



COUNTRY PRIVATE SECTOR DIAGNOSTIC

# CREATING MARKETS IN FIJI

Overview and Summary of Key Findings  
from Sector Deep Dives

May 2022



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# CONTENTS

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<i>Acknowledgments</i>	<i>v</i>
<i>Abbreviations</i>	<i>vi</i>
<i>Executive Summary</i>	<i>ix</i>
<b>1. INTRODUCTION</b>	<b>1</b>
<b>2. COUNTRY CONTEXT</b>	<b>2</b>
<b>3. PRIVATE SECTOR LANDSCAPE</b>	<b>6</b>
<b>4. CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR GROWTH AND INVESTMENT</b>	<b>12</b>
<b>5. SELECTION OF SECTORS FOR DEEP DIVE ANALYSIS</b>	<b>31</b>
<b>6. SUMMARY OF SECTOR DEEP DIVE FINDINGS</b>	<b>34</b>
<i>Appendix A: Comprehensive List of Recommendations</i>	<i>54</i>
<i>Appendix B: Some Key Comparisons and Lessons from Global Experiences in Outsourcing Services, Health, and Agri-Logistics</i>	<i>58</i>
<i>References</i>	<i>68</i>
<i>Endnotes</i>	<i>72</i>

**BOXES**

4.1	Fiji's Imperative to Address Climate Resilience	22
6.1	Models to Assess for Domestic Interisland Shipping in Fiji	52

**FIGURES**

2.1	Average Real GDP Growth, 1970-2010 and 2011-2019 Fiji vs. Comparators	3
2.2	Gross Capital Formation as a Percent of GDP, Average 1980-2010 & 2011-2018 Fiji vs. Comparators	3
2.3	Annual Real GDP Growth 1980-2019 Fiji vs. Comparators	3
2.4	Value Added per Worker by Sector 1991-2018 Fiji vs. Comparators	3
3.1	Visitor Arrivals per Year 1983–2019	6
3.2	Exports Concentration by Product	6
3.3	Forecast of Business Revenue with COVID-19 ongoing till December 2020	7
3.4	Ways in Which COVID-19 Has Affected Business Operations	7
3.5	Unemployment, Total vs. Youth Labor Force	9
3.6	Informal Employment, Total vs. Youth Labor Force	9
3.7	Fiji vs Benchmark Countries: Evolution of Economic Complexity Index	10
3.8	Medium and High Technology Exports as a Percentage of Total Manufactured Exports 2004–2018	10
3.9	FDI as a % of GDP, average 2011–2019	10
3.10	Fiji vs Benchmark Countries: Economic Complexity vs FDI Complexity	10
4.1	UNCTAD Linear Shipping Connectivity Index, 2006–2021	17
4.2	Regional Benchmarking—Passengers Carried by Air	19
4.3	Regional Benchmarking—Air transport, Freight	19
4.4	Access to Electricity, 1990–2018	20
4.5	Regional Benchmarking—Access to Electricity, 2018	20
4.6	Regional Benchmarking—Electricity Tariff for Commercial Firms with Consumption of 1,000 kWh per Month, 2019	20
4.7	Domestic Credit to the Private Sector, 2001–2019	23
4.8	Regional Benchmarking—Domestic Credit to the Private Sector, 2001–2019	23
4.9	Benchmarking—MSME Financing Gap	24
4.10	Change in the Number of Rejected MSME Loans	25
4.11	Factors That Have Affected Bank Credit Standards Applied to the Approval of MSME Loans	25
4.12	Level of Educational Achievement by Age, 2014–2015	28
4.13	Number of IT Job Advertisements per Level of Education Required	28

5.1	Scope and Key Objectives of Fiji CPSD	33
6.1	Fiji OS Organizations' Client Locations for 2021	35
6.2	Fiji OS organization's Client Primary Industries for 2021	36
6.3	Key Gaps in Delivery of Health Care in Fiji	42
6.4	Funding for Health Expenditures in Fiji and Regional Comparators	43

## TABLES

ES.1	Summary of Key Constraints Affecting the Three Deep Dive Sectors	xviii
ES.2	Highest Priority Recommendations for Unlocking Private Sector Growth and Investment Opportunities in Fiji	xix
4.1	Recommendations for Addressing Cross-Cutting Constraints to Private Sector Growth and Investment	29
5.1	Analytical Framework for Selection of Sectors for Assessment	32
5.2	Summary of Key Justifications for Selection of Deep Dive Sectors	33
6.1	Emerging Outsourcing Services Trends and Implications for Fiji's Outsourcing Services Sector	38
6.2	Policy and Non-policy Recommendations for Outsourcing Services Market Growth and Investment	40
6.3	Policy and Non-policy Recommendations for Health Care Sector Growth and Investment	48
6.4	Policy and Non-policy Recommendations for Agri-logistics Growth and Investment	53

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# ABBREVIATIONS

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ADB	Asian Development Bank
AI	artificial intelligence
AMA	Fiji Agricultural Marketing Authority
ANZ	Australia and New Zealand
APAC	Asia and Pacific
ASA	Advisory Services and Analytics
ATS	Air Terminal Services
BFSI	banking, financial services and insurance
BPO	business process outsourcing
CAGR	compound annual growth rate
CG	corporate governance
COVID-19	Coronavirus disease 2019
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
DFAT	Australia Department of Foreign Affairs and Trade
EAP	East Asia and Pacific
EBIDTA	earnings before interest, depreciation, taxes and amortization
ECI	economic complexity index
EFL	Energy Fiji Limited
EHR	electronic health records
EIA	environmental impact assessment
EMEA	Europe, Middle East and Africa
EU	European Union
FBOS	Fiji Bureau of Statistics
FCCC	Fijian Competition and Consumer Commission
FCEF	Fiji Commerce & Employers Federation
FDA	United States Food and Drug Administration
FDI	foreign direct investment
FHTA	Fiji Hotels and Tourism Association
FJD	Fiji dollar
FNPF	Fiji National Provident Fund
FPBS	Fiji Pharmaceutical and Biomedical Services
FQF	Fiji Qualification Framework
FRA	Fiji Roads Authority
FRCS	Fiji Revenue Customs Service
FTE	full-time equivalent employment
GBV	gender-based violence
GCC	global capabilities center
GDP	gross domestic product
GIRG	Global Indicators of Regulatory Governance

GVC	global value chain
HIS	health information system
HORECA	hotels, restaurants and caterers
HR	human resources
HVA	high value-added
IBRD	International Bank of Reconstruction and Development
ICB	Investment competitiveness benchmarking
ICT	information and communication technology
IFC	International Finance Corporation
ILO	International Labor Organization
IMO	International Maritime Organization
IPP	independent power producer
IT	information technology
ITO	information technology outsourcing
JICA	Japan International Cooperation Agency
KPO	knowledge process outsourcing
LMIS	labor market information system
LPO	legal process outsourcing
LRIS	laboratory/radiology information system
LSCI	Linear Shipping Connectivity Index
MCTTT	Ministry of Commerce, Trade, Tourism and Transport
MDF	Market Development Facility
MFD	maximize finance for development
MFI	microfinance institutions
MHMS	Ministry of Health and Medical Services
MNC	multinational corporation
MRI	magnetic resonance imaging
MSME	micro, small and medium enterprises
MSMECGS	micro, small and medium enterprises credit guarantee scheme
NCD	noncommunicable disease
NDP	Fiji National Development Plan
NPL	non-performing loan
OECD	Organisation for Economic Co-operation and Development
OMRS	overseas medical referral schemes
OO	online outsourcing
OS	outsourcing services
PBSP	Pacific Blue Shipping Partnership
PIC	Pacific Island Countries
PNG	Papua New Guinea
PPD	public-private dialogue
PPP	public-private partnership
RBF	Reserve Bank of Fiji



RPA	robotic process automation
RPO	recruitment process outsourcing
SCD	Systematic Country Diagnostic
SEZ	special economic zone
SME	small and medium enterprise
SOE	State-owned enterprise
SSTI	Sustainable Sea Transport Initiative
TA	technical assistance
TC	Tropical Cyclone
TEST	technology and employment skills training
TFP	total factor productivity
TVET	technical and vocational education and training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USD	U.S. dollar
VSMT	visiting specialist medical teams
WBG	World Bank Group
WDI	World Development Indicators
WFH	work from home
WHO	World Health Organization
WTO	World Trade Organization

# EXECUTIVE SUMMARY

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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,<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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,<sup>5</sup> 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),<sup>6</sup> thus draining limited public funds and leading to subpar delivery of key public services and impacting the country’s competitiveness as an investment destination. 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 neutrality 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.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup>

### 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).<sup>10</sup> Against the backdrop of COVID-19, 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 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.<sup>11</sup> 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.<sup>12</sup>

## **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.<sup>13</sup> 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
<b>Impacting outsourcing services (OS)</b>	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
<b>Impacting health-care</b>	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
<b>Impacting agri-logistics</b>	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
<b>Other often-cited constraints</b>	<ul style="list-style-type: none"> <li>• Lack of regular consultation and coordination with private sector actors beyond representatives of chambers and associations in introducing policy and regulatory changes.</li> <li>• Inadequate knowledge, expertise, or training among public and private actors leading to inefficient interpretation and implementation of the policies.</li> <li>• Manual and traditional processes which add to the inefficiency, delays, and cost of completing procedures or obtaining approvals.</li> <li>• 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.</li> </ul>			

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
<b>CROSS-CUTTING ISSUES</b>						
<b>Strengthen business and investment legal and regulatory regime</b>	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
<b>Enhance reliability, efficiency, and affordability of energy supply in Fiji</b>	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
<b>Improve Fiji's transport infrastructure</b>	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
<b>Increase flow of finance</b>	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
<b>Address lack of skills</b>	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
<b>Address barriers to women participation to address skills gaps</b>	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
<b>AGRI-LOGISTICS</b>						
<b>Strengthen quality of data collection and access</b>	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
<b>Elevate agri-logistics sector in national policy agenda</b>	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
<b>Strengthen collaboration with private sector</b>	Strengthen public-private sector dialogue and collaboration through existing platforms.		S	H	H	Government of Fiji, Private sector
<b>OUTSOURCING</b>						
<b>Address lack of required skills for an emerging OS industry</b>	Establish training courses in the tertiary sector that meet Fiji Qualification Framework (FQF).*	✓	M	M	H	Ministry of Education, Tertiary Sector, BPO Council
<b>Address lack of awareness of Fiji as a potential OS destination</b>	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
<b>HEALTH CARE</b>						
<b>Establish/strengthen required health data information systems, ensuring data disaggregation</b>	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
<b>Address gaps in incentives for waste management systems opportunities</b>	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.

# 1. INTRODUCTION

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The Country Private Sector Diagnostic (CPSD) is a joint International Finance Corporation (IFC)-World Bank (WB) diagnostic that aims to identify potential private sector opportunities and make concrete recommendations for crowding-in private sector solutions in Fiji. The focus is on actions that can help mobilize private solutions within a 3–5-year time frame. The CPSD analyzes the country context, including main development challenges and the state of the private sector, and identifies cross-cutting as well as sector-specific opportunities and constraints, including those recently emerging in the context of the COVID-19 pandemic. It is expected that the CPSD will be of interest to the private sector, policy makers, and other multilateral and bilateral financing institutions.

In light of the COVID-19 pandemic and its disruptive impact on Fiji's economy (notably on tourism), this CPSD presents an opportunity to take a more focused look at the growth-enabling policy and non-policy reforms and sectors that could help support Fiji's recovery from COVID-19, diversify its economy, and build resilience to future pandemics and natural disasters. In this sense, the CPSD will help reinforce key themes and messages presented in other recent World Bank Group (WBG) strategy documents for Fiji,<sup>14</sup> while also offering new perspectives on how Fiji can foster private sector growth and maximize finance for development (MFD) to accelerate the recovery from COVID-19.

This CPSD is structured into two parts. The first part provides the strategic and economic context for the CPSD and discusses the key cross-cutting constraints to private sector growth and investment in Fiji. The second part presents the framework used to select sectors for deep dive assessment and summarizes the main findings of the sector deep dive assessments.



## 2. COUNTRY CONTEXT

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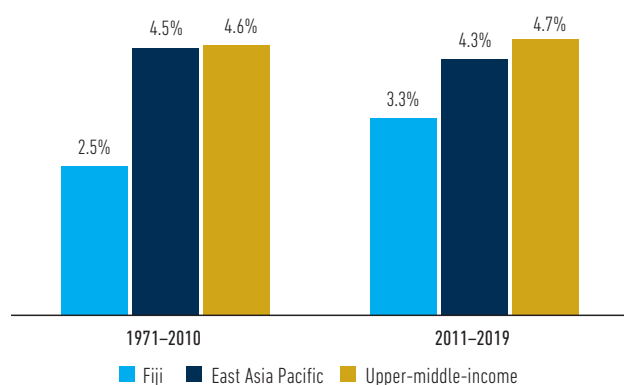
### 2.1. STRUCTURAL TRANSFORMATION, POLITICAL STABILITY, AND SOUND ECONOMIC POLICIES PUT FIJI ON A STRONG GROWTH TRAJECTORY OVER THE RECENT DECADE

Fiji is a remote and small island nation by global standards but is one of the largest and most sophisticated economies among the Pacific Island countries (PICs). With a population of roughly 900,000, Fiji is not a “micro-nation” like most of the other PICs. Its economy is the second largest among the PICs, after Papua New Guinea, and it is the most industrially advanced, with substantial services and manufacturing sectors. It thus plays an anchor economic role in the region, including as a hub for re-exports to the rest of the Pacific.

**Fiji has experienced sluggish and volatile growth for most of its post-independence history.** In the first four decades since achieving independence in 1970, real gross domestic product (GDP) growth in Fiji averaged 2.9 percent per year and 1.6 percent on a per capita basis, lagging its regional and upper-middle-income country peers (figure 2.1). Fiji’s economy was almost solely reliant on remittance-financed consumption<sup>15</sup> as its key driver of growth (80 percent of output growth between 1970–2010). Fixed investment over this period was chronically low (figure 2.2), total factor productivity (TFP) growth close to zero, and net exports contributed negatively to growth (–0.8 percentage points on average in 1970–2010). Swings in annual growth were also considerable, ranging from –7 to 13 percent, a significantly higher volatility than that of its comparators (figure 2.3), driven predominantly by weather-related shocks and recurring political instability (with coups d’état in 1987, 2000, and 2006).

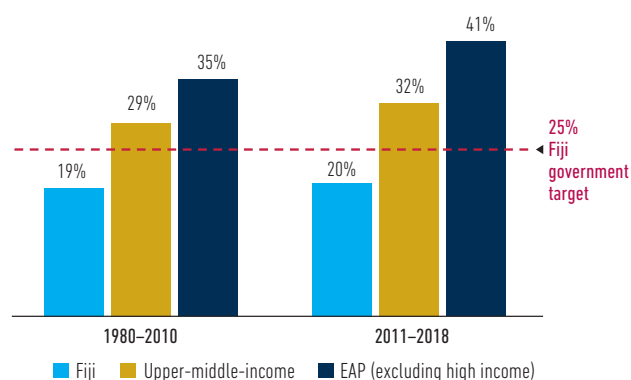
**In the most recent decade, however, growth has accelerated on the back of a tourism-led growth model underpinned by higher productivity and investment and improved political stability.** The economy recorded its ninth consecutive year of growth in 2018, notwithstanding the economic losses caused by several natural disasters (e.g., Tropical Cyclones Evan and Winston). This is predominantly due to productivity gains that resulted from a reallocation of almost 12 percent of the labor force from the agriculture sector to services sectors where value added per worker is considerably higher (figure 2.4).<sup>16</sup> Higher growth in capital stock was also a contributor—between 2011 and 2018 public expenditure more than tripled in nominal terms from US\$213 million to US\$706 million, predominantly due to increases in capital spending on infrastructure, which rose sixfold in nominal terms.<sup>17</sup> Fiji’s re-engagement with the international community and political stability that followed the democratic election in 2014 also bolstered GDP growth by strengthening investor and business confidence somewhat. Finally, and perhaps most importantly, tourism to Fiji surged over this period, with visitor arrivals rising from 542,000 in 2009 to just under 900,000 in 2019. All told, these various factors helped boost GDP growth to 4.3 percent per year from 2014–2018 and reduced unemployment from 7.7 percent to 4.5 percent.<sup>18</sup>

**FIGURE 2.1: AVERAGE REAL GDP GROWTH, 1970-2010 AND 2011-2019 FIJI VS. COMPARATORS**  
(percentage points)



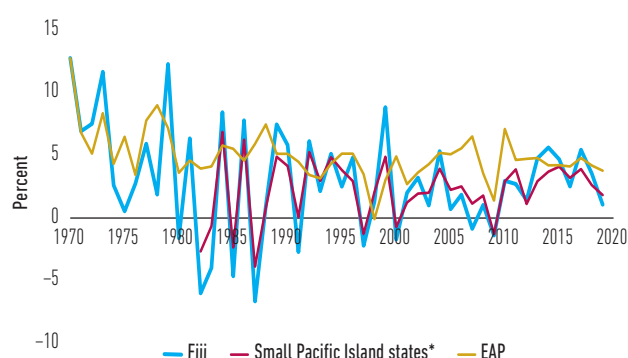
Source: WDI.

**FIGURE 2.2: GROSS CAPITAL FORMATION AS A PERCENT OF GDP, AVERAGE 1980-2010 & 2011-2018 FIJI VS. COMPARATORS**  
(percentage points, annualized)



Source: WDI, RBF, and World Bank staff estimates.

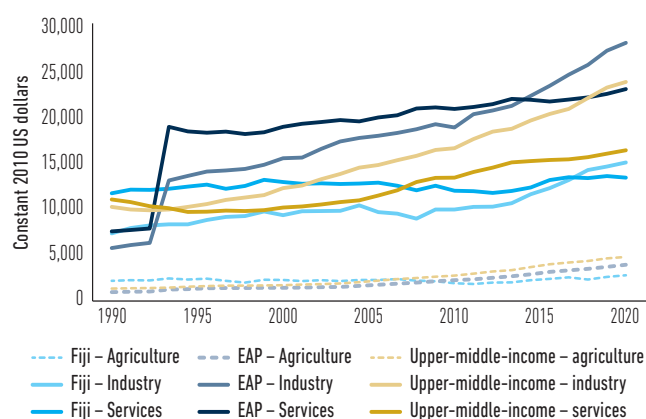
**FIGURE 2.3: ANNUAL REAL GDP GROWTH 1980-2019 FIJI VS. COMPARATORS**



Source: WDI.

\* Data before 1982 not available for small Pacific Island states.

**FIGURE 2.4: VALUE ADDED PER WORKER BY SECTOR 1991-2018 FIJI VS. COMPARATORS**



Source: WDI.

Fiji has also emerged as a regional leader in several economic activities, fueling aspirations to further expand its role as a regional economic hub. As a result of its tourism surge, Fiji is the leading destination in the region, attracting more than 40 percent of all international arrivals to Pacific Island countries (PICs).<sup>19</sup> Prior to the pandemic, Fiji Airways was serving 48 destinations in 13 countries around the Pacific, establishing Fiji as an aviation hub for the region. It also became a maritime hub for other PICs such as Tuvalu, Samoa, and Tonga, which largely depend on transshipment via Fiji for their trade.<sup>20</sup> Re-exports almost doubled from 2010 to 2018 as a consequence. With its central location in the Pacific Island region, strong transport links, and a well-educated English-speaking workforce, Fiji has high potential to become a regional hub in other sectors, including health care, information and communication technology (ICT), and manufacturing.

## 2.2. COVID-19 AND RECENT NATURAL DISASTERS HAVE WEAKENED FIJI'S ECONOMIC RESILIENCE, REINFORCING THE NEED TO FIND MORE SUSTAINABLE AND DIVERSIFIED SOURCES OF GROWTH

Fiji is highly vulnerable to extreme weather events and climate change. Due to climate change, weather events like tropical cyclones (TCs), floods and heavy rainfall are likely to be more intense and frequent.<sup>21</sup> The Global Adaptation Index (ND-GAIN) ranks Fiji as the 88th most vulnerable country in the world, but also stresses that it has good capacity to adapt. Fiji's Climate Vulnerability Assessment (CVA)<sup>22</sup> concluded that climate change will amplify the current risks including in highly vulnerable sectors such as transport, water, fisheries, and the environment. The CVA modelling estimated losses in these sectors could be around 5 percent of annual GDP, with some rare events (like category 5 cyclones) resulting in losses equivalent to 20 percent of annual GDP. The CVA also estimated that by 2050, an additional 3.8 percent of the population is likely to fall into poverty because of climate change and recommended investment in the vulnerable sectors (including infrastructure, coastal protection, ecosystems) and social protection programs to improve social and climate resilience. Evidence of the economic impact of these weather events can be seen in the recent cyclones and floods.

**The impacts of COVID-19, TC Harold, TC Yasa, and TC Ana on the Fijian economy have been devastating.** Together, these events have led to a 15.7 percent contraction in Fiji's real GDP in 2020, compared to the growth of 1.7 percent that had been forecasted prior to these shocks.<sup>23</sup> An estimated 115,000 Fijians were unemployed or on reduced hours due to the pandemic as of July 2021, which represents 13 percent of the country's total population or almost one-third of the total labor force. According to the latest data available, the unemployment rate is projected to rise from 7 percent in 2019 to a peak of 27 percent in 2020. The private sector has also suffered (more details in section 3.1)—approximately 74 percent of 2,200 micro, small and medium enterprises (MSMEs) surveyed recently have either closed temporarily, permanently, or are on reduced hours.<sup>24</sup> The economy is estimated to have contracted in 2021 by 4.0 percent as the pandemic lingers. The dual shocks have also elevated Fiji's twin fiscal and current account deficits, straining fiscal buffers<sup>25</sup> and reducing Fiji's fiscal space to counter future external shocks. Women have been disproportionately affected by the economic impacts of the pandemic, and some metrics suggest that rates of gender-based violence (GBV) have increased since the onset of the pandemic. For example, in 2021, Fiji's Women's Crisis Centre reported a total of 9,478 cases (related to forms of harassment) of which 72 percent related to domestic violence.<sup>26</sup>

**COVID-19 has also reinforced the imperative to increase economic diversification and strengthen the resilience of Fiji's firms and workers.** COVID-19 exposed Fiji's vulnerability of having a dominant share of its economic activity concentrated in one sector—tourism<sup>27</sup>—and reinforced the urgency to pursue growth prospects in other sectors, particularly labor-intensive industries such as agriculture and agri-business. The COVID-19 disruptions to supply chains and goods trade have also highlighted the need for Fijian companies to accelerate the adoption of more digitalized business models to compete in the COVID-19 landscape, as well as to explore opportunities for increased trade in services, particularly in ICT-intensive sectors. Furthermore, while Fiji has one of the more developed health care sectors among the PICs, access to health care services remains a concern, and noncommunicable diseases (NCDs)

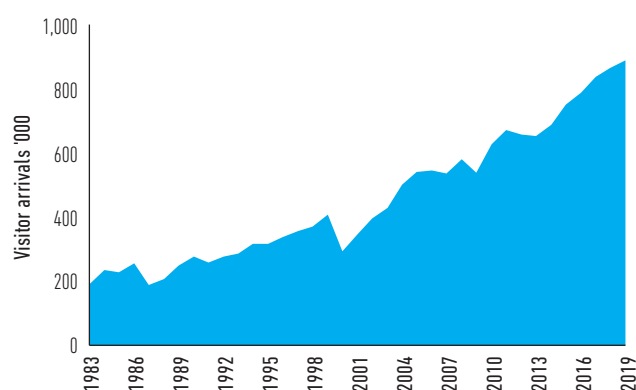
represent the leading cause of morbidity and mortality, accounting for 76 percent of the loss of disability-adjusted life years. An increasing number of premature deaths, primarily caused by NCDs, also impose a heavy burden on the economy, with an estimate of an economic cost of 10.9 percent of GDP by 2040. These diseases also increase vulnerability to complications from COVID-19 and reinforce the importance of further strengthening Fiji's health care system. Additionally, managing the pandemic has shifted public resources away from the provision of critical health services and points to the need for greater private sector collaboration. Finally, globally the impact of COVID-19 has been more severe for women-led businesses. According to recent surveys, women-led business in Pacific including Fiji, continue to face more challenges compared to their male counterparts specifically with respect to access to finance and increasing cost of products and raw materials.<sup>28</sup>

## 3. PRIVATE SECTOR LANDSCAPE

### 3.1. LOW LEVELS OF DIVERSIFICATION AND HIGH EXPOSURE TO CLIMATE EVENTS DRIVE FIJI'S OUTPUT VOLATILITY<sup>29</sup>

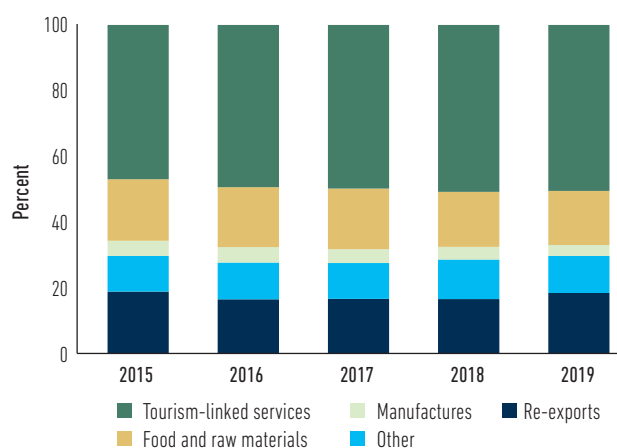
Since its independence, private sector activity in Fiji has increasingly shifted to tourism-linked services sectors. Between 1970 and 2015, real value added in services grew on average by 3.6 percent per year, compared to 2.5 percent in industry and 1.3 percent in agriculture. Agriculture and industry's share of gross domestic product (GDP) fell 14 and 3 percentage points, respectively, primarily due to a decline of the sugar and garment sectors that resulted from an erosion of Fiji's trade preferences.<sup>30</sup> Conversely, the services' share of GDP expanded by 19 percentage points, and roughly 65 percent of total output growth during that period came from services. Within services, tourism-related industries have expanded fastest and created the most jobs, in line with the rise in visitor arrivals (figure 3.1). By 2019, tourism accounted for more than 35 percent of Fiji's GDP<sup>31</sup> and almost one-half of its exports (figure 3.2), directly and indirectly, making Fiji one of the world's 20 most tourism-dependent countries.<sup>32</sup> Services have also accounted for 96 percent of the growth since the beginning of the millennium. Tourism specifically currently accounts for more than 36 percent of total employment in Fiji.<sup>33</sup> Women comprise one-third of the tourism workforce in Fiji and are concentrated on informal and low paying jobs such as cleaners and restaurant staff, making them vulnerable to job insecurity.<sup>34</sup>

**FIGURE 3.1: VISITOR ARRIVALS PER YEAR 1983–2019**



Source: RBF Data and World Bank staff estimates.

**FIGURE 3.2: EXPORTS CONCENTRATION BY PRODUCT**

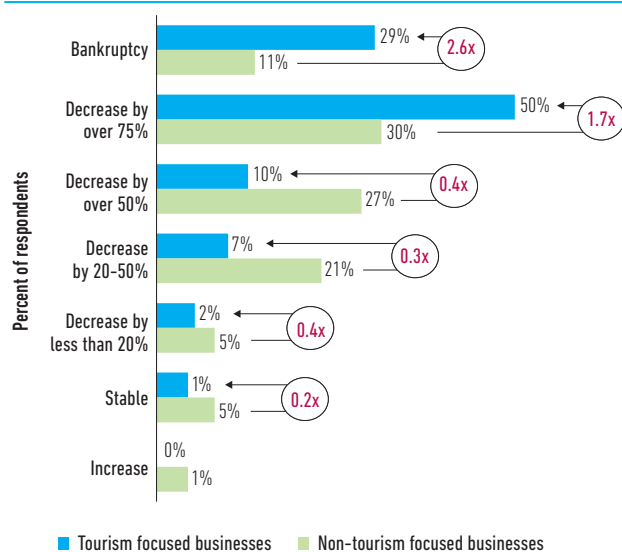


Source: RBF Data and World Bank staff estimates.

Fiji's concentration in sectors with high exposure to natural disasters (e.g., cyclones, floods, and tsunamis) and climate change is one of the primary causes of its growth volatility. Cyclones and floods have caused around F\$50 million per year on average damages and losses to the agriculture sector. Tourism is incredibly vulnerable as well. Considering the effect of temperature alone, one simulation suggests that climate change may decrease tourism revenues in Fiji by 18 percent by 2030. The recent Tropical Cyclone (TC) Harold illustrated this vulnerability. According to a recent World Bank Group (WBG) survey, while TC Harold impacted a similar proportion of tourism and non-tourism businesses, it caused five times the financial loss for tourism businesses as compared to non-tourism businesses. By the same token, while most businesses impacted by TC Harold were able to reopen within one week, 17 percent of tourism businesses remain closed.<sup>35</sup>

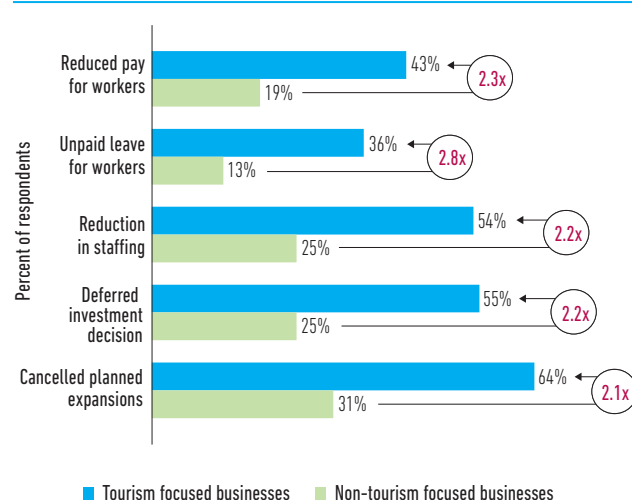
Large global shocks that heavily affect tourism activity, such as the COVID-19 pandemic, further amplify the volatility associated with Fiji's heavy reliance on this sector. The Fiji Hotels and Tourism Association announced that 93 percent of its 279 members had closed operations by March 2020 due to the drastic decline in tourists after Fiji's international borders were closed in response to COVID-19.<sup>36</sup> The pandemic has pushed almost 30 percent of tourism businesses to the brink of bankruptcy, according to the last survey of COVID-19 impacts in June 2020. The survey highlighted effects of pandemic on revenues if it lasted till December 2020. Further surveys are not available to verify whether these forecasts materialized (figure 3.3). Over 2020 as a whole, visitor arrivals declined by 84 percent and sector earnings by 70 percent. Around 50 percent of tourism businesses had reduced staffing and pay for workers, and almost two-thirds of tourism businesses had cancelled planned expansions and deferred investments (figure 3.4).<sup>37</sup> Many were also unable to access government support due to their high levels of informality or inability to qualify for preferential credit from banks. The reopening of Fiji's borders to tourism in December 2021 is a significant step enabled by the achievement of a COVID-19 vaccination rate of over 90 percent. Tourists and visitors have begun to return from the country's traditional source markets, especially Australia with arrivals reaching 45 percent of pre-COVID-19 levels. However, recovery is likely to be slow and risks remain due to the emergence of potential new variants, a highly vulnerable population given the high prevalence of non-communicable diseases, and the risk of cyclones and floods.

**FIGURE 3.3: FORECAST OF BUSINESS REVENUE WITH COVID-19 ONGOING TILL DECEMBER 2020**  
(percent of respondents)



Source: Fiji COVID-19 Business Survey—Tourism Focus; June 2020.

**FIGURE 3.4: WAYS IN WHICH COVID-19 HAS AFFECTED BUSINESS OPERATIONS**  
(percent of respondents)



Source: Fiji COVID-19 Business Survey—Tourism Focus; June 2020.

Given the devastating impacts of multiple shocks on Fiji's economy, the country must therefore also work to diversify and strengthen the resilience of the tourism sector. A tourism diversification strategy can be based on two key pillars: (1) diversifying away from basic sun-and-sand tourism and into more niche high-value segments, such as scuba diving, adventure/nature tourism, and yachting; and (2) developing new domestic destinations to help spread visitor activity beyond Viti Levu, Fiji's largest island. With respect to the latter, a key high-potential destination is Vanua Levu, Fiji's second-largest island, which currently only receives 4 percent of international visitors, but has significant tourism appeal in the form of exceptional marine assets (i.e., reefs and marine reserves), mountain ranges, rivers, and coastlines, which are also home to places of cultural significance and are abundant in flora and fauna, and thus a potential draw for the higher-value niche segments Fiji needs to attract. However, for Vanua Levu to unlock its growth potential and develop as a high-end destination, it needs robust tourism planning and significant investments in infrastructure and tourism support services.

### 3.2. HIGH INFORMALITY IS A PROMINENT FEATURE OF FIJI'S ECONOMY

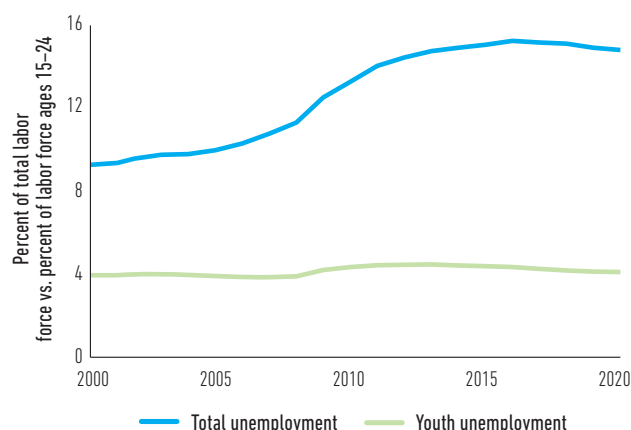
The prevalence of informality and limited social protection mechanisms exacerbate Fiji's vulnerabilities to natural disasters and events such as COVID-19. While a recent informal sector survey is not available, there is consensus on the prevalence of informality in Fiji's private sector. A Fiji Bureau of Statistics–International Labor Organization (FBOS–ILO) Employment and Unemployment Survey in 2015/16 estimated that 48 percent of Fijians worked informally;<sup>38</sup> a separate ILO study estimates the share to be larger than 60 percent, while labor unions think it is closer to 80 percent.<sup>39</sup> The informal workforce is split nearly even between people working full time as employees of companies and independent workers. Unlike workers in the formal economy, who have some access to legal and social protections,<sup>40</sup> informal workers earn their living without a social safety net. Events like COVID-19 are thus especially devastating for this segment of Fiji's labor market. According to a socioeconomic assessment of COVID-19 by UN-Pacific, more than 55 percent of informal workers in Fiji have been significantly impacted by the pandemic.<sup>41</sup>

While already high, Fiji's level of informality is on the rise due to inadequate jobs being created in proportion to those seeking employment. Fiji's private sector has been unable to generate sufficient formal sector job opportunities for Fijians that enter the labor market. Currently, 17,000 people finish school each year in Fiji, while just 6,500 new jobs become available in the formal sector,<sup>42</sup> primarily within low wage industries. The remainder of the labor force is either unemployed, seeks job opportunities abroad (e.g., through seasonal worker schemes in Australia and New Zealand or skilled migration), or is absorbed into the informal sector, particularly in cash crop and mixed cash crop/subsistence agriculture.<sup>43</sup> Accordingly, youth unemployment has increased significantly more than total unemployment (figure 3.5). Informality of employment of Fijians between 15 and 24 years old is also 73.5 percent, a much higher proportion than for the overall workforce (figure 3.6). Women are also less likely to be in a job and are paid less compared to men—46 percent of women work compared to 83 percent of men,<sup>44</sup> despite a higher share of women holding tertiary degrees, and earn less than 40 percent of men on an average.



**FIGURE 3.5: UNEMPLOYMENT, TOTAL VS. YOUTH LABOR FORCE**

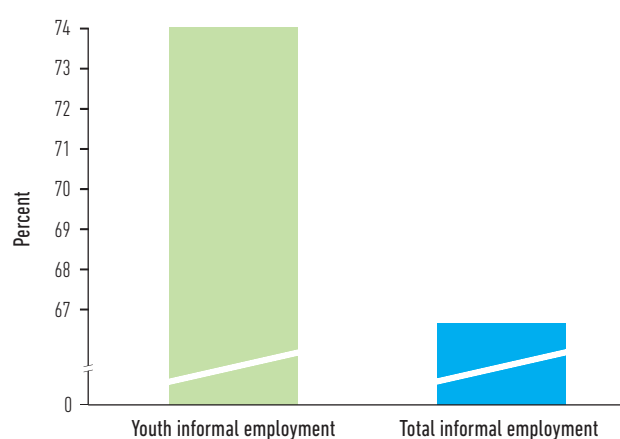
(percent of total labor force vs. percent of labor force ages 15–24)



Source: Modeled ILO estimate.

**FIGURE 3.6: INFORMAL EMPLOYMENT, TOTAL VS. YOUTH LABOR FORCE**

(percent of total labor force vs. percent of labor force ages 15–24)



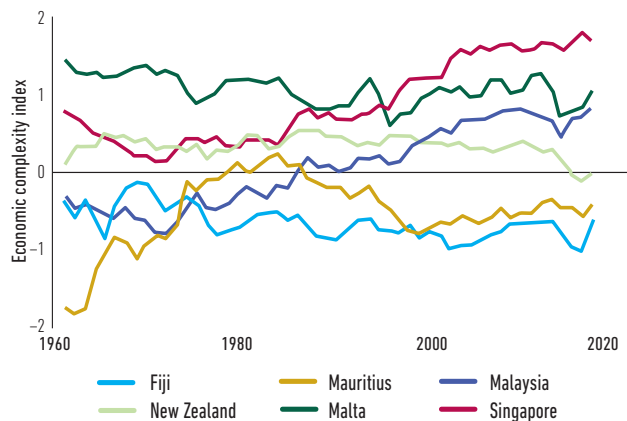
Source: UN-Pacific. 2020. Socio-Economic Impact Assessment of COVID-19 in Fiji. July 2020.

### 3.3. THE LOW ECONOMIC COMPLEXITY OF FIJI'S EXPORTS AND INVESTMENT WEIGH ON PRODUCTIVITY GROWTH PROSPECTS

Fiji's overall economic complexity has remained low and relatively unchanged when compared to benchmark countries and the global average (figure 3.7).<sup>45</sup> Fiji's integration into global value chains (GVCs) is also significantly lower than most of its comparators when analyzed, based on its forward and backward linkages.<sup>46</sup> This is evidenced by Fiji's export performance. Disaggregated trade data show that the technology content of manufactured exports has remained relatively unchanged (figure 3.8) and that water, seafood, gold, wood, and other food and raw materials still compose significantly more than one-half of Fiji's merchandise exports. While services exports have fared better than goods exports, they have also failed to keep pace with other East Asian countries in their level of export sophistication. More importantly, the current structure of exports and its underlying capability do not provide a strong basis for a future rapid structural transformation. Top export opportunities for Fiji, according to the relatedness index, are also food and raw material products like crustaceans, tropical fruits, oily seeds, and mollusks.<sup>47</sup> However, Fiji has had some selected successes in exporting higher value-added products such as mineral water (Fiji Water), gold, textiles, and vegetable products.

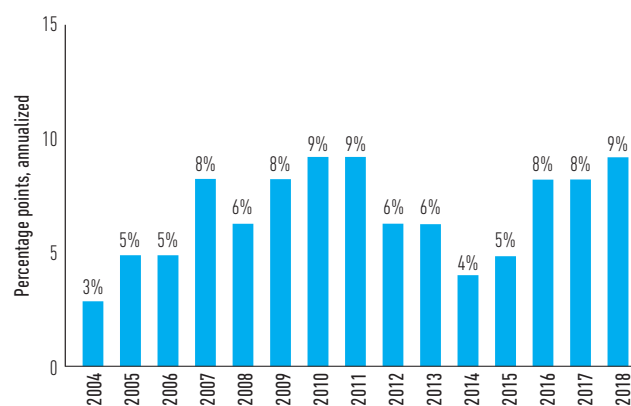
While most private investment in Fiji is foreign direct investment (FDI), it has not contributed to the country's diversification into higher value-added products. Fiji's FDI inflows are sizeable, averaging 40 percent of total investment and 7 percent of GDP in 2011–2019, greater than regional comparators, including certain high-income peers such as Malaysia (figure 3.9). This shows levels of de facto openness to FDI in Fiji. However, FDI has been concentrated in extractive industries and non-tradeable services.<sup>48</sup> More importantly, the share of efficiency-seeking FDI is very low,<sup>49</sup> limiting its ability to foster productive diversification. An analysis of Fiji's FDI complexity index<sup>50</sup> confirms this, as Fiji falls below both the global average and the level suggested by the country's economic complexity (figure 3.10).

**FIGURE 3.7: FIJI VS BENCHMARK COUNTRIES: EVOLUTION OF ECONOMIC COMPLEXITY INDEX**  
(ECI Index – 0 equals global mean; value of 1(–1) equivalent to standard deviations above or below mean)



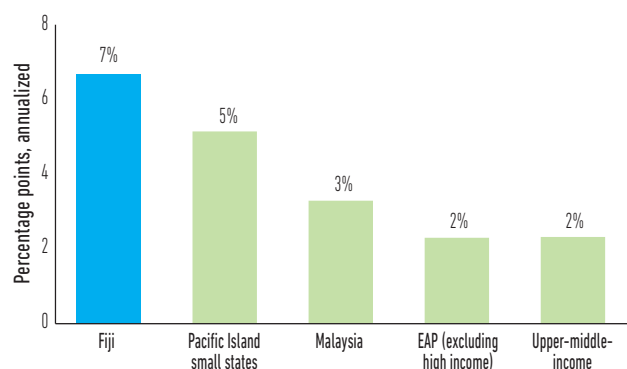
Source: WBG—Fiji Investment Reform Map 2018.

**FIGURE 3.8: MEDIUM AND HIGH TECHNOLOGY EXPORTS AS A PERCENTAGE OF TOTAL MANUFACTURED EXPORTS 2004–2018**  
(percentage points, annualized)



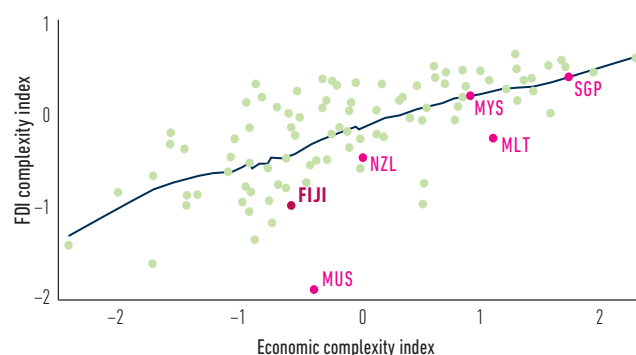
Source: WDI and World Bank staff estimates.

**FIGURE 3.9: FDI AS A % OF GDP, AVERAGE 2011–2019**  
(percentage points, annualized)



Source: WBG—Fiji Investment Reform Map 2018, based on Comtrade and Atlas of Economic Complexity.

**FIGURE 3.10: FIJI VS BENCHMARK COUNTRIES: ECONOMIC COMPLEXITY VS FDI COMPLEXITY**  
(ECI & FDI-CI Indexes—0 equals global mean; value of 1(–1) equivalent to standard deviations above or below mean)



Source: WBG—Fiji Investment Reform Map 2018, based on Comtrade and Atlas of Economic Complexity.

### **3.4. DOMESTIC FINANCING FOR INVESTMENT IS BANK-DOMINATED AND MAY BECOME MORE DIFFICULT TO ACCESS IN THE AFTERMATH OF COVID-19 FOR SMALLER FIRMS**

With capital markets in Fiji still relatively underdeveloped, commercial bank lending has been the key source for domestic and private investment.<sup>51</sup> Commercial banks are the biggest component of Fiji's financial sector, representing about 40.7 percent of the sector's total assets, while the Fiji National Provident Fund (FNPf) is the second largest, accounting for roughly 28.2 percent of total assets.<sup>52</sup> Domestic credit growth to the private sector has been strong in recent years against the backdrop of an accommodative monetary policy stance pursued by the Reserve Bank of Fiji (RBF) to allow for a cheaper cost of borrowing with ample liquidity in the system. As of December 2021, domestic private sector credit stood at 83.5 percent of GDP, with more than two-thirds of it extended to the real estate sector, building and construction, and wholesale, retail, hotels, and restaurant sectors. While legislation is now in place to allow corporate bond issuance, this is still untested and in the near term, firms' continued reliance on commercial banks for long-term finance (e.g., for capital-intensive projects) is creating an asset-liability mismatch in many banks' balance sheets. In turn, the government has tended to turn to FNPf (with its a total asset base of F\$4 billion)<sup>53</sup> as the key investor for infrastructure projects. Likewise, statutory authorities also issue bonds to raise funds to undertake capital projects.<sup>54</sup>

Due to the severity of COVID-19 economic impacts, banks profitability and asset quality were anticipated to have deteriorated in 2021. Non-performing loans (NPLs) as a percentage of total loans increased from 3.0 percent in December 2019 to 7.5 percent in September 2021 and slight decrease to 7.0 percent in December 2021. The majority of NPLs continue to be concentrated with private individuals and wholesale, retail, hotels, and restaurant sectors. It is estimated that at the end of December 2021, around 4,734 customers with a total loan value of F\$987m were assisted by commercial banks and credit institutions. The moratorium provided by commercial banks have been in place for over 2 years, however, this is now on case-by-case basis with removal of this policy in coming months. Increased provisioning for loan losses, coupled with a narrowing of net interest margins and reduced risk appetite by banks (which currently hold relatively high levels of liquidity), are expected to significantly reduce banks' profitability over the next 12 months—from already relatively low levels. Banks' capital positions are therefore likely to be affected in the last quarter of 2021, albeit from a relatively sound starting point (where average bank total capital ratios stood at 20.56 percent of risk-weighted assets in December 2021). However, most of the large banks in Fiji have the benefit of strong foreign parent banks, and constraints on short-term liquidity is not anticipated in the short-medium term.

## 4. CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR GROWTH AND INVESTMENT

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Despite impressive strides made by the government on addressing constraints to private sector investment and growth, Fiji continues to face a wide range of transversal constraints to productivity growth and investment in its private sector, and several are particularly binding when it comes to Fiji's ability to achieve a more diversified and climate-resilient economy that generates inclusive jobs. These focal constraints are (1) Fiji's business environment, (2) transport and energy infrastructure gaps, and (3) shortcomings in access to finance, insurance, and skilled labor. In addition to weighing on the economy as a whole, they are also especially relevant to the growth prospects of the three deep dive sectors analyzed in this Country Private Sector Diagnostic (CPSD) (outsourcing services, health care, and agri-logistics) and for Fiji's other potential growth areas where, as an island nation, it has comparative advantages, such as blue economy sectors (e.g., fisheries, maritime transport) and renewable energy. Furthermore, they represent an ongoing obstacle to the future geographic diversification of Fiji's tourism sector beyond Viti Levu—e.g., to Vanua Levu and other outer islands with attractive tourism assets—where the magnitude of these constraints is even more pronounced. More specifically:

- Fiji's business environment deters efficiency-seeking investment, largely due to the barriers in the country's legal and regulatory investment framework, but also due to the impact of the country's widespread price controls and high prevalence of state-owned enterprises (SOEs).
- The low resilience, reliability, and availability of transport and energy infrastructure in the country hamper productivity and access to markets and raise the costs of doing business.
- Difficulties in access to credit by micro, small and medium enterprises (MSMEs) and skilled labor remain widespread for most of Fiji's private sector firms in the country, constraining investment, innovation, and productivity. Despite several MSME financing schemes by the government, financing remains a constraint due to challenges in underlying Small and medium enterprise (SME) infrastructures.
- Meanwhile, the limited amount of private risk transfer solutions (i.e., insurance) contributes to the poor climate resilience of firms and households and obligates the Government of Fiji to shoulder the lion's share of the cost burden (both for relief and reconstruction) of natural disasters, compressing its fiscal space further with each disaster.

During the recovery phase of COVID-19, it is paramount that challenges and bottlenecks that could impede private sector investment be addressed as priority policy reforms. With a narrow export base and limited fiscal buffers, attracting private sector investment will be critical to generate economic activity and create employment. Cost-effectiveness and efficiency will be a prerequisite for several investors. Several fiscal incentives and financing facilities have been introduced, but their uptake and success will be contingent on improvements to the overall business and investment climate.

## 4.1. BUSINESS ENVIRONMENT

### Despite recent reforms, barriers persist in Fiji's business and investment regulatory environment

The Government of Fiji has committed to reforming its business and investment regulatory environment to meet its goals for economic growth. Efficiency-seeking foreign direct investment (FDI) is indispensable to meet the ambitious goals established by the Government of Fiji in its 2017–2036 National Development Plan (NDP), including a fourfold increase in per capita income and a transformation of the economy into new sectors that emphasize productivity gains and human capital. However, an Investment Competitiveness Benchmarking (ICB) analysis, performed in 2018 by the World Bank and Australia Aid, revealed that while Fiji is competitive for attracting FDI to less sophisticated business sectors (e.g., construction), it has a limited ability to attract FDI toward higher value-added activities,<sup>55</sup> and its capacity for productive diversification and growth is constrained.<sup>56</sup> This is, at least in part, a result of the considerable issues with Fiji's investment policy framework and business regulatory environment. Since 2018, the Government of Fiji has been committed to reforms in both areas, but many issues remain to be solved.

While the Government of Fiji has made considerable strides to improve Fiji's institutional, legal, and regulatory framework for investment, some weaknesses remain. The Government of Fiji has taken several steps to improve its investment legal and regulatory regime. A new investment law that includes a full range of investor rights and protections in accordance with international best practices was drafted and passed in Fiji's parliament in June 2021. However, there are still a range of issues in Fiji's legal and regulatory framework that constrain the country from successfully attracting efficiency-seeking investments. For instance, Fiji's investor visa and work permits scheme is still complex and ambiguous. Public officials also have considerable discretion to impose conditions and withdraw work permits. Additionally, while reviews to the country's list of reserved and restricted activities and to the FDI reporting regulation are ongoing, progress on these reviews has been stagnated due to continued disagreements on the way forward among relevant stakeholders. Accordingly: (1) issues with FDI reporting have not been resolved; and (2) investors continue to be deterred from a sizeable number of economic sectors due to the number of economic activities that are entirely reserved for Fijian citizens, and the country's local ownership requirements or minimum investment thresholds in a range of economic sectors (e.g., fishing, forestry, tobacco production, cultural heritage tourism, real estate development and manage-

ment, interisland shipping).

**Progress on Fiji's business regulatory environment has been slower.**<sup>57</sup> A number of reports and private sector sentiments have highlighted various reasons for challenges in doing business in Fiji; key reasons have been the lack of institutional coordination and systematic public-private dialogue. Specifically:

- While the Government of Fiji has made some efforts to initiate discussion with the private sector, for example, The National Trade Facilitation Committee (NTFC), this type of consultation could be enhanced, and the NTFC is the ideal mechanism to build on a more systematic approach. There is a scarcity of effective public-private dialogue (PPD) mechanisms to ensure adequate private sector participation in Government of Fiji's shaping of regulations that affect the business community, which is evidenced by Fiji's poor performance relative to its peers on the World Bank's Global Indicators of Regulatory Governance (GIRG). Not surprisingly, regulations for various sectors (e.g., outsourcing services) have evolved in an ad hoc manner over time instead of being tailored to the needs of the private sector;
- Even though most requirements are stated in Fiji's laws and regulations, they are often easy to misunderstand by entrepreneurs and officials; and
- The implementation of central government laws with respect to the private sector is not entirely consistent across local governments. Poor interagency coordination for the implementation of Fiji's cross-cutting business regulation reforms also remains problematic, although the Government of Fiji has recently taken steps to improve this by officially establishing a task force on the ease of doing business and an Investment Facilitation Committee led by the Ministry of Commerce, Trade, Tourism and Transport (MCTTT), with participation from other relevant agencies.

**Fiji's process for starting a business could be further streamlined.** The Government of Fiji has made significant efforts to streamline the process (e.g., launched an online platform for firm registration, enabled online registration for tax identifications, simplified requirements to obtain a business license reducing processing time from 11 to 2 days, and eliminating the business licensing framework since August 2020). However, implementation of reforms has frequently occurred in silos, as a result of which entrepreneurs and investors are unable to reap the benefits of online regulatory service delivery. Businesses must still approach multiple government agencies to incorporate businesses and obtain post-incorporation permits. While incorporation and tax registration can be done online, other processes such as the National Fire Authority certificate, the Occupational Health and Safety license, and the Fiji National Pension Fund employer registration remain manual processes that involve either inspections or physical visits to government offices to complete. Apart from time delays caused by these processes, their complexity generally leads private sector firms to hire lawyers and accountants for the registration of their firms, which increases the cost of doing business even further.

**Some other business regulatory processes also have considerable gaps.**<sup>58</sup> Specifically:

1. The number of tax payments and time that it takes a firm to comply with tax obligations in Fiji are higher than the average for the East Asia and Pacific region<sup>59, 60</sup>; the complex tax system has also been cited as a key constraint in the agri-logistics sector.
2. The legal framework for insolvency and the protection of minority investors (e.g.,

introduction of director duties) needs to be further developed. To achieve this and to bring regulation in these areas in line with international standards, the Government of Fiji will need to review the Companies Act as well as Personal Bankruptcy Act and amend it to enable best practices in insolvency (e.g., introduction of provisions like the option of reorganization proceedings for companies in financial distress), as well as protection of shareholder rights through more stringent regulations of related party transactions (e.g., requiring an independent review of related party transactions before they take place).

3. The country's performance on enforcement of contracts, specifically in case management and court automation of commercial cases, has significant room for improvement.
4. While Fiji has made trading across its borders much easier in the past decade (e.g., automation and streamlining of documentary requirements and trade procedures, procedural rationalization, and simplification), the country is still afflicted by some "red tape" which makes trade across its borders more costly and time consuming. For example, currently all containers arriving to Suva Port must undergo manual inspection, as the Biosecurity Authority of Fiji does not use risk management techniques, significantly delaying the time for border crossing.

**Fiji, like other countries in the Pacific region, also suffer from costly and complex procedures at the border.** The Pacific Island Forum's Pacific Aid for Trade Strategy for 2020–2025, adopted in February 2020, identified trade facilitation as a high priority to improve trade competitiveness, which should be addressed at the regional level.<sup>61</sup> Recent data from the Organisation for Economic Co-operation and Development (OECD) confirm that Papua New Guinea (PNG) and the Pacific Island countries (PIC) trade facilitation performance trail behind international best practices and the average performance in East Asia and Pacific (EAP).<sup>62</sup> Some of the key constraints include (1) lack of coordination and information sharing between border agencies, (2) absence of electronic system outside of customs, resulting in exporters to deal with manual processes at all other agencies, (3) absence of risk management systems to provide a fast track for exporters with a good compliance record, and (4) complex fees, rules, and regulations that are difficult to find.

### **Widespread price controls and the prevalence of SOEs impose limitations on Fiji's competitiveness**

**Price controls distort market signals and crowd out investment in Fiji.** The Government of Fiji has imposed price and rent controls since the 1970s. Their magnitude and scope have varied over time, but it is estimated that approximately one-third of the items in Fiji's consumption basket are currently affected by some form of price controls.<sup>63</sup> The primary reason for price controls, according to the Government of Fiji, is to protect the interest of low-income users, given the possible limited enforcement of anticompetitive practices in a small developing country such as Fiji. However, many of the sectors currently subject to price controls (e.g., agricultural products, pharmacies, housing) are not constrained by onerous barriers to entry, nor characterized by monopolistic or oligopolistic practices.<sup>64</sup> Therefore, rather than encouraging competition, price controls in Fiji often serve to distort market signals, perversely affect producer incentives, and crowd out investment.<sup>65</sup> Price controls have discouraged new entrants in critical sectors such as electricity or water.<sup>66</sup> The complexity involved in abiding with price controls also creates a considerable regulatory burden for private sector firms, especially for MSMEs.<sup>67</sup> Since the enactment of the Commerce Commission Decree of 2010, price



controls decisions made by the Fijian Competition and Consumer Commission (FCCC) are no longer subject to judicial review, undermining the ability of private sector firms to contest price controls when necessary—the role of the FCCC should not be to act as price regulators, which should rest with line ministries or sector regulators. While the Government of Fiji has increasingly recognized that competition regulation needs to be reformed<sup>68</sup> and some positive steps have been taken by the FCCC (e.g., adoption of a more transparent formula to adjust electricity prices), price controls need to be rationalized further, based on a comprehensive assessment.<sup>69, 70</sup>

**The prevalence of SOEs across sectors crowds out private investment and affects Fiji’s competitiveness.** The Fijian state owns equity in the 25 large enterprises (including a majority stake in 23 of them) in sectors that provide infrastructure services, but also in commercial activities usually left to the private sector, such as rice production, sugar milling, cattle farming, and fish processing.<sup>71</sup> This portfolio of enterprises accounts for almost 5 percent of the formal employment in Fiji<sup>72</sup> and more than 20 percent of the economy’s total fixed assets—US\$6.8 billion at the end of 2019.<sup>73, 74</sup> This predominance of SOEs distorts competitive dynamics and impacts the country’s competitiveness as an investment destination, especially in industries where SOEs enjoy either monopoly rights or preferred access to government contracts and subsidized lending, which has contributed to scarce private investment in those industries. Many of Fiji’s SOEs also show substandard performance<sup>75</sup> and drain limited public funds, leading to poor delivery of key public services in markets where they have monopolies (e.g., infrastructure).<sup>76</sup> The Government of Fiji has increasingly recognized these issues and has approached multilateral institutions for advice on how to coordinate and carry out SOE reforms. Several have already been implemented—e.g., restructuring and divestment of SOEs<sup>77</sup> the enactment of the Public Enterprises Act of 2019 to strengthen SOE performance and service delivery, governance, transparency, and accountability. However, continued reform is needed to improve the productivity and competitiveness of SOEs, and future restructuring, divestment, and public-private partnerships (PPP) transactions need to be undertaken to reduce SOE distortions of competitive dynamics.<sup>78</sup>

## 4.2. INFRASTRUCTURE

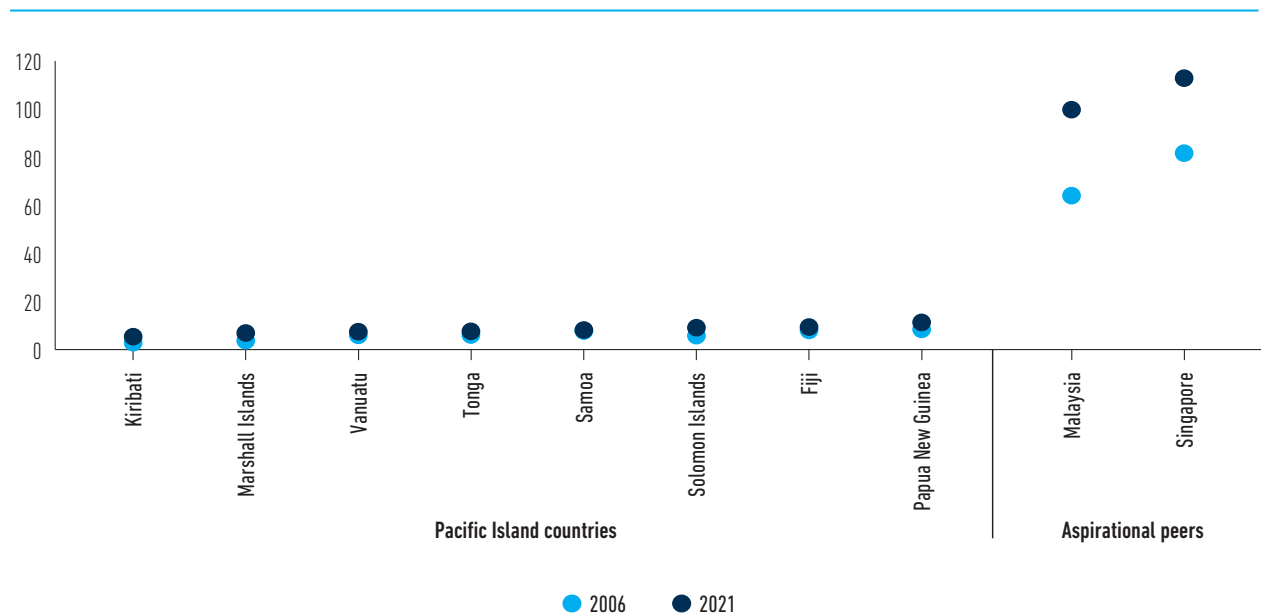
### Inadequacies in Fiji’s transport connectivity constrain private sector development, export competitiveness, and integration into global value chains (GVCs)

Private sector development, export competitiveness, and integration into GVCs have been constrained in Fiji due to the country’s transport connectivity challenges. Given Fiji’s geographical characteristics, transport infrastructure plays a crucial role for the country’s local economic development. It provides communities in rural and island areas with access to economic opportunities and markets, and it underpins export growth in the country. For example, tourism relies on port facilities and safe and well-charted shipping lanes for efficient freight distribution and access to island destinations. Market access for agricultural products and the timely distribution of pharmaceuticals also depend on good road transport infrastructure and interisland shipping services. Similarly, the growth of transshipment throughput to other PICs depends on improvement of Fiji’s seaports.<sup>79</sup> However, Fiji’s score in the World Bank’s Logistics Performance Index (LPI) lags behind its comparators<sup>80</sup> and has deteriorated in recent years.<sup>81</sup> The Linear Shipping Connectivity Index (LSCI) for Fiji also places it below PNG and well below its aspirational peers (figure 4.1), and poor connectivity is reflected in high shipping costs that are discussed later in the section on agri-logistics. Accordingly, more than 18

percent of the private sector entities surveyed in the World Bank's 2019 Country Opinion Survey Report identify transport infrastructure as the most important development priority for the country.<sup>82</sup>

**FIGURE 4.1: UNCTAD LINEAR SHIPPING CONNECTIVITY INDEX, 2006–2021**

(Index – Max Q1 2006 = 100, in ascending order)



Source: UNCTAD—LSCI Index.

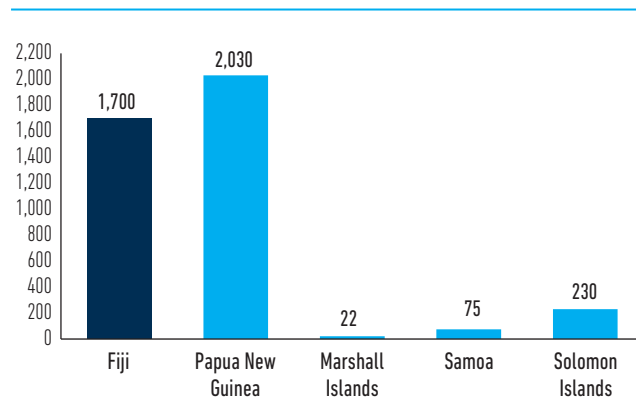
With many roads in Fiji requiring upgrading, this also increases the cost of doing business in the country. Roads are the predominant mode of transportation in Fiji,<sup>83</sup> and the country's road network is one of the most extensive in the Pacific Islands, with 7,525 km of roads.<sup>84</sup> Average road density is also high at 42 km/100 km<sup>2</sup>. However, near the cities of Suva and Lautoka the road network is insufficient to service local transportation needs, triggering elevated levels of traffic and costly time delays.<sup>85</sup> The quality of Fiji's roads also leaves much to be desired, especially in rural and remote areas of the country. Only 23 percent of Fiji's roads are paved, most secondary and rural roads are constructed to lower standards,<sup>86</sup> and investment in maintenance and repaving of roads has been lacking.<sup>87</sup> Accordingly, companies involved in road transport in Fiji are confronted by sizable additional costs of doing business, such as increased maintenance requirements for their fleets and investments in more costly trucks that can withstand poor road surface conditions.<sup>88</sup> The poor quality of road infrastructure has been highlighted as a key constraint in the agri-logistics sector analysis summarized later in this CPSD. If left unaddressed, these road problems are likely to worsen, in part due to damage from Fiji's frequent climate events and natural disasters, but also due to accelerated wear and tear from insufficient monitoring of transport axle weights,<sup>89</sup> and from the lack of budgetary support<sup>90</sup> to the Fiji Roads Authority (FRA)<sup>91</sup> to assess and maintain road infrastructure.

**Transport connectivity for firms in Fiji's outer islands is especially costly and inconsistent.** Many of Fiji's estimated 1,251 bridges and 47 jetties are in a serious state of disrepair. There is a substantial backlogged budget for their maintenance, and an average of one bridge/jetty fails each month.<sup>92</sup> This impacts firms in outer islands considerably, as they depend almost solely on this infrastructure for access to supply chains and markets. There are also issues with the service provided by private interisland shipping companies, which compound the infrastructure problems. Vessels are largely timeworn—having been built more than five decades ago—and noncompliant with International Maritime Corporation (IMO) requirements. Furthermore, anecdotal evidence from stakeholder consultations suggests challenges include low quality services (e.g., there is often uncertainty on when a shipment will arrive, operators often handle products inadequately, a large portion of vessels are damaged and noncompliant with IMO requirements). Not surprisingly, weak inter-island transport connectivity creates difficulties for many of Fiji's economic sectors and has been highlighted as another key constraint for the agri-logistics sector. For example, the transport of agricultural goods to population centers (e.g., Suva) and tourism hubs (e.g., Nadi, Lautoka) is challenging, constraining market access and increasing the reliance on food imports.<sup>93</sup> Similarly, health care facilities in outer islands suffer from delays in receiving pharmaceutical orders from medical suppliers.<sup>94</sup>

**Fiji's port infrastructure needs to be enhanced to improve the cost-effectiveness of maritime logistics.** Costly maritime logistics have hampered the competitiveness of many of Fiji's exports and the diversification into more complex export products, and have also inhibited Fiji from becoming a regional maritime transport hub. According to the Fiji's Ship Owners and Agency Association, the country is currently at a competitive disadvantage relative to PICs such as Samoa and PNG.<sup>95</sup> This is unlikely to change unless port infrastructure is enhanced—some ports in Fiji are in a state of disrepair as a result of deficient maintenance in recent years,<sup>96</sup> and despite upgrades to Fiji's ports in the last couple of decades,<sup>97</sup> they are not equipped to become a transshipment hub. For example, it is unlikely that Fiji's Suva Port will have yard capacity for transshipment<sup>98</sup> unless it is relocated to a new site or a new container terminal location is developed.<sup>99</sup> However, Asian Development Bank is in discussion with the government on the possible development/relocation of the Suva Port. This development has to be simultaneously supported with having adequate logistics facilities, including warehouses and cold storage.

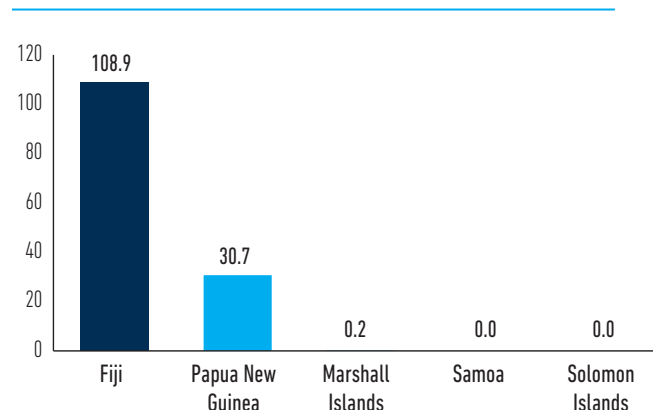
**While Fiji's air transport connectivity is excellent, there is significant room for improvement in the country's air freight services.** Fiji's air transport infrastructure<sup>100</sup> supports one of the highest number of passengers and the largest relative volume of freights in the Pacific Islands (figures 4.2 and 4.3). However, firms in Fiji have identified air freight services as a key constraint to their growth.<sup>101</sup> This is primarily because air freight services are built around passenger transport. Accordingly, certain types of necessary infrastructure specifically for air freight are inadequate (e.g., airport pre-cooling and cold storage services are largely unavailable), preventing the shipping of perishable cargo freights when it is not possible to immediately load them onto airplanes, and severely constraining the growth of sectors such as commercial farming that depend on this type of service. This is also highlighted later in the section on agri-logistics. Air freight rates and costs are also volatile and dependent on visitor arrivals, causing several types of products (e.g., perishable agricultural goods) to become periodically uncompetitive.<sup>102</sup>

**FIGURE 4.2: REGIONAL BENCHMARKING—PASSENGERS CARRIED BY AIR**  
(thousands)



Source: WBG—World Development Indicators.

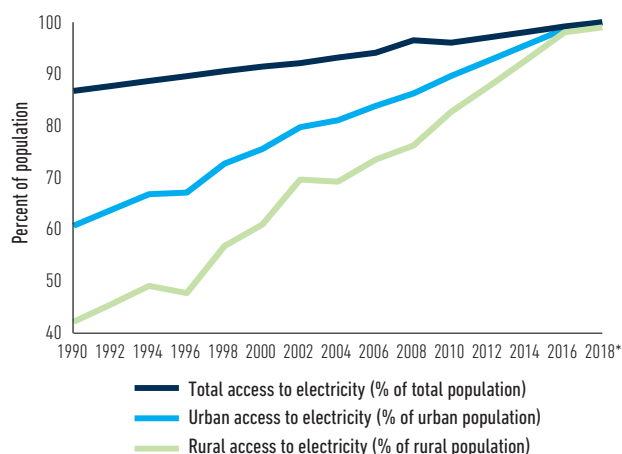
**FIGURE 4.3: REGIONAL BENCHMARKING—AIR TRANSPORT, FREIGHT**  
(million ton-km)



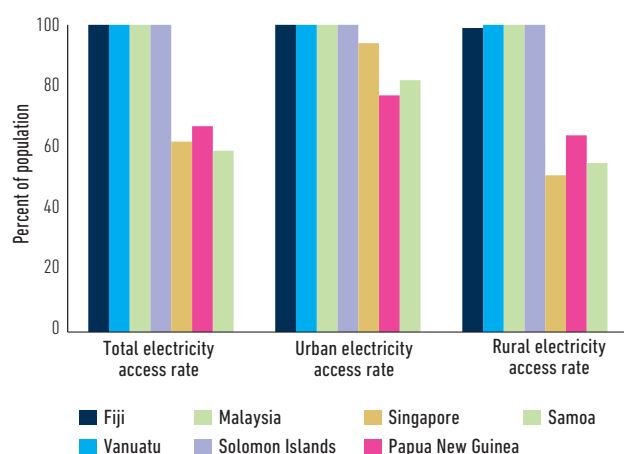
Source: WBG—World Development Indicators.

### While access to energy in Fiji is high, there are still issues with its reliability, efficiency, and affordability

Fiji has made significant improvements in access to energy over the last few decades, but the reliability and efficiency of the country's energy supply are still deficient. Electrification rates have increased substantially for both urban and rural populations (figure 4.4), making Fiji's current access to energy rates one of the highest in the Pacific Islands and largely on par with that of aspirational peers (figure 4.5). The country's situation is thus significantly better than when electricity was reported as a major constraint to private sector development by more than 25 percent of firms in the 2009 World Bank Enterprise Survey. However, there is still considerable room for improvement in the reliability and efficiency of the country's energy supply. Suva residents experience almost five power outages per year, excluding force majeure events with which this number would be considerably higher. There is also no circular integrated transmission network around the country, and Fiji's networked energy sources are concentrated in its most populated islands (e.g., Viti Levu, Vanua Levu, Ovalau, Teveuni),<sup>103</sup> which suggests that outage events outside of these islands are likely more frequent. This severely constrains the growth of economic sectors that depend on a stable supply of electricity, such as outsourcing services and telehealth, which require it for data servers and other digital equipment, and pharmaceutical warehouses and agri-logistics services, which need it for cold chain distribution and storage. Service restoration when power outages occur is also substandard, and businesses generally report that they lack control over their energy supply in order to manage energy costs efficiently.

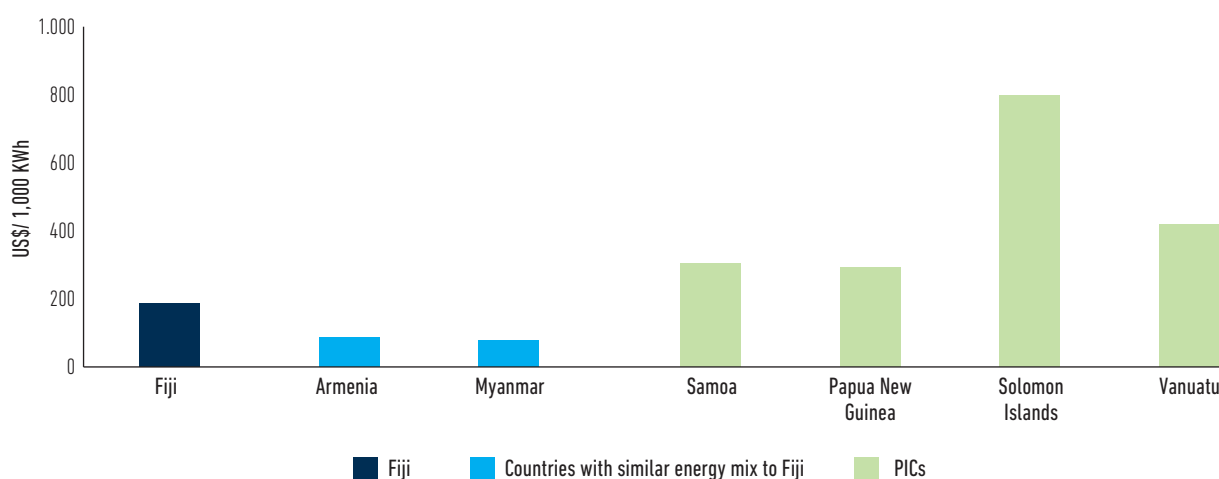
**FIGURE 4.4: ACCESS TO ELECTRICITY, 1990–2018**

Source: WBG—Sustainable energy for all indicators  
 \* WB estimate

**FIGURE 4.5: REGIONAL BENCHMARKING—ACCESS TO ELECTRICITY, 2018**

Source: WBG—World Development Indicators.

The cost of obtaining energy in Fiji is also still high. While Fiji has one of the lowest electricity tariffs in the PIC region, its rates are high relative to countries with a similar power mix (figure 4.6). Additionally, unlike maximum electricity retail prices set by the Fiji Commerce Commission for those connected to Energy Fiji Limited's (EFL's) grid, the price regulation for fossil fuels takes supply cost at a given location into consideration. Off-grid solutions reliant on petroleum-based fuels (e.g., diesel-based mini grids) in remote rural areas need to often use expensive fuels for own-generation. Preliminary assessment shows that Fiji has one of the highest connection costs in East Asia and Pacific and almost twice the regional average of F\$595. The up-front cost, which is predominantly comprised of the installation materials needed for the electricity connection (e.g., service cables, meter) represents a considerable financial obstacle for many MSMEs and is even more onerous for firms located outside of Suva.

**FIGURE 4.6: REGIONAL BENCHMARKING—ELECTRICITY TARIFF FOR COMMERCIAL FIRMS WITH CONSUMPTION OF 1,000 KWH PER MONTH, 2019**

Source: Pacific Power Association. Pacific Power Utilities. Benchmarking Report—2019 Fiscal Year; PSRC AM. Publication of Tariffs 2019; Myanmar Times, First power tariff hike in five years.

**Problems with energy reliability, efficiency, and cost in Fiji are largely due to infrastructure deficiencies.** Thermal generation is predominant in Fiji, and approximately 50 percent is diesel based. A cheaper option used in larger countries, such as gas fired generation, is not feasible due to the size of the electricity grid in Fiji.<sup>104</sup> Not surprisingly, this leads to significant higher generation costs than in other countries with similar energy mixes.<sup>105</sup> Additionally, while EFL<sup>106</sup> maintenance of infrastructure is excellent, its grid equipment is antiquated, leading to substantial reliability and efficiency issues. It mostly lacks modern smart-grid technologies (e.g., smart metering systems, automatic reclosers) and online smart-meter reporting: (1) precluding businesses from gaining insights into their consumption patterns and identifying saving opportunities; and (2) inhibiting EFL from running the grid closer to its full potential through collection of time of use data, prevention of short circuits, and implementation of outage management.

**Despite The Government of Fiji's commitment to ensure resiliency,<sup>107</sup> Fiji's energy infrastructure is also vulnerable to climate- and disaster-related hazards, which affects energy reliability.** Substations and transformers in Fiji are generally located near coastal areas, and a large proportion of distribution lines are still above ground and reliant on a single transmission line.<sup>108</sup> Similarly, thermal generation stations, which account for more than 42 percent of grid-based energy supply,<sup>109</sup> are often located on the coast. All these conditions expose Fiji's electricity grid to cyclones and floods. Meanwhile, hydropower generation stations, which are 53 percent of the country's grid-based energy supply are highly vulnerable to extreme drought (e.g., caused by El Niño), while solar and wind power stations can be negatively impacted by strong winds. Off-grid solutions (e.g., mini-hydro, diesel-based mini grids, solar home systems) are also similarly exposed.<sup>110</sup> These vulnerabilities subject Fijians to frequent and significant power outages during disasters, as in the case of recent extreme weather events like TC Winston and TC Evan, which resulted in damages amounting to almost 1 percent of Fiji's GDP.

**Institutional weaknesses contribute to the persistence of reliability, efficiency, and affordability issues.** Fiji does not currently have an independent technical regulator to monitor EFL's reliability of supply, while economic regulation is undertaken by FCCC with mixed effectiveness.<sup>111</sup> This diverges from most of the countries in its region (e.g., PNG, Samoa, Vanuatu) and from its aspirational comparators (e.g., Malaysia, Singapore), and has led to a situation where no financial deterrent to limit power outages has been introduced in Fiji. More importantly, institutional weaknesses have contributed to the postponement of necessary investments to improve the reliability, efficiency, and cost of Fiji's energy infrastructure (e.g., additional transmission lines, underground distribution lines, increase of renewable energy power generation sources). While the Government of Fiji committed to these improvements in its five- and twenty-year National Development Plans published in 2017, the required investment is significant—an estimated F\$2.4 billion in power generation, transmission, and distribution assets to increase renewable energy generation,<sup>112</sup> and appreciably more for other objectives. As such, it is unlikely to be financed by the public sector alone, and private sector investment is urgently needed.

**Attracting private capital to the energy sector has proven difficult to date with the country's current regulatory framework.** For example, while opportunities for independent power producers (IPPs) for distributed and renewable energy generation and for the supply and operation of mini grids could crowd in considerable amounts of private sector capital, this has yet to happen. IPP generation between 2010 and 2019 has increased by only 29,000 MWh, in comparison to a total increase in grid generation of 1.061 million MWh. This is largely because an effective IPP framework and legislation to allow net metering and establish viable feed-in tariffs does not exist. There is a

gradual shift and appetite from EFL to work closely with agencies in attracting private participation for a solar IPP through a competitive bidding process. This needs to continue across different renewable energy spectrums to allow more private sector participation. Consequently, EFL often offers IPP tariffs that are viewed by prospective investors as too low for an attractive return on investment, and private sector investment in renewable energy generation is unsurprisingly low despite Fiji's considerable potential and the incentives recently implemented by the Government of Fiji.<sup>113</sup>

#### BOX 4.1: FIJI'S IMPERATIVE TO ADDRESS CLIMATE RESILIENCE<sup>a</sup>

Fiji's economy is already exposed to large natural risks by virtue of its geographic location. Its future growth aspirations are also at risk due to further amplification of climate change and its effects, such as increased frequency of natural disasters, sea-level rise, ocean acidification, increased risk of flood, or the spread of vector-borne diseases into new areas. The high risk for Fiji comes from various sources. These include a large share of the population living in flood prone areas, redundancy and limited maintenance of Fiji's transport infrastructure, vulnerability of the water sector to floods and droughts, and limited maintenance and quality control of health and education sector assets. While energy assets are relatively well maintained, risks arise from specific asset exposure to droughts, flooding and storm surges, and cyclone winds.

The Fijian government has made significant efforts to reduce climate and disaster risks and to prepare for natural disasters. Government spending on investments to strengthen resilience grew fourfold between 2013 and 2017. Several climate change policy frameworks are in place, including the National Climate Change Policy Framework from 2012. The government has committed to achieving the nationally determined F\$9.3 billion (almost 100 percent of GDP) in climate-related investments as needed over the next 8–10 years to design resilient cities, improve infrastructure, conserve ecosystems, support key economic sectors, and build social resilience.

Adequate public financing and mobilizing private sector financing for supporting these solutions is important. Fiji has a contingency reserve fund to respond to natural disasters, but this is not sufficient. Lessons can be learned from other countries in adopting other instruments such as catastrophe bonds and regional risk-sharing facilities. Fiji also benefits from several multilateral and bilateral climate financing sources. However, with limited fiscal space, the role of the private sector in supporting the climate resilience agenda is also critical. Fiji has been at the forefront to tackle climate finance—becoming the first emerging economy and third country globally to issue a sovereign green bond. However, more could be done to catalyze financing, such as blue bonds and catastrophe bonds, specifically from the private sector side. Enablers are required, including a strong regulatory framework to incentivize climate-smart investments, climate financing instruments, and relevant green skills (e.g., green building skills). Further, a robust data capturing, dissemination, and monitoring and evaluation system is key to enable evidence-based decision-making and efficient management of public finances. A detailed assessment of the regulatory framework in Fiji is currently absent and needs to be undertaken. However, a review of the construction codes suggests that they may not reflect current and future climate forecasts that the country will face. Further, there is no centralized procurement process which could help ensure construction quality in compliance with the Fiji National Building Code. A strong public-private dialogue is also lacking that is necessary to address the lack of information on government priorities and projects and understanding of the private sector role. As mentioned earlier, data availability in Fiji is a common challenge.<sup>b</sup> For example, a health infrastructure asset database is not available.

a. Climate Vulnerability Assessment—Making Fiji Climate Resilient, The World Bank Group, 2017.

b. Fiji Climate Finance Snapshot 2016–2019, World Resource Institute, 2020.

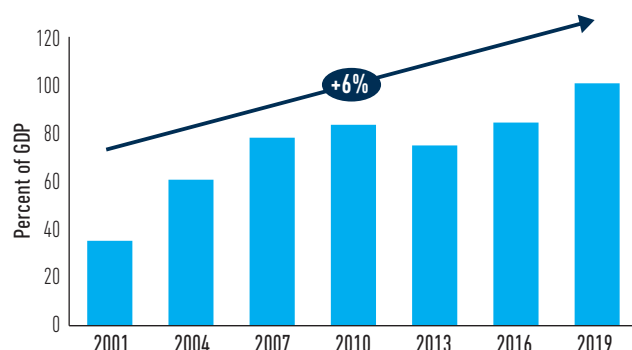


### 4.3. ACCESS TO FINANCE AND SKILLS

#### Access to finance in Fiji remains challenging for MSMEs despite abundant liquidity

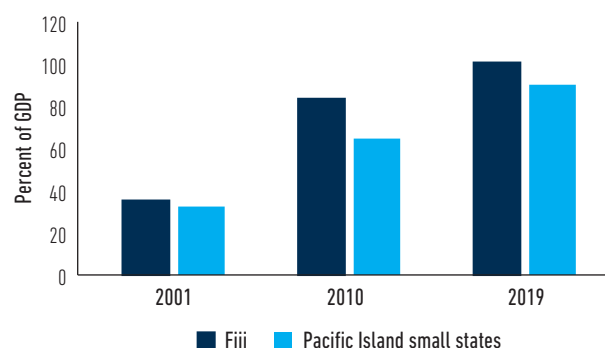
Accessing finance in Fiji remains challenging for MSMEs despite recent financial deepening and introduction of central bank financing facilities and is likely to become even more problematic in the pandemic scenario. The Fijian financial system includes commercial banks, credit institutions, insurance companies and brokers, superannuation fund, nonbanking financial institutions, and capital market players. Domestic credit to the private sector in Fiji increased from 35 percent of GDP in 2001 to 101 percent of GDP in 2019 (figure 4.7), against the backdrop of an accommodative monetary policy stance by the Central Bank of Fiji.<sup>114</sup> As a result, the country has managed to have a much greater credit penetration than other PICs (figure 4.8). Most of the large corporates can easily access financing from banks at a reasonable rate. The cost of funds for financial intermediation for commercial banks is relatively low compared to return of earning assets and interest spread. However, access to financing for MSMEs remains limited in the country. 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.<sup>115</sup> This is higher than the financing gap of many of its neighbors and aspirational peers (Figure 4.9). Women-led enterprises are even more underserved by formal financial resources.

**FIGURE 4.7: DOMESTIC CREDIT TO THE PRIVATE SECTOR, 2001–2019**

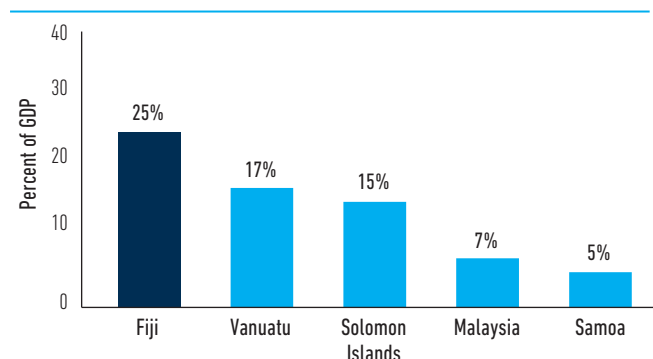


Source: WBG—World Development Indicators.

**FIGURE 4.8: REGIONAL BENCHMARKING—DOMESTIC CREDIT TO THE PRIVATE SECTOR, 2001–2019**



Source: WBG—World Development Indicators.

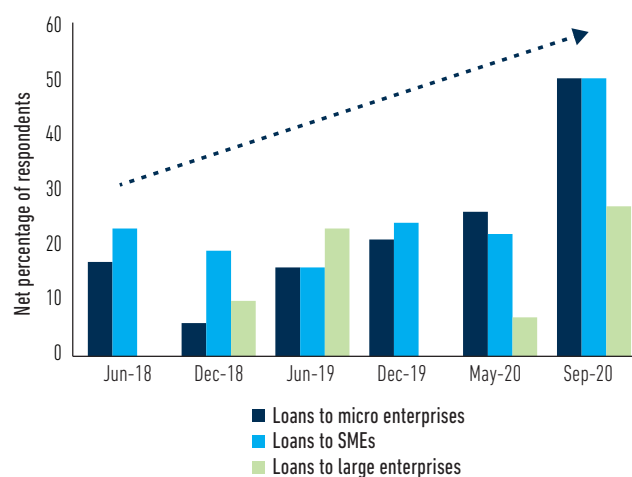
**FIGURE 4.9: BENCHMARKING—MSME FINANCING GAP***(MSME finance gap)*

Source: IFC—MSME Finance Gap Assessment. 2017.

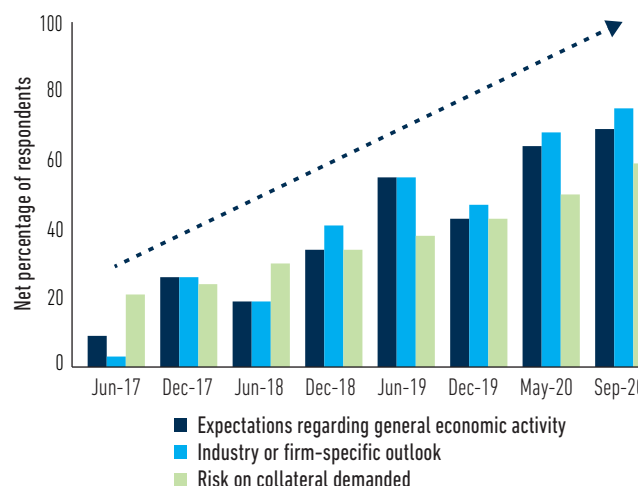
Limited access to credit for MSMEs is largely due to the concentration of the loan portfolio of Fiji's banking sector, while Fiji's nonbanking financial markets are still in their early stages of development. The 15 largest credit exposures of commercial banks as of December 2020 represented approximately 24 percent of the industry's gross loans and more than 127 percent of its total capital.<sup>116</sup> Some of these conglomerates have extensive reach among MSMEs in their supply chains, giving them unique credit information, which is not currently leveraged by the banking system. Also, in Fiji, fewer businesses obtain loans from commercial banks than in its comparators, as suggested by its financial inclusion statistics. The country only had 192 regulated credit bank accounts per 1,000 adults in 2019. This suggests that Fiji has considerably less borrowers from commercial banks than upper-middle-income countries and its

aspirational peer Singapore, which respectively have an average of 272 and 1,083 per 1,000 adults, respectively.<sup>117</sup> Development of capital market remains a priority, and several positive reforms and incentives have been introduced to promote both equity and debt market (including corporate bonds) in recent years. However, these reforms are again more suited to the medium and large businesses.

The government has made a significant effort to assist MSMEs, but their ability to access finance continues to remain limited due to their high-risk perception among lending institutions. The Government of Fiji introduced concessional financing facilities to supplement MSMEs' financing needs since 2012 when it implemented an MSME credit guarantee scheme (MSMECGS) administered by the Reserve Bank of Fiji (RBF). The MSMECGS was also just recently revamped and broadened to help businesses affected by the pandemic. It now covers 60 percent of the outstanding principal on defaulted loans up to F\$60,000 per business, with no guarantee fees charged and 75 percent to women entrepreneurs and few traditional sectors on defaulted loans up to F\$75,000 per business.<sup>118</sup> The size of covered portfolio loans has continually increased since MSMECGS inception. However, it is not clear that the scheme has incentivized Fijian banks to disburse any loans that would not have otherwise been disbursed.<sup>119</sup> In some instances, some businesses do not qualify due to the informal structures of businesses.<sup>120</sup> Conversely, it can be surmised that the number of businesses obtaining loans from commercial banks has decreased in recent years, as there has been a 12 percent decline in credit bank accounts per 1,000 adults from 219 in 2016 to 192 in 2019.<sup>121</sup> This is likely because Fiji's banking sector has been increasingly reluctant to extend business credit to MSMEs, as suggested by the substantial increase in the number of MSME loans rejected during the last few years (figure 4.10). This is in line with the continuous tightening of credit standards that has occurred in Fiji during that timeframe, particularly due to banking institutions' perception of increasing risk (figure 4.11). It is also likely that this trend will increase in the near future, as almost 50 percent of banks surveyed in September 2020 believe that standards applied to the approval of MSME credit lines will have additional changes in the following months.<sup>122</sup>

**FIGURE 4.10: CHANGE IN THE NUMBER OF REJECTED MSME LOANS**

Source: RBF—Credit Conditions Surveys.

**FIGURE 4.11: FACTORS THAT HAVE AFFECTED BANK CREDIT STANDARDS APPLIED TO THE APPROVAL OF MSME LOANS**

Source: RBF—Credit Conditions Surveys.

This perception of high risk is also accentuated due to the lack of financial tools and infrastructure to mitigate that risk. The reluctance of Fijian banks to extend business credit to MSMEs has largely been due to difficulties in mitigating credit risk for MSMEs given the country's collateral registry regulations and weak credit reporting. While collateral registry issues have recently abated, weak credit reporting has yet to be resolved.<sup>123</sup> Banks are still unable to use credit scores to assess the creditworthiness of a client, which incentivizes them to focus on the large enterprises for which they already have information. The country has not had an enabling legal framework for credit reporting that has hindered data availability. However, a review and implementation of this legislation is ongoing to align the framework with international best practices, and this is likely to ease credit data access to credit bureaus. Further, the depth of credit information in Fiji is also extremely low, as its credit bureau covers less than 5 percent of the country's adult population. Finally, credit data on firms and individuals are not distributed by the credit bureau, and financial institutions cannot access online the credit data that do exist. The central bank is also working on a robust and modern payment system infrastructure that is critical to the MSME landscape. This will enable the introduction of digital solutions, including e-platforms and electronic payment services to the unserved and underserved businesses in Fiji.

### Access to risk transfer solutions is limited in Fiji

**Risk resilience is limited for Fiji's private sector.** Insurance covers against natural disasters are almost solely held by formal and relatively large firms who can afford the premiums and meet the stringent requirements of the current insurance products available in the market.<sup>124</sup> About 94 percent of houses in Fiji are uninsured against natural disaster risks,<sup>125</sup> and there are limited agriculture insurance products available. While there are no data available on the businesses that are insured, it can be inferred that most MSMEs remain uninsured. The insurance protection gap for major natural

disaster risks (e.g., storms, floods) is thus extremely low in Fiji. As an example, after Tropical Cyclone (TC) Winston, insurance claims represented only 7 percent of total losses and 10 percent of total asset losses.<sup>126</sup> This not only exposes most private sector firms and informal workers to significant economic burdens through infrastructure damage and loss of livelihoods, but also creates a considerable risk for the banking sector in Fiji. Most of the country's banks have stated that TCs in Fiji obligate them to restructure a sizeable percentage of their loan portfolio and affect their profitability substantially,<sup>127</sup> even when the TCs do not pass through Suva.<sup>128</sup> This situation is particularly worrisome given Fiji's high and escalating exposure to natural disasters (e.g., cyclones, floods, droughts). As mentioned earlier, seasonal droughts with an average duration of a few months are common in Fiji and tend to affect more than 20–30 percent of the country's land area, and TCs are estimated to cause average asset losses of more than 5 percent of Fiji's GDP.<sup>129, 130</sup> With climate change, this could increase by up to 50 percent by 2050, amounting to a potential loss of more than 6.5 percent of GDP every year.<sup>131</sup> This is an area where the World Bank has been supporting the Government of Fiji through research, design, and consultation on innovative insurance products that meet the needs of vulnerable Fijians. This is in the context of disaster risk financing, however, there is a need to expand scope to include pandemics as well where feasible.

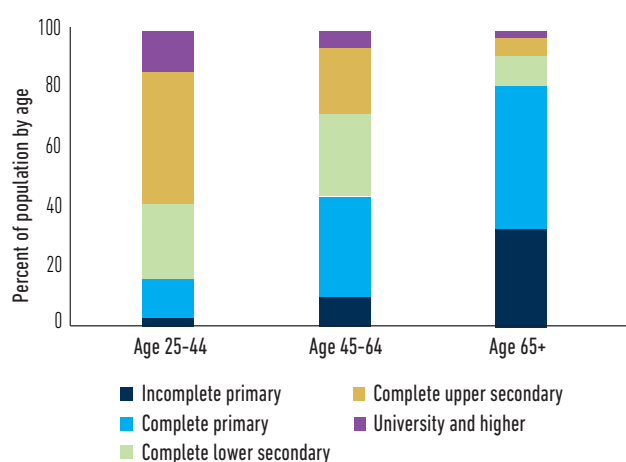
**Policy reforms are needed to enable the development of risk transfer instruments in Fiji.**

There are ongoing research and technical assistance for the domestic insurance market to develop products that provide cost-effective coverage and overcome challenges such as data availability around construction quality. However, Fiji's general insurance industry has the potential to significantly improve the supply of risk transfer products in the country. There are currently no challenges with the financial capacity of the general insurance industry, as its leverage ratio<sup>132</sup> is considerably better than what is demanded by international best practices.<sup>133</sup> With the increased frequency of natural disasters in Fiji, several primary insurers and re-insurers have exited the market in the recent past. Moreover, the underwriting system used in Fiji has strict and definite requirements as preconditions of coverage, like international standards, mainly due to the frequency of natural disasters, which paired with often low levels of structural resilience, imply a high chance of losses and payout. As such, there is a need to develop innovative products that meet the needs of most Fijian households and businesses at an affordable price. Likewise, the quality and level of resilience of Fijian properties need to increase. For a property to be insurable against natural hazards in Fiji, one of two primary requirements need to be met—an engineer's certificate, which can be expensive and difficult to obtain as most low-income households do not meet the very high standard required to purchase an engineer's certificate (certification that the property has a roof strapping sufficient to withstand a category 3 natural hazard), or a property needs to be certified to meet the country's building code.<sup>134</sup> However, most properties do not meet Fiji's building code because they were built prior to the introduction of current code requirements. Similarly, an engineer's certificate, apart from being prohibitively costly for many MSME's, is extremely difficult to get because of a scarcity of engineers authorized to issue them.<sup>135, 136</sup> In the case of agriculture insurance, several key issues need to be addressed before it is feasible to offer insurance for any kind of crop, livestock or fisheries. These are (1) the quality of agricultural and weather data needs to be enhanced; (2) the pricing of premiums; and (3) aggregators to facilitate insurance sales to farmers need to be developed.<sup>137</sup> Therefore, the role of PPP will be crucial in Fiji in terms of innovative products and solutions to service the market.

### Fiji suffers from a shortage of skilled workers

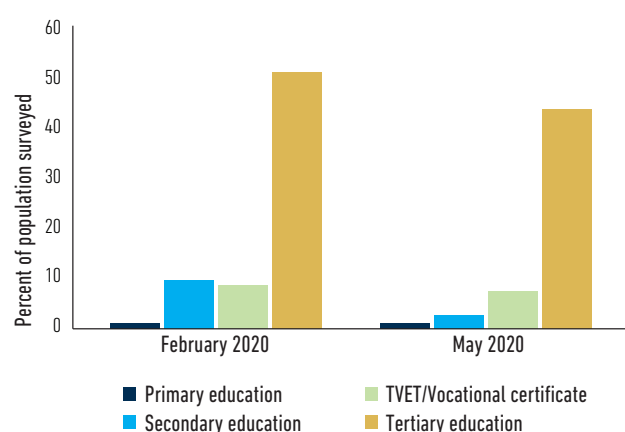
A shortage of skilled workers remains a considerable barrier to private sector development in Fiji despite educational attainment improvements in the country. Fiji has had one of the highest education attainments among island country comparators since more than a decade ago.<sup>138, 139</sup> Furthermore, the Government of Fiji has implemented a myriad of measures to further expand access to schooling over the last decade (e.g., education is compulsory at primary and secondary levels, since 2014 tuition for students has been free up to their 13th year of schooling), which has improved educational attainment considerably. The proportion of Fijians ages 25 or older that have completed at least lower secondary school increased from 60 percent in 2007 to 87 percent in 2017. The overall educational level of Fijians has also improved, as suggested by the proportion of the population in each age group that have achieved a certain level of schooling (figure 4.12). Despite this progress, a shortage of skilled workers remains a significant concern for the private sector in Fiji. According to the Fiji COVID-19 Business Survey that was performed in mid-2020, around 29 percent of non-tourism-focused businesses, and 42 percent of tourism-focused businesses, are concerned about the high cost or lack of availability of highly skilled labor. Similarly, approximately 19 percent of non-tourism-focused firms, and 31 percent of tourism-focused firms, are concerned about the high cost or lack of availability of low-skilled labor.<sup>140</sup> This long-standing issue of finding and retaining skilled workers discourages the creation of skill-intensive businesses in various industries.<sup>141</sup> Further, access to skills for women is also a key challenge that translates to female labor force participation. Currently, women represent only about 25 percent of information and communication technology (ICT) employees in the country (based on 2016 Employment and Unemployment Survey data, retrieved from ILOSTAT), and an estimated similar percentage of science, technology, engineering, and mathematics (STEM) graduates.<sup>142</sup> They have also consistently been underrepresented in technical and vocational education and training (TVET) enrollments by an average of about 40 percent (2007 to 2016).<sup>143</sup>

**FIGURE 4.12: LEVEL OF EDUCATIONAL ACHIEVEMENT BY AGE, 2014–2015**



Source: Household Income and Expenditure Survey (2014–2015). WBG—PIC Countries in the Era of COVID-19—Macroeconomic Impacts and Job Prospects.

**FIGURE 4.13: NUMBER OF IT JOB ADVERTISEMENTS PER LEVEL OF EDUCATION REQUIRED**



Source: Various Sources (2020). WBG—PIC Countries in the Era of COVID-19 Macroeconomic Impacts and Job Prospects.

Skills shortages are driven both by a mismatch between the disciplines emphasized in universities and those demanded by employers, and between the career aspirations of graduates and the realities of available local jobs. Despite Fiji's improvements in educational attainment, the private sector still feels the need to import expatriate workers where required, for instance, in foreign laborers working in the construction sector. This is primarily because Fiji is afflicted by two types of skills mismatches:

1. First, although a high proportion of formally advertised jobs in Fiji require tertiary education (figure 4.13), finding jobs to match the qualifications of tertiary institution graduates remains a challenge, as there tends to be an undersupply of graduates in areas which are demanded by the private sector and an oversupply of graduates in other areas.<sup>144</sup> This is reflected, for example, in the lack of specific courses at Fiji's universities relevant to the outsourcing services. Similarly, doctors and nurses who train in Fiji are offered few opportunities for advanced specialist training, leading medical professionals who are eager to develop their credentials to look for upskilling opportunities abroad.<sup>145</sup> Higher salaries abroad and better career prospects in certain areas of specialization also tend to push skilled Fijians to choose careers overseas.<sup>146</sup> This is consistent with the large outward migration of skilled Fijians in the past quarter century,<sup>147</sup> which has tended to compound the country's skills mismatch.
2. Second, for technical trades, much of the country's labor force lacks the skill set and practical experience needed by private firms. This is largely a consequence of a mismatch between the career aspirations of young people and human resource needs in the country.<sup>148</sup> Fijians generally have an aversion to blue collar jobs and TVET with a focus on white collar career ambitions. As such, while TVET has been offered in Fiji for many decades, it is considered a second-class education. Moreover, there are concerns that current TVET offerings lack industry relevance, and that they do not meet the expectations of stakeholders. Therefore Fijians that leave school often return to their villages and settlements unemployed because they focus on finding white-collar jobs which they cannot oftentimes secure, and frequently do not have the practical skills for blue-collar jobs at their reach.

#### 4.4. RECOMMENDATIONS FOR CROSS-CUTTING CONSTRAINTS

Table 4.1 outlines recommendations that address not only economy-wide private sector investment constraints discussed above, but also the potential for market creation in the selected sectors.

**TABLE 4.1: RECOMMENDATIONS FOR ADDRESSING CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR GROWTH AND INVESTMENT**

Objectives	Recommendations	Key stakeholders
<b>Strengthen business and investment legal and regulatory regime</b>	<ul style="list-style-type: none"> <li>Enact new regulations on (1) investor visas and work permits; (2) FDI reporting regulations; and (3) negative economic sector list for foreign investment</li> <li>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</li> <li>Strengthen interagency coordination (Fiji Immigration Department, Registrar of Companies, National Fire Authority, Ministry of Employment, RBF, and Investment Fiji) and notification between central and local governments</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>MCTTT, Investment Fiji, regulating agencies, Tier 1 and 2 agencies under Investment Fiji</li> </ul>
<b>Address potential distortionary effects of government participation in the economy</b>	<ul style="list-style-type: none"> <li>Assess existing regime of and institutional structure governing price controls by GoF in consultation with private sector</li> <li>Conduct a mapping exercise of SOEs, considering the competitive neutrality principles to identify key gaps in operations and governance and solutions</li> </ul>	<ul style="list-style-type: none"> <li>MCTTT, and Fijian Competition and Consumer Commission (FCCC)</li> <li>Ministry of Public Enterprise, FCCC</li> </ul>
<b>Improve Fiji's transport infrastructure</b>	<ul style="list-style-type: none"> <li>Improve monitoring of transport axle weights and increase efficiency of budget utilization for assessment and maintenance of roads, bridges, and jetties</li> <li>Review interisland shipping fares and freight charges to improve competition and quality of services in the sector</li> </ul>	<ul style="list-style-type: none"> <li>MCTTT</li> <li>The Maritime Safety Authority of Fiji, Fijian Competition and Consumer Commission</li> </ul>
<b>Enhance reliability, efficiency, and affordability of Fiji's energy supply</b>	<ul style="list-style-type: none"> <li>Update EFL's grid equipment (e.g., smart-grid technologies, online smart-meter reporting)</li> <li>Improve resiliency of Fiji's energy infrastructure (e.g., underground distribution lines, reliance of distribution lines on more than one transmission line)</li> <li>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</li> <li>Establish an independent technical regulator to monitor EFL</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Infrastructure</li> <li>Energy Fiji Limited</li> <li>Department of Energy</li> <li>Ministry of Infrastructure</li> </ul>



Objectives	Recommendations	Key stakeholders
<b>Increase flow of finance</b>	<ul style="list-style-type: none"> <li>• Enact a 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</li> <li>• Accelerate operationalization of MSME Fiji, which will be critical to consolidating a holistic approach to addressing challenges faced by MSMEs</li> <li>• Introduction of innovative products such as parametric insurance to meet the needs of more Fijian households and businesses in an accessible and affordable manner</li> <li>• Take steps to incentivize accessible and affordable agricultural insurance products to be introduced in the market, including pilot products</li> </ul>	<ul style="list-style-type: none"> <li>• Reserve Bank of Fiji (RBF)</li> <li>• RBF, Insurance Council of Fiji</li> <li>• Ministry of Economy, RBF, Insurance Council of Fiji</li> <li>• Ministry of Economy, RBF, Insurance Council of Fiji</li> </ul>
<b>Address lack of skills</b>	<ul style="list-style-type: none"> <li>• Operationalize a comprehensive labor market information system (LMIS) to underpin career advice and guide education and training systems/ investments</li> <li>• Strengthen technical and vocational education and training (TVET) in Fiji</li> <li>• Expand apprenticeship model between public and private sector, like those in some EU countries</li> <li>• Flexible delivery modes for students requiring flexibility</li> <li>• Open pathway for students to transition between completed TVET programs and higher education institutions</li> <li>• Establish incentive mechanisms for students and institutions from government to encourage businesses to develop an apprentice program and students to enroll and complete TVET programs</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry of Employment, Productivity &amp; Industrial Relations</li> <li>• Ministry of Education, TVET providers</li> <li>• Private sector including TVET providers</li> </ul>

## 5. SELECTION OF SECTORS FOR DEEP DIVE ANALYSIS

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To identify possible sectors for deep dive assessments, an extensive review was conducted of the government's development strategy documents and prior analytics reports of development partners, followed by consultations with WBG sector experts and external public and private sector stakeholders. A long list of six high-potential vertical sectors emerged from this process: outsourcing services, tourism, agriculture/agribusiness, housing, fisheries, and health. Several enabling infrastructure sectors were also identified as especially relevant for private sector growth, including information and communication technology (ICT) infrastructure, renewable energy, and transport and logistics. However, given the transversal nature of these enabling sectors, they have been assessed under the cross-cutting constraints section 4 of the Country Private Sector Diagnostic (CPSD). The one exception is logistics, which besides its cross-cutting nature, is especially necessary for agri-competitiveness, and hence has merited a deeper analysis.

Further short listing of the six vertical sectors was then conducted based on a filtering framework consisting of several economic, investment, and additionality considerations (table 5.1):

- The **economic considerations** aim to capture the relevance and contribution of each sector to some of Fiji's key economic development objectives from a long-term development perspective. In the short term, the impact of the pandemic on the country's ability to build back better has also been given weightage. These objectives include (1) promoting economic diversification; (2) building the economy's resilience to natural disasters and pandemics, including the current COVID-19 crisis; (3) strengthening Fiji's position as a regional economic hub; and (4) facilitating inclusive job creation.
- The **investment considerations** relate to (1) feasibility of private investment in the sector over the next 3–5 years, in light global investment demand trend; and (2) the status of the sector in the context of COVID-19, insofar as sectors severely hit by the pandemic will predominantly be in recovery mode over the next 3–5 years (making it unlikely that reforms proposed as part of this CPSD will materially "move the needle" with respect to investment opportunities), while others will have newfound growth opportunities due to COVID-19.
- Finally, the **additionality considerations** include (1) the extent of the current "reform" gap (or, conversely, the reform momentum) in the sector and degree to which new/additional reforms need to be identified and undertaken; and (2) complementarity and value added to existing body of, and ongoing analytics and evidence of sectors in Fiji to avoid duplication.

**TABLE 5.1: ANALYTICAL FRAMEWORK FOR SELECTION OF SECTORS FOR ASSESSMENT**

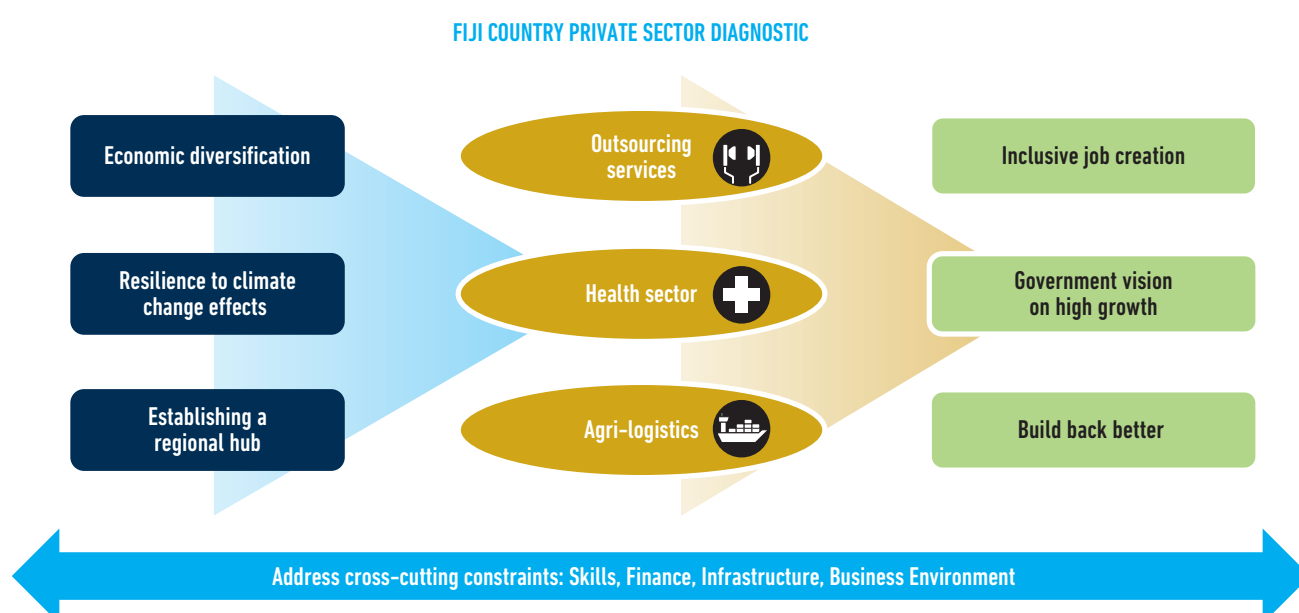
<b>Economic considerations</b>
<p><b>Does market creation in the sector contribute to:</b></p> <ol style="list-style-type: none"> <li>1. <b>Diversification</b> of Fiji's economy</li> <li>2. Strengthen economic <b>resilience</b></li> <li>3. Position Fiji as a sector <b>hub/market leader in the Pacific region</b></li> <li>4. Contribute to more, better, and inclusive <b>jobs</b> (and youth employment)</li> </ol>
<b>Investment considerations</b>
<ol style="list-style-type: none"> <li>1. Is the medium term (next 5 years) global outlook for the sector <b>supportive for private investment in Fiji in this sector?</b></li> <li>2. Is the sector currently in a <b>shrinking, stagnating, or emerging phase</b> in the context of COVID-19?</li> </ol>
<b>Additionality considerations</b>
<ol style="list-style-type: none"> <li>1. Is there a <b>critical mass of market-ready reforms</b> already underway?</li> <li>2. What is <b>complementarity or value added</b> of further analyzing the sector relative to existing evidence and ongoing analytics?</li> </ol>

For each criterion, sectors were assigned different relevance scores (on a scale of 1–4), which were then aggregated to allow for comparison of sectors based on their overall performance in the selected criteria. The scores for each sector and their underlying rationale are detailed in Appendix B. The three high-priority sectors surfacing from this screening exercise were (1) health care, (2) outsourcing services, and (3) agriculture/agribusiness. The potential in these sectors for accelerating digital transformation in the country which could have economy-wide spillover effects was also strong, further reinforcing their selection.

As a next step, consultations with Fijian government counterparts and internal WBG stakeholders about the results of this sector screening exercise were completed which provided validation for the focus on outsourcing services and health care for a deep dive analysis. In the case of agriculture/agribusiness, analysis of specific agri value chains—e.g., organic agriculture and high-value agri-processing—and their relevant growth and investment constraints was already being conducted to a large extent by the Government of Fiji, as well as by development partners, who have planned engagements in these areas. However, the logistics aspects and constraints to agriculture/agribusiness were seen as potential gap and a CPSD deep dive could offer significant additionality and also help shed light on the improvements to logistics that could benefit other areas of Fiji's economy. A summary of the main decision factors and justifications for the ultimate decision to undertake deep dives for outsourcing services, health care, and agri-logistics is presented in table 5.2. Figure 5.1 provides a visual representation of the CPSD's scope.

**TABLE 5.2: SUMMARY OF KEY JUSTIFICATIONS FOR SELECTION OF DEEP DIVE SECTORS**

Sector	Economic considerations	Investment considerations	Other development partners' initiatives
<b>1. Outsourcing services</b>	<ul style="list-style-type: none"> <li>Promotes diversification into non-tourism services</li> <li>More resilient to natural disasters due to digital nature of service delivery</li> <li>Strong regional comparative advantage for Fiji</li> </ul>	<ul style="list-style-type: none"> <li>Use of ICT-enabled and remotely delivered services has seen a significant surge amid COVID-19, which is expected to continue in the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>MDF<sup>149</sup> is working with BPO Council in Fiji on marketing Fiji as a BPO destination in Australia.</li> </ul>
<b>2. Health care</b>	<ul style="list-style-type: none"> <li>Imperative to close gap in access to quality health care services for Fijians</li> <li>Opportunity for Fiji to establish itself as a regional medical hub given its location and strong health system among PICs</li> <li>Priority sector for government with desire for deeper private sector role</li> </ul>	<ul style="list-style-type: none"> <li>In aftermath of COVID-19, renewed importance of having stronger health care system should incentivize investments in this space, as will the increased demand for digital (contact-free) health services</li> </ul>	<ul style="list-style-type: none"> <li>No major engagements beyond a DFAT report on health care supply chain reform (published February 2020)</li> </ul>
<b>3. Agri-logistics</b>	<ul style="list-style-type: none"> <li>Logistics are key constraint for agriculture/agribusiness, which is strategic sector for Fiji with respect to advancing to economic diversification and resilience (e.g., food security)</li> </ul>	<ul style="list-style-type: none"> <li>To the extent global shipping and supply chain disruptions persist in the medium term, investments in domestic capacities to move and store local products will be attractive investment propositions</li> </ul>	<ul style="list-style-type: none"> <li>ADB<sup>150</sup> is conducting a strategic review of Fiji's maritime operations and assessment of Suva Port development, but not with a sector-specific logistics lens</li> <li>Pacific Island Development Forum<sup>151</sup> is studying ship carbon emission abatement measures for Pacific Islands, which can help inform CPSP's recommendations for improving the efficiency and climate friendliness of Fiji's maritime logistics</li> </ul>

**FIGURE 5.1: SCOPE AND KEY OBJECTIVES OF FIJI CPSP**

## 6. SUMMARY OF SECTOR DEEP DIVE FINDINGS

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The deep dive analyses of the three selected sectors highlight the following common themes, challenges, and opportunities:

1. Fiji is well positioned to leverage its existing base of operations and infrastructure in these three sectors to move to higher value addition and to expand its presence more concretely as a regional hub. In doing the latter, it can overcome its limitations of size. Fiji is already starting to produce and export high value-added agriproducts like organic ginger, turmeric, and bottled water. It is known in the Asia Pacific region for its outsourcing services. Among the Pacific Island countries (PICs), Fiji's health system is the most advanced.
2. While the identified private sector solutions in the sectors are small in potential size of investment, they are important in addressing unmet needs and in improving competitiveness of these sectors.
3. These sectors represent opportunities specifically for women and youth. All three have a propensity to employ women. Therefore, their growth can create greater opportunities for inclusive jobs. The outsourcing services (OS) sector can unlock opportunities for the young tech-savvy graduates, while agri-logistics can create inclusive jobs in aggregation centers and cooling facilities where women are assessed to have better skills. The health sector can also provide jobs for more nurses and youth/women as telehealth expands. However, a greater participation of women is constrained by a common problem of lack of workforce safety and training in firms.
4. Besides sector-specific constraints, there are some common emerging challenges for private sector participation. One of the main issues identified has been the lack of sufficient and quality data across sectors, including gender-disaggregated data. This is driven by a lack of frequent data collection, inter-operability of data across systems where it exists, and management and sharing of this information. Together, this constrains evidence-based decision-making, for example, the lack of an integrated health data system or reliable and frequent agricultural data. Another common constraint is the lack of systematic public-private sector dialogue at all stages (strategy, implementation, and governance), which hinders the ability to leverage private sector expertise for solutions and limits their voice on policy reforms. During this analysis, the private sector has also cited inconsistent and ad hoc application of regulations as key causes of uncertainty and a higher cost of doing business.
5. Among the various cross-cutting constraints, access to skills is the most problematic for the private sector across all three sectors studied.

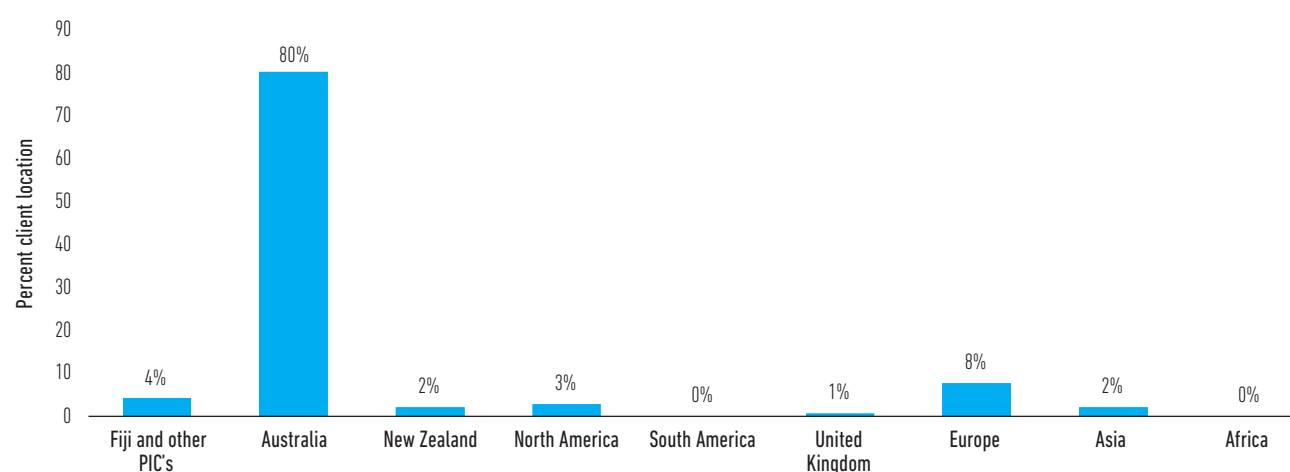
## 6.1. OUTSOURCING SERVICES (OS)

### State of the sector and key challenges

Fiji has a strong value proposition in OS and much to gain from the resilient employment opportunities the sector can provide for the country's large youth population and for women. As an outsourcing destination, Fiji offers a relatively well-educated and accent-neutral English-speaking workforce, a friendly service culture, solid information and communication technology (ICT) infrastructure, low labor costs (albeit not as low as some other established outsourcing destinations such as India), and “nearshore” status (i.e., close geographic and time zone proximity) for large regional source markets such as Australia and New Zealand (ANZ). Tapping this OS potential can unlock significant employment opportunities for Fiji's young population—around 50 percent are under 27 years of age—particularly the significant number of increasingly tech-savvy university graduates that Fiji generates each year. The OS industry also tends to be gender biased toward women, as disproportionately more women are hired than in other industries. Furthermore, OS activities, many of which can be effectively conducted remotely, are inherently more resilient to future pandemics and climate-related economic disruptions and can thus provide a more stable source of employment and income security for workers.

Despite a promising early wave of OS investors in Fiji, the sector has yet to fully take off and broaden its client base beyond the ANZ region. In the early part of the decade, Fiji successfully attracted OS operations from several high-profile multinational companies—ANZ banks, Malaysia Airlines, Swiss International Airways, DHL Express, Vodafone—and earned itself international recognition by winning the European Outsourcing Associations' Offshoring Destination of the Year Award in 2014. This initial flurry of activity, however, did not catalyze the subsequent rapid growth of the sector that many in Fiji would have hoped for. As of December 2021, there were still only around 25 companies with outsourcing services operations in Fiji, employing roughly 7,000 workers and generating US\$47 million in annual earnings, that is, less than 0.1 percent of gross domestic product (GDP). The vast majority (80 percent) of OS clients are from Australia, with the remainder predominantly from Europe (8 percent) and the PICs (4 percent), suggesting limited global brand awareness of Fiji as an OS destination (figure 6.1).

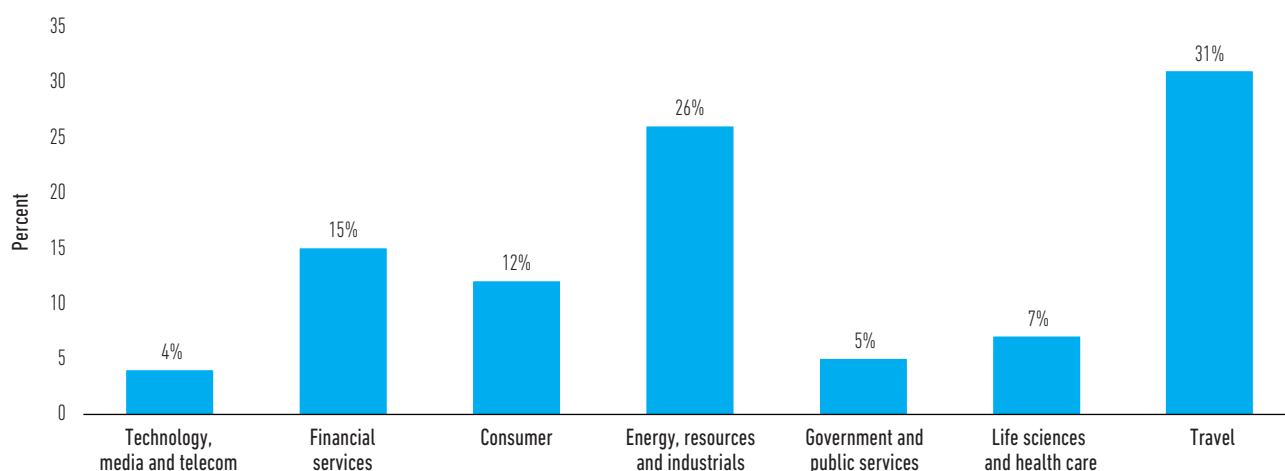
**FIGURE 6.1: FIJI OS ORGANIZATIONS' CLIENT LOCATIONS FOR 2021**



Source: BMS advisory interviews and surveys with Fiji OS providers (2021).

While the range of industries served by Fiji's OS providers is diverse, the type of OS services offered remain relatively low value in nature. The travel industry is the main client for Fiji's OS providers, which is linked to Fiji's large tourism sector, and this has helped create awareness of Fiji as an OS destination. The second largest source of demand—from the energy, resources, and industrial sector (26 percent)—is driven largely by the deregulated energy and resources market in Australia and the solar industry, which is linked to government policy and incentives for solar installation. Meanwhile, demand from the financial services sector (15 percent) is being fueled by the strong number of graduates in the accounting and finance streams annually, and Fiji's close alignment to Australia and New Zealand's education systems, which makes Fijians well suited to service Australian and New Zealand businesses. With respect to service segments, the business processing outsourcing (BPO) subsector generates roughly 50 percent of Fiji's OS sector revenues, with knowledge process outsourcing (KPO) and information technology (IT) outsourcing (ITO) accounting for 35 percent and 15 percent, respectively (no revenue to date is reported in the online outsourcing [OO] subsector). However, within these subsectors, specifically the BPO space, Fiji's OS providers have carved out a niche in the relatively low-value human voice services and have minimal capability in the more advanced and higher-value technology solutions, such as artificial intelligence (AI) and robotic process automation (RPA), toward which the global OS industry is moving.

**FIGURE 6.2: FIJI OS ORGANIZATION'S CLIENT PRIMARY INDUSTRIES FOR 2021**



Source: BMS advisory interviews and surveys with Fiji OS providers (2021).

Key constraints to faster OS growth include the lack of a holistic strategy for the sector, including market positioning, prioritization of technical skills for development, and targeted investment policies and incentives. Because much of the early growth in Fiji's OS has been opportunistic—attracting OS investors at large rather than from specific market segments—it has not been underpinned by a specific strategy or specialization in subsegments where Fiji might have had the greatest comparative advantage. In turn, this has made it difficult to determine the appropriate scope of workforce training programs for the diverse skills demanded by OS companies, or to design and adapt university curricula to prepare future graduates for specific categories of OS jobs. This is reflected, for example, in the lack of OS industry-specific courses at Fiji's universities that meet the Fiji Qualification Framework (FQF). Similarly, the investment policies



and financial incentives offered to OS investors have evolved in an ad hoc manner over time and differed depending on the location of investment (e.g., within or outside of special economic zones such as the Kalabo Tax Free Zone), rather than being tailored to the specific needs and business models of OS investors.







**Other limiting factors include access to real estate, resilience of the ICT infrastructure, residual administrative and regulatory burdens, and policy gaps in data protection and privacy.** Many current and prospective OS investors cite difficulties in securing fit-for-purpose commercial office space, especially in the most desirable urban centers such as Suva. The vulnerability of ICT infrastructure is also a concern—although Fiji is connected to the major Southern Cross fiber cable, there is limited subsea cable redundancy and no direct second network connection to Fiji should the Southern Cross go offline, as it has on several occasions. There are similar concerns about the reliability of electricity and other utilities amid the frequent cyclones that impact Fiji, and the additional costs and risks this introduces for the functioning of data servers and other digital equipment essential to many OS activities. Fiji also does not have a single data center, a critical driver of competitiveness in the OS sector. In comparison, India has 173, the Philippines has 28, and South Africa has 55 data centers. Appendix C provides some comparisons on key enabling infrastructure drivers. Certain investors also complain about lingering cumbersome administrative and regulatory requirements for market entry and operations, in line with those discussed earlier in the cross-cutting constraints section. Finally, the current laws governing data protection and privacy<sup>152</sup> are not up to the standards desired by the OS industry, where providers need to ensure safety and confidentiality of their own data, and any data they may hold for third parties.

### **Market potential and investment opportunities**

The global market for OS is large and with strong growth prospects, specifically in the Asia Pacific region, even in the face of increased automation of services jobs and disruptions related to COVID-19. Various estimates place the size of the global OS industry at close to US\$1 trillion,<sup>153</sup> which consists of several subsectors such as BPO, KPO, ITO, and the emerging practice of OO. Of these, ITO is the largest by market size (US\$521 billion) and is expected to double in size by 2027, but the fastest growth is expected in the KPO segment (a compound annual growth rate [CAGR] of 16.5 percent between 2020 and 2027), followed by BPO (8.8 percent CAGR).<sup>154</sup> Geographically, according to some estimates, the Asia and Pacific (APAC) region is set to emerge as the second largest OS market for demand globally, behind North America (US\$152.5 billion) by 2023.<sup>155</sup> While COVID-19–related lockdowns across various established outsourcing destinations (e.g., India, the Philippines) disrupted OS activity and led many clients to temporarily re-shore certain operations, this trend is not expected to be sustained due to the relatively higher onshore labor and operating costs.

**Emerging OS industry trends in the wake of COVID-19, including consolidation, multi-location sourcing, and increasing demand for remote work create both challenges and opportunities for Fiji to grow its OS market.** These trends and their implications for Fiji are described in table 6.1.

**TABLE 6.1: EMERGING OS TRENDS AND IMPLICATIONS FOR FIJI'S OS SECTOR**

Key Trend	Description	Implication for Fiji
<b>Consolidation of OS providers</b>	Significant growth in mergers and acquisitions over the past five years. Closure of small/mid-sized OS providers recently in large part due to COVID-19 (under 500 FTE).	
<b>Emergence of global capability centers (GCCs)</b>	Multinational corporations' (MNC) preference for outsourcing via inhouse shared services center that allows benefits of a lower cost jurisdiction while still retaining ownership and operational control.	
<b>Emergence of multi-sourced OS models</b>	The pandemic has prompted many companies to rationalize their OS locations and move away from single-sourced models, especially for critical functions, to many locations across different geographies.	
<b>Growth of the work from home model</b>	Relative success of the work from home (WFH) model during the pandemic may accelerate the globalization of work, as it has prompted many businesses to consider whether certain jobs that can be done remotely can also be done offshore in a lower cost jurisdiction.	
<b>Digital disruption leading to increasing automation in the OS sector</b>	Robotic Process Automation (RPA) is a key trend that will support automation of business processes and free workers to focus on higher value work. Over 80 percent of the Australian firms interviewed for this deep dive analysis are considering or are in the process of implementing some form of RPA solutions, chat bots, and AI-driven customer service interactions such as natural language processing and machine learning, to streamline their outsourcing arrangements without increasing headcount or costs.	 

Note: FTE = full-time equivalent employment

Against this backdrop, there are three high-potential OS market opportunities that Fiji should focus on to attract private investment and grow the OS industry:

1. **Attract multinational corporations (MNCs) to Fiji to open global capability centers (GCCs):** existing companies that have a footprint in Fiji and/or other PICs and have the operational structure that could benefit from a GCC model. Fiji, which already hosts three major GCCs,<sup>156</sup> has the potential to tap further into the increasing demand for this OS operating model. The MNCs who currently have GCCs in Fiji all had existing business operations and clients in the APAC region prior to setting up in Fiji, which has provided them with a solid base with which to start. This suggests Fiji should target other companies with established business links in the APAC region to open a GCC in Fiji, including those who, in the context of the pandemic-related increase in work from home (WFH) arrangements, may see value in establishing a GCC as a lower-cost alternative to the WFH model.
2. **Transition to complex and higher-value BPO services.** Global trends in the OS industry, with a move toward RPA and AI, may start to negate Fiji's BPO voice skills advantage, as work is transitioned away from human interactions toward digital channels such as AI chatbot solutions, digital assistants, social media, messaging, email, and SMS. Due to the risks associated with this digital disruption, both in the loss of full-time equivalent employment (FTE) to automation and to other digitally

more competitive OS destinations such as India and the Philippines, Fiji OS providers need to focus on updating their technical skills to be an enabler of business transformation to attract BPO work that is not just the “traditional” low value type but to build capability to service more complex higher value work.

3. **Focus the Fijian OS market to the fast-growing KPO segments that align with skill sets of Fiji’s graduates.** Global KPO demand is forecast to grow by a CAGR of 17.6 percent from 2016 to 2025, with the fastest-growing segments being analytics and market research, legal process outsourcing (LPO), recruitment process outsourcing (RPO) and human resources/industrial resources (HR/IR), accounting, banking, financial services and insurance (BFSI), and medical and health care. Among these, the analysis of OS skills capability among Fiji’s university graduates suggests Fiji’s prospective OS labor pool is best positioned to service the analytics and market research, LPO, and accounting segments.

In terms of geographic diversification, Fiji’s most strategic approach would be to first solidify its OS presence in the APAC region before vying for OS demand from more distant markets such as North America and Europe, Middle East and Africa (EMEA). In the short term, Fiji is likely to struggle to attract OS investment from more distant markets because (1) the MNCs that seek to establish GCCs in Fiji already have a strong business footprint in Fiji or in the Pacific, which is not yet the case for MNCs in the American and European markets, and (2) the size of Fiji’s labor force and OS human resources is still too small (relative to competitor destinations such as India and the Philippines) to attract global MNCs. Once Fiji’s OS market presence in ANZ and East Asia is solidified, and a larger scale in Fiji’s OS sector is achieved, Fiji can then look to tap the North American and European markets, which currently account for only 3 percent and 8 percent of Fiji’s OS business, respectively. Both these markets have strong outsourcing cultures, and their current demand is met largely by OS providers in India and the Philippines OS sectors, which Fiji is well positioned to try and compete with.

## Recommendations

The key investments and policy actions needed to facilitate these OS market opportunities range from OS-enabling infrastructure and improved marketing to client source countries, enhanced data protection and privacy legislation, and targeted reforms to university curricula and OS skills training programs. Among these, the greatest opportunities for private sector involvement and financing are in the infrastructure initiatives, namely the promoting and facilitating of special economic zones (SEZs) or business parks with OS-tailored facilities, new subsea fiber optic cables and network connections, and colocation data centers. There is also potential for private sector co-design and delivery of OS skills training, to help ensure its relevance to the demands of the OS industry.

**TABLE 6.2: POLICY AND NON-POLICY RECOMMENDATIONS FOR OS MARKET GROWTH AND INVESTMENT**

Objective	Recommendations	Stakeholder
<b>Address lack of awareness of Fiji as a potential OS destination</b>	Appoint a dedicated business development executive in Investment Fiji, located in either Sydney or Melbourne, Australia, to target companies in the region	Investment Fiji
	Develop and present feasibility reports to existing MNCs and leverage APAC presence by targeting other MNCs in the region	MCTTT, Investment Fiji, BPO Council
<b>Address lack of required skills for an emerging OS industry</b>	Design and roll out new training on digital skills (that can support RPA, chatbot, and other AI technologies) both at technical and managerial levels	Ministry of Education, Private training sector
	Strengthen coordination and collaboration between the BPO Council and the education sector to ensure relevance of required skill sets needed in emerging KPO sectors	BPO Council, Ministry of Education, Private sector
	Collect and make available gender-disaggregated data on tertiary/TVET graduates by course to strengthen demand-supply matching	Ministry of Education
<b>Establish university or fully registered higher education institutions in Fiji that meet the Fiji Qualification Framework (FQF).</b>	Establish training courses that meet FQF. Specifically, create the following training courses, as used in Australia, for adoption within Fiji either through universities or TEST/TVET private training organizations: <ul style="list-style-type: none"> <li>• Certificate II in Customer Engagement</li> <li>• Certificate III in Customer Engagement</li> <li>• Certificate IV in Customer Engagement</li> <li>• Diploma of Customer Engagement</li> </ul>	Ministry of Education, Tertiary sector, BPO Council
<b>Address lack of systematic and cohesive incentives for OS sector</b>	Establish SEZs in strategic locations near Suva, Lautoka, and Nadi, with government support for the following: <ul style="list-style-type: none"> <li>• Access to land and buildings</li> <li>• Streamlining the construction planning and approval process</li> <li>• Providing corporate tax holidays or reduced rates (as planned in previous Budget Briefs)</li> <li>• Customs and duty concessions for the import of materials and equipment required (as planned in previous Budget Briefs).</li> </ul>	Ministry of Economy, MCTTT, Ministry of Local Government, Ministry of Land & Mineral Resources
<b>Strengthen data protection and privacy policies and procedures</b>	Design and enact data protection and privacy laws	Attorney General's office, Ministry of Communications, BPO Council
<b>Strengthen ICT infrastructure</b>	Mitigate risk of limited subsea cable availability through: <ul style="list-style-type: none"> <li>• Accelerating the connection to the Southern Cross Next cable</li> <li>• Establishing a second connection to cable systems and a new second landing station in a different part of Viti Levu</li> </ul>	Ministry of Communications, Ministry of Economy
<b>Set up colocation data centers</b>	Set up colocation data centers by exploring fiscal and regulatory incentives to enable private sector investment	Ministry of Economy, Ministry of Communications, Private sector

Note: TEST = technology and employment skills training.

## 6.2. HEALTH CARE

### State of the sector and key challenges

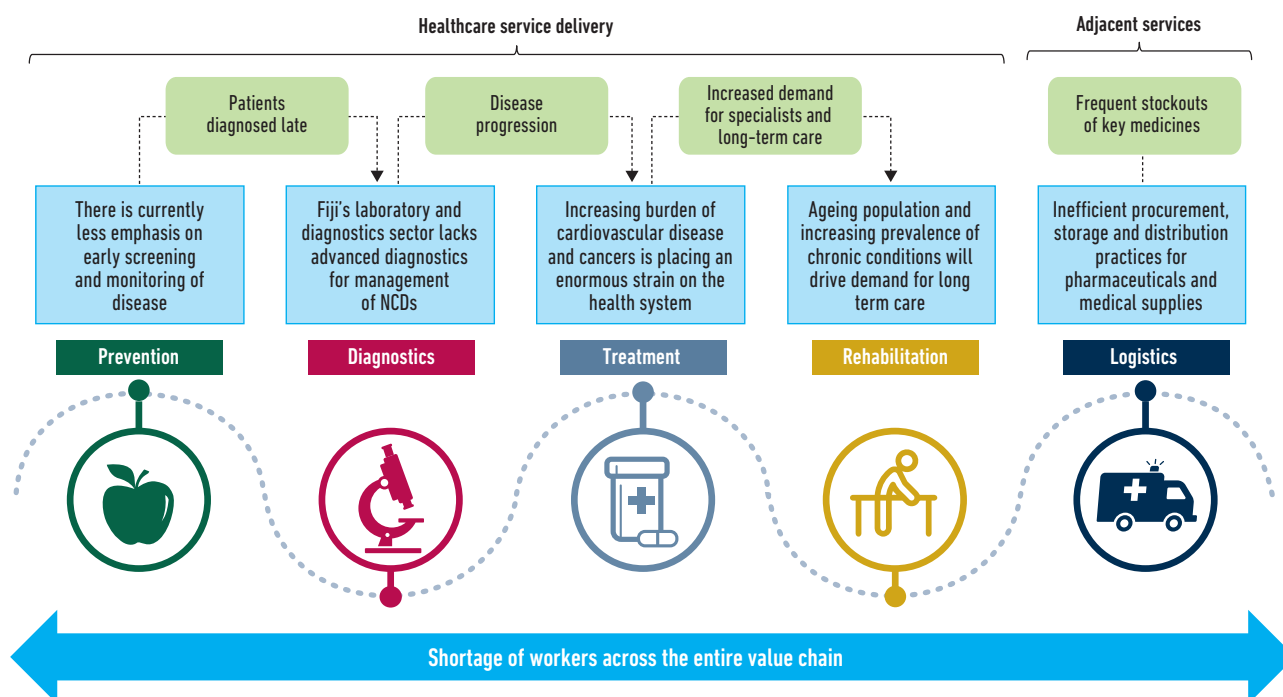
Fiji faces a growing burden of noncommunicable diseases (NCDs), particularly diabetes, cardiovascular disease, and cancer. With changing demographics and lifestyles, NCDs are the leading cause of mortality, contributing to 85 percent of deaths in 2019. Further, NCDs are forecasted to lead to increasing numbers of premature deaths, imposing a heavy financial burden on the economy. It is expected that by 2040, 75 percent of NCD-related deaths will be premature resulting in an approximate economic cost of 10.9 percent to the country's gross domestic product (GDP). This trend in the nature of diseases will lead to a growing demand for specialist care, which is currently absent in the country.

Besides the rising incidence of NCDs, Fiji is also affected by a high incidence of communicable diseases and health care challenges due to frequent natural calamities. Risks that arise from these events include (1) increased disease transmission and potential outbreaks, (2) trauma and injury for the wounded, (3) mental illnesses, (4) nutrition and food safety concerns, (5) disruption of chronic treatment for NCDs with reduced public spending, and (6) loss and damage to health infrastructure.

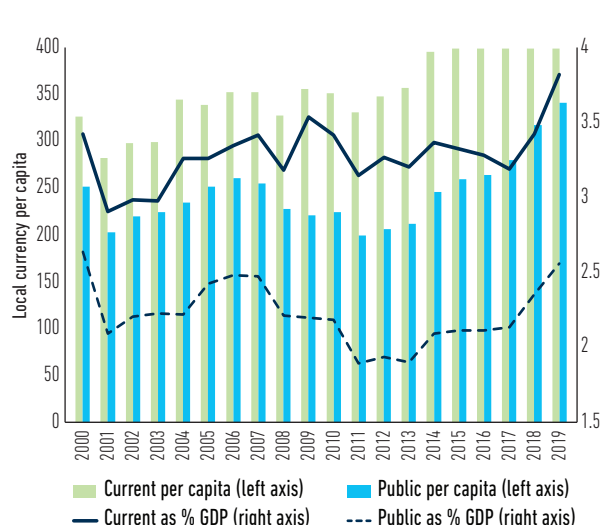
The impact of the COVID-19 pandemic is likely to further compound challenges for the health sector over the short–medium term. While the country was successful in containing the first wave of COVID-19 due to the immediate lockdown of borders, the subsequent waves have severely impacted the country in terms of number of cases and has strained the health care system. It has adversely impacted fiscal space, and this could lead to reduced public health expenditure in the medium term. Further, prioritization of this spending toward pandemic-related responses may lead to contraction of non-COVID-19–related spending on NCDs. Already there is a severe disruption in treatment services and cancellation of critical elective procedures such as cancer and cardiac surgery. The pandemic has also aggravated mental illness with increasing cases of depression. Operational costs of health care delivery may increase due to adaptations needed to contain the virus, such as social distancing. With loss of employment and income, there could be increasing financial barriers to access medical services.

The pandemic has also exacerbated gender-based violence (GBV) in Fiji. Already the country has one of the highest levels of violence against women in the world. The pandemic-related lockdown has aggravated this situation—the Fiji Women Crisis Center reported 800 more calls for May 2020 alone at the time of the onset of the pandemic, which is one of the highest numbers of calls recorded. Among other outcomes, GBV results in poor health outcomes as victims suffer from severe injuries and psychological damage, potentially leading to disability and death.

The above longer-term structural trends and outcomes from pandemics and natural disasters will require a strengthened health care system that is provided with adequate public financing. There are presently gaps along the entire health value chain, from inadequate infrastructure for early screening and diagnosis of disease, to availability of medical supplies and pharmaceuticals and their disposal (figure 6.3).

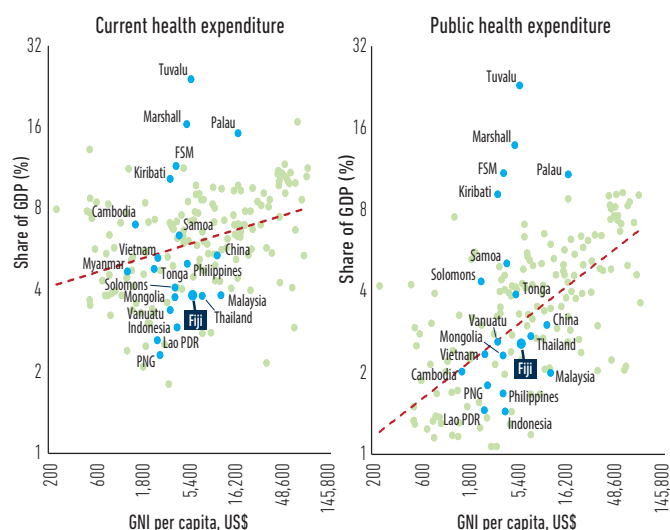
**FIGURE 6.3: KEY GAPS IN DELIVERY OF HEALTH CARE IN FIJI**

Although largely equitable, the level of public health expenditure is not adequate to provide access to required levels of specialized health services, nor that required for strengthening and upgrading the system. The government is the main funder of health services in Fiji, accounting for 65.0 percent of total health expenditure equivalent to 7.7 percent of overall government expenditure. This is lower than other countries in the upper-middle-income bracket like Malaysia and Thailand (figure 6.4) and has been decreasing in real terms and percentage of GDP.<sup>157</sup> Of the remaining one-third coming from private spending, direct out-of-pocket payments account for 73 percent of the total. Further, the country does not have the conditions to support widespread and inclusive social health insurance. Among other things, this is driven by the lack of funding and a lack of capacity and systems to support such a scheme.<sup>158</sup> A means-testing approach to assess eligibility for subsidized health care and target beneficiaries is a tool used in other countries such as Singapore. However, this requires real-time and accurate information systems and robust frameworks to assess eligibility criteria and targeting mechanisms. As mentioned later, integrated health data systems are sorely lacking in Fiji.

**FIGURE 6.4: FUNDING FOR HEALTH EXPENDITURES IN FIJI AND REGIONAL COMPARATORS**

Source: WHO Global Health Expenditure Database.

Note: Current and Public spending in 2019 constant LCU.



Source: World Development Indicators database.

Note: Both y- and x-axes logged.

Public expenditure includes both domestic and external funds provided through Government

Private sector participation is critical, however, to support expansion of the health sector to address the above gaps, with an opportunity for growth in private health insurance, despite its current low penetration. Fiji's health insurance market, both through employer-based schemes and primary coverage, has experienced growth in net premiums and net profit in recent years. An increasing middle class with increasing insurance payouts for health services point to rising affordability and interest in private health insurance purchases, especially in the top-earning, spending, saving urban population. There is a need to explore sustainable medical insurance schemes, such as means-testing approaches in China, Singapore, and Australia, that can be adapted in Fiji to allow for Fijians to be able to access such services.

It is also important to note that despite the above gaps, Fiji's health system is more developed relative to other PICs, which together with the country's strategic location, also provides an opportunity to position itself as a medical hub for the region. Some examples of potential specialty services that could be provided in Fiji as a regional hub include cardiology, renal, oncology, urology, endoscopy, orthopedics, and diagnostic services. A recent report on overseas medical referral schemes (OMRS) and visiting specialist medical teams (VSMT) in the Pacific region suggests that, for example, Fiji can be a potential regional hub for urology and orthopedics given its high domestic skills sets in these areas and the population base and caseloads available.<sup>159</sup> The recent public-private partnership (PPP) transaction for private management and expansion of two hospitals in Fiji (Ba and Lautoka) is a recognition of this potential, and more such opportunities could be leveraged.



## Market potential and investment opportunities

An assessment of the gaps highlighted above points to five areas of opportunities for greater private sector participation that could help optimize health care service delivery and position Fiji as a regional hub for health care in the Pacific Island countries. These are given below along with specific constraints to these opportunities. It is also important that these individual opportunities are complementary to each other and together they will help create a stronger more integrated health sector in the country. A strong health sector is also important from a female employment perspective—approximately 70 percent of the health workforce in Fiji is women.<sup>160</sup>

**One common and key constraint to highlight across these opportunities is the lack of a skilled workforce.** The number of doctors and nurses in Fiji falls well below global/ Organization for Economic Co-operation and Development (OECD) averages and aspirational comparators revealing a significant shortage in the health care workforce. The ratio for health workers remains around the absolute minimum standards set by the World Health Organization (WHO) density of 2.3 doctors, nurses, and midwives per 1,000 population. This shortage is particularly acute in the more remote parts of the country. The shortage has been driven primarily by migration to other countries pushed by low salaries, poor career prospects domestically, and a limited number of training courses. The lack of specialists, also highlighted below, has resulted in a high number of overseas medical referrals and reliance on visiting specialists from other countries.

1. **Advanced diagnostic facilities.** Greater focus on prevention, screening, and early intervention could help to minimize growth in NCDs and the resulting pressure in primary care services, but there are gaps in these services. A comparison with international best practices highlights the gap that Fiji has in availability of critical laboratory and imaging services, specifically MRI and CT scanners. Further, the country also lacks the information systems needed to capture data from these services that are fundamental to ensuring quality and safety. This lack of data has also frequently resulted in stock-outs of important consumable supplies, leading to delay of services. Finally, there is a need for more cardiologists, oncologists, radiotherapists, and associated specialist nurses and technical staff, who are currently scarce in the country.

There is an opportunity for private sector participation in providing these diagnostic services and the underlying laboratory/radiology information system (LRIS). A quantitative assessment of this opportunity for additional MRI and CT scanners in line with demand points to investment needs of approximately US\$5–15 million. These additional diagnostic facilities can be financed either by the public sector or through PPP models, while management of operations is feasible through service contracts with the private sector.

2. **Telehealth services.** Fiji could expand its telehealth services to address several of the health care service gaps highlighted above and position itself as a regional hub for health care. These services could help address gaps in access to health care in remote areas of the country and gaps in access to primary health care. According to the Ministry of Health, over 1,000 hospital admissions could be saved annually in Fiji if conditions were treated properly at the primary level through screening and diagnosis that telehealth can provide. COVID19 has also set a precedence globally in the rising use of telehealth services. In Fiji there has been an upswing in telepsychiatry due to the increasing incidence of GBV, pointing to the positive impact telehealth can have for women health care.

The country is well positioned to expand telehealth given underlying information and communication technology (ICT) infrastructure, though other gaps remain. Fiji has better ICT infrastructure when compared to regional peers, ranking higher than the other countries in the Pacific Islands on its ICT development index (2017). Current smartphone use, internet penetration, and digital literacy suggest readiness for the adoption of telehealth services though internet speed falls well behind comparators (Speedtest Global Index, 2021). Other gaps that constrain potential growth include: (1) the lack of a skilled workforce, particularly nurses who are often the frontline telehealth providers, and (2) the current health care system operates in silos with limited connectivity and sharing of data electronically. Gender-disaggregated data is lacking that is important to support health solutions specific for women. Critical infrastructure such as access to stable electricity supply is missing in remote areas of the country. While internet usage is increasing, costs of packages are high, which could impede further growth. A gender gap in digital knowledge and owning of phones/social media services also constrains equitable and inclusive access. Finally, based on an assessment of the successful telehealth models in Singapore and Australia, a minimum set of government guidelines needs to be established to both incentivize and govern private sector participation—these cover areas such as codes of ethics, guidelines for approved tele products, and guidelines related to pharmaceuticals and tele pharmacies. Appendix C summarizes some key lessons from the Australia and Singapore models.

Based on the existing supply demand gaps, the analysis estimates private sector opportunities in delivery of both hardware and software services to support an integrated telehealth system. The opportunities for private investment range from the provision of laptops/tablets in primary care centers and internet cabling and infrastructure for remote locations, to provision of an integrated system with telehealth products and data systems. Operating models could be entirely private sector run, as a PPP model or totally government owned. A detailed analysis of the viability of each would be needed to assess which one would suit Fiji's needs. However, given the variance in Fiji of key drivers of growth, such as ICT infrastructure, skills, and a strong health care information system, and most importantly, the small population that constrains financial viability, the recommendation is to adopt a hybrid model where telehealth services are provided by the government (hardware owned by the government) but operated by the private sector under a contractual service agreement for 3–5 years. Further, the recommendation is to expand telehealth in phases, with the initial phase focusing on adoption of a minimum viable product that could leverage existing capabilities and integrate with the current health system before moving to a rollout of a fully integrated model that can support a regional hub.

3. **Development of a specialist care hospital.** Due to the growing NCD burden and ageing, Fiji is witnessing an increasing unmet demand for specialist care infrastructure. Cancer incidence and mortality rates in Fiji are also higher than in other PICs, with high rates of breast cancer among women. Premature deaths due to cancer are expected to decline globally in the next 10 years but are projected to increase in the PICs due to lack of infrastructure and resources. Despite the high and increasing prevalence of cardiovascular disease, surgery rates are low and community mortality rates are extremely high. Fiji has one of the highest in-hospital mortality rates of myocardial infarction rates in the world, highlighting the gap in specialized health care. The number of beds per 1,000 population is below those of structural and aspirational comparators and well below the OECD average. The recently signed Aspen

PPP in 2018/19 to modernize the Lautoka and Ba hospitals –highlights the potential opportunity to meet this gap. A preliminary assessment of the scope of this PPP- the first health PPP in Fiji and the Pacific- points to it being largely aimed at upgrading facilities, equipment and services and ensuring professional management. This can be viewed as a step in the right direction, amid the large unmet need for specialist cardiac and cancer care.

Therefore, there is an opportunity for private sector investment in establishing a cardiac and cancer specialty hospital. While these specialized health care services could be extended through various models, for example, expand existing health care facilities or create a stabilization unit, the building of a new tertiary specialty center is recommended for several reasons. Expanding existing facilities has logistical challenges due to limitations of current space, ambulance routes, and so forth. Further, having specialist facilities in existing hospitals will not allow for necessary ringfencing of budgets and best practice. On the other hand, a dedicated center could act as a research center, provide specialist training, and could eventually act as the regional hub. Detailed estimates of costs point to an initial investment of about US\$25–30 million. Project cost could be reduced if land is leased or provided by the government. A more detailed analysis will be required to assess return on investment, but a previous study has shown that a radiotherapy center in Fiji could have a positive return on investment if an adequate number of patients utilize the service.

However, there are some key constraints to realization of this opportunity. One of the key constraints is the lack of international accreditation standards for the country's health care systems, including hospitals. There are also some key overarching regulatory barriers to doing business that impact private sector potential. These include the lack of timely and efficient procedures in acquisition of land and construction permits. The increasing number of tax reforms has resulted in increasing complexity in the system, which private sector stakeholders cite as a key barrier to invest. Finally, lack of a skilled workforce is again a key constraint to operationalizing such a center, as evidenced by the high number of overseas referrals and visiting specialist doctors for cancer and cardiovascular diseases.

4. **Storage and distribution of pharmaceuticals.** Fiji's current pharmaceutical storage and distribution chain is inadequate for its needs, leading to several challenges in efficient health care service. It currently relies on one storage facility that is the source of distribution to the other 230 health care facilities across the country. While such a centralized model for procurement, storage, and distribution is common among most developing countries, there are usually primary and secondary distribution locations based on the geography of the country. For example, neighboring Papua New Guinea (PNG) has area medical stores and provincial stores. A recent Australia Department of Foreign Affairs and Trade (DFAT) study has highlighted the risks associated with the model in Fiji. Firstly, the insufficient storage capacity leads to inefficient procurement practices. Secondly, health care facilities face delays in receiving critical orders and have high waiting times for medical suppliers. A WHO study estimated that 25 percent of medicines needed by patients were not available in private pharmacies due to lack of supply. Thirdly, such a system also poses a national security risk where a natural disaster could undermine the availability of buffer health care stocks.

While additional warehousing capacity is being planned and implemented, there is still an unmet gap which could be addressed through private sector engagement.

There are plans for adding to capacity based on financing from development partners. However, further capacity is needed in both the Western and Central regions. The analysis identifies an opportunity of approximately US\$2–4 million to build and/or operate this additional warehousing capacity. This could either be financed entirely by the government and integrated into the existing distribution system or through a PPP where the private sector could finance and deliver end-to-end service along the pharmaceutical chain to optimize delivery of consumables and pharmaceuticals. A more detailed analysis would be needed to assess viability of both in the Fijian context.

Constraints to building this warehousing capacity are similar to those mentioned in the establishment of a specialist center. These include the long and inefficient process in land acquisition and obtaining construction permits. Further, a pharmaceutical warehouse requires reliable electricity and a cold chain for distribution and storage, which remain gaps especially in the remote areas of the country.

5. **Medical waste management processes.** Fiji's current system of waste management of medical supplies/medical waste is inadequate. Existing medical incinerators are old, broken down, or insufficient. Waste is sometimes being ferried long distances to existing infrastructure, and this poses a contamination risk. Further, while the three main hospitals largely meet minimum waste management standards, others fall short. The distance of hospitals from the closest incinerators are a cause of concern for quick and safe disposal, especially since about 15 percent of hospital waste is toxic, hazardous, or radioactive (2015). Storage of medical waste prior to disposal is a key issue heightening the risk of contamination. Finally, poor training of the workforce can cause equipment malfunction, increasing risks of contamination.

There is opportunity for the private sector to deliver lower cost and/or more environmentally friendly alternatives. A combination of low investment incinerators and alternative waste removal equipment located close to hospitals on both of the islands should be considered. Additional lower cost incinerators (between US\$20,000–90 000 per incinerator) can be publicly funded, while alternative models that are more expensive (US\$100,000–US\$1 million) could be procured in collaboration with the private sector and outsourced for management. This is also an opportunity to move to more environmentally friendly systems such as biological or steam disposal, which are simple to use and less costly (< US\$1 million). Others such as chemical disinfection, electron beam technology and biological treatment can also be considered, but they are more capital intensive and require highly trained staff. In all cases, such models would require end-to-end process changes.

There are some key constraints to adoption of alternative climate-friendly systems. Because of differences in the process of dealing with waste, current legislation would be required to amend incorporate incineration and/or the use of alternative models. For addition of new incinerators, an environmental impact assessment (EIA) would need to be done. New guidelines will have to be established for waste minimization, sorting, and segregation in the use of these new models. Data systems will have to be strengthened to ensure the collection of baseline information on current waste generation. Similar posttreatment guidelines will also be needed for recycled waste. This requires capacity, not only among legislators, but also a skilled workforce who can use the new technology.

## Recommendations

Fiji has made strides in creating a regulatory environment that is attractive for private sector engagement in the health sector. The MoH's Strategic Plan 2020–2025 highlights the important role that the private sector can and should play in health care service delivery. However, the above analysis highlights and suggests some specific recommendations that could be further considered for realization of this desired role.

**TABLE 6.3: POLICY AND NON-POLICY RECOMMENDATIONS FOR HEALTH CARE SECTOR GROWTH AND INVESTMENT**

Objectives	Recommendations	Stakeholders
Address shortage in skilled workforce	<ul style="list-style-type: none"> <li>Conduct a detailed assessment of demand and supply of medical skills in line with anticipated trends in the future</li> <li>Increase number of specialist courses in line with international benchmarks in educational institutions and training opportunities to stop brain drain</li> <li>Calibrate salaries of medical professionals to arrest brain drain and attract workforce from abroad</li> </ul>	MHMS, Fiji Higher Education Commission, College of Medicine, Nursing and Health Sciences, Public Service Commission
Establish/strengthen required health data information systems, ensuring gender-disaggregation	<ul style="list-style-type: none"> <li>Establish a comprehensive and interoperable information system across all public and private diagnostic facilities and hospitals</li> <li>Strengthen data systems by updating Fiji's health information systems and have a single window electronic health record (EHR) system used by all public and private health care. Ensure gender-disaggregated data are captured</li> <li>Strengthen the data information systems across the pharmaceutical chain to ensure real-time efficient management of medical supplies</li> </ul>	MHMS—Health Information Unit
Address gaps in regulatory framework and incentives for telehealth and waste management systems opportunities	<ul style="list-style-type: none"> <li>Establish guidelines to incentivize and regulate telehealth systems (e.g., as in Singapore, Australia)</li> <li>Amend legislation along the waste management chain to incorporate new requirements of alternative systems</li> </ul>	MHMS—Health Information Unit
Elevate importance of specific health care sectors	<ul style="list-style-type: none"> <li>Recognize telehealth as a national priority agenda</li> <li>Expand community engagement in awareness of NCDs to increase use of preventive and diagnostic care</li> </ul>	MHMS
Explore creation of private insurance markets	<ul style="list-style-type: none"> <li>Assess the feasibility of introducing a means-testing approach to facilitate private insurance markets in Fiji</li> </ul>	Ministry of Economy, Insurance Council of Fiji

Note: HER = electronic health records; HIS = health information system.

## 6.3. AGRI-LOGISTICS

### State of the sector and key challenges

Agriculture and agribusiness are vital for Fiji's economy due to their contribution to job creation, community livelihoods, and food security, and they remain a core part of the government vision. The agriculture sector's share of GDP stood at 8.1 percent in 2021<sup>161</sup> with agricultural exports accounting for 60.1 percent of total domestic exports and the sector employing around 71,000 households either as commercial, semicommercial, or subsistence farmers<sup>162</sup>. Over the last decade, the contribution of agriculture to Fiji's economy has been declining. Fiji's competitiveness in exporting its traditional agri-commodities has also been declining due to a narrow product mix,

overreliance on a few markets, and loss of market share in existing markets. Currently, kava, taro, turmeric, ginger, and a mixture of spices are the top exported fresh/chilled agricultural commodities. The United States, Australia, New Zealand, Vanuatu, and Samoa are the top export destinations for these products. The current Government of Fiji strategy is therefore focused on the opportunity for expansion in the agricultural sector via import substitution of various crops and moving to higher value-added (HVA) agricultural crops. As highlighted in the Ministry of Agriculture's Strategic Development Plan, "a competitive, sustainable and value-adding non-sugar agriculture promoting food self-sufficiency and the production of those agricultural products where Fiji has a competitive advantage."<sup>163</sup>

**However, productivity and competitiveness in the sector continue to remain muted for several reasons.** Large-scale high-end commercial farming remains untapped. It is estimated that 44 percent of farms are less than 1 hectare in size and comprised mostly of subsistence farmers (Fiji 2020 Agriculture Sector Policy Agenda). Only 19 percent can be considered medium or large sized. The impact of climate change and related events, such as increased frequency of natural disasters and soil degradation continue to adversely impact the sector. For example, approximately 12,000 farmers were affected by Tropical Cyclone (TC) Yasa in December 2020, and the agriculture sector suffered around US\$75 million worth of damages.<sup>164</sup> Similarly, when TC Winston crossed Fiji in February 2016, the estimated cost of damage to agriculture sector was around US\$61 million.<sup>165</sup> Biosecurity matters, plant diseases, and pests add to the increased cost of businesses, and lack of adoption of international standards and certification creates nontariff barriers to export markets. In addition, lack of access to land, lack of risk insurance financing, poor infrastructure, and low proximity to storage and processing facilities negatively impacts the competitiveness and ability to meet national and international demand. Availability and security of land in a cost-effective and efficient manner are vital for long-term planning of agriculture and logistics. There is an ageing farming population with low participation of youth in this sector, and the introduction and acceptance of modern technologies in value chain supply remain a bottleneck.

**A key contributor to competitiveness of the agricultural sector is a well-functioning agri-logistics sector, which has critical gaps in Fiji.** The agricultural sector in Fiji is characterized by an imbalance between production and demand centers of agricultural produce. Population centers are concentrated on the East (Suva) and West (Nadi and Lautoka for tourism) of Viti Levu, while farms are concentrated in the northern parts of Viti Levu and also on Vanua Levu, making economies of scale difficult. This requires robust and well-developed logistics infrastructure to ensure timely and cost-efficient movement of agri-produce. While agri-logistic solutions are relatively widespread in Viti Levu with several players across the sector (i.e., providers of warehousing and storage, road transportation, sea and air freight cargo services, inland freight forwarders, wholesale and retail food distribution), these players are largely small and informal agri-producers. Agri-logistics are underdeveloped in other smaller islands of the country. Some key gaps in the sector are given below:

- **Weak domestic interisland logistics.** These include high maintenance costs, fuel costs, uncertainty due to delays, tracking and information gaps, price controls, and potential theft. These create a disconnect between supply and demand of interisland shipping services for agriculture. Domestic interisland shipping dynamics are complex, with concerns around customer service, timing, condition of the vessels, and condition of rural jetties.



- **Poor road transportation infrastructure and maintenance.** For instance, road transportation service companies are obligated to retrofit their suspension and refrigeration systems to accommodate the poor road surface conditions in Fiji.
- **Absence of critical post-harvest heat removing (pre-cooling) infrastructure absent across Fiji.** It is estimated that 33 percent of agricultural produce is wasted due to lack of required warehousing and storage infrastructure. These near-farm facilities are important to reduce food loss and extend shelf life.
- **Deficiencies in storage and warehousing in specific locations.** While the logistics systems are relatively well developed in the main island of Viti Levu, they are weak in Vanua Levu. The findings indicate that there is no significant demand–supply gap in Viti Levu in terms of storage and warehousing. Semicommercial and commercial players either own their own logistics systems or rely on a third-party provider, indicating that most demand and supply for agri-logistics has been concentrated in this area. However, the sector remains underdeveloped in Vanua Levu. Further, near-farm/on-farm cooling and storage systems are also scarce.
- **Lack of substantial perishable cargo services at the international airport, particularly at Nadi International Airport (the leading airport for agriculture exports).** As exports increase in the years to come with a focus on large-scale commercial farming, this will become a major constraint. The Nadi International Airport is located close to the major tourism zone in Fiji. It is possible to aggregate food logistics services at the airport for both air freight and the hotels, restaurants and caterers (HORECA) markets using existing warehousing and service providers that are close to the airport. The development of additional agri-logistics services, including pre-cooling, co-packing, weighing, and classification, to accommodate for increased agricultural air freight exports into international markets is something that must be explored further. Further, key trade logistics transportation nodes are also far from each other: Suva Maritime Port and Nadi International Airport are on opposite sides of Viti Levu.
- **High port costs and shipping rates relative to comparator countries.** The analysis estimates a detailed breakdown of port fees and charges to assess the cost-effectiveness of Fiji's ports and look at international shipping rates.<sup>166</sup> Storage charges in Fiji ports are expensive and exceed the rates charged in the other ports by an average of 200–215 percent for the storage of a full 20–40-foot container. Wharfage charges are estimated to be higher by an average of close to 200 percent, while dockage charges are dockage charges are close to 50 percent higher than at other Asian ports. In estimating the share of port fees in logistics costs for some key export products, it was found that the cost of exports increased by 28–36 percent for exporting coconuts, ginger, and turmeric due to high shipping costs. Similarly, Fiji's shipping rates are higher than those from other comparator Asian countries by 80 percent. While the reasons for these high charges require a more detailed study, stakeholder consultations highlight insufficient infrastructure, a complex and problematic port concession contract, poor economies of scale, and potentially a public financial management issue.
- **Gaps in the regulatory environment, specifically a complex tax regime.** Stakeholders have cited a complex and opaque tax regime to be a key obstacle to invest in the sector. The challenges include inconsistent interpretation of the framework, poor communication from the Fiji Revenue Customs Service (FRCS), frequent and ad hoc changes to the rules, and potential favoritism for bigger players. Besides this, business registration legislation has been cited as overcomplicated, creating barriers particularly for smaller firms.



- **Limited data availability and access to information.** Lack of frequent, timely, and adequate data is one of the key constraints. While the Ministry of Agriculture (MoA) collects annual data, there are concerns about its accuracy. There is a lack of real time market prices and production data. Further, where data are available, it is often siloed across agencies and/or not available to users. This leads to poor decision-making by farmers and firms, including in the logistics sector.
- **Lack of systematic dialogue with the private sector and impact of a dominant role of the Agriculture Marketing Authority (AMA).** As identified in other sectors, there is a vacuum in a systematic and frequent dialogue with the private sector, which not only inhibits leveraging its role and potential, but also creates the risk of policy design which is not conducive for their participation. Further, the role of one of the key public sector agencies influencing the agri-logistics sector, the AMA, needs to be further analyzed. While it plays a critical role in ensuring services for remote and rural producers, private sector players believe that its remit to providing logistics services at low prices creates a deterrent for them to participate.

### Market potential and investment opportunities

Fiji possesses some key drivers of growth that create opportunities for an increased base of HVA agribusiness that demands strengthened agri-logistics. The domestic market, including the tourism sector, serves as the demand base for Fiji's agriculture sector. Efforts have been made to reduce reliance on food imports in the tourism sector, but they remain at over 50 percent of the total food bill of the large hotels, thereby creating opportunities for further substitution (IFC Farm to Table Study)<sup>167</sup>. Products such as coconut, poultry, breadfruit, papaya, eggplant, mango, taro, cassava, and fish also have high marketability potential and must be further explored. These products are natural to Fiji, have been proven to be commercially viable for supporting agri-logistics, and are more climate resilient in comparison to other crops in the country. HVA products such as ginger, turmeric, and kava that command premiums in export markets are already being produced in and exported from Fiji. Bilateral trade agreements with the US and ANZ region provide pathways to further leverage these big markets. Similarly, the increase in the number of the US Food and Drug Administration (FDA)-certified Fijian companies paves the way for increasing presence in this export market. Therefore, in parallel to the agenda of boosting agricultural competitiveness in Fiji, investment in agri-logistics is critical to take advantage of these opportunities. Women tend to dominate employee numbers within agri-processing facilities in Fiji, and there is an opportunity to promote the involvement of women's leadership within agri-logistics facilities such as aggregation centers, warehousing and storage, and transportation. The deep dive analysis estimates an increase of approximately 43 percent in demand of agri-logistics solutions to support estimated growth in agribusiness in Fiji, and three specific opportunities have been identified.

1. **Developing near-farm pre-cooling services starting in the Sigatoka Valley.** The implementation of near-farm aggregation facilities providing pre-cooling, conditioning, and value-added services to agricultural producers in Fiji can help farmers better supply tourism, retail sectors, and export markets. Based on an estimate of demand for fruits and vegetables by the HORECA sectors over the next 10 years, the analysis identifies building two near-farm pre-cooling facilities for conditioning in the Sigatoka Valley, which is near the provinces that represent 76 percent of the HORECA demand. This will require an estimated US\$2 million in investment with estimated earnings before interest, depreciation, taxes and amortization (EBITDA) margin of 25 percent.

2. **Developing pre-cooling and aggregation services in Vanua Levu.** Besides the specific recommendation above, there is a clear need to develop pre-cooling facilities in all agricultural producing zones and cold storage and warehousing on the outer islands to improve the quality and consistency of fruits and vegetables for domestic and export markets. Given the imbalances between production concentration and population concentration in Fiji, it is estimated that approximately 31 percent of the total fruit and vegetable production comes from Vanua Levu, even though only 14 percent of the country's population resides there. Therefore, there is an opportunity to build a cold storage aggregation facility with a daily capacity of 250 pallet positions in Vanua Levu to support domestic interisland sea freight and air-logistics. The total investment volume for the project is approximately US\$2.5 million with an EBIDTA margin of about 35 percent.
3. **PPP opportunity to develop an agri-logistics hub for perishables at the Nadi International Airport.** Considering the emerging shift toward HVA production, the export market must have the necessary infrastructure in place to meet international standards and exploit the benefits of exporting these premium products into high-value markets. Development of a cold storage facility at Nadi International Airport is recommended to fill this need at a total investment cost of approximately US\$4 million. That includes the construction cost and engineering expenses. Revenues will be generated through four primary streams, which include cold storage, handling, value-added services, and cross docking, in addition to miscellaneous revenues. The analysis recommends the concessional or PPP approach with the Agriculture Marketing Authority (AMA) or Fiji Airways as a likely operator, though a further detailed analysis would be required to assess this opportunity in light of how existing suppliers with cold rooms at the airport would be integrated.

Finally, while the deep dive does not identify a **specific private sector solution for interisland shipping**, there is opportunity to engage the private sector in providing more efficient and expanded services. A more detailed study would be required, but two examples are provided in Box 6.1 to showcase ways in which this could be realized.

#### BOX 6.1: MODELS TO ASSESS FOR DOMESTIC INTERISLAND SHIPPING IN FIJI

**Ryanair:** The Ryanair business model could be assessed as a way of improving Fiji's interisland shipping sector. Ryanair employed a highly standardized plane choice that was able to work on shorter turnarounds, accommodate smaller runways, and guarantee easy loading. They targeted airports that were smaller and less utilized, with plenty of operational space. The model has resulted in the flourishing of businesses located around these less congested airports. The context is similar to the Fijian government's aim to develop rural jetties with a view to creating robust business ecosystems around underserved regions.

However, Ryanair's model was servicing markets that already had substantial traffic volume and attracted more traffic with a low price point. This is not the case in Fiji. While the argument could be made that substantial agricultural or tourist volumes are untapped and could be realized with this model, further analysis would be required.

**Sustainable Sea Transport Initiative (SSTI):** The SSTI is working with the University of Queensland to build a prototype of an interisland vessel that mixes traditional sailing methods with modern services to move cargo in containers. They are looking at faster, more efficient, and greener vessels that employ hybrid electric solar engines to service smaller and more regular cargo deliveries. The total project budget is approximately US\$500,000. SSTI's long-term vision is to establish a boat building and crew training center for logistics and freight handling. Their electric and sail powered boats will be designed to suit each island or community's application and will carry 4–15 metric ton, allowing for increased transport volumes. Similar initiatives, and even SSTI itself, could work on a PPP basis.

## Recommendations

The deep dive analysis generated several recommendations for agri-logistics (Table 6.4).

**TABLE 6.4: POLICY AND NON-POLICY RECOMMENDATIONS FOR AGRI-LOGISTICS GROWTH AND INVESTMENT**

Objectives	Recommendations	Stakeholders
<b>Address lack of skills</b>	<ul style="list-style-type: none"> <li>• Include agri-logistics as a core theme in agricultural studies and in engineering, trainings, and capacity building</li> <li>• Address barriers to women's entry/retention in the sector, such as improving childcare support and policies and practices to build safe and respectful workplaces</li> </ul>	Ministry of Education/ TVETs, Ministry of Agriculture
<b>Address lack of incentives for agri-logistics investments</b>	<ul style="list-style-type: none"> <li>• Broaden SEZ mandate (and incentives therein) to include agri-logistics sector in a systematic manner</li> </ul>	Ministry of Economy
<b>Strengthen quality of data collection and access</b>	<ul style="list-style-type: none"> <li>• Increase frequency of agriculture census, include gender-disaggregated indicators, and make annual MoA data easily available</li> <li>• Explore collaboration with the private sector to improve collection and quality of agricultural production, price, and market data via use of technology</li> </ul>	Ministry of Agriculture, Fiji Bureau of Statistics
<b>Strengthen collaboration with the private sector</b>	<ul style="list-style-type: none"> <li>• Strengthen public-private dialogue and collaboration through existing platforms</li> <li>• Review the role and mandate of Agricultural Marketing Authority to ensure a conducive environment and level playing field for commercial viability of private sector players in the market as well</li> </ul>	Ministry of Agriculture, Fiji Crop and Livestock Council, AMA
<b>Elevate agri-logistics sector in national policy agenda</b>	<ul style="list-style-type: none"> <li>• Embed agri-logistics in agriculture, trade, and industrial strategy and policy with clear targets and a road map of implementable actions</li> </ul>	Ministry of Agriculture, Ministry of Economy

Note: AMA= Agriculture Marketing Authority

# APPENDIX A: COMPREHENSIVE LIST OF RECOMMENDATIONS

Objective	Recommendation	Enabling reform	Medium term reform	Key Stakeholders
<b>Strengthen business and investment legal and regulatory regime</b>	Enact new regulations on (1) investor visas and work permits; (2) FDI reporting regulation; and (3) negative economic sector list for foreign investment		✓	MCTTT, Investment Fiji
	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	✓		MCTTT, Digital Fiji, Investment Fiji
	Strengthen inter-agency and intraagency coordination (Immigration Dept, Registrar of Companies, National Fire Authority, Ministry of Employment, RBF, and Investment Fiji) and notification between central and local governments.		✓	Regulators and Tier 1 agencies under 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		✓	MCTTT, Investment Fiji, and relevant agencies
<b>Address potential distortionary effects of government participation in the economy</b>	Assess existing regime of, and institutional structure governing price controls by the Government of Fiji in consultation with the private sector.		✓	MCTTT and Fijian Competition and Consumer Commission (FCCC)
	Conduct a mapping exercise of SOEs considering the competitive neutrality principles to identify key gaps in operations and governance and solutions		✓	Ministry of Public Enterprise, FCCC
<b>Improve Fiji's transport infrastructure</b>	Improve monitoring of transport axle weights and increase efficiency of budget utilization for assessment and maintenance of roads, bridges, and jetties		✓	MCTTT
	Periodic review of interisland shipping fares and freight charges to improve competition, compliance to safety standards, and quality of services in the sector	✓		The Maritime Safety Authority of Fiji, FCCC
<b>Enhance reliability, efficiency, and affordability of energy supply in Fiji</b>	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	✓		Ministry of Infrastructure
	Establish an independent technical regulator to monitor EFL.	✓		Ministry of Infrastructure
	Improve resiliency of Fiji's energy infrastructure (e.g., underground distribution lines, reliance of distribution lines on more than one transmission line)*		✓	Ministry of Infrastructure
	Update EFL's grid equipment (e.g., smart-grid technologies, online smart-meter reporting)*		✓	Energy Fiji Limited

Objective	Recommendation	Enabling reform	Medium term reform	Key Stakeholders
<b>Increase flow of finance</b>	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	✓		Reserve Bank of Fiji (RBF), MCTTT
	Accelerate operationalization of MSME Fiji, which will be critical to consolidating a holistic approach to addressing challenges faced by MSMEs	✓		MCTTT
	Introduce innovative products such as parametric insurance to meet the needs of more Fijian households and businesses in an accessible and affordable manner		✓	Ministry of Economy, RBF, Insurance Council of Fiji
	Take steps to incentivize accessible and affordable agricultural insurance products to be introduced in the market, including pilot products		✓	Ministry of Economy, RBF, Insurance Council of Fiji
<b>Address lack of skills</b>	Operationalize a comprehensive labor market information system (LMIS) to underpin career advice and guide education and training systems/ investments (immediate)	✓		Ministry of Employment, Productivity and Industrial Relations
	Strengthen dialogue between public and private sector and academia		✓	
	Strengthen technical and vocational education and training (TVET) in Fiji. *			Ministry of Education,
	<ul style="list-style-type: none"> <li>• Expand apprenticeship model between public and private sector, like those in some EU countries</li> <li>• Establish flexible delivery modes for students requiring flexibility</li> <li>• Open pathway for students to transition between completed TVET programs and higher education institutions</li> <li>• Establish incentive mechanisms for students and institutions from government, encouraging business to develop an apprentice program and students to enroll and complete TVET programs</li> </ul>		✓	Private sector including TVET providers
<b>Remove barriers to women's economic participation to address skill gaps</b>	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	✓		Ministry of Women, Children and Poverty Alleviation
	Support firms and public sector to hire and retain women employees by: <ul style="list-style-type: none"> <li>• Addressing barriers to childcare support—including by integrating good quality childcare into SEZs and government housing</li> <li>• Strengthening workplace responses to gender-based violence and building safe and respectful workplaces</li> </ul>		✓	Ministry of Women, Private sector stakeholders

Objective	Recommendation	Enabling reform	Medium term reform	Key Stakeholders
<b>OUTSOURCING SERVICES</b>				
<b>Address lack of awareness of Fiji as a potential OS destination</b>	Appoint a dedicated business development executive in Investment Fiji, located in either Sydney or Melbourne, Australia, to target companies in the region		✓	Investment Fiji
	Develop and present feasibility reports to existing MNCs and leverage APAC presence by targeting other MNCs in the region		✓	BPO Council, Private sector
<b>Address lack of required skills for an emerging OS industry</b>	Strengthen coordination and collaboration between the BPO Council and the education sector to ensure relevance of required skill sets needed in emerging KPO sectors		✓	BPO Council, Ministry of Education, Private sector
	Establish training courses in the tertiary sector that meet Fiji Qualification Framework (FQF)*	✓		Ministry of Education, Tertiary sector, BPO Council
	Design and roll out new training on digital skills (that can support RPA, chatbot, and other AI technologies) both at technical and managerial levels		✓	Ministry of Education
	Collect and make available gender-disaggregated data on tertiary/TVET graduates by course to strengthen demand–supply matching		✓	Ministry of Education
<b>Strengthen data protection and privacy policies and procedures</b>	Design and enact data protection and privacy laws		✓	Attorney General's office, Ministry of Communications, BPO Council
<b>Strengthen ICT infrastructure</b>	Mitigate risk of limited subsea cable availability through:			Ministry of Communications, Ministry of Economy
	<ul style="list-style-type: none"> <li>• Accelerating the connection to cable networks</li> <li>• Establishing a second connection to cable systems and a new second landing station in a different part of Viti Levu</li> </ul>	✓	✓	
<b>Set up colocation data centers</b>	Set up colocation data centers by exploring fiscal and regulatory incentives to enable private sector investment		✓	Ministry of Economy, Ministry of Communications, Private sector
<b>HEALTH CARE</b>				
<b>Address lack of skills</b>	Conduct a detailed assessment of demand and supply of medical skills in line with anticipated trends in the future			MHMS, Fiji Higher Education Commission, College of Medicine, Nursing and Health Sciences, Public Service Commission
	Increase number of specialist courses in line with international benchmarks in educational institutions, and training opportunities to stop brain drain		✓	
	Calibrate salaries of medical professionals to arrest brain drain and attract workforce from abroad			

Objective	Recommendation	Enabling reform	Medium term reform	Key Stakeholders
Establish/strengthen required health data information systems	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.			Ministry of Health and Medical Services (MHMS)—Health Information Unit, Fiji Pharmaceutical and Biomedical Services, Ministry of Communications
	Strengthen the data information systems across the pharmaceutical chain to ensure real-time efficient management of medical supplies	✓		
	Establish a comprehensive and inter-operable information system across all public and private diagnostic facilities and hospitals			
Address gaps in regulatory framework for telehealth	Establish guidelines to incentivize and regulate telehealth systems (e.g., as in Singapore, Australia)		✓	MHMS
Address gaps in incentives for waste management system opportunities	Amend legislation along the waste management chain to incorporate new requirements of alternative systems	✓		Department of Environment
Elevate importance of specific health care sectors	Recognize telehealth as a national priority agenda			MHMS
	Expand community engagement in awareness of NCDs to increase use of preventive and diagnostic care		✓	
AGRI-LOGISTICS				
Address lack of skills	Include agri-logistics as a core theme in agricultural studies and in engineering, trainings, and capacity building			Ministry of Agriculture, Ministry of Education, TVETs
	Address barriers to women's entry/retention in the sector, such as improving childcare support and policies and practices to build safe and respectful workplaces		✓	
Elevate agri-logistics sector in national policy agenda	Embed agri-logistics in agriculture, trade, and industrial strategy and policy with clear targets and a road map of implementable actions		✓	Ministry of Economy, Ministry of Agriculture
Strengthen collaboration with the private sector	Strengthen public-private sector dialogue and collaboration through existing platforms		✓	Government of Fiji, Private sector
	Review the role and mandate of Agricultural Marketing Authority to ensure a conducive environment and level playing field for commercial viability of private sector players in the market		✓	Ministry of Agriculture, AMA
Strengthen quality of data collection and access	Explore collaboration with the private sector to improve collection and quality of agricultural production, price, and market data via use of technology*		✓	Ministry of Agriculture, Fiji Bureau of Statistics
	Increase frequency of agriculture census, include gender-disaggregated indicators and data collection, and make annual MoA data easily available*	✓		Private sector
Address lack of incentives for agri-logistics investments	Broaden SEZ mandate (and incentives therein) to include agri-logistics sector in a systematic manner*		✓	Ministry of Economy

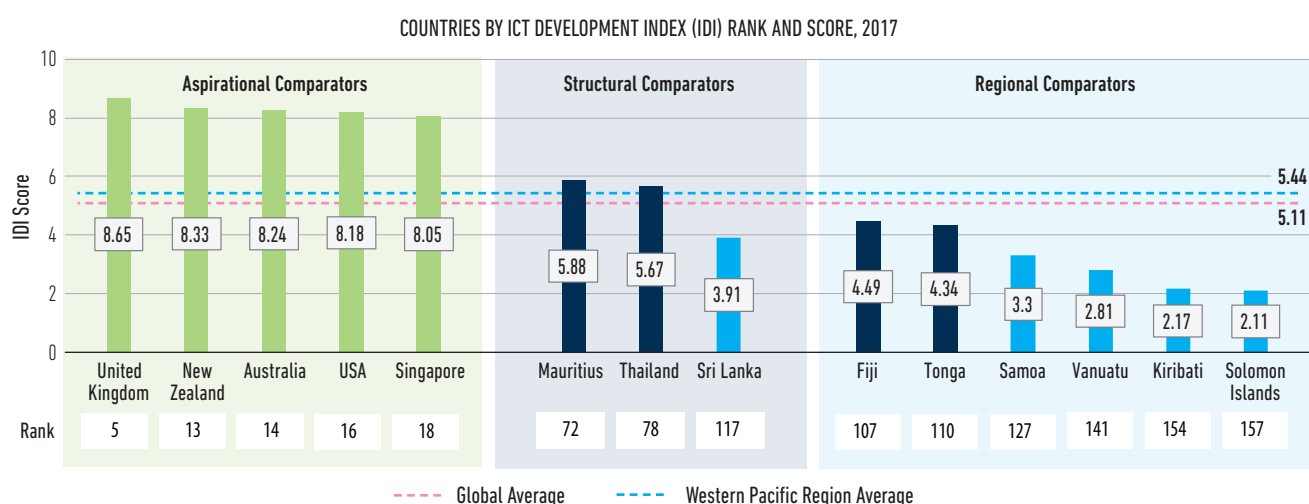


# APPENDIX B: SOME KEY COMPARISONS AND LESSONS FROM GLOBAL EXPERIENCES IN OUTSOURCING SERVICES, HEALTH, AND AGRI-LOGISTICS

## HEALTH

### Telehealth

Based on provision of enabling infrastructure, countries can be assessed on their stage of development in e-health.



Stage of e-health development	Initial	Developing	Advanced
Criteria	<ul style="list-style-type: none"> <li>Low IDI (&lt; 4) or unknown</li> <li>Low-income or middle-income</li> <li>No/unclear national e-health strategy</li> <li>e-health applications not institutionalised</li> </ul>	<ul style="list-style-type: none"> <li>Medium IDI (4–8)</li> <li>Upper-middle-income</li> <li>Clear national e-health strategy</li> <li>e-health applications becoming Institutionalised</li> </ul>	<ul style="list-style-type: none"> <li>High IDI (8+)</li> <li>High-income/Upper-middle-income</li> <li>Clear national e-health strategy and implementation</li> <li>e-health applications institutionalised</li> </ul>

Source: ICT Development Index, 2017 and Regional Action Agenda for Harnessing E-Health in WPR, WHO 2019

**Comparing Fiji with two aspirational competitors, Australia and Singapore, highlights gaps across key drivers of growth for telehealth.**

Enabling Factors		Australia	Singapore	Fiji
Hardware	Broadband Internet	High Speed Broadband	High Speed Broadband	Broadband limited to urban areas
	Phone/ Tablet/ Computer	Available	Available	Limited to urban centres
Software	Telehealth Platform	Many telemedicine software available	Health practitioners use MoH expanded pre-approve teleconsultation solutions	M-health App introduced by Vodafone- 20 volunteer doctors responding to text messages
Staff Capability	Computer Literacy	Adequate	Adequate	Adequate
	Technical Support Staff	Available	Available	Not available
	Training of Staff	Available	Available	No provisions
Governance	Country-wide Adoption	Country-wide	Country-wide	Limited to urban areas
	Change Management	The introduction of temporary government subsidies radically expanded Australians' access to telehealth under Medicare	MoH announced grants and subsidies to encourage uptake of teleconsultation solutions by small and medium sized healthcare providers	No mechanisms
	Telehealth Policy	To address the unequal distribution of workforce in urban and rural areas, the government introduced support for telehealth and outreach services	Smart Nation initiative	MoHMS strategic plan 2020-2025, highlights government's aspiration to harness digital technologies to facilitate better health care for patients
	Regulations	No over-arching legislation governing the telehealth. Guidelines used to regulate telehealth sector	No over-arching legislation governing the telehealth. Guidelines used to regulate telehealth sector	No over-arching legislation governing the telehealth.
Payment System	Financing	Medicare Benefits Schedule (MBS) items support telehealth consultations	Insurance for outpatient telemedicine. Government funding also being used.	No proper reimbursement and financing mechanisms in place
	Digital Payments	Various options available	Various options available	Mobile wallets

Source: ICT Development Index, 2017 and Regional Action Agenda for Harnessing E-Health in WPR, WHO 2019

**Singapore's approach to the telehealth highlights how governments can incentivize private providers to adopt telehealth/telemedicine options and how governments can build stronger regulations by involving relevant stakeholders.**

Telehealth Landscape in Singapore	Steps Government has Taken to Develop Telehealth Sector	Implications for Fiji
<ul style="list-style-type: none"> <li>✓ MOH had collaborated with prominent telemedicine service providers to launch a regulatory sandbox in 2018.</li> <li>✓ In Singapore, telehealth providers are mainly focused on providing remote telemedicine and/or on-demand house call services.</li> <li>✓ To date, there is no overarching legislation governing the telehealth sector in Singapore. Singapore has several guidelines to regulate the telehealth services:               <ul style="list-style-type: none"> <li>• National Telemedicine Guidelines (NTG)</li> <li>• Singapore Medical Council's Ethical Code and Ethical Guidelines (ECEG) and Handbook on Medical Ethics (Handbook)</li> <li>• Telehealth Product Guidelines by the Singapore Health Sciences Authority (TP Guidelines)</li> <li>• Health Products (Licensing of Retail Pharmacies) Regulations (HPR) and Telepharmacy Guidelines</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ In January 2020, Singapore's Ministry of Health announced the telemedicine sector would be licensed in the upcoming Healthcare Services Act by the end of 2022.</li> <li>✓ To manage the impact of the COVID-19 pandemic, the Infocomm Media Development Authority and Enterprise Singapore expanded the range of preapproved teleconsultation digital solutions in May 2020</li> <li>✓ The ministry also announced grants and subsidies to encourage small- and medium-sized healthcare providers to adopt these solutions.</li> <li>✓ Telemedicine services in Singapore can only be provided by Singapore Medical Council (SMC) registered medical doctors, regardless of whether the provider is based in Singapore or overseas. These providers are properly trained to use communication platforms or telehealth devices, collect sufficient patient information, and educate patients around telehealth services.</li> </ul>	<ul style="list-style-type: none"> <li>✓ The Government can collaborate with the telehealth service providers to provide remote monitoring and primary care services for chronically ill patients to manage and monitor their condition. Telehealth can also be used to triage patients and reduce the workload of hospitals.</li> <li>✓ The Government can incentivise the private GPs and hospitals to use Telehealth platform</li> <li>✓ The Government can provide hardware such as tablets or laptops to primary care providers (public) and impart training to public and private providers to use communication platforms or telehealth devices.</li> <li>✓ Telehealth and telemedicine will be helpful to improve access to care and prevent avoidable ambulatory care admissions and thus reduce the economic burden of NCDs.</li> </ul>

Source: MoH Singapore and Morgan Lewis Article, 2020

## Australia has used telehealth to overcome access constraints in rural locations compromised by geography, time, and distance.

In Australia, the government and state health services promote telehealth as a solution to the challenge of providing health services across the geographically dispersed country. There has been a range of government funded financial incentives for specialist consultations, and systemic investments across the country in infrastructure and equipment to facilitate telehealth services. The reimbursement of telehealth services is provided by both Government via MBS and Private Health Insurance but, the reimbursement depends on the terms and conditions of the PHI policy.

### TELEHEALTH MODELS USED IN AUSTRALIA

■ Most commonly seen model   ■ Other models

#### Telehealth clinic model (Hub-and-Spoke sites)



- Identified need for specialist consultation
- General medical practitioner and patient agree review by telehealth is appropriate
- Specialist appointment organised through general medical practice or local hospital facility
- All required diagnostic tests undertaken in local region and results made available prior to consultation
- Medical practitioner or nurse accompanies patient during specialist consultation

#### Home-care via teleconsultations



- Often used for follow-up or chronic condition management after an initial in-person GP or specialist nurse visit
- Healthdirect nurse triaging to provide after hour GP telephone or video consultations
- Useful to provide elderly care, telepharmacy services etc.

#### GP support



- Provide education and training to rural practitioners thereby increasing their capacity to confidently and capably manage patients in their local area.
- Provide health professionals with access to peer support

### TELEHEALTH ENABLERS IN AUSTRALIA

#### Financing:

- In 2011, Australian Government introduced a policy on telehealth funding, which was mainly available for real-time video consultation with specialists
- In March 2020, the Australian Government added new temporary telehealth services to the Medicare Benefits Schedule (MBS) including GP/ specialist consultation via telephone or video targeted to people more vulnerable to COVID-19.

#### Regulations:

- Australian Health Practitioner Regulation Agency (AHPRA) and The Health Services Commissioner (HSC) together regulate the medical profession and the practice of medicine including Telehealth.
- Australia has several guidelines to regulate the telehealth services but no legislations.

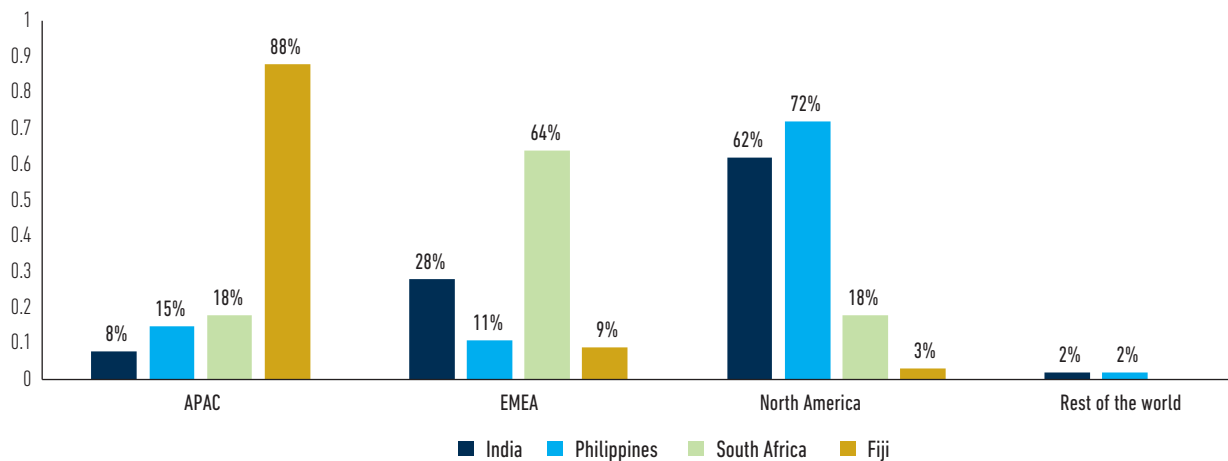
#### Infrastructure:

- Each state has developed state-wide telehealth networks developed over a period of time through various pilots to facilitate the installation of equipment, education of clinicians, creation of partnerships and networks to provide telehealth in remote regions.
- 87% Australian general practitioners maintain digital patient records that enables telehealth
- National Broadband Network (NBN) aims to provide good broadband access to 93% of the Australian population, with rural areas obtaining access through fixed wireless and satellite.

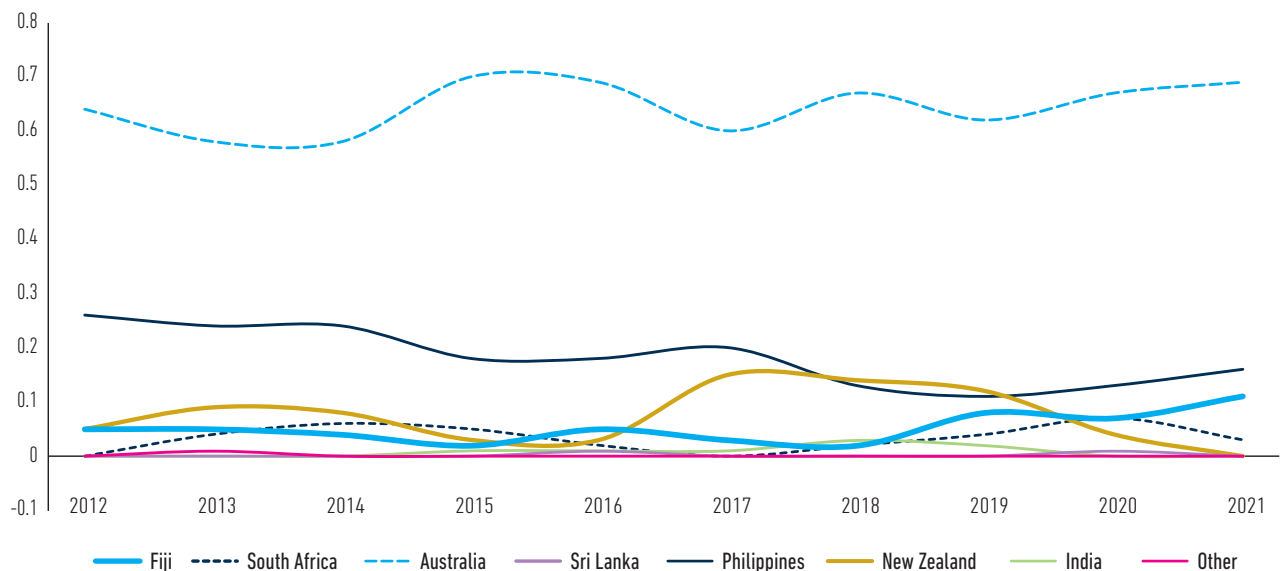
Source: MoH Singapore and Morgan Lewis Article, 2020

## OUTSOURCING SERVICES

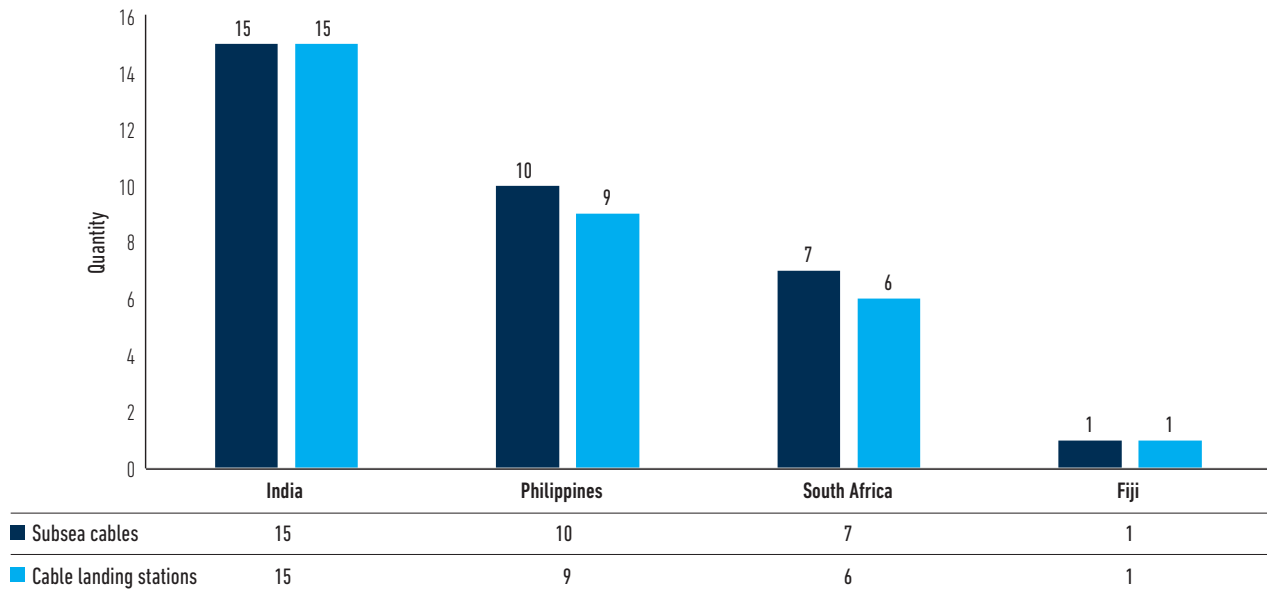
**OS global demand by key markets by country locations (2020).** For example, North America's 72 percent of OS services come from the Philippines and 62 percent from India.



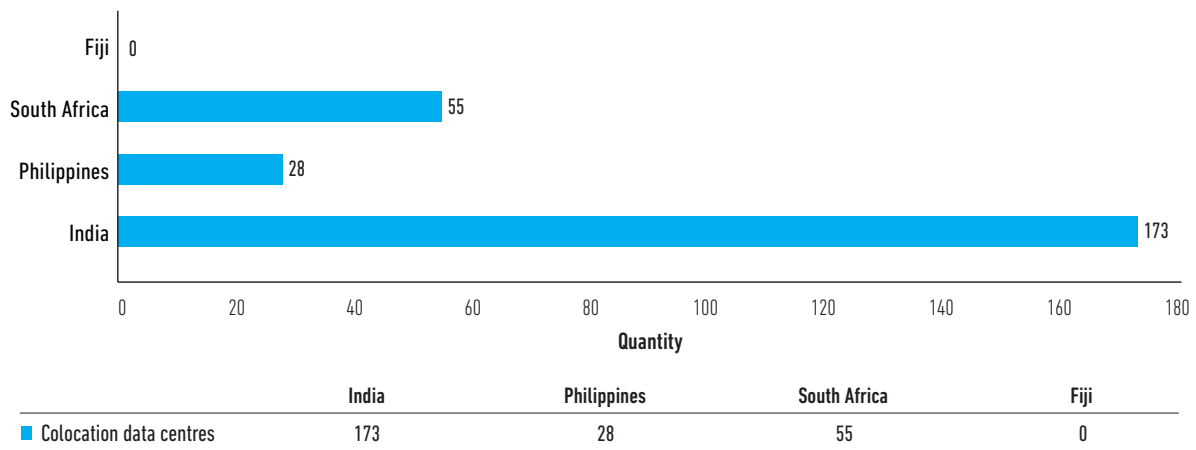
**OS enquiries by location (2012-2020):** This figure presents an idea of demand for OS in Fiji captured by inquiries coming from different countries. Approximately 70 percent of queries in 2020 came from Australian firms.



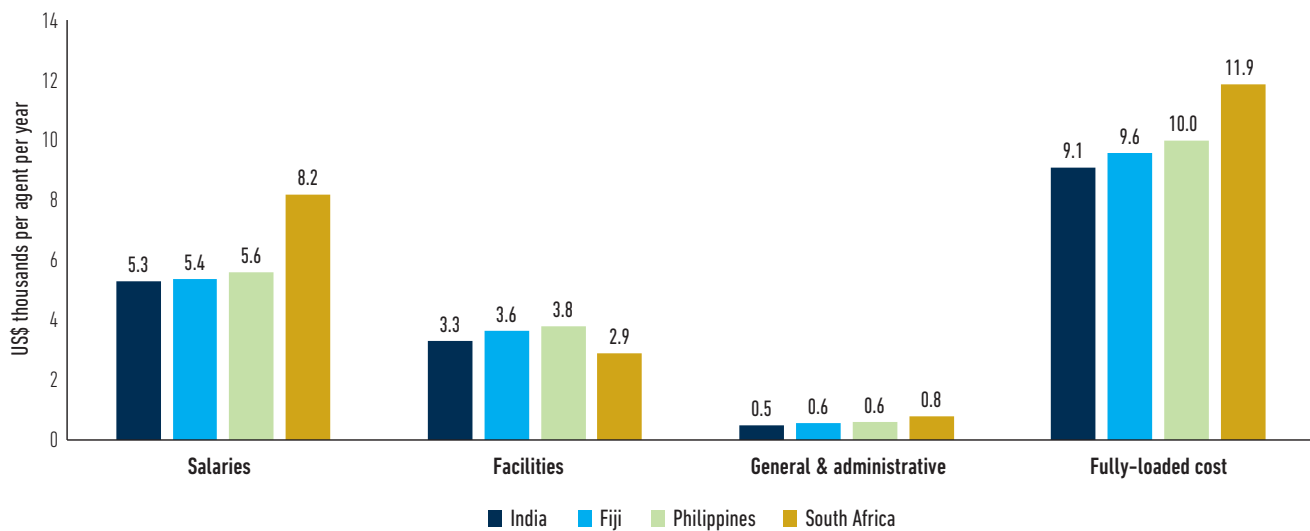
**Quantity of submarine cable networks highlights the difference in availability of key enabling infrastructure for the OS sectors among comparator markets.**



### Colocation of data centers



**Fully-loaded cost by OS country US\$ thousand per BPO agent per year (2020): highlights the relative advantage that Fiji continues to have versus the Philippines and South Africa. Comparison to the Philippines is important given that this is a key competitor for the ANZ market.**



### Labor force comparison of Fiji to other global OS destinations

Objectives	Fiji	India	Philippines	South Africa
Population (2020)	0.896 mil	1,380.0 mil	109.58 mil	59.3 mil
Labour force ('000) (2020)	357	471,689	43,719	23,743
Literacy rate, adult total (% of people ages 15 and above)	99.08%	74.37%	98.18%	87.04%
English proficiency	High <sup>1</sup>	496 (Low)	562 (High)	607 (Very High)



## AGRI-LOGISTICS

**Most fees in the ports of Fiji are quite high compared to the other ports in the selected sample.**

Port Fees	Category	Fiji	Kaohsiung	Phillipine	Melbourne	Laem Chabang	Klang	Jawaharlal Nehru Port	Port of Mumbai
Storage charges	Full container (20 Ft)	2	0	1		0	3	1	1
	Full container (40 Ft)	3	0	1		0	2	1	1
Electricity tariff	Container	0	1					2	3
Wharfage charges	Full container (20 Ft)	2	0	1	3				
	Containers Transhipment (20 FT)	2		1	3				
	Dry bulk	1			1				
	Liquid bulk	0			1				
	Motor vehicles	1			1				
Dockage charges	Vessel	3	1	1					

Storage charges in Fiji ports are the most expensive and considerably exceed the rates charged in the other ports by an average of 216 percent for the storage of a full 20' container and 203 percent for the storage of a full 40' container.

For wharfage charges, the prices for a full container are also very high compared to other ports with an average difference of 188 percent

For dockage charges, they are the most expensive in Fiji ports than other Asian ports by an average difference of 105 percent.

Definition	Score
Very high	3
High	2
Medium	1
Low	0

### The price of services at Fiji ports are much higher than the rate charges at other ports.

1. Storage charges	Storage charges	Unit of measurement	Fiji	Kaohsiung	Phillipine	Laem Chabang	Klang	Jawaharlal Nehru Port	Port of Mumbai	Average
	Full container (20 Ft)	USD per day	\$17.23	\$2.12	\$10.01	\$4.00	\$23.02	\$7.16	\$6.22	\$8.94
	% of difference	%	0%	712%	72%	330%	-25%	141%	177%	243%
	Full container (40 Ft)	USD per day	\$34.45	\$4.21	\$20.01	\$8.00	\$28.87	\$14.32	\$12.46	\$16.35
	% of difference	%	0%	718%	72%	330%	19%	141%	177%	229%

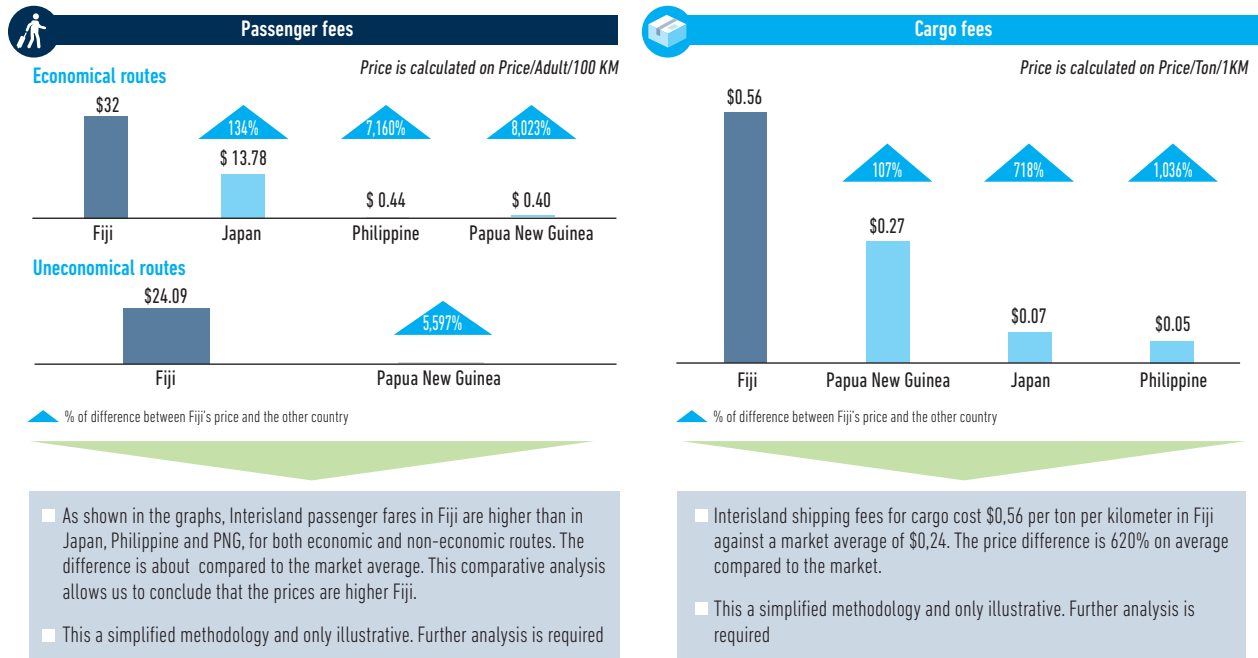
2. Wharfage charges	Wharfage charges	Unit of measurement	Fiji	Kaohsiung	Phillipine	Melbourne	Average
	Full container (20 Ft)	per container	\$34.45	\$6.02	\$13.46	\$95.83	\$37.44
	% of difference	%	0%	472%	156%	-64%	188%
	Containers Transshipment (20 FT)	per container	\$25.19		\$14.71	\$35.54	\$18.86
	% of difference	%	0%		71%	-29%	21%

3. Dockage charges	Dockage charges	Unit of measurement	Fiji	Kaohsiung	Phillipine	Average
	Vessel	per 100 GRT per hour	\$1.34	\$0.97	\$0.49	\$0.93
	% of difference	%	0%	38%	172%	105%

The storage fee for a 20' container is \$17 in Fiji, compared to an average market price of \$8.94, a difference of 243 percent. This is the case for the storage price of a 40' container, which is 22 percent higher than the average market price. The price difference is remarkable for the wharfage and dockage charges, with a difference of 188 percent and 105 percent respectively for a 20' container.

**Domestic interisland passenger and cargo fees in Fiji are higher than in Japan, the Philippines, and Papua New Guinea for both economical and noneconomical routes.**



Source: FCCC, JICA: The Study on Domestic Shipping Development Plan in the Philippines, [www.worldfreightrates.com](http://www.worldfreightrates.com), PNG ports corporation, [www.japanguide.com](http://www.japanguide.com)

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# ENDNOTES

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- 1 For example, in 2017, Fiji had 0.79 doctors per 1,000 population, while the average for Asia Pacific (upper-middle-income countries' average) was 1.2 doctors per 1,000 population. Similarly, the health care workforce (nursing and midwife personnel) per 10,000 population in Fiji was only 39.6 in 2019 compared to 61.6 in Singapore and 132.4 in Australia. According to World Bank and OECD data, Fiji has 1.9 beds per 1,000 population compared to 2.5 in Singapore, 3.8 in Australia, and the OECD average of 4.7.
- 2 Cross border trade generally involves many agencies and in case of Fiji, this involves around 24 agencies. Streamlining of processes including automation along with employment of risk management techniques to overall improve the time and process in getting necessary approvals.
- 3 As the current legislative framework for investment Fiji sets the institution to regulate the entry and operation of foreign investments, a new investment Fiji law will enable the establishment of a trade and investment promotion agency that focuses entirely on the attraction and retention of investments, as well as the promotion of exports.
- 4 While the possible impact of reforms in the business environment on the Fijian economy has not been analyzed, global empirical analyses across several studies show the positive effects of investment reform on economic growth and investment rates, both private and foreign. For example, Haidar (2012) and Jalilian, Kirkpatrick, and Parker (2007) found that business regulatory reform can yield between 0.15 percent to 0.9 percent increase in economic growth.
- 5 The Fijian state's portfolio of SOEs, in both infrastructure services and commercial activities usually left to the private sector, accounts for almost 5 percent of the employment in the country and more than 20 percent of the economy's total fixed assets.
- 6 ADB 2019 sector assessment.
- 7 While Fiji is a high-density link on international freight shipping networks, it is not yet a transshipment hub that receives major intercontinental flows like South Korea, Singapore, or New Zealand.
- 8 EFL has recently sold a 44 percent stake to a Japanese consortium which will help with Government of Fiji's fiscal management and is also expected to bring further technical expertise.
- 9 <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=17784>
- 10 Reserve Bank of Fiji: Financial Services Demand Side Survey, 2020.
- 11 Climate Vulnerability Assessment: Making Fiji Climate Resilient, World Bank Group, 2017.
- 12 <https://www.fbcnews.com.fj/news/aptc-and-fnu-collaborate-to-help-strengthen-fijis-tvet-sector/>



- 13 Viti Levu is the largest island of the country of Fiji. Suva, the capital, is on Viti Levu, as are the international airports and port infrastructure. The island comprises the largest share of the country's population. Vanua Levu is the second largest island located on the north eastern side of Viti Levu.
- 14 See, for example, World Bank Group's Fiji Country Partnership Framework, 2020–2024 (CPF), 2017 Fiji Systematic Country Diagnostic (SCD).
- 15 Remittances will remain critical to the Fijian economy maintaining adequate foreign reserves and liquidity in the system as well as facilitating consumption. Personal remittances recovered strongly in 2021, growing 20 percent over 2020. Going forward, remittances are expected to remain in the range of 5.5 to 6 percent of GDP.
- 16 While there were also within-sector productivity increases in industry, this impact was stifled by a decrease of the labor force working in that sector during the aforementioned period.
- 17 RBF—Data and World Bank—Fiji SCD 2017.
- 18 IMF. 2020. Fiji 2019 Article IV Consultation. March 2020.
- 19 IFC. 2018. From the Farm to the Tourist's Table. A study of fresh produce demand from Fiji's Hotels and Resorts. July 2018.
- 20 World Bank—GTIDR. 2015. Supporting Safe, Efficient and Sustainable Maritime Transport Systems—Improving Ports and Maritime Shipping. June 2015.
- 21 IPCC 2021– Sixth Assessment Report of the Working Group 1, Summary for Policy Makers; The World Bank Group and Asian Development Bank 2020 - Climate Risk Profile: The Pacific Region; World Bank. 2017. Climate change and disaster management. Pacific Possible; Background Paper 6.
- 22 CVA is available from: [www.gfdrr.org/en/publication/fiji-climate-vulnerability-assessment-summary](http://www.gfdrr.org/en/publication/fiji-climate-vulnerability-assessment-summary).
- 23 IMF. 2020. Fiji 2019 Article IV Consultation. March 2020.
- 24 Ministry of Commerce, Trade, Tourism and Transport—Speech by the Minister on Wednesday 18 August, 2021 in Fiji Parliament Proceedings.
- 25 A steep fall in revenue from 26.6 percent of GDP to 19.9 percent between FY19 and FY21 combined with fiscal stimulus to mitigate the impact of the pandemic pushed up the fiscal deficit to 8.0 percent of GDP in FY20 and 13.1 percent in FY21. As a result, the public debt-to-GDP ratio increased to 80.6 percent in FY21, from 48.7 percent in FY19.
- 26 <http://www.fijiwomen.com/publications/statistics/>.
- 27 While tourism will continue to be a key driver of the Fijian economy in the long term, global tourism is likely to remain sluggish for years to come.
- 28 Pacific Business Monitor, Pacific Trade Invest, November 2021.

- 29 The literature review performed for this Country Private Sector Diagnostic (CPSD) revealed that reliable and up-to-date data on the private sector are scarce in Fiji, and that the little data that are available are challenging to access. Accordingly, the information used to build the depiction of Fiji's state of the private sector and cross-cutting constraints is sometimes dated and has been underpinned by qualitative research through direct stakeholder interviews. As such, strengthening Fiji's bureau of statistics and working more often with the private sector to collect data on its activity (e.g., enterprise surveys) are essential to enable Government of Fiji to better identify reforms to improve private sector development.
- 30 The garment industry was impacted by the phaseout of the South Pacific Regional Trade and Economic Cooperation Agreement with Australia and New Zealand, and of the Multi-Fiber Agreement with the United States. The sugar industry was affected by a phaseout of trade preferences with the EU, partly as a result of a ruling by the World Trade Organization (WTO) that EU's sugar protocol did not comply with international trade rules.
- 31 According to the Economic and Fiscal Update Supplement to Fiji's 2020/21 Budget Address.
- 32 World Travel and Tourism Council (2019).
- 33 World Bank. 2020. Fiji COVID-19 Business Survey: Tourism Focus—Impact, Responses and Recommendations. June 2020.
- 34 Fiji Country Gender Assessment, ADB, 2015.
- 35 World Bank. 2020. Fiji COVID-19 Business Survey: Tourism Focus—Impact, Responses and Recommendations. June 2020.
- 36 United Nations—Pacific. 2020. Socio-economic impact assessment of COVID-19 in Fiji. July 2020.
- 37 World Bank. 2020. Fiji COVID-19 Business Survey: Tourism Focus—Impact, Responses and Recommendations. June 2020.
- 38 Fiji employment and unemployment survey 2015–2016/Fiji Bureau of Statistics and International Labor Organization; Suva, Fiji: Fiji Bureau of Statistics 2018.
- 39 ILO. 2020. Country policy responses, viewed October 15, 2020, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#FJ>.
- 40 Formal workers have some unemployment benefits through the Fiji National Provident Fund, but there is no well-developed system of unemployment insurance.
- 41 United Nations—Pacific. 2020. Socio-economic impact assessment of COVID-19 in Fiji. July 2020.
- 42 Economic and Fiscal Update Supplement to the 2020/21 Budget Address.
- 43 Asian Development Bank. 2013. Re-invigorating Private Sector Investment—A private sector assessment for Fiji.

- 44 2019–2020 Fiji Household Income and Expenditure Survey.
- 45 The economic complexity index (ECI), originally elaborated in Hidalgo and Hausmann (2009) assesses the overall complexity of an export basket. The ECI is standardized, so that a value of 0 implies a level of complexity equal to the global mean, while values equal to 1 (–1) relate to economic complexity levels a standard deviation above (below) the world average.
- 46 Asian Development Bank. Key Indicators for Asia and the Pacific 2018, 2019, and 2020.
- 47 Observatory of Economic Complexity—Fiji.
- 48 WBG analysis based on 2015–2020 FDI data provided by Investment Fiji. Eighty percent of the FDI in 2020 was in tourism and real estate.
- 49 In 2018, only 1 percent of FDI projects in Fiji were efficiency-seeking FDI, compared to more than 30 percent in Singapore and almost 20 percent in Malaysia (World Bank Group & Australian Aid. 2018. Fiji Investment Reform Map—Modernizing Fiji’s Investment Policy and Promotion Framework. July 2018).
- 50 The FDI complexity index evaluates the contribution of FDI to the overall level of economic complexity. The index is a weighted average of the Product Complexity Index (PCI) associated with industries where there is FDI activity, with the weights being the relative shares of FDI stock in the sector over total FDI in tradable industries received in Fiji. This index is also standardized so that a value of 0 corresponds with the global average for the index.
- 51 Fiji’s financial sector comprises, inter alia, six commercial banks, four credit institutions, nine insurance companies, five insurance brokers, the National Provident Fund, nine foreign exchange dealers, and a national stock exchange. <https://www.rbf.gov.fj/core-functions/financial-stability/licensing/#1583983282117-c0119b6d-7fde>.
- 52 Reserve Bank of Fiji as at June 30, 2021.
- 53 Reserve Bank of Fiji as at June 30, 2021.
- 54 For example, Housing Authority of Fiji and Energy Fiji Limited (before 2018) used bond proceeds to undertake infrastructure-related projects.
- 55 This inability is despite the considerable changes to Fiji’s investment regime implemented during the last decade (e.g., minimum investment required for investors was eliminated in 2013, corporate tax rate payable by foreign firms relocating to Fiji was reduced).
- 56 World Bank Group & Australian Aid. 2018. Fiji Investment Reform Map—Modernizing Fiji’s Investment Policy and Promotion Framework. July 2018.
- 57 It is worth noting that progress has also slowed down recently because of frequent changes in leadership of key ministries and due to COVID-19, as government efforts have been focused on relief and recovery while other systemic reforms have fallen by the wayside.

- 58 It is important to mention that efforts have been made by the Government of Fiji to digitize certain procedures (e.g., tax). However, these reforms have not had a significant impact on the country's business environment yet, as little progress has been made to ensure full coverage and usage by the private sector. Implementation has also been slow due to the number of agencies involved in the process.
- 59 This is likely due to incomplete digitization. Online filing exists, with slow uptake because tax payments are high value transactions, and such transactions require online payment directly from bank accounts and not by credit cards. The implementation of payment gateways that allow net banking would be critical to reduce this.
- 60 It should be mentioned that there has been progress in this sense. For example, Fiji has now eliminated stamp duties in the 2020 budget.
- 61 See <https://www.forumsec.org/wp-content/uploads/2020/04/Pacific-Aid-for-Trade-Strategy-2020-2025.pdf>.
- 62 See <https://www.oecd.org/trade/topics/trade-facilitation/>.
- 63 IMF. 2020. Fiji 2019 Article IV Consultation. March 2020.
- 64 Asian Development Bank. 2013. Re-invigorating Private Sector Investment—A private sector assessment for Fiji.
- 65 Asian Development Bank. 2015. Fiji: Building Inclusive Institutions for Sustained Growth: Country Diagnostic Study. November 2015; and consultations with private sector stakeholders.
- 66 IMF. 2020. Fiji 2019 Article IV Consultation. March 2020.
- 67 Asian Development Bank. 2013. Re-invigorating Private Sector Investment—A private sector assessment for Fiji.
- 68 Fiji—Ministry of Commerce, Trade, Tourism & Transport. 2020. Press Release: Positive Development to Strengthen Competition and Consumers Benefit. May 2020.
- 69 IMF. 2020. Fiji 2019 Article IV Consultation. March 2020.
- 70 This assessment should identify what and where the market failures are in sectors that require regulatory intervention, explore alternative options to price regulations and where they are necessary, and analyze the methodologies being used to make sure that the prices being set make economic sense (e.g., use of incentive price regulations such as “price-cap regulation” and “revenue-cap regulation”) and that they are being periodically reviewed.
- 71 Economic and Fiscal Update Supplement to the 2020/21 Budget Address.
- 72 ADB. 2011. Finding Balance: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga. Sydney.
- 73 Economic and Fiscal Update Supplement to the 2020/21 Budget Address.

- 74 Asian Development Bank 2013. Re-invigorating Private Sector Investment—A private sector assessment for Fiji.
- 75 According to a 2019 sector assessment conducted by the Asian Development Bank (ADB), the contribution of SOEs to Fiji's GDP in 2019 was only 4 percent, while they control an estimated 12–17 percent of the country's economic assets. Not surprisingly, the financial performance of Fiji's SOEs has historically been below the government's expectations, and they generally continue to be. The profitability of Fiji's SOEs has improved noticeably from a return on equity (ROE) of –0.2 percent and a return on assets (ROA) of 0.0 percent in 2002–2010 to a ROE of 9.9 percent and a ROA of 4.3 percent in 2015–2018. However, this performance improvement is largely due to increased profitability of a few SOEs (e.g., Energy Fiji Limited, Fiji Airways, Fiji Development Bank, Fiji Airports Limited). The performance of most other SOEs (e.g., Fiji Sugar Corporation) remains remarkably low.
- 76 Asian Development Bank. 2019. Sustained Private Sector-Led Growth Reform Program—Sector Assessment: Public Sector Management. August 2019.
- 77 For example, the balance sheets of Food Processors Limited and Fiji Rice Limited were restructured through the sale of non-core assets (e.g., land, buildings).
- 78 Asian Development Bank. 2020. Sustained Private Sector-Led Growth Reform Program—Proposed Policy-Based Loan for Subprogram 3. July 2020.
- 79 Asian Development Bank. 2020. TA—Preparing Projects to Enhance Transport Connectivity and Resilience in the Pacific. April 2020.
- 80 With an overall LPI score of 2.35, Fiji is below the average LPI score for upper-middle-income countries (2.76) and well below the LPI score for EAP (3.15). The distance is tremendous when comparing it to the top performers in its region and income group (Japan—5th and China—23rd, respectively).
- 81 Fiji dropped from 111th in 2014 to 133rd in 2018, [primarily](#) due to declines in “Quality of trade and transport related infrastructure,” “Ease of arranging competitively priced shipments,” and “Timeliness of shipments in reaching destination within the scheduled or expected delivery time.”
- 82 World Bank Group. 2019. Fiji Country Opinion Survey Report.
- 83 While there is a narrow-gauge railway line in the country with 723 km of permanent track and 2,000 km of portable track, it is owned by the Fiji Sugar Corporation, and it thus only transports sugarcane from farms to mills.
- 84 Fiji Roads Authority, [www.fjiroads.org/what-we/do/assets](http://www.fjiroads.org/what-we/do/assets).
- 85 Consultation with road transportation services companies in Fiji.
- 86 Secondary and rural roads are graveled, but are sometimes even merely dirt tracks without drainage systems, and thus are vulnerable during the wet season.

- 87 Asian Development Bank. 2015. Fiji: Building Inclusive Institutions for Sustained Growth: Country Diagnostic Study. November 2015.
- 88 A few of the large road transportation services providers in Fiji mentioned that they need to retrofit their suspension systems and refrigeration systems to accommodate the very poor road surface conditions in the country (e.g., utilizing eutectic plate technology in their trucks because the typical forced air-cooling technology is unable to handle the rough road conditions).
- 89 Asian Development Bank. 2015. Fiji: Building Inclusive Institutions for Sustained Growth: Country Diagnostic Study. November 2015.
- 90 FRA has been historically underfunded, a situation that has not improved in recent years. Total expenditures in maintenance and capital works on roads, bridges, and jetties have remained relatively flat since 2013. According to FRAs web page, total capital and maintenance expenditures in 2019 and 2020 were F\$402 million and F\$334 million respectively. The total capital and maintenance expenditures in 2013 and 2014 were F\$446 million and F\$485 million, respectively.
- 91 The FRA, established in 2012, is responsible for the construction and maintenance of roads, bridges, and jetties throughout Fiji.
- 92 World Bank Group. 2015. Transport Infrastructure Investment Project—Project Appraisal Document. February 2015.
- 93 IFC in partnership with Australian Aid, New Zealand Foreign Affairs & Trade, and Fiji’s MCTTT. From the Farm to the Tourist’s Table. A Study of Fresh Produce Demand from Fiji’s Hotels and Resorts. July 2018.
- 94 Fiji CPSD, Private Sector Consultations. May 2021.
- 95 Systematic Country Diagnostic, World Bank, 2017.
- 96 An assessment performed in 2019 on Fiji’s Suva Port, for example, concludes that key infrastructure elements are in an advanced state of deterioration, requiring an immediate upgrade or rehabilitation.
- 97 The Suva Port has, for example, strengthened and rebuilt its decks, bridges, and wharfs; reorganized container storage areas; and established private off-wharf container depots. Lautoka Port has also undergone various improvement (e.g., wharves have been extended and strengthened to facilitate heavy forklift container movement).
- 98 The Suva and Lautoka ports are the main commercial ports in Fiji for handling bulk and contained import/export freight.
- 99 Asian Development Bank. 2020. Trade and Maritime Transport Trends in the Pacific. November 2020.
- 100 Fiji’s airport infrastructure is comprised by Nadi International Airport (which serves as a gateway for the South Pacific), Nausori airport, and 13 domestic airports located throughout Fiji.
- 101 Consultations with private sector firms in Fiji.

- 102 Air freight rates and costs rose with the interruption of visitor arrivals in Fiji due to COVID-19, to an extent that several perishable products from the country became uncompetitive.
- 103 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 104 Fiji CPSD Private Sector Consultations. May 2021.
- 105 This situation, in addition to the Nationally Determined Contribution (NDC) targets made by Fiji, have pushed the Government of Fiji to commit to having 100 percent of its electricity generation supplied by renewable energy sources by 2036.
- 106 EFL, which is the new name of what was previously known as the Fiji Electricity Authority (FEA), is the government-owned statutory agency that is responsible for the generation, transmission, distribution, and retail of electricity in Fiji.
- 107 Government of Fiji outlines electricity infrastructure resiliency as one of its priorities in Fiji’s 2017 National Development Plan. It has also already taken several steps to improve resiliency. For example, EFL has increased the undergrounding of distribution and transmission lines, solar home units managed by the Department of Energy are designed so customers are able to remove panels and store them inside their house, and some wind farms are designed so turbines can be lowered when high winds pose a risk.
- 108 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 109 Energy Fiji Limited. Annual Report. 2019.
- 110 Solar home systems and wind powered mini grids can be affected if they are not dismantled in time, and diesel generated mini grids can be impacted if they are located in exposed areas (e.g., near the coast).
- 111 Fiji’s Department of Energy does not have the authority to monitor EFL.
- 112 ADB and UN-ESCAP. 2019. Asia and the Pacific—Renewable Energy Status Report.
- 113 For example, there is a five-year tax holiday available to taxpayers undertaking a new activity in renewable energy projects and power cogeneration.
- 114 The Reserve Bank of Fiji kept overnight policy rates at 0.50 percent since November 2011, only to reduce them to 0.25 percent in March 2020.
- 115 International Finance Corporation. 2017. MSME Fiji Gap—Assessment of the Shortfalls and Opportunities in Financing MSMEs in Emerging Markets.
- 116 Reserve Bank of Fiji. Quarterly Review. March 2021.
- 117 World Bank Group. World Development Indicators.



- 118 Reserve Bank of Fiji. MSMECGS Guidelines November 2020.
- 119 Asian Development Bank. 2016. Credit Guarantees—Challenging their Role in Improving Access to Finance in the Pacific Region.
- 120 IFC Fiji COVID-19 Business Survey Results.
- 121 Reserve Bank of Fiji. Quarterly Review. March 2021.
- 122 Reserve Bank of Fiji. Financial Stability Review. October 2020.
- 123 Based on consultations with financial institutions in Fiji. Until recently, Fiji’s legal and regulatory frameworks for secured lending limited the ability of financial institutions to use and pledge movable assets as collateral, which limited banks’ ability to mitigate risk with MSMEs. However, a movable registry and a personal properties securities legislation are now in place. It is anticipated that these steps will help to reduce banks’ reluctance to lend to MSMEs, but their effectiveness still needs to be demonstrated.
- 124 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 125 IFC. 2018. Fiji Insurance—Sector Development/Market Creation. Advisory Services Implementation Plan. October 2018.
- 126 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 127 E.g., profitability of Fiji’s Housing Finance Corporation dropped by 75 per cent due to TC Winston.
- 128 IFC. 2018. Fiji Insurance—Sector Development/Market Creation. Advisory Services Implementation Plan. October 2018.
- 129 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 130 Some natural hazards have caused more sizable losses. For example, TC Winston caused damage equivalent to 19 percent of Fiji’s GDP if environmental damages are included.
- 131 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 132 Ratio of a general insurer’s net premium written to shareholders funds.
- 133 According to a country diagnostic assessment performed by the Asian Development Bank in 2019, Fiji’s leverage ratio is 1.0:1 compared to a leverage of 2.5:1 required by international best practices.
- 134 Asian Development Bank. 2019. The Enabling Environment for Disaster Risk Financing in Fiji: Country Diagnostics Assessment. February 2019.



- 135 There is a scarcity of authorizing engineers because: (1) under Fiji law, whomever emits a certificate is the only liable party if a property is later shown to not meet the required standard, while builders are not part of the liability chain; and (2) the payment received by engineers to issue certificates is not large enough to compensate for their effort and potential liability.
- 136 Asian Development Bank. 2019. The Enabling Environment for Disaster Risk Financing in Fiji: Country Diagnostics Assessment. February 2019.
- 137 Government of Fiji, World Bank, and Global Facility for Disaster Reduction and Recovery. 2017. “Fiji 2017: Climate Vulnerability Assessment—Making Fiji Climate Resilient.”
- 138 Selected island comparator countries are Barbados, Maldives, Mauritius, Papua New Guinea, Trinidad and Tobago, and Tonga.
- 139 Asian Development Bank. 2015. Building Inclusive Institutions for Sustained Growth: Country Diagnostic Study. November 2015.
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- 141 Consultations were performed for this diagnostic in Q2 2021 with firms in the health care, agribusiness, transportation, and BPO sectors.
- 142 ILOSTAT, 2016 Employment and Unemployment Survey Data.
- 143 Australia Pacific Training Coalition.
- 144 International Labor Organization and Asian Development Bank. 2015. Fiji: Creating Quality Jobs: Employment Diagnostic Study.
- 145 Private Sector Consultations in Q2 2021.
- 146 Private Sector Consultations in Q2 2021.
- 147 World Bank. Fiji SCD 2017.
- 148 Nilan, P., P. Cavu, I. Tagicakiverata, and E. Hazelman. 2006. White collar work: Career ambitions of Fiji final year school students. *International Education Journal*. pp. 895–905.
- 149 <https://marketdevelopmentfacility.org/wp-content/uploads/2019/12/SoSC-DHL-rev.pdf>  
<https://www.bpofiji.com/funded-programs/>.
- 150 [https://www.adb.org/sites/default/files/linked-documents/TTOR\\_SuvaPort\\_SiteSelection.pdf](https://www.adb.org/sites/default/files/linked-documents/TTOR_SuvaPort_SiteSelection.pdf).
- 151 [https://mcst-rmiusp.org/images/Projects/PBSP2019/Technical\\_Working\\_Paper\\_3\\_Pacific\\_technology\\_pathways\\_v3\\_1.pdf](https://mcst-rmiusp.org/images/Projects/PBSP2019/Technical_Working_Paper_3_Pacific_technology_pathways_v3_1.pdf).

- 152 Existing provisions in this area, including the Information Act 2018, only protect the citizen's right of access to information held by the government and public agencies to correct or delete false or misleading information that directly affects a person and does not specifically regulate the wider spectrum of all personal data.
- 153 See for example, World Bank. 2015. Information and Communication Technologies for Jobs in the Pacific, Working Paper.
- 154 Grand View Research (2020).
- 155 <https://www.globaldata.com/>.
- 156 Vodafone Fiji, ANZ Pacific Operations and DHL Express Fiji, which collectively account for 38 percent of employment (full-time equivalent) in Fiji's OS industry.
- 157 Fiji Health Accounts: National Health Expenditure 2013–2018.
- 158 Assessment of Social Health Insurance feasibility and desirability in Fiji. WHO, 2013.
- 159 Mapping of OMRS and VSMT in Pacific Island Countries: A Pathway for Regional Cooperation towards UHC (2019). Nossal Institute for Global Health, the Pacific Community, and the World Health Organization.
- 160 ILOSTAT, 2016 Employment and Unemployment Survey.
- 161 Reserve Bank of Fiji.
- 162 Ministry of Agriculture, 2020 Key Statistics on Fiji's Agriculture Sector.
- 163 Ministry of Agriculture 5 Year Strategic Development Plan 2019–2023.
- 164 Ministry of Agriculture at <https://www.fjivillage.com/news/Agricultural-sector-suffered-150-million-damages-by-TC-Yasa--Reddy-r4fx58/>.
- 165 Food and Agriculture Organization of the United Nation—Fiji: Tropical Cyclone Winston.
- 166 The comparator countries were Australia, Taiwan, Philippines, Thailand, Malaysia and India.
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