

## Ex-Ante Evaluation (for Japanese ODA Loan)

Southeast Asia and Pacific Department

Pacific and Southeast Asia Division 6

Japan International Cooperation Agency (JICA)

### 1. Basic Information

Country: Republic of Fiji

Project name: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: March 2, 2021

### 2. Background and Necessity of the Program

#### (1) Current Circumstances and Issues of Fiji's Response to COVID-19 and Positioning of the Program

Since their first confirmed COVID-19 infection case on March 19, 2020, the Republic of Fiji (Fiji) succeeded in containing a further spread of the pandemic, with measures such as halting all international flights and lockdowns in the capital of Suva and the second city of Lautoka. As of March 2, 2021, they have limited the number of infections to 57 and deaths to 2. Meanwhile, however, the number of visitors to Fiji in 2020 is expected to have declined by 80% from the previous year due to government immigration restrictions, serving a critical blow to a tourism industry which accounts for about 35% of Fiji's GDP. The government restrictions has impacted state-owned enterprises(SOEs) such as Fiji Airways, the Airport Authority, and the Port Authority, as well as the private sector as a whole, including tourism and related industries, construction, transportation, real estate, and export product-related industries. IMF forecasts (October 2020) that real GDP growth rate for 2020 will decline by negative 21.0% (October 2019 forecast was an increase of 3.0%). Economic measures, including support for small and medium-sized enterprises(SMEs) and other private businesses, have become an urgent issue for the economic stabilization. Under these circumstances, on March 27, 2020, the Government of the Republic of Fiji (GoF) revised the 2019-2020 budget<sup>1</sup> to create a total of US\$460 million in supplementary COVID-19 Response Packages, including measures to contain the COVID-19 pandemic and to maintain and recover the socio-economy. Besides expanding the medical and health systems, the government has also implemented measures such as providing stimulus to the unemployed, including those in tourism, halting National Provident Fund contribution payments, and enhancing the loan commitment for SMEs, female-managed businesses, and the agricultural, forestry, and fisheries industries. For the revised budget, the revenue forecast for the 2019-2020 budget, announced in July 2019, was

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<sup>1</sup> Fiji's fiscal year runs from August to July

revised downward from US\$1,570 million (with US\$1,380 million in tax revenues) to US\$1,210 million (with US\$980 million in tax revenues), which is expected to increase the fiscal deficit for the year from 2.7% to 9.0% of GDP. In addition, following the budget revision, in the 2020-21 fiscal budget as proposed on July 17, 2020, revenue is further down to US\$750 million (with US\$660 million in tax revenue) and spending is tentatively calculated as US\$1,650 million (US\$310 million for repayment of domestic and foreign debts). The budget deficit is expected to swell to 20.2% of GDP, resulting in a funding shortfall of approximately US\$1,210 million when adding debt payment to the budget deficit (27.8% of GDP). In response to this funding shortfall, the GoF has borrowed approximately US\$500 million (approved or being formed) from the Asian Development Bank (ADB), World Bank (WB), and Asian Infrastructure and Investment Bank (AIIB). Despite expectations to raise approximately US\$340 million with government bonds, this still leaves a capital gap of approximately US\$370 million (8.4% of GDP). In light of these financial needs, the GoF will be provided financial support through "COVID-19 Crisis Response Emergency Support Loan" (hereinafter "the Program") to proceed with their COVID-19 measures, including implementation of their revised budget. The Program is co-financed with ADB, which has implemented its Sustained Private Sector-Led Growth Reform Program, aimed at strengthening public financial management and improving the business and investment climates. Continuing from 2018 and 2019, the co-financed ADB program is in the subprogram 3 and its final year. In addition to the improvements of public financial management implemented, the ADB program has provided the GoF support in enacting the Public Enterprises Act, Regulation of Building Permits Act, and other legislation, as well as in assisting those in the private sector negatively affected by COVID-19.

(2) Japan's and JICA's Cooperation Policies for Response to COVID-19 (with focus on relation to FOIP and other major foreign policies)

In the Country Assistance Policy for Fiji (April 2019), support for economic stimulus through expanded investments is listed under the priority area "Infrastructure Development for Economic Development". Also in response to the recent health crisis with COVID-19, JICA announced the JICA Global Health Initiative, which aims to achieve strong universal health coverage (UHC) to protect people's health from new infectious diseases. Over the medium- to long-term, JICA will work to strengthen treatment, vigilance, and preventive systems. In accordance with these policies and by supporting measures to combat the global COVID-19 pandemic, the Program will contribute to ensuring peace and stability for the FOIP. Furthermore, the Program will provide financial support for improving the business and investment climates, including

strengthening public financial management and support for private businesses negatively affected by COVID-19. It is also expected to contribute to SDGs 1 (no poverty), 8 (decent work and economic growth), and 10 (reduced inequalities).

### (3) Response of other Development Partners

The ADB implemented a three-year “Sustained Private Sector-Led Growth Reform Program” (co-financed with this Program) from 2018, in which a total of US\$80 million dollars has been disbursed in 2018 (Subprogram 1) and 2019 (Subprogram 2). While US\$100 million was originally planned for Subprogram 3 in 2020, the program's final year, another US\$100 million was added as financial support for COVID-19 measures. The loan totaling US\$200 million was executed in August. In cooperation with this program, AIIB loaned GoF another US\$50 million, while Australia and New Zealand provided US\$0.7 million and US\$1.5 million in grant aid, respectively. In addition, the ADB is forming “COVID-19 Pandemic Response option (CPRO)” a US\$50 million emergency loan scheme to support GoF policy, scheduled to be executed in March 2021.

## **3. Outline of the Program**

### (1) Objective of the Program

The objective of the Program is to support implementation of economic and fiscal countermeasures in order to improve public financial management, policy, legal and institutional framework and business / investment climate of Fiji by providing financial support, thereby contributing to promoting the economic stabilization and development efforts of Fiji.

### (2) Program Site/Target Area

Whole of Fiji

### (3) Details of the Program

With the financial support, the GoF will promote initiatives in the following areas:

- (a) Improving public financial management: Reviews of fiscal spending, formulating a budget with gender mainstreaming considerations, establishing a revised budget with COVID-19 measures, and allocating personnel to deal with Non-Communicable Diseases (NCDs)
- (b) Improving policy, legal, and institutional frameworks for SOEs and public-private partnerships: Improving the performance of SOEs by enacting the Public Enterprises Act (2019), approving guidelines for implementing public-private partnerships, strengthening expenditure management and governance for SOEs, etc.
- (c) Improving business and investment climates: Parliament deliberations on investment legislation, implementation of the World Trade Organization (WTO) Trade Facilitation Agreement, support for SMEs affected by

COVID-19, formulation of annual operation plans for building healthy work environments, establishment of quality improvement teams and operational improvement teams in major hospitals, construction of decentralized warehouses in the northern end of the Fiji Pharmaceutical & Biomedical Services Center (FPBS), etc.

(4) Estimated Program Cost (Loan Amount)

10,000 million yen

(5) Program Period

Financial support for the program shall commence upon the signing of the L/A. The Program has been confirmed to achieve the same policy actions as the ADB, with JICA achieving its own policy actions in December 2020. The program will be completed when the loan is executed (scheduled for March 2021).

(6) Program Implementation Structure

- 1) Borrower: The Government of the Republic of Fiji
- 2) Guarantor: None
- 3) Program implementation organization: Ministry of Economy
- 4) Operation and maintenance agencies: The Ministry of Economy will be responsible for program implementation and monitoring (aggregating information from the related ministries and agencies).

(7) Cooperation and Sharing of Roles with other Development Partners

1) Support activities by the Japanese government

In October 2020, 26 million yen in medical equipment<sup>2</sup> (PPE kits, thermal scanners, etc.) needed to combat COVID-19 was provided in “Project for Improvement of Health Services through 5S-KAIZEN-TQM”, an ongoing Technical Cooperation Project. Under the Project, a warehouse will be established in the northern end of the Fiji Pharmaceutical & Biomedical Services Centre (FPBS), where medical equipment, supplies, and pharmaceuticals are stored. With regards to improving the business and investment climates, field resources are being used to train Fijians who have lost their jobs due to COVID-19 to seek re-employment or start businesses in Vocational Training for the Unemployed and Others from COVID-19 at Fiji National University (cooperation period: October 2020 to September 2021).

2) Support activities by other development partners

The Program will be monitored in cooperation with co-financier ADB and others through a Program completion report to be submitted by the implementing agency, the Fiji Ministry of Economy. Monitoring is planned to be in place from April 2020 to August 2021.

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<sup>2</sup> PPE kits (x3,000), 250 ml bottles of hand sanitizer (x100), 500 ml bottles of hand sanitizer (x100), non-contact infrared thermometers (x100), thermo scanners (x3), medical carts (x50)

(8) Environmental and Social Considerations, Cross-Sectional Matters, and Gender Classifications

1) Environmental and Social Considerations

① Category: C

② Reason for the classification:

The program is considered to have minimal adverse impact on the environment as per JICA Guidelines for Environmental and Social Considerations (released April 2010).

2) Cross-Cutting Issues

① Items related to climate change measures: none

② Poverty measures/considerations: Items (a) and (c) in the Program description include assistance initiatives for agriculture and small and medium-sized enterprises to mitigate the impact of COVID-19 on the poor and vulnerable.

③ Consideration for the disabled: Items (a) and (c) in the Program description is also implemented to mitigate the impact of COVID-19 on the disabled, and considerations will be taken to ensure accessibility.

3) Gender Classification:

[Gender Program] ■ GI(S) (Gender Informed (Significant))

<Reasons for Categorization> The program of co-financier ADB includes policy actions related to gender equality, economic empowerment of women, and access to services for women. The Program can help in promoting gender-equal governance by including improved public financial management with gender-based budgeting, and in economically empowering women by supporting female-owned SMEs and including compensation for workers in the informal sector, including female-owned SMEs.

(9) Other special notes: None.

**4. Effects of the Program**

(1) Quantitative Effects

1) Outcome (operation and effective indicators)

Indicator	Standard value	Target Value (2021)
Public Expenditure and Financial Accountability (PEFA) Ratings (PI <sup>3</sup> -10.1 <sup>4</sup> , PI10.3 <sup>5</sup> , PI-16.1 <sup>6</sup> , PI-23 <sup>7</sup> )	D+ (2013 baseline)	C

<sup>3</sup> "Public Involvement". A PI is generally defined as actively soliciting residents to help in formulating government programs.

<sup>4</sup> PI-10: Public access to key fiscal information

<sup>5</sup> Same as above

Private sector loans by financial institutions (% of GDP)	48.3% (2016 baseline)	Over 48.3%
Ease of doing business score in the World Bank Doing Business report <sup>8</sup>	61.5 (2019 baseline)	64

Note: To use the same indicators as co-financier ADB for operation and effect indicators.

## (2) Qualitative Effects

Economic and social stability in the country, and the recovery of economic activity for state- and privately-owned enterprises. (Checked comprehensively with indexes such as the GDP growth rate and change in tourism income.) Improvements in the quality of health and medical services. (Checked based on the results of ongoing Technical Cooperation Projects.)

## (3) Internal rate of return:

No internal rate of return is calculated since this program is a program-type loan.

## 5. Preconditions / External Conditions

(1) Precondition(s): N/A

(2) External condition(s): N/A

## 6. Lessons Learned from Past Programs and Application to the Program

In the aftermath of the financial crisis of 2008, JICA carried out three ODA loans for emergency budget support to three Southeast Asian countries (Emergency Budget Support Loan for the Philippines, Climate Change Program Loan (II) (economic stimulus support) for Indonesia, and the 8th Poverty Reduction Support Loan (economic stimulus support) for Vietnam) with Economic Stimulus Support for Viet Nam. The ex-post evaluation of these loans, conducted in 2011, emphasizes that since one of the objectives of emergency budget support is to extend financing in a timely manner to facilitate crisis responses, the timing of the financing is crucial for maximum effectiveness. It concludes that the procedures up to the loan disbursement should preferably be as simple and as flexible as possible.

Having learned the lessons described above, the Program has decided to speed up the processing procedures used by co-financing with the ADB, which is already providing financial support through the “Sustained Private Sector-Led Growth Reform Program”, thereby utilizing the ADB's policy matrix monitoring system for the timely delivery of assistance.

<sup>6</sup> PI-16.1: Extent to which cash flows are forecast and monitored

<sup>7</sup> PI-23: Availability of information on resources received by service delivery (from elementary schools, health centers, etc.)

<sup>8</sup> An index published in Doing Business, the World Bank's annual report on business environments

## **7. Evaluation Results**

Furthermore, the Program will provide financial support in Fiji for improving the business and investment climates, including strengthening public expenditure management and support for private companies affected by COVID-19. This Program will be conducted under an international support framework and is consistent with the development issues and policy of Fiji, and with Japanese cooperation policy and analysis. It will contribute to SDGs 1 (no poverty), 8 (decent work and economic growth), and 10 (reduced inequalities). Thus, the need for assistance in Program implementation is high.

## **8. Plan for Future Evaluation**

### (1) Indicators to be used

As indicated in sections “4. Effects of the Program”

### (2) Future evaluation schedule

Ex-post evaluation: 2 years after the program completion.

End