



The University of Fiji

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OFFICE OF THE VICE-CHANCELLOR

SUBMISSIONS

TO THE

2023 FISCAL

REVIEW

COMMITTEE

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Preamble

The University of Fiji respectfully makes these submissions to the Fiscal Review Committee from the perspective of Fiji's commitment to mitigating climate change forecasts and effects. There is a need for Fiji to show this commitment in a meaningful way by putting in place fiscal strategies that will, in reality, foster preventative and restorative measures to assist all of society equitably and therefore grow the economy to unprecedented levels, thus sustainably improving investments, facilitating new forms of industry and agriculture, and improving incomes, welfare and well-being.

Our submissions make the very important point and show, by references, example, and an implementation plan, that adopting the transformation in economic policy represented by our perspective will lead Fiji to a renaissance economically, socially and environmentally, as well as in its standing internationally.

The renaissance is represented by a shift from the Linear to the Circular Economic Framework. The fundamental fiscal principle underpinning the Circular Economy is taxing non-renewable resources and diminishing or removing taxation of renewable resources.

1. Background to the Submission

On March 23rd 2023 a UNDP Pacific Office Bulletin stated:

At the heart of circular economies are efforts to end resource waste, reduce environmental impact and increase efficiency. The move to a circular economy reduces the negative environmental consequences of our current 'take-make-waste' system, and encourages more reuse, repair, and recycle initiatives to counterbalance energy and material consumption from natural resources.

The Bulletin described UNDP's efforts in working with communities to introduce circular economy practices in two specific areas in Fiji- plastics and oceans.

UNDP's work, whether in the Pacific or elsewhere, is framed according to the Sustainable Development Goals (SDGs) which every country in the world is committed to achieving by 2030. That is a mere 7 years away. Most countries, Fiji included, would not reach anywhere near these goals by 2030.

Much of the problem lies in attempting to figure out how best to grow the economy so that it serves all the people globally without reducing the quality of life and diminishing the advantages that human society has gained since the (western) industrial revolution 1760-1840. The good and bad effects of the industrial revolution were felt throughout the world not only in development

but also under-development through colonization and imperialism experienced by those now considered to be the ‘third world’. Whether the colonized societies wanted to or not, they were pulled into the production and trade/exchange globalization regime in the 18th, 19th and 20th centuries through their production of raw materials and labour in slavery, indenture and other forms of exploitation during that time.

The consequences of industrialization that we face now affects the whole world and not just the third world. This includes scarcity of natural resources such as depletion of raw materials, deforestation, global movement of low paid labour in a variety of forms, including new forms of slavery and cheap labour overall.

The devastating effects of industrialization clearly impact on all nations, large or small, east or west, north or south. These are: climate change, sea level rise, pollution of the air and soil, and exploitation through continuing extraction of non-renewable natural resources. All these impediments cause sequential problems for adequate rejuvenation of our resources and well-being and, ultimately, pose serious risks to the very life of Planet Earth and all within it.

It is this background and dire predictions of an untenable future for the next generations that facilitated the University of Fiji’s inquiry into a more sustainable system of economic growth that will, on the one hand, continue to foster economic advancements for everyone in society while, on the other hand, can ensure that we continue to enjoy our limited resources not just in the present tense but for future generations. This is because these resources will be renewable and facilitate rejuvenation rather than depletion without replacement.

Hence the University of Fiji, in accordance with its Strategic Plan 2022-2026, makes the submission that Fiji should now revise its entire economic framework and policy to move firmly and strategically in the direction of developing a Circular Economy. Fiji has, in the past, proposed many policy changes to its longstanding Linear Economy but it has followed a piecemeal approach. Real economic growth, however, has no option but to align itself to the SDGs compliance required by all nation states within the 7-year timeframe remaining which will also ensure an advantage and benefit to the bottom 40% of Fiji’s (and the world’s) population.

2. What is the Circular Economy?

(i) Description

The Circular Economy challenges the current Linear Economic Model that was founded 200 years ago during the advent of industrialization. The traditional Linear Economic pattern follows the **take-make-dispose** scheme.

The Linear Economy Model maximizes the uses of collected raw materials before it transforms them into products, eventually disposing of unusable material. The Linear Economy value is created by mass production and the selling of products. The main problem that arises with this production approach is usage of the available resources; the Linear Economy exhausts raw materials and energy, which results in CO2 emissions. Statistically, around 68% of input raw materials are of a non-renewable nature which poses a grave problem and threat to the environment, given that these products are either detonated or burned at the end. This system puts an emphasis on the products themselves; the outcome of such an equation is mass production and consumption.

All systems give rise to their own economies- a tribal economic system is different from a feudal one and a feudal system is different from an industrialized economy and so on. Production by any society needs a particular system to achieve its benefits. The challenges of the 21st century calls for an entirely different approach to the economy.

The main focus of the Circular Economy is to maintain the added value of material and products while eliminating waste as best as possible. The Circular Economy concentrates on the usage of products as resources. The method of production and use employed by the Circular Economy is the 3R principle: *reduce, reuse, and recycle*. By focusing on the 3Rs, resources are minimally exhausted during production while the old and used products are reused to the maximum. What makes this production method circular is that the raw materials are recycled or reused. To put it simply, the same product will be additionally reused instead of disposed of. This provides a healthier approach towards the environment as well as more sustainable usage of the pool of resources.

The main difference between the two models of the economy is that the Linear Economy is focused on products, whereas the Circular Economy is focused on services (hence its benefit for creating more employment). The Linear Economy which disposes of old but reusable sources has proven to be one of the prime reasons for the environmental and climate change crisis. A Circular Economy, on the other hand, uses resources that are of biodegradable nature, which then enables the product to be either reused or returned to nature. The life of the final product in a Linear Economy ends after the customer's usage, whereas the life of the final product in the Circular Economy is used as a basic resource throughout the production process.

(ii) *Supported by World Bank, relevant International Agencies and prominent Accounting Firms*

The World Bank and leading accounting firms such as PWC, KPMG and EY, as reported in these Submissions, consider the Circular Economy to be an essential model of the 21st century. Besides being considerate towards nature, the entire process is reported to be also ethical and sustainable.

(iii) *Obstacles to overcome*

There are various obstacles that arise at the national level in transiting to a Circular Economy. The most prominent is lack of legal policy, regulation or a specific national guide for the economy's implementation. The second is information and changing of mindsets, and the third, most influentially, is objections from entities who have to revise their modes of production and from ancillary companies that rely on the linear operations of the producing entities to earn their own living.

However, any obstacles can be overcome with an organised and consistent policy review. In order for the people of Fiji to look forward to a sustainable and enjoyable economic system for themselves and their children and grandchildren, Government needs to institute a comprehensive Circular Economy Policy within the framework of its Fiscal and Economic Policy Review.

It requires a commitment for change.

3. The Hard Facts

The following facts will provide us with good reasons for transforming the fiscal and economic policy for Fiji and its people in order to derive benefits from a formula for sustainable economic growth available to all equally.

(i) ***Fiji an Upper Middle-Income Country (Asian Development Bank- ADB)***

The ADB in 2021 reclassified Fiji's status from a C country to a B country in the ADB's Graduation Policy which means an improvement in its borrowing and concessional assistance prospects. Nevertheless, ADB in the summary of its preliminary Policy Paper Country Background dated November 2021, had the following to say about Fiji:

- a) **Poverty and human development:** at current rates, Fiji is unlikely to meet its SDG 2030 poverty reduction target which requires halving poverty in all its dimensions according to national definitions;
- b) **Environment:** Fiji's growth over the past decade has created growing environmental challenges including degradation of land resources, increased risk of flooding and inundation to coastal settlements as an impact of climate change, unsustainable exploitation of marine resources, and the impacts of urbanization;
- c) **Growth, 2010-2020:** In the 10 years, growth averaged 3.3%, contracting by 0.4% in 2019 largely because of lower public spending coinciding with the global downswing before plunging by 19% in 2020 due to Covid-19 effects in (volatile) tourism and related sectors, this being the third largest drop in the ADB developing member countries in the Pacific.

- d) **Growth prospects:** the economic recovery will, after the pandemic, take many years to fully address. A rebound could occur in 2022 and 2023 but even if a recovery could start in 1-2 years, the depth of Fiji's depression would take many years to return to pre-pandemic income levels;
- e) **Economic Size:** Fiji's economic base is narrow relying heavily on tourism. Foreign investment opportunities are limited because of Fiji's geographic location as well as elevated costs of domestic production and consumption. Fiji's fiscal buffers are limited because of its small economic size and lack of diversification. Reconstruction costs are typically absorbed by the government, often undermining fiscal and macroeconomic performance;
- f) **Gross Domestic Savings Rate:** Fiji runs chronic trade and fiscal deficits which are consistent with low savings rates. Fiji's fiscal deficit is projected to reach 16.2% of GDP in Financial Year 2022 before falling to 4.0% by 2024. Fiji's gross domestic savings rate is low, averaging 20.7% of GDP during 2014-2018. That was below the savings rates reported by other in the same income group in the developing member countries as of 2019, except for Armenia, Georgia and the Philippines.

In March 2022 the ADB Institute, the influential think tank for advice to the ADB, had the following to recommend about moving to the Circular Economy for ADB members- the highlighted part shows that any economy can improve by moving towards a Circular Economy:

The transition to circularity also presents **many economic opportunities through savings from a reduction in the extraction of virgin materials, the creation of new jobs, and the redesign of more cohesive value chains. It presents significant potential for global economic growth and could generate \$4.5 trillion by 2030 (Lacy and Rutqvist 2015). By reducing the need for virgin materials, producers can obtain greater value from fewer materials through service-based business models and longer product life-cycles.**

The concerning reality noted for Fiji by the ADB 2021 preliminary analysis can be mitigated by a fiscal and economic policy that robustly and comprehensively identifies calculations that reflect improved savings, creation of new jobs, reducing the need for (exploitation of) virgin materials (without sufficient checks and balances), and obtaining greater value through service-based business models and longer product life-cycles.

The International Monetary Fund (IMF) in the March 23rd Fiji Times (page 13) stated that while Fiji's real GDP growth rebounded by an estimated 16.0 per cent in 2022 due to strong revival in the tourist sector (but note caution by ADB that tourism is a 'volatile sector'), it recommended a comprehensive tax reform strategy which '*raises revenue, simplifies the tax system, and enhances efficiency*'. IMF also said Fiji should be '*reducing tax exemptions and raising certain excise and tourism-specific taxes*'. It further said.... '*(w)hile tax reforms are necessary to raise*

revenue, they should be accompanied by targeted transfers to low-income households and growth-enhancing measures’.

The IMF assessment of Fiji, as well as that of ADB and UNDP, is sufficient to trigger a more comprehensive inquiry into the spectrum of possibilities available to Fiji to recommend solutions for ‘*raising revenue, enhancing efficiency, reducing tax exemptions, raising certain taxes, targeting transfers to low income people and implementing growth-enhancing measures’*. The other IMF observations in the Fiji Times report referred to above are sequential to these fundamental recommendations.

(ii) *The current (proposed) Strategy of the Government: The Fiscal Medium-Term Fiscal Strategy 2024-2026.*

The Terms of Reference for the Fiscal Review Committee refer to the Fiscal Medium-Term Strategy issued by the Ministry of Finance, Strategic Planning, National Development and Statistics on 17th February 2023 (Parliamentary Paper No 7 of 2023). It is apparent from this document that the main challenge for the Government is debt. The strategy focus is how to manage such a huge debt.

How the debt can be reduced can be the subject of endless discussion, including by many that debt can be managed with internal borrowing (perhaps from the Fiji National Provident Fund or local banks). Nevertheless, such borrowing solutions should not deter us from providing advice from the peoples’ perspective on how fiscal and economic policy can be re-set not only to find relief from debt obligations but also to grow the economy and sustain the environment. In the past, growing the economy, as in the industrial revolution, was part (if not all) of the problem of damaging the environment, exploiting labour and, ultimately, destroying the advances that were made in living conditions because of industrialization.

Due to the depletion of resources that industrialization now represents, an entirely different economic world view is required. Such recommendation for a transformation in economic philosophy has become a part of the mindset of many including international agencies. A different economic worldview is not impossible for non-industrial or third world countries to achieve, though critics of the policy assume that only (i) the heavily industrialized, ‘developed’ and wealthy nations or (ii) those ‘developing’ nations with large investments in their top industries, for example in textiles, can achieve the goals of the Circular Economy. But our literature review below shows that this is simply not correct. The Circular Economy is not merely a practical action plan for those who can afford it; it is a fundamental shift in perspective required of everyone in any economic reality for humanity’s very survival.

A common-sense approach to the economy is the best way to draft any new fiscal or economic policy. This is by asking the question: what are the most important goals for a nation- any nation- when thinking about its people, not just the voters but everyone? Most leaders will answer this question very broadly and this invariably forms part of their election promises - the first goal is employment for all, or the majority of, the people, and the second is to achieve a surplus to fulfil the social (education, health and welfare) requirements of the people.

The first, employment, is usually addressed through investments in industries and agriculture or similar and the second, welfare, is what the nation would like to provide for its people in order to create skills and knowledge for the nation as a whole and to protect them from harm including that caused by diseases and poverty. There will be other more detailed aspects of both employment and welfare, for example outward migration, food security, protection of natural resources such as land and marine life, defence of national boundaries, and marketing/promotion to attract both visitors and investment, but these minutiae are included under the general headings of employment and welfare. Ultimately, a government that does not commit to both employment and welfare does not last very long as history has shown time and again.

(iii) Methodology of the Submissions

The University of Fiji does not assess the Government's published Medium-Term Fiscal Strategy because the TOR of the Fiscal Review Committee present a much broader opportunity to address this matter in TOR bullet point 5 - to also examine the Ministry's Medium-Term Strategy. Clearly one of the consultation TOR items for review is the Government's Strategy itself.

For the above reason, the University has decided to consider the bullet point TOR from an entirely different perspective altogether. In accordance with its mission statement to be the 'critic and conscience of society', the University advises drafting a fiscal policy from a 'best practices' perspective. These are illustrated by referring to the Literature Review below (the full set of literature is available on our website www.unifiji.ac.fj) which moves us towards adopting a Circular Economy for Fiji, not in any piecemeal fashion as ad hoc 'environmental taxes-type strategies', but as a deep-seated Sustainable Development Goals-based revision of the Fijian economy. This strategy aims to facilitate a paradigm shift in economic theory for Fiji- from Linear to Circular. The ultimate purpose of this transition is to grow the economy and, at the same time, protect and use our resources properly and widely, thus looking after our people including by putting more money in their pockets to spend, save, invest or gift to their children.

4. The Focus of the Circular Economy: Fundamentals

The Literature Review is organized according to certain focal points corresponding to the TOR of the Fiscal Review Committee. These are:

1. Background, Government Policies and Business Models;
2. Taxation;
3. World Bank, PWC, KPMG and EY Accounting Firms on the Circular Economy and Taxation;
4. The G20 Undertaking for more Resource Efficiency;
5. Policy Enablers for a Circular Economy;
6. Circular Economy and Health;
7. Global Initiatives on Global Circular Value Chains and Trade; and
8. Designing the Circular Economy.

The above have been considered comprehensively for their applicable principles in Fiji's context.

1. Background, Government Policies and Business Models: Principles.

- Stahel, W.R (2013): **Policy for material efficiency- sustainable taxation as a departure from the throwaway society** (philosophical shift represented by taxation policy movement to taxing non-renewable resources and not renewable resources).
- *Focus on industrialized societies; however, relevant points for Fiji:*
 - Tax system must be based on a system of sustainability, namely taxing non-renewable resources and not renewable resources.
 - ❖ Renewable resources include human labour.
 - ❖ Non-renewable resources include materials and energy.
- *Impacts of sustainable taxation on the economy:*
 - Speeds up economic transformation from flow to stock optimization (value preservation and waste prevention- extending the service life of existing materials embedded in manufactured capital)
 - Broadens the application of the circular economy to new economic actors and new sectors (employment)
 - Increases the competitive advantage of existing economic actors of the circular economy.

- *Fosters an intelligent use of human labour:*
 - Human labour is a resource but perishable if not used
 - Human labour is the only resource capable of creativity and capable of producing innovative solutions
 - Human skills deteriorate if not used or people do not upskill
 - Realization of government investment in education properly (unemployment and migration waste government investment)
 - Re-use, repair and recycling goods (circular economy loop) creates more employment.

- *Sustainable framework conditions:*
 - Prevention: measures taken before wastage (no VAT on repair, re-manufacture, re-use)
 - Energy recovery
 - Disposal framework and tax relief
 - Carbon credits for **prevention** of GHC emissions (and not only for reduction).

- *Impact for Public Policy*
 - Needs no subsidies except for Circular Economy-friendly business plans
 - No detailed regulation
 - Lowers consumer prices and dampens inflation
 - Boosts job creation

- **Milios, L (2021) Towards a Circular Economy Taxation Framework: Expectations and Challenges of Implementation** (policy intervention required that are complementary with challenges presented and addressed).
 - *Presents a comprehensive taxation framework applied across the life-cycle of products.*
 - Raw material resource tax
 - Reuse/repair tax relief
 - Waste hierarchy tax for the end of life products
 - *Adopt a fiscal framework for a Circular Economy.*
 - Based on resource, product and waste taxation
 - Different fiscal policy intervention for desirable resource efficiency outcome: (i) production; (ii) product use; (iii) waste management
 - Overcome challenges by information and public policy directions.
- **Wasserbaur, R; Sakao, T; and Milios, L (2022) Interactions of governmental policies and business models for a circular economy: A systematic literature review** (interactions between government policies and business models to show multiplicity of options e.g. how businesses can take advantage of the circular economy policy, innovation in technology, and by government supporting circular business model competitiveness).
 - *Government Policy support is useful for Businesses*
 - Subsidies or tax relief for moving to a circular business model
 - Information campaigns by government support competitiveness
 - Regulatory changes on cost structure, revenue model and value creation of cooperative banks
 - Creating robustness of ethical banking in an economic crisis
 - Development of solar energy markets

- Creation of public/private partnerships enhanced.

2. *Taxation in the Circular Economy: practical implications*

- **The Ex'tax Project in cooperation with Cambridge Econometrics. Supported by C&A Foundation (2019). Tax as a Force for Good** (seeks to align tax systems with the Sustainable Development Goals (SDGs) and the Circular Economy by putting a price on natural resource use and pollution and using the revenues thus gained to lower the tax burden on labour and increase social spending).
 - *Two preliminary scenarios for tax reforms leading to higher GDP and employment levels while reducing carbon emissions and energy imports: (i) price on carbon emissions and (ii) phasing out certain fossil fuel subsidies.*
- Results of policy change- use revenue gained by investing in:
 - ❖ clean technology
 - ❖ infrastructure
 - ❖ income support
 - ❖ increase social spending (education, health, welfare)
- Tax reform can reach dual goals of:
 - ❖ Socio-economic development
 - ❖ Environment protection
- Bridging the SDG Finance Gap
 - ❖ Need to understand earth's capacity and stay well below 2 degrees centigrade global warming
 - ❖ Find decent work for populations
 - ❖ Fill current massive financing gap to reach SDGs
- Tax and the Linear Economy
 - ❖ Governments increase tax burdens on human labour
 - ❖ But currently no or low taxes placed on natural resource use e.g. carbon emissions, fossil fuel use and water.
 - ❖ Leads to overconsumption, pollution and waste.
 - ❖ Leads to unemployment in low and middle-income countries.
- Tax in the SDG Era
 - ❖ UN Secretary General: '*Tax pollution and not people*'

- ❖ World Bank: domestic carbon tax of US\$30 per tonne of CO2 will double social assistance in 60 countries.
- Bangladesh example
 - ❖ Using the Ex'tax Toolkit for potential options to raise and use new revenues
 - ❖ 'Polluter pays' principle
 - ❖ Tax on natural resource use and consumption
 - ❖ Use of revenues for investments, social assistance and environmental protection
 - ❖ Stage by stage implementation but according to direct policy change.
- Scenario Results for Bangladesh after shift to Circular Economy
 - ❖ GDP higher
 - ❖ Social spending higher
 - ❖ Investment higher
 - ❖ Imports higher (savings by people spent on imported goods)
 - ❖ Energy imports lower
 - ❖ Employment increases in labour-intensive areas including wholesale and retail.
 - ❖ Energy consumption falls
 - ❖ CO2 emissions lower
 - ❖ Income reduces marginally for the higher income group but increases significantly in the lower income group.
- **Vence, X, Perez, SDJL (2021) Taxation for a Circular Economy: New Instruments, Reforms and Architectural Changes in the Fiscal System** (Fiscal policy is the key instrument in transiting to a Circular Economy).
 - *Hypotheses: (i) the current Tax System penalizes circular activities which are generally labour intensive, as opposed to new product manufacturing activities which are generally intensive in materials and energy, and highly automated and robotized; and (ii) the environmental taxation implemented in recent decades is unable to stop climate change or keep the economy within planetary ecological limits.*
- Proposals developed for structural and partial reforms of the fiscal system
 - ❖ Tax measures in the short or medium term to boost a Circular Economy
 - ❖ Complete redesign of tax expenditure to transform environmentally harmful tax benefits into environmentally friendly tax measures.

- Main Proposal: Fiscal Architectural Change
 - ❖ Correct sequence of target-oriented changes e.g. target waiver in taxes to stimulate certain sectors whose purposes serve the higher social and sustainability goals
 - ❖ Give full benefit of VAT for repair and maintenance
 - ❖ Transform discredited anti-environmental fiscal benefits into tax benefits that favour prolonging the life of products and reduce consumption of natural resources and energy
 - ❖ Use a strategic roadmap to change the tax architecture
 - ❖ Prioritize taxes on non-renewable resources and eliminating taxes on renewable resources.
 - ❖ Note the barriers e.g. those that have to pay more taxes for environmental damage use their political clout to prevent policy change.

- **Alfatlah, H, Othman, R, Basiruddin, R and Almagtome, A (2022) Taxation as a Strategy for Circular Economy through Sustainability Reporting: The Agency Theory Perspective.** (The Circular Economy aims to fundamentally improve the current business model by applying preventative and regenerative eco-industrial development and increased well-being; this becomes a financial reporting issue).

- *Companies have environmental, social and economic impacts*

- Companies and businesses are now subject to increasing regulatory, requirements on ecological concerns, labour conditions and human rights

- Management needs to provide information on sustainability in the form of:
 - ❖ Environmental and social disclosures to protect the organization's interests and to show its support for society
 - ❖ Reporting sustainability-related information on the organization to avoid potential organizational interference by the government
 - ❖ Increasing provision of environmental information linked to correct tax applications.

- Information needs to be reported for:
 - ❖ Checking management behavior
 - ❖ Encouraging capital resources to be available for better reporting
 - ❖ Saving money for the company
 - ❖ Gain credibility for societal connection and approval
 - ❖ Impact of tax policy on the sustainability development strategies globally.

- Advanced tax regulations enable high volume sustainability reporting to signal long term success in the marketplace.

3. *World Bank PwC, KPMG and EY*

- **World Bank** Report (Press Release December 6 2022) ‘‘Squaring the Circle: Policies from Europe’s Circular Economy Transition’’.

- *WB First Report on the Circular Economy in the EU*

- Decoupling Growth from Resource Use in Europe Achievable within the Decade
 - ❖ Current ‘take-make-use-waste’ linear model of economic expansion in unsustainable in environmental, economic security and inclusion perspectives
 - ❖ Comprehensive policy packages can reduce material consumption while still maintaining growth and welfare creation.

- Current global demand for natural resources exceeds the planet’s regenerative capacity by a factor of 1.75

- ❖ Europe is at leading edge of circular economy transition but circular business models need to move from niche to mainstream.
- ❖ Europe’s private sector is the driver of the Circular Economy in the EU but needs to move faster.
- ❖ Developing countries with raw material exports will face trade related risks from the Circular Economy policies enacted in the high-income countries so they need to be central to the global transition towards a more Circular Economy.
- ❖ Economic costs to be incurred in Europe from decoupling of economic growth and material use can be offset by appropriate fiscal policies aimed at shifting the tax burden from labour to raw materials extraction, use and waste.

- **PwC** as one of the founding members of Circular Slovakia: sharing platform in Circular Economy

- Goal to ensure sustainability of the economic environment but also to find effective business combinations

- Circular Economy is beneficial for businesses:

- ❖ Reduced risk of disruption and price volatility of supplied raw materials
- ❖ Higher productivity and competitiveness
- ❖ Innovations in the productive process which can lead to further increase in effectiveness and cost savings

- ❖ New business opportunities and possibilities to enter new markets.
- Companies now focus on the circular economy because:
 - ❖ Primary raw materials are increasing in prices
 - ❖ Availability of primary raw materials uneven
 - ❖ Increasing legislative pressure
 - ❖ Extraction and processing of raw materials accounts for about half of total global GHG emissions.
 - ❖ Customers and business partners are increasingly preferring companies with business models supporting circularity and sustainability.
- **KPMG “KPMG and the Circular Economy”**
 - *KPMG supports the Circular Economy by noting that:*
 - The Circular Economy requires system-wide innovation to de-couple (economic) growth from resource consumption
 - The Circular Economy defines actions to respond to rising trends and needs
 - KPMG supports businesses to operate in an era of this systemic change
 - *Circular value creation*
 - Concept of co-creation to develop future-proof strategies and business cases as key elements
 - KPMG Sustainability brings added value to help organizations move to their circular journey:
 - ❖ by providing services ranging from development of a circular strategy to developing circular business models
 - ❖ by measuring and steering circularity
 - ❖ by activating supply chains via the product circularity improvement programme
 - ❖ by partnering with Robobank and WBCSD CTI framework and collaboration with Circular IQ to fasten the transition to a circular economy.
 - ❖ by connecting the Circular Ecosystem through multiple initiatives and networks.
 - KPMG Newsletter to assist with navigating plastics taxes.
- **Ernst & Young (EY):** “How tax is influencing the design of sustainable supply chains: statutory tax penalties and incentives around sustainability and the environment are forcing a radical rethink of global supply chains”.

- Tax function will play a central role:
 - in helping organizations take advantage of government green initiatives while reducing exposure to penalties
 - in showing that business that do not prioritize these tax, sustainability and supply chain issues risk incurring penalties and costs and missing opportunities
- EY assists by:
 - Helping a company know its environmental tax footprint so that it avoids costs or under-utilization of tax incentives in the transformation.

4. The G20 Undertaking for More Resource Efficiency- OECD

- Towards more resource efficiency and Circular Economy: the role of the G20
 - G20 countries account for approximately 75% of global materials use and 80% of global greenhouse emissions and must now have a policy vision to:
 - promote resource efficiency through a policy mix that covers the full lifecycle of products
 - align sectoral policies with resource efficiency objectives
 - align Covid-19 recovery measures with resource efficiency objectives
 - strengthen policy development and evaluation through better data and analysis
 - take a phased approach from wastage to resource
 - promote and facilitate the circular economy in cities
 - promote international cooperation and coordination to advance towards a more resource efficient and circular economy
 - support businesses in their value chain management efforts towards improved resource efficiency
 - alleviate barriers to trade and investment in environmental goods and services to ensure the diffusion of best available environmental technologies

- harmonize environmental labels and information schemes
- improve data, indicators and accounts on resource efficiency and waste
- mainstream resource efficiency and material recovery into official development assistance more systematically.

5. *Policy Enablers to accelerate the Circular Economy: World Business Council for Sustainable Development (WBCSD 2019).*

➤ Policy Enablers (Government) can:

- Establish Circular Economy roundtables or working groups across governments and government departments to:
 - ❖ Start dialogue to integrate policy across departments in the wider policy agenda across developed and developing countries
- Organize platforms and network for knowledge exchange and innovation
 - ❖ Sharing knowledge across sectors for feedback to influence future policy design
- Ensure flexible and responsive policy design and policymaking
 - ❖ Recognize evolving needs of business to overcome initial hurdles e.g. defining ‘end of waste’ and use of secondary raw materials
 - ❖ Create near-term roadmaps with milestones and mechanisms for measurement
- Measure the outcomes and effectiveness of Circular Economy policies
 - ❖ Assess impacts and potentials in economic and environmental terms by adding a social dimension by using SDGs
 - ❖ Use above evidence to inform future policy design to motivate people and organizations across sectors and regions

➤ Businesses can:

- Form partnerships and participate in pilot projects with policymakers and other stakeholders (Universities, CSOs) to explore ways to unlock the Circular Economy potential and:
 - ❖ Activate conversation between government, businesses and stakeholders to target the areas that need action
 - ❖ Encourage public/private/university partnerships

- Proactively explore new means to implement and finance Circular Economy solutions and:
 - ❖ Independently identify solutions for an industry or business so that policy makers can understand where streamlining support should occur for policy
 - ❖ Actively provide feedback to government about discoveries, aligning targets and engage with financial institutions to increase access to capital.
- Establish company-wide commitment to the Circular Economy internally and externally and:
 - ❖ Claim a clear dedication to circular actions that will help policy makers recognize the needs and willingness of businesses to scale up the Circular Economy
 - ❖ Provide clear signal to staff about their a Circular Business Plan
 - ❖ Ensure clear commitment for circularity to spread across the whole value chain, unlocking further opportunities for businesses.

6. *Circular Economy and Health*

➤ **Circular Economy and Health: Opportunities and Risks. World Health Organization (WHO 2018)**

- The extensive use of natural resources cannot carry the capacity of Earth.
 - The concept of a Circular Economy offers alternatives of sustainable growth, good health and decent jobs while saving the environment and its natural resources
 - Move from a Linear to a Circular Economy will help to achieve the SDGs especially SDG 12 on responsible consumption and production.
- Move to a Circular Economy will significantly benefit health by:
 - Contributing to the attainment of SDGs 3, 9, 11 and 12
 - Removing harmful substances to reduce emissions of GHG and other pollutants
 - Building the capacity of the ecosystem and enhance resilience
 - Using fewer resources
 - Controlling waste management and diffusion of hazardous chemicals and reuse of waste water
 - Encouraging partnerships in the private and public sectors and CSOs to improve health in all areas

- Increasing sustainable growth, profit/taxes, employment, and resilience
- Bringing about the most effective and efficient societal transformation

7. *Global Initiatives on Global Circular Value Chains and Trade*

- Summary of relevant initiatives and publications on circular economy value chains and trade
 - Relevant Global Initiatives (with potential funding) on Trade and Value Chains
 - SWITCH (supports SMEs) to switch to Circular Economy strategies- see also SWITCH-Asia.
 - PAGE (UN agency approach, reframes economic policies and practices for sustainability. Provides coordinated support for achieving SDGs and targets of the Paris Agreement.
 - GO Circular Global Programme (support innovation and systems transition to the Circular Economy in Columbia, Ghana and Vietnam).
 - Circularity Platform (explaining the circularity concept)
 - PREVENT Waste Alliance (exchange and international cooperation on minimizing waste and pollution and maximise reuse of resources, waste prevention and uptake of secondary resources in low and middle-income countries)
 - Global Alliance for Circular Economy and Resource Efficiency (alliance of governments working together to advocate a global just circular economy transition and more sustainable management of natural resources at the political and multilateral level.
 - Traceability for Sustainable Garment and Footwear (key stakeholders in garment and footwear industry in sustainability value chains and ‘Sustainability Pledge’)
 - Global Battery Alliance (foster a circular, responsible and just battery value chain)
 - Circular Electronics Partnership (tech consumer goods and waste management- on a lifecycle approach from design to recycling).
 - TESSED Informal Working Group on Circular Economy (WTO based for a global trading system to protect and preserves the environment in accordance with sustainable development.
 - Sustainable Manufacturing and Environmental Pollution (SMEP) (improve existing knowledge of environmental health and socio-economic impacts of selected trade-exposed manufacturing sectors in target countries in Sub-Saharan Africa and South Asia, including in plastic pollution, and other systematic solutions for businesses for pollution).

- Relevant Regional Initiatives
 - Framework for Circular Economy for the ASEAN Economic Community (Achieve SDGs by pursuing progressive adaptation the Circular Economy model for long-term resilience with priority focus areas for action).
- Relevant Publications
 - ✓ Trade for inclusive circular economy
 - ✓ Socio-economic effects of a circular economy
 - ✓ Policy alignment for a circular economy and trade
 - ✓ Trade and Development- spillovers and leveraging opportunities
 - ✓ Circular innovation and Eco-design in the textiles sector
 - ✓ Just transition to the Circular Economy
 - ✓ Regional Trade Agreements and inclusivity of the Circular Economy
 - ✓ Sustainable trade in resources- global material flows and trade
 - ✓ International trade patterns and resource efficiency and the circular economy: modelling assessment (WTO)
 - ✓ For a greener world and circularity of the economy
 - ✓ Universal Circular Economy policy goals

8. *Designing in the Circular Economy*

- *Investigating the role of design in the Circular Economy. Royal Society of Arts Manufactures and Commerce (RSA) (2013)*
 - Skilling up the design industry
 - ❖ Embedding circularity in design education
 - New Business Approaches
 - ❖ Designing the Business Brief (longevity, impact and end of life)
 - Networks: collaborating and connecting
 - ❖ Four circular design models: longevity, lease/service, re-use and material recovery
 - Pushing the Policy
 - ❖ Investment in innovation to reduce cost of recycling and greater resource recovery

- With actions
 - ✓ Higher education modules for a Circular Economy and Systems
 - ✓ Cross curricular learning
 - ✓ New dialogues between designers and suppliers
 - ✓ Physical space for collaborations and online library for closed loop literature
 - ✓ Develop design standards and tools to support circular economy designs
 - ✓ Talk to Government about new legislation to encourage packaging design for full recoverability
 - ✓ Encourage companies to provide full operating and repair manuals for all electronic products
 - ✓ Investigate legislative barriers to moving to a Circular Economy

5. Conclusions

- 1) Fiji has no option but to consider a paradigm shift in taxation policy towards the Circular Economy and Fiscal Policies to achieve the SDGs.**
- 2) The new policy moves the economy from Linear to Circular.**
- 3) The basis of taxation and revenue collection is to tax non-renewable resources and to remove, possibly in stages, taxes on renewable resources which include labour.**
- 4) The shift to the Circular Economy assists businesses as well as people.**
- 5) The Circular Economy permits the Government to collect revenue as well as implement sustainable policies which will foster better revenue collection in future.**
- 6) The shift to the Circular Economy is supported by financial institutions, international agencies and accounting firms (the big three - KPMG, PwC and EY). Assistance is provided to countries which want to transit to a Circular Economy.**
- 7) International trade is already affected by the type of economic policy pursued by governments whether in developed or developing nations; the buyers of products are influenced by the way that producers produce and what they produce for export.**

- 8) Fiji has no option but to establish mechanisms and government agencies to review its fiscal and economic policy for a Circular Economy due to its advantages for revenue collection and the environment.
- 9) CSOs and opinion-shapers have a role to play to ensure the shift from Linear to Circular Economy becomes a reality in Fiji.
- 10) Universities (e.g. The University of Fiji) are able to provide the research capability and audits to assist the Government to transition to a Circular Economy and monitor progress.

6. Recommendations to the Fiscal Review Committee

To transit to a Circular Economy and Fiscal Framework the Government needs to:

1. Conduct an independent review of Fiji's tax system for circular best practice on taxation including review of economic policies for sustainability, health status, education and equity.
2. Collect coordinated and circularity-based inter-agency data, organized by the Fiji Revenue and Customs Service (FRCS) under instruction, to calculate where to focus tax imposition or concessions and waivers.
3. Innovate and diversify sustainable agricultural practices and provide tax concessions and waivers for sustainable production.
4. Implement tax waivers for renewable energy and remove barriers for renewable energy investors.
5. Audit water usage; remove existing barriers for access to water, including potable water, improve infrastructure for reservoirs and review or provide concessions and waivers for water tanks.
6. Focus tax scrutiny on extractive, telecommunications and other national resources and, where relevant and indicative of being non-renewable, impose taxes accordingly.
7. Prioritize urban planning for expansion of sustainable services and utilities.

- 8. Review the tourism industry with landowners for its environmental footprint on land, reefs and coasts; provide tax concessions and waivers for diversification into eco-tourism or sustainable tourism.**

- 9. Prior to borrowing for national debt relief, conduct an independent review of the Fiji National Provident Scheme with respect to policies on membership, pensions, returns on investment of pension funds for pensioners and restoration of contributions and benefits anticipated but not paid to pensioners.**

- 10. Investigate causes of income disparity and review social assistance from the Circular Economy viewpoint.**

- 11. Explore taxation strategies for access to education; review national priorities of Fiji and TSLs support from the Circular Economy perspective.**

- 12. Implement a tax schema on wastage, non-renewable resources, misuse of resources and manufacture of harmful products such as sugar, fizzy beverages and Non-communicable Diseases (NCD) foods which have implications on health and climate; implement a universal health tax for affordability of healthcare.**

7. Circular Economy (CE) Full Implementation Plan within 4 years

Plan per year.	Policy Enablers- Government.	Tax Experts, Accounting Firms, FRCS, South Pacific Stock Exchange.	Businesses including companies, SMEs directors, shareholders and other.	Educators e.g. The University of Fiji.
Year 1	Draft CE Policy and laws/regulations including for national priorities listing for TSLs or other sponsorship.	Review tax practices and processes; transform Fiscal Architecture. Consultation with South Pacific Stock Exchange for CE listing framework.	Business Strategic and Operational Plans revised to shift to Circular Business Plans; Director/Shareholder meetings for decisions conveyed to management to draft and implement Circular Business Plans	Revise University curricula and re-train all staff to incorporate CE teaching and administration strategies; work with CE Consultants to develop a CE Scenario for Fiji
Year 2	Parliamentary CE legislation and budget. Develop a CE National Development Plan	Re-training and re-positioning of tax experts and FRCS staff for the CE taxation framework. Guidelines published.	Re-invest in circular businesses practices framework; seek CE export markets for goods/services where relevant. Raw material audit for CE compliance.	Any major CE amendment to programmes tabled with the Fiji Higher Education Commission (FHEC) for recording.
Year 3	Implementation of CE legislation; monitoring and reporting.	Implementing new CE taxation policies/laws.	Seek tax concessions and waivers for CE investments and business practices.	CE Audit of University Strategic Plan 2022-2026.
Year 4	Review/revise CE policy and benefits; fine-tune legislation.	Review/revise CE tax practices for easier compliance.	Independent (CSO) CE stock-take of business practices.	University of Fiji CE Audit for a Universal Basic Income.

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