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Analysing Fiji's Budget amid COVID-19 – A Fiscal Overdrive without Hope

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Abstract

During the global pandemic, national progress went into silence. The whole economy suffered the raging impact of COVID-19. The government had to force its way into creating new policies and revising the existing budget to encounter COVID-19. The paper aims to evaluate the national budget and its responses given by the Fijian Government concerning economic recovery amid the COVID-19 pandemic. The national state will prepare to encounter an economic crisis through ongoing propaganda and revision of its budget. The paper is intended to constitute and involve the fiscal policy of Fiji as to how it has changed dramatically over time to combat the global COVID-19 pandemic crisis. The script will also analyse government revenue and expenditure and its national debt situation and check if the nation is not in a dangerous financial disaster zone.

Moreover, the paper will also investigate economic stability by analysing government debts, revenue and expenditure. The research will pull meaningful resources and policies used in the past two years of the budget since the stroke of COVID-19. The Government of Fiji takes countermeasures and policy strategies to sustain such a health crisis turning into an economic disaster. Furthermore, the paper highlights mistakes and lessons learnt pre- and post-COVID-19. The research paper will scrutinise the national budget, portray theoretical findings with descriptive analyses, and conclude if the economy is prepared to control the current health outbreak crisis or if there is fiscal overdrive with no hope. The analysis will also highlight if the Fiji Government is ready to face such outbreaks and prepare for any other unforeseen natural crisis. Therefore, the paper will provide transparent, constructive, and concise arguments based on the fiscal overdrive of the national budget of Fiji.

Keywords: fiscal policy, economic recovery, COVID-19, economic stability, debt sustainability

JEL Code: E62, H61, H62

1. Introduction

The ongoing government debt and the deficit have been a prolonged issue for Fiji, with no solution. The government has tried many ways to solve this through different interventions and policies. However, it continued to fail due to inadequate planning and consultations. Fiscal policy can be an effective tool to stabilise this situation and solve this problem to a minimum. It is critical to understand the purpose of fiscal policy, especially when it needs to be rendered by the government to cover economic loss (Eslava, 2006). The budgetary fiscal policy has become a focal point towards developmental planning. It has been a growing phenomenal interest with many researchers, policymakers, pedagogical academia, and economists to explicitly understand the objectives and aims of government during the construction phase of fiscal policy. Conflict often arises during the implementation phase, especially with the political counterparts. Disapproval and arguments of government budget address often arise as it eliminates the critical areas for economic recovery and stability. The policy should focus on adaptation to offset economic fluctuations in the short run and have the ambition to support long-run growth. However, in the long run, the focus shall expand and concentrate on economic expansion and stability and promote economic growth (Misra et al., 2021).

The paper will review the budget for Fiji 2021-2022 and analyse the fiscal policy, government debts, revenue and expenditure and policies/schemes implemented to support poor people during the disastrous impact of COVID-19. The paper will also look back at the 2020-2021 budget address and determine if the government were able to combat COVID-19 through fiscal policy intervention. The research paper discusses budgetary reforms, techniques, and concentration on budget implementations of fiscal policies in Fiji. The essential concepts of fiscal policy are effectively implementing economic and accounting procedures, planning, and considering the economy's needs (Gounder, 2021a; Gosai & Kumar, 2022). Such policy's significant concerns are focused on the government's ability to generate revenue and cover costs. The fiscal policy will evolve to determine how to control expenditure and when the government needs international assistance. The policy brief will provide a fiscal policy paradigm and policies implemented towards economic recovery. As an approach to the theory of public finance, greater attention will be given to the relationship between tax revenue and the development of taxation policy with the volume of government expenditure. The synergy of such a theory will link to public borrowing (internally and externally) (Gosai & Kumar, 2022).

The global pandemic COVID-19 had a vast impact on Fiji's economy (Kumar, 2020a). The economy became vulnerable as poverty rose and unemployment increased due to the closure of businesses. Fiji faced a significant impact on tourism (the largest contributor to GDP) (Kumar, 2021; Gounder, 2021b). In 2021, tourism earnings dropped to FJD 36.5 million compared to 2020 FJD 314.9 million. Before COVID-19, in 2019, Fiji had FJD 2,065.4 million (recorded as the highest) in tourism earnings (Reserve Bank of Fiji, 2022). It shows how COVID-19 had an adverse impact on the Fijian economy, especially the tourism sector. The overall accommodation sector suffered drastically through the closure of hotels and internal/external travelling. Through the restriction, Fiji suffered mass import delays from other countries regarding raw materials for production. Micro, small, medium and even the more prominent companies faced staring problems due to the delays due to the border restrictions (Ministry of Economy, 2021). However, the government budgetary address in 2020 and 2021 primarily focused on economic survival and the revival of domestic industries. Despite the support to businesses and people in Fiji, few designed policies did not favour Fiji citizens. Many families relied on government support equally as they relied on remittances (Kumar, 2021; Gounder, 2021a; and Gosai & Kumar, 2022). Fiscal policy is an essential tool the central government uses to determine taxation and government consumption. The government will evolve its decision-making through fiscal policy intervention to achieve economic stability. Therefore, fiscal policy is considered the most effective tool for achieving economic development and growth and eliminating any problems that impede economic progress and stability (Adams & Ferrarini, 2010; Al-kasasbeh & Haron, 2018).

The paper uses pure desktop research by analysing the national budget. Through the analysis, constructive arguments will be generated, indicating if the budget and its revision have been focused on the right direction. The paper's objective is to analyse the nation's current debt and how excessive borrowing has assisted the nation during COVID-19. Furthermore, the arguments will also highlight if the borrowing has supported the people of Fiji or if it has been just another tactic of the government to get public support for the upcoming election (Gosai, 2022c). External borrowing has increased dramatically over the years. A primary objective is to see whether the country is not falling into the debt trap (Gosai, 2022b).

2. Overview of Fiji

Fiji, a developing nation, has gone through many challenges, especially natural and artificial challenges. Most commonly, Fiji is prone to climatic changes such as natural disasters. Over the years, Fiji has gone through phases of natural disasters that have massively impacted its economic progress. Despite continued international support during natural climate disasters, Fiji has continued to budget environmental and climate levies on the public to generate revenue and build a resilient economy. Fiji has been targeting greenhouse emissions through the ECAL levy. The Environmental and Climate Adaptation Levy (ECAL) (previously known as Environmental Levy) was introduced by the Government of Fiji in 2017 under the Environmental Levy Act 2015 to bolster support for climate change. The government believe it is an innovative fiscal policy to build a resilient climate environment in Fiji. The levy was introduced under the fiscal budget system to support the preservation of the environment and control any harmful damages caused to the natural environment of Fiji (Ministry of Economy, 2021; Gosai, 2022c).

Furthermore, the tax revenue was used for development projects for community educational programs for environmental conservation. The levy and act banned the use of plastic bags in Fiji. Figure 1 highlights the budget proposition allocated by the government of Fiji. It started from a six percent levy on annual turnover and increased to ten percent. Due to the recent global pandemic, the levy has been dropped to five percent. The policy was designed as such to support climate rehabilitation, climate education and a climate-resilient economy. However, the effectiveness of this policy through ECAL revenue generation seems vague as the government still needs to achieve its desired output. Regardless of the environmental levy, Fiji seeks foreign assistance in climate development and recovery. Moreover, to fight against climate change, Fiji took a leadership presidency role in COP23. However, Fiji is a tropical nation that has been continuously vulnerable to natural changes in climate conditions.

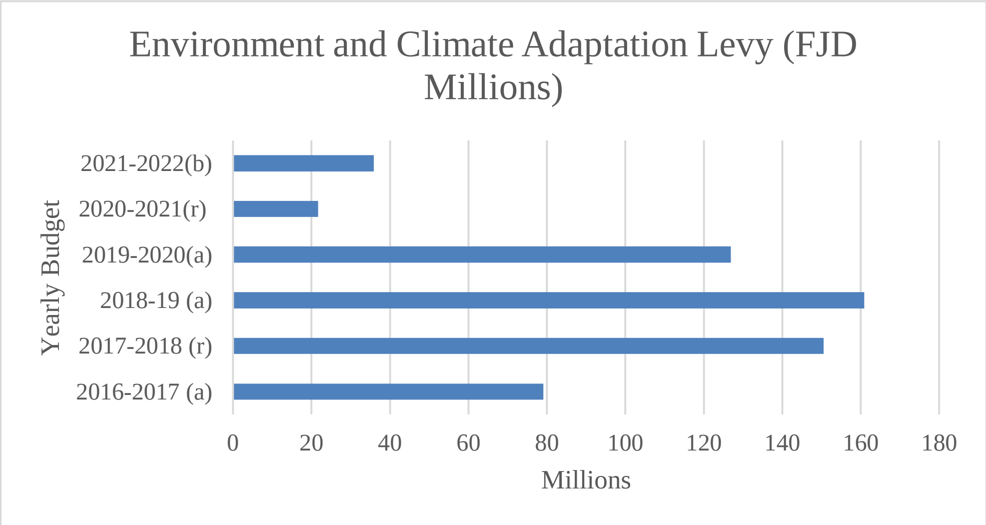

Figure 1. ECAL Fiscal Levy (FJD Millions)

(Source: Ministry of Economy - Economic and Fiscal Update – Various Years)[1]

[1] Read further: Economic and Fiscal Update Supplement to 2018-2019; 2020-2021; and 2021-2022 Budget Address.

The historical background of Fiji has been devastating, especially man-made disasters that have caused Fiji to puddle. Fiji has faced considerable political turmoil, the first in 1987. It has also caused massive damage to the economy. The skilled migration especially Indo-Fijian migration skyrocketed (Gosai & Deo, 2023). Since then, Fiji has faced numerous political instabilities, which caused damage to our economy, causing an economic downturn, especially to our historical sugar industry contribution. Since 1987, Fiji has faced property rights issues. It has been a growing phenomenon, and the government has continued to fail by addressing this issue with sustainable and adequate policies until the recent amendment of Bill 17. However, to address this growing issue, the government amended Bill 17, which came into force in 2018, further amended the act of 1986, and enforced it in 2021 (Ministry of Economy, 2021). There had been many reasons behind such political disequilibrium in Fiji, reasons as such, Fijians feared dispossession of their economic rights under Indian Government leadership. It concerned many traditional, rural, and urban-based Indigenous Fijians because Indo-Fijians held the population by the majority before the 1987 coup (Eslava, 2006).

COVID-19 has had a significant impact on the economy since 2020. It has impacted major industries and continued to multiply problems for Fiji. To combat such a crisis, the government devised different policies to support the suffering individuals, such as unemployment benefits and an increase in the budget for pension and poverty alleviation schemes. However, due to the extensive drainage of funds, the citizens had to utilise their superannuation funds and withdraw from their accounts to support their living (Kumar, 2021). The household income and expenditure survey report 2019-2020 from the Fiji Bureau of Statistics (2021) indicated that around 30 percent of Fijians were in poverty (pre-COVID-19). It has been argued that during the global pandemic, the poverty rate for Fiji must be around 50 percent as many had lost their jobs, and the majority remained on heavy pay cuts and reduced employment hours (Chaudhary, 2021; Cava, 2020; 2021). COVID-19 further has impacted the majority of MSMEs. However, the government had no plans to provide subsidies to support small businesses and sustain economic damages.

Moreover, the government provided a concessional loan system to help businesses. The business can apply for micro and small business loans and be eligible to pay back after two years. Around FJD 30 million has been invested in various industries to support MSMEs in the financial year 2020-2021 under the concessional loan funding scheme. An estimated 5,000 MSMEs were given these loan packages. To sustain public spending during COVID-19, the government increased its fiscal deficit during the COVID-19 budget response. The Government continued to add more external borrowing through bilateral and multilateral development from trading partners (Ministry of Economy, 2021).

Studying the nation’s GDP and stance on economic progress is equally important. The growth demonstrates the nation’s standing in terms of its revenue and expenditure. It is known that when the real GDP of the nation is growing, employment is growing as well, and when the GDP is shrinking and heading into a slump, there is a rise in unemployment. However, the nation’s GDP does not indicate the measure of the overall standard of living, and this would not address if the economy were reducing poverty (Gosai & Kumar, 2022).

To assess the nation's performance, GDP is the best indicator, but with limitations, one shall be mindful of it. GDP does not measure the complete welfare of the nation, and it does not consider non-market transactions. Therefore, the national budget cannot use GDP as a factor to address national issues. The budget shall address the nation's needs and provide financial resources where development is undermined.

Figure 2 demonstrates the GDP of Fiji from 1931 to 2023. The data for 2022 and 2023 is a forecast figure, and it is set to change based on economic performance.

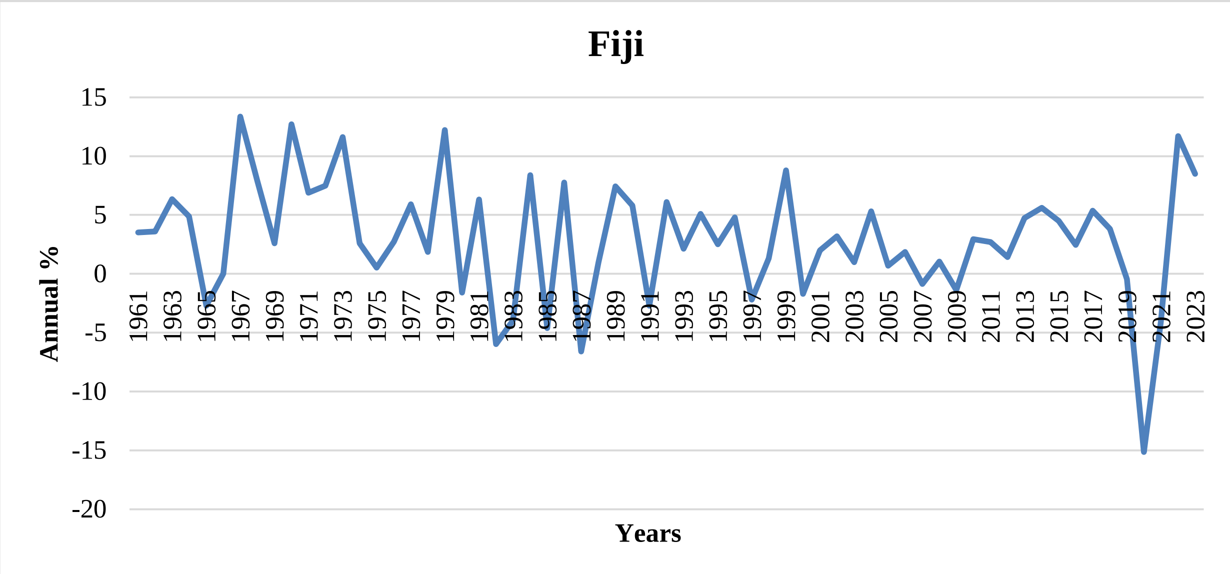

Figure 2. Fiji's GDP annual %

(Source: Asian Development Bank, 2022, Reserve Bank of Fiji, 2022, World Bank, 2022, and Ministry of Economy, 2022)

Through the years, Fiji had outstanding achievements via trade. The nation's growth rose based on performance and declined due to the impact of unforeseen situations. As indicated earlier, Fiji Islands are prone to natural disasters. Moreover, Fiji has also adopted political instability as a culture, as it has occurred in three significant turnouts in different years. Each political instability causes the nation to face drastic negative impacts. As highlighted by the figure, the 1987, 2000, and 2006 coups caused the nation to decline in growth. Apart from natural disasters and coups, in 2020, COVID-19 significantly impacted the Fijian economy. During the ravaging impact of COVID-19, individuals mainly survived on remittances sent to them by their family members living abroad (Gosai & Deo, 2023). According to IMF, in 2022, the index of economic freedom score for Fiji is 56.4, ranked 111 in the globe. From the total of 39 countries in the Asia-Pacific region, Fiji is ranked 23rd, indicating that the overall score is below the world average (IMF, 2022).

Over the past decade, the economic progress of Fiji slowed, and in 2020, the growth fell to its highest. The trend of economic freedom ended, mainly due to a decline in the score of property rights and the collapse of the nation's fiscal health. Throughout the history of Fiji, property rights have been mostly unfree, and since 2017, the economy gained its property rights freedom, reaching moderately free. However, after 2021, it declined dramatically, returning the economy to its original situation. The process of obtaining land titles has been complicated. It is because of the subjective influence of the government on the independent judiciary system. The government has also been pushing its limit extending the taxation burden on the public. The nation's tax burden increased for the government to gain more revenue to cover the expenditure. The overall tax burden in the past three years equals 22.7 percent of the total domestic income. Moreover, government spending accounted for 31.8 percent of the total output (GDP of Fiji), leading to an average budget deficit of 8.2 percent in the past three years. It equates that the average public debt for the nation to remain above 80 percent of GDP (IMF, 2022).

After the COVID-19 impact slowed down, the economy started to recover. However, the country lost their labour freedom as the government made it clear for everyone to be fully vaccinated before resuming work. The government created a "No Jab - No Job" rule. The policy placed immense pressure on businesses, further reducing business freedom in Fiji (IMF, 2022; Gosai & Kumar, 2022; Gounder, 2021a; Kumar, 2020b).

3. Literature Review

The macro-economy is affected by two tools of major policy convention by the government: fiscal policy and monetary policy (Gali & Perotti, 2003). Fiscal sustainability is when the government targets smooth financing without exploiting public debt (Adams & Ferrarini, 2010). The policies generally intervene in economic operations by increasing or decreasing economic activity by regulating appropriate and effective policies to counter business cycles. The policy changes are subject to the impact on unemployment, inflation, and national income.

The fiscal policy describes the government's behaviour, changes in the government's attitude towards revenue generation and public spending, and an effort to influence economic outcomes (Weinstock, 2021). The economic impact can be measured by the nation's Gross Domestic Product to determine revenue and expenditure and influence fiscal policy. To determine the concept of increasing or decreasing revenue and expenditure, the government undergoes a panel of discussion to enforce the expansionary or contractionary fiscal policy. The difference between the two policies is that the government implements an expansionary fiscal policy to spur economic activity by increasing government spending and decreasing tax revenue. It will lead the budget to a deficit because of excess spending over revenue. From a policymaker's point of view, an expansion of fiscal policy is used to boost GDP. However, the expansion can vary and give undesired results affecting interest rates, investments, unemployment, and facade trade balance through inflation and exchange rate changes. The contractionary fiscal policy slows economic activity by contracting, reducing government expenditure, and boosting tax revenue. The effect will cause a budget surplus, high revenues, and less spending. It may lead the economy to overheat and drive to potential recession. Therefore, it is wise for the government to go through different phases of consultation and discussions with policymakers, pedagogy, and experts to decide the magnitude and implementation of the either expansionary or contractionary fiscal policy depending on the GDP of the economy and business cycle (Yoshino et al., 2018; OECD, 2020; Weinstock, 2021).

Government expenditure is devoted to characteristics to investigate a larger share of expenditure to bolster investment and infrastructure for economic development (Isărescu, 2009). The lower proportion of expenditure supports unemployment benefit schemes, poverty alleviation, elderly support, and other relief support. The success of implementing fit-to-job fiscal policy and corporation of monetary policy is required to underpin government objectives (Ali & Jayaraman, 2001; Dahalan & Jayaraman, 2006). An empirical study on fiscal policy literature studies that economic stability is highly volatile and needs great attention. The government should focus purely on GDP components to adjust fiscal policy and reflect the economic structure. Economically study each component and determine which components need constructive changes (Makin & Layton, 2021). However, changes in one component will change the overall impact on economic growth and development. Therefore, the change in components needs to be critically analysed and determined to bring economic stability (Afonso & Sousa, 2011). The government's general idea of changes in fiscal policy shall reflect consumption patterns and investment patterns to positively impact GDP and the ability to save and repay debt. If the government fails to generate enough revenue and make debt repayments, adjustments in fiscal policy are deemed unstructured, vulnerable, and unstable to the economic future. Most commonly, any adjustment in fiscal policy needs great perception and judgement, and especially the government needs to radically focus on employment creation to reduce the overall unemployment rate (especially the informal sector) in an economy. In addition, the focus on adjusting fiscal policy should also be on poverty alleviation. The sole purpose of changes in fiscal policy, it needs to give optimistic hope for the economy's survival by creating the ability to generate enough revenue through tax and cover-up government expenditure and by paying up debts without further additional borrowing from other countries (Symoom, 2018; Schneider & Lu, 2021).

The global took a hefty downturn through the immense impact of the COVID-19 pandemic in 2020 and continued in 2021. The impact was mainly on global travel, suppliers and traders, and domestic operational output. Due to limited production resources, Fiji remains the highest importer of raw materials for production and other goods and services not produced domestically. Food supplies and domestic production were disdained as a vulnerability for domestic production increased due to termination and strict international shipment regulations. Food security became a significant issue as the manufacturing industry felt diminishing growth (Goundar & Kessler, 2021). The continuous spread of the virus had an ongoing disruption in economic recovery. Global economic growth is expected to be much better in 2021 compared to the year 2020. However, this seems an utterly different situation in the Pacific, especially for Fiji (Howes, 2021). The Fijian economy heavily relied on the tourism sector, whereby most micro and small business operators evolved around providing services to tourists in Fiji. Since the pandemic, global transfers have seized operations as many international borders have been shut (Dean, 2020; Dahal & Wagle, 2020). The high risk of the pandemic posed on the informal sector. The informal settlement is posed to be high in

Fiji, and people with poor sanitisation and standard of living face the major threat of COVID-19. Due to the pandemic, almost 50 percent of people were unemployed due to the closure of micro and small businesses (Dahal & Wagle, 2020).

The International Finance Corporation (IFC) projected that due to global contraction, the global economy would contract by 4.9 percent in the year 2020. It has been noted that COVID-19 has been the worst economic crisis in the world since the great depression occurred in the 1930s. The world's Gross Domestic Product growth (annual percentage) in 2020 stood at negative 3.593. However, Fiji's GDP annual percent in 2020 stood at a negative 15.1508 percent (World Bank, 2020). The growth went further down because the economy was on lockdown since April 2021.

4. Major Findings from Budget Evaluation

4.1 COVID-19 Budget Address

The global pandemic COVID-19 has severely damaged the global financial markets and economic growth. The devastating impact had mainly been on financial services, the job market, and businesses (especially micro and small businesses that heavily relied on tourism). The budget address by Minister for Economy highlighted that due to international flights being grounded, 40 percent of the GDP would be lost in Fiji in 2020. However, the minister further predicted that remittances would fall by 15 percent and foreign direct investment to decline by 40 percent (The Fijian Government, 2020). Despite the projection in 2020, the remittances grew significantly, and in 2020, remittances received for Fiji were around USD 312.49 million. The highest remittance received in the past 30 years. An increase of 9.04 percent compared to 2019 remittances (World Bank, 2020).

To solve the devastating impact of COVID-19 on Fiji's economy, the government responded in the 2020-2021 budget address by eliminating the 6 percent service turnover tax. Furthermore, the government reduced the environment and climate adaptability levy to 5 percent from 10 percent. In addition to that, the government further eliminated duty on all items under the customs tariffs act 1986. Furthermore, reducing fiscal duty to 5 percent and eliminating import excise tax. The government gave debt forgiveness provisions to businesses till the year-end of 2021. The national budget for 2020-2021 announced an FJD 2 million deficit, with FJD 1.67 million as revenues and FJD 3.67 million as government spending. The deficit will move to 20.2 percent, and the debt to GDP will be around 83.4 percent. The revised debt to GDP was 79.2 percent. In a budgetary address in 2021-2022, the net deficit declined to 16.2 percent as the net deficit fell to FJD 1.60 million. Increase in revenue to FJD 2.09 million. However, the expenditure remained proportional to the same, around FJD 3.69 million. The estimated debt to GDP in 2021 is higher than in 2020, and it is around 91.6 percent (The Fijian Government, 2020; Ministry of Economy, 2020; and 2021).

COVID-19 led to severe contractions in the Pacific Islands and Fiji's economic outlook. Nations fiscal balances continued to worsen as the current account declined gradually. Low tax revenue generation and high medical and health spending led fiscal balances to deteriorate over time. Therefore, the only option remaining to sustain such economic loss was to rely on credit creation within the nation or seek bilateral and multilateral development partner's grants and financial support (Schneider & Lu, 2021). However, investment, infrastructure, and human capital development have led the economy to an expansionary fiscal policy since 2014 (Gounder, 2020; Gounder, 2020b). Table 1 outlines the fiscal framework for 2021-2022 and the 2021-2022(r) revised budget finances available after borrowing.

Table 1. Fiscal Framework for the year 2021-2022 (FJD Millions)

Particulars	**2021-2022**	**2021-2022(r)**
Revenue	**2,085.1**	**2,253.1**
Tax Revenue	1,597.6	1,710.5
Non – Tax Revenue	487.5	542.6
Expenditure	**3,690.5**	**3,715.1**
Net Deficit	**(1,605.4)**	**(1,462.0)**
Add debt repayments	367.8	347.5
Gross Deficit	**(1,973.2)**	**(1,809.5)**
Financed By:		
World Bank	349.1	
ADB	327.9	
Bilateral	327.9	
EIB	15.7	
Direct Payments	90.7	
Cash at Bank (Domestic)	150.0	
Domestic borrowing (bonds, T-bills)	711.9	
Total Available Financing	**1,973.2**	**1,809.5**

(Source: Ministry of Economy, 2022)

The table above depicts the projected borrowing the nation has engaged with to finance its debts and continue its economic operation. A total of FJD 1,973.2 million is made available to finance government debts. Through historical understanding, the highest donor is from bilateral trading partners, such as China. However, the ministry will closely monitor fiscal and economic performance before the revision of the 2021-2022 budget is engaged (Ministry of Economy, 2021). The government would place a tight constraint on government spending. However, almost three-quarters of this year has been closed. Therefore, the government would have saved an enormous amount from education subsidies and bus fare allowance. Due to the high unemployment rate since 2020, government tax revenue fell by 50 percent. However, the revised budget indicates that there has been growth in tax revenue despite the nation having international restrictions. The growth can be deemed prejudiced as the nation has faced many financial constraints.

In 2021, immense concentration was given to the health sector, with an increase in the budget of FJD 403.3 million. Since April 2021, after the second wave of COVID-19, the medical sector has operated shortages of medical staff, such as doctors and nurses. Due to the continuous rise in positive cases, the government increased the budget to hire an additional 238 intern nurses, 114 doctors, 140 medical interns, 43 midwives and ten nurse practitioners. A specific FJD of 25 million had been allocated for a contingency fund. Furthermore, the government allocated FJD 12 million for food supply to those in quarantine and isolation. At the same time, another FJD 5 million allocations have been set for general medical practitioners to provide medical services to the public (Ministry of Economy, 2021). Moreover, to cover such costs, the government had to indulge in taking more financial loans from various domestic and international donors.

Table 2 investigates government revenue and expenditure from the 2019-20 budget to the 2021-22 revised budget and breaks it down into tax and non-tax revenue.

Table 2. Revenue and Expenditure Aggregates

Particulars	**2019-20(a)**	**2020-21(r)**	**2021-22(b)**	**2021-22(r)**
	FJD Millions			
Total Revenue	**2,716.7**	**2,111.2**	**2,085.1**	**2,253.1**
Tax Revenue	2,194.0	1,410.9	1,597.6	1,710.5
Non-Tax Revenue	522.7	700.3	487.5	542.6
As a % of GDP	25.3%	22.0%	21.1%	21.9%
Total Expenditure	**3,353.7**	**3,216.7**	**3,690.5**	**3,715.1**
As a % of GDP	31.2%	33.5%	37.3%	36.1%
GDP at Market Prices	**10,739.6**	**9,598.1**	**9,889.2**	**10,302.6**

(Source: Ministry of Economy, 2022)

In a response by the government of Fiji to target COVID-19, increased expenditure was imminent. However, due to sluggish economic growth and the closure of international borders, Fiji's tourism declined significantly. Fiji lost most of its revenue from exchange rates, departure tax and the food and accommodation sector. The crisis led the economy's revenue generation to decline. A drop of approximately FJD 700 million in 2021-22 compared to the 2019-20 budget.

Moreover, the non-tax revenue is set to decline in 2021-22 compared to 2020-21, with tax revenue slightly increasing. Most government expenditures were diverted into the Ministry of Health, poverty alleviation schemes, unemployment benefits, and increased awareness for COVID-19-related issues (Ministry of Economy, 2021). Regardless of COVID-19, the government estimated the revenue in 2021-22 to be slightly less than in 2020-21. The COVID-19 restrictions continued for the whole of the year 2021. Gosai's (2022c) findings indicated that after the budget had been revised, the government indicated that there had been an increase in tax revenue. The increase in tax revenue seems to be disdained as it cannot be certain to have such an increase, especially when the economy had been closed from all international connections. The tourism sector and airline industry provided sustainable income to the economy. However, during COVID-19, both sectors were completely shut

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down. Regardless of the economy lifting its travel restrictions, fewer tourists entered due to quarantine constraints. Domestic consumption also declined due to loss of employment and reduced working hours. There shall be no way for the government to revise its budget and show an increase in tax revenue, especially when the economy has been closed for a prolonged period. Most likely, this could be because the government needed financial loans from international funding organisations. Therefore, they had to show growth in tax revenue (Gosai, 2022c).

4.2 Government Debt

A continued fiscal stimulus can cause a rise in debt-to-GDP, leading to unsustainable borrowing and an increase in public debt (Amol, 2008). A continuous increase in debt is problematic for any nation. As debts escalate, problems multiply. Extra piling debts can lead to economic failure, as investment becomes ill, and hardships and burden falls on citizens (Weinstock, 2021). Developing countries tend to have lower debt levels than larger developed countries. However, a significant debt level for any developing nation is considered dangerous to future stability (Gasper, 2015). Empirical evidence suggests that there is a strong correlation between fiscal policy and economic growth depending on the government-targeted fiscal deficit. Therefore, high public debt will impede economic growth and development. It is mainly due to uncertainty and increased future taxation to cover the public debt. Doing so will crowd private investment, weakening the ability for economic resilience towards future economic shocks (Adam & Bevan, 2014; Gasper, 2015). High debt-to-GDP harms long-term economic growth as it will dampen the future development and infrastructure of the economy. If the large fiscal deficit persists, aggregate savings in the economy will reduce. Therefore, it leads to inflation and high-interest rates. It puts high pressure on the balance of payments. Moreover, fiscal policy uncertainty can deter high levels of inflation and public debts, impacting private investment.

Fiji's net deficit has gradually increased since the stroke of the COVID-19 pandemic. As the net deficit increased, public spending and tax revenue declined. It has been mainly because of COVID-19. Table 3 highlights the net deficit and total debt of Fiji.

Table 3. Fiscal Framework for Fiji

Particulars	**2019-20**	**2020-21**	**2021-22**[2]	**2021-22(r)**[3]	**2022-23(e)**
Revenue	**3,491.7**	**2,143.0**	**2,085.1**	**2,253.1**	**2,939.9**
% of GDP	27.5	22.8	21.1	21.9	25.1
Expenditure	**3,840.9**	**3,190.3**	**3,690.5**	**3,715.1**	**3,812.1**
% of GDP	30.2	33.9	37.3	36.1	32.6
Net Deficit	**(349.2)**	**(1,047.3)**	**(1,605.4)**	**(1,462.0)**	**(872.2)**
As a % of GDP	(2.7)	(11.1)	(16.2)	(14.2)	(7.4)
Debt	**5,735.2**	**7,606.0**	**9,061.4**	**9,125.7**	**9,976.7**
As a % of GDP	49.3	81.5	91.6	88.6	85.2
GDP @ Market Price	12,703.8	9,406.8	9,889.2	10,302.60	10,185.3

(Source: Ministry of Economy, 2022)

The net deficit increased radically in 2020 and 2021 compared to 2019. Due to the global COVID-19 pandemic, government tax revenue declined, and expenditure remained persistent. However, the government increased spending in a few selected sectors and cut other operational costs. The government had engaged in heavy borrowing as well. As of 2021-22, Fiji is over FJD 9 billion in debt. The government has estimated in their 2022-23 budget that the external borrowing will further increase, reaching FJD 10 billion debt. The government believes that in the year 2022 since the international borders are open and the cases of COVID-19 have eased, a tourism increase will cause the airline industry to make a subsequent profit. However, to have a smooth operation of the economy, the government deemed that it was eminent to borrow more external and internal finance to support the revival of industries. Breaking down the debt analysis, Table 4 will outline domestic debt and external debt. Figure 3 shows the trend of Fiji's GDP as a percentage of Debt.

Table 4. Fiji's Total Debt Position (FJD Millions)

Particulars	**July-19**	**July-20**	**July-21**	**July-22**	**July-22(r)**	**July-23(e)**
Domestic Debt	4,278.5	4,976.5	5,241.2	5,767.4	5,825.7	5,767.4
External Debt	1,456.8	1,709.5	2,422.5	3,337.1	3,300.0	4,209.3
Total Debt	**5,735.2**	**6,686.0**	**7,663.7**	**9,104.5**	**9,125.7**	**9,976.7**
% Change	9.9%	16.6%	14.6%	18.80%	0.2329%	9.33%
Debt (% of GDP)	48.9%	62.6%	81.5%	89.4%	88.6%	85.2%

(Source: Ministry of Economy, 2022)

[2] Original Budget that was passed in July 2021-22.

[3] The 2021-2022 budget was revised on March 24, 2022.

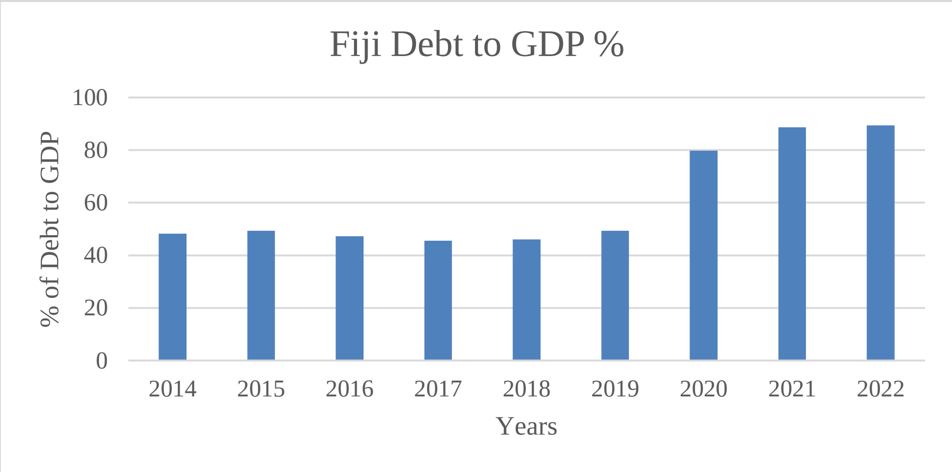

Figure 3. Debt to GDP %

(Source: Ministry of Economy, 2022)

The external borrowing loans doubled in 2021. From FJD 1.3 billion, it rose to FJD 2.4 billion. However, in 2021 there was no external borrowing under global bonds (Ministry of Economy, 2021). In an evolutionary world where an economy is developing, it is recommended that they borrow to survive. However, excessive borrowing may lead to a debt trap. They continue borrowing when the economy cannot generate enough revenue to cover its expenditure. In 2022 the economy further borrowed from international organisations reaching FJD 3.3 billion. The government further borrowed to finance its international operations, especially in the year 2022 ended the national elections were looming. The budgeted external borrowing rose dramatically to FJD 4.2 billion. Domestic borrowing remained on the line of FJD 5.8 billion since 2021. The government took hefty loans from Fiji National Provident Fund to support Fiji Airways with its debt repayment (Gosai, 2022a; 2022b).

Figure 4 highlights the total debt Fiji has borrowed over the years. The Data is from 2017 and forecasted till 2027 based on the modelling from IMF (IMF, 2022). This signals that Fiji will be involved in heavy borrowing in years to come. In the 2022-23 budget, Fiji is almost nearly FJD 10 billion in debt. Fiji is forecasted to be in heavy debt if the current government continues to borrow money. There are potential chances that Fiji may not be able to access more funds in the near future if the repayment rate does not increase. As this will put economic pressure on the public to be heavily imposed with a tax burden (Gosai, 2022b; Gosai & Kumar, 2022).

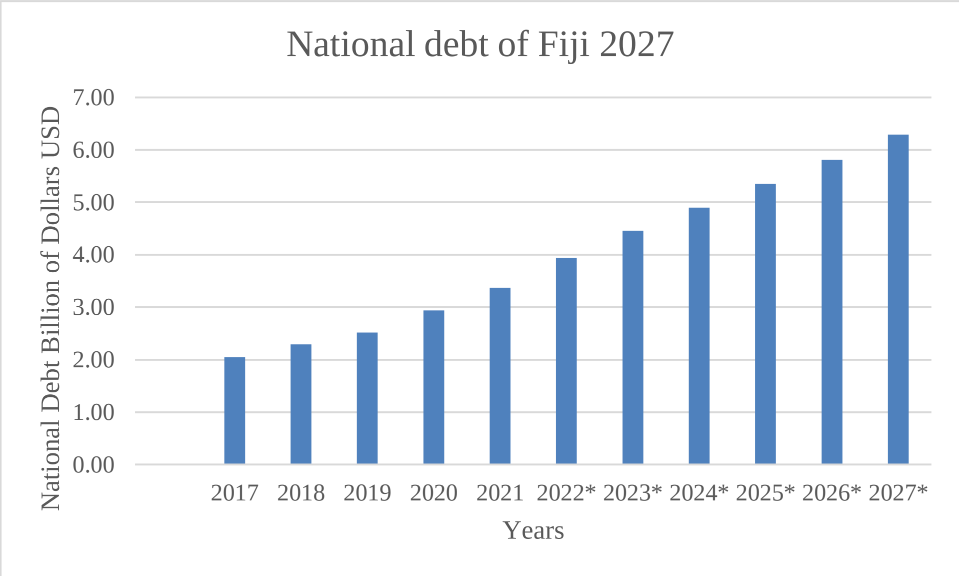

Figure 4. National Debt of Fiji 2017-2027

(Source: IMF, 2022)

The debts continue to escalate and pile, and this opportunity allows the bilateral or multilateral development partners to gain an adhesive advantage. Countries like China, with a robust economy, aim to provide financial aid to many countries, especially targeting the suffering Pacific Islands. In the Pacific, China holds the highest bilateral lender (Greenfield & Barrett, 2018). Since the global pandemic, many Pacific Islands, including Fiji, have had no option but to borrow and finance expenditures. Academia, politicians, and financial analysts believe this can be a diplomacy trap due to China's extensive support volume (Pryke, 2020; Gosai, 2022a)). Compared to the rising debts, for the least developing countries, the debt rose to US 744 billion in 2019. It means it would have further increased due to the recent global pandemic that caused the recession in many economies (Leventhal & Young, 2020).

4.3 Changes in Policies to Combat Economic Crisis – COVID-19

4.3.1 Poverty Alleviation

Since COVID-19 stroke the Fijian economy, poverty has also increased simultaneously. The HIES report in 2019-2020 indicated poverty around 30 percent. Poverty in urban areas, which covered the highest formal sector employment, had been in poverty around 42 percent, while rural sector poverty was around 20 percent (Fiji Bureau of Statistics, 2021; Gosai, 2023). However, since the impact of COVID-19, the formal sector has been impacted by the majority. Many lost their jobs, while the majority were working reduced hours. Claims have been made that poverty in 2020 would have reached 50 percent due to the economic shock of the global pandemic (Cava, 2020). Politicians believe that people living in poverty are more than 258,000, which is a failure for the government's booming economy. A Bainimarama boom economy has failed (Pre COVID-19) due to rising poverty and continues to woe (post-COVID-19). It is believed that poverty in the current situation is more than 50 percent (Chaudhary, 2021).

However, the government continues to believe that they have been combating poverty through various schemes. With the increased spending on poverty alleviation and social pension schemes, the government cares about supporting poverty in Fiji. In the 2021-2022 budget, the government will continue to provide social welfare support to Fijians around 137,987, totalling approximately FJD 145.5 million. The breakdown for the support is that the social pension scheme receives around FJD 55.3 million, supporting around 44,489 individuals. The poverty alleviation scheme has been allocated 36 million, supporting 23,817 individuals who are vulnerable and do not have adequate income to support their living (Ministry of Economy, 2021).

Furthermore, the government has allocated FJD 10.8 million for disability allowance to support 9,142 individuals and FJD 11.3 million for child protection allowance. The bus fare support for old and disabled people has been allocated for FJD 5 million, which is set to help around 47,532 individuals (Ministry of Economy, 2021). Figure 5 is a snapshot of the poverty alleviation scheme sanctioned by the government in the 2020-2021 and 2021-2022 budgets. Various schemes have been chosen that are above FJD 1 million benchmarks.

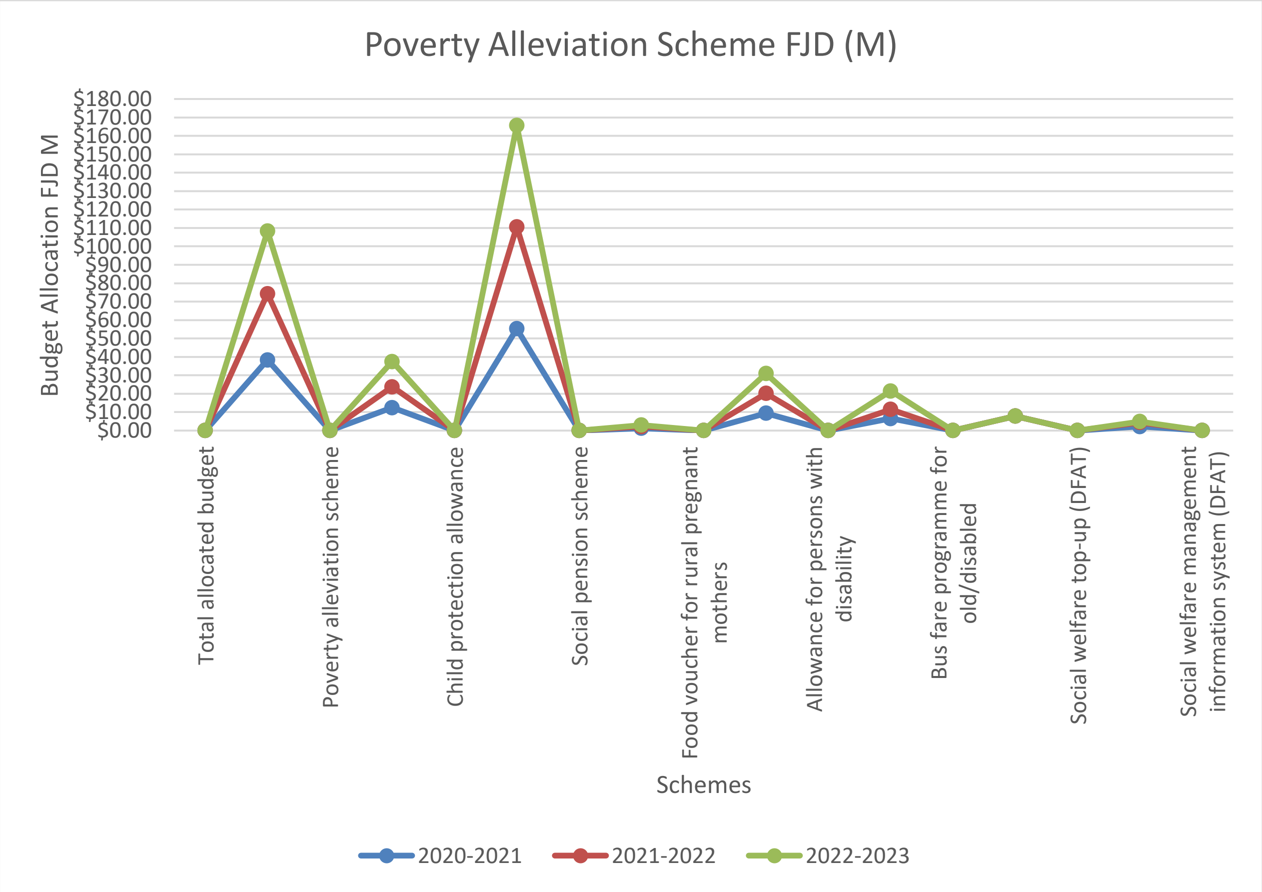

Figure 5. Poverty Alleviation Schemes

(Source: Ministry of Economy, 2020; 2021)

As additional support, the government provided a subsidy to users of electricity and water. Those with income less than FJD 30,000 get to apply subsidy on electricity, and they will get

16.34 cents per unit for the first 100kwh of electricity. However, from 1 August 2021 till 31 January 2022, the government promised to subsidise electricity by 34.01 cents per kwh unit fully. So the eligible households will enjoy subsidised electricity with no cost to pay for the six months. Once the six-month period ends, the subsided rate returns to the original value of 16.34 cents per unit. The government expects to assist households with around 50,000 and totalling the invested spending of around FJD 11 million. Moreover, the same income benchmark applies to water subsidy, and around 31,026 households in Fiji have been assisted with subsidised and enjoys reduced water charges. (Ministry of Economy, 2021).

4.3.2 Unemployment Support

The government continued to face revenue challenges from 2020 to 2021. The government continued to make desperate attempts to revive businesses, revive formal sector employment, and continue supporting households. The fiscal budget in 2020 was not large enough to boost domestic demand due to economic shock, and it further worsened in 2021 after the second wave of COVID-19. Therefore, the government engaged in a workers' pension scheme, which created dismal certainty for workers' future savings. It further worsened after 20 cents increased in fuel prices in 2020 and continued to rise in 2021. The changes further cushioned miserable impacts on the transport sector (Gounder, 2020a; Ministry of Economy, 2020). The targeted spending by the government was around FJD 20.3 million for unemployment benefits that engaged in the tourism sector and possibly everywhere for general workers. If the government had a stable financial situation, the government would have engaged in wage subsidies, an effective way to sustain employment creation and struggling businesses (Gounder, 2020a). Table 5 outlines the government's unemployment assistance scheme for the public.

Table 5. Unemployment Assistance Scheme for Fijians

Unemployment Assistance - Formal Sector		
	Total Assisted/Total Paid	**Amount Paid**
Amount Paid	**$387 million**	**$205 million**
Number Assisted	114,335	68,864
Female	43,545	29,219
Male	70,790	39,645
Range (FJD)	**People Assisted**	**People Assisted**
Less than 500	22,735	13,548
501 to 1,000	15,025	8,985
1,001 to 1,500	12,736	7,350
1,501 to 2,000	7,087	5,122
2,001 to 2,500	9,877	5,108
2,501 to 3,000	5,432	3,824
3,001 to 3,500	6,259	4,559
3,501 to 4,000	3,500	3,519

4,001 to 4,500	7,756	5,063
4,501 to 5,000	3,331	2,931
More than 5,000	20,595	8,855
Unemployment Assistance - Informal Sector		
Cash Assistance Provided	**Total People Assisted**	**Total Amount Paid ($M)**
Round 1 - $90	118,000	10.6
Round 2 - $50	224,000	11.2
Round 3 - $50	205,000	10.2
Total		**32**

(Source: Ministry of Economy and Fiji National Provident Fund, 2020; 2021)

The above-detailed assistance highlights benefit to unemployed individuals during COVID-19. In the financial year-end of the 2021-2022 budget, the government set aside FJD 200 million to support unemployed individuals. Those who lost jobs and had reduced hours in formal or informal sectors were eligible to receive FJD 220 every fortnight (Ministry of Economy, 2021). However, the government's second phase of FJD 360 assistance will only assist those vaccinated with their first dose by the end of August 2021. The second payment of FJD 360 will be made to individuals by November only if they are fully vaccinated. The expectation is that around 300,000 Fijians to be assisted with such a scheme.

Moreover, the payment is based on an individual basis, which means all eligible family members can apply and receive this scheme (Ministry of Economy, 2021). However, to be a successful recipient, every individual had to fill in the required information. The commotion started when a few deserving individuals missed out on this program while that continuously receiving pay gained its advantage. The protocol and assessment of such a program had loopholes, which needed great government attention.

5. Fiscal Policy without Hope

Global experience suggests that there should be very stringent measures and restrictions to sustain such infectious viruses. It is no doubt at all that COVID-19 is once in a century phenomenon. Countries around the globe are in dire desperation to cope with the economic aftermath. Many countries' trades dwindle as borders shut down due to this infectious and deadly virus. The ongoing global pandemic has been challenging for the Fijian Government to withstand. The Fijian population had been warned that the second wave of coronavirus could be dangerous for their small developing nation. The infections could hit the economy hard, and since April 2021, the second wave has impacted the nation drastically. Since then, the daily infection rate has kept increasing. Pandemic cases started to exceed 1,000 infections per million populations per day. Presumably, it could mean Fiji could face an average day of 50 deaths per million infections, equal to India's deaths in the second wave of delta variant COVID-19 (Kumar, 2021). The Fijian Government has faced the onset task since the global impact of COVID-19, as it has been challenging for the government to adjust and make rational decisions.

Despite the rising number of infections and deaths, commodious tension looms for the Fijian Government to protect the health system and avoid economic downturns. Businesses have been closed for a prolonged period, and currently, the economy is suffering poor performance and growth. While the government has been stern towards economic recovery, they have been struggling with lockdowns. Therefore, the relaxation of border restrictions and soft measures on lockdowns has forced the health sector to take different mitigation procedures. We must heed other governments' actions and experiences from the South Pacific. There is a need to portray good governance and leadership and provide necessary measures to prevent such dangerous outbreaks from spreading. The Government needs to take a mixed approach; a well advisable two-tier approach shall be considered (Kumar, 2021). With the appropriate financial support, the economy should have gone on a complete lockdown to avoid further health crisis outbreaks.

Fiji has crossed its mark of 68,451 COVID-19-positive infected, which continues to increase. After the economy reached 90 percent fully vaccinated individuals, the border restrictions were eased. However, the existence of the virus in Fiji persists. There have been more than 878 deaths due to COVID-19 in Fiji. Most deaths came from the second wave of COVID-19 since the outbreak in April 2021. The average daily deaths on every positive test remain between 7 to 8 people and are set to rise if the situation is not sustained constantly. Regardless of Fiji pushing every citizen to vaccinate, the situation still needs to be solved. The situation is becoming increasingly hostile. Before the situation exaggerates further, the Government of Fiji needs to wake up from its slumber and take immediate action.

The 2021-2022 budget for Fiji was released on 16 July, notably, the third national budget released by the Fijian Government since April 2020. The forecasted total revenue is FJD 2.09 billion, and the government-committed expenditure is FJD 3.69 billion. Therefore, the government needed more FJD 1.6 billion. The shortfall will be financed with extensive borrowing with debt repayment of FJD 367.8 million. [4] With this stance, the national debt for Fiji will be estimated to be FJD 9 billion (Ministry of Economy, 2021; Gounder, 2021a).

Looking into the government's committed expenditure, the primary focus has been given to social protection. Since the government needed to be more competent in its responsibilities to solve the ongoing issue of COVID-19, the primary focus on social protection seemed an appropriate call. The provision for social protection included poverty alleviation and a social pension scheme. In addition, the existing scheme, such as water and electricity benefit schemes quota, has been increased to support consumers. During this global ravaging event, Fiji, a tourism-based economy, lost most of its employment. The government budget responded with FJD 200 million unemployment scheme to support workers in formal and informal sectors. However, the government-funded scheme is controversial. The approach is highlighted as "neither inclusive nor considerate". The Government introduced a policy of "no jab, no job"

[4] The revised budget did not change much on revenue, expenditure, and deficit. However, external, and domestic borrowing increased significantly.

now to "no jab, no unemployment support". It means individuals would not qualify to be part of the unemployment scheme beneficiary if they have not received their first jab of the vaccine. Secondly, formal sector unemployed workers having sufficient funds in their general account with Fiji National Provident Fund (FNPF) "do not qualify" to be part of this government-funded scheme (Swami, 2020; Ministry of Economy, 2021; Gounder, 2021a).

The government continued to support people with unemployment assistance. However, the assistance was a partial government initiative. Individuals only receive additional money if they do not have access to money in their general account with Fiji National Provident Fund. In 2020, the government launched an initiative with the FNPF to give $220 per fortnight. These were only eligible to those who lost jobs and with reduced hours. Those who had reduced hours have continued with their superannuation deductions. The government invested FJD 100 million in unemployed Fijians (The Fijian Government, 2020).

Furthermore, those individuals that were employed during the seasonal period, i.e., sugar cane harvesting, lost the price per tonne from $85 to $70 per tonne. Fiji continued to face ongoing problems even before the onslaught of COVID-19. The workers had to use pension savings from FNPF during COVID-19 and before COVID-19 struck Fiji. During the TC Winston in 2016, around FJD 275 million had been withdrawn from pension savings accounts (Gounder, 2020a). Regardless of such a crisis, the government remained arrogant and continued to burden fiscal policy.

The risk remains high and continues to burden economic progress. In 2020-2021, Australia and New Zealand supported Fiji with FJD 250 million towards budget support. The support aided in reducing the budget deficit in 2020-2021. Remittances will play a significant part in economic support and bolster consumer demand. The fiscal policy for the government remains challengeable. Sooner or later, the government needs to revise its budget and strengthen its fiscal policy. Primary emphasis is required on other alternative sectors to boost GDP. The economy has deteriorated daily as people are losing political confidence, investors are reverting, and the whole economy is revolting due to COVID-19. The question remains: will the government of the day step up and support the nation’s people from this dangerous virus or will the citizens of Fiji have to fight this battle on their own (Naidu, 2021).

6. Conclusion and Recommendations

COVID-19 has reshaped the economy of Fiji. Once the situation calms, recovery will be prolonged as it might take another three years to fully recover the economy’s operation and the tourism sector (Ministry of Economy, 2021). It is predicted that with the current situation and excessive borrowing, the country will be piled with a debt burden, which will be further passed down to the working citizens and will continue in future. The government needs to build political confidence and harmony to make rational decisions and decisive budgetary reforms.

The government has focused primarily on the support of low-income earners and those who lost jobs. However, the economy needed a quick recovery to restart international travel and tourism. It would have been only possible if Fiji met the minimum requirement of the fully vaccinated benchmark. Those who did not take doses were terminated from employment, which meant "no jab" and "no job" policies enforced by the government. It might have impacted heavily on individuals as they believed their rights and freedom to choose had been violated.

There have also been hiccups regarding unemployment benefits. The simple rule enforced by the government stated that those eligible recipients should be fully vaccinated. Therefore, "no jab" and "no unemployment benefit". The type of policy and rule enforced by the government is simply a farce. Poverty continued to rise in Fiji regardless of the government's contribution to supporting individuals. Poverty has been a significant focus of discussion in Fiji. After the 2019-20 HIES report, Fiji's government Attorney General criticised the poverty statistics released by the Fiji Bureau of Statistics as flawed and unreliable (Tadulala, 2021). However, politicians and academia have vouched that the methodology and presented statistics are reliable and have good value (Cava, 2021; Rawalai, 2021a; 2021b). Academia such as Kumar (2021) and Gounder (2021b) believe that such data will help policymakers strengthen fiscal policy and solve current problems of poverty during COVID-19. However, the poverty issue has been persistent pre-COVID-19, and there has been no poverty reduction for the past six years (Gounder, 2021b).

Such macroeconomic issues shall not be politicised, as this will lead to political hatred. It is only possible if the government incorporates information and assistance from economic policy writers, politicians, and academia. Through this, the government will be able to solve the current issue that has been persistent and prolonged for many years. Therefore, the government shall not blame COVID-19 and use it as an excuse and continue bulking debts to the nation. Any government must be financially stable to encounter any economic instability. Suppose the government continues to operate a budget deficit for a prolonged period. In that case, debt will continue to escalate and sooner or later, debt will become a cohesive problem for the Fijian economy and for future generations.

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Therefore, there is no potential conflict of interest to report.

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