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REPUBLIC OF FIJI

US$200,000,000
6.625 per cent. Notes due 2020

Issue Price: 98.957 per cent.

The US$200,000,000 6.625 per cent. Notes due 2020 of the Republic of Fiji (the "**Notes**") will be issued in registered form in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will constitute direct, unconditional and unsecured obligations of the Republic of Fiji ("**Fiji**" and, in its capacity as issuer of the Notes, the "**Issuer**").

Interest will be payable semi-annually in arrear on 2 April and 2 October in each year. Interest will accrue from and including 2 October 2015 (the "**Issue Date**") to but excluding 2 October 2020 at a rate of 6.625 per cent. per annum.

The Notes will mature on 2 October 2020. Payments on the Notes will be made in US dollars without deduction for or on account of taxes of Fiji to the extent described under "*Terms and Conditions of the Notes — Taxation*".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission of the Notes to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 12.

The Notes are rated B1 by Moody's Investors Service, Inc. ("**Moody's**") and B+ by Standard & Poor's Rating Service, a division of The McGraw-Hill Companies Inc ("**Standard & Poor's**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agencies. Prospective investors should evaluate each rating independently of any other rating of the Notes or of other securities of the Issuer. There can be no assurance that the ratings will remain in effect for a given period or that the ratings will not be revised by the rating agencies.

The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. The Notes will be represented by beneficial interests in a global registered note certificate (the "**Global Certificate**") registered in the name of, and deposited on or about 2 October 2015 (the "**Closing Date**") with, a common depositary (the "**Common Depositary**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

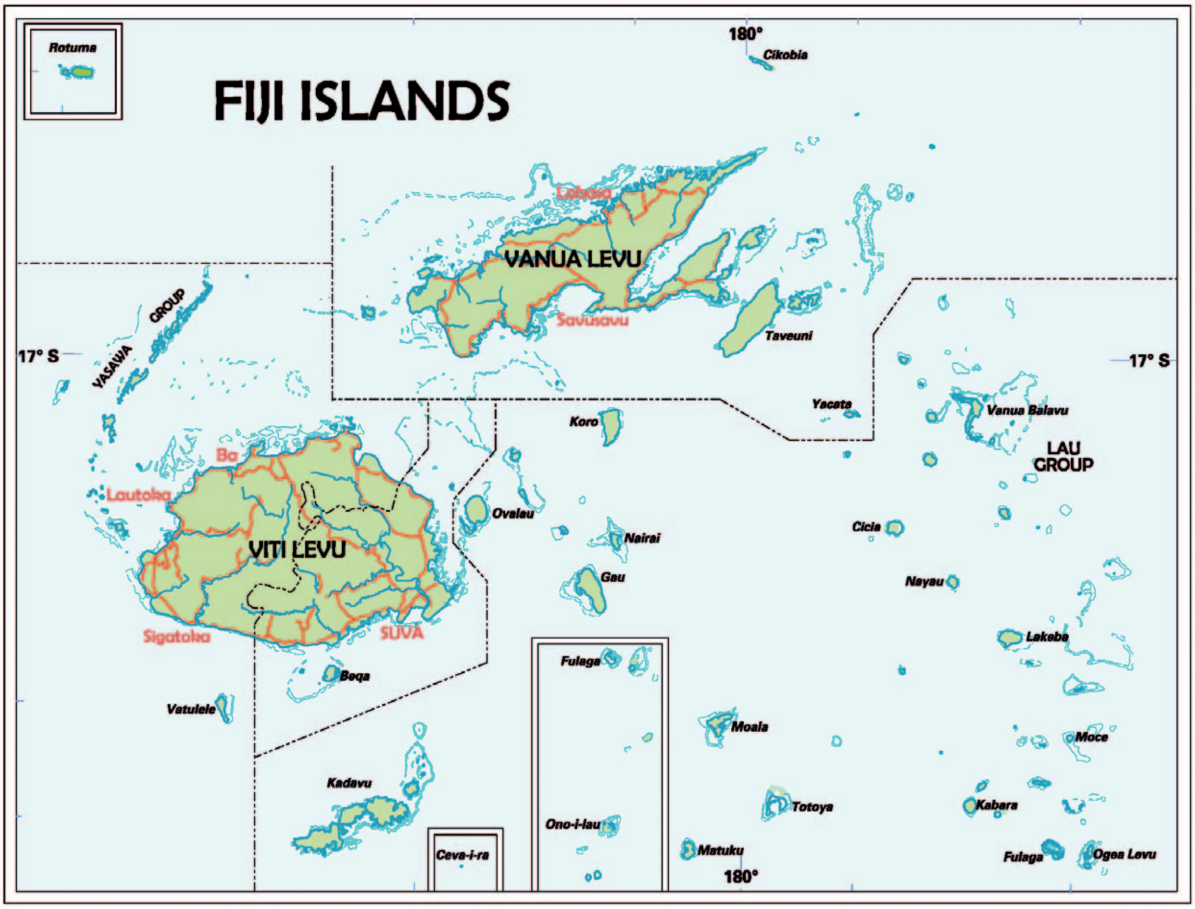
Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except as described herein, individual certificates evidencing holdings of Notes will not be issued in exchange for beneficial interests in the Global Certificate. See "*Summary of Provisions relating to the Notes while represented by the Global Certificate*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered outside the United States by Australia and New Zealand Banking Group Limited (the "**Lead Manager**") in accordance with Regulation S under the Securities Act ("**Regulation S**") and, subject to certain exceptions, may not be offered or sold within the United States. This Offering Circular has been prepared by the Issuer solely for use in connection with the offer and sale of the Notes outside the United States pursuant to Regulation S.

Sole Lead Manager and Bookrunner

ANZ

22 September 2015


FIJI ISLANDS
Rotuma
180°
Cikobia
Labasa
VANUA LEVU
Savusavu
Taveuni
YASAWA GROUP
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Vanua Balavu
LAU GROUP
Koro
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Lautoka
VITI LEVU
Ovalau
Nairai
Cicia
Gau
Nayau
Sigatoka
SUVA
Lakeba
Beqa
Fulaga
Vatulele
Moala
Moce
Kadavu
Totoya
Kabara
Ono-i-lau
Matuku
Ceva-i-ra
180°
Fulaga
Ogea Levu

The Issuer having made all reasonable enquiries confirms that this Offering Circular contains all information with respect to the Issuer and the Notes which is material in the context of the issue and offering of the Notes, that the information contained herein is in every material particular true and accurate and not misleading, that the opinions and intentions expressed herein are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and that, to the best of the knowledge and belief of the Issuer, there are no other facts the omission of which would, in the context of the issue and offering of the Notes, make any such information or the expression of such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

The Lead Manager has not independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Lead Manager as to the accuracy or completeness of the information contained in this Offering Circular. The Lead Manager accordingly disclaims all and any liability whether arising in tort or in contract or otherwise which it might otherwise have in respect of this Offering Circular.

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The Notes are not being offered or sold and may not be offered or sold directly or indirectly in Fiji, to residents of Fiji or for the account or benefit of residents of Fiji.

Fiji is a sovereign state. Consequently, it may be difficult for investors to obtain or enforce judgments of courts in England against the Issuer. See “*Enforceability of Foreign Judgments in Fiji*”.

IN CONNECTION WITH THE ISSUE OF NOTES, AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED (THE “STABILISING MANAGER”) (OR ANY PERSON(S) ACTING ON ITS BEHALF) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON(S) ACTING ON ITS BEHALF) WILL UNDERTAKE ANY STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSON(S) ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

PRESENTATION OF INFORMATION

Certain amounts included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Unless otherwise specified or the context requires, references to "**dollars**", "**US dollars**" and "**US$**" are to United States dollars and references to "**Fiji dollar**" and "**F$**" are to the lawful currency of Fiji. Historical amounts translated into Fiji dollars or US dollars have been translated at historical rates of exchange. Such translations should not be construed as representations that the Fiji dollar and US dollar amounts referred to herein could have been, or could be, converted into US dollars or Fiji dollars, as the case may be, at that or any other rate or at all. The spot mid-rate between the Fiji dollar and the US dollar on 22 September 2015, as quoted by the Reserve Bank of Fiji (the "**Reserve Bank**"), was F$2.1683 to US$1. References to "**billions**" are to thousands of millions. References to "**Fiji**" are to the Republic of Fiji and references to the "**Government**" are to the government of Fiji as at the date of this Offering Circular. It should be noted that certain historic data set out herein may be subject to minor amendment as a result of more accurate and updated information becoming available.

Certain statistical data appearing in this Offering Circular have been obtained from sources including the Fiji Bureau of Statistics and the Reserve Bank. Official data from such sources including data included in this Offering Circular may be provisional, revised or forecast and, accordingly, no assurance can be given that such data will not change following the date of this Offering Circular. Any such data must, therefore, be treated with caution.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Offering Circular under "*Republic of Fiji*", "*The Economy*", "*Public Finance*", "*Government Debt*" and "*Monetary and Financial Systems*" are forward-looking. These statements are not historical facts, but are based on Fiji's current plans, estimates, assumptions and projections. Therefore, prospective investors in the Notes should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and Fiji undertakes no obligation to update any of them in light of new information or future events (nor otherwise).

Forward-looking statements involve inherent risks. Fiji cautions that many factors could affect the future performance of the Fijian economy. These factors include, but are not limited to:

- external factors, such as:
  - interest rates in financial markets outside Fiji;
  - the impact of changes in the credit rating of Fiji;
  - the impact of changes in the international prices of commodities;
  - the state of the global tourism industry;
  - economic conditions in Fiji's major export markets;
  - the decisions of international financial institutions, such as the International Monetary Fund (the "**IMF**"), Asian Development Bank ("**ADB**") and World Bank, regarding the terms of their financial assistance to Fiji;
  - acts of war;
  - the general state of the global economy; and
  - extreme climatic events affecting Fiji;

as well as:

- internal factors, such as:
    - general economic and business conditions in Fiji;
    - present and future exchange rates of the Fijian currency;
    - foreign currency reserves;
    - the level of domestic debt;
    - domestic inflation;
    - the ability of Fiji to implement important economic and structural reforms;
    - the levels of foreign direct and portfolio investment;
    - the levels of Fijian domestic interest rates; and
    - the social and political situation in Fiji.

EXCHANGE RATE INFORMATION

Since 1975, the Reserve Bank has maintained a fixed exchange rate system. See "*Monetary and Financial Systems — Exchange Rates*".

The following table sets out the average exchange rates of the Fiji dollar against the US dollar for the periods indicated.

Year	Period Average	Period End	Percentage Change (end of period)
2010	1.9188	1.8195	-5.7
2011	1.7902	1.8205	0.1
2012	1.7903	1.7873	-1.8
2013	1.8420	1.8979	6.2
2014	1.8867	1.9877	4.7
2015 January	2.0106	2.0580	7.7
2015 February	2.0469	2.0462	8.6
2015 March	2.0569	2.0644	11.6
2015 April	2.0518	2.0190	9.0
2015 May	2.0438	2.0803	12.2
2015 June	2.0795	2.0903	14.0
2015 July	2.1275	2.1427	15.5
2015 August	2.1416	2.1580	16.0

Currency conversions contained in this Offering Circular should not be construed as representations that Fiji dollars have been, could have been or could be converted unto US dollars at the indicated or any other exchange rate.

DATA DISSEMINATION

Fiji participates in the IMF's General Data Dissemination System ("**GDDS**") which is designed to guide all member countries in the provision of their economic and financial data to the public. Data covered includes the real, fiscal, financial and the external sectors as well as socio-demographic data.

By participating in the GDDS, Fiji has undertaken to:

- use the GDDS as a framework for statistical development;
- designate a country coordinator; and
- provide metadata to the IMF describing the current practices and plans for short and long term improvements in these practices.

The summary methodology of Fiji's metadata is provided on the Internet under the IMF's Dissemination Standards Bulletin Board. The Internet website for Fiji's metadata is located on the IMF's website at http://dsbb.imf.org/Pages/GDDS/CtyCtgList.aspx?ctycode=FJI.

The Reserve Bank's website www.rbf.gov.fj contains information, relevant legislation, press releases, publications including statistics, research papers, guidelines and regulations and speeches. Recent additions to the website were the Advance Release calendar of the Reserve Bank's publications and press releases as well as the dates of its board meetings.

The Fiji Bureau of Statistics' website www.statsfiji.gov.fj also has a comprehensive set of data.

Information contained in the above mentioned websites is not incorporated by reference in this Offering Circular and, therefore, is not part of this Offering Circular.

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SUMMARY

The following summary highlights information contained in this Offering Circular, does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Offering Circular.

General

The Republic of Fiji ("**Fiji**") is an island nation in the South Pacific Ocean located to the north of the Tropic of Capricorn and about 2,700 kilometres east of the north eastern coast of Australia, 4,450 kilometres southwest of Hawaii and 1,770 kilometres north of New Zealand. Fiji comprises an archipelago of approximately 330 islands, of which about one-third are permanently inhabited and approximately 522 islets, together with the island of Rotuma which is located some 500 kilometres north of the archipelago. Fiji covers approximately 1.3 million square kilometres of the South Pacific Ocean and has a total land area of 18,333 square kilometres. Fiji's two largest islands, Viti Levu and Vanua Levu, account for approximately 87% of the total land area.

Fiji's official languages are English, Fijian and Hindi, with English being used generally in business and trade. The principal religions practiced in Fiji are Christianity, Hinduism and Islam.

The Fiji Bureau of Statistics recorded the population of Fiji at approximately 837,000 with a literacy rate of more than 90% in Fiji's most recent census conducted in 2007. The Fiji Bureau of Statistics estimates that as at 31 December 2014, Fiji's population rose to approximately 865,000. Fiji's population is comprised principally of indigenous Fijians ("**iTaukei**") and Fijians of Indian descent which, according to the 2007 census, make up approximately 56.8% and 37.4% of the total population, respectively. Chinese, other Pacific Islanders, Europeans and other foreign residents make up the remaining 5.8%. The population of Fiji is largely concentrated in Suva, Fiji's capital city, and Lautoka, both of which are located on Viti Levu, Fiji's largest island.

History and Political System

Fiji became a British crown colony in 1874, and Rotuma and its neighbouring islands became part of Fiji when they were ceded to the United Kingdom in 1881. Fiji was granted independence from the United Kingdom in 1970. In 1987, the country changed its name from "the Dominion of Fiji" to "the Republic of Fiji" and, in 1997, to "the Republic of the Fiji Islands". Following the abrogation of the 1997 Constitution (see "*Republic of Fiji — The 1997 Constitution and 1999 General Election*"), the country reverted to its previous name, "the Republic of Fiji".

After gaining independence in 1970 and with the exception of two periods (from 1987 to 1992 and from May 2000 to August 2001) of extra-constitutional government and between 10 April 2009, when the 1997 Constitution was abrogated, and 6 September 2013, when the 2013 Constitution was adopted (which came into force on 7 September 2013), Fiji has been a constitutional parliamentary democracy with, since 1987, the President as Head of State. The 2013 Constitution is the supreme law of Fiji that sets out the basic framework and legal foundations for the Government's activity in Fiji.

Between 1970 and 1987, Fiji enjoyed relative political stability with Fiji's first Prime Minister, Ratu Sir Kamisese Mara governing during this period. In April 1987, following the formation of the Fiji Labour Party ("**FLP**") in 1985, Dr. Timoci Bavadra formed Fiji's first majority government comprising Fijians of Indian descent, however this government was deposed within one month by a military coup led by Lieutenant Colonel Sitiveni Rabuka. After a period of deadlocked negotiations between June and September 1987, a second military coup revoked the 1970 Constitution and Fiji was declared a republic on 10 October 1987, with Colonel Rabuka as the Head of State. The second military coup, together with protests by the government of India, led to Fiji's suspension from the

Commonwealth of Nations (the "**Commonwealth**"). The Rabuka regime was not officially recognised by a number of foreign governments, including those of Australia and New Zealand. On 6 December 1987, Colonel Rabuka resigned as Head of State and the then Governor General Ratu Sir Penaia Ganilau was appointed as the first President of Fiji.

In 1990, a new Constitution (the "**1990 Constitution**") came into effect which included, among other things, a requirement that a majority of the seats in Parliament be reserved for iTaukei, and that the posts of President and Prime Minister could only be held by iTaukei.

An amendment to the 1990 Constitution (the "**1997 Constitution**") was adopted in July 1997. The 1997 Constitution included a set of basic principles, including the principles that the rights of all individuals, communities and groups are fully respected, the preservation of existing forms of land ownership and tenure and the rights of the iTaukei and Rotumans of governance through their separate administrative systems. Following the general election held in May 1999, the first to be held under the 1997 Constitution, Mr. Mahendra Chaudhry, then the leader of the FLP, became Prime Minister of an FLP- and Indo-Fijian-dominated coalition government.

On 19 May 2000, Prime Minister Chaudhry and members of his cabinet were taken hostage in the Parliamentary premises in the course of an attempted takeover by a number of civilians led by George Speight, an iTaukei nationalist, together with a number of members of the Counter Revolutionary Warfare Unit, acting independently of the Republic of Fiji Military Forces ("**RFMF**").

On 20 May 2000, President Ratu Mara took over as "Executive Head of State". On 29 May 2000, the Commander of the RFMF Commodore Josaia Voreqe Bainimarama informed President Ratu Mara that in his opinion the 1997 Constitution did not provide a framework for resolving the crisis and should be abrogated. Commodore Bainimarama then assumed executive authority as "Commander and Head of the Interim Military Government of Fiji". The office of President did not become vacant until the effective date of the retirement of President Ratu Mara on 15 December 2000, whereupon the Vice-President Ratu Josefa Iloilo ("**Ratu Iloilo**") performed the functions of the President until his appointment by the Great Council of Chiefs on 17 March 2001.

Prime Minister Chaudhry and the other cabinet members taken hostage were released after being held for 56 days, during which time the Chaudhry government had been removed on the grounds that it was incapable of governing.

In July 2000, an interim civilian administration was appointed by President Ratu Iloilo under the leadership of Mr. Laisenia Qarase, who was appointed interim Prime Minister. The interim civilian administration remained in power until the general election which was held in September 2001 after a Court of Appeal ruling that the 1997 Constitution remained effective.

In the September 2001 general election, 32 out of 71 seats were won by the Soqosoqo Duavata Ni Lewenivanua Party (the "**SDL Party**"), a pro-iTaukei party led by Mr. Qarase who accordingly continued as Prime Minister in an SDL Party-dominated coalition government.

In May 2006, a general election was held when the mandated five year term of the 2001 elected Parliament expired. The SDL Party won 36 seats, the FLP won 31 seats, the United Peoples' Party won two seats and independent candidates secured the remaining two seats. As leader of the party holding the most seats in the House of Representatives, Prime Minister Qarase was asked by the President Ratu Iloilo (whose term had been renewed) to form a new government as Prime Minister in accordance with the 1997 Constitution and, in particular, the constitutional requirement that the composition of the cabinet should, as far as possible, reflect each party's representation in the House of Representatives. Following discussions between Prime Minister Qarase and Mr. Chaudhry, as leader of the FLP, members of the SDL Party held 14 out of the 24 positions in the new cabinet, members of the FLP held nine positions while a member of the House of Representatives elected as an independent held the remaining position on the cabinet.

On 5 December 2006, Commodore Bainimarama assumed executive authority, dismissed Mr. Qarase as Prime Minister and appointed Dr. Jona Baravilala Senilagakali as caretaker Prime Minister.

The following day the caretaker Prime Minister Senilagakali ordered the dissolution of Parliament. On 22 December 2006, the Great Council of Chiefs issued a statement advising President Ratu Iloilo "to continue to personally exercise executive authority in accordance with the Constitution", urged Prime Minister Qarase to tender his resignation to President Ratu Iloilo and recommended that President Ratu Iloilo appoint an interim government to hold elections.

On 4 January 2007, Dr. Senilagakali tendered his resignation as caretaker Prime Minister to Commodore Bainimarama.

On 5 January 2007, Commodore Bainimarama purported to stand down as the executive authority, thereby enabling President Ratu Iloilo, to endorse his actions and those of the RFMF. President Ratu Iloilo in turn appointed Commodore Bainimarama as interim Prime Minister and subsequently appointed a number of ministers of an interim government, acting on the advice of Commodore Bainimarama. President Ratu Iloilo's mandate for the interim government set out that Fiji would move towards holding democratic elections once the necessary electoral systems and infrastructure were in place and once political and economic conditions were suitable for such elections.

Subsequent to these changes in the political landscape of Fiji, Mr. Qarase brought legal proceedings in the courts in which he sought to challenge a number of the acts of the President as unconstitutional. On 9 April 2009, the Court of Appeal overturned the High Court's decision and handed down its decision in relation to these proceedings, which held that the dismissal of Mr. Qarase and his government and the dissolution of Parliament in 2006 and 2007 were unlawful and in breach of the 1997 Constitution and that, consequently, the appointments of Commodore Bainimarama as Prime Minister and the ministers of the interim government were invalid.

On 10 April 2009, President Ratu Iloilo abrogated the 1997 Constitution. President Ratu Iloilo retired on 30 July 2009 and was succeeded by President Ratu Epeli Nailatikau.

President Ratu Epeli Nailatikau signed Fiji's fourth constitution (the "**2013 Constitution**") into law on 6 September 2013 (which came into force on 7 September 2013) and introduced a new electoral system for Fiji known as the *Open List Proportional Representation System*. It provides for a unicameral (single chamber) 50-member Parliament, with elections to be held every four years and with every Fijian over the age of 18 (reduced from 21) entitled to vote. In adhering to the vision of a "united and prosperous Fiji", the 2013 Constitution abolished racial and regional constituencies as a basis of electing parliamentarians, which was a feature of Fiji's prior constitutions. In contrast to Fiji's prior constitutions, there is no upper house or senate mandated under the 2013 Constitution. Instead, the legislature only comprises a single-chamber Parliament. The Prime Minister is the leader of the political party that commands the most seats in Parliament, while the President acts as the Head of State and performs the ceremonial function of Commander in Chief of the RFMF. For further information on the 2013 Constitution, see "*The Republic of Fiji — Political Reform — The 2013 Constitution*".

The first election under the 2013 Constitution took place on 17 September 2014 (the "**2014 General Election**"). A total of 84.6% of Fiji's 591,101 registered voters voted in the 2014 General Election with only 0.75% of the 500,078 ballots cast being invalid, a record low for an election in Fiji. In accordance with the 2013 Constitution, each voter had one vote, with each vote being of equal value in a single electoral roll comprising all the registered voters. There were seven registered political parties, with a total of 248 candidates nominated, of which two were independents. The FijiFirst party won 59.20% of the total votes, resulting in 32 seats in Parliament, and Rear Admiral (Retired) Bainimarama was elected as Prime Minister. The Social Democratic Liberal Party and National Federation Party won 28.20% and 5.50% of the total votes, respectively, securing 15 seats and three seats in Parliament, respectively.

The Government invited a Multinational Observer Group ("**MOG**"), co-led by Australia, Indonesia and India, to observe the 2014 General Election. The MOG concluded that the 2014 General Election was a credible election which broadly represented the will of the Fijian voters, with conditions put in place for Fijians to exercise their right to vote freely.

The first sitting of Parliament was convened on 6 October 2014 with the swearing in of the 50 newly elected members of Parliament from the three political parties, the Speaker of the House and the Deputy Speaker.

The Economy

Until the mid 1990s, Fiji was predominantly an agriculture based economy, with a heavy reliance on sugar production.

During the 1970s, Fiji's economy grew at an average rate of 5.5% per annum (by real GDP), which slowed to an average rate of 1.9% per annum during the 1980s, a period which was characterised by significant volatility in output. The military coup in May 1987 precipitated a contraction of the economy, following which the Fiji dollar was devalued twice in that year, by 17.75% and 15.25% in June and in October, respectively.

During the 1990s, the economy improved and grew at an average rate of 3.0% per annum. The structure of the economy shifted from being agriculture based to being increasingly reliant on the tourism and manufacturing sectors. However, agriculture remains an important sector and a major contributor to Fiji's economy. During this period, Fiji's economic policy also shifted from an emphasis on import substitution to an emphasis on export promotion and was affected by various adverse climatic conditions, including cyclones in 1993 and 1997 and a drought in 1998. In addition, the Fiji dollar was devalued by 12.5% in 1998 to provide assistance to the export sector and the tourism industry in response to the Asian financial crisis. Between 2000 and 2005, the economy grew at an average rate of 1.4% per annum (by real GDP).

Growth in this period was adversely affected by the attempted takeover of the Government in 2000 and a cyclone in 2003. Following the takeover in 2000 (see "*The Republic of Fiji — Political System — History — The May 2000 Takeover*"), the Government adopted an expansionary fiscal stance by increasing spending to stimulate economic recovery, while the Reserve Bank maintained an accommodative monetary policy which supported the Government's fiscal stance. The combination of the Government's expansionary fiscal stance and the Reserve Bank's accommodative monetary policy assisted economic recovery, with strong growth in both consumption and demand for credit. However, the Government's expansionary fiscal stance also led to a steady rise in the level of Government debt. In order to address strong demand in the economy, the Reserve Bank tightened monetary policy, while the Government consolidated its fiscal position by focusing on the efficiency and effectiveness of its spending (see "*Public Finance*").

Between 2006 and 2010, the economy grew at an average rate of 0.7% per annum (by real GDP). The slowdown in general growth since 2000 was primarily the result of a number of domestic political events, adverse climatic conditions and general deterioration of the global economy. In response to these adverse factors, the Government implemented an expansionary fiscal policy in order to stimulate growth, which remains in place today. Managing public debt and ensuring the long-term sustainability of public debt was established as, and remains, a key strategy of the Government. Faced with the challenge of stimulating growth while at the same time managing public debt, the Government sought to improve the efficiency and quality of both existing and planned expenditure. During this period, the Reserve Bank's monetary policy was focused on ensuring adequate levels of international currency reserves while maintaining low and stable inflation. On 15 April 2009, the Fiji dollar was again devalued by 20% to address the significant currency appreciation, primarily against the Australian and New Zealand dollars, since 2007 and in response to the global financial crisis.

The resilient performance of key sectors paved a sustainable growth path for Fiji as it achieved its fifth consecutive year of economic growth in 2014 and is forecast to grow by 4.3% in 2015. Between 2010 and 2014, the economy grew at an average rate of 3.4% per annum (by real GDP). The Fijian economy grew by an average of 5% in the past two years (2013-2014), and the forecasted growth for 2015 of 4.3%[(1)] will ensure that for the first time, the Fijian economy will have grown by over 4% in three consecutive years. The higher growth has been largely driven by transport and storage, financial and insurance activities, manufacturing, education, information and communication, construction, wholesale and retail trade and the accommodation and food services sectors. Fiji's competitive tax regime, low interest rates and stable economic policies have produced an environment of accessible financing and rising consumer and business confidence. The Government has continued its expansionary fiscal stance to provide further impetus to economic growth and private sector investment. The Reserve Bank was able to maintain an accommodative monetary policy stance throughout 2014, providing the necessary stimulus to weather possible domestic or external risks that could have deterred growth in the economy.

Fiscal Policy

Historically, Government's underlying fiscal deficits have been financed primarily through domestic and offshore borrowings, and to a lesser extent, via government savings. During 1979 to 2000, the fiscal deficit averaged 3.1% of GDP. Between 2001 and 2008, the deficit rose marginally to an average 3.3% of GDP. Notably, the highest deficit recorded was 7.1% in 2002, during which Fiji was recovering from the political instability experienced in 2000, following which the Government adopted an expansionary fiscal strategy soon after the 2000 crisis to generate economic activity and to rebuild investor confidence.

Government's broad fiscal policy has remained the same over the recent years and is focused on economic growth through investment, while at the same time ensuring fiscal sustainability.

Adequate resources are channelled towards priority sectors such as infrastructure, education, health, agriculture, social protection, and renewable energy. Private sector investment is also encouraged through a competitive tax regime and environment. Moving forward, the broad policies above are inbuilt into the overarching fiscal direction of managing an affordable and sound fiscal deficit to ensure sustainable debt.

In 2012, Government had begun its bold fiscal expansionary policy campaign in an effort to revive growth. In the 2012 budget, themed 'Empowered Fijians in a Modern Economy', there were substantial cuts to individual and company income taxes from 28% and 31% respectively to 20%. It was complemented by an increase in income tax threshold from $15,000 to $16,000.

In essence, the 2012 fiscal policy was aimed at improving economic growth through increased consumption, and investment levels as well to some extent. More family disposable incomes and profit to businesses spelt consumption growth and business expansions and employment.

From 2013 to 2015, while maintaining the above initiatives, Government changed to the tone of the expansionary fiscal policy direction and focused on expenditure investments. This has in turn improved the quality of fiscal deficit that has been demonstrated by continued increases in capital to operating expenditure mix over the years.

The 2013 budget, with the theme 'Investing in Our Future', saw unprecedented capital injections into road, bridges and jetties construction and maintenance. The objective of the fiscal stimulus was to improve connectivity between the rural and urban areas entailing better access to public goods and services. More importantly, enabling rural dwellers and farmers to trade their produce in urban areas and markets where the demand is at lower transportation cost.

[(1)] *The nominal 2015 GDP figures are indicative at this stage and will be finalised during the announcement of the 2016 national budget.*

The above was complemented by increases in funding for the education sector in the 2014 budget. Free education was imposed at primary and secondary school levels and a new Tertiary Education Loans Scheme introduced to assist students at the varsity level. The theme of the 2014 budget was 'Building a Smarter Fiji', placing importance on investing in human capital to improve capacity.

Government crafted the 2015 budget based on the theme as 'Turning Promises into Deeds'. While funds for the key sectors addressed in the previous Budgets continued to increase, investment was also raised for other important and development areas such as health, social benefits, water, and electricity.

Government has clearly demonstrated its fiscal policy direction over the years and this is expected to continue in 2015 and 2016.

Monetary Policy

The Reserve Bank promotes price stability, maintains a low and stable inflation environment and ensures an adequate level of international reserves through its monetary policy. Historically, the Reserve Bank relied on a variety of direct controls on the quantity of commercial bank lending and on the interest rate at which loans were provided to implement its monetary policies. In the late 1980s, the Reserve Bank shifted from these measures to conducting monetary policy through open market operations, influencing interest rates indirectly by affecting liquidity conditions in the money market.

To improve the effectiveness of monetary policy implementation, the Reserve Bank revised its market-based monetary policy framework in May 2010. Under the new framework, the Reserve Bank sets the overnight policy rate (the "**OPR**") and conducts open market operations ("**OMO**") with 14-day Reserve Bank Notes to influence the interbank rate close to the OPR. The interbank rate also fluctuates within an interest rate band with a repurchase facility rate serving as an upper bound (OPR plus 50 basis points) and the remuneration rate on Banks Demand Deposits ("**BDD**") serving as a lower bound (OPR less 50 basis points). Throughout 2014, the Reserve Bank maintained an accommodative monetary policy stance and kept the OPR at 0.5%. Liquidity levels during the year were consistent with the monetary policy stance and as a result there were no Reserve Bank Notes issued and consequently no monetary costs for the year. The Fijian economy has sustained growth momentum over the past few years. Consumption and investment spending by businesses and households remained firm, supported by strong credit growth. Sectoral performances of sugar, tourism, construction and financial services were higher than expected. An expansionary fiscal stance and the successful transition to parliamentary democracy provided further impetus to general business investor confidence. The growth in domestic economic activity was at 5.3% in 2014, reflecting the fifth consecutive year of positive growth for the economy.

Reforms

In addition to the fiscal and monetary policies discussed above, the Government has undertaken initiatives to improve the economy, facilitate investments and remove impediments to private sector developments, including:

- *Fiji National Provident Fund ("**FNPF**")* — In 2009, the FNPF was mandated by the Government to make reforms internally relating to the viability and sustainability of the FNPF. In 2010, the FNPF continued with the reforms which are expected to bring improvements and strengthen key areas of operations including review of FNPF Act, governance, investments, risk management and information system integration and most importantly the sustainability of its pension business. The consultants engaged to draft the new law on superannuation supervision, which would provide specific and relevant powers of the Reserve Bank to supervise Fiji's superannuation industry have submitted a second draft of the Bill for the Pension Savings Act. Consultation on the Bill with relevant stakeholders will take place in 2015 before submission for Parliamentary approval. As at

31 December 2014, the total assets of the FNPF stood at F$4.8 billion, representing 33.6% of Fiji's financial system assets. The annual growth of 7.2% was underpinned by the increase in investments which dominated the FNPF's asset base, accounting for 89.7% of total assets.

- *Agricultural Reforms* — The Land Use Decree 2010 mandates the establishment of the Land Bank, which is officially known as the Land Use Unit. While native landowners are given the opportunity to deposit their land in the bank and receive lease payments based at market price, the scheme also offers an attractive 99-year sub-lease or lease period to potential investors. The three forms of land ownership which exist in Fiji are native land, state land and freehold land. Leaseholds from these titles can also be obtained. To date, a total of 79 parcels of land have been deposited into the Land Bank covering a total area of 8,597 hectares. The Government has allocated F$2.5 million to support the Land Bank programme in 2015.

- *Fiji Sugar Corporation Limited* ("***FSC***") — Deloitte Touche Tohmatsu Limited in New Zealand was appointed by the Government to undertake an independent review of the FSC's performance and capital structure and to assist in identifying the level of financial support required and an appropriate capital structure for the FSC. The Government endorsed the recommendations by Deloitte including for the Government to assure all FSC's debts (excluding the overdraft facility), take full ownership of (including acquisition of shares from other holders) the FSC, to de-list the FSC from the South Pacific Stock Exchange, to fund FSC's future losses, to continue to reform the industry and to return the FSC to profitability. The sugar industry is now working under a new plan after the Deloitte Report reform agenda concluded in December 2012. The current plan, the "Fiji Sugar Cane Industry Strategic Action Plan 2013-2017", was endorsed by the Cabinet in February 2013.

- *Affirmative Action* — The Government announced revisions to its 2014 budget on 8 November 2013. The 2014 budget was aligned to deliver the bill of rights provisions in the 2013 Constitution such as access to education, health care and appropriate infrastructure.

THE OFFERING

The following is only a summary description of the Notes, which are more fully described in "Terms and Conditions of the Notes" included elsewhere in this Offering Circular.

Issuer	Republic of Fiji.
Offering	US$200,000,000 aggregate principal amount of 6.625 per cent. Notes due 2020 are being offered outside of the United States in reliance on Regulation S of the Securities Act.
Issue Price	98.957 per cent. of the principal amount of the Notes.
Maturity Date	2 October 2020.
Interest	The Notes will bear interest from, and including, 2 October 2015 at the rate of 6.625 per cent. per annum payable semi-annually in arrear on 2 April and 2 October of each year, as further described and except as mentioned under "*Terms and Conditions of the Notes — Interest*".
Withholding Tax	The principal of and interest on the Notes are payable without withholding or deduction of Fiji withholding taxes to the extent set forth herein. See "*Taxation*".
Negative Pledge	So long as any of the Notes remains outstanding, the Issuer will not create security for the benefit of the holders of any Public External Indebtedness (as defined in "*Terms and Conditions of the Notes — Negative Pledge — Interpretation*") without, before or at the same time, securing the Notes equally and rateably therewith, except in certain limited circumstances as set out in "*Terms and Conditions of the Notes — Negative Pledge*".
Further Issues	The Issuer may from time to time, without the consent of the holders of the Notes, create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the Notes.
Status of the Notes	The Notes will be direct, unconditional and (subject to the provisions of "*Terms and Conditions of the Notes — Negative Pledge*") unsecured obligations of the Issuer and (subject as provided above) will rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated Indebtedness (as defined in "*Terms and Conditions of the Notes — Negative Pledge — Interpretation*") of the Issuer, present and future provided however, consistent with similar provisions in the Issuer's other Indebtedness, that this provision shall not be construed so as to oblige the Issuer to effect equal or rateable payment(s) at any time with respect to any such other Indebtedness and, in particular, it shall not be construed so as to oblige the Issuer to pay other Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See "*Terms and Conditions of the Notes — Status*".

Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle from, admission of the Notes to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, announcement of such exchange will be made by the Issuer or on the Issuer's behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST to require.
Use of Proceeds..............	The net proceeds of the issue of the Notes, which are expected to amount to approximately US$195,700,000 (after the deduction of commissions and expenses), will be used by the Issuer for the purpose of refinancing existing indebtedness and for general development funding.
Form and Denomination of Notes	The Notes will be issued in registered form in the authorised denomination (as defined in "*Terms and Conditions of the Notes — Form, Denomination and Title — Form and Denomination*") of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented by the Global Certificate which on the Closing Date will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg (together, the "**Clearing Systems**").
Clearance	The Notes will be cleared through the Clearing Systems. The Clearing Systems each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

Global Certificate	For as long as the Notes are represented by the Global Certificate, the Global Certificate will be held by a common depositary for the Clearing Systems, payments of principal and/or interest in respect of the Notes represented by the Global Certificate will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Global Certificate to or to the order of the Fiscal Agent (as defined below) for such purpose. The Notes which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Registrar and Transfer Agent . . .	The Bank of New York Mellon (Luxembourg) S.A.
Fiscal Agent and Principal Paying Agent	The Bank of New York Mellon, London Branch.
Governing Law	The Notes and the Agency Agreement (as define in "*Terms and Conditions of the Notes*") and any non-contractual obligations arising out of or in connection with the Notes and the Agency Agreement will be governed by, and construed in accordance with, English law.
Ratings	The Notes are rated B1 by Moody's and B+ by Standard & Poor's. These ratings are not recommendations to buy, sell or hold the Notes and may be subject to revision, suspension or withdrawal at any time by the rating agencies. Prospective investors should evaluate each rating independently at any other rating of the Notes or of other securities of the Issuer.
Lock-up	The Issuer has agreed in the Subscription Agreement (as defined in "*Subscription and Sale*") that other than with respect to the Notes or any fundraising during the 2015 calendar year for the purposes of budget appropriation, no domestic or international debt or equity capital markets financing (including syndicated or club loans) of any type will be undertaken by the Issuer until the later of the Issue Date and 30 November 2015 without the prior written consent of the Lead Manager.
Optional Redemption	At any time on or after 2 July 2020 the Notes will be redeemable, in whole or in part at any time and from time to time, at the Issuer's option, on the Issuer providing not less than 30 nor more than 60 days' notice to the Noteholders, at a redemption price equal to 100 per cent. of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption.
Collective Action Clauses	The Notes will contain provisions, commonly referred to as "collective action clauses", regarding approval of certain modifications and actions: a) in respect of the Notes only, with the consent of the holders of at least 75.0% of the aggregate principal amount of the outstanding Notes;

b) in respect of the Notes and at least one other series of debt securities (capable of aggregation for voting purposes with other series of debt securities) issued by the Issuer, with the consent of both:

   a. the holders of at least 66⅔% of the aggregate principal amount of the outstanding affected debt securities (taken in aggregate); and

   b. the holders of more than 50% of the aggregate principal amount of each series of affected debt securities (taken individually); or

c) in respect of the Notes and at least one other series of debt securities (capable of aggregation for voting purposes with other series of debt securities) issued by the Issuer, with the consent of the holders of at least 75% of the aggregate principal amount of the outstanding affected debt securities (taken in aggregate), provided that the "Uniformly Applicable" condition is satisfied.

Investing in the Notes involves risks. Fiji believes the following material factors are the principal risks inherent in investing in the Notes and may adversely affect Fiji's ability to fulfil its obligations under the Notes. Investors should carefully consider the risks described below and the other information contained in this Offering Circular before making an investment decision. The risks and uncertainties described below are not the only ones facing Fiji. Additional risks and uncertainties not presently known to Fiji or that Fiji currently considers immaterial may also adversely affect Fiji and the Fijian economy.

Risks Relating to Fiji

Global and regional economic factors directly impact on Fiji's economy

Fiji, other Pacific Island nations and other developing and developed market countries globally have in recent years been negatively affected by the unprecedented financial and economic conditions in global markets. Fiji and other countries remain vulnerable to external shocks, including global economic crises such as that experienced in 2009, the continuing foreign debt crisis in Europe and those that could be caused by future significant economic difficulties of its major global and regional trading partners. Whilst many sectors of Fiji's economy have shown and continue to show robust growth, its economy is exposed to the economic conditions of its major exports market and a significant decline in the economic growth of any of Fiji's major trading partners, such as Australia, and consequently, a decline in demand for imports from such major trading partners, could have a material adverse impact on Fiji's balance of trade and adversely affect Fiji's economic growth.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in developing markets. Furthermore, there can be no assurance that these events will not adversely affect Fiji's economy.

The continued growth of Fiji's economy is dependent upon the continued success of significant economic, social and fiscal reform agenda

Fiji achieved its fifth consecutive year of economic growth in 2014. Between 2010 and 2014, the economy grew at an average rate of 3.4% per annum (by real gross domestic product "**GDP**"). Most recently, Fiji's economy has grown by 5.3% in 2014, with growth in previous years reaching 4.7% in 2013, 1.4% in 2012 and 2.7% in 2011 (in each case, by real GDP). During this period of growth Fiji has been, and continues to be, subject to significant economic, social and fiscal reform and the continued growth of its economy is dependent on the ongoing implementation of such reforms.

Fiji has adopted a set of economic strategies (see "*Republic of Fiji — the Economy — Overview — Economic Policy Objectives*") to, *inter alia*, facilitate investment and sustainable economic growth, increase exports and stabilise external accounts. A number of factors, including a downturn in economic and business conditions, lack of investment in infrastructure and related industries, failure to generate employment and decline in economic activity could impact the achievement of Fiji's growth targets. If the economy of Fiji does not meet its growth targets, or if growth begins to slow, contract or stop, or if the current level of expenditure increases, Fiji's financial and economic condition could be adversely affected.

The Roadmap for Democracy and Sustainable Socio-economic Development 2009-2014 set out a framework for achieving the objectives set out by the People's Charter for Change, Peace and Progress, while the Green Growth Framework was introduced in 2014 as a planning tool to instil environmentally sustainable initiatives in future development strategies for Fiji. The socio-economic development of Fiji will depend on the ongoing successful implementation of such changes.

There can be no assurance that the continued implementation of economic and socio-economic reforms will be successful or that their objectives will be achieved.

Fiji's tourism industry is a significant contributor to its economy

Fiji's tourism industry is a significant part of its economy and accounted for approximately 34.3% of Fiji's GDP in 2014. According to the World Travel and Tourism Council, Fiji's tourism industry also provides direct and indirect employment to an estimated 112,500 people, representing approximately 33.4% of total employment in Fiji. Decline in tourist numbers to Fiji would have a significant adverse impact on this important section of the economy.

Australia and New Zealand continue to be the main tourism source markets for Fiji, accounting for 68.3% of total 2014 visitor arrivals, while visitors from the United States, the United Kingdom and Continental Europe, collectively, accounted for 15.8% of total 2014 visitor arrivals. However, there can be no assurance that visitor numbers will continue to increase in the future. Any reduction in tourism revenue in Fiji will directly and adversely affect other sectors of its economy which depend on tourism in whole or part, including wholesale and retail trade, hotels and restaurants, the construction industry and the transportation industry.

Future declines in the tourism industry may adversely affect real GDP, the Government's revenue collection and fiscal balance and other aspects of Fiji's economy.

Fiji is reliant on the export of primary agriculture commodities products and is therefore vulnerable to decreases in crop production, harvest and catch, as well as the demand for and price of such goods

A significant part of Fiji's economy consists of exports of primary agriculture commodities products. Fiji may be adversely affected if exports of primary agriculture commodities products decrease as a result of weaker demand for such products, if production of such products in Fiji declines or if prices for such products decrease.

Sugar cane, which represented approximately 8.9% of Fiji's agricultural sector and 0.7% of GDP in 2014, is manufactured into sugar, one of Fiji's major exports. In 2014, the sugar industry performed strongly, with cane production increasing by approximately 13.7% to reach 1.8 million tonnes. Sugar production increased to around 226,230 tonnes, an increase of 25.8% against the previous season. See "*Republic of Fiji — The Economy — Principal Sectors of the Economy — Agriculture and Forestry — Agriculture — Sugar cane*" and "*Republic of Fiji — The Economy — Principal Sectors of the Economy — Manufacturing — Sugar*". While recent growth can be attributed in part to the Government's programmes to revitalise the sugar cane and sugar industries, there can be no assurance that such programmes will continue to be successful.

Other non-sugar crops (such as taro, cassava, paddy rice, ginger, kava, copra and papaya) experienced average annual growth of 7.7% while commodities (such as timber) experienced average annual growth of 14.8% in each case from 2011 to 2014. The Government has undertaken agricultural reforms aimed at stimulating growth and restructuring the agricultural sector. However, there can be no assurance that such reforms will continue to be successful.

Fiji can be affected by extreme climatic events

Fiji has experienced extreme climatic events such as tropical cyclones and flooding in recent years. Cyclone Tomas in 2010, flooding in the first quarter of 2012 and Cyclone Evan in December 2012 all devastated crops and had a significant adverse effect on export output. Such extreme climatic events and other natural disasters may lead to casualties, the destruction of crops and livestock, a reduction in supply of agricultural products and commodities, a reduction of food supply in general, the outbreak of waterborne disease and the destruction of infrastructure, such as roads and bridges. As well as the direct effect of such events, expenditures and measures associated with natural disaster relief efforts adversely affect Fiji's economy.

Fiji is an emerging market economy and may be subject to economic, political or social instability caused by many different factors

Fiji is an emerging market economy and investing in securities of emerging markets issuers involves special risks.

Fiji may be subject to economic, political or social instability caused by many different factors, including, among others:

- high international interest rates;
- macroeconomic instability and general economic and business conditions; adverse changes in currency exchange rates;
- adverse changes in foreign currency reserves;
- changes in governmental, economic, political, tax, social or other policies;
- economic, social and political instability in its trading partners or neighbouring countries and regions;
- unexpected changes in foreign laws and regulations or in trade, monetary or fiscal policies;
- high inflation, deflation or monetary fluctuations; exchange controls;
- wage and price controls; internal security issues;
- the imposition of trade barriers; and poor growth rates.

An investment in Fiji is subject to substantially greater risk than an investment in a more developed country and any of the factors set out above, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of and trading market for, the Notes.

Global and regional economic conditions may exert pressure on net foreign reserves in the future and negatively affect Fiji's liquidity

Fiji's foreign reserves increased from F$1,778.1 million as at 31 December 2013 to F$1,810.7 million as at 31 December 2014, equivalent to 5.8 months and 4.7 months of retained imports, respectively. While the Reserve Bank considers that current foreign reserves level are adequate, there can be no assurance that such foreign reserves will continue to increase. Global and regional economic conditions may exert pressure on Fiji's net foreign reserve levels. Any decrease in foreign reserves may have a material adverse effect on Fiji's liquidity.

Fiji maintains a fixed exchange rate system which is pegged to a basket of currencies and may be revalued at any time

Since 1975, Fiji has maintained a fixed exchange rate system. Under this system, the value of the Fiji dollar is determined on the basis of a weighted basket of currencies comprising the Australian, New Zealand and US dollars, the Euro and Japanese Yen. The weighting accorded to each basket currency is reassessed annually by the Reserve Bank. Additionally, the Reserve Bank can also revalue the Fiji dollar at any time (see "*Republic of Fiji - Monetary and Financial System - Foreign Exchange System*"). Any devaluation of the Fiji dollar will lead to an increase in the cost of servicing Fiji's external debt, whilst any appreciation of the Fiji dollar against the currencies of Fiji's major trading partners can reduce the competitiveness of Fiji's exports.

Fiji may have to increase its borrowings if its fiscal deficit, as a percentage of GDP, increases

Fiji's fiscal deficit for the year ended 31 December 2014 was 4.0% of GDP, compared to a fiscal deficit of 0.5% for the year ended 31 December 2013. There can be no assurance that Fiji's fiscal deficit will continue to be maintained at or less than 3.0% in accordance with the Government's medium-term (three to five years) macroeconomic economic targets set forth in the 2015 budget.

Fiji's fiscal deficit is predominantly financed by domestic financial institutions through the issuance of bonds and treasury bills. As at 31 December 2014, the domestic debt issued by the Government amounted to approximately F$2,828.9 million, representing approximately 69.3% of its overall indebtedness, compared to F$2,744.2 million and 71.5%, respectively, as at 31 December 2013. Fiji's gross debt to GDP ratio was approximately 47.7% as at 31 December 2014 compared to 49.7% as at 31 December 2013.

If Fiji were to experience a sustained worsening of its fiscal balance, it might be required to increase its borrowings. If such borrowings involved significantly higher costs, this could negatively impact Fiji's fiscal balance and affect its ability to make payments on the Notes.

There could be a negative change in the credit of Fiji or in the Notes' credit rating

The Notes are rated B1 by Moody's and B+ by Standard & Poor's, respectively. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Any negative change in the rating of the Notes or, as the case may be, Fiji, could materially and adversely affect the market price of the Notes or, as the case may be, Fiji's ability to service its debt, including the Notes.

Risks relating to the Notes

Transfer restrictions

The Notes are not registered under the U.S. Securities Act and may therefore not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the Notes may also be subject to transfer restrictions in other jurisdictions. Investors should consult their financial or legal advisers for advice concerning applicable transfer restrictions in respect of the Notes.

Liquidity of the Notes may be limited and trading prices may fluctuate

The Notes are a new issuance of securities without an established trading market. Fiji cannot predict the extent to which investor interest will lead to the development of an active trading market for the Notes or how liquid those markets may become. Fiji is under no obligation to make a market with respect to the Notes and there can be no assurance that any such market will ever develop. Even if an active secondary market for the Notes does develop subsequent to the listing of the Notes, the Notes may trade at a discount from their face value, depending on prevailing interest rates, the market for similar securities, if any, and general economic and political conditions in Fiji and elsewhere. If an active trading market for the Notes fails to develop or continue, this failure could adversely affect the trading price of the Notes.

The terms of the Notes may be modified, waived or substituted and declarations of acceleration may be withdrawn without the consent of the all the Holders of the Notes

The Notes will contain provisions on voting on, and consenting to, future amendments, modifications, changes and waivers to provisions of the Notes that would permit Fiji to amend, modify or change a provision of the Notes, or obtain the waiver of compliance with a provision of the Notes, without Fiji obtaining the consent or affirmative vote of each holder of the Notes. Under the terms of such provisions in the Notes, certain key provisions of the Notes, including, among others, the maturity date, interest rate and other payment terms, may be amended with only the consent of the defined majorities and bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. As a result, material terms of the Notes may be amended, modified or eliminated in a manner that is adverse to Noteholders without their consent. In addition, the Notes contain a provision providing for the withdrawal of a declaration of acceleration in certain circumstances, which declaration requires the consent of at least 50% of the holders of the Notes. See "*Terms and Conditions of the Notes — Modifications, Amendments and Waivers*".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The US$200,000,000 6.625 per cent. Notes due 2020 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of the Republic of Fiji (the "**Issuer**") are issued subject to and with the benefit of an Agency Agreement dated 2 October 2015 (such agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**"), The Bank of New York Mellon, London Branch as fiscal agent and principal paying agent (the "**Fiscal Agent**", and together with the other paying agents appointed under the Agency Agreement, the "**Paying Agents**"), and the other agents named in it (together with the Fiscal Agent, the other Paying Agents, the Registrar and the Transfer Agent are together referred to as the "**Agents**").

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection upon reasonable prior notice during normal business hours by the holders of the Notes (the "**Noteholders**") appertaining to the Notes at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents, Transfer Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The holders shown in the records of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking société anonyme ("**Clearstream, Luxembourg**") of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.*

1. Form, Denomination and Title

1.1 *Form and Denomination*

The Notes are issued in registered form in denominations (each, an "**authorised denomination**") of US$200,000 and integral multiples of US$1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A note certificate (each a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders which the Issuer will procure to be kept by the Registrar.

Upon issue, the Notes will be represented by a Global Certificate deposited with a common depositary for, and representing Notes registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg. The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes.

1.2 *Title*

Title to the Notes passes only by registration in the register of Noteholders. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is registered in the register of Noteholders.

2. Transfers of Notes and Issue of Certificates

2.1 *Transfers*

A Note may be transferred by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents. No transfer of title to a Note will be valid unless and until entered on the register.

Transfers of interests in the Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

2.2 *Delivery of New Certificates*

Each new Certificate to be issued upon transfer of Notes will, within seven business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificate — Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within seven business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the register of Noteholders or as specified in the form of transfer, provided that there may be no transfer of some but not all of the Notes in respect of which a Certificate is issued unless both the principal amount of the Notes to be transferred and the principal amount of the balance of the Notes excluded from that transfer are authorised denominations.

2.3 *Formalities Free of Charge*

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or any Agent but upon payment (or the giving of such indemnity as the Issuer or any Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 ***Closed Periods***

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

2.5 ***Regulations***

All transfers of Notes and entries on the register of Noteholders will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Noteholder upon written request.

3. Status

The Notes are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank pari passu, without any preference among themselves, with all other outstanding unsecured and unsubordinated Indebtedness (as defined in Condition 4.2) of the Issuer, present and future provided however, consistent with similar provisions in the Issuer's other Indebtedness, that this provision shall not be construed so as to oblige the Issuer to effect equal or rateable payment(s) at any time with respect to any such other Indebtedness and, in particular, it shall not be construed so as to oblige the Issuer to pay other Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

4. Negative Pledge

4.1 ***Negative Pledge***

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) the Issuer will not create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future assets or revenues to secure any Public External Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Public External Indebtedness; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (subject to Condition 13(e)(ix)) of the Noteholders,

provided however that the foregoing provisions of this Condition 4.1 shall not apply to any Security Interest securing Public External Indebtedness of the Issuer or any guarantee or indemnity by the Issuer of or in respect of Public External Indebtedness of any other person incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders or beneficiaries of such Public External Indebtedness or guarantee or indemnity expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the principal source of repayment of such Public External Indebtedness and (B) the property over which such Security Interest is granted consists principally of such assets and revenues.

4.2 ***Interpretation***

For the purposes of these Conditions:

"**Indebtedness**" means (i) any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing) and (ii) any guarantee or indemnity of any such obligation; and

"**Public External Indebtedness**" means any Indebtedness which (i) is payable, or at the option of the relevant creditor may be payable, in any currency other than Fiji dollars, and (ii) is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market.

5. Interest

5.1 ***Interest Rate and Interest Payment Dates***

The Notes bear interest from and including 2 October 2015 at the rate of 6.625 per cent. per annum, payable semi-annually in arrear on 2 April and 2 October (each an "**Interest Payment Date**"). The first payment shall be made on 2 April 2016.

5.2 ***Interest Accrual***

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12.

5.3 ***Calculation of Broken Interest***

When interest is required to be calculated in respect of a period of less than a full six month period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. Payments

6.1 ***Payments in respect of Notes***

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by U.S dollar cheque drawn on a bank that processes payments in U.S. dollars mailed to the registered address of the Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the register of Noteholders at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the payment of interest.

For the purposes of this Condition, a Noteholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the register of Noteholders at the close of business, in the case of principal, on the second business day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the register of Noteholders at that time.

6.2 ***Payments subject to Applicable Laws***

Payments in respect of principal and interest on Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

6.3 ***No Commissions***

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

6.4 ***Payment on Business Days***

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for business in Hong Kong, London, Luxembourg and New York City and, in the case of presentation of a Note Certificate, in the place in which the Note Certificate is presented.

6.5 ***Partial Payments***

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the register of Noteholders with a record of the amount of principal or interest in fact paid.

6.6 ***Agents***

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as the Notes are listed on the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") and the rules of the Singapore Stock Exchange so require, if the Notes are issued in definitive form, there will be at all times be a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption; and

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

7. Redemption and Purchase

7.1 *Redemption at Maturity*

Unless previously purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 2 October 2020.

7.2 *Redemption at the option of the Issuer*

At any time on or after 2 July 2020, the Notes will be redeemable, in whole or in part at any time and from time to time, at the Issuer's option, on the Issuer providing not less than 30 nor more than 60 days' notice to the Noteholders, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the date of redemption.

A notice of redemption will specify the redemption date and may provide that it is subject to certain conditions that will be specified in the notice. If those conditions are not met, the redemption notice will be of no effect and the Issuer will not be obligated to redeem the Notes.

If not all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Fiscal Agent in compliance with the rules, if any, of any stock exchange on which the Notes are listed or, if such Notes are not then listed or there are no such applicable rules, on a *pro rata* basis provided that no Note shall be redeemed in part. Where some but not all of the Notes in respect of which a Certificate is issued are to be redeemed, the notice of redemption that relates to such Certificate shall state the portion of the principal amount of the Notes to be redeemed, and where applicable, a new Certificate in a principal amount equal to the unredeemed Notes will be issued in the name of the Noteholder thereof upon cancellation of the original Certificate in accordance with Condition 2.2.

Unless the Issuer defaults in the payment of the redemption price, on and after the redemption date interest will cease to accrue on the Notes called for redemption.

7.3 *Purchases*

Subject to Condition 13(i), the Issuer may at any time purchase Notes in any manner and at any price.

7.4 *Cancellations*

All Notes so purchased may, at the Issuer's discretion, be held, resold or surrendered to the Fiscal Agent for cancellation.

8. Taxation

8.1 ***Payment without Withholding***

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) to, or to a third party on behalf of, a holder who is liable to the Taxes in respect of the Note by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(c) to, or to a third party on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(d) (in the case of interest due otherwise than on an Interest Payment Date or principal) if the Certificate in respect of such Note is surrendered more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on surrendering the relevant Certificate for payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 6).

8.2 ***Interpretation***

In these Conditions:

(a) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

(b) "**Relevant Jurisdiction**" means the Republic of Fiji or any political subdivision or any authority thereof or therein having power to tax.

8.3 ***Additional Amounts***

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. Prescription

Claims in respect of principal and interest will become prescribed unless made within 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date, as defined in Condition 8.

10. Events of Default

10.1 *Events of Default*

If any of the following events ("**Events of Default**") shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 15 days; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any External Indebtedness of the Issuer shall be declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any External Indebtedness on the due date for payment or prior to the expiry of any grace period applicable thereto; (iii) any security given by the Issuer for any External Indebtedness becomes enforceable; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any External Indebtedness of any other person; provided that no event described in this Condition 10.1 shall constitute an Event of Default unless the External Indebtedness or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of External Indebtedness and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above, amounts to at least US$10,000,000 (or its equivalent in any other currency); or

(d) if the validity of the Notes is contested by the Issuer, or the Issuer denies deny any of the Issuer's obligations under the Notes or it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement or any of such obligations are or become unenforceable or invalid; or

(e) if any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to perform its obligations under the Notes or the Agency Agreement or for the validity or enforceability thereof expires or is withheld, revoked or terminated or otherwise ceases to remain in full force and effect or is modified in a manner which adversely affects any rights or claims of any of the Noteholders; or

(f) a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or

(g) the Issuer shall cease to be a member of the International Monetary Fund ("**IMF**") or shall cease to be eligible to use the general resources of the IMF; or

(h) the Issuer or the Reserve Bank of Fiji shall not at all times exercise full ownership, power and control over any of their respective International Monetary Assets (as defined below) as they exist from time to time unless, prior to the occurrence of such an event, a public sector entity that has substantially all of the powers and assets of the Reserve Bank of Fiji (including, without limitation, all of its International Monetary Assets) and performs the functions of the central bank shall assume and acquire such assets, powers and functions,

then the holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

10.2 ***Withdrawal of Declaration of Acceleration***

If the Issuer receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall, give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10.3 ***Interpretation***

For the purposes of this Condition:

"**International Monetary Assets**" means all (i) gold, (ii) Special Drawing Rights, (iii) Reserve Positions in the Fund and (iv) Foreign Exchange, and the terms "**Special Drawing Rights**", "**Reserve Positions in the Fund**" and "**Foreign Exchange**" have, as to the types of assets included, the meanings given to them in the IMF's publication entitled "**International Financial Statistics**" or such other meanings as shall be formally adopted by the IMF from time to time; and

"**External Indebtedness**" means any Indebtedness which is payable, or at the option of the relevant creditor may be payable, in any currency other than Fiji dollars.

11. Replacement of Certificates

If any certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Notices

12.1 ***Notices to the Noteholders***

All notices to the Noteholders will be valid if mailed to them at their respective addresses in the register of Noteholders maintained by the Registrar. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or that other clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

12.2 ***Notices from the Noteholders***

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Certificate, with the Fiscal Agent or, if the Certificates are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

13. Meetings of Noteholders; Written Resolutions

(a) Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Written Resolutions

(i) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with Schedule 3 to the Agency Agreement. The Issuer will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(ii) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If additional procedures are required, the Issuer and the Aggregation Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(iii) The notice convening any meeting will specify, *inter alia*;

(A) the date, time and location of the meeting;

(B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;

(D) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(F) whether paragraph (b), (c) or (d) shall apply and, if relevant, in relation to which other series of debt securities it applies;

(G) if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(H) such information that is required to be provided by the Issuer in accordance with paragraph (f);

(I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in paragraph (g); and

(J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(iv) A "**record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(v) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(vi) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(vii) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(viii) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

(b) **Modification of this Series of Notes only**

(i) Any modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(ii) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures set out in the Agency Agreement or otherwise prescribed by the Issuer pursuant to paragraph (a) by a majority of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

(iii) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(A) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the outstanding Notes; or

(B) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) **Multiple Series Aggregation — Single limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(ii) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at combined or separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures set out in the Agency Agreement or otherwise prescribed by the Issuer pursuant to paragraph (a), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(iii) A "**Multiple Series Single Limb Written Resolution**" means a resolution in writing which has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(v) The "**Uniformly Applicable**" condition will be satisfied if:

(A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(B) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(vi) It is understood that a proposal under paragraph (c)(i) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(vii) Any modification or action proposed under paragraph (c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation — Two limb voting**

(i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(ii) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at combined or separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures set out in the Agency Agreement or otherwise prescribed by the Issuer pursuant to paragraph (a), as supplemented if necessary, which is passed by a majority of:

(A) at least 66 2/3 per cent. of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(iii) A "**Multiple Series Two Limb Written Resolution**" means a resolution in writing which has been signed or confirmed in writing by or on behalf of the holders of:

(A) at least 66 2/3 per cent. of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(B) more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(v) Any modification or action proposed under paragraph (d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this paragraph (d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

In these Conditions, "**Reserved Matter**" means any proposal:

(i) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(ii) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(iv) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(v) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(vi) to change the definition of "Uniformly Applicable";

(vii) to change the definition of "outstanding" or to modify the provisions of paragraph (i);

(viii) to change the legal ranking of the Notes;

(ix) to authorise a Security Interest or other arrangement as set forth in Condition 4.1(b);

(x) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10;

(xi) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 16;

(xii) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(xiii) to modify the provisions of this paragraph (e);

(xiv) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; and

(xv) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

(A) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

(B) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

(f) **Information**

Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to paragraph (b), (c) or (d), the Issuer shall publish in accordance with Condition 14, and provide the Aggregation Agent, with the following information:

(i) a description of the Issuer's economic and financial circumstances, a description of the Issuer's existing debts and a description of its broad policy reform program and provisional macroeconomic outlook, in each case to the extent that such matters are, in the Issuer's opinion, relevant to the request for any potential modification or action;

(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in paragraph (a)(iii)(G).

The Aggregation Agent shall make any such information available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such information to be taken.

(g) **Claims Valuation**

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with paragraph (c) and (d), the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

(h) **Manifest error, etc.**

The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not, without the consent of the Noteholders, effect any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of the Issuer, not materially prejudicial to the interests of the Noteholders. Any determination as to material prejudice applying to the interests of the Noteholders pursuant to this Condition 18(h) shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.

(i) **Notes controlled by the Issuer**

(i) For the purposes of:

(A) ascertaining the right to attend and vote at any meeting of Noteholders, or the right to sign or confirm in writing, or authorize the signature of, any Written Resolution;

(B) this Condition 13, Condition 10 or Schedule 3 to the Agency Agreement; and

(C) determining whether Noteholders of the requisite principal amount of Notes outstanding have given any request, demand, authorization, direction, notice, consent or waiver,

any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality shall be disregarded and be deemed not to remain outstanding.

(ii) A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

(iii) In advance of any meeting of Noteholders, or in connection with any Written Resolution, the Issuer shall provide to the Aggregation Agent a copy of the certificate prepared pursuant to Condition 14(d), which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorize the signature of, any Written Resolution in respect of any such meeting. The Aggregation Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14(g).

(k) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

14. Aggregation Agent

(a) **Appointment**

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

(b) **Extraordinary Resolutions**

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) **Written Resolutions**

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) **Certificate**

(i) For the purposes of paragraphs (b) and paragraph (c), the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13(b), 13(c) or 13(d), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

(ii) The certificate shall:

(A) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(B) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13(i) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

(iii) The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) **Notification**

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders by the Aggregation Agent.

(f) **Binding nature of determinations; no liability**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) **Manner of publication**

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 7.2, Condition 10, Condition 13 and this Condition 14:

(i) on www.finance.gov.fj;

(ii) through Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and any other clearing system in which the Notes are held;

(iii) in such other places and in such other manner as may be required by applicable law or regulation; and

(iv) in such other places and in such other manner as may be customary.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

16. Governing Law and Submission to Jurisdiction

16.1 ***Governing Law***

The Agency Agreement, the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement or the Notes are governed by, and will be construed in accordance with, English law.

16.2 ***Jurisdiction of English Courts***

The Issuer has irrevocably agreed for the benefit of the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes (including disputes relating to any non-contractual obligations which may arise out of or in connection with the Agency Agreement or the Notes) which may arise out of or in connection with the Notes and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

The Noteholders may take any suit, action or proceeding arising out of or in connection with the Notes (together referred to as "**Proceedings**") (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Agency Agreement and/or the Notes) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

16.3 ***Appointment of Process Agent***

The Issuer hereby irrevocably and unconditionally appoints the High Commissioner of the Republic of Fiji in the United Kingdom, presently located at 34 Hyde Park Gate, London SW7 5DN, United Kingdom, as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.

16.4 ***Sovereign Immunity***

The Issuer hereby irrevocably and unconditionally waives and agrees not to raise with respect to the Notes any right to claim sovereign, diplomatic or other immunity from jurisdiction or execution and any similar defence, and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings. The waiver of immunities given in this Condition 16.4 constitutes only a limited and specific waiver for the purposes of the Notes. The Issuer does not hereby waive such immunity in respect of property which is (i) used by a diplomatic or consular mission of the issuer (except as may be necessary to effect service of process), (ii) property of a military character and under the control of a military authority or defence agency or (iii) located in Fiji and dedicated to a public or governmental use (as distinct from patrimonial property or property dedicated to a commercial use).

17. Rights of Third Parties

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Notes whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meanings respectively in paragraphs 1 to 7 below.

1. Accountholders

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall, in the absence of manifest error, be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Issuer, solely in The Bank of New York Depository (Nominees) Limited for the relevant clearing system in accordance with and subject to the terms of the Global Certificate. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to The Bank of New York Depository (Nominees) Limited.

2. Cancellation

Cancellation of any Note following its redemption or purchase by the Issuer will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

Payments of principal and interest in respect of Notes represented by the Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of the Global Certificate to or to the order of the Registrar or such other Agent as shall have been notified to the holders of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

Notwithstanding Condition 6.1 (*Payments in respect of the Notes*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder of the Note in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

4. Notices

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by the Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

5. Change of Registration of Title

Registration of title to Notes in a name other than that of The Bank of New York Depository (Nominees) Limited will not be permitted unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is unwilling or unable to continue as a clearing system in connection with the Global Certificate and a successor clearing system is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Note may be transferred into the names of holders notified by The Bank of New York Depository (Nominees) Limited in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of The Bank of New York Depository (Nominees) Limited for a period of 15 calendar days preceding the due date for any payment of principal, or interest in respect of the Notes.

6. Transfers

Transfers of book-entry interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants.

7. Denominations

The Notes are issued in registered form in denominations of US$200,000 (the "**Minimum Denomination**") and integral multiples of US$1,000 in excess thereof. If definitive Certificates are required to be issued in accordance with provisions under "Change of Registration of Title" above, they will only be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. Accordingly, if definitive Certificates are required to be issued, any person holding an interest in Notes having a nominal amount which is less than the Minimum Denomination (the "**Residual Amount**"), will not be able to receive a definitive Certificate in respect of such Residual Amount and will not be able to receive interest or principal, or to vote at any meeting of Noteholders, in respect of such Residual Amount.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, which are expected to amount to approximately US$195,700,000 (after the deduction of commissions and expenses), will be used by the Issuer for the purpose of refinancing existing indebtedness and for general development funding.

REPUBLIC OF FIJI

Introduction

The Republic of Fiji ("**Fiji**") is an island nation in the South Pacific Ocean located to the north of the Tropic of Capricorn and about 2,700 kilometres east of the north eastern coast of Australia, 4,450 kilometres southwest of Hawaii and 1,770 kilometres north of New Zealand. Fiji comprises an archipelago of approximately 330 islands, of which about one-third are permanently inhabited and approximately 522 islets, together with the island of Rotuma which is located some 500 kilometres north of the archipelago. Fiji covers approximately 1.3 million square kilometres of the South Pacific Ocean and has a total land area of 18,333 square kilometres. Fiji's two largest islands, Viti Levu and Vanua Levu, account for approximately 87% of the total land area. The islands are mountainous, with peaks of up to 1,300 metres, and much of the land is covered with tropical forests. The three forms of land ownership in Fiji are native land (land owned according to indigenous Fijian custom by indigenous Fijians ("**iTaukei**")), state land and freehold land. Approximately 83% of the land is native land which is not capable of alienation, while approximately 7% is state land, owned by the Government and approximately 10% is freehold land. Approximately 16% of Fiji's land is suitable for agriculture and this land is found mainly along the coastal plains, river deltas and valleys.

Prior to European settlement, Fiji was inhabited by Melanesians, Polynesians and Micronesians. The first contact with Europeans was in 1643 when Abel Tasman, the Dutch explorer, visited Fiji in the course of his attempt to find the Great Southern Continent, but it was not until the 19th century that the first European settlements were established in Fiji. Fiji became a British crown colony in 1874, and Rotuma and its neighbouring islands became part of Fiji when they were ceded to the United Kingdom in 1881. Fiji was granted independence from the United Kingdom in 1970. In 1987, the country changed its name from "the Dominion of Fiji" to "the Republic of Fiji" and, in 1997, to "the Republic of the Fiji Islands". Following the abrogation of the 1997 Constitution (see "*Republic of Fiji — The 1997 Constitution and 1999 General Election*"), the country reverted to its previous name, "the Republic of Fiji".

Fiji has a tropical climate. From November to April, Fiji typically experiences tropical cyclones of varying degrees of severity. Fiji's wet season is from November to April, with the heaviest rains falling from December to mid-April. Within the last ten years, Fiji has experienced a number of extreme climatic events including several tropical cyclones and associated flooding. In 1997, 1998 and 2014, Fiji also experienced droughts.

Fiji's official languages are English, Fijian and Hindi, with English being used generally in business and trade. The principal religions practiced in Fiji are Christianity, Hinduism and Islam.

The Fiji Bureau of Statistics recorded the population of Fiji at approximately 837,000 with a literacy rate of more than 90% in Fiji's most recent census conducted in 2007. The Fiji Bureau of Statistics estimates that as at 31 December 2014, Fiji's population rose to approximately 865,000. Fiji's population is comprised principally of iTaukei and Fijians of Indian descent which, according to the 2007 census, make up approximately 56.8% and 37.4% of the total population, respectively. Chinese, other Pacific Islanders, Europeans and other foreign residents make up the remaining 5.8%. The population of Fiji is largely concentrated in Suva, Fiji's capital city, and Lautoka, both of which are located on Viti Levu, Fiji's largest island.

Fiji has had a history of racial tension and political rivalry between communities. Most Fijians of Indian descent are the descendants of labourers who were brought from India between 1879 and 1916 to work as indentured labourers or *girmityas* on the British or Australian owned sugar plantations, and who remained in Fiji at the end of their period of indenture. A second wave of migrants from India came to Fiji in the 1930s. Many Fijians of Indian descent have worked and continue to work in agriculture, commerce, public services and other professions. However, under land ownership laws that have been in place since the nineteenth century, ownership of all land held according to iTaukei custom, which comprises approximately 83% of the total land area of Fiji, is incapable of alienation.

Accordingly, this native land can be leased for a limited period only but cannot be owned outright by anyone that does not hold a traditional claim to that land. In contrast, freehold land, which comprises approximately 10% of total land in Fiji, is capable of alienation and ownership. According to the population census records maintained by the Fiji Bureau of Statistics, from 1946 onwards the number of Fijians of Indian descent recorded in Fiji exceeded the number of iTaukei by a small margin. However, between 1987 and 2012, it is thought that more than 100,000 Fijians of Indian descent emigrated from Fiji with the result that iTaukei now comprise a clear majority of the population.

Political System

History

Independence and the 1970 Constitution

On 10 October 1874, Fiji was ceded by the Chiefs of Fiji to the United Kingdom and from 1874 to 1970 was a colony of the United Kingdom. In 1970, Fiji was granted independence from the United Kingdom by the Fiji Independence Order of 1970 (the "**1970 Constitution**") and became a constitutional monarchy with the Queen as Head of State, represented in Fiji by the Governor-General.

According to the 1970 Constitution, pre-independence legislation protecting iTaukei interests remained. Such legislation could not be altered without a majority of three quarters of all members of the Upper House (Senate) and Lower House (House of Representatives) of parliament ("**Parliament**"). The 1970 Constitution also established the right of the *Bose Levu Vakaturaga* ("**Great Council of Chiefs**"), the Prime Minister and the Leader of the Opposition to each nominate a prescribed number of senators to the Senate.

Between 1970 and 1987, Fiji enjoyed relative political stability with Fiji's first Prime Minister, Ratu Sir Kamisese Mara governing during this period. In April 1987, following the formation of the Fiji Labour Party ("**FLP**") in 1985, Dr. Timoci Bavadra formed Fiji's first majority government comprising Fijians of Indian descent, however this government was deposed within one month by a military coup led by Lieutenant Colonel Sitiveni Rabuka. After a period of deadlocked negotiations between June and September 1987, a second military coup revoked the 1970 Constitution and Fiji was declared a republic on 10 October 1987, with Colonel Rabuka as the Head of State. The second military coup, together with protests by the government of India, led to Fiji's suspension from the Commonwealth of Nations (the "**Commonwealth**"). The Rabuka regime was not officially recognised by a number of foreign governments, including those of Australia and New Zealand. On 6 December 1987, Colonel Rabuka resigned as Head of State and the then Governor General Ratu Sir Penaia Ganilau was appointed as the first President of Fiji.

The 1990 Constitution

In 1990, a new Constitution (the "**1990 Constitution**") came into effect which included, among other things, a requirement that a majority of the seats in Parliament be reserved for iTaukei, and that the posts of President and Prime Minister could only be held by iTaukei.

The 1997 Constitution and 1999 General Election

In an effort to break away from the ethnic nationalism prevalent in the years following the 1987 coups and to improve political relations between the iTaukei community and Fijians of Indian descent, an amendment to the 1990 Constitution (the "**1997 Constitution**") was adopted in July 1997. The 1997 Constitution expanded the size of the House of Representatives from 52 members to 71 members, lowered the proportion of seats reserved for iTaukei, removed the restrictions on eligibility for the position of Prime Minister by reference to ethnic origin, and enshrined the principle of a multi-party cabinet of Ministers overseeing the various ministries of government (see "*Republic of Fiji — Political System — System of Government*"). The 1997 Constitution included a set of basic principles, including the principles that the rights of all individuals, communities and groups are fully respected, the preservation of existing forms of land ownership and tenure (including the ownership of iTaukei land according to iTaukei custom (see "*The Economy — Other Reforms — Land Reforms*")), and the rights of the iTaukei and Rotumans of governance through their separate administrative systems. Following the adoption of the 1997 Constitution, Fiji was readmitted to the Commonwealth in October 1997.

As a result of the general election held in May 1999, the first to be held under the 1997 Constitution, and a new electoral system which adopted the single transferrable voting system but still retained race-based voting, the FLP won 37 out of the 71 seats in the House of Representatives and Mr. Mahendra Chaudhry, then the leader of the FLP, became Prime Minister.

The May 2000 Takeover

On 19 May 2000, Prime Minister Chaudhry and members of his cabinet were taken hostage in the Parliamentary premises in the course of an attempted takeover by a number of civilians led by George Speight, an iTaukei nationalist, together with a number of members of the Counter Revolutionary Warfare Unit, acting independently of the Republic of Fiji Military Forces ("**RFMF**").

On 20 May 2000, President Ratu Mara took over as "Executive Head of State". On 29 May 2000, the Commander of the RFMF Commodore Josaia Voreqe Bainimarama informed President Ratu Mara that in his opinion the 1997 Constitution did not provide a framework for resolving the crisis and should be abrogated. Commodore Bainimarama then assumed executive authority as "Commander and Head of the Interim Military Government of Fiji". The office of President did not become vacant until the effective date of the retirement of President Ratu Mara on 15 December 2000, whereupon the Vice-President Ratu Josefa Iloilo ("**Ratu Iloilo**") performed the functions of the President until his appointment by the Great Council of Chiefs on 17 March 2001.

Prime Minister Chaudhry and the other cabinet members taken hostage were released after being held for 56 days, during which time the Chaudhry government had been removed on the grounds that it was incapable of governing. Mr. Speight was tried and convicted of treason and sentenced to death in 2002, the sentence being subsequently commuted to life imprisonment by President Ratu Iloilo.

In July 2000, an interim civilian administration was appointed by President Ratu Iloilo under the leadership of Mr. Laisenia Qarase, who was appointed interim Prime Minister. The interim civilian administration remained in power until the general election which was held in September 2001 after a Court of Appeal ruling that the 1997 Constitution remained effective.

The September 2001 Election

In the September 2001 general election, 32 out of 71 seats were won by the Soqosoqo Duavata Ni Lewenivanua Party (the "**SDL Party**"), a pro-iTaukei party led by Mr. Qarase who accordingly continued as Prime Minister in an SDL Party-dominated coalition government. However, Prime Minister Qarase initially declined to include any members of the FLP in the new cabinet in violation of the requirement under the 1997 Constitution that any party receiving 10% or more of the seats in the House of Representatives must be given an opportunity to be represented in the cabinet in proportion to its numbers in the House of Representatives. The FLP had won 27 of the 71 seats. In 2003, the Fiji Supreme Court affirmed the relevant constitutional requirement and instructed Prime Minister Qarase to offer cabinet seats to the FLP. Prime Minister Qarase then extended an invitation to the FLP to join the cabinet. However, a dispute and subsequent litigation ensued over the exact terms of Prime Minister Qarase's invitation. The FLP eventually declined the invitation and Mr. Chaudhry took up the role of Leader of the Opposition (see "*Republic of Fiji — Political System — System of Government*").

The May 2006 General Election and Subsequent Events

In May 2006, a general election was held when the mandated five year term of the 2001 elected Parliament expired. The SDL Party won 36 seats, the FLP won 31 seats, the United Peoples' Party won two seats and independent candidates secured the remaining two seats. As leader of the party holding the most seats in the House of Representatives, Prime Minister Qarase was asked by the President Ratu Iloilo (whose term had been renewed) to form a new government as Prime Minister in accordance with the 1997 Constitution and, in particular, the constitutional requirement that the composition of the cabinet should, as far as possible, reflect each party's representation in the House of Representatives. Following discussions between Prime Minister Qarase and Mr. Chaudhry, as leader of the FLP, members of the SDL Party held 14 out of the 24 positions in the new cabinet, members of the FLP held nine positions while a member of the House of Representatives elected as an independent held the remaining position on the cabinet.

On 5 December 2006, Commodore Bainimarama assumed executive authority, dismissed Mr. Qarase as Prime Minister and appointed Dr. Jona Baravilala Senilagakali as caretaker Prime Minister.

The following day the caretaker Prime Minister Senilagakali ordered the dissolution of Parliament. On 22 December 2006, the Great Council of Chiefs issued a statement advising President Ratu Iloilo "to continue to personally exercise executive authority in accordance with the Constitution", urged Prime Minister Qarase to tender his resignation to President Ratu Iloilo and recommended that President Ratu Iloilo appoint an interim government to hold elections.

On 4 January 2007, Dr. Senilagakali tendered his resignation as caretaker Prime Minister to Commodore Bainimarama.

On 5 January 2007, Commodore Bainimarama purported to stand down as the executive authority, thereby enabling President Ratu Iloilo, to endorse his actions and those of the RFMF. President Ratu Iloilo in turn appointed Commodore Bainimarama as interim Prime Minister and subsequently appointed a number of ministers of an interim government, acting on the advice of Commodore Bainimarama. President Ratu Iloilo's mandate for the interim government set out that Fiji would move towards holding democratic elections once the necessary electoral systems and infrastructure were in place and once political and economic conditions were suitable for such elections.

Subsequent to these changes in the political landscape of Fiji, Mr. Qarase brought legal proceedings in the courts in which he sought to challenge a number of the acts of the President as unconstitutional. On 9 April 2009, the Court of Appeal overturned the High Court's decision and handed down its decision in relation to these proceedings, which held that the dismissal of Mr. Qarase and his government and the dissolution of Parliament in 2006 and 2007 were unlawful and in breach of the 1997 Constitution and that, consequently, the appointments of Commodore Bainimarama as Prime Minister and the ministers of the interim government were invalid.

On 10 April 2009, President Ratu Iloilo abrogated the 1997 Constitution. President Ratu Iloilo retired on 30 July 2009 and was succeeded by President Ratu Epeli Nailatikau.

The 2014 General Election

President Ratu Epeli Nailatikau signed Fiji's fourth constitution (the "**2013 Constitution**") into law on 6 September 2013 (which came into force on 7 September 2013) and introduced a new electoral system for Fiji known as the *Open List Proportional Representation System*. It provides for a unicameral (single chamber) 50-member Parliament, with elections to be held every four years and with every Fijian over the age of 18 (reduced from 21) entitled to vote. In adhering to the vision of a "united and prosperous Fiji", the 2013 Constitution abolished racial and regional constituencies as a basis of electing parliamentarians, which was a feature of Fiji's prior constitutions. In contrast to Fiji's prior constitutions, there is no upper house or senate mandated under the 2013 Constitution. Instead, the legislature only comprises a single-chamber Parliament. The Prime Minister is the leader of the political party that commands the most seats in Parliament, while the President acts as the Head of State and performs the ceremonial function of Commander in Chief of the RFMF. For further information on the 2013 Constitution, see "*The Republic of Fiji — Political Reform - The 2013 Constitution*".

The first election under the 2013 Constitution took place on 17 September 2014 (the "**2014 General Election**"). A total of 84.6% of Fiji's 591,101 registered voters voted in the 2014 General Election with only 0.75% of the 500,078 ballots cast being invalid, a record low for an election in Fiji. In accordance with the 2013 Constitution, each voter had one vote, with each vote being of equal value in a single electoral roll comprising all the registered voters. There were seven registered political parties, with a total of 248 candidates nominated, of which two were independents. The FijiFirst party won 59.20% of the total votes, resulting in 32 seats in Parliament, and Rear Admiral (Retired) Bainimarama was elected as Prime Minister. The Social Democratic Liberal Party and National Federation Party won 28.20% and 5.50% of the total votes, respectively, securing 15 seats and three seats in Parliament, respectively.

The Government invited a Multinational Observer Group ("**MOG**"), co-led by Australia, Indonesia and India, to observe the 2014 General Election. The MOG concluded that the 2014 General Election was a credible election which broadly represented the will of the Fijian voters, with conditions put in place for Fijians to exercise their right to vote freely.

The first sitting of Parliament was convened on 6 October 2014 with the swearing in of the 50 newly elected members of Parliament from the three political parties, the Speaker of the House and the Deputy Speaker.

System of Government

After gaining independence in 1970 and with the exception of two periods (from 1987 to 1992 and from May 2000 to August 2001) of extra-constitutional government and between 10 April 2009, when the 1997 Constitution was abrogated, and 6 September 2013, when the 2013 Constitution was adopted (which came into force on 7 September 2013), Fiji has been a constitutional parliamentary democracy with, since 1987, the President as Head of State. The 2013 Constitution is the supreme law of Fiji that sets out the basic framework and legal foundations for the Government's activity in Fiji.

Judiciary

Chapter 5 of the 2013 Constitution sets out the judicial framework for Fiji.

The highest court in Fiji, the Supreme Court, is the final appellate court in civil and criminal matters. The Supreme Court has exclusive jurisdiction to hear and determine appeals from all final judgments of the Court of Appeal, with leave of the Supreme Court. The Court of Appeal is the second highest court in Fiji and has jurisdiction to hear and determine appeals from judgments of the High Court.

Below the Court of Appeal, the High Court has unlimited original jurisdiction to hear and determine civil and criminal proceedings. It also has an appellate jurisdiction in relation to decisions of Magistrates Courts. The Magistrates Courts are below the High Court and have civil and criminal jurisdiction.

The Chief Justice (who is also the President of the Supreme Court) and the President of the Court of Appeal are appointed by Fiji's President following consultation with the Prime Minister and the Attorney-General. Judges of the Supreme Court, the Court of Appeal and the High Court are also appointed by the President on the recommendation of the Judicial Services Commission, a body comprising the Chief Justice, the President of the Court of Appeal, the Permanent Secretary responsible for Justice and two other persons appointed by the President, following consultation with the Attorney-General.

The courts in Fiji are governed by statutes specific to the type of court, collectively referred to as the Court Rules.

There are also various methods of alternative dispute resolution which may be utilised to resolve disputes without recourse to litigation. This includes the Small Claims Tribunal which is an avenue for claimants with a civil action seeking to recover an amount not exceeding F$5,000.

Fiji has enacted the Reciprocal Enforcement of Judgments Act and the Foreign Judgments (Reciprocal Enforcement) Act which enables judgments in courts in specified foreign countries to be accorded reciprocal treatment to judgments given in Fiji and to be enforced in Fiji.

Fiji is also a signatory to various international dispute resolution conventions and mechanisms such as the United Nations Commission on International Trade Law (UNCITRAL) and the International Convention for Settlement of Investment Disputes (ICSID). In September 2010, the Government acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (CREFAA).

Local Government

Fiji is divided into four divisions: Central Division (Suva), Northern Division (Labasa), Eastern Division (Levuka) and Western Division (Lautoka). The divisions are subdivided into a total of 14 provinces, each of which has a Provincial Council. The island of Rotuma is officially included in the Eastern Division for statistical purposes but administratively has a degree of internal autonomy.

Under the 2013 Constitution, iTaukei enjoy full rights to land, culture, institutions and religion and communally-owned land remains with the customary owners and cannot be permanently alienated by sale or transfer.

Cities and towns are governed by municipal governments, which are responsible for local affairs and are presided over by special administrators.

Political Reform

The People's Charter for Change, Peace and Progress

The Peoples Charter for Change, Peace and Progress (the "**People's Charter**") initiative was launched by President Ratu Iloilo on 10 October 2007. A consultation process was administered by a 45 member National Council for Building a Better Fiji ("**NCBBF**"), appointed by the President from a cross-section of Fiji's community, including representatives and leaders of community, social, civic, religious, business and political groups. The overarching objective of the People's Charter was to rebuild Fiji into a non-racially divided, culturally vibrant and united, well-governed and democratic nation that seeks progress and prosperity through merit-based equality of opportunity and peace. The vision for rebuilding Fiji that underpins this objective was guided by seven key principles:

- a merit-based equality of opportunity for all Fiji citizens;
- reforming the system of government;
- a just and fair society;
- unity and national identity;
- a transparent and accountable government;
- an uplifting of the disadvantaged in all communities; and
- sharing spiritualities and interfaith dialogue.

The NCBBF prepared "A Report on the State of the Nation and Economy" which included recommendations for changes to the system of government, constitution, laws, economic and resources development policies, leadership values, community relations and institutional reforms, following which the People's Charter (see "*The Republic Fiji — Political Reform — The People's Charter for Change and Progress*") was presented to President Ratu Iloilo on 15 December 2008. President Ratu Iloilo accepted the recommendations of the NCBBF in their entirety and directed the Government to commence implementation of the recommendations, which formed the basis for the political, constitutional and socio-economic reform agenda set out in the Roadmap for Democracy and Sustainable Socio-economic Development 2009-2014 (the "**Roadmap**") and the 2013 Constitution.

Roadmap for Democracy and Sustainable Socio-economic Development 2009-2014

The Roadmap sets out a framework for achieving sustainable democracy, good and just governance, socio-economic development and national unity based on the People's Charter.

The objective of the Roadmap was to identify and implement policies to take Fiji forward to the vision of "A Better Fiji for All", a collective vision of a well-governed, democratic, progressive, prosperous, non-racially divided, united and peaceful country.

The Government's mission was to develop and implement the best political, social and economic policies in order to advance the goals of good governance, prosperity and peace and national unity. The Government consulted widely with the private sector and with non-Government organisations to identify the policies appropriate to the current social and economic situation in Fiji.

The completion of the 2014 General Election set the platform for the return to parliamentary democracy and the establishment of a sovereign democratic state founded on key principles that promote common and equal citizenry and the respect for rule of law. Other achievements under the Roadmap include the introduction of written laws to put in place mechanisms for improving accountability and transparency of public office holders, improving health service delivery, the maintenance of macroeconomic stability and the promotion of the Government's land bank ("**Land Bank**") programme originally established under the Land Use Decree 2010 aimed at improving land use and facilitating investments on idle land, whilst providing equitable returns to landowners and security of tenure to tenants, infrastructure development and the implementation of expanded poverty alienation programmes. For further information on the Land Bank, see "*The Economy — Other Reforms — Land Reforms*".

The 2013 Constitution

Central to the People's Charter's objectives was the development of a non-racial and all inclusive Constitution, which was adopted on 6 September 2013 and came into force on 7 September 2013. The 2013 Constitution enshrines principles such as an independent judiciary, a secular state and a wide range of civil, political and socio-economic rights. It recognises iTaukei, Fijians of Indian descent and other races and their customary practices, protects the rights of the iTaukei, Rotuman and Banaban landowners and their tenants, demands accountability and transparency from Government officials, builds strong and independent institutions, and replaces the previous electoral system with one based on the principle of one person, one vote, one value.

Other features of the 2013 Constitution include:

- the adoption of a common name "Fijian" for all citizens of Fiji;
- a "Bill of Rights" containing specific provisions guaranteeing a range of civil and political rights as well as social and economic rights. These include the right to education, economic participation, a just minimum wage, transport, housing, food and water, health and social security;
- a free media and freedom of speech, expression, movement and association;
- provision for the Parliament to make laws in relation to freedom of information to ensure citizens' right to access official information and documents held by the Government and its agencies;
- the establishment of the Fiji Independent Commission against Corruption (FICAC) to fight corruption in the public sector and a Human Rights and Anti-Discrimination Commission;
- the safeguarding of the environment;
- the compulsory teaching of the iTaukei and Hindi languages at primary school level, along with English as the common language;
- the right to multiple citizenship but a provision that only Fijian citizens be entitled to stand for Parliament;
- the right to fair employment practices;
- the right to join, form or campaign for a political party;
- the right to privacy;
- a code of conduct for public office holders; and
- a provision requiring public office holders such as civil servants, members of the disciplined forces and trade unionists to resign before contesting a seat in Parliament.

Green Growth Framework

The Government endorsed the implementation of the Green Growth Framework ("**GGF**") on 29 July 2014. The GGF has been introduced as a planning tool to instil environmentally sustainable initiatives in future development strategies for Fiji. The framework is designed to complement key overarching objectives in the Roadmap as well as other policy initiatives of Government.

The overarching theme of the GGF is the restoration of balance in development between economic, social and environmental objectives which is sustainable for Fiji's future. It recognises that whilst a large part of Fiji remains relatively pristine, there is an immediate need to address and manage emerging challenges in specific segments of the country where there is population growth, growing urbanisation, unsustainable waste and resource management, infrastructure deficiency and increasing vulnerability to natural disasters and climate change.

International and Regional Relations

International Relationships

Since 1970, Fiji has been a member of the United Nations (the "**UN**") and has participated in a number of UN peacekeeping activities in the Middle East and Africa. It also contributed to the Regional Assistance Mission to the Solomon Islands, the Peace Monitoring Group on Bougainville and the UN Mission of Support in East Timor. More recently, it has participated in the UN deployments in Afghanistan, Iraq and Liberia.

Fiji is a member of the African, Caribbean and Pacific ("**ACP**") Forum, which is currently negotiating an economic partnership agreement with the European Union (the "**EU**") to replace the existing economic partnership agreement embodied in the Cotonou Agreement, a World Trade Organisation ("**WTO**") compliant agreement between the ACP countries and the EU. In July 2002, Fiji hosted the 3rd Summit of the ACP. In January 2011, the EU Parliament formally endorsed the Interim Economic Partnership Agreement ("**IEPA**") signed by Fiji, Papua New Guinea and the EU. For further information on the IEPA, see "*The Economy — Foreign Trade and The Balance of Payments — Bilateral and Multilateral Trade Agreements*".

In addition, Fiji has signed and ratified conventions and treaties that are consistent with Fiji's development needs. Fiji is a member of various organisations including the IMF, ADB, World Bank, International Labour Organisation, World Health Organisation, United Nations Economic and Social Commission for Asia and the Pacific, International Telecommunications Union, United Nations Children's Fund, World Maritime Organisation, International Meteorological Organisation, World Tourism Organisation, United Nations Population Fund, United Nations Educational Scientific and Cultural Organisation, United Nations Development for Women, Food and Agriculture Organisation, World Intellectual Property Organisation, United Nations Development Programme, International Atomic Energy Agency, Comprehensive Test Ban Treaty Organisation and Japan International Cooperation Agency.

Fiji hosts diplomatic representatives from Australia, the European Union, New Zealand, the Federated States of Micronesia, France, Japan, India, the Republic of Korea, Papua New Guinea, the People's Republic of China (the "**PRC**"), the Republic of Indonesia, Malaysia, the Republic of the Marshall Islands, the Republic of South Africa, Nauru, Tuvalu, Kiribati, the United Kingdom, the United States and the Solomon Islands. Fiji has also co-operated with Australia and New Zealand in the area of national defence, and has extended its ties with the PRC, Russia and Taiwan as part of its "Look North" policy aimed at strengthening relations with Asia in general and the PRC in particular. Tourism Fiji currently has offices in Australia, New Zealand, the United States, the United Kingdom, the Republic of Korea and India.

Fiji became a member of the Commonwealth following its independence in 1970. It was suspended on 1 September 2009 after the then Government did not commit to rejoining negotiations with opposition leaders and to holding elections by October 2010. Following the 2014 General Election, Fiji was re-instated as a full member of the Commonwealth on 26 September 2014. It had previously been expelled from the Commonwealth for ten years following the 1987 military coup, and suspended for 18 months from June 2000.

Regional Relationships

Fiji is also a member of regional international organisations such as the Secretariat of the Pacific Community, the Forum Fisheries Agency, the South Pacific Regional Environment Programme, the ADB, the Pacific Islands Development Forum ("**PIDF**") and the Pacific Basin Economic Council. Fiji was suspended as a member of the Pacific Islands Forum on 2 May 2009 but still retained the seat of the Pacific Islands Forum Secretariat. Following the 2014 General Election, Fiji was readmitted to the

Pacific Islands Forum on 22 October 2014. Fiji is also a signatory to regional agreements such as the Pacific Islands Country Trade Agreement ("**PICTA**") and the Pacific Agreement for Closer Economic Relations ("**PACER**"). PACER Plus is currently being negotiated by the Pacific Island parties with Australia and New Zealand. In 2014, Fiji rejoined the PACER Plus negotiations on its terms as an equal partner. Fiji is also a signatory of the Melanesian Spearhead Group Trade Agreement (the "**MSG Trade Agreement**") with Papua New Guinea, Vanuatu and the Solomon Islands. See "*The Economy — Foreign Trade and Balance of Payments — Bilateral and Multilateral Trade Agreements*" for further information.

Fiji remains host to many regional organisations, such as the South Pacific Applied Geoscience Commission, the University of the South Pacific, the South Pacific Tourism Organisation and the Suva Office of the Secretariat of the Pacific Community. See "*The Economy — Foreign Trade and Balance of Payments*".

Financial and Technical Assistance

Fiji is a member of the IMF, the World Bank and the ADB. The IMF conducts regular consultations and provides assistance on various projects of the Reserve Bank, the Ministry of Finance of Fiji ("**Ministry of Finance**") and the Fiji Revenue and Customs Authority. The Reserve Bank has received technical assistance and training from the IMF in areas such as banking, insurance and superannuation supervision, secondary market development, anti-money laundering, exchange rates and financial supervision. The World Bank and ADB have also been very active in providing technical assistance to Fiji as well as providing project loans for various sectors in Fiji.

The table below shows the breakdown of aid provided by the periods indicated:

	For the year ended 31 December				
Donor	**2010**	**2011**	**2012**	**2013**	**2014(p)**
			(F$ million)		
Australia	21.70	29.12	53.25	87.13	47.80
PRC	9.30	27.60	32.30	37.80	16.20
EU	20.30	4.60	5.60	11.50	15.80
Japan	3.00	13.00	17.05	8.50	0.00
Republic of Korea	0.40	2.70	2.12	1.40	0.85
New Zealand	9.60	12.50	5.57	5.90	5.38
UN Development Programme	0.60	2.90	1.70	6.50	2.71
Others	8.90	8.78	22.38	15.67	14.96
Total	**73.80**	**101.20**	**139.97**	**174.40**	**103.70**
Comprising					
Cash	8.90	8.70	17.96	16.60	9.50
Aid in-Kind	64.90	92.50	122.01	157.80	94.20

Note: (p) — provisional

Source: Ministry of Finance Supplement to the Budget Address: 2010 — 2015

Australia remains Fiji's largest bilateral grant donor, accounting for 50.0% of total official development assistance in 2013 and a projected 46.1% in 2014. Between 2010 and 2014, the PRC was Fiji's second largest bilateral grant donor, accounting for 21.7% of total official development assistance in 2013 and a projected 15.6% in 2014. On 11 January 2011, Fiji and the PRC signed an Economic and Technical Cooperation Agreement pursuant to which the PRC provided aid valued at F$8 million to Fiji during the first half of 2011. In 2014 alone, the PRC provided funding for several infrastructure projects, including the Navua Hospital, the Somosomo mini-hydro project on the island of Taveuni and several sports complexes.

Fiji has also joined the Non-Aligned Movement, which is an intergovernmental organisation of states considering themselves not formally aligned either with or against any major power bloc.

THE ECONOMY

Overview

Economic History

Until the mid 1990s, Fiji was predominantly an agriculture based economy, with a heavy reliance on sugar production.

During the 1970s, Fiji's economy grew at an average rate of 5.5% per annum (by real GDP), which slowed to an average rate of 1.9% per annum during the 1980s, a period which was characterised by significant volatility in output. The military coup in May 1987 precipitated a contraction of the economy, following which the Fiji dollar was devalued twice in that year, by 17.75% and 15.25% in June and in October, respectively.

During the 1990s, the economy improved and grew at an average rate of 3.0% per annum. The structure of the economy shifted from being agriculture based to being increasingly reliant on the tourism and manufacturing sectors. However, agriculture remains an important sector and a major contributor to Fiji's economy. During this period, Fiji's economic policy also shifted from an emphasis on import substitution to an emphasis on export promotion and was affected by various adverse climatic conditions, including cyclones in 1993 and 1997 and a drought in 1998. In addition, the Fiji dollar was devalued by 12.5% in 1998 to provide assistance to the export sector and the tourism industry in response to the Asian financial crisis. Between 2000 and 2005, the economy grew at an average rate of 1.4% per annum (by real GDP).

Growth in this period was adversely affected by the takeover of the Government in 2000 and a cyclone in 2003. Following the takeover in 2000 (see "*The Republic of Fiji — Political System — History — The May 2000 Takeover*"), the Government adopted an expansionary fiscal stance by increasing spending to stimulate economic recovery, while the Reserve Bank maintained an accommodative monetary policy which supported the Government's fiscal stance. The combination of the Government's expansionary fiscal stance and the Reserve Bank's accommodative monetary policy assisted economic recovery, with strong growth in both consumption and demand for credit. However, the Government's expansionary fiscal stance also led to a steady rise in the level of Government debt. In order to address strong demand in the economy, the Reserve Bank tightened monetary policy, while the Government consolidated its fiscal position by focusing on the efficiency and effectiveness of its spending (see "*Public Finance*").

Between 2006 and 2010, the economy grew at an average rate of 0.7% per annum (by real GDP). The slowdown in general growth since 2000 was primarily the result of a number of domestic political events, adverse climatic conditions and general deterioration of the global economy. In response to these adverse factors, the Government implemented an expansionary fiscal policy in order to stimulate growth, which remains in place today. Managing public debt and ensuring the long-term sustainability of public debt was established as, and remains, a key strategy of the Government. Faced with the challenge of stimulating growth while at the same time managing public debt, the Government sought to improve the efficiency and quality of both existing and planned expenditure. During this period, the Reserve Bank's monetary policy was focused on ensuring adequate levels of international currency reserves while maintaining low and stable inflation. On 15 April 2009, the Fiji dollar was again devalued by 20% to address the significant currency appreciation, primarily against the Australian and New Zealand dollars, since 2007 and in response to the global financial crisis.

The resilient performance of key sectors paved a sustainable growth path for Fiji as it achieved its fifth consecutive year of economic growth in 2014 and is forecast to grow by 4.3% in 2015. Between 2010 and 2014, the economy grew at an average rate of 3.4% per annum (by real GDP). The Fijian economy grew by an average of 5% in the past two years (2013-2014), and the forecasted growth for 2015 of 4.3%(1) will ensure that for the first time, the Fijian economy will have grown by over 4% in three consecutive years. The higher growth has been largely driven by transport and storage, financial and

(1) *The nominal 2015 GDP figures are indicative at this stage and will be finalised during the announcement of the 2016 national budget.*

insurance activities, manufacturing, education, information and communication, construction, wholesale and retail trade and the accommodation and food services sectors. Fiji's competitive tax regime, low interest rates and stable economic policies have produced an environment of accessible financing and rising consumer and business confidence. The Government has continued its expansionary fiscal stance to provide further impetus to economic growth and private sector investment. The Reserve Bank was able to maintain an accommodative monetary policy stance throughout 2014, providing the necessary stimulus to weather possible domestic or external risks that could have deterred growth in the economy.

Economic Challenges

Fiji's economy is subject to macroeconomic challenges, with a number of Fiji's major trading partners expected to record moderate growth in 2014 and 2015. Domestically, gold production continued its weak performance in 2014 mainly due to increased focus on capital development and the mining of lower grade ore. However, industrial activity gained further momentum in 2014, driven by increases in sugar, other food and non-food production coupled with higher construction activity, while the agriculture and forestry sectors performed better when compared to 2013. Service sector activities were boosted by strong tourism demand as visitor arrivals hit a new record high in 2014.

Aggregate demand indicators were robust in 2014 as the macroeconomic environment improved further. Robust consumption activity was driven by higher individual incomes (as indicated by higher Pay As You Earn (PAYE) collections), improved labour market conditions and inward remittances. Inflation in 2014 averaged 0.5%, while the rate as at 31 December 2014 was 0.1%, largely as a consequence of the Government's decision to fund free education for all primary and secondary school students under the 2014 budget and weak global commodity prices, especially food and oil. Lending continues to grow and imports growth remains positive. Nevertheless, increased inflows from tourism and personal remittances helped maintain foreign reserves at comfortable levels (equivalent to F$1.8 billion as at 31 December 2014).

Economic Policy Objectives

Roadmap for Democracy and Sustainable Socio-economic Development 2009-2014

In 2009, the Government adopted the Roadmap to, among other things, encourage economic growth through a set of medium-term macroeconomic objectives. These included:

- Maintaining macroeconomic stability;
- Export promotion and import substitution;
- Making land more available for productive and social purposes;
- Enhancing global integration and international relations; and
- Infrastructure development.

Key achievements in economic policy under the Roadmap include:

Maintaining Macroeconomic Stability

- Average annual GDP growth for the period 2010 to 2014 was 3.4%. The economy grew by 4.7% in 2013 and has grown by 5.3% in 2014. It is forecast to grow by 4.3% in 2015.[2]

[2] *The nominal 2015 GDP figures are indicative at this stage and will be finalised during the announcement of the 2016 national budget.*

- Investments grew from 14.4% of GDP in 2010 to 25.0% in 2014 (according to Reserve Bank estimates).

- Average inflation for the period 2010 to 2014 was 3.2%. However, the year-end inflation rate was 0.1% in 2014 compared to 3.4% in 2013. Inflation rose to 1.4% as at 31 July 2015 and is forecast to be below 3.0% as at 31 December 2015.

- In 2014, the Government achieved a fiscal deficit of 4.0% of GDP whilst debt levels stood at 47.7% of GDP.

- Foreign reserves improved from 4.7 months of import cover in 2010 to over five months in each of 2011, 2012 and 2013. As at 31 December 2014, foreign reserves equalled 4.7 months of retained import cover. In 2015, foreign reserves are forecast to equal 5 months of retained import cover, which is comfortably within the range of 4 to 5 months of retained import cover set by the Reserve Bank.

Export Promotion and Import Substitution

- Implementation of the "Buy Fiji Made" campaign.

- Implementation of key policies and programmes to support export growth such as the National Export Strategy ("**NES**"), Import Substitution and Export Finance Facility and the Export Promotion and Food Security Programmes.

Making Land More Available For Productive and Social Purposes

- Adoption of the GGF (see "*The Economy — Green Growth Framework*") to promote sustainable land use and ensure effective management of Fiji's rich biodiversity and ecosystems.

- Promotion of the Land Bank initiative to improve land use and investments on idle land, whilst providing equitable returns to landowners and security of tenure to tenants. For further information on the Land Bank, see "*The Economy — Other Reforms — Land Reforms*").

Enhancing Global Integration and International Relations

- A new head office for the PIDF Secretariat was established in Fiji in 2014.

- Fiji hosted both the inaugural, second and third PIDF summits in August 2013, June 2014 and September 2015, respectively, which were attended by key member countries and stakeholders.

Infrastructure Development

- The Government's budget for infrastructure and public utilities increased to F$721.5 million in 2014. This is expected to increase to more than F$1 billion in 2015, covering developments in roads, bridges, water and electricity.

Green Growth Framework

Cabinet endorsed the implementation of the GGF on 29 July 2014. The GGF has been introduced as a planning tool to instil environmentally sustainable initiatives in future development strategies for Fiji. The GGF is designed to complement key overarching objectives in the Roadmap as well as other policy initiatives of Government.

The overarching theme of GGF is the restoration of balance in development between economic, social and environmental objectives which is sustainable for Fiji's future.

Under the GGF, four thematic areas were identified at the National Green Growth Forum in July 2014 as key considerations to future economic development:

- Energy security;
- Sustainable transportation;
- Technology innovation; and
- Greening tourism and manufacturing industries.

Fijian Trade Policy Framework

In December 2014, the Cabinet approved the Fijian Trade Policy Framework, which is the overarching policy document that will guide Fiji's trade and investment. The Fijian Trade Policy Framework represents Fiji's shared interest towards the common goal of improving trade performance and enhancing Fiji's position as a Pacific trading hub. It is a holistic policy designed to determine how to address production capacity and supply-side constraints in Fiji, with the ultimate objective of enhancing Fiji's position in global trade.

The Fijian Trade Policy Framework seeks to create more opportunities in international trade, leading to an increased demand for Fijian-made goods and services, increased investment from the private sector, job and wealth creation as well as supporting an increased standard of living.

The key policy objectives of the Fiji Trade Policy Framework include:

1. To transform Fiji into a vibrant, diversified and internationally competitive export-led growth oriented economy, by enhancing the performance of the manufacturing and services sectors' contribution to economic growth, as well as focusing on other growth areas in certain other priority sectors;

2. To facilitate the engagement of Fiji in bilateral, regional and multilateral trade frameworks with a view to expand and securing meaningful market access for Fiji's growing industrial base and to integrate the Fijian economy into the global trading environment;

3. To use trade policy to contribute to creating the conditions for a sustained increase in the contribution of investment and an increase in total factor productivity (meaning the efficiency with which the economy utilises its available resources), that will be required for Fiji to deliver long-term growth;

4. To stimulate and encourage value-added activities through research and development with a view to increasing national export earnings, improving Fiji's current account position and creating employment opportunities;

5. To assist domestic firms to increase their levels of efficiency and competitiveness, and therefore withstand increasing competition in domestic and international markets;

6. To facilitate the growth of the micro, small and medium enterprises sectors as the backbone of the Fijian economy;

7. To support the improvement of trade related infrastructure aimed at facilitating the smooth flow of trade — reducing the cost of doing business and positioning Fiji as a strategic location for global value chains and as the Pacific hub;

8. To support investment promotion and facilitation to attract both domestic and foreign direct investment with a view to stimulating investment flows into export-oriented areas in which Fiji has comparative advantages and use this as a strategy for inducing innovation and technology transfer in the national economy;

9. To facilitate capacity building development in human capital in all priority sectors to ensure high level productivity; and

10. To place gender, environmental protection and other related policies within the mainstream of policy coordination and coherence.

Since 2007, the Government has adopted a prudent fiscal strategy by implementing policies that promote growth whilst maintaining fiscal and macro-economic stability. In pursuing these core policy objectives and to measure its performance, the Government has set a number of measurable medium-term (three to five years) macroeconomic targets as follows:

Macroeconomic Indicator	**Target**
Economic growth	5.0% per annum
Investment levels	Above 25.0% of GDP
Inflation.	Maintain at approximately 3.0%
Foreign exchange reserves . . .	The Reserve Bank's target is to maintain foreign reserves at a level of 4 to 5 months of retained import cover.
Government deficit	Contain the budget deficit at or less than 3.0% each year
Government debt	Gradually reduce the Government's debt stock to 45% of GDP

Source: 2015 National Budget Supplement

The Government has formulated and implemented a NES in response to the erosion of benefits from preferential trading agreements and weakening export levels (see "*The Economy — Foreign Trade and Balance of Payments*"). The aim of the NES is to diversify and broaden Fiji's export base through the development of new exportable goods and services, including more valuable and high quality products, and to reduce costs of production. The NES also looks to strengthen Government institutional support for export networks, to enhance market access and help Fiji's goods and services penetrate new and emerging export markets. The main industries identified for strategic export growth are mineral water, audio-visual, information and communications technology, agricultural products, marine products and forestry.

National Account

The following table shows the national account, exchange and inflation rates and external and fiscal account for the periods or as at the dates indicated:

	For the year ended 31 December				
	2010	2011	2012	2013	2014
NATIONAL ACCOUNT AND PRICES:					
Real GDP growth (%)	3.0	2.7	1.4	4.7	5.3(p)
Per capita GDP (F$)	7,103.6	7,940.7	8,309.9	8,984.0	9,901.1
Per capita GDP (US$)	3,705.2	4,438.1	4,642.8	4,880.1	5,250.6
Average exchange rate (F$ against US$)	0.5216	0.5589	0.5587	0.5432	0.5303
Inflation rate (change in CPI)	3.6	6.4	2.5	3.4	0.1
EXTERNAL SECTOR:					
Current account (% of GDP)	(4.4)	(5.1)	(1.7)	(14.3)	(6.6)(e)
Balance of payments (F$ million)	259.2	209.1	121.6	140.1	32.6(e)
Current account balance	(265.1)	(345.9)	(123.9)	(1103.5)	(568.5)(e)
Capital and financial account balance	561.8	857.1	607.4	774.6	478.2.4(e)
Foreign exchange reserves	1,302.7	1,512.5	1,635.5	1,778.1	1,810.7
Trade balance (F$ million)	(1,406.1)	(1,524.1)	(1,406.1)	(2,455.0)	(1,958.7)(e)
Exports (FOB)	1,581.6	1,902.2	2,131.3	1,926.0	2,243.1(e)
Imports (FOB)	2,987.7	3,426.3	3,537.4	4,381.0	4,201.9(e)
FISCAL ACCOUNT:					
Budget surplus/deficit (% of GDP)	(2.2)	(1.4)	(1.1)	(0.5)	(2.0)
External debt (F$ million)	548.5	832.1	935.5	1,094.0	1,254.3

Note: (p) — provisional (e) — estimate

Source: Fiji Bureau of Statistics and Macroeconomic Committee

Gross Domestic Product

The GDP in Fiji is measured using the production approach (also known as the output approach) where the GDP is measured as the difference between the value of output less the value of goods and services used in producing these outputs in a given year.

The following table shows the trend in GDP growth for the periods indicated:

	For the year ended 31 December				
	2010	2011	2012	2013	2014(p)
GDP per capita (F$ million)	7,103.6	7,940.7	8,309.9	8,984.0	9,901.1
Growth of GDP per capita (%)	6.7	11.8	4.6	8.1	10.2
GDP at constant factor cost[(1)] (F$ million)	4,802.9	5,738.8	5,819.8	6,095.4	6,417.8
Growth of real GDP (%)	3.0	2.7	1.4	4.7	5.3

Note:

(1) GDP is now measured at constant 2011 factor cost.

(p) — provisional

2010 — GDP under the 2008 base

2011-2014 GDP under the 2011 base

Source: Fiji Bureau of Statistics and Macroeconomic Committee.

- In real GDP terms, the Fiji economy has grown by approximately 5.3% in 2014, underpinned by the services and industrial sectors with moderate contributions from the primary sector. For the services sector, transport and storage sector growth in 2014, followed by financial and insurance activities, public administration and defence, education, information and communication; wholesale and retail trade and the accommodation and food services activities sectors. Tourism demand, with visitor arrival reaching a record high in 2014, also boosted services sector activities. Strong industrial activity was driven by increases in sugar, other food and non-food production coupled with higher construction activity, while gold production continued to be weak due to mining of lower grade ore. The forestry and logging and the fishing and aquaculture sectors performed better compared to 2013.

- In real GDP terms, 2013 saw a growth of approximately 4.7%. Domestic economic outcomes were much more favourable in 2013. Over the year, domestic activity continued to strengthen broadly as a result of increased consumption and investment spending. An expansionary fiscal policy coupled with accommodative monetary policy also propelled aggregate demand and financial intermediation in 2013. The services sector and industrial performances for sugar, electricity and cement production were relatively better when compared to 2012. However, gold production and earnings were subdued, as Vatukoula Gold Mines Limited focused more on capital and exploratory works in 2013.

- In real GDP terms, 2012 saw growth of approximately 1.4%. Notwithstanding developments abroad and the domestic natural disaster shocks, the strength in the domestic economy broadly came through the service and industrial sectors. Public administration and defence and the transport and storage sectors dominated growth in the services while the growth in industrial performance was led by the electricity and water sectors. However, the primary sector contributed negatively as a result of losses to agricultural output from floods in the first quarter and Cyclone Evan in the fourth quarter of 2012. The prolonged softness in global demand for forestry products negatively impacted the growth in the forestry industry. Consumer spending gained further momentum during the year, which further translated into improved business confidence and investment sentiment. The surge in spending by households was supported by the Government through reductions in income tax rates to historically low levels.

Principal Sectors of the Economy

Fiji is a developing nation with a relatively broad-based economy, the principal sectors of which are set out in the table below. In addition, tourism is an important activity in Fiji. Tourism activity cuts across a number of sectors of the economy including the accommodation and food services wholesale and retail trade; manufacturing; transport and storage; administrative and support services and arts, entertainment and recreation activities.

The following table shows real (inflation-adjusted) GDP and the year-on-year changes in percentage terms by the economic sectors for the periods indicated:

	For the year ended 31 December									
	2010		2011		2012		2013		2014(p)	
	(F$ million)	%	(F$ million)	%	(F$ million)	%	(F$ million)	%	(F$ million)	%
AGRICULTURE	391.8	(4.2)	472.6	20.6	465.3	(1.6)	497.1	6.8	485.5	(2.3)
General Government	3.7	(22.0)	8.2	121.6	7.7	(6.2)	8.7	12.8	10.1	15.3
Subsistence	127.8	0.6	152.5	19.3	153.3	0.5	154.5	0.8	153.3	(0.8)
Formal Non-Government Agriculture	228.7	(6.9)	274.2	19.9	266.4	(2.8)	295.7	11.0	284.2	(3.9)
Sugarcane	48.2	(32.2)	69.4	44.0	42.5	(38.8)	44.2	4.1	50.3	13.8
Taro	37.2	(13.7)	39.7	6.7	35.3	(11.1)	51.4	45.5	36.6	(28.8)
FORESTRY AND LOGGING	43.1	22.8	32.6	(24.4)	32.0	(1.7)	40.6	26.9	48.4	19.1
FISHING AND AQUACULTURE	102.6	(5.1)	118.7	15.7	114.5	(3.6)	115.3	0.7	116.9	1.4
Formal Non-Government Fishing and Aquaculture	64.2	(8.0)	73.8	15.0	69.7	(5.5)	69.5	(0.4)	70.7	1.7
MINING AND QUARRYING	46.3	22.0	90.0	94.4	84.8	(5.7)	58.4	(31.1)	57.1	(2.4)
MANUFACTURING.	705.2	4.7	807.1	14.4	791.6	(1.9)	838.2	5.9	855.5	2.1
Informal Manufacturing	168.6	0.6	174.1	3.3	173.7	(0.2)	174.3	0.4	174.1	(0.1)
Manufacture of food and beverages	221.3	6.7	298.2	34.7	286.7	(3.8)	307.0	7.1	318.8	3.9
Sugar	25.8	15.1	56.2	117.8	43.2	(23.1)	81.3	88.3	92.5	13.8
Mineral water	31.9	27.5	29.5	(7.5)	16.4	(44.5)	10.4	(36.8)	12.4	20.0
Non food products	313.7	5.7	331.8	5.8	328.3	(1.1)	354.2	7.9	359.7	1.5
Wearing apparel	58.0	(10.6)	59.2	2.1	52.2	(11.8)	59.8	14.5	58.8	(1.7)
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	60.2	17.9	109.3	81.6	114.1	4.4	121.1	6.1	121.6	0.4
WATER SUPPLY, SEWERAGE, WASTE MANAGEMENT AND REMEDIATION	10.6	1.3	18.5	74.5	19.2	4.0	19.6	2.1	20.7	5.4
CONSTRUCTION	150.0	7.2	153.7	2.5	142.4	(7.4)	165.7	16.4	180.6	9.0
General Government	19.7	7.9	19.0	(3.6)	0.0	(100.0)	0.0	—	0.0	—
Formal Non-Government Construction	89.3	8.6	90.3	1.1	95.9	6.3	116.0	20.9	130.0	12.1
WHOLESALE AND RETAIL AND REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	595.2	1.0	669.2	12.4	674.6	0.8	696.4	3.2	704.6	1.2
Informal WRT	165.1	0.4	190.8	15.6	191.4	0.3	191.1	(0.2)	190.8	(0.2)
Formal Non-Government WRT	428.8	1.6	478.4	11.6	483.1	1.0	505.3	4.6	513.9	1.7
TRANSPORT AND STORAGE	269.4	22.2	359.3	33.4	388.9	8.2	451.2	16.0	569.8	26.3
Formal Non-Government Transport & Storage	251.6	24.0	338.4	34.5	367.2	8.5	428.9	16.8	546.3	27.4
Land transport	44.4	(5.4)	70.2	58.1	58.1	(17.1)	68.3	17.5	71.6	4.8
Water and air transport	87.9	220.3	129.8	47.7	152.9	17.7	212.5	39.0	317.1	49.3
ACCOMODATION AND FOOD SERVICE ACTIVITIES	270.7	8.1	369.5	36.5	370.6	0.3	380.4	2.6	393.2	3.4
Formal Non-Government Accomm odation and Food Service Activities	260.9	8.3	359.1	37.6	360.2	0.3	370.0	2.7	382.7	3.4

	For the year ended 31 December									
	2010		**2011**		**2012**		**2013**		**2014(p)**	
	(F$ million)	**%**	**(F$ million)**	**%**	**(F$ million)**	**%**	**(F$ million)**	**%**	**(F$ million)**	**%**
Short term accommodation activities/camping grounds, recreational vehicle parks and trailer parks	231.4	8.5	318.6	37.7	320.7	0.6	331.9	3.5	344.8	3.9
INFORMATION AND COMMUNICATION	354.7	(2.9)	340.7	(3.9)	347.1	1.9	357.3	2.9	368.3	3.1
Formal Non-Government Information and Communication	352.9	(2.9)	334.8	(5.1)	340.0	1.6	350.2	3.0	360.3	2.9
Wired telecommunications activities	93.7	(5.1)	82.4	(12.1)	79.5	(3.6)	81.0	2.0	81.3	0.4
Wireless telecommunications activities	169.0	(3.8)	169.8	0.5	169.8	0.0	171.2	0.8	176.3	3.0
FINANCIAL AND INSURANCE ACTIVITIES	557.1	1.7	528.7	(5.1)	527.5	(0.2)	557.3	5.7	629.5	13.0
Central banking	10.5	2.5	11.8	12.4	11.9	1.0	12.2	2.9	12.2	0.0
Other monetary intermediation	225.8	0.3	235.3	4.2	247.7	5.3	253.3	2.2	306.7	21.1
Activities of holding companies.	86.8	0.3	92.8	6.9	93.8	1.0	90.4	(3.7)	96.4	6.7
REAL ESTATE ACTIVITIES	281.5	1.6	287.5	2.1	291.5	1.4	296.2	1.6	297.5	0.4
Owner occupied dwellings	223.4	0.6	225.5	0.9	227.2	0.7	229.7	1.1	229.9	0.1
PROFESSIONAL SCIENTIFIC AND TECHNICAL ACTIVITIES	104.3	4.8	128.0	22.7	136.8	6.9	147.7	8.0	153.0	3.6
ADMINISTRATIVE AND SUPPORT SERVICES	107.1	8.8	132.9	24.1	141.6	6.6	137.3	(3.1)	140.2	2.2
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	308.2	(2.8)	437.4	41.9	484.7	10.8	509.6	5.1	549.2	7.8
General public administrative activities	103.7	(9.8)	162.2	56.4	182.3	12.4	186.7	2.4	200.7	7.5
Defence activities	88.0	3.7	113.0	28.4	126.3	11.7	132.9	5.3	147.5	10.9
Public order and safety	92.4	0.4	135.2	46.3	143.9	6.4	154.0	7.0	162.3	5.4
EDUCATION	227.9	3.4	409.6	79.7	420.8	2.7	435.8	3.6	452.7	3.9
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	90.5	5.1	138.0	52.5	136.6	(1.0)	134.3	(1.7)	136.3	1.5
ARTS, ENTERTAINMENT AND CREATION ACTIVITES	19.4	5.3	21.6	11.3	22.5	4.1	22.6	0.3	22.6	0.0
OTHER SERVICE ACTIVITIES	107.1	(2.9)	114.0	6.4	112.8	(1.0)	113.2	0.3	114.6	1.2
Grand total real GDP	4,802.9	3.0	5,738.8	19.5	5,819.8	1.4	6,095.4	4.7	6,417.8	5.3

Note: (p) — provisional
2010 — GDP under the 2008 base
2011-2014 GDP under the 2011 base

Source: Fiji Bureau of Statistics and Macroeconomic Committee

Tourism

Tourism earnings increased from approximately F$1,318 million in 2013 to approximately F$1,405 million in 2014. Tourism, whilst not captured in its own category, is accounted for, amongst others, in accommodation and food services and certain portions of the wholesale and retail trade, manufacturing; transport and storage; administrative & support services and arts, entertainment and recreation activities.

Tourism in Fiji has expanded rapidly since the early 1980s. It has, for the past decade, been and continues to be a major driver of economic growth in Fiji. Despite being faced with several challenges, including political instability and global financial downturns over the past decade, the tourism industry has consistently been a strong contributor to Fiji's economy during this period. As at 31 December 2014, tourism provided direct and indirect employment to an estimated 112,500 people, which represents approximately 33.4% of total employment in Fiji. The World Travel and Tourism Council projects that, by 2025, tourism will account for approximately 39.8% of total employment (approximately 148,000 jobs) in Fiji.

The growth in the tourism industry has led to growth in other sectors of the economy, namely accommodation and food services activities, the wholesale and retail trade, construction, transport and storage and information and communication sectors. Sectors such as the wholesale and retail trade and the accommodation and food services sector are heavily reliant on the tourism industry and a significant portion of their earnings are derived from tourists visiting Fiji. In relation to the building and construction sector, growth in tourism has led to an increase in demand for new hotels and commercial construction. Given its proximity to Australia, New Zealand and the west coast of the United States, many foreign nationals have acquired, and continue to show interest in purchasing properties in Fiji. As the tourism industry has grown, demand for air transportation has also increased as a result of increased demand for direct and more frequent flights to Fiji.

Visitors to Fiji mainly come from Australia, New Zealand, the United States, the Pacific Islands, Continental Europe, the PRC, the United Kingdom, Canada and other Asian countries. The table below shows the number of visitors from each country or region category for the periods indicated:

	For the year ended 31 December				
	2010	**2011**	**2012**	**2013(p)**	**2014(p)**
Australia	318,185	344,829	337,291	340,151	349,217
New Zealand	97,857	103,181	106,122	108,239	123,968
United States	53,122	55,089	56,478	55,385	61,924
Pacific Islands	29,115	38,823	38,886	39,450	39,298
Continental Europe	30,088	32,354	29,327	28,905	30,585
PRC	18,147	24,389	26,395	23,423	28,333
United Kingdom	23,813	24,054	17,076	17,209	16,782
Canada	12,970	14,099	13,426	13,052	12,457
Rest of Asia	10,187	14,709	13,576	8,992	9,050
Japan	12,011	9,616	7,069	7,314	5,888
South Korea	6,327	5,101	4,404	4,225	5,676
India	1,836	2,188	2,507	2,826	3,057
Hong Kong	1,748	1,706	1,509	780	309
Others	7,352	4,912	6,524	7,755	6,086
Total	**631,868**	**675,050**	**660,590**	**657,706**	**692,630**

Note:

Source: Fiji Bureau of Statistics

Visitor arrivals totalled 692,630 for the year ended 31 December 2014, an increase of 5.3% against the year ended 31 December 2013. Australia and New Zealand continue to be the main tourism source markets for Fiji, accounting for 68.3% of total 2014 visitor arrivals, while visitors from the United States, the United Kingdom and Continental Europe, collectively, accounted for 15.8% of total 2014 visitor arrivals.

The Macroeconomic Committee is projecting 727,262 visitor arrivals for 2015, approximately 749,000 in 2016 and 772,000 in 2017.

Developments in Tourism

Over the past five years, there have been a number of developments in the tourism industry which have contributed to growth in this sector, including:

<u>Organisational and policy changes</u>

- the introduction of Fiji *Matai* (specialists) in New Zealand, Australia, the United Kingdom and Continental Europe to educate travel professionals on the tourism industry in Fiji and increase Fiji's awareness of the tourism industries in other countries;

- the refocusing of resources within the Ministry of Tourism, which began in late 2010 and was stepped up in 2011, with the addition of extra technical resources to provide greater research and other support to the industry, potential investors, Government agencies and other stakeholders;

- the rebranding to "Tourism Fiji", the Government's tourism promotion arm, under the slogan "Fiji: Where Happiness Finds You", and the national airline as "Fiji Airways";

- the drafting of the Tourism Development Plan 2015 — 2020, which aims at significantly increasing the value of tourism by 2020 through the implementation of the following plans and initiatives:

- the completion of major airport upgrades;

- the increase of air connectivity to Fiji through Fiji Airways and other airlines;

- the stimulation of investment in activities and attractions; and

- the launch of tactical marketing campaigns in Fiji's established and emerging markets.

<u>Air travel developments</u>

- an operating grant of F$3 million to the Civil Aviation Authority of Fiji for air transport services, and a further F$1.68 million subsidy to serve uneconomical domestic routes in 2015;

- the allocation of F$200,000 for preparatory works for the Rotuma airstrip and another F$300,000 for upgrade works at other airstrips around the country in 2015; and

- ongoing modernisation of the Fiji Airways fleet and the introduction of a new flight route between Wellington and Nadi in June 2015.

<u>Refocusing tourism</u>

- a grant of F$23.5 million each year over the past 5 years from the Government to "Tourism Fiji" for marketing and promotion purposes;

- the implementation of a coordinated strategy to market Fiji through a new website, social media, and tourism offices around the globe;

- the holding of the first golf tournament by Professional Golfers Association (PGA) of Australia in August 2014. Following the success of the inaugural event, the tournament will be held again in October 2015, which is a more sustainable month in terms of world golf schedules;

- the sending of a joint trade and investment mission to Australia to promote Fijian-made products and services in sectors such as agriculture, minerals, tourism and manufacturing in 2014; and

- the sending of a joint trade and investment mission to India (Investment Fiji, Film Fiji, Tourism Fiji) in 2015.

Infrastructure and product development

- the upgrading and modernising of Nadi International Airport, the nation's gateway and the main entry point for the international visitors, as well as ongoing investment on infrastructure and roads (see "*The Economy — Investments*"); and

- the re-opening of the Grand Pacific Hotel in Suva in 2014.

Implementation of economic incentives

- the implementation of the Super Yacht Charter Decree, allowing super yachts to use Fiji as base of operations for six months and owners to charter legally in Fiji;

- the Registration of Surfing Areas Decree, relaxing the right to surf in certain locations in Fiji;

- a duty exemption for wedding apparel which are imported by foreigners for the purpose of getting married in Fiji;

- the reduction of duty on golf carts powered by solar from 32% to 0% and the reduction of duty of golf carts powered by other sources from 32.9% to 5.0%;

- an income tax exemption for locally owned backpacker operations with an annual sales turnover of less than F$1 million to develop the lucrative backpacking market in Fiji;

- the implementation of a "single window clearance" application platform for investors seeking to register foreign investment projects (see "*The Economy — Investments*");

- a duty exemption for importation of raw materials and equipments used for the construction of backpacker hotels;

- the continuation of an income tax exemption for small business with a maximum turnover of F$300,000 in the tourism industry; and

- the extension of the tourist VAT refund scheme to the Nausori International Airport and Lautoka Wharf.

The table below shows the number of visitor arrivals and the level of foreign exchange earnings for the periods indicated:

	For the year ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
Visitor arrivals	631,868	675,050	660,590	657,707	692,630
Year-on-year growth in visitor arrivals (%)	16.5	6.8	(2.1)	(0.4)	5.3
Foreign exchange earnings (F$ million)	1,194.4	1,286.5	1,300.0	1,318.2	1,404.6(p)

Note: (p) provisional

Source: Fiji Bureau of Statistics

Foreign exchange earnings from the tourism industry have fluctuated in the past five years. Most recently, visitor arrivals and, consequently, foreign exchange earnings have increased as a result of the successful implementation of tourism policies and measures and as a result of an increase in the amount and standard of accommodation available. Notable contributors are hotels such as the Sheraton Fiji, Sofitel Fiji Resort and Spa, Shangri-la Fijian Resort & Spa and Wakaya Resort, Hilton Fiji Beach Resort and Spa, Radisson Hotel, the Westin Hotel, the Laucala Island Resort and the InterContinental Beach Resort and Spa.

Despite the positive performance of the tourism industry, Fiji faces competition from other tourist destinations in the region and across the globe. Other challenges for Fiji's tourism industry include increased domestic competition from its major target markets, such as Australia and New Zealand, difficulty in accessing foreign investment to upgrade, refurbish and construct infrastructure (which is expected to ease after a successful election process) and internal economic factors such as rising costs of wages and goods.

The Government has, through "Tourism Fiji", engaged in marketing efforts to increase growth in the industry, particularly focusing on improving visitor arrivals during the low seasons. "Tourism Fiji" continues its global branding initiatives in all source markets through the National Geographic and CNN TV networks and online platforms under the "Fiji Me" branding, to ensure that Fiji remains a top destination for potential visitors. It has recently launched its latest work from Colenso BBDO and director Darryl Ward of Curious Films in the Australian market, which includes six new clips of film that showcase the various activities that tourists could enjoy in Fiji. Various campaigns that target wedding parties and honeymooners, young couples, families, seniors, backpackers and students have been implemented to increase an awareness of Fiji for these groups. Strategic planning to increase the average time spent in Fiji and the average yield per tourist and to attract tourists in traditional off-peak periods is being carried out and implemented. Such initiatives include strategically designed packaged tours of longer durations, working with low-cost carriers to make it easier and more cost effective to travel to Fiji and attracting major sporting and cultural events during off-peak periods.

Other efforts have been made to attract tourists from countries in Asia such as Japan and the PRC, including development of resorts specifically tailored towards these demographics. In Japan, campaigns and advertisements are used to increase awareness of Fiji and, in the PRC, cultural groups have toured major cities such as Shanghai and Beijing to promote Fiji and specialist agents have been employed to facilitate tourist arrivals from these countries. In addition, in support of Fiji Airways' direct flights between Hong Kong and Fiji, "Tourism Fiji" has strengthened its presence and efforts in the PRC, India, Europe and the United Kingdom to increase traffic through this route to Fiji.

As a sign of its commitment in promoting Fiji as a prime tourism destination, the Government maintained its marketing and operating grants of F$23.5 million and F$3 million, respectively, to "Tourism Fiji" in the 2015 budget.

Agriculture

Agriculture, including sugar, non-sugar, livestock and subsistence farming is one of the key components of the Fijian economy. It promotes community development in rural areas, generates income for approximately 65% of the total population, earns foreign exchange for Fiji and provides food for the local population.

The agriculture sector consists predominantly of small subsistence farms with an average land size of less than five hectares. These subsistence farms comprise more than 50% of total farms by land area.

The agriculture sector's contribution to GDP has declined since 2000. Between 2000 and 2009, the agriculture sector, on average, contributed 12.8% to GDP. This declined to an average 8.0% between 2010 and 2014. The decline can be largely attributed to a decline in sugarcane production in the same period. The sector as a whole has been vulnerable to natural disasters such as tropical cyclones, droughts and floods, and has suffered from minimal private investment and high production costs. Other critical issues such as land tenure problems and expiry of land leases have played a major part in hindering sustained growth, particularly in sugarcane production. Nevertheless, in 2014 the sector has declined by 2.3%, while in 2013 it expanded by 6.8%. The decline was largely on the back of reduced production of cassava, taro, yams, kumala and yaqona. The lower than average growth in agriculture in 2012 as well as in the early part of 2013 was largely due to the impact of two floods (January and March) and Cyclone Evan (December) in 2012.

The table below provides domestic production of the major agricultural products for the periods indicated.

Domestic Production	**For the year ended 31 December**				
	2010	**2011**	**2012**	**2013**	**2014**
Taro (tonnes)	60,283	67,179	82,145	87,044	N/A
Cassava (tonnes)	51,690	69,910	96,778	74,039	N/A
Rice (tonnes)	7,684	7,914	4,701	11.595	N/A
Sugar cane (thousands of tonnes)	1,778	2,096	1,547	1,610	1,832
Papaya (tonnes)	2,190	3,065	2,971	2,777	N/A
Ginger (tonnes)	2,338	2,575	6,041	5,908	N/A
Kava (tonnes)	2,792	2,227	3,328	3,733	N/A
Copra (tonnes)	6,496	7,255	13,809	14,258	N/A
Beef (tonnes)	1,761	2,197	1,613	2,273	N/A

Note:

N/A — data not available

Sources: Department of Agriculture, Ministry of Primary Industries and, in relation to sugar cane only, Fiji Bureau of Statistics and Fiji Sugar Corporation Ltd

Sugar Cane

Sugar cane is Fiji's most important agricultural product, representing 10.4% of the agricultural sector and 0.8% of GDP in 2014. It is manufactured into sugar, one of Fiji's major exports. Typically, the sugar cane crushing season is between June and December each year, subject to climatic conditions.

Cane production increased to 1.8 million tonnes in 2014, an increase of around 13.7% from 2013. The higher cane crop can be attributed to increased efforts by the Sugarcane Growers Council for cane replanting programmes as well as increased efforts by the Ministry of Sugar to improve the industry.

In Fiji, the majority of sugar cane farm land is leased to farmers by iTaukei owners of the land through the iTaukei Land Trust Board ("**ILTB**") (see "*The Economy — Other Reforms — Land Reforms*"). The ILTB (formerly the Native Land Trust Board) was established in 1940 for the purpose of securing, protecting and managing land ownership rights assigned to local iTaukei ownership and to facilitate the commercial activity that revolve around its use. Many of the long-term leases for land on which sugar cane is cultivated in Fiji which have expired since 1997 have been renewed or leased to new tenants. Of the 1,190 Agricultural Landlord and Tenant Act ("**ALTA**") leases that expired between 1997 and August 2014, 309 leases (26%) reverted to the iTaukei landowners. Of the remaining 881 leases (74%), 255 (29%) were renewed by current tenants, 155 (17.6%) were leased to new tenants, 53 (6%) were in the process of being leased out and 212 (21.4%) are being subdivided for other use. There were 15,528 contracted sugar cane growers in Fiji as at 31 December 2013, of which 12,633 were active growers. In 2005, there were 15,527 active sugar cane growers in Fiji.

With increases in land values in recent years and many alternative uses for the land leased (such as housing, property development or tourism), landowners are generally seeking increases in rent for the renewal of a lease, in line with their perception of market or "fair" value. In the case of sugar cane growing leases, this would, in many cases, see rents rise beyond the growers' perception of what is economic. If renewed, lease rents have increased. As a result, many leases are not being renewed when they expire and, in some cases, the land subject to the expired lease is being used by the landowner for purposes other than growing sugar cane. In instances where the lease is renewed, it is not economical to warrant capital investment from the growers. Nevertheless, the Government provides some assistance to incoming tenants such as the provision of farm implements, technical assistance and seedlings through various programmes run by the Ministry of Agriculture.

Non-sugar crops and livestock

The key non-sugar crops grown in Fiji are taro, cassava, paddy rice, ginger, kava, copra and papaya, in addition to other non-sugar crops such as tobacco, root crops, yaqona, cocoa and pulses. Livestock mainly comprises poultry and eggs, milk and cream, beef, pork, goat and honey.

From 2010 to 2014, the non-sugar crop and livestock industries recorded an average annual increase of 2.9%. Taro, papaya and copra have all recorded increases over the past five years as a result of strategic partnerships between the Ministry of Agriculture and the private sector and improvements in infrastructure.

However, the sector remains subject to various constraints, including a lack of quality planting materials, high marketing costs, high freight costs and adverse weather conditions. A continued limiting factor in agriculture exports are the quarantine restrictions applied by all of Fiji's trading partners such as Australia and New Zealand. While the negotiations on quarantine protocols have commenced, there has been minimal progress to date.

In addition, low quality and the inconsistency of supply by local producers have been major constraints. Yaqona (or kava) exports to the United States and the European countries declined over the past few years as a result of the imposition of a ban on yaqona on medical grounds by the EU, which had a knock-on effect in terms of sales in the United States in 2014.

The cultivation of potatoes was piloted in Nadarivatu and Navosa in 2009. Targeted as a possible import substitution commodity, potatoes are typically sold in the local market and also used by local manufacturers for potato chips. Since the pilot scheme began in 2009, several new areas including the Ra and Nadroga provinces have begun to cultivate potatoes, assisted by Government initiatives for seeds, fertilisers and equipment and to provide farmers with training and education to further promote domestic production. The Government will be looking to engage regional and international expertise with a view to culture a variety of potatoes which is both suitable for Fiji's climate and is disease-free. The current variety, imported from New Zealand, was adversely affected by blight as a result of Fiji's different climatic conditions.

As the agricultural sector continues to develop, it is expected that the production of agricultural by-products and high-value processed goods, such as oils, creams, juices, jams and processed foods will increase.

The Government is actively investigating the development of other potential agricultural-related commodities and has assisted the development of bio-diesel plants for islands in the Eastern Division including Ono-i-Lau, Lakeba, Koro and Rotuma. It has also supported other ventures aimed at developing new and expanded agricultural products, including coconuts and other fruits and vegetables.

Improving the links between domestic agriculture and tourism is a priority for the Ministry of Primary Industries. Encouraging agricultural production for tourist and high-end consumption will reduce reliance on imports, assist the balance of payment position and provide sustainable income and employment opportunities for farmers (see "*The Economy — Agriculture — Food Security*").

Subsistence — Agriculture

The subsistence sector involves production in the agriculture and fishing industries for self-consumption. Produce is not generally processed or sold.

Between 2010 and 2013, on average subsistence agriculture accounted for 2.6% of GDP and 32.1% of the agriculture sector. In 2014, subsistence agriculture has contributed 2.4% to GDP and 31.6% to total agriculture.

Agricultural Reforms

The agriculture industry is viewed by the Government as important for stimulating Fiji's economic growth. The Government aims to restructure the industry into a commercially viable, efficient and sustainable sector.

In August 2014, the Ministry of Agriculture released a new policy document entitled "Fiji 2020 Agriculture Sector Policy Agenda". Its broad aims, which are targeted for implementation by 2020, include the building of an organised system of producing, processing, and marketing crops, livestock, and aquaculture products, the development of integrated production, processing, energy, and transport infrastructure support systems, the improvement of agriculture support services, securing foreign investment, public private partnerships and other innovative business arrangements and improving project implementation and policy formulation within the Ministry of Agriculture.

Other Government measures which have been established to boost the performance of the agricultural industry include:

- implementing the Land Use Decree 2010, which aims to free-up land for investment and agricultural purposes;
- depositing, to date, a total of 79 parcels of land into the Land Bank covering a total area of 8,579 hectares. The Government has allocated F$2.5 million to support the Land Bank programme in 2015;
- the Cane Development Grant which targets farmers that have large sections of uncultivated lands and new growers that have cane contracts but do not have the start up capital to till the land. A total of 2,060 hectares is projected to be planted with new sugar cane under this initiative; and
- the Cash-back Incentive Scheme which aims to incentivise cane growers who have the resources to plant new cane by providing them a grant of F$400 per hectare. This scheme is expected to result in the cultivation of an additional 3,000 hectares of sugar cane.

The Government is actively committed to revitalising the agriculture sector and has set the following policy goals for the sector:

- facilitating private sector development;
- accelerating agricultural diversification into areas with high-value niche export such as potatoes, sheep and cattle and traditional crops;
- promoting food security, including in relation to rice and milk; and
- enhancing synergies between the tourism-agriculture sectors.

Direct tax incentives for this sector include tax exemptions for companies undertaking agricultural farming and agri-processing and for companies involved in processing agricultural commodities into bio-fuels. Tax deductions are also available on capital expenditure for purchase of farm implements and plant and machinery as well as cost of irrigation. Income tax exemptions are also available for small and micro enterprises in selected agricultural sectors and commodities.

Two key components of Fiji's agricultural reforms focus are promoting food security and the export promotion programme.

Food Security

Food imports to Fiji have increased by an annual average rate of 8.9% between 2005 and 2014 in part due to an increase in global food prices. To seek to reverse this trend, the Government allocated over F$4.0 million in each of the past two years for projects aimed at reducing Fiji's reliance on imports, particularly on rice, livestock products, fruits and vegetables. In addition, the Government is committed to reviving Fiji's dairy industry.

The Government has provided F$500,000 in the 2015 budget to support the purchase of locally-manufactured or locally-processed goods through the "Buy Fiji Made" initiative.

Export Promotion Programme

The Government believes, and a number of studies, including the Agriculture Sector Review (2006) and the NES have confirmed, that there is significant export potential within Fiji's agriculture sector, particularly in high value niche food crops and products such as potatoes and seaweed. In this regard, the Government allocated F$1.0 million in 2014 for the development of products geared towards export, such as papaya, taro, cassava, ginger, pulses and vegetables.

Forestry and Logging

The forestry industry in Fiji has traditionally comprised wood chips exports to Australia, New Zealand, the PRC and Japan and veneer exports to the United States. In addition, the Government established mahogany and pine plantations in the 1960s and 1970s, respectively, and began harvesting pine and mahogany in the past few years. Pine and mahogany were planted to supersede native species of forest as these exotic (non-native) woods achieve higher yields. The maturity periods for pine and mahogany are approximately 15 and 30 years, respectively. While it is not cultivated on a large scale, sandalwood has also been proposed as an additional species for plantation as prices for sandalwood wood products have increased in recent years. Fiji is in compliance with international treaties on the conservation of forests.

In 2014, the forestry and logging sector has recorded an annual increase of 19.1% compared to the previous year. This followed a strong performance in 2013, when the sector grew by 26.9% compared to 2012. Despite the growth of the past two years, output in 2014 remained below 2010 levels. The contraction in the industry has been attributed to the transitional phase between waiting time for non-native (pine and mahogany) species to mature and the natural decline in native species due to their phasing out as well as weakened export demand. The logging of mahogany remains susceptible to bad weather conditions and is restricted by conservation programmes which aim to ensure sustainability of forests. In 2015, the forestry and logging sector is forecast to grow by 1.6%.

The development of the forestry industry has been enhanced as a result of the Mahogany Industry Development Decree passed in 2010 and the establishment of a Mahogany Industry Council. The Mahogany Industry Council is tasked with licensing the harvesting of mahogany under the supervision and direction of Fiji Hardwood Corporation Limited and the Fiji Mahogany Trust, which manage and administer mahogany assets. The decree also aims to ensure that landowners are also allocated a larger share of mahogany revenue.

Mahogany production declined by an annual 7.5% (to 59,421 cubic metres) in 2014 after registering a growth of 17.8% in 2013. The decrease in mahogany production was underpinned by bad weather conditions in the first half of 2014 that led to difficulties in accessing and harvesting of the mahogany logs.

Fishing and Aquaculture

The fishing and aquaculture industry accounted for approximately 1.8% of Fiji's GDP and around 7.2% of total domestic export earnings in 2014. The industry has expanded by 1.4% in 2014 following an improvement of 0.7% in 2013, primarily on account of improvements in offshore fishing activity. In 2015, the fishing and aquaculture sector is forecast to grow by 1.3%.

There are four levels of the fishing and aquaculture industry in Fiji: industrial, commercial, artisanal and subsistence.

At the industrial level, catch is concentrated on four species of tuna which are found in and around Fiji's waters. Fishing is limited to the use of long line fish vessels, of which there is a cap of 60 vessels. The total allowable catch per annum is also limited to 12,000 tonnes to manage fish stocks. Industrial fishing accounts for approximately F$100 million in exports per annum. In recent years, the total catch per annum has been approximately 3,000 to 5,000 tonnes below the total allowable catch limit.

Commercial fishing involves vessels of up to 10 metres in length, usually fishing at the edge of the reef for reef fish or fishing at sea for deep water fish. There is no set limit on total allowable catch for fish caught by such means.

Approximately 2,600 licenced fishermen make up the artisanal level of the fishing industry in Fiji. These licenced fishermen operate with boats of six to seven metres in length. There is no cap on the number of licences granted nor limits on total allowable catch. It is estimated that the total catch at the artisanal level is approximately 10,000 tonnes per annum, valued at approximately F$175 million.

At the subsistence level, where fish is caught for consumption and subsistence, it is estimated that the total catch is approximately 18,000 tonnes per annum.

Furthermore, a number of vessels which fish outside of Fiji's waters dock and port in Suva to reprovision and sometimes offload non-targeted catch for sale or processing.

There are currently some concerns centred around the amount and impact of illegal fishing in Fiji's waters. Attempts have been made to rectify the problem through the National Observer Programme which includes, for example, sending officials onboard vessels to supervise and survey catch as well as to spot any unregistered boats in Fiji's waters. For the effective management of Fiji's fisheries resources, F$0.5 million was provided for the marine resource inventory survey to take stock of marine resources within Fiji's beaches, lagoons and reefs in 2014.

In the 2015 budget, a further F$0.5 million was allocated for coastal fisheries development which will strengthen inshore fisheries development through advisory services on quality control, fish handling and marketing and monitoring of fishing grounds. In addition a sum of F$0.4 million was provided for mariculture and pearl and oyster development.

The Government will also provide F$0.5 million for the construction of the multi-species hatchery in Caboni, Ra. This project will assist with the supply of various fish species to restock overfished reefs, open up opportunities for aquaculture production and export and generate supplementary income and employment opportunities for fish farmers. The Government also provided a further $0.5 million for aquaculture farming.

A total of F$1.4 million is also provided to complete the Gau Ice Plant and the construction of the new Rotuma Ice Plant.

Fiji's fish exports are predominantly to Japan, USA, the PRC, Thailand and New Zealand, with exports to the EU market targeted from 2015. Offshore fishing for tuna for canning and sashimi is the dominant activity. The performance of this sector is largely dependent on climatic conditions and crude oil prices for both fishing boats and airfreight costs.

To support the fishing industry, the Government aims to maintain an optimal number of fishing licences (balancing sustainability with economic returns), monitoring catch levels and improving surveillance of vessel movements in the high seas. Agricultural developments in respect of black pearl and prawn farming, seaweed, clams, sea cucumbers and other products are also being explored.

Manufacturing

Fiji's manufacturing sector comprises the manufacture of food products (including sugar, meat, meat-related products, processing and preserving of fish and other fish-related products, dairy products, grain products and manufacture of cocoa and confectionery), beverages (both alcoholic and non-alcoholic) and tobacco and non-food products, (including clothing, wood, cork and other wood-related products).

Between 2010 and 2014, the manufacturing sector increased by an average 2.6% per annum, largely due to the increase in the manufacture of sugar, apparel, alcoholic drinks, tobacco and other manufactured products. The manufacturing industry accounted for approximately 13.3% of Fiji's GDP in 2014, higher than the 13.8% contribution in 2013, and is forecast to contribute 12.7% of Fiji's GDP in 2015. The manufacturing sector as a whole has grown by 2.1% in 2014 against the previous year.

Sugar

Sugar is Fiji's most important commodity export industry. The majority of sugar exports are to the United Kingdom and the EU. As at 31 December 2014, there were four mills in Fiji and approximately 2,000 people working in the sugar manufacturing industry during the peak crushing season.

In 2014, the sugar industry performed strongly, with cane production increasing by almost 13.7% to reach 1.8 million tonnes. Sugar production increased to around 226,230 tonnes, an increase of 25.8% against the previous season. Fiji is targeting the production of 5.5 million tonnes by 2022.

The following table shows Fiji's sugar output for the years indicated:

	For the year ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
Sugar (tonnes)	131,506	166,669	154,813	179,870	226,230

Source: Fiji Bureau of Statistics and Fiji Sugar Corporation Ltd

Through the preferential access agreement guaranteed under an Interim-Economic Partnership Agreement under the umbrella of the Cotonou Agreement (see — "*The Economy — Foreign Trade and Balance of Payments — Bilateral and Multilateral Trade Agreements*"), agreed in December 2009 and ratified in October 2012, Fiji sells all of its sugar production to the EU except for sugar which is retained for domestic consumption (in the year ended 31 December 2014 this represented approximately 30,000 tonnes), with a set price having been commercially agreed with Tate & Lyle plc, a United Kingdom-based multinational agribusiness. Whilst at the time of negotiating the agreement, this price was considerably in excess of the global market price, global commodity prices, including sugar, rose considerably between 2005 and 2011, to the extent that the then market price for sugar was well above the originally negotiated preferential price. The preferential access agreement remains in place until 2017. In order to prepare for the conclusion of this preferential access agreement, the Fiji Sugar Corporation Limited ("**FSC**") has started exploring the possibility of other markets, such as the PRC and Japan, as well as diversifying revenue streams.

The sugar industry has historically suffered from inefficiencies relating to milling operations. Existing mills were inefficient and outages were common. To counter the effects of such inefficiencies, the Government has initiated a restructuring plan which covers sugar cane production, milling, transport systems and institutional reforms and re-training of workers. As part of the institutional reforms, the Sugar Commission of Fiji, the Fiji Sugar Marketing Company Ltd and the Sugar Cane Growers Council ("**SCGC**") have been dissolved with marketing and operational responsibilities being handed to the FSC. The dissolution of these institutions was intended to streamline the sugar production process from cane production to milling, to transport and sales. These changes are expected to streamline the production process, from harvesting to marketing. The Council of Sugar Cane Growers, the successor body to the dissolved SCGC, now administers the affairs of cane growers and assumes responsibility for ensuring that farmers continue to receive advisory services previously offered by the SCGC.

To support a sugar mill upgrading programme ("**MUP**"), the Government guaranteed a loan due in 2020 from the Export-Import Bank of India to the FSC of US$50.4 million, which was used to upgrade sugar mills at Lautoka, Rarawai and Labasa. While the upgrade was expected to improve plant reliability, sugar extraction, sugar quality, energy efficiency and environmental control, the MUP encountered a number of significant issues. Existing mill equipment was made in a different country from the equipment used in the MUP, leading to compatibility challenges. Equipment upgrades suffered from poor workmanship, misconfiguration and installation of substandard equipment. This led to a three year delay in project completion. The upgrade began in 2006 and was completed in time for the 2010 crushing season in June 2010. However, while the upgraded sugar mills continued to face technical faults following the completion of the upgrade, between 2011 and 2014 there has been a gradual improvement in mill performance.

As well as addressing the issues which exist in relation to milling operations, the Government has taken steps to boost sugar cane production. The establishment of a Land Bank under a new Land Use Decree and the formation of a Committee on Better Utilisation of Land have encouraged land owners to renew leases of unused land for sugar cane planting and hence boost sugar cane production.

In 2010, Deloitte Touche Tohmatsu Limited in New Zealand was appointed by the Government to undertake an independent review of the FSC's performance and capital structure and to assist in identifying the level of financial support required and an appropriate capital structure for the FSC. The Government endorsed the recommendations by Deloitte including for the Government to assure all FSC's debts (excluding the overdraft facility), take full ownership of (including acquisition of shares from other holders) the FSC, to de-list the FSC from the South Pacific Stock Exchange, to fund FSC's future losses, to continue to reform the industry and to return the FSC to profitability. The sugar industry is now working under a new plan after the Deloitte Report reform agenda concluded in December 2012. The current plan, the "Fiji Sugar Cane Industry Strategic Action Plan 2013-2017", was endorsed by the Cabinet in February 2013.

Beverage and Tobacco

The beverages (including alcoholic and non-alcoholic drinks) and tobacco industry has grown by 0.75% in 2014 following a contraction of 6.1% in 2013. From 2011 to 2014, the total imports in the industry grew by an average 2.1% per annum.

Mineral water is the largest component of the beverage industry, dominated by "Fiji Water", which is bottled and sold by Fiji Water Company LLC. Mineral water exports grew at an average of 12.3% from 2011 to 2014.

The Government has identified the development of the mineral water industry as a strategic economic objective, with Investment Fiji (formerly known as Fiji Trade and Investment Bureau) being tasked with promoting and developing existing and potential export markets.

The tobacco industry comprises all companies engaged in the manufacture of cigarettes, pipe tobacco, chewing tobacco and reconstituted tobacco. British American Tobacco (BAT) Limited is the largest tobacco manufacturing company in Fiji. The increased import duty on all imported tobacco and cigarettes by 10.0% beginning from 2015 is expected to have a favourable impact on the domestic tobacco industry. However, the excise duty on tobacco and alcohol is also increased by 10.0%.

Garments

The garments industry is an integral contributor to the Fijian economy, accounting for approximately 0.9% of Fiji's GDP in 2014. In 2014, the garments industry has declined by 1.7% as compared to 2013. In 2013, annual growth was 14.5% compared to 2012.

Historically, growth in the garment industry in Fiji relied on tax free schemes, special tax exemptions, preferential access to overseas markets and competitive wage rates. In recent years, the industry has experienced high levels of competition from other garment-producing countries, issues with supply of raw materials and a decline in exports to key overseas markets, including the United States, Australia and New Zealand.

Garments exports in Fiji are expected to grow in the short- and medium-term. With the implementation of the Developing Country Preferences by the Australian government as of 1 January 2015, which replaces and provides more favourable terms of access to the Australian market than the earlier South Pacific Regional Trade and Economic Cooperation Agreement — Textile, Clothing and Footwear scheme ("**SPARTECA-TCF**"), the garments produced in Fiji now have easier access to the Australian market. For example, Fijian exporters may procure textiles, including woollen materials from development countries outside of Australia and the Pacific region and process them into finished garments for duty free export into Australia, which accounts for approximately 85.0% of the total Fijian textile, clothing and footwear exports.

The garments industry also enjoys support from the Government. The "Make it in Fiji" campaign by the Textile, Clothing and Footwear Council (the "**TCF Council**"), which launched in October 2009 with the supporting fund from the Government, aims to connect existing and prospective customers globally and encourage potential buyers to Fiji. The campaign has implemented strategies to encourage local garment factories to supply linen to the local hotel and hospitality industry in line with the Government's import substitution policies. The Government initially committed F$300,000 to the campaign through the TCF Council with additional F$100,000 released annually for promotion in the U.S. and European markets through road-show participation and trade exhibitions to promote awareness.

Alongside traditional markets such as those of Australia and New Zealand, Fiji is currently assessing the viability of new offshore markets in Hawaii and the west coast of the United States.

Transport and Storage

The transport industry consists of the road, air and water transport, warehousing and support activities for transportation including cargo handling, postal and courier activities and the "informal" categories (which includes private cars being used as taxis and other hire services and small unregistered businesses providing ferry services).

The transport and storage sector accounted for approximately 8.9% of Fiji's GDP in 2014, higher than the 7.4% contribution in 2013.

In 2014, this sector grew by a significant 26.3%, primarily as a result of the increase in air and water transport activities. In 2013, the sector grew by 16.0%. Recent growth has been driven by the air and water transport industries, and in particular a significant fall in fuel, repairs and maintenance costs following the switch to several new and more fuel efficient aircrafts, as well as a fall in global fuel prices.

New policy measures introduced in the revised 2014 and the 2015 budgets include:

- a reduction of 50% in the value of the benefit from motor vehicles in relation to Fringe Benefit Tax; and

- a Government allocation of F$20.0 million as bus fare subsidy to assist students from low income households. The assistance also covers students that travel by boat, carriers and other modes of transportation where bus services are not available.

Transport

Despite the positive levels of growth in the transport industry, the Government recognises that transport infrastructure deficiencies are a significant constraint on the performance of various sectors of the economy.

Key investments planned include:

- F$653.8 million to the Fiji Roads Authority to clear the backlog in the upgrade, replacement and maintenance of roads, bridges and jetty networks;

- F$97.8 million from EXIM Bank of China for loan funded road projects such as the Nabouwalu to Dreketi, Moto to Buca Bay and Sawani to Serea roads;

- F$3.1 million for the acquisition of a new maritime vessel;

- F$2.4 million is for increasing the frequency of services to remote and uneconomical shipping routes; and

- F$1.7 million to subsidise air services to uneconomical routes.

Upgrades to the country's main international airport, at Nadi, are ongoing. These upgrades include the widening of the runway, pavement rehabilitation and construction of new aprons and parking areas at Nadi Airport. Plans to upgrade the terminal building, construction of a new control tower and fire station and installation of new equipment at Nausori Airport are currently on hold pending resolution of issues relating to the acquisition of land surrounding the airport. Upgrades are also planned at Savusavu Airport, including lengthening of the runway and other building works to allow landing of higher capacity aircrafts which will increase international travel, and at other airports including Labasa, Makuku, Lakeba and Rotuma. In addition, the Government has earmarked a number of port facilities for development and expansion, the plans for which include the construction of a new 150 acre container site at the Rokobili terminal.

Ports and Shipping

All ports and shipping activities in Fiji are handled by the Fiji Ports Corporation Limited ("**FPCL**") together with its subsidiary, Ports Terminal Limited. Domestic shipping services are provided by domestic shipping locations such as Savusavu, Taveuni, Kadavu, Levuka, Lau Group, Nabouwalu, Rotuma and Koro Island. Currently, domestic shipping companies do not provide international shipping services, but only act as agents on behalf of international shipping companies that visit Fiji's ports of entry.

A number of infrastructure projects have been undertaken in recent years to improve Fiji's port facilities. In 2006, the FPCL was established with the aim of improving efficiency and productivity in the Suva and Lautoka Ports. It introduced two new shore cranes in Suva and one in Lautoka to improve turnaround times for cargo vessels. Infrastructure development projects are currently being undertaken in relation to certain port facilities. The Port of Suva completed an upgrade, improvment and extension of the port. In addition, an international port is planned for Savusavu, although construction work has not commenced as at the date of this Offering Circular. The FPCL is also proposing to upgrade facilities at a number of outer island ports to improve transport links for the residents of these islands.

In line with current reform plans for the maritime sector, the Government is working with the Fiji Navy to oversee a programme of restructuring and streamlining of the functions of the Government Shipping Services and Fiji Shipping Corporation Ltd. The goal of this programme is to better utilise resources which, in turn, will lead to more efficient sea-transport services to outlying islands. Ultimately, it is anticipated that this will contribute towards increased economic activity in, and development of, the remote regions of Fiji.

Information and Communication

The communications industry accounted for approximately 5.7% of Fiji's GDP in 2014, compared to 5.9% in 2013, primarily as a result of higher wireless and satellite telecommunication and data processing activities. In 2014, this industry has increased by 3.1%, compared to an increase of 2.9% in 2013.

Various Government initiatives have been implemented to encourage investment in the communications industry.

The Government is also currently looking at a number of policy initiatives in the communications sector, including in relation to the development of Fiji's broadband network, promoting Fiji as a regional hub for the telecommunications industry and promoting the production of films and commercials.

The Government is also extending the scope of ICT incentives to include setting up of ICT accredited training institutions and information, communication and technology ("**ICT**") start-ups involved in application design and software development companies.

Audio-visual Industry

The audio-visual industry has accounted for approximately 0.4% of Fiji's GDP in 2014, unchanged from 2013.

Audio-visual comprises mainly films and television productions.

The Government provides a 47.0% tax rebate to certain film and television productions as well as preferential telecom charges. The Government has also implemented a number of educational programmes in secondary and tertiary institutions aimed at developing the audio-visual industry.

Financial and Insurance Activities

The financial and insurance activities sector consists of central banking activities, activities of commercial banks and other financial institutions as well as insurance activities. Year-to-year fluctuations in the growth of this industry are significant, with these fluctuations attributable to the performance of the pension fund, insurance and central banking activities. The financial and insurance activities industry accounted for approximately 9.8% of Fiji's GDP in 2014, compared to 9.1% in 2013. This sector is expected to have grown by 13.0% in 2014, owing to increased commercial bank activity. The sector grew by 5.7% in 2013 following a decline of 0.2% in 2012.

Various reforms have been implemented in this sector including the review of the Insurance Act and the drafting of amendments to strengthen market discipline, risk management and the reliability of licensed underwriters. New legislation has also been drafted on superannuation supervision.

The Government also plans to review the legislation pertaining to Credit Unions in order to strengthen licensing requirements and foster prudential supervision and regular reporting on financial performance. Furthermore, draft legislation for the establishment, regulation and oversight of a National Payment System has been compiled by the Reserve Bank. The draft legislation provides the regulatory framework for the licensing, regulation and oversight of payment system providers, e-money issuers, and other money transfer services to ensure the protection of users of this service.

The Government, the Reserve Bank, financial institutions and relevant stakeholders have embarked on developing a Financial Sector Development Plan (2015-2025) for Fiji. The Plan, which is expected to be launched in late 2015, will articulate strategic reform areas and identify key pillars to unlock further growth in the financial sector.

Construction

The construction sector, which focuses on private and public sector construction including the construction of hotels and resorts for the tourism industry as well as infrastructure works, increased by 9.0% in 2014, 16.4% in 2013 after declining by 7.4% in 2012. The construction industry accounted for approximately 2.8% of Fiji's GDP in 2014 and is forecast to contribute 3.3% in 2015.

On-going construction projects as of the date of this Offering Circular include the Palms on Denarau Island, the Nadi Airport modernisation project, the Momi Bay Resort, the Ramada Suites Smuggler Cove in Wailoaloa Nadi, the Pearl South Pacific Resort and Spa at Pacific Harbour, the Island Grace (Vunabaka Tourism Development project in Malolo Island) and the Port Fantasy Marina on Nadi Bay.

Growth in the construction sector is anticipated to be underpinned by higher public sector capital spending and private sector construction activity. The Government is promoting hotel investment by expanding the definition of "project" under the Hotel Investment Tax Incentive to include the buying and selling of residential units in hotel and integrated tourism developments. It is also extending the current Short Life Investment Package incentives to include new apartments.

Electricity, Gas, Steam and Air Conditioning Supply; Water Supply

The electricity industry accounted for approximately 1.9% of Fiji's GDP in 2014. In 2014, the sector has grown by 0.4% due to increased demand which is in line with the growing economy.

In 2015, the Government increased its budget allocation in the Rural Electrification Programme to F$19.5 million to cater for the extension of the electricity grid, solar system installation, and house wiring. This will further expand the coverage of Government's electrification programme to isolated communities and villages. The Government has also increased the electricity subsidy for low income families. Approximately 90% of the population in Fiji have electricity. The Government's target is for 100% of the population to have electricity by 2020. In addition, according to the "Fiji Renewables Readiness Assessment" published by the International Renewables Energy Agency in June 2015, Fiji's exploitable hydropower potential is estimated at approximately 220 megawatts out of which 62% has been materialised by four hydropower schemes identified by the Fiji Electrical Authority in the 1970s.

To promote the development of renewable energy, the Government has given tax concessions such as elimination of duty and import taxes on equipment for the construction of renewable energy plants. Companies investing in renewable energy or cogeneration are also granted a tax exemption for their first five years of operation. The Government has also given tax concessions on plant, machinery and equipment for the initial establishment of a bio-fuel factory and chemicals required for bio-fuel production. Companies investing in bio-fuel production are also granted tax exemption status for 10 years.

The Government plans to obtain technical assistance from key development partners to review the Fiji Electricity Authority's reform plans and put in place a viable strategy for restructuring the organisation into a fully-fledged corporate entity. This process will require the separation of the Fiji Electricity Authority's regulatory functions from its core commercial operations.

The Government has allocated F$239.2 million in the 2015 budget to the Water Authority of Fiji (the "**WAF**") to upgrade water and sewerage infrastructure to accommodate the growing demand for its services due to population growth and increased commercial developments in major urban centres. This investment will also facilitate access to clean and safe water for all Fijians in accordance with the Bill of Rights in the 2013 Constitution.

Other major capital projects for 2015 include:

- A water distribution system project — F$30.9 million;
- A new water source treatment plant — F$25.7 million;
- New waste water treatment plants — F$13.4 million;
- Water sources and treatment plants — F$15.6 million;
- Replacement of water meters — F$12.0 million;
- Improvement & upgrade of waste water distribution systems — F$10.7 million; and
- Other rural water supply — F$5.0 million.

Mining and Quarrying

Fiji is known to have a variety of mineral deposits, including bauxite, copper, gold, lead, manganese and zinc. In addition, reserves of oil and natural gas have been discovered. Aggregates such as sand and gravel are also quarried.

Mineral extraction activities primarily consist of two privately-owned and —operated mines, the first, situated at Vatukoula, North of Viti Levu, extracting gold under three separate concessions, and the second, located at Wainivesi, extracting gold and zinc from a single concession.

As at 31 December 2014, oil and gas operations had not progressed beyond the pre-exploration and exploration phases into drilling and production.

Aggregate quarrying takes place in approximately 20 locations across Fiji operated by both Government and private sector operators.

The mining and quarrying industry accounted for approximately 0.9% of Fiji's GDP in 2014, a decrease against 1.0% in 2013. In 2014, the sector has contracted by 2.4% primarily as a result of weak levels of gold production due to its increased focus on capital development and the mining of lower grade ore. This follows declines in previous years of 31.1% (in 2013) and 5.7% (in 2012) due to falls in gold production and flooding in the shafts.

The Government's interests in this sector comprise some direct operations (both investment and profit-making) and indirect interests through revenues from annual lease payments, royalties on minerals and aggregate extracted or quarried, and taxation.

The Government has, in recent years, undertaken some pre-exploration work with a view to attracting private sector investment in the exploration and, in the future, extraction of minerals such as copper and bauxite, and a number of private companies are currently carrying-out such exploration activities and, in some cases, evaluating opportunities. Private exploration for copper, bauxite, natural gas, oil and gold has also been undertaken.

In the years ended 31 December 2013 and 2014, a total of 56 exploration projects were registered by the Mineral Resources Department at a total value of F$34 million. Approximately 1,000 employees are employed at these sites.

Direct foreign investment in Fiji is expected to increase in 2015 and 2016, with projects including a bauxite mining site in Naibulu East, for exploration of copper and other minerals in Namosi, an iron sands project in Ba and Sigatoka, a gold and silver mining project in Wainivesi in Tailevu and a mangalese mining project in Malomalo.

Key current mining projects include:

- *Vatukoula Gold Mines Limited Project* — this project is managed by Vatukoula Gold Mines Limited, which is based in London. The mine produced approximately 38,504 ounces of gold in 2014, a decline of 1.8% when compared to 2013. Gold production at the mine in 2015 and 2016 is forecast to reach 40,429 and 42,451 ounces, respectively. The mine currently has an estimated 4.3 million ounces of gold reserves.

- *Nawailevu Bauxite Project* — this project is managed by Xinfa Huayu Alumina Company, which is based in the PRC. This is third bauxite mining site in Fiji, and has an estimated 500,000 tonnes of bauxite ore production capacity. Between 2012 and 2014, Fiji exported approximately one million tonnes of bauxite.

- *Namosi Gold and Copper Project* — this project is managed by Newcrest Mining, which is based in Australia, in conjuction with Nittetsu Mining Co., Ltd and Mitsubishi Materials Corporation. The mine is expected to contain between 7.7 million ounces of gold and 7.9 million tonnes of copper, and the total expected investment in the mine is US$2 billion.

- *Ba Delta Iron Magnetite Project* — this project is managed by Amex Resource, which is based in Australia, and the magnetite is exported to the PRC. A 21-year mining lease has been issued for the extraction of iron sands from a 120 square kilometre site in the Ba River delta. It is expected that 300 employees will work at the site, and it is projected to produce 750,000 tonnes of magnetite concentrate annually for export.

The mining and quarrying sector in Fiji faces a number of challenges, including the costs of the pre-exploration and exploration phases of potential projects, insufficient investors looking to invest in such projects, particularly at their preliminary stages, securing a consistent and reliable electricity supply, the requirement to compensate iTaukei landowner groups for any extraction or quarrying activities on iTaukei land, as well as other political and environmental issues. There is also a shortage of skilled and suitably qualified manpower in the sector.

In recent years, the sector has diversified into offshore minerals, as laws have been amended to enable the granting of offshore mineral exploration licences. A total of 18 offshore mineral exploration licenses for deep sea mining had been issued as at 31 December 2014.

Investments

Since the commencement of the Strategic Development Plan in 2003, successive governments have aimed to raise the level of investment to approximately 25% of GDP. Investment activity remained firm in 2014, largely driven by robust activity in the construction sector, an increase in imports of investment goods and an expansion in credit for investment purposes. Construction activity gained firmer footing in 2014 as the total value of work-put-in-place by the sector increased annually by 15.2%.

Key current infrastructure projects include:

- *Nabouwalu Dreketi Road Upgrading Project* — this project is expected to significantly reduce journey times on the Nabouwalu Dreketi Road and, consequently, motorists' fuel consumption and other costs. New port infrastructure elsewhere on Vanua Levu will also benefit from more efficient access channels. The project is expected to be completed by 31 December 2015 at a total estimated cost of US$114 million.

- *Transport Sector Investment Projects* — the Government has undertaken a programme of investment in relation to various assets within the transport sector including road maintenance projects, emergency maintenance works, road, bridge and jetty renewal projects and new access roads. It is expected that this series of projects will be completed by 2021 at a total estimated cost of US$150 million.

- *Rural Roads Investment Programme* — this project is aimed at maintaining links between rural communities and principal urban centres and/or key highways from which such rural communities may engage in various commercial activities. It is expected that this project will be completed by 31 December 2015 at a total estimated cost of F$155 million.

The following table sets out the number of investment projects by sector and the investment and expected numbers of jobs attributable to such projects for the periods or as at the dates indicated:

	As at / For the year ended 31 December														
	2010			2011			2012			2013			2014		
		Estimated			Estimated			Estimated			Estimated			Estimated	
	No. of Projects	Investment	Employment	No. of Projects	Investment	Employment	No. of Projects	Investment	Employment	No. of Projects	Investment	Employment	No. of Projects	Investment	Employment
	($M)	($M)	($M)	($M)	($M)										
Sector															
Agriculture and Forestry	8	5.62	146	11	14.76	222	8	27.55	743	24	55.85	395	16	18.58	300
Construction	5	17.25	164	10	30.63	350	8	13	310	7	23.32	329	10	44.80	679
Education	2	0.80	16	1	0.55	3	0	0	0	4	0.41	20	0	0	0
Electricity Gas and Water Supply	2	81.25	105	4	42.30	170	2	105.51	44	6	245.50	136	2	2.50	100
Financial Intermediation	9	154	128	5	44.75	64	0	0	0	2	305.00	5	4	12.88	31
Fishing	3	1.71	32	2	1.02	18	4	6.50	100	0	0	0	1	6.00	48
Manufacturing	17	40.40	620	13	16.53	364	8	71.20	947	26	25.94	396	15	112.17	762
Mining & Quarrying	1	30.00	100	2	14.87	28	3	1.25	28	3	34.75	1,020	2	13.00	102
Real Estate	9	25.61	137	5	46.89	100	9	343.20	95	11	84.00	552	8	99.52	200
Services	22	10.76	250	36	46.40	375	34	46.00	503	89	92.40	928	105	32.72	596
Tourism	14	117.49	423	28	189.91	917	27	73.20	506	36	287.78	274	47	140.58	917
Transport Storage & Communication	8	85.18	388	1	1.35	15	5	4.94	48	9	14.11	318	5	4.14	123
Wholesale & Retail Trade	17	21.98	197	15	16.09	275	22	11.19	136	40	20.83	291	46	13.24	183
Total	**117**	**592.05**	**2,706**	**133**	**466.05**	**2,901**	**130**	**703.54**	**3,460**	**257**	**1,189.89**	**4,664**	**261**	**500.13**	**4,041**

Source: Investment Fiji.

Increasing Investment Levels

Historically, investment levels in Fiji remained below the average investment level for developing countries, which is approximately 20% of GDP according to the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) report entitled "Economic and Social Survey of Asia and the Pacific 2006". However, the advent of the Roadmap in 2007, which set an annual investment target at 25% of GDP for the medium term, signalled the beginning of a period of increased Government and public and private sector investment. As a result, according to the Reserve Bank estimates, investments have grown from 14.4% of GDP in 2010 to 29.0% in 2013 and 25.0% in 2014. In part, this growth has been achieved through reforms that have been and continue to be undertaken to streamline the Government's approval processes, as well as the review of laws relating to town and country planning, land development and investment decisions.

Investment Fiji is the Government's principal marketing arm for promoting and facilitating trade and investment in Fiji. It is also responsible for the issuance of Foreign Investment Registration Certificates, without which foreign investors are not permitted to conduct business in Fiji. In recent years it has assumed a more proactive role in identifying investment opportunities, targeting investors, assisting exporters and creating a brand for Fiji. Pursuant to internal reforms, Investment Fiji is now more proactive in coordinating approvals from the relevant ministries, authorities and agencies with the aim of making the process more streamlined for potential investors. Application forms and processing rules are being simplified, the holding of multiple certificates for multiple economic activities is now permitted and investment guarantees are being aligned to international standards. As part of the wider drive to streamline application processes and increase efficiency, Investment Fiji introduced a groundbreaking new "single window clearance" for investors seeking to register foreign investment projects in Fiji. This online system enables investors to complete the registration process in five working days, a significant improvement as compared to the previous system, under which an application typically took between 50 and 80 days to complete. The objective of this and other ongoing investment reforms is to enhance efficiency and make the approval process more investor-friendly. It is expected that the "single window clearance" online application system will be extended for use in domestic investment projects in the future.

As at 31 December 2014, the corporate tax rate in Fiji was 10% for both residents and non-residents (reduced from 28% in 2012). Companies listed on the South Pacific Stock Exchange Limited ("**SPSE**") will be subject to a reduced corporate tax rate of 20% to the extent at least 40% of the company is locally-owned. The goal of this tax reduction is to encourage companies to list on the SPSE and participate in the Fijian capital markets.

The Government also realises the need to stimulate growth and investments in economically depressed regions. In striving to achieve this objective, the 2009 National Budget declared Vanua Levu, Taveuni, Rabi, Kioa, Rotuma, Kadavu, Levuka, Lomaiviti and Lau as tax free regions ("**TFR**") for a period of 13 years. In 2010, the minimum threshold for the incentive package was reduced from F$500,000 to F$250,000 and, in 2014, the tiered qualifying investment levels were extended to 2018.

While designing tax incentives and concessions, the Government took into consideration other key enabling factors for facilitating high value investment, including the efficiencies of the current business approval processes, the current capacity of existing infrastructure, the simplicity of tax administration processes, the costs and ease of doing business and the conduciveness of relevant laws for commercial development.

The deregulation of the telecommunications sector has provided further impetus for investment and furthers the Government's approach to enhance the overall effectiveness of current investment incentives.

Labour and Employment

Labour Market

Various factors affect the Fiji labour market, including the level of supply of and demand for skilled workers, changes in the cost of living, mismatching of skilled labour, performance-based reward systems, wage negotiations between trade unions and employers and reforms undertaken in the labour sector.

The following table sets out a breakdown of the labour force into the principal sectors of the economy as at the dates indicated:

	As at 30 June				
	2010(e)	**2011(e)**	**2012(e)**	**2013(e)**	**2014(e)**
Labour Force	334,850	336,900	337,900	339,400	342,900
Agriculture, forestry and fishing	2,200	2,306	N/A	N/A	N/A
Mining and quarrying	881	1,493	N/A	N/A	N/A
Manufacturing	20,912	21,006	N/A	N/A	N/A
Electricity, Gas, Steam and Air conditioning Supply	747	777	N/A	N/A	N/A
Water Supply; Sewerage, waste management and remediation activity	1,328	1,909	N/A	N/A	N/A
Construction	6,394	6,061	N/A	N/A	N/A
Wholesale and Retail; Repair of motor vehicles and motor cycle	20,708	21,378	N/A	N/A	N/A
Education	14,778	15,408	N/A	N/A	N/A
Transport and storage	8,197	8,697	N/A	N/A	N/A
Financial and Insurance activities	3,772	3,658	N/A	N/A	N/A
Public administration and Defence compulsory social security	13,820	13,865	N/A	N/A	N/A
Total formal employment	**126,632**	**131,583**	**128,000**	**129,000**	**129,500**

Note: (e) — estimate

Note: N/A — data not available

Source: Fiji Bureau of Statistics

Following the political and economic crisis of 2000 (see "*Republic of Fiji — Political System — The May 2000 Takeover*"), a high level of emigration led to a shortage of skilled workers. The weakening economic environment in Fiji following these events, which itself was in part worsened by the shortage of skilled workers, caused an increase in redundancy and unemployment levels and a reduction in incomes in a number of key industries such as tourism, textiles, clothing and footwear, retail and building and construction.

Since 2006 there has been a steady increase in the labour force. Between 2007 and 2010, total paid employment increased by approximately 0.7% each year. In 2008, the Government increased the personal income tax threshold to F$15,000 from F$8,840 resulting in a fall of 15% in the number of taxpayers compared to 2007. Taxpayer registration was correspondingly lower than the comparable period in 2007. The global financial crisis and the ensuing weak labour demand had affected the employment conditions in Fiji. In 2010, the number of new tax payers was 47,368, although this had risen to 79,229 in 2014.

Wages

Wages data for the years ended 31 December 2010 to 2014 is not available as at the date of this Offering Circular.

The Government does not set a national minimum wage across sectors as a whole, instead adopting a scale of minimum wages for different sectors under the Wages Regulations Orders ("**WRO**"). These "sector-based" minimum wages range from F$1.96 per hour (F$1.65 for trainees) in the garment sector to F$4.62 per hour in the building and civil engineering and electrical engineering trade and were last adjusted upwards in 2011. Despite the clear social benefits, the imposition by the Government of a minimum wage has had a negative effect on a number of industries, including the garment sector, wholesale and retail, printing, security, sawmilling and manufacturing, as these industries typically employ low skilled workers and traditionally pay low wages.

The threshold above which Fijians are required to pay personal income tax was progressively increased from F$8,840 in 2008 to $16,000 in 2013. It is estimated that as at 31 December 2014, approximately 80.1% of the population in employment earned a wages below this threshold including all employees earning a salary at the minimum "sector-based" level.

Pension Fund

See "*Monetary and Financial System — Superannuation Industry*".

Industrial Relations

Presently, there are six trade unions in the public sector representing approximately 28% of the public sector workers as at 31 December 2014.

The Employment Relations Reform ("**ERR**") came into force on 2 April 2008. The ERR was the result of consultations and consensus building among employers, trade unions, the Government, the general public and civil society organisations. The aim of the ERR is to foster a move away from adversarial industrial relations towards a consultative approach. For example, the ERR requires all employers employing more than 20 workers to establish a Labour-Management Consultation and Cooperation Committee to promote good faith employment relationships and productivity improvement in workplaces. The ERR also established Fiji's Mediation Service in 2008. Since its establishment, approximately 84.9% of disputes in Fiji have been resolved through mediation.

Foreign Trade and Balance of Payments

International Trade Agreements

In November 1993, Fiji acceded to the General Agreement on Tariffs and Trade ("**GATT**") and in January 1996 joined the WTO as a non-resident member. This allowed Fiji to tap into new markets through access concessions made by the other countries. However, the accession to the WTO also resulted in tariff and non-tariff barriers to trade being progressively removed on various imported goods, increasing competition faced by domestic producers and leading to a steady rise in imports.

Bilateral and Multilateral Trade Agreements

Fiji has also entered into a number of bilateral and regional agreements in order to promote trade. Fiji has trading arrangements with Australia, New Zealand, Malaysia, Papua New Guinea, the Republic of Korea, the United Kingdom, Vanuatu, the EU, Tonga, Tuvalu, the Cook Islands, the United States and the PRC.

In 1981, Fiji entered into South Pacific Regional Trade and Economic Cooperation Agreement ("**SPARTECA**"), a non-reciprocal preferential trade agreement, under which Australia and New Zealand allow certain imports from Fiji and other Pacific Island countries to enter into Australia and New Zealand without any quantity restrictions and without any tariffs. Under SPARTECA, exports to Australia and New Zealand can benefit from preferential treatment if 45% of the cost of producing an export item comes from the parties to SPARTECA. The TCF industry has been a major beneficiary of SPARTECA through the development of the SPARTECA (TCF Provisions) Scheme with Australia in 2001 which allows certain products with higher percentage of cost from a SPARTECA party to subsidise a product with a lower percentage of cost from a SPARTECA party to receive preferential treatment. On 31 December 2004, the SPARTECA TCF Scheme expired but was extended until 2011 through bilateral negotiations. The SPARTECA TCF Scheme was further extended until 2014 but expired on 31 December 2014. It is now replaced by the Developing Country (DC) Preferences under the Australian System of Tariff Preferences which provide more favourable terms of access into the Australian market than the previous SPARTECA TCF Scheme.

In 1998, Fiji entered into the MSG Trade Agreement with Papua New Guinea, Vanuatu and the Solomon Islands (the "**MSG trade countries**"). The MSG Agreement is a limited free trade agreement between the main traders of goods within the MSG trade countries. The aim of the MSG Trade Agreement is to promote and facilitate the free flow of goods and services by means of gradual and progressive removal of tariff and non tariff barriers to trade between the MSG trade countries. It also seeks to ensure that trade takes place under fair competition and appropriate measures are taken to facilitate, strengthen, consolidate and diversify trade between the MSG trade countries. The MSG Trade Agreement is currently being reviewed by member countries to include new chapters on services, labour mobility, government procurement and investment.

In 2002, Fiji entered into PACER, a framework agreement which sets out the basis for the future development of trade relations among the Cook Islands, Federated States of Micronesia, Kiribati, Nauru, Niue, Palua, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu (the "**Forum Island Countries**") and Australia and New Zealand.

The framework describes the establishment of a free trade area among the Forum Island Countries, followed by free trade arrangements negotiated between the Forum Island Countries, Australia and New Zealand.

The major benefits of the PACER are that it provides for trade facilitation and financial and technical assistance. Further, it provides the Forum Island Countries with a right to consultations with Australia and New Zealand should either of them enter into negotiations for a free trade agreement with a non-Forum Island Country. The PACER also ensures that the individual Forum Island Countries maintain their existing level of market access to Australia and New Zealand even if other Forum Island Countries negotiate new arrangements with Australia and New Zealand.

PACER Plus is currently being negotiated but Fiji has initially opted not to participate in this agreement as it was not part of the negotiations due to being suspended as a member of the Pacific Islands forum on 2 May 2009. In 2014, Fiji rejoined the PACER Plus negotiations on its terms as an equal partner.

In 2003, Fiji entered into PICTA with the Forum Island Countries to promote and facilitate the free flow of goods and services. PICTA is a free trade agreement among the Forum Island Countries which will lead to the establishment of a free trade area in the South Pacific. Parties to PICTA agreed to progressively eliminate barriers to trade among themselves by, reducing the tariffs to zero on almost all products traded such as animal products, prepared foodstuff, biscuits and other manufactured goods and removing the existing quotas. PICTA covers all trade in goods between the Forum Island Countries but does not cover trade in services or movement of capital or labour.

The major benefits of PICTA are increases in specialisation and efficiencies in the economies of the Forum Island Countries. Among the aims of PICTA are that Forum Island Countries increase their exports to other Forum Island Countries of products in which they are competitive, while increasing their imports of goods which are being produced competitively in other Forum Island Countries, thus reducing prices, enhancing efficiencies and improving consumer welfare. However, there may be administrative costs associated with the operation of PICTA and adverse social consequences (such as unemployment and loss of income) associated with the removal of trade barriers.

The Cotonou Agreement, although not a trade agreement, covers WTO-compliant trading arrangements between ACP countries and the EU, particularly with regard to the sugar preferences Fiji enjoy under it and the agreement's coverage of tourism, fisheries and general development cooperation. The Cotonou Agreement replaces the non-reciprocal preferential trading arrangement between the ACP and EU. The second revision of the Cotonou Agreement was concluded in March 2010 to adopt the partnership changes which have taken place over the last decade.

The IEPA was concluded by the EU with Fiji and Papua New Guinea in 2007 and was eventually signed by Fiji in 2009. However, due to a number of contentious issues, Fiji has yet to ratify this agreement as at the date of this Offering Circular. The European Council amended its Market Access Regulation in 2013 to exclude ACP countries from preferential access to the EU market. This adjustment provided the ACP countries a deadline of 30 September 2014 to provisionally adopt the IEPA or risk losing out on existing trade preferences. Consequently, in July 2014, the Government was compelled to approve the provisional application of the IEPA to prevent any disruption of exports to the European Market.

The IEPA aims at providing preferential quota and duty free access for all goods into the EU and Fiji, except in sensitive products. Under the agreement, Fijian exports will enjoy quota and duty free access to the EU while Fiji will gradually open its market to EU exports over a transitional period until 2023. Moreover, the IEPA also contains provisions on dispute settlement and the use of trade defence instruments.

Fiji has joined the other 14 members (including Timor Leste) of the Pacific ACP states in the negotiation of a Comprehensive Economic Partnership Agreement (the "**CEPA**") with the European Union, which includes various trade related issues such as food health and safety issues, technical barriers to trade, sustainable development, competition policy, labour and environment standards. Fiji is committed to continue to negotiate on the development of friendly and mutually beneficial provisions in the CEPA with other Pacific ACP States.

Fiji enjoys benefits from a trade concession with the United States under the Generalised System of Preferences ("**GSP**"), a system of exemptions from the general rules of the WTO (formerly General Agreement on Tariffs and Trade or GATT) with the United States. In addition, Fiji has bilateral trade agreements with Papua New Guinea and Vanuatu, and non-reciprocal bilateral trade agreements with Tonga, the Cook Islands and Tuvalu, although the benefits derived from these free trade agreements within the Pacific Islands nations are currently not significant due to the low volume of trade.

In 2013, Fiji chaired the Group of 77 and China ("**G77**"). The G77 was formed in 1964 with 77 founding member states, representing a collective ambition by developing nations to advance their international voice and influence on world trade. Since its formation, the G77, now comprising 132 member states, has championed South-South cooperation as a key strategy to boost standards of living and economic fortunes in the global South.

Exports and Imports

Over the past five years, Fiji registered a trade deficit. The following table shows the level of Fiji's trade balance for the periods indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014(e)**
			(F$ million)		
Trade Balance FOB	(1,406.1)	(1,524.1)	(1,406.1)	(2,455.0)	(1,958.7)

Note: (e) — estimate

Source: Fiji Bureau of Statistics and Macroeconomic Committee.

The Government has begun to address the trade deficit through various export incentive and import substitution schemes.

Exports

In 2014, Fiji's main export markets were Australia, the United Kingdom and the United States, collectively accounting for approximately 34% of Fiji's total exports. Other major export markets include New Zealand and Japan, each of which accounted for approximately 5% of total exports. The remainder of total exports was confined mainly to countries such as Samoa, Vanuatu, Tonga, the PRC, Taiwan and Singapore.

The following table shows the export earnings from Fiji's main export partners for the periods indicated:

	For the year ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014(p)**
			(F$ million)		
Australia	337.9	348.4	330.6	296.7	279.6
United States	181.8	184.9	227.4	270.8	289.7
United Kingdom.	80.6	141.6	182.1	108.1	199.2
Japan	115.0	113.3	129.3	67.6	101.1
New Zealand	93.5	111.4	99.3	114.9	104.7

Note: (p) — provisional

Source: Fiji Bureau of Statistics

Fiji's major export commodities are sugar, fish, garments, mineral water, gold, timber, fruits and vegetables and molasses. The following table shows details of the composition of Fiji's exports for the periods indicated:

	As at 31 December				
	2010	2011	2012	2013	2014(p)
			(F$ million)		
Sugar	70.1	113.3	155.7	142.2	201.4
Molasses	23.1	30.4	13.5	15.6	17.2
Gold	148.4	143.0	132.2	101.1	91.0
Timber, cork & wood	79.6	62.1	70.7	81.3	90.5
Fish	243.8	264.4	320.1	263.3	302.0
Fruits & vegetables	37.6	43.9	39.1	42.7	39.1
o/w Dalo	23.8	22.3	23.5	12.8	10.0
Yaqona	3.9	5.7	6.6	6.5	7.7
Coconut oil	5.5	6.8	7.3	2.8	5.4
Textiles, yarn & made up articles	8.8	9.4	8.8	6.8	8.0
Garments	99.3	93.5	92.9	107.0	101.0
Footwear	1.9	1.5	1.2	1.4	1.5
Mineral water	119.2	127.5	160.6	156.4	186.2
Other domestic export	237.5	269.3	336.2	254.1	267.7
Re-export (excl fish)	502.9	731.8	881.3	899.9	973.9
Total	**1,605.4**	**1,924.9**	**2,249.7**	**2,093.9**	**2,302.6**

Note: (p) — provisional

Source: Fiji Bureau of Statistics

The level of exports has been rising over the past five years. In 2014, export earnings rose by around 10.0% compared to 2013, led by higher re-exports, sugar, mineral water, timber, textiles, molasses and other domestic exports which more than offset declines in earnings for gold, garments and fruits and vegetables.

To accelerate the growth of exports, a TFR has been set up in the Northern Division and the maritime islands to encourage investment, support development and to create employment in these economically depressed regions. In addition, a 10 year tax exemption is being provided for companies undertaking commercial agriculture and processing of agricultural products.

Imports

In 2014, Fiji's main import markets were Singapore (accounting for approximately 28.4% of total imports), Australia (accounting for approximately 14.2% of total imports), New Zealand (accounting for approximately 13.6% of total imports), the PRC (accounting for approximately 12.4% of total imports), the United States (accounting for approximately 3.7% of total imports) and Japan (accounting for approximately 3.2% of total imports).

The following table shows the value of imports from Fiji's main import partners for periods indicated:

Country	For the year ended 31 December				
	2010	2011	2012	2013	2014(p)
			(F$ million)		
Singapore	1,146.9	1,205.3	1,284.0	1,094.9	1,424.7
Australia	703.5	766.3	738.1	706.3	713.0
New Zealand	550.4	537.9	559.0	632.5	683.2
PRC	210.7	324.5	355.5	517.7	623.5
United States	124.1	198.0	122.4	235.4	187.2
Japan	86.0	75.2	89.8	125.9	161.4

Note (p) — provisional
Source: Fiji Bureau of Statistics

The major categories of imports include food, beverages and tobacco, machinery and transport equipment, mineral fuels, oils and fats, manufactured goods, chemicals and crude materials. The following table shows details of the composition of Fiji's imports:

	As at 31 December				
	2010	2011	2012	2013	2014(p)
			(F$ million)		
Food	573.1	730.2	765.0	743.2	784.9
Beverages and tobacco	31.3	33.5	32.1	36.0	33.6
Crude materials	30.3	30.6	40.8	48.9	45.0
Mineral fuels	1,100.5	1,165.7	1,212.0	1,219.9	1,392.7
Oils and fats	29.9	47.1	48.3	43.7	45.2
Chemicals	294.2	301.5	325.4	337.9	363.6
Manufactured goods	467.1	465.3	507.8	560.0	599.8
Machinery and transport equipment	625.7	839.2	765.8	1,822.3	1,340.6
Miscellaneous manufactured goods	297.2	282.7	307.0	358.6	376.8
Total	**3,464.7**	**3,913.7**	**4,030.6**	**5,198.9**	**5,012.6**

Note (p) — provisional
Source: Fiji Bureau of Statistics and Macroeconomic Committee

Fiji's export levels have been increasing consistently from 2010 to 2014. Import payments rose by 13.0% and 3.0% in 2011 and 2012 respectively. The growth in imports was broad-based with increases in all three imports categories (intermediate, consumption and investment goods). In 2013, import payments rose significantly by 28.9%. The increase was mainly led by higher payments for manufactured goods, machinery and transport equipment. In 2014, import payments declined by approximately 3.6%. The lower payments for beverage and tobacco, crude materials, machinery and transport equipment are more than offset by the higher payments for food, mineral fuels, oil and fats, chemicals and manufactured goods. The trade deficit narrowed by 12.7% in 2014.

In 2015, import payments are expected to grow by 6.6%.

Balance of Payments

Fiji's balance of payments measures the level of Fiji's current, capital and financial accounts. The current account measures the levels of imports and exports of goods and services, net transfers and net income, while the capital and financial accounts measure the levels of investments and debt. A balance of payments surplus indicates a net inflow of foreign currencies, while a balance of payments deficit indicates a net outflow of foreign currencies. The balance of payments is dependent on international economic developments, as well as on domestic economic policies and programmes.

The following table illustrates the components of the overall balance of payments for the periods indicated:

	As at 31 December				
	2010(r)	2011(r)	2012(r)	2013(p)	2014(e)
			(F$ million)		
Balance on current account	(265.1)	(345.9)	(123.9)	(1,103.5)	(568.5)
Current account deficit of GDP	(4.4)	(5.1)	(1.7)	(14.3)	(6.6)
Balance on goods (excluding aircraft)	(1,406.1)	(1,524.1)	(1,406.1)	(2,455.0)	(1,958.7)
Exports (FOB)	1,581.6	1,902.2	2,131.3	1,926.0	2,243.1
Imports (FOB) (excluding aircraft)	2,987.7	3,426.3	3,537.4	4,381.0	4,201.9
Balances on services	1,041.3	1,126.2	1,158.2	1,121.1	1.199.8
Exports of services	1,902.8	2,091.8	2,186.8	2,247.2	2,348.1
Imports of services	861.5	965.7	1,028.6	1,126.2	1,148.3
Balance on income	(186.8)	(204.6)	(255.1)	(148.0)	(304.8)
Income from non-residents	153.8	177.2	134.9	162.2	114.5
Income to non-residents	340.6	381.8	390.0	310.2	419.4
Balance on current transfers	286.5	256.8	379.1	378.4	495.3
Inflow of current transfers	388.0	362.9	496.6	514.5	629.7
Outflow of current transfers	101.5	106.1	117.5	136.1	134.4
Balance on capital account	5.6	10.6	7.1	8.9	8.9
Capital transfers inflow	5.6	10.6	7.1	8.9	8.9
Capital transfers outflow	0	0	0	0	0
Balance on financial account	556.2	846.5	600.3	765.7	469.3
Fiji investment abroad	(65.6)	87.8	224.9	291.5	100.3
Direct investment	11.1	2.1	3.5	8.1	12.2
Portfolio investment	1.8	10.1	61.0	43.0	57.9
Other investment	(78.5)	75.6	160.4	240.4	30.2
Foreign investment in Fiji	490.5	934.3	825.2	1,057.6	569.6
Direct investment	671.3	722.5	673.8	501.0	475.3
Portfolio investment	0.2	190.1	0	0.2	0
Other investment	(181.0)	21.7	151.4	556.0	94.4
Balance on capital and financial account	561.8	857.1	607.4	774.6	478.2
Reserve assets	259.2	209.1	121.6	140.1	32.6
Net errors and omissions	(37.4)	(302.1)	(361.9)	468.6	122.9

Note:

(1) (r) — revised (p) — provisional (e) — estimate

(2) The current account deficit might be much lower than that shown in the table. The net errors and omissions surplus is believed to be comprised largely of unrecorded remittances from Fijian workers abroad.

Source: Fiji Bureau of Statistics, 2015 Balance of Payments release (except forecast data, which is derived from the Macroeconomic Committee)

For the years where Fiji experienced a deficit in its balance of payments, the deficit was primarily financed by a drawdown of foreign reserves. While the current account deficit is large, it has not led to a corresponding increase in Fiji's public indebtedness. This may be due to statistical reasons, with unrecorded remittances indicating that the actual current account deficits being smaller than those shown in the table above. In addition, it is believed that substantial merchandise being imported into Fiji as a result of the construction and operation of the hotels are largely financed by foreign shareholders offshore.

In 2011, the balance of payments recorded a surplus of F$209.1 million owing to improvements in the capital and financial account. The improvements were led by higher net foreign direct investment (FDI) and higher net borrowing by the Government. In March 2011, Fiji issued a five-year US$250 million bond and rolled over a maturing US$150 million bond that was issued in 2006.

In 2012, the balance of payments recorded a surplus of F$121.6 million. The improvement emanated from the surplus in the balance on current transfers and services, which helped compensate decreases in income and goods balances.

In 2013, the balance of payments recorded a surplus of F$140.1 million. The improvement in the overall position was primarily due to an improvement in the balance on financial account (led by higher FDI inflows) and balance of services (led by higher tourism receipts). These more than offset the widening of the balance of goods deficit. In 2014, the balance of payments recorded a surplus of F$32.6 million. The growth in earnings from tourism and inward personal remittances attributed to the surplus in the balance of payments in 2014.

Over the past four years, the current account deficit has increased from 4.4% of GDP in 2010 to 6.6% of GDP in 2014. The increase is attributable to higher import demand which is consistent with the increase in consumption and investment over the same period.

Foreign Investment

Investment Fiji is mandated to promote, stimulate and facilitate trade and investment in Fiji under the Foreign Investment Act 2004, as well as registering foreign direct investment. Investment Fiji has adopted policies and aligns its work programme to directly support and complement national policies on investment and exports.

Investment reforms began in 2004 with the amendment of the Foreign Investment Act 1999 requiring Investment Fiji to be a registration agency rather than an investment approval agency. A major achievement resulting from this change was the reduction in turnaround time for registration of investment projects from 15 to within two to three working days. Additionally, a review of the list of restricted and reserved activities under the new Foreign Investment Regulation 2008 saw reductions in local equity participation requirements and an increase in the capital equity contribution of foreign nationals. The main features of the Foreign Investment Regulation 2008 are the identification of open, reserved and restricted activities. Reserved activities (which include operations of nightclubs, liquor bars, boat building, tobacco production, laundries and bakeries) are prescribed for Fiji citizens only, while restricted activities have conditions that must be met by potential foreign investors. All other activities are open to foreign investors, but with a minimum equity investment threshold required to be brought in from offshore. It is expected that further amendments will be made to the Foreign Investment Act 2004 in the short to mid-term in order to strengthen the framework for investment in Fiji.

Reserves

The Reserve Bank's target is to maintain foreign reserves at a level of 4 to 5 months of import cover.

As at 31 December 2014, the foreign reserves position was F$1,810.7 million, an increase of F$32.6 compared to 2013. As at 31 December 2013, Fiji's foreign reserves stood at F$1,778.1 million, an increase of F$142.6 million compared to 2012. As at 31 December 2012, the foreign reserves position was F$1,635.5 million, an increase of F$123.0 million compared to 2011.

The gradual improvement in foreign reserves between 2010 and 2014 was linked to the performance of the domestic economy, particularly the tourism industry. This, together with export receipts, helped to bolster reserves levels. From an external perspective, economic growth in Australia, New Zealand

and the United States have supported personal remittance flows from these countries, notwithstanding the elevated demand for Fiji's exports and services, including tourism. In 2014 in particular, the decline in global prices of oil and food helped contain Fiji's import bill despite strong demand in other areas.

The table below shows the foreign reserves position for the periods indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Foreign reserves	1,302.7	1,512.5	1,635.5	1,778.1	1,810.7
Number of months of import payments	4.7	5.3	5.7	5.8	4.7

Source: The Reserve Bank

Other Reforms

Civil Service Reforms

The People's Charter highlighted the need to improve the efficiency, effectiveness and quality of service delivered by the civil service. The focus of the reform agenda is to create a smaller and more efficient civil service, one of the key measurable targets of which is to reduce the overall civil service salary and wage bill by 10% per annum. Measures which have been implemented include eliminating overlapping rates and duplication of functions and responsibilities across multiple departments (including certain administrative features), increasing levels of outsourcing, where competition can lead to cost savings and efficiency gains, moving civil service employees from permanent contracts to reasonable shorter-term contracts and the introduction of a performance- and productivity-based record and remuneration system.

All civil service employees engaged or promoted after 30 April 2009 have been moved across to these new contract-based employment terms. Recruitment has also been reduced and, in some areas, frozen, and the retirement age in the civil service reduced to 55 (albeit that some retirees may be moved to shorter-term contracts after this age).

More rigorous controls have also been implemented in relation to payroll administration to ensure that the civil service payroll is accurately representative of the actual staffing of individual departments and agencies. Reducing the levels of operating expenditure is expected to result in an increase in the level of funds available for capital expenditures and the further improvements such expenditure can bring about.

In 2015, a comprehensive review is expected to be concluded by the World Bank to restructure the civil service to a lean, efficient and cost-effective organisation that is modern and responsive to the evolving needs of society as well as challenges in the global environment. An allocation of F$500,000 has been set aside in the 2015 budget for this exercise.

Through the Fiji Volunteer Scheme, the Government has been able to post 30 volunteers to several countries in the region including the Republic of the Marshall Islands, Nauru, Vanuatu and Tuvalu. Other countries have also expressed their interest in the scheme. A sum of F$1.0 million is provided in the 2015 budget to support this programme.

The Public Service Commission (the "**PSC**") continues to provide external and in-house training and in-service scholarships to improve the capacity of human resources.

The Service Excellence Awards Programme is now part of the Performance Agreement for Permanent Secretaries. This has resulted in increased emphasis by Government Ministries to review and improve public service processes and procedures. In 2014, a record number of 33 agencies participated in this programme. As part of the PSC's programme for "Business Process Re-Engineering" in 2014, line agencies were instructed to document their "Standard Operating Procedures" and redesign current organisational processes through the support of modern IT solutions. This project aims to raise operational efficiencies in line agencies and improve service delivery.

All Permanent Secretaries signed "performance agreements" with the PSC in 2014. A core aspect of the performance agreements is that Permanent Secretaries are required to meet certain key output targets. This is intended to ensure effective planning and execution of core programmes, as well as greater accountability for resource utilisation. In addition, in 2014 the PSC developed a "Performance Assessment Framework" for Permanent Secretaries. The framework will be monitored by various central Government agencies, including PSC, the Ministry of Finance and the Prime Minister's Office. A further review of the framework will be conducted in 2015 to strengthen the assessment criteria for specific key performance indicators.

Public Enterprise Reforms

The Department of Public Enterprises provides advice and implements strategies for reforming public enterprises. Public Enterprise reforms have in recent years been focused mainly on raising the productivity, efficiency and performance of State Owned Entities.

Negotiations relating to the divestment of the Government's shares in Airports Fiji Limited ("**AFL**") are ongoing. The modernisation of the AFL involves the remodelling of both the domestic and international terminals into world-class international facilities. This upgrade will enhance traveller comfort and experience, and also provide avenues for AFL to generate additional commercial revenues from the newly upgraded "duty-free" shopping outlets.

In 2015, the Government will engage technical assistance from key development partners to review the Fiji Electricity Authority's reform plans and put in place a viable strategy for restructuring the organisation into a fully-fledged corporate entity. This process will require the separation of the Fiji Electricity Authority's regulatory functions from its core commercial operations, through a carefully planned reorganisation programme. Concurrently, the Government will continue to pursue the partial divestment of shares in the Fiji Electricity Authority in 2015 to complement current reform objectives.

Development partner support is expected to be secured in 2015 to formulate a feasible plan for the reform and restructure of Fiji's port sector which will encompass practical options for the privatisation of Fiji Ports Corporation Limited. Overall, the objective of this plan is to bring about more productivity and efficiency, as well as cost-effective in the management of Fiji's seaports.

In 2015, the Government will provide a sum of F$9.0 million for Pacific Fishing Company Limited to undertake extensive renovation works at its Levuka facility. This investment is vital for the company to maintain its current fish loin processing contract with Bumble Bee Foods Ltd. Upgrading works will commence in 2015.

Land Reforms

The Land Use Decree 2010 mandates the establishment of the Land Bank, which is officially known as the Land Use Unit. While native landowners are given the opportunity to deposit their land in the bank and receive lease payments based at market price, the scheme also offers an attractive 99-year sub-lease or lease period to potential investors. The three forms of land ownership which exist in Fiji are native land, state land and freehold land. Leaseholds from these titles can also be obtained. To date, a total of 79 parcels of land have been deposited into the Land Bank covering a total area of 8,597 hectares. The Government has allocated F$2.5 million to support the Land Bank programme in 2015.

Native land

Approximately 83% of land in Fiji is native land. The most common form of ownership of native land is through group or communal ownership, where members of a community together own an undivided interest in the land where the community is located. Ownership of native land by families or individuals is also permitted. A register of native lands was created to enable the boundaries of the land subject to customary ownership to be defined and registered. Control over native land is vested in the ILTB pursuant to the Native Land Trust Act.

One distinctive feature of the land title system is that native land cannot be alienated by the customary owners, meaning it cannot be sold, granted, transferred or exchanged except to the state.

Furthermore, any native landowner cannot, as transferee of land by virtue of a native grant, transfer their land or any estate or interest in the land, charge or encumber the land, without the ILTB's consent.

While it is possible for native land to be leased or licensed, the ILTB must consent and certain preconditions must be met (although certain land which is classified as native reserve land is excluded).

These key features demonstrate the fundamental role of the ILTB in the land title system in Fiji, and the entrenched protection of title to native land.

State lands

The second form of ownership is State ownership of land.

State land refers to all public lands in Fiji, including foreshores and the soil under the waters of Fiji, which are controlled by the State via treaty, cession or agreement, and all lands which have been or are acquired by or on the State's behalf for any public purpose.

The State also has the power to acquire land by Presidential decree, and to make State grants in fee simple. The State may also grant leases or licences over portions of State land which must be recorded in the register.

All State lands that are currently being occupied by squatters will be subdivided and given 99 year leases. Similarly, this policy will be extended to squatters residing on native lands, however, leasing will only be made with the approval of landowners.

Freehold title and lands

Freehold estates and leasehold including the registration are capable of registration with the Registrar of Titles.

Reform initiatives

Pillar Six of the People's Charter recognises that land reforms are necessary to ensure more land is available for production and social purposes. The Ministry of Lands and Mineral Resources and other key stakeholders, such as the ILTB, Ministry of Primary Industries and the Committee for the Better Utilisation of Land continue to pursue reform initiatives that aim to improve access to, or increase utilisation of, land.

Some of these initiatives include:

- the review of the ALTA by stakeholders, entailing the formulation of proper legislative and institutional arrangements to facilitate productive dialogue and cooperation between landowners and tenants, with the aim to achieve maximum returns for all concerned;

- identifying suitable land for commercial and agricultural development and facilitating ready access to systems for sharing information on land development strategies;
- more effective monitoring of activities of current lessees to ensure fair and equitable returns for all parties;
- reviewing and streamlining the process of land application and land dealings;
- pursuing leasing and rent fixing arrangements that are performance based and which enhance security of tenure, through consultation with relevant stakeholders;
- reviewing policies on State and Native Land Administration and Management through wide consultation with major stakeholders;
- implementing newly recommended fees and charges that reflect actual costs;
- surveying of all mahogany plantations in Fiji, Government institutions and unsurveyed national roads that are on native land; and
- continuing to consult with the Department of Housing, the Housing Authority and other concerned agencies on avenues to secure land for housing and sustenance for displaced families and communities.

Rural and Outer-island Development

Promoting rural development sets the platform for increased economic activity in rural areas to discourage rural-urban migration. A concessional loan facility has been entered into with the PRC government with the aim of providing additional resources to the Government for the upgrading of rural infrastructure, including roads, maritime transportation, water and low cost housing. The "Integrated Rural Development Framework" was also introduced in 2009 to co-ordinate the planning and development within the outer-islands.

To support growth and development of the outer islands, the Northern Division (Vanua Levu, Taveuni, Rabi, Kioa and other islands) and maritime islands (Rotuma, Kadavu, Levuka, Lomaiviti and Lau) were declared as a tax free region in 2010. The tax free region status has benefited these communities in the form of certain tax and other concessions, and the elimination of certain direct and indirect taxes.

The Government Budget

Fiji's annual budgeting preparation process takes place from July to November each year. Each department and agency is required to submit an individual department or agency budget at the end of August. This is followed by a consultation period with each department and agency for a six-week period from September to October, in which feedback is raised with the Cabinet Sub-Committee Budget ("**CSB**") for final approval. Various stakeholders also make presentations to the CSB before the national budget is finalised. The Government's national budget is normally presented to Parliament on the last Friday of November of each financial year in accordance with the constitutional requirements.

Mini-budgets are prepared following economic shocks when budget results are expected to deviate significantly from the budget forecast. Mini-budgets have been prepared in the past as a result of global economic events, severe recession and occurrence of natural hazards.

2015 budget

The 2015 budget is focused on promoting growth whilst maintaining fiscal and macro-economic stability. Total expenditure is budgeted to be at F$3,336.3 million, an increase of 19.8% compared to the 2014 provisional and total loan repayments are budgeted to be at F$363.5 million. Capital expenditure for 2015 is budgeted to be at F$1,322 million, an increase of 42.1% from the 2014 capital expenditure. The mix of expenditure reflects the Government's commitment to channel more resources towards capital development to address socio-economic disparities.

Total revenue (including asset sales) is budgeted to be at F$3,122.4 million, or 36.0% of GDP, which represents an increase of 31.2% compared to the 2014. The increase in total revenue is largely due to increases in indirect tax (including VAT, water resource tax and departure tax) and direct tax (income taxes, withholding taxes and capital gains tax). The projected net deficit for 2015 is budgeted to be at F$213.9 million, or 2.5% of GDP compared to a provisional deficit of $341.4 million, or 4.0% of GDP for 2014.

2014 Provisional

The 2014 budget was aligned to deliver the bill of rights provisions in the 2013 Constitution such as access to education, health care and appropriate infrastructure.

Total expenditure amounted to F$2,722.1 million, an increase of 27.4% compared to the 2013, and total loan repayments of F$202.2 million. As compared to the original budget for 2014, expenditure has been low by F$161.2 million. Total revenue amounted to F$2,380.8 million or 27.8% of GDP, which represents an increase of 13.5% compared with 2013.

Tax measures announced in the original budget for 2014 remained in place in the revised budget for 2014. The tax measures were announced in support of the core objectives of the budget for 2014, to provide a platform for sustainable economic growth and private sector-led investment, as well as addressing the needs of the poor and disadvantaged.

Tax measures included:

- corporate tax rate reduced from 18.5% to 10.0% for companies listed on the SPSE, as well as income tax and capital gains tax exempted from trading of shares in the agency.

- The social responsibility levy introduced in 2012 has been realigned to the current social responsibility tax rates and back-dated in application to 1 January 2012;

- increase in loans for tertiary studies with the interest rate being means tested;
- first time home ownership grants to be issued based on means test; and
- turnover limit on the tax exemption for Small and Medium Enterprises increased to F$500,000.

Fiscal Policy

Historically, Government's underlying fiscal deficits have been financed primarily through domestic and offshore borrowings, and to a lesser extent, via government savings. During 1979 to 2000, the fiscal deficit averaged 3.1% of GDP. Between 2001 and 2008, the deficit rose marginally to an average 3.3% of GDP. Notably, the highest deficit recorded was 7.1% in 2002, during which Fiji was recovering from the political instability experienced in 2000, following which the Government adopted an expansionary fiscal strategy soon after the 2000 crisis to generate economic activity and to rebuild investor confidence.

Government's broad fiscal policy has remained the same over the recent years and is focused on economic growth through investment, while at the same time ensuring fiscal sustainability.

Adequate resources are channelled towards priority sectors such as infrastructure, education, health, agriculture, social protection, and renewable energy. Private sector investment is also encouraged through a competitive tax regime and environment. Moving forward, the broad policies above are inbuilt into the overarching fiscal direction of managing an affordable and sound fiscal deficit to ensure sustainable debt.

In 2012, Government had begun its bold fiscal expansionary policy campaign in an effort to revive growth. In the 2012 budget, themed 'Empowered Fijians in a Modern Economy', there were substantial cuts to individual and company income taxes from 28% and 31% respectively to 20%. It was complemented by an increase in income tax threshold from $15,000 to $16,000.

In essence, the 2012 fiscal policy was aimed at improving economic growth through increased consumption and investment levels as well to some extent. More family disposable incomes and profit to businesses spelt consumption growth and business expansions and employment.

From 2013 to 2015, while maintaining the above initiatives, Government changed to the tone of the expansionary fiscal policy direction and focused on expenditure investments. This has in turn improved the quality of fiscal deficit that has been demonstrated by continued increases in capital to operating expenditure mix over the years.

The 2013 budget, with the theme 'Investing in Our Future', saw unprecedented capital injections into road, bridges and jetties construction and maintenance. The objective of the fiscal stimulus was to improve connectivity between the rural and urban areas entailing better access to public goods and services. More importantly, enabling rural dwellers and farmers to trade their produce in urban areas and markets where the demand is at lower transportation cost.

The above was complemented by increases in funding for the education sector in the 2014 budget. Free education was imposed at primary and secondary school levels and a new Tertiary Education Loans Scheme introduced to assist students at the varsity level. The theme of the 2014 budget was 'Building a Smarter Fiji', placing importance on investing in human capital to improve capacity.

Government crafted the 2015 budget based on the theme as 'Turning Promises into Deeds'. While funds for the key sectors addressed in the previous Budgets continued to increase, investment was also raised for other important and development areas such as health, social benefits, water, and electricity.

Government has clearly demonstrated its fiscal policy direction over the years and this is expected to continue in 2015 and 2016.

Revenue and Expenditure

2015 Revenue Policies

Revenue and taxation policies, as set out in the 2015 budget, are geared towards simplifying the tax system and maintaining current investor-friendly policies to raise investment, generate employment and boost Fiji's growth potential.

The 2015 budget also sets out a number of key policy objectives, including protecting the Government's revenue base to support future expenditure demands and debt obligations, streamlining existing tax administrative processes to ensure efficient and timely processing of incentives and concessions for new investment proposals, supporting export-led investments and promoting value-added activities, securing favourable provisions in future international trade agreements and improving current tax compliance efforts.

Major Revenue Policies for 2015 include an exemption from capital gains tax on "love and affection" transfers, an amnesty for a period of 6 months to Fiji residents on penalties for the declaration of assets outside Fiji and an increase in export income deduction from 40.0% to 50.0%.

2014 Revenue Policies

The Government's revenue policies in the 2014 budget are aimed at ensuring a taxation system that is equitable, non-distortionary and simple to administer. There is a focus on strengthening compliance with increased resources allocated to the Fiji Revenue and Customs Authority. In view of prevailing economic conditions, measures will be geared towards providing a conducive environment to stimulate investment and growth, as well as streamlining tax administrative processes and procedures to ensure efficient and timely processing of investment incentives.

In addition, the Government aims to support export development in resource-based sectors and industries, review tariff rates to ensure consistency with policy objectives, assist the private sector through timely processing and payment of VAT refunds, conduct continuous monitoring of trade liberalisation issues and obligations, reducing duty on basic food items and necessities, review Government fees, fines and charges on a cost recovery basis and improve internal control mechanisms to better manage revenue collections and recovery of arrears.

The following table shows the components of total revenue for the periods indicated:

	For the year ended 31 December				
	2010	2011	2012	2013	2014
	(F$ million)				
Indirect taxes	877.2	1,112.4	1,229.6	1,436.9	1,593.8
Direct taxes	426.3	478.8	492.7	442.6	523.7
Non-tax revenue	234.4	212.9	214.8	219.0	225.1
Capital revenue	4.98	4.26	27.7	12.2	15.9
Grants	8.9	6.8	13.2	15.7	22.2
Total revenue and grants	**1,537.8**	**1,804.1**	**1,937.1**	**2,098.4**	**2,380.8**

Source: Fiji Bureau of Statistics and Ministry of Finance (2015 Budget Supplement).

2015 Expenditure

For the 2015 budget, expenditure policy focuses on upgrading the roads and bridges network as well as water and sewerage systems. Funding support is also provided to other priority sectors such as health, education, and resource-based sectors, and for social protection, housing, rural development and the maintenance of law and order.

Whilst gradually consolidating finances over the medium term, the Government will continue to strive towards increasing its operating savings by confining increases in operating expenditures at or below the growth in operating revenues.

For 2015, spending will continue to be channelled to key policy initiatives and priorities of Government with the aim to increase capital spending to facilitate investment by the private sector, implement cost-effective strategies in Ministries and Departments to better manage controllable expenditures, provide adequate resources to support essential services such as health, water and education, allocate sufficient resources towards poverty alleviation schemes and programmes that provide adequate social safety-net for the poor and underprivileged in society, accelerate public sector reform initiatives, promote small and micro business enterprises, and self-help initiatives to sustain the livelihoods of low income households, and allocate resources for contingency support, particularly for immediate relief or response during natural disasters.

2014 Expenditure

The Government's expenditure policy prioritises key sectors such as education, health, infrastructure development, agriculture and other resource-based sectors. Resources have also been provided for water and electricity, social protection, employment creation and income generation, access to justice, provision of housing, rural development and national security. The provision of these resources aims to help improve the socio-economic well-being of all Fijians.

The following table shows the components of total expenditure for the periods indicated:

	For the year ended 31 December				
	2010	2011	2012	2013	2014(p)
	(F$ million)				
Operating expenditure					
Wages and salaries	564.1	569.3	601.2	622.7	765.1
Travel/communication	18.0	20.5	22.4	25.5	28.5
Maintenance and operation	67.7	72.4	77.4	89.0	90.1
Purchase of goods and services	58.3	67.1	74.2	71.7	81.8
Operating grants/transfers	263.2	292.4	313.8	343.5	400.1
Special expenses	51.9	38.9	46.6	60.2	68.0
Pension/compassionate allowance	33.1	33.4	36.4	35.3	36.8
Capital expenditure					
Charges on public debt	223.9	265.7	257.8	260.4	264.3
Capital construction	143.3	181.9	202.9	54.8	83.5
Capital purchases	19.6	20.5	22.5	36.4	45.2
Capital grants/transfers	176.7	292.2	308.4	495.2	801.5
VAT	48.7	44.0	50.0	41.7	57.3
Others	0.0	0.0	0.0	0.0	0.0
Total expenditure	**1,668.7**	**1,898.3**	**2,013.7**	**2,136.3**	**2,722.1**

Source: Fiji Bureau of Statistics and Ministry of Finance (2015 Budget Supplement).

GOVERNMENT DEBT

The Government's budget deficit is predominantly financed by domestic financial institutions through the issuance of bonds and treasury bills. Domestic debt issuance and in particular, government bonds with maturities typically between three years and 15 years have been a significant source of funding for the Government (see "*Monetary and Financial System — Capital Markets Industry*"). External loans are largely used for planned capital and infrastructure developments.

The table below shows a breakdown of the Government's debt for the periods indicated:

Government Debt	As at 31 December			
	2011	2012	2013(r)	2014(a)
	(F$ Million)			
Domestic debt	2,734.4	2,744.0	2,744.2	2,828.9
External debt	832.1	935.5	1,094.0	1,254.3
Total debt[1]	3,566.5	3,679.5	3,838.2	4,083.2
Debt (as a % of GDP)	52.7	51.7	49.7	47.7
% increase/(decrease)	5.4	3.2	4.3	6.4
Domestic Debt to Total Debt (%)	76.7	74.6	71.5	69.3
External Debt to Total Debt (%)	23.3	25.4	28.5	30.7

Note:

(1) (a) — actual (r) — revised (2) Includes the US$250 million 9.00% notes due 2016 issued by the Government in March 2011

Source: Ministry of Finance

The Government's total debt was F$4.01 billion as at 31 December 2014, equivalent to 47.7% of GDP. In contrast, the Government's total debt was F$3.84 billion as at 31 December 2013, equivalent to 49.7% of GDP and was F$3.68 billion as at 31 December 2012, equivalent to 51.7% of GDP. Overall, Government debt increased by 6.4% as at 31 December 2014 or F$244.9 million more than as at 31 December 2013, an increase of 4.3% in 2013 or F$158.8 million more than as at 31 December 2012. The Government's total debt reached F$4.28 billion as at 30 June 2015, representing 49% of GDP. Borrowing from the domestic market (through Government bonds and treasury bills of varying maturities) continues to be the major source of funding for the Government. Offshore borrowings are generally directly linked to infrastructure projects. Current lenders include ADB, China Exim Bank, Export-Import Bank of Malaysia Berhad and Japan Bank for International Cooperation. In addition, on 15 March 2011 the Government issued an aggregate principal amount of US$250 million 9.00% notes due 2016 to certain institutional investors.

Government's domestic debt

The following table shows a breakdown of the key components of the Government's domestic debt as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014
	(F$ million)				
Bonds	2,759.3	2,663.3	2,622.1	2,635.3	2,695.2
Treasury bills	75.4	71.1	112.4	102.6	130.6
FSCGC loan	—	—	9.5	6.3	3.2
Total domestic debt	2,834.7	2,734.4	2,744.0	2,744.2	2,828.9
Domestic debt to GDP (%)	45.8	40.4	38.5	35.5	33.1

Note:

Source: Ministry of Finance.

Government's and statutory bodies' outstanding external debt

The following table shows the Government's and statutory bodies' outstanding external debt as at the dates indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Outstanding debt					
Government	548.5	832.1	935.5	1,094.1	1254.3
Statutory bodies	226.5	233.9	217.5	141.9	99.7
Total	775.0	1,066.0	1,153.0	1,236.0	1,354.0
Amortisation					
Government	32.9	291.1	19.3	19.7	25.5
Statutory bodies	5.8	3.5	2.9	8.4	10.9
Total	38.7	294.6	22.2	28.1	36.4
Interest payments					
Government	22.9	43.1	46.3	52.0	53.8
Statutory bodies	10.6	10.0	9.7	6.1	1.6
Total	33.5	53.1	56.0	58.1	55.4
Total government external debt	548.5	832.1	935.5	1,094.1	1,254.3
External Debt to GDP (%)	8.9	12.3	13.1	14.2	14.7

Source: Ministry of Finance.

Between 2010 and 2014, the level of the Government's outstanding external debt has increased. As at 31 December 2014, approximately 62.3% of the outstanding external debt was denominated in US dollars, approximately 35.7% was denominated in Renminbi and the balance was denominated in Yen.

Interest Payments

Over the past five years, the Government's interest payments on total debt averaged F$249.9 million or 3.6% of GDP. The following table shows the level of interest payments for periods indicated:

	For the year ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
Interest payments (F$ million)	213.6	256.4	256.8	259.5	263.3
% of GDP	3.5%	3.8%	3.6%	3.4%	3.1%

Source: Ministry of Finance.

According to Moody's forecasts as of April 2015, the Government is forecast to spend 10.8% of its total revenues on debt service in 2015, compared to 11.0% in 2014, 12.4% in 2013, 13.5% in 2012, 14.3% in 2011 and 14.2% in 2010.

Contingent Liabilities

The table below shows the components and levels of contingent liabilities guaranteed by the Government as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014(p)
	(F$ million)				
FNPF	758.4	1,008.0	1,247.6	1,369.8	1,699.1
Fiji Electricity Authority	346.5	353.9	323.5	297.9	349.6
Fiji Development Bank	322.9	257.2	250.0	190.0	158.5
Housing Authority	86.0	82.6	105.5	79.8	78.6
Others	276.8	224.1	206.8	253.8	270.9
Total	1,791.0	1,925.8	2,133.4	2,191.3	2,556.7
Contingent Liability (% of GDP)	29.7	28.5	30.0	28.4	29.9

(1) (p) — provisional

Source: Ministry of Finance.

The Reserve Bank

The Reserve Bank was established under the Reserve Bank of Fiji Act 1983 (as amended) (the "**Reserve Bank Act**") as the successor to the Central Monetary Authority of Fiji. The Reserve Bank Act and Section 153 of the 2013 Constitution specify the parameters for the organisation and operation of the Reserve Bank and sets out the Reserve Bank's objectives and responsibilities for the formulation and conduct of monetary and financial policies. The RBF is the regulator and supervisor of Fiji's financial system. In the banking and insurance industries, the Reserve Bank has powers to exercise general supervision and regulation of the industries.

In addition, the Reserve Bank formulates and conducts monetary policy independently of the Government. The Reserve Bank has full independence in terms of decisions and policies made regarding monetary policy and aspects of banking supervision and insurance regulation. However, the Minister for Finance may, after consultation with the Reserve Bank, issue general directives to the Reserve Bank to effect the Government's economic policies.

Under the Reserve Bank Act and the 2013 Constitution, the Reserve Bank is responsible for monetary stability, supervising the financial system and promoting the maintenance of a sound and efficient financial structure in Fiji. Other responsibilities include:

- regulating the issue of currency and the supply, availability and international exchange of money;
- promoting monetary stability;
- promoting a sound financial structure;
- fostering credit and exchange conditions conducive to the orderly and balanced economic development of the country;
- regulating the insurance industry; and
- regulating the capital markets and securities industry.

In addition, the Reserve Bank provides registry services for debt securities issued by the Government and statutory corporations. It also acts as fiscal agent for the Government and provides banking services such as lending to the Government and commercial banks.

The Reserve Bank is also responsible for the regulation, supervision and development of the capital markets by virtue of the Companies Act 2015. In January 2006, the Financial Transaction Reporting Act of 2004, as amended (the "**FTR Act**") was implemented to enhance transparency in the financial system and combat commercial crimes such as money laundering, embezzlement, corruption and other suspicious transactions, with the Reserve Bank exercising the delegated authority of the Minister for Finance (see "*Monetary and Financial System — Anti-Money Laundering*").

The Reserve Bank aims to:

- protect the interests of depositors, creditors and policyholders of the banking and insurance businesses and members of the Fiji National Provident Fund ("**FNPF**") by establishing, promoting, monitoring and enforcing international standards, regulating the insurance industry and best practices to maintain the financial soundness of these institutions; and
- maintain confidence in the financial system by promoting monetary stability, promoting its strength and integrity and ensuring that the failure of individual financial institutions does not undermine the overall stability and soundness of the system.

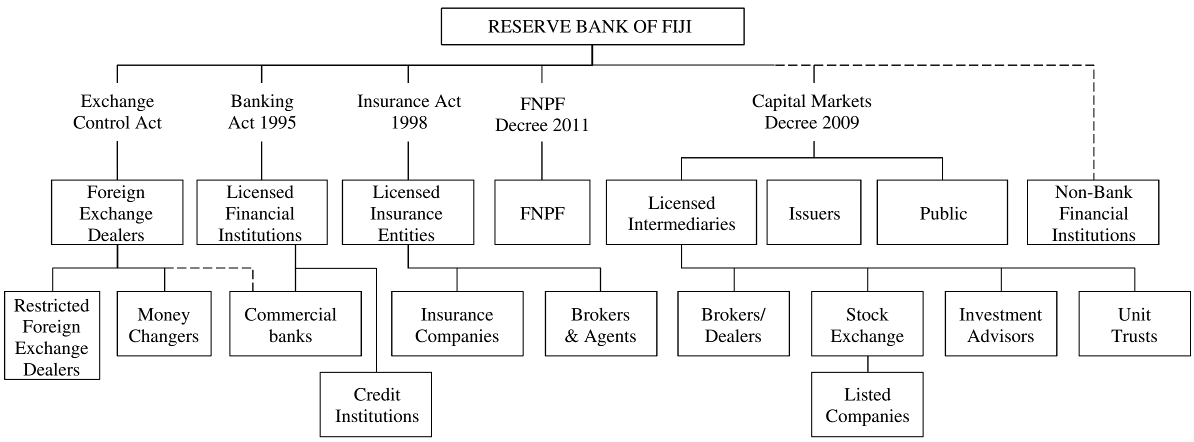
The Reserve Bank achieves its objectives through various monetary policy instruments such as buying and selling Reserve Bank of Fiji Notes ("**Reserve Bank Notes**"), setting reserve requirements, providing short-term secured advances to commercial banks and other credit institutions, imposing exchange controls, macro prudential measures and a credit ceiling as well as determining the external value of the Fiji dollar.

Since 2010, the Reserve Bank has continued to implement a number of new prudential supervision policies in relation to banks and credit institutions and the insurance, superannuation and capital markets sectors. These include policies regulating liquidity risk management for banks and financial institutions, corporate governance and complaints management guidelines, operational risk management standards and frameworks, a pension fund and asset investment management policy for the FNPF and policies on the role of external auditors and certain continuing education policies for industry participants in the capital markets. The Reserve Bank has over the years also implemented unconventional monetary policies such as a Natural Disaster and Rehabilitation Facility ("**NDRF**"), an Import Substitution and Export Finance Facility ("**ISEF**"), a Housing Facility, the administration of a Small and Medium Enterprises (SME) Credit Guarantee Scheme (SMECGS) and financial support for the agriculture and renewable energy sectors, as well as Agriculture Loans Ratio and Renewable Energy Loans Ratio policies. See "*Monetary and Financial System — Monetary Policy*"

For the year ended 31 December 2014, the Reserve Bank recorded a profit of F$28.5 million, representing a 10.7% decrease compared to a profit of F$31.9 million (actual) for the year ended 31 December 2013. The decrease in profit was mainly a result of a fall in foreign reserves income due to historical low interest rates in Fiji's major trading partner countries.

The Financial System

Fiji's financial system comprises the banking industry, the insurance industry, the superannuation industry, the foreign exchange industry, other non-bank financial institutions ("**NBFIs**") and the capital markets. The Reserve Bank directly supervises and regulates the banking, insurance, superannuation, capital markets and the foreign exchange industries. While the Reserve Bank does not regulate NBFIs, it does have a monitoring role in relation to these institutions. The following diagram shows the institutions that the Reserve Bank regulates and supervises and the respective law empowering the Reserve Bank to do so:



Note:

(1) Commercial banks are also authorised to undertake delegated foreign exchange transactions.

(2) Reserve Bank undertakes a monitoring role in relation to non-licensed non-bank financial institutions.

As at 31 December 2014, the total assets of the financial system (excluding the Reserve Bank) amounted to F$14.4 billion, a 8.2% increase from F$13.3 billion in December 2013. As at 31 December 2012, the total assets of the financial system (excluding the Reserve Bank) amounted to F$12.0 billion. The main drivers of the growth in financial assets for the past five years have been the growth in assets of the banking sector, insurance sector and the FNPF. The following table shows the total amount of the gross financial system's assets by industry as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014
	(F$ Million)				
Regulated financial institutions					
Commercial Banks	4,514	4,954	5,389	6,222	7,281
Credit institutions	418	448	506	546	252
Insurance companies	940	1,044	1,212	1,307	1,344
FNPF	3,928	4,077	4,235	4,521	4,846
Insurance Brokers	34	34	41	62	55
Total	9,834	10,557	11,383	12,658	13,778
Non-regulated financial institutions					
NBFIs	692	621	635	648	622
Total non-regulated financial institutions	692	621	635	648	622
Total financial system	10,526	11,178	12,018	13,308	14,400

Source: The Reserve Bank

In 2006, the IMF and World Bank jointly conducted a financial sector assessment programme ("FSAP") in Fiji, which assessed the strength of Fiji's financial system and identified areas of improvement. The FSAP provides an integrated, comprehensive approach to assess the stability and risks of the financial sector and identifies its development needs. The Reserve Bank and other institutions have completed implementing key recommendations of the FSAP primarily in the areas of strengthening risk based supervision, monetary policy framework and systemic liquidity arrangement, reform of the FNPF and the retirement savings scheme, access to financial services and legal framework and transparency, Government securities market development and recommendations for the Insurance Sector, the FNPF and access to finance.

To strengthen the regulatory framework for the banking sector, the Reserve Bank commenced a review of a number of existing banking supervision policies in 2014. The objective was to ensure that minimum requirements of the existing supervision policies continued to be effective given the developments in the domestic and international best practices. In the insurance industry, the Reserve Bank revised and issued to the industry for comments certain insurance supervision policy statements on the minimum solvency requirements for life and general insurers. In terms of policy development for the capital markets, the Reserve Bank issued a new supervision policy statement on insider trading and issued two policies for preliminary comments as part of the policy review process.

Banking Industry

The banking industry currently consists of six commercial banks (Bank of Baroda, Bank of South Pacific Limited, Australia and New Zealand Banking Group Limited, Westpac Banking Corporation, BRED Bank and HFC Bank), one asset management bank (National Bank of Fiji Asset Management) and four credit institutions (Credit Corporation (Fiji) Limited, Kontiki Finance Limited, BSP Finance (Fiji) Limited, and Merchant Finance Limited). Four of the six commercial banks are branches of foreign-owned banks while two commercial banks are locally incorporated. Of the two locally incorporated commercial banks, one is a subsidiary of BRED Banque Populaire, France and the other is a credit institution previously licensed in 2013. The Government owns the National Bank of Fiji Asset Management Bank. Of the credit institutions, three are locally incorporated subsidiaries of local institutions and one is a locally incorporated subsidiary of a foreign institution.

Commercial banks provide a wide range of banking facilities, consisting of various savings accounts, access and withdrawal services, time deposit accounts, international banking, foreign exchange services and loan facilities, while credit institutions only offer time deposits services and loan facilities. The National Bank of Fiji Asset Management Bank operates for the sole purpose of winding up the residual operations of the National Bank of Fiji, following its forced restructuring in 1996.

At present, the minimum capital adequacy ratio requirement is 12% for commercial banks and 15% for credit institutions. As at 31 December 2014, the capital adequacy ratio was 13.9% for commercial banks collectively and 34.9% for credit institutions collectively.

Total assets of commercial banks amounted to F$7.3 billion as at 31 December 2014, an increase of approximately F$1.1 billion or 17.0% over the year from F$6.2 billion as at 31 December 2013, while credit institutions held assets totalling F$252 million, a decrease of F$293.6 million or 53.8% compared to F$546 million as at 31 December 2013. Total assets of commercial banks amounted to F$5.1 billion as at 31 December 2012, while credit institutions held assets totalling F$506 million.

Outstanding loans and advances of commercial banks amounted to F$4.8 billion as at 31 December 2014, an increase of 25.4% compared to F$3.9 billion as at 31 December 2013. In 2014, lending to the public enterprise sector increased by 11.4%, to the building and construction sector by 36.0%, to the wholesale, retail hotels and restaurants sector by 27.6%, compared to lending growth of 90% to the public enterprise sector, 25.5% to the building and construction sector, 9.8% to the wholesale, retail hotels and restaurants sector in 2013. Investments of commercial banks increased to F$284.4 million as at 31 December 2014 compared to F$233.5 million as at 31 December 2013 with growth in all categories of investments.

The following table shows a breakdown of the outstanding loans and advances of commercial banks into certain major sectors of the economy as at the dates indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014(p)**
			(F$ million)		
Private individuals	855.1	860.8	876.0	1,047.2	1,386.6
Wholesale and retail	742.9	788.4	853.1	936.7	1,195.7
Manufacturing	260.6	260.4	277.7	336.4	404.2
Real estate and transport	440.8	503.6	513.2	582.3	698.6
Building and construction	201.0	192.7	206.6	259.3	352.5
Public enterprises and central government	96.4	85.8	103.7	111.0	126.2
Others	286.6	426.3	524.6	583.8	671.2
Total	2,883.3	3,118.0	3,354.9	3,856.7	4,835.0

Note: (p) — provisional

Source: The Reserve Bank

Deposits with commercial banks have risen in the last decade and as at 31 December 2014, amounting to F$5.8 billion compared to F$4.9 billion as at 31 December 2013. As at 31 December 2012, deposits with commercial banks amounted to F$4.3 billion. The increase is primarily due to the rise in demand deposits of commercial banks. The ratio of time deposits to total deposits increased from 24.7% as at 31 December 2013 to 33.3% as at 31 December 2014 while the ratio of demand deposits to total deposits decreased from 70.0% as at 31 December 2013 to 61.7% as at 31 December 2014.

The credit institutions sector recorded a 57.3% decrease in deposits from F$356.4 million as at 31 December 2013 to F$152.2 million as at 31 December 2014 as a result of the licensing of a HFC Bank, previously a credit institution in 2013.

The following table shows a breakdown deposits with commercial banks and credit institutions into demand, savings and time deposits as at the dates indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Demand	1,260.7	1,866.6	2,254.1	3,547.3	3,678.8
Time	1,047.0	1,199.8	1,521.1	1,825.8	2,213.1
Savings	1,269.6	1,116.4	1,055.6	291.2	304.5
Total	3,554.9	4,182.8	4,830.8	5,664.3	6,196.5

Source: The Reserve Bank

For the year ended 31 December 2014, there was an increase in the level of classified loans for commercial banks and credit institutions. Classified loans of commercial banks aggregated F$81.8 million as at 31 December 2014, representing an increase of 4.0% compared to F$78.6 million as at 31 December 2013. The increase was dominated by loan accounts classified as doubtful.

The ratio of impaired assets to total loans and classified loans to total loans were 0.7% and 1.6%, respectively, as at 31 December 2014 compared to 1.0% and 2.0%, respectively, as at 31 December 2013. Classified loans are loans classified as “substandard”, “doubtful” or “loss” as set out in the Reserve Bank of Fiji Banking Supervision Policy Statement No.3 on Guidelines for Loan Classification and Provisioning for Impaired Assets.

Credit institutions recorded a decrease in classified loans to F$32.5 million as at 31 December 2014 from F$40.9 million in 31 December 2013.

As at 31 December 2014, the banking industry’s total liquid assets declined by 7.6% to F$1.2 billion from F$1.3 billion as at 31 December 2013. Total liquid assets in 2014 represented 19.2% of total deposits compared to 24.9% in 2013. Total liquid assets as at 31 December 2012 stood at F$1.0 billion, representing 23.0% of total deposits. Loans maturing in the short-term were F$1,375million as at 31 December 2014 compared to F$1,112 million as at 31 December 2013, representing 26.9% of total loan portfolio as at 31 December 2014 compared to 27.7% as at 31 December 2013. Loans maturing in the short-term were F$840 million as at 31 December 2012, representing 24.1% of total loan portfolio.

The liquidity condition of credit institutions improved compared to 31 December 2013. Liquid assets to total funding decreased from 22.9% as at 31 December 2012 to 22.1% as at 31 December 2013 and increased to 24.7% as at 31 December 2014.

In 2014, the banking industry’s net profit before tax amounted to F$143.2 million, an improvement of 6.8% from F$134.1 million in 2013. The banking industry’s net profit before tax amounted to F$127.1 million in 2012. This improvement was attributed to the increase in net interest income and non-interest income. The banking industry’s annual spreads contracted to 4.0% as at 31 December 2014 compared to 4.1% as at 31 December 2013. Yield on earning assets declined from 5.3% in 2012 to 5.0% in 2013 and 2014, respectively, while cost of funding liabilities increased to 1.0% in 2014 from 0.9% in 2013.

The Reserve Bank regulates and supervises the banking industry, with the aim of safeguarding the interests of depositors and creditors of commercial banks and credit institutions as well as ensuring the stability of the financial system. As at the date of this Offering Circular, 19 banking supervision policy statements have been issued by the Reserve Bank in the areas of capital adequacy, large credit exposures, loan classification and provisioning, foreign exchange exposures, financial statement disclosure requirements, money laundering and terrorist financing risk management, liquidity risk management, market risk management, operational risk management, corporate governance, the role of external auditors, disclosure of fees and charges, local advisory boards, complaints management, microfinance, appointment of heads of licensed financial institutions and agent banking guidelines.

Anti-Money Laundering

Various initiatives have been undertaken in relation to anti-money laundering ("**AML**") and to reduce the financing of terrorism via Fiji's financial system.

In 1998, Fiji became a member of the Asia Pacific Group ("**APG**") on Money Laundering and implemented the Proceeds of Crime Act and Mutual Assistance in Criminal Matters Act.

In 2003, a FIU was established, and in 2004, Fiji passed the FTR Act which came into force in 2006. In 2007, the Financial Transactions Reporting Regulations (the "**FTR Regulations**") came into force. A formal FIU was established in 2006 to administer the FTR Act and FTR Regulations. The FTR Act and FTR Regulations provide the legislative framework for combating money laundering and terrorist financing in Fiji. The FTR Act and FTR Regulations also outline the measures that financial institutions in Fiji are required to adopt to prevent and detect money laundering activities or transactions to finance terrorism.

The World Bank and the APG conducted a joint evaluation of Fiji's AML framework in 2006. While Fiji was found to be generally compliant with international AML standards and recommendations, a number of further initiatives have been implemented since 2006 to strengthen AML regulation and supervision of financial institutions in Fiji including, for example the introduction of cross-border currency reporting in 2008.

The National Anti-Money Laundering Council ("**NAMLC**"), which first met in 2008, is responsible for the national coordination of and setting policies on AML issues. The governor of the Reserve Bank and the director of the FIU are members of the NAMLC.

The Reserve Bank, as part of its prudential supervision programme, now assesses compliance by financial institutions with the FTR Act, while the FIU is responsible for ensuring full compliance of financial institutions, non-bank financial institutions and designated non-financial businesses and professions (such as lawyers, accountants and real estate agents) with the FTR Act. The FIU has developed an online transaction reporting and data management IT system called Fiji FIU Information Management System Online, which was rolled out to the industry in 2008 and is used by major financial institutions for reporting transactions to the FIU, further strengthening Fiji's AML framework. In 2009, the Fiji FIU became a member of the international group of financial intelligence units called the Egmont Group, which includes Germany, France and Russia.

The FIU and the Reserve Bank have continued to work closely with financial institutions to encourage and ensure that they implement and comply with the various provisions of the FTR Act and FTR Regulations. Another function of the FIU is to provide policy advice as and when requested by financial institutions. In 2014, the FIU issued 32 ad-hoc policy advisories explaining various requirements of the FTR Act and FTR Regulations. The majority of the ad-hoc policy advisories related to customer due diligence requirements of the relevant AML and combating the financing of terrorism ("**CFT**") laws.

In 2014, the FIU received notice of 383 suspicious transactions from various financial institutions, a decline of 26.6% from the previous year.

In September 2014, the FIU launched an updated website. In October 2014, the FIU issued its first e-Bulletin. The purpose of the periodic e-Bulletin is to create awareness on current AML issues in Fiji. In terms of international coordination, the FIU participated at the 2014 Egmont Group's Annual

Plenary Meeting that was held in Lima, Peru. The goal of the Egmont Group is to provide a forum for its international association of 146 members to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes. The FIU also continues to liaise closely with the Asia Pacific Group on Money Laundering on various AML programmes and initiatives held in the region.

Insurance Industry

Under the Insurance Act 1998, the Reserve Bank is responsible for formulating standards that govern the conduct of insurance and insurance broking businesses as well as supervising the conduct of agents, brokers and insurers in Fiji.

The insurance industry consists of:

- *life insurance companies* — companies engaging in life insurance business and other business relating to the investment, administration and management of the assets of a statutory fund;

- *general insurance companies* — companies engaging in non-life insurance business of any class or classes;

- *insurance brokers* — persons or entities who buy insurance products on behalf of a person wishing to be insured and who are paid by the insured person or company by way of commission or fee; and

- *insurance agents* — persons or companies who are paid a commission by an insurer when insurance products are sold.

Within the insurance industry there are presently nine insurance companies comprising seven general insurers and two life insurers, four insurance brokers and 356 licensed insurance agents.

In 2014, the Reserve Bank completed its review of the Insurance Act in consultation with various insurance and financial institutions. Effective market disclosure, the use of actuarial assessments, and a risk-based solvency framework are some of the key features of the draft amendments to the Insurance Act and are designed to strengthen market discipline, risk management and the reliability of licensed underwriters. In June 2014, the Reserve Bank began work on developing model regulations and guidelines to assist in the development and implementation of "inclusive" insurance in Fiji. Inclusive insurance aims to expand insurance coverage to low income earners as well as employees in the informal market through safe and innovative insurance products and policies.

The life and general insurance industries remained stable in 2014, with solvency surplus and adequate capital and liquidity positions.

Total assets of the industry remained consistent with levels reported in 2013 and were reported at F$1.3 billon, with investments continuing to constitute the majority insurers' assets, representing 78.4% of total assets.

Net insurance premiums collected by both the general and life insurance sectors amounted to F$263.7 million, an increase of 7.7% from 2013. In addition, net claims paid increased during the year to F$147.7 million, Out of the total net claims paid, life insurers accounted for 56.1%, whilst general insurers accounted for 43.9%.

Offshore placements of insurance covers not available locally or where the local premium is 15.0% higher than the offshore premium remained prevalent in 2014. In 2014, the Reserve Bank approved a total of 1,139 applications valued at F$32.5 million. Compared to 2013, this represented an increase in premiums and approved applications of 12.6% and 15.3%, respectively.

The combined aggregate solvency surplus of the insurance industry decreased in 2014 to F$210.4 million as at 31 December 2014 from F$224.3 million as at 31 December 2013. The combined aggregate solvency surplus of the insurance industry was F$156.5 million as at 31 December 2012. The significant increase was caused by increased holdings in Government securities in the life insurance sector. The combined aggregate solvency margin of the insurance industry also increased to F$52.0 million as at 31 December 2014, representing an increase of 6.3% from F$48.9 million in 2013. The combined aggregate solvency margin of the insurance industry was F$42.6 million as at 31 December 2012.

As at 31 December 2014, total insurers' assets amounted to F$1,346.8 million, representing an increase of 2.6% compared to F$1,312.3 million as at 31 December 2013. Total insurers' assets amounted to F$1,214.8 million as at 31 December 2012. The growth in 2014 was driven by increases in assets of both the life and general insurance industry.

Total assets of the life insurance sector amounted to F$1,005.9 million as at 31 December 2014, representing a 4.6% increase from F$961.5 million as at 31 December 2013. Total assets of the life insurance sector amounted to F$843.2 million as at 31 December 2012. This growth was due mainly to growth in investments. Investments (primarily in Government securities and bank deposits) increased by 14.4% from F$737.5 million as at 31 December 2013 to F$843.4 million as at 31 December 2014 and sundry debtors increased from F$8.9 million as at 31 December 2013 to F$10.5 million as at 31 December 2014, which further contributed to the overall increase in total assets.

The asset distribution pattern as at 31 December 2014 remained largely unchanged over the year with investments accounting for the bulk of the total assets at 83.8%. Investments in Government securities accounted for 54.5% of total assets at F$548.6 million followed by loans, which stood at F$87.7 million and accounted for 8.7% of the total assets as at 31 December 2014. In comparison, Government securities accounted for 53.9% of total assets at F$961.5 million followed by loans, which stood at F$79.9 million accounting for 8.3% as at 31 December 2013. Investments in land and building were the third largest component of total assets at 5.4% and 5.8% or F$52.4 million and F$58.5 million, respectively, as at 31 December 2013 and 2014.

The following table shows breakdown of life insurance assets as at the date indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Outstanding premiums	16.4	16.5	15.8	17.6	17.2
Loans	93.6	87.3	80.9	79.9	87.7
Government securities	294.7	381.2	460.1	518.3	548.6
Other investments	12.9	13.6	13.8	8.9	7.9
Other assets	7.4	4.2	3.7	4.0	3.4
Total assets	654.4	750.1	843.2	961.5	1,005.9

Source: The Reserve Bank

As at 31 December 2014, total general insurance assets amounted to F$340.9 million, representing a decrease of 2.8% compared to F$350.8 million as at 31 December 2013. Total general insurance assets amounted F$371.6 million as at 31 December 2012. The increase in the balance sheet of general insurers was mainly driven by an increase in investments. A significant portion of assets continued to be in investments, which accounted for 61.7% of the general insurance industry's assets as at 31 December 2014 compared to 57.4% as at 31 December 2013, whilst bank deposits continued to be the largest holding at 55.8% as at 31 December 2014 compared to 49.9% as at 31 December 2013.

The following table shows the growth in general insurance assets as at the date indicated:

	As at 31 December				
	2010	2011	2012	2013	2014(p)
	(F$ million)				
Term deposits	149.6	158.3	156.3	175.1	190.1
Amount due from reinsurers	23.8	15.2	80.2	38.3	24.4
Outstanding premiums	26.2	21.9	26.9	39.1	50.9
Shares	15.2	15.2	10.9	10.8	7.9
Government securities	6.1	6.5	2.1	2.1	2.2
Fixed assets	6.0	5.7	6.3	6.9	7.1
Other assets	58.2	70.7	89.0	78.4	58.3
Total	285.1	293.6	371.6	350.8	340.9

Source: The Reserve Bank

Other investments which includes land and buildings, bank deposits, shares and debentures make up a significant portion of the life insurance asset base, amounting to F$193.2 million or 60.2% of total assets as at 31 December 2014, an increase of 6.2% compared to F$193.2 million or 55.1% of total assets as at 31 December 2013. Other investments amounted to F$6.2 million or 1.7% of total assets as at 31 December 2012. Other components of the asset base are Government securities valued at F$548.6 million and loans at F$87.7 million as at 31 December 2014 compared to F$518.3 million and F$79.9 million, respectively, as at 31 December 2013. Government securities were valued at F$460.1 million and loans at F$80.9 million as at 31 December 2012.

For general insurance companies, investments in bank deposits made up a significant portion of the general insurance asset base, amounting to F$190.1 million or 55.7% of total assets as at 31 December 2014 compared to F$175.1 million or 49.9% of total assets as at 31 December 2013. Other assets include outstanding premiums, amounts due from reinsurers, Government securities, shares in related persons and cash on hand.

The combined net premium income of life and general insurers increased from F$246.6 million as at December 2013 to F$264.3 million as at 31 December 2014, representing a 7.1% increase. The combined net premium income of life and general insurers was F$215.2 million as at December 2012. Net policy payments and claims paid increased from F$142.5 million as at 31 December 2013 to F$149.4 million as at 31 December 2014 of which F$154.1 million was from life insurers and F$137.7 million was from general insurers. This represented a 4.8% decrease compared to F$111.6 million as at 31 December 2009. Net policy payments and claims paid was F$5.4 million as at 31 December 2012.

In Fiji, permission is required when insurance is sought from offshore insurers and will only be granted where the cover is not locally available or where the local premium is 15% more than that of the offshore insurers. In 2014, the Reserve Bank approved 1,176 applications for offshore insurance placements, amounting to F$34.6 million in premiums, compared to 998 applications and F$28.9 million in premiums in 2013. The Reserve Bank approved 900 applications, amounting to F$29.7 million in premiums in 2012.

Overall, the insurance industry recorded a growth of 2.8% in liabilities (excluding shareholders funds), which amounted to F$1,149.7 million as at 31 December 2014 compared to a growth of 757.4% in liabilities (excluding shareholders funds) which amounted to F$757.4 million in liabilities as at 31 December 2013 from 31 September 2012. This was due to growth in the life insurers' balance of revenue account to F$898.7 million as at 31 December 2014 compared to F$856.3 million as at December 2013 (representing 95.9% of total life insurers' liabilities, compared to 14.9% growth as at 31 December 2013) and a decline in underwriting provisions of the general insurance sector to F$167.7 million as at 31 December 2014 compared to F$182.8 million as at 31 December 2013 (representing 78.8% of total general insurance liabilities, unchanged from 78.8% in 2013).

Superannuation Industry

The FNPF is the sole national superannuation scheme in Fiji. The FNPF was set up in 1966 to provide financial security for workers when they reach retirement age. The FNPF provides a compulsory savings fund whereby resident workers have to contribute 8% of their gross earnings, and since 2015, employers have to contribute 10% of the resident worker's gross earnings, to the fund. Members can withdraw their savings at the age of 55 or opt for a pension, or a combination of both. In addition, the FNPF also provides for two main contingencies prior to a member's retirement, namely, the incapacitation of a member and financial support to a member's beneficiaries in the event of a member's death. Partial withdrawal before the age of 55 is also permitted if there is a death of a member's relatives or for emigration, housing, healthcare and education purposes.

In 2004, the Reserve Bank, with technical assistance from the IMF, put into effect a supervisory framework for the FNPF. The framework was designed to cover the submission of financial statistics and information to the Reserve Bank for the purpose of analysing the operations of the FNPF. The Reserve Bank has undertaken nine onsite examinations since 2006.

In 2009, the FNPF was mandated by the Government to make reforms internally relating to the viability and sustainability of the FNPF. In 2010, the FNPF continued with the reforms which are expected to bring improvements and strengthen key areas of operations including review of FNPF Act, governance, investments, risk management and information system integration and most importantly the sustainability of its pension business. The consultants engaged to draft the new law on superannuation supervision, which would provide specific and relevant powers of the Reserve Bank to supervise Fiji's superannuation industry have submitted a second draft of the Bill for the Pension Savings Act. Consultation on the Bill with relevant stakeholders will take place in 2015 before submission for Parliamentary approval.

As at 31 December 2014, the total assets of the FNPF stood at F$4.8 billion, representing 33.6% of Fiji's financial system assets. The annual growth of 7.2% was underpinned by the increase in investments which dominated the FNPF's asset base, accounting for 89.7% of total assets.

The majority of FNPF's new investments were in local equities, including the acquisition of 49.0% stake in Vodafone Fiji Limited valued at F$160.0 million, and term deposits contributing to the total increase of F$375.8 million in the FNPF's investment portfolio. The FNPF's investment portfolio continued to be weighted heavily towards fixed income securities, which accounted for 76.7% of total investments as at 31 December 2014.

Members' balances grew by 8.0% to F$3.7 billion as of 31 December 2014 compared to F$3.4 billion as of 31 December 2013. This was attributable to the high positive net contribution (F$95.1 million) and high interest rate (F$175.7 million) credited to members as at 30 June 2014.

Overall, reserves increased significantly by 17.8% (F$98.8 million) to F$654.2 million as at 31 December 2014 compared to F$555.4 million as at December 2013. This was largely due to transfers from retained earnings after the declaration of the crediting rate from the last financial year.

Total contributions collected in 2014 amounted to F$402.9 million, an increase of 8.0% from F$373.2 million in 2013. Total withdrawals increased to F$307.8 million from F$291.2 million, largely due to the increase in retirement and partial withdrawals.

Given FNPF's systemic importance, the Reserve Bank continued to closely monitor the ongoing reform programme FNPF is currently undertaking. Monthly prudential consultations were convened with discussions focusing on the progress of the reform actions on investment rehabilitation and the implementation of the FNPF's new information system.

Capital Markets Industry

In 1996, the Capital Market Development Authority Act was enacted to govern, regulate and supervise the capital markets and, in 1998, the Capital Markets Development Authority (the "**CMDA**") was established. The CMDA concentrated on developing and regulating the capital markets and promoting awareness of the bond market. As part of its regulatory function, the CMDA licenced intermediaries and conducted routine and specialised inspections of the books and records of licensees to ensure compliance. It also carried out market surveillance and approved and supervised the operations of the South Pacific Stock Exchange ("**SPSE**").

In August 2009, the administration of the CMDA was transferred to the Reserve Bank as part of the Government's ongoing review of the financial services sector and the overall and continuing reform of the public sector to bring about greater efficiency and cost savings. The reforms brought about by relevant legislation further enhanced the professional support and added institutional strength to the operations of the capital markets industry.

The expansion of Fiji's capital markets continues to remain a priority for the Reserve Bank. In 2014, three working groups were established to assist the Capital Markets Development Taskforce with the implementation of the "Capital Markets Development Master Plan 2020". The first working group focused on building investor awareness and capacity, the second group looked into initiatives for capital industry development and the third working group was assigned to strengthen the legislative environment for capital markets.

The capital markets accounted for approximately 1.09% and 0.68% of the financial system in Fiji as at 31 December 2013 and 2014, respectively. The capital markets in Fiji comprise securities traded on the stock market, the bond market, the unit trust market and the over-the-counter ("**OTC**") equity market.

The following table shows the composition of the capital markets in Fiji as at the dates indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Bond market	3,212	3,025	2,972	2,930	2,932
Equity market	778	744	816	768	907
Unit trust market	113	117	123	142	174
OTC equity market	60	63	61	45	57
Total	4,163	3,949	3,972	3,885	4,070

Note:

As at 31 December 2014, the market capitalisation of the stock market stood at F$907.2 million, whilst funds under management in the unit trust market was F$174.0 million, the market value of outstanding bonds in the bond market stood at F$2,932 million and the market capitalisation of the over-the-counter ("**OTC**") market stood at F$57 million. These levels represent an increase of 0.6% from F$901.5 million in the equity market, an increase of 50% from F$116 million in the unit trust market and a decrease 2.4% from F$3,003 million in the bond market, respectively, as at 31 December 2009. The OTC market was valued at F$60.5 million in 2009.

Fiji's equity market includes 17 companies listed on the SPSE, four unlisted companies registered and trading on the OTC registry as well as unlisted issuers which have raised funds domestically in the capital markets. Unlisted companies trade on the Kontiki Price Matching Service ("**KPMS**") and OTC trading desk provided by the licensed investment adviser firm Kontiki Capital Limited. KPMS, which provides an over-the-counter price matching system/trading registry for four unlisted public companies, recorded trades totalling 0.2 million shares with a consideration of F$0.6 million. The market capitalisation of companies under this trading registry increased by 9.4% in 2014, to F$57.3 million as of 31 December 2014.

Licences are issued by the Reserve Bank to investment advisers, brokers, dealers, stock exchange and unit trusts. At present, the KPMS and the clearing and settlement services and registry and central depository services provided by the stock exchange are yet to be separately licensed by the Reserve Bank. Licences are renewed on an annual basis. The Reserve Bank has powers to place conditions on, suspend or revoke any licence it issues. All new listings on the stock exchange are also approved by the Reserve Bank prior to listing.

Investor education and public awareness

The Reserve Bank undertakes general public awareness activities to encourage investing as a means to meet long-term financial goals and to enable investors to make informed investment decisions and protect their financial interests. At the same time, the Reserve Bank is working with the SPSE on a marketing campaign to encourage companies to list and raise capital through the capital markets in Fiji.

Foreign Exchange Industry

Under the Exchange Control Act Cap 211 Rev. 1985, only foreign exchange dealers that are authorised by the Minister for Finance ("**Authorised Dealers**") are allowed to conduct foreign exchange businesses. In November 2002, the power to licence, control and monitor the Authorised Dealers was delegated to the Reserve Bank.

There are three categories of Authorised Dealers in Fiji:

- money changers — who are restricted to foreign exchange dealings in travel related transactions only. Money changers are allowed to convert travellers' cheques and foreign currency notes to Fijian currency and vice versa, remit proceeds of repatriated Fiji currency notes and issue bank drafts;

- restricted foreign exchange dealers — who are allowed to conduct transactions permitted for money changers as well as additional transactions such as telegraphic or electronic transfers for payment and receipt of funds and any other payments as specified by the Reserve Bank; and

- fully authorised foreign exchange dealers — who are allowed to conduct all types of foreign exchange transactions. Commercial banks are classified as fully authorised foreign exchange dealers.

In 2014, GCC Exchange was granted a licence to operate as a restricted foreign exchange dealer, increasing the number of licensed foreign exchange dealers to nine, while the number of licensed money changers remained at two.

The Reserve Bank monitors transactions in the derivatives market to ensure compliance with Reserve Bank of Fiji Prudential Standards and Guidelines. In 2014, the forward foreign exchange market recorded an increase in the number of contracts written but a decrease in the total value of transactions when compared to the previous year. In addition, foreign currency options were reintroduced into the market on a limited basis.

Non-Bank Financial Institutions

NBFIs are those that do not accept deposits from the public and, therefore, are not classified as engaging in banking business as defined under the Banking Act. These include the FNPF, Fiji Development Bank, Unit Trusts, National MBF Finance (Fiji) Limited and the Housing Authority.

At present, the Reserve Bank does not regulate NBFIs, other than the FNPF and Unit Trusts. The Reserve Bank receives voluntary submissions of returns from unregulated institutions for statistical purposes.

Risk Management

Risk management is an integral aspect of the Reserve Bank's daily operations. The Reserve Bank faces many risks, some general, while others are unique to central banks. The Reserve Bank identifies risks and implements controls in its operation and management of foreign reserves holdings. The other major financial risks that the Reserve Bank faces are liquidity risk, credit risk, market risk and operational risk.

Relevant committees are set up to ensure that risk is appropriately managed through vigilant monitoring of economic developments and pre-emptive monetary policy formulation. This is to ensure that the financial system is sound and stable and the Reserve Bank's reputation and credibility is maintained.

Other risks relate to:

- *Staff turnover* - the RBF being a relatively small organisation means that any loss of key staff can have a significant impact;

- *Currency* - such as counterfeit, adequacy and safety issues; and

- *The operations of Fiji's payments system, FIJICLEAR* - due to technical issues.

In line with the Reserve Bank's Strategic Plan 2014-2018, a new group was established in 2014 to add a second layer of defence in the management of risks. There was greater bank wide awareness conducted on the risk identification and assessment process, to streamline and standardise the methodology used by the teams in managing their risks. A risk register was compiled and reviewed quarterly.

The Business Continuity Plan ("**BCP**") continued to be rolled out during 2014. In addition, the Reserve Bank implemented other initiatives including planning and documenting procedures for reference, as well as strengthening procedures in the case of natural disasters.

The BCP strategy includes a Business Resumption Site ("**BRS**") as a backup site for critical operations if the Reserve Bank's main building is for some reason, inaccessible, or if the systems in the building are inoperable. Critical operations include foreign reserves management, settlements and some domestic market processes including FIJICLEAR operations. The site also houses the Reserve Bank's archives.

During 2014, the Reserve Bank continued to invest in technology at the Reserve Bank's BRS and trained staff to ensure they are ready to carry out business recovery during and after a crisis situation with minimal disruption. This included quarterly simulation testing of systems, particularly critical operations such as foreign reserves management, settlements, domestic market processes and FIJICLEAR operations. The Reserve Bank continued to conduct training, drills and call tree exercises to familiarise staff with emergency response procedures and to enhance disaster preparedness and planning and continued to review and strengthen its processes relating to BCP.

Monitoring of the performance and operational procedures of the Reserve Bank relating to its external and domestic investments is continued by its middle office function. An outsourced internal audit function by the accounting firm, Ernst & Young, provided the Reserve Bank with information on risk areas that need to be addressed. Areas for improvement that are identified by internal and external sources are addressed as appropriate. The recommendations of the special audit on the IT operations of the Reserve Bank continue to be implemented. The Board, the Board Audit and Risk, the Board Governance and the in-house Risk and Business Continuity Management Committees also contribute to the review and strengthening of the Reserve Bank's risk management process.

Financial Sector Reforms

The Reserve Bank seeks to align financial supervision policies to international practice and standards. In 2009 and 2010, amendments to capital markets legislation were made and implemented.

The Reserve Bank continues to coordinate the implementation of the recommendations of the FSAP for Fiji on its financial system which was conducted in 2006 by the IMF and the World Bank.

In 2007, the Reserve Bank launched its Real Time Gross Settlement System, known as FIJICLEAR making Fiji the first country in the South Pacific to have a modernised payment system. In 2014, FUJICLEAR recorded a total of 102,896 transactions valued at F$85.5 billion. Transaction volume grew by 17.2%, while the total value rose by 21.1%.

The following table shows the monthly average number of FIJICLEAR transactions as at the dates indicated:

Monthly Average	**2010**	**2011**	**2012**	**2013**	**2014**
			(F$ million)		
Gross Payments	7,096	5,885	5,612	5,879	7,122
No. of Transactions	5,414	5,550	5,914	7,316	8,573

Source: The Reserve Bank

The Reserve Bank continues to work closely with commercial banks to provide basic banking services in rural areas. In 2009, the Reserve Bank established the Financial System Development Group to develop various aspects of the Fijian financial system including financial inclusion, capital markets development and complaints management. As a result of the work of this group, the Reserve Bank has been able to facilitate the development of rural banking, micro-finance, mobile banking, mobile money through the mobile network operators, SME banking initiatives and consumer complaints management amongst the South Pacific nations.

The National Financial Inclusion Taskforce was established in February 2010 to drive the medium-term strategy for financial inclusion in Fiji and to reach at least 150,000 adults without bank accounts by 2014. This target was achieved at the end of December 2014. The Reserve Bank is now working on a new medium term strategy 2016 — 2020 to further financial inclusion in Fiji.

In December 2009, the Reserve Bank issued Banking Supervision Policy 14 to commercial banks to set up internal micro-finance divisions and units with a view to stimulate and support the growth of the micro, small and medium enterprise ("**MSME**") sector. The Reserve Bank continues to work closely with Government on further developing the MSME sector in Fiji. In 2012 Government introduced an SME Guarantee Scheme, administered by the Reserve Bank of Fiji, aimed at improving accessibility of finance to the SME sector. The Reserve Bank has also initiated work on the development of secured transactions legislation for Fiji under the guidance of a Secured Transaction Reform Taskforce and the technical assistance of the ADB's Private Sector Development Initiative.

The Reserve Bank issued the Banking Supervision Statement Number 12, "Minimum Guidelines for the Establishment of a Local Advisory Board" to licensed commercial banks on 17 December 2009. The objective is to assist banks to align their strategies to Fiji's regulatory and supervisory environment as well as national development objectives, including those on the provision of financial services to the wider community.

In 2014, the Reserve Bank progressed work on legislation to govern payment systems in Fiji, a Capital Markets Development Master Plan and a Financial Sector Development Plan for 2015 to 2025. The payments system legislation aims to strengthen the legal framework by providing the Reserve Bank with administrative powers to oversee the effective and efficient operation of the national payment system. The draft legislation is currently with Government for vetting and approval. The development plans are expected to be formalized in 2016.

Financial Markets

Money Market

The money market consists of short-term securities issued by the Government and statutory corporations. To meet short-term funding requirements, treasury bills are issued by the Government and promissory notes by statutory corporations. In addition, commercial banks engage in the overnight interbank market to meet short-term liquidity needs.

Money market rates remained low in the first half of 2014 and increased during the second half of the year. The 91 day treasury bill rate which stood at 0.30% at the beginning of the year rose to 2.50% at year-end. Similarly, the 182-day rate rose by around 237 basis points to end the year at 3.52%.

During 2014, a total of F$346.5 million was raised in the money market compared to F$166.5 million for the year ended 31 December 2013, representing a 108.1% increase. Total funds raised amounted to F$325.0 million in 2012. The increase was largely due to the Government raising funds to roll-over maturing treasury bills.

The Primary Bond Market

The bond market is a major source of financing for the public sector. Bonds are issued by the Government as well as statutory corporations. All Government and statutory corporation bonds carry fixed rates and pay coupons semi-annually. Although corporate bonds (which may have different interest features) are permitted, there are none currently in issue.

Fiji dollar-denominated Government bonds issued by the Ministry of Finance make up a significant proportion of the bond market. These bonds are issued with standard maturities of two years, three years, six years, eight years, 10 years and 15 years and are sold on a tender basis by means of competitive and non-competitive bidding.

As at 31 December 2014, the total principal amount of bonds outstanding was F$2.93 billion, the same as the 2013 year-end level. Of the 2014 total, Government bonds amounted to F$2,695.2 million, or 91.9% of the total bond market. Statutory corporation bonds as at 31 December 2014, amounted to F$237.0 million, a decrease of 24.5% from F$295.1 million as at 31 December 2013.

In 2014, the Government issued an additional F$10.0 million in fixed income securities marketed for retail investors ("**Viti Retail Bonds**") following strong demand during the two previous years. Viti Retail Bonds valued at F$5.6 million were issued to 77 investors in 2014, slightly lower than the F$6.8 million issued to 78 investors in 2013. As part of its commitment to developing the bond market, the Reserve Bank continued to purchase Viti Retail Bonds from bondholders that wished to liquidate their investments. In 2014, the Reserve Bank bought 23 parcels of Viti Retail Bonds valued at F$0.3 million. This compares with the 15 parcels of Viti Retail Bonds valued at F$0.06 million purchased in 2013.

Since the financial sector reforms in the early 1980s, the Government has taken various initiatives to strengthen the financial structure of Fiji, to promote a competitive financial environment and to introduce new financial instruments. In the 1990s, callable options on Government bonds were introduced, and additionally the publication of the yield curve and the price list for bonds issued by the Government and other statutory corporations on the website of the Reserve Bank begun.

The following table shows a breakdown of the level of outstanding bonds by issuer as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014
			(F$ million)		
Government	2,759.3	2,663.3	2,622.1	2,635.3	2,695.2
Fiji Development Bank	212.4	134.8	146.7	117.3	120.9
Fiji Electricity Authority	124.5	113.0	91.0	75.5	62.5
Housing Authority	83.5	81.0	80.0	69.8	53.6
Fiji Sugar Corporation	32.5	32.5	32.5	32.5	—
Total	3,212.2	3,024.6	2,972.3	2,930.4	2,932.1

Source: The Reserve Bank

In addition to bonds, the Government also issues treasury bills. The following table shows the amount of flotations, allotments, redemptions and outstanding treasury bills as at the dates indicated:

	As at 31 December				
	2010	2011	2012	2013	2014
			(F$ million)		
Flotations	680.0	430.0	295.0	158.0	360.0
Allotments	688.7	413.8	308.0	138.5	309.5
Redemptions	713.3	418.1	266.7	148.3	281.5
Outstanding	75.4	71.1	112.4	102.6	130.6

Source: The Reserve Bank

Secondary Bond Market

Although a small percentage (less than 0.1%) of bonds are listed, in practice trades in the secondary bond market are usually carried out on an OTC basis by institutional investors including the Reserve Bank. In 2014, activity in the secondary bond market largely comprised the Reserve Bank's purchases of Viti Retail Bonds. In comparison, the previous year saw 29 bonds valued at F$3.1 million change hands. The result was expected given the high system liquidity and limited reinvestment opportunities.

The Stock Market

The South Pacific Stock Exchange (SPSE) is the sole licensed stock exchange in Fiji, a locally-incorporated company governed by a board of eight members. Fiji's equity market includes 17 companies with 18 listed securities on the SPSE. The market capitalisation for the listed companies as at 31 December 2014 was F$907 million, an 18.1% increase from F$768.1 million as at 31 December 2013. While the level of trading, by volume and value of shares traded on the stock exchange decreased significantly in 2014, the Market Capitalisation and South Pacific Stock Exchange Total Return Index ("**STRI**") increased. In line with the increase in market capitalisation, the STRI which is a measure of stock market performance showing total returns in form of price, dividend and interest returns, increased significantly by 23.2% and stood at 2,298.1. In 2014, a total of 6.9 million shares and notes were traded in 1,206 transactions, resulting in a total consideration of F$8.6 million. This was a significant decline compared to 8.2 million shares and notes with a total consideration of F$12.7 million recorded in 2013.

The Unit Trust Industry

The unit trust industry comprises three funds: Fijian Holdings Unit Trust, Unit Trust of Fiji and Fijian Holdings Property Trust. Funds under management in the unit trust market increased by 22.6% in 2014 from F$142.3 million. This was due to the continuous growth in unit sales which exceeded the level of redemptions and recorded a net value of F$28.2 million in 2014, compared to F$18.5 million recorded in 2013. In terms of the unit trusts' investment portfolio, unlisted securities dominated 28.3% followed by bonds (24.0%), listed securities (18.1%), loans and receivables (16.5%), deposits held at financial institutions (11.9%), and 'others' (1.1%). The number of unit holders grew by 18.0% to 21,181 in 2014 and 73.9% of these were private individuals while institutions and other groups accounted for the remaining 26.1%.

Foreign Exchange System

Since 1975, the Reserve Bank has maintained a fixed exchange rate system. Under this system, the value of the Fiji dollar is determined on the basis of a weighted basket of currencies, comprising the Australian dollar, New Zealand dollar, US dollar, Euro and Japanese Yen. The weightings used in the basket are determined by factors such as Fiji's exposure to trade and tourist transactions in the respective currencies. The weights are reassessed annually to align the weightings in the basket to reflect recent trends in trade.

The following table shows the exchange rates between the Fiji dollar and the currencies of Australia, New Zealand, Japan, the United States and the Euro-zone, respectively, as at the dates indicated:

	Period average				
	2010	2011	2012	2013	2014
AUD/FJD(1)	0.5679	0.5412	0.5395	0.5622	0.5874
NZD/FJD(2)	0.7229	0.7064	0.6900	0.6626	0.6384
JPY/FJD(3)	45.73	44.54	44.57	52.98	56.02
USD/FJD(4)	0.5216	0.5589	0.5587	0.5432	0.5303
EUR/FJD(5)	0.3938	0.4014	0.4348	0.4093	0.3991

Note:

(1) AUD — Australian dollar

(2) NZD — New Zealand dollar

(3) JPY — Japanese Yen

(4) USD — US dollar

(5) EUR — Euro

Source: The Reserve Bank

Inflation

Inflation in Fiji is measured by the year-on-year changes in the Consumer Price Index ("**CPI**"), with a reference base of 2011. The CPI is calculated using the Laspeyres index formula and is measured on a monthly basis by the Fiji Bureau of Statistics. The CPI tracks the price changes in relation to a basket of goods consisting of food and non-alcoholic beverages, alcoholic beverages, tobacco and narcotics, clothing and footwear, housing, water, electricity, gas and other fuels, furnishing, household equipment and routine household maintenance, health, transport, communication, recreation and culture, education, restaurants and hotels and miscellaneous goods and services. Disregarding the fluctuations in the CPI as a result of the introduction of the VAT and the currency devaluations in 2009, Fiji's average inflation was 3.6% over the last ten years. This is largely due to the fixed exchange rate regime and the system of price controls. Inflationary pressures remained subdued in 2014, largely reflective of soft trading partners' inflation and the persistent weakness in international oil and food prices, Inflation as at 31 December 2014 was 0.1%, compared to 3.4% as at 31 December 2013 and 2.5% as at 31 December 2012.

Under the Counter Inflation Act enacted in 1973, price ceilings for certain goods are set by the Commerce Commission. Price-controlled items such as milk, bread, chicken, rice, sugar, salt, kerosene, tires and text books are divided into three categories where different rules determine their maximum wholesale and retail prices or maximum ex-factory prices. Prices are either set by a percentage mark-up formula or by the Commission.

The following table outlines the levels of inflation for the major categories of goods that are in the CPI basket for the years indicated:

	Year-on-Year Inflation (%)				
	2010	2011	2012	2013	2014
Food and non-alcoholic beverages	3.3	10.7	3.8	5.1	1.5
Alcoholic beverages, tobacco and narcotics	1.8	9.4	11.7	6.1	14.3
Housing, water, electricity, gas and other fuels	21.5	2.1	1.2	0.9	-1.4
Furnishings, household equipment and routine household maintenance	2.4	4.0	-0.5	2.9	1.6
Health	5.8	4.9	6.9	2.1	4.4
Communication	0.0	-0.4	-0.5	0.0	0.1
Clothing and footwear	2.6	1.5	0.5	3.3	0.5
Transport	0.6	10.9	0.6	(0.1)	-2.2
Recreation and culture	0.5	-0.7	1.0	7.6	-1.1
Education	-2.3	1.0	1.0	6.5	-17.1
Restaurants and hotels	4.0	4.7	10.5	8.4	3.5
Miscellaneous goods and services	0.6	0.1	(0.2)	(0.3)	1.3
Year-end Inflation	3.6	6.4	2.5	3.4	0.1

Source: Fiji Bureau of Statistics

Inflation was 1.4% in July 2015, an increase from 0.8% noted in July 2014. On a monthly basis, consumer prices rose by 0.2% in July 2015. The increase was dominated by the food and non-alcoholic beverages and alcoholic beverages, tobacco and narcotics categories.

Monetary Policy

The Reserve Bank promotes price stability, maintains a low and stable inflation environment and ensures an adequate level of international reserves through its monetary policy. Historically, the Reserve Bank relied on a variety of direct controls on the quantity of commercial bank lending and on the interest rate at which loans were provided to implement its monetary policies. In the late 1980s, the Reserve Bank shifted from these measures to conducting monetary policy through open market operations, influencing interest rates indirectly by affecting liquidity conditions in the money market.

To improve the effectiveness of monetary policy implementation, the Reserve Bank revised its market-based monetary policy framework in May 2010. Under the new framework, the Reserve Bank sets the overnight policy rate (the "**OPR**") and conducts open market operations ("**OMO**") with 14-day Reserve Bank Notes to influence the interbank rate close to the OPR. The interbank rate also fluctuates within an interest rate band with a repurchase facility rate serving as an upper bound (OPR plus 50 basis points) and the remuneration rate on Banks Demand Deposits ("**BDD**") serving as a lower bound (OPR less 50 basis points). Throughout 2014, the Reserve Bank maintained an accommodative monetary policy stance and kept the OPR at 0.5%. Liquidity levels during the year were consistent with the monetary policy stance and as a result there were no Reserve Bank Notes issued and consequently no monetary costs for the year. The Fijian economy has sustained growth momentum over the past few years. Consumption and investment spending by businesses and households remained firm, supported by strong credit growth. Sectoral performances of sugar, tourism, construction and financial services were higher than expected. An expansionary fiscal stance and the successful transition to parliamentary democracy provided further impetus to general business investor confidence. The growth in domestic economic activity was at 5.3% in 2014, reflecting the fifth consecutive year of positive growth for the economy.

Over the past few years, the economy has been largely consumption driven, supported by strong credit growth and resulting in rising imports, to which high crude oil prices have further contributed. However, more recently the Reserve Bank has looked to move the economy away from being driven by consumption to being driven by exports, focusing monetary policy in two areas.

The first was to address high levels of credit growth experienced from 2003 onwards, during which time commercial bank lending to the private sector was growing by over 30% per annum. The Reserve Bank began to reduce this growth in 2004 by raising its Policy Indicator Rate. In response to the political crisis of 2006, the Reserve Bank decided to put aside its market based approach to implementing monetary policy and instead adopted a pragmatic strategy which it viewed as being more effective in such situations. The Reserve Bank imposed a credit ceiling on commercial banks' lending in December 2006 and suspended OMO until May 2010, when the OMO was revived.

Secondly, the Reserve Bank continued to relax restrictions on exchange control transactions in light of the increased level of foreign reserves. This included for the first time since 2000, the delegation of emigration allowance approvals to commercial banks and restricted foreign exchange dealers for amounts up to F$250,000 per annum. Similarly, delegated limits on other personal payments for gifts, maintenance and wedding were increased from F$500 to F$2,000, while the limit on profit repatriation by businesses was raised to F$1,000,000 from F$500,000. During the year and following collaboration with Fiji Revenue and Customs Authority, the threshold for requiring a tax clearance certificate was raised from F$2,000 to F$20,000. In addition, documentary requirements including a Withholding Tax Receipt and Tax Identification Number were introduced for certain personal and commercial transactions below F$20,000.

Given the comfortable outlook for foreign reserves in the medium term, the Reserve Bank further eased exchange controls for selected payments. The relaxations were announced by the Minister of Finance during the National Budget Address and are effective from 1 January 2015.

As a result, foreign reserves stabilised and liquidity rose significantly. To mitigate the potential threat that high liquidity levels could pose to monetary policy objectives, the statutory reserve deposits ("**SRD**") were raised from 8.5% to 10% in July 2010 and this has been maintained since then. The raising of SRD supplements measures taken by the Reserve Bank to ensure that liquidity in the banking system is maintained at an acceptable level while safeguarding Fiji's foreign reserves. With bank liquidity (including branch office profits) expected to remain above F$250 million (including retained earnings) (as at 31 December 2014 it totalled F$514.2 million), this is not expected to put any upward pressure on interest rates. Commercial banks have also been encouraged to utilise the ample funds available, to lend to priority sectors in order to support growth, exports and investment.

The Reserve Bank also introduced a disaster rehabilitation facility for businesses affected by tropical cyclone Tomas in March 2010. The loan facility had similar conditions to the flood rehabilitation facility ("**FRF**") and was meant to complement assistance already announced by some of the other financial institutions. The scheme was available until 30 June 2010 then reintroduced in January 2012 following flash flooding in the Western Division of Viti Levu. The facility was made available until 31 December 2012. In January 2013 the facility was renamed as the "Natural Disaster and Rehabilitation Facility (NDRF) to cater for any declared natural disaster. The approved allocation has been set at $40 million.

In July 2010, the Reserve Bank rationalised the Export Finance Facility and Import Substitution Facility into a single entity called the Import Substitution and Export Finance Facility ("**ISEFF**"). The ISEFF was initiated to improve utilisation as there was limited uptake from the two Facilities. A number of changes were made to make the Facility more attractive including reduced administrative requirements, streamlined approvals process and no minimum eligibility funding. An initial allocation of $40 million was increased in 2012 to $80 million due to increased demand. On 1 September 2009, the Reserve Bank removed the ceiling on commercial bank credit, to ease commercial bank lending to high priority sectors and assist in the recovery of the economy. An important feature of this new framework is the disclosure of reasons for any widening of commercial banks' interest rate spread from the current levels of 4%. In addition, the banks will be required to publish their Base Lending Rates, which will serve as a reference rate for the public.

As the Reserve Bank had suspended OMO in 2010 and with the OPR set at 0.5% there has been no monetary policy costs incurred by the Bank since 2012.

On 1 January 2010, the lending rate and interest rate spread policies implemented on 15 April 2009 were removed. However, all commercial banks were advised to disclose and justify the reasons for any increase in spread above 4% to the Reserve Bank.

The Reserve Bank's monetary policy is expected to continue to focus on the developments in the Reserve Bank's twin objectives of low inflation and adequate foreign reserves. In considering future monetary policy actions, the Reserve Bank will take into consideration issues such as the outlook in foreign reserves and general price level and also consider performances of major sectors and industries, the fiscal policy stance, export performance, growth in domestic credit and commodity prices.

Money Supply

The following table shows the level of the money supply as measured by the different measures of money as at the date indicated:

	As at 31 December				
	2010	**2011**	**2012**	**2013**	**2014(p)**
			(F$ million)		
Currency	383.90	398.55	436.93	441.56	492.28
Demand Deposit(1)	1,027.07	1,592.82	1,660.85	3,068.01	3,213.66
Total (M1)(2)	1,410.98	1,991.37	2,097.78	3,509.56	3,705.93
Quasi Money(3)	3,402.16	3,939.96	4,189.94	5,162.21	5,707.10
Broad Money(4)	4,075.00	4,525.18	4,809.79	5,723.97	6,320.87

Source: The Reserve Bank

Note:

(1) This includes local bills payable.

(2) This includes notes, coins and demand deposits.

(3) This includes savings and time deposits.

(4) This includes both M1 and quasi money.

(p) provisional

- *Narrow Money — M1*

In 2012, M1 increased by 5.3%. For the year ended 31 December 2013, M1 increased by 67.3% and rose further by 5.6% as at 31 December 2014. This was mainly on account of the marginal pick-up in the growth of currency in circulation which rose by 11.5% and a rise in demand deposits which increased by 4.7% over the same period.

- *Quasi Money*

Quasi money comprises of savings and time deposits. In 2014, quasi money increased by 10.6% compared with a growth of 23.2% in 2013. Savings and time deposits grew by 4.6% and 21.2%, respectively, in 2014. This growth in savings deposits and time deposits were supported by increases in savings and time deposit rates over the same period.

As at 31 December 2014, total savings deposits amounted to F$304.5 million while total time deposits were F$2,213.1 million. As at 31 December 2013, time and savings deposits were F$291.2 million and F$1,825.8 million, respectively.

- *Broad Money — M3*

In 2012, the broad money increased by 6.3%. This was a result of domestic credit which grew by 2.8% led by the growth in private sector credit which increased by 6.8%. The increase was supported by increased economic activity and low interest rates which increased both corporate and private individuals' appetite for credit.

As at 31 December 2013, the level of M3 was approximately F$5,722.9 million, representing an expansion of 19.0% as compared with the level in December 2012. This was largely a result of growth in narrow money (67.3%) underpinned by growth in demand deposits (84.7%) over the same period. As at 31 December 2014, M3 was approximately F$6,320.9 million, representing a 10.4% growth over 2013.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Fiji of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes.

Fiji

Payments of interest in respect of the Notes are in principle subject to income tax in Fiji in the hands of both resident and non-resident holders. However, the interest payable on the Notes is exempt from Fiji non-resident withholding tax and, accordingly, no withholding tax will, as a matter of the laws of Fiji, be required to be withheld or deducted by the Issuer on such payments to any holder of a Note.

Residents of Fiji will be assessable to income tax on the interest accruing on the Notes. A resident of Fiji, for income tax purposes, is:

(a) in the case of an individual, a person who resides in Fiji, is domiciled in Fiji or has been resident in Fiji for more than half of the income year;

(b) in the case of a company, a company that is incorporated in Fiji, carries on business in Fiji, has Fiji as the place of its practical management and control or has its voting powers controlled by Fiji resident shareholders; and

(c) in the case of a trust, based on the residence of its trustees.

No stamp duties or similar taxes or charges are payable under the laws of Fiji in respect of the execution, issue, sale or transfer of the Notes.

Fiji currently has no estate duty, inheritance tax or gift tax.

Capital gains tax should not apply to disposals of the Notes by investors as the Notes should not be regarded as property situated in Fiji.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the

Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Directive to payments made to, or collected for, certain other entities and legal arrangements.

They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

ENFORCEABILITY OF FOREIGN JUDGMENTS IN FIJI

Enforceability in Fiji of a final judgment rendered by the High Court in England against the Issuer for the payment of a sum of money may be registered by the High Court of Fiji in accordance with the provisions of the Reciprocal Enforcement of Judgments Act (Cap. 39) (the "**REJA**"), subject to certain requirements described below.

Under the REJA, a judgment of the High Court in England is enforceable by the High Court of Fiji if that judgment is registered in the High Court of Fiji under the REJA. No judgment shall be ordered to be registered by the High Court of Fiji if that court determines that: (a) the original court acted without jurisdiction; or (b) the defendant/judgment debtor, being a person who was neither carrying on business nor ordinarily resident within the jurisdiction of the English court, did not voluntarily appear or otherwise submit or agree to submit to the jurisdiction of that court; or (c) the judgment debtor, being the defendant in the proceedings, was not duly served with the process of the English court and did not appear, notwithstanding that he was ordinarily resident or was carrying on business within the jurisdiction of that court or agreed to submit to the jurisdiction of that court; or (d) the judgment was obtained by fraud; or (e) the judgment debtor satisfies the High Court of Fiji either that an appeal is pending, or that he is entitled and intends to appeal, against the judgment; or (f) the judgment was in respect of a cause of action which for reasons of public policy or for some other similar reason could not have been entertained by the High Court of Fiji.

Under the REJA, a judgment creditor in relation to a judgment obtained in the High Court of England may apply to the High Court of Fiji to register the judgment within twelve months of the judgment or such longer period as may be allowed by the High Court of Fiji.

In proceedings against the Issuer before the Fijian courts, the courts of Fiji have no power to grant injunctions or make orders for specific performance. They may, in lieu of such orders, make orders declaratory of the rights of the parties.

The holder of a judgment or order against the Issuer may, after 21 days from the date of any such judgment or order, apply to the High Court of Fiji for the issue of a certificate under section 20 of the State Proceedings Act. Upon service of that certificate on the Attorney-General of Fiji, the Chief Accountant of the Government is obliged to make payment of any sum of money stated on the certificate to be due and payable, together with any interest to which such person is lawfully entitled.

Other than by the process above, no execution nor attachment of process in the nature of attachment or process shall be issued out of any Fijian court for enforcing payment by the Issuer of any money or costs.

SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a Subscription Agreement dated 22 September 2015 (the "**Subscription Agreement**"), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at the issue price of 98.957 per cent. of their principal amount of the Notes. The obligations of the Lead Manager under the Subscription Agreement will be subject to certain conditions precedent and the Lead Manager will be entitled to terminate the Subscription Agreement in certain circumstances prior to payment being made to the Issuer. In addition, the Issuer has agreed to reimburse the Lead Manager, or otherwise be responsible, for certain of its expenses in connection with the issue of the Notes.

Participation by the Government

The Government and any governmental agency of the Government may purchase a portion of the Notes.

A "**governmental agency of the Government**" means any governmental agency, any institution under the direct or indirect control of the Government or any governmental agency acting at the direction of, or on behalf of, the Government. Regulation of financial institutions in the Government by regulatory authorities of the Government does not constitute control for this purpose.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager has represented that it has not offered or sold, and agreed that it will not offer or sell, any Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

The Lead Manager has represented and agreed that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Fiji

The Lead Manager has represented and agreed that it has not offered or sold Notes and will not offer or sell Notes (whether directly or indirectly) in Fiji, to residents of Fiji or for the account or benefit of residents of Fiji.

Hong Kong

The Lead Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "**SFA**"). Accordingly, the Notes may not be offered or sold, or made the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Italy

The Lead Manager has represented and agreed that since the offering of the Notes has not been registered pursuant to Italian securities legislation, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(A) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(B) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(C) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Further, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on solicitation of investments applies under (i) and (ii) above, the subsequent distribution of Notes with a denomination of less than €50,000 (or its equivalent in another currency) on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to any Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). The Lead Manager has represented and agreed that it:

(a) has not (directly or indirectly) offered, and will not offer for issue or sale and has not invited, and will not invite, applications for issue, or offers to purchase, the Notes in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any information memorandum, advertisement or other offering material relating to the Notes in Australia,

unless (1) the aggregate consideration payable by each offeree or invitee is at least AUD500,000 (or its equivalent in other currencies, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act, (2) such action complies with all applicable laws, regulations and directives, and (3) such action does not require any document to be lodged with ASIC.

New Zealand

The Lead Manager has represented and agreed that: (1) it has not offered, sold or delivered and will not directly or indirectly offer, sell, or deliver any Note; and (2) it will not distribute any offering circular or advertisement in relation to any offer of Notes, in New Zealand other than:

(1) to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the Financial Markets Conduct Act 2013 of New Zealand ("**FMC Act**"), being a person who is:

  (a) an "investment business";

  (b) "large"; or

  (c) a "government agency",

  in each case as defined in Schedule 1 to the FMC Act; and

(2) in other circumstances where there is no contravention of the FMC Act, provided that (without limiting paragraph (1) above) Notes may not be offered or transferred to any "eligible investors" (as defined in the FMC Act) or any person that meets the investment activity criteria specified in clause 38 of Schedule 1 to the FMC Act.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would permit a public offering of the Notes, or possession or distribution of this Offering Circular, in any country or jurisdiction where action for that purpose is required. The Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number for the Notes is XS1280754968 and the Common Code is 128075496. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

2. The Issuer has obtained all necessary consents, approvals and authorisations under the laws of Fiji in connection with the issue and performance of the Notes.

3. The Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts which are material in the context of the issue of the Notes, nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

4. Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed or reports contained in this Offering Circular. Approval in-principle from, admission of the Notes to the Official List of, and listing and quotation of the Notes on, the SGX ST are not to be taken as an indication of the merits of the Issuer or of the Notes.

   So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for definitive Certificates the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

5. Copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

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Ministry of Finance
Government Buildings
Suva
Fiji Islands

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