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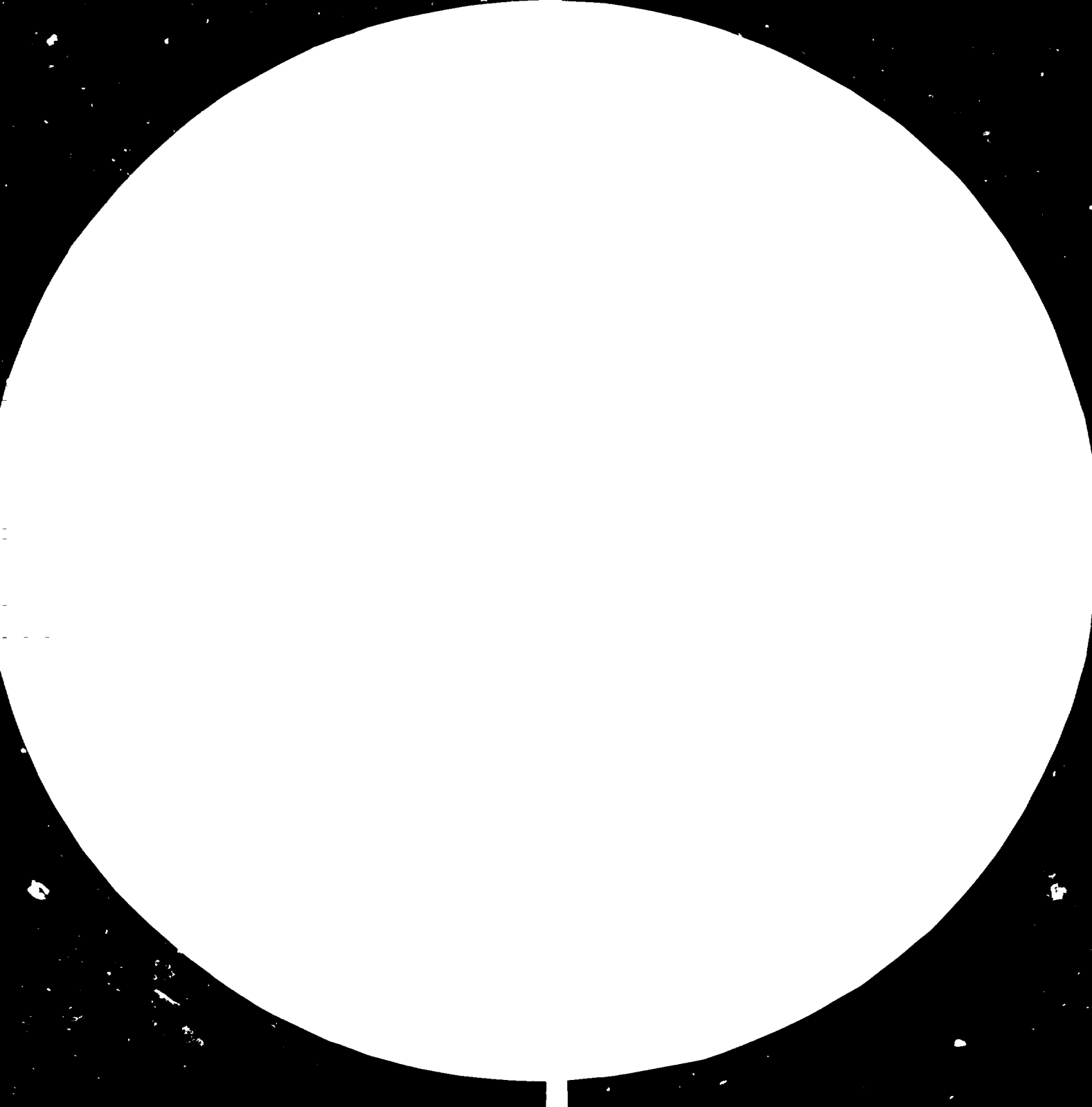
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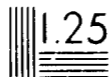
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INDUSTRIAL PROMOTION AND DEVELOPMENT :

DP/FIJ/80/002

FIJI

Terminal report

Prepared for the Government of Fiji by the
United Nations Industrial Development Organization
acting as executing agency for the United Nations
Development Programme

Based on the work of Y.F. Messian,
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United Nations Industrial Development Organization
Vienna

This report has not been cleared with the United Nations Industrial
Development Organization which does not, therefore, necessarily share
the views presented.

TABLE OF CONTENTS

	Page
<u>SUMMARY</u>	4
<u>INTRODUCTION</u>	6
A - Project background	6
B - Summary Outline of official arrangements	10
C - Objectives of the project	13
<u>FINDINGS</u>	16
A - Main activities of the project	16
B - Findings -	20
1. International Project staff	20
2. Counterpart personnel	20
3. Outputs produced	21
4. Advice provided by project personnel	22
5. Specific results	27
6. Factors which facilitated or impeded implementation	28
7. Utilization of project results	29
8. Conclusions	29
a) Situation of industry and constraints	29
b) Problems of industrial land	30
c) Necessity of more information on industries and market	30
d) Incentives scheme	30
e) Assistance to small industry development	31
f) Employment creation	32
g) Import-substitution	32
h) Role of Government and of private sector in investment decisions	33
<u>RECOMMENDATIONS</u>	35
1- Fiji policies and strategies	35
(a) Necessity of an export-oriented strategy	35
(c) The identification of new products	36
(d) Wages policy	37
2- Monitoring of industrial development	37
(a) Necessity of an up-to-date industrial file	37
(b) Possibility of a licensing system	37
3- Strengthening of existing industry	38
(a) Necessity to upgrade productivity	38
(b) Necessity to upgrade management skills	39
4- Incentives	39
(a) Necessity of using a proper set of criteria.	39
(b) Cost of concessions granted	40
(c) Necessity of special and more discriminatory incentives	41

	Page
5- Necessity of structuring and organizing the Economic Development Board	41
(a) Necessity of strengthening and structuring the EDB	41
(b) Necessity of a stronger and more dynamic information system	47
(c) Necessity of integrated and adequate premises	47
6- Assistance to small-scale industries	48
(a) Necessity of training	48
(b) Necessity of extension services	48
7- Development and diversification of exports	49
8- Stabilization of local resources prices	49
9- Necessity of more detailed statistics for market information	50
10- Necessity of an improved and speedier mechanism for industrial land allocation	50

APPENDICES

- 1- List of international and counterpart project staff
- 2- Extracts from half-yearly reports (Summaries - Form A)
- 3- List of enterprises visited
- 4- Definition of the Local Value Added
- 5- Project Evaluation Form
- 6- Note on Industrial Project Identification - Definitions and methodology
- 7- Bibliography of documents prepared during the project

SUMMARY

Findings

The Project carried out activities as planned in the Project Document but had to be more operational as expected and also had to adapt itself to the transfer from Ministry of Commerce and Industry to the Economic Development Board (EDB).

Its main activities concerned the review of the incentives scheme, project identification and the preparation of industrial profiles, evaluation of projects and applications for incentives and advice to the Business and Industrial Development Committee, and assistance and advice to both Ministry of Commerce and Industry and the EDB in their many activities.

The International project staff input was only half of the input planned, and the counterpart staff was even thinner due to staff shortage in both the Ministry and the EDB.

The project's output as stated in the project document were too general and long-term ones to be achieved but consistent outputs were nevertheless produced. Advice was given in many areas, and mostly in the activities already mentioned (incentives scheme, project identification, investment proposals, other matters). And specific results concerned mostly investment proposals approved, and projects identified as well as direct support to the EDB.

Some factors which impeded implementation were related to the staff shortage (both in the project and counterpart Agency), the wide range of activities and overlapping of functions between the Ministry and the EDB. A good part of this project's results were already utilized as direct assistance but some continuity is essential in such studies as review of incentives and project identification.

Conclusions

The main conclusions were related to the situation of Fiji industry, its difficulties and constraints; the problems of industrial land; the necessity of more information on industries and matters; the

relatively good conception of the present incentive scheme but the necessity of refining it; the need for assistance to small industry development; the limits of employment creation through industrialization; the limits of import-substitution and the dangers of protection; and the respective roles of Government and of private sector in investment decisions.

Recommendations

The first recommendations concern Fiji policies and strategies, which are clearly expressed in the Eighth Development Plan, but the necessity of an export-oriented strategy must be emphasized while avenues could be explored for the creation of comparative advantages and a voluntary approach on new technologies. Government must have the means of monitoring industrial development through the setting-up of an appropriate industrial file and through considering the possibility of a licensing system. The existing industry must be strengthened through the upgrading of productivity and management skills.

The present incentives scheme must be refined and particularly evaluation must be based on the use of a proper set of criteria and special and more discriminatory incentives have to be given for priority proposals.

The EDB must be strengthened (more staff, more specialized), structured and organized, and proposals are presented for its structure. Small-scale industries must be assisted, specially through training and extension services.

Exports have to be diversified and stronger assistance must be given to exporters. A proper system should be set up to assure growers of minimum returns for their commodities. More detailed statistics should be available for market information. And it is essential to get an improved and speedier system for industrial land allocation.

INTRODUCTION

A- Project background

1. Origin of the project

The Government of Fiji has adopted policies and measures favouring an accelerated growth of the manufacturing sector in the economy. The Eighth Development Plan 1981-1985 states that one of the main aims of DP8 economic policies is to encourage a greater investment activity that will result in increased productive transformation, hence strengthening of the nation's economic base. A favourable climate exists both for domestic and foreign investments. Tariff and tax concessions are made available on the basis of appraisal of prospective projects. The Government is developing the infrastructure for industrial development through the establishment of industrial areas, having facilities of improved land, power, water and communications.

The manufacturing sector contributed approximately F\$94 million (or 11.7%) to the Gross Domestic Product (at factor cost) in 1979. And in spite of the efforts made there has been very little growth of this sector's contribution towards the GDP in the past decade. In order to give more support to this development with the aim of bringing about more employment in the sector, the Government needs to strengthen its institutional infrastructure in the industrial field.

The Industrial Promotion Division was established in 1969 within the Ministry of Commerce and Industry. Its broad functions were:

- (a) to assist in formulating appropriate policies designed to promote industrial expansion and related activities;
- (b) to study, analyse and appraise industrial projects submitted to the Ministry by the local and foreign investors;
- (c) to conduct detailed cost-benefit studies of major projects with a view to assessing the benefits and costs to the national economy and the various sectors composing it;
- (d) to identify and formulate projects, and to prepare pre-feasibility studies based on local human and physical resources, local market prospects and foreign outlets;

- (e) to maintain a file of viable projects and to disseminate information to prospective local and foreign investors with a view to matching projects to investors;
- (f) to advise investors on technical, financial and marketing possibilities and problems and to assist generally through extension services;
- (g) to make a survey of existing industries with a view to assessing the performance, progress and future prospects of the industries, and to suggest remedies for any problems that the industry concerned may be facing;
- (h) to act as a Secretariat to the Business and Industrial Development Committee (BIDC) which is responsible for making recommendations to the Ministers in matters of foreign investment, incentives and concessions to industries;
- (i) to carry out in depth study of industries seeking protection and provide relevant information for price justification and scheme related thereto;
- (j) to provide rural and urban industrial support services and to operate or assist in the operation of common workshop facilities in Industrial Estates and rural areas;
- (k) to implement pilot projects.

From the beginning the Industrial Promotion Division has been assisted by UNDP, mostly with experts acting as Industrial Economist, and more recently by the UNDP/UNIDO project entitled "Rural and Urban Industrial Support Services" (FIJ/73/008), carried out from 1974 to mid-1980. The respective industrial engineers of this project provided assistance with regard to the technical aspects of the Division's operations.

However, due to lack of key professional personnel in the Division, such as the Industrial Economist, Economic Adviser, and Principal Accountant, very few of the above functions can be carried out effectively and efficiently. The Ministry of Commerce and Industry therefore

needed to strengthen its Industrial Promotion Division to enhance its effectiveness and efficiency, and all the more as UNIDO assistance had ceased in 1980 (FIJ/73/008).

The Government consequently requested further UNDP/UNIDO assistance to follow-up that provided previously, and this new assistance was designed with two different projects within the Ministry of Commerce and Industry:

1- A project entitled "Assistance to Small Scale Rural Industry" (FIJ/80/003), continuing the activities of the "Rural and Urban Industrial Support Services"; the main objectives of this project, which started in November 1980, are to assist in establishing a rural industrial support services programme, including a network of rural service workshops and the provision of rural industrial extension services; and to assist and advise existing and potential local entrepreneurs in rural areas in the setting-up of small scale industries, the optimization of the use of local resources, the choice of appropriate production technologies, and management aspects.

2- The present project, "Industrial Promotion and Development", supposed to provide the services of an Industrial Economist, an Economic Adviser and an Accountant.

2. Existing facilities

At the time of project's inception, the Ministry of Commerce and Industry was officially the only Body concerned with industrial promotion and had supposedly an Industrial Promotion Division, but as this Division had no Head, and the Ministry's organization looked rather informal, all officers dealing with industry were not part of this Division.

The staff comprised, under the Permanent Secretary for Commerce and Industry:

- . 1 Director of Trade and Industry, sharing his time between Commerce and Industry.
- . 2 Senior Economists

- . 1 Assistant Secretary to the Business and Industrial Development Committee.
- . 1 Clerical Officer.

These last four Senior Economists and Officers really constituted the Industrial Promotion Division proper.

- . 1 Accountant (in charge of all accounting matters in the Ministry).
- . 1 Assistant Secretary in charge of the Ministry's workshops and pilot projects and counterpart to the other project "Assistance to Small-Scale Rural Industry".

An Economic Development Board had been created by Bill No. 8 of 1980, to promote, stimulate and facilitate the economic development of Fiji, and with especially promotional functions, but was not yet operational.

3. Conclusions reached by the previous UNIDO project

The previous UNDP/UNIDO project "Rural and Urban Industrial Support Services" made some recommendations:

- (1) Policy recommendations, mostly on small-scale industries:
 - (a) To consider providing preferential treatment to small scale industries in order to give suitable incentives and encouragement to entrepreneurs (supply of machinery on Hire purchase Scheme, charging lower rate of interest, quick protection through licensing or high tariffs, channelised marketing for articles produced in remote rural areas, price preference in Government purchases for small industry products, awarding of concessions automatically to the units applied for and registered as small scale units).
 - (b) To consider the establishment of an Industrial Development Corporation with the following major functions: Creation of infrastructure in the form of industrial estates; procurement and supply of machinery on a hire purchase basis; procurement and supply of raw materials and ancillary items to industry; marketing assistance; equity participation in ventures; establishment of laboratories, tool rooms, prototype centres, etc..

- (c) To consider the establishment of Rural Local Centres for the development of the rural areas.
- (2) Other suggestions, among which:
- (a) To set up a data bank and documentation centre (list of suppliers of machinery, suppliers of know-how and technology, survey reports, installed capacity, market demand, etc...)
- (b) To undertake area surveys (to identify specific industries having potential in different areas) and industrial surveys (to examine the growth and potential of further expansion of specific industries).

B- Summary outline of official arrangements

- (a) The project was prepared in 1980 and the project document FIJ/80/002/A/01/37 signed by the Government of Fiji and UNDP/UNIDO respectively on 19-8-1980 and 30-9-80. The primary function was Direct Support, the duration two years, Government input Nil, and UNDP input \$125,000.
- The Government Implementing Agency was the Ministry of Commerce and Industry.
- UNDP input mainly comprised the provision, for two years each, of an Industrial Economist/Chief Technical Adviser, one Economist/Associate Expert and one Accountant/Associate Expert.
- (b) A project revision FIJ/80/002/C/01/37 was signed by Government on 30-10-1981, by UNIDO on 14-1-1982 and by UNDP on 12-2-1982. This revision was designed to take into account the modifications decided during the April 1981 Tripartite Review as well as to include under this project a consultancy/study to review the possibility of an industrial free zone or export processing zone (EPZ).
- In the revised document the Budget was increased to \$215,834 and provision was made for 5 man/months of consultancy for one Industrial Estate Consultant (3 m/m), one Civil Engineer/Architect (1 m/m) and one Short Term Consultant (1 m/m). Due to UNDP

financial constraints, this EPZ study was postponed to early 1983, at a time when the project should have normally been terminated. Consequently the Government, which attached great importance to this export processing zone, decided to request for Australian Assistance to fund the study, which was accepted, and the study has now been undertaken in June 1982 by an Australian team. Therefore this revision and all corresponding amendments to objectives, output and activities have become null.

(c) Creation of the Economic Development Board

As stated in DP8 (9.7.39), "given the worsening problem of unemployment, and the need to generate more vigorous investment activity in Fiji, Government decided in 1980 to restructure existing machinery so that all matters relating to investments are handed smoothly. The Economic Development Board was set up as a statutory body having representation from both the public and private sectors" as well as a tripartite representation (Government, Employers, Unions). "This Board will have advisory and promotional functions and will act under the umbrella of overall national development policy. It has been set up to:

- (a) recommend to Government measures required to attract the desired type of investment with a view to the possibility of Government drafting an Economic Incentives Act;
- (b) advise Government on possible policies and strategies to promote economic development;
- (c) advise Government on the possible location of various types of industries;
- (d) promote development of industrial estates;
- (e) promote Fiji as a place of investment for overseas funds;
- (f) advise on the need and desirability of Government investment in various projects; and
- (g) act as a facilitator in assisting investors in dealings with Government departments".

Therefore the EDB was created under Bill No. 8 of 1980 (March 1980) "to establish an Economic Development Board to promote, stimulate and facilitate the economic development of Fiji and for purposes connected therewith".

The Act mentions that, in the discharge of its duties, "the Board shall have power

- (a) to promote investment in, and development of, industries, ventures or enterprises that enhance employment opportunities, increase exports, reduce imports, or are otherwise beneficial to the economy of Fiji;
- (b) to assist other persons or bodies in the establishment or expansion of any such activities;
- (c) to undertake product and market development and research either alone or jointly with any other person;
- (d) to act as the agent for the Government on such matters as may be delegated to it;
- (e) to advise on policies that would further the economic development of Fiji;
- (f) to advise the (Prime) Minister on appropriate administrative machinery to facilitate economic development;
- (g) to make grants for purposes related to the discharge of its functions under this Act;
- (h) generally to do all such things as may be incidental to or consequential upon the exercise of its powers or functions under this Act".

The Economic Development Board was first under the sphere of responsibility of the Prime Minister, and later in July 1982 came under the new Minister for Economic Planning and Development.

Although the Chairman was appointed in 1980 and the Board itself met several times, the first Director and first Investment Analyst were only recruited in June 1981 and the EDB really became operational in October 1981 with the transfer to its profit of the Industrial Promotion Division of the Ministry of Commerce and Industry.

(d) In October 1981, following a Cabinet decision, the Industrial Promotion Division of the Ministry of Commerce and Industry was transferrēd to the Economic Development Board (EDB) together with most of its staff. The project was also transferred and therefore the EDB became the Official counterpart agency.

Although the objectives and activities of the project were no more exactly suited to this new situation, no formal revision was made.

(e) The project became operational late January 1981 with the arrival in Suva of the Industrial Economist/Chief Technical Adviser (CTA). The Economist/Associate Expert joined in October 1981 and should leave in September 1982 after a one-year assignment.

The project will be officially completed in January 1983 and field-work activities will wind-up with the departure early November of the CTA.

C- Objectives of the project

The objectives of the project, amended but ignoring the study on export processing zone, were:

a) Development objectives

Initial objectives:

- 1- To promote, improve and expand industrial supporting activities.
- 2- To create more import substitution industries and provide more job opportunities.
- 3- To diversify the industries from traditional locations and products.

Added objectives:

- 4- To assist the Government of Fiji in developing a system of attracting export-oriented industries to Fiji, which would create employment principally for school leavers.
- 5- To design such an investment promotion system which would show a long-term economic benefit to Fiji by creating employment, increasing exports and utilising local national resources.

These long-term objectives are exactly in line with the major national development objectives for the Eighth Development Plan, which are expressed as follows:

- (a) to strengthen and further diversify the economic base of the nation;
- (b) to promote a more equitable distribution of the benefits of development;
- (c) to ensure that opportunity for productive and rewarding social or economic activity is available as far as possible for those who want it;
- (d) to promote policies and attitudes to increase self-reliance;
- (e) to promote a greater sense of national unity within the framework of a multi-ethnic society; and
- (f) to promote Regional and International co-operation.

b) Immediate objectives

The immediate or short-term objectives were:

Initial objectives:

- 1- To provide more effective advisory services in order to assist and guide existing and potential investors and entrepreneurs and to create more local interest also among the indigenous population to invest in manufacturing businesses.
- 2- To evaluate and review the overall investment incentives currently available to industries.
- 3- To evaluate and review the ways, means, speed, and effectiveness of appraising investment applications.
- 4- To evaluate the performance of industries presently assisted by the Government.
- 5- To encourage the development of agro-based industries.
- 6- To train local counterparts with the long term view of localising the Industrial Promotion Division.

Added objectives:

- 7- To recommend the ways and means to handle potential investors, to analyse project proposals and promote overseas the new incentive laws.

- 8- To identify what industries are most likely to be attracted to Fiji and what industries are most suitable for new development in Fiji.

FINDINGS

A- Main activities of the project

Given the time limit to prepare and submit the draft Project Terminal Report, only 17 months of activity were performed at the time the present report was written.

The Project's main activities have been summarized in Form A of every of the three half-yearly project progress reports. These summaries are reproduced in Appendix 2 for reference.

The activities were both of an advisory and operational nature, as much within the Ministry of Commerce and Industry (MCI) as within EDB.

The activities carried out, classified as in the project document were:

- (1) Survey/Inventory of existing industries
- (8) Evaluation of industries with regard to performance, progress and future prospects and suggestions of remedies for problems facing the industry

The first task was a study of basic documentation in order to assess Fiji's economy and industrialisation situation and programmes as a basis for further development.

With the same purpose more than 50 industrial enterprises and businesses were visited in order to assess the industry's existing situation and efficiency as well as problems facing the entrepreneurs. In order to undertake a whole industrial survey when the necessary means are available, a survey questionnaire was designed.

- (2) Evaluation of policies with regard to industrial development

Although no specific tasks were carried out under this activity, it is one of EDB's main functions and therefore one of its ongoing activities. Evaluation of policies is made when preparing and discussing EDB papers on economic and industrial development, during meetings of the Business and Industrial Development Committee. A study and evaluation of national and industrial objectives, policies, priorities and programmes was also undertaken for the double purpose of the incentives scheme review and of the survey on project identification.

(3) Review of industrial development incentives, legislation, regulations and procedures

A study and assessment of the present incentives scheme were carried out, and a survey undertaken among concessionary industries. Studies were made about the obstacles to industrialization in Fiji, and on the development and structure of industry in relation to other sectors of the economy. Suggestions were made for possible improvements in investment incentives and export incentives.

A new procedure for considering investment applications was designed with a view to streamlining and speeding up the administrative process.

A formula of Local Value Added was prepared for the purpose of project evaluation and export incentives and a Project Evaluation Form recommended.

(4) Advice to the Business and Industrial Development Committee (BIDC)

The project fully participated in the BIDC activities, appraising the applications for concessions, the investment proposals and giving advice to Ministry of Commerce and Industry's or EDB's staffmembers, as well as to the Committee of Officials itself.

For 1981 275 papers for concessions were presented to the BIDC and discussed. As at 20th July 1982 190 papers were presented.

(5) Evaluation of industrial projects submitted by local and foreign investors

A number of files were studied for appraisal, comments and advice. Some of them were preliminary investment proposals but most of these files or proposals concerned applications to the BIDC for duty concessions on equipment and raw materials, for new projects or extensions of existing industries.

As at mid-July 1982 about 60 proposals were thus dealt with.

(6) Project identification and assistance in the undertaking of industrial project feasibility studies

A vast study was undertaken on project identification, involving first the definition of a methodology and then research work. A study and analysis of imports were made, leading to suggestions on import-substituting

industries. An inventory of local resources (agriculture, fisheries, forestry, mineral resources) was compiled with a view to possibilities of processing, mostly for export-oriented industries. And some industrial profiles were prepared for interested investors. This activity, not yet completed, must be considered as an on-going one.

Some feasibility studies were also assessed (tannery, glass bottle manufacturing, etc..).

(7) Advice and assistance to entrepreneurs on problems related to new and expansion projects

Advice and assistance were given to promoters/investors for their investment projects and problems, mostly through discussions. In the first project's period (1981), with Ministry of Commerce and Industry, some diagnoses were also made and advice given on management problems.

(9) Training of counterparts

Although there was no formal training, and though there were no official and permanent counterparts for most of the project duration, training was a constant preoccupation of the project and tried to be provided through methodological or technical notes, team work or daily discussions with colleagues.

(10) Other activities in accordance with the functions of the Industrial Promotion Division (Ministry of Commerce and Industry)

In its operational assistance role and on behalf of the Ministry of Commerce and Industry various industrial files or industrial development files were assessed by the project and comments, recommendations or advice given. Various meetings were also attended on behalf of the Ministry (Macro-Economic Policy Subcommittee, etc...).

The project was also involved in different studies and in the preparation of various papers (tariff protection, unfair competition, economic growth and industrial development, Ministry's organization chart and job descriptions, etc..). Advice was given about the functions of the Industrial Promotion Division, later transferred to the EDE, and on the functions remaining with the Ministry after this transfer, and about respective

functions of MCI and EDB.

An assessment was made of the studies and recommendations about an Export Processing Zone, some intermediary recommendations presented (the Mauritius concept) and preparatory work carried out for further studies.

After the project's transfer to EDB, assistance and advice were still given to the Ministry on specific matters.

(11) Other activities in accordance with the functions of the Economic Development Board

Assistance and advice were first given to the EDB during its starting period. And as part of the Industrial Promotion or Project Division of EDB the project participated actively in many EDB activities as well as the preparation of papers, reports, press releases, draft letters, economic studies or market surveys, etc... Specially important were assistance in the definition of EDB's role and functions, assistance in promotional functions, and special assistance to the Director on various matters.

(12) Other activities

Finally, various economic or technical reports were studied. And briefing, assistance and advice were given to many visiting experts, Agencies' Officials, or consultants in various economic fields.

3- Findings (Conclusions/results)

1- International Project Staff

The project was expected to start in September 1980.

Three experts were planned in the project document:

- an Industrial Economist/Chief Technical Adviser, for two years
- an Economist/Associate Expert, for two years
- an Accountant/Associate Expert, for two years.

The Industrial Economist/CTA started his assignment in January 1981, date at which the project officially became operational.

The Economist/Associate Expert could only be recruited later and joined the project early October 1981. Due to the project's official termination in January 1983 her assignment cannot be extended and she will have participated one year only.

The Accountant/Associate Expert could not be recruited. So that for UNDP inputs only 36 m/m of experts were provided, that is half of what was planned.

2- Counterpart personnel

During the first phase of the project, with Ministry of Commerce and Industry, only one official counterpart was nominated, during the April Tripartite Review. She was the Senior Economist I and was only part-time counterpart to the Industrial Economist/CTA, every one of them working on his own duties with only frequent consultations. Two other officers, the Senior Economist II and the Secretary/BIDC were occasional counterparts but with frequent discussions.

When the transfer of the Industrial Promotion Division to the EDB occurred, the staff had the possibility to choose to be transferred or to remain with the Ministry. The Senior Economist I choose to remain with the Ministry and therefore since then the project had no official counterpart. The Senior Economist II and the Secretary/BIDC were transferred and continued their occasional counterpart until the Senior Economist left for emigration.

Due to a shortage of staff, and particularly of economists, it was not possible to provide the experts with official counterparts. And furthermore due to this staff shortage, the experts had to work more or less in an operational position and thus fill the vacancies in.

3- Outputs produced

The expected outputs were expressed as follows in the project document:

1. An Industrial Promotion Division able to perform all activities needed to further develop the country's manufacturing sector.
2. Increased numbers of companies engaged in industrial activities and increased output volume and relative growth of the manufacturing sector's share in the GDP.
3. Increased numbers of persons directly employed in the manufacturing sector.
4. More balanced distribution of industries over the country.
5. Increased "local value added" component in manufacturing industries.
6. Reduction in the imports of manufactured goods imported to Fiji.
7. Increased exports of locally manufactured goods.

These outputs rather look as medium or long term objectives, which could not possibly be attained within 17 months nor can be easily measured.

The project, more modestly, may be estimated to have produced the following outputs:

- The Economic Development Board (EDB) assisted in its first steps after creation.
- The Project's Division of EDB strengthened.
- Investment proposals evaluated for the granting of investment incentives and recommendations made (60 projects or proposals evaluated).
- Other applications for incentives evaluated and advice given to EDB staff and to BIDC.
- Industrial development incentives analysed and assessed; a set of criteria proposed; a new procedure proposed for appraisal and decision-taking.

- Methodology of project identification proposed;
Areas of possible import-substitution industries determined;
Inventory of local resources compiled;
Some Industrial profiles prepared;
Basic documentation gathered for further work.
- Advice and assistance given to entrepreneurs on their investment proposals (24) or on management problems (3).
- Punctual advice and assistance given to Ministry of Commerce and Industry and to the Minister.
- Punctual advice and assistance given to EDB in the starting period and then in the implementation of operational activities.

Although the incentive review was not wholly completed and conclusions drawn, and much remains to be performed in the project identification exercise, which is rather an ongoing one, the outputs were produced according to expectations given the size of the project and the short time of implementation.

4- Advice provided by project personnel

Advice was given by the project in the following areas:
on investment proposals, on feasibility studies; on applications for duty or tax concessions and applications for export incentives; on the incentives scheme and procedures, and on appropriate criteria (local value Added); on possible areas of import-substitution; advice to promoters/investors for their investment projects and problems; advice to entrepreneurs on management and organizational problems; advice on the Ministry of Commerce and Industry's and EDB's respective functions and responsibilities; advice to Ministry of Commerce and Industry on various problems; advice to EDB on various matters and problems.

a) Advice on investment proposals and on feasibility studies

Evaluation was made and advice given on investment proposals relating to the following activities:

- Jute and jute bags
- Resort villas and Hotels

- Soap project (Labasa)
- Coconut oil soap project
- Detergents
- Scrap metal
- Tyre Retreading
- Wooden sticks and spoons
- Toilet cistern assembly
- Lime industry
- Paints industry: 2 proposals
- Bleach and washing detergents
- Cookware
- Pencils
- Air freights
- Brickworks
- Fertilizer manufacturing
- Bulk fertilizer bagging
- Winery and distillery
- Blending and bottling of gin and vodka
- RCC poles and sleepers
- Fast food
- Ropes
- Biomass energy cubes
- Farming implements
- Agricultural implements
- Masi rugs
- Pharmaceutical products: 2 projects
- Low-cost prefabricated housing
- Chicken farming
- Goat farming
- Garment manufacturing
- Steel Rolling Mill: 2 projects

- Polypropylene bags
- Printing
- Nuts and bolts
- PVC wire
- Leather handicraft
- Attache-cases and suitcases
- Liqueurs manufacturing
- Glass/bottle manufacturing: one feasibility study and one project
- Ginger processing
- Tourist transport
- Cassava and dalo chips
- Plastic boots
- Shoes
- Shirts and garments manufacturing
- Micro-film data storage
- Tannery

b) Advice on applications for duty or tax concessions, or for expert incentives

These were the applications presented to the Business and Industrial Development Committee of officials and then to the Committee of Ministers. Although the submission papers were not prepared by the project personnel, they were assessed and comments given; and within EDB Project Division, meetings were held prior to BIDD meetings in order to discuss every application presented.

For 1981, 275 papers for concessions were presented to the BIDD and discussed. As at 20th July 1982 190 papers were presented. These applications covered industry as well as agriculture, services, tourism, transport, fishing industry, construction, etc..

c) Advice on the incentive scheme and procedures, and on appropriate criteria

During the Incentive Scheme review, special advice was given on the following:

- Advice on a suggested procedure for considering investment applications.

- Proposition of a national definition of Local Value Added and proposition of a set of criteria and project evaluation form.
- Advice and suggestions for the Incentive Scheme Review.
- Advice and suggestions on the possible improvements of the export incentives scheme.

d) Advice on possible areas of import-substitution

During the project identification study, an analysis of import was made and led to a list of possible areas for import substitution, which is not a list of recommended industries but a list of industries which have some potential and for which investors might undertake a market survey and feasibility study.

e) Advice to promoters/investors for their investment projects and problems

Discussions were held and advice given to promoters/investors on their investment projects, either in EDB's office or in their own premises.

These investment projects were in the following areas:

- Plastic tiles
- Beer cans
- Steel rolling mill
- Glass bottle manufacturing
- Tyresand tubes
- Towels
- Porcelain
- Carbon paper
- Shoes
- Dry cells
- Paints
- Coconut based industry
- Coconut oil and activated charcoal from coconut
- Small-scale weaving and knitting
- Wooden sticks and spoons
- Paper plates

- Canned food
- Low cost prefabricated housing
- Leather handicraft and small tannery
- Garment making manufacturing
- Fertilizers manufacturing
- Polypropylene bags
- Gypsum tiles
- Sodium silicate
- Paper and egg trays
- Camel back for retreading

f) Advice to entrepreneurs on management or organizational problems

Within the framework and functions of the Industrial Promotion Division of the Ministry of Commerce and Industry, diagnoses were made and/or advice given to some entrepreneurs on their management problems.

The enterprises concerned manufactured:

- Envelopes
- Wood screws
- Kerosene stoves and stainless utensils

g) Advice to Ministry of Commerce and Industry on various matters

During the project's implementation with the Ministry of Commerce and Industry mostly, but even after the project's transfer to EDB, the project had to advise the Ministry on various matters and problems, apart from those pertaining to investment and already mentioned. These included:

- Advice on the necessity of an industrial file based on an industrial survey, and design of a questionnaire for industrial survey.
- Advice on the setting up of an Export Processing Zone and alternative solutions.
- Advice on the utilisation of foreign assistance and possible fields of activity for foreign experts.
- Advice on the Ministry's organization and functions, and preparation of job descriptions.
- Advice on tariff protection.

- Advice on standardization and quality assurance problems.
- Advice on the Multi-Fibre arrangement.
- Advice on an Investment Promotion and Protection Agreement with a foreign partner country.
- Advice on the Common Fund for Commodities (UNCTAD).
- Advice on Small Enterprise development.

h) Advice to the Economic Development Board on various matters

Apart from the advice given in the exercise of the planned activities and already mentioned the project had to give advice on the following matters:

- Advice on EDB's functions, and on different EDB's presentation papers or press releases.
- Advice on promotional matters.
- Advice on the needs and utilization of foreign assistance.
- Advice for the Commonwealth Heads of Governments Regional Meeting (CHOGRM) Working Group on Industrial Cooperation Workshop (July 1982).
- Advice on transnational corporations problems.
- Advice on UNCTAD matters.
- Advice on tourism development problems.
- Advice on problems in the development of export industries.

5- Specific results

It is difficult to state specific results obtained both because of the short duration of this project (17 months at the time this report was prepared) and of the time delay in industrial promotion between activities performed and results obtained. And the same applies to EDB activities, where in its reports the EDB states that so many projects have been approved, but given that the enterprises are allowed 12 months to set up the factory and start commercial production (and this time limit is sometimes extended to 3 years), it takes time before any quantitative results can be enumerated such as the investment actually made, the employments actually created, etc.

The outputs of the project have already been enumerated in a previous paragraph.

All that can be said is that the project, after 8 months with the Ministry of Commerce and Industry, joined an infant Economic Development Board which it helped in its first steps and strengthened during the 9 months so far spent with.

Therefore the immediate objectives could not be reached and were not reached in such limited a period with such limited staff, and the project would need one year more to reach them.

6- Factors which facilitated or impeded implementation

The factors which impeded implementation were larger than those which facilitated.

1. Factors which facilitated implementation

The main factor to quote is the quality, dedication and cooperative spirit of some senior staffmembers and of EDB's management, and dynamism of the Board's management.

2. Factors which impeded implementation

The main negative factors were:

- Shortage of staff in the project (only half of expected UNDP experts inputs).
- Shortage of staff in the counterpart Agências (Ministry of Commerce and Industry, and then EDB), leading to:
 - . lack of counterparts to assist experts, to be trained and then to continue work.
 - . necessity for experts to work in too many operational activities, thus substituting to national staff.
- Transfer of promotional activities and of the project from Ministry of Commerce and Industry to EDB.
- No clear delimitation of functions and responsibilities between the Ministry of Commerce and Industry and the EDB.
- Objectives, outputs and activities of the project too general and too wide.
- Functions and activities of EDB too wide, given the staff available.

7- Utilization of project results

The results of this project were already in good part utilized in so far as many activities were operational and of a direct support nature, and direct and short term advice was given (to BIDS, to staffmembers, to promoters/investors).

The results of the Incentives Scheme review take more time to materialize since they involve many Government Departments and may also imply to some extent some kind of political commitment.

And the results of project identification will only be practically achieved when feasibility studies are made and investment decisions are actually taken.

But all these activities need some continuity to bear fruits. Too many studies are undertaken and then come to an end, like a river ending in a desert, with no follow up and no exploitation. Even if the project is not extended it is essential that some staff remains in charge of the studies initiated and that these activities be concluded to their normal term.

8- Conclusions

Some main conclusions are hereunder presented, under the following headings:

a) Situation of industry and constraints

Fiji industry does not fare so bad, but its potential is limited by the following factors:

- Wages relatively high, at least for unionised labour, in relation to productivity, and in comparison with other competitor countries.
- Productivity relatively low in comparison with competitor countries.
- Management skills insufficient.
- Duplication of activities in too many fields (soaps, biscuits, cans, polythene film, polythene bags, snack foods, paints, plastics, etc..) resulting in excess capacity, low rate of activity and of used capacity, low productivity, high costs and lack of competitiveness.
- Generally insufficient rate of used capacity.

All that makes that competition is very difficult with such countries as Taiwan, Hong-Kong, Singapore or South Korea, where wages are lower than in Fiji, and productivity much higher.

In fact Fiji is in an intermediate and uncomfortable position between two kinds of countries; she is midway between:

- industrialized countries with which she cannot compete because she has not the same level of productivity, technology, know-how, management skills, etc...
- the developing countries with which she cannot compete because she has much higher wages.

b) Problems of industrial land

A major constraint for many industries, and especially small industries, is the non-availability of industrial land and the difficulty of getting it. It seems paradoxical that in a country with such a low density of population, and land available, it is so difficult for many small entrepreneurs to get even some plots to set up industry and who have sometime to wait for years.

The present system of allocating land does not appear satisfactory and should be reviewed.

c) Necessity of more information on industries and market

The existing information on the situation of industry, and particularly on existing manufacturing capacities and on the rate of utilization of these capacities, is quite insufficient. This does not allow either the Ministry of Commerce and Industry, or the BDC or the Economic Development Board to assess the situation in order to better plan for further development, and to avoid duplication.

It is therefore necessary to have an up to date and well documented industrial file at one place or the other (Ministry of Commerce and Industry or EDB) in order to know in particular the existing processing capacities.

There is also a need for better information on national markets, to better match processing capacities to market availability.

d) Incentives Scheme

The present system of incentives compares well with many other countries.

and the procedure is relatively efficient, even if it can be streamlined.

However some shortcomings have to be noted:

- no special incentives are given at present to industries outside Suva/Nausori, although the stress is put in the Eighth Development Plan on the need for decentralization of activities. Therefore, investors naturally tend to concentrate on Suva and other larger cities where they get the same incentives together with all facilities;
- no formal set of criteria is used for BDC decisions on the granting of concessions, and applications are considered on the basis of common sense; it would appear necessary to use a more sophisticated tool for this decision-taking. Even the cost of decision in terms of revenue foregone to the Government is not estimated at the present time;
- the same concessions are granted for every kind of industry, whatever the degree of priority; the present system should be refined in order to give more incentives to priority industries such as recommended by planners;
- assistance has to be given to investors in their dealings with Ministries for investment problems, once a decision is taken; it was EDB's creation's aim to solve this problem but could not be implemented so far due to staff shortage and organizational problem; but the lengthy formalities to go through certainly constitute a deterrent factor for investors.

e) Assistance to small industry development

Not enough assistance seems to be given to small industries, in spite of the importance of small industry for employment creation, and for entrepreneurship development, mostly in a country such as Fiji, and although DPB states that encouragement will be given to the development of small and medium scale industries.

Many small industries were started with great hopes by enthusiastic entrepreneurs but are run inefficiently and soon come to many difficulties.

There would specially appear to be a need for:

- technological assistance
- extension services and management assistance.

f) Employment creation

Although it is often stated that industrial development must be boosted in consideration of the worsening problem of unemployment, industrialization should not be relied too heavily upon as a means of creating employment, as there is no question of creating in Fiji labour-intensive industries, due to the high wages. And as the example of more advanced countries shows, it is services which create most employments. It is now widely recognized that much of the impact of industrial growth on employment is indirect, through activities that serve industry. And manufacturing, all the more if it is to be efficient and competitive and get a high productivity, is too small a sector in terms of employment.

g) Import-substitution and protection

As recognized by the Eighth Development Plan 1981-1985 (DP8) the scope for further import-substitution industries based on imported raw materials seems limited as a long term industrial development strategy. The only possibilities are where an existing entrepreneur finds to add to his present range of products or can create a market for a new product; but this is left to private initiative and cannot be worked out by Government economists or planners.

And when encouraging import-substitution industries, more attention should be paid to the cost-structure of locally manufactured products as compared to imported products, as shown in the following graph:

Is it better to import a product or to manufacture it in Fiji?

		<u>Retail price</u>		
	Retail margin			Retail margin
	Wholesaler (importers) margin			Manufacturer's margin
	Duties			Other manufacturing costs
				Wages
	C I F Price			Imported raw materials
				Depreciation on imported equipment
<u>Imported product</u>				<u>Manufactured product</u>

Local Value Added must be compared to the retail price. And if the foreign-exchange cost of material and machinery, plus repatriation of wages and profits and interest on foreign borrowing exceed the CIF import value of the product, there is definitely no interest in its production. How many items manufactured in Fiji are thus at the consumer's expense?

Fiji authorities seem well aware of these drawbacks and Fiji industrial development strategy seems very sensible in that it gives similar incentives to production for domestic and for export markets. However there are constant solicitations from businessmen for higher protection, and the temptation must be resisted to manufacture certain items under unduly high protection.

h) Role of Government and of private sector in investment decisions

Fiji is a liberal country with a liberal and open economy and the National Development Plan is only indicative, there is no public industrial sector, and therefore it is left to industrialist as to the fields in which they will invest. This gives limitations to the project

identification exercise, because finally it is the investor who is taking the risks, not the Government nor the advisory body. And given the uncertainty of world economic situation, the Government can only orientate investment by appropriate incentives but not press too much on investors.

RECOMMENDATIONS

Before presenting some recommendations, it must be recognized that as far as the industrial situation and industrial development policies and strategies are concerned, Fiji authorities are well aware of the problems and constraints, and as regards industrial promotion and development many recommendations this project could make are already clearly expressed in the Eighth Development Plan, particularly as regards industrial strategies and export-oriented industries, the development of small and medium industries, the need for a strong Information Center, etc...

1. Fiji policies and strategies

a) This project can only approve Fiji's industrial development objectives, strategies and policies as expressed in the Eighth Development Plan, Chapter 9.7, in very clear terms, and which enumerate the measures to be taken and programs to be developed, on the types of industries, the scale of industries, and on the need for better coordination, marketing, and research and information.

b) Necessity of an export-oriented strategy

What will be stressed here is the absolute necessity (and difficulty) of having industry open on the outside world, that is export-oriented. Recent studies show that countries adopting export-oriented strategies have been more successful than others in achieving higher rates of income growth. And an export-oriented strategy is much more stimulating since the necessity of remaining competitive in world export markets gives a stimulus to industries. Furthermore, exposure to foreign competition also provides an impetus for technological change.

Fiji authorities recognize these factors, but in view of the difficulties of identifying new products and new markets, and of penetrating these markets, the temptation often comes to revert to import-substitution industries, under pressure of local businessmen,

and under high protection. Fiji should avoid to grant excessive protection, which raises the cost of inputs into agriculture, primary production, service or manufacturing industries as well as the cost to the consumer and allows inefficient industries to be run.

Besides, high costs restrict potential consumer markets and therefore limit the scale of production.

Once this is recognized, every decision on a new import-substitution industry under concessions should be based on a clear and objective evaluation using clearly expressed economic and social criteria. This point will be discussed again further on.

c) The identification of new products

In order to successfully manufacture for exports, a country needs comparative advantages, such as natural resources, energy, low wages, special skills, advanced technologies, etc.. Where comparative advantages do not exist, they can sometimes be created. And a newly industrializing country such as Fiji has to upgrade and diversify its exports line with its changing comparative advantages.

In the project identification study a methodological paper had been prepared in which different approaches were presented to product identification. This paper is reproduced in Annex 6. But there is a further approach which might be used and which could be called the "voluntary approach". Given the relatively high cost of wages it seems that Fiji should embark on a voluntary development of more sophisticated, more high-value added industries, since it cannot compete with cheap labour countries. Japan after the last world war followed this approach, and recently Singapore is shifting from less sophisticated industries to high technology ones.

There will certainly be a world-wide regrading between nations which have taken a technical advance, or were able to take a place in new areas, and others which will merely become industrial sub-contractors.

Some research needs to be done on these avenues, and a technical committee should be set up to work on it, comprising representatives of

the Fiji Institute of Technology and EDB, and associating the University of the South Pacific.

d) Wages policy

As This is a touchy matter, this project will not elaborate too much. But without interfering with interested parties it must be stressed that Fiji is a country with relatively high wages compared to other countries such as Taiwan, Singapore and even South Korea, which have a much higher productivity.

Therefore, in order for industry and more generally the whole economy to be competitive, wages should be contained, mostly for unionized labour. High wages are in fact detrimental to employment creation, and even now industry to be competitive has to use high and capital intensive technologies.

2) Monitoring of industrial development

a) Necessity of an up-to-date industrial file

As was stated in the conclusions neither the Ministry of Commerce and Industry nor the EDB have any industrial file with all pertinent data on existing industries, the range of products manufactured, processing capacities, etc.. This makes it difficult for both these bodies to assess the industry's situation and plan further development; it makes it also difficult to determine areas in which there is already excess capacity and to avoid costly duplication when new applications for concessions are presented in such areas.

It is therefore absolutely necessary to build up an industrial file. This should be done starting from a detailed industrial survey, where most industries would be visited. Such a survey could use students properly trained to interviewing.

b) Possibility of a licensing system

Even an up-to-date industrial file is not enough to fully monitor industrial development since it does not take immediately into account new industries. In the present system an investor presents an application for incentives and gets an approval or refusal. If he gets an approval,

the authorities which have granted approval do not receive any feedback information on whether the project was implemented or not. And if the investor gets a refusal, for instance on the grounds that there is already excess capacity in the applied field, nothing prevents it from going ahead. And there is at present no way of avoiding duplication in so far as an industrialist does not ask for concessions.

Therefore Fiji Government might consider setting-up a licensing system, whereby any industry wanting to create new lines of activity would need to be licensed to do so. This licensing system would be under the Ministry of Commerce and Industry.

3) Strengthening of existing industry

As the visits to industries proved, existing industries do not fare too bad but have nevertheless many shortcomings which must be remedied if these industries are to be competitive in world markets.

(a) Necessity to upgrade productivity

To be competitive, and in view of the relatively high wages, there is an absolute necessity to upgrade productivity, which is in fact the ratio of output to one of the input factors, generally labour (labour productivity) or capital (capital productivity). Having high wages is only compatible with high productivity.

Higher productivity will come out of

- a better and increased utilization of equipment
- better organization and methods
- training of manpower
- better management.

Fiji Government should see the possibility of taking or encouraging measures to implement these productivity improvement measures. The industry itself should take charge of this program, and the Fiji Manufacturers Association might consider setting up the appropriate mechanism, may be a small nucleus as a Productivity Center. Some external

assistance might be requested to help set up such a Center.

b) Necessity to upgrade management skills

Although there are genuine difficulties for industries due to the smallness of market, cost of equipment, raw materials and energy, etc., many industries are not efficiently run and those which go to failure often do so due to bad management methods. It is not just enough to erect buildings, set up machinery and start producing, management has to be learned as competition is everywhere and promoters who were good traders lack the skills necessary to a good industry manager.

Again the Fiji Government should encourage but leave to private initiative such as Fiji Manufacturers Association and the Chamber of Commerce the setting up of appropriate means. External assistance should also help in this important field.

4) Incentives

Although the Incentives Scheme review is still underway at the time this report is written, some recommendations can already be made. They concern:

a) Necessity of using a proper set of criteria

As was already stated no objective and quantitative criteria are used at present for appraising the investment proposals and applications for concessions. And it is a serious drawback. EDB, the Ministry of Commerce and Industry and the BDC Committee should use a proper set of criteria, taking into account financial and economic factors.

The project studied this matter on behalf of the Ministry of Commerce and Industry and at the request of the Macro-Economic Policy Subcommittee prepared and proposed a definition of Local Value Added suited to the purpose of determining incentives to be granted to a new industry or export incentives to give to an existing one. The proposed definition which is reproduced as Annex 4 was based on the UNIDO-IDCAS method for industrial project evaluation, prepared jointly by UNIDO and the Industrial Development Center for Arab States, and was accepted by the Macro-Economic Policy Sub-Committee.

According to the proposed definition, the Local Value Added generated by a project or industry is defined as the total (direct plus indirect) Net National Value Added generated by this project or industry and is computed as the sum of:

- the Direct Net National Value Added (or Direct Local Value Added) which is the value added by the project or industry itself,
- plus an estimate of Indirect Net National Value Added (or Indirect Local Value Added) which is the value added generated by other industries as the consequence of the existence of this project or industry.

The Direct Net National Value Added or Direct Local Value Added is defined as the amount by which the value of output (exports, domestically marketed and other income) exceeds the aggregate amount of the following

- (a) the Value of investments (imported and domestic) for a new project or the annual depreciation on investments for an existing industry;
- (b) the Value of current material inputs (imported, domestic and infrastructural services);
- (c) the value of repatriated payments (wages, profits, interest, management fees, royalties, etc..)

This formula was regrettably not implemented so far and it is recommended to make use of it.

Together with this definition was prepared a Project Evaluation Form (see Annex 5), which it is also recommended to implement, mostly for BIDD appraisal and decision.

b) Cost of concessions granted

This same Project Evaluation Form includes data on the cost to Fiji Government of concessions granted in terms of duty revenues foregone and income taxes foregone. The BIDD currently takes decision without any reference to these costs whereas the benefits of a project should be balanced against the costs.

It is therefore recommended to systematically evaluate the revenues foregone for every set of concessions granted.

c) Necessity of special and more discriminatory incentives

The present system of incentives is too global and gives the same concessions whatever the localization of the industry, the field of activity or the employment creation.

The new incentives scheme which will evolve from the study currently underway should be more refined and more discriminatory. Particularly special advantages should be given to:

- decentralized industries: the period of concessions (duties on raw materials, income tax exemption, etc..) could be larger than for industries in Suva/Nausori or other bigger cities; or special subsidies could be granted;
- priority industries :the same applies to priority industries in which Government wants to see more investment; this encouragement must be translated in monetary terms by more financial incentives;
- employment creation :if employment creation is recognized by Government as one of its main objectives, consideration could be given to granting a special subsidy for every employment created.

It must also be mentioned that the habit of admitting every kind of equipment duty-free is not always in favour of employment creation as capital-intensive technology and equipment are contrary to this employment creation.

5) Necessity of structuring and organizing the Economic Development Board

a) Necessity of strengthening and structuring the EDB

There is a definite need to reinforce and strengthen EDB's staff, and then to structure EDB's organization.

During the first months of EDB's implementation, the structure of EDB was quite informal and every staffmember helped to the daily tasks within the limits of his competence and availability. This informal organization was very flexible and certainly best suited to the needs. But as EDB's duties, responsibilities and tasks increase, the organization must now follow this trend.

- (i)- There is first a need to increase the number of professional staff

to perform properly all functions. As at the end of July 1982 the staff comprises, excluding administration, a Director with 9 officers and 3 expatriates to perform all trade, industrial and investment promotion functions. This does not seem to be enough. A detailed list of EDB's permanent activities should be worked out, with the corresponding number of staff necessary to implement the activity. This would give a reasonable indication as to the staff size.

- (ii)- A second need would then be to have some specialized staff, each one dealing with particular industries or fields of activity, and following up all matters within his sphere of activity. We might thus have one officer for agricultural and resource-based products, one officer for metal, chemical and plastics industries, etc...
- (iii)- The third need is to structure EDB's organization. The Industrial Promotion Division of the Ministry of Commerce and Industry was transferred to EDB and then became the Project's Division. But the officers may scatter their time into too many different activities, which may become inefficient. For instance one officer may perform research work on project identification or the incentives scheme, and then promotion work on preparing investment pamphlets or press releases or dispensing information to potential investors and finally giving assistance to entrepreneurs on problems of implementation. Although it is good at the outset for every officer to know about whatever is done in EDB, it becomes necessary after a while to concentrate on proper duties.

There are at present two main activities for EDB:

- Trade Promotion: domestic and export trade promotion
- Industrial & Investment Promotion, which consists now of the so-called Project's Division.

It might be considered that in investment promotion, there are three principal stages:

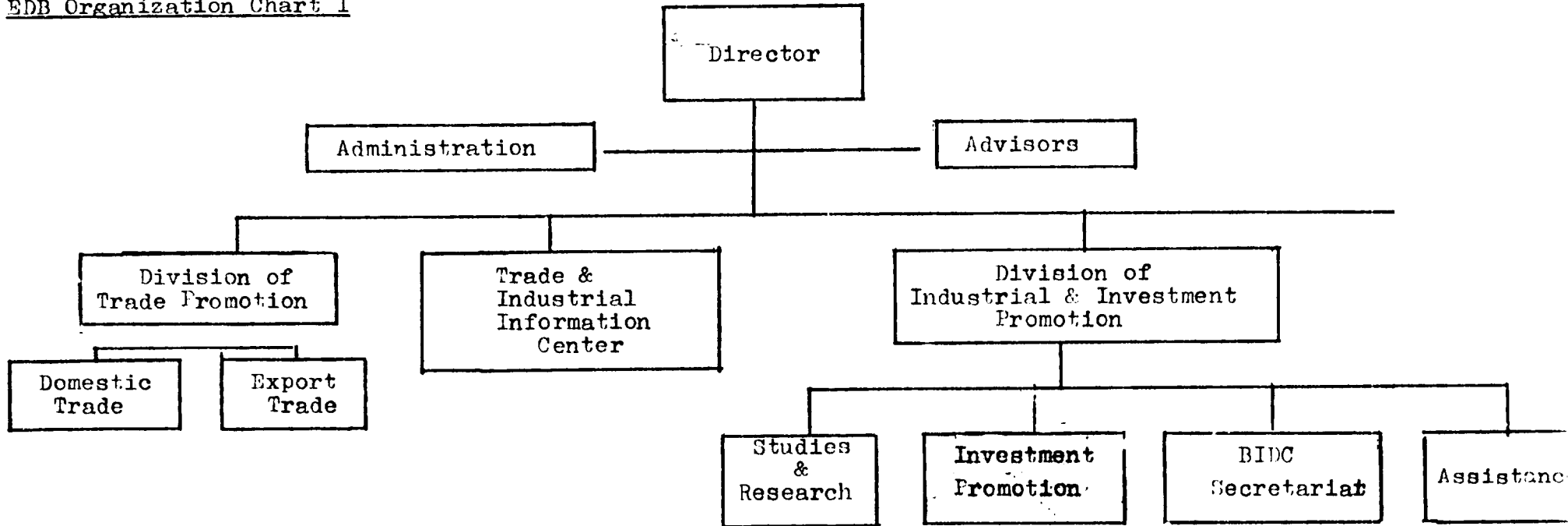
1. Studies and research: this goes from basic economic studies to

project identification and the preparation of industrial profiles and project feasibility studies, as well as project evaluation. It might also include market surveys.

2. Investment promotion: deals with general promotion for investment in Fiji, promotional campaigns or conferences, and deals with project profiles or project studies until a promoter is found; or follows an investor's project until approved and decided.
3. Assistance to investors: follows up a project when investment promotion terminates its role, that is when a promoter is found for a project profile or feasibility study, or when a project is approved. It then assists the investor in all formalities until the project is implemented.

This can possibly be represented in the following organization Chart, which is only one of several possibilities. In this Chart, there are two main divisions, Trade Promotion and Industrial & Investment Promotion, this one supporting the bulk of activities. And the Trade & Industrial Information Center serving both as well as the public.

EDB Organization Chart I



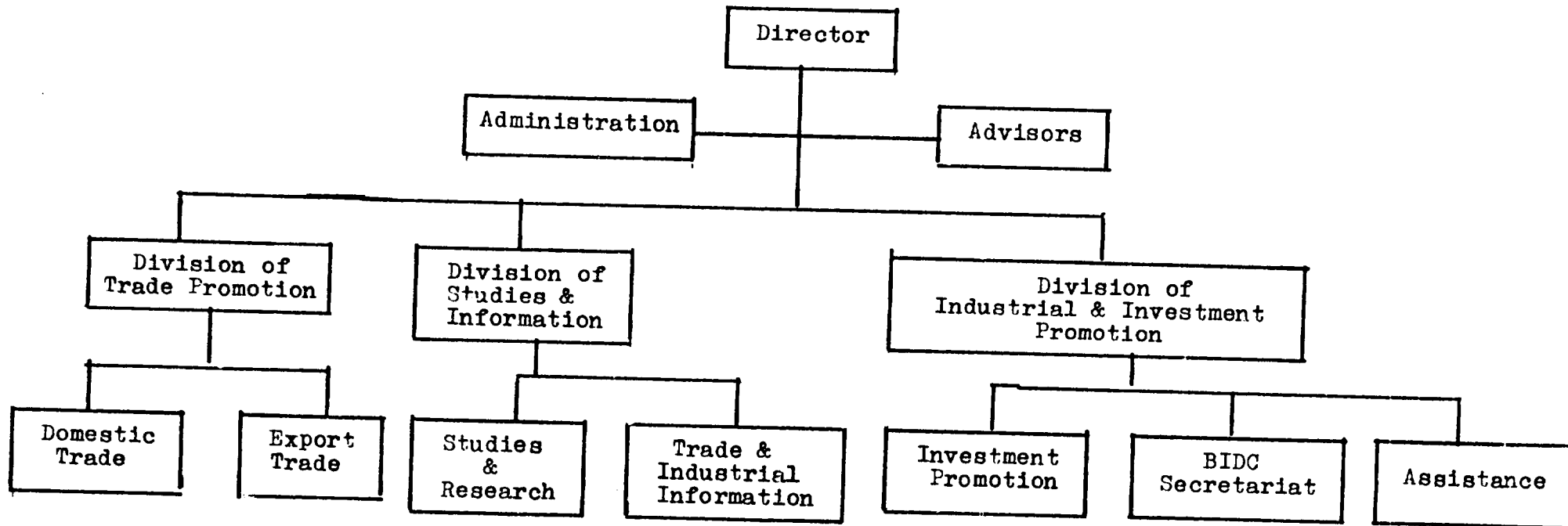
Another possibility which might be preferred is presented in Chart II. It presents the particularity of **tiing** together the studies and Research Section with the Information Center, which is essential. And this Studies Section would serve both Trade Promotion (Market surveys) and Investment Promotion (Project studies).

The actual organization to be adopted will finally depend on staff available and their level and experience. Each Division and each Section has to be managed by a senior officer, and this stresses the urgent need for EDB's staff reinforcement. In the second chart that means that EDB should have at least 10 Senior officers, plus clerical or executive officers.

In the Industrial and Investment Promotion Division the functions could be allocated as follows:

<u>EDB's investment promotion functions</u>	<u>Studies & Research</u>	<u>Investm. Promotion</u>	<u>Assis- tance</u>	<u>BIDC Secretar.</u>
- Project identification & project studies	x			
- Review of investment incentives	x			
- Reception of and information to investors		x		
- Economic studies	x			
- Market Surveys	x			
- EDB's reports	x			
- Industrial promotion		x		
- Administration of the incentives scheme BIDC				x
- Organization of and participation at Investment Promotion Meetings		x		
- Assistance to investment formalities			x	
- Industrial land. Industrial Estates			x	
- Assistance and advice to small scale industries			x	

EDB Organization Chart II



b) Necessity of a stronger and more dynamic information system

Information is absolutely vital in EDB's activities, as every duty is based on available information and the quality of output will depend heavily on quality and quantity of information available. There is at present a problem of information and of dissemination of information. It happens too often that economists or officers dealing with some matters or some files do not get all the information necessary and available.

The procedure for the dissemination of information within EDB must therefore be revised in order to provide officers with all the necessary elements in their daily work.

Furthermore the Trade & Industry Information Center, which should be the mainstay of EDB's activities, must be strengthened, dynamised and better integrated to the other sections' duties. It can be said that an information is worth nothing until it is used. Therefore the information available in the Center must be made known to all users, and suited to their needs.

c) Necessity of integrated and adequate premises

This necessity of better integrating the Trade and Industrial Information Center within EDB's activities stresses the need for getting adequate and integrated premises where all Divisions and sections would be together and united. The present offices are far from adequate and mostly as regards the library and Information Section, which should be permanently consulted by other divisions.

Therefore, additional staff, new premises and a good organization Chart would pave the way for an efficient Economic Development Board.

6) Assistance to small-scale industries

The necessity of an assistance to small-scale industries will only be mentioned here as this matter will have been much better dealt with by the other UNIDO project DF/FIJ/80/003, Small-Scale Rural Industries.

Nevertheless, two very important areas of assistance must be stressed again.

a) Necessity of training

This was already dealt with in paragraph 3a and concerns both manpower training and management training. This is a commonly accepted necessity but which is never overemphasized. This is particularly true for management training where entrepreneurs experiencing difficulties accuse every possible exterior causes but their own deficiencies.

It is therefore recommended that utmost consideration be granted to the setting-up of a proper mechanism for small entrepreneur training.

b) Necessity of extension services

This is complementary to training. Many small entrepreneurs, previously in the trade sector, come to industry and think that the same methods they applied in trade will succeed. They usually do not. They do not know anything in particular about organization and methods, and training itself will not be enough to help them solve their problems. And they cannot afford to pay for the services of private consultants.

Government should therefore consider the ways and means of setting-up efficient extension services. These services could in no way be Government services as Government civil servants usually do not know anything about such things as organization and methods in industry. Therefore these services should rather be provided by a kind of semi-private body, which would be partly subsidized while getting low fees from assisted industry. The necessary subsidies could come from a small tax levied on all industries.

7) Development and diversification of exports

a) Once again this matter will be much better treated by other projects more specialized in export promotion.

Nevertheless a few remarks or suggestions can be made, as regards the composition of manufactured exports (and this relates again to product identification).

The entrepreneurs must find out, manufacture and export the products that correspond to Fiji's comparative advantage. And they need flexibility to respond to changing world market conditions, in order to change and adjust the product composition of manufactured exports. In fact, changes should occur in this product composition as Fiji proceeds to higher stages of industrial development.

As an example can be taken Japan, which shifted from unskilled-labour intensive to skill-intensive and then to physical-capital intensive exports and is increasingly expanding its technology-intensive exports.

Therefore, as was stated earlier, it is in the interest of such a newly industrializing developing country as Fiji to upgrade and diversify its exports in line with its changing comparative advantage.

b) In view of the difficulties of exports, stronger assistance must be given to exporters, through better incentives and stronger institutional aid.

First, as every export operation must be based on a perfect knowledge of demand, every effort must be made to improve the information system. And then the exporters must be assisted in the steps they have to follow for their export sales, that is a preliminary market survey, the search for a local agent, and their participation to specialized shows.

Some special export incentives could be considered, in addition to these currently existing (income tax deductions), for instance rebates on interest for equipment credits, or guarantees for economic risks, or insurance for payments.

8) Stabilization of local resources prices

Many commodities' prices are presently depressed on account of the world economic recession.

Farmers are not inclined to engage in crop development unless and until prices take up. Therefore local resources development necessary

for the setting up of local-resources based industries is tied to the guarantee of minimum prices and returns to the farmers, that is a stabilization system.

It could be suggested to consider the setting up of a mechanism for compensation of bad and good years, a kind of equalizing Fund to assure growers of a minimum income. Inspiration could be taken from the example of certain African countries in such commodities as coffee, cocoa, etc....

9) Necessity of more detailed statistics for market information

For market surveys and in particular for the study of the possibility of more import-substitution industries detailed data are necessary, mainly for imports, data which are not available at present.

It is therefore recommended to work out a revised and more detailed classification list, for Customs purposes, in order to be able to get import figures for several commodities which may have potential for local production.

10) Necessity of an improved and speedier mechanism for industrial land allocation

The present mechanism for industrial land allocation is far from satisfactory and many complaints are received from industrialists unable to set up their machinery, to expand, or to work in adequate conditions. And other investors whose projects were approved are prevented from going ahead on account of land problems. This is one of the main industrial development constraints. Even taking into account the peculiarities of Fijian land ownership, such problems should be more easily overcome in a country where there is still plenty of land available, and where industrial land needs are small compared to agricultural needs.

APPENDICES

- 1- List of international and counterpart project staff
- 2- Extracts from half-yearly reports
- 3- List of enterprises visited
- 4- Definition of the Local Value Added
- 5- Project Evaluation Form
- 6- Note on Industrial Project Identification - Definitions and methodology
- 7- Bibliography of documents prepared during the project

Appendix 1 - List of international and counterpart
project staff

<u>Name</u>	<u>Function</u>	<u>Counter- part</u>	<u>Date of assignment</u>	
			<u>Starting</u>	<u>Concluding</u>
<u>A- International Staff</u>				
Y.F. Messian	Industrial Economist/ Chief Technical Adviser		26-1-81	3-11-82
Mrs E.Guenther- Berger	Economist/ Associate Expert		8-10-81	15-9-82
<u>B- Counterpart Personnel</u>				
Mrs G.K. Rup	Senior Economist (Min.of Commerce and Industry)	Part- Time	26-1-81	6-10-81
R.Pratap	Senior Economist (Min.of Comm. & Industry, then EDB)	Occasional	26-1-81	10-2-82
J.Kumar	Assistant Secretary (Min.of Comm. & Ind. then EDB)	"	26-1-81	15-10-82
V.Sharma	Clerical Officer (EDB)	"	25-3-82	15-10-82
L. Delana	Project Analyst	"	2-5-82	15-10-82

APPENDIX 2 - Extracts from half yearly reports

(Form A - Summary)

1- Project Progress Report January - July 1981

Summary of Project Implementation

a) Project Activities:

The work performed related to the following matters:

- 1- Study of basic documentation on Fiji's economy and industrialisation (Fiji Eighth's Development Plan 1981-1985, Products of Fiji, Investment in Fiji, Fiji Facts and Figures, Current Economic Statistics, Income Tax Act and Taxation in Fiji, Bill on Economic Development Board, Customs Tariff, Fiji Business Guide etc...).
2. Visits to enterprises and Businesses =
Suva Area (21), Western Division (Ba - Lautoka - Nadi = 24),
Northern Division (Vanua Levu - Labasa = 6).
3. Participation to BIDO work (study of certain files and of submitted papers and advice; attendance to BIDO meetings and advice; participation to review and revision of the procedures and guidelines; preparation of a survey questionnaire for review of assisted industries).
4. Study on Export Processing Zones (work on Export Processing Zone and Industrial Estates Files, submission of a note on Industrial Estates and forecasted EPZ, Meetings on EPZ, Study of UNIDO-Ryan's Report and preparation of a Project Revision for incorporation of study on EPZ, Papers on the Mauritius concept of EPZ, etc...).
5. Advice and assistance to promoters/investors (advice, documentation and search for technology and equipment manufacturers for promoters interested in plastic tiles, beer and drink cans, steel rolling mills, glass bottles, tyres and tubes, towels, Formica, carbon paper, shoes and dry cells, paints, coconut-based industries, weaving, etc...).
6. Advice and assistance to and/or on industries (envelopes, wood screws, kerosene stoves and stainless steel utensils, dairy).
7. Search of industrial profiles and study of industrial profiles for identification purposes.
8. Study on Industrial, investment and export incentives (study of various reports and notes on incentives and review of the efficiency and adequacy of such incentives) (UNIDO-SPC Report, CPO and Inland Revenue Notes, etc...).
9. Study on the preparation of a formula of Local Value Added for the purpose of project evaluation and export incentives (Study and preparation of concepts on Value Added, meetings of Macro-Economic technical Subcommittee, preparation and submission of two Papers on Local Value Added, with calculation Tables and Project Evaluation Form).
10. Work on various industrial Files or industrial development files (jute, resort villas and hotels, soap project, scrap metals, protection to louvres industry, retreading, wood sticks and spoons, toilet cistern assembly, lime industry, Rewa Dairy, paints, working committee on the Regulation of the Business and Industrial Enterprise; Australian Joint Venture Scheme for the South-Pacific, ESCAP File on Pollution Control, Development Subcommittee Papers, Japan Technical Assistance, Fiji External Trade organisation, US Peace Corps Volunteers etc...).

11. Various studies (Problems of tariff protection, problems of unfair competition, utilisation of ESCAP Regional Advisers, Ministry of Commerce and Industry's organisation chart and job descriptions for the Industrial Promotion Division top officers, etc...).
12. Drafting of various reports and notes (report on visits to enterprises, note on value added and related ratios, paper on UNIDO Constitution and ratification, elements for a Minister's speech on the Ministry's role in industrial promotion; paper for a speech on economic growth industrial development and its social implications; comments on Export Incentives scheme, preparation of a Questionnaire on effectiveness of Incentive Scheme; Preliminary Report and working paper for the Tripartite Review, etc...).
13. Study of various reports (UNIDO reports on shipbuilding industry, Mini-Hydro Power Generation, Energy, Ministry's Paper on Garment Industry, Spartecca Agreement, etc...).
14. Tripartite Review (preparation of working papers, attendance to meetings, preparation of a report).
15. Ministry of Commerce and Industry's Staff Meetings (every Monday).
16. Talks with visiting experts and officers (Mr J. May-SPC, Boral-UNIDO, R. Schmied-UNIDO, D. Cannas-UNIDO, Prakash-CFTC, Mrs Goonetilleke-ESCAP).
17. Project Administration (Preliminary report, moves for project vehicle, problems of office accommodation, Project's work Plan and Framework for effective participation of National and International Staff, approval and recruitment of associate-expert; search for secretary, application, interviews and recruitment; Project Revision for inclusion of the study on export processing zone; UNIDO documentation/information).

b) Major problems:

The project has been facing no serious problems during its first six months of implementation, and is running smoothly. There are however some problems or difficulties to mention, which can reduce the project's efficiency:

- Lack of a project's vehicle at the start of the project; this has delayed and made difficult the necessary visits to enterprises, businesses and other persons at the outset; the problem has now been solved by UNDP buying a project car out of the proceeds from the sale of two old vehicles of a previous UNIDO project.
- Understaffing of the project; The Chief Technical Adviser/Industrial Economist has been the only expert assigned so far to the project and is confronted to many activities. An associate expert/economist is now expected in the near future and it was agreed during the April Tripartite Review that while all activities would be dealt with it would only be to a limited extent if the Team Leader was to remain the sole expert.
- Understaffing of the Ministry's Industrial Promotion Division: out of 4 officers only working in this Division, one is the official Project's counterpart. The staff is overburdened and cannot properly cope with all the activities incurred. The Ministry's Head is conscious of this situation, and keeps requesting more budget and more staff, but the situation is not expected to improve in the near future.

- Project's position and role within the Ministry: The position and role of the Industrial Economist/Chief Technical Adviser are not clear for all Ministry's staff members as the position of Ministry's Industrial Economist is vacant and was filled in the past by expatriates, and the chief Technical Adviser therefore tends to be considered as the Ministry's Industrial Economist.
- Lack of industrial documentation: a Trade and Industrial Information Centre is in the process of setting up but is not yet properly organized and is accommodated in different premises. The Industrial Promotion Division does not therefore have at its disposal the necessary basic documentation. A reorganization is in process and the situation should improve.

c) Project Achievements

The project's activities are ongoing ones and of a direct support nature. The expected outputs are of a very general nature and cannot be measured on a short term basis. Therefore, although it can be said that the Industrial Promotion Division is strengthened and able to undertake more activities, especially economic studies as well as advisory and consulting activities, no outstanding achievements can be claimed so far.

d) Overall Status and Assessment of Project

Most of the planned project's activities have been dealt with to some extent, and the project is therefore running according to the project Document and to its objectives. However, as already stated, the understaffing of both the project and the Industrial Promotion Division prevents the officers, in spite of their dedication, and the CTA, to carry out all the tasks which would be necessary.

The project is very ambitious but such a range of objectives and activities cannot be reached in a two-years project.

2- Project Progress Report August 1981 - January 1982

Summary of Project Implementation

a) Project Activities

The period under review has been fundamentally marked by the transfer, early October 1981, of the Project from the Ministry of Commerce and Industry to the Economic Development Board. An Associate Expert/Economist also joined the project early October.

The activities listed below were therefore carried out from 1 August until 5 October within the Ministry of Commerce and Industry and from then on within the Economic Development Board.

The work performed related to the following activities:

1. Assistance to the Business and Industrial Development Committee (BIDC).
2. Study of, comments and advice on various industrial, business or development files.
3. Work on a Local Value Added Formula, for the purpose of project evaluation and export incentives.
4. Participation to work and studies on the Investment Incentives Scheme.
5. Methodological and research work on project identification.
6. Discussions with and advice to promoters/investors.
7. Work on the functions of the Industrial Promotion Division of the Ministry of Commerce and Industry.
8. Participation and assistance to the Economic Development Board starting (advice prior to project's transfer and full participation after).
9. Assistance and advice to the Ministry of Commerce and Industry on specific matters (as a full-time advisor before project's transfer and as occasional advisor after transfer).
10. Assistance to preparation work on an Export Processing Zone.
11. Study of various economic or technical reports.
12. Assistance and participation in Trade Promotion matters.
13. Attendance at meetings, participation in surveys and various activities on behalf of the Ministry of Commerce and Industry.
14. Participation and assistance to a survey on testing facilities in Fiji and the possibility of setting up a National Standardization Bureau.
15. Assistance to visiting experts.
16. Participation in investigations about the possibility of a Tannery project.
17. Advice on UNIDO training possibilities.
18. Study of Fiji/UNDP Country Programming 1982-1986 for technical assistance and implications for UNIDO assistance, EDB and project's follow up.
19. Project administration.

b) Major problems

Although the project itself did not face serious difficulties during this period, there are however some problems or difficulties to mention, which affected and will continue to affect the project's efficiency:

- The transfer to EDB of the promotional functions and of the Industrial Promotion Division of the Ministry of Commerce and Industry (and of this project) has provoked a period of uncertainty and wavering among the Ministry's staff, who has become EDB's staff.
- The project does not have any more counterpart staff. At the time of the transfer to EDB the Chief Technical Adviser's counterpart, the very experienced and competent Mrs Rup, preferred to remain with the Ministry. The CTA and the Associate Expert/Economist do not therefore have any official counterpart, although working in cooperation with some EDB staff members. Providing counterparts is essential but would be subject to EDB getting more staff.
- Understaffing of the EDB: EDB is too much understaffed to carry out its many functions and activities. At the time of taking over of the promotional functions, EDB just had its Director and one professional officer. It now took over 7 other professional staff members from the Ministry. But EDB is still understaffed, and should get additional staff from sources other than Government departments since it is the same staff who was previously criticised in the Ministry, who is now performing the same activities in EDB.
And this understaffing often leads the CTA to have to work more as a staff member than as an advisor.
- There is no clear delimitation of responsibilities between the Ministry of Commerce and Industry and the Economic Development Board. An ad-hoc Committee was to work out the details of implementation and implications of the transfer but this transfer was hurriedly decided and implemented without enough precisising the functions and responsibilities to be carried on by both, and this might lead to a conflictual situation, very detrimental to the economic development of Fiji. A clear delimitation of responsibilities should be worked out, under arbitration at the highest level.

c) Project Achievements

As was stated in the first progress report, the project's activities are ongoing ones and of a direct support nature, and the expected outputs are of a very general nature and cannot be measured on a short term basis.

However the project is fully playing its part in EDB's activities within what may be called a good team work.

d) Overall status and assessment of project

This short-term project is now half-way from its end. Most of the planned activities have been undertaken and are still under way. The transfer of the Industrial Promotion Division from the Ministry of Commerce and Industry to the Economic Development Board has entailed some period of wavering and delayed some activities. But it can be considered that the project fulfills its purposes and is running according to the project document and to its objectives.

The implementation during the next period could be impaired by the expected absence for health reasons (kidney operation) of the CTA.

3- Project Progress Report February - July 1982

Summary of Project Implementation

a) Project Activities

The activities carried out related to the following matters:

1. Assistance and advice to the Business and Industrial Development Committee (BIDC).
2. Study of, comments and advice on various industrial, business or development files, projects' proposals and feasibility studies.
3. Discussions with and advice to promoters/investors.
4. Participation to work and studies on the Investment Incentives Scheme and export incentives.
5. Continuation of the research work on project identification and preparation of industrial profiles.
6. Industrial surveys, assessment of industries on their capacities and production.
7. Assistance to the preparation of the Commonwealth Heads of Government Regional Meeting (CHOGRM) Workshop on Industrial Co-operation.
8. Visits to enterprises for assessment of and discussions on investment problems.
9. Preparation of various notes, papers, letters, press releases on the Economic Development Board's functions and activities.
10. Economic studies or market surveys.
11. Other activities in accordance with the functions of the Economic Development Board (EDB).
12. Advice to the Ministry of Commerce and Industry on specific matters.
13. Study of various economic or technical reports.
14. Assistance to visiting experts.
15. Project administration and UNDP/UNIDO matters.
16. Preparation of the Draft Project Terminal Report.

b) Major problems

The period under review was marked by the total absence for health reasons of the Chief Technical Adviser (CTA) for 7 weeks (out of 26) as well as the undertaking of the Draft Project Terminal Report early July, which left him only 15 weeks of operational activity.

The major problems mentioned in the previous progress report were still prevalent, even worse for some of them.

- The CTA and the Economist/Associate Expert, though working in co-operation with all other EDB staff members, and specially those of the Projects Division, still do not have official counterparts and work alone like staff members. The training aspect is therefore reduced and the impact limited when the experts soon leave.

- Understaffing of the EDB: the EDB is still too much understaffed to carry out its many functions and activities. So that the officers often have to rush from one activity to the other and cannot devote time enough to important research work on economic studies such as project identification, review of incentives, assessment of the present industrial situation, etc....

An evaluation of the staff needs should be made in relation to the EDB's functions and programme of activities and the budget increased accordingly to recruit the necessary staff.

- The experts and particularly the CTA's position within EDB: due to the shortage of staff and to the absence of a Senior Industrial Economist, the EDB had more and more to appeal to the CTA for operational duties which were beyond his terms of reference, thus leading him to be more and more in an operational position. If this can give punctual and short-term assistance, it was certainly detrimental to the planned objectives and outputs of the project.

c) Project achievements

As stated in the previous progress reports, the project's activities are ongoing ones and of a direct support nature, and the expected outputs are of a very general nature. Furthermore the project is playing its part within overall EDB's good team work.

However, recommendations were made on the investment incentives scheme, on the procedure for applications' appraisal, and on export incentives. An inventory of local natural resources was compiled, and some industrial profiles prepared. Advice was given to the BIDC or to investors on their investment projects. And direct assistance was given to the EDB in its many activities.

d) Overall status and assessment of project

This short-term project is now nearing its end after only 18 months of activity and the period under review was the last fully operational one as the two present experts will leave sooner or later. Given their accumulated leave the Economist/Associate Expert whose contract ends on 1st of October should normally leave early September whereas the Industrial Economist/CTA whose contract expires on January 1983 is expected to leave Fiji early November.

This progress report will normally be the last one as there will be only 3 months of field activity left for the project (2 months for the Economist), part of which will be devoted to the Project Terminal Report and personal final reports.

Most of the planned activities have been undertaken and are still underway, but although the project fulfills its purposes and is running according to the project document and to its objectives it must be said that when the experts leave, the project will not have reached all the objectives and produced all planned outputs. And the departure of the experts will certainly leave a gap in EDB's potential. Strong and urgent consideration should therefore be given to possibilities of extension of this project, to strengthen and develop EDB's activities.

Appendix 3 - List of Enterprises visited

SUVA

<u>Enterprise</u>	<u>Products</u>
- Fiji Federated Chamber of Commerce	
- Fiji Development Bank	
- Fiji Manufacturers Association	
- Evercrisp Snack Products	Snack foods
- Amalgamated Batteries Ltd.	Batteries
- Fiji Foods Industries	Edible oils, margarine, ghee
- Tucker Industries	Peanut butter, baking powder, jellies
- Fiji Industries Ltd.	Cement
- Dee Bee Stationery	Envelopes
- Resene Paints	Paints
- Flour Mills of Fiji	Flour
- CASCO (Carpenters Steel Co.)	Reinforcing Steel, flats and squares
- Stinson A.H.I.	PVC pipes, PV film extrusion, Alu Cans, drums
- Kiwi United	Containers, cardboard, toilet paper, paper bags, polyethylene bags
- Pacific Manufacturers	Matches
- WISCO (Wrought Iron)	Furniture
- Akbar Engineering	Wood screws
- Carpenters Industrial	Foundry and machinery
- Bish Ltd.	Shipbuilding and repair
- Castle Trading	Desiccated coconut, coconut milk & cream
- Rewa Dairy	Dairy products
- CASP Industries (Pacific Biscuits, Union Soaps, Viti Plastics, Coconut Oil Mill)	Biscuits, soap, plastics, coconut oil

BA

- Nagan Engineering Co.	Foundry and mechanical workshop
- Ba Industries Ltd.	Chainlink fences, nails, barbed wire
- Manubhai Industries	Foam mattresses
- Fiji Steel Industries	Galvanised sheet
- Bharos Brothers	Joinery, Aluminium joinery
- Domalco	Aluminium utensils
- Ram Narayan	Farming equipment, winches
- Dominion Wire Company	PVC insulated wire
- Bilson Footwear	Shoes

- Anita Fancy Stores
- Maganlal Jiwa & Sons Ltd.

LAUTOKA

- Eddi Hin Ltd.
- Jolly Hardware & Building Co.
- Asian Paints
- Ruggiero Engineering

- Punja & Sons
- Patel & Co.
- Crown Cork
- South Pacific Distillery
- Mani Lal
- Desai Industries
- Lee's Trading

- Ency Maharaj

NADI

- Fiji Wire Industries
- Papercraft Fiji
- Mercury Envelopes
- Bhindi & Sons

LABASA

- Treekam Garments
- Northern Industries
- Hanif Industries
- Gurbachan Singh
- Pinto Plastics
- Ibrahim

Jewellery

Sweets, spices, snack foods,
cans

Soft drinks, tea packing

Solar heaters

Paints

Engineering, mechanical
workshop

Soap, coconut oil, candles

Dhal Mill, spices

Corks

Alcohol, gin and vodka

Plastic travelling bags

Kerosene stoves

Bakery, biscuits, cans, soft
drinks, ice creams, PVC and
polyethylene pipes

Mango juice and beverages

Goat chain link, barbed wire

Stationery

Envelopes

Traders

Shirts

Nails, wire, roofing iron

Foam, joinery

Confectionery - plastic bottles

Brushes

Farming implements

Appendix 4 - Definition of the Local Value Added

- 1) The Local Value Added generated by a project or industry is defined as the total (direct plus indirect) Net National Value Added generated by this project or industry and is computed as the sum of:
 - the Direct Net National Value Added (or Direct Local Value Added) which is the value added by the project or industry itself,
 - plus an estimate of Indirect Net National Value Added (or Indirect Local Value Added), which is the value added generated by other industries as a consequence of the existence of this project or industry.
- 2) The Direct Net National Value Added or Direct Local Value Added is defined as the amount by which the value of output (exports, domestically marketed and other income) exceeds the aggregate amount of the following:
 - (a) the value of investments (imported and domestic) for a new project or the annual depreciation on investments for an existing industry;
 - (b) the value of current material inputs (imported, domestic, and infrastructural services) (infrastructural services being electricity, energy, water, steam etc...)
 - (c) the value of repatriated payments (wages, profits, interest, management fees, royalties, etc..)
- 3) The Indirect Net National Value Added or Indirect Local Value Added will be estimated on the upward linkages only as the excess of the value of indirect output (estimated as the sum of the domestic investment, domestic current material and infrastructural services) over the value of the indirect imported inputs (computed as the estimated imported components of these items).
- 4)
 - 4-1 The Direct LVA expresses the own contribution of the project or industry
 - The Indirect LVA expresses the contribution of the project or industry through other industries
 - The Total LVA expresses the contribution of the project or industry to the economy as a whole.
 - 4-2 A format to compute the Local Value Added is shown in Annex.
 - 4-3 The Local Value Added can be expressed either in absolute value or as a percentage of total output.

4-4 As regards the time span to consider:

- (a) For a medium or big project, the lifetime of the project (10-15 years) will be considered and annual inputs will be taken, with their discounted values;
- (b) for a small project or existing industry, a normal operating year will be taken, and computation made on this year's output, depreciation and inputs.

17-8-1981

COMPUTATION OF THE LOCAL VALUE ADDED

(on the lifetime of the project with discounted values for a medium or big project;

(on a normal year basis for a small project or existing industry)

- 1- Value of Output:
 - 1-1- Exports
 - 1-2- Domestically marketed
 - 1-3 Other income

- 2- Value of material inputs:
 - 2-1 Investments
 - 2-1-1 Imported
 - 2-1-2 Domestic
 - 2-2-Current material inputs:
 - 2-2-1 Imported
 - 2-2-2 Domestic
 - 2-2-3 Infrastructural services

- 3- Repatriated payments:
 - 3-1- Wages
 - 3-2- Profits
 - 3-3- Interest
 - 3-4- Others (Royalties, etc..)

- 4- Direct Local Value Added
 - 4-1- In absolute value (1-2-3)
 - 4-2- As percentage of output (4.1/1)

- 5- Indirect Local Value Added
 - 5-1- Estimate of indirect output (2.1.2.+2.2.2 + 2.2.3)
 - 5-2- Estimate of indirect imported material inputs (estimated imported components out of 2.1.2.2.2.2. and 2.2.3)
 - 5-3- Estimate of indirect repatriated payments (out of 2.1.2,2.2.2. and 2.2.3)
 - 5-4- Estimate of Indirect Local Value Added (5.1-5.2-5.3)
 - 5-5- Value as percentage of output (5.4/1)

- 6- Total Local Value Added
 - 6-1 In absolute value (4.1 + 5.4)
 - 6-2 As percentage of output (6.1/1 or 4.2 + 5.5.)

APPENDIX 5 - PROJECT EVALUATION FORM

A- SUMMARY

- Title of project/Firm:
- Location:
- Products:
- Output in value terms:
- Output in physical terms:
- Investment value:
- Number of people employed:
- Project to start:
- Commercial production to start:

B- CRITERIA

- 1- Internal rate of return =
- 2- Net national value added =
 - 2-1- Direct Net National Value Added = \$ =
% Output =
 - 2-2- Indirect Net National Value Added = \$ =
% Output =
 - 2-3- Total Net National Value Added = \$ =
% Output =
 - 2-4- Social Surplus/Wages(Direct & Indirect) =
- 3. Employment effect (E = Job opportunities/Investment) =
- 4. Net Foreign-exchange effect :
 - 4-1- Net foreign exchange flow : \$
 - 4-2- Import-substitution effect : \$
 - 4-3- Net foreign exchange effect : \$
- 5. Cost of concessions granted:
 - 5-1- Duty revenues foregone:
 - 5-2- Income taxes foregone :
- 6. Supplementary considerations:

C- CONCLUSION

- 1- The project is recommended to be/not to be granted the following incentives:

for the following reasons:

Date:

- 2- Decision:

Date:

APPENDIX 6 - NOTE ON INDUSTRIAL PROJECT IDENTIFICATION
DEFINITIONS AND METHODOLOGY

1- SOME CONCEPTS AND DEFINITIONS

As it is all too common to have people discussing ideas and concepts without attributing the same meaning to some words, we shall begin by trying to define and precise some concepts, even if these definitions are not purely academic.

1-1- Industrial project

We can say that an industrial project is a proposal for the creation of an enterprise, the purpose of which is the gathering and combination in a certain place of material, human, intellectual and financial means with a view to the production of certain goods, for sale on certain markets, at certain prices, in minimum conditions of profitability.

This definition underlines the main characteristics of an industrial project, which must be defined in every case:

- Localisation
- Materials
- Equipment
- Technology
- Labour
- Specialised skills and management
- Finance
- Market

(and profitability to be comprehensive).

1-2- Industrial project identification

The first step in industrial project development is the identification of the project idea, a notion of possibility or desire to produce specific products or to utilize specific resources.

We have to consider both the egoistic point of view of the private investor and the collective point of view of the nation.

From the private investor point of view we may define industrial project identification as the process of determination of industrial projects which appear as commercially profitable (and we might add not incompatible with socio economic national objectives).

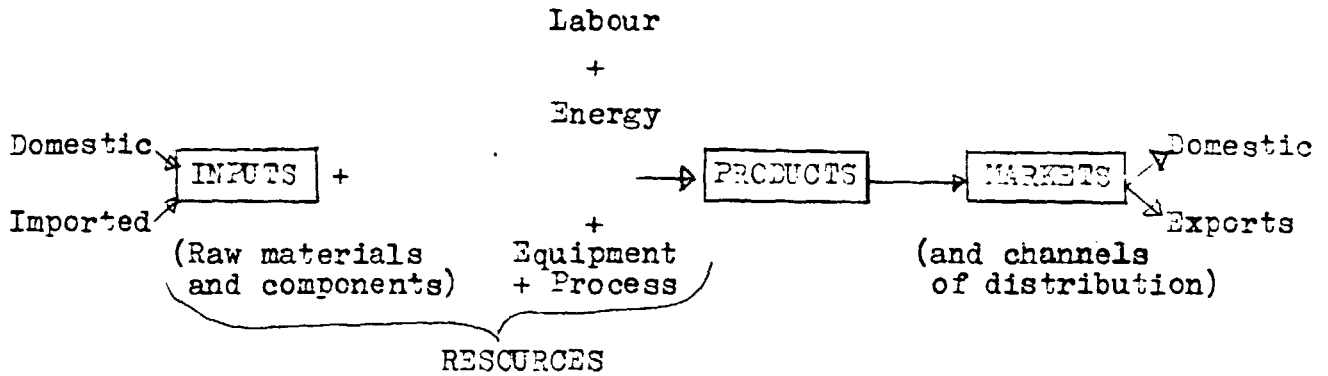
From the national point of view we may define industrial project identification as the process of determination of industrial projects which appear as suited to the attainment of national industrial development objectives or other national objectives.

These definitions state that the projects identified appear to be (and not are) respectively commercially profitable or suited to the attainment of national industrial development objectives.

It will then be the purpose of project evaluation to check whether the projects identified are suited to the objectives required.

1-3- The process of industrial project identification

a) The development of industrial processing can be represented by the following graph (1).



Graph I

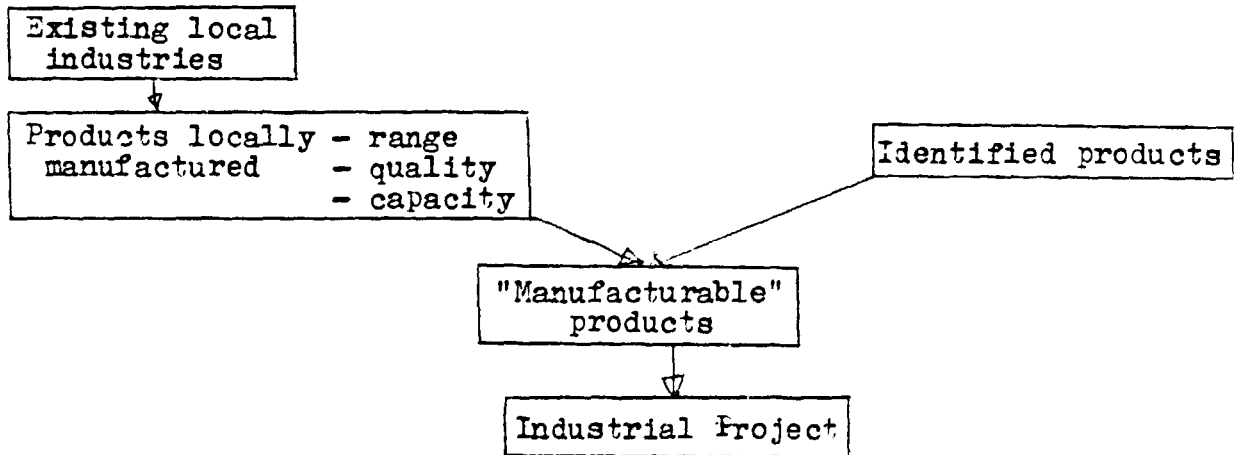
In summary, this graph means that an industrial project intends to manufacture, from certain resources, certain products for certain markets.

Therefore project identification will mainly mean product identification along with resource identification and market identification.

b) Thus we can agree that project identification means in the first instance product identification, and that we are trying to get a list of products which could be manufactured in the country, given certain resources (raw materials, skills, equipment, technology, etc...) and certain markets (domestic or export markets).

c) Then we have to check this list of products with the products already locally manufactured and screen the first list, so as to get a list of "manufacturable" products.

(See the following graph 2)



Graph 2

d) The final step will be to combine different products into a set of products which, together with a set of resources and a market or set of markets, will form an industrial project.

2- DIFFERENT APPROACHES TO PROJECT IDENTIFICATION

From graph 1 we can see the different approaches to deal with project identification, still having in mind that we tend at product identification.

2-1- Starting from the resources - The resource approach-

The first approach is to start from the different resources available in the country, and to try and identify all possible products obtainable out of these resources.

We need, for that:

- 1- A full inventory of all resources available in the country, with their specifications and quantities:
 - Natural resources (animal, vegetable, mineral, ...)
 - Components or semi-products locally manufactured.
 - Energy available, quantities and price
 - Labour available, quantity and price
 - Skills available in any process or technology } (Human resources)
 - Equipment available in the country and presently idle or underutilized.
 - Technologies available.
- 2- A full identification, for every of these resources, of the whole range of products technically obtainable.
 - 3- This comprehensive list will then have to be screened through the needs in other resources and the market side, to give a more selective list.

2-2- Starting from the market-The market approach

This second approach is starting from the opposite side, from the market point of view. Domestic market or export markets can be considered.

2-2-1 Domestic market

This approach would aim mainly at import substitution but also at the satisfaction of needs not yet satisfied, or even at the creation and satisfaction of new needs.

Two ways can be followed for this study:

- a) A study of all imports, through detailed lists of all imported products, with specifications, quantities, prices.
- b) Market surveys for all kinds of products sold in the country (industrial products, equipment goods, consumer goods) together with a survey of existing industrial establishments and already locally made products.

These two methods can even be combined to provide a more accurate estimation of the domestic market.

2-2-2 Export markets

We cannot, of course, study every market in the world and for every kind of good. But it could be interesting to have a closer look at some export markets which could be more favourable to Fiji because of their proximity (New Zealand, Australia, neighbour Pacific Islands, ...) or of special agreements (Sparteca, Lome Convention, etc...)

2-3- Starting from product ideas themselves: The product approach

The third approach consists in compiling a list of products or project ideas, by all possible means.

This can be done through two different main ways:

2-3-1 The research approach

Product ideas will be searched through economic analysis and research such as:

- studies of the product-consumption pattern of the country,
- sectoral and industrial analyses,
- study of industrial linkages,
- study of the demand for manufactured inputs for different sectors,
- etc...

2-3-2 The random or empirical approach

At last, product or project ideas may be looked after by more empirical means, such as:

- gathering of all circulating ideas on products and projects,
- review of all lists of products or projects previously compiled,
- review of all previous studies made by missions, experts etc..
- examples taken from the experience of other countries,
- study of industrial profiles or of standard industrial projects,
- studies of technology, and development literature, etc...

This list should then be appraised according to the resources constraints (resources needed and available) and the market constraints.

In fact all ideas for projects are valuable and may prove to be the beginning of development. Therefore project identification requires some sort of "brainstorming".

3- PRELIMINARY SELECTION

The identification of project ideas will be followed by a preliminary selection stage. The objective at this stage is to decide whether a project idea should be studied in detail and what the scope should be of further studies.

A proper set of criteria should be devised to evaluate the project ideas. A ranking system is sometimes used, based on a set of criteria according to which the project is appraised and points attributed for each, and a final ranking of projects is made according to the total amount of points obtained.

The findings at this preliminary selection stage can be embodied in a pre-feasibility study (opportunity study).

4- PROJECT IDENTIFICATION IN RELATION TO NATIONAL INDUSTRIAL DEVELOPMENT AND OTHER OBJECTIVES

Project identification, as we saw through the different approaches, is made more or less blindly, that is without reference to national objectives. But project preliminary selection which follows must fundamentally be based on national development objectives.

At present it can be said that Fiji Government, as in many other countries, simply reacts to the proposals of whatever business executives happen to submit. Therefore the pattern of industrial development is likely to reflect the desires of foreign or national businessmen rather than a thought-out strategy of industrialisation. It is a reactive, yes-no policy to proposals which are put up. Fiji Government should rather have an active policy of deciding what it wants to do and afterwards of going through the countries concerned to look at their technology and compare it with other sources of technology and capital.

That means that selectivity is necessary in project selection and in dealing with private national or foreign capital. Project identification and selection need to be fully guided by the development objectives and by the national development strategy devised to fulfill these objectives. One of the first tasks of EDB should be to check whether this national industrial development strategy is clearly enough expressed. And then Fiji Government needs the will, the strength and the technical capacity to implement this industrial development strategy.

This note will continue with a look at Fiji's industrial development objectives, as expressed in the Eight Development Plan, and according to the priorities we shall outline a program of work for systematic project identification.

23-10-1981

Appendix 7 - Bibliography of documents
prepared during the project

- Preliminary Report, Work Plan and Framework for Effective Participation of National and International Staff in the Project (15-3-81)
- Report on visits to industries in Suva and the Western Division (3-4-81)
- Industrial Promotion and Development Tripartite Review Working Paper (7-4-81)
- Draft Cabinet Paper on the establishment of UNIDO as a specialized Agency and on signing and ratifying of its constitution (8-5-81)
- Comments on a Central Planning Office paper "Investment Incentives" (14-5-81)
- Paper on the role of Government and Ministry of Commerce and Industry in the promotion of industrial development and private investment (19-5-81)
- Economic growth, industrialization and its social implications (28-5-81)
- Industrial Free Zone - A compromise solution (5-81)
- Outline of a programme of work on Industrial Estates (26-6-81)
- Questionnaire on the effectiveness of the incentive scheme
- Job descriptions = Director of Industry, Principal Industrial Economist (6-81)
- Domestic, National or Local Value Added. Some definitions. The UNIDO-IDCAS Method for Industrial Project Evaluation. Practical consideration for Fiji (29-6-81)
- Second working paper on National (or Local) Value Added. Proposals for a set of criteria for project appraisal (27-7-81)
- Report on a visit and investigations at Desai Industries Lautoka (16-7-81)
- Draft proposed definition of the Local Value Added (4-8-81)
- Macro-Economic Policy Subcommittee - Preparation of a Fiji definition of Local Value Added (17-8-81)
- Comments on Paints Industries Fiji Ltd. application (30-7-81)
- Visit to Desai Industries - Conclusions and recommendations (14-8-81)
- Preliminary Report to UNIDO (Associate-Expert) (11-81)
- Memorandum on BIDD Meetings, appraisal of incentives applications and of new projects (16-10-81)
- Project evaluation Form (16-10-81)
- Second draft Questionnaire for the review of incentives (4-11-81)
- Methodological graph on the revision of concessions (11-81)
- Comments on the Suggested Procedure for Considering Investment Applications (12-11-81)

- Draft questionnaire on the review of concessions (11-81)
- Procedure for the determination of a new incentive scheme (4-12-81)
- Discussion paper for the review of concessions (15-12-81)
- Suggestions for the Incentive Scheme Review (14-1-82)
- Study on Local Value Added (27-11-81)
- Project revision for the inclusion under the project of a consultancy/study to review the possibility of an export processing zone (8-81)
- Request for an economic study on the establishment of an export processing zone (11-81)
- Comments on the respective roles of the Ministry of Commerce and Industry and of an autonomous Industrial Promotion office in industrial promotion and development (12-8-81)
- Functions and role of the Ministry of Commerce and Industry in industrial promotion and development (14-8-81)
- Transfer to the Economic Development Board of the promotional functions of the Ministry of Commerce and Industry and of the UNIDO DP/FIJ/80/002 Project "Industrial Promotion and Development" (1-10-81)
- Terms of reference for a Standardization Consultant (for application to UNIDO) (12-81)
- Note on industrial project identification. Definitions and methodology (23-10-81)
- EDB Press Release on project identification (21-1-81)
- Note on project identification (2-11-81)
- Preparatory study of potential fields of import-substitution (1-81)
- Note and recommendations about the Common Fund for Commodities (UNCTAD) (4-11-81)
- Summary report on the First Consultation on the Capital Goods Industry (8-1-82)
- Final questionnaire on the Review of Concessions (3-82)
- Notes on Regional Industrial Cooperation
- Comments on the Industrial Cooperation process (6-82)
- Summary of a study on Producer Gas
- Notes on Small Enterprise Development (4-82)
- Summary of CFTC study on Project Identification (4-82)
- Notes on Tourism and Tourism Development (5-81)
- Economic Development Board: Industrial Project Division
- Functions and future plans of EDB (5-82)
- Project card (6-82)
- Article on Project Identification
- Press Release on Investment

- Summary of the activities of the Economic Development Board from October 1981 to June 1982 (6-82)
- Press Release on EDB's activities in Investment and Trade Promotion
- Notes on the identification of problems that arise in the development of export industries (6-82)
- One-Page Investment and Incentives Guide
- Working paper on technical aspects of small scale paper making and the implications for Fiji (5-82)
- Reports/minutes of meetings of CFTC project identification Team with Ministries, Bodies, Associations, etc.. (4-82)
- Draft list on agriculture and fisheries resources
- Statistical study on the development of the manufacturing sector 1970 - 80
- Discussion paper on export-incentives
- EDB Board-paper on export incentives to food processors based on sugar equivalent exported
- Board-paper on Progress in Project Identification (7-82)
- BIDC papers
- Profile on manufacturing electrical switches, plugs, sockets, etc... by injection moulding
- List of Fiji local resources (Agriculture, fisheries, wood resources, mineral resources)

