last five years, 288 villages have been connected. In 2006, a further 52 villages will receive basic telephone services. Sir, in addition to landline and radio telephone connections, mobile phone penetration over the past four years has increased significantly covering rural areas around the country, including parts of Nadroga, Ra, Bua, Macuata, Cakaudrove, Lomaiviti and Kadavu.

Mr Speaker Sir, Government is committed to providing access to outer islands. In 2006, funding for the **Shipping Franchise Scheme** has been increased to almost \$2 million which provides access to Rotuma, Lomaiviti, Kadavu, Cikobia, Yasawa and the Lau group. Furthermore, \$370, 000 has been set aside to improve **air access** for uneconomical routes such as Vanuabalavu, Lakeba, Cicia, Koro, Ono-i-lau, Rotuma, Moala and Gau. In addition, \$1.5 million is allocated to complete the Vunisea jetty and upgrade a jetty in Moala. \$1 million has been set aside in 2006 for the upgrade of airstrips in the rural areas.

Mr Speaker Sir, \$4 million is provided in 2006 to purchase a new landing barge to facilitate the movement of cargo and building materials to maritime areas.

Mr Speaker Sir, \$2 million has been allocated to the **Agriculture Marketing Authority** in 2006 to facilitate trade for produce from rural areas and outer islands. This year, two rural market centres were established in Sigatoka and market agents have also been appointed in four districts in the Lau Group, Kadavu, Bua and Namosi. In addition, a processing Centre for quality grading and storage has been established in Suva.

Sir, in further support of the **rural fisheries development**, storage and distribution Centres have been established in Nadogo, Dogotuki, Lekutu, Lakeba and Vanuabalavu. In 2006, \$1.2 million is allocated for new Centres in Levuka, Kavala and Taveuni.

Mr Speaker Sir, \$6 million has been spent to upgrade **farm access roads** and \$7 million for **cane access roads** in the last five years. In 2006, \$2.7 million is allocated to upgrade both farm and cane access roads. In addition, \$1 million is set aside to upgrade rural roads.

Mr Speaker Sir, Government will continue to support the **Integrated Human Resources Development Programme for Employment Promotion**. The strength of this Programme lies in the partnership between Government, civil society, private sector and our donor partners. Since 2001, the Programme has created over 6000 jobs through small and micro enterprises in rural areas. \$1.5 million is provided in 2006 for this Programme.

Mr Speaker Sir, to increase access to basic goods in rural areas, the number of **Government Supplies** outlets has steadily increased in the last four years. The rural network is being expanded with the opening of the Keiyasi and Saqani outlets this year. New outlets are expected to open in Vunidawa, Levuka, Nadarivatu, Dreketi and Kadavu.

Mr Speaker Sir, we are pleased with the provision of **banking services** to rural areas in Fiji. For the first time, rural communities can now own and operate a bank account without travelling long distances at high costs to the urban centers. With the assistance and support of Government, the results from the ANZ rural banking initiative have been impressive. So far 37,000 accounts have been opened and close to \$2 million in deposits have been saved and the coverage has now expanded to Kadavu. Sir, I again urge other commercial banks to take advantage of the incentives already available to participate in the provision of financial services to rural areas.

Mr Speaker Sir, in further support of income earning opportunities in the rural and outer islands, particularly in the Central and Eastern Divisions, Government is currently designing a project to improve infrastructure, agricultural production and marketing.

Mr Speaker Sir, Government has announced tax incentives for the development of the **Northern Division**. For this purpose, 300 percent tax deduction on capital investment, 200 percent tax deduction for first time employees and 100 percent deduction on export income are available for any new investment over \$40,000. Apart from these incentives, investors in Vanua Levu can also enjoy duty free access to raw materials.

In addition, a concessionary loan facility through Fiji Development Bank has provided 157 loans valued at \$3 million in the first half of 2005 for agricultural and commercial projects in the provinces of Bua, Macuata and Cakaudrove. This facility will be continued in 2006.

10.3 **Affirmative Action**

Mr Speaker Sir, as provided for in the Constitution, the **Social Justice Act** aims to provide equal opportunities, for all disadvantaged groups, in areas of education, land and housing, social welfare, poverty alleviation, assistance to the disabled, and participation in business.

Mr Speaker Sir, of the twenty nine programmes, seventeen are for the disadvantaged in all communities, ten specifically for Fijians and Rotumans, and two specifically for Indian and minority communities.

Mr Speaker Sir, Government has invested \$199 million on these programmes since 2001. A further \$56.4 million is set aside for affirmative action programs in 2006.

Mr Speaker Sir, a report on the effectiveness of all these programmes indicates that Government has made good progress. In 2006, Government will continue to improve the implementation and monitoring of these programmes.

10.4 **Small and Micro-Enterprise Development**

Mr Speaker Sir, I believe that small and micro-enterprises offer the greatest opportunity for creating employment in the medium term. These enterprises have enormous potential to lift living standards in rural areas through self employment, particularly for women and youths.

Mr Speaker Sir, the **National Centre for Small and Micro-Enterprises** supports the establishment and operation of small businesses through the provision of micro-finance, business advice and training services. Since its establishment in 2001, the Centre has extended micro credit to around 8,000 clients totalling \$2.4 million and supported small saving schemes with over 13,000 members. In 2006, an allocation of \$1.5 million has been provided to the Centre for its ongoing programmes and will for the first time include provision of micro-finance services in Lau and Lomaiviti, thereby covering all provinces in Fiji.

Mr Speaker Sir, Government through the Fiji Development Bank provides small business equity, which since 2001, has helped establish 320 individual small businesses and loaned around \$3 million.

Mr Speaker Sir, at the Agriculture Show in Lautoka last week, small-holder poultry farmers talked about the high returns they have earned in a very short time. Similarly, women's community groups from Ra talked about the incomes they were earning from bee-keeping. These positive stories are very encouraging and they confirm the potential of small businesses. I wish to acknowledge the initiatives of the private sector in assisting the development of small and micro enterprises.

Mr Speaker Sir, I am pleased to announce that effective from 2006, Small and Micro Enterprises in the areas of agriculture and fishing, tourism and community related services, with an annual turnover of up to \$200,000 will qualify for **income tax exemption** for a period of eight years. In addition, \$500,000 has been provided in 2006 to fund a study and put in place measures to address the constraints hindering the development of small and micro enterprises.

10.5 Information Communication Technology and Audio-Visual Industries

Mr Speaker Sir, Government recognises the potential of the ICT sector to contribute to growth, investment and employment. We already have a number of prerequisites to our advantage, which include the huge capacity of the Southern Cross Cable, a literate workforce, and a favourable time zone.

Mr Speaker Sir, in support of new investments in ICT, Government has approved two temporary studio city zones in Suva. A **Tele-business Park** has been established as such a zone. Companies operating in this Park can take advantage of the incentives under the Sixth Schedule of the Income Tax Act, in particular, a **10 year tax holiday**. The Park will provide infrastructure such as office space and access to high speed broadband connection.

Mr Speaker Sir, **additional incentives** to ICT businesses operating outside the temporary studio city zones from 2006 will include:

- 80 percent income tax exemption for businesses employing more than 100 employees;
- 60 percent exemption for those employing between 60 to 100 employees; and
- 40 percent for those employing 10 to 59 employees.

This incentive will be available for 7 years to encourage all ICT related investments. These incentives are expected to further increase investment and employment in the sector. Already 500 new jobs have been created through existing back office operations.

Mr Speaker Sir, Government has engaged in dialogue with stakeholders in the telecommunication industry to bring about change, both in terms of market structure, as well as service charges. The recent price determination by the Commerce Commission will improve Fiji's competitiveness in operating ICT related services.

Mr Speaker Sir, the audio-visual industry has enormous potential. Around \$60 million of economic activity is expected to be realised this year. In 2006, \$1.3 million has been set aside to support further development of the audio-visual industry.

10.6 Resource Based Sectors

Mr Speaker Sir, the natural resource sector provides income earning opportunities to our rural population. There is potential to increase value added to resource based commodities in forestry, fisheries and agriculture.

Mr Speaker Sir, I am pleased to announce that a **200 percent deduction** will be made available for capital expenditure by investors engaged in fisheries and agriculture. This incentive will be available for 5 years beginning in 2006. Furthermore, to promote value adding processing in agriculture, fisheries and forestry, a **100 percent deduction** will be made available in 2006. To qualify, businesses will be required to meet 50 percent local content.

Mr Speaker Sir, in support of resource based industries \$87 million has been allocated in 2006, an increase of \$26 million or 29 percent when compared to this year.

Mr Speaker Sir, to facilitate the development of our natural resources, Government will continue to support quality and reliability of supply, marketing infrastructure and access, and the shift from subsistence to commercial production.

Mr Speaker Sir, Government will support the development of smallholder farms for agriculture livestock production. In 2006, \$300,000 is provided for beef production, \$300,000 for dairy development and \$120,000 for sheep breeding programmes.

Sir, Government will continue to provide measures to protect the beef, dairy and poultry industry.

Mr Speaker Sir, \$400,000 has been allocated for the development of aquaculture, \$320,000 in support of mariculture, and \$100,000 for related research and development. In addition, \$200,000 is provided for a fisheries resource inventory survey. A multi-purpose vessel for fisheries training will be purchased for \$4.3 million through aid assistance.

Mr Speaker Sir, in support of the **forestry** sector, Government has allocated \$300,000 to undertake an inventory of our national forests, \$100,000 for community forest development and \$50,000 for landowner awareness and training on sustainable forest management. In addition, \$200,000 is allocated to improve monitoring and surveillance of logging operations, \$100,000 has been allocated for portable saw mills and \$50,000 for forest certification.

Mr Speaker Sir, to promote and assist landowner participation in the forestry sector, \$600,000 is provided to the **Fiji Pine Trust** and \$200,000 to the **Fiji Mahogany Trust**.

Mr Speaker Sir, Government provided \$5 million in 2005 towards the construction of the **Wairiki Port**. In 2006, \$18 million is set aside to complete this project. In addition, Tropik Wood Industries will construct a wood chip processing plant at an estimated cost of \$14 million, which will facilitate the processing of mature pine resources in the Northern Division.

In addition, the **Seed Capital Programme** administered by the Fiji Development Bank has approved loans totalling \$1.3 million for the fisheries sector and \$5.7 million for forestry projects since 2001. In 2006, \$500,000 has been set aside for this Programme.

Mr Speaker Sir, to support the restructure of the sugar industry, Government is implementing an **Alternative Livelihood Project**, over the next six years at a total cost of around \$95 million. This integrated project is aimed at providing income opportunities for those affected by the restructure of the sugar industry. The three major components under this project are agricultural diversification, extension and training programmes, and micro finance services in the cane growing areas of the Western and Northern Division.

10.7 **Environment**

Mr Speaker Sir, as an island nation, our smallness dictates that we must do all we can to safeguard our environment. Government is committed to providing necessary resources to sustain our environment and this is embodied in our Strategic Development Plan. These commitments have also been made at the international level most recently, in Mauritius where

we have resolved to integrate environmental interests into our broader development efforts.

Sir, indeed the Mauritius conference slogan “small islands, big stakes” is appropriate. We all have a stake in the attainment of our goals on the environment. Our attitudes towards the environment need to change for the benefit of our future generations.

Mr Speaker Sir, the introduction of the **Environment Management Act** will strengthen the protection and conservation of our environment. In 2006, the Department of Environment has been allocated additional staff, and \$60,000 to implement the provisions in the Act.

Mr Speaker Sir, a sum of \$1.6 million has been allocated for the operations of the new **Naboro Landfill**. The Naboro landfill is expected to improve the management and disposal of household and commercial waste. \$600,000 is provided through donor assistance for the rehabilitation of the Lami Dump in 2006.

Mr Speaker Sir, the ocean provides a sense of identity and remains a source of sustenance, which we all must strive to safeguard. To this end, Government in consultation with stakeholders will formulate a **National Oceans Policy**, to manage our ocean resources against pollution and to encourage sustainable use of marine resources.

Sir, the **Fiji International Waters Project** aims to improve waste water management, particularly in the rural areas. In this regard, two pilot projects in Vunisinu and Nalase in the Rewa Province are being used to

develop practical low-cost solutions. \$200,000 has been allocated for the project in 2006.

10.8 **Good Governance**

Mr Speaker Sir, good governance requires that political, social and economic priorities are based on a broad consensus in society, and that voices of the most vulnerable are heard in decision-making processes. This, amongst other things, means adopting a participatory, transparent and accountable approach to nation building. I must say, through the Summit Working Groups, National Economic Development Council, Multi-ethnic Advisory Council, and the Provincial and Tikina Councils we have a unique model for **participatory governance**.

Mr Speaker Sir, Government will continue to provide adequate funding for our institutions that reinforce the principles of good governance. In 2006, \$3.3 million has been provided to the **Office of the Auditor General**. A Committee has been tasked to follow-up on the issues raised in the Auditor General's report and recommend disciplinary measures.

Mr Speaker Sir, an assessment of fiscal transparency practices in Fiji in the latest International Monetary Fund report on the Observance of Standards and Codes, indicates that Fiji is meeting the requirements in a number of aspects and has in recent years expanded the range of information presented to the public.

Sir, Government has passed the **Financial Transactions Reporting Act** which will assist in combating money laundering activities. A Financial Intelligence Unit has been formally established under this Act. The Act will become effective at the beginning of 2006.

Mr Speaker Sir, \$11.6 million is set aside for the **Legislature**. In addition, the **Office of the Ombudsman** together with the **Fiji Human Rights Commission** has been allocated \$1.5 million.

Mr Speaker Sir, \$12.7 million is allocated to the **Judiciary** in 2006, of which \$400,000 is set aside for the establishment of **Family Law Courts** and \$200,000 is provided to upgrade existing courts around the country.

11.0 **SECTORAL ALLOCATIONS**

Mr Speaker Sir, let me now turn to sectoral allocations for 2006. Government has increased funding for those sectors, which will assist in *“Building a Stronger Economic Platform”*. These sectors include Education, Health, Infrastructure, Natural Resources, Tourism and Law and Order.

11.1 **Education**

Mr Speaker Sir, education opens doors to new opportunities. Since 2001, Government has allocated over \$1 billion to the Education sector. This is an increase of \$324 million or 41 percent when compared to the 1996 to 2000 period.

Mr Speaker Sir, up till 2001, tuition fee assistance was available for education up to Form 4. Since 2002, parents are free from paying tuition fees up to Form 6. For Form 7, a scholarship scheme based on academic merit has been implemented. In addition, children from low-income homes have been helped through remission of fees. Government now pays for external examination fees for all students.

In 2006, a total of \$301 million is allocated to the **Ministry of Education**

Mr Speaker Sir, in support of tertiary education, \$35.8 million has been allocated to the **University of the South Pacific**; \$10 million to the **Fiji Institute of Technology**; and \$4.4 million to the **Fiji School of Medicine**.

Mr Speaker Sir, Government will continue to support **Fee Free Education** for classes 1 to 8 in 2006 for which \$4.8 million is provided and \$10 million for **Tuition Fee Assistance** for Forms 1 to 6. In 2006, Seventh Form students will also enjoy tuition fee assistance for which \$1.4 million has been set aside.

Mr Speaker Sir, the Public Service Commission since 2001, has been allocated \$9.6 million for higher education **scholarships** which has assisted 2,638 students. \$3.6 million has been allocated for 490 scholarships in 2006. As well, Government has provided \$6.5 million since 2001 for **student loan schemes**, assisting more than 1000 students who otherwise would not have had access to higher education. \$1.5 million has been set aside for the Scheme in 2006. This will be complemented by training and scholarships offered by donors worth around \$1.3 million.

Mr Speaker Sir, Government has allocated \$30.8 million for **Fijian Affairs Board Scholarships** in the last five years, enabling a total of 4,637 students to pursue tertiary education and 954 enrolments in Seventh Form. In 2006, \$8 million has been set aside to fund over 1300 new scholarships for both tertiary and Seventh Form education.

Mr Speaker Sir, over the last five years, Government had allocated \$14.1 million for **Multi-ethnic Scholarships** which has benefited 4,262 students. Next year, \$4 million has been allocated for more than 1000 additional scholarships.

Mr Speaker Sir, \$1 million has been set aside for upgrade of facilities in Government owned schools. In addition, \$600,000 is provided for the continuation of the Centres of Excellence program and \$100,000 will go towards improving facilities in Fijian schools through construction of additional classrooms and provision of text books. Rural education is a priority and Government's efforts will improve infrastructure, staffing and provide tuition support. This effort will be supplemented by aid assistance of \$9.3 million.

11.2 **Health**

Mr Speaker Sir, in the last five years, Government has spent \$631 million on health services. This is a substantial increase of around \$198 million or 46 percent when compared to the sum spent between 1996 and 2000.

Mr Speaker Sir, since 2001, new investments in national health services have been completed, bringing better and cheaper amenities, particularly to our people in the rural and outer islands. Sir, Government has built four new hospitals in Nadi, Vunidawa, Taveuni and Levuka and a new pharmaceutical centre in Suva. Health centres and nursing stations in various parts of the country have also been completed. Hospital charges for outpatient health services and also in-patient treatment in general wards have been removed.

In 2006, \$147 million has been allocated to the **Ministry of Health**, an increase of \$5 million over this year.

Mr Speaker Sir, \$2.2 million has been provided for the upgrade of health centres and nursing stations around the country. In addition, \$150,000 will be provided for a new nursing school in Lautoka and \$150,000 has been set aside to commence works on a new sub-divisional hospital in Ba.

Mr Speaker Sir, \$500,000 is allocated in 2006 to combat HIV/AIDS, and \$825,000 in support of other preventative health programmes which include non-communicable diseases.

Mr Speaker Sir, the threat of Avian Flu requires strengthening of quarantine measures at the border as well as preventative programmes to safeguard the public. Government will put in place necessary measures with the assistance of donor partners.

Mr Speaker Sir, I wish to thank the private sector companies that have already assisted Government in the provision of health facilities. In addition, I would like to acknowledge the excellent initiatives by the private sector to assist Government refurbish our hospitals and may I encourage others to do the same.

11.3 **Infrastructure**

Mr Speaker Sir, Government will continue to invest in infrastructure development to build a stronger economic platform and improve the quality of life of our people. Over the last five years, a total of \$970 million has been allocated for the sector. Of this, around \$427 million has been spent for water and sewerage and \$353 million for roads and bridges. Overall, a significant increase of 47 percent or \$310 million has been spent when compared to the 5 year period ending in 2000.

In 2006, a total sum of \$211 million has been allocated to the **Ministry of Works**. \$24 million has been set aside for the continuation of the third **Fiji Road Upgrading Programme** and the commencement of the fourth programme, \$62 million for the continuation and maintenance of **regional water supply** schemes, and \$18 million for the upgrade and maintenance of sewerage systems. In addition, \$12 million is allocated for maintenance of the national road network and \$6 million for rural electrification.

11.4 **Law and Order**

Mr Speaker Sir, in this Government's term in office, law and order institutions have received \$784 million, an increase of \$221 million or 39 percent compared to the five year period ending 2000.

Mr Speaker Sir, crime rates in almost all categories have dropped, with total recorded crime down by 2.2 per cent over the past year. This success is due to a combination of factors including improved management of the Police Force, increased manpower, better equipment and education programmes.

Mr Speaker Sir, the **Fiji Police Force** has been allocated \$70 million in 2006. To this end, \$300,000 is provided for renovations, extensions, and upgrading of police institutions, \$75,000 for the relocation of **Nabouwalu Police Station**, \$100,000 for the **Vanuabalavu Police Station**, and \$170,000 for **Nacula Police Post**. \$500,000 has been allocated for the purchase of vehicles. In addition, 253 special constables will be absorbed into the permanent staff establishment and \$6.6 million is allocated to cover the cost of implementing the job evaluation exercise for the Force in 2006.

Mr Speaker Sir, Government has set aside \$13.6 million to the **Prisons Department** in 2006 of which \$800,000 is to meet the cost of implementing the job evaluation exercise. \$1 million is allocated for the upgrade of prison quarters and institutions, which includes \$500,000 for the relocation of the Suva Prison to Naboro and \$150,000 for upgrading cell blocks in Labasa, Levuka, Taveuni and Ba.

Mr Speaker Sir, \$76 million has been allocated to the **Fiji Military Forces** in 2006. \$17 million is allocated to our peacekeeping missions in Iraq and Sinai in 2006 and \$10.9 million to cover the cost of implementation of the job evaluation exercise for the Force. \$450,000 is set aside for the relocation of the 4th FIR in Nadi, and \$160,000 for new communication equipment.

Mr Speaker Sir, \$3.8 million has been allocated to the Office of the Director of Public Prosecutions. As a first phase in establishing the **National Prosecution Service**, ninety staff have been transferred from the Fiji Police Force. \$120,000 has been set aside for the establishment of the new **Anti Corruption Unit**.

11.5 **Tourism**

Mr Speaker Sir, Government will continue to support the tourism sector in view of the industry's contribution to economic growth and investment, foreign exchange earnings, and employment.

In 2006, a marketing grant of \$13 million is provided to the **Fiji Visitors Bureau** and \$500,000 for eco-tourism development. In addition, \$5.5 million has been provided to continue work on water infrastructure to **Natadola**.

Mr Speaker Sir, in support of tourism skills development, \$2 million has been allocated to the Fiji Institute of Technology for a **new school of hospitality** in Nadi.

Mr Speaker Sir, the **Short Life Investment Package** under the Hotels Aids Act will be extended to retirement resorts in 2006.

11.6 **Women**

Mr Speaker Sir, Government recognises the valuable contribution made by women to the social and economic development of Fiji.

Mr Speaker Sir, \$300,000 has been allocated in support of the **Women's Plan of Action**, covering gender mainstreaming, micro-enterprise development, balancing gender in decision making and the elimination of violence against women and children. A review of the Women's Plan of Action will be undertaken to reinvigorate efforts towards achieving planned targets.

Mr Speaker Sir, micro-enterprise development for women has been particularly successful with projects such as the Navua E-chutney and Driti fish farm in Bua. Sir, these flourishing small businesses will provide the impetus for replication by others around the country.

Mr Speaker Sir, under women empowerment programmes, workshops focusing on skills, leadership and advocacy have been undertaken. The economic empowerment of women at community level will no doubt boost and contribute to improved living standards. \$100,000 grant is being provided for women and gender development programs in 2006.

11.7 **Care for the Elderly**

Mr Speaker Sir, our elderly citizens have contributed significantly towards shaping our nation and have a stake in all we have achieved today. Our culture and traditions dictate that the elderly are cared for, and enjoy the respect and goodwill of the community. Our elderly deserve no less. In recognition of this, Government has allocated \$198 million in the last five years towards pensions, after care for ex-servicemen and old people's homes.

In 2006, \$36 million is allocated for payment of **pensions** to retired civil servants, widows and orphans and war veterans.

Mr Speaker Sir, \$919,000 is provided for **Old People's Homes** in Suva, Lautoka and Labasa, \$30,000 for the **Father Law Home** and \$20,000 for the **Channel Home of Compassion**.

Mr Speaker Sir, \$5.6 million is provided for **Fiji Servicemen's Aftercare Fund** in 2006.

11.8 **Disaster Management**

Mr Speaker Sir, Fiji is vulnerable to tropical cyclone and flooding. To mitigate the effects of national disasters, Government has allocated \$2 million for the **Disaster Rehabilitation Fund** and \$40,000 for Disaster Awareness Programmes in 2006.

Mr Speaker Sir, Government allocated a total of \$11.7 million in the last two years for Cyclone Ami rehabilitation.

Mr Speaker Sir, to protect against floods, Government has drawn up a long-term dredging and riverbank protection programme for rural areas. In 2006, \$5 million has been allocated for dredging works in Navua, Nadi and Labasa.

11.9 **Culture and Heritage**

Mr Speaker Sir, it is our collective duty to protect and conserve our history, culture and unique flora and fauna for our future generations.

Mr Speaker Sir, \$280,000 has been provided for the administration of the **National Trust of Fiji** and to upgrade national sites in Momi and Levuka. \$100,000 has been provided for other historical and traditional sites. In addition, Government will provide \$800,000 to complete the new **National Archives** building, and \$310,000 for the administration and upgrade of the **Fiji Museum**.

Mr Speaker Sir, \$112,000 is set aside for the **Institute of Fijian Language and Culture**, \$70,000 for cultural mapping programmes, and \$42,000 for the Fiji Arts Council. In addition, \$170,000 is provided for multi-ethnic cultural programmes.

Mr Speaker Sir, \$1.4 million is set aside to host the **Melanesian Arts Festival** in 2006.

Mr Speaker Sir, a **War Memorial** will be built in 2006 to honour the distinguished service of all those who have served in past wars. The Memorial will be constructed in partnership with private sector.

11.10 Sports

Mr Speaker Sir, sport promotes nation building, income earning opportunities and healthy lifestyles for people of all ages. The victory at this year's Rugby Sevens World Cup and the golfing achievements of Vijay Singh, prove our ability to be champions in sports. On many levels it has inspired and spurred us on to greater heights as a nation.

Mr Speaker Sir, our young people have increasingly benefited from well paid sporting contracts abroad. Successes here have also generated significant interest in the country from visitors and investors alike.

Mr Speaker Sir, Government is fully committed to developing sports at all levels, particularly in rural areas. Around 26 rural playing fields are expected to be completed this year. In 2006, a sum of \$500,000 has been provided for around 37 additional playing fields and facilities in rural areas.

Mr Speaker Sir, \$290,000 has been allocated for the preparation of "Netball Fiji" towards the **2007 World Netball Championship** to be hosted in Fiji, \$500,000 to the Fiji Rugby Union for preparations towards the **2007 Rugby World Cup** and \$400,000 towards the preparations for Fiji's participation in the **Commonwealth Games** next year.

11.11 Youth

Mr Speaker Sir, a 20 year Strategic Plan has been prepared to improve institutional arrangements for the delivery of youth development programs.

Mr Speaker Sir, \$600,000 has been provided in 2006 to the Ministry of Youth in support of **small enterprises** development programmes. In addition, \$250,000 is allocated for construction of three **Youth Training Centres** and \$150,000 the upgrade of existing Centres in 2006.

In addition, \$388,000 has been set aside for the **youth training centre in Tutu** which provides training for self-employment opportunities in agriculture.

12.0 REVENUE MEASURES

Mr Speaker Sir, strengthening revenue collections through improved compliance and encouraging investment are the guiding principles of Government's revenue policies in 2006. These principles also recognise the need to formulate and implement revenue policies that are conducive to economic development and foreign trade, and compliant with our international obligations.

Mr Speaker Sir, to strengthen the capacity in the **Fiji Islands Revenue and Customs Authority** to improve compliance and border control, Government has allocated a sum of \$40 million to the Authority in 2006.

Mr Speaker Sir, several recommendations put forward by the independent **Fiscal Review Committee** in 2004 have been implemented this year and further recommendations will be implemented as part of new revenue measures for 2006.

12.1 **Indirect Tax**

Mr Speaker Sir, in 2004, Government consolidated the tariff structure and reduced tariff bands from six to four. Furthermore, trade liberalisation under the WTO rules will ultimately mean further reductions to tariff duties, and consequently, substantial reductions in Government revenues.

12.1.1 **Import Excise Duty**

Mr Speaker Sir, to mitigate the impact of some of these changes in tariff revenue, Government in 2006 will introduce a new import excise tax, which will be levied on selected goods. These include:

- 10 percent on alcohol and tobacco;
- specific rates on imported cigarettes;
- 10 percent on motor vehicles;
- 5 percent on imports of some goods which are locally manufactured;
- and
- 5 percent on imports of white goods and other luxury items.

The import excise tax is in addition to existing tariffs imposed on these items.

Mr Speaker Sir, the imposition of the import excise tax aims to dampen demand and at the same time provide stimulus to domestic industries in the medium term.

Mr Speaker Sir, other changes to fiscal and excise duty include:

- a 3 percent increase in domestic excise rates on cigarettes and spirits in line with changes in the CPI;
- introduction of excise duty of 5 cents per litre on carbonated drinks;
- fiscal duty on motor vehicles to be licensed as taxis which will operate on Liquefied Pressure Gas (LPG) will be reduced from 27 percent to 15 percent;
- fiscal duty on taxi metres will be reduced from 3 percent to zero;
- fiscal duty on licensed mini buses with 8 passengers or more but not exceeding 16 passengers will be reduced from 27 percent to 15 percent; and
- the Short Term Investment Package (STIP) will be extended for another 12 months to exempt duty on raw materials for manufacturing businesses.

Mr Speaker Sir, a complete list of amendments to the Excise Act and Customs Tariff Act are provided in the 2006 Budget Supplement.

Mr Speaker Sir, these changes will be effective immediately.

12.2 **Direct Tax**

Mr Speaker Sir, amendments are being made to the Income Tax Act to improve administration and compliance, provide clarity in terms of interpretation of the legislation and provide support to key sectors and emerging industries.

Mr Speaker Sir, as mentioned earlier, the following measures in support of small and micro enterprise development, ICT, and resource based sectors will be implemented in 2006.

12.2.1 **Small and Micro Enterprises**

Mr Speaker Sir, small and micro enterprises with annual turnover of up to \$200,000 in agriculture, fishing, tourism and community related services, will be tax exempt for 8 years.

12.2.2 **Information Communication Technology**

Mr Speaker Sir, incentives under the Sixth Schedule of the Income Tax Act, which include a 10 year tax holiday, will be made available to ICT companies operating in temporary studio city zones.

For ICT businesses operating outside the temporary studio city zones, the following incentives will be made available in 2006 for a period of 7 years:

- 80 percent income tax exemption for businesses employing more than 100 employees;

- 60 percent exemption for those employing between 60 to 100 employees; and
- 40 percent for those employing 10 to 59 employees.

12.2.3 **Resource Based incentives**

Mr Speaker Sir, in 2006, investors engaged in fisheries and agriculture will qualify for a 200 percent deduction on capital expenditure for a period of 5 years.

In addition, a 100 percent deduction will be made available in 2006 for agriculture, fisheries and forestry businesses engaged in value adding process with 50 percent local content.

Mr Speaker Sir, allow me to outline the other direct tax measures that will be implemented in 2006.

12.2.4 **Inducements**

Mr Speaker Sir, amendments to the Income Tax Act will clarify that inducements to officials by businesses will not be deductible.

12.2.5 **Depreciation Instructions**

Mr Speaker Sir, to support investments:

- accelerated depreciation on buildings will be extended from 2007 to 2010; and

- a 100 percent write-off on expenditure in the year incurred for water storage facilities and renewable energy plant will be made available in 2006.

12.2.6 **Provisional Tax**

Sir, the 15 percent provisional tax will be simplified and inserted into the Income Tax Act to assist with the enforcement and administration of its provisions.

12.2.7 **Audio Visual Incentives – Sixth Schedule of the Income Tax Act**

Sir, certain provisions of the Sixth Schedule will be amended, particularly the definition of “company”, “partnership” and “sole proprietor” to clarify that for an audio visual licensee to fully benefit from the incentives offered under the Schedule, it must operate in the temporary studio city zone.

12.2.8 **Transfer Pricing**

Sir, amendments will be made to strengthen provisions dealing with transfer pricing arrangements. The intention is to slowly build up capacity and legislative authority to counteract transfer-pricing initiatives.

12.2.9 **Reporting System for Real Estate Agents**

Mr Speaker Sir, an annual reporting system will be introduced for real estate agents to ensure timely reporting.

Mr Speaker Sir, amendments to the Income Tax Act will become effective in January 2006. A complete list of direct tax measures is provided in the 2006 Budget Supplement.

12.3 **Hotels Aid Act**

Mr Speaker Sir, proposed changes to the Hotels Aid Act will clarify that hoteliers will not be entitled to incentives in both Parts 1 and 2 of the Act in the same project.

Section 16 will also be amended to clarify that concessions are available to plant and machinery only.

The Short Life Investment package will be extended to hospitals and retirement resorts.

12.4 **Room Surcharge**

Mr Speaker Sir, a 5 percent surcharge specifically on bed usage or hotel rooms will be introduced in 2006. Other charges incurred in the hotel will be excluded.

13.0 **2006 GENERAL ELECTION**

Mr Speaker Sir, I would like to assure our people and the international community of Government's commitment to a free and fair General Election in 2006. Preparations for the Election are well underway. A successful General Election is extremely important for the continuing

progress of our social and economic programmes. It will consolidate our journey back to democracy that we took in 2001. It will further boost confidence to an even higher level. It will raise investment and growth. It will set a firm foundation for our future.

Mr Speaker Sir, \$21.4 million is provided for next year's General Election. Sir, I wish to acknowledge the contribution of donor partners in the preparations for the 2006 Election.

14.0 **DEVELOPMENT PARTNERSHIP**

Mr Speaker Sir, Government wishes to express its appreciation to all donor Governments and agencies for their continued assistance and support towards our development efforts.

Our bilateral and multilateral donors have provided financial assistance in the areas of infrastructure, rural education, health services, good governance, law and order, human resource development and sustainable development. In 2006, the total amount of bilateral aid is valued at \$67 million.

Mr Speaker Sir, I also wish to acknowledge the involvement of the private sector and civil society through their participation in the various consultative forums, which has assisted Government in the formulation of development policies. In particular, we appreciate their contribution to the formulation and monitoring of the Strategic Development Plan and the national budget process.

15.0 VALUE ADDED TAX

Mr Speaker Sir, this Government champions the welfare of the poor and the less privileged amongst us. I have already outlined what Government has done and what this Budget is doing to help alleviate poverty, support rural families, promote micro enterprises and implement affirmative actions. Government has increased targeted assistance for basic necessities like water, housing, electricity and transport over the last five years.

Mr Speaker Sir, these actions reflect Government's commitment to lifting the standard of living of every member of the community.

Since 2001, several developments have raised the cost of living in Fiji. The cost of essential imported items has increased as the Fiji dollar has depreciated significantly against the Australian and New Zealand currencies. Most of our imports are sourced from these two countries. At the same time, other costs like freight charges have risen.

More seriously, we are now faced with the escalation in world oil prices. We are trying to develop renewable energy alternatives but this will take some time. Meanwhile, we will continue to depend on fuel imports for our energy needs.

Mr Speaker Sir, these higher oil prices are already making their way into the cost of goods and services. Ultimately, the consumers will bear these higher costs. We are already seeing the impact of oil prices on the price of kerosene which is an essential fuel for the rural families and the poor. We are also faced with pressures to increase bus fares, including those for our

elderly and disabled. There will be pressures to raise other prices next year.

Mr Speaker Sir, it is highly unlikely that oil prices will decline in the foreseeable future. This is beyond our control. We will have to brace ourselves for the possibility of further increases in domestic fuel prices in the future.

Mr Speaker Sir, Government fully understands the burden that this high cost of living imposes on the poor and low income earners. I have already explained what Government has put in place to cushion the impact of these price increases on our people. I believe that these measures alone will go a long way to alleviate the burden that families face to make a living in this country.

Mr Speaker Sir, Government is continually evaluating the adequacy of these measures under these changing circumstances. We have come to the conclusion that we need to do more.

Mr Speaker Sir, I am therefore pleased to announce that Government in 2006 will zero rate Value Added Tax on powdered milk, tea, flour, sharps, tin fish, rice and kerosene.

We believe that such a measure will give added relief to the poor and the under privileged and supplement the other measures that we are putting in place to help them make ends meet.

16.0 CONCLUSION

Mr Speaker Sir, let me end by talking about our journey - our journey towards a **“Peaceful and Prosperous Fiji”** that started five years ago. The journey has been difficult but at the same time rewarding. We can confidently say that, as a nation, we have come a long way since 2000. Our people have shared and enjoyed the benefits. We can all look forward now with hope to a future that is full of opportunities.

Sir, this journey must continue. This Budget provides us with the road map and provisions for our journey. It will help us on our way to ***“Building a Stronger Economic Platform”***.

While a brighter future beckons, there are challenges and dangers in our path. The road may be bumpy and rough. There will be crossroads and we will have to choose which road to take. International developments during our journey will change and we know from recent experiences that, at times, they can be unfriendly. While we will have international friends to help us, we will have to make our own decisions and set our own destiny. To negotiate the terrain ahead, we need to stay united as a nation with a common purpose to reach our destination. We must take our children and our grand children to the place that will afford them lasting prosperity and peace. We will need the support from everyone if we are going to succeed.

Mr Speaker Sir, we have just celebrated Deepawali, the festival of lights. We celebrate Eid this weekend. Remembrance Day is next week where we remember the ultimate sacrifices of our people for world peace and harmony. Christmas, when we celebrate the birth of our Lord Jesus Christ, is only a few weeks away. Sir, these are wonderful occasions that bring our people together irrespective of their race, beliefs and philosophies. They are occasions that build unity and trust. And more wonderfully Sir, they are events that celebrate life, victory over adversity and peace for all mankind.

Mr Speaker Sir, the nation now stands at an important crossroad. We will have to carefully choose where we should go from here to continue our journey. There must only be one choice. We must seize the opportunity to move this country forward. We must choose peace, tolerance, unity and prosperity for all.

Sir, I commend this Bill to the House and I do so with the concurrence of Cabinet.

Thank you and may God continue to bless Fiji.