

Micro, Small, and Medium Enterprise Fiji – Policy Framework

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A. Background

1. Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.ⁱ However MSMEs face challenges in their establishment and operations which include difficulties in accessing markets and market information, availability of finance and the burden of regulatory requirements to do business.
2. The Fijian Government understands that the COVID-19 pandemic has significantly impacted all businesses, especially the Micro, Small and Medium Enterprises (MSME). A business impact survey (“**Survey**”) carried out by the Ministry of Commerce, Trade, Tourism and Transport (“**Ministry**”) and International Finance Corporation revealed that prior to the COVID-19 pandemic 1,404 business were stable with the ability to save and 811 businesses were experiencing growth. However this has significantly changed, the Survey also revealed that 1,014 of the MSME’s businesses surveyed stated that their sales will decline by at least 75% and 447 businesses would be bankrupt should the current pandemic restrictions remain in place for the next six months.
3. The requirement for a central coordinating agency to support MSME development is now vital more than ever to render the necessary support and guidance to the MSMEs. In the 5-Year and 20-Year National Development Plan (“**NDP**”), Section 3.2.6. The Ministry is responsible to establish this agency. As of 10 December 2019, the central coordinating agency named ‘MSME Fiji’ was established as a Department under the Ministry. As such, it will come under the ambit of the Ministry to formulate and implement policies and strategies that facilitate the growth of MSMEs.

4. As announced in the 2019–2020 National Budget Address by the Hon. Minister for Economy, the Ministry has been equipped with a dedicated budget programme to help ignite grassroots entrepreneurship. By facilitating a climate where bright business ideas can easily become reality, the Ministry, through MSME Fiji, shall empower ordinary Fijians’ ability to tap into their economic potential, all while growing the economy as a whole.

B. Definition of MSMEs

5. In December 2019 the Small and Micro Enterprises Development (Repeal) Act 2019 came into effect, subsequently eliminating a guiding legislation on the definition of “Micro”, “Small” and “Medium” Enterprises.
6. The new definition takes into consideration the annual sales turnover of the enterprise and does not include employee numbers. In addition, the definition is applied equally across all sectors.
7. Following numerous consultations with relevant business-related bodies such as the Reserve Bank of Fiji, Fiji Institute of Accountants, Fiji Commerce and Employers Federation, Women in Business and Fiji Chamber of Commerce Industry, the following definitions are in effect:

| Enterprise Type | Annual Turnover in FJD |
|------------------------|-------------------------------|
| Micro | From \$0 to \$50,000 |
| Small | From \$50,000 to \$300,000 |
| Medium | From \$300,000 to \$1,250,000 |

C. Purpose

8. As set out in the NDP, the purpose of MSME Fiji is to “implement, monitor and evaluate MSME development in collaboration with various stakeholders”.

9. MSME Fiji is responsible to formulate, implement and enhance new and existing policies and strategies for the development of MSMEs. In particular, MSME Fiji facilitates business training, mentoring, advisory, incubation services and access to finance. MSME Fiji is also responsible for monitoring and evaluating the implementation of MSME-related projects¹.
10. In particular, MSME Fiji will work to improve MSMEs access to finance and access to business training services. To support this, MSME Fiji will establish a database of MSMEs to ensure availability of reliable information that will assist its policy recommendations.
11. MSME Fiji will strive towards this Purpose to: make doing business easier, improve Government's provision of services to MSMEs and encourage the inclusive and sustainable development of MSMEs.

D. Policy Framework

12. The **vision** of MSME Fiji is to attain "A Brighter Economic Future for All Entrepreneurs.
13. This vision will help create a globally competitive, innovative, sustainable and ecologically-friendly economy that contributes to the country's national socio-economic development goals. It is a vision that recognises MSMEs are a driving force of economic activity and providing a significant component of Gross Domestic Product, employment and livelihood opportunities, especially for women and youth.
14. The **mission** of MSME Fiji is to stimulate the inclusive and sustainable development of MSMEs.
15. This mission can be achieved through promoting an entrepreneurial culture and encouraging MSMEs to produce goods and services where they have a comparative advantage. For example, helping individuals identify how to use their

¹ https://mitt.gov.fj/divisions/MSME_Fiji/

human, financial and natural resources through an enabling business environment, providing opportunities for skill development, improving access to finance, market facilitation and market information.

16. The **scope** of MSME Fiji's work will include the following key areas:

- a. Ensuring that MSME projects align to National development priorities, for instance the 5-Year and 20-Year NDP, the Green Growth Framework and the central narrative of the Blue-economy;
- b. Enhance policy cohesion among MSME support institutions by being the primary contact point for all MSME issues and so improving the institutional framework of support and collaboration across stakeholders;
- c. Assist in the research and design of legislation, regulations, policies and programmes to empower all MSMEs, especially considering the challenges faced by women led MSMEs and those operating informally;
- d. Formulating clear development strategies, process improvements and provide policy recommendations to help improve the ease of doing business across the country, particularly for new, growing and informal businesses;
- e. Highlight the constraints, gaps and challenges facing MSMEs, together with remedial policy actions, especially considering the challenges faced by vulnerable segments of the population (e.g. Yellow Ribbon enterprises, enterprises run by those living with disabilities);
- f. Facilitate MSMEs access to financing, business training, mentorship networks, business advice and incubation services;
- g. Provide basic business advice directly to MSMEs;
- h. Undertake extensive awareness to public on available business training, mentoring, advisory, incubation services and accessible finance;
- i. Monitor and evaluate Government's provision of services/programs to MSMEs to continually enhance delivery standards, value and reach;
- j. Facilitate the collection and dissemination of data on MSMEs to ensure the availability of reliable information; and
- k. Collaborate with stakeholders, such as local university faculties, to strengthen MSME policy research and institutional capacity to deliver reforms.

E. Next steps

17. The Fijian Government is committed to improving the institutional setting to support MSMEs across the economy. The growth of MSMEs is essential for job creation, income generation, rural development, poverty alleviation and empowerment of youth and women.
18. A single MSME Fiji unit is established under the Ministry. This re-focussed unit will undertake the above-mentioned scope of work to begin to realise the stated vision and mission.
19. A guiding piece of legislation for the agency will subsequently be developed to appropriately equip it with powers to operate as its own focussed organisation.
20. A one-year plan will be developed for MSME Fiji to take it from infancy to self-sufficiency, with its own law and governance system to provide a one-stop-shop service for all Fijian MSMEs.
21. This process will be conducted in a transparent manner, in consultation with all relevant stakeholders and will be informed by best international practices. Subsequently, a detailed action plan agreed with relevant Government authorities will be adopted.

ⁱ <https://www.worldbank.org/en/topic/sme/finance>