FIJI NATIONAL UNIVERSITY
NATIONAL TRAINING & PRODUCTIVITY CENTRE

FIJI NATIONAL PRODUCTIVITY MASTER PLAN 2021-2036

ASIAN PRODUCTIVITY ORGANIZATION

Fiji National Productivity Master Plan 2021–2036

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FOREWORD

Fiji has enjoyed positive economic growth in the last ten (10) years. This provides a sound platform as we forge forward as a nation with our stated National Development Plan principle: "To transform Fiji and become better and resilient."

Fiji has developed a 20-Year Development Plan (2017–2036) and a comprehensive 5-Year Development Plan (2017–2021). The 20-year plan places "Productivity" as a priority area in the context of planning for "Inclusive Socio-economic Development and Transformational Strategic Thrusts."

Productivity is a key factor for Fiji to raise living standards, improve people's ability to purchase goods and services and helps businesses to be more profitable, and generally contribute towards future economic growth.

A fifteen (15)-Year National Productivity Master Plan (NPP 2021–2036) has been developed through the collaboration of the Asian Productivity Organisation.

This complements the 20-year NDP and 5-year plan to provide clear directions on the national productivity strategic priorities for a sustainable Fiji. The NPP reflects the specific productivity targets and strategies with details on how this is going to be achieved.

This comprehensive national productivity master plan comprises of productivity milestones and directions to raise national productivity. It will drive the strategies to realise the objective of maximising productivity in the 20-year NDP.

This Master Plan is a aligned with the global move towards the 4th industrial revolution of digitization and promote natural resources management. This further aligns with innovation to realise potential from labour and resource-based productivity with a sustainable wage rate linked to productivity.

The innovative NPP is the outcome of a wide consultation process that involved the private sector, civil society, NGOs, public sector, Ministry of Employment, Productivity & Industrial Relations, National Training and Productivity Centre and the Asian Productivity Organization.

It reflects the aspiration of our nation's pledge on productivity and the Government's commitment to deliver on these goals. Progress on the NPP will be monitored and evaluated to help keep implementation on track and ensure our collective vision is realised.

We wish to acknowledge the kind assistance of the Asian Productivity Organization (APO) in putting together this valuable planning document. I am positive that with this Master Plan in place and with the support of our stakeholders, the goals we aspire to accomplish will in time translate into milestones of which we can be proud.

By investing in this Master Plan we are investing in national productivity. We are investing to build a better future for Fiji.

I would like to invite you to join hands with us to help plan and innovate strategies to sustain and grow our national productivity. I take this opportunity to thank all the stakeholders and experts, for putting together this Master Plan. I thank you heartily for taking an interest in the future of Fiji and that of all Fijians that we strive to serve.

Honourable Parveen Kumar Bala
Minister for Employment, Productivity &
Industrial Relations and Youth & Sports

FOREWORD

Perpetual economic progress is not only determined by the ability to do the right things right in a continuous fashion. In a turbulent, uncertain, and complex environment, agility in responding to changes in the internal and external environments and taking advantage of opportunities presented by those changes should be an integral part of the equation for achieving prosperity. Agility augments the productivity push to economic growth, leaving the connection between productivity and innovation stronger. In the productivity–innovation–agility nexus, the present Fiji National Productivity Master Plan 2036 was created to sustain the economy's productivity growth.

The growth effect from the interdependence between productivity, innovation, and agility can only materialize if there is a firm foundation for structural transformation into higher-productivity economic activities, improving the allocation of resources, and spurring technological catch-up. This often requires the implementation of productivity-enhancing reforms. There is, however, no single reform path to inject more productivity into the economy. A holistic approach needs to be deployed to strengthen the institutional requirements and to set up soft and hard infrastructures for productivity- and innovation-led growth.

For strengthening the base of the productivity ecosystem and increasing the foundation for agility, the establishment of a supreme body on productivity is needed to provide high-level, strategic directions as well as a forward-looking view for the national productivity movement. The right institutional settings for the productivity ecosystem will also determine the ability to reach the three main target groups in the productivity movement: the workforce; enterprises; and emerging growth sectors.

The APO is pleased to present the Fiji National Productivity Master Plan 2021–2036 to Government of the Republic of Fiji.

Dr. Santhi Kanoktanaporn
Secretary-General
Asian Productivity Organization

EXECUTIVE SUMMARY

Since its independence in 1970, Fiji has trebled its gross domestic product (GDP), with an average growth of 2.6% a year. This has enabled a near doubling of the country's GDP per capita and a progression into the ranks of upper-middle-income countries. Nevertheless, its economic development performance has not been sterling. The annual economic growth of 2.6% for the period 2000–17 is much lower than the 4.5% per annum average for the group of upper-middle-income countries. Furthermore, the benefits of growth have not trickled down to everyone. A fairly large 28% of the population are still in poverty.

In November 2017, the Fijian government released a 20-year Development Plan 2017–2036 to serve as a guide on the way forward for the country. The plan aims to provide "the forward-looking vision for 'Transforming Fiji' towards an even more progressive, vibrant and inclusive society." A key goal is to quadruple the nominal per capita income, or to double the real per capita income by 2036. This requires a sustained real GDP growth of 4–5% a year. Recognizing the importance of productivity, the plan includes the objective of maximizing productivity but has not laid down any specific targets or strategies.

Considering that the economy grew by only 2.6% a year from 1970 to 2017, the GDP growth target of 4–5% a year is a big stretch. To achieve this target, Fiji will have to adopt a high-productivity growth strategy. The Fiji National Productivity Master Plan 2021–2036 is intended to serve as a comprehensive national plan to execute the high-productivity growth strategy. With a 15-year timeframe, it will guide the implementation of programs to achieve the objective of maximizing productivity in Fiji's 20-year Development Plan 2017–2036.

An analysis of Fiji's productivity performance shows that the track record has not been consistent. In 1995, Fiji's productivity level was 11% higher than the average for the 20 APO member countries (APO20). However, it then grew by only 1.2% a year for the period 1995 to 2016, at about half of the 2.5% rate of APO20. Consequently, Fiji's productivity level increased by just 28.8% over two decades and was overtaken by APO20. In 2016, Fiji's productivity level was 84.7% that of APO20. Compared with the three other upper-middle-income countries in the APO, namely, Islamic Republic of Iran (IR Iran), Malaysia, and Thailand, Fiji has lagged behind and the productivity gap has widened. From a level that was lower than Fiji's (97%) in 1995, Thailand has since overtaken Fiji.

A high-productivity growth strategy is thus required to improve Fiji's productivity performance substantially. This strategy must adopt a

holistic approach to managing the proximate factors (enterprises, economic sectors, and economic structure) and enablers (business and macro enablers) affecting national productivity. It is only by adopting this approach that capital deepening and total factor productivity, driven by innovation, can be enhanced to raise the country's overall productivity. This will then support the GDP growth target of 4–5% a year in the 20-year National Development Plan 2017–2036. What is critical is the agility in foreseeing future trends that impact all the drivers of national productivity, and quickly adapting and seizing opportunities to improve the drivers.

Table A shows the vision for the high-productivity growth strategy, termed Fiji Productivity 2036. It comprises an overarching target of 3.2% average annual productivity growth for the period 2021–36 and five qualitative goals corresponding to the proximate factors and enablers that affect productivity. The 12 strategic thrusts, including the thrusts in the 20-year Development Plan 2017–2036 that they support, are also shown. In addition, the United Nations (UN) Sustainable Development Goals for 2030 are included to underline how the strategic thrusts contribute to the attainment of the goals.

The first goal is to have productive and agile enterprises making efficient and effective use of resources. This is to be achieved through the first three strategic thrusts (see Table A), which are to raise the productivity level of the broad base of small and medium enterprises (SMEs); grow the number of competitive large enterprises; and transform state-owned enterprises (SOEs) into vanguards of high-productivity enterprises.

The second goal is to have high-value-added sectors located in the high end of the product space. This is to be achieved through the next four strategic thrusts: promote productivity and sustainable development in all sectors; modernize, commercialize, and diversify agriculture; expand the industrial base and raise the value added of industrial production; and develop the tourism cluster and modern high-value-added services.

The third goal is to have a broad economic base with high-value-added industries. This is to be achieved through the eighth strategic thrust of expanding existing core industries and developing new high-value-added industries.

The fourth goal is to have robust business enablers that will propel enterprise and sector growth. This is to be achieved through the following three strategic thrusts: build a productivity culture and develop future-ready skills; strengthen technology development and proliferate its applications; and create a business-friendly environment.

The fifth goal is to have advanced macro enablers that underpin sustained productivity growth. This is to be achieved through the twelfth strategic

TABLE A

FIJI PRODUCTIVITY 2036

Overarching target	Goals	Strategic thrusts	Thrusts in 20-year Development Plan 2017–2036	UN Sustainable Development Goals 2030
3.2% average annual productivity growth for the period 2021–2036	Productive and agile enterprises making efficient and effective use of resources	1. Raise the productivity level of broad base of SMEs 2. Grow number of competitive large enterprises 3. Transform SOEs into vanguards of high-productivity enterprises	• Nurturing new and emerging growth sectors	
	High-value-added sectors located in high end of product space	4. Promote productivity and sustainable development in all sectors 5. Modernize, commercialize and diversify agriculture 6. Expand industrial base and raise value added of industrial production 7. Develop tourism cluster and modern high-value-added services	• Protecting culture, heritage and natural environment • Nurturing new and emerging growth sectors • Food and nutrition security	• Industry, innovation and infrastructure • Responsible consumption and production • Climatic action • Life below water • Life on land
	Broad economic base with high-value-added industries	8. Expand existing core industries and develop new high-value-added industries	• Nurturing new and emerging growth sectors	
	Robust business enablers propelling enterprise and sector growth	9. Build productivity culture and develop future-ready skills 10. Strengthen technology development and proliferate its applications 11. Create business-friendly environment	• Skills development and demographic dividend • Reducing unemployment rate to below 4% • Embracing appropriate and new technology for productivity improvement • Nurturing new and emerging growth sectors	
	Advanced macro enablers underpinning sustained productivity growth	12. Collaborate with relevant institutions to improve macro enablers	• National security • Improving transport and digital connectivity • 100% access to clean and safe water and proper sanitation • Electricity for all • Government debt to be reduced to 35% of GDP • Universal access to quality education • High-quality healthcare system	• No poverty • Zero hunger • Good health and well being • Quality education • Gender equality • Clean water and sanitation • Affordable and clean energy • Decent work and economic growth • Industry, innovation and infrastructure • Reduced inequalities • Sustainable cities and communities • Peace, justice, and strong institutions • Partnerships for the goals

thrust of collaborating with the relevant institutions to improve the macro enablers.

The high-productivity growth strategy will have to be managed in an integrated manner to realize the Fiji Productivity 2036 vision. A high-profile Productivity Movement should be launched for this purpose. The Movement will provide the platform to unify all activities taken in conjunction with the strategic thrusts. At the same time, it can be used to rally all stakeholders to work towards the Fiji Productivity 2036 goals. To execute the 12 thrusts under the Productivity Movement, detailed action plans must be worked out, launched to create publicity, and implemented by the relevant agencies. Concurrently, there should be continuous promotion of the Productivity Movement to sustain interest in the national productivity drive. An annual productivity campaign, launched by the Prime Minister, is an effective platform for this purpose. Beyond the campaign, awareness of the Productivity Movement should be sustained by a year-long action plan and communication of the programs when they are launched. Different themes could be used to create excitement and secure commitment.

To execute the Productivity Movement effectively, the productivity ecosystem must be strong. The ecosystem comprises the key institutions and engagement partners, both of which should collaborate to reach out to the three main target groups, namely, the workforce, the enterprises, and the sectors.

The key institutions are those that are responsible for formulating the plans and policies and implementing the programs of the Productivity Movement. Leading the key institutions are the productivity drivers. At the apex is the proposed National Productivity Council (NPC), which will provide the strategic directions for the Productivity Movement. The Ministry of Employment, Productivity and Industrial Relations (MEPIR) and National Training and Productivity Centre (NTPC) are the two main executing productivity drivers. Their roles should now be expanded to execute the high-productivity growth strategy through the Productivity Movement. To have clout and autonomy, NTPC should be separated from Fiji National University (FNU) to become an independent statutory body with line reporting to MEPIR.

Besides the government ministries, the other key institutions are National Centre for Small and Micro Enterprise Development (NCSMED); Department of National Trade Measurement and Standards (DNTMS); the proposed National Research Council; Fiji Higher Education Council (FHEC) and education and training institutions; the public sector; and business and professional associations, particularly Fiji Commerce and Employers Federation (FCEF). MEPIR and NTPC should work closely with these key institutions to reach out to the three target groups. To perform their roles effectively, all these institutions should undergo

reforms so that they are well-geared to help drive the Productivity Movement. They should also be equipped with the requisite knowledge, resources, and capabilities.

In executing the high-productivity growth strategy, MEPIR, NTPC, and other key institutions should work with the key engagement partners. These partners can act as channels and multipliers to reach out to the target groups throughout the country. The key engagement partners in Fiji are the media, trade unions, and local government organizations. A comprehensive engagement plan should be worked out to involve them. The plan should include identification of the key institutions to reach out to the target groups, the engagement partners, and the engagement platforms. This will ensure a consistent and coherent approach in engaging the target groups. Key messages should be customized for each target group and communicated consistently in a manner that resonates with the target group. Like the key productivity institutions, the engagement partners should undergo reforms to perform their roles well. Trust between the media and trade unions and the government should also be built.

Good execution of the high-productivity growth strategy through the Productivity Movement, supported by a strong productivity ecosystem of institutions and partners, should lead to achievement of the Fiji Productivity 2036 vision. This will contribute significantly to the realization of the 'Transforming Fiji' vision in the 20-year Development Plan 2017–2036. The prerequisite for success is top-level commitment from the government towards the sustained implementation of the Fiji National Productivity Master Plan 2021–2036.

INTRODUCTION

The Fiji National Productivity Master Plan 2021–2036 is a comprehensive national plan for a high-productivity growth strategy for the country. It will drive the implementation of activities systematically and holistically to realize the objective of maximizing productivity in Fiji's 20-year Development Plan 2017–2036. The timeframe of 2021–36 makes it a 15-year plan, which is aligned with the timeframe in the 20-year Development Plan. The year 2021 is proposed to be the start year for the Master Plan as it will provide sufficient time for the government to deliberate and carry out further consultations before finalizing the plan. It will also enable the submission of request for additional funding to execute the plan during the budget cycle, leading up to the financial year 2020–21.

The development of the Fiji National Productivity Master Plan was led by two project consultants appointed by the Asian Productivity Organization (APO) and supported by an APO officer. It spanned the period 14 January to 5 April 2019 and comprised two stages. In the first stage, a diagnostics exercise identified the key productivity-related issues and challenges facing Fiji and made preliminary recommendations to address those challenges. Conducted from 14 January to 5 March 2019, the diagnostics exercise was based on research and analysis of documents including plans, policy documents, and studies; meetings and consultations with stakeholders; benchmarking against international best practices; and inputs from the APO. In the second stage, the Master Plan was drafted from 7 March to 5 April, based on the findings from the diagnostics exercise, feedback from Fijian policymakers, and inputs from the APO.

The lens used by the project consultants in the two stages is their Integrated Management of Productivity Activities (IMPACT™) framework. The framework brought into focus the factors that would normally have been excluded, and hence enabled fresh insights to be drawn for the country's productivity drive. While in-depth analysis of the key issues was undertaken in the two stages, more attention was given to synthesizing the wealth of information obtained from the various primary and secondary sources.

The Fiji National Productivity Master Plan 2021–2036 is the outcome of the two-stage process. The details of the plan are presented in the next six parts. Part 2, titled 'Sustaining Fiji's Economic Growth through a High-productivity Growth Strategy,' provides the rationale for Fiji to adopt a

high-productivity growth strategy to sustain its economic growth. Part 3, titled 'Benchmarking Fiji's Productivity Performance,' analyzes Fiji's productivity performance to date and benchmarks it against the relevant comparators. The vision for Fiji's high-productivity growth strategy is presented in Part 4 (Towards Fiji Productivity 2036), and the strategic thrusts to achieve the vision are given in Part 5 (Charting the Way Forward). Part 6, titled 'Institutionalizing the Productivity Movement,' describes how the Productivity Movement can be institutionalized, while Part 7 (Strengthening the Productivity Ecosystem: Institutions and Partners) outlines how various parts of the productivity ecosystem, comprising the key institutions and engagement partners, should be strengthened. Part 8 (Conclusion) concludes the Master Plan. The implementation structure, which summarizes the strategic thrusts and supporting strategies and the institutions responsible, is given in the Annexure.

SUSTAINING FIJI'S ECONOMIC GROWTH THROUGH A HIGH-PRODUCTIVITY GROWTH STRATEGY

Geography, Administrative Divisions, and Demography of Fiji

Fiji comprises 323 islands, scattered over 1.3 million sq km of ocean. Of these, 110 are inhabited. The total land area is 18,227 sq km, of which 56% are forested. The two dominant islands are Viti Levu and Vanua Levu, comprising 57% (10,388 sq km) and 30% (5,536 sq km) of the total area, respectively. All others are much smaller islands, with Taveuni, the third largest island, occupying less than 3% (435 sq km) of the total area.

Administratively, Fiji is divided into four divisions and one dependency. The capital is Suva, located on Viti Levu. The details are shown in Table 1. The four divisions consist of 14 provinces. Within the provinces are cities, towns, and villages.

TABLE 1

ADMINISTRATIVE DIVISIONS AND POPULATION DISTRIBUTION

Name	Status	Area (sq km)	Population
Fiji	Republic	18,227	884,887
Central	Division	4,293	378,284
Naitasiri	Province	1,666	177,771
Namosi	Province	570	7,885
Rewa	Province	272	108,074
Serua	Province	830	20,010
Tailevu	Province	955	64,544
Eastern	Division	1,422	37,648
Kadavu	Province	478	10,869
Lau	Province	487	9,539
Lomaiviti	Province	411	15,657
Rotuma	Dependency	46	1,583
Northern	Division	6,199	131,914
Bua	Province	1,379	15,489
Cakaudrove	Province	2,816	50,447
Macuata	Province	2,004	65,978
Western	Division	6,360	337,041
Ba	Province	2,634	247,685
Nadroga-Navosa	Province	2,385	58,940
Ra	Province	1,341	30,416

According to the latest 2017 Population Census, the population totaled 884,887 persons in 2017. Of those, 58% were iTaukei (indigenous Fijians), 36% Indo-Fijian, and 6% other communities. The median age of the population was a low 27.5 years.

An overwhelming 80.8% of the population are located in the Central (42.7%) and Western (38.1%) divisions, mainly on the island of Viti Levu. The remaining 19.2% are in the Northern division (14.9%), mainly on Vanua Levu, and in the Eastern division (4.3%).

In terms of urban-rural distribution of the population, slightly more than half (55.9%) live in urban areas.

Fiji's Economic Performance and the Way Forward

In 1970, Fiji gained independence after 96 years as a British colony. Since then, its gross domestic product (GDP), measured in constant 2010 USD, has trebled: from USD1.149 B in 1970 to USD3.914 B in 2017, at an average growth rate of 2.6% a year. During the same period, its GDP per capita, in constant 2010 USD, has almost doubled: from USD2,207.6 in 1970 to USD4,322.9 in 2017, at an average growth rate of 1.44% a year.

Foreign direct investment (FDI) has played an important role in Fiji's growth. According to World Bank data, net inflows of FDI as a proportion of GDP during 1979–2017 averaged 4.7%, with a minimum of -1.7% in 1999 and a maximum of 14.8% in 2006. In 2017, it was 5.9%, higher than the 1.8% average for upper-middle-income countries and the 4.6% average for Pacific small island developing states.

Today, Fiji is an upper-middle-income country in the World Bank's classification of countries. This status was achieved in 2007 when its gross national income (GNI) per capita reached USD3,830 (Atlas method, current USD), above the threshold of USD3,596 for upper-middle-income countries. In 2010, it was relegated to the lower-middle-income category as its GNI fell. However, it regained its upper-middle-income status in 2012. In 2017, Fiji's GNI per capita climbed to USD4,970.

Nevertheless, Fiji's economic development performance has not been sterling. The economic growth of 2.6% a year for the 2000–17 period was much lower than the 4.5% average for the group of upper-middle-income countries. According to the Household Income & Expenditure Survey 2013–14, 28.4% of the population were still in poverty even though there was an improvement compared with 35% in the 2002–03 survey. In the rural areas, 36.3% of the population were in poverty, much higher than 19.8% in the urban areas.

In November 2017, the Fijian government released two National Development Plans: the 20-year Development Plan 2017–2036 and a five-year Development Plan 2017–2021. These were to serve as guides on the way forward for the country. Specifically, the 20-year plan aims to provide "the forward-looking vision for 'Transforming Fiji' towards an even more progressive, vibrant and inclusive society." A key goal is quadrupling of nominal per capita income, or doubling of the real per capita income by 2036. This requires a sustained real GDP growth of 4–5% a year or an annual per capita income growth of about 3.5%; investment levels of 25% of GDP; and an inflation capped at 2–3% a year. The 20-year plan is driven by the two-pronged approach of Inclusive Socioeconomic Development and Transformational Strategic Thrusts. One of the key objectives of the transformational strategic thrusts is to maximize productivity. However, the plan did not lay down any specific productivity targets or strategies.

The five-year plan provides a detailed action agenda for the first five-year period of the 20-year plan. It translates the 20-year plan into sector development plans to be implemented in the first five years. A major transformational strategic thrust is on "enhancing international trade and foreign relations," under which is the goal of "expanding trade base and economic engagement in the global community." The strategy to achieve the goal is to "create conditions for sustained increase in investment and the increase in total factor productivity." Like the 20-year plan, no specific productivity targets or strategies are given.

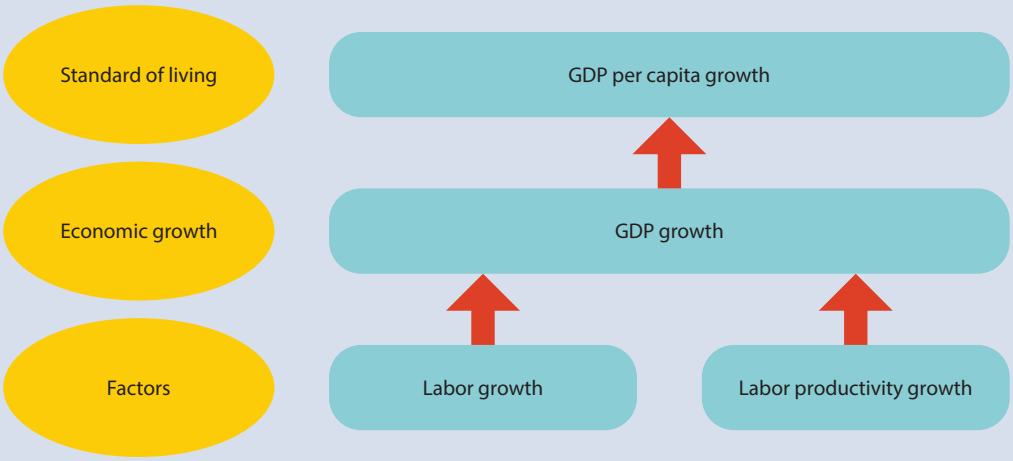
Considering Fiji's average annual GDP growth of 2.6% from 1970 to 2017, the GDP growth target of 4–5% a year is a big stretch. To achieve this target, Fiji will have to adopt a high-productivity growth strategy.

Why Fiji Needs a High-productivity Growth Strategy

Figure 1 shows the two factors determining economic growth (measured by GDP growth) and standard of living (measured by GDP per capita growth). The two factors are labor growth and labor productivity growth.

FIGURE 1

FACTORS DETERMINING ECONOMIC GROWTH AND STANDARD OF LIVING



Typically, as a country begins to develop, it depends on an increase in the supply of labor to fuel its growth. This is possible because the hitherto unemployed or underemployed unskilled labor is mobilized to fuel the labor-intensive industries that are set up. This can continue for some time, especially in a country with an abundant supply of unskilled labor. At some point, however, the country has to progress to a stage where growth is driven by labor productivity, together with the associated skilled labor. This is due to the diminishing supply and higher cost of unskilled labor, and competition from newly emerging low-cost, labor-abundant countries.

In Fiji's case, however, labor growth has not played the lead role in driving economic growth. According to the APO Productivity Databook 2018, labor growth contributed just over a third (35%) of Fiji's economic growth between 1970 and 2016. This is due to the small labor supply in

the country, both in terms of number and growth. The size of the labor force is a small 0.38 million. According to available World Bank data, Fiji's labor force grew by a slow 1.26% a year from 1990 to 2017. A key reason for this was the high number of emigrants during the years. World Bank data show that since Fiji's independence in 1970, the net migration rate (number of immigrants minus number of emigrants per 1,000 population) has been negative, with highs of -18.6 in 1990, -10.7 in 2000, and -15.1 in 2005. In 2017, the estimated net migration rate is -6.5.

Between 1990 and 2017, the labor force participation rate (LFPR) averaged a low 57.9%, with a minimum of 55.1% in 2007 and a maximum of 60.2% in 1991. In 2017, the LFPR was 57.1% and the unemployment rate was 4.5%. For the age groups of 15–19 and 20–24, the LFPR was 19.2% and 57.0%, respectively. The five-year age groups from 25 years to 49 years all show LFPR of 70% or more. Thereafter, the LFPR drops continuously for the subsequent five-year age groups from 50 years. The LFPR for females is only 40.8%, much lower than 75.4% for males.

Looking into the future, the International Labor Organization (ILO) has projected an average annual growth of only 0.83% for Fiji's labor force for the period 2018–30. With this low growth of labor, Fiji's GDP growth in the future will have to depend on high productivity growth.

Framework Underpinning High-productivity Growth Strategy

Figure 2 shows the IMPACT™ framework that underpins the high-productivity growth strategy. Commonly measured in terms of labor productivity, a country's productivity growth depends on the rates of growth of capital deepening and total factor productivity (TFP), both of which are underpinned by certain enablers. (All references to productivity and the statistics cited in this Master Plan are with respect to labor productivity unless otherwise specified.)

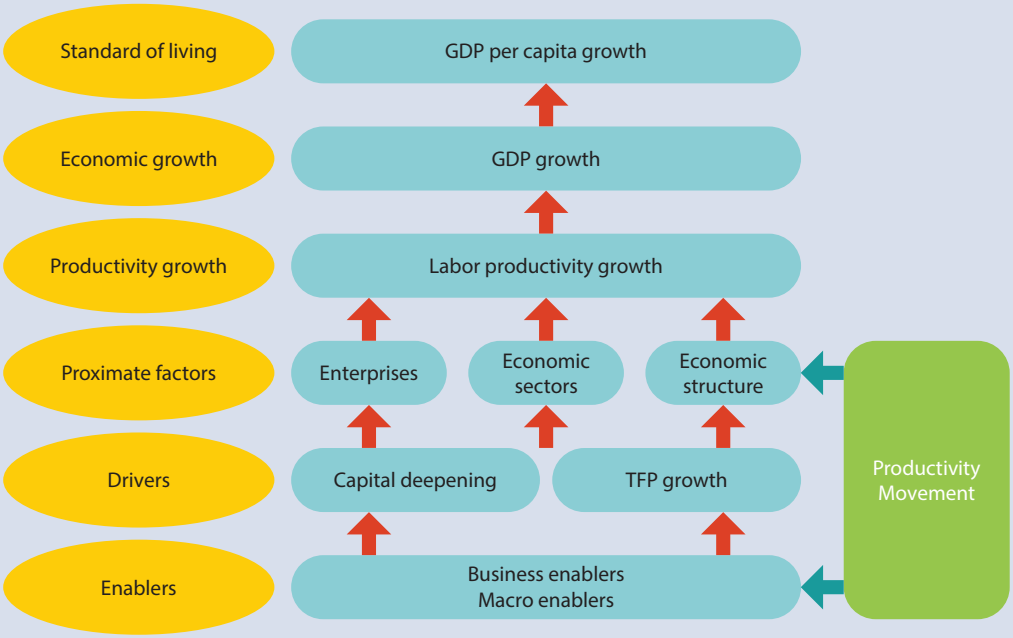
The extent of capital deepening reflects the amount of capital resources available for use in the production process. It is large when investment in capital is high or when the rate of increase in capital investment exceeds that of labor. Capital deepening, in the form of a shift from labor- to capital-intensive activities, is a common way of increasing productivity as a country develops. However, there is a limit to this because of diminishing returns to increasing capital investments over time.

In the long term, TFP is the key determinant of productivity growth. It measures how efficiently and effectively labor and capital are used in the economy. As opposed to extensive growth, which relies on an expansion of labor and capital resources to drive economic growth, TFP is a summary measure of intensive growth, depending on the efficient and effective use of resources to generate growth.

Efficiency is the typical narrow understanding and focus of productivity. It is about doing things right, i.e., ensuring that the production of products (comprising goods and services) is done right (including their effects on the environment as embodied in the concept of green productivity) through high-quality people and processes. Quality is thus critical for efficiency. Effectiveness broadens the scope of productivity. It is about doing the right things, i.e., ensuring that the right products are made and sold to the market and that resources are channeled into their production. This means that some industries are given priority attention at a point in time; and the definition of "right products" changes over time. Economic restructuring is thus necessary to ensure continual production of the right products. Product improvement, new product creation, and new business models, all of which are underpinned by innovation or technical progress, facilitate the restructuring

FIGURE 2

IMPACT™ FRAMEWORK UNDERPINNING HIGH-PRODUCTIVITY GROWTH STRATEGY



process. Innovation is thus critical for effectiveness in the use of resources. The key to innovation, and hence to high TFP growth in the long run, is agility, i.e., the ability to foresee future social, technological, economic, environmental, and political trends, and to quickly adapt and seize opportunities to create new products and services and new business models.

Capital deepening and TFP growth in a country take place at three levels: enterprise level, depending on the strategy and operations adopted in enterprises; sector level, depending on the industry dynamics affecting enterprises in a particular sector; and economy level, depending on the structure of the economy and hence allocation of resources among the sectors. These three levels are the three proximate factors affecting national productivity growth, i.e., how fast GDP or value-added per worker increases over time.

Specific enablers underpin capital deepening and TFP growth in the economy, and these are critical for the success of national productivity improvement efforts. There are two broad categories of enablers: business enablers and macro enablers. Business enablers comprise workforce, technology, and business environment. Macro enablers comprise institutional environment, infrastructure, macroeconomic stability, and education and health. Of the two, business enablers are of more direct concern in the management of national productivity, although macro enablers cannot be ignored.

In the World Economic Forum's Global Competitiveness Report (GCR), the role of enablers is encapsulated in the Global Competitiveness Index (GCI). This is a summary measure of the competitiveness of an economy, defined as "the set of institutions, policies and factors that determine the level of productivity of a country." The role of enablers also features prominently in the Global Innovation Index (GII) of Cornell University, INSEAD, and the World Intellectual

Property Organization. Enablers are defined as "aspects of the environment conducive to innovation within an economy." An Innovation Input Sub-index is used to determine the strength of enablers in a country.

A high-productivity growth strategy must adopt a holistic approach to productivity management that addresses all the drivers, i.e., the proximate factors and enablers affecting the country's productivity. In short, it should adopt a broad scope of productivity that goes far beyond the conventional narrow view of productivity that focuses on enterprise-level efficiency but is only a part of one of the three proximate factors affecting productivity growth. It is only by adopting this broad scope that capital deepening and TFP, driven by innovation, can be enhanced to raise the country's productivity. To execute this approach systematically, a national productivity movement, supported by a strong ecosystem of institutions and partners, is required. What is critical is agility in foreseeing future trends that impact all the drivers of national productivity, and in quickly adapting and seizing opportunities to improve the drivers.

Is the High-productivity Growth Strategy Framework Applicable to Fiji?

Arguments have been put forward to highlight the constraints faced by Fiji in its economic development because of certain distinguishing characteristics that make it difficult to emulate the strategies taken by others. Broadly, there are three arguments.

First, Fiji is a small island developing state (SIDS). Like the other 57 countries and nations classified as SIDS by the United Nations, Fiji faces particular challenges of development. These include small physical size and population, limited resources, and heavy dependence on international trade.

Second, Fiji is one of the Pacific SIDS and is the largest economy in that group after Papua New Guinea. Like the other Pacific SIDS, Fiji has two additional challenges: geographical dispersal of its constituent islands, and a location that is remote from the world's markets. These lead to high costs that undermine price competitiveness when competing in international markets.

Third, Fiji's economic growth is inherently volatile. Like the other Pacific SIDS, Fiji is located around the equator and on the Pacific Ring of Fire. This exposes the country to frequent and intense natural disasters, including tropical cyclones, earthquakes, volcanic eruptions, tsunamis, and climate change. As a small economy, it is also impacted by external factors such as commodity price shocks, global financial and economic crises, and phasing out of preferential trade agreements.

Nevertheless, Fiji should look beyond the oft-cited constraints of SIDS and 'Pacificness' to consider what is possible. The following quote from *Pacific Possible*, published by the World Bank in 2017, is instructive as it emphasizes the need to look at what is possible rather than what is not possible:

"Past analytical work highlighted structural barriers to growth and international competitiveness (remoteness from major markets, fragmentation, small population size, vulnerability to external shocks, and environmental fragility). For most of the smaller PICs [Pacific Island Countries], potential drivers of economic growth are thus limited to a few sectors, where natural endowments (such as tourism and fishing) help overcome these structural barriers. If historical low growth trends were to continue, most PICs would see only modest increases in living standards over the span of a generation. Pacific Possible looks at long-term improvements in living standards and asks the question 'What is possible?'"

Singapore, which is one of the 58 SIDS classified by the United Nations, is a case in point about what is possible when the SIDS characteristics do not become binding constraints. Three quotes encapsulate the economic transformation that has taken place in Singapore and the reason for its success.

In writing for *Far Eastern Economic Review*, in its 23 February 1963 edition, David Bonavia painted a dismal state of Singapore soon after it achieved full internal self-government following 140 years of British rule:

"It is depressing to tour the windswept empty acres of site-land in Jurong today, and reflect on what it might have been."

Three decades later, in 1994, John Naisbitt, futurologist and author of *Megatrends*, summed up what many analysts had written about the economic transformation in Singapore:

"Singapore's success says a great deal about how a country with virtually no natural resources can create economic advantages with influence far beyond its region."

A crystal-clear explanation of the reason for Singapore's successful transformation is given by Dr Albert Winsemius, Chief Economic Adviser to Singapore, 1960–84, in 1984:

"There was never a Singapore miracle. It was simply hard-headed policy."

Similarly, hard-headed policy is required to lift Fiji's productivity growth to a higher plane, unfettered by the SIDS characteristics and 'Pacificness.' The framework underpinning the high-productivity growth strategy, summarized in Figure 2, provides the basis for this to be realized. The broad strategies to raise productivity in Fiji are similar to those in any other country, including capitalizing on the country's resources and distinctive competencies, offering differentiated or niche products and services, and diversifying the economic base. The benchmarks that Fiji should use are thus not just the Pacific SIDS, against which it performs better in many aspects, but the upper-middle-income category that it is in, as well as other best practices.

By applying the high-productivity growth strategy framework systematically, Fiji will be able to increase national productivity substantially to support economic growth and raise the standard of living. This will strengthen the resilience of the economy to withstand any external shock and to seize opportunities after the shock.

BENCHMARKING FIJI'S PRODUCTIVITY PERFORMANCE

Comparators for Benchmarking

The starting point for looking into the future is to benchmark Fiji's productivity performance to date. This entails taking stock of how Fiji's productivity has performed over time and how it compares with the relevant comparators. The comparators fall under two categories. The first category is the group of 20 APO member countries (APO20), of which Fiji is a member. The second category comprises the three APO member countries that are upper-middle-income countries like Fiji. These are IR Iran, Malaysia, and Thailand.

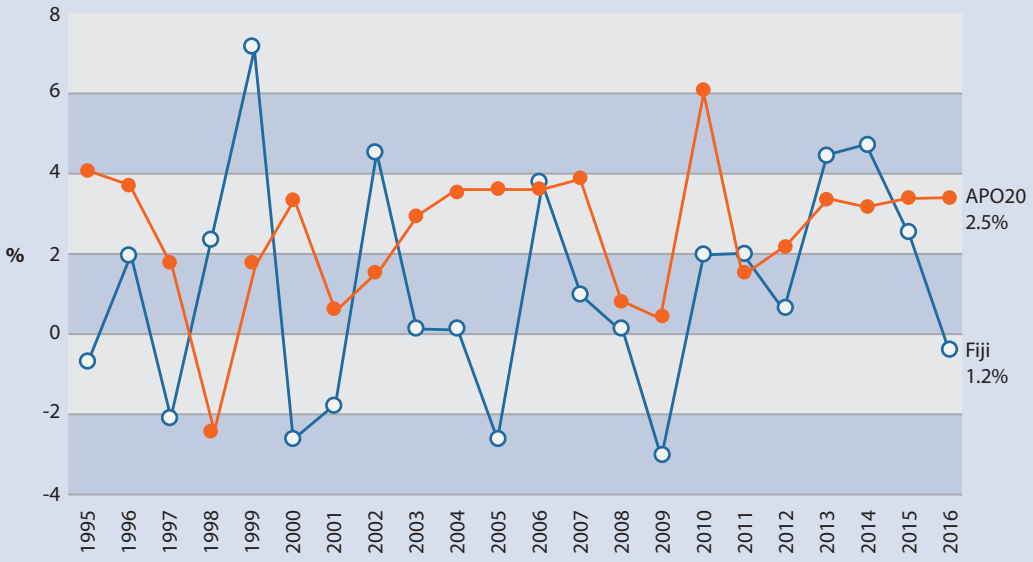
Fiji's Productivity Growth Record

Figures 3a and 3b show Fiji's productivity growth performance in the last two decades, with 2016 being the end year based on latest available data from the APO Productivity Databook 2018.

Figure 3a shows that Fiji's productivity growth fluctuated much more than that of APO20 in the period 1995 to 2016. On average, it recorded a low of 1.2% a year, which is about half of the 2.5% average for APO20.

FIGURE 3A

FIJI'S PRODUCTIVITY GROWTH COMPARED WITH APO20

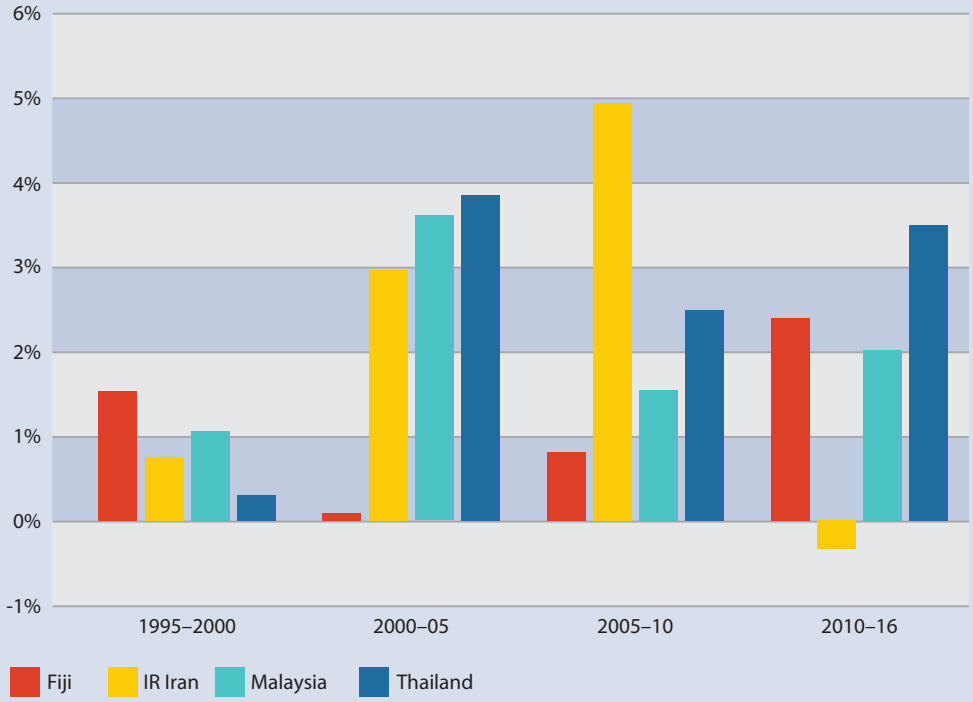


Source: APO.
Note: Productivity growth refers to average annual growth of GDP at constant basic prices per worker, using 2011 PPP.

Figure 3b shows a breakdown of Fiji's productivity growth for the five-year periods between 1995 and 2016 in comparison with IR Iran, Malaysia, and Thailand. The growth fluctuated greatly from one five-year period to another. During 1995–2000, Fiji's productivity growth was the highest. It then fell to close to zero during 2000–05 and 2005–10 while the growths of the others shot up. Subsequently, in 2010–16, it seemed to rise substantially again, and was just behind Thailand's growth rate. This was, in fact, due to the growth from a low base in 2009 as a result of natural disasters (floods and cyclones). The growth fell again in 2015 and 2016.

FIGURE 3B

FIJI'S PRODUCTIVITY GROWTH COMPARED WITH OTHER UPPER-MIDDLE-INCOME COUNTRIES IN APO



Source: APO.
Note: Productivity growth refers to average annual growth of GDP at constant basic prices per worker, using 2011 PPP.

Productivity Levels Achieved by Fiji

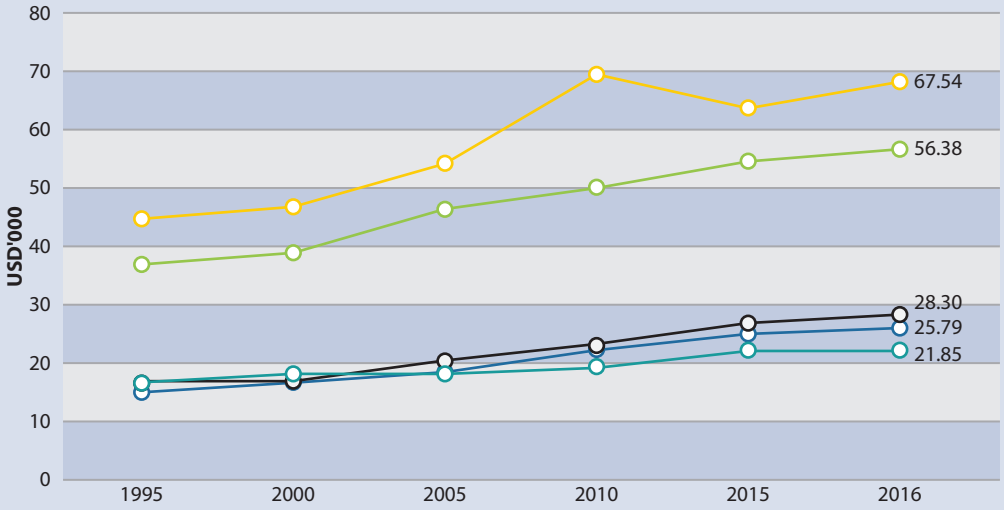
Figures 4a and 4b show the productivity levels achieved by Fiji. As a result of the low productivity growth of 1.2% a year, Fiji's productivity level increased by just 28.8% over two decades, from USD16,970 in 1995 to USD21,850 in 2016.

In 1995, Fiji's productivity level was slightly higher (11%) than that of APO20. Subsequently, APO20 overtook Fiji with a higher growth. In 2016, Fiji's productivity level was 84.7% of APO20's.

Compared with IR Iran, Malaysia, and Thailand, Fiji has lagged behind and the productivity gap has widened. From a level that was lower than Fiji's (97%) in 1995, Thailand has since overtaken Fiji.

FIGURE 4A

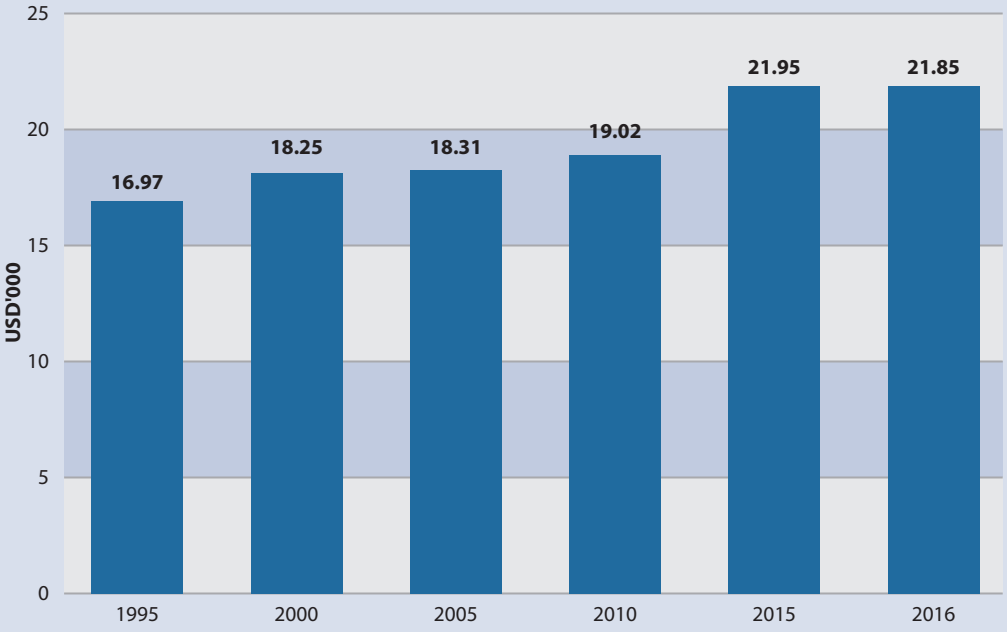
FIJI'S PRODUCTIVITY LEVEL COMPARED WITH APO20 AND UPPER-MIDDLE-INCOME COUNTRIES IN APO



	1995	2000	2005	2010	2015	2016
APO20	15.25	16.53	18.72	21.71	24.92	25.79
Fiji	16.97	18.25	18.31	19.02	21.95	21.85
IR Iran	44.89	46.65	54.01	68.78	63.87	67.54
Malaysia	36.79	38.79	46.33	50.01	54.45	56.38
Thailand	16.54	16.80	20.31	23.00	26.76	28.30

FIGURE 4B

PRODUCTIVITY LEVEL ACHIEVED BY FIJI



Source: APO.
Note: Productivity level = GDP at constant basic prices per worker, using 2011 PPP, reference year 2016.

Sources of Fiji's Productivity Growth

Table 2 shows the sources of Fiji's productivity growth for the period 1990 to 2016.

TABLE 2

SOURCES OF FIJI'S PRODUCTIVITY GROWTH

Period	Labor productivity growth (%)	Percentage point contribution			
		Capital deepening			TFP
		Total	IT	Non-IT	
1990–95	−0.4	−0.1	0.1	−0.2	−0.3
1995–2000	1.2	1.0	0.0	1.0	0.2
2000–05	−0.3	−0.3	0.1	−0.4	0.0
2005–10	1.7	1.1	0.2	0.9	0.6
2010–16	1.3	−1.0	0.0	−1.0	2.3

Source: APO.
Note: 1. Labor productivity growth refers to average annual growth rate of constant-price GDP per hour worked.
2. IT = Information technology

From 1990 to 2010, Fiji's labor productivity growth was determined very much by changes in the capital deepening growth, as the percentage point contribution from TFP was basically flat. Gross capital formation as a proportion of GDP averaged 19.6% during 1990–2016, with a minimum of 12.8% in 1992 and a maximum of 28.2% in 1998. In 2016, it was 20.0%, about the same as the average for 1990–2016 and much lower than the 31.6% average for upper-middle-income countries.

The implication is that there is much scope for capital deepening to raise the country's productivity growth. Simultaneous attention should be given to TFP, which began to contribute significantly to labor productivity growth from 2010.

Productivity Performance of Fiji's Economic Sectors

Figures 5a and 5b show the productivity performance of the three major sectors, namely agriculture, industry, and services, in the last two decades.

Historically, the economy's productivity level has been buttressed by the services sector, followed by the industry sector. The agriculture sector's productivity level has been much lower. However, during 1995 to 2016, the industry sector's productivity level increased by 24.8%, higher than the 15.4% for the services sector, thus closing the productivity gap. In contrast, the productivity level of the agriculture sector fell by 0.9%.

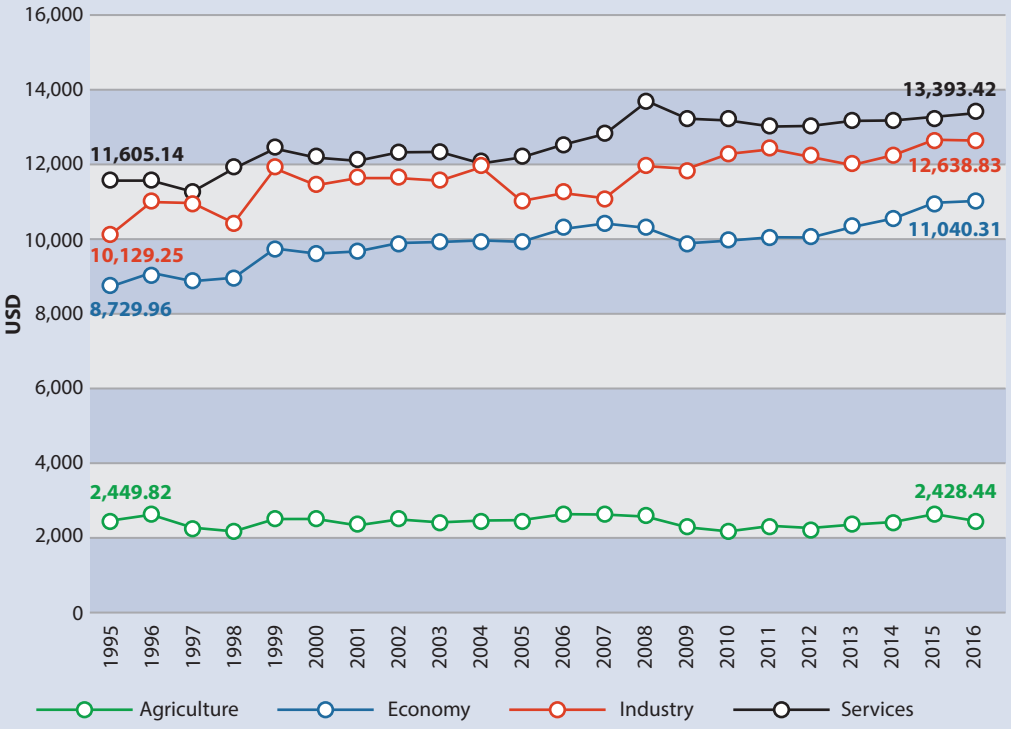
Looking at the five-year sub-periods for productivity growth, the trends are largely similar during 1995 to 2010, with the agriculture sector being the worst performer. For the latest sub-period of 2010–15, however, the productivity growth of the agriculture sector seemed to have shot up. This was due to the growth from a low base in 2009, as reflected by the large decline of −2.5% in the productivity growth during the 2005–10 period, as a result of natural disasters floods and cyclones.

Fiji's Performance in the Global Innovation Index

Fiji is not included in the GCR as it has not participated in the GCI assessment. Hence, it is not possible to compare Fiji's performance on the GCI with other countries.

FIGURE 5A

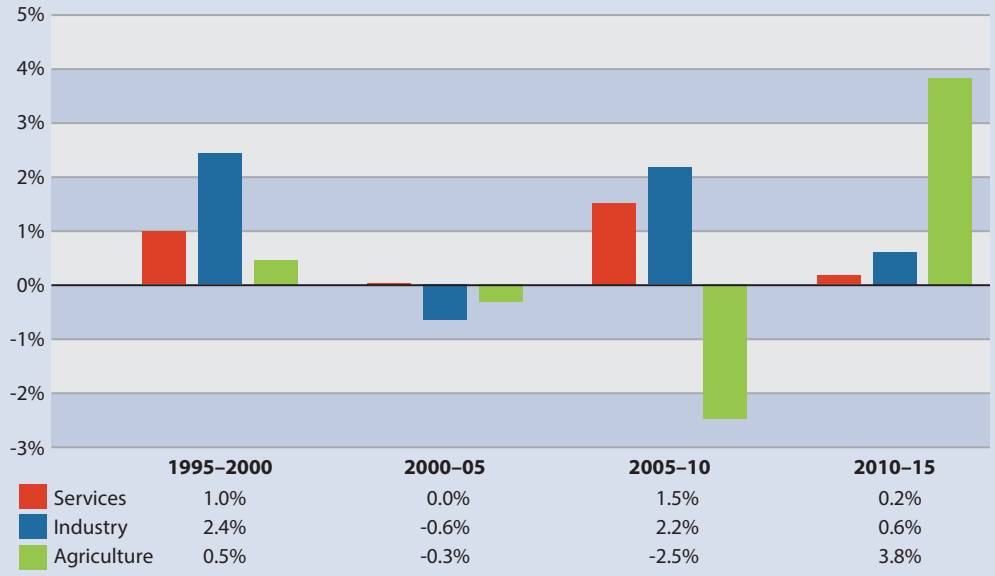
PRODUCTIVITY LEVEL OF SECTORS



Source: World Development Indicators.
Note: Productivity level = constant 2010 USD.

FIGURE 5B

PRODUCTIVITY GROWTH OF SECTORS



	1995–2000	2000–05	2005–10	2010–15
Services	1.0%	0.0%	1.5%	0.2%
Industry	2.4%	-0.6%	2.2%	0.6%
Agriculture	0.5%	-0.3%	-2.5%	3.8%

Source: World Development Indicators.

Fiji's last participation in the GII was in 2015. Table 3 shows Fiji's performance on the GII's Innovation Input Sub-Index, the relevant measure of the strength of a country's enablers. Out of 141 countries, Fiji was ranked 64 with an overall score of 42.6, i.e., less than half of the maximum possible score. It performed poorly for market sophistication, which is a composite of credit market, investment environment, and trade and competition; as well as for quality of infrastructure and institutions.

TABLE 3

FIJI'S SCORE AND RANK IN GLOBAL INNOVATION INDEX

Item	Score (0–100)	Rank (out of 141)
Overall	42.6	64
Institutions	54.4	88
Human capital & research	30.6	61
Infrastructure	32.9	90
Market sophistication	38.7	119

In future, Fiji should participate in the GCI and GII every year. These are established international assessments that provide critical performance benchmarks, and enable comparisons, tracking of progress, and implementation of actions to close the gaps identified.

TOWARDS FIJI PRODUCTIVITY 2036

Fiji Productivity 2036

The productivity benchmarking study shows that Fiji's productivity performance to date has been below par. A huge leap is thus required for Fiji to raise its productivity level significantly. Nevertheless, there is much potential for high productivity growth. First, Fiji is starting from a low base compared with the other upper-middle-income countries. Second, the political climate in Fiji has stabilized with the adoption of a new Constitution in September 2013 and the conduct of national democratic elections in September 2014. Consequently, the economy has been on an upward growth trajectory.

The high-productivity growth strategy in the Fiji National Productivity Master Plan 2021–2036 will boost the country's productivity performance and sustain its economic growth. The vision to be achieved by this strategy is termed Fiji Productivity 2036 to underline the end state of the plan and to emphasize its alignment with the 20-year Development Plan 2017–2036. The vision comprises an overarching quantitative target, together with the associated targets for the three sectors, and five qualitative goals. The details are shown in Table 4.

TABLE 4

FIJI PRODUCTIVITY 2036

Overarching target	3.2% average annual productivity growth for the period 2021–2036 • Agriculture: 2.6% • Industry: 3.3% • Services: 3.3%	
Goals	Enterprises	Productive and agile enterprises making efficient and effective use of resources
	Economic sectors	High-value-added sectors located in high end of product space
	Economic structure	Broad economic base with high-value-added industries
	Enablers	Robust business enablers propelling enterprise and sector growth Advanced macro enablers underpinning sustained productivity growth

Overarching Target for a High-productivity Growth Strategy

As stated in Part 2 of this Master Plan, titled 'Sustaining Fiji's Economic Growth through a High-productivity Growth Strategy,' a key goal in the government's 20-year Development Plan 2017–2036 is the quadrupling of nominal per capita income or the doubling of real per capita income by 2036. This requires a sustained real GDP growth of 4–5% a year, which will have to come from a combination of labor growth and productivity growth. The ILO has projected that Fiji's labor force will grow by an

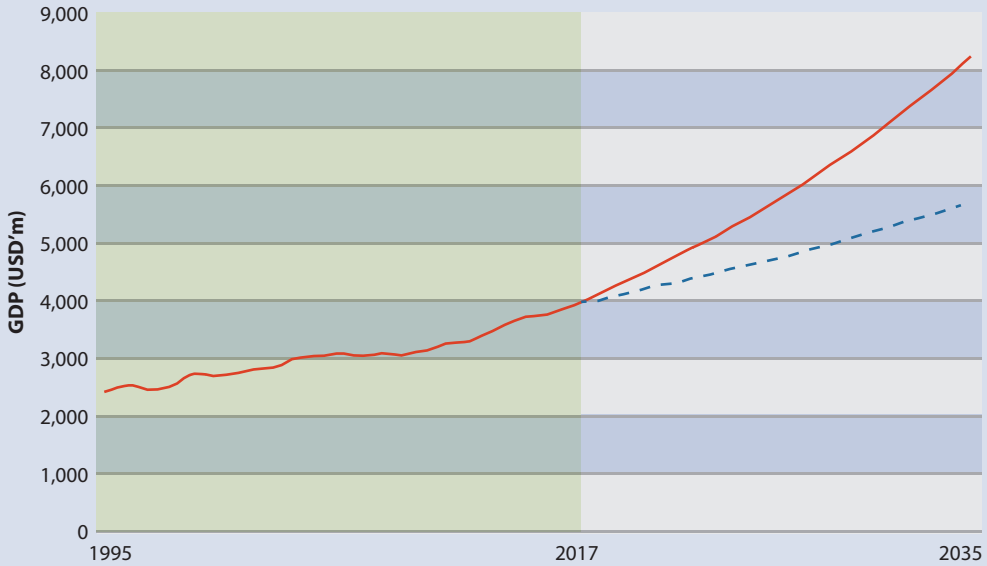
average of 0.83% a year for 2018–30. Assuming that this growth rate continues till 2036, productivity will have to grow at an average of at least 3.2% a year to sustain the GDP growth target.

The overarching target to be achieved in the Fiji National Productivity Master Plan can therefore be set as 3.2% average annual productivity growth for the period 2021–36. This is the quantitative aspect of the vision for the high-productivity growth strategy in the Master Plan. It is a stretch target, considering that the productivity growth achieved during 1995–2016 was only 1.2% a year. Figure 6 shows a projection of the GDP with an annual productivity growth of 3.2% compared with 1.2%. Achieving the target will provide an absolute GDP gain of USD2.55 B in 2036, or a huge 45% more when compared with a situation where the productivity growth was to stagnate at 1.2%. Nevertheless, it is not unrealistic when a comparison is made with Thailand, the upper-middle-income country in the APO that has a productivity level closest to Fiji's (see Figure 4a). Between 1990 and 2016, Thailand's productivity grew at an average of 3.3% a year.

To achieve the target of 3.2% average annual growth for the economy, the productivity of the agriculture sector must grow by 2.53% a year and the productivity of the industry and services sectors by 3.23% each a year. The targets can be set as 2.6% for the agriculture sector and 3.3% each for the industry and services sectors. All these are much higher than what was historically recorded for the agriculture (−0.20%), industry (0.63%), and services (0.59%) sectors for the period 2000–16.

FIGURE 6

GDP GAIN FROM ACHIEVEMENT OF PRODUCTIVITY GROWTH TARGET



Average annual productivity growth (%) 2021–36	Average annual GDP growth (%) 2021–36	GDP in 2036 (USD 'B)
3.2	4.0%	8.25
1.2	2.0%	5.70
	Absolute gain	**2.55**

Source: World Development Indicators for GDP from 1995 to 2017.
Note: GDP level = constant 2010 USD.

Goals for High-productivity Growth Strategy

Besides the quantitative target, the vision for the high-productivity growth strategy encompasses five qualitative goals, as shown in Table 4. These goals are characteristics that can be expected of the Fijian economy as the proximate factors and enablers are addressed by the high-productivity growth strategy. Productive and agile enterprises make efficient and effective use of resources and are able to sustain the generation of high value added. High-value-added sectors produce products and services that are in the high end of the product space. A broad economic base with high-value-added industries is characterized by a modern and highly productive services sector, a diversified and productive industry sector, and a much smaller but productive agriculture sector. Both low-value-added industries and the informal sector are diminished. Robust business enablers propel enterprise and sector growth; while advanced macro enablers underpin sustained productivity growth of enterprises, sectors, and the overall economy. All these characteristics ensure that labor and capital resources are channeled to areas with the potential for the highest productivity growth.

CHARTING THE WAY FORWARD

Strategic Thrusts to Achieve Goals

To achieve the Fiji Productivity 2036 vision, a holistic approach must be taken to manage the proximate factors and enablers affecting productivity. Table 5 lists the 12 strategic thrusts needed to achieve the vision under this holistic approach. It also shows how the strategic thrusts support the Inclusive Socioeconomic Development and Transformational Strategic Thrusts in the 20-year Development Plan 2017–2036. In addition, the United Nations (UN) Sustainable Development Goals for 2030 are included to underline how the strategic thrusts contribute to the attainment of the goals.

TABLE 5

STRATEGIC THRUSTS TO ACHIEVE FIJI PRODUCTIVITY 2036 VISION

Overarching target	Goals	Strategic thrusts	Thrusts in 20-Year Development Plan 2017–2036	UN Sustainable Development Goals 2030
3.2% average annual productivity growth for the period 2021-2036	Productive and agile enterprises making efficient and effective use of resources	1. Raise the productivity level of broad base of SMEs 2. Grow number of competitive large enterprises 3. Transform SOEs into vanguards of high-productivity enterprises	• Nurturing new and emerging growth sectors	
	High-value-added sectors located in high end of product space	4. Promote productivity and sustainable development in all sectors 5. Modernize, commercialize and diversify agriculture 6. Expand industrial base and raise value-added of industrial production 7. Develop tourism cluster and modern high-value-added services	• Protecting culture, heritage and natural environment • Nurturing new and emerging growth sectors • Food and nutrition security	• Industry, innovation, and infrastructure • Responsible consumption and production • Climatic action • Life below water • Life on land
	Broad economic base with high-value-added industries	8. Expand existing core industries and develop new high-value-added industries	• Nurturing new and emerging growth sectors	

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Overarching target	Goals	Strategic thrusts	Thrusts in 20-Year Development Plan 2017–2036	UN Sustainable Development Goals 2030
	Robust business enablers propelling enterprise and sector growth	9. Build productivity culture and develop future-ready skills	• Skills development and demographic dividend • Reducing unemployment rate to below 4%	
		10. Strengthen technology development and proliferate its applications	• Embracing appropriate and new technology for productivity improvement	
		11. Create business-friendly environment	• Nurturing new and emerging growth sectors	
	Advanced macro enablers underpinning sustained productivity growth	12. Collaborate with relevant institutions to improve macro enablers	• National security • Improving transport and digital connectivity • 100% access to clean and safe water and proper sanitation • Electricity for all • Government debt to be reduced to 35% of GDP • Universal access to quality education • High-quality healthcare system	• No poverty • Zero hunger • Good health and well being • Quality education • Gender equality • Clean water and sanitation • Affordable and clean energy • Decent work and economic growth • Industry, innovation and infrastructure • Reduced inequalities • Sustainable cities and communities • Peace, justice, and strong institutions • Partnerships for the goals

Strategic Thrust 1: Raise the Productivity Level of Broad Base of SMEs

Table 6 shows an overview of the enterprises in the services and industry sectors. In terms of size, small and medium-sized enterprises (SMEs), defined to include micro (less than five employees), small (5–19 employees), and medium (20–49 employees) enterprises, dominate with 94.5% of total establishments. According to the Reserve Bank of Fiji, these contribute 60% to the total employment and 12% to the GDP. In terms of ownership, the industry and services sectors are driven primarily by local enterprises, which account for 97.6% of total establishments. Private-owned enterprises make up the bulk of the establishments (80%), followed by non-profit organizations (16%), government entities (2%), and others (2%).

A large majority of the establishments (87.7%) are in the services sector. About half of them (51.5%) are in wholesale & retail trade (18.5%), transport & storage (17.2%), and education (15.8%). Across all 12 industries in the sector, more than 90% of the establishments are SMEs, while the average for the overall sector is 95.4%.

For the industry sector, most of the establishments (72.4%) are in manufacturing. This sector is also dominated by SMEs (88.0%) and has a higher percentage of large establishments (12.0%) compared with the services sector (4.6%).

TABLE 6

OVERVIEW OF ENTERPRISES IN THE SERVICES AND INDUSTRY SECTORS

Sector	No. of establishments		Size		Ownership	
			SME	Large	Local	Foreign/others
Total	**8,504**	**100%**	**94.5%**	**5.5%**	**97.6%**	**2.4%**
Services	**7,457**	**100%**	**95.4%**	**4.6%**	**95.7%**	**4.3%**
Wholesale & retail trade	1,381	18.5%	91.0%	9.0%	98.3%	1.7%
Transport & storage	1,284	17.2%	97.9%	2.1%	98.8%	1.2%
Education	1,175	15.8%	98.5%	1.5%	99.7%	0.3%
Accommodation & food services	704	9.4%	90.6%	9.4%	92.3%	7.7%
Real estate activities	617	8.3%	99.7%	0.3%	98.7%	1.3%
Financial activities	611	8.2%	97.2%	2.8%	80.4%	19.6%
Other services	407	5.5%	90.2%	9.8%	98.1%	1.9%
Professional, scientific & technical	382	5.1%	97.6%	2.4%	99.2%	0.8%
Administrative & support services	374	5.0%	95.7%	4.3%	97.9%	2.1%
Information & communication	209	2.8%	91.9%	8.1%	87.1%	12.9%
Human health & social work	170	2.3%	98.8%	1.2%	99.4%	0.6%
Arts & entertainment	143	1.9%	98.6%	1.4%	65.7%	34.3%
Industry	**1,047**	**100%**	**88.0%**	**12.0%**	**96.8%**	**3.2%**
Manufacturing	758	72.4%	87.6%	12.4%	97.8%	2.2%
Construction	236	22.5%	89.0%	11.0%	96.2%	3.8%
Mining & quarrying	29	2.8%	96.6%	3.4%	89.7%	10.3%
Electricity	17	1.6%	76.5%	23.5%	82.4%	17.6%
Water supply & sewerage	7	0.7%	85.7%	14.3%	85.7%	14.3%

Source: Fiji Bureau of Statistics, 2015 (2014 for financial activities, arts & entertainment, and other services).
Notes:
1. The statistics exclude the agriculture sector, public administration and defense, and the informal sector. Included in the statistics are 1,414 non-profit organizations (1,104 in education) and 121 government entities (82 in transport & storage, 19 in education).
2. For statistical purposes, SMEs refer to enterprises with less than 50 employees.

Table 7 shows that micro establishments form the majority of the SMEs, accounting for 64% of total establishments. Most of the remainder are small enterprises (28%), leaving only a fraction of medium enterprises (8%). Most of the micro enterprises (91%) are in the services sector.

In the services sector, two-thirds of the enterprises (66%) are micro in size. Industries with high proportions of micro establishments are education (90%), mainly non-profit organizations offering primary and pre-primary education; real estate (92%); and transport & storage (81%), mainly taxi sole proprietorships. Industries with high proportions of small enterprises are accommodation & food services, and wholesale & retail trade.

In the industry sector, the distribution of establishments is more evenly spread out between micro (48%) and small (38%). More than half of the establishments in water supply & sewerage (67%) and construction (51%) are small. Industries with the highest proportions of medium enterprises are water supply & sewerage (33%), electricity (31%), and mining & quarrying (29%).

TABLE 7

COMPOSITION OF SMES IN THE SERVICES AND INDUSTRY SECTORS

No of establishments by size	Micro		Small		Medium		Total	
Sector	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Total	**5,146**	**64**	**2,286**	**28**	**606**	**8**	**8,038**	**100**
Services	**4,704**	**66**	**1,936**	**27**	**477**	**7**	**7,117**	**100**
Wholesale & retail trade	416	33	626	50	215	17	1,257	100
Transport & storage	1,012	81	187	15	58	5	1,257	100
Education	1,036	90	98	8	23	2	1,157	100
Accommodation & food services	196	31	371	58	71	11	638	100
Real estate activities	563	92	52	8	0	0	615	100
Financial activities	452	76	114	19	28	5	594	100
Other services	274	75	83	23	10	3	367	100
Professional, scientific & technical	223	60	129	35	21	6	373	100
Administrative & support services	207	58	137	38	14	4	358	100
Information & communication	110	57	65	34	17	9	192	100
Human health & social work	127	76	33	20	8	5	168	100
Arts & entertainment	88	62	41	29	12	9	141	100
Industry	**442**	**48**	**350**	**38**	**129**	**14**	**921**	**100**
Manufacturing	352	53	221	33	91	14	664	100
Construction	78	37	108	51	24	11	210	100
Mining & quarrying	9	32	11	39	8	29	28	100
Electricity	3	23	6	46	4	31	13	100
Water supply & sewerage	0	0	4	67	2	33	6	100

Source: Fiji Bureau of Statistics, 2015 (2014 for financial activities, arts & entertainment, and other services).
Notes: 1. The statistics exclude the agriculture sector, public administration and defense, and the informal sector.
2. For statistical purposes, micro = <5 employees, small = 5–19 employees, and medium = 20–49 employees.

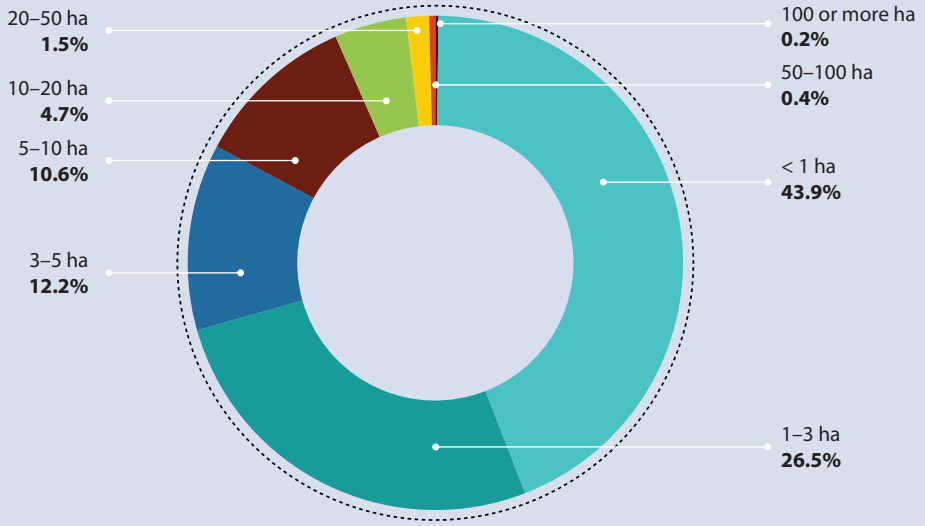
Figure 7 shows the distribution of farms in the agriculture sector, based on the latest Fiji National Agricultural Census 2009. The classification used is different from that for the industry and services sectors.

The total number of farms is 65,033. Small farms, defined as those that are less than 5 ha, dominate with 82.6% of the total. This is followed by medium farms that are 5–49 ha in area (16.8%), leaving only a small proportion (0.6%) of large farms that are 50 ha or more in area. Most of the farms are operated by individuals and households: 98.8% in small farms, 98.2% in medium farms, and 86.4% in large farms. The remaining small number of farms are operated by corporations and cooperatives.

A striking observation from the statistics is the significant drop in the number of establishments (used here to include farms as well) by size. In the services and industry sectors, there is a big drop in establishments from micro (5,146) to small (2,286), a plunge from small (2,286) to medium (606), and a small drop from medium (606) to large (466). In the agriculture sector, there is a big drop from small (53,717) to medium (10,925), and a plunge from medium (10,925) to large (391) establishments. This raises concerns about whether there are barriers preventing the enterprises from growing, other than the fact that many of those are content with operating in the informal sector and have no desire to expand their operations.

FIGURE 7

COMPOSITION OF AGRICULTURAL FARMS



Source: Fiji National Agricultural Census 2009.

Although statistics for Fiji are not available, the productivity of SMEs (including small and medium farms), and micro enterprises in particular, is typically low compared with the large enterprises. Reasons for the low productivity of SMEs include deficiency of knowledge and skills, lack of access to finance and market, and low level of technology adoption. Given the small domestic market, high business costs (including cost of registration), and small scale of operations, SMEs have little incentive to grow, innovate, and invest in technology and staff development. Many family-owned enterprises choose to remain in the informal sector and are unwilling to employ qualified persons outside their families. They typically operate in the low-value-added end of the industry, e.g., micro retail operators, and on a subsistence basis. Their growth, as well as willingness to move out of the informal sector, may be impeded by certain legislation, rules, and policies. An example is the Food & Safety Act, which specifies a common set of stringent standards for compliance by fine-dining restaurants and small food establishments. Another example is the high business registration fees and requirements, which apply equally to enterprises of all sizes.

The consequence of all these, i.e., a large number of unproductive SMEs operating in low-value-added segments of industries including the informal sector, large number of people employed in these SMEs, and the inability of the enterprises to grow in size and contribute more value added to their respective industries, is a drag on the country's productivity.

The strategic thrust is therefore to raise the productivity level of the broad base of SMEs. There are several strategies to support this strategic thrust.

First, an SME development agency (SDA) should be set up to oversee the development of micro, small, and medium enterprises in the country. It could be an expanded form of the National Centre for Small and Micro Enterprise Development (NCSMED), which was set up under the Small and Micro Enterprises Development Act 2002 to provide assistance in the form of training, mentoring, and business incubator services. The responsibilities of the SDA should include collecting data and analyzing the needs of SMEs, formulating development policies, administering assistance programs

such as training and networking sessions, facilitating SMEs' access to capital, and overseeing the initiatives undertaken by other government organizations that impact SMEs. It should be given the clout to perform all these responsibilities, especially data collection. Currently, detailed statistics on enterprises are not available even for the formal sector, and the situation is worse for the large informal sector. This impedes development of comprehensive policies and programs to address the needs of different sizes and sectors of SMEs.

The SDA should adopt a tiered approach, with different programs tailored for each tier in view of their different needs. For the micro enterprises, the immediate task is to incentivize and facilitate registration, and subsequently, help them upgrade their operations and facilitate their access to capital. For the small and medium enterprises, the priorities are to develop broad-based training programs such as mobile-learning by working with partners; carry out outreach on basic business requirements and skills development; and facilitate their access to capital. The more promising SMEs can be identified and groomed through customized assistance. This could be modeled on APO's Development of Demonstration Companies program. The SDA could be assisted by satellite centers throughout the country, and work with other government agencies and private organizations to develop a strong ecosystem for SMEs to grow. The SMEs could be encouraged to set up their own associations or bodies to serve their needs and to facilitate communication with the government and collaborations with other organizations, e.g., institutions of higher learning, to address skills gaps.

Second, the capabilities of SMEs in managing their operations should be enhanced. These include the quality of human resources and knowledge of modern management techniques. Adoption of productivity tools, technologies, and standards should be promoted. Basic productivity techniques, such as 5S housekeeping and wastes management; technologies that are appropriate to SME operations; and standards to improve quality and meet compliance requirements can all make a big difference to the productivity of SMEs. Assistance should be given to the SMEs to facilitate adoption of these tools and technologies. Modular training programs can be conducted in partnership with the institutions of higher learning and others such as the Fiji Human Resource Institute.

Third, the more promising SMEs should be developed to support large enterprises in clusters and to link to the higher ends of their value chains. Knowledge exchanges and collaborations can be fostered so that the capabilities of the SMEs can be strengthened. Entrepreneurship in these clusters, especially those in the high-value-added industries, can be promoted concurrently. The focus should be on creation of new businesses and new business concepts, which, over time, will overshadow low-value-added domestic businesses such as micro-retail operations. This process of creative destruction is critical for the country's growth to be sustained.

Fourth, SMEs can be given recognition for their efforts and achievements in productivity improvement. This could be done through existing awards such as the National SME Awards by Fiji Development Bank, with a separate category on productivity added. Such awards will spur the award winners to go for greater heights. At the same time, the award winners will serve as role models for others to emulate.

Strategic Thrust 2: Grow Number of Competitive Large Enterprises

Table 8 shows the distribution of the 466 large enterprises in the services and industry sectors.

The majority of large establishments (73.0%) are in the services sector. Of these large services establishments, the majority are in wholesale & retail trade (36.5%). Within the industry sector,

TABLE 8

DISTRIBUTION OF LARGE ENTERPRISES IN THE SERVICES AND INDUSTRY SECTORS

Sector	No.	%
Total	**466**	**100**
Services	**340**	**100**
Wholesale & retail trade	124	36.5
Transport & storage	27	7.9
Education	18	5.3
Accommodation & food services	18	19.4
Real estate activities	2	0.6
Financial activities	17	5.0
Other services	40	11.8
Professional, scientific & technical	9	2.6
Administrative & support services	16	4.7
Information & communication	17	5.0
Human health & social work	2	0.6
Arts & entertainment	2	0.6
Industry	**126**	**100**
Manufacturing	94	74.6
Construction	26	20.6
Mining & quarrying	1	0.8
Electricity	4	3.2
Water supply & sewerage	1	0.8

Source: Fiji Bureau of Statistics, 2015 (2014 for financial activities, arts & entertainment, and other services).
Note: The statistics exclude the agriculture sector, public administration and defense, and the informal sector.

74.6% of large establishments are in the manufacturing industry. Of these, 30% are garment manufacturers and another 20% are food manufacturers. Jack's Group of Companies is an example of a large enterprise, with businesses that span from retail (Jack's Retail Pte Limited, with a staff of 868) and food services (Jack's Restaurants Pte Limited, with a staff of 185) to garment manufacturing (Jack's Garments Pte Limited, with a staff of 134).

Data are not available for a detailed analysis of value-added, employment, and productivity of large enterprises compared with SMEs in the services, industry, and agriculture sectors. Based on the experiences of other countries, large enterprises are almost invariably more productive than SMEs due to factors such as investments in capital equipment, technology, and human resources; economies of scale in their operations; and extensive market penetration. In the case of Fiji, the proportion of large enterprises in all the three sectors is very low compared with SMEs: 4.6% in services, 12.0% in industry, and 0.6% in agriculture. The implication is that the potential for large enterprises to contribute more to the Fijian economy is untapped. Furthermore, in the industry sector, the low proportion of large enterprises limits the possibility of increasing the growth of the sector and its share of GDP, which ought to be higher at Fiji's current stage of development. Except for electricity (23.5%), the proportions of large enterprises in the various industries in the industry sector are fairly low. The notable ones are water supply & sewerage (14.3%), manufacturing (12.4%), construction (11.0%), and mining & quarrying (3.4%).

An increase in the number of large enterprises will strengthen domestic capabilities and provide a boost to the country's productivity and economic growth. Besides contributing directly to the economy, large enterprises can play a catalytic role in raising the productivity level of the huge base of SMEs through knowledge sharing, business collaborations, and cluster linkages. The strategic thrust is therefore to grow the number of competitive large enterprises, i.e., enterprises that are highly productive and enjoy a competitive advantage in their respective businesses.

The first task is to identify the promising SMEs that can be developed into large enterprises. Factors such as track record, management capabilities, and plans for the future can be used to identify such enterprises. The promising SMEs can then be grouped together with the existing large enterprises for special attention and customized assistance. The range of assistance could cover many areas. First and foremost, the capabilities and operations of the large enterprises should be improved through human resource development, modern management techniques, investment in capital equipment, and adoption of appropriate technology. A capability building program for large enterprises could be instituted for this purpose. Besides training courses and workshops, the program should facilitate link-ups among the large enterprises, both local and foreign, to learn from best practices and to benefit from technological diffusion. Link-ups with the global productivity-frontier firms can be forged through the FDI policy.

Second, the industry clusters, of which the large enterprises are a part, should be strengthened. These clusters comprise the geographic concentrations of interconnected businesses, suppliers, service providers, government agencies, and other associated institutions. With strong clusters, the large enterprises can benefit from agglomeration economies. Third, access to overseas markets should be opened up for large enterprises producing niche products that have the potential to be sold beyond the country. This can be done through government-to-government trade agreements, joint trade missions with business associations, overseas business matching and partnerships, and promotion of the "Fijian Made" brand.

Strategic Thrust 3: Transform SOEs into Vanguards of High-productivity Enterprises

A major characteristic of the Fijian economy is the strong presence of the government through state-owned enterprises (SOEs). These SOEs take the forms of government commercial companies, commercial statutory authorities, reorganized entities, and majority/minority-owned companies. There are currently 25 SOEs, most of which are large enterprises with staff strengths of more than 50 employees. The SOEs are found in utilities (Energy Fiji Limited, Water Authority of Fiji) and key services such as aerospace (Airports Fiji Limited); food processing (Food Processors Fiji Limited, Fiji Sugar Corporation); and media (Fiji Broadcasting Corporation). These are governed by the Ministry of Public Enterprises through the Public Enterprises Act 1996.

SOEs are usually monopolies operating with subsidies from the government. Lack of competition has led to poor performance and service delivery by the SOEs. A study by the Asian Development Bank (ADB) in 2016 found that SOEs contributed only 4% to GDP in 2014, despite controlling an estimated 12–17% of total fixed assets in the economy. The Auditor General's Audit Report on State Owned Entities & Statutory Authorities in 2015 highlighted lapses in the treatment of fixed assets. For example, no physical verification and assessment of impairment of fixed assets was performed.

To strengthen the SOEs, the government has undertaken a series of reforms over the last two decades. The reforms include partial divestment of Fiji Ports Corporation Limited and Air Terminal Services (Fiji) Limited, and full divestment of Fiji Dairy. An example of an SOE undergoing reform

is Fiji Electricity Authority. In 2018, it was corporatized to become Energy Fiji Limited. Thereafter, 5% of its shares were offered free to all Fijian domestic electricity account holders residing in Fiji. Of the remaining 95% that are currently held by the government, 44% will eventually be divested to a private-sector investor with expertise in power generation, so as to introduce international best practices to the organization. This is expected to lead to greater efficiencies, cost savings, and better service delivery and maintenance of low energy tariffs for businesses and households. To date, however, the SOE reforms have not produced sterling results.

In view of their large presence in the economy and their size, SOEs have the potential to contribute much more to the country's productivity and economic growth. The strategic thrust is therefore to transform SOEs into vanguards of high-productivity enterprises. They should lead the way in the country's effort to raise enterprise productivity. For this to happen, productivity should be made an integral part of the structural reforms of the SOEs. Only then can their performance in terms of value-added generation, productivity growth, and service delivery improve significantly.

Initiatives to drive productivity among SOEs should include in-company productivity campaigns to cultivate the productivity mindset and a culture of continuous improvement and innovation; training on productivity tools and their applications; and establishment of a recognition-and-reward system that is closely linked to the productivity performance of the organization and its individual employees. In addition, it is critical for a comprehensive productivity measurement system to be in place. This should form an integral part of the performance management system that was recently emphasized by the International Monetary Fund (IMF). Given the large size of SOEs in the economy and their mediocre performance, IMF, in its 2018 Article IV Consultation with Fiji, urged the government to improve the monitoring and operations of these enterprises, e.g., through regular audits, and transparent and regular reporting of their financial performance. The regular audits and reporting could include the progress made on the achievements of various indicators captured in the productivity measurement system. Whenever gaps are revealed, immediate corrective actions should be taken.

As highly productive enterprises, SOEs could then be used as role models for other large enterprises and to drive similar initiatives in the smaller enterprises that are supporting them along the production value chain. They could also play the role of catalysts in improving the productivity of their respective sectors.

Strategic Thrust 4: Promote Productivity and Sustainable Development in All Sectors

Table 9 provides an overview of the three main sectors in the economy, namely, agriculture, industry, and services, in 2017.

The services sector dominates in terms of shares of GDP and employment. This is followed by the industry and agriculture sectors for GDP share. However, the employment share of industry is lower than that of agriculture.

As for productivity, measured by value added per worker, the services sector has the highest productivity level, with the industry sector following closely behind. The services sector's productivity level is FJD23,813 when the outliers of information and communication, and financial and insurance activities are excluded. The industry sector's productivity level is FJD25,320 when the outlier of electricity, gas, steam, and air conditioning supply is excluded. The agriculture sector is far behind, with a productivity level less than 40% that of services and industry and just 51% of the economy's average.

TABLE 9

OVERVIEW OF ECONOMIC SECTORS

Sector	GDP		Employment		Value added per worker (in FJD)
	FJD Mn	% share	No. '000	% share	
Agriculture	684.8	9.9	62.8	19.2	10,904
Industry	1,328.6	19.2	47.0	14.4	28,268
Services	4,918.3	70.9	165.9	50.7	29,646
Economy	6,931.7	100	275.7	84.3	21,191

Sources:
1. GDP: Fiji Bureau of Statistics.
2. Employment: Economic and Fiscal Update: Supplement to the 2018-2019 Budget Address.

Notes:
1. % share of GDP is for 2017 (preliminary) based on GDP at 2011 constant basic price (base year).
2. % share of employment is for 2015–16 (estimated), including activities of household as employers (numbering 51,400 or 15.7% of total employment).

The key message that must be emphasized is that productivity is the key driver of growth in each sector. However, initiatives taken to raise productivity must not be at the expense of the environment, as this affects not only human welfare and physical resources but also the rate of productivity growth in the long run. The strategic thrust is therefore to promote productivity and sustainable development in all the sectors.

For the agriculture sector, the key message is that it will continue to an important sector in the economy even though its dominance has declined. Over the years, the sector's growth has been driven largely by the low-productivity sugar industry. The industry has been propped up by preferential trade access to the major export markets, which can no longer be depended upon. In future, agricultural productivity must be stepped up to drive the growth of the sector. Higher productivity will have to come from modernization, diversification, and commercialization of the sector.

For the industry sector, the key message is that it should play a much bigger role in contributing to GDP and employment at Fiji's current stage of development. The manufacturing industry in particular is critical because of its linkages with the rest of the economy. Thus far, the growth of the industry has been driven largely by light manufacturing. The exports of the industry's products have been supported by preferential trade treatments from the main export markets, which can no longer be depended upon. In future, the growth of the sector must be driven by productivity. This will have to come from an expansion of the industrial base and a rise in the value added of industrial production.

For the services sector, the key message is that it is the mainstay of the economy with the highest contributions to GDP and employment. Following the experiences of the developed countries, services have the potential to play an even more important role in the future. For that to happen, the sector must be more productive. To date, the growth of the sector has been driven largely by tourism, fueled by labor-intensive activities in low-value-added services linked to it. In future, growth must be driven by productivity. This will have to come from the development of the tourism cluster and modern high-value-added services.

Concurrently, for all the three sectors, the need to balance between growth and sustainable development must be emphasized. As Fiji's development hinges very much on its natural resources

comprising diverse ecosystems including significant areas of natural forest, freshwater, and coastal-and-marine life, environmentally sustainable practices should be given top priority. From the productivity perspective, unsustainable practices increase costs and affect long-term value-added generation and productivity growth. It also increases the country's vulnerability to natural disasters and climate change.

In its Country Partnership Strategy report on Fiji in November 2014, ADB noted that some activities associated with economic and social development had disturbed and, in some instances, destroyed the natural environment in various areas. The first area is land resources and biodiversity. The nature of land utilization practices for agriculture, forestry, and mining activities has increased risks associated with high soil erosion, river and stream contamination, sedimentation, pollution, and flooding in low coastal and coral reef areas. In some instances, this has led to irreversible loss of biodiversity. The terrestrial flora and fauna suffer a high degree of endemism. Over half (56%) of Fiji's 1,594 known plant species are entirely endemic.

The second area is marine and coastal resources. Overfishing has led to a decline of pelagic fisheries resources. The coastal resources are affected by increasing rates of coastal activities such as land reclamation, coral extraction, and river dredging, as well as unregulated residential and tourism development. Coastal pollution from land-based activities and waste affects the reefs through increased siltation from reclamation, solid waste dump sites, eutrophication, and groundwater seepage. Fiji has the third largest mangrove area in the Pacific but coastal area and wetland reclamations have caused significant loss of mangrove areas, especially around heavily industrialized areas and towns. Unregulated mangrove harvesting and selling of undersized fish and crustaceans is also a concern.

The third area is water and sanitation. Waste contamination and pollution threaten the supply of fresh water for not only residential households but also for businesses and recreational, cultural, and tourism purposes. This is compounded by inadequate waste disposal services in sanitation, especially in the rural areas and outer islands. The fourth area is urbanization and waste management. The infrastructures in the urban areas have not kept up with the high rate of rural-urban migration. The inadequate waste management system has caused difficulty in the management of all kinds of waste, including industrial waste and pollution.

A more recent assessment of environmental sustainability in Fiji was given in the Human Development Reports 2018 by United Nations Development Program (UNDP). Among the 189 countries assessed, Fiji was placed in the bottom third for red list index (a measure of conservation status of plant and animal species); middle third for renewable energy consumption as proportion of total final energy consumption, carbon dioxide emissions, and mortality rate attributed to air pollution and unsafe water, sanitation, and hygiene services; and top third for percentage change in forest area between 1990 and 2015.

Fiji has recognized the need for and taken positive steps to build healthy ecosystems and resilience to the growing impacts of climate change and climate variability. These include the passing of the Environmental Management Act in 2005 and the formulation of the Green Growth Framework for Fiji in 2014. To reduce the hitherto heavy dependence on imported fossil fuel to meet its energy needs, the government has taken steps to develop renewable energy sources such as hydropower, biomass, and wind and solar energy. Currently, about 60% of the electricity generated are from these renewable sources, and the goal is to have all energy needs met from renewable sources by 2030.

After Cyclone Winston in February 2016, the government changed its fiscal year from calendar year to one ending on 31 July of the year for which it is named. The switch to a fiscal year that begins and ends well outside the November–April cyclone season is intended to integrate the inevitable impacts of disasters into national development planning, including the timely funding of post-disaster responses. Climate resilience considerations are now being mainstreamed into public investment decisions, so that the infrastructures are resilient under climate change and any need for rehabilitation and reconstruction after natural disasters is reduced. Fiji has also been part of an international collaboration network, together with the African, Caribbean and Pacific Group of States, European Union, United Nations Food and Agriculture Organization, African Union Commission, and other partners, in improving the condition and productivity of land affected by degradation, drought, and desertification.

According to the report of the 2018 IMF Article IV Consultation with Fiji, a climate vulnerability assessment conducted by the government and the World Bank revealed that Fiji would need a total investment of FJD1.1 B a year or 10% of the GDP for the next ten years to strengthen resilience to climate change and natural hazards. This includes investment in flood risk management, coastal protection measures such as sea walls, and strengthening of the transport and energy sectors.

Besides infrastructural investments, a challenge is in enforcement of any legislation or regulation, and promotion of widespread adoption of environmentally sustainable practices by everyone, including businesses, building developers, farmers, and consumers. More resources should thus be channeled into promotion of sustainable development and enforcement of the measures taken.

Strategic Thrust 5: Modernize, Commercialize, and Diversify Agriculture

The agriculture sector today has relatively low shares of 9% of GDP and 19.2% of employment. Nevertheless, it remains an important part of the economy as it contributes to policy priorities such as employment, food security, foreign exchange earnings, and economic growth. Subsistence agriculture, forestry, and fisheries are still important sources of rural livelihood.

Table 10 shows an overview of the agriculture sector. Agriculture dominates the sector, with fishing and aquaculture being a distant second. Together, they constitute 96.2% of the sector's value added, with the remaining 3.8% coming from forestry and logging.

TABLE 10

OVERVIEW OF AGRICULTURE SECTOR

Industry	Value added			Employment			Value added per employee in FJD
	FJD Mn	% of GDP	% of sector	No. ('000)	% of total	% of sector	
Agriculture sector	**684.8**	**9.9**	**100**	**62.8**	**19.2**	**100**	**10,904**
Agriculture	557.3	8.0	81.4	-	-	-	-
Forestry and logging	25.9	0.4	3.8	-	-	-	-
Fishing and aquaculture	101.6	1.5	14.8	-	-	-	-

Sources:
1. GDP: Fiji Bureau of Statistics.
2. Value added and employment: Economic and Fiscal Update: Supplement to the 2018-2019 Budget Address.

Notes:
1. % share of GDP and sector's value added are for 2017 (preliminary) based on GDP at 2011 constant basic price (base year).
2. % share of employment is for 2015-2016 (estimated), including activities of household as employers.
3. Employment figures for the three industries are not available. Hence, value added per employee cannot be computed.

The agriculture sector is saddled with various structural issues that affect its value-added generation and productivity growth.

First, there is a negative perception of agriculture. As students, Fijians are not told in the education system of the possibility of treating agriculture as a business. Rather, they are told to study hard and find jobs in the industry and services sectors. Consequently, agriculture is treated as a place of last resort for jobs, and low value-added, small-scale subsistence farms meeting basic needs, rather than big farms with large-scale commercialization as the objective, spring up. About 80% of farmers are engaged in subsistence farming. Because of the negative perception of agriculture, young Fijians prefer to seek employment in the industry and services sectors even if they have grown up in farms. The result is a shortage of agricultural workers.

Second, the farms are manned by ageing farmers with low education. Data from the latest Fiji National Agricultural Census 2009 show that 65.7% of the farmers are aged 40 and above. The majority of farmers (94%) have at most secondary education, with 48% having secondary education and 46% having primary or no education. Only a small 6% have up to tertiary or agriculture college education. These are the farmers who are less receptive to the introduction of technology, innovation, and other measures to raise agricultural productivity as they are content with their subsistence living.

Third, the farm sizes are small. As shown in Figure 7, small farms with areas less than 5 ha dominate, accounting for 82.6% of the total, and 98.8% of those are run by individuals and households. Besides the mindset of ageing farmers, the small farm size hinders a meaningful adoption of technology, modern farming techniques, and commercialization of farm produce. It also limits output expansion and value-added creation which would be possible with large farms.

Fourth, farmers who are more progressive and want to shift from subsistence to commercial farming are hindered by lack of access to finance. The reason is that banks are less willing to give large loans to those in the agriculture sector because of the higher risks involved, including the ones associated with natural disasters and climate change. Access to markets is another major obstacle since many of the farmers are not connected to the downstream parts of the agriculture value chain, including the collectors, exporters, and buyers. Poor access to finance and markets thus stifles plans for commercial farming.

Fifth, many crops are subject to seasonality of production and are vulnerable to environmental changes. Consequently, agricultural production, and hence income, may not be stable. Because of the seasonal nature of crops, farmers seek other sources of income during the off-crop seasons. Of greater impact on agricultural production are the variability of weather conditions and the high susceptibility to natural disasters and climate change. All these discourage investments to improve agricultural productivity.

Besides these structural issues, the value-added generation of the agriculture sector is narrowly based, hinging almost entirely on the sugar industry. A breakdown of the agricultural production, as shown in Table 11, reveals the overwhelming dominance of sugar cane. In 2017, sugar cane production totaled 1.63 million tons, contributing 88.8% to total agricultural production. Even though it has fallen significantly from its peak of 4.38 million tons in 1996 and a share of more than 95% of agricultural production in the 1980s and 1990s, sugar cane still overshadows all other crops.

Up till the 1990s, the sugar industry (comprising cane sugar and sugar milling) was the single-most important industry in the economy, contributing more than 10% to GDP a year and peaking at 18–

TABLE 11

COMPOSITION OF AGRICULTURAL PRODUCTION

Product	Tons	% of total
Sugar cane	1,631,000	88.8
Cassava	68,135	3.7
Taro	42,985	2.3
Fisheries, meat and poultry	42,163	2.3
Yaqona	9,113	0.5
Paddy rice	9,081	0.5
Kumala	8,411	0.5
Ginger	7,585	0.4
Copra	1,916	0.1
Others	16,992	0.9
Total	1,837,381	100

Source: Fuji Bureau of Statistics, Composition of Agriculture Sector Production, March 2018.
Note: The statistics are for 2017 (preliminary).

19% in the 1980s. Since then, the contribution of the industry has declined and has been overtaken by the tourism industry. In 2017, the sugar industry's contribution to GDP was just about 1.7%. Nevertheless, it continues to be an important industry, sustaining the livelihood of some 200,000 Fijians, i.e., 20–25% of the population.

The performance of the sugar industry, which is primarily an export industry, has depended more on preferential access to world markets rather than improvements in productivity. Since the initiation of the Sugar Protocol by the European Union (EU) in 1977, Fiji's sugar industry had long benefited from preferential access to the EU markets, with guaranteed volumes and prices that were two to three times higher than the world price. This ensured Fiji a market for its sugar and helped overcome the high costs of production and transportation. However, it also led to an unintended consequence. With the huge subsidy, there was little incentive for farmers to invest in farm improvements; and for the Fiji Sugar Corporation (FSC), set up in 1972 as a state-owned enterprise to take over the milling activities from 1 April 1973, to improve milling productivity.

With implementation of reforms to the sugar regime in the EU, Fiji's key export market, the preferential treatments have gradually been phased out. This has exposed the low productivity of the sugar industry and, hence, lack of price competitiveness in the export of sugar. The result is a decline in export volume of sugar over time. According to data from the UN Food and Agriculture Organization, Fiji's sugar yield, i.e., sugar produced per area of sugar cane harvested, was 413,299 hg/ha (4.13 tons/ha) in 2017. This was much lower compared with the world's top three sugar producers, Brazil at 744,818 hg/ha (74.4 tons/ha); India at 697,355 hg/ha (69.7 tons/ha); and PR China at 761,517 hg/ha (76.1 tons/ha). This, in turn, is the result of low farm and milling productivity.

Farm productivity of sugar cane production (sugar cane produced/area of sugar cane harvested) has fallen continuously for more than four decades, from 55.0 tons/ha in 1981–90, to 51.4 tons/ha in 1991–2000, 45.7 tons/ha in 2001–10, and 42.2 tons/ha in 2001–17, and is now one of the lowest

among the world's big sugar producers. The overriding reason for this has been the land leasing regime, built on ethnic divide as the landowners are the iTaukei and the cane growers are mostly Indo-Fijians. About 88% of the land are customary owned, i.e., indigenous or native land, leaving only a small 8% as freehold land and 4% as state-owned land.

The key issues in the regime are the cumbersome leasing procedures, uncertainty regarding lease duration and renewal, approvals required to make improvements to the land, and amount of compensation on approved investments. All these have discouraged the cane growers to invest in land improvement practices such as soil conservation, higher-yielding cane seeds, and large-scale mechanization. The consequence is not just a drop in farm productivity but also a fall in the quality of cane produced and the resulting sugar. In addition, the tenure insecurity has led to rural-urban migration, as the farmers move to urban squatter areas in search of unskilled work. According to the Ministry of Agriculture, enforcement of the Agricultural Landlord and Tenant Act in recent years has largely resolved these issues.

Another issue is the declining interest in cane farming, as the younger Fijians seek alternative employment. The consequence is shortage of cane harvesters during the peak seasons, thus compelling farmers to engage in pre-harvest burning of their sugarcane fields. This leads to an increased supply of burnt cane, which has lower sugar content. Besides pulling down productivity, these developments have had two other consequences. First, the land area under sugar cultivation fell from the peak of more than 70,000 ha in the first half of the 1990s to 38,000 ha in 2017. Second, in the same period, the number of active sugar cane growers fell from more than 20,000 to about 11,900.

Milling productivity, measured as tons of sugar cane required per ton of sugar, has also decreased continuously for three decades, from 8.6 in 1981–90, to 9.1 in 1991–2000, and 10.7 in 2001–10, before moving up slightly (9.6) in the recent years of 2011-2017. For the greater part of the 2000s, FSC suffered negative returns. Inefficiencies in the milling process were caused by obsolete and poorly maintained equipment with frequent breakdowns, poor management and problems in labor-management relations, as well as poorer cane quality. Since 2010, the situation has improved as a result of reforms at FSC, including improving mill operations, and harvesting and transport of the cane. Consequently, Fiji has narrowed the mill productivity gap with some of the world's largest sugar producers. Nevertheless, the country's sugar output of 180 tons in 2017 and exports of 144 tons in 2017 remain well below the peak of the mid-1990s, when it was more than 450 tons for both.

To raise the productivity of the agriculture sector substantially, the deeply entrenched structural issues have to be addressed. The strategic thrust for the sector is therefore to modernize, commercialize, and diversify agriculture.

All aspects of the agriculture sector should be modernized. Modernization includes mechanization; use of modern techniques of farming and appropriate technology to improve production efficiency; employment of skilled workers; and large-scale commercialization of agricultural produce to achieve economies of scale and competitive pricing. The potential of organic agriculture should also be exploited to cater to the growing worldwide demand for organic produce.

The government can take the lead to facilitate modernization of the agriculture sector. This starts from promotion of agriculture as a sector that offers viable career and business opportunities. An example of a recent initiative that the government has taken is the Young Farmers Business

Incubation Scheme, announced on 20 February 2019, to encourage young people to be engaged in commercial agriculture. Such initiatives should be supported by restructuring of the curricula on agriculture taught in the institutions of higher learning and other institutions. Besides updating the traditional areas of agricultural management to include modern agricultural techniques and technology, the curricula should cover business management modules to impart knowledge on how agriculture can be commercialized. In addition to promotion and education, government support can take many forms to facilitate modernization and large-scale commercialization. This includes building adequate infrastructures to improve connectivity to the farms; undertaking research on and supplying high-yielding and climate-resilient seeds and crop varieties; providing extension services and training to build capabilities; facilitating cluster farming, contract farming and access to finance; and linking farms to the markets, locally and overseas.

With regard to the dominant sugar industry, quantum improvements in farm productivity and milling productivity are critical for the competitiveness of the industry. Measures to improve farm productivity include land improvement and adoption of best farming practices, modernization of farm management, and shift from small-holdings cultivation to commercial farming. As regards milling productivity, the continuous improvements needed include upgrading mill facilities to increase mill capacity and efficiency, introducing appropriate technologies, and upgrading the mills transportation system to reduce cost of transporting cane and sugar. In short, the entire sugar value chain, from farm to factory to market, needs to be scrutinized to pinpoint the areas where costs can be reduced; farming and milling methods modernized; large-scale commercialization effected; and more value added created.

The sugar industry should also diversify in two respects. First, there should be market diversification. Instead of relying heavily on the EU markets, there should be diversification to the non-EU countries. This is no doubt challenging since stiff competition can be expected from some of the biggest sugar exporters such as Brazil and Australia; and Fiji is currently uncompetitive because of the higher cost structure and lower sugar yield. Fiji should therefore find ways to differentiate itself from others, including branding and marketing. Second, there should be product diversification. In particular, there could be more investments to produce upstream products, including bioenergy and ethanol. FSC has already taken this upstream route by installing electricity generators to produce bioelectricity. It is also looking at ethanol production as another viable sugar-based product.

Beyond the sugar industry, there should be diversification into other crops and non-crop productions. Over-dependence on the sugar industry makes the sector, as well as the economy, vulnerable to external developments. This is especially so since sugar prices are dropping and global sugar consumption is expected to grow at a decreasing rate, as food and drink manufacturers in the developed countries continue to reduce sugar content in their products to meet consumers' requirements.

Diversification into crops other than sugar cane has taken place but the pace is slow. Between 2007 and 2017, cassava, the second-largest agricultural produce, increased its output by only 11%; while taro, the third-largest produce, saw its output fall by 30%. In contrast, yaqona, the fifth-largest produce, increased its output by 172%. All these crops command higher gross margins than sugar cane. The potential for expanding the production of these crops and others should be seized, especially where Fiji has a competitive advantage and where there are niche markets.

In the non-crop production sphere, fisheries, meat, and poultry, the fourth-largest agricultural produce, has a high potential for growth. It had the largest increase of 33% in its output between

2007 and 2017. The prospect of greater value-added creation from fisheries is particularly good. The fishing and aquaculture industry boasts of diverse resources of marine life species, including finfish species such as yellow fin tuna, swordfish, and deep water fish like snapper; reef fish species such as grouper, coral trout, and rock cod; and aquaculture products such as prawn, seaweed, and giant clam.

The forestry and logging industry also has potential for high growth. About 56% of Fiji's land area comprises native forests and another 5–6% of the land has softwood (mainly pine) and hardwood (mainly mahogany) plantations. From a peak of 526,630 cu m in 1991–2000, timber production fell to an annual average of 450,992 cu m in the period 2011–17, and to just 308,330 cu m in 2017. While maintaining the goal of sustainable management and development of forest resources, there is possibility of increasing the volume of timber production for exports and the manufacture of high-value-added wood and paper products in the future. More extensive plantation development is an avenue that can be pursued.

Strategic Thrust 6: Expand Industrial Base and Raise Value Added of Industrial Production

The industry sector is fairly small in the economy, contributing 19.2% to GDP and 14.4% to total employment. A breakdown of the sector is shown in Table 12.

TABLE 12

OVERVIEW OF INDUSTRY SECTOR

Industry	Value added			Employment			Value added per employee in FJD
	FJD Mn	% of GDP	% of sector	No. '000	% of total	% of sector	
Industry sector	**1,328.6**	**19.2**	**100**	**47.0**	**14.4**	**100**	**28,268**
Mining and quarrying	72.9	1.1	5.5	2.1	0.6	4.5	34,714
Manufacturing	850.1	12.3	64.0	17.9	5.5	38.1	47,492
Electricity, gas, steam, and air conditioning supply	148.7	2.1	11.2	1.2	0.4	2.6	123,917
Water supply, sewerage, waste management, and remediation activities	22.1	0.3	1.7	1.5	0.5	3.2	14,733
Construction	234.8	3.4	17.6	24.3	7.4	51.6	9,663

Sources:
1. GDP: Fiji Bureau of Statistics.
2. Value added and employment: Economic and Fiscal Update: Supplement to the 2018-2019 Budget Address.

Notes:
1. % share of GDP and sector's value added are for 2017 (preliminary) based on GDP at 2011 constant basic price (base year).
2. % share of employment is for 2015-2016 (estimated), including activities of household as employers.

Dominating the sector is manufacturing, with 64% of its value added. Nevertheless, with a share of only 12.3% of GDP, manufacturing is a small industry in Fiji. In terms of employment, construction dominates with 51.6% of the sector's employment. Electricity, gas, steam, and air conditioning supply is by far the most productive, but it is a small industry. Next is manufacturing, which is about 1.7 times as productive as the sector's average. Construction has the lowest productivity.

Table 13 shows a breakdown of the manufacturing industry. Light manufacturing dominates the industry. There is overwhelming concentration of the first commodity category, i.e., food and

beverage and tobacco products, mainly in three commodity groups: mineral water, yaqona, and tobacco; frozen poultry, meat, and canned fish; and sugar. In short, the industry is dominated by agro-based food manufacturing. Two other important commodity groups are paper and paper board in the second commodity category; and wearing apparel in the third commodity category. More recently, skincare products, in the fifth commodity category, have also become important.

Missing from the Fiji Standard Industrial Classification 2010 are the industrial classifications of manufacture of computer, electronic, and optical products; manufacture of electrical equipment; and manufacture of machinery and equipment. In comparison with food and beverage production, these high-value-added industries have not been given special attention by the government.

TABLE 13

BREAKDOWN OF MANUFACTURING INDUSTRY

Commodity categories	% share of manufacturing output	Significant commodity groups
Food and beverage and tobacco	57.41	• Mineral water, yaqona and tobacco • Frozen poultry, meat and canned fish • Sugar
Wood and paper (except furniture)	13.99	• Paper & paper board
Wearing apparel and footwear & leather	9.55	• Wearing apparel
Rubber & plastics and basic & fabricated metal	8.93	
Chemical and pharmaceutical	6.44	• Skin care products
Furniture	1.94	
Coachwork and building of ships & floating structure	0.55	
Other manufacturing	1.19	
Total	100	

Source: Calculated from Fiji Bureau of Statistics – Key Statistics March 2018. Annual Industrial Production Index (Base average: 4 quarters 2014= 100).

The overview of the industry sector and the breakdown of manufacturing reveal several structural issues that impact value-added generation in the sector.

First, value-added generation of the industry sector has depended much on a relatively small manufacturing industry, led by agro-based food manufacturing. No doubt this has enabled Fiji to exploit its agricultural and natural resources as a key development strategy. This is exemplified by the exports of sugar and fish, which are facilitated by a robust food and beverage production industry. Nevertheless, the manufacturing industry's small 12.3% share of GDP, even though higher than the average of about 9% for Pacific SIDS, constrains the value-adding impact of the industry on the economy. This is aggravated by the fact that heavy manufacturing, which produces intermediate products for use by other industries, as opposed to light manufacturing, which produces products for end users, is insignificant in Fiji. Globally, heavy manufacturing has been the leader in raising productivity and catalyzing change in the rest of the economy. Examples are oil, mining, shipbuilding, steel, chemicals, and machinery manufacturing. These heavy industries deal in large products and involve complex manufacturing processes. They are characterized by high capital intensity, technology, automation, mechanization, innovation, and pervasive backward

and forward linkages, all of which create considerable multiplier effects on the productivity of the rest of the economy.

Second, the growth of light manufacturing in Fiji has depended on preferential access to world markets, rather than improvements in productivity. The manufacturing industry was built during the years of import substitution in the 1970s and grew rapidly in the late 1980s and 1990s, initially with sugar processing and then with the development of export-oriented garment industry. Growth of the garment industry was driven by preferential trade agreements with Australia and New Zealand (the South Pacific Regional Trade and Economic Cooperation Agreement) and with the USA (the Multi Fiber Agreement). Since 2000, the garment industry has rapidly declined with the phasing out of trade preferences and tax concessions. The lack of productivity improvement and the consequent loss of competitiveness against cheaper and more productive manufacturing operations in Asia also hurt the industry. Together with the decline of sugar processing caused by similar factors, the decline in the garment industry pulled down the manufacturing industry's share of GDP.

Third, the construction industry, the biggest after manufacturing in terms of value-added contribution and the largest in terms of employment share, is not pulling its weight due to its low productivity. In fact, at only 32.4% of the sector's average, the productivity of the construction industry drags down the sector's overall productivity. The major reasons for the low productivity are reliance on unskilled labor, non-compliance with the Building Construction Code, which itself has not been strictly enforced and updated in the last ten years, and lack of technology adoption. The comments made by Gordon Jenkins, Construction Industry Council President, in conjunction with the 2018 Construction Industry Council Conference on 14 June 2018, are telling:

"We are still back in the dark ages – about 20 to 50 years back… There is a lot of technology that doesn't come to Fiji and it should come here – we simply have to keep up. For example, green construction. It's all about using solar systems and other natural sources to generate electricity and things like that. There's a thing called Building Information Modelling (BIM), which makes everyone's job on a project easy but nobody here knows anything about it."

Fourth, the electricity, gas, steam, and air conditioning supply industry is highly productive but very small. Also known as the network energy supply industry, it concerns the provision of electric power, natural gas, steam, and hot water through a network of lines, mains, and pipes. Apart from transmission and distribution through the network, this activity includes generation of electric power and production of steam, hot or chilled water, and cooled air. It is highly capital-intensive, employing only 2.6% of the sector's total employment (lowest in the sector) but contributing 11.2% to the sector's value added (third largest in the sector). Consequently, its productivity level is very high, at 4.4 times the sector's average. However, the small size of the industry limits its impact on the sector and the economy.

Considering the structural issues in the industry sector, the strategic thrust is to expand the industrial base and raise the value added of industrial production.

As the experiences of the high-income and other upper-middle-income countries have shown, the industry sector, particularly manufacturing, can grow considerably in size until a point where it tapers off, especially when the country moves into the high-income category. Government policies and incentives should facilitate the growth of investments, both local and foreign, into manufacturing.

The pitfall to avoid is premature deindustrialization, a phenomenon that has taken place in some countries, as this would deprive the country of benefiting sufficiently from the multiplier effects of industrialization.

Light manufacturing will continue to be important to the Fijian economy. The priority for food and beverage production is to increase its productivity. Besides the traditional focus on improving processes, innovative measures should be taken to transform food and beverage production. An example is onsite agro-processing in agricultural farm blocks to reduce transportation and other costs. In addition, new high-value-added products such as organic agricultural produce should be produced. Beyond food and beverage production, light manufacturing should be diversified to include an expansion of high-quality wood and paper products, wearing apparel, and skin care products. Because of the higher export cost arising from Fiji's remote location, Fiji cannot compete on price competitiveness. Rather, it can achieve competitive advantage in international markets by focusing on niche high-value, low-volume products, e.g., premium-quality sports and fashion wearing apparel, and skin care products catering to the high-end segment of the market, which makes premium pricing possible. This will differentiate the products from those in other countries that compete on a low-cost, high-volume basis.

As there is a limit to the expansion of the industrial base built on light manufacturing, there should be diversification to heavy manufacturing by producing selected high-value-added capital goods by building on the three missing industrial classifications. The Atlas of Economic Complexity, developed by the Center for Economic Development at Harvard University, can be used as a guide to determine the new growth opportunities. As it is not feasible for Fijian enterprises to compete with established global manufacturers producing the same products, the strategy should be to latch on to the global value chains of the global players. To entice the global players to locate some parts, especially the high-value-added portions, of the global value chains in Fiji, the necessary macro and business enablers must be developed. These include top-notch infrastructure, competent and skilled workforce, and congenial business environment.

Aside from manufacturing, the network energy supply industry has a strong potential to expand as the economy grows further. At the same time, the growth of the industry is critical for the growth of the economy. Thus, adequate investments should be made in all parts of the industry: production, transmission, distribution, and trade of electricity; manufacture, distribution, and trade of gas via mains; and supply of steam and air conditioning, including production, collection, and distribution of steam and hot water (e.g. for heating and power), cooled air, and chilled water (for cooling and ice). There is scope for even greater productivity from this industry, as it is highly amenable to technology applications. For example, information and communication technology (ICT) application in the form of smart grids enables the deployment of electricity networks that make electricity distribution more efficient and hence reduce costs and emissions. Concurrently, the industry will have to upgrade its operations as government policies related to energy and climate change are particularly important for, and will impact, many parts of the industry.

The mining industry, currently a small contributor to the industry sector, has ample scope for growth. The islands of Fiji are located on the Pacific Rim of Fire, the active tectonic boundary between the Pacific and Indo-Australian plates, which is known to host many mineral deposits. These include gold and silver; base metals such as copper and zinc; and others like bauxite, manganese, and phosphate. To date, only gold has been commercially exploited in a big way and constitutes the lion's share of mining output; in 2017, gold contributed a large 9.8% of the total

domestic exports from Fiji. The potential for growth of mining other minerals is great. In the longer term, deep-sea mining could also be pursued.

The construction industry needs to undergo a transformation from one that is based on low skills and low technology to one that is highly skilled, and capital and technology-intensive. Only then can it contribute to the value-added generation of the sector and the economy. The best practices of other countries can be adopted, and more investments should go into promoting technology adoption in the industry. The supply of skilled construction workers should also be increased.

To support the growth of the various industries, particularly those geared towards exports, a comprehensive industrial policy, including adequate incentives and investments, needs to be in place to promote exports. The importance of investments in marketing products cannot be underestimated. This is exemplified by the successful marketing of bottled mineral water under the brand name of 'Fiji Water' and skin care products under the brand names of 'Pure Fiji,' 'Reniu' and 'Mana'ia.' More generally, the Fijian Made-Buy Fijian campaign has augured well for the promotion of locally manufactured products, both within Fiji and internationally, and hence should be stepped up.

Strategic Thrust 7: Develop Tourism Cluster and Modern High-value-added Services

The services sector is the mainstay of the economy, contributing 70.9% to GDP and 50.7% to total employment. Table 14 shows an overview of the sector. Besides public administration and defense, and education, the largest industries are wholesale and retail trade, finance and insurance, transport and storage, information and communication, and accommodation and food services. In terms of productivity, information and communication, and financial and insurance services are far more productive than the rest; while the dominant wholesale and retail trade industry is unproductive.

TABLE 14

OVERVIEW OF SERVICES SECTOR

Industry	Value added			Employment			Value added per employee in FJD
	FJD Mn	% of GDP	% of sector	No. '000	% of total	% of sector	
Services sector	**4,918.3**	**70.9**	**100**	**165.9**	**50.7**	**100**	**29,646**
Wholesale and retail, and repair of motor vehicles and motor cycles	828.3	11.9	16.8	56.7	17.3	34.2	14,608
Transport and storage	570.4	8.2	11.6	21.3	6.5	12.8	26,779
Accommodation and food service activities	410.8	5.9	8.4	14.6	4.5	8.8	28,137
Information and communication	430.5	6.2	8.8	1.2	0.4	0.7	358,750
Financial and insurance activities	661.0	9.5	13.4	4.0	1.2	2.4	165,250
Real estate activities	295.2	4.3	6.0	0.0	0.0	0.0	-
Professional, scientific, and technical activities	172.2	2.5	3.5	9.4	2.9	5.7	18,319
Administrative and support services	158.0	2.3	3.2	10.7	3.3	6.4	14,766
Public administration and defense; compulsory social security	601.1	8.7	12.2	14.7	4.5	8.9	40,891

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Industry	Value added			Employment			Value added per employee in FJD
	FJD Mn	% of GDP	% of sector	No. '000	% of total	% of sector	
Education	488.1	7.0	9.9	15.9	4.9	9.6	30,698
Human health and social work activities	157.5	2.3	3.2	6.6	2.0	4.0	23,864
Arts, entertainment, and recreation activities	24.7	0.4	0.5	4.0	1.2	2.4	6,175
Other service activities	120.5	1.7	2.5	6.7	2.0	4.1	17,985

Sources:
1. GDP: Fiji Bureau of Statistics.
2. Value added and employment: Economic and Fiscal Update: Supplement to the 2018-2019 Budget Address.

Notes:
1. % share of GDP and sector's value added are for 2017 (preliminary) based on GDP at 2011 constant basic price (base year).
2. % share of employment is for 2015–16 (estimated), including activities of household as employers.

Growth of the services sector has been underpinned by tourism, which is associated directly with several industries: retail trade; accommodation services; food and beverage services; transportation services (excluding commuter services); and cultural, sports, and recreational activities. It is now the single largest contributor to the economy.

Statistics from the World Travel & Tourism Council (WTTC) underline the high dependence of the economy on tourism, as well as its pervasive economic impact and multiplier effect. The importance of tourism cannot be overemphasized as it affects practically every sector of the economy, including the many small businesses selling handicrafts to the retail shops and to tourists directly. Table 15 shows that in terms of direct contribution to the economy, tourism employed 13.0% of the workforce and contributed 14.5% to Fiji's GDP in 2016. These are projected to increase to 16.8% and 16.9%, respectively, in 2027. When the indirect and induced contribution of tourism is included, its employment share shoots up to 36.6% and the GDP contribution goes up to 40.4%. These are projected to increase to 44.0% and 44.9%, respectively, in 2027.

TABLE 15

CONTRIBUTION OF TOURISM TO GDP AND EMPLOYMENT

	Item	2016	2017 (estimated)	2027 (forecast)
Contribution to GDP (in FJD Mn, at constant 2016 prices)				
A.	Direct contribution			
1.	Visitor exports	2,220.9	2,423.8	4,140.4
2.	Domestic expenditure (includes government individual spending)	283.3	293.2	416.6
3.	Internal tourism consumption (1+2)	2,504.2	2,717.0	4,557.0
4.	Purchases by tourism providers, including imported goods (supply chain)	–1,212.0	1,313.8	–2,202.5
	Total (=3+4)	1,292.2	1,403.2	2,354.6
	Total as % of GDP	14.5	15.7	16.9
B.	Indirect & induced contribution			
5.	Domestic supply chain	1,135.7	1,233.3	2,069.5

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	Item	2016	2017 (estimated)	2027 (forecast)
6.	Capital investment	493.3	488.3	684.7
7.	Government collective spending	153.6	160.8	249.6
8.	Imported goods from indirect spending	–91.4	–93.8	–149.3
9.	Induced	615.7	660.5	1,061.5
	Total (=5+6+7+8+9)	2,306.9	2,449.1	3,916.0
C.	Total contribution (=Total A + Total B)	3,599.1	3,852.3	6,270.6
	Total contribution as % of GDP	40.4	43.2	44.9
Contribution to employment ('000)				
A.	Direct contribution	42.5	44.8	59.2
	% of total employment	13.0	13.7	16.8
B.	Total contribution	119.1	123.8	155.2
	% of total employment	36.6	38.0	44.0

Source: World Travel & Tourism Council, Travel & Tourism Economic Impact 2017: Fiji.

The high dependence on tourism poses a structural issue for the services sector. The reason is that tourism is highly vulnerable to external and internal developments, which therefore limits the generation and sustainable growth of value added. Visitor arrivals to Fiji have climbed in the last two decades, rising from 348,014 in 2001 to reach a record high of 842,884 in 2017. However, the growth has not always been a straight upward trajectory. Visitor arrivals plunged from 410,000 in 1999 to 294,000 in 2000 due to the coup in Fiji in May 2000. Similarly, between 2008 and 2009, visitor arrivals fell from 585,000 to 542,000 due to the global financial crisis.

The vulnerability of tourism is exacerbated by concentration in three respects: origin markets, purpose of visit, and tourist areas. Table 16 shows the degrees of concentration of origin markets and purpose of visit. Visitor arrivals by country of residence are dominated by Australia and New Zealand, which together comprised 65.3% of the arrivals in 2017. Visitor arrivals by purpose of visit are dominated by holiday, which made up 74.8% of the arrivals in 2017.

TABLE 16

VISITOR ARRIVALS BY COUNTRY OF RESIDENCE AND PURPOSE OF VISIT

	Country	No. of arrivals	% of total arrivals
Visitor arrivals by country of residence			
1.	Australia	365,689	43.4
2.	New Zealand	184,595	21.9
3.	USA	81,198	9.6
4.	Pacific Islands	53,720	6.4
5.	Europe (Continental Europe & UK)	51,563	6.1
6.	China	48,796	5.8
7.	Others	57,323	6.8
	Total	842,884	100
Visitor arrivals by purpose of visit			
1.	Holiday	630,700	74.8
2.	Visiting friends/relatives	74,492	8.8

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	Country	No. of arrivals	% of total arrivals
3.	Business	33,222	3.9
4.	Official conference	14,708	1.7
5.	Education/training	8,541	1.0
6.	Others	81,221	9.8
	Total	842,884	100

Source: Fiji Bureau of Statistics - Key Statistics: March 2018.

The tourist areas are concentrated largely on Viti Levu, particularly on the western part of the island. In the 1970s, the government started to build major infrastructures there, including an international airport at Nadi. Although the government was not actively involved in tourism development then, the developments there were perceived by foreign investors as conducive to tourism. This led to an inflow of FDI to develop resort and hotel facilities, and further developments of infrastructure by the government. The result is an imbalance between the infrastructure in the western and eastern parts of the island. Underinvestments in tourism infrastructure and amenities are even more obvious in Vanua Levu (outside Savu Savu) and especially in the outer islands (besides Yasawa Islands). Vanua Levu was left aside from the development of tourism for many years because of the sugar and copra plantations until foreign-owned hotels were constructed in Savu Savu.

Besides the vulnerability of tourism, the various industries associated with it have underperformed in two respects. First, all the sectors involved in tourism have productivity levels that are below the national average. Most glaring is the dominant wholesale and retail industry, which has the highest contribution to GDP of 11.9% among the services industries but an even higher share of employment of 17.3%. The result is a productivity level that is only 49% that of the services sector average. The low productivity level is due to the fact that there are many low value-added micro enterprises employing many people (e.g., retail shops selling clothes, arts and crafts items, and souvenirs) catering to the tourists. Another reason for the low productivity of the various industries is the absence of strong linkages among the industries that are involved in the tourism industry. Second, the value-added capture in the industries associated with tourism is low. The dominance of foreign investments in the tourism industry and the inability of local providers to meet the needs of foreign visitors (including good-quality, reliably-supplied foodstuff) have resulted in low-value-added capture. For example, only 48% of the fresh produce needs in hotels are met by domestically grown produce. Several studies have estimated that the extent of foreign exchange leakage (a measure of the amount spent to import goods and services to meet the needs of foreign visitors) is as much as 60%. This curbs the multiplier effects that could be realized with higher value-added retention. The dominance of foreign players also discourages local participation.

Another structural issue is the small size of the high-productivity modern services industries. As a country develops, the high-productivity ICT and financial services industries typically grow in size and contribute significantly to the productivity growth of the services sector and the economy. In Fiji, the current contributions of both these industries are small. In 2017, the productivity of the ICT industry was 12 times higher than the services sector average. However, it contributed only 6.2% to GDP (8.8% to the sector's value added) and 0.4% to total employment (0.7% to the sector's employment). The financial and insurance industry was 5.5 times as productive as the services sector average, but contributed only 9.5% to GDP (13.4% to the sector's value added) and 1.2% to total employment (2.4% to the sector's employment).

The financial industry has a wide range of financial institutions but it lacks depth. There are two categories of players in the industry. The first category consists of industries in the regulated sector: banking industry, comprising six commercial banks and four licensed credit institutions; insurance industry comprising seven general insurers, two life insurers, four insurance brokers, and 524 agents; superannuation industry, consisting solely of Fiji National Provident Fund; and capital market, comprising a single securities exchange with 19 listed companies.

The second category consists of non-regulated entities, which include the non-banking financial institutions: two statutory lenders, nine foreign exchange dealers, two money changers, 89 cooperatives, and 21 credit unions. [1] The Reserve Bank of Fiji, the country's central bank, directly supervises and regulates all players in the regulated sector, and actively monitors the non-regulated entities. According to studies by various institutions, such as ADB and the Commonwealth Secretariat, Fiji has the widest range of financial institutions among the Pacific SIDS, but it is shallow in the sense that there are only a few institutions in each category. Besides few institutions in each category, the Commonwealth Secretariat concluded that the range of products offered by the commercial banks is still considered 'vanilla.' [2] The development of the capital market is slow, with only 19 listed companies. The Reserve Bank of Fiji's Financial Sector Development Plan 2016–2025 attributes this to the small retail investor base, limited financial products, illiquid stock market, high transaction costs, lack of awareness of the capital market, and inconsistent application of policy by regulatory agencies. It also concludes that Fiji's financial markets, comprising money market, interbank market and capital market, are still at a nascent stage of development and acknowledges that more could be done to develop them.

The ICT industry is growing but is still in its infancy. It enjoys a competitive advantage in the region because of its access to the Southern Cross Cable fiber optic network, which provides direct and secure connectivity to Australia, New Zealand, and the USA; and its human resource capabilities, viz., high literacy rate, fluency in English, and skilled labor. However, the three factors that determine the size of the high-productivity ICT industry and its impact on the economy's productivity are in the nascent stage of development in Fiji.

The first factor is the ICT sector itself, comprising infrastructure service providers, mobile network operators, distributors and retailers of ICT services, and content and service providers. This is fairly well-developed, especially with the liberalization of the telecommunications sector in 2008. Connectivity is delivered through a combination of mobile and fixed networks, with connections to international networks via satellites or undersea cables. Internet bandwidth is the highest among the Pacific SIDS. Nevertheless, there is wide disparity in ICT connectivity between the urban areas on one hand and the rural areas and outer islands on the other hand.

The second factor comprises ICT-enabled activities, including e-commerce, online offshoring and outsourcing, application-based activities, and financial technologies. These activities are undertaken mainly by the larger enterprises, and are more prevalent in the urban areas than the rural areas and outer islands. Fiji has also offered global outsourcing services to overseas enterprises, mainly in the category of business process outsourcing involving low- to mid-skill activities such as data processing, call centers, mail management, and software programming. However, it lacks capabilities in skill-intensive knowledge process outsourcing activities such as design, research & development (R&D), and teleconsultations.

The third factor comprises economy-wide impacts, such as impact on enhancing products and services, and facilitating adoption of new knowledge in various sectors. ICT enhances

competitiveness of industries by improving the quality of products and services, reducing transaction costs, and speeding up processing times. It also facilitates acquisition and use of knowledge for business growth and innovation. E-governance can improve the efficiency and transparency of public service delivery, enhance quality of services, and facilitate provision of services to the rural areas and outer islands. Currently, ICT usage is prevalent in certain industries such as finance and professional services but not others such as retail trade. E-governance services are limited.

To address these structural issues, the strategic thrust is to develop the tourism cluster and modern high-value-added services.

Developing the tourism cluster requires two strategies. The first strategy is to diversify the tourism business beyond its current narrow areas of concentration. First, the origin markets should be expanded well beyond Australia and New Zealand. Besides continued promotion to the USA and Europe, as well as other high-income Western countries such as Canada, more attention should be given to the emerging Asian markets including PR China, South Korea, Japan, and India. The high potential of the emerging markets is underlined by PR China, from which the number of visitor arrivals shot up from just over 4,000 in 2009 to about 49,000 in 2017. The brand and product management of Fiji tourism should be tailored to these markets accordingly.

Second, even though holiday will remain as the main purpose of visit to Fiji, there is scope for increasing business tourism. With its natural attractions and good-quality facilities, Fiji can be promoted as the choice destination for meetings, incentives, conferences, and exhibitions (MICE). In 2017, tourism earning per visitor was FJD2,802 for businesses and conferences compared with FJD2,505 for holidaying. There should be an intensified, coordinated approach by Tourism Fiji to market Fiji as the choice destination to MICE travelers, rather than leaving it to individual operators to market on their own. At the same time, the local service providers and frontliners need to be well-trained to service the needs and expectations of corporate guests through professionalism, high levels of service, and reliable ICT, as compared to guests on leisure.

Besides business tourism, Fiji's geographical location and reputation as a choice tourist destination can be capitalized upon to develop other forms of tourism. These include ecotourism, agrotourism, sports tourism, cruise tourism, medical tourism, and wedding tourism. Regional tourism can also be pursued, as there is an increasing trend of tourists, especially from long-haul markets, visiting not just Fiji but also the neighboring countries in the region, such as Australia and New Zealand. Tourism Fiji should thus work more closely with the tourism authorities in these countries to promote regional tourism through measures such as attractive multi-country packaged tours, harmonized entry requirements, and improved air connectivity. As Fiji already receives about 40% of all visitors to the Pacific every year, it is well-positioned to be the tourism hub of the region.

For all these possibilities to materialize, price competitiveness is critical. Fiji's reputation as a choice tourist destination is notable but is by no means unique as there are many other comparable attractive destinations. It is thus important for Fiji to monitor and maintain the price competitiveness of its tourism offerings (including tax rates), as well as the air connectivity and traveling cost for long-haul markets, in relation to its competitor destinations. This is especially important in today's digital age, where comparisons of prices, offerings, and customer reviews can easily be done and bookings can be made in an instant.

The second strategy is to develop all the industries associated with the tourism industry in an integrated manner. This includes identifying all the tourism precincts (including the potential ones) and marketing their distinctive attractions (e.g., ecotourism in the rural areas); developing the supporting infrastructure, facilities, and services; strengthening the urban-rural infrastructure network; building the capabilities of all tourism-associated industries and strengthening their linkages; developing more high-value-added products and offerings (e.g., linking up with creative industries) that encourage longer stays and more spending by visitors; and encouraging local participation through investment and entrepreneurship in tourism.

It is only when a cluster approach is taken that agglomeration economies can be realized, productivity of all the constituent industries raised, volume and quality of locally sourced products and services increased, value-added capture maximized, and foreign exchange leakage reduced. 'Pure Fiji' is an example that illustrates the power of clustering research and innovation, production, branding and marketing activities, all of which have led to a distinctive line of high-value-added products. The enterprises involved are largely local, and hence their value-added capture is high. Local employment is promoted through the harvesting of coconuts and extraction of coconut oil and butter, manufacture of cosmetics, production of handicrafts used as decorative containers of the cosmetics, and the related activities of spas and massages.

The growth of the financial industry is both a cause of economic growth and an effect of it. Hence, as the real economy develops, the financial industry will grow as well. At the same time, active measures should be taken to grow and deepen the industry, including introduction of innovative financial products and services, to increase the value added generated. The Reserve Bank of Fiji has thus formulated the Fiji Financial Sector Development Plan 2016–2025. The stated vision of the plan is "To develop a robust and deep financial sector that will stimulate economic growth." The plan will also support the government's long-term vision of transforming Fiji into a regional financial hub in the South Pacific. In the context of productivity, this will increase the size of the high-productivity financial industry and boost value-added growth of the services sector and the economy. To support its vision, the Reserve Bank should step up its role as a developer of the financial industry and actively build the capabilities and infrastructural support systems for the industry, in addition to its core role of regulator.

The size of the ICT industry can be increased by improving digital connectivity through further market liberalization, enabling additional investment in high-speed, low-cost international bandwidth infrastructure and services; taking a targeted approach to connect the rural areas and outer islands; expanding broadband internet access; and gaining access to regional or sub-regional telecommunications markets. Improved digital connectivity presents new opportunities for growing ICT-enabled activities in the country and exporting ICT services. Locally, it will spur ICT-enabled activities to reach out widely to all segments of enterprises, industries, and locations, especially the rural areas and outer islands. Externally, it will enable Fiji to go beyond its current focus on business process outsourcing to knowledge process outsourcing. For this to happen, there must be the requisite specialist training for advanced analytical and technical skills.

The economy-wide impacts of ICT can be enhanced through active promotion of ICT-enabled activities in all sectors of the economy and by scaling up of digital literacy. Industry-specific application packages, digital platforms such as digital banking and payment, and appropriate financial incentives for businesses can be developed. E-governance services should also be stepped up to deliver benefits to citizens and businesses more efficiently and effectively through a variety of user platforms, including mobile devices.

Strategic Thrust 8: Expand Existing Core Industries and Develop New High-value-added Industries

Typically, in the course of a country's development, the composition of the three major sectors and the size of the informal sector change in a direction that leads to higher productivity. This is because of changes in what the economy produces and exports as a result of diversifying and upgrading its product mix.

In terms of sectoral composition, the agriculture sector dominates in a low-income country. As the country develops and progresses into the middle-income category, the share of the higher-productivity industry sector, particularly manufacturing, increases rapidly. Subsequently, as the country becomes a high-income economy, the share of high-productivity services dominates. A similar trend is observed for the share of total employment by sector. At the same time, in the course of a country's development, the size of the low-productivity informal economy, present in all the three sectors, can be expected to shrink as economic activities and labor are transferred to the formal economy.

Besides changes at the sector level, structural transformation takes place in terms of the types of industries within the sector. Typically, the high-value-added, knowledge-intensive and capital-intensive industries replace the low-value-added, labor-intensive industries during the course of development. While the transition from a low- to middle-income country corresponds to a basic shift from sectors with low to higher productivity, the transition to a high-income country is more complex, requiring the economy to diversify into a wider set of products, innovate rather than just imitate, and upgrade to more complex products with higher value added.

Economic development is thus about transformation of the productive structure of the economy towards high-productivity activities and accumulation of the capabilities necessary to undertake this process. The implication is that a slow rate of transformation over time will be a drag on the country's productivity.

Table 17 shows how the composition of the three major sectors in Fiji has changed in the last 50 years in terms of percentage share of GDP. From 1966 to 2016, the share of agriculture in GDP decreased from 29.1% to 11.1%; and the share of industry (including manufacturing) decreased from 22.5% to 14.3%. In contrast, the share of services in GDP increased from 39.3% to 56.4%.

A comparison with the upper-middle-income countries reveals two points. First, there is a slower shift from dependence on agriculture in Fiji. In 2016, the share of agriculture in GDP in Fiji was a relatively high 11.1% compared with 6.8% for the upper-middle-income countries. Second, the transformation in Fiji has not capitalized on the growth potential of the industry sector and manufacturing. This is evidenced by the continuous declines in shares of industry and manufacturing in GDP and the lower current shares of industry (14.3% in Fiji, 32.6% in upper-middle-income countries) and manufacturing (10.1% in Fiji, 19.9% in upper-middle-income countries) in GDP, with steep drops after 2010. Unlike many other developing countries, there is an absence of industrial transformation, which is generally marked by an increasing share of manufacturing in GDP.

Table 18 shows that the employment composition of the three major sectors has also changed. The two most notable changes are the decreasing share of agriculture in total employment, from 53.2% in 1991 to 39.2% in 2016; and the increasing share of services, from 35.1% in 1991 to 47.6% in 2016. The increase in the share of services in employment was mainly due to the expansion of low-

TABLE 17

SECTORAL SHARES OF GDP IN FIJI COMPARED WITH UPPER-MIDDLE-INCOME COUNTRIES

Sector	1966	1970	1980	1990	2000	2010	2016
	% share of GDP						
Agriculture							
Fiji	29.1	25.1	20.3	18.0	14.9	9.4	11.1
Upper-middle-income countries	28.8	25.3	20.9	17.8	9.9	7.0	6.8
Industry							
Fiji	22.5	20.8	20.2	21.1	19.5	17.0	14.3
Upper-middle-income countries	33.0	35.6	42.0	38.7	37.8	37.6	32.6
Manufacturing							
Fiji	15.3	12.4	10.9	11.9	12.2	12.3	10.1
Upper-middle-income countries					22.8 (2004)	21.4	19.9
Services							
Fiji	39.3	42.2	51.2	48.9	53.1	57.5	56.4
Upper-middle-income countries					47.8 (2004)	50.0	55.3

Source: World Bank, World Development Indicators.
Note: % share of GDP is based on GDP at current purchase price. Latest figures are for 2016.

skilled jobs in traditional services like transport, wholesale, retail, and restaurants, which helped absorb many of the low-skilled workers from agriculture and the declining garment industry. In contrast, the expansion of skilled jobs in modern services such as finance and ICT was low. Nevertheless, the current 39.2% employment share of agriculture in Fiji is much higher than the 17.1% share in the upper-middle-income countries; and the current 47.6% share of services in Fiji is lower than the 57.1% share in the upper-middle-income countries.

The share of the industry sector in total employment has not changed much in Fiji and the upper-middle-income countries since 1990. Throughout the entire period, the share in Fiji has been much lower (currently 13.2%) compared with the upper-middle-income countries (currently 25.8%).

TABLE 18

SECTORAL SHARES OF EMPLOYMENT IN FIJI COMPARED WITH UPPER-MIDDLE-INCOME COUNTRIES

Sector	1990	2000	2010	2016
	% share of employment			
Agriculture				
Fiji	53.2 (1991)	47.5	42.9	39.2
Upper-middle-income countries	45.7 (1991)	37.1	23.2	17.1
Industry				
Fiji	11.7 (1991)	12.5	13.7	13.2
Upper-middle-income countries	26.6 (1991)	26.6	27.9	25.8
Services				
Fiji	35.1 (1991)	40.0	43.4	47.6
Upper-middle-income countries	27.7 (1991)	36.4	48.9	57.1

Source: World Bank, World Development Indicators.
Note: % share of GDP is based on GDP at current purchase price. Latest figures are for 2016.

The conclusion from the comparisons in Tables 17 and 18 is that the pace of structural transformation of the Fijian economy has not been rapid, when compared with the upper-middle-income countries. However, a lingering question is whether it is possible for the GDP shares of the industry sector and the manufacturing industry in SIDS, rather than the category of upper-middle-income countries, to increase over time before they decline. To answer this question, a comparison of Fiji with selected SIDS is given in Table 19. The SIDS selected are Dominican Republic, Mauritius, Suriname, and Singapore. These countries have been selected to show that it is possible for SIDS to grow the size of the industry sector and manufacturing to drive the economy's productivity as well as economic growth. In all these countries, there were periods of increasing shares of the industry sector and manufacturing industry in GDP before they declined. In Fiji's case, except for small increases from 1980 to 1990, the shares of both the industry sector and manufacturing in GDP experienced a downward trend even though they still compared favorably against the Pacific SIDS.

TABLE 19

SHARES OF INDUSTRY SECTOR AND MANUFACTURING INDUSTRY IN GDP COMPARED WITH SELECTED SIDS

Country	1960	1970	1980	1990	2000	2010	2016
Value added of industry sector as % of GDP							
Fiji	22.5 (1966)	20.8	20.2	21.1	19.5	17.0	14.3
Dominican Republic	21.9 (1965)	26.1	28.3	31.4	29.6	25.8	24.4
Mauritius	-	22.6 (1976)	22.4	27.8	27.1	22.5	18.6
Suriname	44.3	46.3	32.8	22.5	22.9	35.3	29.9
Singapore	16.3	26.9	34.9	30.8	32.5	26.1	23.7
Pacific SIDS	-	-	16.9	18.5 21.6 (1994)	17.9	16.1	15.0
Value added of manufacturing industry as % of GDP							
Fiji	15.3 (1966)	12.4	10.9	11.9	12.2	12.3	10.1
Dominican Republic	15.6 (1965)	18.5	15.3	18.0	21.0	15.3	13.3
Mauritius	-	14.0 (1976)	13.5	20.6	20.5	14.2	12.4
Suriname	-	17.9 (1976)	15.7	9.6	8.2	21.0	12.5
Singapore	10.6	17.5	26.5	24.4	25.9	20.2	17.7
Pacific SIDS	-	-	9.1	9.8 12.6 (1994)	10.6	9.4	8.5

Source: World Bank, World Development Indicators.

Another evidence of the slow pace of structural transformation of the Fijian economy is that its growth to date has depended on a narrow economic base concentrated on tourism, and food and beverage production. Both of them are located in what development economists have termed as the unsophisticated part of the product space, i.e., in a low-product trap producing raw materials (e.g., agricultural produce) and low-technology manufactures (e.g., garments) and offering low-value services (e.g., small retailers and street vendors). This contrasts with the high product end producing

complex products (e.g., chemicals and machinery). In addition to their undesirable location in the product space, both tourism and food and beverage production are heavily dependent on external markets. This makes Fiji highly vulnerable to external shocks.

The high dependence of the Fijian economy on tourism is borne out by WTTC's comparison of Fiji with competing destinations (those that offer a similar tourism product and compete for tourists from the same origin markets), as well as the regional and world averages, in 2016. This is shown in Table 20. For both GDP and employment contributions (14.5% and 13.0%, respectively), Fiji ranked fourth; and the contributions were much higher than those in Oceania (3.5% and 4.9%, respectively) and the world (3.1% and 3.6%, respectively). WTTC has also projected a 5.3% average annual growth of direct contribution to GDP in Fiji from 2017 to 2027, only behind Tonga's 5.9% and much higher than Oceania's 2.9% and the world's 4.0%.

TABLE 20

DEPENDENCE OF FIJI ON TOURISM COMPARED WITH COMPETING DESTINATIONS

Direct contribution to GDP (constant 2016 prices)		Direct contribution to employment	
Country	% of GDP	Country	% of total employment
Maldives	40.9	Seychelles	26.2
Seychelles	22.0	Maldives	19.7
Vanuata	17.2	Vanuata	13.6
Fiji	14.5	Fiji	13.0
Kirbati	9.1	New Zealand	9.1
Mauritius	8.4	Mauritius	8.2
Tonga	6.7	Kribati	7.5
New Zealand	5.2	Tonga	6.8
Solomon Islands	3.9	Australia	4.6
Australia	2.9	Solomon Islands	3.3
Oceania	3.5	Oceania	4.9
World	3.1	World	3.6

Source: World Travel & Tourism Council.

As shown in Table 13, the high dependence of the economy on food and beverage production is reflected by the dominant share of food and beverage and tobacco (57.4%) in manufacturing output. This is also borne out by the dominance of food and beverage products in the composition of Fiji's domestic exports, as shown in Table 21. In 2017, food and beverage products (HS 1, 3, and 5) constituted 65.2% of total domestic exports. The two dominant products were mineral water and sugar. The other significant products outside the industry were gold and garments.

Yet another evidence of the slow pace of structural transformation of the Fijian economy is the large informal economy. The informal economy soaks up resources in unproductive, low-value-added economic activities, and diminishes the government's capacity for oversight and tax revenue. As emphasized by the ILO, the informal economy poses a challenge to policymakers who pursue the following goals: improving the working conditions and legal and social protection of persons employed; increasing the productivity of informal economic activities; developing training and skills; organizing the producers and workers; and implementing appropriate regulatory frameworks, governmental reforms, urban development, and so on. There is also a link between informal employment and poverty.

TABLE 21

COMPOSITION OF FIJI'S DOMESTIC EXPORTS

	Export by Harmonized System (HS)	FJD Mn	% of total
1.	Prepared foodstuffs, beverages, spirits & tobacco	595.1	49.3
	Mineral water	243.4	20.2
	Sugar	195.0	16.2
	Prepared/preserved fish	24.1	2.0
	Biscuits (except sweet biscuits)	21.5	
	Molasses	20.2	
	Sweet biscuits	12.9	
2.	Precious or semiprecious stones	120.9	10.0
	Gold	118.7	9.8
3.	Vegetable products	97.9	8.1
	Sharps and flour	27.4	
	Taro	22.2	
	Kava	19.7	
	Spices	12.4	
4.	Textiles & textile articles	97.2	8.1
	Garments	90.9	7.5
	Textiles	6.3	
5.	Live animals & animal products	93.9	7.8
	Fresh fish	70.2	5.8
6.	Wood and articles of wood (timber)	26.8	2.2
	Woodchips	11.1	
	Mahogany	8.6	
7.	Cartons, boxes, cases, bags, and other packing materials	17.3	1.4
8.	Cement	10.7	0.9
9.	Insulated wire, cable, and other insulated electrical conductors	10.1	0.8
10.	Paints and varnishes	8.6	0.7
11.	Coconut oil	6.3	0.5
12.	Aluminum ores (bauxite)	5.7	0.5
13.	Skin care products	5.6	0.5
14.	Electric accumulators (batteries)	5.6	0.5
15.	Sail boats	4.7	0.4
16.	Bricks, blocks and tiles	4.3	0.4
17	Pebble, gravel, broken or crushed stone	3.5	0.3
18.	Other domestic exports	93.0	7.6
	Total domestic exports	1,207.3	100

Source: Fiji Bureau of Statistics; Key Statistics: March 2018.

According to ILO data on Fiji for 2016, 37.1% of the total 327,100 employed were in the informal sector. This plus the informal employment outside the informal sector give a total of about 60% of Fiji's employed in the informal economy (defined as those in employment but not contributing to the Fiji National Provident Fund). Fiji's Employment and Unemployment Survey (2004/05 and 2010/11) show that almost 79% of rural workers were informally employed, compared with 40% of urban workers. By sector, about 95% of agricultural workers, 37% of industrial workers, and 32% of services workers were in informal employment. Thus, a large proportion of the workforce falls outside the sphere of most labor market policies and institutions. In terms of GDP share, a study by the IMF in 2018 shows a share of 25.4% in 2015, placing Fiji at 92 out of 159 countries (1 being the highest percentage). The drop in the percentage was slight from 1991 (38.9%) to 2010 (32.1%) but became noticeable in 2010 (25.4%). However, 25.4% is still fairly high. For example, Vietnam, which is a lower-middle-income country, had a much lower share of 14.8% in 2015.

In view of the slow pace of transformation of the Fijian economy, the strategic thrust is to develop new high-value-added industries while expanding the existing core industries at the same time. The existing core industries, namely, tourism, and food and beverage production, will continue to be important to the economy. Hence, these should be expanded to leverage the economies of scale effect. The aim should be to help them shift from their current states of operation to the higher end of the production value chain so that higher value-added could be reaped. At the same time, strategies should be formulated to develop new high-value-added, high-productivity industries in the three sectors beyond the traditional areas, i.e., sugar in the agriculture sector, food and beverage production in the industry sector, and tourism in the services sector; and to channel and reallocate capital and labor resources accordingly.

These industries should produce and export goods and services that are sophisticated and in the high end of the product space. This will broaden the economic base, raise productivity, and effect a transformation to an economic structure that is more typical of upper-middle-income countries. Particular attention should be given to the industry sector to step up the pace of industrialization. Special economic zones (SEZs) that integrate and give focus to the development of clusters of industries should be given focused attention. An example of such a zone is the Wairabetia Economic Zone in Lautoka, which is currently being developed to attract investments into a wide range of manufacturing and service industries such as light manufacturing, manufacture of components, ICT, audiovisual, and high-end retail. Continuous skilling and reskilling of the workforce, especially to meet the needs of new industries that emerge in the course of restructuring, is critical. Both business enablers and macro enablers must support and facilitate the transformation process.

To reduce the size of the informal economy, the government, working together with relevant industry associations, should step up efforts to encourage informal businesses to register themselves with a recognized organization. Government support can then be targeted, strengthened, and made more accessible. This includes building up the capabilities of family-based and micro businesses so that they can be professionally run and hence produce higher value-added goods and higher incomes for workers. The benefits of the transition to the formal economy (government assistance and protection, access to finance, etc.) should be adequate, and communicated to the businesses to effect the transition.

The action plan for the economic structure is not a separate plan per se but one that integrates the plans for the three key sectors of the economy.

Strategic Thrust 9: Build Productivity Culture and Develop Future-ready Skills

The workforce is well-educated and skilled. According to ILO data for 2016, 25.1% of those in employment had advanced education (tertiary), 37.3% had intermediate education (upper secondary/post-secondary, non-tertiary), 36.7% had basic education (primary/lower secondary), and only 0.91% had less than basic education. The UNDP's Human Development Reports 2018 show that 63.2% of the labor force are skilled workers. However, they fall short of meeting the needs of employers in certain respects.

The Fijian way of life strengthens community bonding but may inadvertently foster certain undesirable behaviors. At the core of the Fijian way of life is the maintenance of kinship, sharing, and solidarity. This originates from the iTaukei's deep-rooted culture of vakavanua, which means way of the vanua, a word that symbolizes the concept of interconnectedness of all creations in the Fijian worldview; and is underpinned by the values of loving, respecting, and caring for one another; putting others first; and considering others' points of views. A key feature of this way of life is kerekere, which is a system of borrowing in cash or kind from a relative or a member of one's community. Requests for assistance are typically made to individuals who are perceived to have well-paying jobs and to entrepreneurs and businesses that that are considered to be doing well. This could create a dependency mentality and discourage hard work as well as entrepreneurship.

In the workplace, certain workplace behaviors are found wanting. A 2018 survey by the Fiji Commerce and Employers Federation (FCEF) found that absenteeism (4% of workers absent in a month; 10% of workers late in a month) and staff turnover (11% of workers resign and leave in a year; 10% of workers leave without notice in a year) were high. This is attributed to the culture of vakavanua where people could depend on their community if they are not working; weak human resource practices (e.g., remuneration not tied to performance); and unemployment benefits given out by the government. Hence, there is complacency among workers and the lack of drive to do beyond the minimum requirements.

Besides work attitudes and behaviors, the skills of workers, both generic and functional, fall short of employers' expectations. Fiji's National Strategic Human Resource Plan for 2011–15 concluded that "survey after survey of employers in Fiji point to lack of practical experience of new employees as the biggest labor market problem that they face." A study by the Fiji National University (FNU) in 2013 identified certain areas that were lacking: quality workers in various occupations in the construction industry; math and science skills in all industries; practical skills; workplace readiness and attitude to work; and knowledge and experience working with modern technology and equipment. These findings were corroborated by a training needs assessment survey of major employers undertaken by National Training and Productivity Centre (NTPC) in 2013. Covering 78 government ministries and companies, the survey found that new employees lacked confidence, discipline, and self-motivation; proper attitude towards work and ability to work independently without supervision; adequate written and oral communication skills and ability to articulate ideas; leadership skills, computer skills, office management skills, and other workplace skills; and occupational safety, and health knowledge and awareness.

A 2018 survey by FCEF identified the key productivity skills needed by employers: cognitive skills, such as basic trade skills, analytical and problem-solving skills, and computer or technical literacy; and non-cognitive skills, such as communication, teamwork, personal management, interpersonal relations, leadership, learning, academic competence, and strong work values.

Another issue faced by employers is the shortage of professionals like engineers, architects, financial professionals, and ICT professionals; and of skilled workers like construction workers, electricians, and mechanics. The National Strategic Human Resource Plan for 2011–15 identified continuing migration of skilled and experienced professionals as a key reason for the skills gap. For the technical trades (blue-collar jobs), the shortage arises from the perception that these jobs are of a lower stature and are less well-paid compared with white-collar professions. This is exacerbated by the unfavorable perception of technical and vocational education and training (TVET) compared with higher education. As a result, enterprises have to depend on workers from other countries.

The strategic thrust is therefore to build a productivity culture and develop future-ready skills to meet the needs of the industry, both for the present and the future.

The importance of a productivity culture was emphasized in the Fiji Productivity Charter 2005, signed by the tripartite partners (government, employers, and unions) but no specific action has been taken since then. More recently, in its Strategic Development Plan 2018–2022, the Ministry of Employment, Productivity and Industrial Relations (MEPIR) identified "embed a culture to boost productivity and competitiveness through nationwide movement" as the strategy to achieve the outcome of "strong and productive workforce for the future."

Attributes of the desired productivity culture for Fiji, such as good work attitudes, work discipline, creativity and innovation, and desire for continuous upgrading, should be developed in consultation with the key stakeholders. Since it is unlikely that the tradition of vakavanua and kerekere will be supplanted by a productivity culture, the possibility of developing the culture by integrating it with some aspects of the established tradition could be explored. The values underpinning the tradition are, in fact, not negative for productivity improvement. Once developed, the desired culture should be promoted widely through awareness-building campaigns, training and education, involvement in quality circles, and reward and recognition systems such as linking wages to productivity, including manifestation of the desired culture. Since the inculcation of desired values must start at a young age, the school system should also incorporate attributes of the productivity culture in the curricula. To help inculcate the productivity mindset in the workplace, a generic productivity program covering the concepts, tools, applications, and benefits of productivity should be developed to educate all segments of the workforce. This can be customized to meet the specific needs of various sectors and levels of the workforce.

Since multiple surveys and studies have affirmed the importance of generic cognitive and non-cognitive competencies, a list of the desired competencies should be firmed up. Examples of the competencies are computer literacy, analytical and problem-solving skills, communication, teamwork, and learning. These competencies are transferable across industries and serve as a foundation to acquire functional skills. A comprehensive program to impart these lifelong generic skills should be developed.

In addition to generic skills, functional skills to support the growth of existing industries and to spur the development of modern high-value-added industries are also necessary. Future-ready skills are particularly important because the possibility of industry diversification and production of high-value-added goods and services hinges on whether workers have the skills for new, high-value-added jobs of the future. Besides the technical and vocational skills for the traditional industries in agriculture, manufacturing, and tourism, the skills required in the high-productivity modern

services industries such as finance and ICT should be given special attention to support the economy's structural transformation. Both the financial sector and the ICT sector need qualified professionals with highly specialized skills. Those in the financial sector must be able to capitalize on financial technology (FinTech) to improve organizational performance and introduce innovative financial products and services. ICT professionals must be able to lead the application of ICT in industry widely.

The skills requirements of various industries at all levels, both for the present and the future, should be fully factored into manpower planning, which determines enrolment into various courses offered by the education and training institutions. The curricula of the courses should also be updated continually to prepare students for the future of work and to meet the needs of the industry. For this to materialize, there must be close linkages between enterprises and the education and training institutions. Dedicated professional training institutes could be set up if they are deemed critical in complementing the education and training institutions, especially to provide continuous professional development opportunities for those in the respective fields. All these activities will ensure a better match between manpower demand and manpower supply. This, however, cannot be achieved if the emigration rate continues to be high. The government should therefore take active steps to stem this problem and shift the net migration rate to positive territory.

The training and skills upgrading programs should reach out to all, including those in the rural areas and outer islands. An example of an effective program is the Sustainable Livelihood Project undertaken by NTPC's Division of Non-Formal Education and Training Division. This initiative promotes development in rural communities and enables people with the skills to manage their resources for sustainable self-sufficient living. This is done through technical and vocational training conducted in the provinces, districts, villages, and rural settlements. The outcome is the productive use of local natural resources, as well as alleviation of rural poverty. Introduced in 2012, the project has reached out to more than 23,000 persons to date (February 2019). The trained persons can then progress to formal courses and qualifications offered at NTPC as there are clear pathways to such courses.

Besides traditional classroom training, e-learning can be used more widely to overcome the constraint of distance and physical remoteness. With increasing ICT connectivity, growth of mobile devices and use of the internet, e-learning becomes a viable option to spur learning anywhere and anytime. A prerequisite for successful implementation of e-learning is digital literacy, which must therefore be addressed concurrently. In-house training provided by enterprises should also be encouraged, as this complements the formal skills development system and makes training accessible to workers.

Adequate incentive schemes should be devised to encourage enterprises in all sectors to continually skill and reskill their workers. This is especially important in view of the restructuring of the 1% NTPC levy payable by employers, as announced in the 2018–19 National Budget. With the restructuring, 0.5% of the levy is now directed to access to private medical services and 0.4% to workmen's compensation, leaving only 0.1% for training grants. Feedback from employers shows that the reduced amount set aside for training has diminished their incentive to train workers.

Since there may be information gaps between skills possessed by individuals and skills required by enterprises, there should be an effective mechanism to close the gaps and match the two. For this purpose, the government has set up the National Employment Centre (NEC), administered by

MEPIR, to provide a clearing house between job seekers and employers. Currently, NEC operates from seven locations in the country. Its main target group for job seekers is youths, as the LFPR for this group is low; for employers, the target group is medium and large enterprises. Nevertheless, to date, only about 400 of the 10,000 medium and large enterprises engage NEC on a regular basis. This is due to lack of awareness as well as lack of confidence in NEC's services. Furthermore, NEC has not been able to track the effectiveness and outcomes of its services. To be more effective, NEC should build up its capabilities to identify the immediate and future needs of employers, work with education and training institutions to meet those needs, and promote itself among the employers as the recruitment medium of choice. In addition to facilitating training in functional skills for those registered, NEC should equip them with basic knowledge on productivity so that they will have a productivity mindset when they start working.

Strategic Thrust 10: Strengthen Technology Development and Proliferate its Applications

The overall level of technological development in Fiji is low. This is due to two reasons. The first reason is that the industry sector, where the technology development is typically high, especially in manufacturing, is small. The second reason is the small size of the majority of enterprises in all the three sectors. Because of the small scales of their operations, they are unable to justify the high costs of investing in capital equipment, together with the embedded technology, especially when the returns are uncertain.

Although there are no public data on the extent of R&D in Fiji, inputs from employers, government officials, and academics affirm that the level of R&D in both the private and public sectors is low. Any R&D that is carried out, as well as advanced technology that is adopted, is confined very much to a few of the larger enterprises in Fiji.

A specific aspect of technology is ICT. Empirical evidence shows that as a country progresses from the low- to middle- and then high-income category, the quality of the ICT infrastructure becomes increasingly important in contributing to growth. The reason is that ICT makes many productivity-enhancing applications and technologies widely accessible and affordable and overcomes barriers of physical distance and remoteness. According to International Telecommunication Union (ITU) data for 2017, Fiji had 114.18 mobile phone subscribers per 100 people, and was ranked 83 out of 168 countries; but it had only 1.34 fixed broadband internet subscribers per 100 people, and was ranked 123 out of 168 countries. The World Bank data for 2016 showed that 46.5% of the population had access to the internet, and Fiji was ranked 108 out of 193 countries. In GII 2015, Fiji was ranked 85 out of 181 countries for ICT access, and 67 out of 141 countries for ICT usage. Despite the formal institution of an e-government program in 2006 and publication of the Fiji e-Government Master Plan in 2009, the extent of online government service provisioning and e-participation is limited. Fiji was ranked 82 out of 141 countries for both in GII 2015. Thus, the state of the ICT infrastructure is relatively weak, and the penetration of ICT services is still low.

The strategic thrust is therefore to strengthen technology development and proliferate its applications.

While the import of technology through FDI will continue to be important, Fiji should build its own capabilities in R&D in the longer term to spur cutting-edge technology and frontier innovation for driving technological diffusion. Empirical studies have shown that middle-income countries that are able to cross to the high-income category typically perform better on standard indicators of innovation intensity such as R&D stock per worker, ratio of R&D investment to GDP, and patent applications per million persons. Appropriate incentives should be given to promote private sector-

driven R&D in various sectors. The focus should be on applied R&D, with the aim of commercializing and diffusing technology widely, and boosting automation and technology applications in all sectors of the economy. At the same time, mechanisms should be in place to facilitate transfer of FDI-driven technologies to the local enterprises.

With regard to ICT, the measures recommended to grow the size of the ICT industry should lead to proliferation of its various applications. Besides enhancement of the ICT infrastructure, cyber-security is paramount and should be given attention. To make more government services available online and accessible through mobile applications, digitalFIJI, the government's digital transformation program, was launched in 2018. This is a four-year program to implement a number of government applications, enhance the overall ICT infrastructure, and build and develop capacity in digital transformation in the government. For this to be successful, digital literacy is critical and should therefore be built up.

Looking ahead, all enterprises and the workforce should be enabled for the technologies of the future. These technologies are encapsulated in Industry 4.0, including internet of things (IoT), digitization, big data analytics, additive manufacturing, and augmented reality.

Strategic Thrust 11: Create Business-friendly Environment

The overall business environment is far from being the best-practice frontier. In the World Bank's Doing Business 2018 ranking, Fiji was ranked 101 out of 190 countries with a 'distance to frontier' score of 60.74 out of 100. This score captures the gap between an economy's current performance and the best-practice country. The ranking was based on Fiji's performance on five factors of doing business.

On the first factor of 'starting a business,' Fiji was ranked a low 160, with 11 procedures involving an average of 40 days to start a business. On the second factor of 'getting a location,' Fiji ranked relatively better on three aspects: 92 for dealing with construction permits, 84 for getting electricity, and 58 for registering property. On the third factor of 'accessing finance,' Fiji was ranked a distant 159, with poor depth of credit information, credit bureau coverage, and credit registry coverage. In 2016, the only credit bureau was shut down, making it harder to obtain credit. A new agency, Credit Information Reporting Agency, was given a license to conduct business as a credit reporting agency on 29 March 2018. This would make it the first credit reporting agency to be licensed under the Fair Reporting of Credit Act 2016, but it had not been activated yet. The banking industry is core to the financial sector, but it falls short in terms of transparency and affordability of lending. The provisioning of financial services to the industry is limited by weak supporting mechanisms, including lack of accurate information about the priority sectors, which could make investment and financing opportunities risky. As regards financing for micro enterprises, there are not many institutions that are dedicated to supporting the micro enterprises. The SME Credit Guarantee Scheme focuses on medium enterprises which already have access to commercial banks. On the fourth factor of 'dealing with day-to-day operations,' Fiji's performance was mixed on the three aspects: 96 for protecting minority investors, 120 for complying with the tax regime, and 75 for trading across border. The government's price control on a wide range of goods is also a concern and it reduces any incentive to improve the quality of products or to expand the productive capacity. On the fifth factor of 'operating in a secure environment,' Fiji's performance was far from the frontier. It was ranked 89 for enforcing contracts, and 92 for resolving insolvency.

With regard to the labor market, Fiji was ranked a creditable 38 out of 182 countries in the Labor Freedom Sub-index of the Heritage Foundation's 2018 Economic Freedom Index. The index is

composed of six quantitative factors: ratio of minimum wage to the average value added per worker, hindrance to hiring additional workers, rigidity of hours, difficulty of firing redundant employees, legally mandated notice period, and mandatory severance pay. Nevertheless, the assessment is that the labor regulations remain rigid and that an efficient labor market has not been developed. Another aspect of the labor market is the state of industrial relations, involving the three parties of employers, unions, and government. The current state is at best tense, with lack of trust between the parties, especially with the government.

The strategic thrust is therefore to create a business-friendly environment.

Continual reforms should be undertaken to improve the business environment, with emphasis on areas where Fiji has not performed well. In particular, steps should be taken to simplify and reduce the number of procedures for starting a business, as well as the costs involved. Other improvements that should be made include simplifying compliance with the tax regime; reducing the cost, time, and procedures for import and export; improving access to finance; strengthening contract enforcement; and expediting dispute resolutions.

In the labor market, measures should be taken to sustain good industrial relations at all times. Constant dialogs and consultations involving the tripartite partners of employers, unions, and government are critical. All the parties need to have a common understanding and proper interpretation of the legal provisions in the labor laws of the country as well as the international labor conventions. These include provisions related to the roles and responsibilities of the representative worker and employer bodies, labor dispute resolution, and collective bargaining. With regard to productivity, there should be consensus between the employers and the unions on the productivity enhancement measures and the mechanism to establish the productivity-wage linkage.

An effective way to ascertain that the environment is business-friendly is to get direct feedback from enterprises. To effect this, an 'EnterpriseFirst' bureau should be set up to serve as the single point of contact for receiving feedback from enterprises on rules and regulations that impact their operations and growth. In addition, the bureau should review all business rules and regulations regularly and benchmark them against international best practices.

Strategic Thrust 12: Collaborate with Relevant Institutions to Improve Macro Enablers

Although macro enablers, namely, institutional environment, infrastructure, macroeconomic stability, and education and health, are not a direct responsibility of the national productivity drive, they cannot be taken off the radar. Like business enablers, macro enablers are prerequisites that must be given attention in order to ensure a sustained productivity growth. As a former British colony, Fiji inherited many institutions, legislation, and practices from the past. The question is whether these have been modernized to serve Fiji's current and future needs.

Institutional environment consists of three components: political stability, quality of public institutions, and legal and regulatory framework. For about two-and-a-half decades from the mid-1980s, the perception of Fiji was one of political instability. This was due to the four political coups that took place in May 1987, September 1987, May 2000, and December 2006. However, with the adoption of a new Constitution in September 2013 and the conduct of national democratic elections in September 2014, the perception has improved considerably, which is good for businesses. Fiji was ranked 67 out of 141 countries in GII 2015; and 49 out of 195 countries in World Bank's 2017 Political Stability Index.

What is still a negative is the quality of public institutions. In spite of steps taken to weed out corruption in the public sector, it is still perceived to be quite prevalent. In the Heritage Foundation's 2018 Freedom from Corruption Index, Fiji was ranked 102 out of 182 countries. Despite civil service reforms, the effectiveness of the government is perceived to be low in terms of quality of public services; quality of the civil service and the degree of its independence from political pressures; quality of policy formulation and implementation; and credibility of the government's commitment to such policies. Fiji was ranked 128 out of 141 countries for government effectiveness in GII 2015, and 108 out of 193 countries in the World Bank's 2016 Government Effectiveness Index. The result is a lack of full trust and confidence in public institutions.

Similarly, the legal and regulatory framework is weak. For rule of law, Fiji was ranked 116 out of 141 countries in GII 2015 and 106 out of 193 countries in World Bank's 2016 Rule of Law Index. For regulatory quality, i.e., the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development, the country ranked 109 out of 141 countries in GII 2015 and 115 out of 193 countries in World Bank's 2016 Regulatory Quality Index. Protection of property is highly uncertain. The constitutionally independent judiciary is perceived to be subject to executive influence; and the dispute settlement mechanisms are inadequate. All these weaken confidence in doing business in the country.

Infrastructure, the second macro enabler, comprises the provision of public utilities and the transport infrastructure. Today, about 90% of the population have access to electricity. However, there is still lack of access in some of the rural areas and outer islands. The government has set the target of 100% access to electricity for all households by 2021.

Today, about 78% of the population have access to clean and safe water, i.e., treated and reticulated water supply. However, the proportion is only 58% in the rural areas, compared with 98% in the urban areas. Access to proper sanitation facilities is even lower. Only 25% of the population have access to centralized sewerage systems, all of which are in the urban areas. The government has set the target of 100% of the population having access to clean and safe water by 2031, and 70% of the population having access to centralized sewerage systems by 2036.

The transport infrastructure is relatively well-developed but falls short in some areas. Road transport is the main mode of travel in Fiji. According to Fiji Roads Authority data for 2014, there were more than 11,000 km of roads, giving it a fairly high road density of 62 km per 100 sq km of land. However, the quality of roads, measured by proportion of roads sealed, is a low 13% or slightly less than 1,500 km of roads, about 80% of which are on the main island of Viti Levu. Most of the unsealed roads are cane or rural roads of minimal standards.

The only rail lines are for the transportation of sugar cane from the farms to the sugar mills. This is a relatively extensive network with about 950 km of lines still in operation. However, these use an extremely narrow gauge of 610 mm and will need to be upgraded before they are suitable for long-distance passenger travel.

Due to its location, Fiji, with two natural harbors at Suva and Lautoka, has become a major hub for shipping services between North America, Australia, and New Zealand. In addition, Fiji acts as a distribution center for the South Pacific countries. The liner shipping connectivity index by United Nations Conference on Trade and Development (UNCTAD) shows that Fiji is the most connected to global shipping networks among the Pacific SIDS, underlying its status as a transshipment hub

in the South Pacific. However, there is a capacity issue in the form of shortage of contiguous space for cargo storage, particularly for containers; and the time and transaction costs of transporting and trading goods remain high.

Fiji is a regional aviation hub, served by two international airports (Nadi and Nausori), as well as 13 domestic airports scattered over Fiji's maritime zone. Data for 2016 show that Fiji had the highest number of carrier departures (22,075), highest number of passengers carried (1.56 million), and largest volume of freight (102.6 million tons/km) in the South Pacific.

Macroeconomic stability, the third macro enabler, comprises the degree of price stability and public finance management. Price instability is of concern to investors, as high inflation rates erode returns on investments. According to World Bank data, the inflation rate in Fiji from 1970 to 2017 was moderately low, averaging 5.9% a year, with a minimum of 0.5% in 2014 and a maximum of 22% in 1972. Since 2010, the inflation rate has been below 4% except for 2011.

Public finance management has improved over the years, but the fiscal deficit and government debt are still high. World Bank data show that from 1992 to 2017, the budget balance/GDP percentage averaged −2.6%, reaching an all-time high of 5.0% in 1998 and a record low of −6.50% in 2001. In 2017, it was −4.5%. The government debt/GDP percentage averaged 44.3% from 1980 to 2017, reaching an all-time high of 56.2% in 2010 and a record low of 33.7% in 1981. In 2017, it was 44.0%. A net deficit of 3.5% of GDP has been budgeted for FY 2018–19. This is expected to be reduced gradually to 3.0% in FY 2019–20 and 2.5% in FY 2020–21. Consequently, the government debt/GDP percentage is anticipated to be around 48.6% in FY 2020–21. This is still above the IMF-suggested 40% debt-to-GDP ratio that should not be breached on a long-term basis. For the longer term, the government has set a target of 35% by 2036.

Fiji's external debt/GNI percentage is relatively low, as the government has historically met more than 90% of its financing needs by borrowing from the domestic market. World Bank data show that between 1970 and 2016, the percentage averaged 16.3%, with a minimum of 5.5% in 1970 and a maximum of 33.9% in 1988. In 2016, it was 19.6%.

The IMF, in its Article IV Mission to Fiji in July 2014, advised the government that sustaining and increasing the growth potential of the Fijian economy, as well as containing budget deficits over the longer term, will require a rebalancing of the economy away from its focus on public investment to a greater focus on private investment. In December 2018, IMF reinforced this point by emphasizing the need for fiscal consolidation, by reducing the government deficit to 1% of GDP in the next 3–4 years and maintaining the debt/GDP percentage at 44% in the medium term. This will help maintain fiscal sustainability, create fiscal space to respond with flexibility to natural disasters in the future, and alleviate the current pressure on foreign reserves by containing imports.

Education and health, the fourth macro enabler, determines whether there is a flow of healthy and well-educated people to meet business needs and to be trained for high-skilled jobs. The educational profile of the population has improved over the years. Available World Bank data for 2013 show that government expenditure on education as a proportion of GDP was 3.89%, just slightly lower than the 4.12% average for upper-middle-income countries. Free primary and secondary education was introduced in 2014. UNESCO data for 1970–2015 show that the gross primary school enrolment rate was consistently above 100%, averaging 107.5% with a minimum of 101.6% in 2000 and a maximum of 117.5% in 1975. In 2017, it was 105.6%. The secondary school enrolment

rate rose from 52.1% in 1970 to 88.7% in 2012, while the tertiary school enrolment rose from 0.7% in 1970 to 16.1% in 2005 (based on limited UNESCO data available).

The state of health of the population has improved considerably over the years but still lags that of upper-middle-income countries. The infant mortality rate, measured as the number of infants dying before reaching one year of age per 1,000 live births in a given year, fell from 44.5 in 1970 to 18.7 in 2017. This is higher than the rate of 11.6 in the upper-middle-income countries. Life expectancy at birth jumped from 59.8 years in 1970 to 70.3 in 2016. However, this is still lower than the rate of 75.3 in the upper-middle-income countries.

According to World Bank data, health spending as a proportion of GDP during the period 2000–15 averaged a relative low 3.5% with a minimum of 3.2% in 2001 and a maximum of 3.7% in 2000. In 2015, it was 3.6%, placing Fiji at 163 out of 182 countries. Similarly, health spending per capita averaged a low USD130.1 with a minimum of USD64.2 in 2001 and a maximum of USD184.7 in 2014. In 2015, it was USD174.9, placing Fiji at 115 out of 182 countries.

In view of the importance of macro enablers, the strategic thrust is for the institutions driving national productivity to collaborate with those that are directly responsible for the enablers, in order to bring about the desired improvements. Based on their interactions with the industry, they could provide regular feedback on areas that are lacking and regulations that are impeding business operations and growth. The institutions in charge of the macro enablers will have to work out the detailed strategies for improvement, not just for the purpose of the national productivity drive but also in relation to the economic development of the country.

INSTITUTIONALIZING THE PRODUCTIVITY MOVEMENT

Need for a High-profile National Productivity Movement

The 12 strategic thrusts in the Fiji National Productivity Master Plan 2021–2036 will have to be managed in an integrated manner to realize the Fiji Productivity 2036 vision. The reason is that they are not independent of one another and hence need to be taken holistically to deliver maximum impact. A high-profile Productivity Movement should be launched for this purpose. The Movement will provide the platform to unify all activities taken in conjunction with the strategic thrusts. At the same time, this platform can be used to rally all stakeholders to work towards Fiji Productivity 2036.

Currently, the Fiji Productivity Charter 2005 serves as the framework for the Fiji Productivity Movement. The Charter was signed by representatives of employers, trade unions, and government at the final session of the Second Fiji Round Table Conference on Productivity on 8 April 2005. It was developed after a review of the original 1995 charter.

The first part of the Charter spells out the aim and guiding principles of the Productivity Movement, and emphasizes the involvement of the whole nation. The broad statements on the importance of the Productivity Movement are aptly linked to greater national competitiveness, eradication of poverty, and higher standard of living. The second part of the Charter outlines the program of action, covering various areas. The first set of recommendations pertains to strengthening the structure and functions of the Training and Productivity Authority of Fiji (now NTPC) to allow it to undertake the full range of activities expected of a national productivity organization (NPO). It then goes on to cover government initiatives, roles of the social partners, awareness campaigns, excellence awards, wage systems, and education and training.

While the program of action in the Charter is wide-ranging, it does not sufficiently address factors that impact national-level productivity. Furthermore, despite what is stated in the Charter, the functions of NTPC have not been expanded much beyond its primary focus on training to undertake the full range of functions expected of an NPO. Thus, even though there is a clear statement in the Charter regarding the link between the Productivity Movement and national competitiveness and standard of living, this link is not apparent in reality because of the narrow view of productivity being taken.

Positioning of the National Productivity Movement

The first task in instituting a high-profile Productivity Movement is to broaden the perception and management of productivity from efficiency to include effectiveness in the use of resources and capital deepening growth. This will effect a shift from the primary focus on enterprises (currently confined mainly to business excellence and quality circles) to include economic sectors, economic structure, and enablers.

Once the Fiji National Productivity Master Plan 2021–2036 has been finalized, a new Charter can then be developed since the current one is already outdated. As part of the Charter, the goals of the

Productivity Movement should be specified and linked to the country's long-term economic goals, particularly those in the 20-year Development Plan 2017–2036. How the Productivity Movement fits into the National Development Plan should be clearly shown, so that it is not a silo. The coverage of the Productivity Movement, e.g., addressing the proximate factors and enablers, should also be stated explicitly. All these will position the Productivity Movement appropriately.

The positioning framework should be published and disseminated to all stakeholders in the government and the industry. This will foster common understanding and alignment. Similar frameworks at the enterprise levels can be developed. The linkages between the Productivity Movement and enterprise-level product competitiveness, sales, profit, and wages should be shown clearly to generate interest in participating in productivity activities at the national level as well as within the enterprises.

Action Plans for the Productivity Movement

Detailed action plans must be worked out to execute the 12 strategic thrusts. These plans consist of the specific programs to be implemented, the timelines for implementation, the parties responsible, and the monitoring and reporting mechanism.

As many of the strategic thrusts are interrelated, the action plans for these need not be worked out separately. The first task is to determine the strategies that cut across all sectors and which should therefore be addressed through 'horizontal' action plans. The second task is to work out the 'vertical' action plans for the sectors. For each sector's action plan, the appropriate non-sector strategies pertaining to enterprises, economic structures, and enablers should be included. The constituent industries in the sector should be examined in detail, with specific productivity targets set and programs implemented. It is important that there should be oversight of the development of all the actions plans so that these are not done in silos. All these plans should be integrated, as far as possible, with the existing development plans, and aligned with the 20-year National Development Plan 2017–2036.

Once the actions plans are in place, they should then be implemented by the relevant agencies. Whenever a plan is ready to be implemented, it can be launched to create publicity and awareness. For any launch, it is important to link the plan to the overall national Productivity Movement so that it is clear that each plan is part of the integrated approach taken.

Sustained Promotion of the Productivity Movement

A concurrent action that needs to be taken along with the implementation of the action plans is the sustained promotion of the Productivity Movement. Only then will everyone be aware that there is an ongoing national productivity drive guided by the Fiji National Productivity Master Plan 2021–2036, and that the government is committed to the Productivity Movement. A distinct identity for the Productivity Movement will then be created. This is critical for encouraging and prodding enterprises and the workforce to be actively involved in taking actions to improve productivity.

An annual productivity campaign is useful in creating awareness of the Productivity Movement. Such a campaign is currently organized by NTPC. It used to be a one-week campaign but it has since been extended to one month, and is usually launched by a minister. A number of activities are organized by NTPC within the one-month period, with primary focus on business excellence and quality circles. An ant is used as the productivity mascot, and a theme is used to emphasize the focus for the year. For 2017 and 2018, the theme used was "Raising Productivity for Sustainability."

Nevertheless, the identity of the Productivity Movement is not widely known. It is unclear what the impact of the annual productivity awareness campaign is. The activities undertaken during the productivity campaign month seem to be mainly a concentration of some of NTPC's core programs in that month, including APO's programs organized during that period. Other key players in the Productivity Movement, particularly those representing the tripartite partners of government, employers, and unions, are not actively engaged to organize activities during the campaign month.

In any case, the identity of the Productivity Movement goes beyond a productivity awareness campaign. It does not seem that there is much awareness of any national Productivity Movement in the country. This is not surprising since NTPC, the designated NPO in Fiji, focuses much more on training than productivity. The regular advertisement of its training courses in the mainstream media creates a bias in terms of the perception of NTPC's focus.

In future, the annual campaign should be planned by the tripartite partners and launched with a big bang by the Prime Minister. The programs organized during the campaign month should go beyond those undertaken by NTPC, as the campaign should have a nationwide reach, cutting across sectors, locations, and target groups such as workers, enterprises, and students. Different activities could be organized as part of the campaign, in partnership with the various stakeholders. The campaign should be promoted extensively in the mainstream media as well as in the social media.

Beyond the campaign month, awareness of the national Productivity Movement should be sustained so that there is continuous interest and commitment by enterprises and the workforce in playing their parts in the national productivity drive. Whether a productivity mascot is needed for this purpose or not, is up to the policymakers driving the Productivity Movement to decide; if it helps to strengthen the identity, it could then be meaningfully used. What is more important is that there is a clear year-long action plan on the key productivity initiatives that will be undertaken, and communication of the plan and the programs when they are launched. The communication should be linked to the national Productivity Movement so that the initiatives do not appear to be ad hoc activities undertaken in silos. The need to work closely with the mainstream media and to engage social media is paramount.

Since the Fiji National Productivity Master Plan 2021–2036 is a 15-year plan, the Productivity Movement could make use of different themes to sustain interest. The themes chosen should reflect the priorities for the various sub-periods. The first possible theme is "Transforming Fiji through High Productivity and Deep Capabilities" for 2021–28. This is closely aligned with the vision of "Transforming Fiji" in the 20-year Development Plan 2017–2036, and is intended to underline the point that the Productivity Movement is critical for the realization of the vision. The theme also resonates with the Transformational Strategic Thrusts prong of the 20-year Development Plan, and emphasizes the point that high productivity and deep capabilities are of high priority to realize the "Transforming Fiji" vision. This ties in with the priorities of improving operations and building capabilities in the first half of the 15-year period.

The second possible theme is "Better Quality of Life through Inclusive Productivity Growth" for 2029–36. This is aligned with the Inclusive Socio-economic Development prong of the 20-Year Development Plan, and emphasizes the point that better quality of life for all is possible only when all sectors and enterprises and all segments of the workforce are productive. This ties in with the priorities of enlarging the economic base and diversifying economic activities in the second half of the 15-year period.

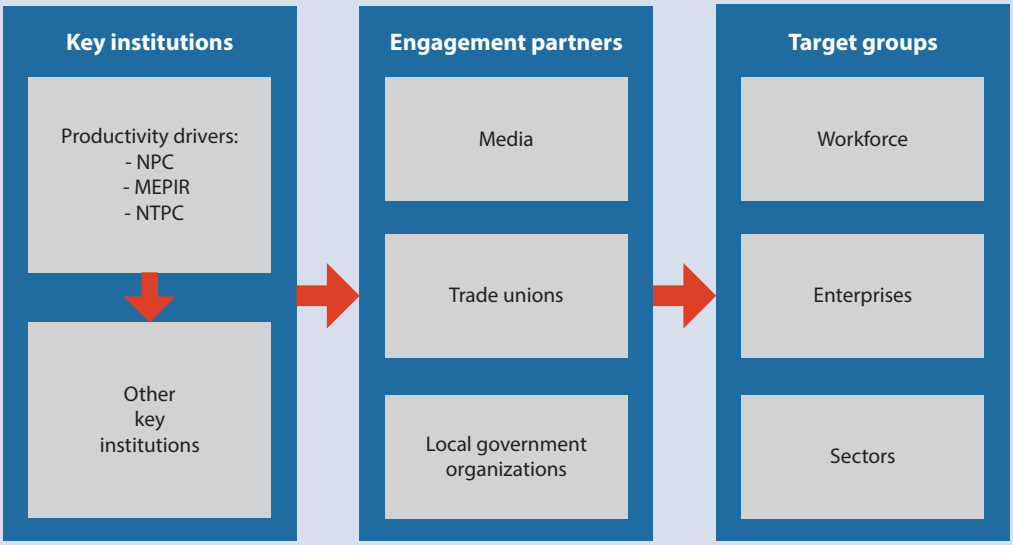
STRENGTHENING THE PRODUCTIVITY ECOSYSTEM: INSTITUTIONS AND PARTNERS

Productivity Ecosystem

A strong productivity ecosystem, comprising the key institutions and engagement partners, must be in place to drive the Productivity Movement successfully. The proposed ecosystem for Fiji is shown in Figure 8.

FIGURE 8

PRODUCTIVITY ECOSYSTEM COMPRISING KEY INSTITUTIONS AND ENGAGEMENT PARTNERS



The three main target groups of the Productivity Movement are the workforce, enterprises, and sectors. To reach out to them effectively, the key institutions must work with the appropriate engagement partners.

Key Institutions Responsible for the Productivity Movement

The key institutions are those that are responsible for formulating the plans and policies and implementing the programs of the Productivity Movement. The appropriate institutions must be in place at all levels and in different parts of the country. As many institutions carry out their work that directly or indirectly impact productivity, the key ones should be identified and equipped with the capabilities to lead the Productivity Movement. Their roles and responsibilities should be

clearly defined, and their policies coordinated to ensure synergy and alignment of efforts in driving national productivity and to avoid duplications, gaps, inconsistencies or contradictions.

Leading the key institutions are the productivity drivers. As shown in Figure 8, the three productivity drivers are MEPIR and NTPC, both of which are existing entities, and the proposed National Productivity Council (NPC). The productivity drivers should collaborate with the other key institutions and, together, they should work closely with the engagement partners to reach out to the three target groups. Besides the relevant government ministries, other key institutions are NCSMED, standards and technology institutions, education and training institutions, public sector, and business and professional associations. Their roles are elaborated below.

Ministry of Employment, Productivity and Industrial Relations (MEPIR)

The mission of MEPIR is to "Generate employment growth, promote and enforce decent work and productivity, encourage good faith employment relations, enforce safe workplaces, and ensure social justice." The Productivity and Wages Service of the Ministry consists of four units: Employment Relations Advisory Board, Wages Unit, Productivity Unit, and the Asian Productivity Organization (APO) Unit. The Productivity Unit oversees the promotion of workplace productivity, while the APO Unit takes care of matters related to Fiji's membership in the APO. Fiji became a member of the APO in 1984, with the Permanent Secretary of the Ministry serving as the APO Director for Fiji and the Director of NTPC serving as the Alternate Director and Head of the NPO. A Director from the Ministry serves as the APO Liaison Officer.

MEPIR has recently released its Strategic Development Plan (2018–22) with the vision of "Decent work and employment growth," underlining its emphasis on labor-related matters. Productivity is mentioned in relation to the strategic priority of the labor market. The specific goal is to "improve total factor productivity and encourage value added activities through productivity improvements in the workplaces." The first strategy to achieve the goal is to "embed a culture to boost productivity and competitiveness through nationwide movement," with the expected outcome of "developed strong and productive workforce for the future" and the targeted performance of "increase Total Factor Productivity by 3% per annum." The second strategy is to "promote and strengthen workplace safety and wellness," with the expected outcome of "increased productivity in the workplace" and the targeted performance of "increase labor productivity to 3% by 2022." These statements underline the emphasis on worker productivity and workplace productivity, which are important but, by themselves, will not be able to realize the targeted performances for TFP and labor productivity.

MEPIR's Productivity Unit has a staff strength of only three. It focuses on promoting awareness of Labor-Management Consultation and Cooperation Committees (LMCC) and basic productivity tools to individual companies. Besides these tasks, the ministry does not have adequate competencies in carrying out its national productivity role. In an attempt to beef up its capabilities, it signed a memorandum of understanding (MOU) with FNU, which houses NTPC, on 20 March 2018. FNU's press release, titled 'Partnership to enhance labor market research and analysis,' states that the activities of the MOU include "collaboration and information exchange on past, current and future status of labor employment, productivity and wages issues; exchange of research ideas, expertise and knowledge, including the promotion of Productivity Movement in Fiji by strengthening NTPC's capacity to improve productivity at the enterprise level through the workplace Labor-Management Consultation and Cooperation Committees and the provision of training and consultancy services to organizations; exchange of technical assistance; and joint research work including the funding of research activities related to the Ministry's area of interest."

Overall, the focus of MEPIR is much more on labor issues than productivity, and its productivity-related activities are largely operational rather than strategic. In its current state, MEPIR will not be able to achieve the labor productivity and TFP targets that it has set.

National Training and Productivity Centre (NTPC)

NTPC, formerly known as the Training and Productivity Authority of Fiji (TPAF), and the Fiji National Training Council before 2003, was established in 1973 by the Fiji National Training Act. It is now a part of FNU. The university, accountable to the Ministry of Education, Heritage and Arts, was formed in 2010 through the merger of seven government-owned institutions. The institutions were Fiji Institute of Technology, Fiji School of Nursing, Fiji School of Medicine, Fiji College of Agriculture, Fiji College of Advanced Education, Lautoka Teachers College, and TPAF. Currently, NTPC has nine centers in Fiji, and employs about 200 employees, half of whom are part-time trainers from the industry.

The functions of NTPC, as stipulated in the Fiji National University (Amendment) Decree 2010, are to "(a) ensure that the in-service training needs of industries in Fiji are met at all times; (b) manage a quality apprenticeship system in Fiji; (c) promote productivity and business excellence programs in industry and act as the National Productivity Organization for Fiji on behalf of the Government; (d) be responsible for training grants within the budgetary provisions and financial policies of the University; (e) carry out such trade tests as are necessary for fulfilling the objective of training for national development; and (f) carry out such other responsibilities relating to industry training needs as are delegated to the National Centre by the Senate or the Vice-Chancellor." NTPC is thus required to be the provider, promoter, facilitator, and regulator of training in Fiji, and has a limited role in productivity promotion.

As stated on NTPC's website, "Training is the main preoccupation of the Center and as such, it conducts approximately 2,000 short-to-medium term training programs which last from one day to several weeks. The training programs are targeted towards building industry capacity and equipping professionals, individuals and school leavers with relevant and contemporary skills for a sustainable career." The training is conducted by 13 training departments under three core training divisions, namely, Technical Training, Executive Management and Hospitality Services, and Business and Information Technology. In 2017, the Non-Formal Education and Training Division was added to provide short-duration training widely, especially to small enterprises, through innovative ways including cluster training, flexible-distance mode training, and rural training such as Sustainable Livelihood Project.

Besides the training divisions, NTPC houses the National Trade Testing Department, which administers the National Trade Testing Scheme; and the National Apprenticeship Training Department, which administers the National Apprenticeship Training Scheme. In addition, it administers the 1% NPTC levy. These roles place NTPC as the regulator of training which conflicts, whether perceived or real, with its role as a training provider.

NTPC's role in productivity is limited, although there is a recent plan to expand its scope of work. Before TPAF was merged into FNU in 2010 to become NTPC, it played a key role in driving the nation's productivity, particularly at the enterprise level. This was possible because of the strong links between top levels of the government and TPAF, strong capabilities within TPAF, significant resources channeled to its programs, and a clear focus on productivity. Overseen by a tripartite Board, it had the support of the government, employers, and unions. All these seem to have weakened now with NTPC being one of the several divisions of FNU.

NTPC's current role in productivity is largely confined to two areas. The first role is to serve as the NPO for Fiji in the context of Fiji's membership of the APO. In this role, NTPC implements all APO projects and activities in the country on behalf of the government. This includes organizing training courses, workshops, and seminars; sending study missions to other countries; dispatching participants to APO programs conducted in other countries; engaging experts in specific areas; and facilitating multi-country programs.

The second role is to promote productivity, which is largely confined to programs related to business excellence and quality circles. These include staging the National Convention on Quality; and administering the Business Excellence Awards system, which covers the process of promoting organizational self-assessment, assessing organizations against certain benchmarks, and giving awards to those who have met the benchmark standards. NTPC also organizes a month-long productivity awareness campaign which again focuses very much on business excellence and quality circles.

From January 2019, NTPC has restructured its organization in an attempt to lay more emphasis on productivity. Productivity and Consultancy is now one of the two divisions of NTPC, the other being Industry Training. The scope of the former includes productivity and industry innovation, research, quality awards, and administration of the apprenticeship program and trade tests.

Nevertheless, in discharging its responsibilities for productivity, NTPC faces certain challenges. These include dual lines of reporting, namely, reporting to MEPIR for productivity and to FNU/ Ministry of Education, Heritage and Arts for training-related matters; APO Director and Liaison Officer being in MEPIR while NPO Head is in NTPC; insufficient funds for productivity activities (exacerbated by the recent restructuring of the 1% NTPC levy, with 0.5 % directed to access to private medical services and 0.4% to workmen's compensation and only 0.1% set aside for training); and no clout over other agencies in coordinating productivity activities, documenting actions taken and results achieved, and collecting productivity-related data. As a part of FNU, NTPC is constrained in meeting industry needs on a timely basis because of differing priorities (higher education as opposed to short TVET courses and productivity promotion) and lengthy approval processes, even though it benefits in terms of funding and access to academic resources.

Need for Rationalization of Responsibilities and Reporting Structures of MEPIR and NTPC

In view of its long experience in dealing with productivity issues, MEPIR should continue to be the ministry in charge of the country's productivity. However, it should shift from its current narrow scope of productivity, focusing on workers and enterprises, to national-level productivity covering all the proximate factors and enablers affecting productivity. The work of MEPIR should be strategic; and the current operational work should be passed to the NPO. The Ministry's staff driving national productivity should be equipped with macro-level productivity research and planning capabilities.

With all its experience, NTPC should remain the NPO, i.e., the lead productivity institution. However, it should be reformed to become a full-fledged NPO, with its new role broadened considerably in line with the broad scope of productivity adopted. NTPC should provide thought leadership on specific productivity issues; undertake productivity measurement and benchmarking at national, sector, and enterprise levels; promote the Productivity Movement; and implement programs to improve worker and enterprise productivity. It should be given the mandate to collect productivity-related data from government agencies and the private sector. With regard to training, its roles as regulator and provider of training should be deconflicted. To carry out NTPC's work effectively,

the staff should be competent in productivity research at national and sector levels, and in productivity tools and measurement at worker and enterprise levels.

Whether NTPC should retain its name or be renamed is for the decision-makers to decide. An advantage of retaining the name is that it is already well-established. The proviso is that training remains a core function of NTPC. With its enlarged role as lead productivity institution, as well as rationalization of its training function, NTPC should stand as an autonomous statutory board with line reporting to MEPIR, the ministry responsible for spearheading the Productivity Movement. Even with its current role, NTPC does not fit well in FNU, especially for its productivity promotion function. With NTPC being a full-fledged NPO, the lack of fit is amplified. As an autonomous statutory body, NTPC will have greater stature as Fiji's lead productivity institution and it will be able to meet the needs of industry more efficiently and effectively.

As regards Fiji's membership of the APO, the Permanent Secretary of MEPIR should continue to be the APO Director for Fiji to underline the ministry's key role in Fiji's Productivity Movement. To signify the close nexus between MEPIR and NTPC, the Director of NTPC should continue as the APO Alternate Director. However, the appointment of the APO Liaison Officer is better placed in NTPC than in MEPIR. The reason is that the bulk of the APO Liaison Officer's role is operational in nature, focusing on the implementation of APO programs in Fiji and administering Fiji's participation in APO programs outside the country. It is thus not surprising that NTPC is currently the one implementing the various APO programs, as this operational role does not sit well with MEPIR. Residing the APO Liaison Office in the NPO is the arrangement that is adopted in the more advanced NPOs, i.e., those in Japan, South Korea, Republic of China, Malaysia, and Singapore. Once the reformed NTPC is operational, the APO Liaison Office could be transferred from MEPIR to NTPC.

National Productivity Council

To raise the profile of the Productivity Movement, as well as to take a strategic approach in addressing all the proximate factors and enablers affecting productivity, a National Productivity Council (NPC) should be set up. The council will set the directions for the Productivity Movement based on the Fiji National Productivity Master Plan 2021–2036; monitor progress and review strategies periodically; oversee national productivity issues that cut across ministries, as well as key productivity issues pertaining to each ministry; and ensure implementation of strategies and initiatives by the relevant government agencies.

NPC should be a high-level council chaired by the Prime Minister, with tripartite representation from employers, the unions, and the government. Representatives from the media and academia can also be invited. As this is a high-level council, it will have clout in ensuring that all the strategies and programs discussed and agreed upon will be carried out accordingly and monitored for their progress. In addition, it will have the muscle to garner financial and other resources to ensure implementation of the strategies and programs.

MEPIR, as the ministry overseeing NTPC, will be a key member of NPC. It will play the important role of identifying issues for discussion and approval by NPC. It is proposed that NTPC be the secretariat of NPC as the work involves largely operational tasks, which are best executed by the NPO.

National Centre for Small and Micro Enterprise Development (NCSMED)

NCSMED was set up under the Small and Micro Enterprise Development Act 2002 to develop, promote, and support small and micro enterprises, and for other related matters. NCSMED's

services include business advisory, incubation, mentoring, training, cluster development, and supply chain development. However, it is constrained by its small staff strength of 25, limited capacity in terms of skills and knowledge, and small budget.

It is also handicapped by the lack of data on small and micro enterprises as the data are not captured comprehensively by the government agencies including the Fiji Bureau of Statistics. Consequently, there is no database of small and micro enterprises in Fiji, the types of assistance given to them, and the enterprises that have benefited from the various assistance schemes. Because of this, NCSMED is not able to take a strategic approach in terms of deciding the priority areas that it should focus on. In fact, it does not even know the number of small and micro enterprises in the economy. To date, its focus has been on small and micro enterprises in the tourism, agriculture, and fisheries industries. It has assisted some 5,000 enterprises in these industries through broad-based assistance. NCSMED does not work closely with all the other government agencies that have dealings with small and micro enterprises. The situation is one where each agency takes charge of the enterprises that fall within its respective sector.

The responsibility of NCSMED should be expanded to cover medium-sized enterprises as there is currently no dedicated government agency taking charge of the development of these enterprises. With this expanded responsibility and with adequate resources given, it will become a full-fledged micro, small and medium enterprise (SME) development agency. The functions of this SME development agency (SDA) should include setting policies and regulations to support the growth of SMEs, based on good understanding of the SME landscape, including number of SMEs in the different sectors, business needs and skills gaps, and impediments to growth. It should also act as the repository of data and information on SMEs, and provide technical and financial assistance to SMEs. Besides providing broad-based assistance to SMEs, it should identify those that have the potential to grow and provide focused assistance to them. This includes linking such SMEs to the bigger enterprises for business collaboration and knowledge sharing. Besides assisting existing enterprises, it should promote entrepreneurship, especially in the high-value-added industries.

SDA should work closely with all the other government agencies and stakeholders that also deal with SMEs, and have oversight of all the activities that are targeted at SMEs. An example is NTPC. According to the Small and Micro Enterprise Development Act 2002, “the Center [NCSMED] is to provide training programs in consultation with the Fiji National Training Council (predecessor of NTPC) for entrepreneurship, business management and development of small and micro enterprises.” However, this has not been done. Leveraging the resources and expertise of other agencies is critical for SDA to reach out widely and effectively to SMEs in the various industries. Coordinating with other agencies is equally important to prevent both duplication of programs and gaps.

Standards and Technology Institutions

Standards and technology institutions can play a critical role in lifting the capabilities of enterprises and sectors to state-of-the-art standards and in shifting production frontiers.

The Department of National Trade Measurement and Standards (DNTMS) is the national standards and metrology organization in Fiji. It develops national standards and adopts international standards to raise levels of quality, safety, reliability, efficiency, and interchangeability of products and services; and maintains the national system of units and standards. An MOU with Standards Australia in 1998 enables DNTMS to adopt and modify Australian Standards as Fiji Standards. Enterprises adopt standards mainly for export purposes. However, there are no conformity

assessment bodies in the country. Hence, manufacturers who need their products tested send them to accredited laboratories in Australia or New Zealand, or to the University of the South Pacific's Institute of Applied Science laboratory.

Although not normally promoted in conjunction with productivity, standards can potentially raise productivity substantially. The reason is that a standard encapsulates the best practices at a point in time, and widespread adoption of the standard leads to improvements in quality, efficiency of processes, and reduction of costs; and provides the basis for innovation. However, to date, DNTMS has not undertaken activities related to standards implementation for productivity, i.e., using standards to drive productivity in industries and enterprises. In addition to its traditional role of developing standards and disseminating them to the industry, DNTMS should now also promote standards adoption as a means to improve productivity. Together with the other government agencies, it should identify the standards that are important for the productivity of the key industries, and work with industry partners to promote them for adoption and to use them to drive industry-level productivity.

With regard to technology, there is currently no government agency that is responsible for driving technology development and applications in Fiji. Recognizing the need for a national body to coordinate the technology efforts in the country and to advance technology development, a National Research Council Act was passed by the Fiji Parliament in 2017. The main functions of the National Research Council (NRC) are to plan, coordinate and develop R&D policies and programs for consideration by the government; promote and advance R&D in all scientific, health, educational, heritage, industrial, technological, social, and economic areas; amalgamate the research needs of government ministries and seek a unified and transdisciplinary approach; identify areas of national interest that require specialized research and seek viable solutions; and administer the National Research Fund to give financial support to research projects that are aligned with the priorities established by NRC. However, NRC has not been formed yet.

The list of functions of NRC, as stipulated in the Act for its formation, comprehensively covers what should be done to promote R&D in the country. In view of the absence of a national body driving technology and R&D in Fiji, the proposed NRC should be formed. It should pay particular attention to applied R&D, with the aim of commercializing technology and boosting automation and technology applications in all sectors of the economy. It should work with the universities and private research institutes to engage in applied R&D that meets the needs of the various industries, as well as to provide training to the industries. It should also ensure that there are receptacles to commercialize the R&D developed, for widespread dissemination and application in the industries.

Education and Training Institutions

Education and training institutions can play an important role in facilitating the continual education, skilling, and reskilling of the people. There are many such institutions in Fiji. However, the current situation is one where the various institutions operate quite independently of each other and, in some cases, compete. Consequently, there is duplication in the courses offered. There are also gaps in some areas because there is no oversight of the skills needs of the various sectors and of all the programs offered. In addition, the qualities of the curricula and teaching methods differ as there are no standard benchmarks used.

There are three universities in Fiji, namely, FNU, University of the South Pacific, and University of Fiji. As institutions of higher learning, they focus on running higher education programs leading

to degrees. However, FNU is unique in being a dual-sector university, which also gives strong emphasis on TVET leading to diplomas and certificates. Its various colleges, as well as NTPC, conduct TVET courses to the extent that about 40% of the university's annual student enrolments are in TVET courses. Similarly, the University of the South Pacific started to offer TVET programs, which it has named as Pacific Technical and Further Education (Pacific TAFE) programs, since 2013. About 30% of its annual student enrolments are now in these programs. For all the universities, the emphasis is on the pre-workforce. Nevertheless, they also conduct in-service programs for the workforce. In fact, 45–50% of the students in Pacific TAFE are working adults.

Besides the three universities, there are many smaller institutions that offer in-service courses of differing quality. One of these is the Technical College of Fiji, which was set up in 2015 to provide wide access to Certificates I and II full-time programs, and short courses for free in a wide range of skills areas such as engineering, construction, and hospitality.

Primary and secondary schools have not been the primary target groups of the Productivity Movement. Nevertheless, NTPC has organized productivity poster competitions in the primary schools and essay competitions in the secondary schools to promote productivity. To date, NTPC has reached out to around 10% of the schools.

In an attempt to regulate the many educational and training institutions, the government formed the Fiji Higher Education Commission (FHEC) in 2010. As its name implies, FHEC focuses on the higher education segment, i.e., all post-secondary learning opportunities. It regulates the registration and operations of all higher education institutions, ensuring they meet specified quality standards and guidelines. To date, 39 higher education institutions have been registered, six have been provisionally registered, and 17 have been recognized. In addition, registrations or recognitions of 22 institutions have been revoked for failing to maintain the standards.

In 2011, FHEC developed the Fiji Qualifications Framework (FQF) to provide a system to integrate the different ways of acquiring skills and knowledge with quality-assured qualifications. The ten-level framework covers three broad types of qualification, namely, certificates, diplomas, and degrees. It encompasses all the education and training provided in Fiji at senior levels of secondary schools, industry training institutions, TVET providers, technical training institutes, and universities and specialist higher education providers. It thus promotes learner mobility and lifelong learning. Quality assurance for levels 1 to 6 of the FQF is undertaken by the Fiji Qualifications Council, which has to date developed 236 skills standards or qualifications; while quality assurance of levels 7 to 10 is undertaken by the Committee for the Accreditation of University Qualifications. For all the levels, the quality assurance does not cover the quality of teachers and teaching.

To date, FHEC has not played a strategic role in identifying the critical industries and job roles for which skills standards should be set. So far, it has depended on the Ministry of Economy for inputs. FHEC has also not been active in identifying the skills gaps of industries, and in coordinating the curricula of the various institutions to ensure that there is no gap or duplication.

Besides its current focus on assuring quality of higher education institutions and setting skills standards for job roles, FHEC should expand its scope of work so that it becomes a full-fledged body overseeing the post-secondary education and training sector. This includes identifying the skills needs of industries and the critical job roles for which skills standards should be developed, collaborating with the education and training institutions to close the skills gaps, overseeing the

curricula of the institutions to ensure there are no duplications or gaps, and ensuring teacher and teaching quality. In carrying out its various functions, FHEC should work closely with MEPIR and the Ministry of Education, Heritage and Arts.

Public Sector

As the body formulating and implementing national policies, plans, and programs that impact the proximate factors and enablers affecting the productivity of economic sectors and enterprises, the public sector should set the example in productivity improvement and lead the productivity drive.

The government has put in place many comprehensive strategic national plans, the latest being the 20-year Development Plan 2017–2036 and the 5-year Development Plan 2017–2021. The national plans are cascaded down to the individual ministries for formulation of their own strategic plans and programs for implementation, e.g., agricultural development, tourism, and green growth. Monitoring of the achievements of goals and targets in the plans is left to the respective ministries.

However, in many cases, there is a gap between strategy and implementation. This is due to several reasons. First, from the implementers' point of view, there is the common perception of lack of consultation and communication when strategies are formulated. As a result, there is no buy-in and understanding of the strategies. Second, there is the prevalent issue of living by "Fiji time," meaning "Don't worry about time; it will eventually get done, and if it doesn't, it is not that big a problem anyway." Linked to the vakavanua culture, this issue translates into a work culture of tolerance for mediocrity, which is exacerbated by a weak link between rewards and performance. Consequently, the pace of work in the public sector is slow and there is lack of motivation to improve. Third, the slow speed of implementation is worsened by outdated and bureaucratic systems and processes. Fourth, there is a lack of competencies in the implementing agencies, especially with the brain drain of competent workers to the private sector. The agencies are equipped with the basic competencies required to deliver their core mandates. However, there are deficiencies in areas such as public-private partnerships, project management, and understanding of industry needs. There is also no explicit focus on productivity in the delivery of their mandates.

Recognizing the need for an effective and accountable public sector, the government has embarked upon a program of Civil Service Reforms. The objectives are to develop a modern, high-performing civil service that is responsive to government priorities and providing high-quality service to the public. The reforms are managed by the Civil Service Reform Management Unit. In conjunction with the reforms, an Open Merit Recruitment and Selection system was introduced in 2016 to ensure that the best person is selected to do a particular job. However, subjecting the employees to the system has, in some cases, led to job insecurity, stifled commitment to their jobs, and disrupted continuity in implementation because of staff turnover. This issue has been addressed to a large extent by the introduction of the Performance Management Framework in 2018, as the good performers are assured of continual renewal of their contracts. Work has started with all ministries to strengthen reporting of their outcomes, and to link them to individual performance assessments as stipulated in the Performance Management Framework. The clear link between an individual's performance and a ministry's performance, along with the transparent reporting of outcomes and outputs, is expected to lead to high-quality service delivery to the public.

In conjunction with the Civil Service Reforms, a public-sector productivity movement should be instituted to build the capabilities of every part of the public sector so that it can effectively take the lead in implementing the initiatives to drive national productivity. This will also provide a clear

signal to the private sector that the government is serious about the national Productivity Movement. The Ministry of Civil Service should take the lead in driving the public-sector productivity movement. The pitfall to avoid is one where "policy planners in the developing world seem to have spent more resources in policymaking than addressing the policy implementation challenges." [3]

The gap between strategy development and implementation can be bridged in several ways. First, the line ministries should engage the implementers more in the strategy development process, so that they are familiar with the issues and have ownership of the strategies. Second, budget allocation should be aligned closely with the plans and priorities to ensure sufficient resources for implementation. Third, specific outcome and output targets and accountabilities should be assigned to the implementing agencies, and progress in achieving the targets should be closely monitored so that corrective measures can be taken if necessary. Fourth, performance assessments and rewards should be linked to the achievement of the targets, at the implementing agency level and cascaded down to the various levels with their respective targets. Fifth, the competencies of the public sector should be enhanced to enable quick and smooth implementation of the strategies. This entails a thorough review of the systems and processes. There should also be a review of the skills gaps across the public sector, and the gaps identified should be bridged through appropriate training programs. Sixth, a productivity culture should be developed within the public sector; expectations regarding behaviors and performance should be clearly spelt out; and non-compliance and under-performance swiftly dealt with. All these actions can be integrated into the Civil Service Reforms.

The public sector should take an integrated whole-of-government approach in delivering its services. The goal should be a seamless public sector, where every part is equally strong and where there are no inconsistencies and duplications of work. Equally important, transactions with the various agencies in the public sector should be seamless, and there should not be any case of anyone being thrown from pillar to post. ICT will play an important role in facilitating this. There should also be increased collaboration and information sharing between the agencies in the public sector. Besides formal committees and cross-agency workgroups set up to discuss common issues and ensure coordination of implementation, there could be platforms to facilitate interactions within the public sector, e.g., communities of practices or COPs for frontline officers serving the public, to enable cross-learning and sharing.

Business and Professional Associations

Business and professional associations play a vital role in connecting the business community and the government, as well as in developing the capabilities of enterprises in the respective sectors.

The Fiji Commerce and Employers Federation (FCEF) is recognized by the government and the trade union movement, as well as by the ILO, as being the most representative organization of employers in Fiji. Currently, it has more than 300 members, including some chambers of commerce and industry, making it the de facto umbrella employers federation in Fiji. It is thus the private sector's representative in the tripartite arrangement with the government and the trade unions to manage employment-related matters. It is also the national private-sector organization under the umbrella of the Pacific Islands Private Sector Organization. Its stated aims are to "promote free trade and commerce and the economic development of Fiji; provide a forum for consultation and exchange of information and views arising from the relations between employers, between employers and their work people, including trade unions, and between employers and government; and promote cooperation between employers in the many industries, businesses, and commercial activities in Fiji, as well as with the various statutory organizations."

It currently has nine councils representing the key sectors (except agriculture) and certain specific areas: mining and quarrying; tourism and transportation; professional and financial services; retailers and small businesses; human resource; manufacturers, trade and export; women entrepreneurs and business; young entrepreneurs; and business disaster resilience.

In view of its status, FCEF makes representations to the government on a wide range of subjects. However, it is of the view that it has not been consulted much by the government on policy matters that impact enterprises, especially in recent years. Although there is a tripartite Employment Relations Advisory Board that provides the platform for such consultations, FCEF is of the view that many of the policy decisions and legislations have been made by the government outside the Board, an example being the recent restructuring of the 1% NTPC levy.

From FCEF's perspective, whether real or perceived, enterprises face certain challenges in raising productivity. They include lack of information and measures of productivity at the national and sectoral levels; absence of strong work ethic which results in people not wanting to work or to work beyond minimum requirements; lack of autonomy by enterprises to determine the productivity-wage linkage because of the minimum wage legislation; shortened productive work time due to legislation such as those on paternity leave and family care leave; price control of goods that distorts market forces; lack of understanding of productivity; seniority-based wage system that is not linked to productivity; high costs of doing business, e.g., cumbersome regulatory processes, high taxes, and licensing requirements; mismatch of skills with job requirements, especially for blue-collar workers, due to a shift in government's emphasis from manufacturing to professional services and the lack of oversight on the demand and supply of skilled labor; and lack of incentive for employers to train their workers due to the restructuring of the 1% NTPC levy.

Other active business associations can be found representing industry-specific interests, such as the Fiji Hotel and Tourism Association, Fiji Chamber of Commerce and Industry, Fiji Retailers Association, and business councils with major trade links with countries including Australia, New Zealand, the USA, Papua New Guinea, and, recently, PR China. These business associations provide valuable networking and training opportunities, host business forums, and undertake advocacy towards creating a congenial environment for business and investment.

Professional associations also abound. A good example of a professional association is the Fiji Human Resources Institute (FHRI). It has a membership base of more than 700 human resource (HR) practitioners. Its main activities include training, organization of conventions and networking forums, and giving out of recognition awards. It is widely recognized by the private sector, HR practitioners and government bodies as the authority on HR capabilities. Hence, membership of FHRI is considered by some to be an entry requirement for HR jobs by companies and the public sector. However, in view of its resource limitations, FHRI has not undertaken the functions of research, surveys, and identification of skills needs of the industry. It has also not provided strategic inputs on HR to the government. Similarly, in the other professions, there are professional bodies. For example, for accounting professionals, there is the Fiji Institute of Accountants; and for engineers, there is the Fiji Institution of Engineers. These institutions provide various services to improve the capabilities of their members in the respective professions.

Since business associations represent the industry, they serve as good outreach platforms to spread the productivity message to various industries and to help them upgrade. FCEF, with its strong interest in productivity and as the premier employers organization, should be engaged as a key

institution in the Productivity Movement. This includes consulting them on the approach of reaching out to enterprises in the various sectors, and incorporating their inputs in policy-making. It is also important to have constant dialogs, consultations, and communication with FCEF on the government's policies so that it can be on the same page as the government. For example, some of the views expressed by FCEF on the challenges faced by enterprises in raising productivity could be due to a lack of understanding of the rationale for the policies implemented by the government.

Below the federation level, the various business associations representing specific industry interests can play the important role of promoting industry-specific productivity techniques and developing the capabilities of their members. Professional associations can take the lead in building the capabilities of their members in the area of productivity and in supporting enterprises to raise productivity, e.g., introducing HR practices that incentivize workers to improve productivity.

To perform their roles effectively, the business associations at various levels as well as the professional associations should be aware of the importance of productivity and have the requisite knowledge, resources, and capabilities. They also need to be equipped with the skills to assist their members in raising productivity. The government could play a facilitative role to strengthen their capabilities.

Engagement Partners in the Productivity Movement

Engagement concerns strategies to involve major partners in the Productivity Movement. This is important as the key productivity institutions will not be able to reach out to all the target groups on their own. Engagement partners act as channels and multipliers. As there are many possible engagement partners, the key ones must be identified and their roles clarified. As shown in Figure 8, the key engagement partners in Fiji are the media, trade unions, and local government organizations. They should be roped in to play an active role as intermediaries to reach out to the target groups.

A comprehensive engagement plan should be worked out. The engagement plan should include identification of the key institutions to reach out to the target groups. These include FCEF for the business community at large, industry-specific business associations for key industries, education and training institutions for the workforce, and Ministry of Civil Service for the public sector. For each of them, the main engagement partners and their involvement, as well as the engagement platforms, should be spelt out. This will ensure a consistent and coherent approach in engaging the target groups.

Key messages should be customized for each target group. The messages should be communicated consistently and in a manner that resonates with the target group. For example, simple illustrations on 'how improving productivity leads to higher wages' can be used to communicate with workers.

Media

The traditional mainstream media include newspapers and radio and TV stations. From the government's point of view, the media should play a developmental, nation-building role, rather than indiscriminately apply the classical watchdog role of keeping the government accountable. Thus, the Media Industry Development Authority (MIDA) of Fiji was set up in 2010 to develop and regulate the media industry. In the same year, the Media Industry Development Decree 2010 came into effect. However, some analysts are of the view that the media laws in Fiji are repressive,

thus creating an acquiescent media culture that is restrained from asking questions that may challenge the government. The 2018 World Press Freedom Index, by Reporters Without Borders, ranked Fiji a relatively high 57 out of 180 countries for the degree of freedom that journalists and news organizations have in each country, and the efforts made by authorities to respect this freedom. This was a marked improvement compared with the record low position of 152 in 2009. However, it noted that the media is "still restricted by the draconian 2010 Media Industry Development Decree and the Media Industry Development Authority (MIDA) that it created." Thus, in cases where there is no direct censorship by the authorities, there is still some degree of self-censorship by the media.

The current media culture is, in effect, conducive to engaging the media to promote productivity. Despite this, the mainstream media have not been actively engaged in the national Productivity Movement although they have covered press releases on productivity and major productivity events. The media should be brought in as a major engagement partner to play an education and advocacy role in the Productivity Movement. To do this effectively, they should be educated on productivity-related matters and their importance to employees, enterprises, sectors, and the economy. Selected media partners, correspondents, and beat reporters should be cultivated to ensure continuous and accurate coverage of productivity-related news, articles, and interviews. In particular, the state-owned Fiji Broadcasting Corporation and the two major newspapers, Fiji Sun and The Fiji Times, should be engaged to actively promote the Productivity Movement. The productivity drivers and other key institutions should proactively provide inspiring success stories to the media to feature, so that others can emulate those. These success stories could be of individuals and enterprises that have made a difference because of their commitment to productivity. Besides inspiring individuals and enterprises to excel in productivity, the success stories will help build the desired productivity culture.

With regard to social media, it is becoming an important platform in facilitating citizen engagement with the government. This is done through social networking sites such as Facebook, micro blogging sites like Twitter, Wikis, and video sharing sites like YouTube. In view of the control and censorship on mass media, perceived or real, the public has increasingly shifted to social media to air their views on various issues. Citizen journalism is on the rise. Recognizing the importance of social media, the government has used Facebook and Twitter to engage with the public, albeit not on productivity-related matters. For the first time, the Ministry of Economy held online consultations on Facebook, together with the Public In-Person National Budget Consultation, in March 2019 for its preparation of the 2019–20 National Budget. Nevertheless, the government has taken a cautious approach towards social media in view of the onslaught of cyber-related crimes and abuses, including cyber stalking, cyber bullying, and internet trolling, as well as alleged cases of 'hate speech' and statements calling for disorder and civil strife against the government. To curtail the 'excesses' of social media, the Online Safety Act was effected on 1 January 2019 and publicized as a law to protect Fijians in cyber space. However, this has been perceived by some as an attempt to control freedom of expression.

With its widespread usage, especially among the young, social media should be capitalized upon to advance the Productivity Movement even as its abuses are checked. The estimated total number of Facebook accounts in Fiji at the end of 2018 was 550,000, about 60% of the population. (The high percentage of the population using Facebook may seem incongruous with the low penetration rate for the Internet in Fiji. Research studies, however, have shown that the two can coexist for two reasons. First, many people may have more than one Facebook account, which therefore

overestimates the percentage of the population using Facebook. Second, access to Facebook through mobile phones is possible without going through the internet, or with cheap social media/ Facebook-only data plans, or with the most basic of online features which do not allow for wide access to the internet.)

To influence public conversation on the Productivity Movement, the government must actively participate in that conversation. In today's digital age, that conversation is on social media. Policymakers should use social media to rally public sentiment and support the Productivity Movement campaigns through the use of targeted and concise messaging. Unlike the traditional mainstream media, social media enables instant messaging and provides real-time listening and monitoring of views and discussions.

Trade Unions

In March 2015, a tripartite agreement was signed between the government, the Fiji Trades Union Congress (FTUC), and FCEF. The agreement provided a basis to strengthen the application of freedom of association and other international labor standards in the country's laws and practices. It contained the core provision that the Employment Relations Promulgation (ERP) 2007 would form the basis for labor-management relations in Fiji. Based on the agreement, the Fiji Parliament passed the Employment Relations (Amendment) Bill of 2015, with certain amendments to ERP 2007.

The ERP 2007 regulatory framework provides for labor-management consultation and cooperation committees and trade unions, employment equality and anti-discrimination, and a three-tier dispute resolution system, among others. As a follow-up, the Employment Relations (Labor-Management Consultation and Cooperation Committees) Regulations 2008 came into force. The Regulations specify that any employer who employs more than 20 workers shall establish a labor-management consultation and cooperation committee in its workplace. The purpose is to create a bipartite forum for meaningful consultation and cooperation between the employer and worker representatives, at the enterprise level, to promote good-faith employment relations and improve productivity. Despite the regulations, only 494 of the 1,246 enterprises in this category have formed such committees to date, and there is no enforcement to ensure compliance.

Despite the presence of the regulatory framework, the state of industrial relations is tense and not conducive to the national productivity drive. This is especially so for the labor-government relationship. FTUC is the umbrella body for 35 affiliated unions, representing a wide cross-section of the country's workers. In total, about 30% of workers are unionized. From August 2002 to October 2018, it had to share this role with the Fiji Islands Council of Trade Unions (FICTC), a breakaway from and a rival to FTUC. However, from October 2018, FTUC became the sole umbrella federation again when it jointly agreed with FICTC to merge so as to have one collective voice for workers, especially in dealings with the government. The unions' perception is that the government is hostile to trade unions, and is attempting to weaken the trade union movement through various legislation, such as the Essential National Industries Act, Public Service Amendment Act, and Public Order Amendment Act, which restrict collective bargaining rights, curtail workers' right to strike, and limit trade unionists' participation in politics.

In the public sector, the Confederation of Public Sector Unions (CPSU) was founded by trade unions operating in the Fiji public service during the early 1980s when they needed to approach their common employer, the Fiji Public Service Commission, on industrial relations matters. The Commission, by conduct, recognized CPSU as the umbrella organization or voice of all unionized

workers within the Fiji public service. In total, about 90% of workers in the public sector are unionized. One of the key members of CPSU is the Fiji Public Service Association (FPSA). Established in 1943, FPSA is a major trade union representing public servants. It is one of the oldest trade unions in the Pacific islands, and has been the most powerful and political. The relationship between CPSU and FPSA, and the government, is tense. A recent contentious issue relates to the Civil Service Reforms, including the new contract system for civil servants. This new system allows the Public Service Commission to deal with civil servants directly, which effectively phases out the old system of the unions representing the civil servants in pay and work-conditions negotiations to reach a collective agreement.

Between the unions and employers, the relationship is also tense, but this is within expectation of the usual labor-management relations framework where unions represent workers' rights and ensure that they are fairly treated by employers. In fact, FTUC and FCEF sometimes come together to lobby the government on employment-related matters.

A stable tripartite relationship between employers, labor, and the government is critical for any productivity drive to be successful. In 1976, the Tripartite Forum was formed by the Prime Minister, FTUC, and employers in response to increasing industrial disputes, growing unionization, and a tense industrial relations climate. From 1977 to 1984, the Forum, chaired by the Prime Minister, was the single most important institution for wage negotiations in Fiji, developing in particular an institutional framework for the determination of national wage guidelines. However, in 1984, the government unilaterally imposed a wage freeze that effectively terminated the Tripartite Forum. Since there is now the Employment Relations Advisory Board in place, the government should use this platform to actively forge strong relationships with FTUC and CPSU to gain their trusts. Only then can the next step of collaboration to advance the Productivity Movement be taken.

With the labor unions brought in as key partners in the Productivity Movement, they should be educated on the importance of productivity and how it benefits the workers. They can then serve as effective multipliers to reach out to workers to involve them in various productivity-related activities.

Local Government Organizations

Although there is no provision for local government in the Constitution of the Republic of Fiji, the Local Government Act 1985 (Cap. 125) provides the main governing legislation. Local government falls within the portfolio of the Ministry of Local Government, Housing and Community Development. In an administrative sense, Fiji has four distinctly parallel levels of local government, none of which could be considered subjugate to another in their specific areas of concern. Besides the four divisions run by divisional commissioners, who implement governmental services and developmental activities mandated by the central government, and the Rotuma Island Council, which administers the dependency, there are two spheres of local government. The first sphere comprises 14 provincial councils, headed by provincial chiefs, with the authority to protect the land and organize the interests of indigenous Fijians. The hierarchical structure cascades down from province to districts and then to villages. These councils are overseen by the iTaukei Affairs Board. The second sphere consists of 13 municipal councils, including two city councils and 11 town councils, which manage the cities and towns; and 17 rural local authorities, which manage areas outside the remit of provincial councils and municipal councils.

Currently, the various local government organizations do not focus on productivity and are not equipped with the capabilities to implement productivity programs. Furthermore, the

two productivity drivers, namely, MEPIR and NTPC, do not actively engage them in their productivity activities.

In view of the prevailing structure of local government, the provincial councils should be engaged on matters that relate to land use, especially for agriculture but also for industrial purposes; while the municipal councils and the rural authorities should be roped in to promote the various programs in the Productivity Movement. Adequate manpower and financial resources should be given to the local government organizations. In addition, the capacity of the local government organizations to implement productivity programs and reach out to workers and enterprises should be built up. In particular, the staff of these organizations should be educated and trained on productivity techniques, their applications in the local context, and how they can effectively reach out to workers and enterprises. This gels well with the government's recent announcement of plans to beef up the capabilities of the municipal councils and to standardize processes and procedures so that they are more professionally run, as well as to have updated master plans for every municipality in the country.

CONCLUSION

The Fiji National Productivity Master Plan 2021–2036 sets out a high-productivity growth strategy to support the "Transforming Fiji" vision in the country's 20-year National Development Plan 2017–2036. The target of 3.2% average annual productivity growth is a stretch target. Nevertheless, it is not an impossible target when a "Pacific Possible" approach that transcends the oft-cited "Pacificness" constraints of SIDS is taken.

What is critical for the achievement of the productivity target is the integrated framework that underpins the high-productivity growth strategy. The framework comprises three related parts. The first part is the adoption of a holistic approach to productivity management, covering all the proximate factors and enablers affecting productivity. The second part is the execution of the holistic approach through a high-profile Productivity Movement. The third part is the strengthening of the productivity ecosystem of key institutions and engagement partners to drive the Productivity Movement.

The challenge is to institutionalize the three-part integrated framework and ensure an effective implementation of the Fiji National Productivity Master Plan 2021–2036. The prerequisite for success is top-level commitment from the government.

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ANNEXURE

IMPLEMENTATION PLAN

No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
A.	**Strategic thrusts**				
1.	**Raise productivity level of broad base of SMEs**				
a.	Appoint SME development agency (SDA) to oversee micro, small and medium enterprises (SMEs)	Cabinet			
b.	Enhance capabilities of SMEs in managing their operations, and facilitate their access to capital	SDA [restructured National Centre for Small and Micro Enterprise Development (NCSMED)]			
c.	Develop promising SMEs to support large enterprises in clusters	SDA, working with NTPC		Review progress and strategy every three years.	
d.	Recognize SMEs for their efforts and achievements in productivity improvement	SDA, working with NTPC			
2.	**Grow number of competitive large enterprises**				
a.	Identify promising SMEs for development into large enterprises	NTPC, working with SDA		Review group of promising SMEs and strategy every two years.	
b.	Provide customized assistance to grow large enterprises, including setting up Large Enterprise Capability Building Program	NTPC, working with relevant ministries		Review group of large enterprises and strategy every two years.	
3.	**Transform SOEs into vanguards of high-productivity enterprises**				
a.	Make productivity an integral part of the structural reforms of SOEs	Ministry of Public Enterprises, working with NTPC		Bulk of the work should be done in the first five years. Review progress and strategy thereafter.	

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
4.	**Promote productivity and sustainable development in all sectors**				
a.	Promote productivity as the key driver of growth in each sector	NTPC, together with relevant ministries		Review progress and strategy every three years.	
b.	Promote balance between growth and sustainable development in each sector	NTPC, together with Ministry of Economy and other relevant Ministries		Review progress and strategy every three years.	
5.	**Modernize, commercialize, and diversify agriculture**				
a.	Modernize all aspects of the agriculture sector	Ministry of Agriculture		Review progress and strategy every five years.	
b.	Improve farm productivity and milling productivity of sugar industry; and diversify markets and sugar products	Ministry of Sugar Industry		Review progress and strategy every three years.	
c.	Diversify crop production beyond sugar cane	Ministry of Agriculture		Review progress and strategy every five years.	
d.	Diversify into non-crop production (fisheries, meat and poultry; forestry and logging)	Ministry of Agriculture, Ministry of Fisheries, Ministry of Forests		Review progress and strategy every five years.	
6.	**Expand industrial base and raise value-added of industrial production**				
a.	Transform and diversify light manufacturing beyond food and beverage production	Ministry of Industry, Trade and Tourism		Review progress and strategy every five years.	
b.	Diversify into selected areas of heavy manufacturing	Ministry of Industry, Trade and Tourism			Review progress and strategy after five years.
c.	Develop high-productivity network energy supply industry	Ministry of Infrastructure and Transport		Review progress and strategy every three years.	
d.	Develop mining industry beyond gold	Ministry of Lands and Mineral Resources		Review progress and strategy every three years.	
e.	Transform low-productivity construction industry	Ministry of Infrastructure and Transport		Review progress and strategy every three years.	

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
f.	Develop comprehensive industrial policy to boost exports	Ministry of industry, Trade and Tourism	Review progress and strategy every year.		
7.	**Develop tourism cluster and modern high-value-added services**				
a.	Diversify tourism in terms of origin markets and purpose of visit	Ministry of Industry, Trade and Tourism	Bulk of work to be done in first three years. Review thereafter.		
b.	Develop all the industries associated with tourism cluster	Ministry of Industry, Trade and Tourism	Bulk of work to be done in first five years. Review thereafter.		
c.	Grow and deepen high-productivity financial industry	Reserve Bank of Fiji	Bulk of work to be done in first five years. Review thereafter.		
d.	Increase size of high-productivity ICT industry	Ministry of Communications	Bulk of work to be done in first five years. Review thereafter.		
8.	**Expand existing core industries and develop new high-value-added industries**				
a.	Expand existing core tourism industry and food and beverage industry	Ministry of Industry, Trade and Tourism	Review progress and strategy every three years.		
b.	Develop high-value-added, high-productivity industries in the three sectors beyond traditional areas	Ministry of Agriculture, Ministry of Industry, Trade and Tourism	Review progress and strategy after five years.		
c.	Step up pace of industrialization, with special attention to SEZs	Ministry of Industry, Trade and Tourism	Review progress and strategy after five years.		
d.	Encourage registration of informal businesses to transit them to formal sector	SDA	Review progress and strategy after two years.		
9.	**Build productivity culture and develop future-ready skills**				
a.	Promote productivity culture with desired values	NTPC, working with MEPIR and Ministry of Education, Heritage and Arts	Review progress and strategy every three years.		
b.	Develop programs to build generic cognitive and non-cognitive competencies	NTPC	Review progress and strategy every two years.		

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
c.	Develop functional skills to support growth of existing industries and to spur development of modern high-value-added industries	NTPC, together with relevant education and training institutions		Review progress and strategy every three years.	
d.	Undertake manpower planning to meet skills needs	Fiji Higher Education Commission, together with Ministry of Economy		Review and update every two years.	
e.	Devise programs, including e-learning, to reach out to all workers	NTPC		Review progress and strategy every three years.	
f.	Improve effectiveness of National Employment Centre in matching skills demand and supply	MEPIR		Bulk of work to be done in first two years. Review progress thereafter.	
10.	**Strengthen technology development and proliferate its applications**				
a.	Build capabilities in R&D, with focus on applied R&D and technology commercialization and diffusion	National Research Council, working with Ministry of Economy		Review progress every three years.	
b.	Proliferate ICT applications by investing in ICT infrastructure and promoting digital literacy	Ministry of Communications		Review progress every three years.	
c..	Prepare workforce for Industry 4.0 by investing in infrastructure and training	NTPC, working with National Research Council and Ministry of Economy		Review progress every two years.	
11.	**Create business-friendly environment**				
a.	Reduce cost and improve ease of setting up and doing business	NTPC, together with relevant government agencies		Review progress every year.	

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
b.	Sustain good industrial relations through education and regular dialogs	MEPIR		Review progress every two years.	
c.	Set up EnterpriseFirst bureau to review business rules and regulations regularly, and serve as first point of contact for enterprises	NTPC		Review progress every year.	
12.	**Collaborate with relevant institutions to improve macro enablers**				
a.	Provide regular feedback on areas that are lacking and regulations that impede business operations and growth	NTPC, working with relevant ministries			
B.	**Productivity Movement**				
a.	Develop new productivity charter to position Productivity Movement strategically	MEPIR, together with NTPC		Review progress every year.	
b.	Develop action plans associated with the 12 strategic thrusts for implementation	Relevant ministries, together with NTPC		Review progress every two years.	
c.	Promote Productivity Movement through annual campaign and year-long plan of productivity initiatives, using specific themes	NTPC			
C.	**Productivity ecosystem: Institutions and partners**				
	Key institutions				
a.	Set up National Productivity Council	Cabinet			
b.	Rationalize responsibilities and reporting structure of MEPIR and NTPC	Cabinet, MEPIR			

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
c.	Restructure NCSMED into full- fledged SME development agency	Cabinet			
d.	Expand work of Department of National Trade Measurement and Standards to include using standards to drive productivity	Ministry of Industry, Trade and Tourism			
e.	Form National Research Council to drive technology development and applications	Cabinet			
f.	Restructure Fiji Higher Education Commission into full-fledged body overseeing post-secondary education and training institutions	Cabinet			
g.	Institute public sector productivity movement in conjunction with Public Sector Reforms	Ministry of Civil Service		Review progress yearly.	
h.	Collaborate with and build capabilities of Fiji Commerce and Employers Federation, as well as other business and professional associations, to assist the industry	NTPC			Review progress every two years.
	Engagement partners				
a.	Work out engagement plan to reach out to target groups	NTPC		Review progress yearly.	
b.	Cultivate mainstream media and use social media to profile the Productivity Movement and promote productivity	NTPC, together with the other key institutions			Review yearly and sustain the engagement.

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No.	Strategy	Institution in charge	2021–25	2026–30	2031–36
c.	Forge strong partnership with, as well as gain trust of, Fiji Trades Union Congress and Confederation of Public Sector Unions to support the Productivity Movement	MEPIR, together with NTPC		Review yearly and sustain the engagement.	
d.	Work with provincial councils, municipal councils and rural authorities to implement productivity programs	NTPC, together with Ministry of Local Government		Review progress every three years.	

ABBREVIATIONS

ADB	Asian Development Bank
APO	Asian Productivity Organization
APO20	20 APO member countries
CET	Continuing education and training
CPSU	Confederation of Public Sector Unions
DNTMS	Department of National Trade Measurement and Standards
ERP	Employment Relations Promulgation
EU	European Union
FCEF	Fiji Commerce and Employers Federation
FDI	Foreign direct investment
FHEC	Fiji Higher Education Commission
FHRI	Fiji Human Resources Institute
FICTC	Fiji Islands Council of Trade Unions
FNU	Fiji National University
FPSA	Fiji Public Service Association
FQF	Fiji Qualifications Framework
FSC	Fiji Sugar Corporation
FTUC	Fiji Trades Union Congress
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	Gross domestic product
GII	Global Innovation Index
GNI	Gross national income
HR	Human resources
ICT	Information and communication technology
ILO	International Labor Organization
IMF	International Monetary Fund
IT	Information technology
ITU	International Telecommunication Union
LFPR	Labor force participation rate
LMCC	Labor-Management Consultation and Cooperation Committee
MCS	Ministry of Civil Service
MEPIR	Ministry of Employment, Productivity and Industrial Relations
MICE	Meetings, incentives, conferences and exhibitions

MOU	Memorandum of Understanding
NCSMED	National Centre for Small and Micro Enterprise Development
NEC	National Employment Centre
NPC	National Productivity Council
NPO	National productivity organization
NRC	National Research Council
NTPC	National Training and Productivity Centre
PPP	Purchasing power parity
R&D	Research & development
SDA	SME development agency
SIDS	Small island developing state
SME	Small (including micro) and medium enterprise
SOE	State-owned enterprise
TFP	Total factor productivity
TPAF	Training and Productivity Authority of Fiji
TVET	Technical and vocational education and training
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
WHO	World Health Organization
WTTC	World Travel & Tourism Council

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