

Strengthening the competitiveness of Fiji MSMEs and enhancing their integration into regional and global value chains



Study undertaken for the Economic and Social Commission for Asia and the Pacific and the Department of Economic and Social Affairs of the United Nations Secretariat



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- Ministry of Industry, Trade and Tourism
- Reserve Bank of Fiji
- Asian Development Bank
- International Finance Corporation/World Bank
- Pacific Islands Forum Secretariat
- Pacific Community
- United Nations Capital Development Fund (UNCDF)
- United Nations Development Programme (UNDP)

Currency equivalents

Currency unit – Fiji dollar (F\$)
 F\$ 1.00 = US\$ 0.47

Acronyms and abbreviations

ADB	Asian Development Bank
ANZ	ANZ Banking Group Limited
BSP	Bank South Pacific
ESCAP	Economic and Social Commission for Asia and the Pacific
FBOS	Fiji Bureau of Statistics
FCEF	Fiji Commerce and Employers Federation
FDB	Fiji Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
MOA	Ministry of Agriculture
MDF	Market Development Facility
MITT	Ministry of Industry, Trade and Tourism, Fiji
MSBG	Micro and Small Business Grant
MSMEs	micro-, small- and medium-sized enterprises
NCSMED	National Centre for Small and Micro Enterprises Development
NDP	National Development Plan
NGO	Non-governmental organisation
PIFS	Pacific Islands Forum Secretariat
POETCom	Pacific Organic and Ethical Trade Community
PTI	Pacific Trade & Invest
RBF	Reserve Bank of Fiji
SPC	Secretariat of the Pacific Community
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UN DESA	Department of Economic and Social Affairs of the United Nations Secretariat
USP	University of the South Pacific

Introduction

Micro-, small and medium-sized enterprises (MSMEs)¹ play an important role in an economy. Aside from producing and supplying goods and services that are needed in domestic and foreign economies, they also provide much-needed employment. Employment generation by MSMEs reduces the pressure on Governments to provide employment and social benefits for citizens. In some economies, the contribution of MSMEs to gross domestic product (GDP) is highly significant, underscoring their importance. For Australia, small businesses make up 99 per cent of all businesses. About 3.2 million businesses employ 5.6 million people and contribute 380 billion Australian dollars (A\$ 380 billion) to the Australian economy.² For Fiji, the contribution of MSMEs to GDP is estimated at about 18 per cent.³

Various projects that cover MSMEs have been carried out by donor agencies in Fiji (see chap. 2). A study was commissioned by the Market Development Facility (MDF) in 2018 which would result in an “in-depth assessment of the MSME landscape in Fiji”.⁴ The study’s aim was to improve the evidence base for MDF on the environment for, and challenges faced by, MSMEs in Fiji. A detailed discussion of the MDF Study is provided in Chapter 2.

The aim of the present study, which was carried out in Fiji in 2019-2020 was to facilitate the strengthening of the competitiveness of MSMEs and the enhancing of their integration into regional and global value chains. The study was funded jointly by the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Department of Economic and Social Affairs of the United Nations Secretariat (UN DESA). Recommendations arising from the study are to be provided given to the Ministry of Industry, Trade and Tourism of Fiji, to assist in the design of policy for the development of MSMEs. The terms of reference for the study are provided in annex I.

The ESCAP-UN DESA study was an outgrowth of an earlier scoping mission by ESCAP to Fiji in June 2018. The outcomes of the scoping mission, summarized in a report, outlined the ESCAP proposal for follow-up action, mainly in the areas that are covered in this study, which include MSME data and business development services. An additional area covered in this study at the request of the Government comprises E-commerce and digital trade.⁵

For the study, a methodology put together by the consultant was considered and approved by ESCAP and UN DESA. The study has primarily utilized meetings with stakeholders to gather information, supplemented with data and other information derived through a survey of MSMEs around Viti Levu, in addition to the consultant’s experience working in Fiji. The detailed methodology is provided in annex II.

Areas covered in the study include a review of existing and recent road maps, master plans and feasibility studies for private sector development, with a focus on MSME development and related areas; MSME data and statistics including recommendations on suitable modalities for improving the collection and availability of MSME data; the provision of business development services and how to achieve development of this area; and the potential, opportunities and methods for enabling MSMEs to better engage in digital trade and e-commerce.

With regard to the MSME survey, apart from requesting background information on each business (number of years of operation, ownership type, majority ownership, top manager and type of industry), the questionnaire also seeks feedback on the utilization, cost, effectiveness and quality of business development services and e-commerce/digital trade. It also seeks feedback on the use of Information and communications technologies (ICT) and digital tools in business, and feedback on access to finance, and concludes with questions targeted at women-owned MSMEs. The survey questionnaire was designed with input from various United Nations organizations and cleared by the Ministry of Industry, Trade and Tourism of Fiji (MITT). The consultant carried out a survey of 97 MSMEs located in Suva, Nausori, Korovou, Rakiraki, Tavua, Ba and Lautoka. MITT was to have carried out the same survey in Sigatoka and Nadi, but was unable to do so. A copy of the survey questionnaire is provided in annex III. Results of the MSME survey are presented throughout the present report.

Chapter 1 Defining criteria for "MSMEs"

There are no universal defining criteria for "micro-, small and medium-sized enterprises" (MSMEs), with those criteria varying across countries.^{6, 7} The most common defining criteria for MSMEs may assign a benchmark value for total assets, total revenues or the number of employees in the business; form of ownership may also be considered.⁸ The stage of development of a country also determines the size of the benchmarks for establishing the defining criteria, with benchmark values in more developed countries usually set at much higher levels than those used in developing countries.

Some countries may differentiate between a legal definition and a statistical one.⁹ Some businesses, which are outside the formal sector, may not be included under the rubric of MSMEs.¹⁰

In Fiji, MSMEs are legally defined under the Small and Micro Enterprises Development Act 2002. That Act defines a “microenterprise” as any enterprise that has turnover or total assets not exceeding F\$ 30,000 and employs not more than five employees. The law defines a “small enterprise” as any enterprise that has turnover or total assets of F\$ 30,000-F\$ 100,000 and employs 6-20 employees. No definition of “medium-sized enterprise” exists under Fijian law. The same definitions are provided under the National Employment Centre Decree 2009.¹¹ The benchmark criteria for turnover and total assets are clearly fixed by law, with no allowance for adjustments due to inflation.

Some government agencies use these definitions, while acknowledging that they are out of date; other government agencies (e.g., the Registrar of Companies) use different definitions. The Fiji Companies Act 2015 provides definitions for both private and public companies. The Act distinguishes between small, medium-sized and large private companies based on whether their annual revenue is less than or equal to F\$ 5 million, between F\$ 5 million and F\$ 20 million, or over F\$ 20 million, respectively. The Act allows these benchmarks to be amended.¹² It must be noted, however, that, with respect to MSMEs, these definitions would apply only to those enterprises that take the form of a company and are similar to private companies, not to those enterprises that take the form of sole traderships or partnerships.

Non-governmental organizations (NGOs) and other donor agencies in Fiji may use their own internal defining criteria for SMEs. The Fiji Bureau of Statistics (FBoS) indicated that it does not provide defining criteria for SMEs or MSMEs, and does not collect any MSME-specific data. The Reserve Bank of Fiji (RBF)-MDF Study¹³ notes that within Fiji, the terms “SME” and “MSME” are used interchangeably.

Other, larger countries in the Pacific have different defining criteria for SMEs, although the use of the benchmarks of annual turnover and number of employees is also common. For example, while there are no national universally accepted defining criteria for MSMEs in Vanuatu, a national policy¹⁴ does provide some definitions. In Papua New Guinea, defining criteria for SMEs are different for businesses in manufacturing, construction and engineering (category 1) as compared with businesses in agriculture, tourism, forestry, fisheries, services and other sectors (category 2).¹⁵ The criteria of Solomon Islands also differ from those of other countries. **Table 1** presents the defining criteria used by various Pacific island countries.¹⁶

Table 1: MSME defining criteria used in various Pacific Island Countries: Papua New Guinea, Solomon Island and Vanuatu

SME Definitions in Pacific Island Countries				
	Large	Medium	Small	Micro
Papua New Guinea				
<i>Category 1</i>				
Annual Sales Turnover (F\$m equivalent)		> 3.2 and < 6.4	> 0.129 and < 3.2	< 0.129
No. of Employees		21 to 100	6 to 20	<5
Total Assets (F\$m equivalent)		> 3.2 and < 6.4	> 0.129 and < 3.2	< 0.129
<i>Category 2</i>				
Annual Sales Turnover (F\$m equivalent)		> 3.2 and < 6.4	> 0.129 and < 3.2	< 0.129
No. of Employees		41 to 100	6 to 40	<5
Total Assets (F\$m equivalent)		> 3.2 and < 6.4	> 0.129 and < 3.2	< 0.129
Solomon Islands				
Annual Turnover (F\$m equivalent)	> 13.4	> 2.7 and < 13.4	> 0.08 and < 2.7	< 0.08
Net Capital Investment (F\$m equivalent)	> 2.0	> 0.4 and < 2.0	> 0.133 and < 0.4	< 0.133
No. of Employees	> 50	26 to 50	6 to 25	1 to 5
Vanuatu				
No. of Employees	> 50	20 to 50	6 to 20	1 to 5
Annual Sales Turnover (F\$m equivalent)	> 3.7	< 3.7	< 0.9	< 0.07

A comparison of the defining criteria for MSMEs and large enterprises in four large island economies in the Pacific reveals that the benchmarks for private companies, as defined under the Fiji Companies Act 2015, increase in magnitude in going from the microenterprise to the large enterprise category. It should be noted that both Fiji and the Solomon Islands use “revenue” or “turnover” as the benchmark, rather than “sales turnover”, which is used by Papua New Guinea and Vanuatu. In any given year, revenue/turnover can be much higher than sales turnover.

With developments that have occurred in the MSME landscape in Fiji and globally, the formal defining criteria used in Fiji need to be reviewed and more appropriate benchmarks need to be adopted. The MITT is understood to be currently working on a review of the law for MSMEs.

Chapter 2 A review of work conducted on the subject of MSMEs

The present chapter provides “a review of existing and recent road maps, master plans, feasibility studies for private sector development and export promotion, with a focus on MSME development”. It identifies commonalities and assesses gaps with a view to minimizing duplication within this study. The consultant has collaborated with the Market Development Facility, the Asian Development Bank, the International Finance Corporation and other donors in making this assessment.

At the outset, it is to be understood that government sets the strategic direction of MSME development in any given country and coordinates all work, including donor projects and technical assistance, to align them with strategies set out in its strategic plans. This ensures that work being carried out contributes to the government’s strategic purposes and intentions. It also provides safeguards against duplication of work or efforts, and against engagement in work that is not congruent with the needs of the country.

The Government of Fiji, has placed a major emphasis on MSME development, recognizing that MSMEs are “essential for job creation, income generation, rural development, poverty alleviation and empowerment of youth and women”, which are goals emphasized in the National Development Plan (NDP).¹⁷ The Government has a number of strategies in areas such as institutional setting, access to finance, business incubation and connecting MSMEs to markets. Specific MSME-related strategies included in the NDP are outlined in **table 2** below. The table also includes broader strategies that benefit MSMEs.

Table 2: MSMEs-related strategies implemented in Fiji, included in the NDP (start date: November 2017)

Policy	Strategies	Status of implementation as of end of 2019 ¹⁸
YOUTH		
Promote development of youth into productive and participatory members of society and thereby increase their influence in decision-making	<ul style="list-style-type: none"> Support youth community-based capacity-building programmes on entrepreneurship development and skills-based training under the Ministry of Youth and Sports and other relevant agencies. Support business leadership through systematic training on small business entrepreneurship, in partnership with the RBF under the Financial Inclusion and Literacy Programme. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
Promote the education and training of young people to enable them to secure decent employment	<ul style="list-style-type: none"> Support the establishment of small and microenterprise projects for youth in rural and urban centres. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
WOMEN		
Increase women’s participation in formal sector employment	<ul style="list-style-type: none"> Review women’s access to income-generating activities, including programmes under the Women’s Plan of Action. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT (GENERAL)		
Undertake reform of the MSME business regulatory environment	<ul style="list-style-type: none"> Establishment of a national MSME council. Establishment of a new MSME central coordinating agency. Review of the legislative and strategic framework for MSMEs in line with the recommendations under the Financial Sector Development Plan (FSDP). Review of current data sources on MSMEs and establishment of a new MSME database. 	<ul style="list-style-type: none"> To be updated by MITT when draft report is sent to the Ministry.
Improve MSME access to finance	<ul style="list-style-type: none"> Increase the provision of finance available through government-funded programmes, including the Micro and Small Business Grant (MSBG) scheme, the MSME Credit Guarantee scheme, the Young Entrepreneurship Scheme (YES) and MSME financing support through the Fiji Development Bank (FDB). Incentivize listing of medium-sized enterprises on the South Pacific Stock Exchange (SPSE) as a means of raising funds and explore and implement innovative ways for MSMEs to source funding, including crowd funding. Develop secured transactions framework which will allow for the use of movable property as collateral. 	<ul style="list-style-type: none"> To be updated by MITT when draft report is sent to the Ministry.

	<ul style="list-style-type: none"> Develop a legal and regulatory framework for governing microfinance service providers. 	
Improve access to business training	<ul style="list-style-type: none"> Expand the reach of business training services to include more entrepreneurs across all areas. Encourage and support business innovation through entrepreneurship training and mentoring programmes. Develop refresher courses for entrepreneurs and training of trainers. Establish an online MSME resource page with easy access to resources for business operations and planning. This site will also provide the information on regulation, compliance and inspection which is vital for running an enterprise. 	<ul style="list-style-type: none"> To be updated by MITT when draft report is sent to the Ministry.
MSME DEVELOPMENT: MANUFACTURING AND COMMERCE		
Facilitate private sector development	<ul style="list-style-type: none"> Promote investment in infrastructure to stimulate global value chain activities. Promote private sector-driven research and development activities. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
FINANCIAL SERVICES		
Improve access to finance	<ul style="list-style-type: none"> Implement the Secured Transactions Act. Encourage listings of MSMEs on SPSE through tax incentives. Expand the SME Credit Guarantee scheme. Simplify procedures for opening a bank account. Improve access to microfinance and inclusive insurance products and services for low-income groups, and rural and marginalized communities. Encourage the use of digital financial services. Work with the insurance sector to develop insurance packages for climate and disaster-related adversities. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: EXPANDING THE RURAL ECONOMY		
Facilitate rural and outer island dwellers' enjoyment of increased access to markets and government economic services to ensure income and food and nutrition security	<ul style="list-style-type: none"> Support development of MSMEs. Increase access to collection centres (agriculture, fisheries and handicrafts) in rural and maritime areas. Increase access to formal savings and credit financial services, including rural banking, microfinance and savings and credit unions. Increase market access and connectivity by upgrading infrastructure and the provision of basic services and amenities. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: NON-SUGAR AGRICULTURE		
Continue broad-based support to agriculture as a key driver of economic growth and poverty alleviation	<ul style="list-style-type: none"> Develop tailor-made incentives and financial packages for smallholder farmers and incentivize investment in value addition and larger commercial agriculture ventures. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: FISHERIES		
Support growth of aquaculture industries	<ul style="list-style-type: none"> Support small-scale farmers and community-based aquaculture production for food and nutrition security and livelihoods. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: FORESTRY		
Encourage the growth of timber product development	<ul style="list-style-type: none"> Support MSMEs in their development of niche products through appropriate MSME schemes. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: TOURISM		
Improve human resources capacity and quality of hospital services	<ul style="list-style-type: none"> Support micro-, small and medium-scale tourism businesses through finance and capacity-building initiatives. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
Identify tourism products for further development and foster sector innovation for increased value addition	<ul style="list-style-type: none"> Support MSMEs through establishment of online booking systems and focused assistance for upgrading and retrofitting. 	<ul style="list-style-type: none"> To be updated when draft report is sent to MITT.
MSME DEVELOPMENT: ENHANCING INTERNATIONAL TRADE		

<p>Improve Fiji’s overall trade performance through the creation of a more competitive economy and thereby help establish Fiji as a modern hub of the Pacific</p>	<ul style="list-style-type: none"> • Secure and maintain improved access to regional and international markets. • Promote and enhance the competitiveness of Fijian products and services in the international markets. • Facilitate the efficient flow of trade through compliance with the World Trade Organization (WTO) Agreement on Trade Facilitation and successful implementation of single window clearance. • Support the improvement of trade-related infrastructure. • Provide trade or market information to traders and the business community. • Assist domestic firms in increasing their levels of efficiency and competitiveness. • Stimulate and encourage value addition activities through research and development. • Strengthen capacities of trade support institutions, particularly those that directly engage with trade policy, customs, standards, trade facilitation, competition, consumer protection and provision of trade-related information. 	<ul style="list-style-type: none"> • To be updated when draft report is sent to MITT.
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Source: Fiji, Ministry of Economy, *5-Year and 20-Year National Development Plan* (November, 2017).

A review of work being carried out in the area of MSMEs reveals that there is no duplication of that work by different agencies - except in the area of incubator services where the Market Development Facility (MDF) is acting jointly with the Fiji Commerce and Employers Federation (FCEF) while the United Nations Development Programme (UNDP) is collaborating with the University of the South Pacific (USP). Fortunately, their individual areas of focus are different, i.e., MDF and FCEF are implementing an accelerator programme which focuses on sales, employment, cost saving and investment, while UNDP and USP are implementing a Sustainable Development Goals (SDGs) Innovation Hub and Co-working Space. The National Centre for Small and Micro Enterprises Development (NCSMED) also offers business incubator services, which have been in operation longer than the services provided by MDF/FCEF and UNDP/USP.

The main reason why duplication of work has been avoided is that all agencies, and the Government in particular, align their MSME strategies with the National Development Plan, under which MSME-related work is divided into clear-cut categories (e.g., women-related, youth-related, general MSME, etc.) as illustrated in **table 2** above. The strategies are then taken up by the relevant ministries and departments (women-related MSME strategies by the Ministry of Women, youth-related MSME strategies by the Ministry of Youth, etc.), which, as just noted, helps prevent work duplication. The ministries and departments discuss policies that are common to all and that therefore require coordination.

With the needed protocols and procedures in place, donors are able to work through government channels prior to introducing or implementing projects in Fiji. The Government assesses and discusses areas of need within the context of the NDP. This process helps prevent duplication of donor-related work.

Business development services (BDS) and e-commerce and digital trade are areas that require further efforts to close gaps. However, there is already some BDS-related work being undertaken in Fiji (e.g., by MDF/FCEF, and UNDP/USP). Therefore, any new efforts in this regard should be closely coordinated with other agencies through the Government so as to avoid duplication. Efforts to implement the detailed recommendations concerning BDS outlined in Chapter 4 below, if pursued with the support of a BDS facilitator (presumably the Government), should reduce any likely duplication. Most of the recommendations outlined in chapter 5 below concerning e-commerce and digital trade require serious attention, as this is an area characterized by significant gaps.

3.1 Rationale for collecting MSME data and statistics and the current situation in Fiji

Any type of statistics are useful in providing a real picture of the state of the entities they cover. MSME statistics provide such a picture of the micro-, small and medium-sized enterprises within an economy and can assist in the making of evidence-based decisions related to MSMEs or groups of MSMEs (aggregated, for example, by type or by location). Apart from providing historical information, MSME statistics can be used to measure performance, make predictions and identify patterns in data, as well as utilized for research and development (R&D)-related purposes (particularly to estimate the potential demand and market for a prospective product).¹⁹ The lack or inadequacy of statistics on MSMEs makes it a real challenge for a country to obtain a real picture of the state of MSMEs within its jurisdiction and to take realistic facts-based decisions regarding them. Aside from what is provided below, there is a lack of rigorous and comprehensive statistics on MSMEs in Fiji. Some of the useful kinds of statistics that could be collected for each MSME would include data on type of ownership, total assets, profitability, employment, products and services offered and geographical area of operations, as well as gender-related statistics and a categorization of the sector of the economy to which the MSME contribute.

As indicated above, there is no structured MSME data-collection or data dissemination mechanism in Fiji, except for MSME loans statistics from the financial sector which are collected by the Reserve Bank of Fiji (RBF). Statistics on MSME deposits are not available. A joint study by the MDF and the RBF puts the total number of formal MSMEs in 2017 at 24,486, with the number in the informal sector being unknown.²⁰ However, although the MDF-RBF study showed that the number of businesses in the informal sector, which includes micro-businesses, was not known, it can be estimated that the proportion of such businesses may range anywhere from 20 to 50 per cent. Based on the data provided by the study, this could represent anywhere from 5,000 to 12,500 informal MSMEs.

The FBoS does not collect specific data on MSMEs. The FBoS advised, however, that it would be able to extract MSME data from the industry survey statistics that it collected. The Bureau of Statistics stipulated that there should be a specific request for such data before the Bureau began work on extracting the statistics.

As mentioned above, the only MSME-related statistics that are available cover MSME loans tabulated against total loans in the Fiji financial system. A summary generated from statistics available on the RBF website is provided in *figure 1* below. The 2018 figures were obtained separately from the RBF, as the published figures no longer provide breakdowns for MSMEs as in previous years. The data show that total MSME-related loans in 2018 amounted to F\$ 1,134 million, representing an increase of about F\$ 498 million from 2014.

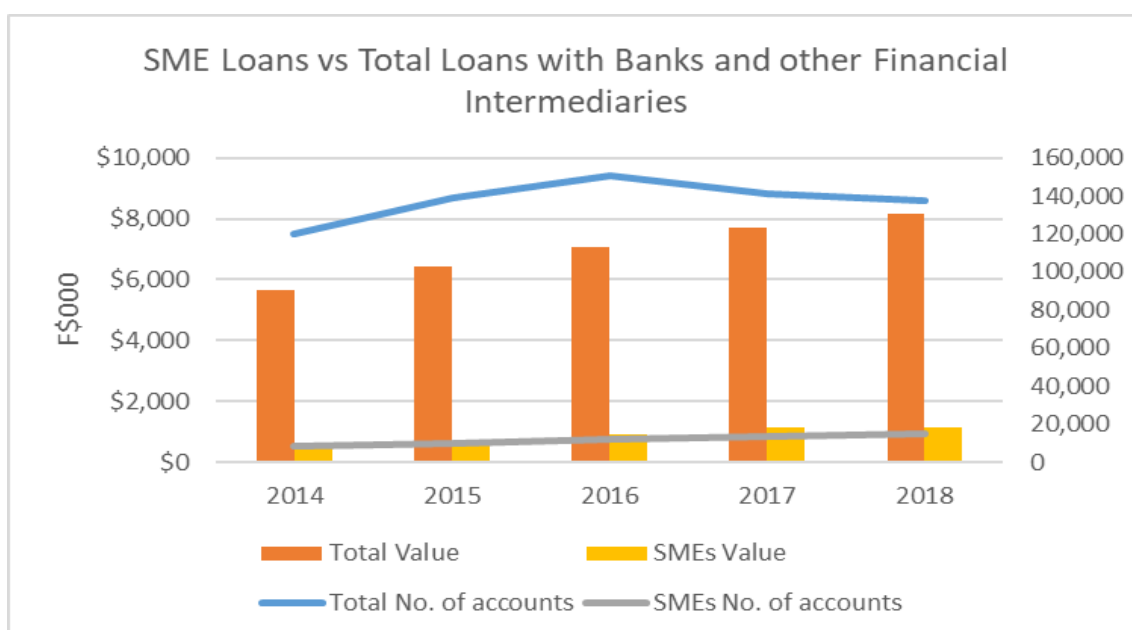


Figure 1: Total number and total value of MSME loans versus total loans with banks and other financial intermediaries in Fiji (Source: Reserve Bank of Fiji.)

The RBF started collecting information on the contribution of MSMEs to GDP in 2017. While no formal data were provided by the RBF, the Bank advised that the MSME contribution to GDP is approximately 18 per cent.

The MITT and the FDB capture MSME-related data only for those enterprises that have accessed the Government's Micro and Small Business Grant (MSBG) scheme. The grant, which is channelled through the FDB, was introduced in 2015. Data in **table 3** below, obtained from MITT reports, display grants provided through the end of 2018. A total of 20,906 small businesses were assisted, entailing an outlay of about F\$ 20.7 million. The Government did not provide any grants in 2019. The MITT planned to carry out an evaluation of the impact on businesses of the grants awarded in 2018 and the Government has carried out this evaluation and will decide on the way forward for the grant scheme. No information was provided by the MITT on the results of the evaluation.

Other government ministries may maintain their own MSME data relating to enterprises with which they engage, through programmes conducted through their ministries, e.g., as related to agriculture, youth and sport, women and social welfare. Some of the statistics on businesses covered through those ministries may be duplicated by the MITT/FDB statistics, if those businesses have also benefited from the MSBG scheme.

Table 3: Micro- and small business grants provided by the Government (MITT/FDB)

Micro and Small Business Grant - MITT/FDB								
	2015		2016		2017		2018	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Lautoka	216	\$209,496			169	\$162,867	633	\$620,901
Ba	228	\$210,300			309	\$305,537	1,039	\$1,030,809
Nadi	205	\$195,747			288	\$281,833	720	\$702,908
Navua	129	\$124,278			549	\$535,139	555	\$548,454
Sigatoka	573	\$548,257			1,201	\$1,168,880	1,166	\$1,147,420
Rakiraki	531	\$515,137			817	\$804,949	1,235	\$1,200,937
Nausori	1,098	\$1,040,716			2,331	\$2,293,734	3,321	\$3,285,666
Levuka					84	\$82,529	264	\$261,201
Labasa	252	\$225,715			888	\$877,249	3,464	\$3,427,209
Seaqaqa	245	\$231,071			1,281	\$1,265,183	2,295	\$2,285,368
Taveuni	411	\$394,684			816	\$795,353	1,312	\$1,310,951
Savusavu	500	\$453,569			1,766	\$1,720,739	2,051	\$2,040,351
Nabouwalu	228	\$215,384			699	\$688,592	1,645	\$1,626,975
Tailevu*							81	\$79,173
Suva**	334	\$314,748	903	\$838,925	919	\$892,915	1,125	\$1,090,481
Total	4,950	\$4,679,100	903	\$838,925	12,117	\$11,875,500	20,906	\$20,658,804

* Includes CATD Nadave

** Includes Nasinu (2016) and Labasa, Tailevu additional (2018)

Source: MITT reports.

Note: "\$" stands for Fiji dollars.

Discussions with stakeholders indicated that MSMEs are generally highly private and hesitant to disclose information pertaining to their businesses and would generally not freely disclose any information, which can be attributed to trust issues. With regard to the MSME survey that was undertaken, 97 MSMEs located in Suva, Nausori, Korovou, Rakiraki, Tavua, Ba and Lautoka were covered. Information is provided in *figures II to VI* below on their years of operation (the majority being in operation for over 10 years, with the next-largest group comprising MSMEs in operation for between 1 and 5 years), type of ownership (the majority being sole traderships), majority ownership and CEO/top manager, by women, men, youth and other (the majority being male-owned and with the top manager being male), type of industry operated in, and whether the business was licensed (around 80 per cent of those surveyed were licensed).

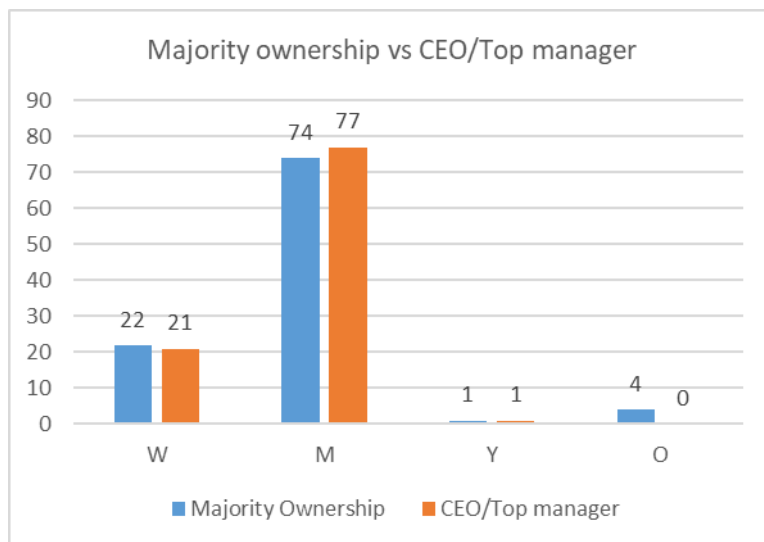
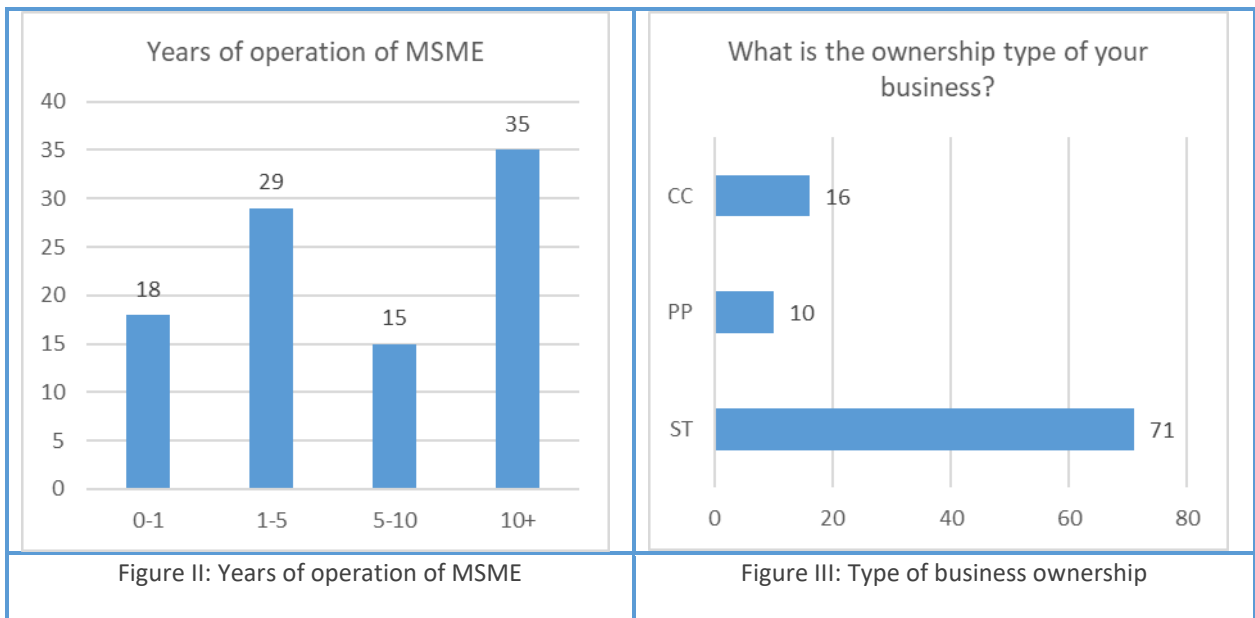


Figure IV: Majority ownership and CEO/top manager, by women, men, youth or other

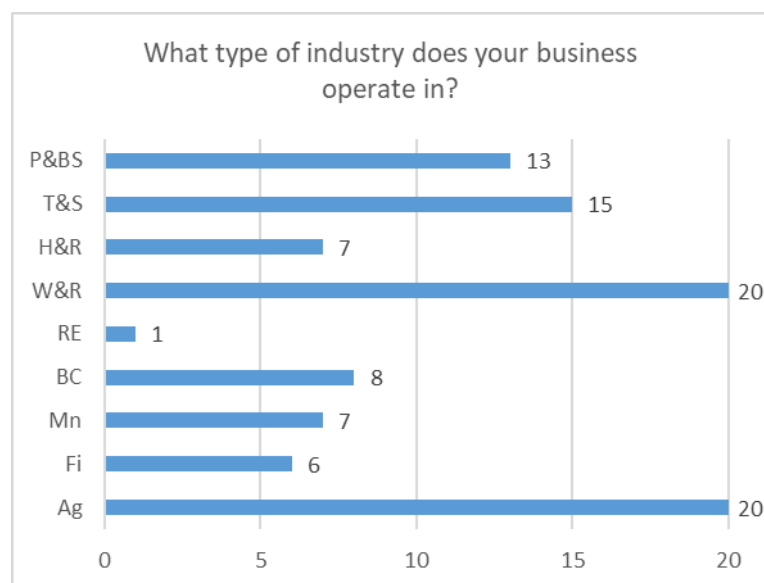


Figure V: MSME industry of operation (Abbreviations: Ag, agriculture; Fi, fisheries; Mn, manufacturing; BC, building and construction; RE, real estate; W&R, wholesale and retail; H&R, hotels and restaurants; T&S, transport and storage; P&BS, professional and business services.)

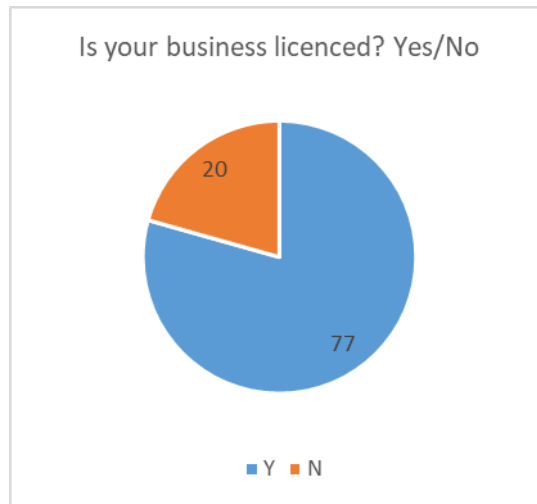


Figure VI: Licensing status of MSME

3.2 Recommendations for improving the collection and use of MSME data and statistics

Three channels through which to obtain MSME statistics can be utilized: (a) provincial and town councils; (b) Registrar of Companies; and (c) Fiji Bureau of Statistics. These options are discussed in detail below.

In Fiji, aside from the national Government, provincial councils and town councils constitute the other layers of local government. While provincial councils for the 14 provinces in the country are governed under the Fijian Affairs Board, town councils are regulated under the Local Government Act.²¹ Town councils provide services within their town boundaries. These services include waste collection and disposal, local planning functions, civic amenities, grounds maintenance and street cleaning, among others. Towns raise funds through taxes that they collect from owners of properties located within their boundaries. At present, town councils grant business licences on a yearly basis to those businesses that operate within their boundaries.

Town councils can, in addition to obtaining all of the primary information needed for the purpose of renewing business licences, be used as a source for the collection of MSME-related data. Under this option, town councils may seek additional information from businesses when they apply for their annual licences that would be useful for generating MSME statistics. This option, in its present form, does not enable the capture of rural-based MSMEs, which are captured through the provincial councils. Provincial councils could perform the same role as town councils in collecting information on rural MSMEs.

The Registrar of Companies is responsible for registration of companies under the Fiji Companies Act. Previously, businesses were registered only once, at the initial stage of their establishment. Since 2019, the Government has introduced changes to the business registration process whereby businesses will be required to re-register with the Registrar's Office every two years. The Government's intention is to use this process as an opportunity to obtain statistics from businesses, including SMEs. The advantage of this process lies in the fact that it will capture both town-based and rural-based SMEs, in addition to all micro- and informal businesses. It should be noted that the Government is currently making efforts to move towards online registration of businesses.

The third option is to use the FBoS, which can carry out SME surveys on an agreed-upon periodic basis. To contain costs, it may link such surveys to already existing surveys that it undertakes, such as the Employment/Unemployment Survey, which is conducted every five years. Alternatively, the Bureau may conduct special surveys through memorandums of understanding (MOUs) signed with the separate government agencies that have commissioned the survey. A possible weakness associated with this option is that it entails using sampling methods, followed by extrapolation of the results to obtain country-level data and statistics. The advantage of using the FBoS lies in the fact that it is already in possession of the knowledge

base and staff resources needed for carrying out surveys, the appropriate computer and software resources, existing networks on the ground and, more importantly, the credibility of its work which contributes to the reliability of the statistics it produces.

Once an option is selected, the Government and stakeholders can discuss and then agree on the type of data and statistics that are to be collected. Information to be collected needs to be standardized across the country.²² Information that is collected for each MSME should include type of ownership, ownership (by gender and percentage), top management (by gender), number of years business has been in operation, industry within which the business operates, total assets, total revenues, net profits/losses for the year, total number of employees and source of funds, extent of use of BDS, extent of use of e-commerce and digital trade, and extent of use of ICT and digital tools in business functions. If a loan was taken out then information should be collected on the purpose of the loan, amount outstanding and interest rate.²³ A sample statistics form - to be, as decided, either appended to the licence application or renewal form at the town or provincial council, or submitted in conjunction with the biennial renewal process for the MSME - is attached in annex III. If the FBoS is selected to carry out the survey, it may design an appropriate statistics collection form, together with relevant stakeholders.

Once data have been entered, processed and finalized, data and statistics tables can be provided online for access by all interested stakeholders, including the Registrar of Companies or businesses, the RBF, the FBoS, banks and financial services providers, academics, consultant and the SMEs themselves, among others. “Read-only” access can be granted to these authorities.

To meet the challenge presented by the centralization of MSME data and statistics, a directory can be set up by the MITT on its website which lists the data and statistics that are available and provides links to entities from which they can be sourced, e.g., town and provincial councils, the Registrar of Companies, the RBF or the FBoS, among others. This information can be advertised widely for the benefit of all relevant stakeholders who wish to access MSME-related data and statistics.

Chapter 4 Business development services (BDS)

4.1 Rationale for and definition of BDS and the current situation in Fiji

Business development services (BDS) are services intended to enhance the performance of businesses and their ultimate aim is to promote businesses' development and sustainability. The definition used in the present study - which is also used by ESCAP - is derived from the Committee of Donor Agencies for Small Enterprise Development. It notes that BDS cover training, consultancy, marketing, information, technology development and transfer and business linkage promotion and include both strategic services used to address medium- and long-term issues in order to improve enterprise performance and operational services needed for day-to-day issues. Moreover, BDS are designed to serve individual businesses, as opposed to the larger business community.²⁴ ESCAP goes further, stating that BDS are comprehensive and include identification of business opportunities, delivery of updated and reliable information, support in the development of business plans, hand-holding during the process of setting up businesses, and marketing of products and services.²⁵

BDS objectives include providing affordable non-financial services to SMEs; supporting the promotion, development and sustained growth of SMEs; and facilitating the development of SMEs' competitive advantages.²⁶ ESCAP identifies three core segments of BDS: operational, advisory and advocacy.²⁷ This is summarized in **table 4** below. Table VI.2 in the Policy Guidebook for SME Development in Asia and the Pacific (hereinafter referred to as the “Policy Guidebook”), which is reproduced as **table 5** below, provides examples of various types of advisory and advocacy BDS. The table shows that BDS is very broad-based and comprehensive.

Table 4: Core segments of BDS

	Operational	Advisory	Advocacy
Services	Short-term support services and hand- holding, including accounting, legal and regulatory advice, accessing technical information, labour management and secretariat services	Long-term development services, such as training, strategic management, marketing assistance and knowledge transfer	Services designed to improve the business environment through policy advocacy and infrastructure development
Target clients	Individual firms	Individual firms	Public sector, business associations

Source: Masato Abe and others, *Policy Guidebook for SME Development in Asia and the Pacific* (United Nations publication, Sales No. E.12.II.F.2), table VI.1.

Table 5: Types of advisory and advocacy BDS

	Advisory	Advocacy
Market access and development	<ul style="list-style-type: none"> - Marketing research, intelligence and strategy development - Emerging opportunities and trade enquiries, including niche markets and regional and global markets - Market/trade barriers, trends and competitors - Trade fairs, product exhibitions and B2B contacts - Development of samples and promotional tools and materials - Showrooms and packaging - Advertising - New product development 	<ul style="list-style-type: none"> - Regulatory framework for subcontracting and outsourcing - Common brand and consortium approach - Trade missions and meetings - Forging transnational corporation (TNC)-SME linkages - Free trade and investment agreements - Non-tariff barriers - Trade and logistic facilitation
Supporting infrastructure	<ul style="list-style-type: none"> - Storage and warehousing - Transport and distribution - Business incubators - Telecommunications - Computer services 	<ul style="list-style-type: none"> - Physical infrastructure (e.g., roads and ports, power supplies and utilities) - Industrial estates - Easy money transfer - Internet access
Supplies	<ul style="list-style-type: none"> - Linking SMEs to input suppliers - Suppliers' capacity to provide quality inputs 	<ul style="list-style-type: none"> - Establishment of bulk buying groups - Information on input supply sources
Technical assistance and training	<ul style="list-style-type: none"> - Mentoring, counselling and advisory services - Feasibility studies and business plan development - Technical training and capacity-building in the fields of legal issues, finance and taxation, accounting and bookkeeping, production, and research and development 	<ul style="list-style-type: none"> - Exchange visits and business tours - Regulatory framework for franchising/joint ventures - E-commerce policy
Technology and product development	<ul style="list-style-type: none"> - Technology and innovation incubation - Linking SMEs and technology suppliers - Technology procurement - Technology sources and pricing - Technology transfer and commercialization - Cost- and energy-efficient technologies - Productivity improvement - Equipment leasing and rental 	<ul style="list-style-type: none"> - Quality assurance programmes - International standards and quality certifications - Design centres - Common tool facilities - National innovation incubation

Source: *Policy Guidebook for SME Development in Asia and the Pacific*, table VI.2.

It may be noted that in Fiji, BDS have elements derived from all three core segments of BDS: operational, advisory and advocacy. However, the services under those segments are not as comprehensive in scale as those presented in the Policy Guidebook, nor are they widely available throughout the country. With regard to the operational segment, short-term support services and hand-holding are provided through professional firms, e.g., accounting firms, legal firms, financial services providers and stockbrokers. However, the business development services offered reflect the core services provided by a particular firm. For example, an accounting firm may provide advice that is related to accounting or auditing services, while legal firms would provide law-related advice. Banks and financial services providers offer BDS related to financing or investment, while stockbrokers offer BDS focused on accessing of the stock market by businesses. These are the most common types of BDS that are utilized in Fiji.

With regard to the advisory segment of BDS, some projects that are donor-funded may provide long-term services, including training and assistance in the areas of marketing and knowledge transfer (e.g., those that are overseen by the United Nations Development Programme (UNDP), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and MDF). Some government ministries and agencies also offer advisory BDS (e.g., the Ministries of Agriculture, Youth and Women, the National Centre for Small and Micro Enterprises Development (NCSMED) and the National Youth Employment Centre) through the specific programmes that they administer. The types of advisory BDS available in Fiji include provision of information on emerging opportunities; assistance in the area of trade fairs and product exhibitions; development of samples and promotional tools and materials; packaging-related assistance; advisory services centred on advertising, business incubators (through MDF, the Fiji Commerce and Employers Federation (FCEF), NCSMED and the University of the South Pacific (USP), with support from UNDP) and linking of SMEs to suppliers of inputs; mentoring and advisory services in the area of technical assistance and training; assistance in the area of business plan development; technical training in accounting and bookkeeping; and production and productivity improvement services. Again, the advisory BDS offered are not as comprehensive as those envisaged in the Policy Guidebook.

In Fiji, advocacy BDS constitute the least developed of the three segments. In this regard, there are a number of business associations, the largest being the FCEF, and chambers of commerce which are located in some towns; a number of narrowly focused small-group associations; trade missions and meetings which are conducted; some trade facilitation activities; specific quality assurance programmes (entailing business quality certifications and organic certifications); and some international standards and quality certifications (e.g., under the International Organization for Standardization (ISO) and Hazard Analysis and Critical Control Point (HACCP) standards of the World Trade Organization). However, the Government has engaged in much work dedicated to providing supporting infrastructure, e.g. roads, ports, power supplies and utilities; facilitating the easy transfer of money; and providing good Internet access.

No central collection point exists where information is supplied on all types of BDS and on where they are offered. This was confirmed by the MSME survey which revealed that respondents had no knowledge of where BDS were available.

It should be noted that most BDS services are offered in the major urban centres of Suva and Lautoka. Some towns do not have any BDS services available, as was observed during the author's MSME survey-related visit to Korovou, Rakiraki, Tavua and Ba. While some forms of BDS are available in the country, the MSME survey found that a significant proportion of respondents have not utilized such services. At least in some rural towns, the reason for this low utilization rate was a combination of a lack of awareness of what types of BDS were available (if not in those towns, then at least around Fiji) and the absence of any BDS offered by the town (see *figures VII and VIII* below).

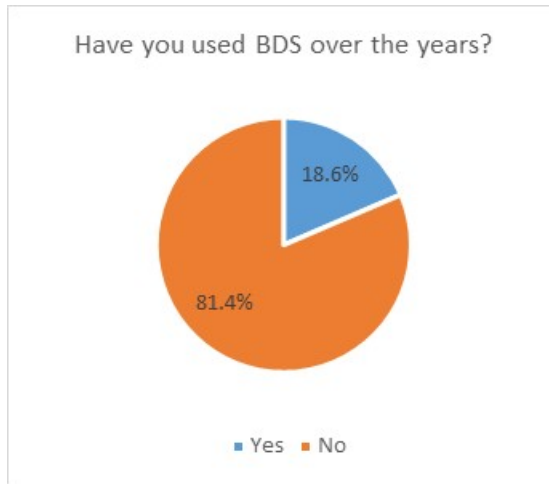


Figure VII: Survey responses on BDS utilization

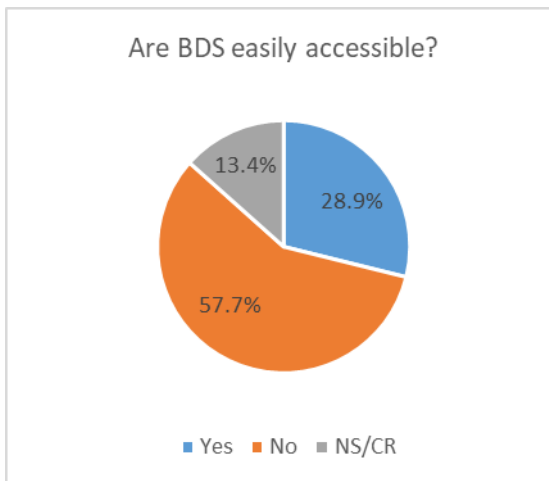
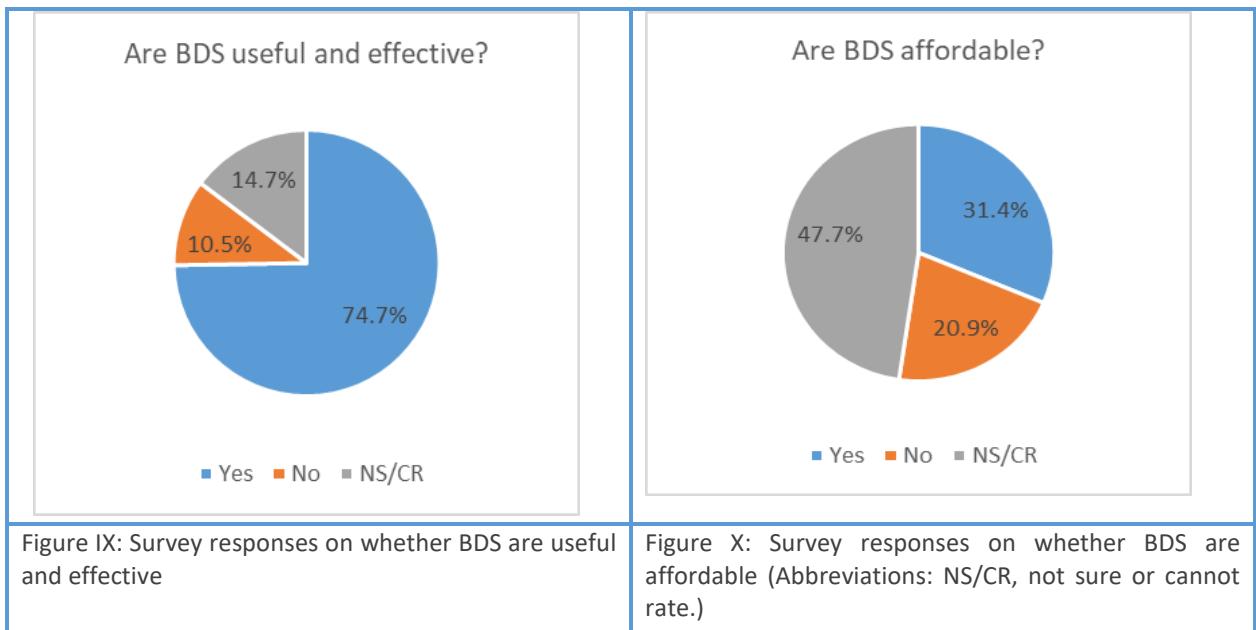


Figure VIII: Survey responses on BDS accessibility (Abbreviations: NS/CR, not sure or cannot rate)

Although the majority of respondents stated that they had not utilized BDS, a majority (74.7 per cent) nonetheless stated that those services would be useful and effective for their business (Figure IX). Of those who responded to the question on affordability of BDS, 47.7 per cent could not answer yes or no, which is understandable, as most MSMEs surveyed have not utilized BDS (Figure X). One observation arising from the survey was that owing to the lack of availability of BDS in most rural towns, MSME owners must travel as far as Lautoka, Nadi or Suva to access BDS, including certain government services, which adds to the cost of their doing business.



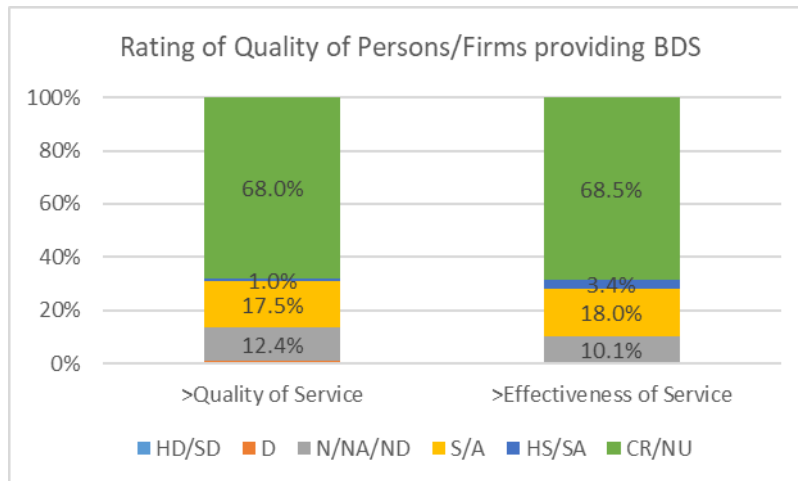


Figure XI: Survey respondent ratings for the quality and effectiveness of BDS provided (*Abbreviations: SD, strongly disagree; D, disagree; NA/ND, neither agree nor disagree; A, agree; SA, strongly agree; CR/NU, cannot rate*)

Ratings on quality and effectiveness of services provided by persons or firms offering BDS are not useful, given that a high proportion of respondents have not used BDS (*Figure XI*).

Currently, there is no specific BDS law in Fiji. The survey revealed that the majority of respondents (71.1 per cent) would prefer that BDS be regulated, while 12.4 per cent were not sure whether BDS should be regulated. Among those who indicated that BDS needed to be regulated, the general opinion was that qualifications and experience of those providing the services should be regulated and that a complaint/redress mechanism should be established (*figure XII*).

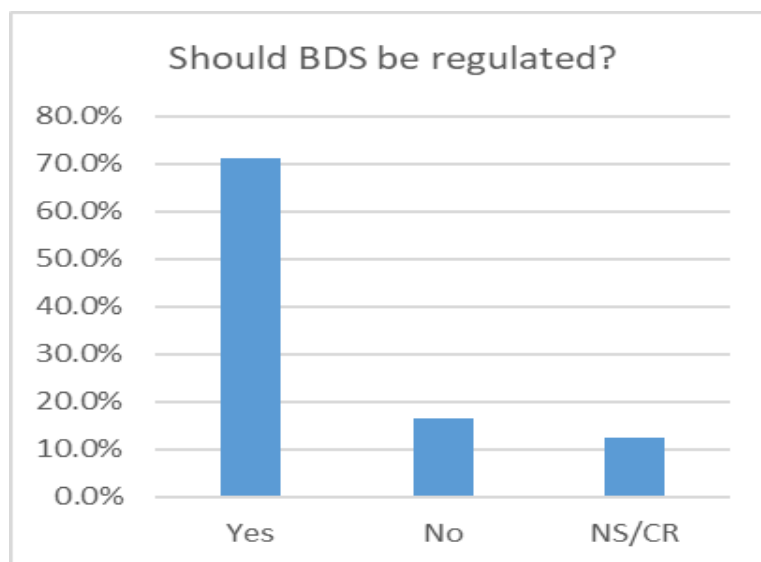


Figure XII: Survey responses on whether BDS should be regulated

4.2 Recommendations on BDS

Recommendations related to encouragement of the development and availability of BDS in Fiji are provided below.

First, a thorough survey should be undertaken to identify the types of BDS needed across all towns in Fiji. The three segments of BDS (operational, advisory and advocacy), as presented in the Policy Guidebook, cover a comprehensive

range of types of service. The need for specific services can be assessed through the survey. In addition, a review designed to identify the types of BDS that are currently being offered under existing laws (e.g., by accountants, lawyers, financial advisers and small businesses) should be conducted. The Government and stakeholders could then utilize the survey results to identify which types of BDS are already being provided and by whom, as well as the types of BDS that are in demand but not currently provided. The Government and stakeholders could then work on short-, medium- and long-term plans to put the needed BDS services in place.

Prior to introducing any new laws on BDS, the Government and stakeholders could take up several other issues. The Government could begin by establishing a clearer channel for delivering BDS; and to achieve this, the adoption of a market-oriented BDS approach, as outlined in the Policy Guidebook, is recommended (figure XIII). Under this approach, the Government is viewed as a BDS facilitator, which works with the private sector providers that provide BDS to SMEs; and SMEs select, from the wide array of products offered by private sector suppliers, the business development services that are appropriate for meeting their needs. This approach would help facilitate an increase in supply and demand of BDS. Private sector providers would offer all of the BDS and the Government would play only a facilitating role.

It should be noted, however, that as BDS would be offered mainly by private sector providers, there would be a need for oversight by the Government (or a relevant body) to ensure that the quality and cost of BDS were aligned and that any existing complaints could be taken up and reviewed. At the same time, the market-based approach provides an incentive for providers to provide high-quality BDS, given that they would be paid for these services at a market rate within a competitive environment.

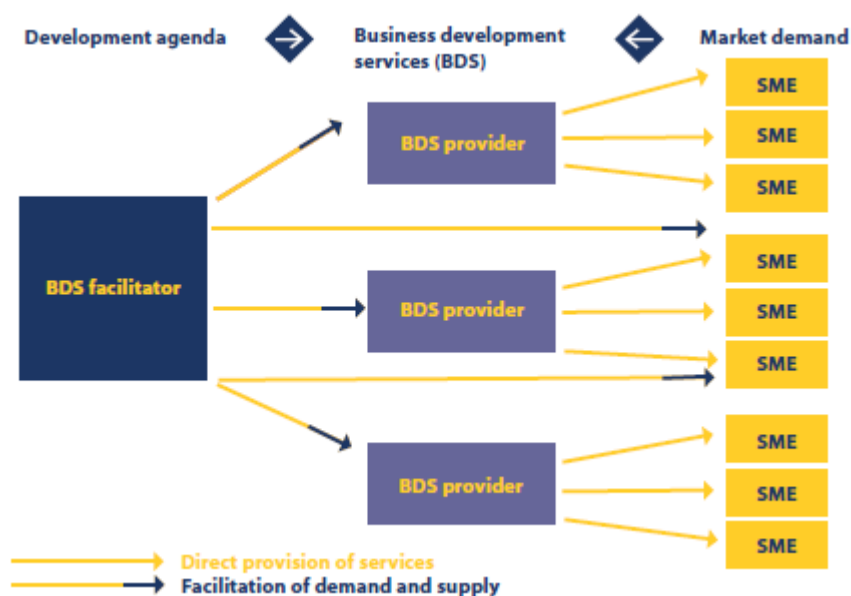


Figure XIII: Market-oriented business development services approach (Source: figure VI.2.)

Over the long term, the Government should work with stakeholders towards ensuring that services are offered under all three BDS segments (operational, advisory and advocacy).²⁸ Levels of intervention should be considered at the micro level (e.g., training; extension, consultancy and counselling; technology development and transfer; access to market information; business linkages) and the meso level and macro levels (e.g., establishing national SME agencies, strengthening capacity of business associations, developing an environment conducive to SME development, supporting microfinance institutions).²⁹ The availability of wide and comprehensive BDS will generate a major boost to the development of sustainable and profitable MSMEs.

While functioning as a BDS facilitator, the Government should also furnish a central collection point from which it provides information, via its website, on the types of BDS that are available and the links through which they can be accessed.

Business and technology incubation should be coordinated and encouraged. Some business incubation services are already being offered in Fiji (mostly in Suva). Based on the BDS survey that is to be carried out as proposed above, the

Government could work with stakeholders to ensure that the types of incubation BDS that are needed are introduced at the locations where they are required.

One conclusion drawn from the MSME survey is that the Government should consider instituting the provision of basic government services in rural towns, or facilitating the provision of those services online to help reduce the costs incurred by MSME owners when they must go to cities such as Suva, Lautoka or Nadi to access some of those services. In this regard, government planners may wish to ensure that government services on the ground correspond to government policy announcements. For example, while the area east of the Ba River extending to Korovou Town was declared a tax-free zone (TFZ), approvals for some business establishment were not available in towns within the tax-free zone.

Chapter 5 Digital trade and e-commerce

5.1 Definition of e-commerce and digital trade and the current situation in Fiji

By remaining focused solely on meeting demand within their own geographical locations, or within the national market, MSMEs limit their own opportunities. The growth of the global digital economy can provide opportunities for MSMEs as they integrate into global value chains. Ganne and Lundquist argue that SMEs utilizing e-commerce have greater access to international markets and supply chain demand.³⁰ They contend that access to global value chains helps SMEs break down production so that they can either buy or sell only parts of a product, or focus on niche markets in the value chain within the broader international markets. Helping or facilitating integration of a country's MSMEs into global value chains through digital trade and e-commerce is therefore beneficial and will go a long way towards promoting the development of strong MSMEs.

Although there is no internationally recognized and accepted definition of "digital trade", the term is generally understood to refer to trade in goods and services that are digitally enabled.³¹ There are also various definitions of e-commerce. The Organisation for Economic Co-operation and Development (OECD) defines e-commerce as "the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders".³² Under the definition of the World Trade Organization, e-commerce includes "the production, distribution, marketing, sale or delivery of goods and services by electronic means".³³ The definition of "digital trade" in a Handbook produced jointly by OECD, WTO and the International Monetary Fund (IMF)³⁴ includes "all trade that is digitally ordered and/or digitally delivered". The Handbook defines "digitally ordered trade" as "the international sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders"; additionally, it defines "digitally delivered trade" as "international transactions that are delivered remotely in an electronic format, using computer networks specifically designed for the purpose".³⁵ The Handbook specifies that these definitions include all transactions conducted over the Internet and mobile devices, extranet or electronic data interchange, and excludes those carried out over the telephone, fax or "manually typed" emails.

In Fiji, there is no officially accepted definition of digital trade or e-commerce. The Consumer Council of Fiji defines e-commerce as the "buying and selling of goods and services using the Internet and the transfer of money and data to execute these transactions";³⁶ and adds that the term "e-commerce" can refer to both sale of physical products online or any type of transaction carried out over the Internet. The terms "e-commerce" and "digital trade" are also used interchangeably. Currently, the country has no laws or regulatory frameworks governing digital trade or e-commerce, nor does it possess a structured means of measuring the utilization of digital trade and e-commerce.

Overviews of the state of MSME use and perceptions of e-commerce and digital trade, as derived from the MSME survey, are provided in *figures XIV to XXII*. The observations, which are based on the survey results and may be extended to include all MSMEs, are set out directly below:

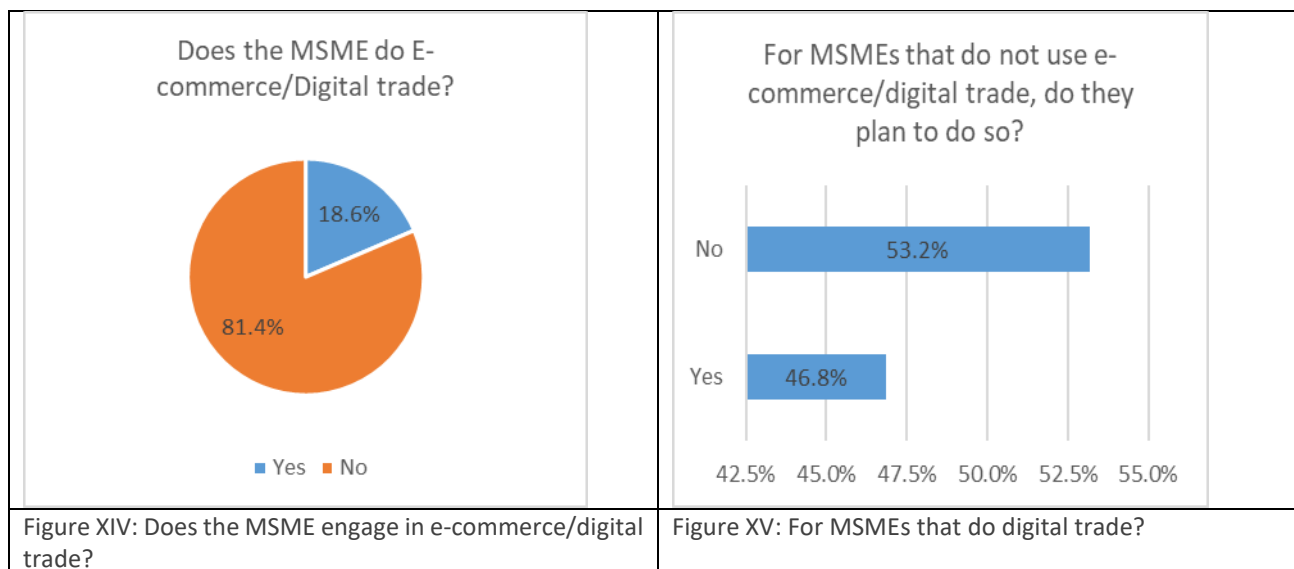
There is not much utilization of e-commerce/digital trade in Fiji (81 per cent of respondents report that they do not engage in e-commerce/digital trade and only 19 per cent engage in some form of it) (*figure XIV*). Interestingly, of those who had not engaged in e-commerce/digital trade, 53 per cent indicated that they did not intend to do so (*figure XV*). Of those who provided reasons for not intending to engage in e-commerce/digital trade, 39 per cent indicated that they were "comfortable with how things are", 24 per cent reported that they "do not want the hassle" and 16 per cent stated that they "need technical assistance" (*Figure XVI*).

When examining the survey responses related to access to and cost and effectiveness of services designed to assist MSMEs in managing e-commerce/digital trade, it is important to make clear at the outset that most rural towns do not offer services designed to assist MSMEs in this regard, although mobile and broadband Internet access, with Internet usually at 4G strength, is available in all towns.³⁷ It was noted that Internet strength can be weak in rural areas that are between towns. The largest proportion (43 per cent) reported that services designed to assist MSMEs in the area of e-commerce/digital trade are not easily accessible, while 37 per cent of respondents indicated that the services are easily accessible. It should be noted that 20 per cent of respondents were not sure or could not rate these services (*figure XVII*). While the reasons cited can be taken at face value, caution should be exercised and the basis for the ratings given must be explored in more detail in as much as MSMEs may not generally be aware, for example, of what forms of assistance may be available, particularly in rural towns. As the majority of MSMEs have not utilized e-commerce/digital trade, the largest proportion of respondents (44 per cent) could not rate the affordability of services, although 30 per cent of those that did provide ratings stated that the services are affordable (*figure XVIII*). Regardless of whether or not they used e-commerce/digital trade, the majority of responders (71 per cent) stated that it would have a useful and effective impact on their businesses, indicating an appreciation of its potential positive effect (*figure XIX*).

With regard to the use of ICT/digital tools in performing functions, the survey revealed that on average, over 70 per cent of MSMEs do not use ICT/digital tools in carrying out the functions surveyed, which encompassed general management, including inventory; marketing and public relations; administration, including human resources; and finance and accounting. Purchasing and production was the area with the lowest proportion of respondents who did not utilize ICT/digital tools, at 66 per cent (*figure XXI*).

Given that there are no specific e-commerce/digital trade laws in Fiji, the majority of respondents (63 per cent) were of the view that there should be a law governing e-commerce/digital trade covering the following issues: trust and security; background of sellers; quality of products and services sold online; requirements for shipments to be delivered on time; protection of buyers; and a mechanism for complaints and redress. While some respondents did not have specific suggestions with regard to areas to be regulated, there was an overall preference for regulations that would not be too restrictive, as the objective should be to promote the use of e-commerce/digital trade for MSME enhancement (*figure XXII*).

The graphs in figure XX display ratings of e-commerce service providers. However, it should be noted once again that most SMEs do not use e-commerce.



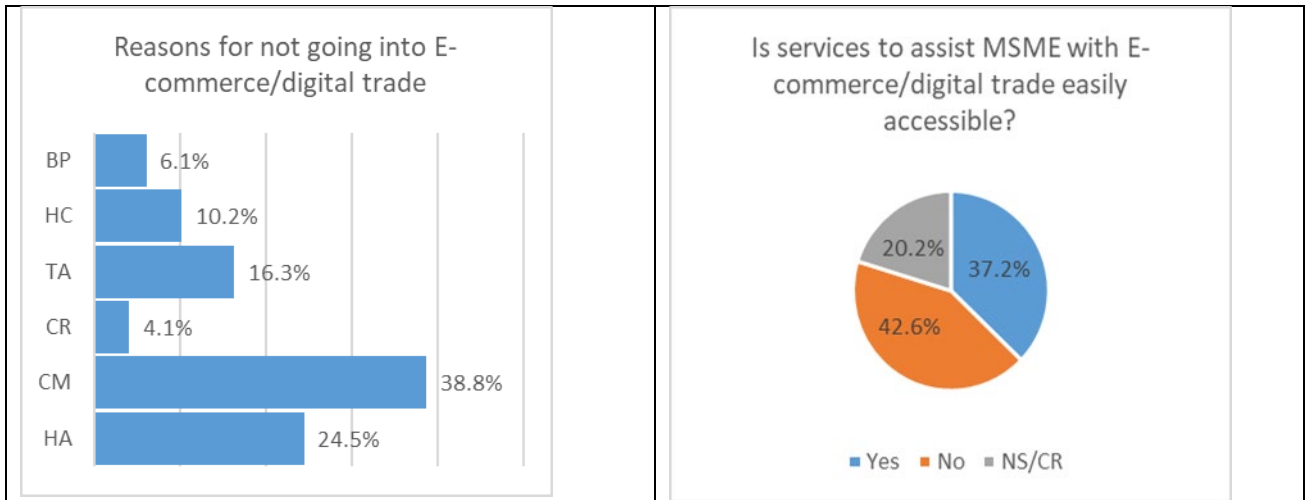


Figure XVI: Reasons for not engaging in e-commerce/digital trade (Abbreviations: HA, do not want the hassle; CM, comfortable with how things are; CR, too many/confusing regulations; TA, need technical assistance/not sure how to start; HC, perceived/expected high costs; BP, bond payment required.)

Figure XVII: Are services designed to assist MSMEs in the area of e-commerce/digital trade easily accessible? (Abbreviations: NS/CR, not sure or cannot rate.)

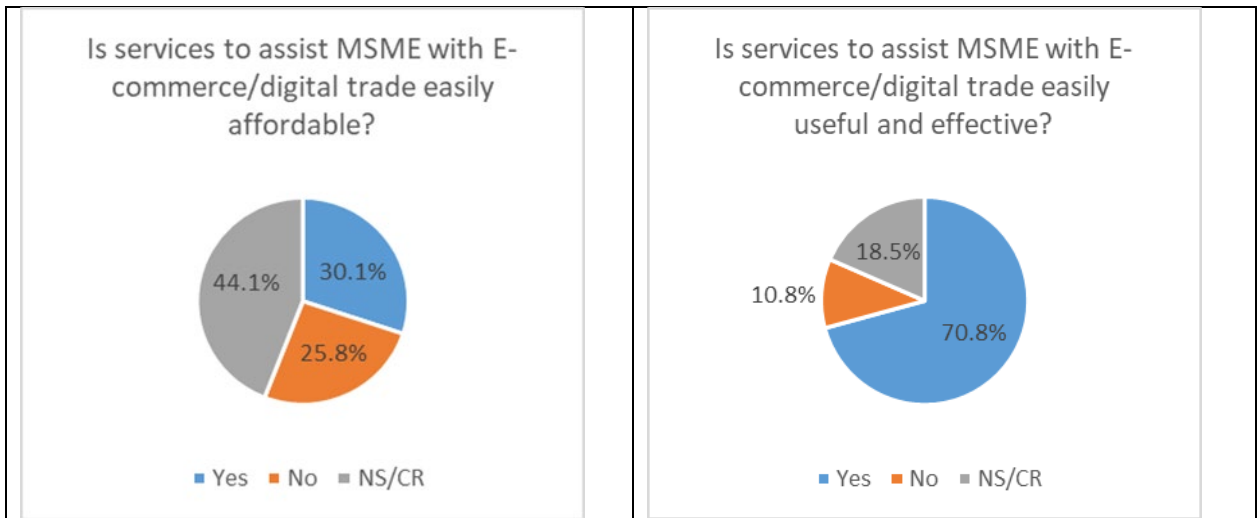


Figure XVIII: Are services designed to assist MSMEs in handling e-commerce/digital trade easily affordable

Figure XIX: Are services designed to assist MSMEs in the area of e-commerce/digital trade useful and effective (Abbreviations: NS/CR, not sure or cannot rate.)

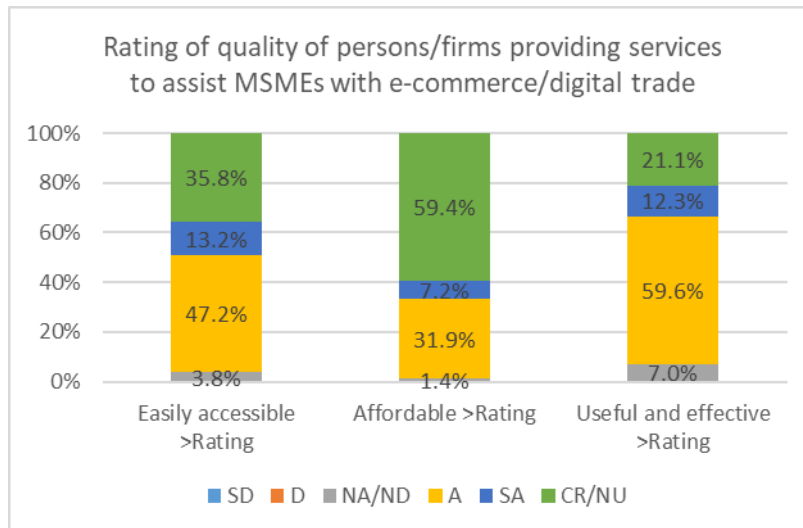


Figure XX: Rating of quality of services provided by people and firms offering services designed to assist MSMEs in the area of e-commerce/digital trade (*Abbreviations: SD, strongly disagree; D, disagree; NA/ND, neither agree nor disagree; A, agree; SA, strongly agree; CR/NU, cannot rate.*)

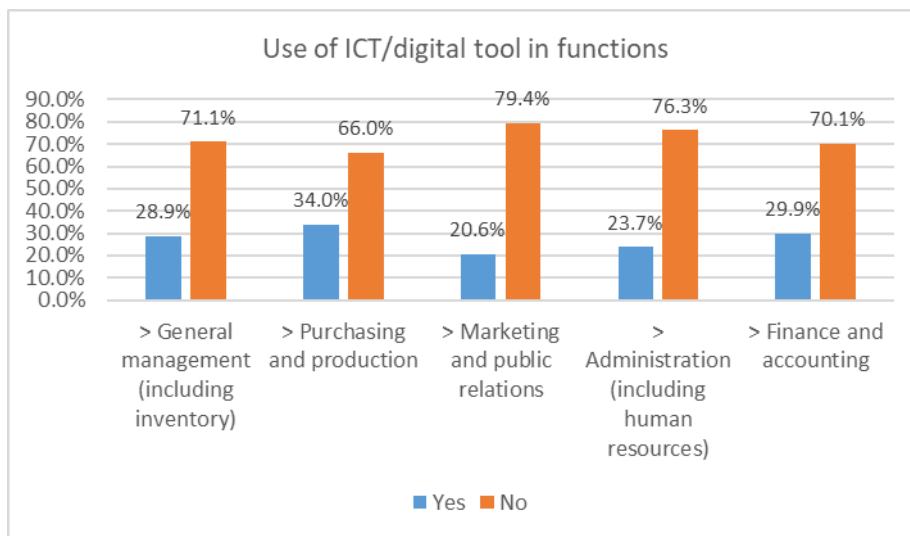


Figure XXI: Use of ICT/digital tools in performing various functions

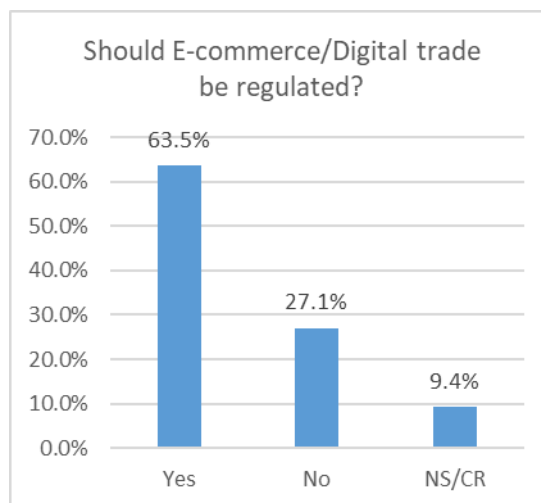


Figure XXII: Should e-commerce/digital trade be regulated? (*Abbreviations: NS/CR, not sure or cannot rate.*)

It should be noted that the MSME survey results are more or less confirmed by a separate study conducted by Chand and Kumar (2017), under which none of the businesses surveyed were found to have fully adopted e-commerce. The study noted the lack of a “legal and regulatory system” for e-commerce. The study defined e-commerce as “the process of buying, selling, transferring, or exchanging products and services, over the internet”.³⁸

There are a number of reasons why the facilitation and promotion of digital trade are important. For one thing, a large number of businesses in the informal sector exhibit weaknesses and often tend to be confronted with a lack of access to finance. This can lead to a host of other issues, such as low levels of investment in research and development, capital and training; and lack of knowledge related to foreign markets, as well as weak skills or lack of skills in the areas of marketing, trade regulations and border procedures, and poor ICT infrastructure which hinders distribution and support for businesses.³⁹ Other challenges include inadequate knowledge in the area of business, including how to grow a business;⁴⁰ inadequate knowledge related to, and limitations associated with, exchange controls and customs requirements in the context of possibilities for cross-border trade; and a general lack of knowledge of the benefits of e-commerce and digital trade and how to integrate them into a business. Not only should there be a well-established infrastructure, but the cost of ICT utilization should be low and conducive to MSME engagement in work focused on enhancing e-commerce and digital trade, with due attention given to the issue of cybersecurity of systems used to support it. Below is a brief analysis of the situation in Fiji as related to these challenges, which will require more attention centred on the need for e-commerce and digital trade.

Large informal sector

It is assumed that Fiji has a large informal sector, with the proportion of businesses that are informal estimated at anywhere between 20 and 50 per cent (which represents, as suggested in the MDF study, between 5,000 and 12,500 informal businesses). The Government’s recent work with respect to requiring all businesses to be licensed annually (with town councils) and re-registered every two years (with the Registrar of Companies) offers a means of effecting the transfer of these businesses to the formal sector. Whether this has been successful will become apparent within three to five years.

Challenges with respect to access to and cost of finance

MSMEs in Fiji, as is the case for MSMEs everywhere else in the world, face challenges with respect to access to finance. The MSME survey revealed that a significant proportion of the MSMEs surveyed (69 per cent) experienced hurdles related to financing their business (*figure XXIII*). Only a small proportion (34 per cent) had been able to obtain financing in the last three years (*figure XXIII*). The reasons for the challenges related to accessing finance included the difficulty of meeting financiers’ collateral or equity contribution requirements and the cumbersome nature of the documentation requirements. While loans were taken out for the purpose mainly of meeting working capital needs (37 per cent), a smaller proportion (24 per cent) were for the purpose of business expansion, indicating that some MSMEs are accessing finance to grow their businesses (*Figure XXIV*). The source of external finance was mainly banks (22 per cent), with “other” (mainly personal funds or funds from the business itself) being the source of finance for the largest proportion (62 per cent) (*figure XXV*). It is known that, as banks are the main external source of funds, bank requirements are not especially advantageous for MSMEs. MSMEs have commented that requirements were too stringent (as related to minimum equity and collateral) and too intensive (as related to documentation). The fact that the “other” category (representing mainly personal funds) is a significant source of finance highlights the challenges faced by MSMEs in their efforts to obtain finance. With regard to the cost of finance, it can be seen that while the majority had access to affordable credit (as reflected by interest rates of 6-7 per cent and 7-8 per cent), some still pay a high cost for credit (confronted as they are with interest rates over 10+ per cent) (*figure XXVI*). Several factors could account for this state of affairs: these are new businesses with a need to establish their credit reputation; the sectors they operate in are considered risky or their business is classified as risky by financiers; the source of finance (credit institutions and other non-bank financial institutions) usually charges higher interest, compared with banks, owing to the higher cost of their funds); and, the cost of credit for MSMEs is generally high, given their inherent high-risk nature. It should be noted that the weighted average lending rate for banks in December 2019 stood at 6.30 per cent, compared with a rate of 13.36 per cent for licensed credit institutions.^{41,42}

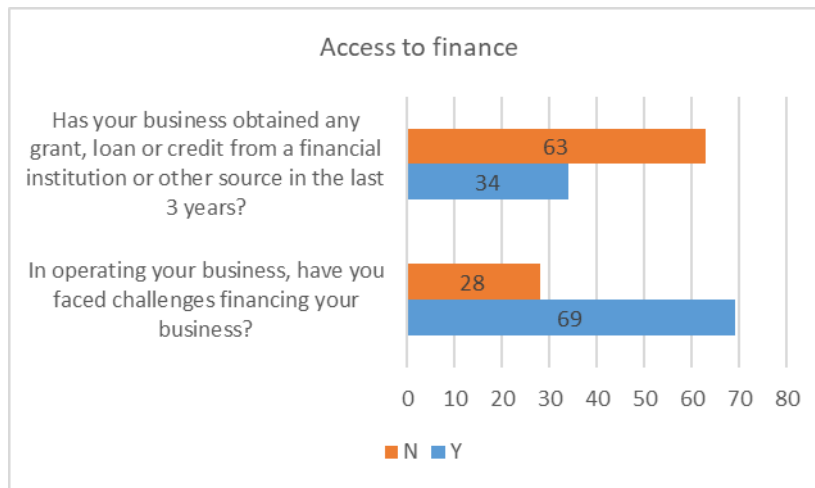
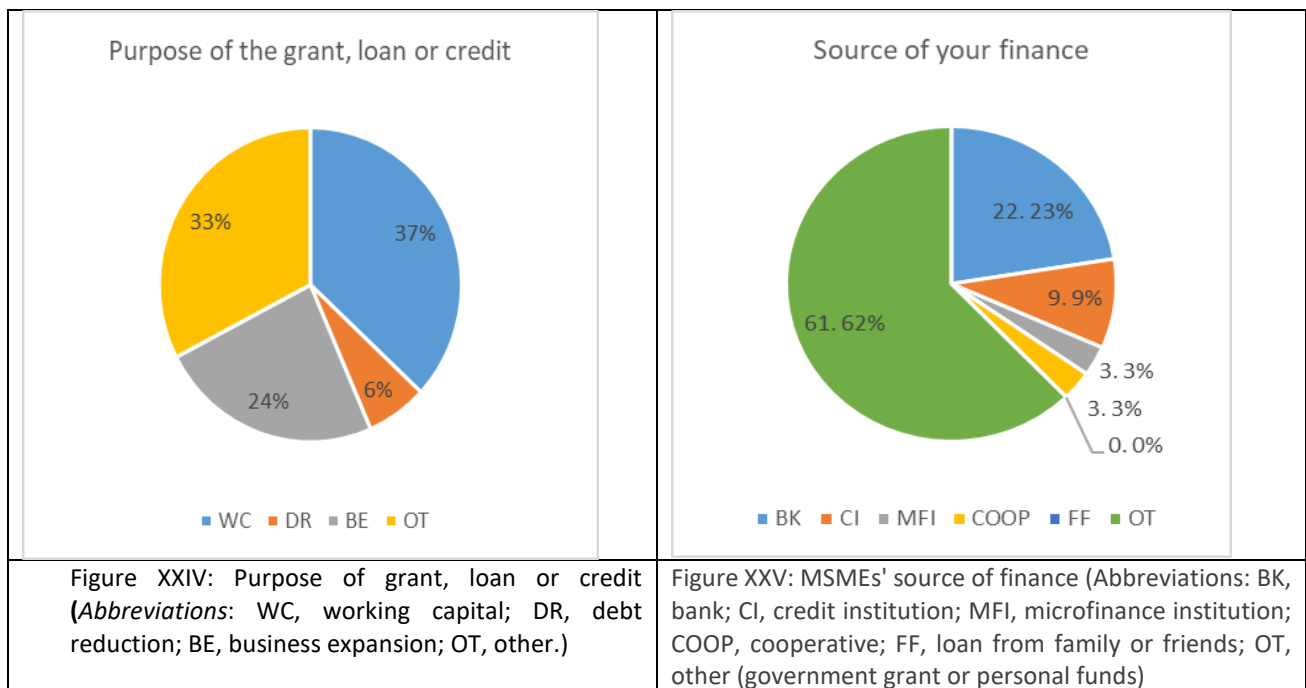


Figure XXIII: MSMEs' access to finance



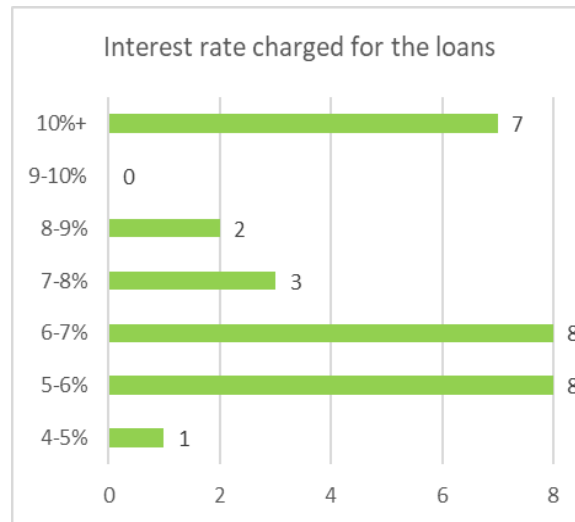


Figure XXVI: MSMEs' cost of borrowing

Lack of knowledge concerning foreign markets, weak skills or a lack of skills in the areas of marketing, trade regulations and border procedures

Most MSMEs lack knowledge concerning foreign markets and the products that are in demand in those markets, have weak skills or a lack of skills in marketing, and limited or no knowledge of trade regulations and border procedures. In Fiji, there are exchange control policies, as well as various customs rules and border procedures, that MSMEs will have to cognizant of and will have to conform to if they wish to sell across borders. Chandra (2012) suggests the use of networks, in particular “supply chain initiatives” and “business linkages”, to market the products and services of SMEs at the national level; and recommends that the Government use its links to promote SMEs locally and internationally.⁴³

Poor ICT infrastructure which hinders distribution and support of businesses, high costs of utilizing ICT and cybersecurity issues

Fiji's ICT infrastructure rates are comparable with those of other countries in the Pacific, with respect to mobile and Internet connectivity and cost. For instance, Fiji and Tonga have the highest number of mobile broadband services subscriptions per 100 inhabitants and the highest level of broadband affordability. . Fiji has comparatively greater broadband access and larger international bandwidth capacity.⁴⁴ With regard to drivers of broadband activity, Fiji also rates very well in availability and affordability of energy sources/electricity (about US\$ 44 per consumer per month). With regard to the availability of ICT goods (e.g., mobile/smartphone devices), Fiji would rank high based on fixed broadband access following the installation of fibre-optic cables and provision of intensive fixed broadband packages by Telecom Fiji Limited. With regard to ICT affordability, however, Fiji may need to review tariff rates to make these services more affordable.⁴⁵ Cybersecurity issues should be addressed with a view to achieving international standards in order to promote confidence among both buyers and sellers in using e-commerce and digital trade platforms.

Availability of general advice on the benefits of e-commerce and digital trade, and how to integrate them into one's business, including knowledge about business and how to grow a business

While information on the benefits of e-commerce and digital trade may be available, there is no coordinated and structured means of providing MSMEs with this information, including on how to integrate them into value chains. At a more primary level, as is evident in the context of BDS, MSME owners would benefit from general training and awareness raising focused on how to manage a business and make it grow.

Other ICT issues

Other ICT issues that need to be examined include the availability, at reasonable cost to MSMEs, of staff with knowledge in the areas of ICT and e-commerce within MSMEs or externally. However, there are risks associated with reliance on external assistance in the event of system failure or detection of viruses. The cost of developing and maintaining e-commerce systems (e.g., developing websites and achieving online e-commerce integration) should be beneficial to

MSMEs. There is a need for building security and a relationship of trust between buyers and sellers to ensure that MSMEs can engage in e-commerce and digital trade safely and securely. The issue of legal uncertainties with regard to cross-border digital trade also needs to be addressed.⁴⁶

5.2 Recommendations related to e-commerce and digital trade

Recommendations, based on the analysis provided in Section 5.1, on how Fiji can improve e-commerce and digital trade for MSMEs are provided below.

The Government and stakeholders should raise awareness of the benefits of e-commerce and digital trade. One obvious major benefit in this regard would be the opportunity for MSMEs to extend their services beyond the confines of their geographical location and local market. This is more important for MSMEs in rural areas, where local demand and possibilities for expansion of the potential customer base for products and services are very limited. As part of this initiative, the Government could facilitate the promotion of education and training across Fiji in the area of e-commerce and digital trade, and the linkage of MSMEs to global value chains. Accordingly, universities could introduce appropriate forms of technical ICT and general business training courses focused on how a business can utilize e-commerce and digital trade. Programmes that raise awareness and provide technical training on the benefits and importance of ICT/digital tools for growth of a business should be included.

The Government and relevant authorities should improve the availability and strength of the Internet in rural areas, in particular between towns, using at least 4G. If this is not cost-effective in the short term, the Government could, at a minimum, consider the possibility of setting up “centres” at government offices in towns, where MSME owners could access mobile devices and 4G Internet for e-commerce and digital trade.

The Government should assess and facilitate improvement of the qualifications and experience of people and firms that offer services designed to assist MSMEs in the area of e-commerce and digital trade. This would ensure that they had the necessary skills and that the costs of their services were fair.

In the medium term, Fiji needs to enact a law covering e-commerce and digital trade. The law should formalize definitions of terms including e-commerce and digital trade; cover services that are provided to assist businesses in the area of e-commerce and digital trade; contain provisions on cybersecurity and protection; include specifications on the interrelationships of laws with respect to settlements for goods and services purchased and sold, fair trading laws, the law of contracts and other existing laws that deal with business, trade and the quality of products and services sold online; set out requirements for shipments to be delivered on time; cover protection of buyers; and contain a mechanism for complaints and redress.

The Government needs to continue its work centred on encouraging MSMEs that operate in the informal sector to graduate to the formal sector, both through highlighting the benefits of being part of the formal sector (including access to Government services and easier access to credit) and through assisting growing MSMEs in adopting e-commerce and digital trade technologies for use in their business.

The Government, the RBF, the FBD and other stakeholders should review credit facilities provided to MSMEs, particularly in relation to equity, collateral and documentation requirements, with a view to making those facilities more MSME-friendly. The establishment of an SME bank (an outcome of the 2018 MDF study) should be expedited. Continuous reviews of the cost of credit for MSMEs should be conducted to ensure that such costs are reasonable, given the inherent situation of MSMEs.

A detailed study or survey to identify why MSMEs are not growing their businesses - including why most prefer to use their own personal funds rather than access credit - should be undertaken. Further strategies focused on what the Government and the relevant authorities can do to assist MSMEs would arise from that study or survey.

The Government should decide on the establishment of a body appropriately structured to take on the role of overseeing and promoting the development of MSMEs. That body would be resourced with experienced personnel - or its work could be facilitated through the engagement of external expertise - for the purpose of assisting MSMEs in developing their e-commerce and digital trade processes and integrating into global value chains. The RBF could play a role in this regard, within the framework of its financial system development functions. While the NCSMED has played such a role, its involvement has diminished over the years. If the Government decides to assume this role, then an appropriate multi-

agency committee should be set up to oversee the implementation of an agreed-plan for MSME development. The MSME Task Force might be considered in this regard and appropriately strengthened.

A mechanism should be put in place to allow those MSMEs that show interest and demonstrate the potential to benefit from e-commerce and digital trade to seek assistance from the body that promotes development of MSMEs. Once applications are received, the body would determine the levels of assistance that are needed. Those levels could reflect the following hierarchy of actions: level 1 - set up only an e-commerce platform; level 2 - set up the full e-commerce and digital trade platform; level 3 - action under level 2 plus integration into global value chains. Once the appropriate level of assistance was determined, the body would facilitate the assistance required.

The Government and the body that is selected to oversee development of MSMEs could utilize the proper governmental/agency links to provide market-related information to MSMEs in order to help them expand locally and abroad and integrate effectively into global value chains. In particular, this body and the aforementioned centres located in rural towns should provide information on the types of products and services that are in demand, nationally and internationally, including details, inter alia, on delivery timelines, destinations (local and international), relevant trade and customs requirements and tariffs, and product standards that MSMEs would be required to meet.

Cybersecurity of e-commerce and digital trade platforms should be assured to promote the confidence of both buyers and sellers in their use.

Support programmes, such as incubation centres, could be established to provide assistance to MSMEs that show potential for integrating into global value chains. Incubation centres should engage staff that have the skills and experience appropriate for assisting MSMEs in putting in place e-commerce and digital trade platforms and linking them to global value chains.

Large businesses should be encouraged to assist MSMEs in carrying out their e-commerce and digital trade initiatives. In this regard, the Government should consider offering appropriate incentives to those businesses to provide such assistance. However, accessing these incentives would be contingent on the delivery of highly concrete outputs and benefits.

Chapter 6 Main recommendations and the way forward

The Government, in particular MITT, is encouraged to consider the recommendations arising from this study and to discuss them with stakeholders that are involved in promoting SME development in order to determine the way forward. The Government might choose to channel discussions through already established entities, such as the National MSME Council or to engage in discussions outside that ambit, prior to deciding on the mechanics of the process for facilitating MSME development in Fiji.

The table directly below sets out the recommendations, the names of the agencies responsible and timelines.

<i>Recommendation</i>		<i>Agency responsible</i>	<i>Timeline</i>
MSME definition			
1.	Formulate and formalize an updated definition of MSME	MITT	Near term
MSME data and statistics			
2.	Determine what agency/agencies are to be responsible for collecting MSME data and statistics, such as town councils, Registrar of Companies or FBoS	MITT	Near term
3.	Determine the types of data to be collected by the identified agency	MITT, RBF, FBoS, banks and financial institutions, academics and researchers	Near term
4.	Provide MSME data and statistics online to all interested stakeholders	MITT and Agency responsible for data collection	Near/medium term
5.	Set up a directory listing of all MSME data and statistics, providing links to where they can be accessed	MITT and agency responsible for data collection	Near/medium term

Business development services			
6.	- Undertake a survey to identify the types of BDS needed across all towns in Fiji, using the three core segments of BDS suggested by ESCAP - Review the types of BDS currently offered - Identify the types of BDS required, by location, and facilitate their provision in each location	MITT	Near/medium/long term
7.	Introduce a clear channel for delivering BDS through a market-oriented BDS approach	MITT	Near/medium term
8.	Oversee delivery of BDS by private sector providers to ensure quality and that costs are managed and complaints examined	MITT or relevant body	Medium term
9.	Work with stakeholders to ensure that services under all three segments of BDS are offered; intervention at micro, meso and macro levels to be considered	MITT, BDS providers and other stakeholders	Medium/long term
10.	Put in place a central collection point for information on the types of BDS available and links to where they can be accessed, to be provided by the Government as BDS facilitator	MITT	Near/medium term
11.	Coordinate and encourage business and technology incubation; Government to work with stakeholders to determine what types of incubation BDS are needed and to facilitate their provision	MITT, BDS stakeholders	Medium term
12.	Ensure that basic government services are available in all rural towns or facilitate provision of services online to reduce costs for MSMEs having to access those services from Suva, Lautoka or Nadi	MITT	Medium term
E-commerce and digital trade			
13.	Formulate and formalize definitions for e-commerce and digital trade	MITT	Near term
14.	Raise awareness on the benefits of e-commerce and digital trade, and facilitate the promotion of education and training on e-commerce and digital trade across Fiji	MITT and stakeholders	Medium term
15.	Increase the strength of the Internet to the 4G level in rural areas situated between towns where the Internet is weak. If cost-benefit analysis is not favourable in the near term, set up "centres" at government offices in towns where MSME owners could access mobile devices and 4G Internet for e-commerce and digital trade	MITT, Ministry of Communications, Telecom Fiji Limited, Internet providers	Near/medium term
16.	Ensure that the qualifications and experience of people and firms offering services to assist MSMEs in the area of e-commerce and digital trade are satisfactory and that the costs of their services are fair and based on fair competition	MITT	Medium term
17.	Introduce a law covering e-commerce and digital trade that will: formalize definitions of e-commerce and digital trade, cover services that are provided to assist businesses in the area of e-commerce and digital trade, contain provisions on cybersecurity and protection, and contain specifications on the interrelationships of laws on settlements for goods and services purchased and sold, fair trading laws, the law of contracts and other existing laws whose purview are business and trade, quality of products and services sold online, delivery requirements, protection for buyers, and complaint and redress mechanisms	Government and Parliament	Medium/long term
18.	Continue to encourage MSMEs that operate in the informal sector to graduate to the formal sector with a view to accessing the benefits that accrue from operating in the formal sector	MITT	Medium term

19.	<ul style="list-style-type: none"> -Review credit facilities provided to MSMEs, particularly in relation to equity, collateral and documentation requirements so as to make them MSME-friendly - Expedite the establishment of an SME bank - Carry out ongoing reviews of the cost of credit for MSMEs so as to ensure that costs are fair and reasonable, given the situation of MSMEs 	MITT, RBF, banks and financial institutions	medium/long term
20.	<ul style="list-style-type: none"> - Carry out a detailed study or survey to determine the reasons why MSMEs are not growing their businesses, including why most prefer to use only their personal funds rather than access credit. - Review and implement the strategies to assist MSMEs that arise from that study or survey 	MITT	medium term
21.	Decide on the formation of a body appropriately structured to take on the role of promoting the development of MSMEs in Fiji, to be resourced with experienced personnel - or given the capability to facilitate procurement of external expertise - and assisting MSMEs in developing their e-commerce and digital trade processes and integrating them into global value chains	MITT	Medium/long term
22.	<ul style="list-style-type: none"> - Introduce a mechanism through which to allow MSMEs that show interest and the potential to benefit from e-commerce and digital trade, to seek assistance from the body that promotes the development of MSMEs. For applicants, determine levels of intervention as required, for example, under the following hierarchy: <ul style="list-style-type: none"> Level 1: set up only an e-commerce platform Level 2: set up the full e-commerce and digital trade platform Level 3: take action under level 2 plus integration into global value chains - Once level of intervention is determined, the body can provide assistance as required 	Body responsible for promoting development of MSMEs in Fiji	Medium/long term
23.	Utilize proper governmental/agency links to promote Fiji's MSMEs locally and abroad, e.g., where they can supply certain products and services or buy certain products and services and integrate into global value chains	MITT and body responsible for overseeing development of MSMEs in Fiji	Medium/long term
24.	Collect and make available to MSMEs information on the types of products and services that are in demand, nationally and internationally, including details on timelines, destinations, relevant trade and customs requirements and tariffs and standards that need to be met by MSMEs	Body responsible for overseeing development of MSMEs in Fiji and "centres" located in rural towns (see Recommendation 15 above)	Medium term
25.	Address cybersecurity issues associated with e-commerce and digital trade platforms to promote buyers' and sellers' confidence in their use	MITT, body responsible for overseeing development of MSMEs, Ministry of Communications, Telecom Fiji Limited, Internet service providers	Medium/long term
26.	Carry out hand-holding with MSMEs that show potential for integrating with global value chains through incubation centres, which should have staff with the appropriate skills and experience required to assist MSMEs in putting in place e-commerce and digital trade platforms and linking them with global value chains	Body responsible for overseeing development of MSMEs in Fiji, incubation service providers	Medium/long term
27.	Encourage large businesses to help MSMEs in the area of e-commerce and digital trade, with government consideration being given to offering those businesses appropriate incentives for providing such help	MITT, Ministry of Economy	Medium/long term

Annex I: Terms of reference of the study

Strengthening competitiveness of micro-, small and medium-sized enterprises and enhancing their integration into regional and global value chains in Fiji

A national expert from Fiji will undertake the preparation of the study and subsequent report on strengthening the competitiveness of micro-, small and medium-sized enterprises and enhancing their integration into Regional and global value chains in Fiji. The study is undertaken under the Economic and Social Commission for Asia and the Pacific (ESCAP) Development Account project on “Fostering inclusive and sustainable development through increased participation of small and medium-sized enterprises in global value chains”, and the project of the Department of Economic and Social Affairs of the United Nations Secretariat (UN DESA) entitled “Enhancing national capacities for unleashing full potentials of micro-, small- and medium-sized enterprises (MSMEs) in achieving the Sustainable Development Goals in developing countries”, funded by the 2030 Agenda for Sustainable Development Sub-Fund. The study and report should contain a thorough analysis leading to policy recommendations on developing and strengthening capacity and competitiveness of MSMEs. The study should encompass the following activities with a view to addressing central issues, as outlined below, in specific chapters:

- (1) Produce a summary of the content of existing and recent road maps, master plans, and feasibility studies for private sector development and export promotion, with a focus on MSME development and related areas. This summary is intended to identify commonalities, to assess possible gaps in existing work and to ensure that the study is relevant and minimizes duplication. Reference should be made to studies and reports prepared by development partners such as the Market Development Facility, the Asian Development Bank (ADB) and the International Finance Corporation (IFC), as well as other such entities since 2010. The national expert should consult and work closely with these agencies to avoid duplication of work carried out earlier.
- (2) Identify modalities and mechanisms for improving the collection and availability of accurate and reliable data on MSMEs, preferably through a centralized database. Improved usage of the existing database of Micro and Small Business Grant (MSBG) scheme recipients is to be considered. The report would contain an analysis focused on who is assisting MSMEs in what sector and through what modality, which will generate recommendations on how data collection and MSME assistance can be centralized.
- (3) Improved business development services (BDS). An analysis and implementation of recommendations on how to develop private sector-led BDS for MSMEs, including required policies and legal framework and possible contribution of organized business. An essential driver of development of BDS is the need to provide market information. The report should make recommendations on how market information and access to business development services can be improved for MSMEs.
- (4) Evaluate the potential, opportunities and proposed methods for enabling MSMEs to better engage in digital trade and e-commerce. Consider especially how MSMEs can utilize technology to integrate into global value chains through digital trade and the policy and regulatory framework and infrastructure required for achieving this purpose.

Annex II: Methodology

We start with a meeting with the Ministry of Industry, Trade and Tourism (MITT) to clarify their objectives and understanding of outcomes from the study.

Work to be carried out under item 1 of the terms of reference:

- Organize and meet individually with stakeholders who have an interest in MSMEs in Fiji. These include the Reserve Bank of Fiji, banks, the Fiji Development Bank, credit institutions, other financial intermediaries, the stock exchange, chambers of commerce, NCSMED, the Fiji Institute of Accountants, the Pacific Community (SPC), ADB, IFC, MDF and the Pacific Islands Forum Secretariat (PIFS). For some stakeholders (e.g., the Melanesian Spearhead Group (MSG) and PTI), emails and telephone queries will be utilized. These meetings will yield information on stakeholders' work and projects focused on MSMEs as well as work and projects in related areas covered by this study. The meeting will establish the nature of their activities and will enable participants to obtain copies of reports on work and studies that have been conducted or commissioned.
- Meetings with relevant Government ministries will be held to obtain information on policy, master plans, road maps, feasibility studies and strategies on private sector development and export promotion, with a focus on MSME development and related areas. These Government ministries will include MITT, the Ministry of Strategic Planning, National Development and Statistics and the Ministry of Agriculture. Other bodies may be involved.
- An analysis will then be conducted, and a write-up prepared, of work already performed or being carried out currently, covering MSMEs, identifying commonalities and gaps. The objective in this regard is to avoid any duplication in the work to be carried out. Recommendations with regard to this item under the terms of reference will be identified and included in the write-up. The write-up will be part of the study report.

Work to be carried out under item 2 of the terms of reference:

- In the meetings with stakeholders as indicated above, the consultant will identify what MSME reporting systems are in place, the type of reports that are prepared, and the objectives and frequency of each report. Stakeholders will be asked what type of MSME reports will be of assistance to them with respect to the type of services they offer and the type of work they do. They will also be asked to make suggestions on the possible mechanisms that could be put in place for facilitation of these reports. Stakeholders will be asked whether they are willing to share current and prospective MSME reports with other agencies. They will also be asked if they would have any concerns should such arrangements be put in place and how such concerns might be addressed. The consultant will meet with the Fiji Bureau of Statistics to ascertain what types of MSME statistics and related reports are in place. The consultant will learn how the existing Micro and Small Business Grant scheme database is used and how it could be improved. Stakeholders will be asked for their views on centralization of data and information on MSME-related assistance. It is to be noted that MSMEs are by their very nature small and most do not have dedicated resources for the preparation of reports and for reporting. Some may even be characterized as one-person businesses where a single individual is tasked with carrying out all of the business activities, including planning, sales, inventories, accounts preparation, and pursuit of debtors.
- A write-up of work covered under this item of the terms of reference will be prepared. Recommendations will be identified and included in the write-up. These recommendations will cover reports to be considered, reporting systems to be put in place, improvements of current reports and their utilization, and centralization of MSME data. The write-up will be part of the study report.

Work to be carried out under item 3 of the terms of reference:

- Currently, banks, insurance companies, chartered accounting firms, the NCSMED and some multilateral organizations (e.g. MDF), provide business development and advisory services for their clients. A major limitation of these services is that they are narrowly focused on the type of service provided to the client by the provider, e.g., finance and borrowing-related advice is provided by banks and credit institutions, and

disaster risk and insurance coverage-related advice is provided by insurance companies. Some government departments offer some level of business advisory services for funds that they disseminate or manage. For example, MITT has business development staff who provide business advice to MSMEs that access MSME grants from the Government.

- In the meetings with stakeholders, as indicated above, the consultant will ascertain the types of business development services that exist and the types of organizations that provide these services. He will also establish the nature of the needs that exist and determine how they can be met. An analysis will be carried out and recommendations put forward within a suitable framework on how businesses and organizations can contribute to this effort. This may include incorporating and providing and making available (i.e., through centralization) market information as part of data and statistics collected and put together on MSMEs so as to facilitate general awareness on what business development services are available and who is providing those services.
- During the first meeting with MITT on 21 February 2019, the utilization of survey methods to obtain input relevant for this item under the terms of reference was discussed. MITT suggested that, existing MSME grant recipients could become involved. The input and feedback obtained from them with regard to the type of business development services they require, wish to access and need could be utilized for the purposes of the survey. MITT has offered to assist in this undertaking.
- Recommendations related to this item under the terms of reference will be identified and included in the write-up. This write-up will be part of the study report.

Work to be carried out related to item 4 under the terms of reference:

- Fiji has exchange controls in place. It was also established during the initial meeting with MITT that costs charged by banks for setting up a business's e-commerce platform may be prohibitive for promoting further digital trade. While Internet charges in Fiji are low and affordable, ensuring the supply, availability and fair cost of the services of IT experts needed to develop web presence and digital trade features for businesses can be a challenge.
- In the meetings with stakeholders, as indicated above, the consultant will assess the potential, opportunities and methods related to enabling MSMEs to better engage in digital trade and e-commerce and determining how MSMEs can best integrate into global value chains through digital trade. An analysis will be carried out and recommendations put forward on a suitable policy and regulatory framework and infrastructure in this area.
- As noted above, the utilization of survey methods was suggested by the consultant for work on this item under the terms of reference. MITT has suggested the involvement of current MSME grant recipients in the survey, with a view to obtaining their input and feedback on the existing use of digital trade and e-commerce and on future needs in this area. MITT has offered to assist in this regard.
- Recommendations with regard to this item under the terms of reference will be identified and included in the write-up. This write-up will be part of the study report.

Annex III: MSME survey

Form to be completed and submitted by an MSME as part of the business license renewal/business re-registration process)

1. Type of ownership: Sole trader Partnership Company

 2. Majority ownership: Women Men Youth Other
Percentage of each: ____

 3. Top management: Women Men Youth Other

 4. Number of years of operation: 0 – 1 years 1 - 5 years 5 – 10 years 10+ years

 5. Industry in which the business operates:
 - Agriculture – If agriculture, which subsector _____
 - Fisheries
 - Manufacturing
 - Building and construction
 - Real estate
 - Wholesale or retail goods
 - Hotels and restaurants
 - Transport and storage
 - Professional and business services

 6. Total assets at end of last financial year: _____

 7. Total revenue for last financial year: _____

 8. Net profit/loss for last financial year: _____

 9. Total number of employees at end of last financial year: _____

 10. Source of funds:
 - Banks
 - Credit institutions, e.g., merchant finance, credit corporation
 - Microfinance institutions
 - Cooperatives
 - Loans from family and/or friends
 - Other (e.g., government grant, please explain _____)
- If a loan was taken by MSME,
- Purpose of loan
- Working capital
 - Debt refinancing

- Business expansion
- Other (explain) _____

Outstanding balance at end of last financial year _____

Interest rate charged for loan _____

11. Extent of use of business development services (BDS):

Does the MSME use business development services? Yes/No

If Yes, what type of BDS does it use? _____

Who provides the BDS?

- Professional BDS provider
- Chartered accountant
- Lawyer
- Investment adviser

12. Extent of use of e-commerce and digital trade:

Does the MSME use e-commerce/digital trade? Yes/No

If Yes, what does it use it for?

- Paying bills online
- Buying goods/services online and making payments
- Selling goods/services online and receiving payments

13. Extent of use of ICT/digital tools in the following functions:

General management (including inventory). Yes/No. If yes, what tools? _____

Purchasing and production. Yes/No. If yes, what tools? _____

Marketing and public relations. Yes/No. If yes, what tools? _____

Administration (including human resources). Yes/No. If yes, what tools? _____

Finance and accounting. Yes/No. If yes, what tools? _____

¹ Both the term "MSME" and the term "SME" are used internationally, the difference being that through the insertion of an initial *M*, microenterprises are added to the group of small and medium-sized enterprises, which takes into account various definitions in different countries.

² Australia, Australian Federal Government Budget 2017-18, *Budget Strategy and Outlook*, Budget Paper No. 1, p, 1-13.

³ Reserve Bank of Fiji.

⁴ Market Development Facility, "Request for proposal: in-depth assessment of the MSME landscape in Fiji" (n.d.).

⁵ ESCAP, Summary report of ESCAP mission to Fiji, 11-13 June 2018.

⁶ ESCAP, "SMEs in Asia and the Pacific". Available at www.unescap.org/sites/default/files/7%20-%201.%20SMEs%20IN%20ASIA%20AND%20THE%20PACIFIC.pdf.

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