COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN FIJI

Overview and Summary of Key Findings from Sector Deep Dives

Executive Summary

May 2022

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EXECUTIVE SUMMARY

This Country Private Sector Diagnostic (CPSD) comes at a challenging yet opportune juncture for Fiji to rebuild a more diverse and resilient economy amid the lingering impacts of COVID-19. Fiji recorded its strongest period of gross domestic product (GDP) growth (since achieving independence in 1970) in the decade leading up to COVID-19, underpinned by rising productivity and investment, improved political stability, and a booming tourism sector. However, the shocks of COVID-19 and a series of natural disasters—Tropical Cyclone (TC) Harold and TC Yasa—have been devastating for Fiji's economy, bringing widespread production disruptions and job losses. The increasing frequency of these weather events has also complicated Fiji's economic development strategy and plans. Fiji's real GDP declined by 15.2 percent in 2020 and is estimated to have contracted a further 4.0 percent in 2021, with the long-term ramifications of the COVID-19 pandemic on the economy yet to be fully seen. These shocks have also exacerbated some of Fiji's long-standing structural vulnerabilities, including the economy being vulnerable to repeated climate-related shocks, its lack of sectoral diversification, and sluggish private sector job growth (particularly among youth and women).

In this context, the CPSD approach for Fiji to "build back better" revolves around four key interrelated pillars: (1) unlocking new sectoral sources of growth beyond tourism; (2) strengthening economic and climate resilience; (3) leveraging Fiji's potential as an economic hub in the Pacific region; and (4) creating inclusive employment opportunities. The sectoral diversification imperative stems largely from the vulnerability of Fiji's tourism to global shocks in travel demand (as the COVID-19 pandemic has painfully illustrated), as well as growing threats to its natural tourism assets from climate change. Low resilience to economic shocks, climate change, and natural disasters is also a feature of many of Fiji's other sectors such as agriculture, housing, and fisheries, and must be bolstered both to preserve the jobs and incomes in these sectors, and to reduce the fiscal burdens of economic relief and reconstruction after every major disruptive event. In parallel to developing sectors that will contribute to increased economic diversification and resilience, Fiji, as an island nation, must also prioritize sectors and reforms that can help expand its external market and leverage its geographic centrality in the Pacific to become an economic hub for Pacific Island Countries (PICs), and potentially for the broader Asia-Pacific region. Finally, sectors with potential to generate high numbers of quality jobs must be at the heart of Fiji's rebuilding and long-term development efforts, especially those offering opportunities to women and youth, who have historically experienced greater unemployment and have also been disproportionately harder hit economically by COVID-19. Women are a growing majority in higher education, but female labor force participation is considerably lower than for males (46 percent compared to 83 percent), a gap which is wider in Fiji than in other PICs.

With fiscal space now especially limited due to the extraordinary volume of COVID-19 relief spending, private sector financing and private-led solutions for this recovery and development strategy will be paramount going forward. To this end, this CPSD highlights the major cross-cutting constraints to the private sector's growth and its investment contribution to Fiji's COVID-19 economic recovery and medium-term economic development. It synthesizes a rich body of prior analytical work and identifies remaining gaps in the private sector development agenda. The CPSD also features key findings from the deep dive analyses of three sectors—**outsourcing services, health care, and agri-logistics**—that have particularly high potential to advance the abovementioned strategic priorities and attract private sector solutions/investment in the next 3–5 years. These sectors were selected from a long list of high potential sectors, based on a systematic set of economic, investment, and additionality criteria.

- For **outsourcing services (OS)**, the key selection factors include Fiji's strong initial track record and regional comparative advantage in the sector, the inherent climate resilience stemming from the digital delivery models of many of these services, and the growing demand for contact-free and information and communication technology (ICT)-enabled services in the context of COVID-19.
- For **health care**, the main selection justification relates to the imperative to close the gap in access to quality health care for Fijians, the renewed importance (in the wake of a global pandemic) of a strong health care system to economic resilience and healthy population, and the opportunity for Fiji to establish itself as a regional medical hub in the context of deteriorating health indicators across PICs who increasingly rely on medical tourism abroad to find quality health care.
- The prioritization of **agri-logistics** stems from the sector's critical role as (1) an enabler of Fiji's agriculture/agribusiness growth—which is essential to advancing economic diversification; and (2) as a contributor to resilience through logistic solutions that help move and store products during global shipping and supply chain disruptions.

In addition, these three sectors tend to employ a relatively large share of women, thereby presenting opportunities for inclusive job creation, provided that residual barriers to women's employment are addressed. Fiji's OS industry, in particular, can also unlock employment opportunities for Fiji's young population—around 50 percent are under 27 years of age—in light of the large number of increasingly tech-savvy university graduates that Fiji generates each year. Moreover, the further development of Fiji's OS and health care sectors can help advance the digital transformation of the economy (through more ICT-enabled business process outsourcing (BPO)/knowledge process outsourcing (KPO)/information technology outsourcing (ITO) services and tele-medicine. This transformation will be an important pillar of Fiji's competitiveness globally in an increasingly digitalized world.

The sector analyses examine the key challenges facing the sector, assess the market potential and private investment opportunities, and present recommendations for policy and non-policy measures to unlock their potential.

CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR GROWTH AND INVESTMENT

Business environment

Despite significant recent reforms as well as investment steadily increasing over the decade, Fiji's legal and regulatory trade and investment framework can be further improved as it largely disincentivizes efficiency-seeking investment. In 2018, only 1 percent of foreign direct investment (FDI) projects in Fiji were efficiency-seeking FDIs, compared to more than 30 percent in Singapore and almost 20 percent in Malaysia.

The experience from other countries shows that such efficiency-seeking FDI flows into an economy when the host country can provide a competitive environment for the investing firm, and design policies, and regulations that facilitate the import and export of goods and services, and lower production costs. However, despite recent improvements in regulation, Fiji is still afflicted by “red tape” which makes business regulatory compliance costly and time consuming. Launching an investment project in Fiji remains expensive and complex due to numerous permit and license requirements, including foreign investor visas and work permits. Although business licenses have been eliminated, a high level of duplication among regulators still exists, especially for company tax and superannuation certificates for both start-up and annual re-registrations. Fiji’s investment regime also contains a long list of activities that are either entirely reserved for Fijian citizens or restricted to foreigners through local ownership requirements or minimum investment thresholds (e.g., fishing, forestry, tobacco production, real estate development and management, interisland shipping). Fiji’s new investment law (passed in June 2021), which strengthens investor rights and protections in accordance with international best practices, is an important step in the right direction, but further clarity will be needed regarding the degree to which investment restrictions will be relaxed and regulations on foreign investor visas simplified. There is scope to further promote intra-government coordination in implementing some of these reforms to improve the overall business environment—e.g., introducing an option to conduct tax registration online but still requiring manual paper processes for health and safety licenses. Further, Fiji, like other countries in the Pacific, has costly trade facilitation procedures that arise due to issues such as the weak harmonization of electronic systems outside of customs.

Widespread price controls and the prevalence of state-owned enterprises (SOEs) limit Fiji’s private sector competitiveness. Approximately one-third of the items in Fiji’s consumption basket are subject to some form of price controls. Some of these apply to sectors that are highly contestable (e.g., bakeries, pharmacies) and can distort market signals, perversely affect producer incentives, and crowd out investment (including in critical sectors such as electricity or water). While the Government of Fiji has increasingly recognized that competition regulation needs to be reformed and some positive steps have been taken by the Fijian Competition and Consumer Commission (FCCC), there is still considerable scope to eliminate or reduce price controls gradually while maintaining the Government of Fiji’s need to ensure fair pricing considering national average annual household income. Similarly, the predominance of SOEs in Fiji (including in sectors such as agribusiness and fisheries that are private sector dominated in other countries) distorts competitive dynamics, especially in industries (e.g., infrastructure) where SOEs enjoy either monopoly rights or preferred access to government contracts and subsidized lending, which have contributed to scarce private investment in those industries. While the performance of some SOEs has improved over the years (Energy Fiji Limited [EFL], Fiji Airways), many of Fiji’s SOEs continue to perform poorly (e.g., Fiji Sugar Corporation), thus draining limited public funds and leading to subpar delivery of key public services and impacting the country’s competitiveness as an investment destina-tion. Continued reforms are needed to improve the productivity and competitiveness of Fiji’s SOEs, and future restructuring, divestment, and public-private partnership (PPP) transactions need to be undertaken to reduce SOE distortions of competitive dynamics, based on a comprehensive analysis of SOE performance considering competitive neu-trality principles. While a number of reforms are already in the pipeline and part of strategic planning, implementation will be critical.

Infrastructure

Inadequacies in Fiji's transport connectivity compound the country's high costs due to remoteness, limiting export competitiveness, and integration into global value chains (GVCs):

- While significant efforts are being made by the government to strengthen **road connectivity** to increase accessibility, sustained planning and monitoring will be needed to ensure safety and reliability of the network, especially in the outer islands and rural and remote areas of the country. A weak road network increases the cost of doing business because of the need for vehicle fleet maintenance and requires additional investments in more costly trucks that can withstand poor road surface conditions, something particularly relevant for industries such as agriculture.
- **Maritime infrastructure** needs to be strengthened for Fiji to improve the affordability and reliability of its domestic and international sea transport. For example, the sector analysis on agri-logistics estimates that storage and wharfage charges of Fijian ports are 200 percent higher than other ports in the Asia-Pacific region, while shipping rates are approximately 80 percent higher than comparator countries. The modernization and cost-effectiveness of maritime infrastructure are key priorities for the government as part of the blue economy agenda. Some ports will require upgrading if they are to help Fiji become a transshipment hub. There are also challenges with the services provided by private sector interisland shipping firms; private sector consultations highlighted low quality services (e.g., there is often uncertainty on when a shipment will arrive, operators often handle products inadequately, there is a lack of compliance with quality standards, and a large portion of vessels are old and damaged with higher fuel intake and higher carbon emissions) leading to high costs of interisland transport. The sector analysis estimates that cargo fees in interisland shipping are double that of Papua New Guinea and ten times higher than in the Philippines.
- While Fiji's **air transport connectivity** for passengers is excellent, there is significant room for improvement in the country's air freight services. Certain types of air freight infrastructure could be built up, e.g., airport pre-cooling and cold storage services. A well-established network of these services would improve the current reliance on regular passenger plane services and the related uncertainty in pricing and availability. The government has managed to address the need for perishable cargo freight through alternative arrangements including one-time partnerships with the private sector. However, as the pandemic shows, having a robust network of air freight infrastructure is critical to not only manage trade but also to contend with the impacts of natural disasters.

Fiji has high levels of access to energy, but there are still challenges with power supply reliability and efficiency, stemming from both infrastructure and legal/regulatory issues. Moving to a more sustainable energy mix is also required. While EFL's maintenance of infrastructure is excellent, its grid equipment requires upgrades leading to a greater need to manage supply and demand and monitoring. These issues with reliability and efficiency of supply could be resolved partially by crowding in private sector capital for distributed and renewable energy generation and operation of mini grids. However, on the regulatory and institutional side, an effective Independent

Power Producer (IPP) framework and legislation/regulatory framework to allow net metering and establish viable mechanisms to support sustainable energy transitions do not exist. As a result, EFL, which is the only possible off-taker for IPPs, offers IPP tariffs that are frequently viewed by prospective investors as too low for an attractive return on investment. The small scale of investment opportunities also influences the "bankability" of private sector engagement. Consequently, private sector investment in renewable energy generation has been low despite the various investment incentives offered by the Government of Fiji. EFL will be reviewing its 10-year Power Development Plan (PDP) in 2022 and among other things will assess demand and supply scenarios, including identification of renewable energy projects. With the ambitious goal of achieving 100 percent power generation by renewable energy sources, there is a need to plan strategically, exploring technology and innovation, for integration of hydro and solar generation to meet increasing future demand. For example, EFL has signed an agreement to deliver the largest solar project of its kind in the Pacific to date, aimed at helping move closer to Fiji's goal of sourcing 100 percent of its energy needs from renewable sources.

Access to finance and skills

Fiji's financial system is one of the most developed in the PICs with the Reserve Bank of Fiji (RBF) creating an enabling environment for development while maintaining financial stability. However, access to finance in Fiji remains challenging for micro, small, and medium enterprises (MSMEs) despite abundant liquidity. A 2017 report by the IFC estimated that Fiji has an MSME financing gap equivalent to more than 400 percent of its current supply of credit. As of December 2021 Fiji's financial system remains dominated by banks, which represent 40.7 percent of system assets with a concentration of loan portfolios to large corporates. Domestic credit to the private sector in Fiji was 120.6 percent of GDP in 2020, and the cost of funds is relatively low for commercial banks. In 2021, the slowdown in lending has been due to a subdued economy battered by the dual shocks of the pandemic and the tropical cyclones. Commercial banks and nonbank institutions are reluctant to extend credit to MSMEs, in large part due to difficulties in pricing credit risk (reflecting Fiji's weak credit reporting system), mitigating it (owing to limited availability of eligible collateral), and rising nonperforming loans (NPLs) on their own balance sheets. Personal property securities legislation and a movable collateral registry have recently been put in place, which should help expand collateral options for MSMEs. The depth of credit information is extremely low, as the credit bureau covers less than 5 percent of the country's adult population. This leaves banks unable to use credit scores to assess the creditworthiness of prospective borrowers and incentivizes them to favor large enterprises on which they already have information. However, review and reform of the relevant legal framework has commenced, and this should improve the credit reporting landscape. While MSMEs face challenges in accessing financing, financial inclusion in the country is quite high at the household level. For instance, 81 percent of Fijian adults have access to formal financial services (including 75 percent of women with a bank account and 82 percent of men). Against the backdrop of COVID-19, the Government of Fiji in partnership with RBF, as well as licensed financial institutions, have introduced a number of concessional financing schemes and moratoriums to assist MSMEs during these challenging times. Financial sector development is a priority for the central bank, and several initiatives are in motion, including developing a corporate bond market to diversify sources of funding in markets and upgrading to a modern and robust payment system infrastructure. The latter will ensure a cost-effective and efficient transfer of funds by retail and business sectors including digital solutions such as e-commerce. Considering the pandemic, the financial sector remains stable for now with respect to asset quality, liquidity position, and capital adequacy with close monitoring by the regulator.

Availability of insurance for the private sector in Fiji is extremely low, and the recent exit of insurers from the market is a problem for a country exposed to significant natural disasters and climate risks. Around 94 percent of houses in Fiji are uninsured against natural disaster risks, and there are limited microinsurance and agriculture insurance products in the country. A few development partners have introduced innovative products in the market with scope for more, but sustainability of these will be critical. Similarly, many businesses, particularly MSMEs, are not insured due to their informality, which raises their cost of insurance. Furthermore, the scarcity also relates to issues with regulation, the enabling environment to sufficiently develop the insurance market, and the difficulty for insurers to secure reinsurance capacity. The underwriting system used in Fiji employs strict and definitive requirements as preconditions of coverage like international standards, mainly due to the frequency of natural disasters. As such, there is a need to develop innovative products that meet the needs of more Fijian households and businesses at an affordable price. Likewise, the quality and level of resilience of Fijian properties need to increase. Meanwhile, in the case of agriculture insurance, several key issues need to be addressed before it is feasible for the market to offer insurance for crops, livestock, or fisheries. These include (1) support to insurers to be able to appropriately design, price, and underwrite such products; (2) product affordability, which would likely mean some kind of premium subsidy, including tax incentives; (3) better and consistent agricultural and weather data to facilitate the design and pricing of insurance products; and (4) support, awareness raising, and incentivization of aggregators such as microfinance institutions (MFIs) or farmers associations as distribution channels to facilitate insurance sales to farmers need to be developed. Success of ongoing pilot parametric climate and disaster risk insurance products will be critical to leverage a national access and usage of such instruments including PPP solutions for a small market like Fiji.

Fiji has been at the forefront of the climate change agenda due the adverse effects on its economy, people, and livelihoods. With Fiji's natural disaster risks likely to grow in the future, broader financing mechanisms and private participation for strengthening climate resilience will also be needed. Fiji is increasingly at risk given the large share of its population living in disaster-prone areas, the climate-sensitive locations of critical infrastructure (e.g., many electricity substations and transformers are located near coastal areas, and a large proportion of transmission lines are still above ground), and the economy's dependence on agriculture and tourism. It is estimated that about F$9.8 billion will be needed to address Fiji's climate-change exposure in the next 8–10 years. In order to incentivize private participation in this agenda, various elements such as climate financing incentives, enabling regulation, and climate-related workforce skills will need to be developed. A separate and more detailed analysis would be required to inform the design and implementation of such measures.

Over the last decade, access to education at all levels has significantly increased due to the introduction of subsidies and scholarships. Despite improvements in educational attainment, a shortage of skilled workers remains a considerable barrier for private sector growth. Enterprise surveys have consistently shown skills shortages (including skills gaps) to be a significant concern for firms of all sizes (World Bank Group Country Partnership Framework, 2017). The Fiji Commerce & Employers Federation (FCEF) and Fiji Hotels and Tourism Association (FHTA), Fiji's two largest employer associations, both point to skills gaps that are present in the economy in relation to key sectors, noting both shortages of people with relevant skills in certain occupations as well as under-prepared and ill-equipped graduates entering the workforce of certain industries and sectors. This is largely a result of a mismatch between the career aspirations of young people and firms' human resource needs. This is due to several reasons. First, there is low uptake of technical and vocational education and training (TVET) since graduates/workers feel their skills are sufficient for the needs of the market. Second, the quality and relevance of some of these training programs doesn't fulfil the requirements needed by the private sector, while accessibility of these trainings is also limited by locations and costs. Third, the country lacks a comprehensive labor market information system that could track detailed demand and supply of skills, which perpetuates the above problems. Fourth, the linkages between the academic, the public sector and the private sector are not strong. Finally, like many developing countries both semiskilled and skilled jobs are also not paid well in comparison to opportunities abroad, leading to migration. For example, skilled graduates in specialized fields such as medicine, higher salaries and better careers abroad encourage outward migration, further contributing to a shortage of technical professionals. At the university level, women are graduating at higher rates than men; however, there is disparity when it comes to labor force participation. A key factor in bridging this gap is strengthening childcare support and addressing gender-based violence. It is also important to acknowledge the steps that are being taken to address the weaknesses in the TVET sector—for example, through a recent partnership between the Fiji National University and the Australia Pacific Training Coalition.

SECTOR DEEP DIVES: OUTSOURCING SERVICES (OS), HEALTH CARE, AND AGRI-LOGISTICS

Fiji's potential as an OS hub in the Asia Pacific region has yet to be fully tapped and could provide Fiji's economy with a climate-resilient source of growth and inclusive jobs, particularly for youth and women. Fiji has a competitive value proposition as an OS destination, offering a relatively well-educated and accent-neutral English-speaking workforce, a friendly service culture, sound ICT infrastructure, low labor costs, and a "nearshore" status for large regional source markets such as Australia and New Zealand. However, the growth of its OS sector—which, to date, generates only US$47 million in annual revenues (less than 0.1 percent of GDP) and employs approximately 7,000 people (about 1.4 percent of share of total labor force)—has been hampered by several constraints: the lack of a holistic strategy for the sector (including market positioning, prioritization of technical skills for development, and innovative targeted investment policies and incentives to be more competitive), the shortage of fit-for-purpose office space, the limited resilience of Fiji's ICT infrastructure, and policy gaps in data protection and privacy. Three key OS market opportunities that Fiji should focus on to attract private investment and grow its OS industry are (1) multinational companies with an existing footprint in Fiji and/or other PICs who are seeking to outsource business functions via a shared services global capability center (GCC); (2) higher-value BPO services, the demand for which is rising as companies increasingly seek robotic process automation (RPA) and artificial intelligence (AI) solutions for their business processes; and (3) fast-growing KPO segments that align with the skill sets of Fiji's graduates, namely analytics and market research, accounting, and legal processes. The main investments and policy actions to address the OS sector's challenges and help realize these market opportunities include (1) improving the marketing of Fiji as an OS destination; (2) upgrading OS workforce skills through new courses at universities and specialized training at TVET facilities; (3) continuing to promote and facilitate OS-enabling infrastructure such as special economic zones (SEZs)/business parks (with public transport and child care facilities), new ICT subsea cables and network connections, and colocation data centers; and (4) strengthening Fiji's legal framework around data protection and privacy.

Strengthening Fiji's health care system will help address the growing burden of noncommunicable diseases (NCDs) while positioning Fiji as a regional hub for health services. Around 85 percent of the deaths in 2019 were due to NCDs. It is also estimated that, by 2040, the rising number of premature deaths caused by NCDs will cost Fiji's economy roughly 10.9 percent of GDP. The challenges in the current health care system can be seen across the entire value chain, from inadequate infrastructure for early screening and diagnosis of disease, to availability of medical supplies and pharmaceuticals and their disposal. On the other hand, there is a lack of affordable medical insurance which acts as a key constraint to developing private health care. But Fiji's health sector is also more developed in comparison to other PICs, especially in enabling digital infrastructure (e.g., internet and mobile access, undersea cable connectivity), which creates an opportunity for the country to establish itself as a regional health care hub. The assessment of sector gaps points to five areas of opportunity for greater private sector participation that could help optimize health care service delivery domestically and position Fiji as a regional hub. These are (1) advanced diagnostic facilities, (2) telehealth services (which, in particular, support women's access to health and safety), (3) a cardiac and cancer specialist care hospital, (4) improved storage and distribution of pharmaceuticals, and (5) strengthened medical waste management. Key public policy and non-policy measures to facilitate private investment in these identified opportunities include (1) recognizing telehealth as a national priority agenda and establishing regulatory guidelines in line with international benchmarks to incentivize and regulate telehealth systems; and (2) strengthening health data information systems across the entire value chain, in particular for management of medical records and supplies.

Agri-logistics, which will play a critical role in enabling Fiji's capacity for large-scale commercial agriculture, presents new areas for both public and private sector participation. While agri-logistics solutions are relatively widespread in Viti Levu—with various providers of warehousing and storage, road transportation, sea and air freight cargo services, inland freight forwarding, wholesale and retail food distribution—these firms are mostly smaller, informal players or agricultural producers. Meanwhile, agri-logistics is underdeveloped in other smaller and remoter islands of the country. Some key gaps in the sector include (1) weak domestic interisland shipping, (2) an absence of critical post-harvest heat removing (pre-cooling) infrastructure, (3) shortages of storage and warehousing in specific locations, and (4) lack of substantial perishable cargo services at airports, particularly at Nadi International Airport (Fiji's leading airport for agriculture exports). In light of these gaps and the projected rapid growth in agri-logistics demand over the next 10 years—a 43 percent increase from the approximately 580,000 metric tons currently serviced—key investment opportunities in the sector include (1) near-farm pre-cooling and aggregation services (particularly in Sigatoka Valley and Vanua Levu), (2) cold storage facilities, (3) an agri-logistics hub for perishables at Nadi airport, and (4) improved interisland shipping. To date, the realization of these investment opportunities has been hindered by a variety of policy and non-policy constraints. These include Fiji's high port and shipping costs, as well as a lack of (1) innovative targeted policies and incentives for agri-logistics investments, (2) systematic dialogue with the private sector, (3) timely and quality data on the sector, and (4) road and jetty infrastructure. Some of the key policy reforms to help mobilize private investment in agri-logistics include (1) reviewing and addressing high seaport charges; (2) improving education and training opportunities in the agri-logistics field; (3) broadening SEZ mandates to include and incentivize investments in agri-logistics; and (4) improving data collection capabilities for the sector, in particular to enhance the traceability of agricultural goods. This is another sector where there is higher potential for women's participation in the value chain, underscoring the need for enabling reforms to have a gender lens.

Table ES.1 maps the specific constraints for each of the three sectors and highlights key cross-cutting issues limiting growth and investment (shared constraints across business environment, infrastructure, finance, and skills). Table ES.2 summarizes a set of priority recommendations that are most important for unlocking private sector growth and investment opportunities in Fiji, along with key stakeholders or "champions" who could spearhead them. These reforms, which include both cross-cutting measures and measures specific to the three sectors analyzed in this CPSD, are considered to have the highest potential to mobilize private investment and fulfill the higher-level objectives outlined in this diagnostic (a longer list of recommendations, including lower-priority ones, is detailed in appendix A). However, feasibility of implementation and timelines differ depending on assessment of capacity and willingness of relevant stakeholders. Some of these reforms have been identified as "enablers" in being sequential to other reforms thereafter. Furthermore, in recognition of government efforts to resuscitate the economy in the wake of COVID-19 impacts, recommendations that are likely to have greater fiscal implications are also highlighted. This is important to bear in mind given the adverse impact of the pandemic on government budgets. The Government of Fiji's fiscal deficit peaked at 15.1 percent in 2021 compared to 4.8 percent in 2019, with COVID-19 response measures driving the increase. The fiscal deficit is expected to fall to 6.4 percent in 2023 through fiscal consolidation efforts. While the potential fiscal costs of these recommendations are important to consider, they must be weighed against the benefits of the private investment that could be mobilized through their timely and decisive implementation.

Having a dedicated reform team to oversee the implementation of such multi-pronged reforms could help drive success. Experience from other countries such as Malaysia and Singapore have shown that a small team who can lead the dialogue against critical stakeholders such as donors, the private sector, and line ministries to drive strategy is crucial, while having direct connection to the political leaders to compel action. In Fiji's case, it is critical that the Ministry of Economy and Ministry of Commerce, Trade, Tourism and Transport takes the leadership and ownership of strategic development.

TABLE ES.1: SUMMARY OF KEY CONSTRAINTS AFFECTING THE THREE DEEP DIVE SECTORS

Constraints	Business environment	Infrastructure	Access to finance and skills	Sector-specific
Impacting outsourcing services (OS)	Burdensome market entry legislation, lack of targeted incentives, and/or ad hoc application outside of SEZs	Lack of access to fit-for-purpose office space, unreliable electricity supply, and vulnerable ICT infrastructure	Insufficient relevant OS training courses, including those meeting Fiji Qualification Framework (FQF); poor career prospects leading to brain drain	Absence of data protection and privacy laws
Impacting health-care	Complex tax regime, difficulty in registering businesses and obtaining construction permits, lack of guidelines to regulate telehealth, incomplete legislation to cover alternative environmentally friendly waste management processes	Unreliable and inadequate electricity, vulnerable ICT infrastructure, lack of reliable cold chain storage	Insufficient skilled medical professionals (doctors, nurses, technicians); poor career prospects leading to brain drain	Weak integrated health data system; insufficient policy attention given to telehealth to date: lack of affordable medical insurance
Impacting agri-logistics	Complex tax regime, cumbersome business registration, possible distortionary role of AMA	Poor road infrastructure, absence of pre-cooling chain, inadequate air cargo facilities		High seaport charges, inadequate frequent and quality agricultural data to support efficient decision-making in production and distribution
Other often-cited constraints	• Lack of regular consultation and coordination with private sector actors beyond representatives of chambers and associations in introducing policy and regulatory changes. • Inadequate knowledge, expertise, or training among public and private actors leading to inefficient interpretation and implementation of the polices. • Manual and traditional processes which add to the inefficiency, delays, and cost of completing procedures or obtaining approvals. • Lack of support for childcare and GBV to attract and retain skilled women, resulting in a lack of access to skilled workers across all three sectors.			

Note: AMA = Fiji Agricultural Marketing Authority; GBV = gender-based violence.

TABLE ES.2: HIGHEST PRIORITY RECOMMENDATIONS FOR UNLOCKING PRIVATE SECTOR GROWTH AND INVESTMENT OPPORTUNITIES IN FIJI

Objective	Recommendation	Enabling reforms	Approximate timeframe of implementation (S/M/L)	Feasibility of implementation (H/M/L)	Impact (H/M/L)	Responsible agencies
CROSS-CUTTING ISSUES						
Strengthen business and investment legal and regulatory regime	Strengthen online regulatory service delivery across the business lifecycle by digitizing manual services and integrating service delivery across portals, agencies, and departments to provide online single-window services.	✓	M	M	H	MCTTT, Digital Fiji, relevant agencies, Investment Fiji
	Delineate and strengthen the role of Investment Fiji and Ministry of Commerce, Trade, Tourism and Transport respectively in dealing with potential investors and the private sector in general.		S	H	H	MCTTT, Investment Fiji, relevant agencies
Enhance reliability, efficiency, and affordability of energy supply in Fiji	Improve IPP regulatory framework (e.g., allow net metering, ensure EFL uses a standardized power purchasing agreement) to incentivize private sector investments in renewable energy.	✓	S	M	H	Ministry of Infrastructure
	Establish an independent technical regulator to monitor EFL.	✓	S	M	H	Ministry of Infrastructure
Improve Fiji's transport infrastructure	Undertake periodic review of interisland shipping fares and freight charges to improve competition, compliance to safety standards, and quality of services in the sector.		S	M	H	Maritime Safety Authority of Fiji, FCCC
Increase flow of finance	Enact credit reporting regulation that both obligates financial institutions to provide credit data to the country's credit bureau and provides these institutions with access to aggregated credit data.	✓	S	H	H	MCTTT, RBF
	Accelerate operationalization of MSME Fiji, which will be critical to consolidating a holistic approach to addressing challenges faced by MSMEs.		M	M	H	MCTTT
Address lack of skills	Operationalize a comprehensive labor market information system (LMIS) to underpin career advice and guide education and training systems/ investments (immediate).	✓	M	H	H	Ministry of Employment, Productivity & Industrial Relation
Address barriers to women participation to address skills gaps	Ensure implementation of the Government of Fiji's policy framework to establish quality and affordable childcare in Fiji and integrate gender considerations into PPP projects.	✓	S	H	M	Ministry of Women, Children and Poverty Alleviation (MWCPA)

Note: Enabling reforms in the immediate term are those reforms that if introduced at the outset are expected to "enable" positive spillovers for subsequent reforms, paving the way for cumulative effects in a particular field and for the subsequent medium term. The distinction highlights reforms that could be sequential in nature. Approximate timeframe of implementation: Short-term (1–2 years), medium-term (2–3 years), or long-term (3+ years). Feasibility of implementation (High/medium/low) assesses the potential feasibility of reform given the capacity of stakeholders and resistance from stakeholders and others. Impact assesses the potential impact of each reform on private sector activity and investment, and thereby on the overall higher-level objectives driving the diagnostic. * Highlights recommendations that are likely to have fiscal implications. HER = electronic health records; HIS = health information system; MNC = multinational corporation; MoA = Ministry of Agriculture.

Objective	Recommendation	Enabling reforms	Approximate timeframe of implementation (S/M/L)	Feasibility of implementation (H/M/L)	Impact (H/M/L)	Responsible agencies
AGRI-LOGISTICS						
Strengthen quality of data collection and access	Increase frequency of agriculture census, include gender-disaggregated indicators and data collection, and make annual MoA data easily available.*	✓	S	H	H	MoA, Fiji Bureau of Statistics
Elevate agri-logistics sector in national policy agenda	Embed agri-logistics in agriculture, trade, and industrial strategy and policy with clear targets and road map of implementable actions.		S	H	H	Ministry of Economy, MoA
Strengthen collaboration with private sector	Strengthen public-private sector dialogue and collaboration through existing platforms.		S	H	H	Government of Fiji, Private sector
OUTSOURCING						
Address lack of required skills for an emerging OS industry	Establish training courses in the tertiary sector that meet Fiji Qualification Framework (FQF).*	✓	M	M	H	Ministry of Education, Tertiary Sector, BPO Council
Address lack of awareness of Fiji as a potential OS destination	Develop and present feasibility reports to existing MNCs and leverage APAC presence by targeting other MNCs in the region.		M	M	M	BPO Council, Private sector
HEALTH CARE						
Establish/ strengthen required health data information systems, ensuring data disaggregation	Strengthen data systems by updating Fiji's HIS and have single window EHR system used by all public and private health care. Ensure gender-disaggregated data are captured.	✓	S	H	H	MHMS, Digital Fiji, Ministry of Communication
	Strengthen the data information systems across the pharmaceutical chain to ensure real-time efficient management of medical supplies.	✓	S	H	H	MHMS and related agency—Fiji Pharmaceutical and Biomedical Services, Ministry of Communications
Address gaps in incentives for waste management systems opportunities	Amend legislation along the waste management chain to incorporate new requirements of alternative systems.	✓	S	H	H	Department of Environment

Note: Enabling reforms in the immediate term are those reforms that if introduced at the outset are expected to "enable" positive spillovers for subsequent reforms, paving the way for cumulative effects in a particular field and for the subsequent medium term. The distinction highlights reforms that could be sequential in nature. Approximate timeframe of implementation: Short-term (1–2 years), medium-term (2–3 years), or long-term (3+ years). Feasibility of implementation (High/medium/low) assesses the potential feasibility of reform given the capacity of stakeholders and resistance from stakeholders and others. Impact assesses the potential impact of each reform on private sector activity and investment, and thereby on the overall higher-level objectives driving the diagnostic. * Highlights recommendations that are likely to have fiscal implications. HER = electronic health records; HIS = health information system; MNC = multinational corporation; MoA = Ministry of Agriculture.

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