



Fiji COVID-19 Business Survey: Tourism Focus

IMPACTS, RESPONSES AND RECOMMENDATIONS

JULY 2020

IN PARTNERSHIP WITH



Creating Markets, Creating Opportunities



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IFC's work in Fiji is supported by the governments of Australia and New Zealand under the Fiji Partnership to unlock private sector investment, promote sustainable economic growth and boost shared prosperity in Fiji.

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Foreword

COVID-19 has impacted livelihoods and economies across the world. Fiji, too, has been severely impacted putting key industries in an unprecedented crisis, and in need of support to help them mitigate the impacts of this pandemic. Against this backdrop, it is critical that the Fijian government makes informed decisions to address this ongoing crisis and its impact on the nation.

In response, the International Finance Corporation (IFC), a member of the World Bank Group, collaborated with the Ministry of Commerce, Trade, Tourism, and Transport to survey businesses in Fiji and understand how the economic fallout of the pandemic is impacting them.

This study aims to show how businesses are modifying their operations to adapt to the new market realities. It identifies resources that businesses have accessed to minimize the impact and evaluates the support and additional resources they may need in the short term and during the recovery period.

While the survey covers the entire scope of the private sector, the specific focus is on tourism related businesses and micro, small, and medium enterprises (MSMEs). This is because the tourism industry, the first sector to feel the impacts of the COVID-19, has been affected more than others.

Further, tourism is Fiji's main revenue earner, contributing about 38 per cent of the country's GDP. The sector supports over 118,000 jobs and channels spending into local supply chains including agriculture, building and construction, cultural industries, and more. While large hotels act as anchor investments in destinations, the majority of services are provided by the MSMEs that depend on tourism for their main source of revenue.

Highlighting the pandemic's severe impact on the industry, the key findings of the survey reveal that 50 percent of tourism businesses surveyed are hibernating or fully closed and 35 percent are active but with reduced staff. As far as non-tourism businesses are concerned, currently, about 80 percent of them are fully functional or active with reduced staff. If the situation does not change in six months, 29 percent of tourism businesses and 11 percent of non-tourism businesses surveyed — around 500 businesses — expect to go bankrupt. This will be a significant loss for the industry and the economy as these businesses are the foundation of Fiji's tourism sector including accommodation providers, tourism activity providers, and suppliers.

However, the survival of Fiji's economy is not exclusively reliant on the Fijian government or the private sector. Instead, the onus is on all Fijians and development partners — this principle of collectivism or solesolevaki will help the nation recover far better than individually. We will also need to be innovative as traditional solutions may not be enough to help us cope with the unique challenges of COVID-19.

We are optimistic that the survey results will help inform the strategy, response, and recovery actions framed by the World Bank Group and the Fijian Government. We further hope that the insights are useful for development agencies and donors as they design programmes and relief packages to speed recovery and to support the private sector given its unique role in creating and sustaining employment.

On a concluding note, we sincerely thank the 3,596 business owners and managers who took the time to complete the survey and provide crucial information. We also thank our strategic development partners, Australia, New Zealand, and the government of Fiji for their support and commitment to making this study possible.

Sincerely,

Thomas J Jacobs

[IFC's Country Manager for Australia, New Zealand, Papua New Guinea and the Pacific Islands](#)



Foreword

The Novel Coronavirus (COVID-19) pandemic has caused inevitable global economic downturn, with impacts felt across the entire global value chain. As a result, Fiji along with the rest of the world, is faced with health and economic challenges never experienced before.

The nearly instantaneous economic recession triggered by the pandemic has had wide-spread ramifications on large and small operations across all sectors. The movement of persons has come to a near standstill, whilst trading of goods has become complex, disrupting global trade for the foreseeable future. At a national level, the Fijian economy is expected to register its largest decline with Gross Domestic Product projected to contract by an estimated 21.7 percent in 2020, and unemployment rate forecasted to increase to 27 percent.

The pandemic continues to have profound rippling effects on the travel and tourism industry – with micro, small and medium-sized enterprises at the forefront. As one of the most labour-intensive sectors, millions of jobs have been put at risk, with the repercussions being felt throughout the global economy.

At a regional level, Asia-Pacific was the first to feel the impacts of COVID-19 and was the worst hit during the first four months, with visitor arrivals down 51 percent. At the home front, visitor arrivals to Fiji are expected to decline by 75 percent.

In acknowledging that the crisis impacts people and businesses differently, this survey gives perspective on how this unanticipated crisis is affecting Fijian businesses now and over the long term and what they perceive as the biggest challenges over the next few months.

While every crisis is diverse in nature, we find opportunities in ways we adapt. Business as usual will no longer be the case and our recovery will depend on our adaptability and preparedness for market re-entry. The Fijian Government has implemented a number of strategies to restabilise the Fijian economy and get the Tourism industry back on its feet. We are re-positioning and re-prioritising ourselves to support business continuity.

Governments, financial institutions, private enterprises, development partners and regulators can concertedly create enabling conditions for longer-term sustainable growth. We need to now focus on strategic prospects that shape our recovery in a way that will define the future and deliver a more equitable revival.

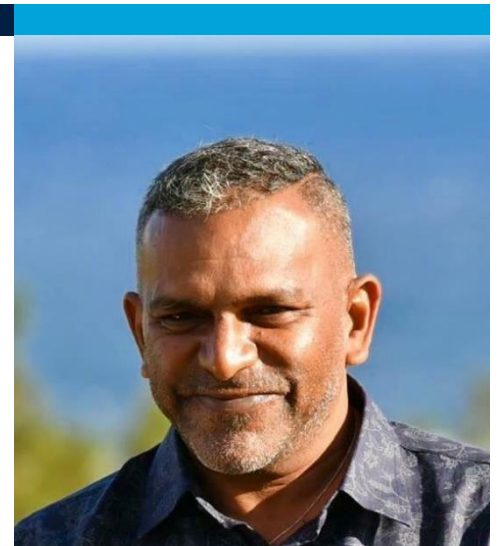
On behalf of the Fijian Government, I thank the International Finance Corporation of the World Bank Group for partnering with the Ministry of Commerce, Trade, Tourism and Transport as we endeavour to thrive in altered circumstances. A heartfelt thanks also to the businesses who took the time to complete the survey.

We hope that this report will form the basis of our engagement with partners as we chart our way into the ‘new normal’ and strive to build back better.

Sincerely,

Hon. Faiyaz Siddiq Koya

[Minister for Commerce, Trade, Tourism and Transport](#)



Key Findings from Fijian Businesses Surveyed

Tourism businesses are more severely impacted by COVID-19 than non-tourism businesses

- Currently, 50 percent of tourism businesses are hibernating or fully closed, while only 19 percent of non-tourism businesses are hibernating or closed.¹
- If the **situation does not change by November 2020, 29 percent of the tourism businesses and 11 percent of the non-tourism businesses surveyed (3,596 respondents) — together, over 500 businesses —** anticipate bankruptcy.
- Before COVID-19, 71 percent of all businesses surveyed were stable with the ability to save profits or grow.
- If international travel does not resume in six months, 60.5 percent of tourism businesses anticipate closure or moving away from the tourism sector.
- **Micro, small, and medium enterprises (MSMEs) involved in tourism have lost seven times more income than MSMEs in non-tourism sectors.** This means tourism MSMEs have lost FJD21,000 each compared with non-tourism MSMEs that lost FJD3,000 each (median).
- **Large businesses involved in the tourism industry have lost twice as much income as large businesses in non-tourism sectors.** This means that large tourism businesses have lost FJD500,000 each compared with large non-tourism business that lost FJD250,000 each (median).
- Tourism revenue has declined by 59 percent and non-tourism revenues by 32 percent (April 2020 compared with April 2019).
- 27 percent of staff from tourism businesses are on reduced hours/days, 25 percent are on leave without pay, and 8 percent have been made redundant.² Comparatively, 20 percent of staff from non-tourism businesses are on reduced hours/days, 7 percent are on leave without pay and 4 percent have been made redundant.

Debt Servicing and Financial Needs During Response (Now)

- **20 percent of tourism businesses are currently unable to service their debt.**
- A further 16 percent of tourism businesses and 11 percent of non-tourism businesses expect to default on their debt within one to four months.
- Large tourism businesses report they will need FJD500,000 of financing each to support COVID-19 survival and recovery, while non-tourism large businesses will need FJD300,000 of financing each (median).
- Tourism MSMEs report they will need FJD30,000 of financing each to support COVID-19 survival and recovery, while non-tourism MSMEs will need FJD15,000 of financing each (median).
- Just over a third of all tourism businesses indicated a need for loan repayment moratoria (36 percent) and further tax reductions or holidays (35 percent) beyond the existing repayment holiday in place, which is up to six months, and implemented on a case-by-case basis.
- Businesses indicated a need for financial support for recovery (42 percent tourism and 46 percent non-tourism) and for rental deferral (41 percent tourism and 47 percent non-tourism), as most businesses rent their premises (53 percent of tourism and 63 percent of non-tourism businesses – excluding native land leases).
- The Fijian Government rapidly responded to COVID-19 with a range of emergency support measures. At the time of the survey, over half of non-tourism businesses and 44 percent of tourism businesses were unaware of them or did not understand how to apply. Implementing clear and detailed communications programmes around the resources and guidance on how to apply will enhance business knowledge of the initiatives.

¹ Tourism businesses include those that primarily service the tourism sector (both directly and indirectly as suppliers). Non-tourism businesses are those that work in other industries and do not interact with the tourism sector.

² The survey was conducted prior the amendment of the Employment Relations Act to classify COVID-19 as an “Act of God” and redundancies by larger businesses that started in late May.

- Many businesses surveyed operated informally, and therefore were ineligible to access Government support measures. In the shorter term, the Fijian Government could consider exploring (subject to fiscal implications) further short-term coverage of informal businesses beyond the FJD150 relief payment. Following a review of concessional loan eligibility criteria, support may also be provided by the recently announced Fijian MSME Concessional Loan Package. In the medium term, the Fijian Government should focus communication efforts on conveying the benefits of business formalisation.
- Data suggest that businesses of all types — especially vulnerable businesses in tourism — will need short-term cash to meet rental and utility costs and for other working capital (such as salary payments) to avoid bankruptcy. While the Fijian Government has implemented a tax deduction for negotiated commercial rents, it could consider further discussions with key landlords to determine the scope of commercial rent renegotiations. Government could also explore other measures, which reduce commercial lease terminations to preserve businesses in the short term, particularly in the tourism sector. Worth noting, the Fijian MSME Concessional Loan Package seeks to address concerns on meeting these operational costs. These loans are flexible in nature and can be directly injected into business operations or used to fund capital purchases.
- While the Fijian Government has implemented a subsidy for household electricity costs, it should consider reviewing the terms of payment of utilities for vulnerable businesses.

Top Businesses Technical Needs During Response (Now)

Tourism businesses seek support in:

- National promotion campaigns for tourism (31 percent)
- Communicating with customers and finding new markets (29 percent)
- Support for increasing sales to domestic markets (29 percent)

- Health and safety certification and standards (35 percent)
- Advice in business strategy and recovery (30 percent)
- Communicating with customers and finding new markets (29 percent)

Non-tourism businesses seek support in:

Recommendations to support tourism recovery

- To support tourism businesses, the Fijian Government may consider establishing a ‘roadmap to recovery’ that would include sector specific recovery actions and guidelines to improve health and hygiene — both at points of entry and within businesses — and a communications strategy. This roadmap must be underpinned by sufficient funding and authorise the respective agencies to manage and implement it.
- As regional governments make progress on reopening travel across the Pacific, the Fijian Government could share this study to demonstrate the negative economic impacts of Fiji’s isolation from key tourism source markets. The Fijian Government should also look at developing specific marketing campaigns to tap into high-end and niche markets in Australia and New Zealand. This would build on the Fijian Government’s *Fijian COVID Safe Economic Recovery Framework* launched in June 2020, which takes a phased approach to safely opening the Fijian economy and targets markets with significant economic value such as yachting, film, and high-end investors.

Respondent Profile

- 3,596 businesses responded, predominately in the service sector, agriculture, trade, and tourism, which employ over 76,800 workers.
- Majority are micro (49 percent) and small (24 percent) businesses by turnover and sole trader structure (60 percent).
- 620 tourism specific businesses, which employ 30,710 workers, responded.
- More tourism businesses are foreign owned compared with non-tourism businesses — 20 percent versus 6 percent.
- Non-tourism businesses have higher levels of female ownership — 29 percent versus 16 percent for tourism businesses. Tourism businesses have higher shared ownership between men and women at 38 percent compared with non-tourism businesses at 15 percent.

Overview

The Fijian government understands that the economic crisis triggered by the COVID-19 pandemic has severely impacted businesses, both large and small, across Fiji. In order to better help businesses during this period and to fully comprehend how the crisis is impacting them, the International Finance Corporation (IFC) and the Ministry of Commerce, Trade, Tourism and Transport (MCTTT) partnered to conduct a brief survey of business owners and managers.

The objective of the survey was four-fold:

- To identify the impact of the crisis on Fijian businesses
- To understand how businesses are modifying their operations to adapt to the new market realities in the short term
- To identify the resources that businesses have already accessed to minimise impact
- To determine what additional resources and support businesses might require in the short term and during the recovery period.

The rapid response survey for Fijian businesses was implemented between April 28 and May 15, 2020 using an online questionnaire. The questionnaires were distributed through email and social media to businesses by IFC, the government, and industry associations. The responses received were from businesses that self-selected to participate in the survey and not from a structured sampling across business sectors. Therefore, the survey results will not perfectly extrapolate to the entire private sector in Fiji. See the final section for more information on the methodology.

The survey collected responses from across all industries, representing the micro, small, medium and large businesses. This report presents the results with a specific focus on the tourism industry. The tourism industry contributes an estimated 38 percent to the Fijian GDP and provides over 118,000 jobs. Based on survey results, it is clear that the tourism industry was the first sector to feel the impacts of the COVID-19 crisis and has been impacted the most. Further, its supply chain linkages run deep into the Fijian economy, including the agriculture sector, cultural industries, building and construction, fisheries and forestry, and food industries. Supporting the recovery of the Fijian tourism industry is critical to ensure that businesses survive, jobs recover, livelihoods and household income are sustained, government revenue is boosted, foreign exchange increases, and supply chain linkages are re-established across sectors throughout the country.

In this report, businesses are segregated into two categories: tourism focused businesses and non-tourism focused businesses. This is based on the respondent's answer to the following question: "Do you primarily service the tourism industry?" Those that selected yes were then asked a series of additional questions to better understand the pandemic's impact on tourism businesses and tourism industry suppliers. Additionally, data in some points are segregated by business size per the following definition:³

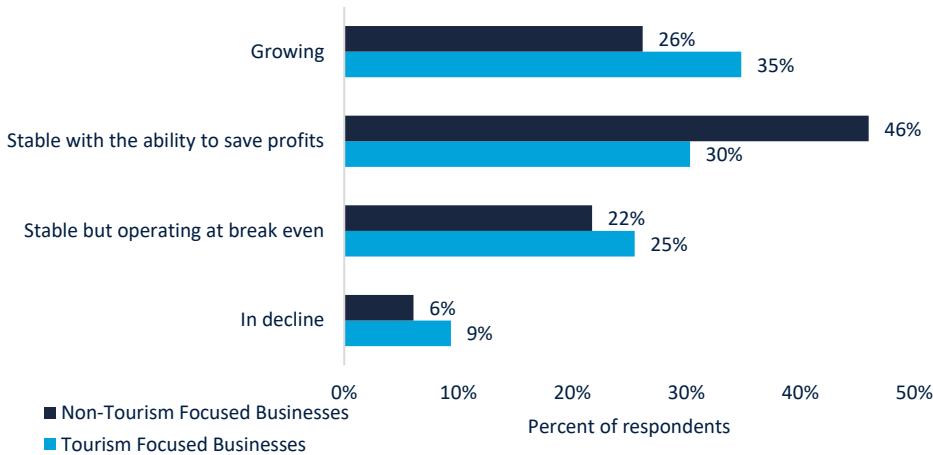
Business Size Category	Total Annual Turnover and Assets
Microenterprise	Not exceeding FJD30,000
Small enterprise	Between FJD30,000 to FJD100,000
Medium enterprise	Between FJD100,000 to FJD500,000
Large enterprise	More than FJD500,000

³ This is reflective of the definition of MSMEs at the time of survey and does not take into consideration the new definitions as announced as part of the Fijian MSME Concessional Loan Package

Results

Before COVID-19, the performance of most firms surveyed was positive with the majority in a stable or growing position (self-assessed). Overall, 71 percent of firms surveyed were either growing or stable with the ability to save profits. Tourism firms were slightly more likely to be in a growing position while non-tourism businesses were more likely to be stable with the ability to save profits. While only a small percent of businesses were in decline, tourism businesses were more likely to be in a declining position.

Figure 1. Before the COVID-19 crisis hit Fiji, what was your business growth?



Business Impacts: Financial, Staffing, and Operational

Tourism businesses started feeling the impacts of COVID-19 first, in late 2019, with impacts ramping up by February 2020. Subsequently, tourism businesses have been hit harder, with 50 percent of them closed, dissolved, or hibernating. By March 2020, 92 percent of all respondents had felt some impact of COVID-19 on their business. This correlates with visitor arrivals contracting significantly by 43.5 percent up to April (compared with the previous year).

Figure 2. When did your business start to see an impact from COVID-19?

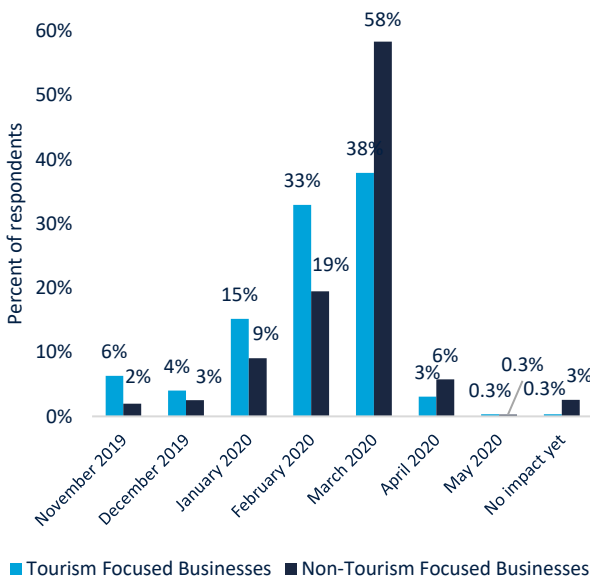
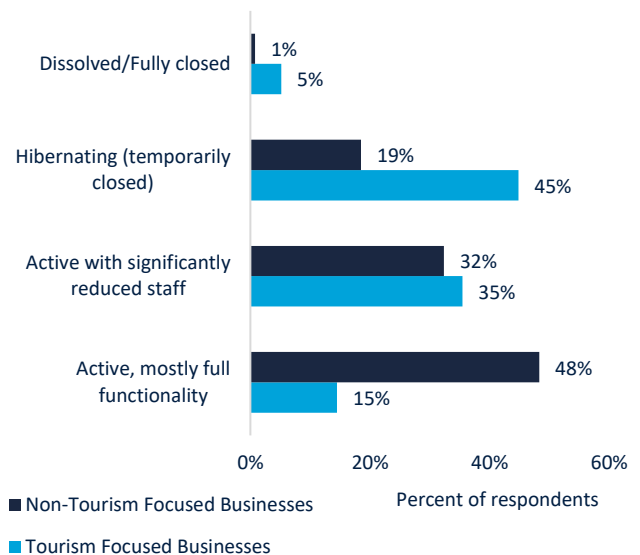


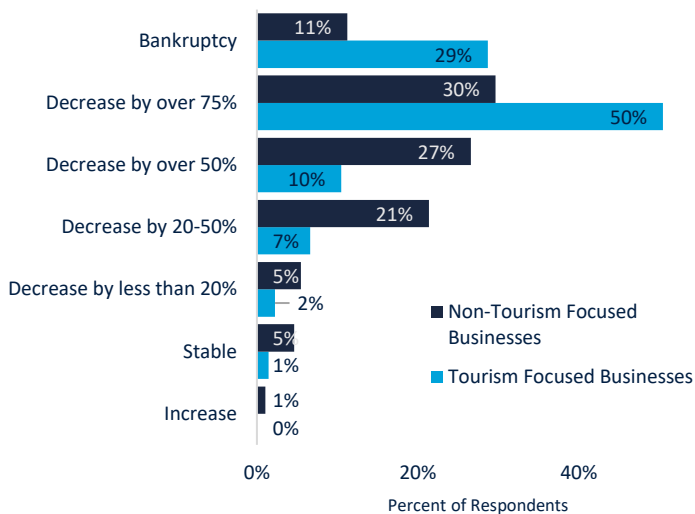
Figure 3. What is your current business status?



Tourism businesses anticipate being impacted more significantly than non-tourism businesses if the COVID-19 crisis continues for six more months, with 29 percent of the tourism businesses surveyed facing bankruptcy during this timeframe. For non-tourism businesses, only 11 percent surveyed anticipate bankruptcy on this timeline. Together, this represents over 500 businesses (out of the 3,596 survey respondents) across sectors expecting imminent bankruptcy due to COVID-19. Further, almost 1,200 businesses (and half of all tourism businesses) anticipate that their 2020 revenues will decrease by over 75 percent.

By May 2020, most businesses had already incurred severe losses. Tourism businesses report an overall 59 percent decline in revenue in April 2020 compared with April 2019. Non-tourism businesses report a 32 percent decline over the same period. If international travel does not resume in six months, more than 60 percent of businesses involved in the tourism industry anticipate closing or moving away from the tourism industry. This will be a significant loss as these businesses are the foundation of the tourism industry, including accommodation providers, tourism activity providers, and suppliers.

Figure 4. If COVID-19 lasts for up to six more months, how do you anticipate your business's revenue to change compared with last year?

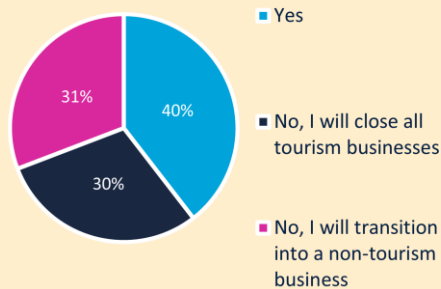


Estimated financial losses to date (median)

Large Businesses
 Tourism focused: FJD500,000
 Non-tourism: FJD250,000

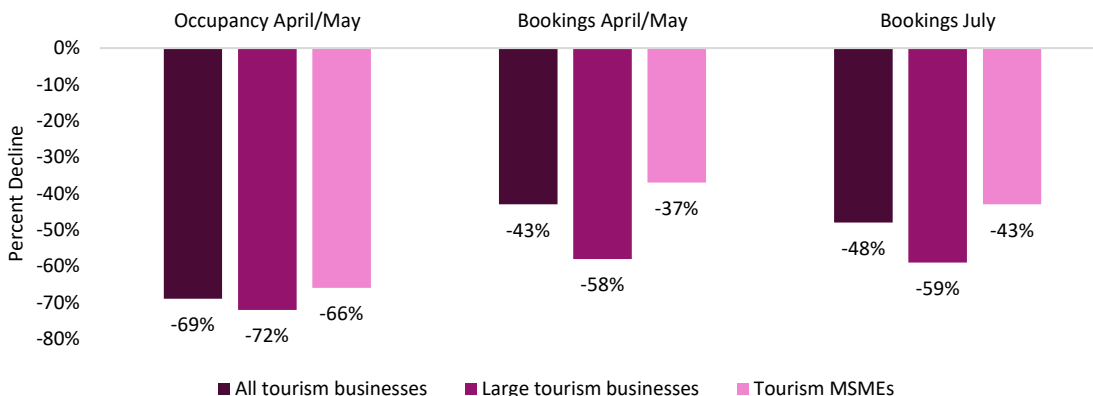
MSMEs
 Tourism focused: FJD21,000
 Non-tourism: FJD3,000

Figure 5. If international travel is not possible in the next six months, do you anticipate continuing your business?



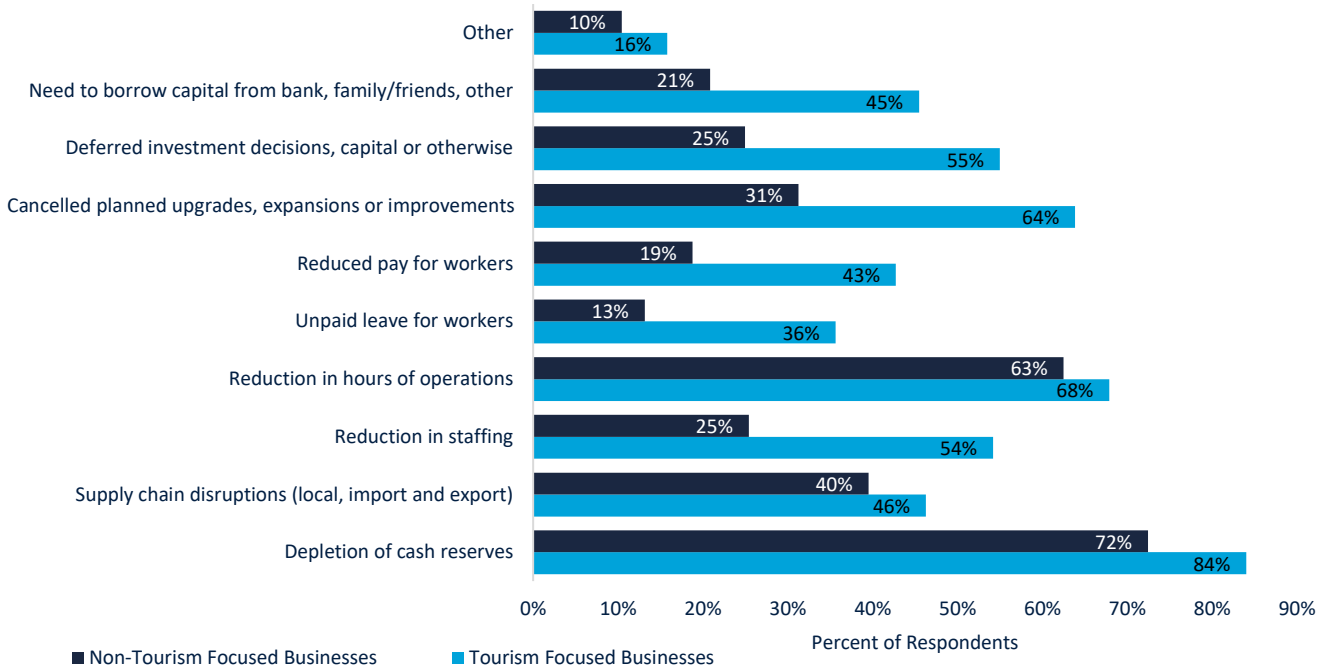
For tourism businesses, losses are driven by a sharp decline in occupancy rates, current bookings, and forward bookings. In terms of accommodation, occupancy rates were down by 69 percent with large businesses seeing a slightly bigger decline (72 percent) versus MSMEs (66 percent). Current bookings for tourism MSMEs declined 37 percent for April 2020 compared with April 2019. In comparison, large businesses have seen a 58 percent decline in current bookings. This could be due to the flexibility of tourism MSMEs to serve the domestic market or tourists in Fiji who were unable to depart. Forward bookings for July point to a similar trend with tourism MSMEs reporting a 43 percent decline compared with a 59 percent decline for large tourism businesses (bookings for July 2020 compared with July 2019).

Figure 6. Occupancy, current bookings, and forward bookings compared with the same month last year (Occupancy for accommodation businesses only)



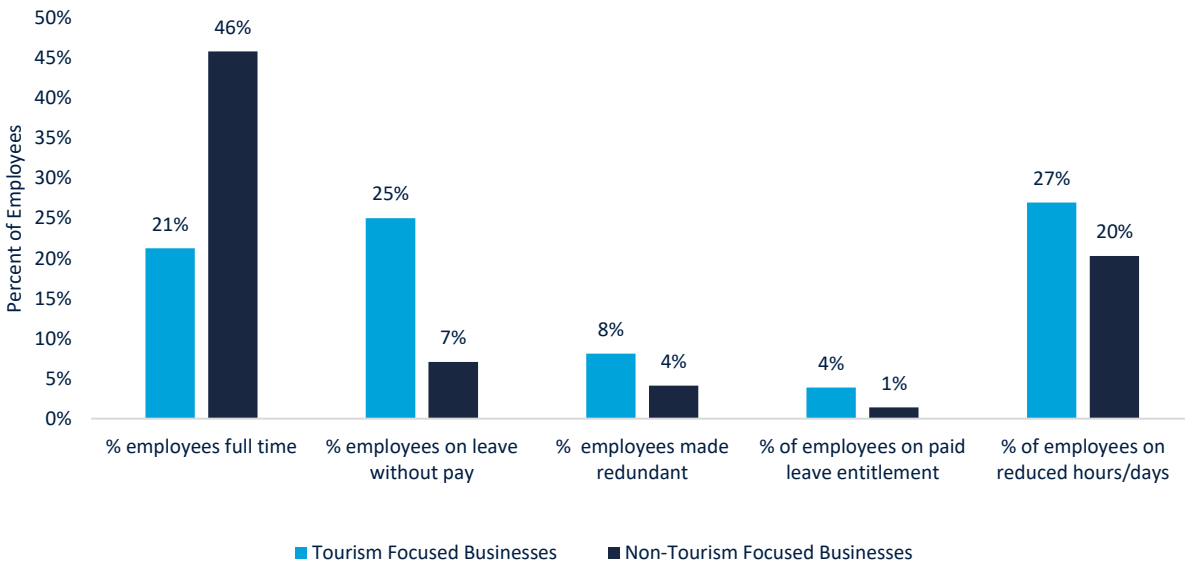
More than half of the tourism businesses have reduced staff numbers, 36 percent of them have put workers on unpaid leave, and 43 percent of businesses have reduced pay for workers. Importantly, 64 percent of tourism businesses have cancelled planned upgrades or expansions and 55 percent have deferred investments. Before COVID-19, many large resorts had refurbishment or renovations plans to improve quality. In view of this, reduced investment could delay the industry's growth toward a higher value offer, thereby limiting future yield per visitor.

Figure 7. How has the COVID-19 crisis impacted your business operations?



The loss of revenue has also drastically impacted the ability of businesses to maintain staff. These losses are impacting the tourism industry especially hard as the industry provides over 118,000 jobs. The survey received responses from 3,596 businesses that employ 76,803 people (full and part time), including 30,710 from tourism businesses. Only about 21 percent of tourism business employees are still employed full time. Just over 50 percent of tourism employees are either on leave without pay (25 percent) or working on reduced hours/day (27 percent) — this highlights a strong willingness of businesses to maintain employees for as long as possible. About 8 percent of tourism employees have been made redundant. In contrast, non-tourism businesses reported that 46 percent of employees, on average, are still employed full time.

Figure 8. Percentage of employees in different situations



Business Concerns

Given the COVID-19 crisis, most tourism businesses are pessimistic (62 percent) about the future of their business. This is likely due to the pandemic’s early impact on the tourism industry and the effects of international travel restrictions. Most non-tourism businesses (77 percent) are either optimistic or uncertain about the survival of their business.

Unsurprisingly, almost all businesses are concerned about a lack of cash flow and reduced demand for services. The next most important issues include the lack of consumer confidence and health concerns for staff and customers. This demonstrates that businesses are thinking about the long-term impacts of COVID-19 on their business, as these issues relate to recovery versus immediate response measures. About three quarters of all tourism businesses are also concerned about paying suppliers and maintaining staff employment. With tourism being the backbone of the Fijian economy, the lack of revenue from tourism businesses will affect the entire tourism value chain including suppliers and staff. Interestingly, almost 70 percent of tourism businesses are concerned about not understanding and not properly complying with business restrictions (for example, closure of swimming pools, hosting events, and increased hygiene). This gives the Fijian Government an opportunity to increase communications with businesses on this issue.

Figure 9. How optimistic are you that your business will be able to survive the COVID-19 crisis?

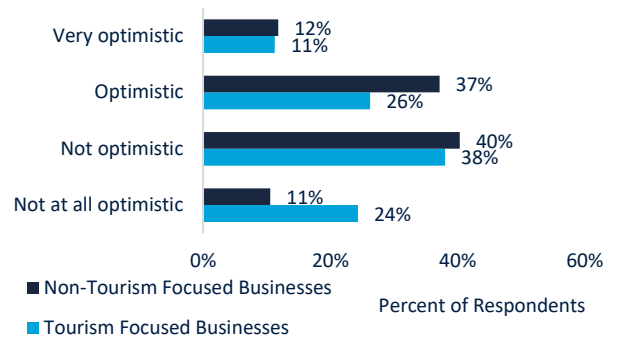
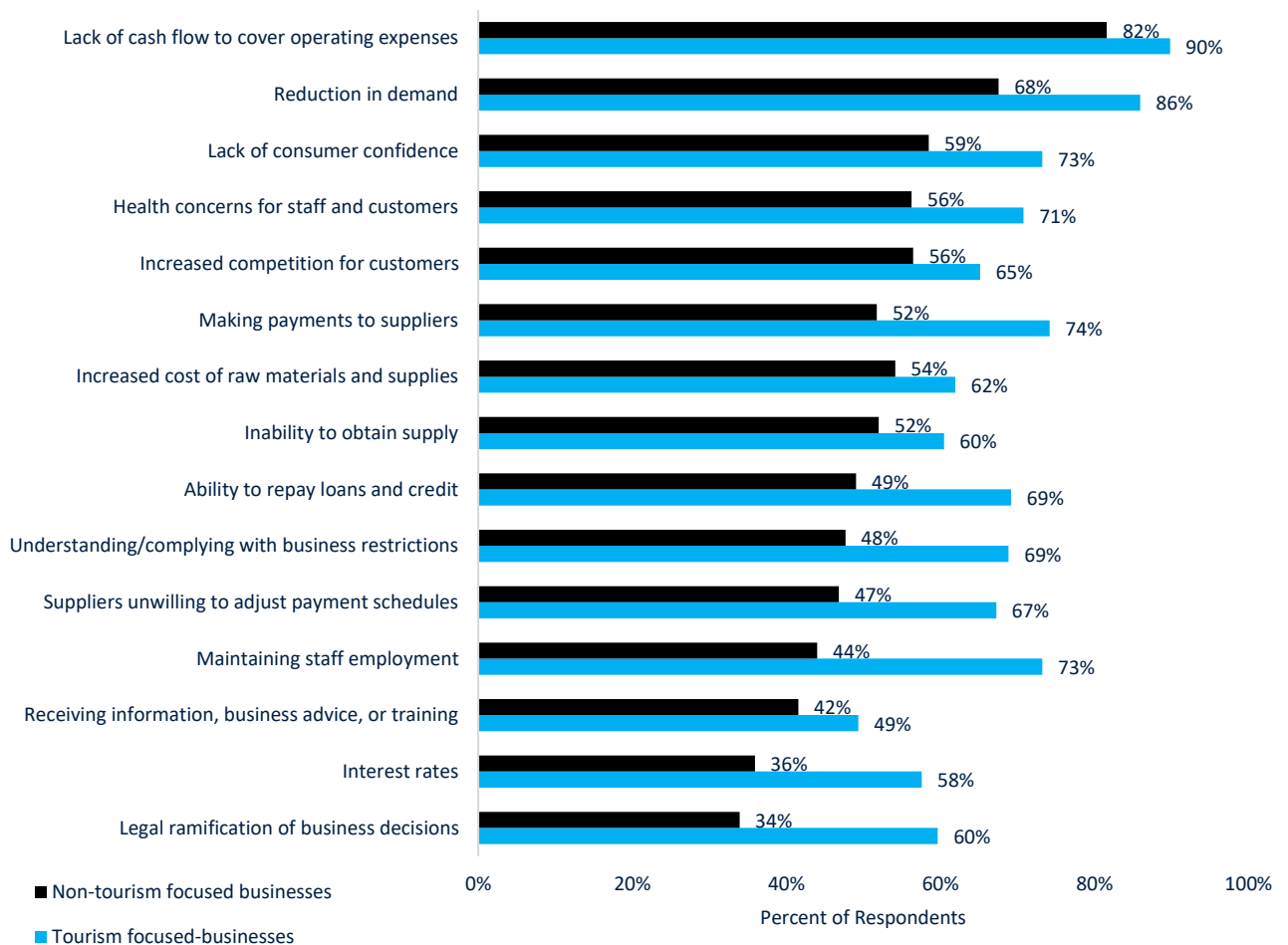


Figure 10. Top concerns of respondents (percent very concerned or concerned)⁴

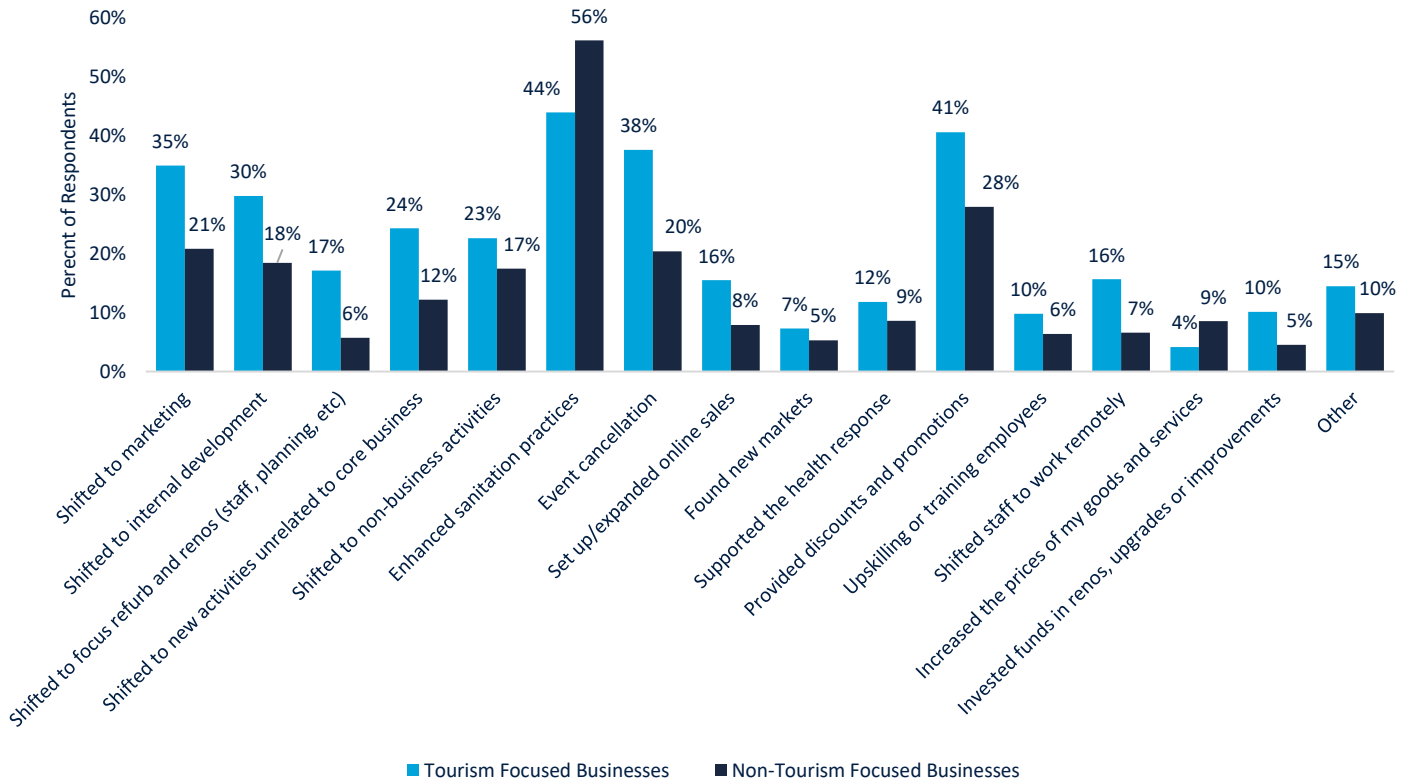


⁴ Full chart of all business concerns included in Annex for additional information. See Figure 31.

Business Response

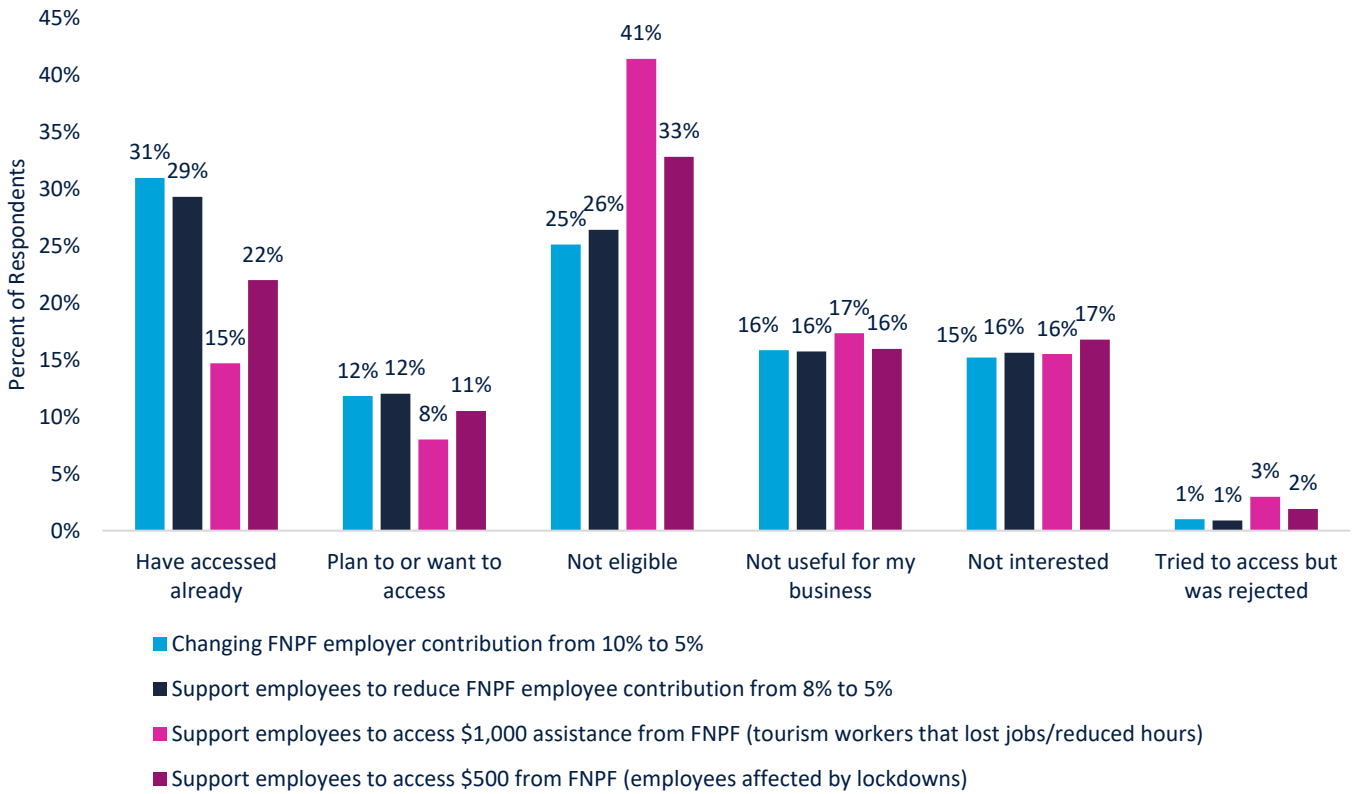
Apart from operational modifications to decrease costs and increase revenues, businesses have also made changes to deal with the impact of COVID-19. About half of all businesses implemented enhanced sanitation practices, and many provided discounts and promotions to generate sales. About 30 percent of tourism businesses are also taking the opportunity to work on internal development, 35 percent to work on marketing, and 24 percent to work on marketing, and 24 percent have shifted to conducting non-core business activities. However, currently, there is little business improvement — only about 10 percent of tourism businesses and 6 percent of non-tourism businesses are using this time to improve workforce skills or invest in upgrades. This is understandable due to the severe financial impact of COVID-19.

Figure 11. What actions has your business taken in response to the COVID-19 crisis?



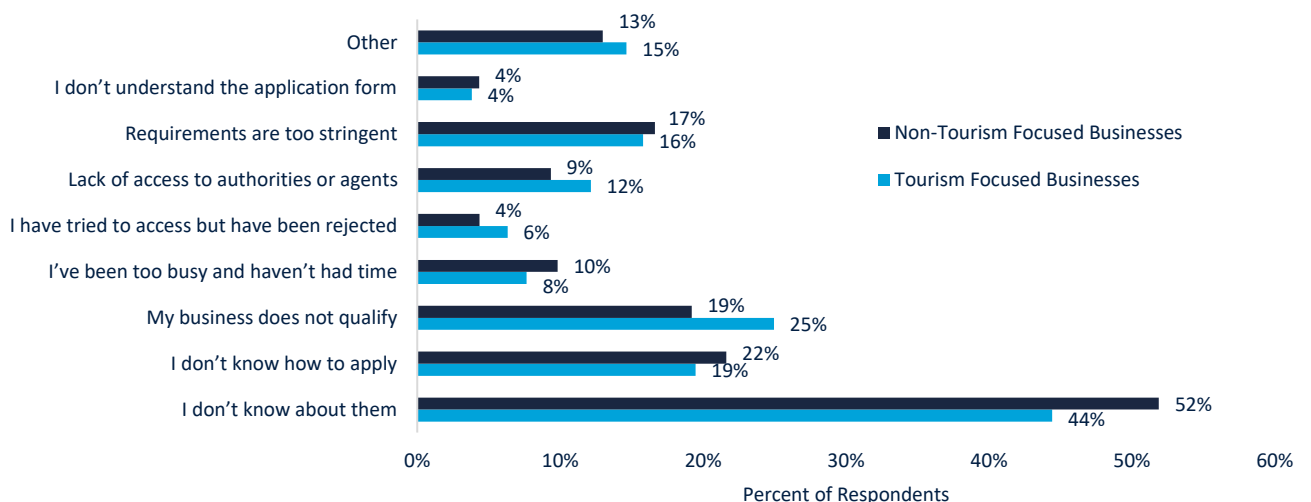
The Fijian Government implemented a series of initiatives to support businesses and employees, as part of the COVID-19 Response Budget Package. In this context, the Fiji National Provident Fund (FNPF) introduced several programmes. Among them, the initiative reducing employer contribution from 10 percent to 5 percent was the most used (32 percent of all businesses), followed by the initiative supporting employees to reduce the FNPF contribution from 8 percent to 5 percent (29 percent of all businesses). A high percent of businesses were not eligible to access these FNPF related initiatives due to business type or location for two of the four supported initiatives.

Figure 12. Access to FNPF support initiatives



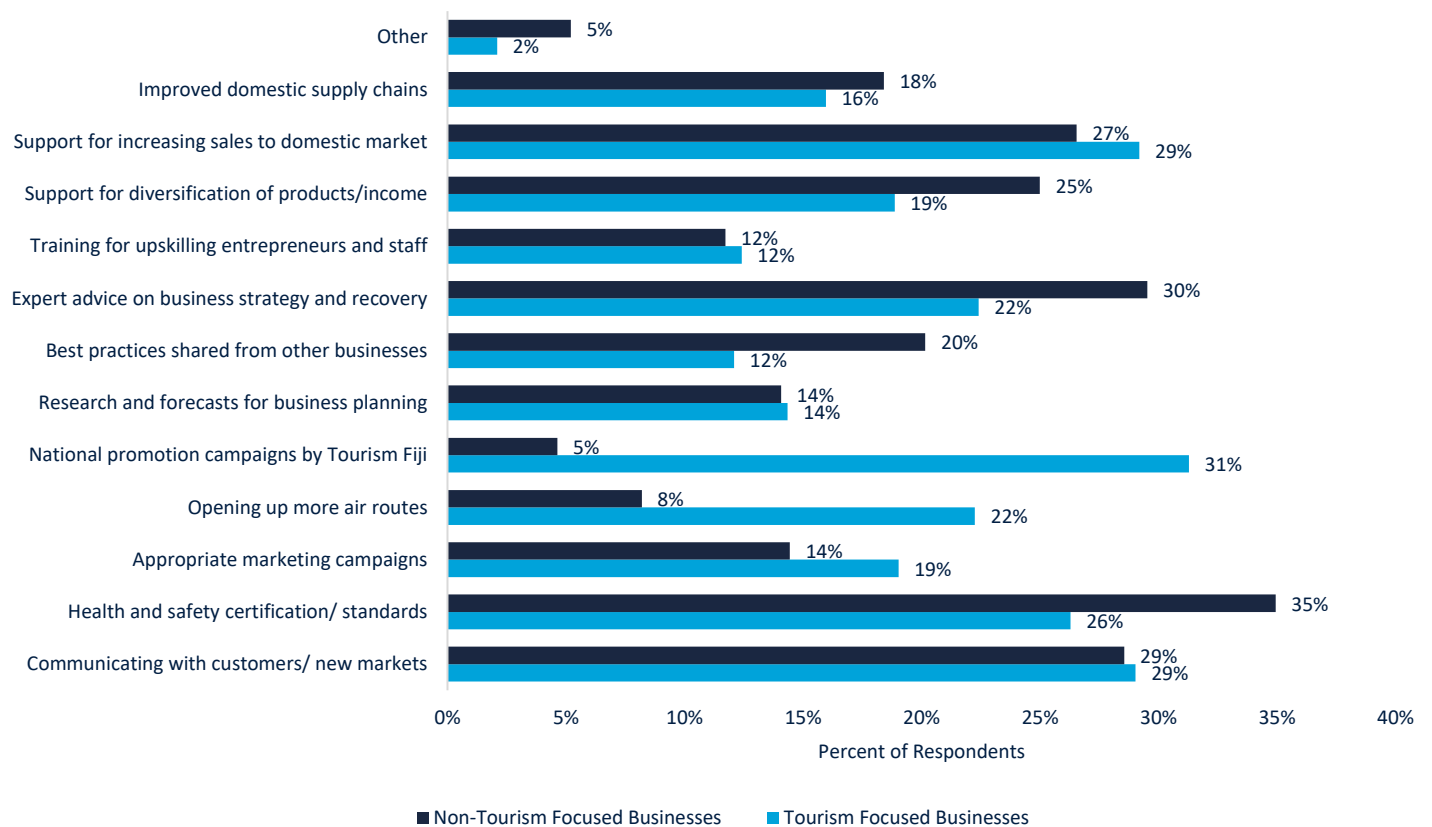
Among businesses that want to access initiatives but have not yet, a key issue was that they did not know about them. Over half of the non-tourism businesses and 44 percent of the tourism businesses were unaware of the initiatives. In both business types, a lack of understanding on how to apply was also prevalent (22 percent non-tourism and 19 percent tourism businesses). Implementing clear and detailed communications programmes around the resources and guidance on how to apply will enhance business knowledge of the initiatives.

Figure 13. If you plan to or want to access some of the initiatives but have not yet, why have you not accessed these initiatives?



While responses for technical support varied between tourism and non-tourism businesses, the overall sentiment was that businesses seek support in reopening the economy safely and communicating with customers. Tourism businesses would like to see more national tourism campaigns by Tourism Fiji to restart tourism (31 percent) and want support for increasing domestic tourism sales (29 percent). Non tourism businesses were more likely to seek advice and certification standards to improve health and safety precautions (35 percent) as well as expert advice on business strategy and recovery (30 percent). The survey repeated the same question with reference to the recovery period — once travel restrictions are over — and the responses did not vary significantly.

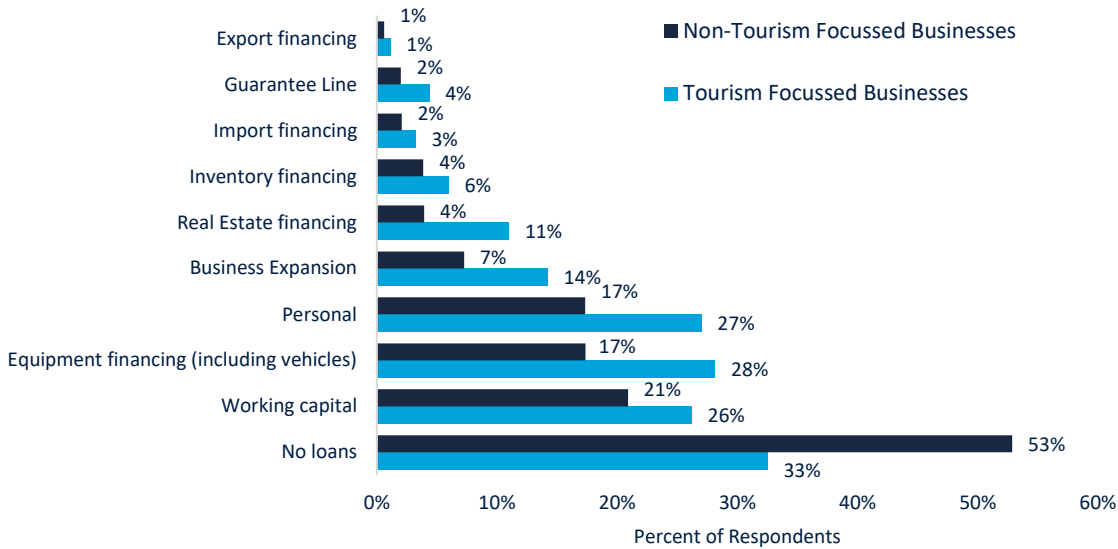
Figure 14. What additional technical services does your business require? During the crisis, while travel bans are in place.



Debt Servicing and Financing Needs

Less than half of the non-tourism businesses surveyed currently have a loan, while two thirds of the tourism businesses have loans. The majority of businesses surveyed lease their premises (61 percent), with only 15 percent owning their business space outright and a further 6.5percent holding a mortgage over property. Businesses that borrow do so for working capital, equipment financing, or personal purposes. Across all business types surveyed, 59 percent of loans are with commercial banks, 21 percent with credit institutions, and 18 percent with the Fiji Development Bank.

Figure 15. What existing loan types do you currently have?



Twenty percent of tourism businesses with loans are currently unable to service their debt compared with 6 percent of non-tourism businesses. In addition, 16 percent of tourism businesses and 11 percent of non-tourism businesses anticipate defaulting on their debt within one to four months. Surprisingly, 25 percent of tourism and 22 percent of non-tourism businesses do not know how long they can service their debt, potentially demonstrating uncertainty about future revenue prospects, lack of record keeping, or low financial literacy level.

Figure 16. For how long will you be able to service your debt in the current situation?

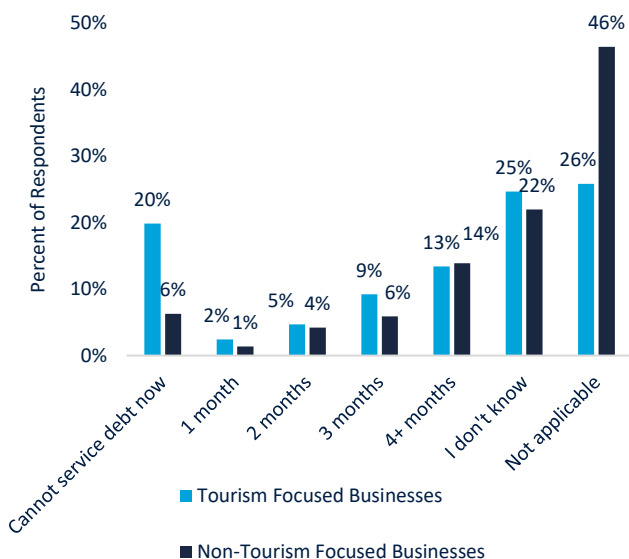
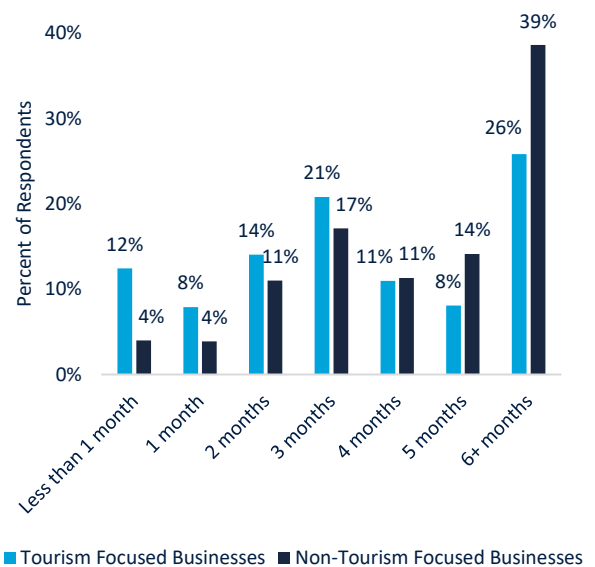


Figure 17. For how long will you be able to sustain your business in the current situation?



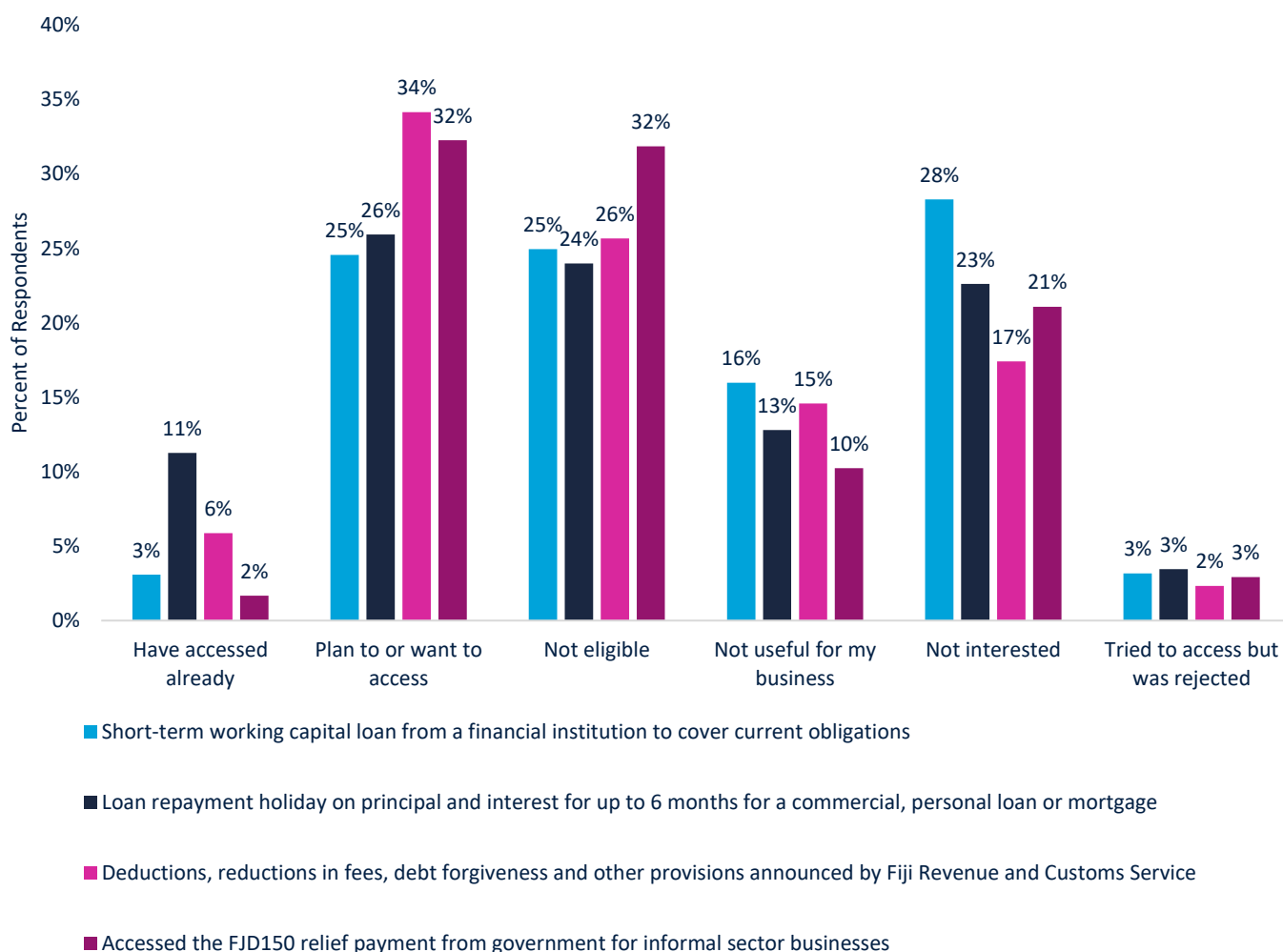
Tourism businesses are more likely to need a loan (or cash) to cover operational and fixed costs during the COVID-19 crisis (40 percent for tourism businesses versus 18 percent for non-tourism businesses). Tourism businesses are also seeking larger financing — FJD500,000 for large tourism businesses versus FJD300,000 for large non-tourism businesses; and FJD30,000 for tourism MSMEs versus FJD15,000 for non-tourism MSMEs (median). For those that want to access financing, 32 percent of tourism businesses were unable to get adequate support from their bank or financial services provider. The same percent also reported that they needed to defer loan payments for more than six months. For non-tourism businesses, 31 percent need financial services other than credit (equity, grants, and others) and 23 percent need non-financial services.

Government support schemes

The Fijian Government has introduced various initiatives to provide financial support to MSMEs. Access to these initiatives was low at the time of the survey, with only 3 percent seeking working capital loans, 11 percent accessing loan repayment holidays, and 6 percent accessing FRCS deductions, reductions in fees, debt forgiveness, and other provisions.

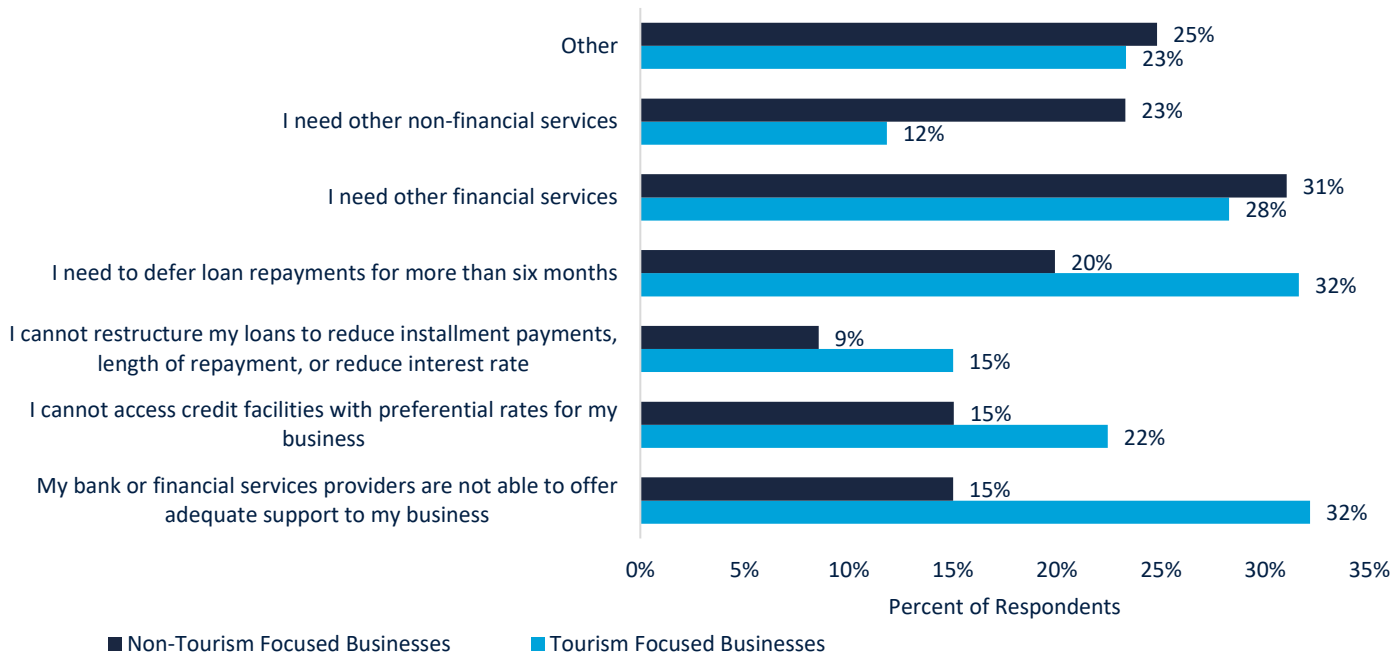
As businesses learn about these government support schemes, demand may increase. Many businesses states that they are planning to access programmes in the future – short-term loans (25 percent), loan repayment holidays (26 percent), support from Fiji Revenue and Customs Service (FRCS) (34 percent), and relief payments for those businesses operating informally (32 percent). Demand may be subdued if businesses do have sufficient cash to see them through this period — 82 percent of non-tourism and 60 percent of tourism businesses indicated they would not take on extra loans to meet operational and fixed costs. However, this might reflect reluctance to take on more debt in times of uncertainty, rather than access to sufficient cash. Some businesses also remain ineligible for these support programmes due to high rates of informal business structures. In fact, about a quarter of all businesses indicated they were not eligible for any government support. In view of this, during the recovery period, policies to facilitate micro and small businesses to easily formalise would make these initiatives more accessible in the future. The Fijian MSME Concessional Loan Package, which had not been introduced at the time of the survey, seeks to formalise informal businesses to a large extent.

Figure 18. Access to government’s financial support initiatives



In addition to informality being a barrier for businesses to access benefits (other than the FJD150 informal sector relief payment), the low uptake in the current support programme could be attributed to several other challenges. Twenty-two percent of tourism businesses and 15 percent of non-tourism businesses mentioned they could not access preferential credit. Also, a portion of both tourism and non-tourism businesses mentioned they could not restructure their current loans (15 percent and 9 percent respectively). For those who could access loans, 32 percent of tourism businesses and 20 percent of non-tourism businesses indicated a need to defer loans beyond the current six-month repayment holiday. Business also indicated the need for other financial services — 28 percent for tourism and 31 percent for non-tourism. This shows that businesses need access to a broader range of financial services, including equity and grants. Financial services providers also have room to improve services and develop appropriate products for businesses. Thirty-two percent of tourism and 15 percent of non-tourism businesses report that their providers are not able to offer adequate support.

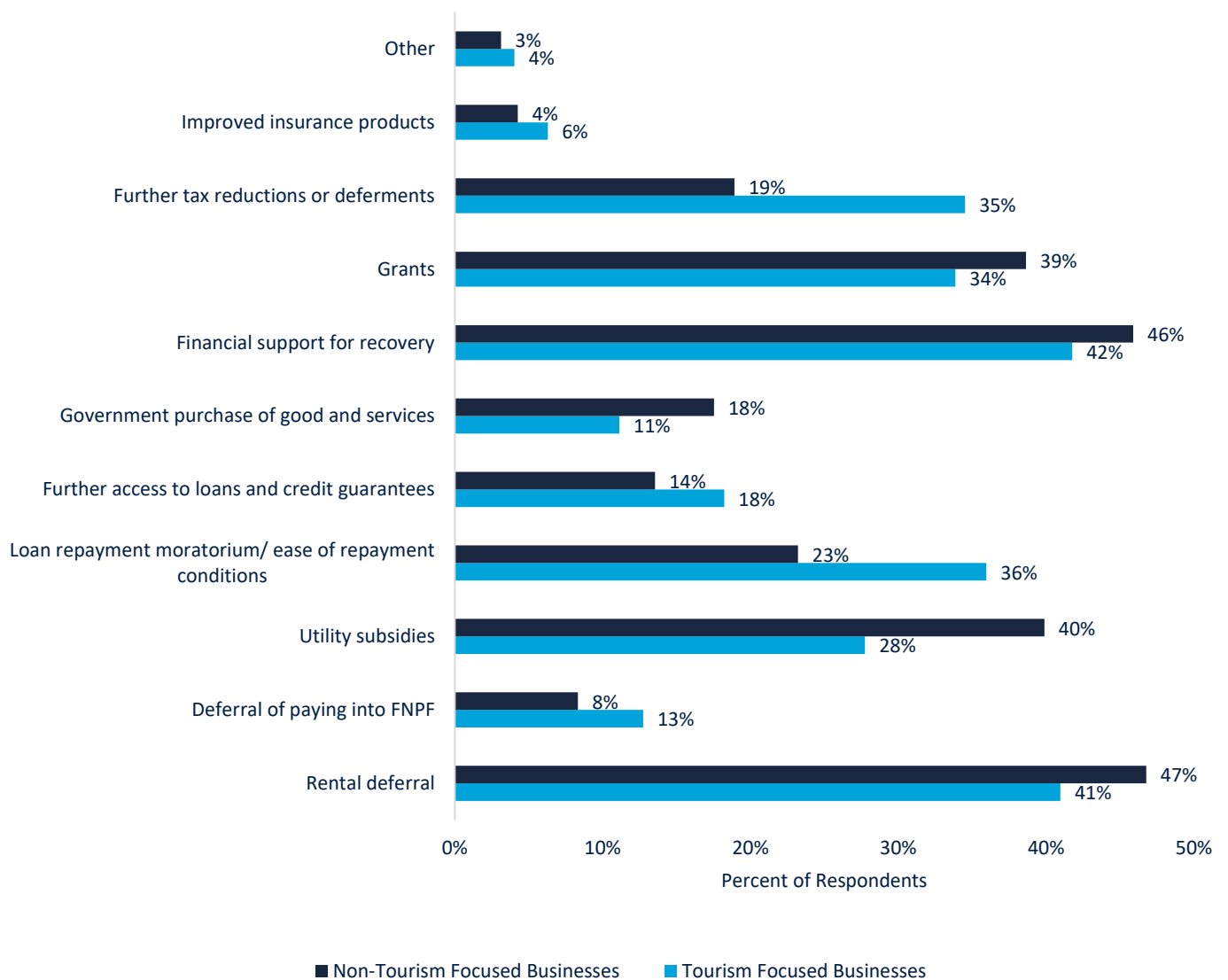
Figure 19. What challenges do you face in accessing credit facilities from commercial banks or other financial services providers?



A high percent of both tourism (42 percent) and non-tourism businesses (46 percent) seek additional financial support for recovery including specific support for commercial rental deferrals, subsidies for utilities payments, and receipt of grants. Tourism businesses seek further tax reductions or deferments (35 percent) and loan repayment moratoria (36 percent), while non-tourism businesses seek utility subsidies (40 percent). Rental deferrals (or access to cash to cover rent) will be critical, as 61 percent of all businesses rent or lease their business space.

Similar to the earlier technical needs question, the survey repeated the same question with reference to the recovery period (when travel restrictions are withdrawn). The responses indicate that financial support requirements are consistent during the recovery period. The preference for deferrals, grants, and tax concessions over accessing insurance or loans — even when guaranteed, therefore in principle, cheaper and more available — might indicate a rational preference for cheaper money, rather than systemic problems with accessing finance. The preferences for deferrals, grants, and tax concessions may also stem from businesses being relatively more familiar with these financial services. It is difficult to draw a clear conclusion based on this data.

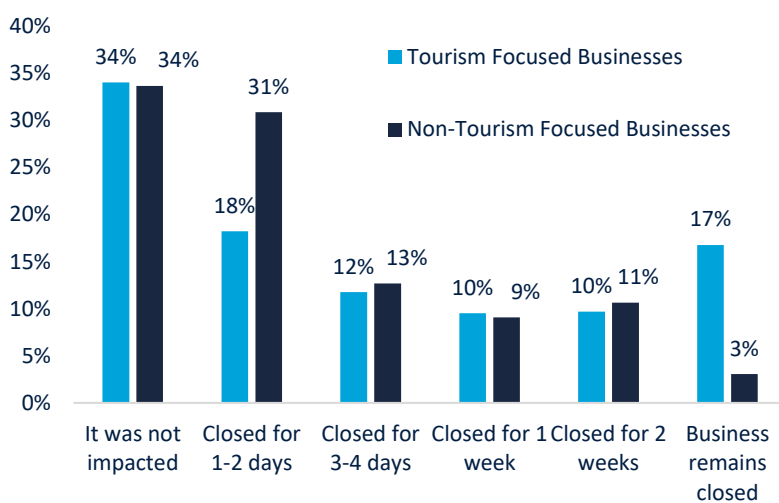
Figure 20. What additional financial services does your business require? During the crisis, while travel bans in place.



Tropical Cyclone Harold Impacts

Tropical Cyclone (TC) Harold, a Category 4 cyclone, hit Fiji on April 8, 2020 as a Category 4 cyclone, causing widespread damage to both tourism and non-tourism businesses. The survey asked a series of questions about TC Harold to better understand its impact on businesses. Almost half of all the tourism and non-tourism businesses surveyed were impacted by TC Harold, with 48 percent of tourism businesses and 49 percent of non-tourism businesses suffering a financial loss due to the cyclone. Businesses in the tourism sector suffered five times the financial loss compared with businesses in non-tourism sectors, with large impacts on property, landscaping, and coastlines that require investment to rebuild. While most impacted businesses were able to reopen within a week, 17 percent of tourism businesses remain closed. The survey specifically asked businesses to note only the financial losses caused by TC Harold versus those caused by COVID-19. However, business closures may be the result of a compounding effect with COVID-19. Businesses may have decided to delay cyclone clean up or repairs, since there was little tourism demand to incentivise reopening.

Figure 21. How was your business impacted by TC Harold?



Estimate of Financial Loss Per Business (median)

Tourism Businesses: FJD5,000

Non- Tourism Businesses: FJD1,000

All Businesses: FJD1,000

Recommendations

Based on the results of the survey, the following actions are recommended for implementation to support business recovery. Beyond the scope of this survey, a key driver in accelerating tourism sector recovery will be the safe reopening of tourism to regional markets.

Employment Support

The tourism sector needs immediate support to maintain employment. Given the high levels of formal employment in the tourism sector, supporting employment schemes through the private sector gives the Fijian Government an opportunity to reach and support thousands of families.

- **Conservation and upgrade employment programme:** The idle tourism workforce represents an opportunity to address environmental and conservation issues and support investment in public spaces and goods (for example, national and public parks). IFC recommends working with partners to design and fund a programme to redeploy the tourism workforce, working through the private sector for management, to engage in conservation, public good investment or other beautification activities.
- **Upskilling programme:** Due to lack of resources, very few businesses are using this downtime to support the upskilling of their staff to improve the overall quality of tourism in Fiji. While staff are idle, the Fijian Government can take this opportunity to work with universities, technical colleges, international organisations and training institutes to offer concessionary training programmes that will improve the quality of service and assist more local staff to move into management positions.
- **COVID-19-specific retraining:** With 52 percent of tourism employees on reduced hours or leave without pay, retraining will be necessary to ensure the efficient and safe return of the workforce and implementation of new requirements. This puts a significant burden on employers (both financial and time cost) and may influence their decisions on when to return staff and at what overall staffing level. A government-run programme, supported by development partners such as the United Nations Development Programme and International Labour Organisation, with specific interest in skills development, including certification, during the downtime would ensure consistency of standards across the sector. It will also facilitate faster return of a greater proportion of the workforce already at the necessary operational standard. These programmes should reflect the full ecosystem of tourism businesses and not only hotels. This will help Fiji as a destination to fully leverage the marketing value of such an initiative.

Debt Servicing and Financing

Mid-crisis responses

Fiji responded promptly to support the financial sector through the Reserve Bank of Fiji's Disaster Rehabilitation and Containment Facility, the Import Substitution and Export Finance Facility, and the MSME Guarantee Scheme, along with measures taken with FNPF and FRCS. In addition, financial institutions also implemented crisis related responses for businesses. Impacted tourism workers were able to access FJD1,000 through FNPF, if they had an account in place. However, this has a limited lifespan, and does not cover informal workers. Informal workers are eligible for a one-off FJD150 payment.

- **Communication of benefits:** At the time of the survey, over half of the non-tourism businesses were unaware of the initiatives and 44 percent of the tourism businesses did not know about them or did not understand how to apply. Implementing clear and detailed communications programmes around the resources and guidance on how to apply will enhance business knowledge of the initiatives.
- **Informality limits access to benefits:** Many businesses surveyed were operating informally, and therefore were ineligible to access support measures. In the shorter term, subject to fiscal constraints, the Fijian Government could consider exploring if any further short-term coverage of businesses operating informally could be given beyond the FJD150 relief payment. Subject to a review of eligibility criteria and how it can extend to informal businesses, support may also be provided by the recently announced Fijian MSME Concessional Loan Package. In the medium term, the Fijian Government should focus communication efforts to convey the benefits of business formalisation

and continue the ongoing reforms to make it easier to formally do business. Key development agencies, already working on graduating businesses into the formal sector, should be considered as potential partners in this area.

- **Meeting short-term needs to keep businesses afloat:** 74 percent of tourism businesses expect to close in five months. In view of this, the focus in the near term should be on minimising permanent closures of tourism businesses, to keep income flowing to staff, and to cover rent and utilities of those businesses. Data suggest that businesses of all types, especially vulnerable businesses in tourism, will need short-term cash to meet rental, utility, and other working capital obligations (such as salary payments) to avoid bankruptcy and job losses. While the government has implemented a tax deduction for negotiated commercial rents, it could consider further discussions with key landlords to determine the scope of rent renegotiations. Also, it could explore other measures, which reduce commercial lease terminations to preserve businesses in the short term, particularly in the tourism sector. While a government subsidy for household electricity costs is already in place, reviewing the terms of payment of utilities for vulnerable businesses could be considered.
- **Extended loan repayments (on a case-by-case basis):** As an initial response, financial service providers offered — on a case-by-case basis — a six-month holiday period on both interest and principal to businesses. Moving forward, policymakers — in collaboration with financial services providers — need to further assess the extent to which lenders have granted these requests, and assess the viability of extending the period, in particular to important businesses in the tourism value chain (on a case-by-case basis).

Recovery responses

- **Access to finance – cash flow for MSMEs:** Extending the credit guarantee schemes and other risk sharing facilities will be critical in providing cushions to lenders to assist businesses in mitigating liquidity issues. The recent expansion of the MSME Credit Guarantee scheme, which especially supports women entrepreneurs and those in agriculture, forestry and fisheries, is welcome. Donor support could potentially be sought to provide capital or to take risk. The Reserve Bank of Fiji should continue to monitor and report on the effectiveness of the facilities. Increasing the percentage of guarantee coverage for the tourism sector could be considered.
- **Review the insolvency framework:** Reviewing the current insolvency framework to identify areas for strengthening will help reflect the current conditions with respect to debt thresholds and subsequently initiation of bankruptcy. In addition to the impacts of COVID-19, this will be a timely review taking into consideration the impact of natural disasters on MSMEs. A review of the Companies Act must be pursued to improve the necessary provisions to allow companies to continue operating while resolving debt through reorganization, alongside the existing liquidation framework, in line with international best practices.
- **Assessing tax obligations:** The taxation authority needs to explore full deduction of COVID-19-related extraordinary outlays in value added tax (VAT) and income tax payments, especially for micro and small businesses. As for the tourism industry, considering temporary limits to the Environment & Climate Adaptation Levy (ECAL), while in the short-term limiting revenue opportunities, may lead to faster recovery of those businesses. A review of tourism related taxes including VAT, service turnover tax (STT), ECAL, and airport departure taxes should be conducted to understand how to leverage reductions in taxes to stimulate demand while ensuring government revenues are not further depleted.
- **Credit reporting disclosures:** Central Bank should advocate for continuous reporting and sharing of credit information and include necessary disclosure on payment deferrals to avoid unintended delinquencies. The data bureau could temporarily provide unlimited access to free credit reports. In addition, it is recommended that the Fair Reporting of Credit Act is amended to allow for credit providers to register for credit reporting.
- **Financial literacy training:** Financial literacy will be important for MSMEs to make sound decisions during the crisis and in the recovery period. This training should be made available to all MSMEs. MSME Fiji, in partnership with private sector associations and development partners should collaborate to review and enhance training modules, suited for a post-COVID-19 environment.

Communications

Communications emerged as a key theme in a number of questions, both in terms of businesses seeking more and clearer communications from the government and businesses seeking support to better communicate with their own customers. Ultimately, this is about building consumer confidence and maintaining markets.

- **Communications campaign:** Based on the survey results, many businesses were unable to access some of the government recovery initiatives. IFC recommends that MCTTT — working with other government agencies — further strengthens the bizFIJI portal to develop and implement a communications campaign. This should focus on current and planned government initiatives to support businesses as well as detailed guidelines on how to apply. In addition to information services available on the bizFIJI portal, IFC recommends leveraging MCTTT’s MSME Fiji Unit and Investment Fiji to conduct outreach campaigns and provide vital information on COVID-19, its impact on the private sector, and on resources available on their websites and other online platforms, with links to key statutory agencies and industry associations. This also provides an opportune time to use digital media to include informal businesses as part of the recovery plans.
- **COVID-19 community liaisons:** Businesses, especially in the tourism sector, sought more clarity around understanding and complying with government restrictions when operating their businesses. As domestic tourism opens up, this will become an even larger and more urgent concern, but it should also be seen as a valuable opportunity to pilot and refine approaches before international tourism resumes. Working with the Tourism Recovery Task Force, IFC recommends that MCTTT identifies community liaisons around Fiji to support communication between government and industry and to collate feedback on the roll out of initiatives. These liaisons should be trained on the current rules and regulations and become the go-to source of information for businesses.
- **Roadmap to Recovery:** Working closely with the private sector through the Tourism Recovery Team,⁵ and with key private sector stakeholders, IFC recommends the creation of a joint roadmap for recovery. The plan should include clear guidelines on destination reopening for the industry to follow, along with a crisis communications plan (detailed in Tourism Specific Support below).

Tourism Specific Support

As a key driver of the Fijian economy, supporting the tourism sector is essential to ensure long-term economic recovery and future growth.

- **Roadmap to Recovery:** Many destinations around the world are establishing ‘roadmaps to recovery.’ In addition to communications plans, they also include a recovery strategy and guidelines to improved health and hygiene both at points of entry and within businesses. It is essential that the roadmap takes a cross-government approach to ensure all critical issues are covered: public health, air travel, immigration, accommodation, transportation, food and beverage services, and others. Further, the roadmap should include destination management protocols to support the “build back better” concept for the long term. MCTTT should work with international standards organisations on safe travel standards for airlines, airports and transport and health and hygiene standards for accommodation providers. This roadmap must be underpinned by sufficient funding and give clear authority to the respective agencies to manage and implement it.
- **Advocate for travel bubbles and safe pathways:** While acknowledging the Fijian Government has taken pro-active steps in opening up travel and tourism using the *Fijian COVID Safe Economic Recovery Framework*, there is further potential to negotiate the opening of travel with Australia and New Zealand. The Fijian Government should consider using the results of this study to create a strong narrative to bolster Fiji’s participation in the travel ‘bubble’ arrangements and safe pathways. The impact on tourism businesses, including the large number that anticipate bankruptcy or moving away from tourism, demonstrate the importance of opening borders to key source markets — not just as a transport policy but as an economic and recovery policy.

⁵ Representative of key industry stakeholders such as Tourism Fiji, Fiji Hotel and Tourism Association, Fiji Airways, Reserve Bank of Fiji, Fiji Airports Limited and the Society of Fiji Travel Associates.

- **Diversified marketing campaigns:** While it is still unclear which tourism source markets will rebound first, availability of disposable income will be an important aspect to a traveller's willingness to take a trip. If the Trans-Tasman travel bubble opens and includes Fiji (and limited to other destinations), this will provide Fiji a unique opportunity to tap into a market that has previously eluded it –high-end tourism markets in New Zealand and Australia. Fiji currently only captures 3 percent of the Australian holiday and visiting friends and relatives outbound markets⁶ with a focus on mid-range and budget families. While these source markets overall may be under financial pressure, high-end consumers (who have retained disposable income) will have limited options for travel. Positioning Fiji appropriately is a significant time-bound opportunity to appeal to these markets. Tourism Fiji should launch dedicated campaigns to reach high-end tourism markets in Australia and New Zealand, with emphasis on Fiji as a safe destination.
- **Renovations and upgrades:** About 17 percent of tourism businesses shifted their focus to planning renovations and refurbishments due to COVID-19. However, only 10 percent actually invested funds in renovations. Tourism businesses that have strong cash reserves or the ability to obtain credit, should consider using the New Hotel Investment Incentive Package launched by the Fijian Government during the supplementary budget to invest in renovations and upgrades to property with a focus on enhancing the quality of the offer and improving resource efficiency.

Technical Support for Businesses

As the survey results show, many businesses will not survive the COVID-19 crisis. To help investors and their development partners make informed decisions during these uncertain times, thus increasing their chances of survival, IFC recommends the following:

- **Regulatory support:** Many respondents found it difficult to understand and comply with business regulations. Guidance through regulations and regulatory flexibility such as the extension of deadlines, simplification of licencing and waiver of fees, as well as hands-on support to businesses seeking formalisation would help raise the level of regulatory compliance and continued business activity. In the long term, the continued streamlining of business registration and associated costs is necessary. This continued streamlining will encourage formalisation across the economy and ease business regulations and processes, especially benefiting MSMEs. MCTTT is currently leading the doing business reform agenda in Fiji, as Chair of the Doing Business Taskforce. Through the Taskforce, a number of reforms have been implemented, the most prominent of which is the adoption by the country's municipal councils in January 2020 of a streamlined and risk-based business licencing framework that has reduced the processing time of licence applications from 11 days to within 48 hours. Hence, regulatory and procedural reforms need to be fast tracked for a more enhanced business environment.
- **Business advice:** Both tourism and non-tourism businesses sought advice on strategy, diversification, and communicating with customers. Support can be improved through the close coordination of government, development partners, Investment Fiji, and national and regional industry associations. One-on-one mentoring services to MSMEs will be an important recovery model for these businesses. It is essential to ensure such business support is built into development programmes in the short and medium term. The recently established bizHELP page, which provides information specifically for MSMEs, now allows access to an integrated 'single window' for MSMEs in Fiji. Stronger advocacy and promotion can enable bizHELP to become an avenue and catalyst in mobilising resources and information during times of crisis. Additionally, MSME Fiji and the Co-operative College of MCTTT currently provides business advisory and training, which could be further supported by development partners to strengthen these business advisory services.
- **Diversification of markets:** The Fijian Government, with the support of donor partners, should strengthen support for new and emerging opportunities, for example in Information and Communications Technology, Business Process Outsourcing (BPO), financial services, renewable energy and light manufacturing sector, as well as continue to support growing commercial agriculture. To attract investments in these sectors, improving the ease of doing business, targeted marketing and tailor-made incentives for investors are crucial. In addition, the Fijian

⁶ Tourism Research Australia, National Visitors Survey (NVS) Outbound Trips Year Ending June 2019. Accessed: <https://www.tra.gov.au/Data-and-Research/publications> on June 4, 2020.

Government, together with Investment Fiji and FRCS, should work towards developing clear guidelines and information for investors on existing incentives and how they can easily be accessible.

- **Special Economic Zones:** The Fijian Government, with the support of development partners, such as the World Bank Group, must prioritise the finalisation of market assessment for special economic zones. Undertaking targeted marketing as 'investor ready' zones and developing tailor-made incentives will aid in attracting lucrative private sector and investor buy-in especially from Australia and New Zealand who are now looking for opportunities to have their supply chain sources and BPOs closer to home.

Survey Details

Methodology

The rapid response survey sample is made of up a wide range of businesses across Fiji in all sectors. This report includes specific analysis of data that focuses on tourism businesses. The survey was distributed through networks of the Ministry of Commerce, Trade, Tourism and Transport, Ministry of Local Government, industry associations, Reserve Bank of Fiji, South Pacific Stock Exchange, and other development partners.

The questionnaire was sent out on April 28, 2020 and was closed on Friday, May 15, 2020. The survey had an online mode using Sawtooth SSI website and was distributed electronically via email and social media including through the prominent [Fijian Made](#) (276,000+ followers), [MCTTT](#) (14,800+) and the [Fijian Government](#) (212,000+ followers) Facebook pages, as well as the relevant Instagram and Twitter accounts. The call for participation was also shared with mainstream media via press releases. To ensure the inclusion of businesses that may not have access to the online questionnaire, particularly MSMEs, MCTTT undertook extensive in-person interviews in all major divisions by means of paper-based surveys and use of tablets. Additionally, the survey was disseminated to all businesses registered with the Fiji Revenue and Customs Services.

The survey approach uses a non-random sample and therefore the results will not perfectly extrapolate to the entire private sector in Fiji. All results are shown in aggregate form.

The questionnaire was designed by IFC with input from the World Bank, and the Fijian Government, coordinated by MCTTT and with input from private sector, and several other government agencies. It covered nine sections:

1. Business details
2. Immediate concerns stemming from COVID-19
3. Impact of COVID-19 on operations and workforce
4. Sustainability of the business
5. Tourism specific section (administered to tourism focused businesses only)
6. Assistance required to respond to and recovery from COVID-19 crisis
7. Impacts of Tropical Cyclone Harold
8. Business diversification*
9. Respondent details

* Few respondents stated that they had diversified their business and therefore data from this section is not included in this report.

Profile of responding businesses

The survey yielded 3,596 responses. Of these, 620 were from businesses that primarily service the tourism industry. The respondents self-selected their business type following which businesses that were unsure of their industry (for example, market food vendors were classified as restaurant, cafes and roadside stalls, and others) were further classified. The profile of respondents can be seen below:

Figure 22. Top 15 industries of all respondents

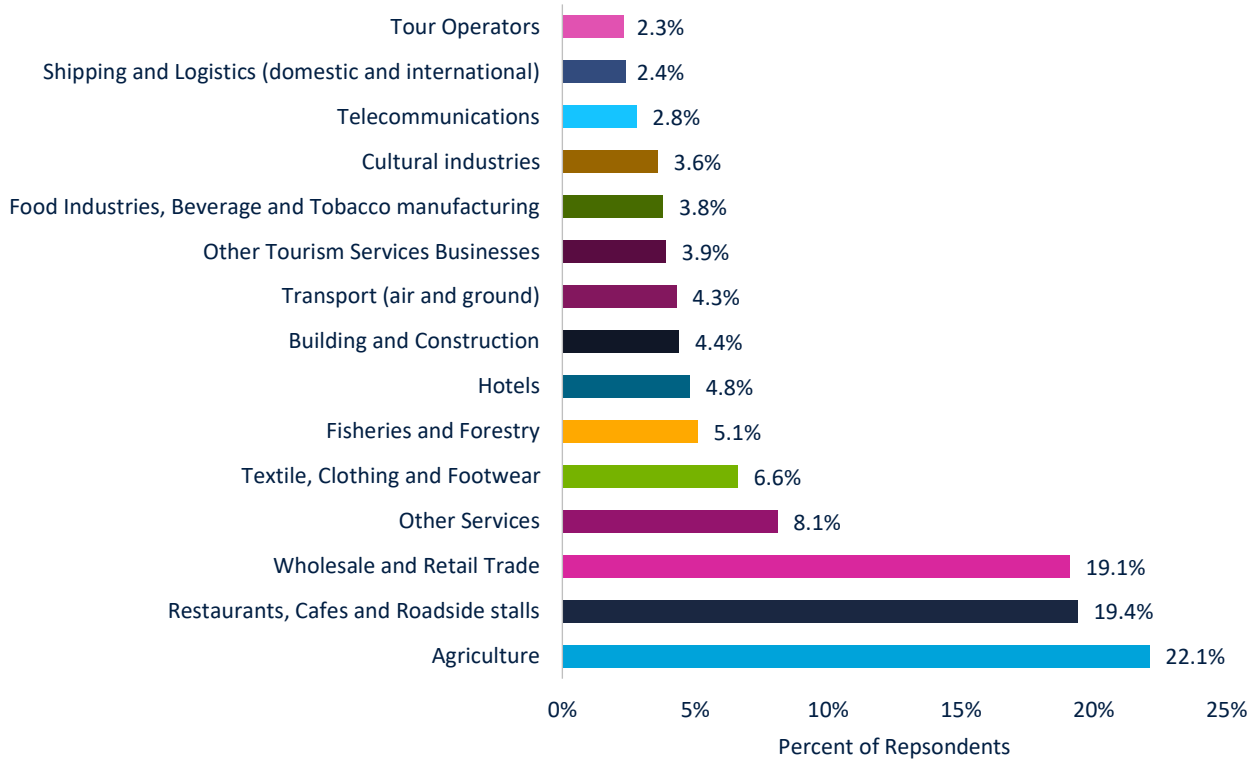


Figure 23. Top 15 industries of tourism respondents (Do you primarily service the tourism industry?)

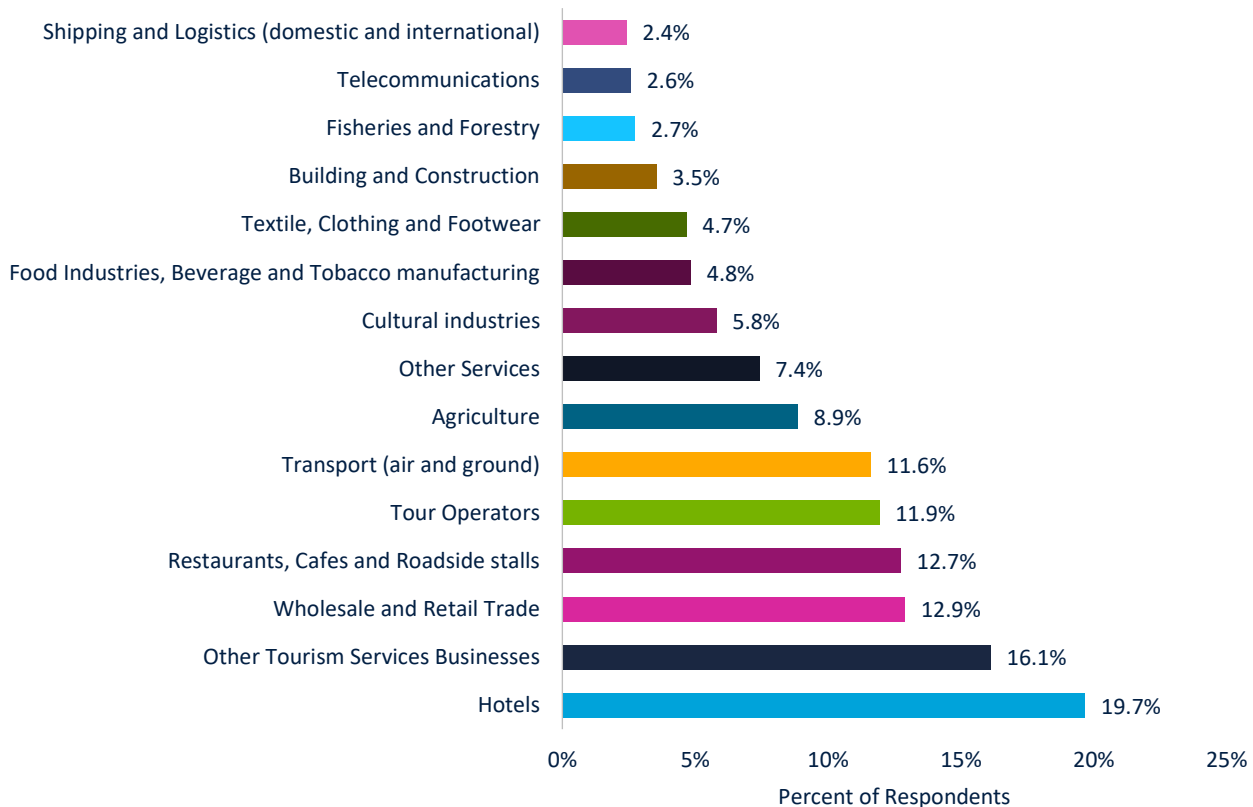
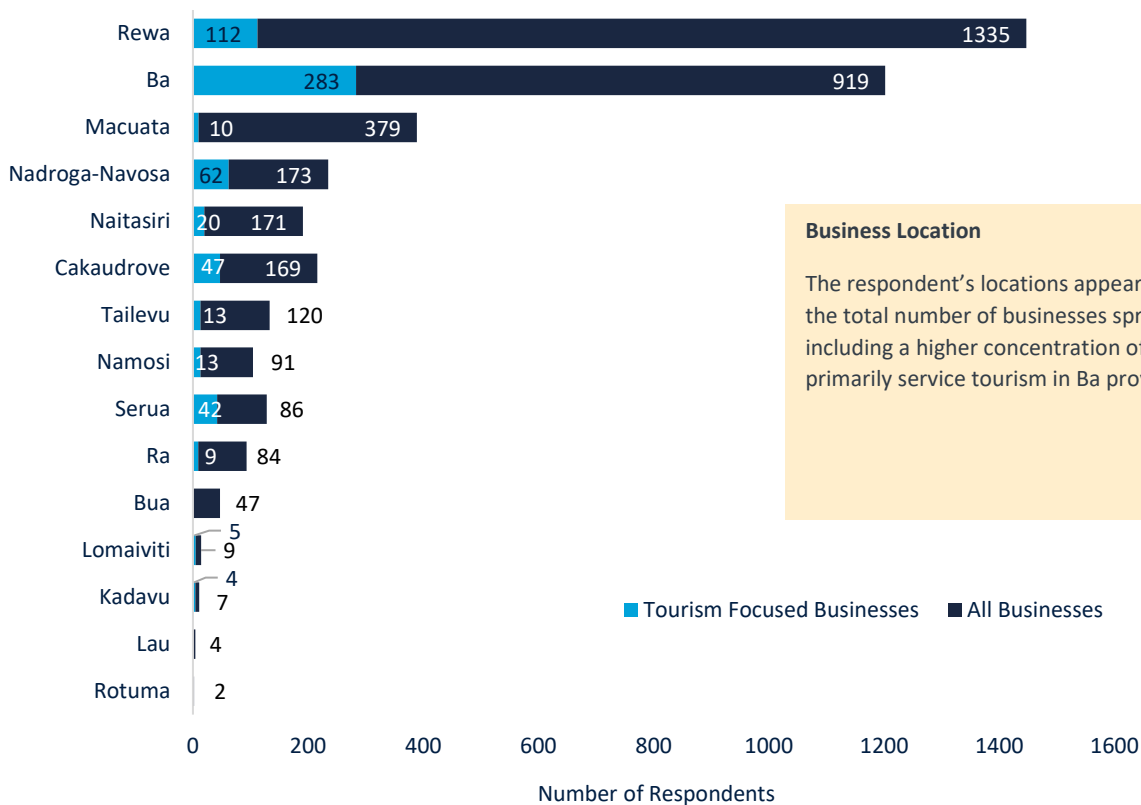


Figure 24. Respondent's business location



Business Location

The respondent's locations appear to be representative of the total number of businesses spread throughout Fiji, including a higher concentration of businesses that primarily service tourism in Ba province.

Figure 25. Respondent's business size by turnover

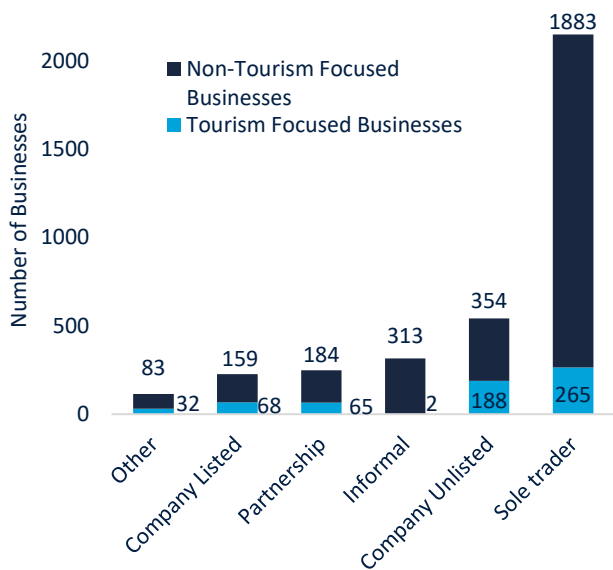
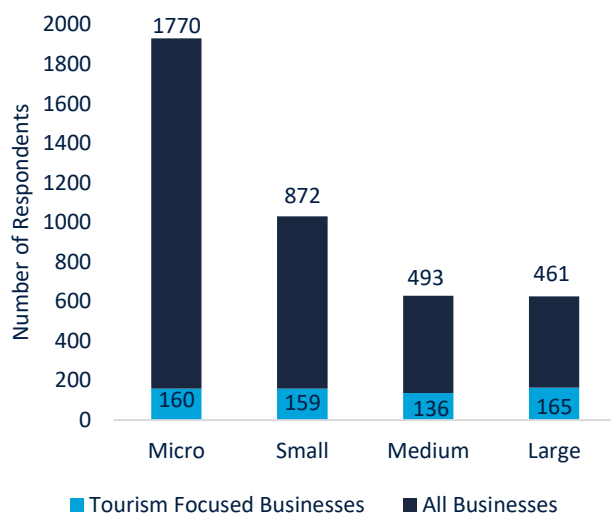


Figure 26. Business structure



Total Turnover and total assets in FJD

Micro = Not exceeding FJD30,000
 Small = Between FJD30,000 and FJD100,000
 Medium = Between FJD100,000 and FJD500,000
 Large = More than FJD500,000

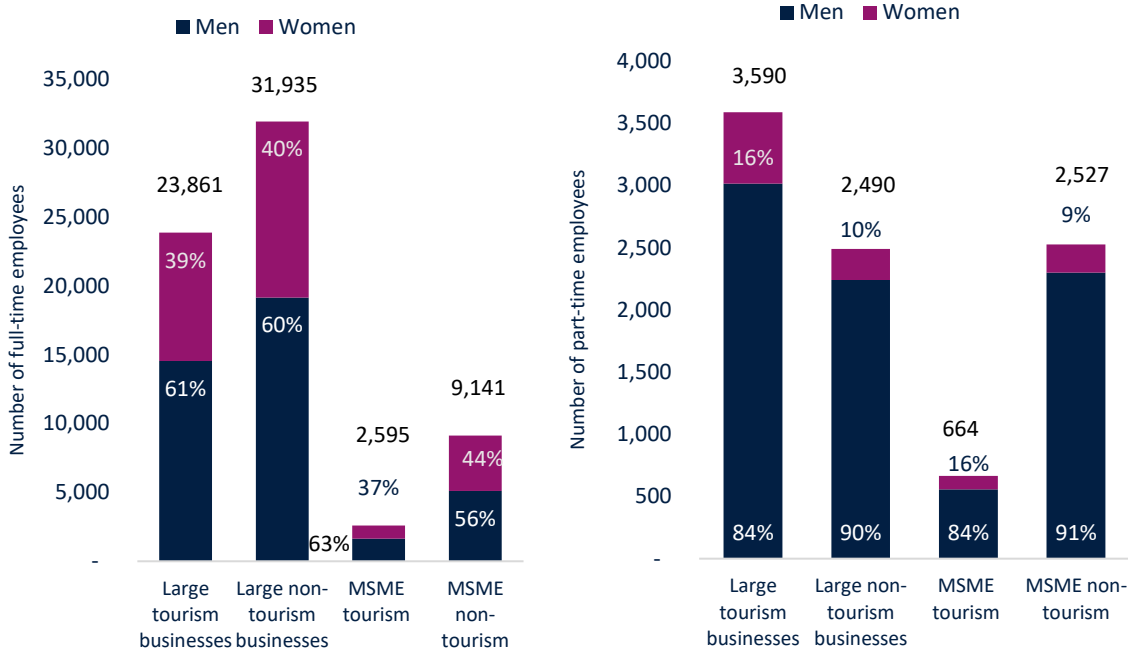
Years in Operations (mean)

Most businesses have been in operation for more than a decade, with tourism businesses being especially experienced:

- Tourism focused: 13.21 years
- Non-tourism focused: 11.21 years
- All businesses: 11.56 years

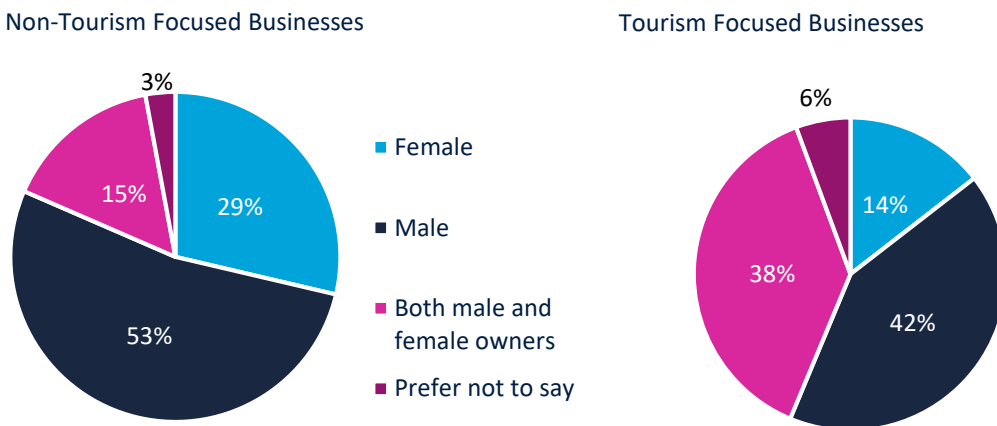
Overall, large businesses of all types employ about the same percentage of women on a full-time basis — 39 percent for tourism businesses and 40 percent for non-tourism businesses. However, non-tourism MSMEs on average employ more women on a full-time basis than MSMEs that primarily service tourism — 44 percent and 37 percent respectively. Part-time employees are overwhelmingly male for all business types and sizes, with the tourism sector employing slightly more women in part-time roles compared with non-tourism businesses.

Figures 27 and 28. Full-time and part-time employees covered in the survey



Non-tourism businesses have a higher rate of female-only ownership (29 percent) than tourism focused businesses (15 percent). However, tourism businesses have a much higher percent of joint ownership by both male and female owners (38 percent) than non-tourism businesses (16 percent), likely due to joint ownership by married couples in tourism MSMEs.

Figures 29 and 30. Gender of business owners for non-tourism and tourism businesses*



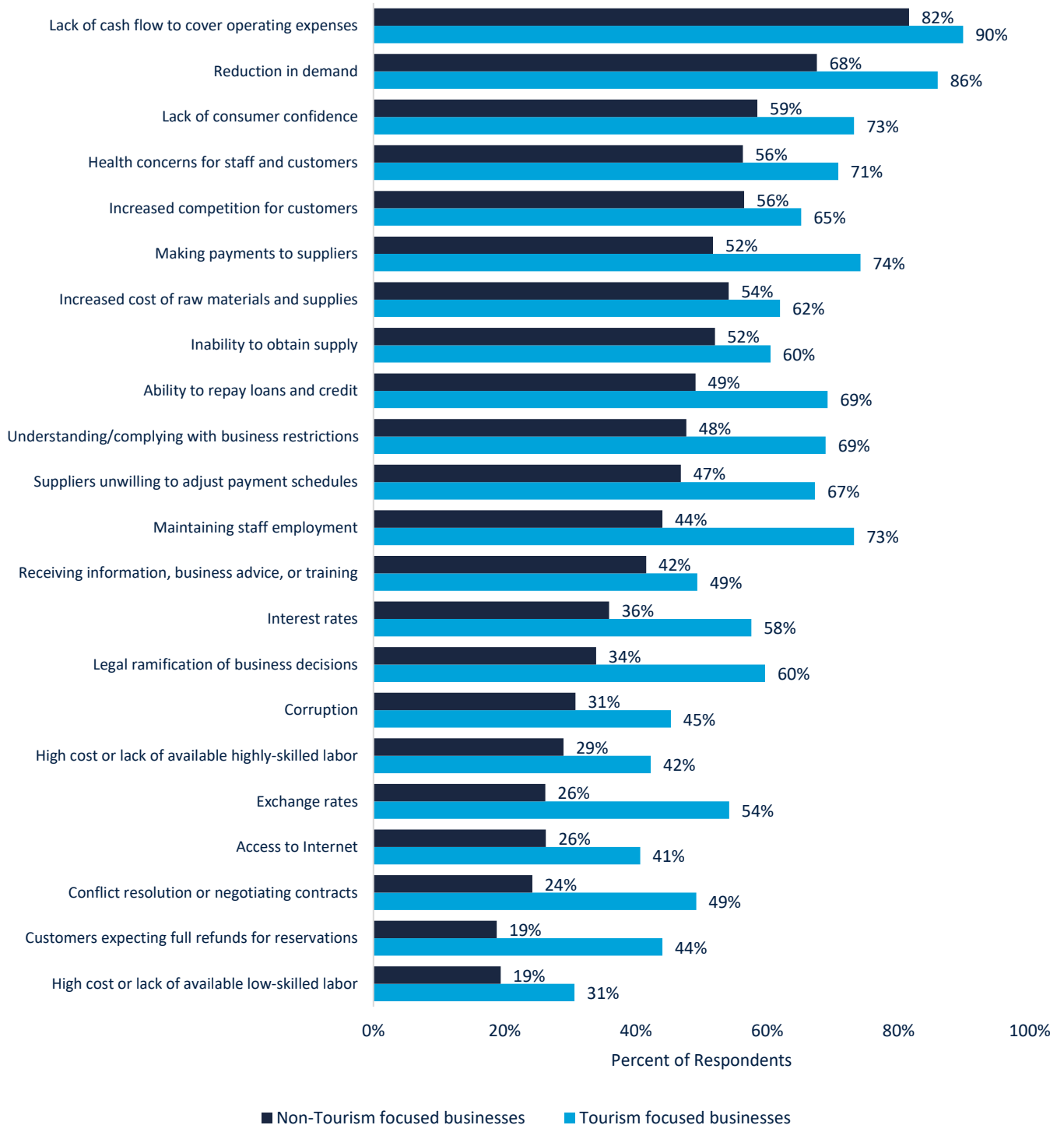
* Due to rounding, both pie charts sum to more than 100.

Supplemental Information

Respondent's stated concerns

The respondent's noted a wide range of concerns arising due to COVID-19. It is striking that tourism focused businesses are consistently more concerned about their future prospects than non-tourism businesses across all measures included in the survey.

Figure 31. Concerns of respondents (percent very concerned or concerned)



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Creating Markets, Creating Opportunities