



# LABOUR 22

We are there for you

## OVERCOMING FIJI'S INFRASTRUCTURE DEFICIT



### Overview

One of the biggest challenges that has faced policy makers in Fiji is the ongoing building, replacing and maintaining of infrastructure. Infrastructure creates the capacity for the economy to grow in a meaningful way and to cater for a growing population.

The main areas of government infrastructure development are transport (airports, roads, ports and jetties, and bridges); energy (including renewable); water, sewage and sanitation; telecommunications (including digital); public buildings (including hospitals and schools), housing for the poor and agriculture (such as storage, irrigation and transport). Unfortunately, currently, there is a broad infrastructure deficit, i.e. infrastructure is lacking in all the above mentioned areas of the economy.

Labour will attack the deficit through 1/ building local public and private sector capacity (reducing the reliance on expensive overseas contractors); 2/ prudent management of finances and resources; and 3/ structuring the economy in such a way that affords adequate funding for ongoing infrastructure development.

The Labour 2022 manifesto budget outlines investment in i-Taukei land development, digital infrastructure, agriculture such as irrigation and farm roads, upgrading of sporting facilities, low cost housing and rural development including a \$50m annual infrastructure fund for Vanua Levu and outer islands.

Other infrastructure development will include such things as investment into 'liveable towns and cities' (development of parks and open spaces), school and health infrastructure upgrades, road development to ease road congestion, investment into water to safeguard the continuous supply of water and extensions to the electricity grid and investment into renewable energy.

### Funding Options

Under Labour, funding for infrastructure will be through local capital markets. Labour will not be seeking foreign currency loans to cover infrastructure funding. Labour's policies of reducing imports and controlling inflation will stabilise foreign currency and boost the capacity for local lending. This will allow for greater infrastructure development.

Labour also has a policy of building local capacity to reduce the reliance on expensive overseas contractors. Greater public sector capacity will allow the government to carry out certain aspects of infrastructure development 'in-house'.

Supporting local private sector contractors, through prioritising local tenders and providing affordable finance, will broaden the scope for ongoing infrastructure development.

Labour will NOT be engaging private partnerships for low cost housing as Fiji First is attempting. Labour's low cost housing project is a proactive government initiative that will raise funds through local capital markets.

The houses will be built by a combination of local and overseas private sector contractors and a public sector infrastructure enterprise. The money generated from commercial bank low interest loans to low and low to middle income earners to purchase the units will be used for the ongoing funding of the project. In this way, after the initial capital, this will be a long term and growing project with funds for ongoing construction coming from the sale of houses and not from government budgets. Soon squatter settlements will be a thing of the past.

This could NOT happen with a private partnership.

The fact that public assets in Fiji are almost always providing an important service to the public in a low competitive and low commercial environment means that private partnerships are almost always a bad thing with respect to value for money and risk.

However, private partnerships can be considered if there is the potential for the commercialisation of the asset in a competitive market. It is only in an environment of private sector competitiveness and effective demand for the end product that the private sector may out-perform the government in large scale endeavours with respect to the service provided and innovation adopted. With this in mind, Labour will pursue a private partnership for a sugarcane mill and ethanol distillery in Ra with the incentive for the private sector of a \$10m government grant.

However, despite operating in the competitive health sector, Labour feels that the Aspen Medical partnership for the Ba and Lautoka hospitals may not be in the best interests of the Fijian people. Labour will review the Aspen Medical agreement.

It is tempting for governments with increasing budget constraints and debt obligations, like Fiji First, to rely on private investment. Yet, private partnerships are complicated and imperfect agreements and are less proactive and transparent than direct government involvement. They can be a short-term fix with long term problems.

Labour will be more proactive with respect to infrastructure development to meet the needs of a growing nation.

A final avenue for funding is via international AID. Labour will continue ongoing relationships with bilateral development partners.

## **Accountability and Transparency**

Labour understands that governments have the responsibility to effectively cost and deliver public assets. On a project-by-project basis, Labour will evaluate the following:

- 1/ how funding agreements can be directly aligned to specific projects to hold the project accountable
- 2/ the value of the infrastructure as a social benefit as well as an asset class;
- 3/ the level of foreign currency outflow needed for the project;
- 4/ how funding will affect investment and resources in the private sector.

This will allow for a comprehensive cost benefit analysis and accountability for the project regards its viability, priority, delivery and benefit to broader development. Under Labour, the funding and outcomes, alongside the tendering process will be transparent.

## **Going Forward**

The impact of COVID has been challenging for Fiji's fragile economy. It will take a Labour government and its prudent and astute economic management to stabilise foreign currency and boost local capital markets through increased savings. This will generate the funding needed for ongoing development and, alongside enhanced local capacity, will enable Fiji to overcome its current infrastructure deficit.