



ASIA SMALL AND MEDIUM-SIZED ENTERPRISE MONITOR 2023

HOW SMALL FIRMS CAN CONTRIBUTE TO RESILIENT
GROWTH IN THE PACIFIC POST COVID-19 PANDEMIC

OCTOBER 2023

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Foreword

Developing Asia has continued to recover from the global coronavirus disease (COVID-19) pandemic, with growth returning at varying speeds across countries and regions. Several downside risks have intensified. High interest rates could threaten financial stability in some countries. Falling global food prices may have dampened inflation, but the effects of El Niño and continued food supply disruptions from the Russian invasion of Ukraine and export controls by some countries are creating concerns over food security.

Micro, small, and medium-sized enterprises (MSMEs) remain important drivers of growth across developing Asia and the Pacific. Given continued global uncertainty from geopolitics to evolving supply chains, it is critical to prioritize MSME development to ensure its domestic contribution to sustainable growth is strengthened.

This year's edition of the Asia Small and Medium-Sized Enterprise Monitor (ASM) focuses on the Pacific. The Pacific economies continue recovering from the pandemic, backed by a strong rebound in tourism. From a 1.3% contraction in 2021, gross domestic product in the region grew by a robust 6.1% in 2022. Growth is expected to slow to 3.5% in 2023 partly due to domestic labor shortages as emigration from Fiji and Samoa, for example, to advanced countries like Australia and New Zealand continue under special visa programs, and global export prices for raw materials from countries like Papua New Guinea decline. One positive response to the COVID-19 pandemic is that it contributed to the acceleration of the digital transformation across businesses nationally, regionally, and globally.

There were definitely challenges in collecting data on MSMEs—they remain limited or nonexistent in many countries. For example, the region lacks standard MSME definitions and more data collection is needed. Registering informal MSMEs would be a good starting point. Building a regularly updated MSME database is an important step toward designing better evidence-based policies. After much discussion with the Asian Development Bank (ADB) Pacific Department and field missions in the Pacific in March 2023, we chose to focus on three economies with usable data and national MSME development programs—Fiji, Papua New Guinea, and Samoa. Since 2020, the ASM has covered 25 ADB developing member countries from Southeast Asia, South Asia, Central and West Asia, and the Pacific to analyze MSME development and access to finance.

MSME development and financial inclusion are also central to creating more inclusive and resilient economic growth across developing Asia and the Pacific. Given the urgency of managing climate change and promoting green growth, governments in the region face the prospect of a new growth model that expands and maximizes use of untapped domestic resources—such as women, youth, and MSMEs—to build resiliency against unexpected shocks.

We hope you enjoy this fourth issue of our annual ASM series.



Albert Park

Chief Economist and Director General
Economic Research and Development Impact Department
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Shigehiro Shinozaki wrote the Highlights; Regional Review; Country Chapters for Fiji, Papua New Guinea, and Samoa; Rationale and Methodology; and Introduction and Conclusion of the Theme Chapter with concept design.

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Data Contributors in Participating ADB Developing Member Countries

Pacific

Country	Data Contributors
Fiji	BSP Financial Group Limited; Fiji Bureau of Statistics; Fiji Revenue Customs Service; Investment Fiji; Ministry of Tourism and Civil Aviation; MSME Fiji under the Ministry of Trade, Cooperatives and SMEs and Communications; Reserve Bank of Fiji; South Pacific Stock Exchange
Papua New Guinea	Bank of the Papua New Guinea, Caltep Holdings, Inc. (c/o Chris Tep), Tourism Promotions Authority, Department of Commerce and Industry, Small and Medium Enterprise (SME) Corporation, Investment Promotions Authority, National Research Institute, Center for Excellence in Financial Inclusion, Department of Agriculture and Livestock, National Development Bank, National Statistics Office, Women's Micro Bank, PNG Exchange
Samoa	Central Bank of Samoa; Development Bank of Samoa; Ministry for Customs and Revenues; Ministry of Agriculture and Fisheries; Ministry of Communications and Information Technology; Ministry of Finance; Samoa Association of Manufacturers and Exporters Samoa; Bureau of Statistics; Samoa Business Hub; Samoa Chamber of Commerce; Samoa Tourism Authority

Central and West Asia (Updates)

Country	Data Contributors
Armenia	Armenia Securities Exchange; Central Bank of Armenia; Ministry of Economy; Ministry of Finance; Statistical Committee of the Republic of Armenia
Azerbaijan	Agrarian Credit and Development Agency under the Ministry of Agriculture; Azerbaijan Credit Bureau LLC; Baku Stock Exchange Closed Joint-Stock Company; Central Bank of the Republic of Azerbaijan; National Depository Center of the Republic of Azerbaijan; Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan; Small and Medium Business Development Agency under the Ministry of Economy of the Republic of Azerbaijan; State Statistical Committee of the Republic of Azerbaijan

Georgia	Enterprise Georgia; Georgian Stock Exchange; Ministry of Economy and Sustainable Development; Ministry of Environmental Protection and Agriculture; Ministry of Finance of Georgia; National Bank of Georgia; National Statistics Office of Georgia; Revenue Service of Georgia
Kazakhstan	Agency for Regulation and Development of the Financial Market; Association of Credit Unions; Bureau of National Statistics under Agency on Strategic Planning and Reforms of the Republic of Kazakhstan; “DAMU” Entrepreneurship Development Fund; Kazakhstan Stock Exchange; Ministry of National Economy; National Bank of Kazakhstan; National Chamber of Entrepreneurs
Kyrgyz Republic	Development and Investment Agency; Kyrgyz Stock Exchange; Ministry of Economy and Commerce; Ministry of Finance; Ministry of Foreign Affairs; National Bank of the Kyrgyz Republic; National Statistic Committee of the Kyrgyz Republic; State Service for Regulation and Supervision of the Financial Market under the Ministry of Economy and Commerce
Tajikistan	Agency for the Development of Securities and Specialized Registration under the Ministry of Finance; Agency on Statistics under President of the Republic of Tajikistan; Association of Microfinance Organizations of Tajikistan; Central Asian Stock Exchange; Entrepreneurship Support Fund of Tajikistan/SUE Sanoatsodirotbank; Ministry of Economic Development and Trade of the Republic of Tajikistan; Ministry of Finance of the Republic of Tajikistan; National Bank of Tajikistan; State Committee on Investment and State Property Management of Tajikistan; The National Association of Small and Medium Businesses of the Republic of Tajikistan; The State Enterprise Business- Incubator Tajikistan
Uzbekistan	Agrobank of Uzbekistan; Central Bank of Uzbekistan; Microcredit Bank of Uzbekistan; Ministry for the Development of Information Technologies and Communications; Ministry of Agriculture; Ministry of Economic Development and Poverty Reduction; Ministry of Innovative Development; Ministry of Investments and Foreign Trade; Ministry of Finance; Ministry of Justice; Ministry of Labor; Republican Stock Exchange (Toshkent); State Committee on Statistics of Uzbekistan

South Asia (Updates)

Country	Data Contributors
Bangladesh	Bangladesh Bank; Bangladesh Securities and Exchange Commission; Chittagong Stock Exchange; Dhaka Stock Exchange
India	Bombay Stock Exchange; National Stock Exchange; Reserve Bank of India; Small Industries Development Bank of India; Department of Commerce, Ministry of Statistics and Program Implementation; Securities and Exchange Board of India
Nepal	Central Bureau of Statistics; Credit and Information Bureau, Deposit and Credit Guarantee Fund; Ministry of Finance; Ministry of Industries Commerce and Supplies; Nepal Rastra Bank; Nepal Stock Exchange; Securities Board of Nepal; Nepal Stock Exchange

Pakistan	Federal Board of Revenue; Ministry of Industries and Production; Pakistan Bureau of Statistics; Pakistan Stock Exchange; Securities and Exchange Commission of Pakistan; Small and Medium Enterprise Development Authority; State Bank of Pakistan
Sri Lanka	Central Bank of Sri Lanka; Colombo Stock Exchange; Department of Census and Statistics; Ministry of Finance; Ministry of Industries and Commerce; National Enterprise Development Authority; Securities and Exchange Commission of Sri Lanka

Southeast Asia (Updates)

Country	Data Contributors
Brunei Darussalam	Brunei Darussalam Central Bank; Department of Economic Planning and Statistics; Darussalam Enterprise; Ministry of Energy, Manpower, and Industry; Ministry of Finance and Economy
Cambodia	Cambodia Securities Exchange; Ministry of Economy and Finance; National Bank of Cambodia; Securities and Exchange Regulator of Cambodia
Indonesia	Bank Indonesia; Coordinating Ministry for Economic Affairs; Indonesia Stock Exchange; Otoritas Jasa Keuangan
Lao People's Democratic Republic (Lao PDR)	Bank of the Lao PDR; Lao Securities Commission Office; Lao Securities Exchange; Lao Statistics Bureau; Ministry of Industry and Commerce - Department of SME Promotions; Department of Industry and Handicraft
Malaysia	Bank Negara Malaysia; Bursa Malaysia; Credit Guarantee Corporation; Department of Statistics Malaysia; Malaysia Digital Economy Corporation; Ministry of Entrepreneur and Cooperatives Development; Securities Commission Malaysia; SME Corporation Malaysia
Philippines	Bangko Sentral ng Pilipinas; Cooperative Development Authority; Philippine Guarantee Corporation; Philippine Statistics Authority; Philippine Stock Exchange Inc.; Securities and Exchange Commission
Singapore	Enterprise Singapore; Singapore Department of Statistics; Ministry of Trade and Industry; Monetary Authority of Singapore; Singapore Exchange
Thailand	Office of Small and Medium Enterprises Promotion; National Statistical Office; Bank of Thailand; Securities and Exchange Commission; The Stock Exchange of Thailand; Thai Credit Guarantee Corporation; The Fiscal Policy Office - Ministry of Finance
Viet Nam	Agency for Business Registration—Ministry of Planning and Investment; Agency for Enterprise Development—Ministry of Planning and Investment; General Statistics Office of Vietnam; Hanoi Stock Exchange; Ho Chi Minh Stock Exchange; Ministry of Finance; State Bank of Vietnam; State Securities Commission of Viet Nam

Abbreviations

ADB	–	Asian Development Bank
APTC	–	Australia Pacific Training Coalition
ASM	–	Asian Small and Medium-Sized Enterprise Monitor
AVCF	–	agriculture value chain finance
ATS	–	Automated Transfer System (Samoa)
BSP	–	Bank South Pacific (Papua New Guinea)
CAGR	–	compound annual growth rate
CGD	–	Centre for Global Development
CIRA	–	Credit Information Reporting Agency (Fiji)
CDB	–	Credit and Data Bureau (Papua New Guinea)
CEFI	–	Center for Financial Inclusion (Papua New Guinea)
CGC	–	Credit Guarantee Corporation (Papua New Guinea)
COVID-19	–	coronavirus disease
DAL	–	Department of Agriculture and Livestock (Papua New Guinea)
DBS	–	Development Bank of Samoa (Samoa)
DES	–	digital entrepreneurship systems
DMC	–	developing member country
EU	–	European Union
FCEF	–	Fiji Commerce and Employers Federation
FCCI	–	Fiji Chamber of Commerce and Industry
FDB	–	Fiji Development Bank
FSM	–	Federated States of Micronesia
FY	–	fiscal year
GDP	–	gross domestic product
GIDES	–	Global Index of Digital Entrepreneurial Systems
GSP	–	Global Skill Partnerships
GVA	–	gross value added
ICT	–	information and communication technology
IFC	–	International Finance Corporation
IPA	–	Investment Promotion Authority (Papua New Guinea)
MFI	–	microfinance institution
MSME	–	micro, small, and medium-sized enterprise
MTCsME	–	Ministry of Trade, Co-operatives, Small and Medium Enterprises (Fiji)
NBFI	–	nonbank finance institution
NFIS	–	national financial inclusion strategy
NPL	–	nonperforming loan
PALM	–	Pacific Labor Mobility (Australia)
PNG	–	Papua New Guinea
PRC	–	People's Republic of China
PSDI	–	Private Sector Development Initiative
PTI	–	Pacific Trade Invest (Australia)

REPS	–	Retail Electronic Payment System (Papua New Guinea)
RSE	–	Recognized Seasonal Employer (New Zealand)
RTA	–	regional trade agreement
SBH	–	Samoa Business Hub (Samoa)
SIDS	–	small island developing states
SME	–	small and medium-sized enterprise
TPA	–	Tourism Promotion Authority (Papua New Guinea)
UNCTAD	–	United Nations Conference on Trade and Development
US	–	United States
VAT	–	value-added tax
WIB	–	Women In Business (Fiji)
WTO	–	World Trade Organization

Highlights

Micro, small, and medium-sized enterprises (MSMEs) helped spur the economic recovery from the pandemic across developing Asia and the Pacific. A country's sustainable economic expansion depends on the resilient growth of formal small businesses.

Developing Asia has continued to recover from the coronavirus disease (COVID-19) pandemic. The pace of growth, however, differed by region as they faced downside risks such as high interest rates and the effects of El Niño on food security, along with continued inflation, currency depreciations, and global supply chain disruptions caused by the Russian invasion of Ukraine. MSMEs are key growth drivers in developing Asia and the Pacific. Based on available data from 24 developing member countries (DMCs) of the Asian Development Bank (ADB) through 2022, MSMEs accounted for an average 96.6% of all enterprises, 55.8% of the workforce, and 28.0% of a country's economic output. Given continuing global uncertainty, it is critical to help MSMEs to boost their productivity to create more inclusive, resilient national growth. In the Pacific, informal businesses are spread out across countries. MSME policies in Fiji and Papua New Guinea, for example, are working to register informal businesses as a policy priority.

Job creation is a critical challenge for Asia and the Pacific. In the Pacific, a labor shortage accelerated by emigration to advanced economies can be filled by untapped domestic resources—such as women, youth, and MSMEs.

Creating new jobs for workers in formal, registered businesses is critical to strengthen domestic labor markets in the Pacific. For Fiji and Samoa, emigration to Australia and New Zealand has created a serious labor shortage in domestic markets. Labor mobility programs in Australia (Pacific Labor Mobility scheme) and New Zealand (Recognized Seasonal Employer program) have accelerated the “brain drain” from Fiji and Samoa as workers seek higher salaries and wages. A continued labor shortage may affect a country's ability to accommodate tourist demand and lower service quality across the industry, which can seriously impact domestic MSME operations. It is critical to make the best use of untapped resources—women, youth, and MSMEs—to help reduce labor shortages and strengthen MSME dynamism in Pacific DMCs.

Low business diversification limits a country's growth potential, highlighting the need for more innovative and globalized small firms, startups, and entrepreneurships in developing Pacific economies.

Most MSMEs in developing Asia and the Pacific operate within limited domestic markets, while those in global markets or exporters remain limited in number. Innovative and globalized small firms, startups, and entrepreneurships have yet to develop in the Pacific economies examined. High fuel and transportation costs are critical barriers to international trade in the Pacific, which makes it difficult for MSMEs to join global markets. Continued high inflation and supply chain disruptions from the ongoing Russian invasion of Ukraine have also impeded export growth in the region. However, some MSME exporters interviewed in Fiji cite one success factor to survive and growth during the pandemic—proactive investments in developing products and services that met new pandemic demand using appropriate pricing and by developing new business partnerships. Encouraging more women and youth participation in business helps entrepreneurial development. Successful women entrepreneurs and women-led MSMEs are prevalent in Papua New Guinea, supported by a women-focused bank to improve access to finance and to develop their businesses through customized training programs.

Tourism and agribusiness—where MSMEs actively participate—drive Pacific economies; their sustainable growth helps strengthen MSME dynamism and raises national productivity.

MSMEs in the Pacific economies analyzed mainly work in services—wholesale and retail trade, transportation, and other services (including accommodation and food services and hospitality services), with many engaged in tourism. Thus, growth in tourism demand affects the growth of MSMEs in the region either directly or indirectly. COVID-19 impact assessment surveys conducted in the Pacific showed that the pandemic and associated mobility restrictions like border closures hit tourism and MSMEs hardest, with many forced to close business. The tourism rebound post pandemic certainly benefited the region's MSMEs, but sustainable growth needs to overcome several downside risks. Agribusiness—including fisheries, livestock, and agriproduct exporters—also help drive Pacific economies. However underdeveloped infrastructure—such as storage, power, transport, and information and communication technology (ICT)—funding for boosting productivity, and branding for local products in the region remain barriers to agribusiness growth. To counter this, for example, ADB and the Government of Samoa jointly supported an agribusiness development project, which created several small yet growing agribusinesses. Business productivity can be boosted with the help of intensive government support that prioritizes sectors such as sustainable tourism and agribusiness development.

Digitalization offers new growth opportunities for MSMEs and promotes formal business registration; the pandemic somewhat encouraged MSMEs to digitalize operations, but many in the Pacific continue to use cash for transactions.

Digitalization—the use of computers, digital devices, the internet, and online platforms or e-commerce—helps create new businesses, improves a firm’s internal control systems, and contributes to economic diversification. It also will help encourage informal businesses to register formally as proof of business identity and to avail of government support. People’s access to digital devices and the internet has improved gradually, but remains limited in the Pacific. The pandemic somewhat encouraged firms to digitalize, but many continue to favor cash transactions, for example. Key constraints include underdeveloped ICT infrastructure (expensive, low broadband internet connections in rural areas), limited e-payment options, a lack of supportive regulatory frameworks, and MSME unfamiliarity with digital devices or limited literacy in digital operations. Digital infrastructure development is a policy priority in Fiji, Papua New Guinea, and Samoa; all have taken steps to promote a digital economy, introducing digital ID systems that facilitate online government services and support national IT development.

The pandemic boosted commercial bank lending to MSMEs, supported by government financial assistance across developing Asia and the Pacific; nonbank and market-based finance has yet to supplement bank credit markets in the region.

Limited access to formal financial services not only impedes business growth, but also encourages the informal economy and informal financial services. Based on available data through 2022, bank lending to MSMEs averaged 10.6% of a country’s gross domestic product (GDP) and 22.0% of total bank lending in developing Asia and the Pacific. The pandemic boosted commercial bank lending to MSMEs as they needed working capital to survive and governments provided financial assistance. MSME credit market performance is mixed in the Pacific economies studied. State development banks supplement MSME financing through subsidized loans.

The nonbank finance industry also remains small in developing Asia and the Pacific. Based on available data through 2022, financing by nonbank finance institutions (NBFIs) accounted for an average 3.4% of a country’s GDP, equivalent to 7.7% of total bank lending. NBFIs include microfinance institutions, credit unions/cooperatives, and finance companies in the Pacific economies examined. During the pandemic, NBFIs offered alternative financing options for MSMEs to raise working capital to survive, but lending growth decelerated because of high nonperforming financing post pandemic (Papua New Guinea). Capital markets in the Pacific also remain underdeveloped with no dedicated MSME equity markets in the region.

Broadening alternative financing options—particularly digital financial services—provide growth capital for innovative small firms and startups, helping build a national entrepreneurial base.

Developing alternative financing options for growth-oriented MSMEs is critical for developing nonbank and market-based financing and digital finance platforms. Better access to trade finance encourages MSMEs to participate in international markets. Agricultural value chain finance enables financial institutions to reach out to farmers (smallholders) more effectively by obtaining borrower data from buyers/aggregators. Digital financial services can provide fast and low-cost financing to help fill the need for working and growth capital of seed companies, startups, women and young entrepreneurs, tourism-related businesses, and innovative and growth-oriented MSMEs. In the Pacific economies examined, public financing—subsidized loans through state development banks and designated commercial banks—helped MSMEs survive the pandemic, and serviced priority segments such as agriculture, tourism, youth, and women, increasing MSME lending since 2020. However, finance sector development should be balanced with government interventions to avoid market distortions. It should also include development of the nonbank finance industry and capital markets. An appropriate mid- to long-term nonbank finance strategy should be established for Pacific economies.

The lack of key indicators makes it difficult to promote evidence-based policy design for MSME development in developing Asia and the Pacific. MSME data infrastructure is just starting to be developed in the Pacific.

Compared with other Asian regions, data infrastructure in Pacific economies remains in its infancy. Comprehensive MSME data are not available in the Pacific, creating a bottleneck to promoting evidence-based MSME policymaking in the region. While private credit bureaus exist in some countries, centrally coordinated credit bureaus and collateral registry systems have yet to be established—a barrier for financial institutions to provide more credit to MSMEs. In the Pacific, it is crucial to establish a regularly updated MSME landscape database as well as develop a credit risk database to help governments design better national MSME development strategies and facilitate access to more formal financial services.

Regional Review: Pacific

Summary

Since 2020, the Asia Small and Medium-Sized Enterprise Monitor (ASM) has covered 25 developing member countries (DMCs) of the Asian Development Bank (ADB)—10 countries from Southeast Asia, 5 from South Asia, 7 from Central and West Asia, and 3 from the Pacific—to analyze micro, small, and medium-sized enterprise (MSME) development and, in particular, their access to finance.¹

This year's focus on the Pacific faced several challenges as available data on MSMEs remains limited, or in many cases, nonexistent. Intensive discussions with ADB's Pacific Department and visits to the Pacific through March 2023 led our team to focus on the three economies that had national MSME development policies and usable data—Fiji, Papua New Guinea (PNG), and Samoa. Due to the limited number of countries, this Regional Review focuses primarily on comparing these Pacific economies with generic and regional indicators (the DMC average along with those from Southeast, South, and West and Central Asia).² MSME classifications refer to individual national definitions. The Small and Medium-Sized Enterprise Development Index (SME-DI) does not cover the Pacific due to insufficient data for the estimate.

Developing Asia continues to recover from the coronavirus disease (COVID-19) pandemic, although economic growth differs by region and downside risks remain—such as high inflation, currency depreciation, and global supply chain disruptions from the Russian invasion of Ukraine (especially in Central Asia). Southeast Asia grew by 5.6% in 2022 due in part to a revival in tourism, especially from the People's Republic of China (PRC). But growth is forecast to drop to 4.6% in 2023 due to continued weak exports.³ South Asia's growth will likely decelerate from 6.7% in 2022 to 5.4% in 2023, as financial problems in Pakistan and Sri Lanka counter strong investment and consumption elsewhere. Central and West Asia's growth continued to decline from 5.1% in 2022 to a forecast 4.6% in 2023 given the continued impact from the Russian invasion of Ukraine. In the Pacific, economies rebounded sharply from the pandemic, backed by a strong recovery in tourism—from a 1.3% contraction in 2021 to 6.1% growth in 2022. However, growth is forecast to slow to 3.5% in 2023 mainly due to a labor shortage (emigration from Fiji and Samoa) and projected lower global prices for exports (especially for resource-rich PNG).

MSMEs drive much of the growth across developing Asia. Given continuing global economic uncertainty, it is critical to maintain a vibrant MSME sector to ensure their productivity continues to rise and contribute toward creating inclusive and resilient growth nationally. Based on available data in participating DMCs through 2022, MSMEs

¹ Southeast Asia—Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar (updates suspended temporarily after 2020), the Philippines, Singapore, Thailand, and Viet Nam; South Asia—Bangladesh, India, Nepal, Pakistan, and Sri Lanka; From Central and West Asia—Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan; the Pacific—Fiji, Papua New Guinea (PNG), and Samoa.

² The database updates MSME data for 24 countries—Myanmar was excluded after 2020. Effective 1 February 2021, ADB placed a temporary hold on sovereign project disbursements and new contracts in Myanmar.

³ ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

accounted for an average 96.6% of all enterprises, 55.8% of the workforce, and 28.0% of a country's economic output whether in gross domestic product (GDP) or gross value added (GVA)—indicators for Fiji were below the Asia and Pacific average, accounting for 82.4% of all enterprises, 28.3% of the workforce, and 6.3% of GVA in 2020 (latest available data). There is no comprehensive MSME data available in PNG; but its SME Policy 2016 indicated a 17.3% MSME contribution to GDP, far below the regional average. For Samoa, only the number of MSMEs are available—96.6% of total enterprises—the same as the average across the region.

Data for Pacific economies may underestimate MSMEs as informal, unregistered firms are not included. Informal businesses are prolific—more than 85% of PNG firms are unregistered—with their output not included in national statistics. An important MSME policy priority (Fiji and PNG) is to register these informal businesses by offering incentives such as access to government assistance. As in other regions, most Pacific MSMEs are in services—wholesale and retail trade; transportation; and other services like accommodation, food, and other hospitality services; with many directly or indirectly supporting tourism. COVID-19 impact surveys in the Pacific show that mobility restrictions—particularly border closures—decimated tourism and thus hit MSMEs hardest, forcing many to close their business. The post-pandemic rebound has been mostly V-shaped, benefiting MSMEs. However, several downside risks continue to block sustained growth—for example, PNG needs to diversify beyond resource-driven growth.

Job creation—increasing those working in formal businesses—is a critical challenge. Informal workers receive no government assistance after natural disasters such as cyclones or epidemics like measles or COVID-19. For Fiji and Samoa, emigration to Australia and New Zealand created a serious domestic labor shortage. Labor mobility programs—the Pacific Australia Labor Mobility (PALM) scheme and New Zealand's Recognized Seasonal Employer (RSE) policy has created a “brain drain” from Fiji and Samoa as workers flock overseas for higher wages. These labor shortages affect tourist-related firms and can lower service quality, seriously affecting domestic MSMEs. It is critical to tap potential workers such as women and youth to fill job vacancies to strengthen MSME dynamism of in the Pacific.

Most MSMEs in the Pacific operate domestically, with very few known in foreign markets or as exporters. High fuel and transportation costs remain barriers to international trade, making it difficult for MSMEs to join global markets. High inflation and continued supply chain disruptions brought on by the ongoing Russian invasion of Ukraine have impeded MSMEs' desire to export. Nonetheless, several MSMEs—for example, in Fiji—were able to tap new markets during the pandemic by adapting to new market demand by developing appropriate pricing strategies and building business partnerships.

Agribusiness—including fisheries, livestock, and agriproduct exporters—underpin most Pacific economies. However, it remains underdeveloped due to a lack of infrastructure—such as storage, power, transport, and information and communication technology (ICT)—finance to raise production, and branding strategies. More needs to be done, such as ADB and the Government of Samoa joining on a project to support agribusiness development in the country.

Women and youth are important for MSME development. Successful women entrepreneurs and women-led MSMEs operate in PNG, for example, supported by a women-focused bank to improve access to finance and develop new businesses through customized training programs.

Digitalizing operations—using computers, digital devices, the internet, and online platforms or e-commerce—offers new growth opportunities for firms, including MSMEs, and is expected to help economic diversification in the Pacific. Access to digital devices and internet use has improved gradually but remains limited in Pacific economies. To some extent the COVID-19 pandemic encouraged businesses to digitalize. However, MSMEs have yet to embrace the

technology, as cash remains the standard. Constraints include underdeveloped ICT infrastructure (low broadband access at high cost in rural areas), limited e-payment solutions, a lack of supportive regulatory frameworks, and MSME owners unfamiliar with digital devices and scant digital (finance) literacy. Digital infrastructure development is a policy priority in the Pacific. Fiji, PNG, and Samoa have all taken steps to promote a digital economy, introducing digital ID systems, creating online government services, and developing information technology nationally.

Autonomous business communities—chambers of commerce and MSME associations—play a critical role in supporting MSMEs through customized capacity development programs for members, strengthening business networking for better market access, and advocacy with government to help MSME policymaking.

Access to finance is the biggest concern for growth-oriented MSMEs. Limited access to formal financial services not only impedes business growth but also encourages informal financial services and economies. Based on available data through 2022, bank lending to MSMEs averaged 10.6% of GDP and 22.0% of total bank lending. The COVID-19 pandemic boosted commercial bank lending to MSMEs in the Pacific economies studied, particularly to fund the working capital needed to survive and to disperse government financial assistance. MSME credit market performance showed mixed results.

In Fiji, commercial bank lending to MSMEs remains small. In 2022, MSME loans outstanding equaled 7.7% of GDP and 10.9% of all commercial bank lending; both below the Asia and Pacific average. However, a state development bank helped narrow the MSME credit supply gap to some extent by providing subsidized loans. In PNG, commercial bank loans to MSMEs accounted for 7.1% of GDP in 2022, below the regional average but above the average as share of total commercial lending (35.2%). A PNG state development bank also supplemented MSME financing through subsidized loans. In Samoa, commercial bank loans to MSMEs increased sharply both during and after the COVID-19 pandemic due to government financial assistance to affected MSMEs. In 2021, MSME lending equaled 23.7% of GDP and 43.7% of commercial bank lending; both above the regional average. Samoa's state development bank—despite capital injections from the government since 2020—also provides concessional loans to MSMEs and vulnerable groups. But loans to MSMEs continued to decline due to relatively high nonperforming loans (NPLs). Several MSME loan applications were ineligible due to insufficient collateral and unclear business information, so many likely went to commercial banks to raise working capital during the pandemic.

Credit guarantees are critical for mitigating MSME credit risk. They are used as emergency assistance to finance those facing unexpected events like natural disasters or pandemics. In PNG, a special credit guarantee corporation was created in 2022 to help more MSMEs access finance. The Samoa Business Hub—a private sector initiative that supports MSMEs—offers 80%-100% guarantees covering business loans provided by designated banks. Guaranteed loans to MSMEs increased steadily in Samoa. There is no independent credit guarantee corporation operating in Fiji, but the central bank offers a credit guarantee facility to MSMEs, which helped them access finance during the pandemic.

Nonbank finance institutions (NBFIs) do not yet significantly supplement bank credit across Asia and the Pacific. They include microfinance institutions (MFIs), credit unions/cooperatives, and finance companies. Based on available data from DMCs through 2022, NBFI financing accounted for an average 3.4% of a country's GDP and 7.7% of total bank lending. Available NBFI data in Pacific economies show it remains small, but it only covers regulated NBFIs or those monitored by central banks. There remain many unregulated informal NBFIs operating in these countries, meaning the actual market size is likely larger than statistics indicate. They do not specially target MSMEs for financing, but during the pandemic they provided alternative financing options for MSMEs to raise working capital to survive. In PNG, NBFI lending has improved gradually, in 2022 accounting for 1.9% of GDP and 9.5% of total bank lending. MFIs had the most loans outstanding in 2020 amid the pandemic. However, as banks strengthened MSME financing, NBFI lending decelerated post pandemic, while nonperforming financing remained

high in 2022—at 14.0% of total financing, it was higher than the 8.5% average across Asia and the Pacific. In Fiji, MFI lending increased sharply in 2020 given the strong demand for financing due to the pandemic. But it fell post pandemic, down 4.3% in 2022. There were no NBFI data for Samoa.

Capital markets in the Pacific remain underdeveloped and have yet to become a financing option for many firms. There are no dedicated MSME equity markets in the region, with Samoa having neither a capital market nor stock exchange. In developing Asia, especially Southeast Asia (such as Indonesia, Malaysia, and Thailand), work is being done to create specialized equity markets for MSMEs with simplified listing requirements, tax incentives, and/or special arrangements for professional investors. They are becoming an alternative financing venue for MSMEs, and their markets are growing. Developing nonbank and market-based financing is critical in broadening financing options beyond traditional bank credit for innovative, growth-oriented MSMEs and startups. It is thus critical for governments build an appropriate policy framework for alternative financing options, particularly nonbank and market-based financing.

The digital finance industry remains in its infancy in the Pacific. Some businesses shifted from retailing to online e-commerce due to mobility restrictions during the pandemic, but firms rarely use digital financial services. In Fiji, just 27% of adults in 2020 used mobile money while 30% accessed other digital financial services (though higher than in 2014). In PNG, the digital finance infrastructure has developed somewhat, with interoperable payment systems, mobile wallets, and mobile banking. However, usage remains low among MSMEs (17% of those surveyed make payments online due to poor digital literacy and the high cost of internet connections). In Samoa, digital finance remains small, although a national automated teller system for commercial banks was launched in 2023. Going forward, national digital finance ecosystems are needed to encourage digital finance service providers, which are included in financial inclusion strategies in the Pacific.

Data infrastructure has started to develop in the Pacific economies studied. A well-functioning credit bureau and collateral registry system are critical to mitigate individual and business financing risks, especially for MSMEs. While private credit bureaus are operating in Fiji and PNG, a centrally coordinated credit bureau system still needs to be established. In these countries, secured transactions reform was done to improve availability of loan collateral beyond immovable assets—supported by ADB’s Private Sector Development Initiative. The legal framework on collateral registry exists, but the use of pledged assets for loans remained a challenge.

MSME development and financial inclusion remain policy priorities to build inclusive, sustainable, and resilient growth across the developing economies in Asia and the Pacific. Given the global uncertainty from increased nationalism, regional political turbulence, and climate change, governments in the region should proactively consider a new growth model that makes maximum use of untapped domestic resources—such as women, youth, and MSMEs—to increase resiliency against unexpected external shocks. The COVID-19 pandemic contributed to this shift by encouraging the digital transformation nationally, regionally, and globally. It has become a top national policy priority across developing Asia and Pacific economies such as Fiji, PNG, and Samoa. Introducing national digital ID systems is one important step in creating a digital base in these countries. Streamlining government administration and services online is one initial goal, promoting ICT infrastructure, innovative businesses and entrepreneurial culture, with MSMEs at the forefront.

The Pacific economies examined here have comprehensive MSME policy frameworks, well aligned with long-term national development goals. MSME policies commonly (i) target women, youth, registering informal businesses, and sectors such as agriculture and tourism; (ii) support access to finance, markets, and information; business development and advisory services; along with job creation, skills/entrepreneurial development, and training; (iii) take policy actions to establish regulatory frameworks for small businesses; the hard and soft infrastructure needed from roads to ICT; preferential measures such as tax incentives, subsidy programs, and concessional loan schemes; and (iv) establish a central policy-coordinating body and framework for monitoring and evaluation.

A central policy coordination and implementation agency operates in Fiji (MSME Fiji) and PNG (SME Corporation), while the Ministry of Commerce, Industry, and Labor is the focal government agency for MSME development in Samoa. Standardized MSME definitions do not exist, making it difficult in a legal context. In Samoa, the national MSME definition is not widely used among line ministries, banks, and other stakeholders as each uses what fits their purpose best. A lack of reliable MSME data is a common issue. To monitor the performance of policies and promote evidence-based policy design, it is crucial to develop a regularly updated MSME database.

Financial inclusion strategies in the Pacific include national goals, such as (i) developing digital finance services and products, (ii) financial education, (iii) consumer protection, (iv) financing the underserved (youth, women, and MSMEs), and (v) financial regulatory reform and infrastructure development. In Fiji and Samoa, the central bank has the mandate to promote financial inclusion. In PNG, the Center of Excellence for Financial Inclusion (CEFI) is the central coordinating and implementing body for the national financial inclusion strategy, which was a spinoff from an ADB microfinance expansion program.

Again, collecting appropriate data to effectively monitor and evaluate policy implementation is critical for achieving national financial inclusion goals. In the Pacific economies studied, MSME bank credit data has improved but remains limited, while nonbank finance (mostly unregulated) cannot be monitored as there is no reliable NBF data. Together with MSME landscape data, more comprehensive data on MSME access to finance, including sector and geographical distribution, should be strengthened further to help design better national MSME finance policies.

Given MSMEs' current situation in the Pacific, there are seven policy implications that can help lead to more resilient, inclusive growth. Again, only three Pacific economies were analyzed due to limited MSME data.

First, **strengthen domestic labor markets** by making the best use of untapped resources such as women, youth, and MSMEs. Governments should create quality jobs and ensure there are enough skilled workers. The focus should be on mainstreaming gender and youth. More innovative, growth-oriented MSMEs and startups should be encouraged to help create new, quality jobs. Given increased emigration, national strategies on overseas workers and remittances need to be balanced—for example, adjusting regulations with quantitative indicators on the aggregate number of workers abroad and simulating national revenue from remittances. Governments could prepare incentive schemes for skilled domestic laborers—such as tax incentives, government assistance for skill development, help market access, and possible wage grants as temporary measures. In addition, a compensation mechanism could be negotiated between source and host countries, given that labor mobility programs in advanced Pacific economies likely contribute to the labor force shortage in Pacific DMCs (especially in tourism-intensive countries like Fiji and Samoa).

Second, **diversify domestic businesses and promote internationalizing MSMEs** through improved market access domestically and globally, developing business clusters that facilitate cost-efficient production, and promoting MSME exports in global markets or global value chains. Government could develop digital market information platforms for small exporters, strengthen business development and advisory services, provide training in skills development, and create a special economic zone for small exporters with possible assistance (such as tax relief).

Third, **create a national entrepreneurial base** by promoting women and young entrepreneurs, startups, rural MSMEs, and by strengthening entrepreneurial capacity development programs. This is also closely linked with diversifying domestic business.

Fourth, **encourage digitalization** by improving competitive ICT infrastructure, promoting e-commerce, broadening e-payments and digital finance solutions (new product/service development), and conducting regulatory reforms that support business digitalization (pilot programs for new technologies). This will also impact domestic business diversification and entrepreneurship development. Business digitalization will help create new firms and improve

their internal control systems (online administrative management). Encouraging or incentivizing registering informal businesses—**formalization**—is essential as it provides online proof of business identity, business records, and financial statements. The three Pacific governments studied have already taken steps to promote a digital economy. Their efforts need to move into policy action.

Fifth, **boost business productivity** through intensive support to priority sectors such as agribusiness development and sustainable tourism. This also has crosscutting impact on internationalizing MSMEs (promoting agriproduct exports with branding strategies along with key infrastructure development—ICT/transport/logistics) and quality jobs with many MSMEs supporting tourism.

Sixth, **develop alternative financing options** for viable, growth-oriented MSMEs, and boost nonbank and market-based financing and digital finance platforms. Finance is a crosscutting theme. Better access to trade finance will encourage MSMEs to join international trade. Agricultural value chain finance will enable financial institutions effectively reach out to farmers (smallholders) by obtaining borrower data from buyers/aggregators. Digital financial services can respond to the working and growth capital needs of startups, women and young entrepreneurs, tourism businesses, and innovative, growth-oriented MSMEs with fast and low-cost financing. In the Pacific economies analyzed, public financing—subsidized loans through state development banks and designated commercial banks—helped MSMEs survive during the pandemic, addressing priority segments such as agriculture, tourism, youth, and women; it has helped increase MSME lending since 2020. However, financial sector development should be balanced with government interventions to avoid market distortions. It should also include development of the nonbank finance industry and capital markets—setting an appropriate mid- to long-term nonbank finance strategy currently lacking in Pacific economies.

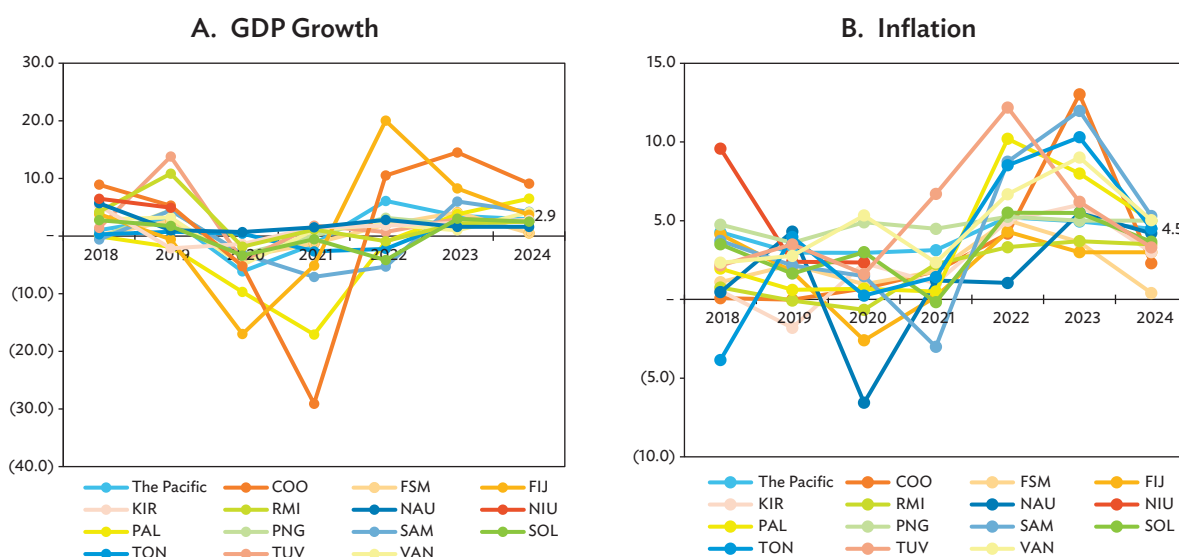
And finally, **establish regularly updated MSME landscape data**. A lack of key MSME indicators makes it difficult to promote evidence-based policy design for MSME development. ADB's Asia SME Monitor database supports this development nationally. Data infrastructure development should also cover the establishment of centrally coordinated credit bureaus and collateral registry systems (including the development of a credit risk database), which supports MSMEs in accessing formal financial services.

1. Overview of the Regional Economy

Developing Asia recovered its growth momentum following the COVID-19 pandemic, with the region's growth forecast to increase from 4.3% in 2022 to 4.7% in 2023 and 4.8% in 2024 (footnote 3). Economic growth varies by subregion. Downside risks to the forecasts have intensified. The PRC's property market could impact regional growth. High interest rates could threaten financial stability in some countries. Falling global food prices have dampened inflation, but the effects of El Niño and the continued food supply disruptions from the Russian invasion of Ukraine are creating concerns over food security. In Southeast Asia, GDP grew by 5.6% in 2022, supported by a revival in tourism and domestic demand, but growth is forecast to slow to 4.6% in 2023 as exports have weakened. In South Asia, GDP growth decelerated to 6.7% in 2022 and is forecast to grow by 5.4% in 2023, in part due to financial crises in Pakistan and Sri Lanka. In Central and West Asia, growth momentum continues to be affected by the Russian invasion of Ukraine, falling to 5.1% growth in 2022 and forecast grow by 4.6% in 2023.

In the Pacific, a strong tourism rebound post pandemic drove economic growth in tourism-intensive countries (such as Fiji)—from a 1.3% contraction in 2021 to 6.1% growth in 2022 (Figure 1.1A). However, growth is forecast to slow to 3.5% in 2023 mainly due to labor shortages exacerbated by the “brain drain” from small island countries such as Fiji and Samoa and expected lower global prices for exports affecting resource-rich PNG. Inflation in the Pacific is forecast to ease from 5.2% in 2022 to 4.9% in 2023 and further to 4.5% in 2024 (Figure 1.1B).

Figure 1.1: Economic Overview of the Pacific



Source: For GDP growth and inflation, recomposed from ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

2. MSME Development

MSMEs in Asia and the Pacific (percentage share)

	All	Southeast Asia	South Asia	Central and West Asia	Fiji	Papua New Guinea	Samoa
• Number of MSMEs to total enterprises	96.6%	98.0%	99.6%	99.2%	82.4% (2020)	n/a	96.6% (2022)
• MSME employees to total employees	55.8%	66.4%	76.6%	51.9%	28.3% (2020)	n/a	n/a
• MSME contribution to economic outputs*	28.0%	41.2%	17.7%	41.5%	6.3% (2020)	17.3% (2016)**	n/a
• MSME exports to total export value	26.3%	13.3%	37.4%	28.3%	n/a	n/a	n/a

MSME = micro, small, and medium-sized enterprise, n/a = not available.

* Based on gross domestic product for Brunei Darussalam, Indonesia, Malaysia (real), Papua New Guinea, the Philippines, Thailand, India, Nepal, Pakistan, the Kyrgyz Republic, Tajikistan, and Uzbekistan; gross value added for Bangladesh (manufacturing), Armenia, Azerbaijan, Georgia, Kazakhstan, and Fiji; nominal value added for Singapore.

** Data from SME Policy 2016 (March 2016).

Reporting countries only. Data based on the latest available data until 2022.

Scale of MSMEs

The three Pacific economies analyzed do not define MSMEs in any legally definitive way. They variously use criteria on the number of employees, asset values, and annual revenue (Table 1.1). Because there is no comprehensive MSME data in these countries, the definition should be reviewed carefully and backed by evidence. In Samoa, for instance, the national MSME definition was set using employment groups or annual income, but it is not widely used among stakeholders including line-ministries and banks as it was not derived from evidence. It is crucial to develop a regularly updated MSME database to effectively monitor the performance of policies and promote evidence-based policy design. Thus, MSME classifications here refer to country-specific definitions.

Table 1.1: MSME Definitions in Selected Pacific Economies

Country	Category	Definition						Remarks
		Employee	Asset	Revenue	Capital	By Sector	Legal Basis	
Fiji	Micro, small, and medium-sized firm		✓	✓				Defined by the Micro, Small, and Medium Enterprise Fiji Policy Framework (June 2020).
Papua New Guinea	Micro, small, and medium-sized firm	✓	✓	✓				Definition obtained from the upcoming MSME Policy 2022.
Samoa	Micro, small, and medium-sized firm	✓		✓				Defined by the Micro, Small, and Medium Enterprises Development Policy and Strategy 2020.

MSME = micro, small, and medium-sized enterprise.

Source: Compiled from Country Reviews of Asia Small and Medium-Sized Enterprise Monitor 2023.

MSMEs are a growth engine in developing Asia. Based on available data in participating DMCs through 2022, MSMEs accounted for an average 96.6% of all enterprises. In every country, MSMEs dominate private business. By region, it averaged 98.0% in Southeast Asia, 99.6% in South Asia, and 99.2% in Central and West Asia. In the Pacific, Fiji's MSMEs accounted for 82.4% of all enterprises in 2020, below the Asia and Pacific average, while Samoa's MSMEs account for 96.6%, the same as in the region's average share. Data are unavailable in PNG. The number of MSMEs have fallen in Fiji and Samoa. For 2014–2020, MSME growth in Fiji contracted by a compound annual growth rate (CAGR) of –2.3%, while Samoa contracted by 1.0% CAGR for 2017–2022 due to the pandemic impact (Figure 1.2A).

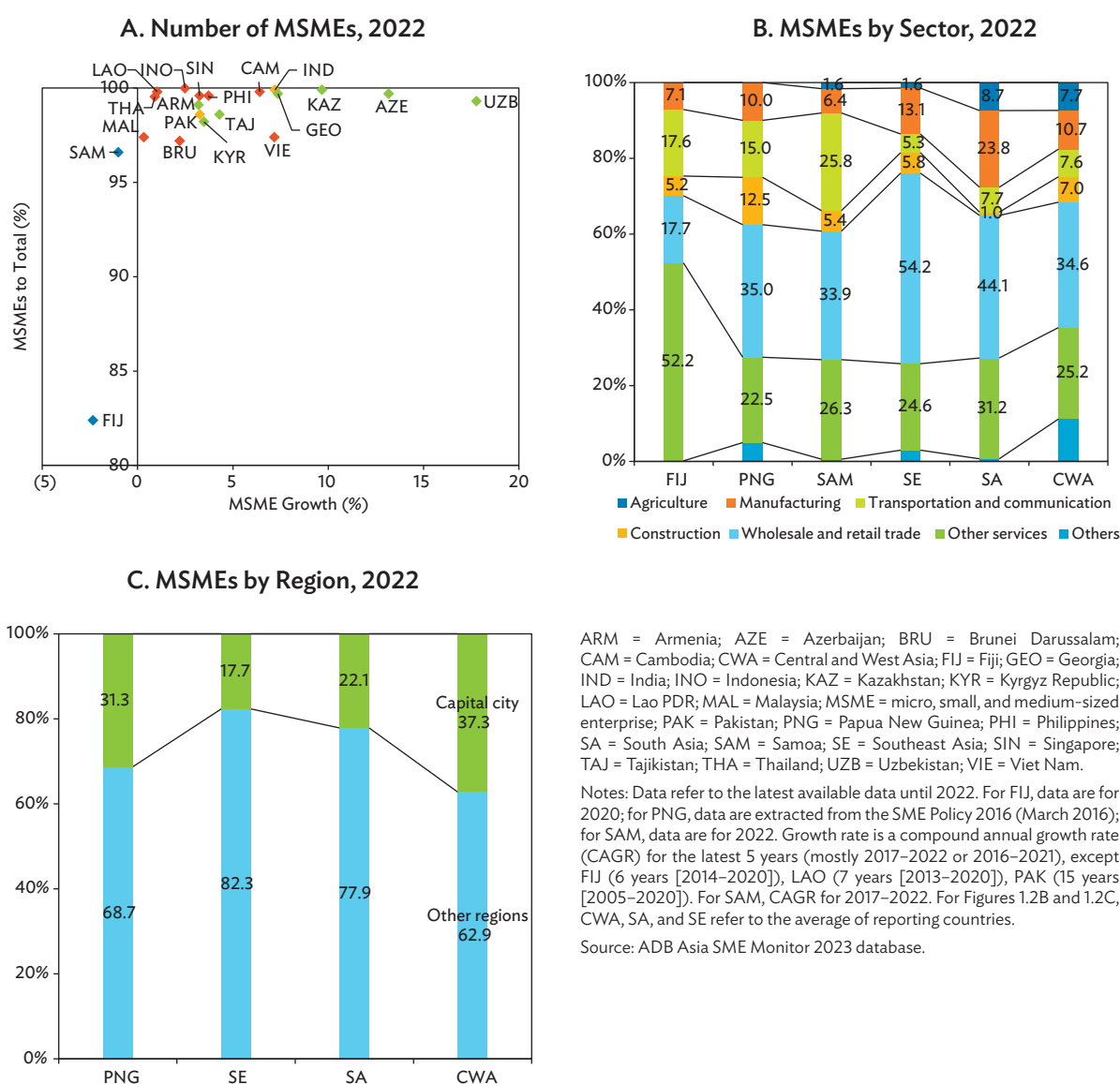
Like in other regions, most MSMEs in the Pacific are in services—wholesale and retail trade, transportation, and other services including accommodation, food, and hospitality services (Figure 1.2B). Transportation held larger shares in Fiji (17.6% in 2020), PNG (15.0% [SME Policy 2016]), and Samoa (25.8% in 2022) than in Southeast Asia (average 5.3%), South Asia (7.7%), and Central and West Asia (7.6%). Given the sectoral structure of MSMEs, many are involved in tourism in the Pacific economies studied. This suggests that tourism growth directly or indirectly affects MSME growth in the region.

The COVID-19 impact assessment surveys widely conducted in these Pacific economies show that the pandemic and associated mobility restrictions (such as border closures) hit tourism and MSMEs hardest, with many having to close their business. The tourism rebound post pandemic also benefited MSMEs in the region. To sustain growth, countries need to overcome several downside risks to the national economies. For PNG, developing the non-resource sector is also key to sustain growth.

There is no geographical distribution data, except for PNG's SME Policy 2016 which showed one-third (31.3%) of MSMEs operated in the capital, Port Moresby, while the other two-thirds (68.7%) worked in rural provinces; similar to the geographical distribution of MSMEs in other Asian regions (Figure 1.2C).

Data for the Pacific economies may be underestimated as the many unregistered—or informal—businesses are not included. In three Pacific, informal businesses dominate—for example, in PNG more than 85% of businesses are unregistered. MSME policies (Fiji and PNG) prioritize registering informal businesses as a policy priority.

Figure 1.2: Number of MSMEs



Employment

MSMEs employ a large number of workers across developing Asia. Based on available data in participating DMCs through 2022, MSMEs employed an average 55.8% of the workforce. By region, they employed an average 66.4% in Southeast Asia, 76.6% in South Asia, and 51.9% in Central and West Asia. Among the Pacific economies analyzed, only Fiji measures employment, with MSMEs employing 28.3% of the workforce in 2020, well below the regional average for Asia and the Pacific. MSME employment in Fiji contracted by 6.0% CAGR for 2014–2020 due to the pandemic impact (Figure 1.3A). The International Finance Corporation (IFC) report reported that 19% of non-tourism and 45% of tourism businesses closed their temporarily, with 32% and 35% significantly reduced staff, consistent with MSME employment conditions elsewhere.⁴

The majority of MSME employees work in services—16.8% worked in transportation and communications, 17.5% in wholesale and retail trade, and 51.8% in other services—including accommodation and food services, finance and insurance, professional services, and administrative services; there are more MSME workers in services than in other Asian regions (Figure 1.3B).

Geographical distribution data are also lacking. The ASM database has PNG data only for 2011, showing that MSME workers concentrated in the capital, Port Moresby—66% of MSME employees in 2011—with the remaining 34% in rural provinces, suggesting employment size was much smaller in rural MSMEs (Figure 1.3C).

Job creation is a critical challenge for Pacific countries. Increasing workers in formal businesses is a policy priority across the region. Informal (unregistered) workers are disadvantaged as they receive little government assistance when unexpected events such as disasters (cyclones) or epidemics (measles and COVID-19) strike. In Fiji and Samoa, emigration to Australia and New Zealand has created serious labor shortages in domestic labor markets. Labor mobility programs in Australia (PALM scheme) and New Zealand (RSE program) is accelerating emigration from Fiji and Samoa as they receive higher wages than at home. Continued labor shortages may affect the ability to meet tourist demand or lower service quality, which more seriously affects domestic MSMEs. It is critical to best use existing yet untapped resources—women and youth—to fill labor shortages and strengthen MSME dynamism. Increasing employment in rural MSMEs should also be a strategic focus of national labor market development policy.

⁴ International Finance Corporation (IFC). 2020. IFC Fiji COVID-19 Business Survey: Tourism Focus. July.

Figure 1.3: Employment by MSMEs

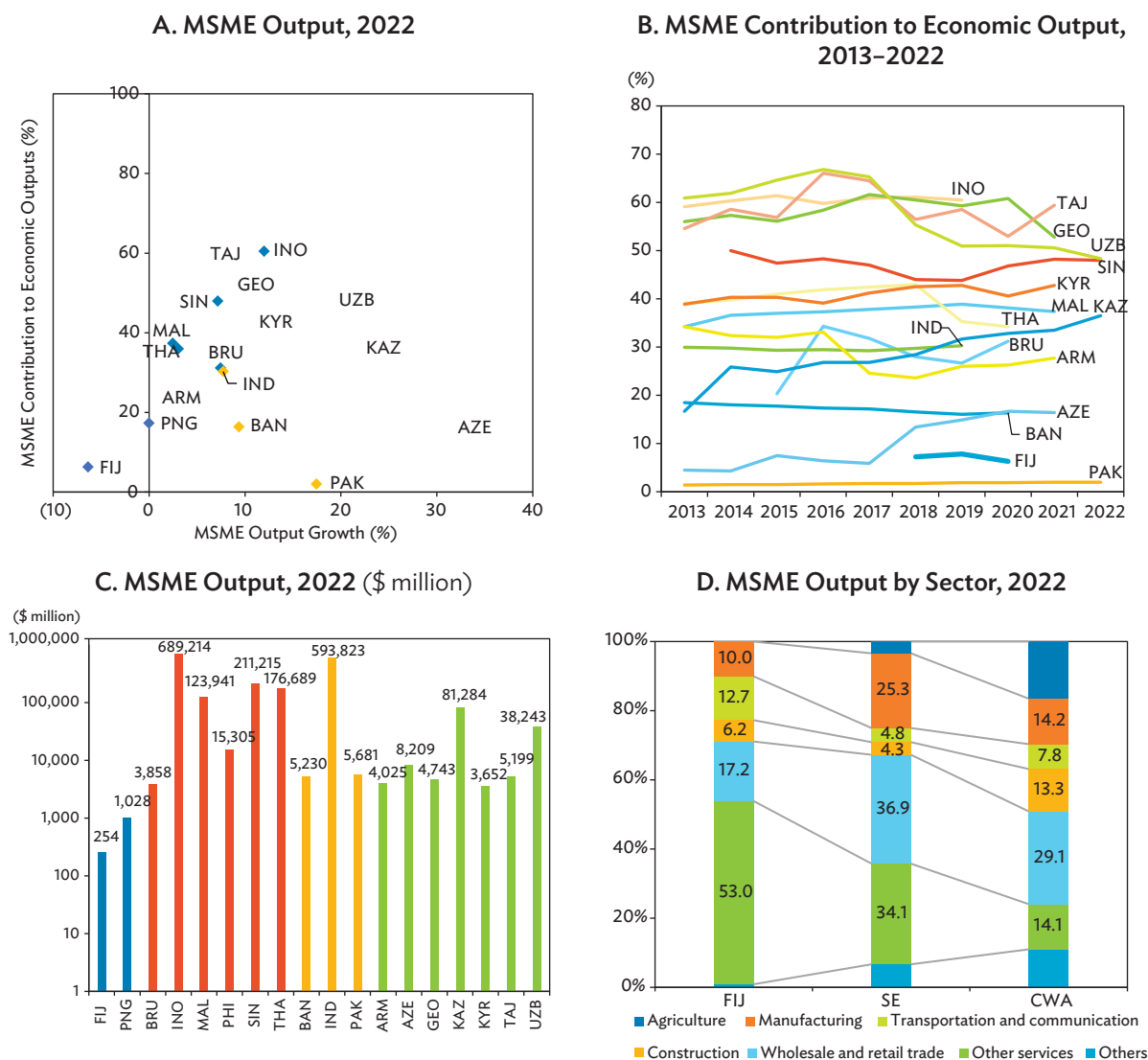


Business Productivity

As global economic uncertainty continues for a variety of reasons, it is critical that MSMEs increase productivity to contribute to nationally inclusive, resilient growth. Based on available data from participating DMCs through 2022, MSMEs contributed an average 28.0% of national economic output (whether GDP or GVA). By region, Southeast Asia MSMEs contributed an average 41.2% of output, 17.7% for South Asia, and 41.5% for Central and West Asia. In the three Pacific economies, Fiji's MSMEs contributed 6.3% of GVA in 2020, while PNG's MSMEs contributed 17.3% of GDP (data extracted from the SME Policy 2016); both remain far below the average for Asia and the Pacific (Figure 1.4A).

In Fiji, MSME output growth contracted by 6.4% CAGR for 2014–2020 due to the pandemic impact (Figure 1.4B). In US dollar terms, Fiji's MSME output (GVA) was equivalent to \$254 million in 2020, followed by PNG (\$1,028 million of GDP, recalculated from SME Policy 2016 data); the two smallest among countries included (Figure 1.4C). Services are a major contributor to country's economic output in Fiji—more than half (53.0%) of MSME GVA in 2020 coming from other services, followed by wholesale and retail trade (17.2%) and transportation and communications (12.7%) (Figure 1.4D). Actual MSME output in Fiji may be larger than the data show as informal business output is not included. Registering informal businesses is critical to get a more accurate picture of national productivity in the Pacific region.

Figure 1.4: MSME Contribution to Economic Outputs



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; FIJ = Fiji; GDP = gross domestic product; GEO = Georgia; GVA = gross value added; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NEP = Nepal; PAK = Pakistan; PNG = Papua New Guinea; SIN = Singapore; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan.

Notes: GVA data for BAN (manufacturing), ARM, AZE, GEO, KAZ, and FIJ, while GDP data for BRU, INO, MAL, PHI, THA, IND, NEP, PAK, KYR, TAJ, UZB, and PNG. Growth rate is a compound annual growth rate (CAGR) for the latest 5 years (mostly 2017–2022 or 2016–2021). Data refer to the latest available data until 2022. For FIJ, data are for 2020 and CAGR for 2014–2020; PNG data extracted from the SME Policy 2016 (March 2016). For Figure 1.4C, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics for designated years.

Source: ADB Asia SME Monitor 2023 database.

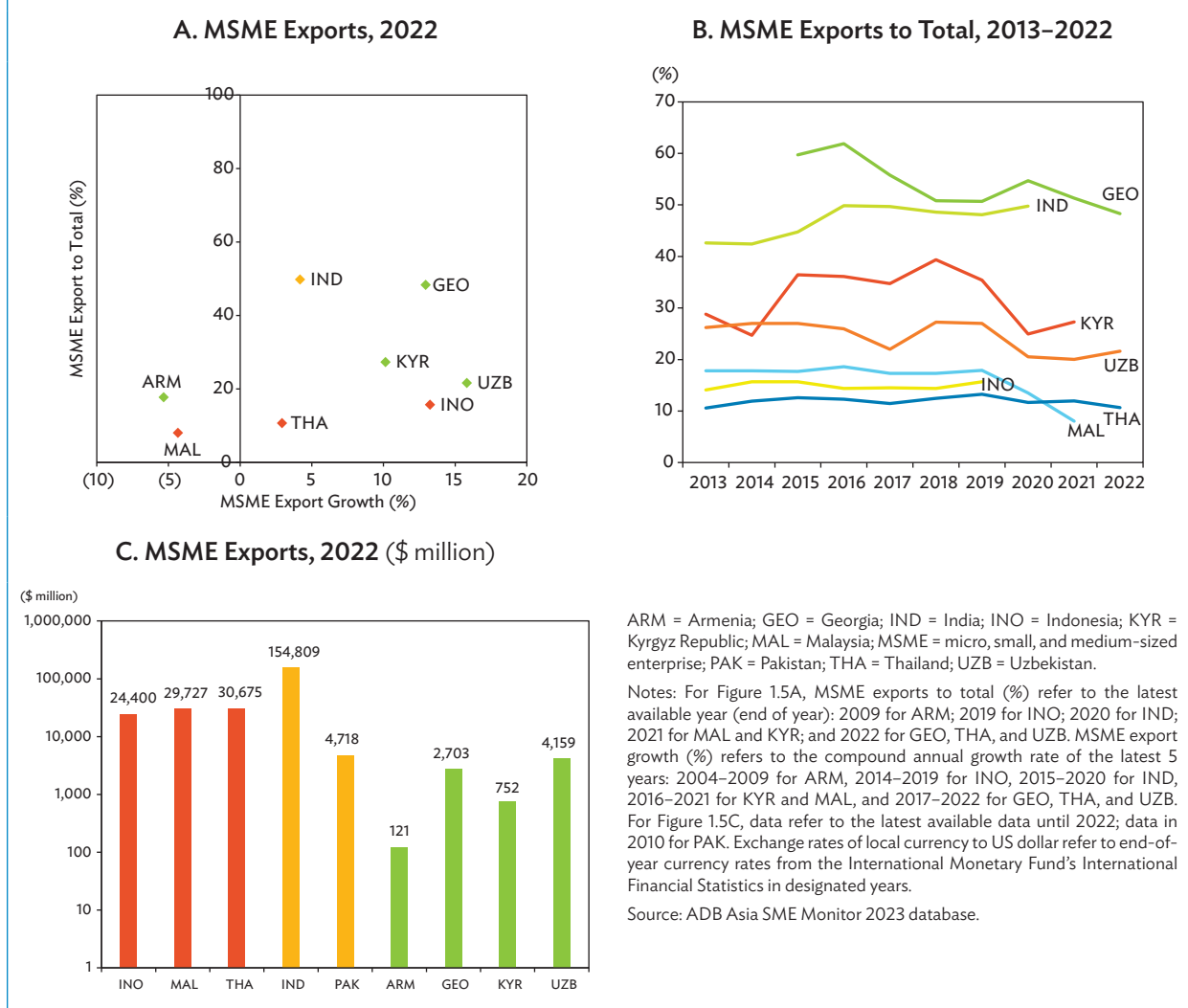
Market Access

Sector concentration limits a country's growth potential in the Pacific. Most MSMEs in the region operate within small domestic markets, while there are few exporters and others tapping global markets. Innovative and globalized small firms, startups, and entrepreneurs have yet to appear in the Pacific economies studied. High fuel and transportation costs is a critical barrier to international trade in the Pacific—making it difficult for MSMEs to expand market presence. High inflation and continued supply chain disruptions brought by the ongoing Russian invasion of Ukraine are also a drag on exports in the region. Although MSME exporters are few, their stories in Fiji suggest one important success factor—proactive investments in developing new products and services fit to changing demand during the pandemic by using competitive pricing and developing new business partnerships.

Across developing Asia, MSME exports remain small by value, but their impact on national economies has been increasing. Based on available data through 2022, MSME exports accounted for an average 26.3% of total export value. By region, Southeast Asia recorded an average 13.3%, South Asia 37.4%, and Central and West Asia 28.3%. MSME exports grew in Uzbekistan (15.8% at CAGR for 2017–2022), Indonesia (13.2% at CAGR for 2014–2019), Georgia (12.9% at CAGR for 2017–2022), the Kyrgyz Republic (10.1% at CAGR for 2016–2021), India (4.2% at CAGR for 2015–2020), and Thailand (2.9% at CAGR for 2017–2022) (Figure 1.5A). MSMEs' export shares have been decreasing in Thailand (10.7% in 2022 from 12.0% in 2021) and Malaysia (8.0% in 2021 from 13.5% in 2020) mainly due to the pandemic (Figure 1.5B). In US dollar terms, MSME export value in 2022 was highest in India (\$154.8 billion), followed by Thailand (\$30.7 billion), Malaysia (\$29.7 billion), and Indonesia (\$24.4 billion) (Figure 1.5C). Data are unavailable in the three Pacific economies, but data from other regions suggest the importance of supporting MSME exports in national growth agendas.

Business diversification works through proper targeting under national policies and private initiatives. For instance, agribusinesses (including fisheries, livestock, and agriproduct exporters) underpin the Pacific economy. However, it remains underdeveloped due to a lack of infrastructure (such as storage, power, transport, and ICT), funding for improving production, and branding strategies for local products. For example, ADB and the Government of Samoa jointly supported an agribusiness development project, which led to several new, growth-oriented small agribusinesses. Entrepreneurship development also encourages business diversification. Increasing women and youth business participation helps. Successful women entrepreneurs and women-led MSMEs exist in PNG, supported by a private women-focused bank to improve access to finance and develop their new businesses through customized training programs.

Figure 1.5: MSME Exports

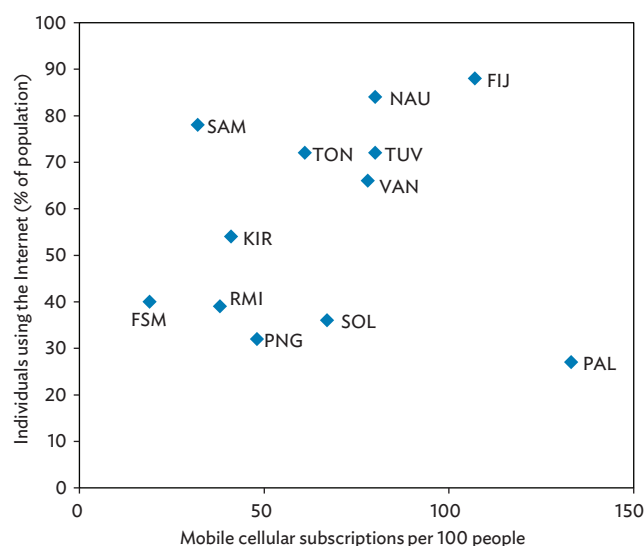


Technology and Innovation

Digitalization—using computers, digital devices, the internet, and online platforms or e-commerce—offers a new growth opportunity for individuals and businesses, including MSMEs, and should contribute to economic diversification in the Pacific. People's access to digital devices and the internet has improved gradually but remains limited. In 2021, mobile subscriptions remained less than the total population—except in Fiji (107 subscriptions per 100 people) and Palau (133) (Figure 1.6). Individual internet use averaged 57.3% of the population in the region (except Marshall Islands [2017] and Palau [2004]).

To some extent the COVID-19 pandemic encouraged businesses to digitalize. However, with cash still king for transacting most business, firms see few incentives to go digital. Key constraints include underdeveloped ICT infrastructure (relatively expensive, low internet broadband in rural areas), limited e-payment options, a lack of a supportive regulatory framework, and MSME owners' unfamiliarity with digital devices or poor digital financial literacy. Digital infrastructure development is a policy priority in the three Pacific economies examined. Fiji, PNG, and Samoa all have digital transformation programs. These programs introduce digital ID systems to facilitate online government services as a first step, which also supports the development of a national IT industry (Table 1.2).

Figure 1.6: Mobile and Internet Penetration in the Pacific, 2021



FIJ = Fiji, FSM = Federated States of Micronesia, KIR = Kiribati, RMI = Marshall Islands, NAU = Nauru, PAL = Palau, PNG = Papua New Guinea, SAM = Samoa, SOL = Solomon Islands, TON = Tonga, TUV = Tuvalu, VAN = Vanuatu.

Source: World Development Indicators. <https://data.worldbank.org/indicator/>

Table 1.2: Digitalization and E-commerce Strategies in Selected Pacific Economies

Item	Digitalization	E-commerce
Fiji	Digital Government Transformation Program [digitalFIJI] (June 2018) - Digitalizing public administration process	National E-commerce Strategy under preparation (as of March 2023)
Papua New Guinea	Digital Transformation Policy (September 2020) - A new digital ID system under sandbox - Mobile applications for government services	PNG Digital ICT Cluster (a not-for-profit/membership-driven association of ICT specialists and service providers) A comprehensive e-commerce policy has yet to be developed.
Samoa	Digital Transformation Programs (work-in-progress) - National Digital ID - Digital Government Platform - Establishment of the Digital Transformation Authority	E-commerce Strategy and Roadmap (May 2022) (i) E-commerce readiness and strategy formation (ii) ICT infrastructure and services (iii) Trade logistics and trade facilitation (iv) Legal and regulatory framework (v) Electronic payment solutions (vi) E-commerce skill development (vii) Access to finance for E-commerce

ICT = information and communication technology, PNG = Papua New Guinea.

Source: Compiled from Country Reviews of Asia Small and Medium-Sized Enterprise Monitor 2023.

Networking and Support

Autonomous business associations such as chambers of commerce and MSME groups play a critical role in supporting MSMEs through customized capacity-building programs for members (covering skill and business development and training, for example), expanded market access through business networks such as human resource matching services and networking events, and advocacy with government to develop workable MSME policies (for example, how to define MSMEs). Members include many registered MSMEs; informal, unregistered businesses cannot join nor receive assistance from private associations.

3. Access to Finance

MSMEs in Asia and the Pacific (percentage share)							
Bank credit	All	Southeast Asia	South Asia	Central and West	Fiji	Papua New Guinea	Samoa
• MSME loans to national GDP	10.6%	13.3%	5.2%	11.1%	7.7% (2022)	7.1% (2022)	23.7% (2021)
• MSME loans to total bank loans	22.0%	12.3%	12.5%	33.1%	10.9% (2022)	35.2% (2022)	43.7% (2021)
• MSME NPLs to total MSME loans	7.2%	5.3%	12.1%	4.3%	n/a	n/a	n/a
Nonbank and market-based finance							
• NBFI financing to national GDP	3.4%	6.2%	3.9%	2.4%	0.003% (2022)	1.9% (2022)	n/a
• NBFI financing to total bank loans	7.7%	8.6%	5.8%	9.6%	3.9% (2022)	9.5% (2022)	n/a
• NBFI NPF to total financing	8.5%	3.9%	9.2%	7.0%	n/a	14.0% (2022)	n/a
• MSME market capitalization to GDP*	1.1%	2.4%	0.1%	0.6%	n/a	n/a.,	n/a

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise; n/a = not available; NBFI = nonbank finance institution; NPF = nonperforming financing; NPL = nonperforming loan.

* Data based on MSME markets only (average percentage of available markets).

Note: NBFI financing data for Fiji covers only microfinance institutions (MFIs); Papua New Guinea includes MFIs, credit unions and cooperatives, and finance companies.

Reporting countries only. Data based on the latest available until 2022.

Bank Credit

Access to finance is a prerequisite to running a private business. Without formal financial services, a business will find it hard to grow. But it also means many will remain informal businesses and use informal financial services. In developing Asia and the Pacific, MSME access to bank credit remains limited. Based on available data through 2022 from participating DMCs, bank lending to MSMEs averaged 10.6% of a country's GDP (Figure 1.7A). In Southeast Asia, it accounted for an average 13.3%, in South Asia 5.2%, and in Central and West Asia 11.1%. The share of MSME bank loans to total bank lending averaged 22.0%—in Southeast Asia 12.3%, South Asia 12.5%, and in Central and West Asia 33.1%.

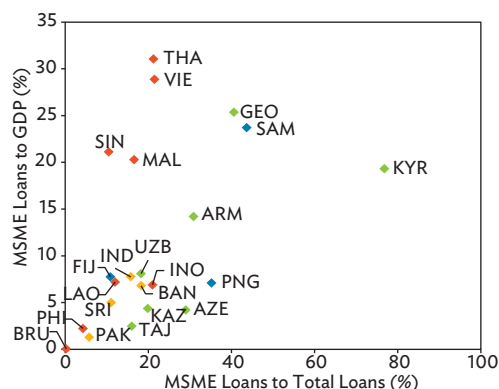
The COVID-19 pandemic boosted commercial bank lending to MSMEs in the Pacific economies examined, providing government financial assistance and to MSMEs working capital to survive. MSME credit market performance was mixed. In Fiji, commercial bank lending to MSMEs remains small. In 2022, MSME loans outstanding accounted for 7.7% of GDP and 10.9% of total commercial bank lending; both below the regional average for Asia and the Pacific. In PNG, commercial bank loans to MSMEs accounted for 7.1% of GDP, also below the regional average but above the regional share of total commercial bank loans (35.2%). In Samoa, commercial bank loans to MSMEs in 2021 increased sharply (23.7% of GDP) due to government assistance. MSME lending was 43.7% of total commercial bank loans—both above the regional average. In US dollar terms, MSME loans were equivalent to \$388 million in Fiji (2022), \$2,170 million in PNG (2022), and \$200 million in Samoa (2021)—comparatively small for MSME credit markets (Figure 1.7B).

Overall, the shares of MSME loans to GDP and total bank loans have grown in the three Pacific economies analyzed, due to large funding needs and government programs during the pandemic (Figures 1.7C and 1.7D). In developing Asia, more than half of MSME loans went to firms in services. In Fiji, other services—including accommodation and food services and administrative services—was the largest borrower segment (41.4% of MSME loans in 2022), followed by wholesale and retail trade (24.4%), construction (9.9%), transportation and communications (8.7%), manufacturing (8.1%), and agriculture (3.3%) (Figure 1.7E).

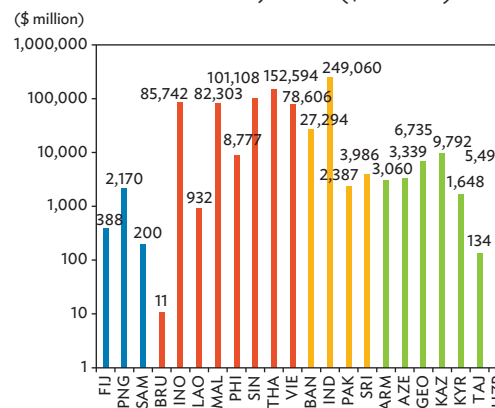
In developing Asia, MSME NPLs have fallen gradually through 2022 but remain high at an average 7.2% of total MSME bank loans (Figure 1.7F). By region, NPLs averaged 5.3% in Southeast Asia, 12.1% in South Asia, and 4.3% in Central and West Asia. There are no available data on commercial bank MSME NPLs in the three Pacific economies examined.

Figure 1.7: Bank Credit

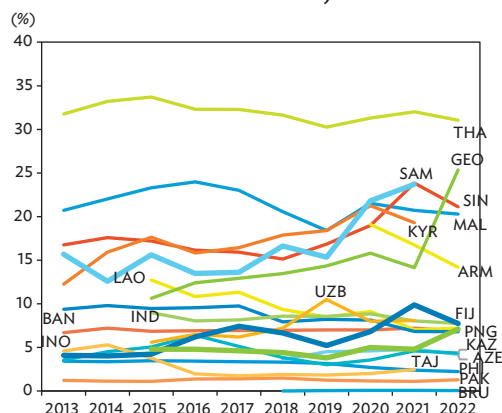
A. MSME Loans Outstanding, 2022



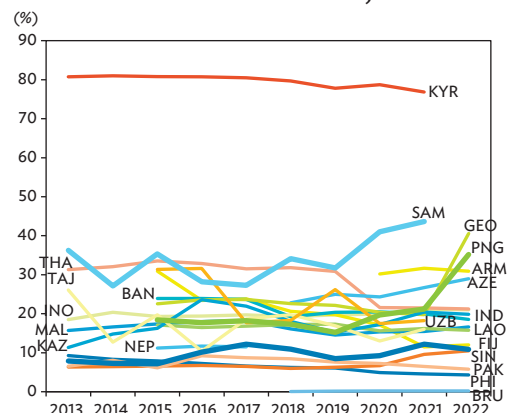
B. MSME Loans, 2022 (\$ million)



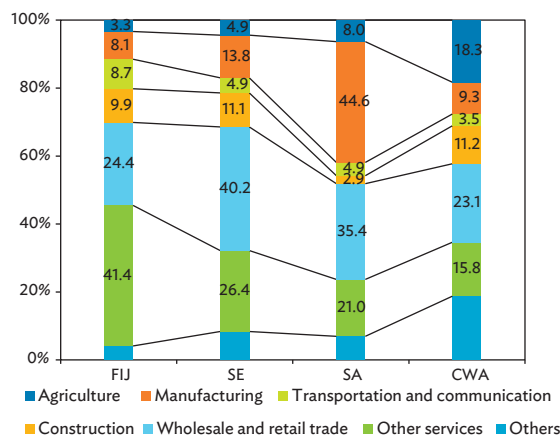
C. MSME Loans to GDP, 2013–2022



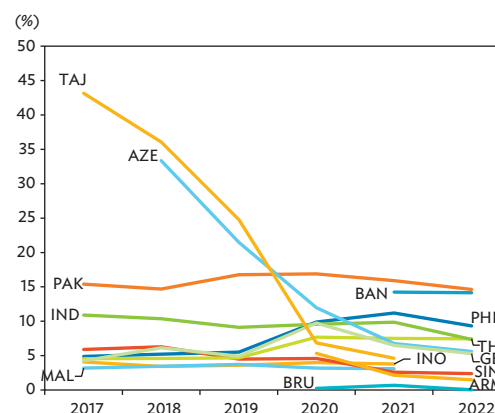
D. MSME Loans to Total Loans, 2013–2022



E. MSME Loans by Sector, 2022



F. MSME Nonperforming Loans to Total MSME Bank Loans, 2017–2022 (%)



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CWA = Central and West Asia; FIJ = Fiji; GEO = Georgia; GDP = gross domestic product; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = the Kyrgyz Republic; LAO = Lao PDR; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; SA = South Asia; SAM = Samoa; SE = Southeast Asia; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan; VIE = Viet Nam.

Notes: For Figure 1.7A, MSME loans to GDP (%) refers to the latest available year (end of year). 2020 data for VIE and SRI; 2021 data for KYR, SAM, TAJ, and UZB; 2022 data for others. For Figure 1.7B, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund International Financial Statistics in designated years. Figure 1.7E, CWA refers to the average of ARM, GEO, KAZ, KYR, and TAJ. SE refers to the average of nine ASEAN countries except CAM. SA refers to the average of BAN, PAK, and SRI.

Source: ADB Asia SME Monitor 2023 database.

Public Financing and Guarantees

Public financing—subsidized loans through state development banks and designated commercial banks—helped Pacific MSMEs survive the pandemic, supporting priority segments such as agriculture, tourism, youth, and women; it helped increase MSME lending since 2020. State development banks have a strong mandate to finance unserved and underserved segments such as women, youth, and MSMEs. Credit guarantees are a critical tool to mitigate MSME credit risks and are used as emergency assistance to finance MSMEs faced by unexpected events such as natural disasters and health crises.

Government assistance during the pandemic allowed MSMEs and priority sectors such as agriculture, tourism, youth, and women supplement their financing needs (Table 1.3). Key measures included subsidized loans, utility and wage subsidies, cash handouts to the unemployed, debt relief and payment moratoria, along with special credit guarantees. Some programs are still ongoing. These tools helped MSMEs survive during the pandemic.

Table 1.3: COVID-19 Emergency Measures in Selected Pacific Economies

Name	Fund Size (LCY million)	Launch date of the measures	Status	
			Ongoing [as of end March 2023] (✓)	Terminated
A. Fiji (F\$ million)				
MSME Fiji, Ministry of Trade, Co-operatives, Small and Medium Enterprises				
COVID-19 Concessional Loan Packages	30.0	25 May 2020		31 July 2020
Stronger Together Job Support Scheme	4.0	3 October 2020	✓	
COVID-19 Credit Guarantee Facility	7.8	1 June 2020	✓	
Electricity Subsidy for MSMEs	2.062	1 August 2020	✓	
Unemployment Assistance	341.0	1 August 2020		31 July 2022
Assistance to Informal Sector in Vanua Levu	13.0	1 August 2021		31 July 2022
Jobs for Nature	6.2	n/a.,	✓	
Business Assistance Fiji	1.0	1 August 2021	✓	
Reserve Bank of Fiji				
Disaster Recovery Containment Fund	550	2 August 2021	✓	
B. Papua New Guinea (K million)				
Economic Stimulus Package	5,700	April 2020		
Domestic Finance Program	2,500			2021
Friendly Foreign Assistance Program	1,500		...	...
Household and Business Relief Program	600			April 2021
Superannuation Measures	500			December 2020
Budget Support Program	600		...	...
SME Support Program	200	April 2020	✓	
C. Samoa (ST million)				
Ministry of Commerce, Industry, and Labour				
Code 121 Assistance during COVID-19	n/a.,	April 2020		December 2020
COVID-19 Private Sector Grant	10	4 February 2022		30 September 2022
Samoa Tourism Authority				
Tourism Support Fund	5	December 2021		September 2022
Tourism Stimulus Assistance	2.5	February 2023		July 2023
Ministry of Health				
Refurbishment of rural district hospitas and doctors	3	FY 21/22*		Completed
Bulk food to cater to hospital inpatients	2	FY 21/22*		Completed

COVID-19 = coronavirus disease; LCY = local currency; MSME = micro, small, and medium-sized enterprise; SME = small and medium-sized enterprise.

* Fiscal year (FY) in Samoa starts from 1 July and ends on 30 June in the following year.

Source: Compiled from Country Reviews of Asia Small and Medium-Sized Enterprise Monitor 2023.

a. State development banks

State development banks in the Pacific include the Fiji Development Bank, National Development Bank in PNG, and Development Bank of Samoa. They supply MSME financing outside commercial bank credit, offering concessional, subsidized loans. During the pandemic, the National Development Bank in PNG and the Development Bank of Samoa received capital injections from the government to strengthen financing to MSMEs and priority sectors.

In PNG, National Development Bank MSME loans outstanding increased sharply in 2022 (15 times more than in 2021). The NPL ratio fell moderately to 2.7%. However, the MSME loan rejection rate rose from 20% in 2021 to 28% in 2022. MSMEs are major borrowers from the Development Bank of Samoa, in 2022 accounting for 95% of borrowers, while MSME loans outstanding accounted for just 14.4% of the total lending portfolio due to the continued pandemic impact (Samoa reopened its borders on 1 August 2022). Despite the capital injection, however, MSME lending continued to fall with relatively high NPLs (18% in 2022). Several loan applications from MSMEs were ineligible due to insufficient collateral or business information, while many likely tapped commercial banks to raise working capital.

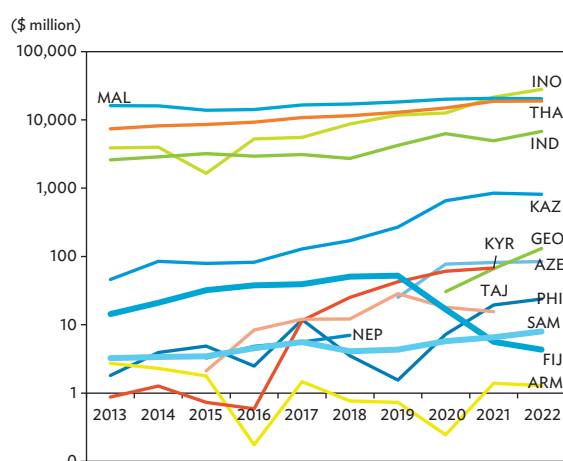
b. Credit guarantees

In Fiji, there is no independent credit guarantee corporation. Instead, the central bank—the Reserve Bank of Fiji—offers credit guarantees to MSMEs. They cover 60%–75% of default risk with a cap on credit guarantee amounts. In PNG, a special credit guarantee corporation was created in 2022 to allow more MSMEs to access finance. As of March 2023, it had yet to start operations. The Samoa Business Hub (SBH)—a private sector initiative supporting MSMEs—offers 80%–100% guarantees covering business loans provided by designated banks.

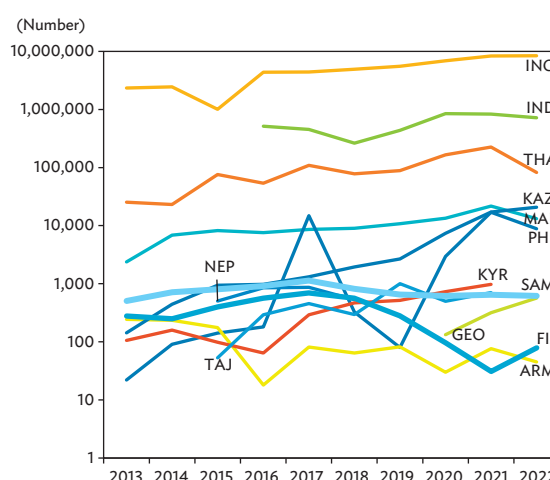
Compared with other Asian regions, the credit guarantee market in the three Pacific economies remain in their infancy. Across developing Asia, credit guarantees have grown moderately in terms of guaranteed loans outstanding; including Samoa (Figure 1.8A). SBH guaranteed loans to MSMEs increased steadily since 2019 (during the measles outbreak), growing 25.5% in 2022. In US dollar terms, its guaranteed loans outstanding to MSMEs was equivalent to \$8.0 million. In Fiji, the government launched its COVID-19 Credit Guarantee Facility in 2020 and afterward restructured all MSME loan facilities, reflected in different guaranteed loan performance after 2020. In developing Asia, the number of MSME loans guaranteed increased during the pandemic, but was mixed afterward (Figure 1.8B). In Fiji, it peaked at 692 in 2017 and thereafter gradually decreased. In Samoa (SBH), it decreased slightly from 646 in 2021 to 617 in 2022.

Figure 1.8: Credit Guarantees, 2013–2022

A. Outstanding Guaranteed Loans (\$ million)



B. Number of MSMEs Guaranteed



ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; FIJ = Fiji; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = Kyrgyz Republic; LAO = Lao PDR; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; PAK = Pakistan; PHI = Philippines; SAM = Samoa; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; UZB = Uzbekistan. Source: ADB Asia SME Monitor 2023 database.

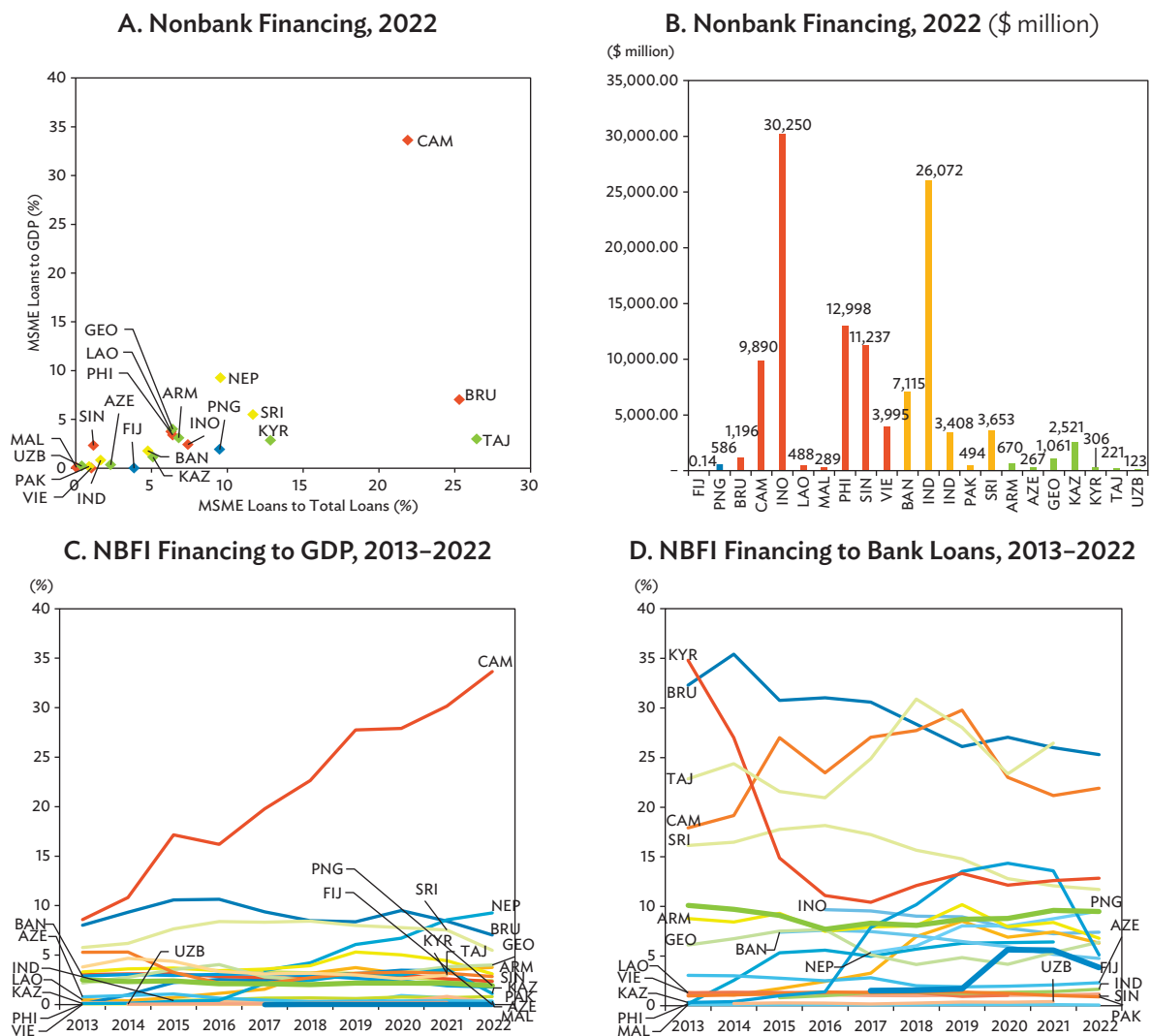
Nonbank Financing

The nonbank finance industry remains small and has yet to supplement bank credit in Asia and the Pacific. Based on available data in participating DMCs through 2022, NBF financing accounted for an average 3.4% of national GDP. By region, it averaged 6.2% in Southeast Asia, 3.9% in South Asia, and 2.4% in Central and West Asia. The share of NBF financing to total bank lending averaged 7.7%—8.6% in Southeast Asia, 5.8% in South Asia, and 9.6% in Central and West Asia.

It also remains small in the Pacific countries analyzed, where data covers NBFs regulated or monitored by central banks. As there remain many unregulated informal NBFs in these countries, their actual market size would be larger than statistics show. NBFs include MFIs, credit unions/cooperatives, and finance companies. They do not specially target MSMEs, but provided alternative financing during the pandemic for MSMEs needing working capital to survive.

In PNG, NBF lending has improved gradually, in 2022 accounting for 1.9% of GDP and 9.5% of total bank lending (Figure 1.9A). MFIs recorded their highest loans outstanding in 2020, filling unmet financing demand from individuals and businesses during the pandemic. However, as banks strengthen MSME financing, NBF lending decelerated post pandemic, while nonperforming financing remained high—14.0% of total financing in 2022, above the 8.5% average in Asia and the Pacific (Figure 1.10). In Fiji, MFI loans in 2022 were equivalent to 3.9% of total bank lending. It increased sharply in 2020 with strong pandemic financing demand but dropped post pandemic, decreasing 4.3% in 2022. Compared with other Asian regions in US dollar terms, NBF financing remains small and in the early stage of development (Figure 1.9B). Shares of NBF financing to GDP and bank credit fluctuated by country over the years regionally (Figures 1.9C and 1.9D). Fiji and PNG saw their shares decrease gradually. There is no NBF data for Samoa.

Figure 1.9: Nonbank Finance

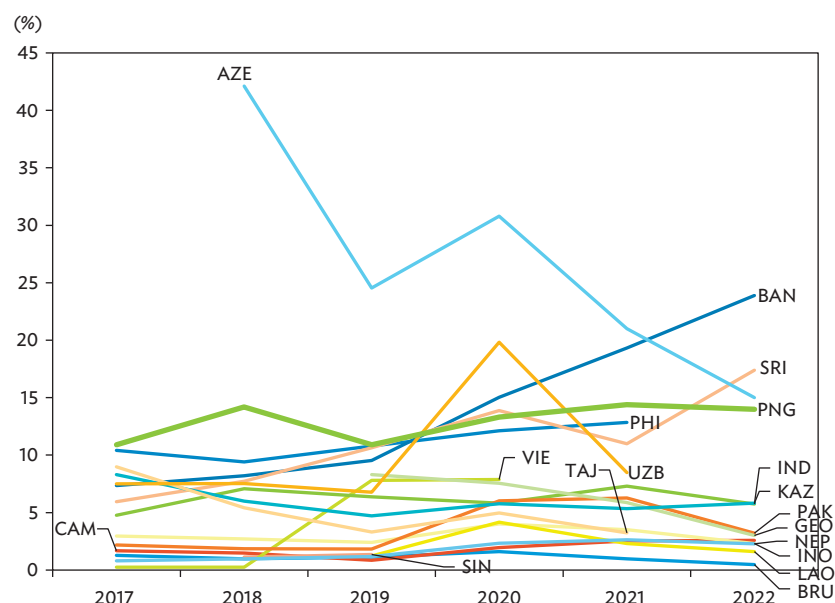


ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; FIJ = Fiji; GDP = gross domestic product; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; KYR = the Kyrgyz Republic; LAO = Lao People's Democratic Republic; MAL = Malaysia; MSME = micro, small, and medium-sized enterprise; NBF = nonbank finance institution; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; UZB = Uzbekistan; VIE = Viet Nam.

Notes: NBF data vary by country: Armenia covers microfinance institutions and pawnshops; Azerbaijan (microfinance institutions and credit unions/cooperatives); Bangladesh (NBFs regulated by Bangladesh Bank); Brunei Darussalam (finance companies and pawnbrokers); Cambodia (microfinance institutions and leasing companies); Fiji (microfinance institutions); Georgia (microfinance institutions, credit unions/cooperatives, and pawnshops); India (NBFs regulated by the Reserve Bank of India; MSME financing only); Indonesia (finance companies, microfinance institutions, and government pawnshops); Kazakhstan (microfinance institutions, credit unions/cooperatives, finance companies, and pawnshops); the Kyrgyz Republic (microfinance institutions, credit unions/cooperatives, finance companies, pawnshops, and leasing companies); Lao People's Democratic Republic (microfinance institutions, pawnshops, and leasing companies); Malaysia (private equity, venture capital, factoring, and leasing companies); Nepal (microfinance institutions); Pakistan (microfinance institutions and leasing companies); Papua New Guinea (microfinance institutions, credit unions/cooperatives, and finance companies); the Philippines (credit unions/cooperatives, pawnshops, and nonstock savings and loans associations [NSSLAs]); Singapore (finance companies); Sri Lanka (NBFs regulated by the Central Bank of Sri Lanka); Tajikistan (microfinance institutions and nonbank credit institutions); Uzbekistan (microfinance institutions and pawnshops); Viet Nam (People's Credit Funds and microfinance institutions). For Figure 1.9A, NBF financing to GDP (%) refers to the latest available year: 2020 data for VIE; 2021 data for PHI, TAJ, and UZB; 2022 data for others. For Figure 1.9B, exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

Figure 1.10: NBFIs Nonperforming Financing to Total Financing, 2017–2022 (%)



AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; CAM = Cambodia; GEO = Georgia; IND = India; INO = Indonesia; KAZ = Kazakhstan; LAO = Lao People's Democratic Republic; NBFIs = nonbank finance institutions; NEP = Nepal; PAK = Pakistan; PHI = Philippines; PNG = Papua New Guinea; SIN = Singapore; SRI = Sri Lanka; TAJ = Tajikistan; UZB = Uzbekistan; VIE = Viet Nam.
Source: ADB Asia SME Monitor 2023 database.

Digital Financial Services

The digital finance industry is in its infancy in the Pacific. Some businesses shifted from retailing to online selling during pandemic mobility restrictions, but digital financial services remain largely unused. In Fiji, only 27% of adults in 2020 had access to mobile money and 30% to other digital financial services—although well up from 2014. In PNG, digital finance infrastructure has expanded to include interoperable payment systems, mobile wallets, and mobile banking. However, usage remains low among MSMEs (17% of MSMEs surveyed made payments online in PNG) due to poor digital literacy and the high cost of internet connections. In Samoa, the digital finance industry has no large providers, but an automated transfer e-payment system for commercial banks was launched in 2023. In line with national financial inclusion strategies, it is crucial countries establish a digital finance ecosystem and foster national digital finance service providers.

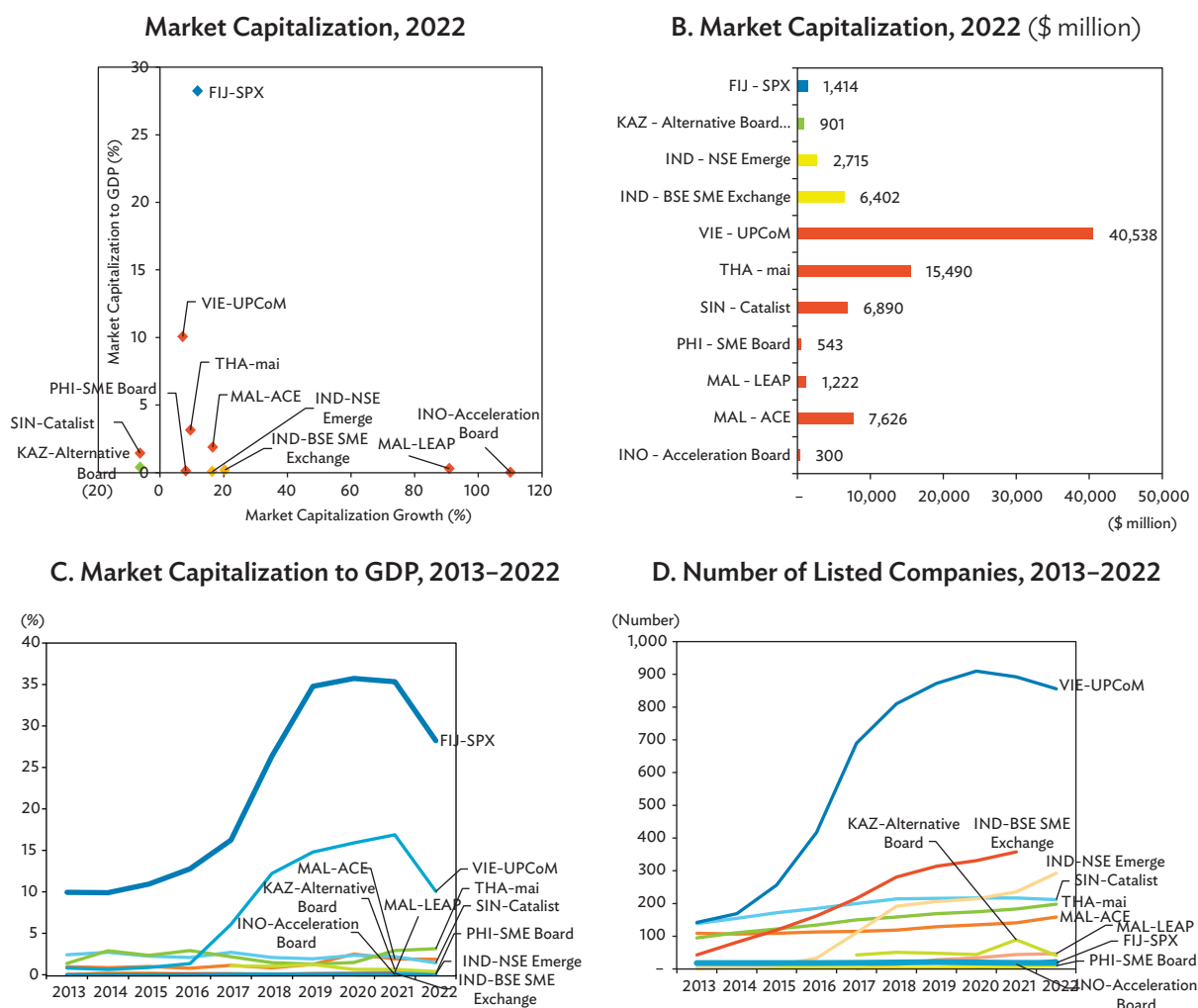
Capital Markets

Capital markets in the Pacific are underdeveloped with no dedicated MSME equity markets. In Samoa, there is neither a capital market nor stock exchange.

In developing Asia, specialized equity markets exist for viable MSMEs—offering simplified listing requirements, tax incentives, and/or special arrangements for professional investors. These include Indonesia's Acceleration Board; the Access, Certainty, Efficiency (ACE) and Leading Entrepreneur Accelerator Platform (LEAP) in Malaysia; an SME Board in the Philippines; Catalist in Singapore; the market for alternative investment (mai) in Thailand; UPCoM in Viet Nam; Bombay Stock Exchange (BSE) SME Exchange and the National Stock Exchange (NSE) Emerge in India; and Alternative Board for SMEs in Kazakhstan (Figure 1.11).

The development of nonbank and market-based financing is critical to broaden financing options beyond traditional bank credit for innovative, growth-oriented MSMEs and startups. It is critical governments set appropriate policy frameworks to create alternative options like nonbank and market-based financing for businesses.

Figure 1.11: Equity Markets for MSMEs



BSE = Bombay Stock Exchange; FIJ = Fiji; IND = India; INO = Indonesia; KAZ = Kazakhstan; MAL = Malaysia; NSE = National Stock Exchange; PHI = Philippines; SIN = Singapore; SME = small and medium-sized enterprise; SPX = South Pacific Stock Exchange; THA = Thailand; VIE = Viet Nam.

Notes: End-of-year data. Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund's International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

Financial Infrastructure

In the Pacific economies examined, data infrastructure is starting to develop. A well-functioning credit bureau and collateral registry system with appropriate secured lending legal reforms is needed to mitigate financing risks of individuals and businesses, especially MSMEs. Private credit bureaus operate in Fiji (the Credit Information Reporting Agency since 2018) and PNG (Credit and Data Bureau since 2008). They provide general credit information and credit history (past due and bad debt) for member financial institutions. However, a centrally coordinated credit bureau system still needs to be established in these countries. In Fiji, PNG, and Samoa, secured transactions reform was done to expand available loan collateral beyond immovable assets—supported by ADB’s Private Sector Development Initiative. While the legal framework on collateral registry exists in these countries, the use of pledged assets for loans remained a challenge.

4. Policies and Regulations

MSME Development

MSME development is a policy priority to help attain inclusive, resilient growth in developing Asia and the Pacific. Given the global uncertainty from increased nationalism, regional turbulence, and climate change, governments need to proactively consider a new growth model that makes maximum use of domestic untapped resources—such as women, youth, and MSMEs—to increase resilience against unexpected external shocks. The COVID-19 pandemic helped countries shift to a more digital economy nationally, regionally, and globally. The digital transformation has now become a national policy priority across developing Asia, including Fiji, PNG, and Samoa. New national digital ID systems is one important step. Moving government administration and services online is another priority. It helps promote ICT infrastructure, innovative business, and accelerates the adoption of a new national entrepreneurial culture, center around MSMEs.

The three Pacific economies examined here each has a comprehensive MSME policy framework, well aligned with long-term national development goals (Table 1.4A). They include

- Micro, Small, and Medium Enterprise Fiji—Policy Framework (June 2020), Fiji;
- Small and Medium Enterprise Policy 2016 (March 2016), PNG; and
- Micro, Small, and Medium Enterprises Development Policy and Strategy 2020 (October 2020), Samoa.

Their MSME policies commonly (i) target segments for support like women, youth, encouraging informal businesses to register, and sectors such as agriculture and tourism; (ii) support MSME access to finance, markets, and information; business development and advisory services; and job creation skills development, and entrepreneurship training; (iii) enact policies covering regulatory frameworks for small businesses; hard and soft infrastructure development from roads to ICT; preferential tax incentives, subsidy programs, and concessional loan schemes; and (iv) establish a central policy coordinating body and monitoring/evaluation framework.

There are central policy coordination and implementation agencies in Fiji (MSME Fiji) and PNG (SME Corporation), while the Ministry of Commerce, Industry, and Labor is the focal government agency for MSME development in Samoa. Setting an evidence-based national MSME definition is critical to give MSMEs a legal basis across the regulatory environment. In Samoa, the national MSME definition is not widely used among line-ministries, banks, and other stakeholders. A lack of reliable MSME data is a common issue among Pacific economies. To monitor policy performance and to promote evidence-based policy design, it is crucial to develop a regularly updated MSME landscape database.

Financial Inclusion

National financial inclusion strategies offer a core set of policy targets toward creating more inclusive, resilient growth across developing Asia and the Pacific. The Pacific economies here each has a comprehensive national financial inclusion strategy. They include

- Third National Financial Inclusion Strategy 2022–2030 (May 2022), Fiji;
- Third National Financial Inclusion Strategy 2023–2027 (April 2023), PNG; and
- First National Financial Inclusion Strategy 2017–2020 (January 2017), Samoa.

They commonly aim to (i) develop digital finance services and products, (ii) provide financial education, (iii) strengthen consumer protection, (iv) finance the underserved (youth, women, and MSMEs), and (v) reform financial regulations and improve infrastructure (Table 1.4B). In Fiji and Samoa, the central bank coordinates financial inclusion strategy. In PNG, the Center of Excellence for Financial Inclusion is the central coordinating and implementing body for financial inclusion, a spinoff from an ADB microfinance expansion program.

Setting appropriate base data to effectively monitor and evaluate policies is also critical for reaching national financial inclusion targets. In the Pacific economies studied, MSME bank credit data has improved somewhat but remains limited, while the nonbank finance industry is not well monitored with no data available for several NBFIs (mostly unregulated). Together with MSME landscape data, more comprehensive data on MSME access to finance, including sectoral and geographical distribution of MSME financing, should be strengthened further to help design more effective national MSME finance policies.

Table 1.4: Policies and Regulations—Selected Pacific Economies

A. MSME Development Policies and Strategies

Item	Fiji	Papua New Guinea	Samoa
Long-term national strategy	20-Year National Development Plan 2017–2036 (November 2017)	Vision 2050 (October 2009)	Samoa 2040 – Transforming Samoa to a Higher Growth Path (2021)
Mid-term national strategy	5-Year National Development Plan 2017–2021 (November 2017)	...	Pathway for the Development of Samoa [5-Year Plan] (February 2022)
MSME policy	Micro, Small, and Medium Enterprise Fiji – Policy Framework (June 2020)	SME Policy 2016 (March 2016) New SME Policy [under preparation]	Micro, Small, and Medium Enterprises Development Policy and Strategy 2020 (October 2020)
MSME strategy and action plans	One-year Plan [under preparation]	SME Master Plan 2016–2030 SME Midterm Development Plan 2022–2026 [under preparation]	
Responsible ministry	Ministry of Trade, Cooperatives, and Small and Medium Enterprises	Ministry of Trade, Commerce, and Industry	Ministry of Commerce, Industry, and Labour
Implementing agency	MSME Fiji (established in December 2019)	Small and Medium Enterprise Corporation	
Laws and regulations	MSME Law under preparation [as of March 2023] Small and Micro Enterprise Development Act 2002 [This law was repealed by the Act No.22 of 2019].	Small and Medium Enterprise Corporation Act No.32 of 2014	(No specific laws and regulations for MSMEs.)

B. National Financial Inclusion Strategies

Item	Fiji	Papua New Guinea	Samoa
Financial sector development	Financial Sector Development Plan 2016–2025	Financial Sector Development Strategy 2018–2030	Financial Sector Plan 2023–2027
Financial inclusion policy	...	National Financial Inclusion Policy (January 2019)	...
Financial inclusion strategy	National Financial Inclusion Strategy 2022–2030	Third National Financial Inclusion Strategy 2023–2027 (April 2023)	National Financial Inclusion Strategy 2017–2020 [Second NFIS under preparation]
	(i) Inclusive finance a. Responsive policies and guidelines developed. b. Access and usage gaps addressed for the underserved. c. Formal financial inclusion for informal services. d. Affordable financial products and services. e. Access and usage of financial products/services (ii) Digital financial services a. Technology for financial products and delivery channels. b. An enabling payments ecosystem created. c. An enabling regulatory environment created. d. DFS infrastructure developed. e. A gender sensitive fintech ecosystem developed. (iii) MSME finance a. An enabling regulatory framework for MSMEs. b. A specialized institution for MSME sector established. c. Value chain finance products developed. d. Financial products and services for startups developed. (iv) Consumer protection and financial capability a. A consumer protection framework established. b. A complaints management framework reviewed. c. A gender sensitive financial literacy strategy developed. d. Financial education programs for schools implemented.	(i) Build financial competency through financial literacy and education. (ii) Strengthen an enabling policy and regulatory environment conducive for innovation and to promote the growth of inclusive green finance. (iii) Develop efficient digital infrastructure. (iv) Promote effective public and private sector engagement. (v) Enabling environment for inclusive green finance. (vi) Deepen financial service delivery harnessing new emerging technology.	(i) Access to financial services improved and deepened a. Formal financial services for all. b. A full suite of financial products and services. c. Expansion of financial services for the underserved. (ii) Participation of underserved segments promoted a. Financial products and services for women and youth. b. financial solutions for micro and small enterprises. c. Entrepreneurial and financial management skills. d. An enabling regulatory environment for MSME finance. (iii) Digital financial services and institutional innovations a. Payment system reforms. b. Cost-effective/safe payments solutions developed. c. Usage of digital financial services expanded. d. Institutional innovation (branchless banking) promoted. e. Mobile money wallets. (iv) Financial vulnerability reduced a. A regulatory framework for inclusive insurance. b. Inclusive insurance products and channels promoted. (v) Financial competencies and consumer protection a. Financial education in school. b. Financial literacy integrated into the product design. c. Financial literacy materials developed. d. Joint programs with stakeholders for rural areas. e. A regulatory framework for consumer protection. (vi) Effective partnerships and sector-level coordination a. A national institutional mechanism created. b. Public and private sector partnerships. c. Cooperation among financial service providers. d. NFIS linked to government planning and SDGs.
Target groups	Underserved women, children, youth, persons with disabilities, rural and MSMEs.	Low income households, farmers, informal sector workers, gender (women), youth, and MSMEs.	Rural and low income segments, women, youth, agriculture, fisheries, tourism, and MSMEs.
Coordination	National Financial Inclusion Taskforce (NFIT) Reserve Bank of Fiji [Secretariat] 4 Working Groups linked to four pillars above.	Center for Excellence in Financial Inclusion (CEFI) (founded by Bank of PNG) NFIS Steering Committee Regulators' Advisory Committee (RAC) 7 Working Groups (DFS, inclusive insurance, financial education, consumer protection, informal/agricultural finance, MSMEs, and resources sector)	National Financial Inclusion Taskforce (NFIT) Central Bank of Samoa, FSD Dept. [Secretariat] 2 Working Groups (financial services and consumer protection)

MSME = micro, small, and medium-sized enterprise.

Source: Compiled from country reviews of Asia Small and Medium-Sized Enterprise Monitor 2023.

Country Review

Fiji

Overview

Fiji recovered quickly from the coronavirus disease (COVID-19) pandemic, with gross domestic product (GDP) growing by 20.0% in 2022 following a 5.1% contraction in 2021.¹ The strong recovery was backed by a rebound in tourism after the border reopened in December 2021. Spillover effects boosted transportation, wholesale and retail trade, accommodation and food services, and other tourism-related businesses. During the pandemic, as many workers moved to Australia and New Zealand for higher wage jobs, a jump in remittances also contributed to Fiji's V-shaped recovery.

However, several downside risks remain before the country can achieve sustainable, resilient growth. While pandemic-induced emigration accelerated due to the labor mobility programs in Australia and New Zealand, it also left many domestic businesses understaffed and in need of skilled labor—increasing the risk of lowering productivity and the quality of services. The pandemic forced the government to launch emergency assistance packages to affected businesses and individuals, thus increasing public debt. The fiscal deficit reached 11.9% of GDP in fiscal year (FY) 2022 (ending 31 July 2022). To boost revenues, the government has initiated a new tax scheme for FY2024, increasing the value-added tax (VAT) from 9% to 15% and corporate income tax from 20% to 25%. This will have a direct impact on business operations—especially for micro, small, and medium-sized enterprises (MSMEs)—and increases the risk of incentivizing informal, unregistered businesses.

In Fiji, MSMEs accounted for 82.4% of all enterprises in 2020. They absorbed 28.3% of the labor force and were responsible for just 6.3% of the country's gross value added (GVA), whose productivity was below pre-pandemic levels. Services dominate MSMEs—covering transportation, wholesale and retail trade, and accommodation and food. Although data from 2021 onward remain unavailable, an increase of MSME productivity was expected to increase post pandemic due to the recovery in tourism.

Creating jobs remains a critical challenge for Fiji's MSMEs. While the brain drain mainly affected larger firms, it also made it increasingly difficult for MSMEs to find employees for their operations. And many employees work in the informal sector—thus unaccounted for in the data. Promoting business formalization is crucial for the government needs to incentivize MSMEs to join or return to the formal sector by designing business development support measures that will both add value and thus improve revenue conditions.

Finance is a critical engine for business growth. MSME access to bank credit remains small, accounting for 10.9% of total bank lending and 7.7% of GDP in 2022. With subsidized loans and credit guarantees during the pandemic, bank loans to MSMEs increased sharply in 2021 to record levels. While the number of MSME borrowers increased, it has yet to return to 2015 levels, suggesting many did not survive the pandemic or reopen businesses afterwards.

¹ ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

Nonbank finance remains at an infant stage of development, but to some extent microfinance institutions did supplement MSME working capital during the pandemic.

Fiji has an MSME development policy—a central coordinating agency, MSME Fiji, was created in 2019. Also, the Reserve Bank of Fiji leads implementation of the 2022–2023 national financial inclusion strategy, which includes MSME financing as one major target. To help build more resilient, inclusive growth, Fiji needs to develop more youth and women entrepreneurs, encourage digitalization, help MSMEs join global markets or export, create alternative financing options (including digital finance platforms and nonbank and market-based financing), as well as develop the legal reforms that encourage MSME formalization and ensure the availability of skilled labor.

1. MSME Development

- MSMEs accounted for 82.4% of enterprises in 2020, trending down since 2014; they were hardest hit during the pandemic, even as they benefited from government tax relief.
- Emergency pandemic measures bloated the national budget and built a large fiscal deficit—the higher tax regime may hamper MSME development and expand informal businesses.
- MSMEs absorbed just 28.3% of the labor force in 2020, a sharp decrease due to the pandemic; emigration to advanced Pacific economies created a shortage of skilled labor domestically, which affected MSME employment as well.
- MSMEs contributed a mere 6.3% of Fiji's gross value added in 2020, trending downward; with many in tourism, the post-pandemic revival should have a positive effect on productivity, though downside risks remain.
- Most MSMEs focus on domestic markets; successful exporters during the pandemic say they adjusted their business flexibly to meet shifting demand, using proactive investments to survive and even grow during the crisis.
- Digital infrastructure development is a policy priority, bringing government services online through digitalFiji. The central bank offers e-commerce subsidies for MSMEs, helping them access more digital platforms and finance.
- Autonomous business communities—such as the Chamber of Commerce and Industry, Commerce and Employers Federation, and Women In Business—offer business advisory services and training, support MSME networking, and conduct government advocacy.

Scale of MSMEs

Initially, the Small and Micro Enterprises Development Act 2002 provided a legal definition of MSMEs, including criteria for turnover, total assets, and number of employees. But the act was repealed in December 2019, with a 7 June 2020 MSME policy framework defining MSMEs using only annual sales turnover or total assets (no employee threshold). A firm with annual turnover or total assets up to F\$50,000 is classified as a microenterprise, one with up to F\$300,000 is a small enterprise, and those with up to F\$1.25 million are medium-sized enterprises (Table 2.1). The MSME definition covers all economic sectors.

MSME data are not officially available in Fiji. However, the Fiji Bureau of Statistics holds time-series overall enterprise data for internal use collected through annual business surveys since 2014. For this report, the Asian Development Bank and Fiji Bureau of Statistics reclassified existing enterprise data following the new MSME definition. As a result, 4-year MSME data (for 2014 and 2018–2020) are now available (Table 2.2). The data only cover private businesses (non-agriculture) upon establishment and do not include informal, subsistence, or household production services.

The number of MSMEs has gradually declined since 2014 (10,583 in 2014 to 9,186 in 2020) (Figure 2.1A). Due to the pandemic, the annual growth in number of MSMEs contracted by 5.5% in 2020. As of end-2020, MSMEs accounted for 82.4% of all enterprises, with microenterprises comprising 39.7% of all MSMEs, small enterprises 23.2%, and medium-sized enterprises 37.0%. By sector, most MSMEs were engaged in services—17.6% in transportation and communications, 17.7% in wholesale and retail trade, and 52.2% in other services (including accommodation and food services, finance and insurance, professional services such as legal and accounting, and administrative services like tour and travel agents—followed by manufacturing (7.1%) and construction (5.2%) (Figure 2.1B). Data by region are unavailable.

Tourism remains a key driver of economic growth and includes many MSMEs. Tourism was hit hardest by the pandemic and associated social restrictions, causing many to close. According to the International Finance Corporation (IFC) COVID-19 impact assessment survey for Fiji, 50% of tourism-related businesses hibernated or fully closed at the time of the survey.² Tourism-related MSMEs lost seven times more income than non-tourism MSMEs. The survey found tourism revenue decreased by 59% in April 2020 compared with April 2019 due to mobility restrictions—consistent with the lower number of MSMEs in 2020.

Government measures to rescue affected businesses and individuals bloated the national budget sharply, increasing the fiscal deficit to an equivalent 11.9% of GDP in FY2022. The Fiji Revenue and Customs Services provided tax incentives to micro and small firms (annual income up to F\$500,000). During 2016–2018, 13,283 registered micro and small firms received various tax incentives worth F\$98.6 million. These included stamp duty exemptions, VAT refunds, free VAT monitoring system assistance, and income tax exemptions for agricultural micro and small firms.³ To improve the fiscal condition and boost revenue, the government has now shifted to increasing VAT and corporate income taxes for FY2024. This will directly affect MSME business operations and may encourage them to slip into the informal sector unless alternative tax relief measures are considered.

There are five major barriers to MSME development.⁴ They include (i) regulatory compliance, (ii) access to markets and related information, (iii) access to finance for startups, (iv) infrastructure development, and (v) e-commerce. As the current Companies (Amendment) Act 2019 is not designed for smaller firms, regulatory reforms to facilitate MSME development are needed. With market access limited to local trading markets for most MSMEs, they will need better access to information on business opportunities. Access to bank credit is much harder for startups or new businesses due to their lack of business history and sufficient collateral. Proper transportation (roads/ports) and utility (power/water) supply is crucial for MSME operations, requiring greater investment in hard infrastructure. It is also critical for MSMEs to access affordable e-commerce platforms for business development. Many MSMEs are struggling with stringent bank requirements to use the expensive Internet Payment Gateway (IPG), which limits MSME overseas business opportunities.

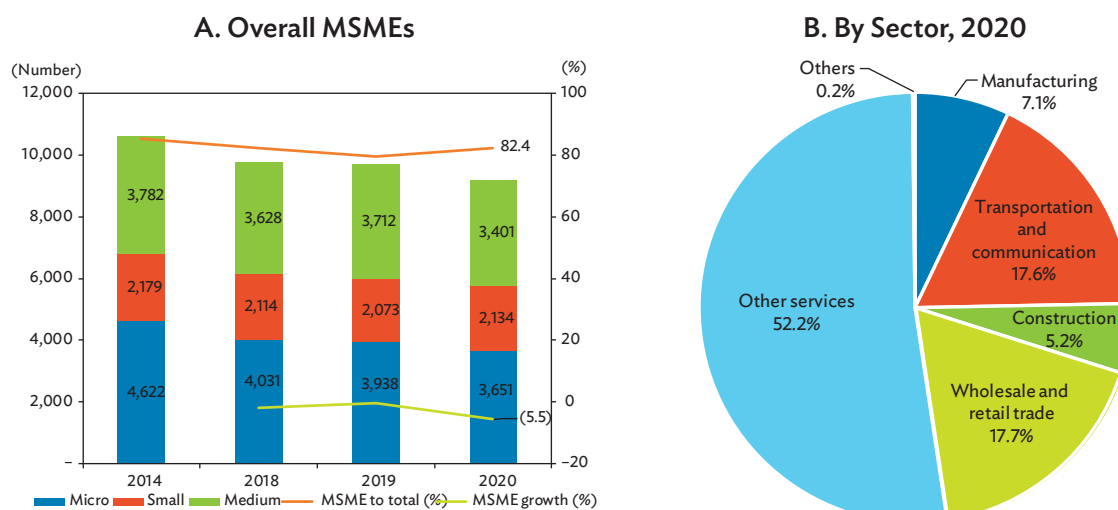
The Ministry of Tourism and Aviation also cites five major challenges for MSME development: (i) access to finance, (ii) high costs of doing business, (iii) ease of doing business, (iv) access to markets and information, and (v) a lack of skilled labor. Many MSMEs that temporarily closed during the pandemic find it hard to reopen due to a lack of working capital, especially in the Yasawas Islands. Rising fuel, transport, and food prices have increased the cost of doing business for tourism-related MSMEs. The hefty costs and requirements associated with accommodation licensing is a major burden. The high cost of creating and maintaining a website for marketing and service promotion is also an issue for smaller firms. And increasing emigration from Fiji to advanced Pacific economies has created a labor shortage, especially for skilled workers, which challenges MSMEs to provide good quality tourism services.

² International Finance Corporation (IFC). 2020. Fiji COVID-19 Business Survey: Tourism Focus. July.

³ Fiji Revenue and Customs Service. Tax Talk: SMEs benefit from incentives provided by the Fijian Government. <https://www.frscs.org.fj/wp-content/uploads/2020/05/Tax-Talk-Small-and-Micro-Enterprises-SMEs-benefit-from-incentives-provided-by-the-Fijian-Government.pdf>.

⁴ The discussions on barriers are based on government responses to the Constraints and Challenges section of the Asia SME Monitor 2023 database.

Figure 2.1: Number of MSMEs



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Fiji Bureau of Statistics (FBS) based on its Annual Establishment Surveys. MSME data were extracted from the FBS survey database for 2014 and 2018–2020.

Employment

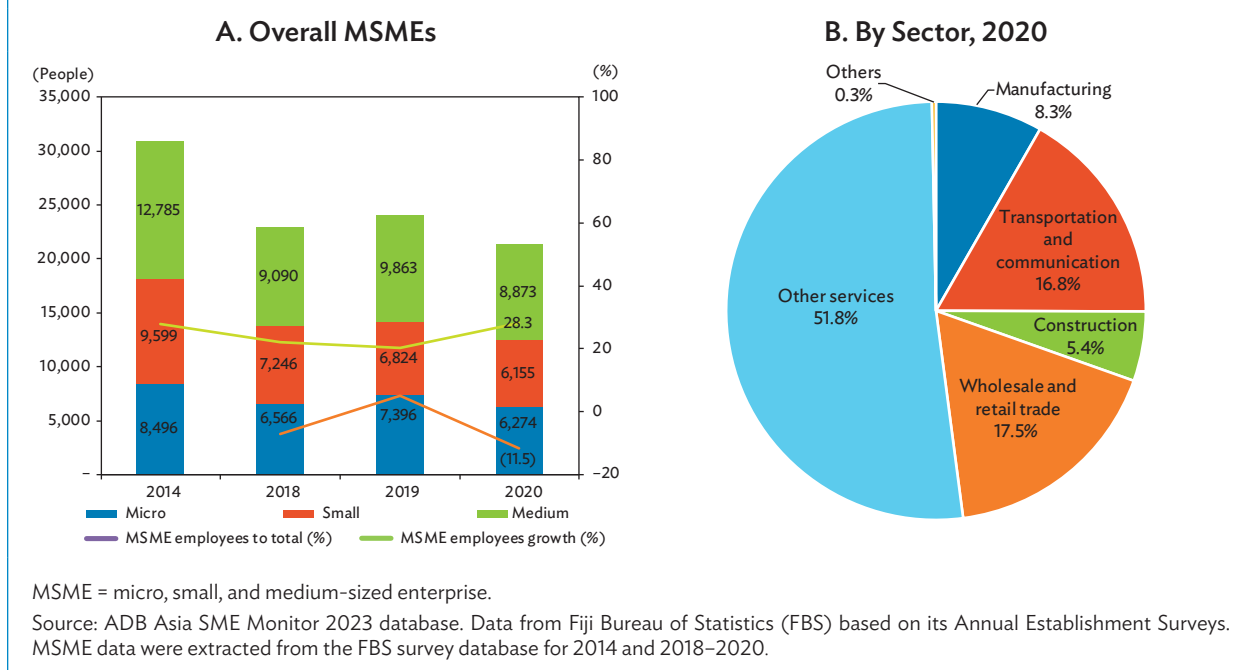
As of end-2020, MSMEs had 21,302 employees (28.3% of the labor force), down sharply from 2019 (–11.5%) due to the pandemic impact (Figure 2.2A and Table 2.2). Consistent with this report, the IFC survey found that 19% of non-tourism businesses and 45% of tourism businesses closed temporarily, with 32% and 35% reducing staff significantly. In 2020, 29.5% of MSME employees worked at micro enterprises, 28.9% at small enterprises, and 41.7% at medium-sized enterprises. Female labor force participation was 37.3% of total employees, little changed from 2018–2020. Promoting women-led MSMEs and entrepreneurship will help create more jobs in Fiji.

By sector, MSME employment is similar to the number of MSMEs—16.8% in transportation and communication, 17.5% in wholesale and retail trade, and 51.8% in other services including accommodation and food services, finance and insurance, professional services, and administrative services. This was followed by manufacturing (8.3%) and construction (5.4%) (Figure 2.2B). Regional distribution data are unavailable.

With many MSMEs in tourism-related businesses, the sound development of the tourism industry will help create more MSME jobs. However, the recent drop in skilled workers across the domestic labor market has been accelerated by labor mobility programs in Australia and New Zealand, causing a “brain drain”. Emigration has affected several tourism businesses, particularly in hotels and restaurants. Tourism lost 16,000 workers to emigration in 2022.⁵ Appropriate policies are needed to build the workforce in domestic businesses, especially skilled laborers for innovative small firms and entrepreneurship development, especially promoting youth and women. This is crucial as tourism shifts from recovery to more sustainable growth.

⁵ Footnote 1, p.252.

Figure 2.2: Employment by MSMEs



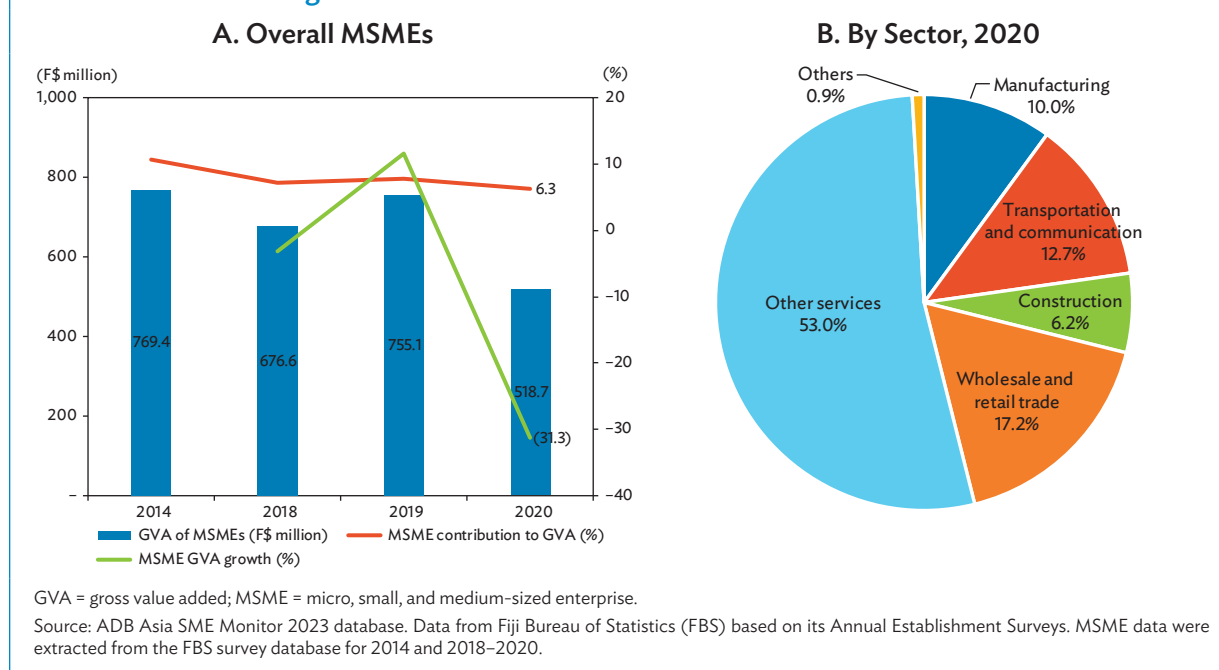
Business Productivity

Fiji's GDP growth is projected to decelerate from 15.9% in 2022 to 6.3% in 2023 and 3.0% in 2024. This is due to accelerated emigration, the large fiscal deficit (11.9% of GDP in FY2022), increased taxes (higher VAT and corporate income tax), and potential disasters or climate events (such as cyclones). Strengthening MSME dynamism and increasing output are key to sustainably boost productivity. However, as of end-2020, MSMEs contributed just 6.3% to GVA (F\$518.7 million), a 31.3% drop from pre-pandemic 2019, and down from 2014 (10.7% of GVA) (Figure 2.3A and Table 2.2).

As of end-2020, more than half (53.0%) of MSME GVA came from other services, including accommodation and food services and administrative services (many related to tourism), followed by wholesale and retail trade (17.2%), transportation and communication (12.7%), manufacturing (10.0%), and construction (6.2%) (Figure 2.3B). Regional distribution data are unavailable.

The tourism rebound post COVID-19 contributed to a V-shaped economic recovery in Fiji in 2021, which spilled over into tourism-related hotels, restaurants, retail shops, handicraft sellers, and tour operators and travel agencies where MSMEs are active. Although data are not available for 2021, it is anticipated MSME contribution to GVA increased sharply. However, downside risks to economic growth may force MSMEs back to lower productivity. Tourism is a major source of government revenue—so its sustainable growth should help Fiji make its growth more resilient. Boosting MSME development and productivity should be a policy priority.

Figure 2.3: MSME Contribution to Gross Value Added



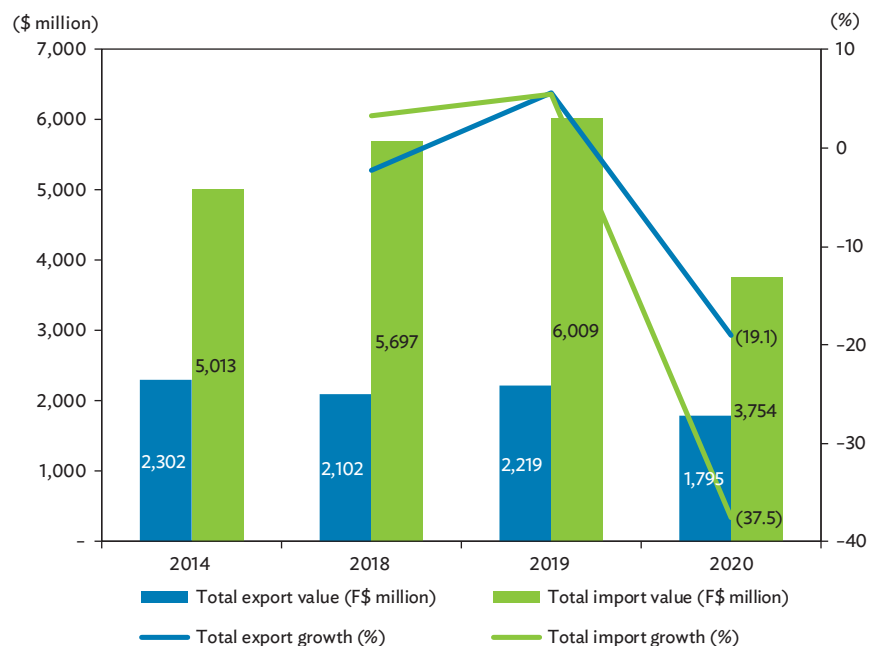
Market Access

Most MSMEs target domestic markets. A limited number are able to access global markets. Yet, export growth is sporadic and volatile. Imports grew moderately before the pandemic hit. During the pandemic, both exports and imports dropped sharply in value due to mobility restrictions—down 19.1% for exports and 37.5% for imports (Figure 2.4 and Table 2.2). MSME export and import data are unavailable. With a lack of viable export businesses, the Investment Fiji Act No.25 of 2022 focuses on investment promotion and facilitation, local business development, and export promotion (including MSMEs). Currently, exporters include Fiji Water (the largest), manufactures, agriproducts (such as sugar, ginger, coconuts, fruit, biscuits, vanilla, and chocolate), and high-end products such as cosmetics—mostly from large firms. Major export destinations are Australia, New Zealand, other Pacific islands, and the United State (for water).

The Investment Fiji Act cited eight barriers to expanding MSME internationalization and exports: (i) low awareness of international business and a lack of marketing opportunities; (ii) limited access to finance (particularly trade finance); (iii) limited access to marketing information; (iv) a lack of global business networks; (v) market requirements for exporters; (vi) obtaining international product certificates; (vii) high trade costs (transportation); and (viii) language barriers.

While MSME exporters may be few in number, several operated successfully during and after the pandemic, due to proactive investments in developing new products and services that fit specific pandemic demand, using good pricing strategies and business partnership development (Box 2.1).

Figure 2.4: Exports and Imports



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Fiji Bureau of Statistics.

Box 2.1: Fiji's Small Exporters—Surviving the Pandemic and Future Growth

Green Gold Kava focuses on producing and exporting kava, a medicinal herb that, as a drink, has a calming effect that can reduce anxiety. Since its inception in 2014, the company has become a leading kava exporter in Cakaudrove Province, Fiji. It has eight employees. Its primary export markets include New Zealand, Australia, and the United States (US). The company received the Prime Minister's Exporter of the Year Award in 2016 and 2018. It has participated in international trade shows and trade missions. Located in the town of Savusavu, Green Gold Kava faced several problems during and after the pandemic—such as limited access to kava due to mobility restrictions, and irregular shipping schedules.

There was also an increase in freight costs. With sales down significantly in traditional importing countries such as the US and New Zealand, revenues fell as well, impacting farmers who supplied the herb. In 2019, the company's pre-pandemic sales reached F\$1.2 million, which decreased by nearly half in 2020 to F\$661,881, dropping further to F\$654,425 in 2021. The company took proactive measures to prepare for the pandemic challenges, such as continuous planning and market research to improve pricing and offer still affordable products to customers.

The company offered competitive prices to support farmers and meet their needs. Knowing the pandemic would eventually subside, Green Gold Kava used the 3 years to complete its processing facility—compliant with HACCP Australia standards. The company is also expanding its product range to include Micronized and Instant Kava, Kava Beverage in Bottles and Cans, and Kava Relaxant pills and capsules, all for the global market. Green Gold Kava promotes gender equality and empowers women, with its women staff (80% of total staff) in positions ranging from management to field works. Despite continuing logistics and freight cost challenges, the company has proven resilient and managed to grow successfully during some very uncertain times.

continued on next page

Box 2.1 *continued*

Essence of Fiji was established in 1998. It is a health and cosmetic firm specializing in producing Nama Fiji, a beauty and skincare brand that uses sea grape “Nama” for deep moisturizing and skin hydration. The company currently employs 20 people. Despite the disruptions caused by the pandemic, it managed to keep up with rent, office and factory maintenance, accounting, and bookkeeping. However, the pandemic hit the beauty and skincare industry hard, and Essence of Fiji saw its sales revenue decline significantly—from F\$588,000 in 2019 to F\$153,000 in 2020. The pandemic’s impact continued to be felt in 2021. Nonetheless, in 2022 the company projected F\$254,000 in sales revenue, and is aiming for a substantial increase to F\$1.4 million in 2023.

Despite these challenges, Essence of Fiji remained optimistic and continued expanding its business globally. The company has exported its products to Australia; the US; Europe; the People’s Republic of China (including Hong Kong, China); and Singapore. Its products are even available in Farmers Supermarket in New Zealand, demonstrating Essence of Fiji’s ability to compete with other better-known businesses in the industry. Since the pandemic, the company has ventured into other export markets with the help of newly contracted distributors. By June 2023, it hoped to have a presence in global streams such as airlines, retail chains, online platforms, and spas. The company’s remarkable growth and expansion demonstrates its resilience and dedication to its brand, serving as a source of inspiration for other Fijian businesses.

Kavalicious Taveuni is another agriculture-based company that specializes in the production and sale of kava. The business was founded in 2021 and currently employs eight people. The company collaborates with individual investors and potential stakeholders to expand operations and create new opportunities. Its projected sales revenues for 2022 were F\$69,013.

The company participates in trade shows both locally and internationally to boost MSME participation in global supply chains. However, it faced several setbacks such as loss of kava crops due to Cyclone Yasa along with the pandemic. The company has attended Fiji Trade Missions to Australia and New Zealand and programs such as the YHER program—which inspired the owner to create unique kava products like kava chocolate cookies, soap, and moisturizers.

Source: Investment Fiji.

Technology and Innovation

Digitalization has moderately improved across Fiji. Internet use has increased gradually, from 77% of the population in pre-pandemic 2019 to 88% in 2021, likely due to more work done remotely during the pandemic.⁶ However, mobile cellular subscriptions fell, from 112 per 100 people in 2019 to 107 in 2021. To some extent the pandemic pushed firms to go digital because of mobility restrictions or lockdowns. But overall, business digitalization has yet to take over mainly due to a lack of adequate information and communication technology (ICT) infrastructure.

Digital infrastructure development is a policy priority. The government launched its Digital Government Transformation Program called “*digitalFiji*” in June 2018. *digitalFiji* was initially a 4-year program (FY2019–2022) to ignite the digital transformation of the economy, making government services available online through mobile applications. It also offers ICT capacity and competency programs for government officials. As of August 2023, four *digitalFiji* applications were available: (i) Directry@Gov (online government directory); (ii) MyFeedbak (the single gateway to communicate); (iii) e-Birth Registration and Re-prints (online birth certificates); and (iv) e-Registrar of Companies Services (online business registration).

A National E-commerce Strategy was being prepared (as of March 2023). In addition, the Reserve Bank of Fiji, the central bank, launched an E-commerce Subsidy Scheme for MSMEs in August 2021 to help MSMEs access more

⁶ World Bank. Individuals using the Internet (% of population) - Fiji. <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=FJ>.

digital financial services. It supports MSME merchants that use Vodafone's Fiji e-commerce aggregation platform "VitiKart"—a cost-effective way of processing card payments online. In November 2022, the subsidy scheme allowed five additional aggregators to access up to F\$500,000 in grants to cover claims for MSME subscription costs for using their platforms.

Networking and Support

There are several active business associations. The Fiji Chamber of Commerce and Industry (FCCI) has 200 members covering a variety of sectors including both SMEs and large firms. Around 60% are SMEs based on the chamber's own classification—sole proprietorships with 1–2 employees and firms with 3–50 employees. The membership category does not specify microenterprises. The FCCI offers business advisory and consultancy to members, helps find skilled employees, and provides business networking and training programs on business development (offering more than 140 courses). It also provides advocacy services and lobbies with the government to improve the business environment. However, as the current FCCI MSME definition is not commonly used among government authorities, financial institutions, and private organizations, there are proposals to revise the MSME definition to better match the official definition. The FCCI cites four challenges for MSME development: (i) formalization (informal businesses increased during the pandemic); (ii) labor shortages, especially skilled workers (emigration from Fiji remains an issue); (iii) access to finance; and (iv) business marketing and planning for exporters and agribusinesses to promote local products.

The Fiji Commerce and Employers Federation (FCEF) is a nonprofit membership organization to improve employment conditions. It is supported by the International Labour Organization and the Training and Productivity Authority of Fiji. The FCEF provides networking, advisory, and training opportunities to employers across business sectors. Women In Business (WIB), another private association, promotes women participation across economic sectors. It also conducts women's advocacy work with the government.

2. Access to Finance

- Commercial bank lending to MSMEs remains small by value. In 2022, MSME loans outstanding were 10.9% of total commercial bank loans or 7.7% of GDP. MSME lending has been declining since the pandemic, as banks consider it high-risk lending.
- The Fiji Development Bank helps meet the financing needs of MSMEs, narrowing the credit supply gap by financing unserved, underserved, and vulnerable groups—including MSMEs.
- Concessional loan packages for MSMEs during the pandemic helped 3,592 businesses survive.
- There is no independent credit guarantee corporation in Fiji, although the central bank offers a credit guarantee facility for MSMEs; it also helped MSMEs access finance during the pandemic.
- The far smaller nonbank finance industry has yet to supplement the bank credit market; with many nonbank finance institutions, including microfinance institutions, unregulated, it is difficult to accurately monitor the industry's performance.
- To some extent, the pandemic encouraged firms to digitize, but digital financial services are not commonly used by businesses; it is crucial to establish a digital finance ecosystem and promote digital finance service providers.
- There is no dedicated MSME capital market in Fiji; however, the stock exchange is preparing a second-tier board for small and medium-sized enterprise issuers.
- Secured transaction reform is set to improve availability of loan collateral beyond immovable assets; it is supported by ADB's Private Sector Development Initiative.

Bank Credit

As of end-2022, six commercial banks were operating in Fiji—one local bank (Home Finance Company Limited [HFC Bank]) and five foreign commercial banks (ANZ [Australia], Westpac [Australia], Bank of Baroda [India], Bank of South Pacific [BSP, Papua New Guinea], and Bred Bank [France]). In addition, the state Fiji Development Bank (FDB) mainly services agriculture and smaller firms through 11 branches across the country. In 2022, commercial banks accounted for 86.9% of the credit market, followed by FDB (7.35%) and credit institutions (5.8%).⁷ FDB is primarily charged with supporting economic development by narrowing the credit supply gap by financing unserved, underserved, and vulnerable groups—including women, youth, cooperatives, and smaller firms.

Based on commercial bank data, as of end-2022, MSME loans outstanding reached F\$859.9 million—10.9% of commercial bank lending or 7.7% of GDP (Figure 2.5A and Table 2.3). During the pandemic, MSME loans increased sharply due to their need for strong working capital to survive. It grew by 7.1% (to F\$662.4 million) in 2020 and by 32.8% (F\$879.8 million) in 2021. MSME loans decreased by 2.3% in 2022, but the number of MSME borrowers increased slightly—from 3,088 (4.4% of all bank borrowers) in 2021 to 3,193 (4.6%) in 2022 (Figure 2.5B). Commercial banks typically categorize MSMEs by loan size.

The “other services” sector—including accommodation and food services and administrative services—was the largest MSME borrower segment in 2022 (41.4% of MSME loans), followed by wholesale and retail trade (24.4%), construction (9.9%), transportation and communications (8.7%), manufacturing (8.1%), and agriculture (3.3%) in 2022 (Figure 2.5C).

Commercial bank lending to MSMEs remains small, and has been decreasing slightly post pandemic as banks typically consider MSMEs high-risk. Key barriers for MSME lending include a lack of adequate collateral (movable and immovable assets) and proper book-keeping, insufficient cash flow and deposits, and, more importantly, a lack of financial literacy and discipline among MSME borrowers. As an initiative to reduce lending risks, for instance, BSP offers capacity-building and training programs for MSME managers and startups (such as training on business management and day-to-day operations). Given the majority of women-led MSMEs, BSP also offers a year-long training program for women.

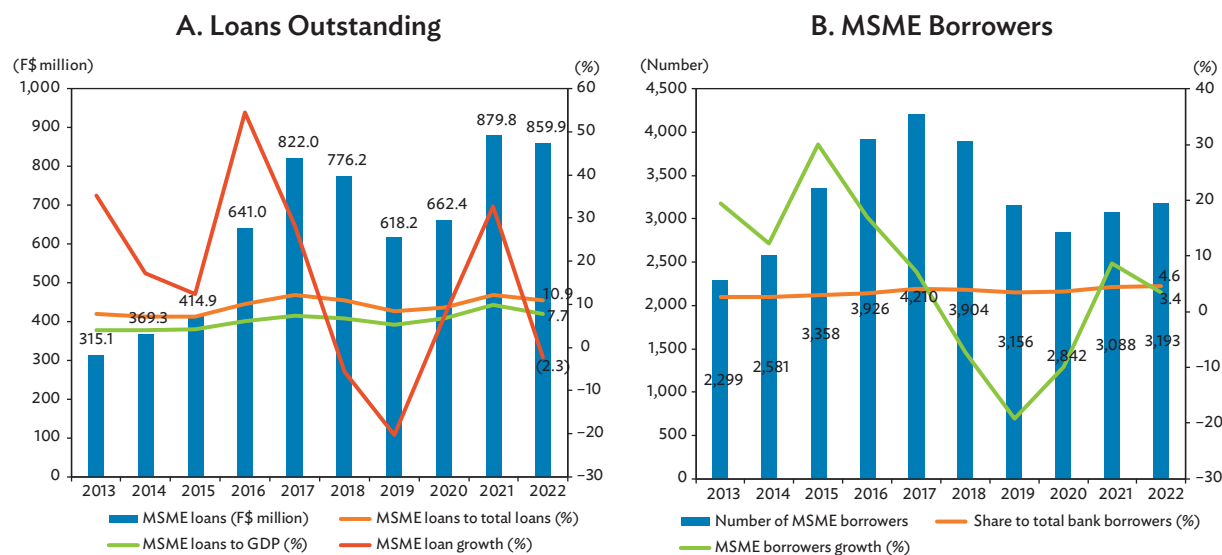
The Reserve Bank of Fiji also points to some demand-side issues for MSME lending: MSMEs are often hesitant to approach banks as they believe banks do not want to lend to them due to tedious loan assessment procedures and frequent changes in loan decisions. Also, MSMEs are often unaware of schemes such as credit guarantee facilities, which adds to their hesitance to access bank credit.

Trade finance is not a popular financing product among commercial banks.⁸ BSP, for example, provides trade finance on a case-by-case basis, but rejects around 50% of MSME applications. Challenges include product shipping problems and supply chain disruptions. And corresponding bank relationships are critical to promote trade finance.

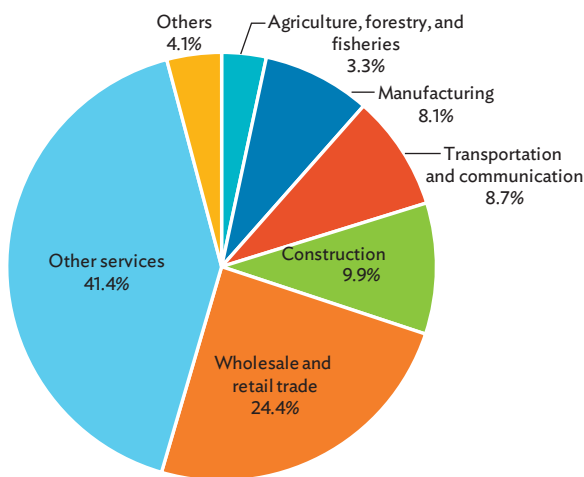
⁷ The Reserve Bank of Fiji licenses four credit institutions: BSP Finance Limited (Papua New Guinea), Credit Corporation (Papua New Guinea), Kontiki Finance (Fiji), and Merchant Finance (Fiji). Source: Reserve Bank of Fiji website (<https://www.rbf.gov.fj/core-functions/financial-stability/financial-system-infrastructure/#1582769828406-7ebbbda1-396b>). Accessed 31 August 2023.

⁸ Trade finance refers to loans, guarantees, insurance, factoring, forfaiting, receivables finance or supply chain finance, and other forms of finance and risk mitigation provided by financial institutions for import and export transactions. This includes all forms of pre-shipment, post-shipment, letters of credit, or any other trade-related financing provided by financial institutions.

Figure 2.5: MSME Loans



C. By Sector, 2022



MSME = micro, small, and medium-sized enterprise.

Note: MSME classification follows Reserve Bank of Fiji MSME Credit Guarantee Scheme Guidelines, consistent with those defined by the MSME Fiji Policy Framework.

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Public Financing and Guarantees

a. Fiji Development Bank

FDB absorbs the unmet financing needs of MSMEs. Around 94% of its customers are MSMEs. It was established under the Fiji Development Bank Act of 1966 (July 1967) with their Board of Directors appointed by the Minister of Economy. Small and Medium Business Loans range from F\$1,000 to F\$500,000. FDB defines small enterprises as firms with annual sales of up to F\$100,000 and up to 20 employees; with medium-sized enterprises as firms with annual sales of up to F\$500,000 and up to 50 employees. There is no microenterprise category.

Major SME loan borrowers cover (i) transportation (such as taxis, hire cars, trucks, marine vessels, and minibuses); (ii) distribution (delivery and storage); (iii) wholesale and retail trade; and (iv) other services (repair shops, fuel stations, and wreckers; fast-food services and restaurants; tourism [accommodation, resorts, tours, and eco-tourism projects]; accountancy, dentistry, law, and medicine; and manufacturing). Typical lending conditions include loan terms averaging 3–5 years, a lending rate of 10% (6% interest rate subsidy with the remaining 4% covered by borrowers), and an average loan size of F\$25,000. Both movable and immovable assets are acceptable for loan collateral. There are no collateral requirements for women entrepreneurship loans (only tax ID submission is required). For trade finance, an Import/Export Substitution Loan is available with a 2.5%–3.0% lending rate.

FDB has a digital finance road map/strategy. It offers online loan application via Facebook, but it takes 17–40 days for loan approvals due to its manual approval system (not yet digitalized).

b. Concessional loan program

To help MSMEs survive the pandemic, the government launched COVID-19 Concessional Loan Packages for the critical 2-month period from 25 May to 31 July 2020 (Table 2.7a). It was a collaborative effort between the Ministry of Trade, Co-operatives, Small and Medium Enterprises (MTCSME); the Ministry of Finance, Strategic Planning, National Development and Statistics; the Fiji Revenue and Customs Service; and private partners such as the Fiji Institute of Accountants (FIA), the FCCI, the WIB, and the FCEF. During the roll out of concessional loans, MTCSME assessed 9,152 applications valued at approximately F\$71 million. FIA, FCCI, WIB, and FCEF formed Business Assistance Fiji. After deliberations, the panel approved 6,686 applications worth approximately F\$35 million, of which F\$32 million was paid out. The concessional loans allowed 3,592 men-led (54% of the total) and 3,082 women-led (46%) firms to continue during the most difficult time of the pandemic.

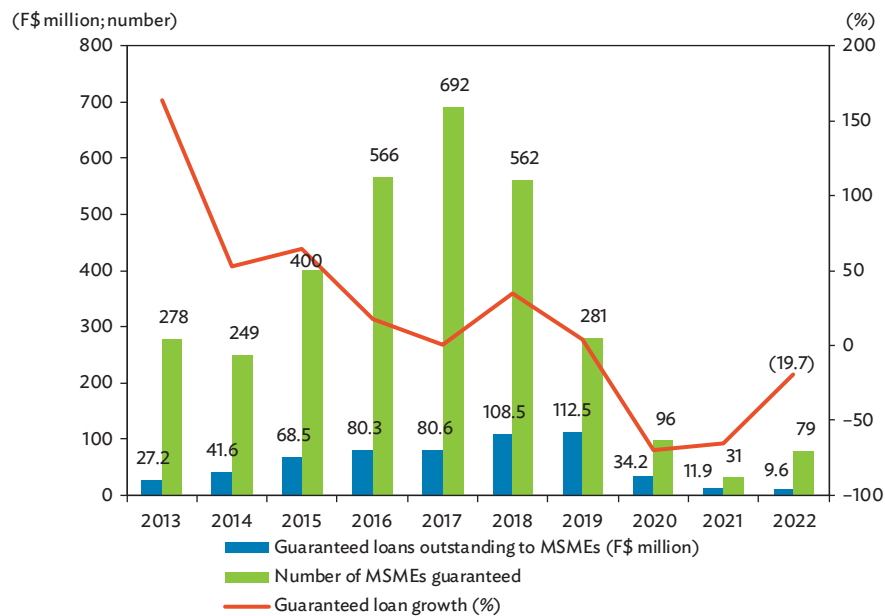
c. Credit guarantees

Fiji does not have an independent credit guarantee corporation. Instead, the central bank offers a credit guarantee scheme for MSMEs. It covers 60%–75% of default risk with the cap on the credit guaranteed. In the pre-COVID-19 period, guaranteed loans outstanding to MSMEs expanded moderately—F\$112.5 million in 2019, up 3.7% from 2018 (Figure 2.6 and Table 2.4). The number of MSMEs guaranteed peaked at 692 in 2017, decreasing to 281 in 2019.

During the pandemic, the government launched a COVID-19 Credit Guarantee Facility, initially at F\$7.8 million (Table 2.7a). Effective 1 June 2020, all new MSME loans approved by commercial banks, credit institutions, and the FDB were covered, except for (i) loans with interest rates on the outstanding total above 9.49%, (ii) businesses in the sugar industry, and (iii) businesses that already enjoyed some form of government subsidy. The scheme does not cover lending not directly related to MSME operations, such as property investments. Loss claims are assessed under two categories: (i) for MSME loans to women, agriculture, forestry and fisheries, the scheme covers 75% of the defaulted principal outstanding up to a maximum F\$75,000 per individual business; and (ii) for other MSME loans, the scheme covers 60% of the defaulted principal outstanding amount up to a maximum F\$60,000 per individual business.

As of end-2022, guaranteed loans outstanding to MSMEs was F\$9.6 million, a 19.7% decrease from 2021 as the impact of the pandemic subsided (Figure 2.6). Seventy-nine MSMEs were guaranteed in 2022. The scheme remained in place as of March 2023.

Figure 2.6: Credit Guarantees



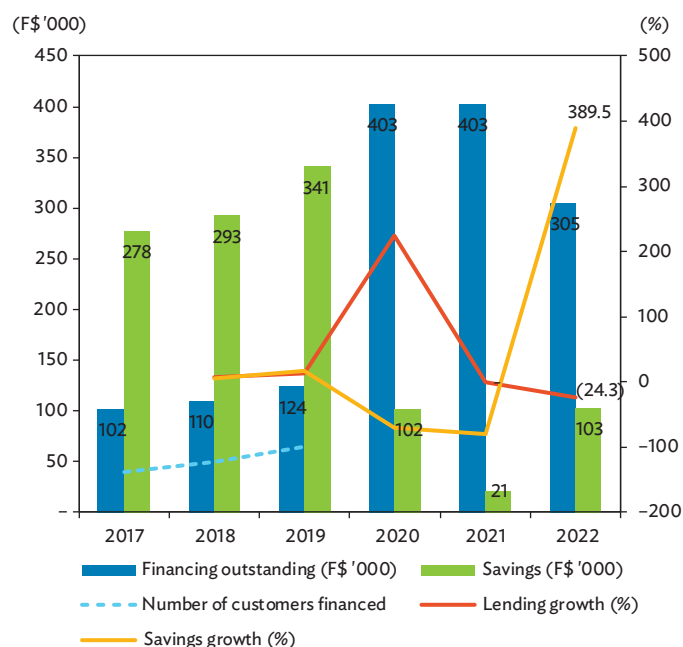
MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Nonbank Financing

The nonbank finance industry is very small and has yet to supplement bank credit. Also, many nonbank finance institutions—including finance companies, microfinance institutions (MFIs), credit unions/cooperatives, money lenders, pawnshops, hire purchase providers—are not regulated by the Reserve Bank of Fiji, which makes it difficult to accurately monitor performance.

As of end-2022, nonbank finance institutions monitored by the central bank included 50 institutions—including 2 MFIs, 33 credit unions/cooperatives, 9 insurance companies, and 6 other deposit takers (Table 2.5). Nonbank finance data are available only for MFIs, and show loans outstanding amounted to F\$305,000 in 2022, down 24.3% from 2021 (Figure 2.7). MFIs are allowed to take deposits (savings reached F\$102,800 in 2022). Only 25 customers were financed by MFIs in 2022.

Figure 2.7: Nonbank Finance—Microfinance Institutions

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Digital Financial Services

Individuals and businesses including MSMEs can benefit from faster and lower-cost digital financial services that cover credit, savings, payments, and insurance. Although the COVID-19 pandemic encouraged some firms to digitalize, digital financial services are not frequently used by businesses. As of 2020, National Financial Inclusion Strategy 2022–2030 statistics show that just 27% of adults (27% female and 23% youth) could access mobile money, and only 30% (29% female and 41% youth) could access other digital financial services. This was still better than 2014 (when only 7% of adults used mobile money and 8% other digital financial services).

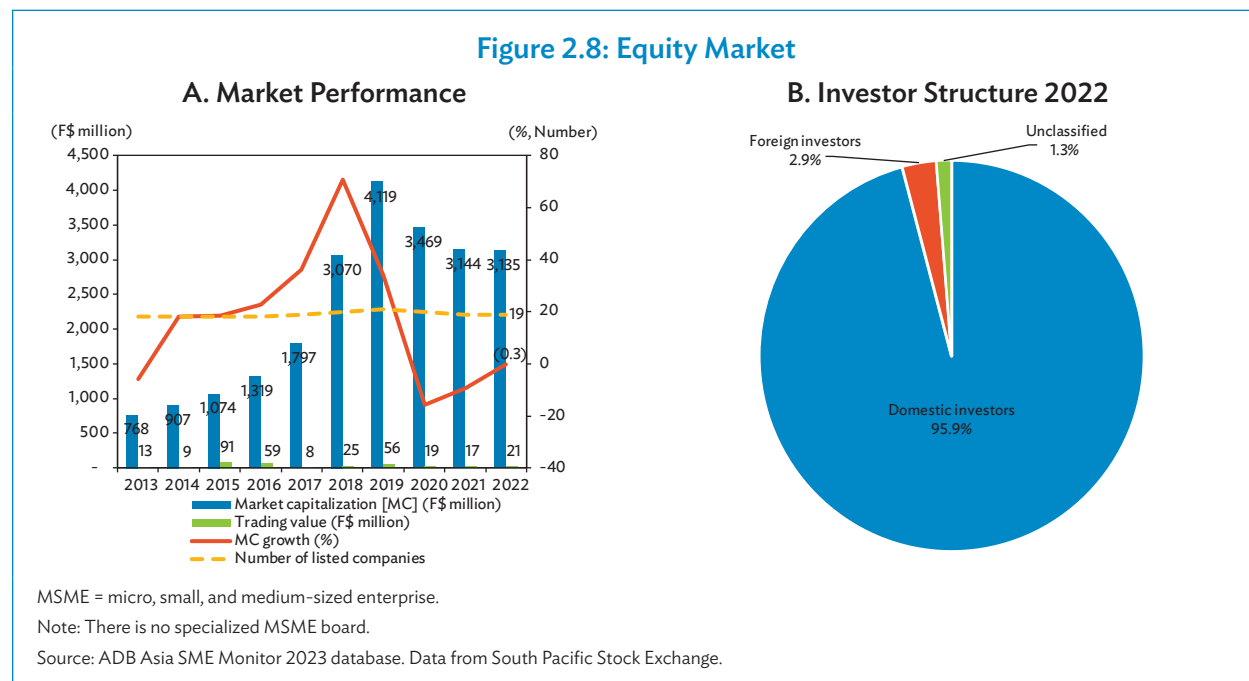
FDB has a digital finance road map/strategy, but its loan approval system has yet to be digitalized even for online loan applications. Commercial banks provide internet/mobile banking through online applications, although they remain in the early stages of digital finance development. It is crucial a digital finance ecosystem is established that promotes digital finance service providers and fintech generally. The Reserve Bank of Fiji is preparing a crowdfunding law to address MSME financing (as of March 2023).

Capital Markets

The South Pacific Stock Exchange is the single stock exchange in Fiji. As of end-2022, 19 companies were listed on the main board with a market capitalization of F\$3,135 million (0.3% down from 2021) (Figure 2.8A and Table 2.6). Issuers cover a mix of sectors including manufacturing, wholesale and retail trade, education, telecommunications, automotive, and tourism. Most investors are domestic individuals, although there are some institutional investors. Domestic investors accounted for 95.9%, with 2.9% foreign investors (Figure 2.8B). Tax incentives include reduced corporate income taxes for issuers (from 20% to 10% for the first 7 years after listing), and capital gains tax exemptions for investors.

While there is no dedicated MSME capital market, the South Pacific Stock Exchange is preparing a second-tier board (initially called the “Bula market”) for SME issuers. It is expected to be launched in 2025.⁹ To attract more issuers, the stock exchange offers capacity-building programs (nothing specific for SMEs); four training programs were completed as of March 2023.

Figure 2.8: Equity Market



Financial Infrastructure

A secured transactions reform was designed to improve availability of loan collateral beyond immovable assets. ADB’s Private Sector Development Initiative (PSDI) assisted in developing the legislation passed by Parliament in September 2017. It also helped with the establishment of an online Personal Property Securities Registry, launched 31 May 2019. The PSDI continues to work with the Reserve Bank of Fiji to help financial institutions better use the reform, particularly to encourage the development, rollout, and impact assessment of new MSME credit products.

The Credit Information Reporting Agency (CIRA) is a private company, registered with the central bank. Operation started in October 2018, with credit data reporting following the Fair Reporting of Credit Act of 2016. As of March 2023, CIRA held around 20,000 credit data, of which some 10% were company data—MSMEs comprise less than 5%. Credit data are available only for members (15 members, from 7 banks and 8 nonbank finance institutions). CIRA provides general credit information and data on past due or bad debt. It collects data on company sales, employment, operating period, and assets. Data come from members, but it is working on new sources such as tax ID data in collaboration with the Fiji Revenue and Customs Service. Credit scoring has yet to be developed. CIRA developed regional networks on credit reporting with other credit bureaus in, for example, Papua New Guinea, Solomon Islands, and Tonga.

⁹ Interview with acting South Pacific Stock Exchange CEO on 7 March 2023.

3. Policies and Regulations

- *The Government of Fiji's 5- and 20-Year National Development Plan set MSME development targets designed to promote an entrepreneurial, sustainable MSME culture.*
- *A central coordinating agency—MSME Fiji—was established in 2019 to support women-led MSMEs and informal businesses, access finance, business advisory services, and create an MSME database.*
- *The central bank launched its third National Financial Inclusion Strategy 2022–2030 in 2022, with several priority pillars—inclusive, digital, MSME finance with consumer protection.*

Overall, Fiji's MSME policy framework is well aligned with its long-term national development goals. It targets segments for support such as women-led MSMEs and informal businesses, key policy support areas such as access to finance and business development services, and monitoring and evaluation to facilitate course corrections when needed, along with the creation of an MSME database. The lack of reliable MSME data makes it difficult to promote evidence-based policy design in most Pacific economies, including Fiji. Thus, establishing an MSME database with periodic updates is a priority. The financial inclusion policy is well aligned with global agendas and the United Nation's Sustainable Development Goals. Its strategic pillars (inclusive, digital, MSME finance with consumer protection) are simple, clear, and can help monitor policy implementation. Policy coordination is well structured, led by a coordinating body.

MSME Development

The government set its 5-Year and 20-Year National Development Plan in November 2017, which includes MSME development to promote an entrepreneurial culture through sustainable MSMEs. The first 5 years focused on improving the institutional setting, access to finance, business incubation and training, and connecting MSMEs to markets. Under the plan, eight policy actions were set: (i) review data sources on MSMEs and establish a new MSME database; (ii) establish a new MSME central coordinating agency; (iii) increase the provision of finance available through government-funded programs—including the Micro Small Business Grant, an MSME credit guarantee scheme, the Young Entrepreneurship Scheme, and MSME financing support (subsidized loans) through the FDB; (iv) develop a legal and regulatory framework to govern microfinance service providers; (v) expand the reach of business training services to more entrepreneurs across all divisions; (vi) encourage and support business innovation through entrepreneurship training and mentoring programs; (vii) develop refresher courses for entrepreneurs and training those teaching the courses; and (viii) establish an online MSME resource page to help with business operations and planning. The website also provides information on regulations, compliance, and inspection vital for running an enterprise.

The new MSME central coordinating agency—MSME Fiji—was established in December 2019 as a department under MTCSME. MSME Fiji set priorities for MSME development under a policy framework announced in June 2020. It covers key strategic areas:

- (i) ensure that MSME projects align to national development priorities (such as the 5-Year and 20-Year National Development Plan, the Green Growth Framework, and the blue-economy narrative);
- (ii) enhance institutional policy cohesion by being the primary contact point for all MSME issues and improve the framework of support and collaboration across stakeholders;
- (iii) assist in the research and design of legislation, regulations, policies, and programs to empower all MSMEs, especially women-led MSMEs and those operating informally;

- (iv) formulate clear development strategies, improve processes, and recommend policies that improve the ease of doing business, particularly for new, growing, and informal businesses;
- (v) highlight the constraints, gaps, and challenges facing MSMEs, together with remedial policy actions, particularly those faced by vulnerable segments of the population like Yellow Ribbon enterprises and firms run by people with disabilities;
- (vi) facilitate MSMEs access to finance, business training, mentorship networks, business advice, and incubation services;
- (vii) provide basic business advice directly to MSMEs;
- (viii) extend public awareness on available business training, mentoring, advisory, incubation services, and accessible finance;
- (ix) monitor and evaluate government MSME services and programs to continually enhance delivery standards, value and reach;
- (x) facilitate collection and dissemination of MSME data to ensure availability of reliable information; and
- (xi) collaborate with stakeholders such as local university faculties to strengthen MSME policy research and the institutional capacity to deliver reforms.

The detailed 1-year action plan was being prepared (as of March 2023).

Financial Inclusion

The Reserve Bank of Fiji launched its third National Financial Inclusion Strategy 2022–2030 (NFIS) in May 2022. NFIS comprehensively sets out four priority pillars that address the United Nation’s Sustainable Development Goals: (i) inclusive finance, (ii) digital financial services, (iii) MSME finance, and (iv) consumer protection and financial capability. Pillar (i) develops responsive policies and guidelines, addresses access and usage gaps for those underserved, promotes formal financial inclusion for informal services, develops affordable financial products and services, and measures access and usage of financial products and services. Pillar (ii) upgrades technology for financial products and delivery channels, creates an enabling payment ecosystem and regulatory environment, develops digital financial services infrastructure, and develops a gender sensitive fintech ecosystem. Pillar (iii) builds an enabling regulatory framework for MSMEs, establishes a specialized MSME institution, develops value chain finance products and financial products and services for startups. Finally, pillar (iv) establishes a consumer protection framework, reviews a complaints management framework, develops a gender sensitive financial literacy strategy, and implements financial education programs for schools.

NFIS target groups include underserved women, children, youth, people with disabilities, rural firms and MSMEs. The national financial inclusion system is coordinated by the National Financial Inclusion Taskforce (NFIT). The Reserve Bank of Fiji acts as secretariat. Under the NFIT, working groups were created linked to the four pillars.

Data Tables

Table 2.1: MSME Definition

Item	Micro	Small	Medium
Annual sales turnover or total assets	F\$0–F\$50,000	F\$50,001–F\$300,000	\$300,001–\$1,250,000

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji MSME Credit Guarantee Scheme Guidelines; MSME Fiji Policy Framework.

Table 2.2: MSME Landscape

End-of-period data

Item	2014	2015	2016	2017	2018	2019	2020	2021	2022
NUMBER OF ENTERPRISES									
Number of enterprises, total	12,418	...	...	...	11,888	12,238	11,150	...	...
Number of MSMEs	10,583	...	...	...	9,773	9,723	9,186	...	...
Micro	4,622	...	...	...	4,031	3,938	3,651	...	...
Small	2,179	...	...	...	2,114	2,073	2,134	...	...
Medium	3,782	...	...	...	3,628	3,712	3,401	...	...
Number of large enterprises	1,835	...	...	...	2,115	2,515	1,964	...	...
MSME to total (%)	85.2	...	...	...	82.2	79.4	82.4	...	...
MSME growth (%) ¹	...	...	...	...	(2.0)	(0.5)	(5.5)	...	...
MSMEs by sector (% share)									
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...
Manufacturing	6.0	...	...	...	7.2	6.7	7.1	...	...
Transportation and communication	18.9	...	...	...	16.9	16.2	17.6	...	...
Construction	2.4	...	...	...	2.8	4.1	5.2	...	...
Wholesale and retail trade	25.0	...	...	...	19.6	15.7	17.7	...	...
Other services	47.3	...	...	...	53.3	57.2	52.2	...	...
Others	0.3	...	...	...	0.2	0.2	0.2	...	...
Number of MSMEs by region (% share) *									
Capital city (Suva)	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...
EMPLOYMENT									
Number of employment, total	111,170	...	...	...	103,587	119,004	75,378	...	...
Number of employment by MSMEs	30,880	...	...	...	22,902	24,083	21,302	...	...
Micro	8,496	...	...	...	6,566	7,396	6,274	...	...
Small	9,599	...	...	...	7,246	6,824	6,155	...	...
Medium	12,785	...	...	...	9,090	9,863	8,873	...	...
Number of employment by large enterprises	80,290	...	...	...	80,685	94,921	54,076	...	...
MSME employees to total (%)	27.8	...	...	...	22.1	20.2	28.3	...	...
MSME employees growth (%) ¹	...	...	...	...	(7.2)	5.2	(11.5)	...	...
Share of female employees to total employees (%)	33.5	...	...	...	37.5	35.5	37.3	...	...
MSME employment by sector (% share)									
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...
Manufacturing	12.3	...	...	...	8.8	6.9	8.3	...	...
Transportation and communication	14.9	...	...	...	16.4	15.7	16.8	...	...
Construction	5.0	...	...	...	7.0	4.7	5.4	...	...
Wholesale and retail trade	20.6	...	...	...	20.0	18.1	17.5	...	...
Other services	46.8	...	...	...	47.5	54.2	51.8	...	...
Others	0.3	...	...	...	0.3	0.4	0.3	...	...
MSME employment by region (% share)									
Capital city (Suva)	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...
CONTRIBUTION TO GROSS VALUE ADDED (GVA)									
GVA of MSMEs (F\$ million)	769.4	...	...	...	676.6	755.1	518.7	...	...
MSME contribution to GVA (% share)	10.7	...	...	...	7.2	7.8	6.3	...	...
MSME GVA growth (%) ¹	...	...	...	...	(3.2)	11.6	(31.3)	...	...
MSME labor productivity (F\$)	...	...	...	...	...	...	...	...	...
MSME GVA by sector (% share)									
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...
Manufacturing	11.9	...	...	...	11.4	17.1	10.0	...	...
Transportation and communication	15.7	...	...	...	12.0	11.0	12.7	...	...
Construction	3.2	...	...	...	4.0	3.4	6.2	...	...
Wholesale and retail trade	13.8	...	...	...	16.1	18.2	17.2	...	...
Other services	55.3	...	...	...	56.2	49.2	53.0	...	...
Others	0.1	...	...	...	0.2	1.2	0.9	...	...
MSME GVA by region (% share) *									
Capital city (Suva)	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...
EXPORTS									
Total export value (F\$ million)	2,302	...	...	...	2,102	2,219	1,795	...	...
Total export growth (%) ¹	...	...	...	...	(2.2)	5.6	(19.1)	...	...
MSME export value (F\$ million)	...	...	...	...	...	...	...	...	...
MSME export to total export value (%)	...	...	...	...	...	...	...	...	...
MSME export growth (%)	...	...	...	...	...	...	...	...	...
IMPORTS									
Total import value (F\$ million)	5,013	...	...	...	5,697	6,009	3,754	...	...
Total import growth (%) ¹	...	...	...	...	3.3	5.5	(37.5)	...	...
MSME import value (F\$ million)	...	...	...	...	...	...	...	...	...
MSME import to total import value (%)	...	...	...	...	...	...	...	...	...
MSME import growth (%)	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

¹ The growth rate in 2018 was calculated as a compound annual growth rate from 2014 to 2018.

Notes: Data are only for private sector businesses based on establishment and do not include informal and subsistence or household production services. The employment data are based on survey respondents (around 80% of total employment). No imputations were made for non-respondents in employment numbers. The GVA and the number of enterprises include non-survey respondents. Data calculation follows ISIC Rev 4.0 Classification. MSME classification is based on annual sales turnover following the national MSME definition (Table 2.1).

Source: ADB Asia SME Monitor 2023 database. Data from Fiji Bureau of Statistics (FBS) based on its Annual Establishment Surveys. MSME data were extracted from FBS's survey database for 2014 and 2018–2020 only.

Table 2.3: Bank Credit

End-of-period data

Item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING BANKS											
Number of operating banks, total	6	6	7	7	7	7	7	7	7	7	7
State-owned commercial banks	...	...	...	...	...	...	...	...	...	...	...
State-owned development financial institutions	1	1	1	1	1	1	1	1	1	1	1
Private commercial banks ¹	...	...	1	1	1	1	1	1	1	1	1
Foreign commercial banks	5	5	5	5	5	5	5	5	5	5	5
Credit*²											
Loans outstanding, total (F\$ million)	3,461	4,009	5,095	5,782	6,302	6,749	7,099	7,288	7,144	7,233	7,909
Loans outstanding in domestic currency (F\$ million)	3,428	3,961	4,967	5,620	6,118	6,610	6,993	7,112	6,983	7,109	7,788
Loans outstanding in foreign currency (F\$ million)	32	48	128	162	184	139	105	176	162	124	121
Loan growth (%)	7.4	15.8	27.1	13.5	9.0	7.1	5.2	2.7	(2.0)	1.2	9.3
Total bank loans to gross domestic product (GDP) (%)	48.7	52.0	55.6	58.9	61.0	61.0	60.9	61.5	73.6	81.3	71.3
Lending rate (% annual average)	6.6	5.8	5.7	5.9	5.8	5.7	5.7	6.3	6.1	5.8	5.2
Gross nonperforming loans (NPLs) (F\$ million)	174	105	87	60	115	127	184	216	332	507	624
Gross NPLs to total loans (%)	5.0	2.6	1.7	1.0	1.8	1.9	2.6	3.0	4.6	7.0	7.9
Trade finance (F\$)	...	...	...	...	...	...	...	...	...	...	...
Deposits*											
Deposits, total (F\$ million)	4,516	5,308	6,044	6,976	7,370	8,077	8,068	8,270	8,351	9,503	10,229
Deposits in domestic currency (F\$ million)	4,321	4,905	5,757	6,576	6,877	7,565	7,696	7,865	7,925	8,962	9,795
Deposits in foreign currency (F\$ million)	195	403	286	401	493	512	372	405	426	541	435
Deposit rate (% annual average)	2.3	1.8	2.2	2.7	3.0	3.2	3.6	4.1	3.2	2.0	1.2
MSME LOANS*											
MSME loans outstanding, total (F\$ million)	232.9	315.1	369.3	414.9	641.0	822.0	776.2	618.2	662.4	879.8	859.9
MSME loans to total loans outstanding (%)	6.7	7.9	7.2	7.2	10.2	12.2	10.9	8.5	9.3	12.2	10.9
MSME loans to GDP (%)	3.3	4.1	4.0	4.2	6.2	7.4	6.7	5.2	6.8	9.9	7.7
MSME loan growth (%)	33.2	35.3	17.2	12.3	54.5	28.2	(5.6)	(20.4)	7.1	32.8	(2.3)
MSME lending rate (% annual average)	...	...	...	...	...	...	...	...	...	...	...
Nonperforming MSME loans (NPLs) (F\$ million)	...	...	...	...	...	...	...	...	...	...	...
MSME NPLs to total MSME loans (%)	...	...	...	...	...	...	...	...	...	...	...
Number of MSME loan borrowers	1,924	2,299	2,581	3,358	3,926	4,210	3,904	3,156	2,842	3,088	3,193
MSME loan borrowers to total bank borrowers (%)	2.5	2.7	2.7	3.0	3.3	4.0	4.0	3.4	3.6	4.4	4.6
MSME loan rejection rate (% of total applications)	...	...	...	...	...	...	...	...	...	...	...
Number of MSME savings account in banks	...	...	...	...	...	...	...	...	...	...	...
Guaranteed MSME loans (F\$ million)	...	...	...	...	...	...	...	...	...	...	...
Non-collateral MSME loans (F\$ million)	...	...	...	...	...	...	...	...	...	...	...
Trade finance to MSMEs (F\$ million)	...	...	...	...	...	...	...	...	...	...	...
Share of MSME trade finance to total trade finance (%)	...	...	...	...	...	...	...	...	...	...	...
Number of MSMEs using trade finance	...	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by sector (% share)*											
Agriculture, forestry, and fisheries	4.1	3.6	3.6	3.0	2.3	3.1	3.9	3.5	4.0	3.0	3.3
Manufacturing	9.8	11.3	10.8	7.5	6.9	7.5	6.5	7.1	7.1	12.2	8.1
Transportation and communications	9.5	12.2	13.1	12.2	12.9	14.1	10.6	7.0	5.9	7.4	8.7
Construction	8.3	7.6	9.9	10.3	10.1	11.0	12.6	13.2	11.4	10.7	9.9
Wholesale and retail trade	30.8	23.1	22.7	21.1	23.9	21.8	22.7	24.7	24.1	22.0	24.4
Other services	24.8	27.2	20.0	28.2	32.5	34.1	35.4	35.4	38.5	38.4	41.4
Others	12.6	14.9	19.9	17.8	11.4	8.6	8.4	9.0	9.1	6.2	4.1
MSME loans outstanding by region (% share)											
Capital city (Suva)	...	...	...	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by type of use (% share)											
For working capital	...	...	...	...	...	...	...	...	...	...	...
For capital investment	...	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by tenor (% share)											
Less than 1 year	...	...	...	...	...	...	...	...	...	...	...
1-5 years	...	...	...	...	...	...	...	...	...	...	...
More than 5 years	...	...	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

¹ HFC Bank.² Includes loans, advances, leases, and bills discounted.

* Data are based on commercial banks' operations, not including loans by Fiji Development Bank.

Note: MSME classification follows Reserve Bank of Fiji MSME Credit Guarantee Scheme Guidelines, which is consistent with those defined by the MSME Fiji Policy Framework.

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Table 2.4: Credit Guarantees

End-of-period data

Item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CREDIT GUARANTEES											
Number of guarantee schemes	1	1	1	1	1	1	1	1	1	1	1
Guaranteed loans outstanding to MSMEs (F\$)	10,318,760	27,200,000	41,600,000	68,500,000	80,300,000	80,600,000	108,500,000	112,500,000	34,200,000	11,927,039	9,577,298
Growth (%)	...	163.6	52.9	64.7	17.2	0.4	34.6	3.7	(69.6)	(65.1)	(19.7)
Guaranteed loans approved to MSMEs (F\$)	...	...	...	...	...	...	...	...	...	...	...
Guaranteed loans disbursed to MSMEs (F\$)	10,318,760	16,828,067	15,732,734	25,793,803	32,248,350	37,189,599	32,198,848	15,722,931	2,881,690	1,558,714	1,747,130
Number of MSMEs guaranteed	187	278	249	400	566	692	562	281	96	31	79
MSME access to credit guarantees (% of total MSMEs)	...	...	...	...	...	...	...	...	...	...	...
Guaranteed MSME loans to total MSME loans (%)	...	...	...	...	...	...	...	...	...	...	...
Nonperforming guaranteed MSME loans to total guaranteed MSME loans (NPL ratio; %)	...	...	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Table 2.5: Nonbank Finance

End-of-period data

Item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NUMBER OF NONBANK FINANCE INSTITUTIONS											
Nonbank Finance Institutions, total	446	445	447	448	448	448	448	50	50	50	50
Microfinance institutions	2	2	2	2	2	2	2	2	2	2	2
Credit unions/cooperatives	431	431	431	431	431	431	431	33	33	33	33
Finance companies
Pawnshops
Leasing companies
Factoring companies
Insurance companies	10	9	9	9	9	9	9	9	9	9	9
Others ¹	3	3	5	6	6	6	6	6	6	6	6
MICROFINANCE INSTITUTIONS											
Financing outstanding, total (F\$)	102,000	110,000	124,000	403,000	403,000	305,000
Growth (%)	7.8	12.7	225.0	-	(24.3)
Total financing to GDP (%)
Annual lending rate (% on average)
Gross nonperforming loans (NPLs) (F\$)
Gross NPLs to total loans (%)
Savings (F\$)	277,500	292,500	341,000	102,000	21,000	102,800
Number of customers financed, total	40	50	65	...	...	25
Financing outstanding by sector (% share)											
Agriculture, forestry, and fisheries
Manufacturing
Transportation and communications
Construction
Wholesale and retail trade
Other services
Others
Financing outstanding by region (% share)											
Capital city (Suva)
Others

GDP = gross domestic product.

¹ Others - other deposit takers.

Source: ADB Asia SME Monitor 2023 database. Data from Reserve Bank of Fiji.

Table 2.6: Capital Markets

End-of-period data

Item	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EQUITY MARKET											
Main Board											
Index	...	...	...	...	...	...	...	...	...	...	...
Market capitalization (F\$)	816,249,812	768,055,080	907,161,929	1,074,092,473	1,318,795,202	1,796,850,636	3,070,028,897	4,119,189,524	3,469,431,467	3,143,596,831	3,134,863,404
Growth (%)	9.7	(5.9)	18.1	18.4	22.8	36.2	70.9	34.2	(15.8)	(9.4)	(0.3)
Trading value (F\$)	118,997,018	12,740,088	8,615,026	91,425,891	58,682,893	7,535,669	24,884,808	55,637,386	19,252,678	16,747,851	20,904,020
Trading volume (number of shares)	19,864,444	8,153,923	6,900,729	74,632,990	37,624,869	2,958,671	13,963,159	27,911,775	9,062,912	5,622,571	6,899,190
Number of listed companies	18	18	18	18	18	19	20	21	20	19	19
Number of IPOs	0	0	0	0	1	1	1	1	0	0	0
Number of delisted companies	0	0	0	0	1	0	0	0	1	1	0
Investor structure - share of domestic investors (%)	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9	95.9
Investor structure - share of foreign investors (%)	4.1	4.1	3.0	3.0	3.0	3.0	4.0	4.0	3.0	3.0	2.9
Investor structure - share of unclassified (%)	...	...	1.1	1.1	1.1	1.1	0.1	0.1	1.1	1.1	1.3

IPO = initial public offering.

Note: There is no specialized board that MSMEs can tap.

Source: ADB Asia SME Monitor 2023 database. Data from South Pacific Stock Exchange.

Table 2.7: Policies and Regulations

Regulations		
Name		Outline
Small and Micro Enterprises Development (Repeal) Act 2019 (December 2019)		Provides the standard definition of micro, small, and medium enterprises.
Companies Act 2015		The Act regulates companies in Fiji. Related regulations include a) Companies Regulations 2015 b) Companies (Securities Exchange and Licensing) Regulations 2015 c) Companies (Penalties) Regulations 2015 d) Companies (High Court) Rules 2015 e) Companies (Winding Up) Rules 2015 f) Companies (Levy) Order 1998 g) Companies (Wholesale Corporate Bonds) Regulations 2021
Fiji National Provident Fund Act 2011		The Act reformed the Fiji National Provident Fund to provide secure retirement savings and retirement income. Related regulations include a) Fiji National Provident Fund Regulations 2014 b) Fiji National Provident Fund (Housing Finance Assistance) Regulations 2013
Fiji National University Act 2010		The Fiji National University (FNU) is responsible for collecting the levy imposed on emoluments (exemption stated in FNU Levy Order). In compliance with the FNU Act 2010, all businesses are required to register with FNU to facilitate payment of the biannual levy.
Food and Safety Act 2003		The Act promotes public health and food safety; regulates the preparation, sale and use of food; assists consumers make informed food choices, and promotes fair trading practices regarding food. Related regulations include a) Food Safety Regulations 2009 b) Food Establishment (Grading) Regulations 2012
Income Tax Act 2015		Specifies rates of corporate income tax and levies. Income Tax Regulations 2016 specifies income tax exemptions.
National Fire Authority Act 2009 (amendment)		National Fire Service (Fees and Charges) Regulations 2003.
Health and Safety At Work Act 1996		a) Health and Safety at Work (Administration) Regulations 1997 b) Health and Safety at Work (Representatives and Committees) Regulations 1997 c) Health and Safety at Work (Training) Regulations 1997 d) Health and Safety at Work (General Workplace Conditions) Regulations 2003 e) Health and Safety at Work (Control of Hazardous Substances) Regulations 2006 f) Health and Safety at Work (Diving) Regulations 2006
Liquor Act 2006		Regulates liquor sales and related business registration. Liquor Regulations 2008.
Hotels and Guest Houses Act 1973		Regulates hotels and guest houses services.
Customs Act 1986		a) Customs Regulations 1986 b) Customs (Prohibited Imports and Exports) Regulations 1986
Investment Act No.5 of 2021		The Act aims to. a) contribute to an attractive investment climate in Fiji to increase investments; b) generate employment; c) contribute to sustainable and social development; d) promote growth for the benefit of all Fijians; and e) provide equity for investors with transparent, reliable, efficient and fair rules and procedures.
Investment Fiji Act No.25 of 2022		The Act sets out the mandate and functions of Investment Fiji to implement investment and export promotion strategies in close collaboration with the Ministry, aimed at increasing domestic and foreign investment and increasing exports. Related regulations include a) Investment (Foreign Investor's Reporting) Regulation 2022 b) Investment (Reserved & Restricted Activities) (Amendment) Regulation 2022
Regulators and Policymakers		
Name		Responsibility
MSME Fiji, Ministry of Trade, Co-operatives, Small and Medium Enterprises (MTCsME)		MSME Fiji under MTCsME is responsible for (i) formulating, implementing, and enhancing MSME development policies and strategies; (ii) facilitating business training, business advisory and access to finance; and (iii) monitoring and evaluating implemented MSME projects.
Ministry of Finance, Strategic Planning, National Development and Statistics		The Ministry is responsible for economic analyses, national budget management, taxation, debt management, national financial management reforms, procurement, monitoring sustainable development goals (SDGs), among others.
Ministry of Agriculture and Fisheries		The Ministry regulates and supervise agribusiness and fisheries.
Fiji Revenue and Customs Service (FRCS)		Statutory organization established under the FRCS Act 1998, it is responsible for collecting taxes and duties on behalf of government; providing quality advice on tax and customs matters to all stakeholders; facilitating trade and travel; and protecting borders. FRCS has a dedicated MSME Unit to provide tax advisory services and assist MSMEs comply with tax requirements.
Registrar of Companies (RoC)		RoC is responsible for registering companies, businesses, credit unions, and moneylenders for the efficient and effective administration of the Companies Act 2015.
Fiji National Provident Fund (FNPf)		In compliance with Sections 34 and 35 of the FNPf Act 2011, all businesses must register as an employer with FNPf. Registered business owners must register all employees hired to conduct business operations.
Ministry of Employment, Productivity and Industrial Relations		All businesses are classified as either Low or High Risk. Low Risk businesses are allowed to start operations and must comply with all relevant legal and regulatory requirements within 6 months of registration. Businesses classified as High Risk cannot start operations until all relevant regulatory requirements are met. Additionally, the National Occupational Health and Safety Services (OHS) ensures that firms comply with the Health and Safety at Work Act 1996. All businesses are required to apply for this license with the Ministry of Employment.
National Fire Authority		The Authority is responsible for assessing businesses to ensure premises are properly equipped with fire safety devices.
Office of the Attorney		Administrator of registering businesses under the Hotels and Guest Houses Act 1973 and Liquor Act 2006.
Investment Fiji		Investment Fiji is responsible for (i) Investment promotion: to increase the contribution made by investors to Fiji's economy by promoting Fiji's competitive and comparative advantages; (ii) Investment facilitation: to facilitate all necessary information and services to assist prospective and existing investors to meet their specific investment project needs; (iii) Export promotion: to facilitate and promote the development and expansion of exports; (iv) After-care: to provide investors assistance to overcome any challenges to the growth and expansion of their activities and support investors with their expansion and diversification objectives; (v) Policy advocacy: to collect information and raise awareness on the challenges faced by investors and recommend reform measures to improve Fiji's investment and business-enabling environment; and (vi) Image building: to promote Fiji as a desirable investment destination.
Reserve Bank of Fiji (RBF)		The Financial Systems Development Group (FSDG) under the RBF contributes to MSME development. The group is responsible for formulating, implementing and enhancing policies and strategies. FSDG also works with all related MSME stakeholders and development partners to implement MSME initiatives.

continued on next page

Table 2.7 continued

Policies		
Name	Responsible Entity	Outline
5-Year and 20-Year Fiji Government's National Development Plan	Government	<ul style="list-style-type: none"> (i) Review MSME data sources and establish a new MSME database. (ii) Establish a new MSME Central Coordinating Agency. (iii) Increase finance available through government funded programs, including the Micro Small Business Grant (MSBG) scheme, SME Credit Guarantee Scheme, Young Entrepreneurship Scheme (YES), and SME financing support through the Fiji Development Bank. (iv) Develop a legal and regulatory framework to govern microfinance service providers. (v) Expand the reach of business training services to more entrepreneurs across all divisions. (vi) Encourage and support business innovation through entrepreneurship training and mentoring programs. (vii) Develop refresher courses for entrepreneurs and training those teaching the courses. (viii) Establish an online MSME resource page with easy access resources on business operations and planning. The website also provides information on regulations, compliance, and inspection vital for running an enterprise.
National Economic Summit	Government	<ul style="list-style-type: none"> (i) Conduct training and workshops to increase business ownership in low-income and rural communities. (ii) Recognize a micro, small, and medium business hub of the Pacific, and call on government to create the necessary business-friendly infrastructure and facilities, incentives, savings mechanisms, and a supportive legal framework for MSMEs.
Micro, Small, and Medium Enterprise Fiji - Policy Framework (June 2020)	MTCSME	<ul style="list-style-type: none"> (i) Ensure that MSME projects align to national development priorities (such as the 5-Year and 20-Year National Development Plan, the Green Growth Framework, and the blue-economy narrative); (ii) Enhance policy cohesion among MSME supporting institutions by being the primary contact point for all MSME issues and improving the institutional framework of support and collaboration across stakeholders; (iii) Assist in the research and design of legislation, regulations, policies and programs to empower all MSMEs, especially women-led MSMEs and those operating informally; (iv) Formulate clear development strategies, improve processes, and recommend policies to help improve the ease of doing business, particularly for new, growing, and informal businesses; (v) Highlight the constraints, gaps, and challenges facing MSMEs, together with remedial policy actions, particularly for vulnerable segments of the population (like Yellow Ribbon enterprises and those run by the people with disabilities); (vi) Facilitate MSMEs access to financing, business training, mentorship networks, business advice, and incubation services; (vii) Provide basic business advice directly to MSMEs; (viii) Extend public awareness on available business training, mentoring, advisory, incubation services, and accessible finance; (ix) Monitor and evaluate government MSME services and programs to continually enhance delivery standards, value and reach; (x) Facilitate the collection and dissemination of data on MSMEs to ensure the availability of reliable information; and (xi) Collaborate with stakeholders, such as local university faculties, to strengthen MSME policy research and institutional capability to deliver reforms.
Investment Fiji Strategic Plan 2022-2023	Investment	The strategic priorities include investment promotion, export promotion, investment facilitation, aftercare, policy advocacy, and image-building.
National Financial Inclusion Strategy 2022-2030	RBF	<ul style="list-style-type: none"> (i) Inclusive finance. (ii) Digital financial services. (iii) MSME finance. (iv) Consumer protection and financial capability.
Disaster Rehabilitation and Containment Facility	RBF	The Disaster Rehabilitation and Containment Facility was established to provide businesses an avenue to access funds to cover financial and economic losses arising from flooding. Over the years it has expanded coverage to include losses of working capital arising from the impact of Natural Disasters and, in 2020, included the impact from pandemics or epidemics.
Secured Transactions Reform	RBF	The reform was undertaken to improve secured transactions. The Asian Development Bank Private Sector Development Initiative (ADB-PSDI) assisted the development of the legislation that was passed in parliament in September 2017 and the establishment of the online Personal Property Securities Registry (PPSR), officially launched on 31 May 2019. The ADB-PSDI continues to work with the RBF to support financial institutions fully utilize the benefits of the reform particularly to encourage the development and rollout of new MSME credit products and conduct an impact assessment.
MSME Credit Guarantee Scheme	RBF	The Government allocated funds to establish an SME Credit Guarantee Scheme (SMECGS) to be administered by the RBF. The guarantee covers lending to all sectors except loans to Sugar Cane farmers and Government-subsidized businesses. Under the scheme, the government guarantees 75% of the principal outstanding on defaulted loans up to F\$75,000 per business on MSME loans to women entrepreneurs and those involved in agriculture, forestry and fisheries.
E-Commerce Subsidy Scheme	RBF	The E-commerce Subsidy Scheme for MSMEs was launched in August 2021. It was designed to support MSMEs that sign up as merchants on Vodafone's Fiji e-commerce aggregation platform, VitiKart, which is a cost effective alternative to custom solutions for processing card payments online. In November 2022, the scheme was revised to allow five more aggregators to access up to F\$500,000 in grants to cover claims for MSME subscription costs for using their respective platforms. A key objective of this scheme is to help MSMEs enter the Digital Financial Space.
Minimum Requirements for Commercial Banks on Internal Microfinance Divisions and Units (Banking Supervision Policy Statement No.14)	RBF	The policy aims to enable banks in Fiji innovative and effectively extend sustainable banking financial services to poor and low-income households and individuals, along with micro and small enterprises.
Minimum Requirements for the Provisions of Disaggregated Data	RBF	The RBF issued a policy requiring licensed financial service providers to report financial inclusion disaggregated data by gender, age, and location. This also included reporting deposit and credit account data for MSMEs disaggregated by youth and women-led MSMEs. However, reporting data has been a challenge for financial institutions as the details of account holders are not captured at the granular level.

Source: ADB Asia SME Monitor 2023 database. Data from MSME Fiji, Ministry of Trade, Co-operatives, Small and Medium Enterprises; Reserve Bank of Fiji.

Table 2.7a: COVID-19 Emergency Measures

Name	Fund Size (F\$ million)	Launch date of the measures	Status		Outline
			Ongoing [as of end March 2023] (✓)	Terminated	
MSME Fiji, Ministry of Trade, Co-operatives, Small and Medium Enterprises					
COVID-19 Concessional Loan Packages	30.0	25 May 2020		31 July 2020	<p>The Concessional Loan was a collaborative effort between the Ministry of Trade, Co-operative, SMEs (MTCSE); Ministry of Finance, Strategic Planning, National Development and Statistics; Fiji Revenue and Customs Services; and private partners such as Fiji Institute of Accountants (FIA), Fiji Chamber of Commerce and Industry (FCCI), Women in Business (WIB), and Fiji Commerce Employers Federation (FCEF). During the roll out of the concessional loan, the MTCSE played a pivotal administrative role, with 9,152 applications assessed with a value of approximately F\$71 million. FIA, FCCI, WIB, and FCEF formed Business Assistance Fiji.</p> <p>After deliberations Business Assistance Fiji Panel members approved 6,686 applications worth approximately F\$35 million, out of which F\$32 million was paid out.</p> <p>The concessional loan empowered 3,592 or 54% men and 3,082 or 46% women to sustain and grow their business during the most critical time of the pandemic.</p>
Stronger Together Job Support Scheme	4.0	3 October 2020	✓		<p>Government implemented a hiring subsidy program—"the Stronger Together Jobs Support Scheme"—to incentivize employers to create jobs for those out-of-work. "Stronger Together Employers" granted a wage subsidy equivalent to the minimum wage for a 3-month period when they employ eligible Fijians. Under this scheme, the government paid the F\$2.68 minimum wage while employers paid the rest to meet sectorial minimum wage levels.</p> <p>Preference goes to Fijians without FNPF, who are or who were working in the informal sector, those with FNPF membership whose contribution had ceased prior to 30 September 2019, and Fijians who were currently receiving assistance under phases two and three.</p> <p>Recipients of the concessional loan and FNPF pensioners did not qualify for employment under this scheme.</p>
COVID-19 Credit Guarantee Facility	7.8	1 June 2020	✓		<p>Effective 1 June 2020, all new micro, small, and medium-sized enterprise loans approved by commercial banks, LCIs and the FDB will be covered by the scheme, except for the following:</p> <ul style="list-style-type: none">(i) Loans with interest rates on the outstanding total above 9.49%;(ii) Businesses in the sugar industry; and(iii) Businesses that already enjoy some form of government subsidy. <p>The scheme does not cover lending not directly related to MSME operations such as property investments.</p> <p>Clarification may be sought from the Domestic Markets Unit, Financial, Markets Group of the Reserve Bank of Fiji.</p> <p>Guarantees cover</p> <p>Loss claims assessed under the following categories:</p> <ul style="list-style-type: none">(i) For MSME loans to women entrepreneurship, agriculture, forestry and fisheries, the scheme will cover 75% of the defaulted principal outstanding amount up to a maximum \$75,000 per individual business.(ii) For other MSME loans, the scheme will cover 60% of the defaulted principal outstanding amount up to a maximum of \$60,000 per individual business.
Electricity Subsidy for MSMEs	2.062	1 August 2020	✓		<p>An initiative was introduced for MSMEs with turnover less than F\$1.25 million to pay commercial electricity used at residential rates, with the government subsidizing the difference. The program was initially rolled out from 1 August 2021 to 31 January 2022, but the program was extended to cover increasing utility costs for MSMEs.</p>
Unemployment Assistance	341.0	1 August 2020		31 July 2022	<p>Employees that had lost jobs due to the pandemic were eligible to apply for unemployment assistance, rolled out in phases: the first two provided F\$50 assistance followed by two roll-outs of F\$360 assistance based on the vaccination status in Viti Levu.</p>
Assistance to Informal Sector in Vanua Levu	13.0	1 August 2021		31 July 2022	<p>Assistance was open to unemployed individuals and those from informal sectors in Vanua Levu with a one off F\$100 in assistance.</p>
Jobs for Nature	6.2	n/a,	✓		<p>The World Bank supported the government in implementing a program to help save the planet as well as earn money for Fijians. The program assisted individuals and was open to MSMEs and cooperatives to create more than 10,000 jobs in rural communities. It also helped support and encourage sustainable business models that are environmentally friendly.</p>
Business Assistance Fiji	1.0	1 August 2021	✓		<p>The post-pandemic initiative formed Business Assistance Fiji (BAF) to assist MSMEs access Financial Management Services at a subsidized rate, the organization after its establishment has grown to expand its services, including:</p> <ul style="list-style-type: none">(i) Develop MSME businesses by providing advisory services, training and easily accessible funding options;(ii) Collect, analyze, and communicate economic, statistical, and other information relating to MSME development;(iii) Participate and contribute actively in the policymaking for MSME development in Fiji;(iv) Promote the development of startups and encourage women, youth, and other differently abled groups participate in business activities;(v) Represent the interests of MSMEs in national and international forums;(vi) Liaise with donors, government agencies, and other financial institutions to secure funding opportunities for BAF;(vii) Actively participate in MSME related programs;(viii) Develop plans and procedures with the government to improve the business regulatory environment;(ix) Collaborate with local, foreign agencies, and non-government organizations to provide a platform for MSMEs to network and communicate ideas for the improvement of the different sectors; and(x) Identify potential export markets and establish links to create pathways MSME entry.
Reserve Bank of Fiji					
Disaster Recovery Containment Fund	550	2 August 2021	✓		<p>In April 2009, the Reserve Bank of Fiji (RBF) established a Flood Rehabilitation Facility (FRF) to assist businesses affected by floods to obtain credit at concessional interest rates. In 2018, the cover was extended to homeowners affected by natural disasters. In 2020, coverage was further expanded to include businesses affected by health epidemics or pandemics such as COVID-19.</p> <p>The Facility is available through approved lenders including commercial banks, the Fiji Development Bank (FDB), and licensed credit institutions (LCIs).</p> <p>The interest rate charged on these advances is 0.25% per annum. The approved lenders can borrow from RBF at this rate and on-lend to eligible applicants at a maximum rate of 3.99% per annum for a maximum term of up to 5 years.</p> <p>To be eligible, borrowers must meet the requirements stipulated by their respective approved lenders.</p> <p>Loans are limited to a maximum of \$500,000 per business and will be allocated on a first-in-line basis.</p> <p>The RBF reserves the right to award loan amounts greater than these in special circumstances.</p> <p>Total allocation under the fund: RBF F\$350 million and the government F\$200 million.</p>
Grand Total (F\$ million)	955.1				

Source: ADB Asia SME Monitor 2023 database. Data from MSME Fiji, Ministry of Trade, Co-operatives, Small and Medium Enterprises; Reserve Bank of Fiji.

Country Review

Papua New Guinea

Overview

The Papua New Guinea (PNG) economy grew moderately from 0.1% in 2021 to 3.2% in 2022.¹ Higher resource output (mining and liquefied natural gas [LNG]) and commodity prices—accelerated by Russia’s invasion of Ukraine—led to a larger current account surplus of an estimated 23.7% of gross domestic product (GDP). Inflation rose an estimated 5.3% in 2022 from 4.5% in 2021, as higher food prices and transportation costs affected business activities. Given an expected drop in petroleum and LNG output beginning in 2023, growth in non-resource-based sectors is central to ensure PNG’s sustainable economic growth—with micro, small, and medium-sized enterprises (MSMEs) playing a critical role.

In PNG, data on MSMEs have yet to be regularized. Thus, only the limited data are available, based on the Small and Medium Enterprise (SME) Policy 2016, published in March 2016. According to its accompanying data, MSMEs numbered 49,501, employed 291,346 people, and generated K3,262 million, or 17.3% of GDP. The majority of MSMEs are in services—wholesale and retail trade (35.0% of MSMEs), other services including accommodation and food (22.5%), and transportation and communications (15.0%)—followed by construction (12.5%) and manufacturing (10.0%). Two-thirds operate in rural provinces, while the remaining third operate in the capital, Port Moresby. MSMEs typically service domestic markets, as most do not export their products.

MSME access to bank credit improved during and after the coronavirus disease (COVID-19) pandemic, in 2022 accounting for 35.2% of commercial bank lending and 7.1% of GDP. The state-owned National Development Bank (NDB) has financed a large number of firms through its new MSME loan scheme. MSME loans outstanding of commercial banks increased by 72.8% in 2022, while those from the NDB shot up more than 15 times. During the pandemic, the Bank of Papua New Guinea—the central bank—provided a series of emergency assistance measures to financial institutions. These included large capital injections to banks to strengthen financing to affected MSMEs through the government’s continuing SME Support Program (as of March 2023).

Although small in scale, the nonbank finance industry (microfinance institutions [MFIs], credit unions/cooperatives, and finance companies) has grown gradually, becoming an alternative financing option for smaller firms. However, their nonperforming financing remains high at an average 14.0% in 2022. The government wants a more digitalized economy, and digital financial services are expanding nationally. There is visible progress on digital infrastructure development through electronic payments and mobile banking. Yet, for MSMEs, usage remains limited.

The government was preparing a new SME Policy and its Midterm Development Plan as of March 2022. The current SME Policy 2016 sets ambitious goals for 2030—the number of MSMEs increased to 500,000, 2 million jobs created, unemployment reduced to 49%, citizen control over the formal economy increased to 70%, MSME GDP contribution reaching 50%, and income per capita rising to \$9,600. The Third National Financial Inclusion

¹ ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

Strategy 2023–2027 was launched in April 2023. It promotes financial education, enabling policies and regulations, digital infrastructure, public–private partnerships, green financing, and technology for financial services.

Overall, the lack of comprehensive MSME landscape data is a bottleneck to evidence-based MSME policymaking and policy implementation. It is critical the government creates a regularly updated MSME database based on a single national MSME definition.

1. MSME Development

- According to the SME Policy 2016, MSMEs numbered 49,501, employed 291,346 people, and generated K3,262 million (17.3% of GDP). There is no regularly updated MSME data.
- Most MSMEs are in services—wholesale and retail trade, other services including hospitality and security services, and transportation. They operate within limited domestic markets. Due to poor market accessibility, there remains large opportunity for future growth.
- Key MSME development challenges include access to finance, entrepreneurial skill development, the commercial land and regulatory environment, limited market access, and infrastructure.
- The competitive gap between rural and urban MSMEs led to a large number of informal firms operating in rural areas.
- Digital use remains low in PNG; under the government’s Digital Transformation Policy, a new digital ID system is being piloted.
- An autonomous MSME Council supports capacity-building programs, helps facilitate market access, and provides advocacy to the government on MSME policies.

Scale of MSMEs

The SME Policy 2016 defines MSMEs using annual sales turnover, number of employees, and assets (Table 3.1). The employment criterion is the same across sectors for microenterprises but differs by sector group for small and medium-sized enterprises. A firm with turnover or assets less than K200,000 with fewer than five employees is a microenterprise. One with turnover or assets more than K200,000 but less than K5 million and more than 5 employees but fewer than 20 (for manufacturing, construction, and engineering) and 40 (for agriculture, tourism, forestry, fisheries, services, and other sectors) is regarded as a small enterprise. A firm with turnover or assets more than K5 million but less than K10 million and more than 20 employees (for manufacturing) and 40 (for agriculture group) but fewer than 100 is categorized as medium-sized. This MSME definition is to be revised under the new SME Policy.²

² According to the upcoming SME Policy, a microenterprise is a firm with assets less than K250,000, turnover of less than K60,000, and less than 10 employees. A small enterprise is one with assets worth more than K250,000 but not exceeding K1 million, turnover of more than K60,000 but less than K250,000, and between 10–50 employees. A medium-sized enterprise is one with assets more than K1 million but not exceeding K10 million, turnover of more than K250,000 but less than K5 million, and between 51–100 employees. The new SME Policy has been approved for publication, but its official launch is pending approval of the Department of National Planning and Monitoring (as of March 2023).

Regularly updated data on MSMEs is unavailable in PNG. The latest available official data can be extracted from the SME Policy 2016 (published in March 2016) but only limited items. Based on the Investment Promotion Authority's (IPA) business registration data, the number of MSMEs was estimated at 49,501 (date for data is not cited in the SME Policy) (Figure 3.1A and Table 3.2). There are no data on the share of MSMEs to total enterprises. The SME Policy 2016 set a target of increasing the number of MSMEs to 500,000 by 2030. The 2016 data are based on registered (formal) businesses and does not include informal firms. Thus, the actual number of operating MSMEs would likely be larger than the estimate.

Calculated based on the SME Policy 2016 data, most MSMEs were in services—wholesale and retail trade (35.0% of MSMEs), other services including hospitality and security services (22.5%), and transportation (15.0%) (Figure 3.1B). This was followed by construction (12.5%) and manufacturing (10.0%). By region, 31.3% of MSMEs were in the capital, Port Moresby, and 68.7% in rural provinces (Figure 3.1C).

Another estimate of MSMEs—a Tebbutt Research Report for SME Baseline (2014)—estimated the number of formal [M]SMEs between 28,223 and 32,692, but the estimate was based on a different definition.³

The National Statistics Office has conducted a business survey annually since 2015, focusing on firms registered with the IPA. The data (for internal use) does not include micro or small firms and covers mostly large firms based on its firm-size definition (turnover). There is a critical need to develop an MSME database that regularly updates key indicators—including the number of MSMEs and share of total businesses, those employed by MSMEs and its share to the total, MSMEs contribution to GDP, and the value of MSME exports and imports—using the same firm-size definition across all indicators.

MSMEs face several important constraints and challenges. Limited access to finance is a top barrier for MSMEs to grow, particularly as more than 80% of the population remains unbanked, more than 94% of MSMEs do not obtain loans, more than 85% operate informally, and with few financial services available for startups (Small and Medium Enterprise [SME] Corporation). One supply-side issue is that commercial banks prefer lending to larger firms due to high MSME default risks and poor accounting (Bank of Papua New Guinea). Other critical issues include a lack of entrepreneurial skills and knowledge (how owners approach their business), the commercial land and regulatory environment (97% of land is under customary ownership), limited market access (market information inaccessible for most MSMEs), and infrastructure (high transportation and logistics costs given the predominant mountainous nature).

Employment

SME Policy 2016 indicated MSMEs employed 291,346 workers (Figure 3.1A and Table 3.2). The share of MSME employees to the total is unavailable. Given the total number of employed in PNG (2.5 million in 2016), MSME employment is equivalent to 11.9% of the labor force. However, the number of MSME employees does not include informal workers, suggesting that those actually employed by MSMEs would also be much larger than the estimate. The SME Policy 2016 also set a target of creating 2 million jobs by 2030.

³ Tebbutt Research. 2014. Report for SME Baseline Survey for the Small-Medium Enterprise Access to Finance Project. It defined an SME as a business that formally registers with the IPA and has 3–150 paid employees, maximum borrowings of K1.5 million, and annual turnover between K100,000 and K15 million.

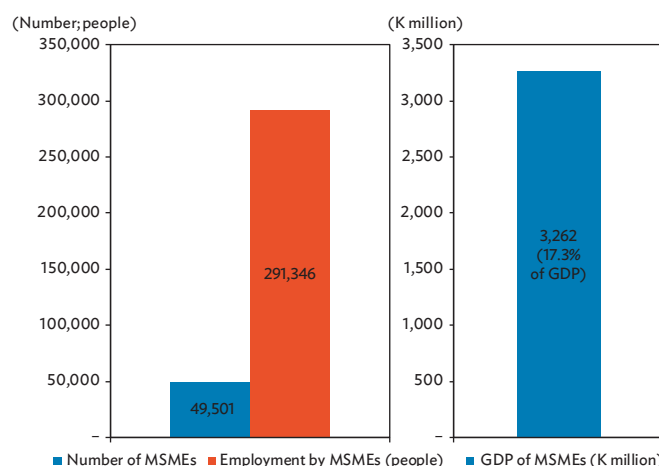
Business Productivity

As of end-2020, gross value added (GVA, current price) was K79,077 million, of which “other services” including hospitality and business services contributed 31.8%, followed by mining and quarrying (25.3%), agriculture, forestry, and fisheries (19.6%), wholesale and retail trade (10.3%), construction (6.2%), transportation and communications (3.9%), and manufacturing (1.8%) (Table 3.2). Services and resources are the engine of the PNG economy. Given the expected volatility of resource output from 2023 onward, fostering non-resource-based sectors, especially services (where many MSMEs operate), would be key to create more sustainable economic growth.

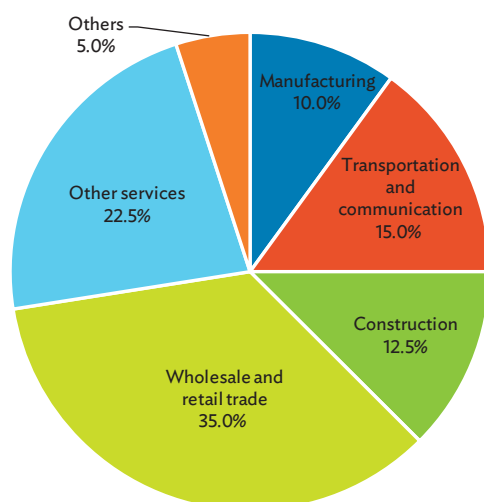
According to SME Policy 2016, MSMEs contributed K3,262 million to GDP (17.3%) (Figure 3.1A and Table 3.2). Based on this, the SME Policy 2016 set a target of increasing MSME output to K50,674 million, or about 50% of GDP by 2030.

Figure 3.1: MSMEs in Papua New Guinea

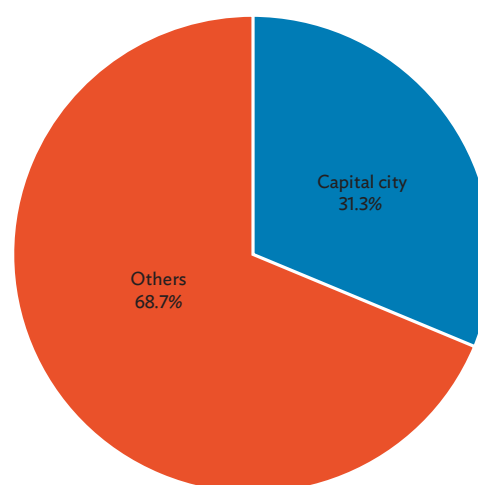
A. Number of MSMEs, Employment, and Contribution to GDP



B. By Sector (Number of MSMEs)



C. By Region (Number of MSMEs)



GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data extracted from the SME Policy 2016 (published in March 2016).

Market Access

MSMEs typically operate within limited domestic markets. Given the scant market information accessible, growth opportunities are minimal, which hurts growth-oriented MSMEs and startups that are innovative and entrepreneurial. MSMEs are spread throughout the country, with two-thirds based in rural provinces (15.9% in the Southern Highlands, 15.2% in Morobe, 7.0% in Enga, and 30.6% in other provinces [SME Policy 2016]). Given the mountainous terrain, transportation and logistics costs are high, creating a large competitive (product price) gap between rural and urban MSMEs. It also expands the likelihood of many more informal firms operating in rural areas, and is a barrier to entrepreneurship development among MSMEs on the whole. Nonetheless, there are some success stories on registering informal MSMEs through SME Corporation's capacity-building programs (Box 3.1).

Box 3.1: Formalizing Informal MSMEs in Papua New Guinea: Success Stories from the Small and Medium Enterprise Corporation's Capacity-Building Programs

1. Martha Andaku

Business Name: Kaland Bakery

Date of Business Registration: 14 February 2022

Mount Hagen, Western Highlands Province

Martha Andaku is a housewife with four children. Her husband works as a security guard at a local shop in Mount Hagen, the country's third-largest city and capital of Western Highlands Province. She started a small baking business at her home, just outside the city. She constructed her own oven from old drums and uses dry wood as fuel for cooking baked scones—her only product when she started. She purchased her main ingredients such as flour in small quantities and sold her baked scones from home and along the nearby roadside. People living in the area and school children walking past the house were her initial customers, creating market demand and thus boosting her motivation. It began as a hobby, and with steady demand for her scones, continued for over 4 years, providing daily income. The extra money subsidized living expenses, her children's school fees, and taught her to save as she gained more business experience.

In 2020, Martha decided to move her business close to the main town. With a help of her husband, they secured a property in the city's central business district at K1500 (\$400) per month. From her savings, her husband's financial help and contributions from family members, she purchased baking tools, an electrical baking oven, and stock ingredients. She then employed four experienced staff in baking and sales. The business was a success due to both high demand and a fast turnover. Her income was reinvested to more stock to boost sales. However, her business hit a snag when the pandemic hit soon after. Business slowed until she was barely breaking even.

In 2022, she approached Small and Medium Enterprise (SME) Corporation for financial assistance to get her business back on track. She was advised of the government's policy on concessional loans to help SMEs access funds through the National Development Bank (NDB) and Bank of South Pacific (BSP), along with their requirements. SME Corporation assisted her in registering her business. Once formalized, SMEC assisted Kaland Bakery prepare her proposal to obtain a loan from NDB.

The loan financed stock purchases and an additional six staff. Her sales turnover for 10 months reached an estimated K150,000. She added a new business location for selling her products, and Martha and her husband now manage business operations full time.

SME Corporation helped in registering Kaland Bakery, getting her business tax identification number, opening her business bank account and constructing her loan proposal. Pandemic-related health restrictions had to be overcome, as did inflation and higher business expenses. These are common factors affecting MSMEs.

2. Welin Thomas

Business Name: Mila Alu Transport Services

Date of Business Registration: 3 November 2020

Banz, Jiwaka, Papua New Guinea

Welin Thomas is from the small village of Kawi in Jiwaka Province in the Papua New Guinea Highlands. She is a subsistence farmer and has been operating informally for more than 10 years. Even though she left school after Grade 3, she was a determined and eager learner. She mobilized and organized the women in her community and founded the Kawi Women's Association to help other women. After hearing of SME Corporation's training and capacity-building programs, she discussed with them how to enroll association members in Start Your Business (SYB) training—under the Business Advisory and Capacity Building (BACB) Division of SME Corporation. All 68 members of the Kawi Women's Association successfully completed the SYB program.

Welin received her SYB Certificate and developed her Mila Alu Transport Service idea and business plan under BACB. She formalized her firm, registering her business name through the Investment Promotion Authority online registration at the SME Corporation's Women Support Desk. She was advised to obtain a national ID (driver's license) as a requirement for registration. She then opened a personal account with the People's Micro Bank after SYB training. She obtained her tax certificate by coordinating between the Women Support Desk and the Internal Revenue Commission's Jiwaka Branch. Advised, given instructions, guidelines, and requirements on Access to Finance through the Women Support Desk, she eventually funded a new 25-seat coaster bus under the Government MSME Credit Facility in October 2022.

3. Matthew Ten

Business Name: Niugini Organic Spice

Business Registered

Mount Hagen, Western Highlands Province

Mathew Ten is from Tambul in the Western Highlands and currently resides in a small village called Kimil in Jiwaka Province. He is a local farmer and nongovernment organization trainer who has helped and assisted many local farmers throughout the highlands and other provinces as well. He currently operates and owns Niugini Organic Spice, a local business initiative to use available resources and workforce to produce and distribute organic spices. The initiative was created for local growers to access local spices and herbs. All Niugini Organic Spice products are 100% organically grown.

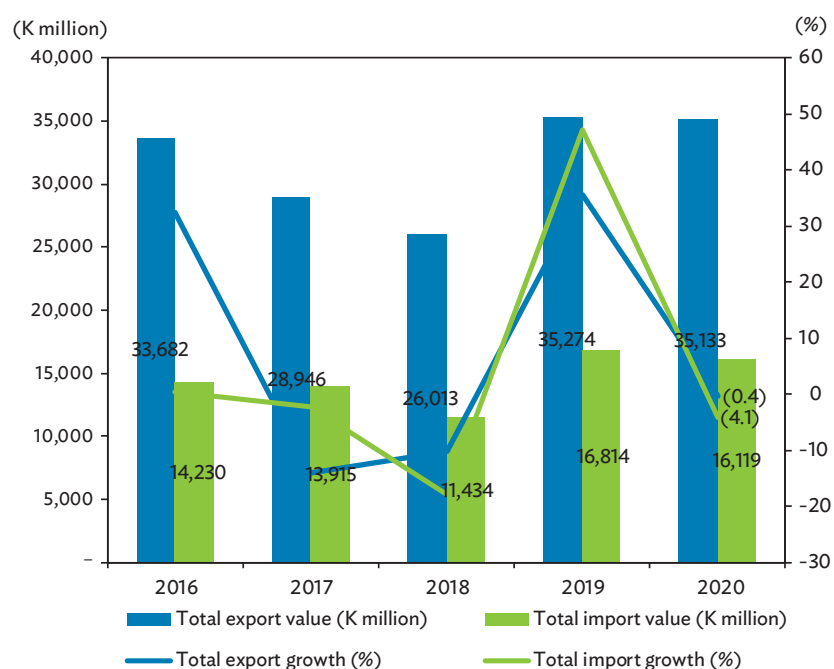
SME Corporation provided Niugini Organic Spice financial assistance to purchase a grinding machine to increase productions during the pandemic. The corporation also helped with access to market information for a variety of its products. Niugini Organic Spice now distributes its products outside the highland region to markets including Port Moresby and Lae. However, Niugini Organic Spice needs further financial assistance to increase production and reach Mathew Ten's goal of exporting his organic spices overseas.

Source: Small and Medium Enterprise Corporation.

The pandemic and mobility restrictions hit MSMEs hardest. According to the Bank of Papua New Guinea's Business Plus Survey Report (August 2020), 76% of MSMEs surveyed reported sales revenue decreased by 50%–100% in June 2020 compared with June 2019.⁴ To keep their business, around 75% of respondents saved labor costs through layoffs, reduced working hours and benefits, and making employees take time off.

The pandemic also hurt trade. PNG exports contracted by 0.4% in value after growing by 35.6% in 2019; imports contracted by 4.1% in 2020 after growing by 47.0% in 2019 (Figure 3.2). Just a small fraction of MSMEs export or participate in global markets. Still, supply chain disruptions and the resultant difficulty in importing goods for production affected even domestically focused MSMEs. During the pandemic, some MSMEs survived by shifting their products meet new types of demand (Box 3.2).

Figure 3.2: Exports and Imports



Source: ADB Asia SME Monitor 2023 database. Data from the National Statistical Office.

⁴ Survey respondents totaled 1,735 MSMEs across different economic sectors from four regions (Highlands, New Guinea Islands [NGI], Momase, and Southern).

Box 3.2: Surviving the Pandemic: Caltep Holdings

Caltep Holdings, Ltd. (Caltep) is a family-owned company producing organic liquid fertilizer. Established in 2010 as a holding company, it provided consultancy work in agricultural research, extension, and development. Caltep is currently led by its founder and managing director Christopher Tep. The company currently has four full-time employees (including Tep), and four part-time employees.

While working on his consultancy projects, Tep conducted research on how to utilize wild species of endemic plants as fertilizer. After 4 years of research, Caltep came up with Grow Hariap Fertilizer, a 100% pure organic liquid plant food. Pilot testing measured the product's effectiveness on fruit, nuts, vegetables, and other export tree crops, both in highland and lowland environments. Caltep sent the product to Australia for final analysis.



Grow Hariap was created to help satisfy farmers' perennial need for fertilizers. Traditional farmers buy imported—and costly—solid fertilizer. The pandemic severely affected imports and fertilizer supply, which further increased prices. Caltep saw an opportunity to market and promote their liquid fertilizer as the more cost-effective option. Farmers were originally skeptical of Grow Hariap because it was relatively unknown in the market. Caltep pushed an aggressive market campaign to highlight the benefits of Grow Hariap to crops, the soil bed, and the environment. It approached farmers to test their product and offered support during the cropping season. After trials, the farm crop yields increased by at least 25% and saved at least 30% on fertilizer costs. News spread about how effective and affordable it was, leading to its acceptance as a general-use fertilizer.

It was also during 2020 that Caltep expanded its distribution network to reach a wider consumer base. They partnered with Brian Bell, a national PNG retailer, to sell Grow Hariap. By the time of the launch in 2021, demand was so strong that Brian Bell had increase its order and widen distribution to all nine branches across the country.

During this time, production was done in a small research facility. In the first 2 years of the pandemic, Caltep produced 2,600 liters of fertilizer, yielding a revenue of K130,000. In 2022, they ramped up production to 2,000 liters, earning an additional K100,000. The firm projects its facility will produce 3,000 liters in 2023. Caltep plans to upgrade their research facility into a small-scale manufacturing site to accommodate the growing and sustained demand for their product. It also plans to apply for a patent, trademark, and label, and undergo ISO certification for their production site.

Post pandemic, Caltep is facing a new set of challenges. An unstable foreign exchange affects its ability to save on costs related to packaging and branding, as Caltep's packaging is their only imported input. In addition, it is facing a gradual increase in production costs, particularly raw materials. Also, water and electricity infrastructure is unstable. While these pose a threat to Caltep's business, Tep remains bullish as he strives to meet the company's goal of exporting Grow Hariap to new markets overseas.

Source: Interview with managing director of Caltep, Christopher Tep, 23 March 2023.

Technology and Innovation

Digital use remains low in PNG. An estimated 32% of the population accessed the internet in 2021, up from 20% in 2019 and 28% in 2020. Mobile cellular subscriptions were a low 48 per 100 people in 2021, slightly down from 49 in 2020 but similar to 2019 (48). The COVID-19 pandemic encouraged MSMEs to digitalize to some extent. However, most MSMEs have yet to go digital, with cash still king for them.

The central bank's Business Plus Survey Report 2020 said that, during the pandemic, around 20% of MSMEs used digital technology such as social media and the internet in operations (marketing, sales, business administration, and payments)—more pronounced in services, including information and communications, and professional and technical services. Those not utilizing digital technology likely suffered from a lack of digital literacy or the high cost of service providers. Around 30% of MSMEs using digital technology reported increased sales, 27% said sales declined, and 42% reported no change. Work-from-home was not popular among MSMEs, with only 10% of MSMEs saying some employees worked remotely. Most firms using work-from-home were in information and communications.

The government launched its Digital Transformation Policy in September 2020. Thus far, a new digital ID system is being piloted, and mobile applications for government services are being prepared. It is expected to help develop information and communications technology (ICT) infrastructure for businesses around the country. The private sector's PNG Digital ICT Cluster—a non-profit, membership driven association of ICT specialists and service providers—has been established. As yet there is no comprehensive e-commerce policy.

Networking and Support

The MSME Council, established in 2016, was officially recognized by the Ministry of Commerce and Industry in 2019. It is financed by government grants. Starting with 11 funding members, the Council now has 2,000 members (as of 20 March 2023). All members—95% of which are microenterprises—are registered MSMEs with business licenses (no informal MSMEs). Around 60% are based in Port Moresby, with most running small retail shops, transportation (taxi and public bus), agriculture and fisheries, and professional services like accountants. Membership is free. Online registration is available, but many MSMEs still register manually as they lack internet access. While all populated regions have coverage, rural and remote areas have limited internet access and connection costs are high.

The MSME Council's activities provide (i) government advocacy, (ii) capacity-building and training programs (with about 50,000 people taught yearly by qualified trainers—there is a training toolkit, for instance, on opening a bank account and managing taxes and operations), and (iii) access to market (free brokerage services such as support in finding customers and business partners). The council does not provide financial assistance to members.

2. Access to Finance

- Commercial bank loans to MSMEs reached 35.2% of total commercial bank loans in 2022, equal to 7.1% of GDP. The government and central bank's pandemic assistance triggered a sharp increase in commercial bank lending to MSMEs after 2020.
- The NDB provides subsidized loans for MSME financing unmet by commercial banks.
- The Credit Guarantee Corporation was created in 2022 to help MSMEs access more bank credit and funds from licensed financial institutions.
- The nonbank finance industry—including MFIs, credit unions, cooperatives, and finance companies—has grown gradually, offering alternative financing options for MSMEs raising working capital.
- Digital finance infrastructure now includes interoperable payment systems, mobile wallets, and mobile banking; but they are rarely used by MSMEs due to high costs and a lack of digital literacy.
- Capital markets have yet to provide alternative financing for MSMEs, although the stock exchange is considering whether to launch an SME platform.
- There is no centrally coordinated credit bureau and collateral registry system developed.

Bank Credit

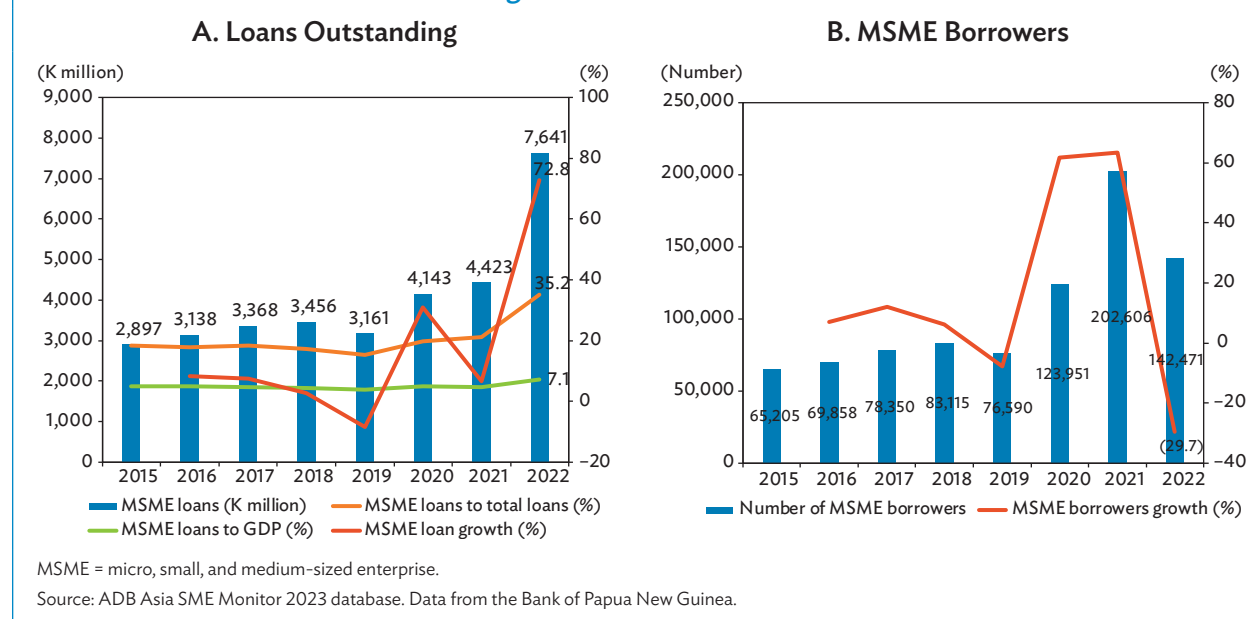
The banking system includes six commercial banks (four private and two foreign) with four micro banks operating as of end-2022. The state-owned NDB focuses on agriculture and MSMEs.

MSME access to bank credit has largely improved, triggered to a large extent by the COVID-19 pandemic. Based on commercial bank operations data, MSME loans outstanding reached K7,641 million as of end-2022, comprising 35.2% of all commercial bank lending and equal to 7.1% of GDP (Figure 3.3A and Table 3.3). In the pre-pandemic period (before 2020), growth of MSME bank credit had been decreasing—down 8.5% in 2019 due to a shift in bank lending to larger firms with a history of financial statements and cash flows. When the pandemic struck, the government launched an SME Support Program in April 2020 apart from its economic stimulus package. It included large capital injections to banks to support affected MSMEs needing working capital to survive. In parallel, the central bank provided assistance measures to financial institutions and MSMEs, including debt restructuring and deferred repayments. These measures triggered a sharp increase in commercial bank lending to MSMEs after 2020—MSME lending grew by 72.8% in 2022 from 2021. The number of MSME borrowers increased by 61.8% in 2020 and 63.5% in 2021 (with 202,606 MSME borrowers in 2021). The number decreased by 29.7% in 2022, yet remained nearly double pre-pandemic levels (Figure 3.3B).

However, sustainable financing for MSMEs remains elusive. After the government emergency assistance for MSME financing ended, commercial banks shifted back to larger firms as MSMEs were considered too risky with high potential default risks due to unclear accounting and cash flows. Also, MSME loans cost banks more given the small amounts needed for working capital.

Women entrepreneurs and women-led MSMEs continue to face numerous barriers and challenges to survive and grow. Key challenges include limited access to finance, the digital divide, supply chain disruptions, their increased caregiving responsibilities, along with social and cultural barriers. Among micro banks, Women's Micro Bank—known as Mama Bank—is the first gender-focused bank in the Pacific fully owned by women (Box 3.3).

Figure 3.3: MSME Loans



Box 3.3: Women's Micro Bank Helps Promote Women Entrepreneurships

Background

Women's Micro Bank Limited—branded as Mama Bank—was licensed by the central bank in May 2014. The bank is the fourth micro bank in Papua New Guinea and the sixth deposit-taking licensed women's micro bank in the world. Mama Bank reached 100,000 customers in 2022 and offers products and services with accessible, affordable, and accountable financial services to women and their families. It has 105 employees, 61% of them women. More than 10,000 informal and rural women own Mama Bank accounts.

Year	2019	2020	2021	2022
Revenue (\$)	1,171,511	1,771,090	3,607,639	5,032,472

Business Models

The bank applies two models to serve its customers at the last mile—one is Access Points (Mama-Bank Access Point), or branch banking; with the other, Bank on Wheels, more convenient for rural and other remote customers. The bank emphasizes building long-term customer relationships. It aims to create a strong savings culture through its marketing drives and customer awareness camps. Its products are designed to encourage individuals to save for the future. It offers a competitive savings rate to provide a stable source of funding and contribute to financial stability.

Mama Bank provides the following financial services:

Savings: A variety of interest rates allow women to save either short or long term so they can use their money as and when needed. Transaction accounts are open for deposit and withdrawal. Non-transactional investment accounts are term deposits such as recurring accounts, interest bearing deposits, and school savings accounts, among others.

Loans: It offers a variety of loans aligned to the needs and requirements of women and their families, from production loans to informal livelihood and MSME loans.

Financial Literacy Training: The bank offers financial literacy training to help women and youth better understand the meaning of savings, investments, and loans, and to teach them to more efficiently use scarce resources—such as money, goods, and time—and keep financial records.

Business Development Skills Training: It also offers business development skills training for women to empower local MAMAs and help boost the local economy.

Successful Women Entrepreneurs and MSMEs

Mama Bank prioritizes women's livelihood and development activities. Its microfinance model highlights several success stories:

1. Mama Bank Empowering Rural Women:

Reissy Umabut, Trade Store and Supplies

Vanimo- West Sepik Province, Papua New Guinea

In the small village of Wutung in Vanimo West Sepik Province, high school graduate Reissy Umabut, is making big strides as an entrepreneur. She started her trade and supply store in early 2022 with the help of Mama Bank's outreach and awareness campaigns in her village. Before Mama Bank came to Vanimo, she used to bank with Bank of South Pacific but found it difficult to access loans and other banking services due to complicated procedures and numerous requirements.

continued on next page

Box 3.3 *continued*

She then discovered Mama Bank, which offered loan products and services more suitable for rural entrepreneurs like her. She has since received two Access Point -Vanimo loans, which helped her buy additional retail stock. She says her business is running very well, thanks to the support of Mama Bank Access Point officers who have helped her every step of the way.

“What I really liked with Mama Bank is their products and services, which can help people like us in rural areas and those of us who are not fortunate to have access to a banking service,” Umabut said. She added that Mama Bank is the only bank that has gone above and beyond its mission to empower women in rural areas. The bank’s commitment to visiting remote communities and providing access to financial services even to the illiterate is one of the reasons why Umabut sees Mama Bank as one of the best micro banks in the country. “Mama Bank is a bank that can come down to the level of the people who are illiterate, people who are unable to access other bank services,” Umabut said. “I credit my success to Mama Bank.” Umabut’s story is testament to the impact a bank can have on rural communities. By providing accessible loans and financial services, Mama Bank continues to empower women like Umabut and help them reach their full potential as entrepreneurs.

2. Power of Determination and Hard Work:

Vagi Petrus, Trade Store and Supplies

Port Moresby, Papua New Guinea

Vagi Petrus is a strong, independent woman from Paramana in Aroma Coast in Port Moresby. Her husband is from Western Highlands and they have nine children. She owns a trade store that she registered in 2017. Her journey into entrepreneurship was not easy, but with determination, hard work, and a little help from Mama Bank, she achieved success.

Vagi started her business as a table market vendor after resigning from her formal job. “I challenged myself not to rely on my husband, and this was a real pain,” she says. She added that intermarriage is a real challenge when it comes to cultural practices. “My husband was a challenge that pushed me along this path,” Petrus said.

She persevered through the obstacles and today owns a successful trade store. Her father had the first trade store on the Aroma coast, and she always dreamt of continuing his legacy. However, her father passed away before they could build a business together. Vagi continued her table market until 2017, when she switched to a trade store with the help of her husband. “However, despite having a trade store, credit, mismanagement, and no proper savings led to shortfalls, and I was looking for ways to keep my trade store business going,” she says.

“But everything changed when the Sikeretano-kaka Women’s Association was created, and our local MP from Moresby South Hon. Justin Tkatchenko allocated grants for us to start a business”, Vagi explained. She used the money to register her store and went to SME Corporation for training. It helped a lot with money management, savings, and business management. She identified her weaknesses and turned them into strengths.

Through SME Corporation and in partnership with Mama Bank, Vagi received a certificate making her eligible for a loan. “For me, it was my first time getting a loan, and Mama Bank was the first bank to help me achieve it”, she says. She added that the service was simply convenient and accessible, but the loan’s turnaround time could use some improvement.

As a business person and president of the Sikeretano Kaka Women’s Association, Vagi is grateful for the experience and feeling of getting a business loan. She appreciates both partners for their inclusiveness, and hopes many others will benefit just as she did. Her story is testament to the power of determination and hard work in achieving success. “With help from Mama Bank and partners like SME Corporation, entrepreneurs like me can continue to grow and expand their businesses, creating opportunities for themselves and their communities.”

continued on next page

Box 3.3 *continued***3. Hard Work and Access to Resources Pays Off:****Judy Sumale, Material Supplies and Tailoring**

Port Moresby, Papua New Guinea

Judy Sumale, a mother of five from Taurama, has always been a hardworking and determined woman who wanted to contribute toward her family's income. She comes from a mix parentage of Southern Highlands and Eastern Highlands Province and married her husband from Southern Highlands Province. She did needlework for years, but decided in 2013 to register her tailoring business. Initially, finding customers was a challenge.

"Most of my customers were family members, relatives, and friends who placed orders in bulk," says Sumale. However, they often bought on credit, resulting in slow sales and fewer earnings. "As a mother and housewife, it became a challenge to manage everything, including my children's welfare and my husband being the sole breadwinner," she says. Despite all the struggles, Sumale never gave up and continued to look for better opportunities to grow her business. She attended training with SME Corporation in 2022, where she learned about financial literacy training. "During the training, I was introduced to Mama Bank, and that's where I got to know everything about the loan process," she says. Her certificate allowed her to receive financial assistance from Mama Bank.

After joining the Sikeretano-kaka Women's Association, she applied was approved for a Mama Bank loan. She says the loan helped her buy materials for her tailoring business, with some of the supplies sent to Southern Highlands to run the business. She also registered another business group back in her village, Sembiriki, in Southern Highlands, where mothers work together to run the business.

"I am now looking at projects like poultry and farming that can help improve my family's income," said Sumale. She strongly urged all mothers who are going through similar struggles in life to do something for their family and support each other rather than feeling inferior and doing nothing.

Her success story is an example of how hard work, determination, and access to resources can change one's life. Her journey may inspire other women like her to take the first step toward achieving their goals and becoming self-reliant.

Mama Bank's Efforts

To meet the unique challenges women entrepreneurs and MSMEs face and support them during and after the pandemic, Mama Bank adopted several measures such as improving access to finance and promoting digital inclusion using biometrics. Map locations enabled with biometric authentication for withdrawals, deposits, getting loans, and loan repayments, for example, opened an easy payment gateway for top-ups, utility payments, and money transfers. Mama Bank also promotes information sharing and networking by creating platforms and networks for information exchange, knowledge sharing, and collaboration among women entrepreneurs. By providing financial literacy training, business development skill training services, and access to market information, women can more easily expand their business.

Source: Women's Micro Bank, Papua New Guinea.

Public Financing and Guarantees**a. National Development Bank**

In April 2020, in response to the COVID-19 pandemic, the government injected large amounts of capital (K180 million) to banks—including the NDB—through its SME Support Program to strengthen MSME financing. The NDB classifies its lending by firm size. Until 2020, it offered two loan products: (i) MSME loans through micro loans and credit schemes for a loan less than K10 million and (ii) commercial loans for loans more than K10 million.

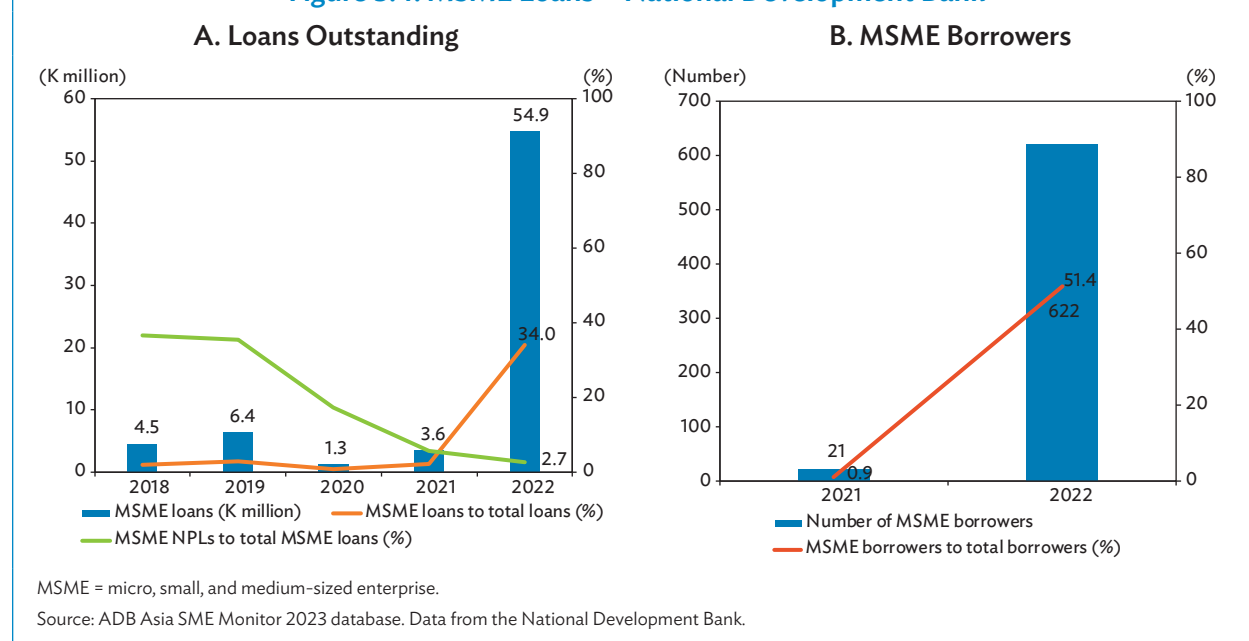
Micro loans were channeled to community-based organizations (CBOs) using microfinance or Credit Scheme Facilities. To give MSMEs better access to bank credit, loan products were adjusted in 2021: (i) new MSME loans less than K500,000 under government programs, and (ii) commercial loans over K500,000 for large firms.

The new MSME loan scheme offers a concessional lending rate of 4% per annum through the government's ongoing SME Support Program. Its loan term averages 2–3 years for short term loans. Borrowers include small retailers and those in transportation (taxi, truck, and bus drivers) and agriculture, following government priority sectors. Both movable assets like vehicles and machinery and immovable assets are acceptable as loan collateral. Commercial loans have a 6.5% annual interest rate. Loan terms are case by case, but a maximum 10–15 years. Borrowers cover all sectors including real estate, manufacturing, and construction.

In 2022, MSME loans outstanding amounted to K54.9 million (K3.6 million under the previous system and K51.3 million since), 15 times the 2021 level (Figure 3.4A and Table 3.3a). MSME loans accounted for 34.0% of NDB's lending portfolio. MSME loans with credit guarantees totaled K11.0 million in 2022. NDB has 21 branches for lending—mobile and internet banking remains undeveloped (as of March 2023). The share of nonperforming loans to total MSME loans was 2.7% in 2022, down sharply from 2021. There were 622 MSME borrowers, or 51.4% of total NDB borrowers (Figure 3.4B). However, the MSME loan rejection rate is climbing (28% in 2022 from 20% in 2021).

Transportation accounted for 94.2% of MSME loans, followed by wholesale and retail trade (2.7%), agriculture (1.5%), and other services (1.3%). By region, 31.6% of MSME loans went to firms in the Highlands Region, followed by the capital Port Moresby (23.9%), Momase Region (21.6%), New Guinea Islands Region (17.8%), and Southern Region excluding Port Moresby (5.0%). By loan tenor, 94.9% of MSME loans were from 1 to 5 years with 5.1% short-term loans (less than 1 year).

Figure 3.4: MSME Loans—National Development Bank



b. Credit guarantees

The Credit Guarantee Corporation (CGC) was established in January 2022.⁵ It is a specialized financial institution offering credit guarantees to eligible MSMEs to allow them access to more bank credit and licensed financial institutions. It is owned by the central bank but managed independently. The government committed an initial K50 million for then CGC (March 2022).

The CGC has five product lines: (i) for startups or registered businesses operating for less than 1 year; 50% partial guarantee of the approved loan amount; guarantee limit between K10,000–K100,000; guarantee term of 1–5 years; (ii) young businesses operating between 1–5 years; 60% partial guarantee of the approved loan amount; guarantee limit between K10,000–K2.5 million; guarantee term of 1–5 years; (iii) mature businesses operating 5 years or more; 70% partial guarantee of the approved loan amount; guarantee limit between K10,000–K2.5 million; guarantee term of 1–5 years; (iv) seasonal agribusiness; 50% partial guarantee of the approved loan amount; guarantee limit between K10,000–K100,000 million; guarantee term of 1–5 years; and (v) portfolio guarantees for new or existing businesses operating between 1–10 years; guarantee coverage of 60%. The CGC had yet to start operations as of March 2023, and is preparing an online financing and loan referral platform, where MSMEs can search and compare various financial products and apply for loans online.

Nonbank Financing

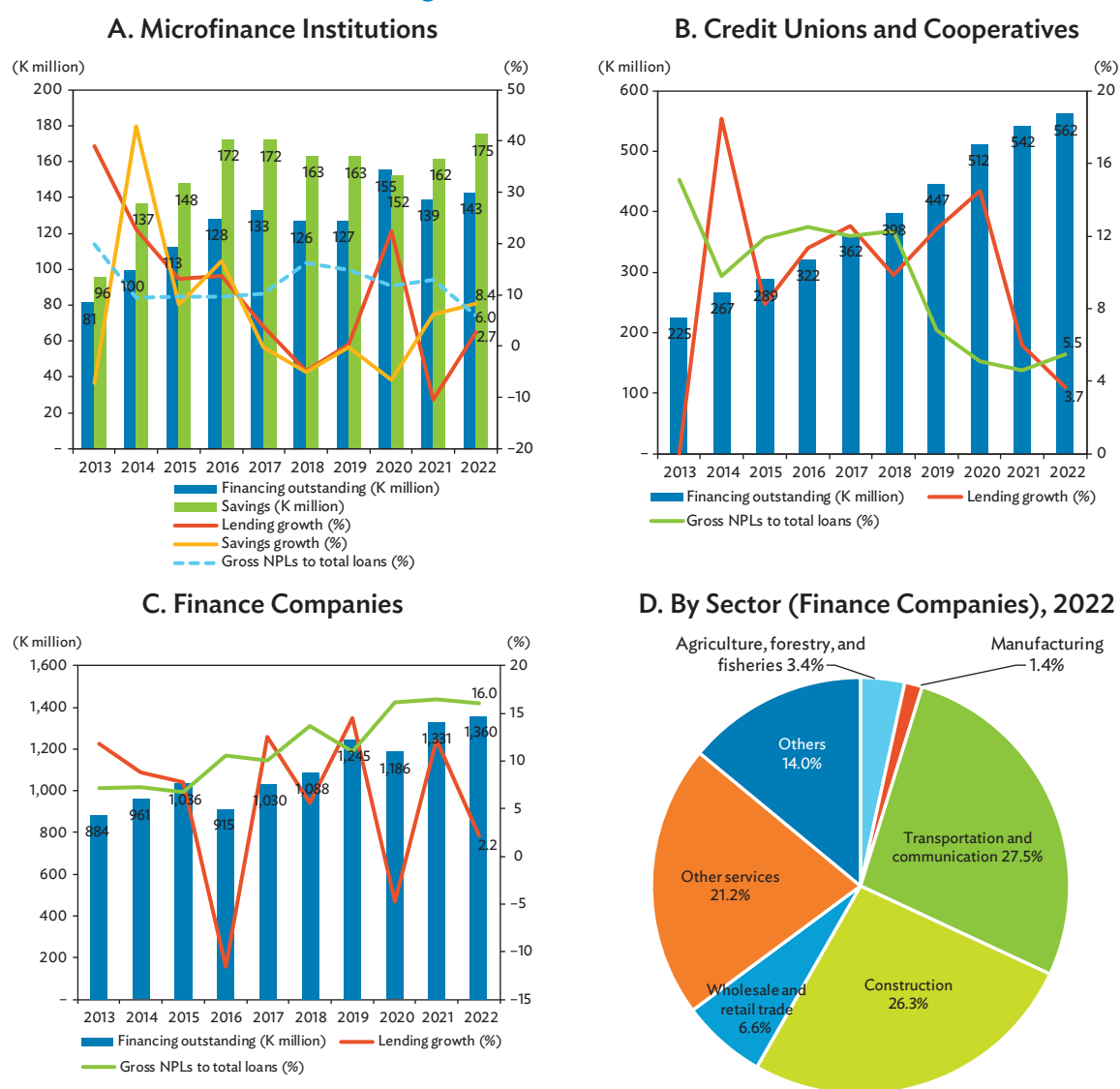
There were 47 nonbank finance institutions (NBFIs) supervised by the central bank as of end-2022—5 deposit-taking MFIs, 22 credit unions and cooperatives, 10 finance companies, and 10 insurance companies. The central bank does not regulate non-deposit-taking MFIs and nonregistered nonbank finance institutions, which allows these informal financial institutions to grow in number.

Nonbank finance has improved gradually since regulatory reform in 2000. NBFIs do not specially target MSMEs for financing, but at the time of the COVID-19 outbreak in 2020, many small firms accessed NBFIs as alternative financing options to raise working capital to survive. MFIs recorded their highest loans outstanding in 2020—K155.2 million, 22.4% more than in 2019. However, the growth of the nonbank finance industry has decelerated since the pandemic. Nonperforming financing remained high at an average 14.0% of total financing in 2022, impeding growth.

Financing outstanding from MFIs was K142.7 million in 2022, a 2.7% increase from 2021—a V-shaped recovery from the 10.5% contraction in 2021 but still below 2020 lending (Figure 3.5A and Table 3.4). The gross nonperforming loan ratio to total loans fell from 13.0% in 2021 to 6.0% in 2022, but remains high. For credit unions and cooperatives, financing outstanding reached K561.9 million in 2022, a 3.7% increase from 2021, but growth has decelerated (Figure 3.5B). The nonperforming loan ratio increased from 4.6% in 2021 to 5.5% in 2022. For finance companies, finance outstanding was K1,360 million (up 2.2%), but the nonperforming financing remained high at 16.0% (Figure 3.5C). Main borrowers are those in transportation and communications (27.2% of total financing), building and construction (26.3%), and other services like rent and business services (21.2%) (Figure 3.5D).

⁵ Credit Guarantee Corporation Papua New Guinea website (cgc.com.pg).

Figure 3.5: Nonbank Finance



MSME = micro, small, and medium-sized enterprise; NPL = nonperforming loan.

Source: ADB Asia SME Monitor 2023 database. Data from the National Development Bank.

Digital Financial Services

The government promotes the digital economy (introducing a digital ID system) through its Digital Transformation Policy, while developing digital financial services is a key pillar of the National Financial Inclusion Strategy 2023–2027. There has been progress in building digital finance infrastructure across the country. According to the Center for Excellence for Financial Inclusion (CEFI), the number of “electronic funds transfer at point of sale” (EFTPoS) terminals increased from 11,415 in June 2016 to 13,485 at the end of 2022.⁶ Mobile wallet services—CELLMONI provided by Digicel Financial Services Ltd—is now available. Commercial banks and micro banks opened mobile banking services—such as BSP’s *Wantok Moni*, Kina Bank’s *KINAKONNECT*, and Nationwide Microbank’s *MiCash*. Some 1.27 million mobile banking accounts were created as of end-2022, 30% owned by women.

The payment system has improved as well. The central bank established the Kina Automated Transfer System. It set up a Retail Electronic Payment System in July 2019 with six participating financial institutions.⁷ Transactions through the system increased rapidly to 25.9 million transactions in 2022, 43.1% more than in 2021. The Bank of Papua New Guinea also conducts a regulatory sandbox to test the new technologies before they are commercialized.

To some extent, the pandemic expanded MSMEs’ use of digital platforms for payments. The central bank’s Business Plus Survey Report 2020 found that 17% of MSMEs surveyed made payments online, while many were unable to use the technology due to poor digital literacy and the high cost of internet providers. Thus, digital financial services have yet to spread across PNG as it is especially costly for rural MSMEs. Low-cost digital finance infrastructure and digital literacy are needed to allow more MSMEs to use digital platforms.

Capital Markets

The capital market has yet to become an alternative financing venue for MSMEs. The Papua New Guinea Stock Exchange (PNGX)—until 2019 known as the Port Moresby Stock Exchange—listed 12 companies as of August 2023. The exchange is currently upgrading to (i) include an SME platform; (ii) setting new listing requirements for its main board; (iii) promoting voluntary environmental, social, and governance (ESG) reporting; and (iv) introducing a corporate debt market including sustainability bonds.⁸ As a result, recent capital market data was unavailable as of August 2023.

Financial Infrastructure

There is no centrally coordinated PNG credit bureau, even though it was a goal of the SME Policy 2016. Currently, a private sector-led Credit and Data Bureau (CDB) has been operating since 2008 to provide financial information (credit history) and services (debt management and monitoring services) for member financial institutions—in PNG as well as the Solomon Islands. CDB shareholders include ANZ Bank, the Bank of Papua New Guinea, BSP, Credit Corporation Limited, FinCorp, Vatuva, First Investment Finance, InSoft International, Kina Bank, TISA, and Westpac. CDB holds company data covering 24,843 firms and consumer data covering 460,012 people.⁹ ADB’s Private Sector Development Initiative supported the secured lending legal reform, which allows the creation of a collateral registry in the country.

⁶ Data on digital financial services were taken from the National Financial Inclusion Strategy 2023–2027.

⁷ BSP, Kina Bank, Westpac Bank, Nasfund Contributors Savings and Loan Society, Nationwide Microbank, and Peoples Micro Bank Limited.

⁸ SSE Initiative. Papua New Guinea National Stock Exchange. <https://sseinitiative.org/stock-exchange/pngx/>.

⁹ CDB website: cdb.com.pg. Accessed 31 August 2023.

3. Policies and Regulations

- *The SME Policy 2016 is the benchmark policy framework for MSME development with target indicators set for 2030; however, a new SME Policy and Midterm Development Plan has been prepared but yet to be launched, including an amended MSME definition applying to all sectors.*
- *Line ministries—such as the Department of Agriculture and Livestock and Tourism Promotions Authority—have developed their own policy support measures covering MSMEs.*
- *The Third National Financial Inclusion Strategy 2023–2027 was launched in April 2023, covering financial education, policies and regulations, digital infrastructure, public–private partnerships, green financing, and the use of technology for financial services.*

MSME Development

MSME development is a government policy priority. A long-term economic reform strategy—“Vision 2050”—forms the basis for MSME development in the country. Vision 2050 has seven strategic focuses: (i) human capital development, gender, youth, and people empowerment; (ii) wealth creation; (iii) institutional development and service delivery; (iv) security and international relations; (v) environmental sustainability and climate change; (vi) spiritual, cultural, and community development; and (vii) strategic planning, integration, and control. To move the MSME development agenda forward, the government created the Small Business Development Corporation in 2014 under the Small and Medium Enterprise Corporation Act, now renamed SME Corporation.

The SME Policy 2016 is the benchmark policy framework for MSME development. It sets ambitious goals and target indicators for 2030—increase the number of MSMEs to 500,000; create 2 million jobs; reduce unemployment from 84% to 49%; increase citizen control over the formal economy from 10% to 70%; expand the MSME contribution of GDP to 50%; and increase income per capita from \$2,000 to \$9,600. Concrete policy actions were set for each area; covering the MSME life cycle (from startup to growth, maturity, and exit), by barrier to growth (finance and market access, business infrastructure, and enabling regulatory frameworks), by industry, and by region. The government is currently preparing a new SME Policy and Midterm Development Plan, which amends the MSME definition to cover all sectors (as of March 2023).

Line ministries have also developed policy support measures covering MSMEs. The Department of Agriculture and Livestock (DAL) focuses on (i) commercialization of crop products, coconuts, and coffee, among others; (ii) food processing; and (iii) agriculture based MSMEs—under its National Agriculture Sector Plan for 2024–2044. It promotes exporting agricultural products (such as coffee, cacao, vanilla, coconuts) to major markets—the European Union (70% of PNG coffee exports go to Germany), the United States, and Asia (such as coconut exports to People’s Republic of China and the Philippines). DAL produces annual reports monitoring PNG’s 6–7 million smallholder farmers. DAL regional offices provide skill development training to agribusiness owners and farmers, has four agri-business advisors (one per region), and is considering setting up agribusiness incubation centers in the four regions. It also offers a freight subsidy program for remote areas, and price support to meet competitive export prices for coffee, coconuts, and other specified crops—even as it offers no direct financial assistance. DAL cites three barriers to agribusiness development: (i) product quality control; (ii) market access (export promotion and agriculture value chain development); and (ii) access to finance.

Tourism is a priority non-resource industry and includes MSME businesses such as resorts and hotels, restaurants, retail shops, and administrative services like tour operators and travel agents. Tourists are attracted by PNG culture, marine sports, trekking, and bird watching, among others. Because of a lack of data to design a feasible policy framework, the Tourism Promotions Authority (TPA) started collecting data on tourism as well as MSMEs. It conducted field visits to local businesses with support of local government networks and compiled a tourism MSME dashboard in 2022 with 587 MSME samples. The data compiled thus far includes only contact information and the location of tourism-related MSMEs. Its MSME classification follows the SME Policy 2016 MSME definition but applies its own definition of tourism sectors. Its core framework is the National Tourism Policy 1995 which is currently under review (as of March 2023) and the 5-Year Tourism Sector Development Plan 2022–2026. The TPA requires firms to have a general business license from the IPA, but does not regulate the tourism industry per se. A new grant program is being prepared for tourism, including MSMEs (as of March 2023), which will supplement the SME Support Program that incorporates tourism support. The TPA offers capacity-building programs covering financial literacy and MSME business operations, among others. It also cites three barriers for MSME business development in tourism: (i) access to finance (strict bank loan requirements; lack of collateral); (ii) licensing (to standardize the quality of tourism products and services); and (iii) competition among airplane companies (the high cost of travel to PNG).

Financial Inclusion

There have been three national financial inclusion strategies: (i) for 2014–2015, (ii) for 2016–2020, and (iii) the current strategy for 2023–2027 (no strategy covered the pandemic years of 2021–2022).

In January 2019, the government and central bank set out the National Financial Inclusion Policy. It has nine priority areas: (i) digital financial services (to support innovative use of technology to boost financial access and promote digital financial services in remote areas); (ii) inclusive insurance (to supply micro insurance for 1.5 million people); (iii) financial literacy and financial education (to expand financial education into technical colleges, secondary and primary schools); (iv) financial consumer protection (to introduce a consumer protection framework for regulated financial institutions); (v) informal economy and agricultural finance (to increase access and use of finance for informal firms, including agriculture); (vi) [M]SME finance (to expand MSME access and use of finance); (vii) the resources sector (to leverage opportunities to advance financial inclusion); (viii) data collection and dissemination (to regularly collect and publish financial inclusion data for policymakers and commercial service providers); and (ix) government contact (to ensure financial inclusion is part of local and central government planning and implementation processes).

The Third National Financial Inclusion Strategy 2023–2027 was launched in April 2023 with six objectives: (i) build financial competency through financial literacy and education; (ii) strengthen an enabling policy and regulatory environment conducive to innovation and inclusive green finance; (iii) develop efficient digital infrastructure; (iv) create more effective public and private sector engagement; (v) build an environment conducive for inclusive green finance; and (vi) deepen financial services with the help of emerging technology.

The Center of Excellence for Financial Inclusion (CEFI) coordinates the national financial inclusion strategy and implements policy. Established in 2013 as a spinoff from an ADB microfinance expansion program, CEFI coordinates financial inclusion for both individual households and MSMEs and regularly monitors financial inclusion conditions. It publishes annual Microfinance Benchmark Reports and quarterly Financial Inclusion Core Data. CEFI's eight board members represent the Treasury Department, Community Development Department, CEO of Commercial Bank Association, CEO of the micro bank network, and head of credit unions. Its main activities include capacity-building and training services, but does not include direct financial support to individuals and firms.

Data Tables

Table 3.1: MSME Definition

A. Present Definition

Sector	Item	Micro	Small	Medium
Manufacturing, construction, and engineering	Annual Sales	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Turnover			
	Number of Employees	Fewer than 5	More than 5 and fewer than 20	More than 20 and fewer than 100
Agriculture, Tourism, Forestry, Fisheries, Services, and Other Sectors	Assets	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Annual Sales	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Turnover			
	Number of Employees	Fewer than 5	More than 5 and fewer than 40	More than 40 and fewer than 100
	Assets	Less than K200,000	More than K200,000 and less than K5 million	More than K5 million and less than K10 million
	Turnover			

Note: MSME definition extracted from the SME Policy 2016.

B. New Definition

Item	Micro	Small	Medium
Annual Turnover	Less than K60,000	More than K60,000 and less than K250,000	More than K250,000 and less than K5 million
Number of Employees	Fewer than 10	10 to 50	51 to 100
Assets	Less than K250,000	More than K250,000 but not exceeding K1 million	More than K1 million but not exceeding K10 million

Note: MSME definition is obtained from the upcoming SME Policy. The policy was approved for publication but the launch is pending upon approval of the Department of National Planning and Monitoring (as of March 2023).

Source: ADB Asia SME Monitor 2023 database. Data from Small and Medium Enterprise Corporation.

Table 3.2: MSME Landscape

End-of-period data

Item	2013	2014	2015	2016 ¹	2017	2018	2019	2020	2021	2022
NUMBER OF ENTERPRISES										
Number of enterprises, total	...	...	...	...	...	...	...	...	...	...
Number of MSMEs	...	...	...	49,501	...	...	...	...	...	...
Micro	...	...	...	...	...	...	...	...	...	...
Small	...	...	...	...	...	...	...	...	...	...
Medium	...	...	...	...	...	...	...	...	...	...
Number of large enterprises	...	...	...	...	...	...	...	...	...	...
MSME to total (%)	...	...	...	...	...	...	...	...	...	...
MSME growth (%)	...	...	...	...	...	...	...	...	...	...
MSMEs by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	10.0	...	...	...	...	...	...
Transportation and communication	...	...	...	15.0	...	...	...	...	...	...
Construction	...	...	...	12.5	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	35.0	...	...	...	...	...	...
Other services	...	...	...	22.5	...	...	...	...	...	...
Others	...	...	...	5.0	...	...	...	...	...	...
Number of MSMEs by region (% share)										
Capital city (Port Moresby)	...	...	...	31.3	...	...	...	...	...	...
Others	...	...	...	68.7	...	...	...	...	...	...
EMPLOYMENT										
Number of employment, total	...	...	...	...	...	...	...	...	...	...
Number of employment by MSMEs	...	...	...	291,346	...	...	...	...	...	...
Micro	...	...	...	...	...	...	...	...	...	...
Small	...	...	...	...	...	...	...	...	...	...
Medium	...	...	...	...	...	...	...	...	...	...
Number of employment by large enterprises	...	...	...	...	...	...	...	...	...	...
MSME employees to total (%)	...	...	...	...	...	...	...	...	...	...
MSME employees growth (%)	...	...	...	...	...	...	...	...	...	...
Share of female employees to total employees (%)	...	...	...	...	...	...	...	...	...	...
Number of migrant workers ²	...	...	...	...	40,862	...	...	...	40,143	...
of which, Australia	...	...	...	...	33,510	...	...	...	35,270	...
New Zealand	...	...	...	...	1,436	...	...	...	1,636	...
Other countries	...	...	...	...	5,916	...	...	...	3,237	...
Employment by MSMEs by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...	...	...	...
Transportation and communications	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
Employment by MSMEs by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
CONTRIBUTION TO GROSS DOMESTIC PRODUCT (GDP)										
GDP of MSMEs (K million)	...	...	...	3,262	...	...	...	...	...	...
MSME contribution to GDP (% share)	...	...	...	17.3	...	...	...	...	...	...
MSME GDP growth (%)	...	...	...	...	...	...	...	...	...	...
MSME labor productivity (K)	...	...	...	...	...	...	...	...	...	...
GROSS VALUE ADDED (GVA)										
GVA (K million, current price) ³	45,955	54,247	57,459	62,454	69,267	75,867	80,091	79,077	...	...
GVA by sector (K million, current price)³										
Agriculture, forestry, and fisheries	9,191	10,108	10,498	11,620	12,800	13,478	14,234	15,476	...	...
Mining and quarrying	6,478	11,959	14,517	15,520	19,382	22,125	23,758	20,041	...	...
Manufacturing	1,165	1,216	1,069	1,256	1,411	1,369	1,418	1,391	...	...
Transportation and communications	2,198	2,270	2,383	2,511	2,689	2,940	3,348	3,073	...	...
Construction	4,473	4,947	4,720	5,145	4,850	5,035	4,760	4,938	...	...
Wholesale and retail trade	5,543	5,887	5,817	6,346	6,845	7,369	7,751	8,107	...	...
Other services	16,340	17,232	17,807	19,366	20,538	22,733	23,948	25,119	...	...
Others	568	629	649	690	752	818	875	932	...	...
GVA by sector (% share)³										
Agriculture, forestry, and fisheries	20.0	18.6	18.3	18.6	18.5	17.8	17.8	19.6	...	...
Mining and quarrying	14.1	22.0	25.3	24.9	28.0	29.2	29.7	25.3	...	...
Manufacturing	2.5	2.2	1.9	2.0	2.0	1.8	1.8	1.8	...	...
Transportation and communications	4.8	4.2	4.1	4.0	3.9	3.9	4.2	3.9	...	...
Construction	9.7	9.1	8.2	8.2	7.0	6.6	5.9	6.2	...	...
Wholesale and retail trade	12.1	10.9	10.1	10.2	9.9	9.7	9.7	10.3	...	...
Other services	35.6	31.8	31.0	31.0	29.7	30.0	29.9	31.8	...	...
Others	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.2	...	...
MSME GVA by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
EXPORTS										
Total export value (K million)	11,306	22,940	25,449	33,682	28,946	26,013	35,274	35,133	...	...
Total export growth (%)	9.2	102.9	10.9	32.4	(14.1)	(10.1)	35.6	(0.4)	...	...
MSME export value (K)	...	...	...	...	...	...	...	...	...	...
MSME export to total export value (%)	...	...	...	...	...	...	...	...	...	...
MSME export growth (%)	...	...	...	...	...	...	...	...	...	...
IMPORTS										
Total import value (K million)	13,480	21,447	14,177	14,230	13,915	11,434	16,814	16,119	...	...
Total import growth (%)	(9.1)	59.1	(33.9)	0.4	(2.2)	(17.8)	47.0	(4.1)	...	...
MSME import value (K)	...	...	...	...	...	...	...	...	...	...
MSME import to total import value (%)	...	...	...	...	...	...	...	...	...	...
MSME import growth (%)	...	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

¹ Data for 2016 is based on the SME Policy 2016 published in March 2016.² Data obtained from World Bank KNOMAD Bilateral Global Migration Data for 2017 and 2021.³ General data, not for MSMEs. The National Statistical Office uses the ISIC (PNSIC) 2014 revision 4 version for economic sector classification. "Other services" include accommodation and foodservice, finance, real estate, and professional activities.

Source: ADB Asia SME Monitor 2023 database, Data from the National Statistical Office, Small and Medium Enterprise Corporation, SME Policy 2016, and World Bank KNOMAD Bilateral Global Migration Data.

Table 3.3: Bank Credit

End-of-period data

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING BANKS										
Number of operating banks, total	11	12	12	11	11	11	11	11	11	11
Private commercial banks	4	4	4	4	4	4	4	4	4	4
Foreign commercial banks	3	3	3	2	2	2	2	2	2	2
Micro banks	3	4	4	4	4	4	4	4	4	4
State-owned development financial institutions	1	1	1	1	1	1	1	1	1	1
Credit*										
Loans outstanding, total (K million)	11,732	13,668	15,789	17,684	18,478	19,927	20,797	20,979	20,882	21,704
Loans outstanding in domestic currency (K million)	10,964	13,002	14,928	16,284	17,533	18,747	19,674	20,014	19,912	21,107
Loans outstanding in foreign currency (K million)	768	666	861	1,400	945	1,180	1,123	965	970	597
Loan growth (%)	17.2	18.6	14.8	9.1	7.7	6.9	4.9	1.7	(0.5)	6.0
Total bank loans to gross domestic product (GDP) (%)	24.6	23.9	26.3	27.2	25.5	25.1	24.8	25.4	22.6	20.1
Lending rate (% annual average)	9.8	9.0	9.4	8.8	9.1	9.2	8.3	7.4	7.9	8.0
Gross nonperforming loans (NPLs) (K million)	241	307	513	478	545	776	798	1,117	1,281	1,227
Gross NPLs to total loans (%)	1.9	2.1	3.1	2.5	2.8	3.6	3.5	5.0	5.7	5.0
Trade finance (K million)**	...	...	...	...	...	...	...	...	...	...
Deposits*										
Deposits, total (K million)	22,325	23,056	25,196	27,944	28,210	27,979	29,262	31,942	34,586	39,716
Deposits in domestic currency (K million)	20,142	21,566	23,542	26,461	27,031	26,962	28,183	30,949	33,598	38,572
Deposits in foreign currency (K million)	2,183	1,490	1,654	1,483	1,179	1,017.0	1,079.0	993.0	988.0	1,144.0
Deposit rate (% annual average)	0.3	0.3	0.4	0.6	0.5	0.7	1.0	0.9	0.3	0.3
MSME LOANS*										
MSME loans outstanding, total (K million)	...	...	2,897	3,138	3,368	3,456	3,161	4,143	4,423	7,641
MSME loans to total loans outstanding (%)	...	...	18.4	17.7	18.2	17.3	15.2	19.7	21.2	35.2
MSME loans to GDP (%)	...	...	4.8	4.8	4.6	4.4	3.8	5.0	4.8	7.1
MSME loan growth (%)	...	...	...	8.3	7.3	2.6	(8.5)	31.1	6.8	72.8
MSME lending rate (% annual average)	...	...	...	...	...	...	...	...	...	...
Nonperforming MSME loans (NPLs) (K million)	...	...	...	...	...	...	...	...	...	...
MSME NPLs to total MSME loans (%)	...	...	...	...	...	...	...	...	...	...
Number of MSME loan borrowers	...	...	65,205	69,858	78,350	83,115	76,590	123,951	202,606	142,471
MSME loan borrowers to total bank borrowers (%)	...	...	...	...	...	...	...	...	...	...
MSME loan rejection rate (% of total applications)	...	...	...	...	...	...	...	...	...	...
Number of MSME savings account in banks	...	...	65,205	69,858	78,350	83,115	76,590	123,951	202,606	142,471
Guaranteed MSME loans (K)	...	...	...	...	...	...	...	...	...	...
Non-collateral MSME loans (K)	...	...	...	...	...	...	...	...	...	...
Trade finance to MSMEs (K)	...	...	...	...	...	...	...	...	...	...
Share of MSME trade finance to total trade finance (%)	...	...	...	...	...	...	...	...	...	...
Number of MSMEs using trade finance	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...	...	...	...
Transportation and communications	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by type of use (% share)										
For working capital	...	...	...	...	...	...	...	...	...	...
For capital investment	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by tenor (% share)										
Less than 1 year	...	...	...	...	...	...	...	...	...	...
1-5 years	...	...	...	...	...	...	...	...	...	...
More than 5 years	...	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

* Data for commercial banks only.

Source: ADB Asia SME Monitor 2023 database. Data from the Bank of Papua New Guinea.

Table 3.3a: MSME Loans—National Development Bank

End-of-period data

Item	2018	2019	2020	2021	2022
MSME LOANS					
MSME loans outstanding, total (K million)	4.5	6.4	1.3	3.6	54.9
MSME loans (old scheme)	4.5	6.4	1.3	0.9	3.6
MSME loans (new scheme)	2.6	51.3
Commercial loans	222.1	214.7	172.6	158.6	106.4
MSME loans to total loans outstanding (%)	2.0	2.9	0.7	2.2	34.0
MSME loan growth (%)	...	41.5	(80.5)	183.4	1,443.8
Lending rate (% annual average)	6.5	6.5	6.5	6.5	6.5
Nonperforming MSME loans (NPLs) (K million)	1.7	2.3	0.2	0.2	1.5
MSME NPLs to total MSME loans (%)	36.6	35.6	17.2	5.6	2.7
Number of MSME loan borrowers	21	622
MSME loan borrowers to total bank borrowers (%)	0.9	51.4
MSME loan rejection rate (% of total applications)	20.0	28.0
Number of MSME savings account in banks	21	622
Guaranteed MSME loans (K million)	0.1	11.0
Non-collateral MSME loans (K)
Trade finance to MSMEs (K)
Share of MSME trade finance to total trade finance (%)
Number of MSMEs using trade finance
MSME loans outstanding by sector (K million)					
Agriculture, forestry, and fisheries	0.0	0.7
Manufacturing	0.0	0.0
Transportation and communications	2.6	48.3
Construction	0.0	0.0
Wholesale and retail trade	0.0	1.4
Other services	0.0	0.7
Others	0.0	0.1
MSME loans outstanding by sector (% share)					
Agriculture, forestry, and fisheries	0.2	1.5
Manufacturing	0.0	0.0
Transportation and communications	98.1	94.2
Construction	0.0	0.1
Wholesale and retail trade	1.7	2.7
Other services	0.0	1.3
Others	0.0	0.3
MSME loans outstanding by region (K million)					
Capital city (Port Moresby)	1.8	12.3
Southern Region (except Port Moresby)	0.0	2.6
Highlands Region	0.2	16.2
Islands Region	0.4	9.1
Momase Region	0.3	11.1
MSME loans outstanding by region (% share)					
Capital city (Port Moresby)	68.0	23.9
Southern Region (except Port Moresby)	0.0	5.0
Highlands Region	8.5	31.6
Islands Region	13.8	17.8
Momase Region	9.7	21.6
MSME loans outstanding by type of use (K million)					
For working capital
For capital investment
MSME loans outstanding by type of use (% share)					
For working capital
For capital investment
MSME loans outstanding by tenor (K million)					
Less than 1 year	0.0	2.6
1-5 years	2.6	48.7
More than 5 years	0.0	0.0
MSME loans outstanding by tenor (% share)					
Less than 1 year	0.0	5.1
1-5 years	100.0	94.9
More than 5 years	0.0	0.0

MSME = micro, small, and medium-sized enterprise.

Note: For 2018 to 2020, MSME loans combined two loan products: (i) micro loans and (ii) credit schemes. In 2021 and after, the National Development Bank (NDB) introduced a new loan product, MSME loan, with new definition. The transition was completed in 2022.

NDB's lending classification by firm size (loan size grouping):

Before 2020:

- (i) MSME loans (micro loans plus credit schemes) for the loan size of less than K10 million.
- (ii) Commercial loans for the loan size of over K10 million.

After 2021:

- (i) New MSME loans for the loan size of less than K500,000 under the government program.
- (ii) Commercial loans for the loan size of over K500,000 (for large firms).

Micro loans are delivered to community-based organizations (CBOs) using microfinance concept and credit scheme facilities.

Source: ADB Asia SME Monitor 2023 database. Data from the National Development Bank.

Table 3.4: Nonbank Finance

End-of-period data

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NUMBER OF NONBANK FINANCE INSTITUTIONS										
Nonbank Finance Institutions, total	55	55	47	47	47	47	47	47	47	47
Microfinance institutions	5	5	5	5	5	5	5	5	5	5
Credit unions/cooperatives	22	22	22	22	22	22	22	22	22	22
Finance companies	10	10	10	10	10	10	10	10	10	10
Pawnshops	...	...	...	...	...	...	...	...	...	...
Leasing companies	...	...	...	...	...	...	...	...	...	...
Factoring companies	...	...	...	...	...	...	...	...	...	...
Insurance companies	18	18	10	10	10	10	10	10	10	10
Others	...	...	...	...	...	...	...	...	...	...
MICROFINANCE INSTITUTIONS										
Financing outstanding, total (K million)	81.1	99.5	112.5	127.9	132.8	126.4	126.8	155.2	138.9	142.7
Growth (%)	39.1	22.7	13.1	13.7	3.8	(4.8)	0.3	22.4	(10.5)	2.7
Total financing to gross domestic product (GDP) (%)	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.4	0.4
Annual lending rate (% on average)	...	...	...	...	...	...	...	...	...	...
Gross nonperforming loans (NPLs) (K million)	16.0	9.4	10.9	12.4	13.7	20.5	18.8	18.3	18.0	8.5
Gross NPLs to total loans (%)	19.8	9.5	9.7	9.7	10.3	16.3	14.8	11.8	13.0	6.0
Savings (K million)	95.7	136.7	147.8	172.2	171.9	163.3	162.9	152.3	161.6	175.1
Number of customers financed, total	...	...	...	...	...	...	...	...	...	...
Financing outstanding by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...	...	...	...
Transportation and communication	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
Financing outstanding by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
CREDIT UNIONS AND COOPERATIVES										
Financing outstanding, total (K million)	225.2	266.8	288.8	321.5	361.8	397.5	446.7	511.5	542.0	561.9
Growth (%)	0.04	18.5	8.2	11.3	12.5	9.9	12.4	14.5	6.0	3.7
Total financing to GDP (%)	0.7	0.8	0.9	1.0	1.1	1.2	1.4	1.6	1.7	1.8
Annual lending rate (% on average)	...	...	...	...	...	...	...	...	...	...
Gross nonperforming loans (NPLs) (K million)	34.0	26.7	34.9	42.2	44.2	49.4	31.0	27.2	26.4	32.2
Gross NPLs to total loans (%)	15.1	9.8	11.9	12.5	12.0	12.3	6.8	5.1	4.6	5.5
Number of customers financed, total	...	...	...	...	...	...	...	...	...	...
Financing outstanding by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...	...	...	...
Transportation and communication	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
Financing outstanding by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
FINANCE COMPANIES										
Financing outstanding, total (K million)	884	961	1,036	915	1,030	1,088	1,245	1,186	1,331	1,360
Growth (%)	11.8	8.8	7.8	(11.6)	12.5	5.6	14.5	(4.8)	12.2	2.2
Total financing to GDP (%)	1.9	1.7	1.7	1.4	1.4	1.4	1.5	1.4	1.4	1.3
Annual financing rate (% on average)	...	...	...	...	...	...	...	...	...	...
Gross nonperforming financing (NPFs) (K million)	64.5	80.0	73.3	101.6	108.1	159.0	149.3	201.1	246.1	247.5
Gross NPFs to total financing (%)	7.1	7.2	6.7	10.6	10.0	13.7	11.0	16.1	16.5	16.0
Number of customers financed, total	...	...	...	...	...	...	...	...	...	...
Financing outstanding by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	2.9	1.9	3.9	2.7	3.7	5.5	3.4
Manufacturing	...	...	...	0.5	3.3	2.4	3.4	1.5	1.5	1.4
Transportation and communications	...	...	...	8.7	23.0	26.5	22.8	24.6	36.1	27.2
Wholesale and retail trade	...	...	...	1.3	7.4	6.9	7.3	7.5	4.3	6.6
Building and construction	...	...	...	4.3	17.2	21.2	19.1	19.7	20.6	26.3
Mining and quarrying	...	...	...	0.3	2.1	1.2	2.1	2.0	3.2	2.5
Electricity, Gas and water supply	...	...	...	0.1	0.3	0.9	0.2	0.1	0.2	0.2
Renting and business service activities	...	...	...	3.2	30.6	27.6	27.7	26.9	16.2	21.0
Hotels, restaurant and tourism activities	...	...	...	0.3	0.5	0.6	0.7	0.2	0.3	0.1
Others	...	...	...	78.5	13.8	8.9	14.0	13.7	12.0	11.3
Financing outstanding by region (% share)										
Capital city (Port Moresby)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...

Sources: ADB Asia SME Monitor 2023 database. Data from the Bank of Papua New Guinea.

Table 3.5: Policies and Regulations

Regulations		
Name	Outline	
Small and Medium Enterprises Corporation Act 2014	The act promotes development and growth of small and medium-sized enterprises (SMEs). It established the SME Corporation with the legal mandate to address agendas relating to SMEs. It facilitates SME growth and development and provides government	
Investment Promotion Act 1992	The act establishes the Investment Promotion Authority (IPA) that includes the Companies Office and Intellectual Property Office. It also identifies export markets and disseminates investor-related information about the country.	
Cooperative Societies Act 1982	The act establishes the Office of the Cooperative Societies—to mobilize landowners to participate collectively as a community in various agriculture cooperatives, stimulate the economy with cooperative retail stores, among others. Unlike the IPA, the Cooperatives Societies remains under the Department of Commerce and Industry.	
National Institute of Standards and Industrial Technology Act 1993	The Institute provides national technical infrastructure and provides technical support for commerce, trade and industrial development on standardization, quality assurance and conformity assessment. It provides technical support to enforce government technical regulations and standards pertaining to the quality, safety, health, environmental protection and consumer protection. The Institute also holds legal custody and maintains all National Reference and Physical Measurement Standards in the	
Industrial Corporation Development Center Act 1990	The act establishes the Industrial Centers Development Corporation, which is responsible for the overall planning and implementation of the government's industrial centers development program in accordance with government policies on industrial development. The Corporation is mandated to formulate and implement strategies to facilitate industrial development across the	
Tourism Promotions Authority Act 1993	The act establishes the Tourism Promotions Authority, the focal agency responsible for formulating and implementing tourism policy. It also repeals the previous Tourism Development Corporation Act of 1990.	
Companies Act 2022	The act amends the 1997 and 2014 Companies Acts, providing updated guidelines for the Investment Promotion Authority (IPA) to regulate and monitor companies established in the country. It also requires existing companies to re-register, which would then be used by the IPA to further improve its services.	
Business Names Act 2014	The act repeals the Business Names Act (Chapter 145), which allows for registration of business names by individuals or groups of	
Securities Commissions Act 2015	The act establishes the Securities Commission, whose primary role is to regulate capital markets and practices relating to the offering of securities and derivatives to the public.	
Trade Marks Act	The act creates the Office of the Registrar of Trade Marks, which is overall manager of trademark registration in the country, and enables the Registrar to arbitrate cases relating to trademarks.	
Copyright and Neighboring Rights Act 2000	The act provides updated regulatory powers for the government to protect copyright and neighboring rights, and repeals the	
Patents and Industrial Designs Act 2000	The act creates the Office of the Registrar of Patents and Industrial Designs and provides guidelines to protect industrial property rights, namely patents, industrial designs and geographical indications.	
National Procurement Act 2021	The act amends the 2018 Act, which centralizes all government procurement policies and guidelines, creates the National Procurement Commission, and provides guidelines covering business participation in government contracts.	
Income Tax Act 1959 (amendments to the act in 2019 to cater for the SBT)	The act creates the Commissioner General of Internal Revenue, which is in charge of implementing strategies for tax collection in the country. The act also provides guidelines on tax exemptions for specific economic activities.	
Business Groups Incorporation Act 2022	The act amends the Business Group Incorporation Act (Chapter 144) to reform the law relating to incorporated business groups to combat money laundering, provide guidelines for better internal governance, and to facilitate online filing.	
Capital Markets Act 2015	The act provides legal basis for regulating capital markets and practices relating to the offering of securities to the public, trading of derivatives, and financial products as stipulated in the law.	
Central Depositories Act 2015	The act establishes a Central Depository for the regulation of deposit, holding, withdrawal, and dealings in securities, and to provide guidelines for the law's implementation.	
Regulators and Policymakers		
Name	Responsibility	
Department of Commerce and Industry (DCI)	DCI is responsible for deriving policies for the Ministry of Commerce and Industry. It is also responsible for drawing up roadmaps and sector plans for economic subsectors.	
SME Corporation (SMEC)	SMEC is responsible for the development and growth of MSMEs. Its main functions are (i) training and capacity building; (ii) business development services; (iii) program research; and (iv) monitoring and evaluation.	
Investment Promotion Authority (IPA)	The IPA is responsible for (i) business registration; (ii) regulation and certification; (iii) export promotion; and (iv) investor	
National Institute of Standards and Industrial Technology (NISIT)	NISIT is the National Standards Body responsible for overseeing to standardization, quality assurance and conformity assessment activities. Enacted as an Act of Parliament in 1993, the Institute began operations in 1994 and is responsible for (i) developing standards (ISO conformity); (ii) research; (iii) capacity building; and (iv) education about standards.	
Department of Agriculture and Livestock (DAL)	DAL is responsible for planning and implementing policies to further agricultural development.	
Tourism Promotions Authority (TPA)	The TPA is responsible for developing the tourism sector as another source of livelihood for citizens.	
Center for Excellence in Financial Inclusion (CEFI)	CEFI is an initiative of the Bank of Papua New Guinea and the Microfinance Expansion Project (MEP). CEFI was established as an Association incorporated under the IPA Act and officially endorsed by the country's National Executive Council as the umbrella organization to coordinate, advocate and monitor all financial inclusion activities.	
Industrial Centers Development Corporation (ICDC)	ICDC is under the Ministry of Commerce and Industry. Created by an Act of Parliament in 1990, it was responsible for the development and management of Industrial Centers or business infrastructure and facilities.	
Securities Commission of PNG (SCPNG)	SCPNG regulates the country's capital markets.	
National Procurement Commission (NPC)	NPC has many responsibilities. Under the SME Policy 2016, all government contracts valued below K10 million should be reserved for local SMEs only. All government contracts greater than K10 million and granted to a foreign business needs to subcontract at least 50% to local business. The NPC is responsible to ensure government requirements are implemented, to undertake timely, fair, competitive, transparent, nondiscriminatory, and cost-effective procurements for and on behalf of the State, including public and	
Internal Revenue Commission (IRC)	IRC is responsible for the country's tax collection.	
Bank of the Papua New Guinea (BPNG)	The central bank, BPNG is responsible for implementing effective monetary policy, maintaining a sound financial system, and enact policies that promote economic growth and macroeconomic stability.	

continued on next page

Table 3.5 continued

Policies		
Name	Responsible Entity	Outline
SME Policy 2016	DCI, SMEC	<p>The objective of the SME Policy 2016 is to support and grow the SME sector in order to create new employment opportunities, achieve sustainable economic growth outside the resources sector, and achieve a fair and equitable distribution of wealth through majority citizen ownership of business activity. It sets ambitious goals for 2030:</p> <ul style="list-style-type: none"> (i) Grow SMEs from 49,500 to 500,000 (ii) Grow formal employment from 290,000 to 2 million (iii) Reduce unemployment from 84% to 49% (iv) Increase citizen control over the formal economy from 10% to 70% (v) Increase SME contribution to GDP from 10% to 50% (vi) Increase per capita income from \$2,000 to \$9,600
Medium-Term Development Plan 2018–2022	Ministry of National Planning and Monitoring	<p>The overall goal of the development plan is to secure the future of Papua New Guineans by implementing strategies for inclusive economic growth. The key objectives of the plan are as follows:</p> <ul style="list-style-type: none"> (i) Increase internal revenue on a sustainable basis to secure sufficient resources from domestic tax collections, non-tax (ii) Increase training, capacity and employment opportunities for citizens. (iii) Increase local ownership and benefits in the formal business sector. (iv) Improve quality of service delivery in rural districts across the country. (v) Create a safe and competitive environment to attract foreign and domestic investment. (vi) Support provinces and districts to generate sustainable internal revenue. (vii) Manage sustainable population growth and promote family planning. (viii) Improve evidence-based planning process.
Agriculture Medium Term Development Plan 2020–2022	DAL	<p>The agriculture development plan aligns with the MTDP and is targeted to improve the agriculture sector in PNG. The goals of the development plan are as follows:</p> <ul style="list-style-type: none"> (i) Create a world-class agriculture & livestock sector that is responsive to international and domestic markets for a diverse (ii) Provide policy and administrative support for improved performance of the agriculture sector in PNG. (iii) Increase production to encourage participation of all stakeholders, increase incomes, contribute to the government's economic and social policy goals, and uplift the livelihood potential of small-scale farmers and other minor participants. It covers palm oil, coffee, cocoa, coconut, rubber, spices, rice, livestock, fresh fruits and vegetables. (iv) Provide access to safe and nutrient food in sufficient quality and quantity to improve and maintain a healthy and active life of all people in the country.
National Government Tourism Policy 1993	TPA	<p>The policy aims to involve relevant stakeholders in the development of the tourism industry in the country. The development objectives of the policy are as follows:</p> <ul style="list-style-type: none"> (i) Undertake intensive development of tourism in PNG and generate foreign exchange earnings. (ii) Increase employment opportunities. (iii) Enhance the tourist product by creating and sustaining a range of quality leisure experiences for visitors in the country. (iv) Maximize tourist satisfaction by creating and sustaining viable and growing tourism industry. (v) Maximize economic benefits by using tourism growth as a means of expanding the number and range of facilities available to residents of the country.
SME Accelerator Program	BPNG	<p>SME Accelerator Program was established to address impediments to MSME growth, access to finance and promote innovations. The program includes credit guarantees provided by the Credit Guarantee Corporation (CGC), which ensures that credit risk is shared by the CGC and participating financial institutions so institutions are encouraged to make credit available to MSMEs.</p>
National Financial Inclusion Policy (January 2019)	BPNG and CEFI	<p>The policy seeks to deliver on its Mission of promoting financial inclusion for Papua New Guineans through addressing the</p> <ul style="list-style-type: none"> (i) Digital Financial Services — To continue to actively support innovative use of technology for scaling up financial access and promotion of expansion of digital finance services to reach remote parts of the country. (ii) Inclusive Insurance — To expand micro insurance to reach 1.5m people. (iii) Financial Literacy and Financial Education — To build on gains in financial education and extend it to educational institutions such as technical colleges, secondary and primary schools. (iv) Financial Consumer Protection — To introduce and implement a consumer protection framework for regulated financial (v) Informal Economy and Agricultural Finance — To enhance access to and usage of finance for enterprises in the informal economy including agriculture. (vi) SME Finance — To enhance access to and usage of finance for Small and Medium Enterprises (SMEs). (vii) Resources Sector Engagement — To leverage opportunities within the resources sector to advance financial inclusion. (viii) Data Collection and Dissemination — To continue regular collection of financial inclusion data and publish it for policy makers and commercial service providers to identify key dimensions and opportunities in Papua New Guinea. (ix) Government Engagement — To promote the integration of financial inclusion in Local and National Government planning and implementation processes.
Third National Financial Inclusion Strategy Strategy 2023 - 2027 (April 2023)	BPNG and CEFI	<p>The strategy set six strategic objectives:</p> <ul style="list-style-type: none"> (i) Build financial competency through financial literacy and education. (ii) Strengthen an enabling policy and regulatory environment conducive for innovation and to promote the growth of inclusive (iii) Develop efficient digital infrastructure. (iv) Promote effective public and private sector engagement. (v) Enabling environment for inclusive green finance. (vi) Deepen financial service delivery harnessing new emerging technology.
Financial Sector Development Strategy 2018 - 2030	Ministry of Treasury	<p>The policy provides strategic direction on how to develop Papua New Guinea's financial services sector to a higher level. It identifies four critical strategic areas, which are integrated in the framework for policy implementation:</p> <ul style="list-style-type: none"> (i) Architecture of financial sector regulatory and supervisory arrangements (ii) Development of government bond and capital markets (iii) Development of the national payments system (iv) Financial inclusion

Source: ADB Asia SME Monitor 2023 database. Data from the Bank of the Papua New Guinea, SME Corporation, Investment Promotions Authority, Tourism Promotions Authority, and the Department of Agriculture and Livestock.

Table 3.5a: COVID-19 Emergency Measures

Name	Fund Size (K million)	Launch date of the measures	Status		Outline
			Ongoing [as of end March 2023] (√)	Terminated	
Economic Stimulus Package					
Domestic Finance Program	2,500	Apr-20		2021	Issuance of COVID-19 Treasury Bonds, obtain resources for COVID-19 prevention strategies.
Friendly Foreign Assistance Program	1,500	Apr-20	...	...	Support from international multilateral agencies such as the International Monetary Fund (K1.26 billion), the Asian Development Bank (Ko.17 billion), and the World Bank (Ko.07 billion).
Household and Business Relief Program	600	Apr-20		Apr-21	Support for households and businesses through a 3-month loan repayment holiday.
Superannuation Measures	500	Apr-20		Dec-20	Support for members to access their savings during the economic downturn.
Budget Support Program	600	Apr-20	...	...	Extra budget support for agriculture, businesses, and households (K320 million); and for health and security (K280 million).
SME Support Program*	200	Apr-20	√		(i) the government allocated K200 million and passed on K180 million to the banks (BSP and NDB) to help SMEs obtain loans; (ii) changes to the SME tax regime; (iii) increase import counter clearance threshold from K1,000 to K5,000.
Grand Total**	5,700				

* The program is excluded from the economic stimulus package and is part of the supplementary budget.

** Total domestic stimulus package amounted to K5.7 billion.

Source: ADB Asia SME Monitor 2023 database. Data from the Bank of the Papua New Guinea.

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Country Review

Samoa

Overview

Samoa was somewhat unique among developing countries, having slipped seamlessly into the coronavirus disease (COVID-19) pandemic after a serious measles outbreak in 2019. With its borders closed until end-July 2022, the economy continued to suffer with gross domestic product (GDP) in fiscal year (FY) 2022 (ended 30 June 2022) contracting another 5.3%, after dropping 7.1% the previous FY.¹ However, since borders reopened, tourism has rebounded strongly, and GDP is forecast to recover, growing by 6.2% in FY2023 and 4.2% in FY2024. Strong growth of remittances helped the economic recovery as well. Inflation surged to 8.8% in FY2022 and a forecast 12.0% in FY2023 before subsiding to 5.3% in FY2024. Increased prices for food, transportation, communications, and restaurants are affecting business operations, including tourism and micro, small, and medium-sized enterprises (MSMEs).

As in several Pacific economies, the COVID-19 pandemic encouraged emigration to Australia and New Zealand as workers sought jobs and higher wages. This was accelerated by labor mobility programs and have continued post pandemic, creating some critical labor shortages—especially skilled and semi-skilled workers—for domestic business. With MSMEs especially active in tourist services, any reduced quality is a major concern.

MSMEs play a pivotal role in driving the economy. They comprise over 96% of all enterprises in the country. As of end-2022, 33.9% of MSMEs were in wholesale and retail trade, followed by transportation and communications (25.8%), and other services (26.3%). During the pandemic, the number of MSMEs decreased sharply, by 13.3% in 2021. There are no data available on those employed by MSMEs. However, given that 48% of tourism workers were laid off in 2021, MSME workers were affected as well. Continuing emigration would worsen domestic employment conditions, and reduce MSME output, although no data are available on their contribution to GDP.

Commercial bank lending to MSMEs rose during the COVID-19 pandemic, backed by government financial assistance to businesses, including MSMEs. MSME loans increased by 29.8% in 2020 and by 7.8% in 2021. MSME loans outstanding accounted for 43.7% of total commercial bank loans and 23.7% of GDP as of end-2022, both highest over the past decade. Samoa Business Hub credit guarantees to MSMEs helped. The state-owned Development Bank of Samoa (DBS) has also financed MSMEs, but they accounted for just 18% of its lending portfolio as of end-2022. There are no data on nonbank finance. And there is no capital market in the country.

The MSME Development Policy and Strategy 2020 is the benchmark policy framework for inclusive growth. It set an MSME definition and six strategic goals for regulatory framework development, business advisory, access to finance, enabling infrastructure, skilled labor, and entrepreneurship and innovation. The Central Bank of Samoa promotes financial inclusion. The National Financial Inclusion Strategy 2017–2020 set six strategic priorities—focusing on access to finance; underserved segments such as women, youth, and MSMEs; digital financial services; inclusive insurance; consumer protection; and partnerships and institutional coordination. To monitor policy performance and promote evidence-based policy design, developing regularly updated data on MSMEs will be critical.

¹ ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

1. MSME Development

- As a result of border closures, the number of MSMEs dropped by 13.3% (to 4,540 in 2022) due to business closures; around one-third of MSMEs remain in wholesale and retail trade, followed by other services and transportation.
- The labor force has been declining, as labor mobility programs in Australia and New Zealand attract skilled workers, although no data on MSME employment is available.
- The economy recovered quickly with tourism—where MSMEs actively operate—rebounding strongly; high inflation risks impeding output growth, including MSMEs.
- Most MSMEs focus on the limited domestic market with little growth opportunities due to a lack of market information and access to business networks.
- Several e-commerce platforms have started operations, but challenges remain—an interoperable payment switch, digital literacy, information and communication technology (ICT) infrastructure, and regulatory frameworks.
- The Samoa Chamber of Commerce and Industry is the national focal point for private sector organizations operating in Samoa, supporting MSMEs and digital transformation.

Scale of MSMEs

The MSME Development Policy and Strategy 2020 uses an “interim” definition of MSMEs based on the number of registered employees.² A firm with fewer than 5 employees is classified as a microenterprise, one with employees between 5–9 is a small enterprise, and a firm with between 10–25 is medium-sized. By contrast, the Samoa Bureau of Statistics uses annual income as the criterion—a firm with annual income of less than ST130,000 is considered a microenterprise; from ST130,000 to ST500,000 is a small enterprise, from ST500,000 to ST1 million a medium-sized enterprise (Table 4.1).

Available MSME data are limited to number of MSMEs and sector distribution. With borders closed in 2021, the number of MSMEs dropped by 13.3% (from 5,218 firms in 2020 to 4,526) due to permanent or temporary business closures; in 2022 the number was similar at 4,540 MSMEs (a 0.3% increase)—with 85.9% microenterprises, 1.2% small enterprises, and 12.9% medium-sized enterprises (Figure 4.1A and Table 4.2). MSMEs accounted for 96.6% of all enterprises during the period.

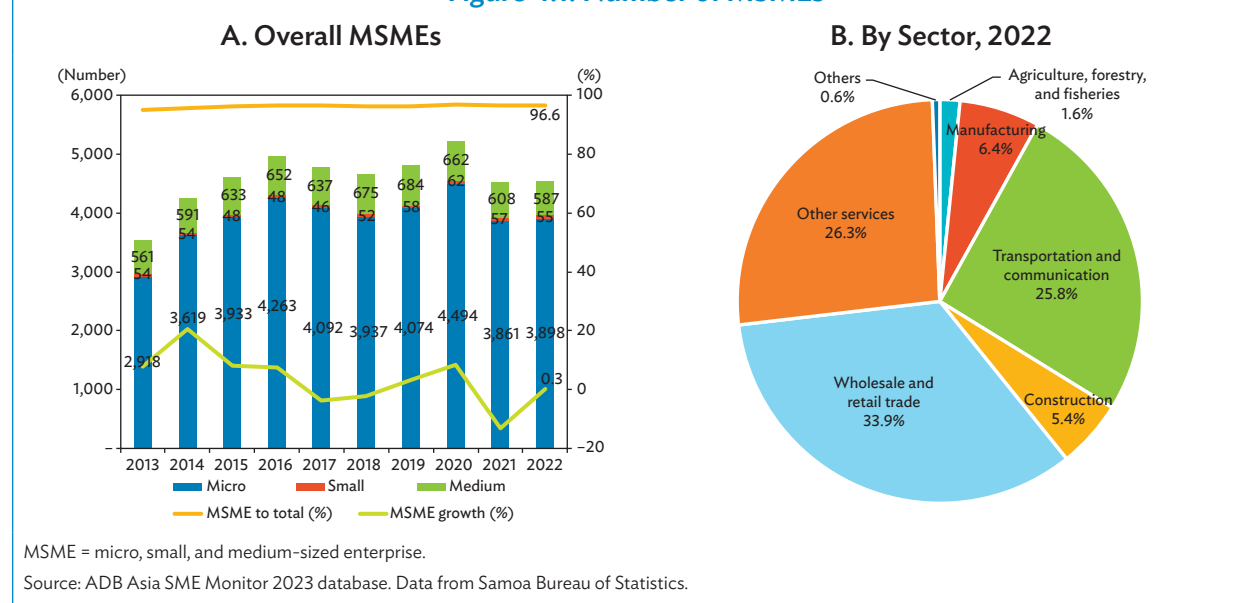
As of end-2022, more than one-third (33.9%) of MSMEs worked in wholesale and retail trade, followed by “other services” (26.3%)—including business services, accommodations and restaurants, personal services, financial services, and public administration—transportation and communications (25.3%), manufacturing including food processing (6.4%); and agriculture and fisheries (1.6%) (Figure 4.1B). Many MSMEs work in tourism-related businesses. No geographical distribution data are available.

² Due to the lack of comprehensive MSME data, the current MSME definition is temporary and will be revised if more reliable data are available.

Surveys showed just how hard the pandemic affected businesses and households. A Samoa Chamber of Commerce business survey in January 2020–May 2020 with 218 firms responding found that 19% closed, leading to a large number of layoffs.³ The United Nations also conducted a rapid online survey from 11 June 2020 to 5 July 2020 with 286 respondents. It found that 50% of Samoan families had at least one household member lose a job, two-thirds had reduced household income, with 30% losing income due to travel restrictions. Given the small sample size, the true impact might be quite different. Statistical data show the number of MSMEs increased by 8.3% in 2020 but decreased sharply in 2021 as strict mobility restrictions continued. This could mean a time lag between the actual and recorded effect of the pandemic.

MSME development faces five major challenges. First, various stakeholders and government agencies use different MSME definitions. For instance, the Ministry of Customs and Revenues uses turnover, labeling firms with turnover below ST1 million as MSMEs. Banks classify MSMEs by total assets, turnover, and/or number of employees. The MSME definition in policy design needs to be reviewed and standardized. Second, the lack of reliable MSME data or related information impedes internal policy coordination and implementation among government authorities. Regularly updated MSME data using standardized collection procedures should be established in the country. Third, with informal businesses spread across the country, the government should continue to encourage informal MSMEs to register with the incentive of becoming eligible for various grants and government assistance. Fourth, limited access to finance, a lack of knowledge and skills, and a declining workforce due to seasonal employment programs are critical constraints for many MSMEs. And fifth, constant changes in government procedures, processes required, and legislation—particularly evident during pandemic lockdowns and social restrictions—are another challenge.

Figure 4.1: Number of MSMEs



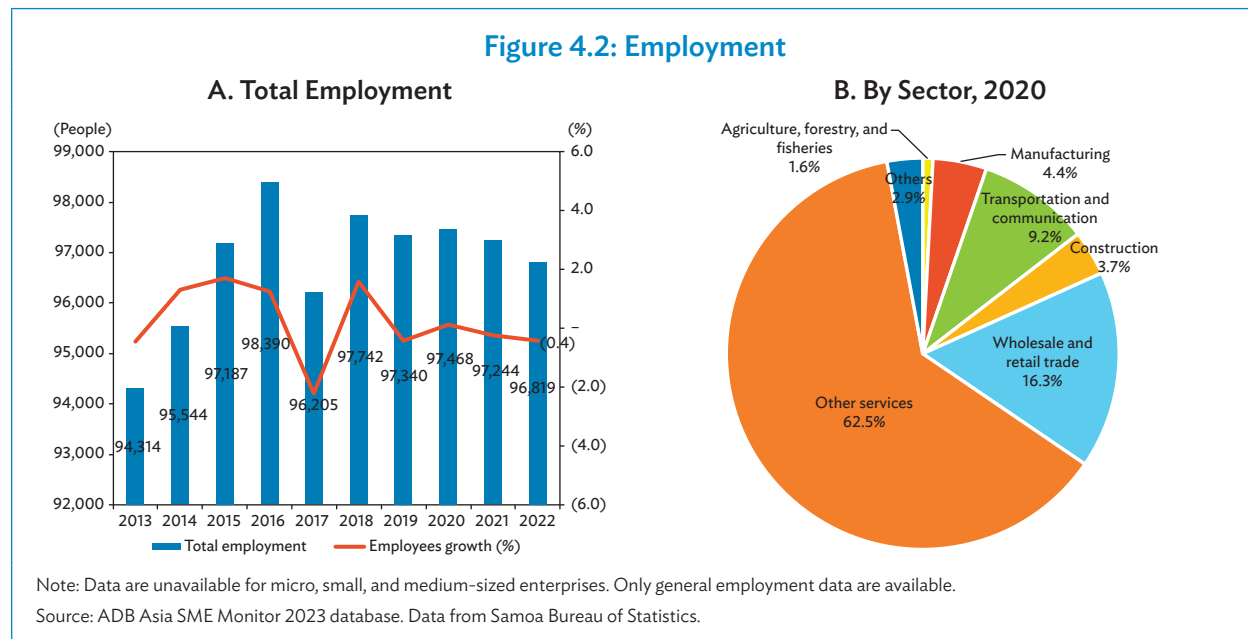
³ Information was extracted from United Nations. 2020. Micro, Small and Medium-sized Enterprises' Access to Finance in Samoa: COVID-19 Supplementary Report and Recommendations.

Employment

There are no available data on the MSME workforce. However, one can glean a rough picture from overall employment data, particularly as over 96% of businesses in Samoa are MSMEs. Total jobs decreased by 0.2% in 2021 (97,244 from 97,468 in 2020) and dropped a further 0.4% in 2022 (96,819 workers) (Figure 4.2A and Table 4.2). Labor mobility programs in Australia (the Pacific Labor Mobility [PALM] scheme) and New Zealand (the Recognized Seasonal Employer [RSE] program) likely contributed. Continuing emigration for those seeking higher salary/wages will worsen the job environment and accelerate the brain drain post pandemic, affecting MSME employment as well.

Employment is concentrated in services—wholesale and retail trade (16.3% of total jobs), transportation and communications (9.2%), and other services including accommodation and restaurants (62.5%). Many do tourism-related work. According to the Pacific Private Sector Development Initiative (2021), 48% of tourism workers in Samoa were laid off during the border closures in 2021.⁴ This would affect MSME workers, given that many work in tourism-related businesses.

Figure 4.2: Employment

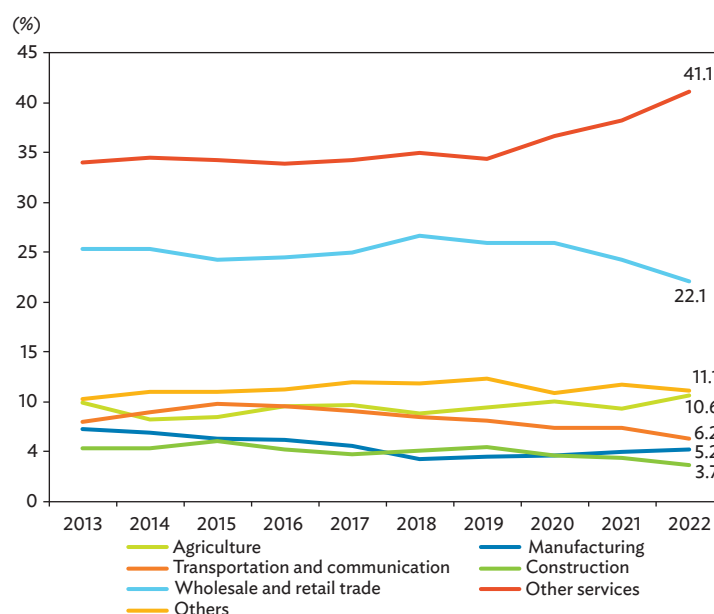


Business Productivity

There are also no data available on MSME contributions to GDP. The economy stagnation from the 2019 measles outbreak continued into the 2020 pandemic, with GDP contracting during FY2020–FY2022. However, after borders reopened in August 2022, the economy recovered rapidly with the rebound in tourism and increased remittances—GDP grew by 6.0% in FY2023. Nonetheless, continued high inflation due to fuel and commodity price hikes risks slowing output growth, including MSMEs, although it is forecast to drop in 2024. A shortage in the labor market would also affect MSME output.

⁴ Pacific Private Sector Development Initiative. 2021. Pacific Tourism Sector Snapshot: Samoa.

Figure 4.3: Gross Domestic Product by Sector, 2013–2022



Note: Data are unavailable for micro, small, and medium-sized enterprises. Only general production data are available.

Source: ADB Asia SME Monitor 2023 database. Data from Samoa Bureau of Statistics.

Key contributing sectors to GDP include wholesale and retail trade (22.1% of GDP in 2022) and other services—including accommodation and restaurants, financial services, business services, public administration, and personal services (41.1%)—where MSMEs are major contributors (Figure 4.3).

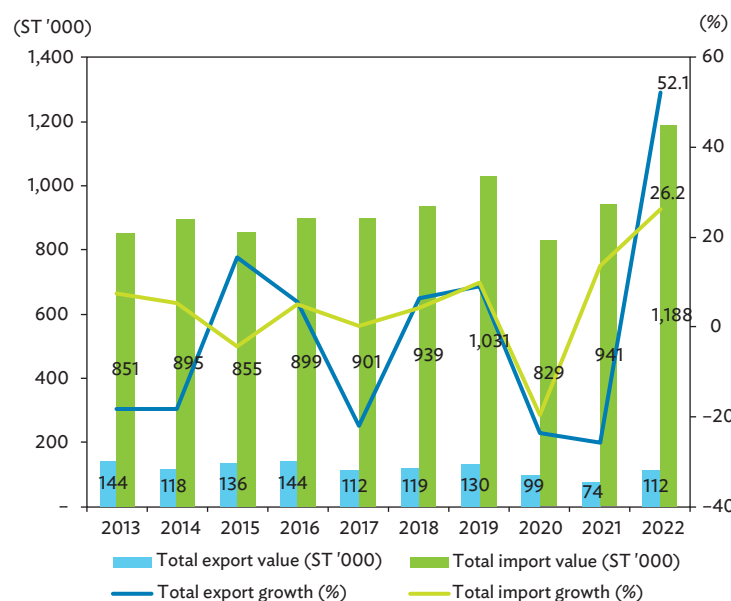
Market Access

Lack of market access and related information is a critical barrier to MSME development. Most MSMEs focus on the limited domestic market with little growth opportunities due to a lack of market information and access to business networks. A few export agriproducts such as taro, banana, coconuts, dried fruit, and ava (kava) to neighboring Pacific economies and Asia.

The State of Emergency declared by government in response to the measles outbreak in 2019 and the COVID-19 pandemic in 2020–2022—along with closed borders—led to a sharp drop in export value, which fell by 23.6% in 2020 and 25.7% in 2021 (Figure 4.4). Although small in number, it also likely affected MSME exporters.⁵ After borders reopened in 2022, exports showed a V-shaped recovery.

⁵ There are no data on MSME exports in Samoa, but the data here were provided in interviews with government authorities and financial institutions in March 2023.

Figure 4.4: Exports and Imports



Source: ADB Asia SME Monitor 2023 database. Data from Samoa Bureau of Statistics.

Agribusiness—including exports—is a key industry for Samoa. The Asian Development Bank and Ministry of Finance in Samoa support agribusiness development through a joint Samoa AgriBusiness Support Project, through which several small agribusinesses thrive (Box 4.1).

Box 4.1: Lessons from the Samoa AgriBusiness Support Project

The Samoa AgriBusiness Support (SABS) Project was designed so could agriculture regain its prominence in the economy. As a result, certain commercial agribusinesses have been able to grow sustainably. SABS helps eligible agribusinesses access finance. The project started to support eligible clients in 2015, and has two components:

- (i) **Financing:** this offers eligible agribusinesses collateral support, in which 65% of a loan is guaranteed by SABS, with the remaining 35% provided by the borrower for a term of 7 years with 25% of loan interest free.
- (ii) **Business Support Services:** this offers an 80% refund of the amounts paid by the agribusiness for approved business services—after confirmation by the Project Management Unit. The services may cover financial, technical, marketing, and research and development costs, along with those involving access to agricultural technology, specific training, certifications, and market access.

There are 45 active clients—with more than 10 in the pipeline. The selected agribusinesses (commercial processors) have more than 50 to 80 smallholders (“out-growers”) that supply them crops in return for guaranteed access to local and overseas markets.

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Box 4.1 *continued****Examples of small local agribusinesses supported under the SABS Project*****1. Savai'i Koko**

Owned by Rosie and Saleimoa Vaai

Location: Asau, Savaii

Products: Cocoa beans exported to Whitaker chocolate manufacturer in New Zealand (NZ)—also exports cocoa beans to Australia and Japan. Process cocoa pastes (koko samoa) for NZ and Australian export markets. Planning to manufacture chocolates for tourists. Island Grill restaurant is also part of the agribusiness supply chain, where agriproducts are processed for public consumption.

Employees: more than 20, including men, women and youth.

Supplies cocoa trees to cocoa farmers in Savaii.

SABS Support: Two SABS Project loans thus far (with ANZ Bank and Samoa Commercial Bank).

“We couldn’t have done it without SABS. SABS was the only one that came up with the help,” says Saleimoa (Salei) and Rosie Vaai.

The husband and wife run Savai'i Koko, processing cocoa beans for export. SABS supported their business to increase production of dried cocoa beans and cocoa butter, sourcing the beans from an network of local suppliers, through better management and harvesting. SABS helped the business grow more rapidly. Innovation funds helped Salei and Rosie learn how to make chocolate, enabling them to access new markets in Australia and Japan.

Savai'i Koko buys from small farmers what they can't process themselves. The support to commercialize has given them greater buying power which in turn enabled them to buy more from suppliers. The price of cocoa beans has increased from ST5 to ST20, increasing the income of small holder farmers.

Rosie manages administration and exports; Salei does the hard labor with the farmers. Decisions are made jointly, and together they manage a family hotel, farm, and restaurant in addition to the cocoa processing business.

The pandemic affected their workforce. Ten staff left to work in regional seasonal employment schemes. More women were employed as a result. Pre-pandemic, the business employed 12 men and 5-6 women, though not all full-time. In 2022 they employed 10 women and 4-5 men.

Accessing commercial funding is normally difficult, which underscores the importance of SABS. For commercial banks that see agriculture as high risk, SABS provides a bridge to loans and helps drive down interest rates. The guarantee SABS provided allowed Savai'i Koko to grow more quickly and help the other small-scale farmers earn more.

2. Satuala Development

Owned by Misileti Satuala and Ropati Satuala

Location: Neiafu, Savaii

Products: Ava, Taro, Ta'amu and Samoan koko pastes. The largest ava producer in Samoa, it also provides support to small ava growers. It sources additional ava and taro from its supply chain network, which include both women & men.

Export Market: United States (US) and NZ.

Employees: 12 to 20 part- and fulltime workers

SABS Support: The first SABS Project loan was approved in 2021 through Bank of South Pacific (BSP). Changes in the financing arrangement encouraged Satuala Development to apply for a second BSP loan. The new loan agreement was supported by a 50% SABS guarantee (30% before the second loan). Satuala Development also benefitted from the Business Support Services component, refunded 80% of a business trip to Fiji to study its ava market and to source ava pounding machines.

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Box 4.1 *continued***3. Samoa Meat Supplies**

Owned by Toleafoa Tom Ola'aiga

Location: Vailima, Upolu

Products: Beef and pork carcasses processed into steaks, ham, sausages, minced meat for restaurants, hotels, and individuals.

Employees: About 10 workers (men and women). Reliant on the supply chain for meat supply.

SABS Support: Two loans approved by BSP. Recently established its own restaurant to diversify. Spent significant amounts to buy meat from suppliers since becoming a SABS Project partner.

Project background

The SABS Project is funded by the Asian Development Bank (ADB), Government of Australia, and Government of Samoa. It received a \$5 million ADB grant and \$750,000 from the Government of Australia through its Department of Foreign Affairs and Trade. The project objective is to address key financial and capacity limitations in selected agribusinesses that have sound prospects for commercial success and will contribute to improved forward and/or backward linkages within the agricultural value chain. It also promotes value addition, employment, trade and rural incomes. The project has three main components: (i) improved access to finance for agribusinesses; (ii) business support services to agribusinesses to build capacity; and (iii) effective project management. The project began in 2014, initially for 7 years and has since been extended to January 2024.

Barriers and challenges

The key challenges include

- (i) lack of proper bookkeeping (financial management) by the agribusinesses, which slows access to finance;
- (ii) some agribusinesses cannot contribute their required collateral;
- (iii) costly market access for exporters; and
- (iv) limited information and data on Samoan agribusiness in, which hampers assessing SABS overall impact on the economy.

Source: SABS Project—Ministry of Finance, Samoa.

Technology and Innovation

Digitalization has improved gradually but remains limited. Internet use increased from 61% of the population in 2019 (pre-pandemic) to 78% in 2021, likely due to lockdowns and mobility restrictions.⁶ Mobile cellular subscriptions dropped from 40 per 100 people in 2019 to 32 in 2021.

Several e-commerce platforms have started operations—such as Mad Pacific, Makeki Online, Maua App, My Samoa, Samoa Market, Shopify, and Talofa Voucher.⁷ Online payments, e-wallet, e-vouchers, and digital money have started to be used, and firms conducting money transfers have grown with the rise in remittances. However, there remain several constraints and challenges to developing e-commerce. For example, an interoperable national payment switch remains unavailable, individuals and businesses require greater literacy in digital finance—including MSMEs—underdeveloped ICT infrastructure (slow, expensive internet broadband in rural areas), and a lack of enabling regulations supporting e-commerce and the digital industry.

⁶ World Bank. Individuals using the Internet (% of population) - Samoa. <https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=WS>.

⁷ Ministry of Commerce, Industry and Labor and Ministry of Foreign Affairs and Trade. 2022. Samoa E-commerce Strategy and Roadmap. May.

The government has taken steps to promote the digital economy, introducing a national digital ID system, a digital platform for online government services, and establishing a Digital Transformation Authority and National Digital Transformation Council under planned Digital Transformation Programs (ongoing as of March 2023).

The Samoa E-commerce Strategy and Roadmap (2022) cites seven policy areas for e-commerce development: (i) e-commerce readiness and strategy formulation; (ii) ICT infrastructure and services; (iii) trade logistics and trade facilitation; (iv) legal and regulatory frameworks; (v) electronic payment solutions; (vi) e-commerce skills development; and (vii) access to e-commerce finance.

Networking and Support

Formed in the early 1900s, the Samoa Chamber of Commerce and Industry remains the focal point for private sector organizations. The Chamber had 468 members including registered MSMEs as of end-2021. Its main activities include advocacy and lobbying with government to improve the business environment in Samoa. The chamber has partnerships with other autonomous business communities including Women in Business Development Inc. (supporting income-generating activities for more than 1,000 family members in 183 villages), Businesses of Salafai Associations (promoting private sector growth in the island of Savaii), and the Samoa Hotels Association. The chamber's activities focus on three key areas based on its Work Plan Framework for 2021–2026: (i) entrepreneurship and innovation (MSME support and the digital transformation); (ii) infrastructure, business standards, workforce development (including job training for MSMEs); and (iii) policy advocacy, corporate social responsibility, and cooperation for development.

2. Access to Finance

- *The COVID-19 pandemic boosted commercial bank lending—MSME loans accounted for 43.7% of total commercial bank loans and 23.7% of GDP in 2022, both record highs.*
- *The state-owned Development Bank of Samoa (DBS) helps finance vulnerable groups including MSMEs, but its MSME portfolio has been shrinking due to relatively high NPLs.*
- *The Samoa Business Hub offers 100% guarantees for business loans provided by designated banks; guaranteed MSME loans have been rising steadily.*
- *There is no data on the nonbank finance industry; but it needs to be developed through an appropriate policy framework to create alternative financing options for businesses.*
- *The digital finance industry remains limited, though a national payment system for commercial banks (ATS) was launched in 2023.*
- *A credit bureau does not exist. A centralized collateral registry system also does not, even though its legal framework was established in 2013.*

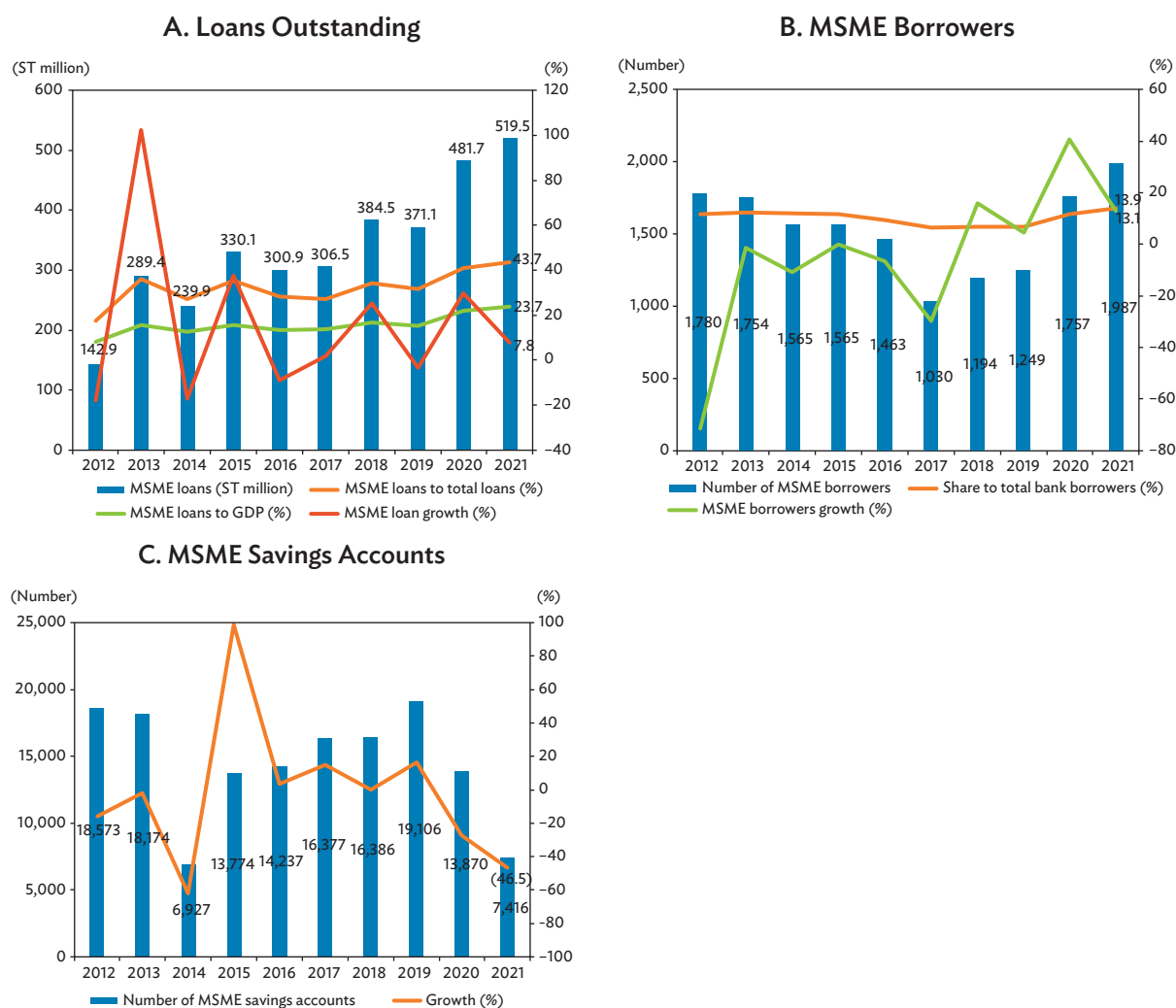
Bank Credit

Supervised by the Central Bank of Samoa, there were four commercial banks—two local and two foreign owned—operating as of end-2022. In addition, the DBS helps finance vulnerable segments such as the unemployed, women, youth, and MSMEs.

The COVID-19 pandemic boosted commercial bank lending to MSMEs, supported by government financial assistance programs—such as the COVID-19 Private Sector Grant—to businesses, including MSMEs. MSME loans increased by 29.8% in 2020 and 7.8% in 2021. As of end-2022, outstanding loans amounted to ST520 million (43.7% of commercial bank loans) and 23.7% of GDP, both record highs for the past decade (Figure 4.5A and Table 4.3). The number of MSME borrowers increased as well—by 40.7% in 2020 (1,757 firms from 1,249 in 2019) and 13.1% in 2021 (1,987 firms) (Figure 4.5B).

MSME borrowers accounted for 13.9% of commercial bank borrowers as of end-2021. However, the number of MSME savings accounts decreased from 19,106 in 2019 to 13,870 in 2020 and 7,416 in 2021 (down 46.5% from 2020) (Figure 4.5C). This suggests that creating a savings account was not required MSME loans approved during the pandemic, in part due to emergency financial assistance and grants.

Figure 4.5: MSME Loans



MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Central Bank of Samoa.

Public Financing and Guarantees

a. Development Bank of Samoa

The state-owned DBS was originally formed in 1974 and began lending to agricultural projects with a mandate to support what today has become the mantra of sustainable growth and social development. Over time, its financing extended to vulnerable groups prioritized under the national development strategy—agriculture and fisheries, tourism, commerce, services, MSMEs, financial inclusion, and social enhancement for wealth and livelihoods.⁸

DBS is also an implementing agency of government assistance programs. It received capital injections from the government since 2020—when the COVID-19 pandemic broke out. MSMEs account for 95% of DBS borrowers. Yet, as of end-2022, MSME loans outstanding accounted for just 14.4% of its lending portfolio due to the pandemic impact and low awareness among potential borrowers. DBS lending classification is based on loan size: (i) micro loans are for ST1,000-ST20,000; (ii) small loans for ST20,000-ST50,000; (iii) medium-sized loans for ST50,000-ST250,000; and (iv) large loans for over ST250,000.

Loan terms are 20–25 years for large firms and up to 15 years (average 3 years) for MSMEs. The annual interest rate is a maximum 8% with a 12-month grace period regardless of firm size. For emergency concessional lending, the rate is 3% (cost of funds 1%) and applies to borrowers affected by disasters (2020–2021 flooding and cyclones). COVID-19 Business Revival loans have a 4% rate (cost of fund 0%) with a 3-years grace period. DBS accepts both movable and immovable assets as collateral, particularly for micro and small firms and farmers (most commercial banks do not accept movable assets as collateral). Supply purchase agreements for exporting coconuts, taro, and agriproducts is acceptable as loan collateral as well.

Despite the government's capital injection and the concessional loans offered, MSME loans outstanding continued to fall over the past 5 years. They fell by 14.3% in 2020, 7.9% in 2021, and 7.3% in 2022. Only micro loans increased—0.5% in 2021 and 1.4% in 2022. As of end-2022, MSME loans outstanding totalled ST19.5 million, of which 32.9% were for micro loans, 27.8% for small loans, and 39.3% for medium-sized loans (Figure 4.6A and Table 4.3a). Nonperforming MSME loans have been decreasing but remain high—from 23% of MSME loans in 2020 to 18% in 2022. Although most DBS borrowers are MSMEs, their number has fallen—from 2,574 in 2019 (pre-pandemic) to 2,147 in 2020, 1,639 in 2021, and 1,483 in 2022 (Figure 4.6B). Several loan applications were ineligible due to insufficient collateral and unclear borrower information, while many MSMEs likely went to commercial banks to raise working capital during the pandemic.

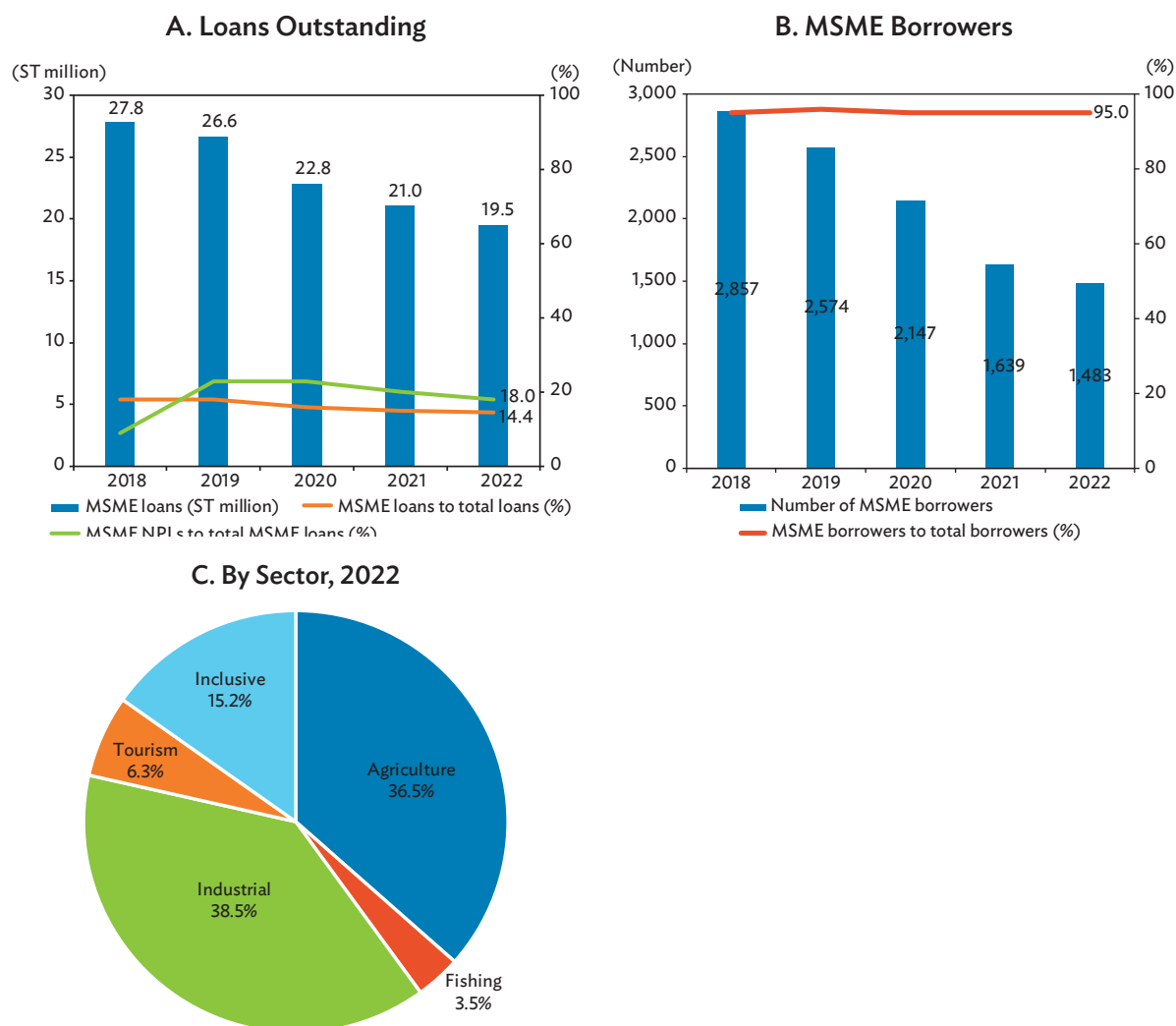
Some 38.5% of MSME loans went to the “industrial” sector that includes manufacturing, retailing, and other services such as rental space, followed by agriculture (36.5%) and the “inclusive” sector (15.2%) that includes assistance on education, health, and the community (Figure 4.6C).

The MSME policy 2020 definition based on number of employees has yet to be widely accepted. There are also several different MSME definitions used even in line-ministries—for example, the Ministry of Customers and Revenue defines MSMEs by turnover. Thus, DBS is reviewing its current classification system to see which—employment number or turnover—better fits MSMEs.⁹

⁸ Development Bank of Samoa. <https://dbsamoa.ws/about-us/>.

⁹ Based on interview with CEO of DBS on 14 March 2023.

Figure 4.6: MSME Loans—Development Bank of Samoa



MSME = micro, small, and medium-sized enterprise.

Note: The industry sector includes manufacturing, retailing, and other services like rental space; the inclusive sector includes assistance on education, health, and community.

Development Bank of Samoa lending classification is by loan size:

- (i) Micro loans are for ST1,000-ST20,000.
- (ii) Small loans are for ST20,000-ST50,000.
- (iii) Medium-sized loans are for ST50,000-ST250,000.
- (iv) Large loans are over ST250,000.

Source: ADB Asia SME Monitor 2023 database. Data from Development Bank of Samoa.

b. Credit guarantees

Funded by the Government of New Zealand, the Samoa Business Hub (SBH) started operations in 1994 (formerly the Small Business Enterprise Centre) as a private initiative that supports MSMEs and provides financial assistance through credit guarantees.

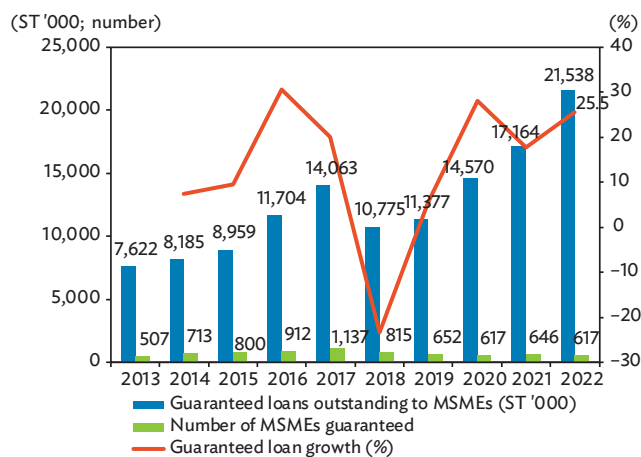
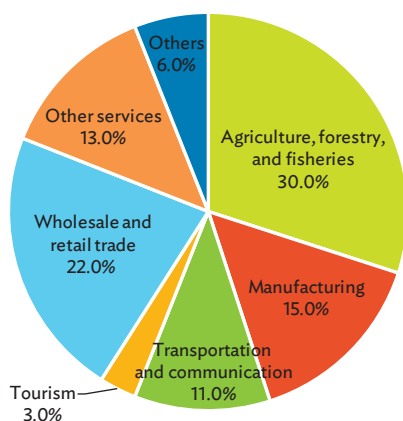
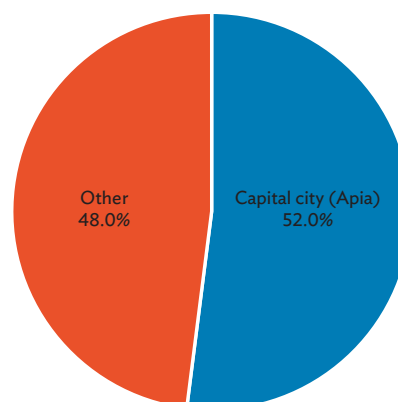
SBH provides two major financial products. One is a Business Loan Guarantee Scheme, which offers two product lines: (i) 100% guarantees for business loans up to ST20,000 and (ii) a partial guarantee of 80% for loans up to ST100,000 provided by designated financial institutions—Samoa Commercial Bank, Bank South Pacific, National Bank of Samoa, ANZ Bank, and DBS. The one-off guarantee is for an average 3–5 years (maximum 7 years) with a 2%–5% fee. Borrowers are required to provide two personal guarantors or debt insurance. The second product is the Green Business Support Credit Scheme, designed to finance unserved or underserved segments such as micro and startup businesses. The scheme provides loans of ST5,000–ST10,000, secured by micro insurance, also provided by SBH.

Both schemes require borrowers to complete SBH financial literacy training before taking loans or credit guarantees. The SBH Micro and Startup Business Unit provides 2-week training on financial literacy covering validating business ideas, providing a strengths-weaknesses-opportunities-threats (SWOT) analysis, determining competitive advantage, marketing plans, costing, projecting cash flow, record keeping, starting a Business, risk management, and developing business plans (Box 4.2).¹⁰

Guaranteed loans outstanding to MSMEs has grown steadily since 2019, reaching ST21.5 million in 2022, up 25.5% over 2021 (Figure 4.7A and Table 4.4). As of end-2022, 617 MSMEs received guarantees, slightly down from 646 in 2021. The share of nonperforming guaranteed MSME loans to total guaranteed MSME loans increased from 2.0% in 2021 to 2.6% in 2022.

In 2022, MSME credit guarantees went mostly to agriculture (30% of total MSME guaranteed loans), followed by wholesale and retail trade (22%), manufacturing (15%), other services (13%), transportation and communications (11%), and tourism (3%) (Figure 4.7B). By region, 52% were in the capital, Apia, with the remaining 48% in the provinces (Figure 4.7C).

¹⁰ Samoa Business Hub. Micro & Start-up Business Unit. https://www.samoabusinesshub.ws/?page_id=3003..

Figure 4.7: Credit Guarantees—Samoa Business Hub**A. Credit Guarantees to MSMEs****B. By Sector, 2022****C. By Region, 2022**

MSME = micro, small, and medium-sized enterprise.

Source: ADB Asia SME Monitor 2023 database. Data from Samoa Business Hub.

Box 4.2: Samoa Business Hub Supports MSME Development despite Challenges

The following case studies document the stories of several Samoa Business Hub (SBH) clients. They demonstrate some of the barriers and challenges entrepreneurs face and describe the benefits of access to finance and technical support. They also show how many firms survived the pandemic and adapted to changing conditions.

1. Marie's Creations

With help from her daughters after school, Marie Vagana makes beautiful decorations by hand for an international clients based in Australia and New Zealand.

Marie started a handmade flower business in 2019. With help from her daughters after school, she makes beautiful decorations by hand for an international client base in Australia and New Zealand. Due to customer



continued on next page

Box 4.2 *continued*

demand, she is expanding her products into other decorative handmade items, including fans and leis. Marie says that she was shy before she started her business and that interacting with her customers has made her more confident.

Marie heard about SBH from a friend. SBH training in running a firm, including managing cash flow and saving money, gave her a better understanding of how to run a business. Marie's Creations also received financial assistance through a loan guaranteed by SBH. Marie says her business wouldn't have been possible without this financial assistance and training. The support was just what she needed, as finding a loan without a guarantee would have been extremely difficult.

Repaying the loan is Marie's primary goal for the next 6 months, and she hopes to be able to hire some staff to help her be able to supply client orders on time. Her priority now is to invest in machinery and tools. She is committed to maintaining the quality of the products she sells and the strong relationships with her customers.

Marie continued operating her business during the pandemic despite a significant drop in sales. The reduced income impacted her family—as Marie's Creations is her family's sole source of income. The business has been recovering since the pandemic, and Marie aims to boost her online presence by uploading more photos to help overseas sales, where she has better margins and larger business opportunities.

Marie's advice to other business owners is to do your best, keep going and to never give up.

When asked about what challenges she anticipates over the next 6 months, she is concerned about whether she will have consistent access to the material suppliers she uses and also whether competition from others making similar products could affect demand. Marie suggested that SBH could consider providing tools to the businesses it supports, such as sewing machines or other machinery.

2. Maaola Car Rentals

The income Matamua Maa and his wife earn from Maaola Car Rentals has had a significant impact on their lives. It has helped them to pay their children's university fees and to renovate their house.

After attending a presentation by SBH, Matamua started Maaola Car Rentals in 2021. He started by renting out three cars his cousin loaned him and then approached SBH for a loan guarantee to buy a third car.

Before attending the presentation, Matamua had seen his lack of formal education as a barrier to starting a business. The SBH presentation inspired him, and also helped Matamua see himself as a businessman. In addition to the loan guarantee, Matamua also completed SBH training on business management and how to budget. He found them useful as the topics were completely new to him. The SBH staff acted like family so he felt comfortable approaching them for advice whenever he had a question. He was careful to build his relationship with SBH by repaying his loan on time and thus secured a second loan with a guarantee, which allowed him to add an additional two cars to his fleet.



For Matamua, the most useful part of the training was the emphasis on saving money. Tevita—one of the SBH team members—emphasized that there would be hard times and thus he should budget wisely and prioritize his loan repayment. Matamua found the training on how to separate financial and social obligations from his business useful in prioritizing which “faalavelave” (obligations such as weddings and funerals, among others) to contribute to. This put Matamua in a far stronger position when the pandemic hit, as demand for his rental cars fell dramatically.

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Box 4.2 continued

The pandemic was a difficult time for Maaola Car Rentals. The business had no revenue, and Matamua had to let his two staff go. Despite these challenges, Matamua prioritized repaying the loan.

He saw the border reopening as an opportunity to grow his business beyond pre-pandemic levels. Matamua's advice to others is to focus on customer service and never give up.

The success of his business has changed the way Matamua sees himself, and has also changed the way he feels his community sees him. He was chosen to be the mayor of his village and purchased things like wheelbarrows, hoses, and pesticides for his community, which was his way of saying thank you. Today, he feels that his community looks up to him.

Matamua credits the budgeting training he received from SBH as the reason his business was able to survive COVID-19.

3. Tables, Chairs and Tents for Hire

Sefo Luamanu was one of SBH's first clients in 2006. He and his wife, both entrepreneurs, had tried various businesses over the years, including selling coconut and flower biscuits and starting a cattle farm. However, Sefo found it difficult to find a reliable team to manage the cattle and eventually closed the farm to start a business renting out tables, chairs, and tents for large events. This allowed him to move away from the competition of low-cost foreign-owned businesses and reduced the physical demands of running a biscuit bakery.



For Sefo, the most valuable part of SBH assistance was the loans they provided. After repaying his first loan, Sefo received a second loan to purchase coolers for his business. The training provided by SBH, including budgeting, were also helpful. As a result of what he learned, Sefo began paying himself a salary and meeting his family and social obligations through his salary rather than through the business accounts.

Due to the savings Sefo had made and the budgeting training he received from SBH, he was able to weather the impacts of COVID-19.

The pandemic significantly impacted Sefo's business, as lockdowns resulted in a lack of demand for table, chair, and tent rentals. However, due to the savings he had made and the budget training he received from SBH, he was prepared for the loss of income and was able to maintain his loan repayments. Although supporting his family during this time was challenging, Sefo started fishing and growing his own food.

He worries about the possibility of another pandemic or lockdown. He is actively seeking to diversify his business by renting out his trailer for livestock transportation and collecting rubbish at the Salelolga market.

Sefo's advice to other business owners is to plan for sustainability through careful budgeting in preparing for natural disasters or future lockdowns. He credits SBH support for his ability to weather the impact of the pandemic and is grateful for their help over the years.

4. Taumeasina Hideaway

Sara Iona owns Taumeasina Hideaway, a bed and breakfast and bar in Apia. In 2007, Sara was looking for a way to generate more income and use the land she owned, so approached SBH in 2007 for a loan. It allowed her to build accommodation—just one rental unit. Crucially, the support from SBH in 2007 meant that Sara didn't require guarantors. She was able to leave her full-time job in 2007 and focus on building her business full-time.



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Box 4.2 continued

Taumeasina Hideaway offers local and international tourists with four-star accommodation, and has excellent reviews online.

In addition to the loan guarantee, she found the training and networking opportunities provided by SBH invaluable. The classes for Sara and her staff have helped a lot with running and maintaining the business. Sara says that SBH is her partner of choice for assistance and would like to see it offer training at the management level, as returning to university isn't possible while running her business full-time.

Taumeasina Hideaway had to suspend a core component of its business during the pandemic when lockdowns and alcohol sale restrictions meant that the bar couldn't open and couldn't serve meals. Sara asked SBH whether it could reduce the repayment requirements and was grateful for its flexibility. She adapted to the lockdown by offering in-town deliveries, which kept the business going during the pandemic. Sara has since caught up on repayments.

Sara is proud that she was able to keep Hideaway running and has grown self-confidence through seeing the results of her hard work and strong relationships with her customers. Sara considers climate change as the Hideaway's greatest threat, as its waterfront locale puts it at risk of rising sea levels. Sara is now investing in an extension to secure the buildings from heavy rain and wind.

Sara's advice for other businessowners is to save for bad days, and to know that running a business requires commitment, passion, and believing in yourself.

5. Saints Agriculture Produce and Exports

In 2006, Sala Sagato heard that the Pacific Games would be held in Samoa in 2007. He saw an opportunity and started a small backyard vegetable farming business to sell to the athletes. Over the years, Sagato's business grew and diversified, eventually expanding into livestock, fruit trees, and taro.

However, by 2017, Sagato was facing serious financial challenges. With a team of 20 farm workers and high labor costs, he was on the brink of closing the business. But thanks to SBH, he was able to secure a bank loan and keep the business afloat. With the loan, Sagato was able to invest in an excavator for the farm, which reduced labor costs and allowed him to expand the business.



Sala is a remarkable farmer who has overcome many obstacles to build a successful agriculture business. He credits the loan, loan guarantees, and training from SBH for the survival of his business.

The pandemic presented further challenges for Saints Agriculture, with restricted access to key export markets in New Zealand, Australia, and American Samoa. But Sagato rose to the occasion, giving away produce to his local community and supporting families who had lost their income by offering them food for work. He also made it a priority to diversify his products since the pandemic. Aware of the impacts of climate change, he is also committed to making agriculture more sustainable and reducing his reliance on synthetic chemical fertilizers.

Sala Sagato's story is a testament to his resilience and determination. With his background, expertise, and strong community ties, Sagato is sure to continue thriving and making a positive impact in agriculture.

Sala offers two pieces of advice to fellow farmers: save money for challenging times and invest in children's education.

continued on next page

Box 4.2 continued

6. Euphrates Organic Farm Fresh and Tropical Plants

Tapulolou and Eufirate, a couple with a background in agriculture run Euphrates Organic Farm Fresh and Tropical Plants. They started growing herbs to generate a new income but soon expanded to selling higher-value plants. During pandemic lockdowns, they adapted by increasing plant production and using Facebook to reach new customers, leading to a surge in business.

However, the couple faced a major obstacle when they wanted to expand their customer base by purchasing a van to access local markets. As both were “unemployed”, they knew they would not meet the eligibility criteria for a bank loan. This is where SBH came in to help them with a loan guarantee. They attended SBH training, where they learned how to run a business, financial management and marketing skills, which qualified them to access a loan guarantee from SBH to buy the van.



The business is now at a stage where it is ready to expand further, and is considering new ventures like buying rare plants from New Zealand in bulk and drying medicinal herbs on-site.

The van improved business tremendously because Tapulolou and Eufirate could now bring their herbs and plants to market. The business and its success have brought Tapulolou and Eufirate satisfaction, income and happiness. The business is now at a stage where it is ready to expand further, exploring new business development initiatives like marketing and packaging. This will likely involve employing new workers and accessing new financing.

Tapulolou and Eufirate are very focused on record keeping and paying their loan on time to build a track record and good reputation with the bank, so they will be able to access other loans in the future to help their business grow. They believe that they cannot do this without SBH. Tapulolou and Eufirate are also keen to training further with SBH, particularly record keeping, to support the business as it continues to grow.

7. Heartland Mixed Farming

Lolesi is a single mother who owns Heartland Mixed Farming, a small farm on her family's land. The farm is approximately 15 acres and comprises trees, vegetables, and pigs.

Before becoming a farmer, Lolesi worked as a medical assistant in the United States (US). However, in 2008, she returned to Samoa to care for her aging parents. With no one else to take care of the family land, Lolesi decided to clear the land and replant, starting her own farm. Over time, she expanded her operation, covering approximately 15 acres. For Lolesi, the farm is not just a family business but also a way to help her local suppliers and customers. She is passionate about her work and is motivated by her parents, who were also farmers.



In the beginning, Lolesi did not have any knowledge or skills in running a business. She was just a farmer who grew plants but did not know how to manage the financial aspects of her business.

This all changed when she was introduced to SBH and graduated with a small business operations certificate. She now keeps records of expenses and profits and knows how to prepare financial reports.

SBH training and mentoring sessions provided Lolesi with the knowledge and skills needed to run her business, including financial management.

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Box 4.2 continued

Lolesi advises other women entrepreneurs to not give up and to keep going, even when faced with challenges.

However, her business was not immune to the pandemic challenges, with the cost of chemicals and equipment increasing and lockdowns making it difficult to sell products. However, Lolesi is not one to give up easily and diversified her income streams by starting other small businesses, which helped her pay her loans.

Lolesi finds it challenging to get bank support for her small farm and wishes there was more support for small farmers. She goes to SBH for loans because they understand the unique needs of farmers.

Lolesi has come a long way from being a medical assistant who was not confident in her abilities as a farmer. Now, she is confident and proud of her work, even if it means getting her hands dirty.

8. Rags to Riches

Rags to Riches imports and sells new and secondhand clothes from the US. It has grown from a mother-and-daughter business to a team of five part-time staff.

Ritz Temukisa is an entrepreneur who started Rags to Riches in March 2020. The company imports and sells new and secondhand clothes from the US and uses rags and unwanted clothes to make pillowcases, tablecloths, blankets, sheets, tea towels, and children's clothes. Initially, Ritz worked with her mother—a seamstress—and her daughter, but she grew the team to five part-time employees.



The first support Ritz received from SBH was a 2-week course for micro and start-up businesses. Ritz found the course very useful and then enrolled and successfully completed the Samoa Business Operations (Certificate II), a 6-month course offered by SBH.

Ritz feels that she can call SBH whenever she needs advice and she recommends her friends to SBH to build their business skills before starting their businesses.

Ritz found the team at SBH approachable and respectful. The technical skills she learned from the courses and relationships she built with other business owners were a great asset to her business. Ritz describes her interactions with SBH as “120%” positive. She appreciates that every time an SBH team member visits her business, they support her by buying products she makes and by promoting her business through their networks. The connections she was introduced to through SBH allowed her to meet many other entrepreneurs in Samoa and overseas.

The pandemic was extremely challenging for Rags to Riches, as there were no customers and all shipments were delayed. Ritz was able to secure a loan thanks to SBH acting as her guarantor, which was a game-changer for Ritz and allowed her to keep the new business running throughout the pandemic. Without SBH, Ritz would have needed two or three guarantors from the government and would have had to undergo a complicated application process.

Another challenge Ritz and Rags to Riches faced was family financial commitments, including weddings and funerals. The skills Ritz learned through the training sessions provided by SBH meant that she pays herself a salary from the business, allowing her to meet these commitments without using any business funds. She has also shared these skills with her siblings. Ritz now aims to move into town, find a larger space for the business, and grow her business by importing more stock.

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Box 4.2 *continued*

9. Suifou Shop

Suifou is a business person who owns a small family-run shop in Moamoa.

She started the business with her husband Cheshire in 2011, so that she would be able to keep working while raising her children.

Suifou and Cheshire first heard about SBH from friends and secured a loan with its help, which they used carefully as an overdraft whenever the business slowed down. Knowing they could access those funds when needed gave Suifou and Cheshire a strong sense of security.



They found SBH training and guidance very helpful. They attended training and received advice on tax returns, price audits, how to manage their funds, and how to manage the shop, including how to decide opening and closing times. Like other small business owners supported by SBH, they had to navigate balancing their family financial commitments—funds for funerals, church donations, and weddings—with business finances and found that they are “learning to say no” to some family commitments. They are very careful not to spend more than they make and to make their repayments on time.

The pandemic was a challenge for Suifou’s shop. They found their customers became far more price sensitive. To minimize costs and respond to the change in demand, Suifou and Cheshire closed the store and ate their remaining stock, surviving on Samoa National Provident Fund dividends. Although they had heard about SBH offering relief during the pandemic, Suifou was careful not to take on more debt than she could repay.

Since the peak of the pandemic, the shop has seen steady increases in sales as customers return.

Owning and managing the store has brought Suifou a lot of satisfaction, confidence, and happiness.

Managing the store has meant that Suifou now knows everybody in the village, which is a source of joy. However, she finds that competing with other stores remains a challenge, and since the pandemic, they have found it harder to buy goods directly from wholesalers. Their main concern now is that job insecurity in the community may mean that customers cannot repay their credit accounts with the store, and the closeness of the community means that pausing credit for customers would be difficult.

The pandemic impacts on businesses supported by SBH

Although the pandemic caused major challenges for the businesses supported by SBH, its entrepreneurs found that the budgeting advice and flexibility provided during the Samoa lockdowns helped their businesses survive.

Challenges

Every businessperson interviewed experienced challenges in 2020–2021. Some businesses saw customer demand disappear entirely. A business supplying tables, chairs, and tents for hire lost all demand during the lockdown when restrictions meant all large events were postponed. Maaola Car Rentals also lost all its customers overnight. The lockdown meant that Taumeasina Hideaway could not open its bar or serve food.

For other businesses, the lockdown and travel restrictions hurt their international trade and exports. Saints Agriculture lost access to American Samoa, Australia and New Zealand and became dependent on the local market for the first time, leading to a massive decrease in sales. Sales also decreased for Marie’s Creations, temporarily losing access to its New Zealand and Australia customer base.

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Box 4.2 *continued*

Supply chain issues also increased the cost of doing business just as the cost of living was rising. Heartland Mixed Farming saw significant increases in the cost of chemicals and equipment. The price of diesel continues to impact Saints Agriculture. Rags to Riches experienced considerable delays in receiving the international imports it uses in its products.

The economic impact on their communities also affected the businesses. Surfou's Shop found that customers became more price sensitive during the pandemic, shopping at lower-cost alternatives.

How did the businesses adapt and survive?

Many SBH businesspeople diversified their income streams during the pandemic. Some business owners pivoted their businesses in new directions, like leasing land or starting new businesses, like Heartland Mixed Farming.

Some businesses found ways to reach new customers. Euphrates Organic Farm Fresh and Tropical Plants successfully used Facebook during the lockdowns to reach new customers. Taumeasina Hideaway and Saints Agriculture started selling their goods in local markets for the first time.

Other businesses had to close during the lockdowns, and most had to reduce the number of staff.

How did SBH contribute?

Business owners valued the support SBH provided during the pandemic. Many credited the budgeting skills included in SBH training with their firm's survival. They said the advice (pre-pandemic) to prepare for difficult times and allowed some to even expand.

Source: Samoa Business Hub.

Nonbank Financing

Besides licensed commercial banks, the Central Bank of Samoa supervises and licenses nonbank finance institutions (NBFIs) under the Financial Institution Act of 1996, the Insurance Act of 2007, and the Money Laundering Prevention Act of 2007. NBFIs cover insurance (6 insurance companies, 4 brokers, and 17 insurance agencies), specialized financial institutions (the Samoa National Provident Fund, the Samoa Housing Corporation, DBS, and the Unit Trust of Samoa), and foreign exchange (12 money transfer operators/restricted foreign exchange dealers and one money changer). There are no data available for microfinance institutions, credit unions/cooperatives, pawnshops, and finance companies.

NBFI development requires appropriate policy and strategic frameworks for alternative financing options beyond traditional bank credit, whether for individuals or firms. For instance, microfinance institutions generally allow MSMEs to raise working capital other than bank lending. When disasters (like cyclones) and epidemic (measles and the pandemic) strike, NBFIs can help provide unmet financing demand from individuals, MSMEs, and other businesses.

Digital Financial Services

The digital finance industry remains limited in Samoa, no large providers. Digicel (local mobile company) and Vodafone are licensed for money transfers like remittances. And an Automated Transfer System for commercial banks was launched in May 2023.

As of March 2023, digital financial services remain largely unused. Samoa Commercial Bank offers both mobile and internet banking through its mobile application. But the banking industry needs to better use available technology. There is no agent banking due to high risk. Mobile wallets and mobile banking are being studied, but system development is an issue. DBS provides some internet banking. Mobile banking may be difficult as many people frequently change their mobile numbers, making it difficult to monitor repayments.¹¹ The development of digital financial services is one of the strategic priorities under the National Financial Inclusion Strategy.

Capital Markets

There are no plans to establish a capital market or stock exchange in Samoa. Thus, capital market financing is not an alternative financing option for MSMEs.

Financial Infrastructure

Data infrastructure is starting to develop. A well-functioning credit bureau and collateral registry system with appropriate legal backing is critical to mitigate financing risks for individuals and businesses, especially MSMEs. As a first step, a credit bureau Data Bureau (Samoa) Ltd was established in December 2015, funded by ANZ Bank, the National Bank of Samoa, BSP, Samoa Commercial Bank, and the DBS. The bureau aimed to collect personal data, credit repayment records, court judgments, and bankruptcies, mainly sharing the information with banks.¹² However, it did not operate in Samoa.

The Personal Properties and Securities Act was enacted in 2013, allowing the creation of a centralized electronic registry for movable collateral; however, the use of pledged assets as loan collateral remained a challenge.

3. Policies and Regulations

- *The MSME Development Policy and Strategy was created in 2020 covering the MSME regulatory framework, business advice, access to finance, infrastructure, skilled labor, along with entrepreneurship and innovation. It also set a working MSME definition that needs to be reviewed.*
- *To monitor policy performance and promote evidence-based policy design, it is crucial to collect regularly updated MSME data.*
- *The central bank is mandated to promote financial inclusion. The National Financial Inclusion Strategy 2017–2020 focuses on access to finance, the underserved, digital finance, inclusive insurance, consumer protection, and partnership development. A second strategy is under preparation.*
- *Better data on MSMEs—bank and nonbank financing along with digital finance providers—are also needed in financial inclusion plans to build appropriate strategies and ways to increase MSME access to finance.*

¹¹ Information is based on interviews with then-senior manager of Samoa Commercial Bank and the CEO of DBS in March 2023.

¹² Samoa Observer. 2015. Samoa launches Credit Bureau. 23 December. <https://www.samoaoobserver.ws/category/samoa/18327>.

MSME Development

The Ministry of Commerce, Industry, and Labor is the focal government agency for MSME development in Samoa. It led in preparing the first MSME policy—the Samoa Micro, Small, and Medium Enterprises (MSME) Development Policy and Strategy 2020. There are six thematic goals to support economic growth: (i) develop supportive institutional and regulatory frameworks; (ii) offer appropriate business advice and support; (iii) provide finance, financial services, and investment; (iv) supply needed infrastructure; (v) train a skilled labor force; and (vi) build a culture of entrepreneurship and innovation (Table 4.5).

The first goal addresses the need to improve coordination and collaboration with the private sector, capacity building, and regulatory reforms such as tariffs and incentives, to improve MSME efficiency and business environment. The second supports MSME development by providing subsidized business training and business advisory services. The third promotes MSME access to finance and ensures financial institutions and policymakers have access to quality financial data, as well as promote foreign investment and financial literacy. The fourth goal addresses the infrastructure needed to promote MSME development. The fifth strengthens efforts to build a skilled workforce to benefit both MSME employers and employees. And the sixth goal facilitates greater innovation and entrepreneurship through incubator and accelerator programs, education, and MSME access to emerging technologies and skills.

The 2020 Strategy defined MSMEs based solely on their number of employees. But it has yet to be used consistently by line ministries, banks, and other stakeholders. The MSME definition should be reviewed after establishing comprehensive and regularly updated data on MSMEs.

Financial Inclusion

In Samoa, 39% of adults have bank accounts, 12% have access to other formal financial services (such as credit unions, microfinance, insurance, or finance companies), and 49% do not avail of formal financial services.¹³ Those working in agriculture, live in rural areas, or are young, are likely excluded from formal financial services or rely on informal sources of finance. This includes MSMEs.

Since 2010, the Central Bank of Samoa was mandated to promote financial inclusion and financial literacy. The first National Financial Inclusion Strategy (NFIS) 2017–2020 was launched in January 2017, and the central bank is preparing a second NFIS (as of March 2023). The NFIS 2017–2020 has six strategic priorities: (i) improve and deepen access to financial services, provide formal financial services for all, and expand financial services for the underserved; (ii) promote the participation of underserved segments, provide financial products and services for women and youth, financial solutions for micro and small enterprises, entrepreneurial and financial management skills and an enabling regulatory environment for MSME finance; (iii) develop digital financial services and institutional innovations, focusing on payment system reforms, cost-effective/safe payments solutions, increased use of digital financial services, institutional innovation (branchless banking), and mobile money wallets; (iv) reduce financial vulnerability, establish a regulatory framework for inclusive insurance and promoting inclusive insurance products and channels; (v) build financial competencies and consumer protection, provide financial literacy education in schools, develop financial literacy materials, create joint programs with stakeholders in rural areas, and build a regulatory framework for consumer protection; and (vi) build effective partnerships and sector-level coordination, building a national institutional mechanism, public and private sector partnerships, cooperation among financial service providers, with the NFIS linked to government planning and the Sustainable Development Goals.

¹³ National Financial Inclusion Strategy for Samoa 2017–2020. pp. 4–5.

The NFIS targets rural and low-income segments, women, youth, agriculture, fisheries, tourism, and MSMEs. The National Financial Inclusion Taskforce is the focal point for coordination, with the central bank as secretariat.

Again, data collection on MSME access to finance—including both bank credit and nonbank financing by microfinance institutions, credit unions/cooperatives, finance companies, and digital financial service providers—is needed to allow better strategies to boost MSME access to finance.

Data Tables

Table 4.1: MSME Definition

Item	Micro	Small	Medium
Number of registered employees	Fewer than 5	5-9	10-25
Annual income	Less than ST130,000	ST130,000 and no more than ST500,000	ST500,000 and not more than ST1 million

Notes: This definition does not need to, nor should dictate MSME participation in business support programs, for which specific participation criteria can be set according to respective program objectives. For the category on annual income, Samoa Bureau of Statistics uses the term “returns” which is based on enterprise’s income each year; Asia SME Monitor uses “annual income” as both have the same meaning.

Source: ADB Asia SME Monitor 2023 database. Data from Samoa Micro, Small and Medium Enterprises Development Policy and Strategy 2020; Samoa Bureau of Statistics MSME classification (draft).

Table 4.2: MSME Landscape

End-of-period data

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NUMBER OF ENTERPRISES										
Number of enterprises, total	3,718	4,450	4,795	5,143	4,950	4,847	4,995	5,388	4,688	4,700
Number of MSMEs	3,533	4,264	4,614	4,963	4,775	4,664	4,816	5,218	4,526	4,540
Micro	2,918	3,619	3,933	4,263	4,092	3,937	4,074	4,494	3,861	3,898
Small	54	54	48	48	46	52	58	62	57	55
Medium	561	591	633	652	637	675	684	662	608	587
Number of large enterprises	185	186	181	180	175	183	179	170	162	160
MSME to total (%)	95.0	95.8	96.2	96.5	96.5	96.2	96.4	96.8	96.5	96.6
MSME growth (%)	7.8	20.7	8.2	7.6	(3.8)	(2.3)	3.3	8.3	(13.3)	0.3
MSMEs by sector										
Agriculture	0.7	0.8	0.8	0.9	0.9	1.2	1.0	1.2	1.4	1.3
Fishing	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Food & Beverages Manufacturing	1.3	1.2	1.2	1.2	1.1	1.1	1.2	1.2	1.3	1.2
Other Manufacturing	5.1	4.6	4.7	4.0	4.0	4.4	4.2	4.3	4.7	5.2
Construction	5.2	4.8	4.8	4.6	4.4	5.4	5.4	5.9	5.5	5.4
Electricity and Water	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6
Commerce	45.2	41.0	40.1	39.2	38.8	36.3	33.9	34.1	34.2	33.9
Accommodation & Restaurants	7.0	5.8	5.6	5.4	5.2	5.9	6.3	5.7	5.7	5.2
Transport	10.9	20.1	21.1	23.4	24.1	22.4	24.3	24.1	24.1	24.3
Communications	1.6	1.4	1.5	1.5	1.3	1.4	1.5	1.4	1.4	1.5
Public Administration	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6
Financial Services	2.4	2.2	2.3	2.2	2.5	2.6	2.6	3.0	2.8	2.6
Business Services	14.0	12.1	12.1	12.0	12.2	13.2	13.7	13.2	13.1	13.5
Personal and Other services	5.0	4.6	4.4	4.2	3.9	4.5	4.3	4.4	4.4	4.3
Number of MSMEs by region (% share)										
Capital city (Apia)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
EMPLOYMENT										
Number of employment, total	94,314	95,544	97,187	98,390	96,205	97,742	97,340	97,468	97,244	96,819
Number of employment by MSMEs	...	...	...	...	...	...	...	...	...	...
Micro	...	...	...	...	...	...	...	...	...	...
Small	...	...	...	...	...	...	...	...	...	...
Medium	...	...	...	...	...	...	...	...	...	...
Number of employment by large enterprises	...	...	...	...	...	...	...	...	...	...
MSME employees to total (%)	...	...	...	...	...	...	...	...	...	...
MSME employees growth (%)	...	...	...	...	...	...	...	...	...	...
Share of female employees to total employees (%)	...	...	...	...	...	...	...	...	...	...
Employment by sector (% share)*										
Agriculture	0.8	0.9	0.8	0.8	0.6	0.6	0.6	0.8	0.7	0.6
Fishing	0.2	0.2	0.3	0.3	0.3	0.5	0.4	0.4	0.3	0.3
Food Manufacturing	1.7	1.8	1.8	1.8	2.0	2.1	2.2	2.5	2.6	2.4
Other Manufacturing	5.6	5.3	5.4	5.3	4.1	2.0	2.0	2.1	2.1	2.0
Electricity	2.3	1.9	1.6	1.4	1.3	1.3	1.4	1.5	1.5	1.5
Water	1.2	1.3	1.2	1.1	1.2	1.3	1.3	1.4	1.4	1.4
Construction	4.2	4.6	4.8	5.4	4.1	4.4	4.5	4.3	3.9	3.7
Commerce	12.4	12.7	13.0	14.1	14.8	14.5	14.6	15.9	16.4	16.3
Accommodation	6.2	5.5	5.1	6.1	6.5	6.2	6.0	3.2	2.2	2.8
Restaurants	1.7	1.8	1.7	1.7	1.6	2.0	1.9	1.6	1.8	1.7
Transport	8.9	8.1	7.8	7.3	7.7	8.3	8.0	7.5	7.4	7.4
Communications	1.6	1.5	1.5	1.6	1.6	1.5	1.6	1.9	2.0	1.8
Financial Services	4.8	4.6	4.4	4.5	4.6	4.5	4.6	5.0	5.2	5.2
Business Services	2.4	2.5	2.8	3.0	2.8	3.1	2.9	2.9	2.9	3.0
Public Administration	23.0	22.7	22.3	22.5	23.1	24.0	24.2	24.7	25.3	25.6
Education	2.2	2.1	2.1	2.0	2.0	2.4	2.4	2.8	3.0	3.1
Health	3.8	4.1	4.0	4.1	4.4	4.3	4.3	4.5	4.5	4.5
Personal Services	5.7	5.6	5.6	5.6	5.6	5.9	5.7	5.6	6.0	5.8
Other Services	11.1	12.7	13.8	11.5	11.5	11.0	11.4	11.3	10.8	10.8
Employment by region (% share)										
Capital city (Apia)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
CONTRIBUTION TO GROSS DOMESTIC PRODUCT (GDP)										
GDP of MSMEs (ST)	...	...	...	...	...	...	...	...	...	...
MSME contribution to GDP (% share)	...	...	...	...	...	...	...	...	...	...
MSME GDP growth (%)	...	...	...	...	...	...	...	...	...	...
MSME labor productivity (ST)	...	...	...	...	...	...	...	...	...	...
GDP by sector (% share)*										
Agriculture	8.2	6.4	5.9	6.7	7.1	6.7	7.6	8.1	7.6	9.1
Fishing	1.7	1.8	2.6	2.8	2.6	2.1	1.8	2.0	1.7	1.5
Food & Beverage Manufacturing	2.9	3.3	3.1	3.1	2.8	2.7	2.9	2.9	3.1	3.2
Other Manufacturing	4.4	3.5	3.2	3.1	2.7	1.5	1.6	1.6	1.8	2.0
Electricity & Water	2.2	2.9	2.5	2.1	2.2	2.0	2.0	2.2	2.4	2.0
Construction	5.4	5.3	6.0	5.2	4.7	5.1	5.5	4.6	4.3	3.7
Commerce	25.4	25.3	24.3	24.5	24.9	26.6	26.0	26.0	24.3	22.1
Transport	3.2	4.2	4.1	3.8	3.4	3.1	3.1	2.2	2.1	2.0
Accommodation & Restaurants	1.6	1.4	1.8	1.7	1.9	1.8	2.1	0.8	0.9	1.2
Communications	4.7	4.8	5.7	5.7	5.6	5.4	5.0	5.1	5.2	4.2
Financial Services	10.5	10.9	10.9	11.1	11.4	12.4	12.5	14.4	14.6	15.4
Business Services	2.6	3.6	3.8	3.5	3.7	3.8	2.8	1.9	1.2	1.6
Ownership of Dwellings	7.3	7.1	6.6	6.6	6.7	6.7	6.6	7.1	6.6	6.3
Public Administration	7.9	8.1	8.0	8.0	7.9	7.7	7.7	9.7	12.2	13.5
Personal & Other Services	4.0	3.3	3.2	3.0	2.8	2.6	2.5	2.8	2.8	3.1
Less FISIM IC	(5.3)	(5.4)	(5.2)	(5.3)	(5.4)	(5.6)	(5.9)	(6.7)	(7.4)	(7.6)
Taxes less Subsidies on Products	13.3	13.4	13.6	14.4	15.1	15.5	16.2	15.4	16.6	16.7
MSME GDP by region (% share)										
Capital city (Apia)	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
EXPORTS										
Total export value (ST)	144,103	117,773	136,018	143,755	112,215	119,204	130,098	99,338	73,774	112,229
Total export growth (%)	(18.3)	(18.3)	15.5	5.7	(21.9)	6.2	9.1	(23.6)	(25.7)	52.1
MSME export value (ST)	...	...	...	...	...	...	...	...	...	...
MSME export to total export value (%)	...	...	...	...	...	...	...	...	...	...
MSME export growth (%)	...	...	...	...	...	...	...	...	...	...
IMPORTS										
Total import value (ST)	851,292	895,326	855,390	899,005	900,997	939,443	1,031,313	828,649	941,270	1,187,586
Total import growth (%)	7.5	5.2	(4.5)	5.1	0.2	4.3	9.8	(19.7)	13.6	26.2
MSME import value (ST)	...	...	...	...	...	...	...	...	...	...
MSME import to total import value (%)	...	...	...	...	...	...	...	...	...	...
MSME import growth (%)	...	...	...	...	...	...	...	...	...	...

FISIM = financial intermediation services indirectly measured; IC = intermediate consumption; MSME = micro, small, and medium-sized enterprise.

* General data, not for MSMEs.

Source: ADB Asia SME Monitor 2023 database. Data from Samoa Bureau of Statistics.

Table 4.3: Bank Credit

End-of-period data

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING BANKS										
Number of operating banks, total	5	5	5	5	5	5	5	5	5	5
State-owned commercial banks	...	...	...	...	...	...	...	...	...	...
State-owned development financial institutions	1	1	1	1	1	1	1	1	1	1
Locally-owned commercial banks	2	2	2	2	2	2	2	2	2	2
Foreign-owned commercial banks	2	2	2	2	2	2	2	2	2	2
Credit*										
Loans outstanding, total (ST million)	798	884	934	1,067	1,123	1,127	1,168	1,175	1,190	1,175
Loans outstanding in domestic currency (ST million)	749	750	801	922	1,010	1,081	1,120	1,128	1,170	1,154
Loans outstanding in foreign currency (ST million)	49	135	133	144	112	46	49	46	20	21
Loan growth (%)	(1.7)	10.8	5.7	14.1	5.3	0.4	3.7	0.6	1.3	(1.2)
Total bank loans to gross domestic product (GDP) (%)	43.3	46.4	44.2	47.8	49.9	48.7	48.3	53.2	54.3	...
Lending rate (% annual average)	10.2	9.0	9.3	8.9	8.9	9.1	8.8	8.6	8.5	8.3
Gross nonperforming loans (NPLs) (ST million)	46	61	50	40	59	41	46	45	42	59
Gross NPLs to total loans (%)	5.8	6.9	5.3	3.7	5.3	3.6	4.0	3.8	3.6	5.0
Trade finance (ST)	...	...	...	...	...	...	...	...	...	...
Deposits*										
Deposits, total (ST million)	786	882	967	1,034	1,225	1,287	1,384	1,420	1,454	1,613
Deposits in domestic currency (ST million)	697	738	821	982	1,134	1,237	1,321	1,325	1,352	1,422
Deposits in foreign currency (ST million equivalent)	88	144	146	52	91	50	64	96	102	191
Deposit rate (% annual average)	3.1	2.8	2.5	2.4	2.5	2.7	2.7	2.7	1.7	1.7
MSME LOANS*										
MSME loans outstanding, total (ST million)	289	240	330	301	307	385	371	482	520	...
MSME loans to total loans outstanding (%)	36.2	27.1	35.3	28.2	27.3	34.1	31.8	41.0	43.7	...
MSME loans to GDP (%)	15.7	12.6	15.6	13.5	13.6	16.6	15.4	21.8	23.7	...
MSME loan growth (%)	102.5	(17.1)	37.6	(8.9)	1.9	25.5	(3.5)	29.8	7.8	...
MSME lending rate (% annual average)	...	...	...	...	...	...	...	...	...	...
Nonperforming MSME loans (NPLs) (ST)	...	...	...	...	...	...	...	...	...	...
MSME NPLs to total MSME loans (%)	...	...	...	...	...	...	...	...	...	...
Number of MSME loan borrowers (thousands)	1,754	1,565	1,565	1,463	1,030	1,194	1,249	1,757	1,987	...
MSME loan borrowers to total bank borrowers (%)	12.5	12.1	11.8	9.6	6.5	6.7	6.9	11.8	13.9	...
MSME loan rejection rate (% of total applications)	...	...	...	...	...	...	...	...	...	...
Number of MSME savings account in banks	18,174	6,927	13,774	14,237	16,377	16,386	19,106	13,870	7,416	...
Guaranteed MSME loans (ST)	...	...	...	...	...	...	...	...	...	...
Non-collateral MSME loans (ST)	...	...	...	...	...	...	...	...	...	...
Trade finance to MSMEs (ST)	...	...	...	...	...	...	...	...	...	...
Share of MSME trade finance to total trade finance (%)	...	...	...	...	...	...	...	...	...	...
Number of MSMEs using trade finance	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by sector (% share)										
Agriculture, forestry, and fisheries	...	...	...	...	...	...	...	...	...	...
Manufacturing	...	...	...	...	...	...	...	...	...	...
Transportation and communications	...	...	...	...	...	...	...	...	...	...
Construction	...	...	...	...	...	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...	...	...	...	...	...
Other services	...	...	...	...	...	...	...	...	...	...
Others	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by region (% share)										
Capital city (Apia)	...	...	...	...	...	...	...	...	...	...
Other	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by type of use (% share)										
For working capital	...	...	...	...	...	...	...	...	...	...
For capital investment	...	...	...	...	...	...	...	...	...	...
MSME loans outstanding by tenor (% share)										
Less than 1 year	...	...	...	...	...	...	...	...	...	...
1-5 years	...	...	...	...	...	...	...	...	...	...
More than 5 years	...	...	...	...	...	...	...	...	...	...

MSME = micro, small, and medium-sized enterprise.

* Data for commercial banks only.

Source: ADB Asia SME Monitor 2023 database. Data from Central Bank of Samoa.

Table 4.3a: MSME Loans—Development Bank of Samoa

End-of-period data

Item	2018	2019	2020	2021	2022
MSME LOANS					
MSME loans outstanding, total (ST)	27,800,766	26,642,276	22,837,138	21,029,888	19,500,748
Micro loans	9,977,583	8,485,776	6,297,142	6,327,010	6,414,844
Small loans	5,531,585	7,036,993	7,314,713	6,388,422	5,423,541
Medium-sized loans	12,291,598	11,119,507	9,225,283	8,314,456	7,662,363
MSME loans to total loans outstanding (%)	18.0	18.0	16.0	15.0	14.4
Lending rate (% annual average)	...	...	...	...	...
MSME nonperforming loans (NPLs) to total MSME loans (%)	9.0	23.0	23.0	20.0	18.0
Number of MSME loan borrowers	2,857	2,574	2,147	1,639	1,483
MSME loan borrowers to total bank borrowers (%)	95.0	96.0	95.0	95.0	95.0
MSME loan rejection rate (% of total applications)	...	...	...	...	...
Number of MSME savings account in banks	...	...	...	...	...
Guaranteed MSME loans (ST)	...	...	...	...	...
Non-collateral MSME loans (ST)	...	...	...	...	...
Trade finance to MSMEs (ST)	...	...	...	...	...
Share of MSME trade finance to total trade finance (%)	...	...	...	...	...
Number of MSMEs using trade finance	...	...	...	...	...
MSME loans outstanding by sector (ST)*					
Agriculture	7,360,775	6,367,651	5,497,660	6,308,987	7,123,932
Fishing	841,255	771,836	583,841	732,882	675,837
Industrial	12,406,094	12,264,020	11,779,822	9,035,006	7,516,123
Tourism	1,167,987	936,286	418,096	1,252,333	1,222,801
Inclusive	6,024,656	6,302,483	4,557,719	3,700,680	2,962,055
MSME loans outstanding by sector (% share)*					
Agriculture	26.5	23.9	24.1	30.0	36.5
Fishing	3.0	2.9	2.6	3.5	3.5
Industrial	44.6	46.0	51.6	43.0	38.5
Tourism	4.2	3.5	1.8	6.0	6.3
Inclusive	21.7	23.7	20.0	17.6	15.2

MSME = micro, small, and medium-sized enterprise.

* The industrial sector includes manufacturing, retailing, and other services like space for rent; the inclusive sector includes assistance on education, health, and community.

Development Bank of Samoa's lending classification by firm size (loan size grouping):

- (i) Micro loans for the loan size of ST1,000-ST20,000.
- (ii) Small loans for the loan size of ST20,000-ST50,000.
- (iii) Medium-sized loans for the loan size of ST50,000-ST250,000.
- (iv) Large-sized loans for the loan size of over ST250,000.

Source: ADB Asia SME Monitor 2023 database. Data from Development Bank of Samoa.

Table 4.4: Credit Guarantees—Samoa Business Hub

End-of-period data

Item	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CREDIT GUARANTEES - SBH										
Guaranteed loans outstanding to MSMEs (ST)	7,622,354	8,185,466	8,959,144	11,703,970	14,062,771	10,774,917	11,376,819	14,570,183	17,164,089	21,538,244
Growth (%)	...	7.4	9.5	30.6	20.2	(23.4)	5.6	28.1	17.8	25.5
Guaranteed loans approved to MSMEs (ST)	1,909,014	2,215,247	2,715,175	4,816,591	3,731,161	2,969,422	3,250,486	3,075,520	4,374,155	3,400,292
Guaranteed loans disbursed to MSMEs (ST)	1,909,014	2,215,247	2,715,175	4,816,591	3,731,161	2,969,422	3,250,486	3,075,520	4,374,155	3,400,292
Number of MSMEs guaranteed	507	713	800	912	1,137	815	652	617	646	617
MSME access to credit guarantees (% of total MSMEs)	...	...	...	...	...	...	...	...	...	...
Guaranteed MSME loans to total MSME loans (%)	1.0	1.0	1.3	2.0	2.0	2.2	2.0	2.0	2.0	2.6
Nonperforming guaranteed MSME loans to total guaranteed MSME loans (%)	...	...	...	...	...	...	...	...	...	...
Guaranteed loans outstanding by sector (% share)										
Agriculture, forestry, and fisheries	32.0	30.0	27.0	31.0	28.0	36.0	27.0	43.0	44.0	30.0
Manufacturing	10.0	12.0	8.0	8.0	8.0	6.0	12.0	11.0	9.0	15.0
Transportation and communications	15.0	10.0	7.0	20.0	26.0	7.0	9.0	9.0	6.0	11.0
Tourism	2.0	1.0	1.0	0.0	0.0	8.0	10.0	1.0	2.0	3.0
Wholesale and retail trade	25.0	23.0	30.0	31.0	32.0	30.0	31.0	20.0	25.0	22.0
Other services	8.0	18.0	26.0	9.0	5.0	6.0	8.0	11.0	10.0	13.0
Others	8.0	6.0	1.0	1.0	1.0	7.0	3.0	5.0	4.0	6.0
Guaranteed loans outstanding by region (% share)										
Capital city (Apia)	75.0	72.0	69.0	70.0	65.0	62.0	60.0	55.0	59.0	52.0
Other	25.0	28.0	31.0	30.0	35.0	38.0	40.0	45.0	41.0	48.0

MSME = micro, small, and medium-sized enterprise; SBH = Samoa Business Hub.

Source: ADB Asia SME Monitor 2023 database. Data from Samoa Business Hub.

Table 4.5: Policies and Regulations

Regulations		
Name	Outline	
There are no specific laws and regulations for micro, small, and medium-sized enterprises. General laws and regulations for all businesses are as follows:		
Income Tax Act 2012; Amendment Act No.5 of 2022	Principal legislation.	
Tax Administration Act 2012; Amendment Act No.22 of 2014; Amendment Act Value Added Goods and Services Act 2015	Principal legislation. Tax Administration Regulations 2015 (late payment interest).	
Tax Information Exchange Act 2012; Amendment Act No.8 of	Principal legislation.	
Business License Act 1998	Principal legislation. Business License Regulations 2012; Amendment Regulations 2018 and 2022.	
Regulators and Policymakers		
Name	Responsibility	
Ministry of Commerce, Industry, and Labour (MOC)	Provides an enabling environment for business development and innovation and job creation for an improved quality of life for all. MOC promotes diverse business innovation and employment in support of the government's vision of fostering social harmony, safety, and freedom for all. It is responsible for MSME development.	
Ministry of Customs and Revenue (MCR)	MCR's legal division provides legal consulting, legal advice and technical advice to customs and tax offices, while its policy division deals with tax policy formulation and implementation. MCR has a business registration office. Around 4,000 firms (including MSMEs) registered as of March 2023. It defines MSMEs as firms with less than ST1 million in annual income ("returns").	
Ministry of Finance (MOF)	Focal government authority for national development strategies and policies. The Asian Development Bank and MOF implement the Samoa Agribusiness Support Project (2014–January 2024).	
Ministry of Agriculture and Fisheries (MOA)	Regulate and supervise agribusinesses and fisheries. MOA provides capacity building programs for agribusiness development (such as business planning training).	
Samoa Tourism Authority (STA)	STA promotes tourism (accommodation/hotels, transport, retail shops [handicraft/souvenir shops],among others). Sustainable tourism (eco/green tourism) is a priority. Climate change tourism and heritage tourism are priority policy support areas.	
Ministry of Communications and Information Technology (MOT)	Responsible for information and communications technology (ICT) development. A Digital Transformation Strategy is under preparation (as of March 2023).	
Central Bank of Samoa (CBS)	CBS promotes financial inclusion (since 2010). In 2017, the first National Financial Inclusion Strategy (NFIS) was launched, with action plans benefiting MSMEs, including improved access to finance. The second NFIS is being finalized (as of March 2023); it has a particular strategic pillar which focuses on improving access to finance for MSMEs, the informal sector, and agriculture.	
Policies		
Name	Responsible Entity	Outline
Micro, Small, and Medium Enterprises (MSME) Development Policy and Strategy 2020	MOC	The MSME Development Policy and Strategy 2020 contains six thematic goals to support economic growth: (i) development of supportive institutional and regulatory frameworks; (ii) provision of appropriate business advice and support; (iii) availability of finance, financial services, and investment; (iv) supply of enabling infrastructure; (v) availability of an appropriately skilled labor force; and (vi) advancement of a culture of entrepreneurship and innovation. (i) Development of supportive institutional and regulatory frameworks: improve coordination and collaboration with the private sector, capacity building, and other regulatory reforms—such as tariffs and incentives—to improve MSME efficiency and the business environment. (ii) Provision of appropriate business advice and support: supporting MSME development by providing subsidized business training and business advisory services. (iii) Availability of finance, financial services, and investment: promoting MSME access to finance and ensuring financial institutions and policymakers have access to quality financial data, as well promoting foreign investment and financial literacy. (iv) Supply enabling infrastructure: ensuring that infrastructure-related issues hindering and constraining business operations and MSME development are addressed feasibly. (v) Availability of an appropriately skilled labor force: strengthening efforts to build a skilled workforce to benefit both MSME employers and employees. (vi) Advancement of a culture of entrepreneurship and innovation: Facilitating and fostering innovation and entrepreneurship through incubator and accelerator programs, education and MSME access to emerging technologies and skills.
Agriculture Sector Plan 2016–2020	MOA	(i) Improve sector coordination and investment in food security and inclusive commercial agriculture/fisheries production increased. (ii) Increase supply and consumption of competitively priced domestically produced food. (iii) Sustainably increase production, productivity, product quality, value added, and marketing of agriculture and fishery products. (iv) Provide sustainable agricultural and fisheries resource management practices and strengthen climate resilience and disaster relief.
Tourism Stimulus Assistance for Affected Properties	STA and MOF	Assist the tourism industry recover from the pandemic and improve mainrenance and quality of services/product standards.
Pathway for the Development of Samoa FY 2021/22- FY 2025/26	MOF	Key strategic outcomes: (i) improved social development; (ii) diversified and sustainable economy; (iii) security and trusted governance; (iv) secured environment and climate change; and (v) structured public works and infrastructure.
National Financial Inclusion Strategy for Samoa 2017–2020	CBS	(i) Improve and deepen the access to financial services. (ii) Promote economic empowerment and participation of underserved segments, especially women and youth, for inclusive growth. (iii) Promote digital financial services and institutional innovation. (iv) Improve resilience and reduce financial vulnerability to economic shocks, especially of low-income households. (v) Improve financial competencies and ensure consumer protection. (vi) Develop effective partnerships and ensure sector-level coordination for an inclusive financial system.

Source: ADB Asia SME Monitor 2023 database. Data from Central Bank of Samoa; Ministry of Commerce, Industry, and Labour; Ministry for Customs and Revenues; Samoa Tourism Authority; Ministry of Agriculture and Fisheries.

Table 4.5a: COVID-19 Emergency Measures

Name	Fund Size (ST million)	Launch date of the measures	Status		Outline
			Ongoing [as of end March 2023] (v)	Terminated	
Ministry of Commerce, Industry, and Labour					
1. CODE 121 Assistance during COVID-19	n/a,	Apr-20		Dec-20	Expanded the Code 121 Scheme to include all equipment and inputs required for Agricultural and Fisheries Development Projects, regardless of their qualifying project status. The Code 121 assistance scheme aims to develop domestic businesses, including Commercial Poultry farmers, Commercial Manufacturers of Agricultural Products, Commercial Handicraft Manufacturers and Commercial Elei Garment Manufacturers, by exempting duty from 8% to 0% for imported raw materials imported by businesses approved under the Customs Tariff Amendment Act 2008.
2. COVID-19 Private Sector Grant	10	04-Feb-22		30-Sep-22	Financial Assistance disbursed to businesses, amount depending on business type (sole trader, partnership or company).
Samoa Tourism Authority					
3. Tourism Support Fund	5	Dec-21		Sep-22	To assist with the recovery of the tourism industry from the pandemic. The stimulus fund was disbursed to all hotel and beach fale operators as well as travel agents and tour operators. Hotels received a grant component and allocation based on the number of rooms they operated pre-pandemic. Travel Agents received a standard grant of ST25k for eight eligible operators while Tour Operators received a grant amount based on the level of operations with Large Tour operators receiving ST20,000, Medium receiving ST15,000, and Small receiving ST10,000.
4. Tourism Stimulus Assistance	2.5	Feb-23		Jul-23	2nd phase of the Tourism Stimulus Assistance also provided assistance to hotels and beach fale operators, excluding beach fale operators that offers day visits only. The funding assistance was extended to eligible rental car and restaurant operators. Qualifying restaurants were given a grant of ST5,000 each.
Ministry of Health					
5. Refurbishment of rural district hospitlas and doctors residence	3	FY 21/22*		Completed	To improve the quality of the rural hospitals and residence for doctors.
6. Bulk food to cater to hospital inpatients	2	FY 21/22*		Completed	To improve the supply of food for district hospitals.
Grand Total (ST million)	22.5				

* Fiscal year (FY) in Samoa starts from 1 July and ends at 30 June in the following year.

Source: ADB Asia SME Monitor 2023 database. Data from Ministry of Commerce, Industry, and Labour; Samoa Tourism Authority.

Theme Chapter

How Small Firms Can Contribute to Resilient Growth in the Pacific Post COVID-19 Pandemic

Executive Summary

Pacific economies recovered rapidly from the affects of the coronavirus disease (COVID-19) pandemic, with gross domestic product (GDP) rebounding by 6.1% in 2022 after a 1.3% contraction in 2021. With borders reopened, tourism returned, especially in Fiji. Still, several downside risks to sustained growth remained: easing yet continued inflation along with increasing emigration to advanced Pacific countries, resulting in a domestic skilled labor shortage that could affect future tourism. In addition, with some businesses stagnating, growth in the region could continue to slow—due to scant international trade, continuing supply chain disruptions, underdeveloped agribusiness with few branding strategies, the lack of an entrepreneurial base, and primarily low-technology industries.

Micro, small, and medium-sized enterprises (MSMEs) are a growth driver in the Pacific, even if their presence in the region's economies remained limited. It is critical to strengthen MSMEs to build sustainable, inclusive and resilient growth in the region. There are six key areas—tourism, international trade, agribusiness, labor mobility, digitalization, and finance—that can help MSMEs contribute to stronger growth and better livelihoods across the region. This theme chapter focuses on four of these areas.

Trade and Trade Finance

While trade costs in the Pacific have declined over the past decade, they remain high due to nontariff barriers. Transportation and logistics costs are the primary factors holding back Pacific trade, especially with more distant destinations. For example, Pacific trade with East Asia reached a tariff equivalent cost of 217% during 2015–2020. For Southeast Asia it was 292%. According to the Pacific Islands Export Survey 2022, high fuel and transport costs are key export barriers for more than half of the firms surveyed. Export logistics and manual trading procedures also raise costs. In addition, about 64% of respondents said they faced problems in obtaining finance for working capital and other needs. This is largely due to their small business size or limited cash flows, along with regulatory and collateral requirements. Accessing trade finance, used in about 80% of global trade, remains another significant challenge. Banks are hampered by the costs of know-your-customer (KYC) and anti-money laundering (AML) regulations. The global decline in correspondent banking (about 38%) is also more pronounced in the Pacific (56%), exacerbating already limited financial access and making international payments more difficult.

For economies in the Pacific, trade and trade financing costs must be reduced to promote inclusive development and increase MSME participation in international trade. This can be done by applying modern trade facilitation measures, including information and communication technology (ICT), and regional efforts to streamline procedures and better access financial resources. MSME trade can benefit from greater use of regional trade agreements (RTAs), along with support and training for MSMEs to meet trade requirements.

Agriculture Value Chain Finance

Across the Pacific region, access to finance for farmers and small businesses is a persistent challenge. But there are encouraging signs of progress. New legislation allowing more types of loan collateral—known as the Personal

Property Securities Registry framework, or secured transactions for short—has been approved in most Pacific countries. In addition, new ways of financing are being developed and refined, such as agriculture value chain finance (AVCF). This chapter outlines progress made and uses regional case studies to show how it has affected three farmers—Epeli, a ginger farmer in Fiji; Mand, a vanilla farmer from the Papua New Guinea (PNG) Highlands; and Vailolo, a copra aggregator in Samoa.

For lenders, secured transactions hold the potential to considerably broaden their customer base. They allow movable assets to be registered as collateral—including crops, livestock, farm equipment, machinery, and contract receivables. But banks in the Pacific must constantly ensure they maintain prudent banking practices, comply with banking governance requirements, and apply their own internal risk management policies. So, for banks, the rules haven't changed, but the playing field has widened. Nonetheless, adjusting to these changes also requires extra work and a new mindset. Often, small steps are taken gradually with some trial and error.

The case studies look at how the AVCF model offers a way for lenders to adjust and reach out to new borrowers and use the new collateral frameworks, all while staying within prudent banking rules and governance requirements. The three examples in Fiji, PNG and Samoa illustrate what these changes can do, not just in direct lending within the programs, but also how they can create a ripple effect that opens doors to broader agricultural finance.

Brain Drain

Pacific employers in the hospitality and tourism industry worry about the high turnover of trained staff—as workers are recruited for hospitality jobs in Australia and New Zealand, among others. Firms and governments in the Pacific need to take these “brain drain” risks and complaints seriously, regardless of whether it involves temporary or permanent worker migration. Businesses and governments must develop and implement strategies that ensure the potential benefits of migration are not offset by the risk of causing harm in the domestic labor market.

This chapter outlines the nature and extent of the problem and proposes strategies firms and governments can adopt to remove the obstacles employers face due to labor and skill losses. Two broad types of responses to the brain drain are suggested. Businesses that are currently or potentially affected by the sudden loss of workers need to develop proactive strategies. Governments of both sending and receiving countries also need strategies that mitigate these risks. Businesses need to act immediately, while governments should develop medium- and long-term plans to respond to the risks of emigration.

In essence, the best business strategy is to anticipate the problem and take preventive measures before a worker leaves, often on short notice. The business response depends on the worker's motives for migrating and the employer's difficulty in replacing that worker. Emigration often involves both push and pull factors, only some of which an employer can influence.

Both the host and source governments also need to respond to lost labor, both separately and jointly. One response by the Australian government, announced in May 2023, is the funding of over 1,000 Pacific Australia Labor Mobility (PALM) scheme workers to acquire formal qualifications (over 4 years) aligned to the source country's labor demand. Other government responses may include skills partnerships and assistance that allows returning workers to invest their earnings more productively.

Digital Entrepreneurships

This chapter explores the potential of digital entrepreneurship in the Pacific, focusing on the 12 small island developing states (SIDS). Digital entrepreneurship offers a new growth opportunity, using digital media and information technology to establish and run businesses. Digitalization allows firms to reach new markets more cost-

efficiently for countries that are isolated, geographically dispersed, and distant from global value chains, helping them catch up with other economies. It involves leveraging digital infrastructure and letting entrepreneurial agents identify and capitalize on opportunities in the online space—using platforms like e-commerce, digital marketing, and online services to reach their global target audience and generate outside revenue.

To prioritize policies that unleash digital entrepreneurship potential, this chapter looks at cultural, regulatory, and market factors, as well as access to finance, human capital, and networking support. Due to limited data available for the SIDS, a comparative analysis is conducted using neighboring or similar countries—Indonesia, the Philippines, and the Dominican Republic. The analysis shows that all eight pillars of digital entrepreneurship systems are relevant to Pacific countries. The main bottlenecks include culture and informal institutions, market conditions, and human capital. Recommendations include improving the ease of doing business, reducing logistics costs, and promoting entrepreneurship among school children and minorities. Additionally, leveraging diaspora communities to expand the reach of Pacific businesses would help. Overall, meeting these challenges can unlock the potential of digital entrepreneurship for greater economic growth and prosperity in the Pacific.

1 Introduction

Pacific economies recovered rapidly (V-shaped) from the coronavirus disease (COVID-19) pandemic, growing by 6.1% in 2022 after a 1.3% contraction in 2021.¹ It was mainly led by a strong recovery in tourism, especially in Fiji. However, growth in the region is expected to decelerate to 3.5% in 2023 as inflation, while easing, remains high from food and other commodity price hikes brought by global supply chain disruptions triggered by the ongoing Russian invasion of Ukraine and the effects from El Niño.

There are several remaining issues that may slow future growth in Pacific economies. These include (i) skilled labor shortages that could slow the strong recovery momentum in tourism, (ii) shallow international trade with continuing supply chain disruptions, (iii) underdeveloped agribusinesses with few branding strategies, (iv) increasing emigration to advanced Pacific countries (Australia and New Zealand), and (v) a lack of an entrepreneurial base and reliance on low-technology industries.

Like other Asian regions, micro, small, and medium-sized enterprises (MSMEs) play a pivotal role in Pacific economies, given their sheer number and the employment they create. However, their presence in the region's economies remains relatively limited. In Fiji, MSMEs accounted for 82.4% of all enterprises, 28.3% of the workforce, and 6.3% of gross value added in 2020. In PNG, SME Policy 2016 indicated a 17.3% MSME contribution to GDP. For Samoa, available data covers only the number of MSMEs, which accounted for 96.6% of enterprises in 2022.

Strengthening MSME dynamics is crucial for building sustainable, inclusive, and resilient growth in the region. There are six key areas that require attention: tourism, international trade, agribusiness, labor mobility, digitalization, and finance (a crosscutting issue for all areas) (Figure 1).

MSMEs in Tourism

Tourism is a key driver of the Pacific economy, involving business sectors where MSMEs actively participate—like accommodation, food services and restaurants, transport, and retail shops selling, for example, handicraft and souvenirs. Tourism was hit hardest by the pandemic as mobility restrictions and lockdowns led to border closures. By late 2022, tourists had begun to return, especially in Fiji, bringing high earnings back to the industry, adding government revenues, and leading the post-pandemic recovery. However, the pace of recovery in tourism differed by country. In Samoa, for instance, not all businesses had reopened as of March 2023.

Challenges for the tourism industry include (i) regulatory reforms, (ii) ensuring a skilled labor force, (iii) well-designed government assistance, and (iv) access to finance. In Samoa, tight regulatory requirements for business licensing—for example, the detailed personal information required—may limit the number of new registered firms entering the market and risk expanding the informal sector. PNG is working on regulatory reforms for special tourism licensing, given that current licensing by the Investment Promotion Authority is inadequate for effectively supervising the tourism industry. During the COVID-19 pandemic in Fiji and Samoa, hotel employees faced large layoffs and wage

¹ ADB. 2023. Asian Development Outlook (ADO) September 2023. Manila.

cuts, which accelerated emigration to Australia and New Zealand as those affected looked for higher paying jobs. This creates a skills gap in the tourism industry between developing and advanced Pacific economies, creating a competitive disadvantage among SIDS. In Samoa, the government launched a pandemic assistance package including cash handouts to affected tourism businesses including MSMEs (especially hotels), but much of the support did not reach target beneficiaries as many were informal firms ineligible to receive the assistance. Registering and formalizing these firms is a critical issue for tourism in the region, to make it easier for these MSMEs to access formal financial services.²

Internationalizing MSMEs and Finance

In the Pacific, most MSMEs focus on domestic markets, mostly in services—including wholesale and retail trade, accommodation and food services, transportation, and hospitality services. MSMEs are rarely involved in international trade or participate in global supply chains. One reason is the high cost of cross-border trade. MSMEs have missed opportunities to grow by not being able to participate in the global supply chains, as there remains limited access to trade and supply chain finance.

Agribusiness Development and Agricultural Value Chain Finance

Agriculture dominates rural economies in the Pacific. Businesses are mostly family-run and unregistered (informal). In Fiji, 94% of the population live in rural areas, mainly engaged in agriculture and fisheries. Agribusinesses—including fisheries and livestock—remain underdeveloped mainly due to a lack of infrastructure like storage, power (electricity), transport, and communications (internet connections). Many produce relatively low-quality agricultural and fishery products due to a lack of finance for improving production. Branding strategies for local products are also lacking.

The Fiji government has a capital injection program for select firms (F\$30,000 per firm)—including agriculture, fisheries, and livestock—to support business development, although it does not offer financial literacy training. In Samoa, the government has tried creating incentives for informal farmers and fisheries to register, but its policy design suffers due to a lack of sufficient data on agribusinesses. There are no financial assistance projects or subsidy programs for farmers in Samoa. Barriers to agribusiness development include (i) access to finance; (ii) landownership issues (unclear family-owned land succession in Samoa, for example); and (iii) infrastructure like storage, transport, and ICT. In PNG, the government promotes agriproduct exports of coffee, cacao, vanilla, and coconuts to Europe, the United States, and Asia. There have been some success stories in PNG of coffee and coconut producers joining agricultural global value chains, but many agribusinesses still face issues of product quality control, market access, and access to finance.³

Skilled Labor Shortages Caused by a Brain Drain from Domestic Labor Markets

Recently, the Pacific media (for example, the Fiji Times and Vanuatu Daily Post) reported that MSMEs were complaining about the increase in skilled labor migrating to Australia and New Zealand through short- and longer-term programs like Australia's Pacific Labor Mobility (PALM) scheme and New Zealand's Recognized Seasonal Employer (RSE) program, along with the Pacific Engagement Visa—a new permanent resident visa program for participating countries across the Pacific and Timor-Leste that started in July 2023. This has created serious shortages in the domestic labor markets of neighboring developing economies such as Fiji and Samoa, slowing the rebound in tourism.

² Based on interviews with the Ministry of Tourism and Aviation in Fiji on 8 March 2023, Samoa Tourism Authority on 13 March 2023, and Tourism Promotion Authority in Papua New Guinea on 23 March 2023.

³ Based on interviews with the Ministry of Rural and Maritime Development in Fiji on 10 March 2023, Ministry of Agriculture and Fisheries in Samoa on 15 March 2023, and Department of Agriculture and Livestock in Papua New Guinea on 21 March 2023.

Digitalization and Entrepreneurship Development

The COVID-19 pandemic somewhat helped firms decide to digitalize due to mobility restrictions or lockdowns, though it was not evident among many MSMEs in the Pacific. Some countries like Samoa have an e-commerce policy road map; identifying barriers to e-commerce development or business digitalization such as the lack of ICT infrastructure (especially expensive, low broadband internet connections in rural areas). Fiji was preparing a national e-commerce strategy as of March 2023.⁴

As a national development policy, Fiji, PNG, and Samoa all want to digitalize their economies, for example, by introducing national digital ID systems that support “digitizing government.” The PNG system is being piloted in part to help MSMEs better access finance—as many cannot use existing IDs as proof of business identity. Challenges to developing ICT include (i) financial support for infrastructure development, (ii) awareness (making people trust technology), (iii) quality ICT products, and (iv) strengthening national digital strategies by providing further technical support.

Many Pacific economies such as Fiji, PNG, and Samoa have national financial inclusion strategies (NFIS) where digital finance (fintech) development is one strategic target.⁵ In Fiji, a fintech pilot project is underway, and a crowdfunding law is being drafted, addressing MSME financing. In Samoa, Digicel (a local mobile company) and Vodafone provide only money transfers for remittances; there are no other large firms providing digital financial services. The Development Bank of Samoa (DBS) offers internet banking, but not yet mobile banking—it is difficult to monitor repayments as many people frequently change mobile phone numbers. In PNG, a national payment switch (the Retail Electronic Payment System, or REPS) has been operating since 2019, but internet and mobile banking remain underdeveloped. The National Development Bank in PNG offers traditional collateral-based financing, but provides no internet or mobile banking services. PNG’s NFIS promotes “digitalization”, addressing (i) digital finance literacy, (ii) online business planning and debt management, and (iii) e-commerce. The Center of Excellence for Financial Inclusion (CEFI) provides digital literacy training, especially for women entrepreneurs.

Lack of entrepreneurship is a critical barrier to MSME development in the Pacific. Digitalization helps entrepreneurship development, with women and youth the main target groups.

Accelerating MSME Dynamism toward Resilient, Inclusive Growth in the Pacific

This theme chapter discusses how small firms can contribute to the resilient, sustainable, and inclusive growth in the Pacific and addresses selected challenges.

Section 2 reviews the international trade environment in the Pacific, including a trade network analysis that highlights Australia and New Zealand as the top export destinations for the region. It examines trade costs, referring to ESCAP-World Bank trade cost data; and discusses key challenges and opportunities for MSMEs in accessing trade and supply chain finance, using survey data from Pacific Trade Invest (PTI) for analysis. The potential of digital platforms for Pacific traders is also discussed, followed by policy recommendations.

Section 3 reviews recent agribusiness development in the Pacific and discusses how agriculture value chain finance (AVCF) helps develop quality agribusinesses and promote exports, referring to ADB Private Sector Development Initiative (PSDI) support in selected countries.

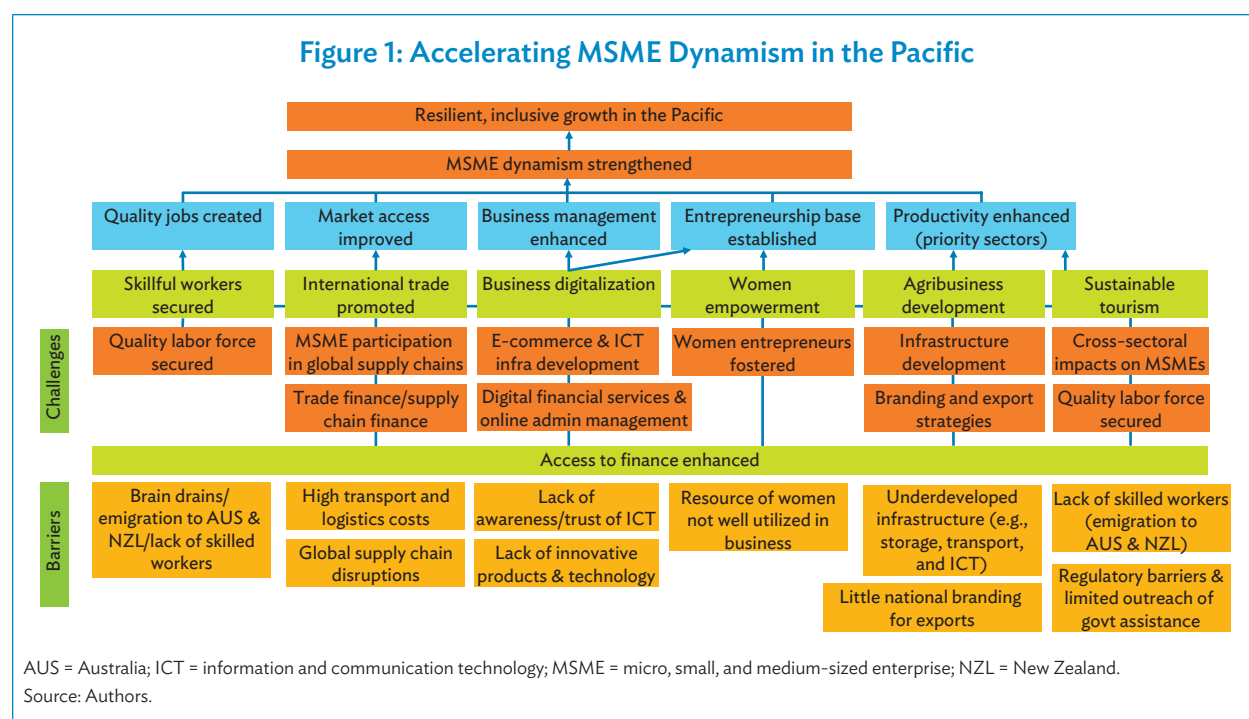
⁴ Based on interviews with the Reserve Bank of Fiji on 7 March 2023, Development Bank of Samoa on 14 March 2023, Central Bank of Samoa on 16 March 2023, Bank of Papua New Guinea on 20 March 2023, National Development Bank in PNG on 21 March 2023, and Center for Excellence for Financial Inclusion in PNG on 21 March 2023.

⁵ For example, the Third National Financial Inclusion Strategy (NFIS) 2022–2030 in Fiji, the Third NFIS 2023–2027 in PNG, and the First NFIS in Samoa (a second NFIS was under preparation as of March 2023).

Section 4 on domestic labor markets and emigration examines (i) how MSMEs, governments, training providers, and regional bodies are responding to migration issues and (ii) the reasons behind MSME or government employee emigration, covering both push and pull factors. Push factors can include low wages, lack of steady works (for example, in construction), lack of opportunities for career development, loss of work motivation due to poor management, or an unchallenging work environment. They can also include dissatisfaction with the wider economy and social setting or location of the country where they live. Pull factors include large wage differentials for temporary (seasonal) overseas jobs, higher wages in general, better working conditions for longer-term work (for example, in the hospitality industry), or the chance to settle permanently overseas due to a better lifestyle or opportunities for career development. The section also discusses strategies used by specific MSMEs in the Pacific to retain workers or attract workers back from overseas.

Section 5 discusses the challenges and opportunities for digital entrepreneurship development in the Pacific and its policy implications. Section 6 concludes.

Figure 1: Accelerating MSME Dynamism in the Pacific



2 Tackling Trade and Trade Finance Challenges for MSMEs in the Pacific

2.1 Introduction

As remote, small island economies with limited domestic markets, countries in the Pacific must grapple with high costs of production and cross-border trade, which reduces their export competitiveness. Trade costs with developed economies are the highest among Asia subregions, stemming from expensive transport and cumbersome, outdated trade facilitation procedures. Consequently, regional trade integration is a critical strategy for Pacific economies to expand markets and reduce production and trading costs (Chen et al. 2014).

Estimates show that MSMEs in Asia and the Pacific account for 96% of all enterprises and 62% of the national labor force—they contribute about 42% of gross domestic product (GDP) (ADB 2015). MSMEs in the Pacific are also important economically. In Fiji, for example, MSMEs account for 18% of GDP and 60% of the national labor force, while those in Papua New Guinea (PNG) provide 10% of GDP and 200,000 jobs (Fiji Ministry of Commerce, Trade, Tourism & Transport, 2020; Oxford Business Group, undated). In Samoa, MSMEs comprise 88% of all businesses (Samoa Observer 2018).

Despite their substantial economic contribution, MSME participation in international trade remains limited. Reasons include insufficient market information, regulatory challenges, and difficulty in meeting industry standards and quantity demand. MSMEs have significantly less access to finance compared with larger firms. Large banks dominate the banking sector and often lack any incentives to lend small amounts in large quantities, largely due to relatively high transaction costs (ADB 2022). MSMEs, on the other hand, typically lack acceptable collateral, such as land. Meanwhile, smaller banks that might be interested in issuing loans to MSMEs often lack the sufficient capital to boost their loan portfolios. Scarce trade finance, which facilitates about 80% of global trade, also hinders smaller firms from participating in regional and global value chains.

This chapter identifies the challenges faced by Pacific MSMEs in tapping export markets and accessing finance, including trade finance. It also discusses ways to address those challenges. Section II discusses overall trade flows, costs, and the broad financing gaps in the Pacific. These are examined in Section III from an MSME perspective, using data from the Pacific Islands Export Survey 2022, conducted by Pacific Trade Invest (PTI) Australia. For example, it discusses the types of assistance firms consider most beneficial for addressing export barriers. The analysis based on the survey data also provides information on the factors that hinder firms from accessing finance, the level of awareness and utilization of free trade agreements in the subregion, and the potential for digital connectivity to help reduce trade costs and enhance access to finance. Section IV concludes by offering policy considerations.

2.2 Trade and Trade Costs in the Pacific

Overview of Trade in the Pacific

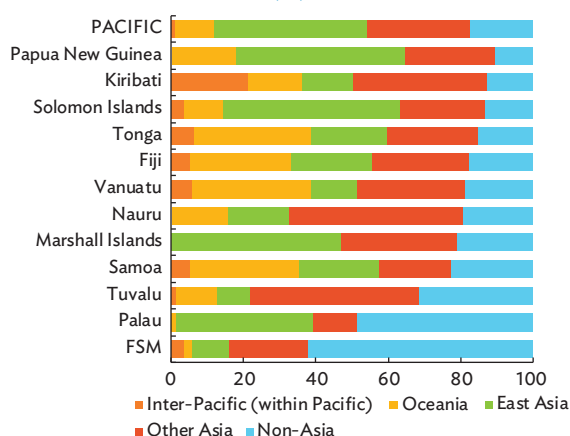
As developing island states with small populations and domestic markets, Pacific economies need a high degree of trade openness to access the goods and services needed to meet domestic demand. Trade as a share of GDP averaged about 105% for the region during 2000–2019 (World Bank database). This dropped to 74% in 2020 due to the pandemic and rose slightly to 78% in 2021. Mobility restrictions virtually halted tourism and cut into tourist receipts. For merchandise trade, the region averaged 68.6% as a share of GDP during 2001–2021.

Countries in the Pacific typically export similar commodities, mostly primary products. For instance, frozen fish is the top export of the Cook Islands, the Federated States of Micronesia (FSM), Kiribati, Nauru, Samoa, Tuvalu, and Vanuatu (oec.world). Other major exports include coconut and palm oil, vegetables, refined petroleum, and passenger and recreational boats and ships. Exports from larger economies such as Fiji and PNG are more diverse, while the rest export mainly animal and vegetable products. Fiji exports agricultural products, mineral water, chemicals, textiles, cement, and timber products. PNG has the largest export base, in 2021 valued at \$11 billion (around 42% of GDP), consisting of petroleum gas (38%), gold (16%), and copper (7%) (ADB 2020, oec.world, World Bank database). Major export markets of Pacific economies include the United States (US), Japan, the People's Republic of China (PRC), the Republic of Korea, the European Union (EU), and Southeast Asian economies.

Major Asian economies are the largest export markets for the Pacific. The growth of emerging Asia has become an increasingly significant source of demand for resource-based goods and services, including agricultural products and tourism (Chen et al. 2014). East Asia accounted for about 42% of the Pacific subregion's trade in 2022, with the rest of Asia accounting for another 28% despite many economies' geographical remoteness from the Pacific (**Figure 2.1**). In contrast, trade within Pacific economies is only 1% of total trade. This limited intraregional trade is due to a lack of export diversification and cumbersome trade facilitation procedures, which lead to high trade costs. By comparison, trade with Australia and New Zealand accounts for around 10% of Pacific economies' total trade.

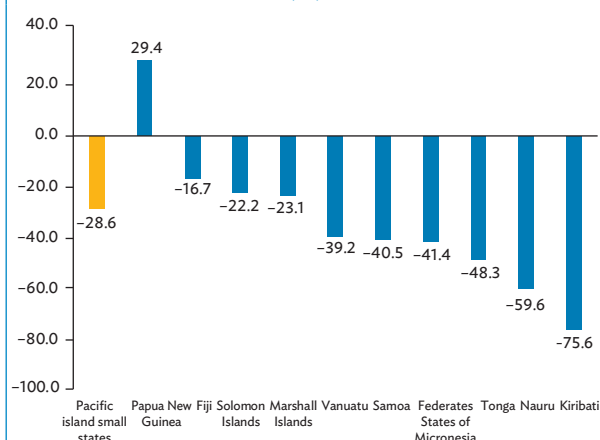
Most Pacific economies rely heavily on imports, leading to substantial trade deficits. The subregion's exports are typically just a fraction of imports. To meet domestic demand, most of these economies persistently incur trade deficits due to large imports of heavy fuel oils for power generation, as well as diesel and gasoline fuels. Other significant imports include industrial and commercial machinery, mechanical appliances, and vehicles (ADB 2020). Given their small domestic markets, most Pacific economies struggle to produce manufactured goods that can benefit from economies of scale. So many end up importing these items instead. In 2022, as in previous years, only PNG had a trade surplus because of its broader export base (**Figure 2.2**).

Figure 2.1: Trade Share by Trading Partner, 2022 (%)



Source: ADB calculations using data from International Monetary Fund. Direction of Trade Statistics. <https://data.imf.org/dot> (accessed July 2023).

Figure 2.2: Trade Balance to GDP Ratio, 2022 (%)



GDP = gross domestic product.

Note: Trade balance refers to goods and services trade. Data for Kiribati, Marshall Islands, and Papua New Guinea are for 2021.

Source: World Bank database (accessed July 2023).

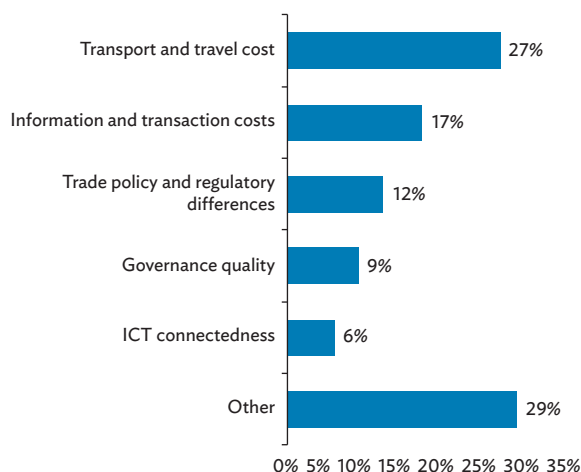
Trade Costs

Trade costs can be divided into five main components—(i) transport and travel, (ii) information and transaction costs, (iii) ICT connectivity, (iv) differences in trade policies and regulations, and (v) governance (Rubinova and Sebt 2021). Transport and travel contribute most (27%) to trade cost variations, largely influenced by distance. This is followed by information and transaction costs (17%), contingent on factors such as common language use, and trade policy and regulatory differences (12%), which include tariffs and use of free trade agreements (Figure 2.3).

The Pacific's small domestic markets make it difficult to achieve economies of scale in production. This is exacerbated by their remote locations from then-larger economies in Asia and the Pacific. It leads to high costs of production, trading, and lower export competitiveness (Chen et al. 2014). It has a large impact on MSMEs as trade costs are proportionately larger for small shipments than for large-volume bulk trade.

Nonetheless, trade costs in Pacific economies have declined over the past decade, mostly the result of tariff reductions; yet, they remain high due to nontariff barriers. Transportation costs are a major factor constraining trade, particularly in more distant markets, and are reflected in in-country infrastructure stocks, fuel prices, and differential freight costs between primary and manufactured products (Gani 2010, Borgatti 2008). A 2014 United Nations Conference on Trade and Development (UNCTAD) study on SIDS estimated that international transport expenses were about 10% of the import value for these countries, reaching as high as 17% for the Solomon Islands (Figure 2.4). As a small island market, high cross-border transport costs and inadequate infrastructure pushes entrepreneurs to focus locally rather than venture into international markets (Rull and Kakal 2021).

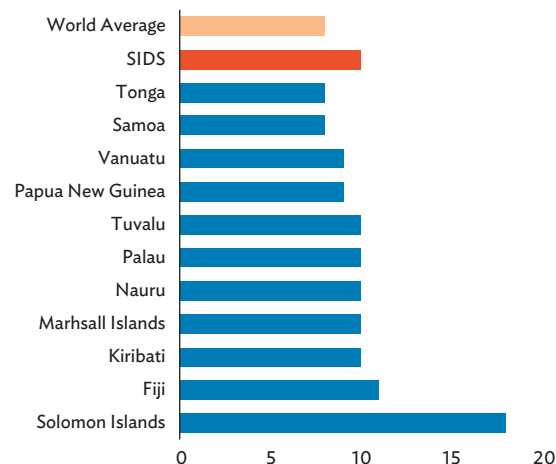
Figure 2.3: Decomposition of Overall Trade Costs, 2017



ICT = information and communication technology.

Source: Rubinova and Sebti (2021).

Figure 2.4: Average Expenditure on International Transport, 2004–2013
(% of import value)



SIDS = small island developing states.

Source: United Nations Conference on Trade and Development (2014).

Based on the ESCAP-World Bank trade cost database, Pacific economies continue to face high trade costs in accessing Asian markets and major economies (Table 1).¹ During 2015–2020, the costs of intraregional trade were highest in South Asia (187% tariff equivalent) and lowest in Europe (42%). Trade costs for Pacific economies with South Asia were also the most expensive compared to other subregions—354% of the value of goods. Bilaterally, trade costs with the PRC reached 199% for Fiji, 415% for PNG, and 257% for Samoa. PNG's trade costs with India, a major trading partner, was estimated at 829%, while Samoa's trade costs with the US was 205%.

Also, high intra-Pacific trade costs make it difficult to achieve regional integration. Pacific economies have high intraregional trade costs (174%), comparable to Central Asia (179%) and South Asia (186%). Among individual economies, Fiji's bilateral trade shows high tariff equivalent costs with FSM (256%) and Palau (317%)—and more than 100% for other Pacific countries. PNG's trade costs reach 549% with Tonga and 273% with FSM. Samoa's trade with Vanuatu is 643% more costly than a good's value, while Samoa has similarly high levels. Although trade costs with Australia and New Zealand also remain high, they are relatively lower than intraregional trade among Pacific countries.

¹ These trade costs reflect the costs involved in trading goods internationally relative to trading goods domestically—it captures tariffs, international transport costs, including indirect costs such as currencies, language differences, and customs trade procedures.

Table 2.1: Trade Costs in Asia and the Pacific, 2015–2020
(average ad valorem nontariff cost)

Sub-region	Central Asia	East Asia	South Asia	Southeast Asia	The Pacific	Oceania	Europe
Central Asia	179.2						
East Asia	251.0	98.2					
South Asia	323.5	219.2	186.6				
Southeast Asia	416.4	154.0	225.8	151.8			
The Pacific	-	217.4	353.9	291.9	174.0		
Oceania	416.9	132.5	210.7	153.5	142.4	53.7	
Europe	197.9	109.4	157.2	132.0	304.7	102.6	42.0
US	245.7	107.9	164.5	127.9	191.1	99.0	64.9

Notes: Figures show the cost of trading within and between Asian subregions and other regions, derived from bilateral trade costs between trading partners. It is constructed based on the relative costs involved in trading goods internationally and domestically, such as tariffs, transportation, currencies, language use, and other factors. Trade costs refer to the nontariff comprehensive component. Subregional aggregates are simple averages of the bilateral cost of economies included in the subregion. Central Asia includes Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. East Asia covers Hong Kong, China; Mongolia; the People's Republic of China; the Republic of Korea; and Japan. South Asia includes Bangladesh, India, Maldives, Nepal, Pakistan, and Sri Lanka. Southeast Asia includes Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Pacific includes Fiji, Palau, and Samoa. Oceania covers Australia and New Zealand while Europe includes France, Germany and United Kingdom. US is United States of America.

Source: ESCAP-World Bank Trade Cost Database.

Finance Gaps in the Pacific

There are large finance gaps among small firms worldwide—particularly acute in developing countries. The International Finance Corporation (IFC 2017) estimates potential demand for MSME finance in developing economies at \$8.7 trillion, compared with available credit supply of \$3.9 trillion—or a gap of \$4.8 trillion (equivalent to 18% of their GDP). There is also an estimated \$2.9 trillion potential demand for finance from informal firms in developing countries (10% of their GDP). Credit access affects firm performance. In India, with many MSMEs credit constrained, providing additional credit accelerates sales and profit growth (Banerjee and Duflo 2012). In Pakistan, Zia (2008) finds that a drop in subsidized credit led to a significant decline in exports for small firms, but not for large firms that were able to substitute subsidized loans with credit at market interest rates.

Large finance gaps among MSMEs in the Pacific hamper their prospects for raising production and employment. The finance gap for MSMEs as a share of GDP is estimated at 21% for the Pacific region—including Fiji (25%), Tonga (38%), and FSM (24%) (Table 2.2, Figure 2.5). These large gaps represent the high cost of borrowing. Reducing these finance shortages significantly benefit MSMEs. This is particularly true for women-owned firms. The Pacific averages 34% of firms as female-owned, higher than the overall Asia and the Pacific region (27%) and developing countries globally (23%). In PNG, 32% of MSMEs are female owned. Vanuatu has 43%, while more than half of MSMEs in Tonga and FSM are run by women.

However, social and cultural norms continue to impede the growth and financial access of women-owned firms in many countries. Women are often unpaid and prohibited from owning or inheriting land, which can be used for collateral. Banks frequently perceive women as a low-viability market segment. Lower literacy rates and lack of access to information also impact a woman's understanding and willingness to use financial services (ADB 2023, PFIP 2020a). In PNG, women are 29% less likely to have access to formal financial services (it is 15% in the Solomon Islands) (PFIP 2020a, b). In Samoa, while 40% of women have bank accounts compared to 38% of men, they derive mostly from remittances, which primarily are sent to women (ESCAP 2020b). Women entrepreneurs in Samoa have unequal access to assets, credit, and the capital required to start or expand a business.

Pacific economies need greater trade finance to participate in international trade. Trade finance is a key instrument that allows firms to continue producing with adequate cash while waiting to receive payment from overseas buyers. As estimated from the MSME Finance Gap and the World Bank enterprise survey, the trade finance shortage in Pacific economies is \$220 million, while it is about \$468 billion for all of Asia and the Pacific. Trade finance shortages account for 13% of the overall finance gap for the Pacific, including Fiji (16%), the Solomon Islands (17%), and Samoa (22%).

Table 2.2: MSME Finance Gap in the Pacific, 2017

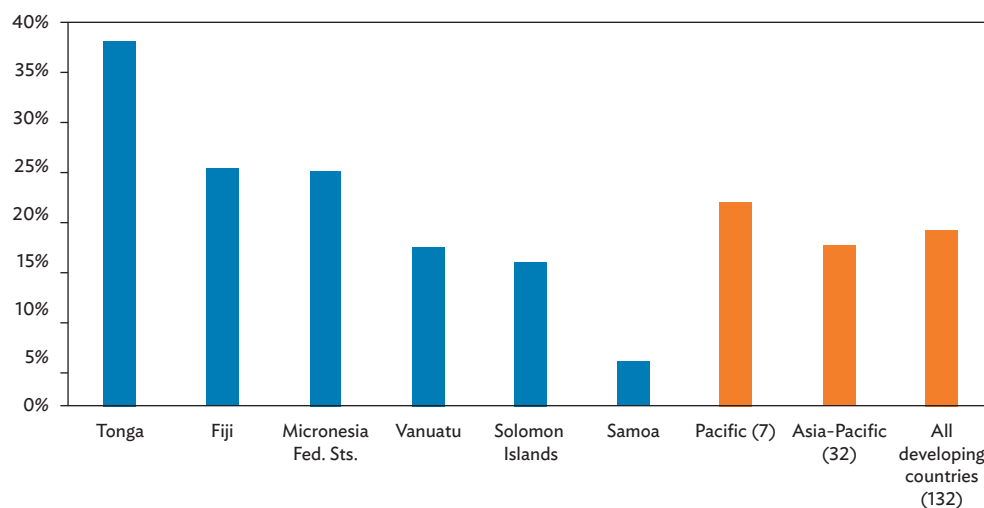
	Number of MSMEs ('000)	% MSME Female owned	Current Supply of Finance (mil\$) (a)	Potential Demand for Finance (mil\$) (b)	MSME Finance gap (mil\$) (c = b - a)	MSME Finance Gap / GDP	% firms exporting directly or indirectly at least 10% of sales (d)	MSME "Trade" Finance Gap (mil\$) (e = c * d)	MSME TF Gap / Finance Gap (e/c)
Papua New Guinea	33.77	32%	-	311	-	-	6%	-	-
Fiji	10.01	9%	252	1,337	1,085	25%	16%	170	16%
Tonga	9.36	63%	76	241	165	38%	5%	8	5%
Solomon Islands	3.05	25%	43	217	174	15%	17%	29	17%
Samoa	1.94	36%	136	172	36	5%	22%	8	22%
Vanuatu	1.58	43%	97	232	135	17%	4%	5	4%
Micronesia, Fed. Sts.	1.14	54%	33	111	78	24%	-	-	-
Pacific (7)	60.84	34%	638	2,621	1,672	21%	12%	220	13%
Asia-Pacific (32)	225,727	27%	2,930,865	5,499,693	2,568,517	17%	12%	467,962	18%
All developing countries (132)	314,990	23%	3,858,758	8,670,641	4,808,833	18%	17%	685,887	14%

MSME = micro, small, and medium-sized enterprise.

Note: Micro = enterprises with less than 10 employees; small and medium-sized = firms with from 11 to 250 employees; figures in parentheses in the last three rows are the number of countries in the sample.

Source: ADB's calculation based on World Bank. 2017 MSME Finance Gap Report. <https://www.smefinanceforum.org/data-sites/msme-finance-gap>; and WB Enterprise Survey.

Figure 2.5: MSME Finance Gap in the Pacific, 2017 (% of GDP)

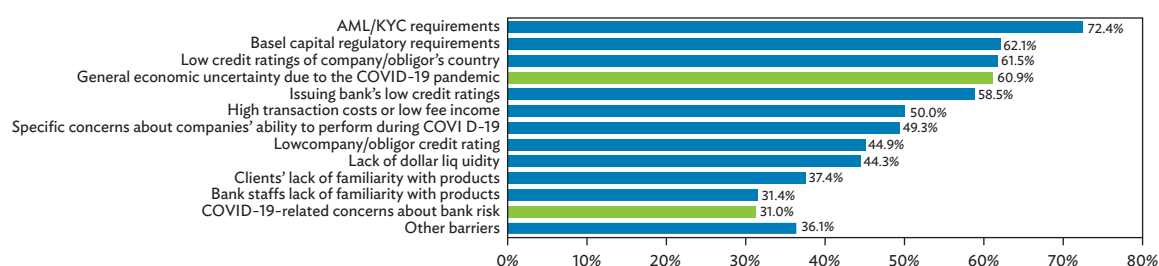


GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Source: ADB's calculation based on World Bank. 2017 MSME Finance Gap Report. <https://www.smefinanceforum.org/data-sites/msme-finance-gap>; and WB Enterprise Survey.

The large trade finance gap generally arises from costly regulatory compliance for banks and the lack of collateral for many small businesses. Globally, 72% of banks consider due diligence in know-your-customer (KYC) and anti-money laundering (AML) requirements a key barrier to providing trade finance (Figure 2.6). These cost premiums apply especially for small borrowers, which have higher rejection rates for trade loan applications relative to large firms (ADB 2022). Firms have difficulty fulfilling requirements for collateral, documentation, and valid company records. Based on ADB's Trade Finance Gaps, Growth, and Jobs Survey, Asia and the Pacific has the highest share of trade finance proposals and rejections globally—implying significant lost opportunities in trade and development. Among women-owned firms surveyed, about 70% of their applications were totally or partially rejected.

Figure 2.6: Barriers to Servicing Global Trade Finance Needs



AML = anti-money laundering, COVID-19 = coronavirus disease, KYC = know your customer.

Source: K. Kim et al. 2021. 2021 Trade Finance Gaps, Growth, and Jobs Survey. ADB Briefs No. 192. Manila: ADB.

2.3 Issues and Challenges: MSME Perspective

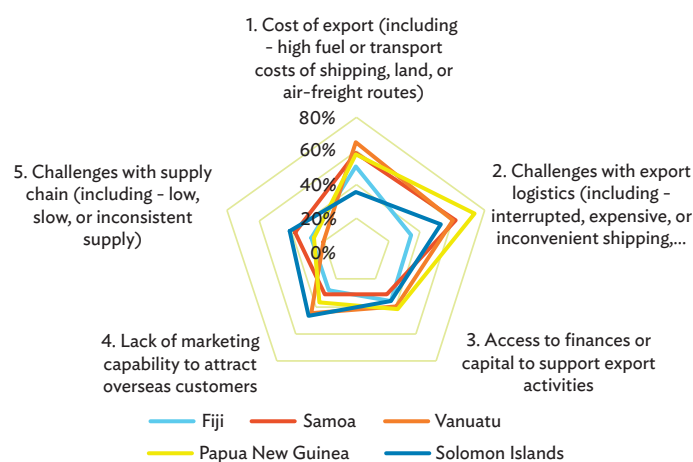
Barriers to Exporting

MSMEs in the Pacific see high export costs as the primary barrier to exporting goods.

More than half of the firms responding (52%) to PTI Australia's Pacific Islands Export Survey 2022 cited high fuel and transport costs (shipping, land, and air) as critical export obstacles (Box 2.1; Figure 2.7). This was particularly true for the Cook Islands (53%), Fiji (51%), PNG (58%), Samoa (59%), and Vanuatu (65%). Also, 48% of those surveyed said export logistics—interrupted, expensive, or inconvenient shipping, land, and air freight—was another significant export challenge.

The problems vary by country. For example, export logistics are a key concern in PNG but less so in Fiji, while transport costs pose a greater challenge in Vanuatu than in Solomon Islands. An UNCTAD (2020)

Figure 2.7: Top Five Export Barriers



Note: Top five barriers for the entire samples in the survey

Source: Pacific Islands Export Survey 2022, Pacific Trade Invest Australia.

study found that in Kiribati, securing supplies of raw materials and goods is a significant constraint in both rural and urban areas, primarily due to transportation between islands. The process of receiving imported inputs, mostly handled through brokers, is also a barrier due to lengthy procedures and time-consuming border clearance.

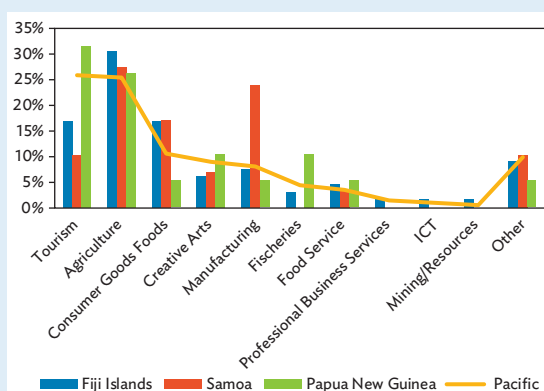
Consequently, 51% of respondents found export grants as a major form of assistance needed, followed by marketing assistance (49%), and more competitive transport costs (48%). Other key forms of assistance needed include financial support to offset high freight costs (46%) and improved marketing of the Pacific region (45%).

Box 2.1: Overview of the Pacific Islands Export Survey

The Pacific Islands Export Survey 2022, conducted by Pacific Trade Invest Australia, gauges the production and export dynamics of micro, small, and medium-sized enterprises (MSMEs) in the Pacific. The survey covered 200 businesses in the region, with 32% using Fiji as their main base of operations, 14% from Samoa, 10% from Papua New Guinea, and 44% based in other countries. About 26% of those surveyed were agricultural exporters, 5% were in fisheries, and 26% in tourism (**Box Figure 2.1**). Other major activities included consumer goods such as canned and packaged foods (11%), creative arts including handicrafts (9%), and manufacturing (8%). In terms of employment, 26% had more than 20 employees, while 58% had 10 employees or less.

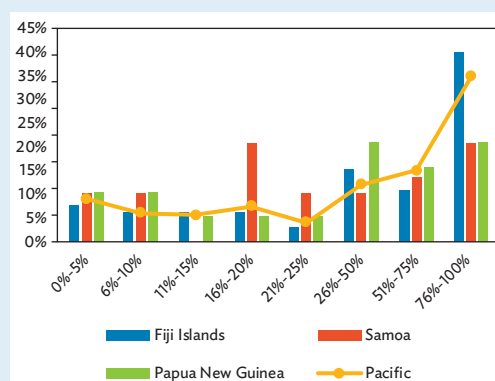
About half of the respondents said more than half of their revenues came from exports (**Box Figure 2.2**). They included firms in the Cook Islands (71%), the Federated States of Micronesia (60%), Fiji (51%), Solomon Islands (76%), and Vanuatu (50%). Most firms (76%) had annual revenues of less than A\$1 million—including the Cook Islands (92%), Fiji (67%), Papua New Guinea (65%), Samoa (84%), Solomon Islands (90%), and Vanuatu (75%). The main export destinations were Australia (63%), New Zealand (52%), North America (29%), and other Pacific island countries (67%).

Figure Box 2.1: Main Export Activities (%)



Source: Pacific Islands Export Survey 2022, Pacific Trade Invest Australia.

Figure Box 2.2: Share of Revenue from Exports (%)

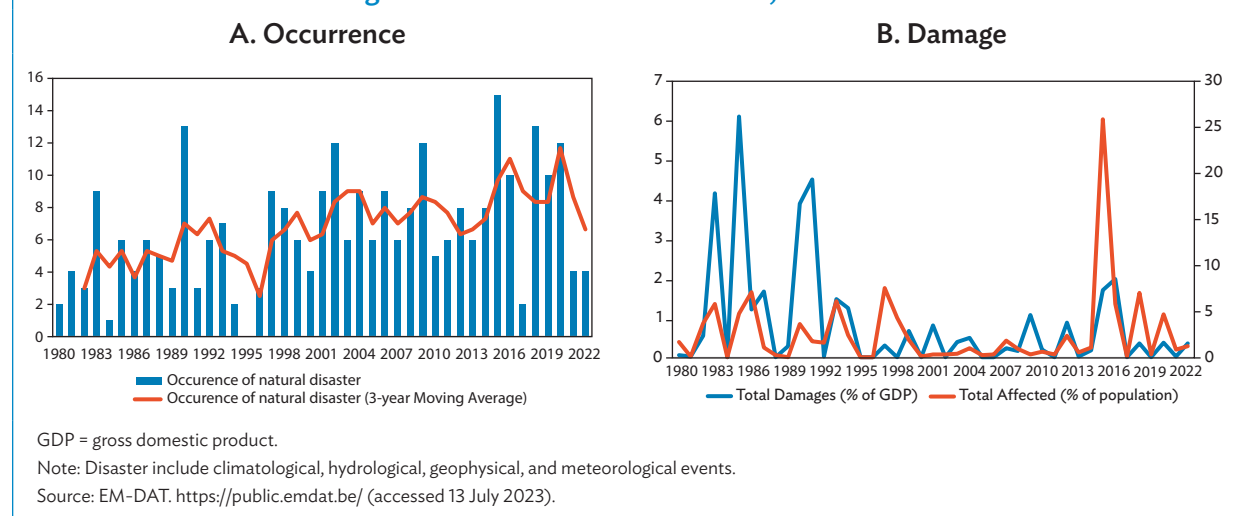


Source: Pacific Islands Export Survey 2022, Pacific Trade Invest Australia.

Disasters increasingly disrupt Pacific economies and have long-term implications for trade and production.

Small island economies that mainly produce and export agricultural products are particularly vulnerable to disasters. The survey found that the number of businesses affected by extreme weather events increased from 65% in 2020 to 72% in 2022. These events disrupted operations for most exporters, with 53% reporting decreases in productivity, 51% citing damage to products, crops, catches, or property, with 41% saying that supply costs have increased due to extreme weather. Disasters are becoming more frequent, from an average of 3 in 1982 to 12 in 2020, resulting in significantly higher losses. (**Figure 2.8A**). From 1980 to 2022, damage from disasters accounted for about 5.4% of GDP and affected 12% of the population in the region (**Figure 2.8B**). Disasters also disproportionately affect women due to their extensive work in agriculture and the informal economy.

Figure 2.8: Disasters in the Pacific, 1980–2022



Access to Finance

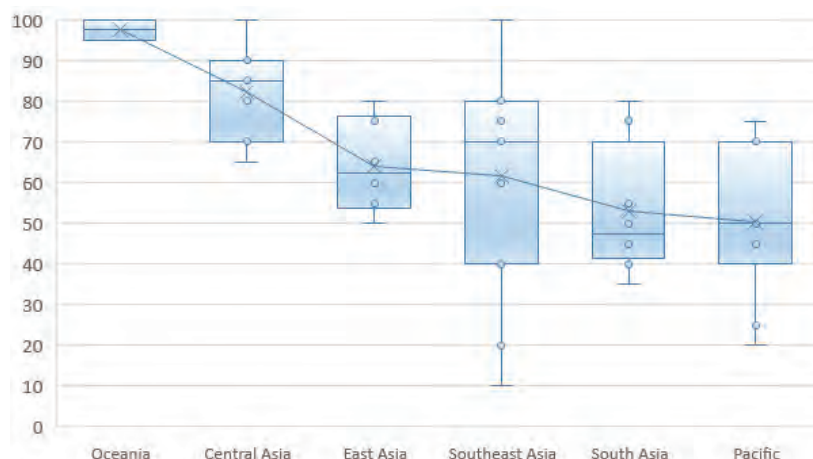
Better MSME credit access is positively associated with firm performance. Taking firm-level data from a large sample of countries from the World Bank enterprise survey, Kuntchev et al. (2014) find that access to credit in developing countries is inversely related to firm size, but positively related to productivity and financial deepening in the country. In India, Banerjee and Duflo (2014) find that a targeted lending program to credit-constrained MSMEs accelerated their sales and profit growth, while the impact on unconstrained firms was to expand production rather than substitute subsidized credit to other forms of loans. In Pakistan, Defever, Riano, and Varela (2020) find that the Export Finance Scheme and Long-Term Finance Facility for Plant & Machinery increased export sales growth by 7 and 8–11 percentage points, respectively.

Findings for the Pacific are similarly based on anecdotal evidence. In Samoa, a pilot microfinance project targeting women and youth by the Development Bank of Samoa allowed women entrepreneurs to expand their microenterprise activities (UNESCAP 2020), while an earlier loan program to SMEs by the Samoa Small Business Enterprise Centre similarly enabled its clients to expand their businesses and diversify into new ventures (Saif et al. 2020). Anecdotal evidence also suggests that agricultural exports in PNG increased following government financial support to SMEs (World Bank 2022).

The credit environment in the Pacific is more constrained compared to other subregions in Asia. Based on the World Bank's ease of getting credit index, Pacific economies have the lowest average scores (**Figure 2.9**). They reflect the robustness of credit reporting systems and the effectiveness of collateral and bankruptcy laws in

facilitating lending (World Bank Ease of Doing Business website). Additionally, the subregion suffers from limited availability and distribution of credit information. Vanuatu, PNG, and Tonga have the highest scores in the region, due to their better legal framework for credit. However, the subregion still faces constraints due to limited coverage, scope, and accessibility of credit information.

Figure 2.9: Ease of Getting Credit Scores, 2020



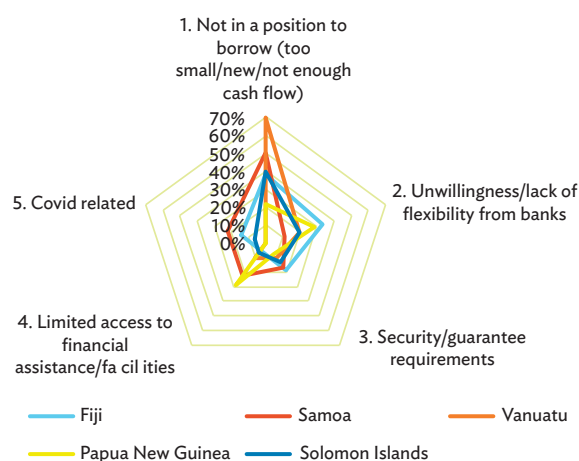
Note: The Ease of Getting Credit score is an aggregate index ranging from 1-100 that represents the quality of the regulatory environment in the credit sector. X values in the chart are the mean scores for each subregion.

Source: World Bank, Ease of Doing Business Score—Getting Credit.

MSMEs in the Pacific perceive access to finance a significant obstacle to growth.

The Pacific Islands Export Survey 2022 finds that 64% of firms surveyed have difficulty obtaining finance for working capital and other needs. This applies to 88% of firms in Solomon Islands, more than 70% of MSMEs in PNG, and more than 60% of firms in Samoa. In Fiji, 38% of respondents perceive that they are not able to borrow due to their small size and poor financial capacity (**Figure 2.10**). About 33% attributed it to the lack of flexibility of banks, while 19% attributed it to lack of security requirements. Firms in Samoa reported COVID-related problems affecting their business and lack of available funding, aside from their financial capacity and security requirements. ESCAP (2020) finds that in Samoa, the supply of tailored financial products, such as commercial equipment leasing and factoring, is quite limited, while significant offerings of financial products are unlikely given the market's small size relative to the resources required to manage more complex financial instruments.

Figure 2.10: Reasons for Difficult Access to Finance



Note: Top five challenges for the entire survey sample.

Source: Pacific Islands Export Survey 2022, Pacific Trade Invest Australia.

Interviews conducted by ADB in March 2023 with officials from Pacific governments and industry associations also found access to finance a main constraint for MSME growth. Industry representatives said the major barriers to MSME growth included limited access to finance, along with insufficient information and local connections, meeting market requirements such as international standards and certifications, and high freight costs. Additionally, MSMEs lacking access to formal finance channels often resort to money lenders who charge high interest rates. Business associations and commerce departments cited the need for collateral and insufficient funding key challenges for MSMEs. They also highlighted financial literacy and formalizing businesses through registration and licensing. They emphasized that most failed businesses were small firms, that a significant proportion of the population remained unbanked, and that too few loans were allocated to MSMEs.

Declining correspondent banking relationships between foreign financial institutions and local banks in the Pacific further limits financial access for MSMEs involved with international trade. Correspondent banking relationships facilitate the cross-border payments for global trade, finance, and remittances (Rice, von Peter, and Boar 2020). Without them, trade costs increase due to the many fees paid to multiple banks in a transaction, increased operational complexity, and transaction delays. The result is missed trade opportunities as firms lose access to foreign markets and face increased compliance and risk management costs associated with trade finance.

While correspondent banking relationships have declined by around 40% globally over the past decade, the impact has been more severe in the Pacific (Table 2.3). The global decline comes from de-risking—banks severing ties with high-risk clients to avoid potential liabilities—and new regulations that make compliance more costly and complex, thus discouraging banks from maintaining correspondent relationships. This is particularly evident in the Pacific, where economies are often perceived as high-risk due to economic volatility, political instability, and vulnerability to disasters. The decline in correspondent banking limits Pacific countries' ability to conduct cross-border trade, finance, and remittance transfers.

Table 2.3: Changes in Correspondent Banking Relationships, 2011–2022

	Change in the Number of Correspondent Banking Relationships (%)
Global	–37.6
Asia and the Pacific	–31.9
Pacific	–56.2
Vanuatu	–65.1
Cook Islands	–70.6
Solomon Islands	–57.3
Fiji	–65.7
Tonga	–49.0
Papua New Guinea	–55.5
Samoa	–51.6
Tuvalu	–50.0
Kiribati	–40.7

Source: Bank of International Settlements- Committee on Payments and Market Infrastructure. https://www.bis.org/cpmi/paysysinfo/corr_bank_data/chartpack_2305.pdf

Digitalization in Trade

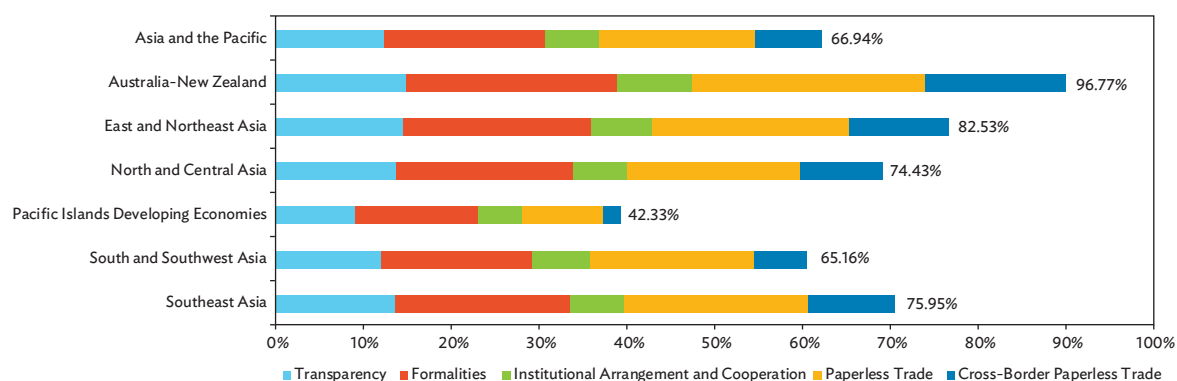
In the Pacific, digitalization can significantly lower transaction costs in trade and finance. For example, digitalization allows for greater access and increased visibility through e-commerce. In a study of trade performance in the Pacific, Di Caprio and Daza (2015) find that the importance of geographic distance is 65% lower for online trade. In the Pacific Islands Export Survey 2022, 48% of respondents said that revenue from online selling accounted for more than half their export revenues. During the pandemic, trade facilitation was used as an effective tool to mitigate the its effects by simplifying and digitalizing border procedures, which helped ensure the swift movement of medical and other essential goods (ADB and ESCAP 2021).

Digitalization in trade finance can reduce the costs of regulatory compliance for banks and increase transparency by reducing information asymmetry. Paper-based transactions in letters of credit are still widely used, with operational costs about 50%–60% of the price charged clients (World Economic Forum and Bain & Company 2018). ADB'S Trade Finance Gaps, Growth, and Jobs Survey 2021 finds that more than 70% of banks considered AML/KYC requirements as the biggest hindrance to providing trade finance. In addition, enhancing transparency by verifying business identification in local banks digitally can greatly reduce risk premiums.

However, a significant portion of trade facilitation procedures in the Pacific continue to rely on manual processes. There are cumbersome regulatory procedures and documentation requirements aside from inefficient transport and logistics infrastructure. Manual processes such as customs examination in ports involve manual container inspections (ADB 2020). In the Pacific, clearing traded goods usually involves various steps with multiple agencies such as customs, biosecurity, health authorities, shipping agents, and customs brokers. These processes are often not integrated, resulting in unnecessary large delays and trade costs.

While trade facilitation reforms have been well implemented in Asia and the Pacific, cross-border paperless trade and trade facilitation for MSMEs have lagged behind (ESCAP 2023). While the average implementation rate for paperless trade in the Asian region is about 67%, it is only about 42% for Pacific economies (**Figure 2.11**). Paperless trade is well implemented in the more advanced economies in East and Northeast Asia (74%) as well as Australia and New Zealand (97%). Implementing paperless trade systems requires digital hardware and the skills and harmonized systems across institutions. In turn, this entails huge investments and capacity that Pacific economies lack, requiring donor assistance from and multilateral agency support.

Figure 2.11: Implementation of Trade Facilitation in Asia and the Pacific



Note: The United Nations (UN) survey was designed to assess the degree of implementation of trade facilitation measures, drawing from both public and private stakeholders. Paperless trade for the survey included procedures such as implementing an electronic single window system and electronic submission of customs declarations, among others. Cross-border paperless trade includes processes like the electronic exchange of certificates of origin and sanitary and phytosanitary certificates, among others.

Source: UN Global Survey on Digital and Sustainable Trade Facilitation, <https://www.untfsurvey.org/>, accessed 7 July.

While information communication technology (ICT) has opened up new possibilities for e-commerce and other applications, MSMEs must overcome limited connectivity and the high costs of internet services. Most countries in the Pacific have poor coverage of 4G mobile networks and internet penetration, including low mobile broadband subscriptions and slow internet speeds (Table 2.4). There are only 25 or less mobile broadband subscriptions per 100 people in Kiribati, the Marshall Islands, FSM, PNG, Samoa, Solomon Islands, and Tuvalu, while the highest internet penetration rates reach just 67% in Fiji and 62% in Nauru. Digital payment systems in the Pacific are also underdeveloped and used mainly for domestic transactions (UNCTAD 2023). The MSME Council of Papua New Guinea notes that while populated regions have internet connections, the cost of access can reach about \$80 for 50 gigabytes per month, while rural and remote areas have very limited access. Gender gaps are also prevalent: PNG's gender digital score based on women's internet access and other criteria is 47% compared to more than 70% for Samoa and Tonga (A4AI 2022).

Table 2.4: Selected Indicators for Digital Connectivity in the Pacific, 2017–2020

Country	Infrastructure			ICT access and use			
	Number of submarine cables	Population covered by 4G mobile network (% of population)	International bandwidth per internet user (kilobit per second)	Internet users (% of population)	Mobile broadband subscriptions (per 100 people)	Smartphone adoption (% of all connections)	Price of the cheapest smartphone (% gross national income per capita)
Fiji	4	77.0	34.0	67.3	85.3	43.0	13.3
Kiribati	0	52.6	5.9	31.9	25.0	-	-
Marshall Islands	1	-	43.3	38.7	0.0	-	-
FSM	3	0.0	22.1	35.3	0.0	-	-
Nauru	0	30.0	-	62.4	33.2	-	-
Papua New Guinea	4	50.0	38.9	11.2	10.7	22.0	13.4
Samoa	3	49.0	10.0	33.6	18.1	-	-
Solomon Islands	1	22.3	11.7	11.9	18.2	31.0	21.3
Tonga	2	85.7	35.0	41.2	60.7	-	-
Tuvalu	0	0.0	10.1	35.2	0.0	-	-
Vanuatu	1	46.5	11.7	25.7	171.4	26.0	-

FSM = Federated States of Micronesia, ICT = information and communication technology.

Note: Red = Country is below the Pacific average; Yellow = Country is above the Pacific average; Blue = Country is above global average.

Source: UNCTAD (2023).

MSMEs and Trade Agreements

Regional trade agreements are increasingly including provisions that specifically benefit MSMEs. RTA provisions that cater to MSMEs provide benefits by providing preferential access to target markets at reduced costs. They also help address problems such as nontariff barriers and access to information, often via MSME committees or points of contact. Streamlining and simplifying border procedures, as well as reducing fees paid to customs and other border agencies, also lower costs.

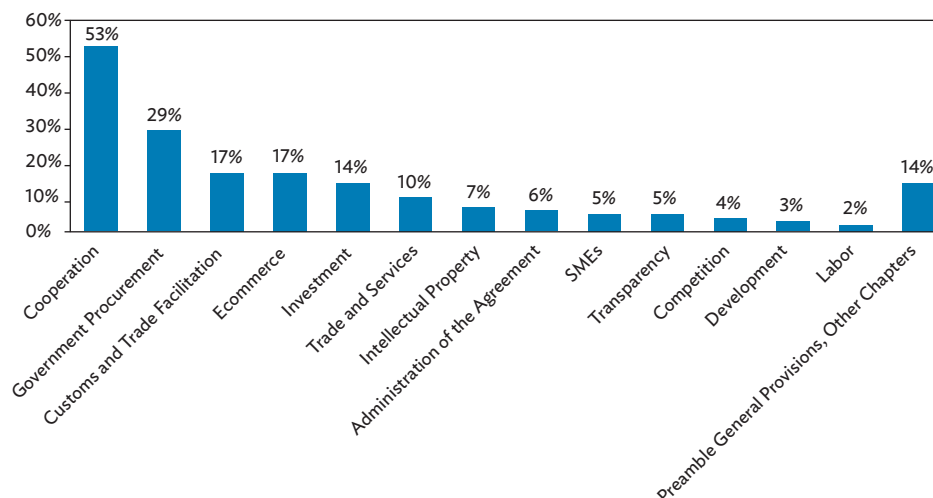
As of 2022, of 353 RTAs, more than half—55% or 196 RTAs—included provisions related to MSMEs (ESCAP 2023). Among MSME provisions, about 53% refer to cooperation. They include sharing best practices, reducing e-commerce barriers (such as access to data and narrowing the digital divide with larger firms), offering networking

and ICT training, easing access to credit, and improving entrepreneurial skills for exporters and information on new markets (Figure 2.12).²

Other MSME-related provisions include commitments on government procurement (29% of RTAs), followed by provisions on trade facilitation and e-commerce (both 17%). Government procurement provisions offer flexibilities or exemptions to enable greater MSME participation. Provisions on trade facilitation help MSMEs, which are typically less equipped to handle cross-border procedures, expedite shipments (ESCAP 2023).³ E-commerce provisions forge cooperation to better access ICT, digital entrepreneurship, and data protection policies. They also correspond to the World Trade Organization (WTO) Information Technology Agreement, which promotes tariff reductions on ICT and reduces the cost of primary equipment.

However, access to trade finance—a key constraint in internationalizing MSMEs—is generally not included in RTAs. Trade finance is usually only casually mentioned in trade agreements as an area for cooperation (like exchanging information) or as a general form of MSME support. In 2020, the WTO Informal Working Group (IWG) on MSMEs included “Access to Finance and Cross-border Payments” as one of six recommended measures WTO members should address through capacity-building and information sharing. It promotes international agreements that facilitate adoption of the Legal Entity Identifier to simplify the conduct of due diligence by financial institutions (WTO 2020).⁴ The WTO IWG subsequently approved a work program to implement these measures in March 2023 (WTO 2023).

Figure 2.12: MSME Related Provisions in Regional Trade Agreements



MSME = micro, small, and medium-sized enterprise.

Note: Note: MSME-related provisions refer to mentions or references to MSMEs in specific regional trade agreement (RTA) chapters. Percentages refer to shares of total RTAs with MSME-related provisions (WTO 2022).

Source: ESCAP (2023).

² For instance, the ASEAN–Korea free trade agreement establishes networking opportunities for MSMEs and related government departments to share best practices on technology transfer, development of management skills, access to finance and supply chain linkages. It also promotes investment from the Republic of Korea’s MSMEs in Association of Southeast Asian Nations (ASEAN) members and vice versa.

³ For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership establishes a committee to address MSME participation in government procurement and sets out a binding provision requiring parties not to assess duties on express shipments valued at or below a certain amount. It also mandates parties to periodically review the impact of this threshold on MSMEs.

⁴ “Legal entity identifiers” (LEI) is a unique 20-digit number system that identifies companies, government or entities involved in financial transactions. It is used to give information about “who is who” and “who owns what” in financial markets (WTO 2020).

The need to expand export and import markets has led to increased involvement of Pacific economies in RTAs. According to ADB's Asia Regional Integration Center database, as of July 2023, there were six plurilateral free trade agreements that include at least one Pacific country (**Table 2.5**). Papua New Guinea, Solomon Islands, and Fiji are most involved, each a party to six RTAs. They are closely followed by Samoa and Vanuatu, involved in five RTAs each. The Cook Islands, Kiribati, the Marshall Islands, FSM, Nauru, Tonga, and Tuvalu each participate in four RTAs.

- The Pacific Agreement on Closer Economic Relations (**PACER**) Plus, initially signed in 2017 and entered into force in December 2020, is the most recent trade agreement with Australia and New Zealand. Commitments cover tariffs, services, investment, and movement of people. Pacific island economies can source inputs from other countries while retaining duty-free entry to Australia and New Zealand. Features also include increasing work opportunities in Australia and New Zealand to Pacific country participants, and provisions covering investor protection.
- The South Pacific Regional Trade and Economic Cooperation Agreement (**SPARTECA**), signed in 1980, is the oldest trade agreement in the Pacific. It is a non-reciprocal RTA through which Australia and New Zealand offer duty-free access over a wide range of goods originating from Pacific economies. The agreement also extends economic, commercial, and technical assistance to Pacific countries to support measures and programs on export development and trade promotion, along with industrial, agricultural and fisheries development.
- The Pacific Island Countries Trade Agreement (**PICTA**) promotes regional integration through a free trade area designed to move toward wider integration with the global economy. Eight countries trade under this agreement, including the Cook Islands, Fiji, Kiribati, Niue, Samoa, Solomon Islands, Tuvalu and Vanuatu (Pacific Islands Forum website). Others have yet to use or join the agreement.
- The Economic Partnership Agreement (**EPA**) is a broader agreement between Pacific economies and the EU. It covers trade in goods and goes beyond conventional free-trade agreements. EU markets fully and immediately open to African, Caribbean and Pacific (ACP) partners, while Pacific countries open partially to EU imports over transitioning periods. The agreement focuses on development of ACP partner countries and is designed to help drive change toward reform and good economic governance.
- Following Brexit, the **United Kingdom Pacific States Interim Economic Partnership** established a free trade area between the United Kingdom and select Pacific countries, effective 2021. The agreement included commitment to eliminate customs duties on exports, phasing out agricultural export subsidies, and prohibiting quantitative restrictions.
- Another key agreement is the Melanesian Spearhead Group (**MSG**) Trade Agreement, a comprehensive and progressive free trade agreement that promotes regional integration between Fiji, PNG, Solomon Islands, and Vanuatu. It established a free trade area for goods, with members committing to most-favored nation treatment, easing quantitative restrictions, and eliminating customs duties on all goods originating in the group.

Table 2.5: Regional Trade Agreements in the Pacific

	Pacific Agreement on Closer Economic Relations (PACER) Plus	Economic Partnership Agreement (EPA)	Pacific Island Countries Trade Agreement (PICTA)	Melanesian Spearhead Group (MSG)	South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)	United Kingdom-Pacific States Interim Economic Partnership
Year in effect	2020	2014	2003	1993	1981	2021
Cook Islands	✓	✓	✓		✓	
Fiji	✓	✓	✓	✓	✓	✓
Kiribati	✓	✓	✓		✓	
Marshall Islands	✓	✓	✓		✓	
Micronesia, Federated States of	✓	✓	✓		✓	
Nauru	✓	✓	✓		✓	
Palau	✓	✓	✓			
Papua New Guinea	✓	✓	✓	✓	✓	✓
Samoa	✓	✓	✓		✓	✓
Solomon Islands	✓	✓	✓	✓	✓	✓
Tonga	✓	✓	✓		✓	
Tuvalu	✓	✓	✓		✓	
Vanuatu	✓	✓	✓	✓	✓	
Non-Pacific Country Partners	Australia, New Zealand	EU 26	-	-	Australia, New Zealand	United Kingdom

EU = European Union.

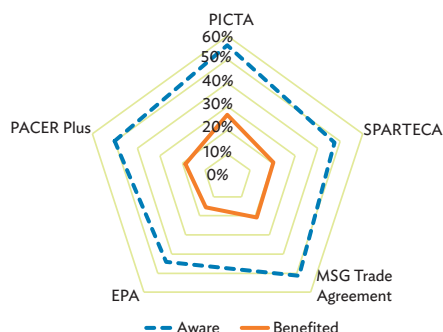
Note: EU 26 countries include Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Poland, Portugal, Romania, Malta, Slovakia, Spain, Sweden, the United Kingdom, and Netherlands.

Source: Authors based on Asia Regional Integration Center Free Trade Agreement database. Accessed in July 2023.

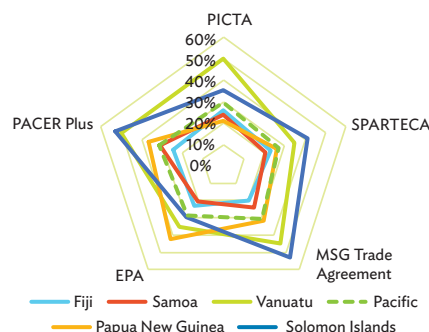
RTAs in the Pacific enjoy high awareness but low utilization. The inconsistency between awareness and utilization exists across all RTAs, with an average gap of about 30% (**Figure 2.13**). In Vanuatu, the disparity broadens to almost 50% for PICTA, MSG, and PACER Plus, whereas the narrowest gaps are in Fiji and Samoa. Despite the preferential access offered by trade agreements and the potential welfare enhancements through increased trade—with Chen et al. (2014) estimating that participation in MSG could boost exports by 49% and SPARTECA by 115%—these gaps illustrate the significant costs related to lack of information, limited resources and capacity, and inadequate access to finance to explore foreign markets.

Figure 2.13: Regional Trade Agreements in the Pacific, Pacific Islands Export Survey 2022

A. Awareness and Utilization



B. Gap between Awareness and Utilization



EPA = European Union Economic Partnership Agreement; PACER = Pacific Agreement on Closer Economic Relations; MSG = Melanesian Spearhead Group; PICTA = Pacific Island Countries Trade Agreement; SPARTECA = South Pacific Regional Trade and Economic Cooperation Agreement;
Source: Pacific Islands Export Survey 2022, Pacific Trade Invest Australia.

2.4 Conclusion and Policy Considerations

For the Pacific economies, reducing trade and trade financing costs is pivotal for more inclusive development and increasing MSME involvement in international trade. The high trade and finance costs can be lowered by using ICT technologies to make trade procedures more efficient and ease MSME access to financial resources, including trade finance. Enhancing trade with major markets via trade agreements can help MSMEs reach economies of scale, while also leverage MSME capacity-building provisions within these agreements.

Trade costs in the Pacific can be significantly lowered by adopting modern trade facilitation measures. Pacific economies lag other Asian subregions in implementing the WTO Trade Facilitation Agreement. In 2021, the overall implementation rate for the subregion was about 41%, compared to East Asia (83%), Central Asia and Russian Federation (71%), Southeast Asia (74%), and South Asia (63%) (ADB and ESCAP 2021). Manual container inspection remains the norm in various ports, raising trade costs as well as concerns over smuggling illicit drugs and weapons. With stronger regional cooperation and assistance from governments and multilateral agencies, Pacific economies can benefit from installing a modern customs management system while implementing the WTO Trade Facilitation Agreement that simplifies and harmonizes international trade procedures.

Container throughput volumes are expected to double in PNG during 2015–2035, and to grow by 40%–60% in Fiji, Samoa, Tonga, and Vanuatu (ADB 2020). However, suboptimal trade and transport logistics must be resolved to stimulate inter-regional and intraregional trade growth. Coupled with climate risk and vulnerability to disasters, this calls for an integrated approach to improving both trade and transport facilitation. It will require support from the development community to upgrade port infrastructure for protection against natural hazards, as well as the growing importance of terminal separation—traffic disruptions caused by cruise liners taking priority over other port traffic (ADB 2020). Increasing port activity further underscores the need to adopt modern ICT technologies and trade facilitation procedures across the region. For instance, a National Single Window can boost efficiency by providing a common platform for document submission to clear goods through customs.

Digitalization should be promoted or strengthened to mitigate the impact of distance and increase access to trade and finance. Various initiatives have been implemented in the region, providing platforms for e-commerce and e-payments. For example, Samoa launched its E-commerce Strategy and Roadmap in October 2022, paving the way for digital platforms to promote trade in goods and services, reduce the limitations of the country's remoteness from major markets, and boost productivity across the economy. The Monetary Authority of Singapore and the United Nations Capital Development Fund are working together to develop the Pacific Islands Integrated Financial Ecosystem to enhance digital connections between MSMEs in the Pacific and Singapore (MAS 2022). In Tonga, Currencycloud and the Tonga Development Bank have partnered to provide settlement and clearing for various currencies (Financial IT 2022).

For trade digitalization, regional cooperation is also crucial. This includes joining the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. Several countries in Asia and the Pacific have approved or acceded to the agreement—in the Pacific, Tuvalu acceded in December 2022.⁵ Estimates show that implementing digital trade facilitation beyond the WTO Trade Facilitation Agreement could reduce average trade costs in the Asia and Pacific region by over 13%, with higher benefits for high-trade cost regions (ADB and ESCAP 2021). Pacific economies should take advantage of capacity-building provisions, while donors and multilateral institutions can assist in providing access to digital hardware and skills, and promote harmonization and interoperability. World Bank (2017) estimates that broad digitalization and connectivity can add \$5 billion to

⁵ Countries that approved or acceded to the agreement include Armenia, Azerbaijan, Bangladesh, Cambodia, the PRC, Iran, Mongolia, the Philippines, the Republic of Korea, Tajikistan, Timor-Leste, Turkmenistan, and Tuvalu (UN Treaty Collection website).

regional GDP in the Pacific by 2040. This should also include expanded access, skills training, and digital strategies that support women entrepreneurship.

Greater use of RTAs should boost trade performance in the Pacific. Despite widespread awareness of the potential benefits of trade agreements, trading firms often underutilize them due to their complexity, lack of specific information, and administrative barriers. Also, the challenges of meeting rules of origin and the potential minimal gains due to small preference margins can deter firms from fully leveraging these agreements. Thus, information must be user-friendly, transparent, and accessible, and administrative procedures streamlined. Providing targeted support and training for MSME traders on meeting trade documentation requirements will also help firms optimize the benefits of these agreements. Finally, consistent review and feedback mechanisms should be in place to ensure the continuous improvement and adaptation of trade agreements to the evolving needs of trading firms.

Pacific economies should consider the potential benefits of a regional trade finance institution. Given their small domestic markets, Pacific countries typically have limited capital markets and shallow financial development. A regional approach could be used to establish a trade finance institution or an export–import bank, potentially consolidating the region’s financial resources (Ali 2021). Given the generally low default rates for trade finance instruments, pooling resources in a trade finance institution could be a promising strategy. Support from donor countries and multilateral banks would be crucial for boosting capital and providing guarantees. The institution could also play a key role in assisting Pacific economies in digitizing finance, thereby enabling participation from smaller finance providers and borrowers.

The global decline in correspondent banking relationships, including those in the Pacific, calls for support from then public sector and the development community. The decline has increased the cost of financial access for businesses, disproportionately impacting MSMEs compared to larger firms. In response, export credit agencies and multilateral financial institutions should continue to expand their roles through measures such as providing export insurance and trade finance guarantees to reduce risk premiums and financing costs for MSMEs trying to expand into international markets. This could help mitigate the negative impact of deteriorating correspondent banking relationships. It would not only facilitate cross-border trade payments, but also reduce the costs of remittance flows to the region.

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3 Agricultural Value Chain Finance: Case Studies from the Pacific

3.1 Background

Agriculture is critical to the economies of the Pacific as well as for the livelihoods of their people. Approximately 65% of the population work in agriculture, mostly in subsistence farming and fisheries. It is the primary source of income for many more. Yet, despite the key role it plays, agribusiness in the Pacific has struggled to develop. There are many reasons, including remoteness, unclear property rights, disasters, lack of infrastructure, changes in international demand, lack of access to power and water, and a focus on tourism. Markets are small and access to larger regional markets is limited. The lack of financial access also severely limits the growth of agribusiness. Without the ability to improve operations, buy inputs, machinery, and grow their business, those involved in farming and fisheries struggle to reach the quantity and quality of produce required by aggregators or processors.

Agribusinesses in the Pacific rarely have the credit history and sophistication to borrow easily. In recent years, changes in the legal and regulatory environment have allowed farmers to use vehicles, crops, and other moveable assets as collateral. New products have also been introduced, creating a tripartite arrangement between farmers, aggregators, and financial institutions to make it easier to bring more agribusinesses into formal production systems. There are examples across the Pacific in which farmers can reduce these barriers to growth. This chapter examines three—in Fiji, Papua New Guinea (PNG), and Samoa.

The examples also tell the story of how financial institutions in the Pacific are learning about and developing new products. The Pacific Private Sector Development Initiative (PSDI), a joint venture between ADB and the Australian and New Zealand governments, has helped introduce new legal frameworks and provided technical support to institutions to increase access to finance for agriculture and micro, small and medium-sized enterprise (MSMEs). Although some of this work has been ongoing for several years, in some markets it remains at an early stage, with challenges and local problem-solving continuing.

3.2 Introduction

Lack of access to finance is a perennial problem for small businesses and the rural sector in developing markets. Their voices are often amplified as Pacific economies are driven by MSMEs. The challenge of expanding access to finance most often falls to the finance sector, particularly development banks which are typically the most active rural lenders across the Pacific region. Many farmers are not easy to reach, let alone lend to. In PNG for instance, the country's vast size is a logistical challenge with some 800 different languages spoken. One crop buyer interviewed for this chapter said most of her farmers are located high in the mountains and must walk 3 days to reach a main road. How can these farmers access finance?

Epeli, Mand, and Vailolo—the three cases discussed here—are all smallholder farmers in remote locations across the Pacific. They are strangers to one another. But they all share one thing in common. They have grown their farming businesses with the help of loans from an agricultural value chain finance (AVCF) facility. Their stories demonstrate how the challenges of financing agribusiness can be overcome. They show that it is not just borrowers who are learning from the process. Banks and finance companies are constantly learning as well and are adapting to the challenges of agricultural lending. Some is by trial and error. For both sides, making small loans begins with small steps.

Epeli is a ginger farmer from Naitisiri in Fiji. He has almost doubled his crop income over the past 4 years, changing both his crop mix and area cultivated, assisted by finance from the Fiji Development Bank (FDB) using an AVCF model.

Vailolo is a copra farmer in Samoa. He has a supply agreement to provide his buyer, Serendi Coco Limited, with regular truckloads of copra or dried coconut. He has qualified for a new truck loan and now works as an aggregator, collecting from his neighbors to deliver their combined inventory to Serendi.

Mand is a vanilla farmer in the mountains of Madang province in PNG. Vanilla is a high-value but slow-yielding crop. Finding a market is often a problem, but she is now assisted by a mobile buyer, Kamapim Trading Limited. Her connection with them gives her a “financial identity,” which is not just evidence of her name and address, but also evidence that she is a grower with a history of regular business transactions. Today, based on this relationship, Mand has a cash card from Nationwide Microbank (trading as MiBank) and can access small loans through the account.

3.3 Agricultural Value Chain Finance

Many people say that there is strength in numbers. That also applies to agriculture. A large number of farmers producing consistently marketable crops fuels infrastructure growth. Scale is needed to build warehouses, create processing facilities, and develop broader markets. There is no shortage of farmers in the Pacific region—the industry is the primary income source for 86% of the population in PNG, 90% in Fiji, and 90% in Samoa. But they all must import significant amounts of food, much of which they could produce locally. Many also enjoy strong export demand for their crops, including ginger, vanilla, and copra. Some of the barriers to increasing farm output are obvious, including remoteness, labor constraints, and lack of mechanization. Many farmers still rely on basic hand tools and manual labor. And for most there is a lack of access to capital.

Banks and finance companies also want size and scale when they can achieve it, for efficiency of resources. Serving the financial needs of farmers one by one is time-consuming and relatively expensive so wherever possible the banks look for automation options and bulk models.

Banks and finance companies must manage their money carefully. They must invest in good quality loans to earn interest that provides a return to shareholders and pay interest to depositors. They are heavily regulated. Each Pacific country has a central bank, which provides oversight and requires regular reports on asset quality as part of its monitoring role and often additional statutory requirements to protect clients. Thus, they tend to prefer lending in asset categories that are considered safe, such as mortgages on property or corporate lending, supported by detailed financial statements.

Prior to loan approval, financial institutions look for several things that increase their confidence they will be repaid by a particular borrower. They like borrowers that (i) can provide identity documentation and have a stable address, (ii) hold collateral, (iii) have financial statements that show the client can repay their loan, and (iv) have some

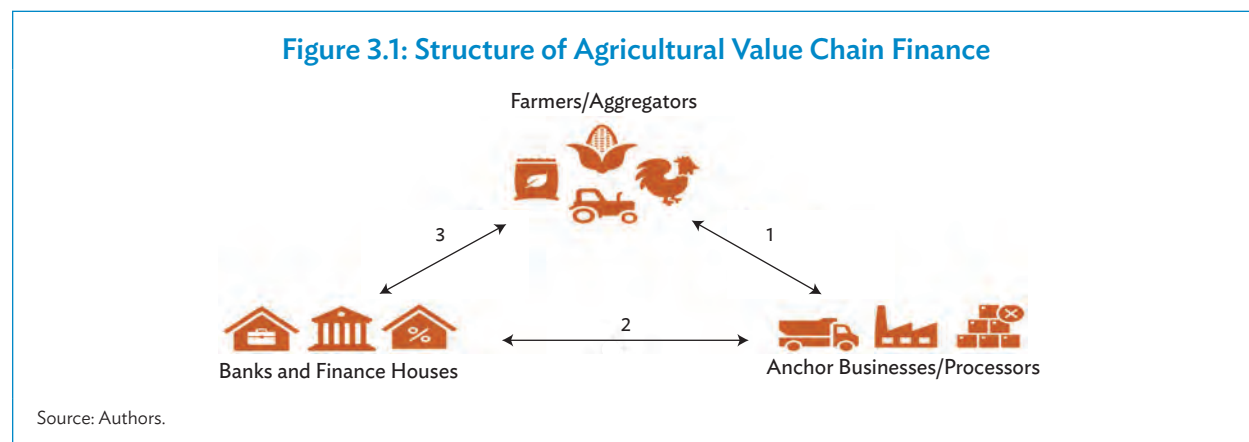
character reference so they know the client will honor commitments. These are the core ingredients for a loan application that can be categorized simply as identity verification, collateral, repayment ability, and character.

One of the first challenges of growing an agriculture-based loan portfolio is finding farmers and verifying their identities. Farmers can be hard to find, and it is difficult to provide them with a financial identity. The people or entities who are best qualified to verify the farmer's creditworthiness are their local buyers or crop aggregators who know their history of crop production. This is the basis of AVCF models.

The fundamental difference between traditional lending and AVCF lending is the tripartite model of the financial institution, the farmer, and the crop buyer or aggregator. Buyers or aggregators have the market knowledge and experience with their network of suppliers, and they are often more sophisticated than individual farmers. It gives financial institutions a smoother communication channel, improved transparency on farmer activity, up-to-date information on commodity pricing, financial information disclosure, and, most importantly, better risk mitigation. A financial institution works with a strong buyer group, or anchor partner, to develop an AVCF product to lend to farmers more easily. A technology partner may also join to manage remote farmer relationships more effectively.

A contract between the farmer and anchor business, typically a crop buyer or processor, provides consistent crop supply (**Figure 3.1**). This is the first stage of any AVCF model and provides certainty to both parties (arrow 1).

The anchor business then agrees, with the farmer's consent, to share information with the financial institution on historical and current sales activity. This is the second stage (arrow 2). The anchor business may also nominate the farmer to receive finance and agree to deduct loan repayments prior to making crop payments to the farmer.



This arrangement gives the financier confidence to extend loans (arrow 3), and thus empowers the farmer to add productive capacity, improve efficiency, or simply buy a bigger truck.

AVCF has been introduced in many Pacific markets—including PNG, Samoa, and Fiji—by introducing legislation that allows the use of additional types of collateral as security for loans under a program of collateral or secured transaction reforms. They include an online registry that records financial institutions' security interests. Assets such as plant, machinery, crops, inventory, invoice receivables, and most other non-property assets can now be used to meet loan collateral requirements. This offers banks and financiers in these markets a secure, formal method of registering security interests across these asset classes.

PSDI has led implementation of the new laws and follows up with advisory support to multiple financial institutions in the Pacific. Movable collateral is still a new concept for many, as historically banks have long preferred using just land as collateral. However, in many Pacific markets, land is part of complex communal ownership structures with historical usage rights. In some markets, such as Tonga, it is owned entirely by the Crown. For finance to grow, new lending strategies with broader types of collateral are needed. The AVCF model introduced by PSDI is a prime example of a practical way around the problem, giving financiers the safety of big business support as the funds flow down the supply chain. It remains a “work in progress” with many other movable collateral-based product concepts yet to be explored.

3.4 Case Studies

The case studies presented are current examples of how access to finance has evolved for isolated businesses, such as remote farmers in the Pacific. While each story is unique, they also have some things in common.

Fiji

Epeli is a ginger farmer in Lomaivuna, Naitasiri, Fiji. Ginger is a high-value crop which grows well in the Fijian climate. It is also a growing export earner. In 2022, exports were F\$11 million (\$5 million). The government set a target of increasing ginger exports to F\$25 million (\$11.3 million) within 5 years.¹ That will require investments in land development, farm mechanization and to ensure processing plants can handle the increased throughput.

The FDB is handling farmers’ need for more financial access. PSDI has worked with FDB for several years to build expertise on AVCF structures. A new AVCF program was developed, one that covers ginger farmers. To participate, ginger farmers have to meet certain criteria:

- have a contract with an approved ginger processor;
- have access to land for ginger growing; and
- be a member of the Ginger Growers Association.

The AVCF program began in 2019 with the signing of the first Master Agreement between FDB and Kaiming Agro Processing Ltd., a ginger processor based on the banks of the Navua River, close to Suva, Fiji’s capital. The company produces crystallized ginger, glace ginger, pickled sushi ginger, pureed ginger, and ginger juice. A second processor, Frespac Ginger (Fiji) PTE Limited, has since joined. Together they have 237 staff, 75% women. Export markets include the United States (US), Canada, Australia, New Zealand, Germany, and the United Kingdom (UK).

A third party to the Master Agreement is the Ginger Growers Association, which represents over 180 farmers and are active in promoting industry training and financial literacy for members. The AVCF model allows financial support to new and existing farmers and lets grower cooperatives collectively raise finance for infrastructure such as storage and transportation.

Ginger grower Epeli is happy the extra finance allowed him to increase crops of both organic and conventional ginger on his farm. “It really helped us financially—increasing our production and income significantly.”

¹ S. Qalubau. 2022. Govt Targets \$25m Ginger Export In 5yrs. *Fiji Sun*. 11 March. <https://fijisun.com.fj/2022/03/11/govt-targets-25m-ginger-export-in-5yrs/>.

Shortly after the AVCF program started, the coronavirus disease (COVID-19) pandemic slowed both finance and agriculture activity. At the time of the AVCF launch, FDB had little portfolio exposure to the ginger sector. But the AVCF program had significant impact as the bank gained knowledge of the crop, its farmers, and the Ginger Growers Association.

Under the terms of the AVCF loan, repayments are made directly from the ginger processing company. This is one feature of program that protects FDB as it gets paid before crop earnings reach the farmer, who can then use revenues for other purposes. However, it increases administrative requirements for Fiji's processors—initially with some teething problems.

FDB's Chief Executive Officer (CEO) Saud Minam said that in its May 2023 portfolio analysis, there were 22 active farmer loans under the AVCF ginger program, totaling some F\$287,000 (\$128,000). He also said they now have a wider portfolio of ginger farm loans, with payments made directly under regular instalment arrangements, totaling another F\$1.2 million (\$536,000). The total FDB portfolio to ginger farmers exceeds F\$1.5 million (\$670,000). In 2022, Fiji's Ministry of Agriculture agreed to provide a partial interest subsidy for agriculture loans under F\$50,000 (\$22,000) to encourage more borrowers to apply. Farmers like Epeli now can borrow against their crops and increase family income.

In Fiji, crops such as taro, papaya, rice, ginger, cucumber, and pineapple are well suited to its warm climate—and the country developed special trading arrangements with Australia and New Zealand under a Bilateral Quarantine Arrangements that expedites crop trading with minimal border delay.

FDB has led the introduction of AVCF in Fiji. Initially, workshops between PSDI and FDB in early 2018 discussed AVCF after the government passed the Personal Property Securities Act 2017. The development work continued into early 2019 when the first AVCF pilot was launched for ginger farmers.

This AVCF model has now been adapted for rice farmers. FDB's Minam said that although the model remains “brand new” to Fijian farmers, he expects it will soon be rolled out for many other cash crops, focusing particularly on crops approved under the Bilateral Quarantine Arrangement. Although some of the new loan products may have different names, the FDB head confirmed that what drives all of them is the AVCF model.

FDB management believes the fundamental AVCF principles are ideal for the local market. CEO Minam said, “we love this product, it is one of the best things introduced here, mitigating the risk concerns we traditionally have over lack of collateral. Under this program, the crop buyer gives us the security we need. It is a win/win for the Bank and the farmer.” That is encouraging for farmers like Epeli.

Papua New Guinea

Growing vanilla requires patience and perseverance. Each bean comes from a vanilla flower which opens only once and must be hand pollinated by midday on the day it opens, otherwise it withers. The bean then takes 9 months to grow, before being harvested and air dried to mature for several months. The payoff is the high quality—and high price—for PNG vanilla, now more than 10 times the price of cocoa beans (per kilogram). Selling vanilla is also a challenge. The farmer typically must travel long distances just to find a buyer.

Mand is a vanilla farmer. She and her family have traditional rights to a planting area high in the mountains of PNG's Madang province. Most property in PNG is owned under customary title, which means there is no outright property ownership, and thus property cannot be used as collateral for borrowing. Mand sells her vanilla to Kamapim Ltd., which buys and trades agricultural products. Kamapim is a word in the local *Tok Pisin* language meaning “to grow or to develop”. Kamapim's CEO, Nancy Irwin, has built a large network of over 13,200 farmers within Madang

province, of which 35% are women. The company strongly supports sustainability and ethical business practices. All Kamapim farmers must satisfy five prerequisites before qualifying as a supplier:

- not involved in logging or mining;
- not using child labor;
- only organic farming methods are applied;
- high hygiene standards must be maintained with modern sanitation; and
- all farmers must have a bank account, as all crop purchases are cashless transactions.

Given the farmers' remote location, creating a cashless network of over 13,000 farmers is quite remarkable. To manage the network, Kamapim partnered with agri-tech providers Field Buzz and Cultivar to create a smart data collection tool for the network.² These tools are linked to mobile phones which record the details of each farmer, and include seasonal output, individual sales volumes, prices, and quality grading. It also builds an overview of the farm mix, gathering information on other crops produced, such as cocoa, coffee, vegetables, along with other income derived from market stalls and weaving, among others. That data thus creates an economic identity for each farmer. Kamapim developed its own identity card for their farmers which formally identifies them as farmers and allows easier access to banking, especially as many cannot tap government offices for traditional identity cards.

MiBank is a microfinance bank established in PNG in 2004. It provides affordable savings, loans, and insurance from 16 branches and a wide network of agents across the country. MiBank uses a mobile e-wallet called MiCash, which allowed them to become the largest financial services provider to the Kamapim network and extend loans under a pilot model.

MiBank has been a strong advocate for agri-financing and has tested pilot AVCF models in cocoa and copra as early as 2018. These had mixed success due to issues with some groups of buyers and weak systems. But MiBank learned from each model and gained valuable experience. In 2020, they were invited to tender for a project with the global mobile group GSM Association (GSMA), a nonprofit organization of mobile operators that works to increase use of mobile technology for development worldwide. GSMA's planned agri-tech program in PNG included a pilot credit product. And it needed to find a financing partner. The other partners included in the first PNG pilot were Kamapim and Field Buzz. The consortium applied three steps to support financial inclusion for farmers:

- (i) developing mechanisms for sharing farm and farmer data collected by agri-tech tools and agri-businesses;
- (ii) establishing a system for farmer credit scoring; and
- (iii) design, development, and pilot testing of a credit product based on farmers' needs.

The project has been progressing well. According to MiBank's Chief Operating Officer (COO) Trudi Egi, as of May 2023, the bank had approximately 300 farmers accessing credit with a current portfolio of just over K300,000 (\$85,000). These farmers were nominated by Kamapim based on trading data gathered through its mobile collection mechanism. Traditionally, banks seek financial documentation such as income statements and balance sheets. In the mountains of PNG, the reality is that trading history is the best evidence available of a borrower's revenue and capacity to repay.

Each farmer has a MiCash mobile wallet, and Kamapim transfers payments for vanilla purchases directly into their accounts. MiCash wallets also allow access for approved farmers to receive small overdrafts from MiBank. This is

² See GSMA. 2022. How economic identities facilitate lending to smallholder farmers: the case of rural loans in PNG.

the first time most of these farmers have been able to access credit. PNG is often described as an underdeveloped and somewhat challenging country to operate in, but this level of mobile digital financial service delivery is cutting edge in the Pacific.

Mand says she could not access finance before she found Kamapim and built a trading history with them. There is no bank near her, and she had very limited means to prove her identity and meet the usual bank requirements for a loan. Her mobile wallet, accessed through her mobile phone, also improves her financial management. “I feel that when I am holding on to cash that I will use it, but when I put it into my account, I am saving it,” she said.

Today Mand and her fellow vanilla farmers can access their money immediately in their village. Many small PNG shopkeepers and mobile phone agents prefer to accept mobile payments due to the difficult logistics associated with holding cash and the high local crime rate.

Under this AVCF model, Kamapim does all the client selection and decides who can access credit. MiBank describes it as a totally outsourced product. COO Egi has told his MiBank staff they must accept that, unless something goes seriously wrong, they will never meet their vanilla farmer customers, a clear indicator of how MiBank’s AVCF model reaches remote clients.

MiBank can see client wallets and transactions so know what each client is doing. But having no direct contact is still unusual, even in PNG. Also, at times Kamapim data are offline due to outages, and they are unable to receive consistent updates on individual client transactions. MiBank says it relies on the tripartite agreement it holds between themselves, Kamapim, and Field Buzz, which sets out the respective obligations of each party.

MiBank receives guarantee support to underwrite 80% of the risk on its portfolio from PNG’s Market Development Facility, an Australian government funded program. It says this support is necessary given the semi-agency arrangement of the AVCF model. The remoteness of farmers and need to outsource relationships also factor in risk structuring. So far, loan portfolio performance has been mixed. At times, it has as much as 50% of its portfolio in arrears, and Kamapim’s CEO confirms that 40% in arrears is not uncommon due to farmers’ inconsistent incomes. However, she says the loan accounts self-correct as more crops are sold.

Recently, the Market Development Facility announced it was restructuring its underwriting guarantees. MiBank agreed to accept the portfolio risk during the shift. They have been through what they describe as the pilot phase and are now entering the analysis phase. COO Egi still expects that MiBank will seek more guarantee support in the future for stage two as new government-backed guarantee funds offer up to 100% support.

Kamapim itself is working to improve the creditworthiness of its farmers and, with GSMA support, has hired a credit scoring expert to build a model for these farmers. It will use farmer capacity, trading patterns and loan performance criteria. Given vanilla’s strong seasonality—there are two harvests per year—the farmers have irregular cash flow with almost all reliant on other cash crops for support. Kamapim wants its farmers to have more banking options and become empowered by regular farm income to have better choices for banking and loans.

This vanilla AVCF model is a market leading model, overcoming remoteness and the usual challenges of extending credit to agriculture by relying on mobile automation, the strength of a local partner, data access, and other risk mitigants during its early development phase. However, it remains a work in progress for both Kamapim and MiBank. Although the number of loans is small, carrying limited risk for MiBank, the potential from its growing network is significant. The work being done now is creating a pathway to much wider credit distribution, driven by AVCF models, for many other remote farmers.

Samoa

The coconut tree is sometimes called the “Tree of Life.” It produces a superfood, and every part of the coconut and tree can be used in some way, as food, fuel, or ingredient. Vailolo is an organic coconut farmer who supplies a local coconut oil manufacturer with dried copra, the white flesh from the coconut. The copra is treated using a mix of solar and kiln drying as preparation for pressing at the oil factory.

Samoaan copra produces high-quality organic oil for which there is strong international demand. Vailolo sells his copra to Serendi Coco Samoa, a joint venture between a local company, Pacific Oil Ltd., and Dr Bonners, a US-based group specializing in organically and fairly traded soaps and coconut oil. Every fortnight the company ships to the US—and Serendi Coco must have sufficient stock to fill the constant demand. Thus, their supply chain is critical.

Serendi Coco has a formal Supply and Purchase Agreement with each participating farmer, with the contract the backbone of the AVCF product from the Development Bank of Samoa (DBS). Serendi says access to the AVCF has empowered farmers to extend their collection zones, and in doing so, nut collection has increased. This in turn increases dried copra production and generates more income for the farmers and dryer operators such as Vailolo.

Vailolo is very proud of his new Toyota Dyna truck, purchased through the AVCF program. Previously, he used to gather his own coconuts and some from neighboring farmers. But now he can travel and bring in more raw stock from a wider network of farmers. He has a kiln dryer to speed the copra drying process. He also uses the truck to earn extra income, selling the residue charcoal and coconut shells in different markets and doing odd jobs moving items for friends and family.

Labor is often a constraint in Samoa, as many workers travel overseas for seasonal work. But Vailolo can afford to hire more people from local neighboring villages and keep his kiln ovens maintained. He is thankful that Serendi Coco has encouraged him to invest more to increase output. It is the main income source for Vailolo and his family.

DBS is the leading local agricultural bank. Goretta Fau, general manager for operations, says that agriculture and fishing are the bank’s focus. It first introduced an AVCF product in 2019 after an extended period of consultation with a team from PSDI.

The product framework was enabled by Samoa’s parliament passing a Personal Property Securities Act in 2013 and the start of a Personal Property Securities Registry in late 2016. This allows the use of crops and other moveable assets, such as vehicles, to be used as collateral for borrowing.

Today, the copra value chain is the most active AVCF for DBS. It holds over ST500,000 (\$182,000) in this loan portfolio from a small group of four farmers. Three live on Upolu, the main island, and one on the island of Savaii. Serendi Coco encourages others to join.

Other AVCF models that have been tried in Samoa include a cocoa trial on Savaii Island and a model for taro farmers with a major local supermarket and exporting chain, the Ah Liki Group. The taro farmers sign a supply agreement with the buyer and in turn earn the right to access a line of credit from DBS. Taro requires a lot of land preparation, access tracks to be built, spraying for weed control, and fertilizers. In addition, there are other challenges such as transportation costs and land rotation.

The Ah Liki Group is one of the largest locally based businesses in Samoa with over 2 decades of business trading experience. It operates its own supermarkets under the Farmer Joe Supermarket brand and is involved in food manufacturing, beverages, agriculture, and wholesale food distribution. Taro is processed in their manufacturing plant and exported to New Zealand, the US, and other markets.

DBS's taro AVCF facility peaked with a loan portfolio of ST250,000 (\$91,000) with 30 farmers participating. As of May 2023, the portfolio was ST100,000 (\$37,000) with approximately 18 farmers. Clyve Westerland, CEO of Ah Liki, noted that the company was happy with the increased production achieved by introducing the AVCF, although there was some added paperwork and administration required. There was also a significant slowdown from the effects of the pandemic. Of Ah Liki's 30 clients, only one fell into significant arrears. DBS has advised that Ah Liki has assisted in working through the farmer's arrears. DBS says that many taro AVCF clients have since become direct clients of the bank, often taking larger loans as their AVCF loans were repaid.

The pandemic severely affected AVCF programs in Samoa as markets slowed, extreme caution became the norm, and large government support programs dramatically reduced demand for DBS loans. The government provided its own special pandemic-related support loans, using DBS as an agent, totaling ST4 million (\$1.48 million) for micro businesses. That was followed by a further ST5 million (\$1.85 million) loan facility for medium-sized businesses. The bank stopped all tourism and related lending during the pandemic.

DBS uses the AVCF model to address critical loan requirements. The client is referred by the anchor business, helping prove identity and address. The crops and contractual arrangements become the loan collateral. DBS does not require a separate direct guarantee from the anchor business but says it treats supply and purchase agreements as an effective form of guarantee. In some cases, such as with copra, it takes a specific collateral charge over trucks and in some cases kilns as well. In their first cocoa pilot project, DBS relied on additional plant and vehicles as a collateral top-off as well as the underlying cocoa bean crops and contractual arrangements. All these security interests were registered by DBS on the Samoan Personal Property Securities Registry.

The United Nations report on access to finance in Samoa in 2020 discussed the challenges of MSME finance in Samoa—"their most frequent complaints (lenders) about the acceptability of finance submissions are insufficient information, a lack of confidence in the ability of many SMEs to effectively manage growth, insufficient equity contributions from the borrower, and inadequate collateral."

Another MSME strategy paper specifically cited the need for DBS to increase use of movable assets as collateral, "Given DBS is a government-owned bank and is receiving strategic advice from ADB, it can lead the way and demonstrate to the other banks that moveable assets can be used to successfully repay loans in default. This will require the normalization of legal instruments such as assignment agreements (e.g., of receivables) and warehouse receipts and the active use of the moveable assets register, showing which assets have been pledged against loans."³

Fau says DBS supports this and is actively looking for more anchors to use for new AVCF models. She believes this is the best way to grow its agriculture portfolio. She also likes a pattern seen as borrowers move from AVCF models to become direct bank clients, often with larger facilities. Clients who have taken their first step by getting an AVCF loan gain confidence in taking on more debt. DBS is also gaining confidence and learning throughout the process, she says.

³ Samoa MSME Policy Development and Strategy Paper. 2020. https://www.mcil.gov.ws/storage/2021/04/MSME-Policy-and-Strategy_FINAL-Publisher-Version_Endorsed_26MAR2021.pdf.

3.5 Conclusion

Banks and finance companies recognize that governments and many other stakeholders strongly support boosting levels of MSME lending, particularly in agriculture, which underpins Pacific economies. Development banks have a mandate to assist economic development. However, expanding credit to MSMEs is not as simple as it seems, as illustrated by the case studies presented. It can be a balancing act to meet the requirements of tight regulatory regimes and risk management policies on the one hand and driving increased lending on the other. AVCF is an important mechanism that assists banks entering the agriculture finance market in a controlled way while mitigating risks. Many financial institutions in the Pacific have begun the process of developing AVCF products and learning what works best in the local context. As efforts yield positive results, their comfort level grows, and additional products are created. PSDI will continue to support this process.

Some key lessons from the case studies discussed can be summarized as follows:

- farmers must be forthcoming—they should share data, open their books, and sign up to supply agreements if they want to improve their chances of gaining access to finance;
- women farmers remain underrepresented in these finance models, with barriers including culturally male-dominated rural communities, with women being less likely to travel longer distances due to safety concerns, and fewer opportunities for literacy and financial skills training;
- the banks and finance companies are learning too—they need time and experience with AVCF models to get more comfortable with credit risks;
- many developing country markets post-pandemic remain cautious—and government support programs and loan schemes have reduced borrowing demand;
- credit guarantees and other risk enhancement support tools have a role to play grow as banks and finance companies gain more experience—it is important to start somewhere and build knowledge, as small initial steps lead to bigger steps in the future;
- there is some evidence that AVCF lending can lead to increasing overall sector exposure—DBS happily point to the growth in direct lending to former AVCF clients, and there are signs that the growth of direct ginger farmer finance in Fiji developed out of FDB's ginger AVCF program; and
- banks and finance companies like and want more AVCF products—there are indications that many more models will be rolled out, some differently labelled, but most will retain AVCF principles as their “engine.”

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4 Strengthening the Domestic Labor Markets in the Pacific: How to Cope with Outmigration Issues

4.1 Introduction

How should micro, small, and medium-sized enterprises (MSMEs) in the Pacific and their governments respond to the loss of employees to overseas migration? Large numbers of short-term and longer-term migrants are leaving their jobs in the Pacific to work overseas in high-income labor markets. And the numbers have been rising. How can the range of potential benefits of migration for the source country be identified and used to help the sending communities and the wider economy?

Media reports in the Pacific show that some MSMEs are threatened by the loss of workers migrating to Australia and New Zealand. Employers have complained about the loss of workers. These jobs can be temporary, taking up short-term jobs as seasonal workers. Or the jobs can involve longer-term work for up to 3–4 years for jobs in meat processing, agriculture, hospitality, and aged care. Five Pacific countries have a permanent migration pathway to New Zealand, with an annual quota of 1,100 applicants from Samoa, and 650 applicants from Fiji, Tonga, Kiribati, and Tuvalu via the Pacific Access Category visa. Australia also plans to add a pathway to permanent residence, called the Pacific Engagement Visa, for up to 3,000 successful applicants annually from the region. Eligible countries for the visa are the Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Palau, Papua New Guinea (PNG), the Republic of the Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

According to the Australian government, as of 31 May 2023, some 39,558 Pacific and Timor-Leste workers were employed in Australia using the Pacific Labor Mobility (PALM) scheme to meet low- to mid-skilled shortages.¹ The number of workers grew significantly during pandemic-related border closures, as employers were only permitted under strict government supervision to recruit workers from the Pacific and Timor-Leste. The government's promotion of recruitment from the Pacific has continued. The federal government's 2023–2024 budget provides further funding (A\$168 million over 4 years) to expand and improve the scheme. This funding will provide additional resources, including personnel for the source countries, to enable them to increase the number of workers available for jobs in Australia.²

New Zealand's seasonal work program—the Recognised Seasonal Employer (RSE) scheme—brought in an estimated 14,000 workers for the financial year ending June 2023.³ The New Zealand government imposes an annual cap on employment, which for 2022–2023 is 19,000 workers. A ceiling of 8,000 workers held from

¹ Government of Australia. 2023. The PALM Scheme at a Glance. 31 May https://www.palmscheme.gov.au/sites/default/files/2023-07/Expanding%20and%20improving%20the%20PALM%20scheme%20May%202023_0.pdf

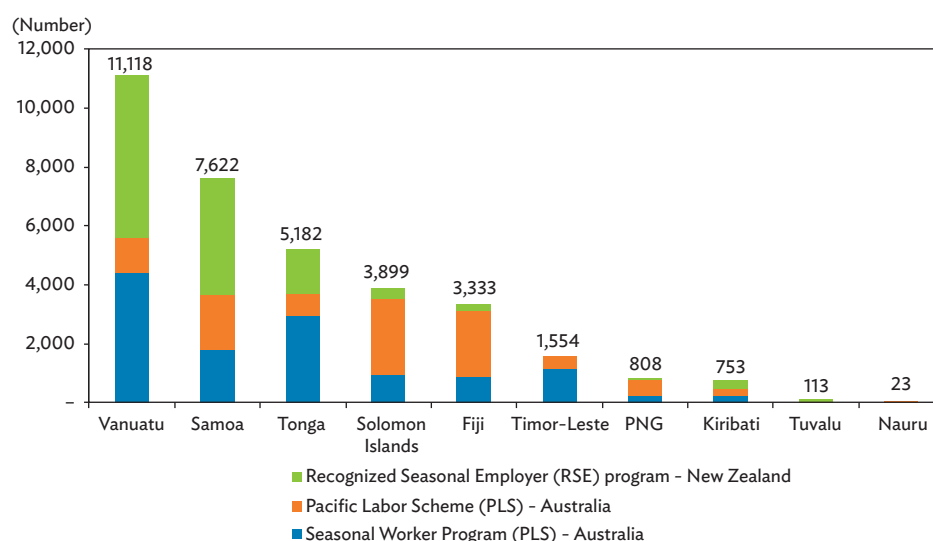
² Government of Australia. 2023. Budget 2023–2024: Expanding and improving the Pacific Australia Labour Mobility scheme. Pacific Australia Labour Mobility scheme. Media Release. <https://www.palmscheme.gov.au/sites/default/files/202305/PALM%20scheme%20reforms%20Budget%20announcements%20-%20factsheet.pdf>.

³ C. Bedford. 2023. New Zealand's Recognised Seasonal Employer scheme: 38,000 workers by 2028? *Devpolicy*. 9 May. <https://devpolicy.org/nz-recognised-seasonal-employer-scheme-38000-workers-by-2028-20230509/>.

2008–2009 to 2014–2015, but it has risen steadily since—from 9,500 in 2015–2016 to 16,000 in 2021–2022 and 19,000 most recently (footnote 3).

A country breakdown of the number of temporary workers from the Pacific and Timor-Leste in Australia and New Zealand can be categorized by several programs (**Figure 4.1**). They include Australia’s Seasonal Worker Program and the longer-term Pacific Labor Scheme, now combined into the PALM Scheme, and New Zealand’s RSE program.

Figure 4.1: Pacific and Timor-Leste Workers in Australia or New Zealand via Special Worker Programs
(as of 30 June 2022)



SWP = Seasonal Worker Program, PLS = Pacific Labor Scheme, PNG = Papua New Guinea, RSE = Recognized Seasonal Employer.

Source: Howes, S. R. Curtain, and E. Sharman. 2022. Labor Mobility in the Pacific: Transformational and/or Negligible? *Devpolicy*, 10 October.

Of the estimated 34,400 workers in mid-2022, a third came from Vanuatu, nearly a quarter from Samoa, and 15% from Tonga. Some 10% came each from Solomon Islands and Fiji. Timor-Leste sent 5%, with the remaining 5% coming from PNG, Kiribati, Tuvalu, and Nauru.

The proportion of female seasonal workers with short-term engagements (9 months or less) in Australia in July 2019 to June 2020 was 20.4%.⁴ In the 11 months to 31 May 2023, women accounted for 22.7% of short-term visitor arrivals to Australia, whose main reason for travel was employment and who intended to stay for 6 months or more.⁵ This proportion is consistent with the program estimate of 21% of the 39,558 PALM workers who were women, as of 31 May 2023.

⁴ Government of Australia, Department of Home Affairs. 2021. BR0146 Seasonal Worker Program primary visas granted in 2020–2021 to 31 December 2020 by gender and citizenship country—comparison with previous years. Canberra.

⁵ Government of Australia, Department of Home Affairs. 2023. Overseas Arrivals and Departures 2022–2023 (to 31 May 2023). Extracted for publication from www.data.gov.au, July. Canberra.

For seasonal workers going to New Zealand, the proportion of female workers over a 6-year period to 30 June 2023 was 8.7%, with a pre-pandemic high of 10.6% in 2019–2020.⁶

4.2 MSME Reactions

Pacific media reported on 14 June 2022 that the president of the Suva Retailers Association complained that employers “train the staff who are long-term workers, and all of a sudden they give resignation notices to go for a better job in Australia.” The chief executive officer (CEO) of the Fiji Hotel and Tourism Association wants the Australian government to also consider the needs of Pacific businesses. He said “what we’d like to see is a little bit more discussion about how they can support a bit more training, rather than simply making it easier for them to go across.” An Australian official responded that it was up to Pacific countries to regulate how to handle mobility flows.

The Fiji minister for employment also complained that skilled employees are not giving advance notice when they leave for Australia under the PALM scheme. He announced his intention to set up a steering committee to “ensure that local employers are not disadvantaged, and [their] concerns are addressed accordingly.”

The Australian Broadcasting Corporation’s Pacific Beat reported in August 2022 that employers in hospitality and tourism in Fiji, Samoa, and Vanuatu were voicing concerns over the high turnover rate of trained staff due to the recruitment of workers for hospitality jobs in Australia. Several months later, in November 2022, another media report said Pacific hospitals were suffering from a shortage of nurses. Registered nurses in Fiji were taking up better paid jobs as caregivers for the aged in Australia. In February 2023, the same source reported a similar case for Solomon Islands, stating that “...authorities try to fill healthcare gaps as nurses leave for posts overseas.”

The ADB Asian Development Outlook April 2023 highlighted that Fiji was facing an emerging policy challenge as the loss of skilled workers threatened the chances of the country’s post-pandemic recovery. The report said that in 2022 more Fijians had emigrated to Australia and the United States (US) than in any year since 2016. These emigrants joined the growing Fijian diaspora there as well as in New Zealand and Canada, altogether equivalent to a quarter of the population born in Fiji as of mid-2019. In addition, in mid-2022, 3,333 temporary workers from Fiji were in Australia, mostly employed long-term under the Pacific Labor Scheme (2,229 workers), followed by the Seasonal Worker Program (891 workers) and in New Zealand on the RSE (213 workers).⁷ To quote from the Asian Development Outlook,

“The pace of emigration from Fiji has left many businesses understaffed, especially as many emigrants leave on short notice after having secured work visas. Emigration has affected restaurants with an exodus of chefs and serving staff, healthcare providers with the resignation of 800 nurses last year [2022], and tourism businesses, which lost 16,000 workers to emigration last year. The ramping up of overseas recruitment has coincided with Fiji’s reopening and recovery when it can least afford to be short of labor.”

This analysis for Fiji also applies to other countries in the Pacific, especially those with small populations and limited domestic economies. The emigration of higher skilled workers from low- and medium-income countries is a global problem. For middle-income countries, an average 10% of their higher skilled populations emigrate. For low-income countries, the proportion of higher skilled emigrants can reach 20% of their population (World Bank 2023, p 138). Moreover, the emigration rate of tertiary educated migrants is even higher in small developing states (40%), such as in the Pacific economies.

⁶ Government of New Zealand, Ministry of Business, Innovation and Employment. 2023. Migration Data Explorer, data accessed 1 August. Wellington.

⁷ See Figure 1 in Howes, S. R. Curtain, and E. Sharman. 2022. Labor Mobility in the Pacific: Transformational and/or Negligible? *Devpolicy*. 10 October. <https://devpolicy.org/labour-mobility-in-the-pacific-transformational-and-or-negligible-20221010/>.

4.3 Government Reactions

On 14 June 2022, as part of an official visit to New Zealand, Samoan Prime Minister Fiamē Naomi Mata’afa, in a discussion with the then New Zealand Prime Minister Jacinda Ardern, emphasized the need to have a “circular process” for the seasonal worker scheme to help manage Samoa’s human resource constraints.

The Samoan Prime Minister said, “the original idea was that the recruitment would be from the unemployed sector”. But she said it had become clear that the public sector, the private sector, manufacturing, and tourism industries were all losing human resources through the seasonal worker scheme. “I think it’s a good opportunity for the new Administration, not only to review for ourselves, but have further dialogue with partners on this scheme like New Zealand and Australia.”

Shortly before the visit, the governments of three major seasonal worker source countries—Samoa, Vanuatu, and Fiji—set up official inquiries into the problem. The initial review of seasonal work programs by the Samoan government (February 2022) focused on alleged mistreatment of workers in Australia. But the review was broadened later to focus on how workers are selected, their behavior and tendency to leave their approved employers, known as absconding. The economic cost of losing public and private sector workers overseas was noted as well as the social costs incurred from family separations. In September 2022, Samoa’s Ministry of Commerce, Industry and Labor hired additional liaison officers to assist workers in New Zealand and Australia to address worker complaints about the lack of assistance from their government.

A similar review was set up by the government of Vanuatu about the same time. Faced with a call to manage the “growing brain drain crisis” by public officials and employers, Vanuatu is currently reviewing its arrangements for participating in seasonal work programs. According to the Vanuatu Commissioner of Labor, the government wants to reach a new memorandum of understanding with Australia on a range of worker issues, such as avoiding the brain drain, building skill sets, and improving the community impact.

A draft national labor mobility policy and action plan for Vanuatu was released for comment in May 2023. The draft cites a survey by the Vanuatu Chamber of Commerce and Industry in 2023 showing that 80% of private businesses had lost workers to labor mobility schemes over a 12-month period, leading to significant skills shortages in key economic sectors. Among other priority action areas, the draft policy recommends:

“Monitoring and if necessary, recommending limits to Vanuatu’s participation in labor mobility programs to mitigate negative impacts on the domestic labor market through increased data collection and improved cooperation and coordination with private sector and public service employers.”⁸

The draft also recommends increased support for reintegration of the return worker at each step of the circular mobility process—from predeparture to support for workers when they return to Vanuatu. The support would include targeted pilot programs to monitor and evaluate the impact of the absence of workers to help future decision-making and strategy adjustments.⁹

⁸ L. Sackett. 2023. Draft National Labour Mobility Policy & Action Plan. Prepared for the PACER Plus Implementation Unit, Department of External Trade, Ministry of Foreign Affairs, International Cooperation and External Trade (MOFAICET) and Department of Labour, Ministry of Internal Affairs (MIA), Government of Vanuatu, p 13.

⁹ Footnote 8, p.12.

Another Vanuatu government response in March 2023 to worker emigration was to allow employers to bring in up to 1,500 foreign workers on 12-month visas to fill labor shortages caused by workers leaving for seasonal jobs in Australia and New Zealand.

4.4 How should MSMEs handle the loss of workers?

Two broad types of responses are needed. The first is by businesses that are or could be affected by the sudden loss of workers. The second is by governments of both source and host countries. Firms in the first instance need to respond in real time to keep their businesses operating. Government must carefully think through their responses to have a longer-term impact.

The best response for enterprises at risk of a sudden loss of trained workers is to have a business strategy that trains new workers. Workforce training strategies need to be more widespread across the Pacific and Timor-Leste. This is clear from the results of the World Bank's Enterprise Surveys of the region, even if some results are now dated (**Table 4.1**).¹⁰

Table 4.1: Proportion of Firms That Offer Formal Training and Cite Unqualified Workers as a Major Constraint (%)

Country (year of survey)	Firms offering formal training	Firms identifying inadequate worker education as a major constraint
Tonga (2009)	11.1	58.7
Micronesia, Federated States. (2009)	...	43.6
Solomon Islands (2015)	42.0	30.5
Vanuatu (2009)	47.5	29.6
Samoa (2009)	79.1	27.4
Papua New Guinea (2015)	73.7	18.9
Fiji (2009)	61.0	13.9
Timor-Leste (2021)	8.1	11.3

Source: World Bank Enterprise Surveys. For details of the indicators and survey methodology See Enterprise Surveys Manual and Guide April 2023.

While most business owners or senior managers in Samoa, PNG, and Fiji stated that their firms provided formal training, many in the remaining countries did not. However, it is not known what proportion of workers received formal training. A large share of firms in Tonga and Micronesia said the lack of an adequately educated workforce was a major constraint, while 25% to nearly 33% of those in Samoa, Vanuatu, and Solomon Islands agreed, despite many also providing formal training.

4.5 What can businesses do?

As already noted, employers in hospitality and tourism in Fiji, Samoa, and Vanuatu are concerned about the high turnover rate of trained staff due to Australian recruitment. First, it is important to identify the potential causes of the problem to develop appropriate solutions.

¹⁰ Unfortunately, many of the surveys date from 2009 and 2015. The enterprise survey in Timor-Leste of business owners and top managers in 238 firms between December 2021 to March 2022 is the most recent survey published. However, the World Bank is conducting enterprise surveys in Samoa and Vanuatu in 2023.

Both push and pull factors are driving the brain drain from MSMEs and government agencies. Push factors include low wages or the lack of steady jobs for skilled workers (in construction, for example). Also, tertiary educated employees can become frustrated with limited opportunities for advancement, a loss of motivation due to poor management, or working in an environment that otherwise lacks challenge. Push factors can also include worker dissatisfaction with wider economic and social factors where they live. Usually, it is a combination of push factors that encourage workers to seek work abroad.

Pull factors include far higher wages even if the overseas job is only temporary as for seasonal work. A more substantial pull factor is the higher wages and better working conditions for longer term work (such as in hospitality jobs). Important also is the chance to live overseas long term as a family, drawn by better lifestyles and access to social benefits such as higher quality education for families.

4.6 Firms need to develop an appropriate business strategy.

The best business strategy is to anticipate the problem and not react after workers have left, often with little or no notice. The employer's response depends on both the motives of the worker migrating and how difficult it is for the employer to find a replacement. Two types of worker skills sets need to be considered with each requiring a different response.

Option 1: Anticipate the risk of losing a skilled worker.

Skilled workers can be defined as those who are hard to replace relatively quickly. This is due to their scarcity caused by the long training time and work attitudes required. The employer knows that the loss of these skills will be a major cost to the business. If a restaurant attracts customers because of good quality meals delivered on time, the loss of a chef can be a major threat. One example is a restaurant in Suva, Fiji, which lost four chefs in just a few months. The employer needed to assess how much it costs the business to keep a skilled job unfilled.

Skilled workers usually acquire their skills after 3–4 years of formal and on-the-job training. These skilled workers also have trade qualifications. Pacific countries with organized trade apprenticeship programs include Fiji, Kiribati, PNG, Samoa, and Solomon Islands, with substantial numbers of apprentices in Fiji, PNG, and Samoa.¹¹

If a key skilled worker's motive for migrating is primarily financial and he or she has skills that are hard to replace, then the best option is to pay the worker more. This may require paying a wage up to the pay and conditions the business would have to pay to recruit a foreign worker. A less expensive option for the firm is to form a close working relationship with a training provider with relevant courses. This could take the form of providing work placements for students in training to build a pool of suitable candidates, should the need arise to recruit a new employee.

Option 2: Train new workers to replace the loss of less skilled workers.

For less skilled workers—such as those who have learned their work skills on the job or via a relatively short, post-school qualification—the employer needs to take a different approach. For example, an owner of a chain of coffee shops in Fiji interviewed by the Australian Broadcasting Corporation's Pacific Beat employs 95 staff but had recently lost 20 workers who had migrated overseas. His cafes are “now operating on reduced hours, recruiting

¹¹ ADB. 2008. *Skilling the Pacific: Technical and Vocational Education and Training in the Pacific*. Manila. Table 2.5, p 42.

students to fill gaps, regardless of their abilities...We are basically living from day to day with recruitment, and now most of my staff have zero experience.”

The problem is that the employer only wants to recruit workers with prior experience, so they are productive from the start. He needs to work out how much his business loses with most employees having little or no experience. This simple cost–benefit analysis is likely to justify investing in a training program for new employees. It could involve, for example, using experienced staff as higher paid trainers who can train new employees over a 2–3-month period.

4.7 Government Responses

Host and source governments, together and separately, must respond to the loss of workers. The Australian government, announced in May 2023 that it would fund training for over 1,000 PALM workers to acquire formal qualifications or certifications over 4 years. The training will be linked to priority growth sectors in the Pacific and Timor-Leste as well as sectors experiencing worker shortages in Australia. It will build on current skills development work under the PALM scheme, especially in aged care pilots.¹²

4.8 International Skill Partnerships

Skill partnerships between source and host countries in response to the loss of skilled workers have been developed and implemented in several countries, including Australia and the Pacific. The Global Skill Partnerships (GSP) is one example. It was initially proposed by Michael Clemens and developed by a team at the Centre for Global Development (CGD) in Washington DC, US.¹³ Other related concepts include Skills Mobility Partnerships, separately promoted by the European Commission and the International Organization for Migration. Skills Mobility Partnerships usually include five components: (i) formalized state cooperation based on a bilateral agreement; (ii) multi-stakeholder involvement, including employers; (iii) skills training; (iv) skills recognition; and (v) access to migration.¹⁴

These EU-driven initiatives are based on a 2018 European Commission guidance to members to enhance ways for migrants from poor countries to migrate legally to Europe by partnering with these countries to lessen the appeal of illegal, uncontrolled migration flows.¹⁵ In April 2022, the EU concluded a new Pact on Migration and Asylum along with an action plan—that includes simplifying procedures for low and medium skilled workers, running labor mobility pilots involving source and host countries, and funding to improve how migration processes are managed and to maximize migration’s development impact.¹⁶ In September 2021, the International Labour Organization joined other UN bodies to promote the GSP on Migration.¹⁷

¹² Government of Australia. 2023. Budget 2023–24—PALM scheme reforms FAQs. Pacific Australia Labor Mobility scheme Media Release. “This measure will embed formal skills development as a feature of the scheme to deliver a skills dividend across the region and build upon current skills development activities in the PALM scheme, especially the aged care pilots. Sectors will be determined in partnership with stakeholder groups including participating countries, worker advocates (including unions) and approved employers and industry groups. This will ensure a brain gain to the Pacific and Timor-Leste while meeting workforce needs in Australia.”

¹³ See “Why we created the model”, Global Skill Partnerships, Centre for Global Development, Washington, DC.

¹⁴ International Organization for Migration. 2020. “Skills Mobility Partnerships” Info sheet.

¹⁵ European Commission. 2018. Enhancing legal pathways to Europe: an indispensable part of a balanced and comprehensive migration policy. Communication from the Commission to the European Parliament and the Council, September.

¹⁶ See European Union. 2022. Legal migration: Attracting skills and talent to the EU. Press release. 27 April. See also New Pact on Migration and Asylum.

¹⁷ ILO. 2021. Global Skills Partnership on Migration, 29 September. See also ILO and Economic Community of Central African States, 2022, Knowledge sharing workshop on the development of skills partnerships on migration in Central Africa, 28 June.

The original GSP model was to make skilled migration more beneficial to both host and source countries—as well as to migrants. A GSP is based on an upfront bilateral agreement involving employers and/or governments in a host country and professional training centers in a source country. They agree on a practical and equitable way for the benefits of migrant employment in the host country to finance training at the source country for both migrants and non-migrants. Managing the risk of brain drain is a key objective as well as contributing to skills development in source countries (**Box 4.1**).

Box 4.1: Global Skill Partnerships

The host country agrees to provide technology and finance to train potential migrants with targeted skills in the source country prior to migration. It gives migrants the skills they need to integrate and contribute best upon arrival. The source country agrees to provide the training and receives support for training non-migrants as well—thus increasing rather than draining human capital.

The defining feature of the Global Skill Partnership is the “dual track” model. Basically, at the start, or during training, trainees can pick which track to pursue: a “home” track for non-migrants, and an “away” track for migrants. Those who choose to stay are plugged back into the local labor market, with increased skills and earning potential. Those who choose to move also have increased skills and earning potential, and the ability to migrate legally and safely. They can also receive additional training in soft skills, for example, in the host country language or in other facets of integration.

Source: A Global Skill Partnership is a bilateral labor migration agreement between equal partners.

4.9 Three Examples of Global Skill Partnerships and Their Limitations

The CGD cites three GSP examples, between Belgium and Morocco in information and communication technology (ICT), between Germany and Kosovo in construction, and between Australia and the Pacific for various vocational skills.

Belgium–Morocco Pilot Program

The €1.5 million Belgium–Morocco pilot program, which ran between March 2019 and April 2021, trained Moroccans in ICT skills in both “home” (non-migrant) and “away” (migrant) tracks as proposed by the CGD. Of 9,677 applicants, 120 were selected. The 7-month intensive training course included not only ICT modules, but also “soft” skills like English classes and information on work and life in Belgium. Trainees were introduced to companies in both Morocco and Belgium. More than half were employed in Morocco through work contracts, self-employment, or pre-recruitment internships. Other trainees continued with more specialized training or were seeking employment in Belgium or Morocco.¹⁸

The pilot found that coordinating operational and strategic outcomes was difficult, and that managing the partnership network was extremely time-consuming and labor-intensive. The pilot assessment also noted that while the flexibility of the GSP model was its biggest strength, it was difficult to translate into practice. Also, despite evidence of skill shortages, placing trainees in work was difficult due to language difficulties. Also, the ICT training

¹⁸ Global Skill Partnerships. 2021. Pilot Project Addressing Labor Shortages Through Innovative Labor Migration Models (PALM). Center for Global Development, Washington DC, US.

was inappropriate for the available jobs, and other difficulties were caused by the pandemic. However, despite these difficulties, the EU-funded additional pilot programs with more countries, including Germany, Egypt, and Tunisia, and with a broader range of skills training related to hospitality and tourism as well as ICT.

Youth, Employment, and Skills in Kosovo

The second example of a GSP model is the German government's Youth, Employment and Skills program in Kosovo. This was originally based on a 3-year certificate training course for construction workers at a private training school. Half the trainees were expected find work in Kosovo after receiving a 2-year "expert certificate," with the other half completing their training in Germany as part of an apprenticeship. However, the gap between Kosovar and German qualification standards was too wide to bridge during the project period (2017-2021). German employers were not prepared to lower their training standards. Also, there was little demand for skilled construction workers in Kosovo as the industry hired mainly unskilled workers who learned their work skills on the job. Visa requirements meant Kosovar trainees had to meet a minimum earning level, which German employers were unwilling to pay. German language instruction was not included in the training. As with the Belgium ICT pilot, managing these difficulties was very time-consuming.¹⁹

A February 2022 assessment by the European Migration Network and Organization for Economic Co-operation and Development (OECD) reported on the experiences of implementing over 20 Skills Mobility Partnerships and similar schemes in the EU and globally.²⁰ The joint assessment criticized the pilots for being small scale, fragmented, and generally costly. It said this was due to a laboriously negotiated design and implementation that would be difficult to scale up. The assessment said that pilot programs should have two main elements: (i) the use or development of appropriate legal migration channels and (ii) the ability to meet employer needs. Also important for success is an assessment and recognition of foreign credentials and sustainable funding.

The Australia Pacific Training Coalition

The third example is the Australia Pacific Training Coalition (APTC), previously known as the Australia Pacific Technical College. Unlike low-cost pilot programs, the APTC is a well-funded Australian aid program, operating for the past 15 years. The CGD case study, prepared by an independent expert, however, is quite limited in its understanding of how APTC has operated and is incorrect in important respects. The APTC was set up from the start to provide "top-up" training (over 22 weeks) for workers already with trade-based qualifications so they can meet the entry requirements of Australia's skills-based migration system. A major objective of the APTC has been to enable the recognition of foreign credentials through an expensive system that upgrades skills to the standard of the destination country. However, the APTC has thus far been unable to connect its trades-qualified graduates to a skills-based pathway to Australia, with less than 3% succeeding in 2019.

The APTC Stage 3 design incorporated the principle of "net skills gain" for Pacific economies to ensure that the APTC graduates who migrated were replaced. This was a major concern for Pacific employers and governments, given APTC's labor mobility objective. However, the APTC webpage on labor mobility does not say how this principle is being implemented (accessed 1 June 2023). This may be due to the very limited success APTC has had in making it possible for its graduates with eligible qualifications to migrate to Australia.

¹⁹ The Center for Global Development analysis of the lessons learned from the German Kosovo program noted that "It takes time to build trust, set expectations, and ensure that all members of the partnership are on the same page." Additionally, the legal and regulatory process can move slowly. A staff member on the program noted that "in a way, we need 10-15 years of lead time to set up all the preconditions before a migration channel is effectively operational."

²⁰ European Migration Network. 2022. Skills Mobility Partnerships: exploring innovative approaches to labor migration. EMN-OECD Inform, European Commission. March. pp 8-10.

The 2023 World Bank World Development Report on Migration said that to be effective, these schemes must be market-driven with substantive involvement by the private sector:

“The Australia Pacific Training Coalition (APTC) learned this lesson. It established technical and vocational training campuses on five Pacific Island countries and had by 2019 graduated over 15,000 students. However, only a small fraction of these students moved to Australia or New Zealand for work, despite a majority aspiring to do so. This outcome was attributed to weak links with prospective employers and inadequate mechanisms for recognizing skills and experience obtained in the country of origin.”²¹

The APTC has recently collaborated with the government-funded Pacific Labor Facility to better contact Australian employers. The facility, which did run the Pacific Labor Scheme, had focused on regional demand for semi- and lower-skilled workers in meat processing and agriculture. Unfortunately, up-to-date graduate tracer survey data are not available from the APTC to show whether the proportion of APTC graduates now in Australia has increased to any significant extent, despite its efforts, for example, to train aged care workers to migrate.²²

4.10 Helping Returning Workers Invest Productively

Pacific governments, together with Australia and New Zealand, have not done enough to encourage and support returning workers to invest in productive activities. Vanuatu, with the largest outflow of seasonal workers, does little to reintegrate returning workers. As its draft national labor mobility policy has noted:

“Consultation findings indicate that while most workers benefit from participation in the form of improved standards of living (permanent houses, water tanks, solar power, and school fees). Benefits in the form of career development, investment opportunities or entrepreneurship within Vanuatu are significantly less common. There are also very few coordinated community development programs linked to the labor mobility programs for workers to contribute to, which for many communities limits the distribution of benefits to the individual workers and their immediate families.”²³

As most return workers tend to spend their earnings on everyday expenses, it is difficult to identify those workers who are ready to seek support to invest productively.²⁴ First-time workers usually use their earnings to pay off debts and cover everyday expenses—such as food, and school fees and related expenses.²⁵ After several return trips, workers may use their savings to improve or build a new house or otherwise improve their living conditions. With multiple work trips behind them, however, workers are much more likely to try to set up a business as an ongoing income source. The challenge for governments is how to support these returning workers with savings to invest to grow a business.²⁶

An example is a nongovernment organization, the Yumi Growem Vanuatu (YGV) program, which promotes entrepreneurship for returned seasonal workers. YGV is a joint program of Vanuatu’s V-Lab, a business incubator, and the Vanuatu Department of Labor, with sponsorship from the Australian and New Zealand governments. Its focus is on returned seasonal workers who want to set up or develop a business. The program started in April 2021

²¹ World Bank. 2023. World Development Report 2023: Migrants, Refugees, and Societies. Washington, DC. doi:10.1596/978-1-4648-1941-4, p 140.

²² Australian Pacific Training Coalition (APTC). 2022. Fijian Aged Care Workers to Benefit from new pilot program. Latest News, 30 May.

²³ Vanuatu’s draft national labor mobility policy (p.13).

²⁴ H. Maeda and R. Edwards. 2023. Seasonal work supports everyday expenses in Tonga. *Devpolicy*. 3 February.

²⁵ R. Edwards et al. 2022. Three questions on Tongan remittances. *Devpolicy*. 20 July.

²⁶ World Bank. 2021. Pacific Labor Mobility, Migration, and Remittances in Times of COVID-19. Final Report. Washington, DC. p 28.

involving 35 ni-Vanuatu migrant workers with support—including financial training, coaching, and networking as well as funding.²⁷ Phase 2 of the program (June 2022–May 2023) had 50 participants supported in a wide range of business ventures related to retail shops, agriculture, livestock, and small-scale construction.²⁸

Vanuatu’s draft national labor mobility policy recommends (p.39) that the Department of Labor increase the number of reintegration coordinators and their capacity to undertake several tasks. These recommendations are to (i) refer workers to reintegration support services; (ii) produce labor mobility community development guidelines on reintegration; (iii) explore reintegration investment options for returned workers in collaboration with other stakeholders; (iv) increase worker awareness of reintegration options and support services pre-departure, in-country, and on return; and (v) implement processes for reintegration case management, monitoring and evaluation, and reporting on stakeholder coordination.

4.11 Conclusion

It is often claimed that short- and longer-term migration to neighboring countries for high-income jobs holds the potential for a triple win—for the migrant household and their community, the wider economy, as well as the host country. However, the operative word is potential. The potential certainly exists. But it must be turned into reality. Private employers and governments need to anticipate the harmful effects high levels of outmigration can bring. Pacific businesses along with source and host governments need to develop, implement, and report on strategies that ensure that the potential benefits of migration are realized while minimizing the risk of causing harm.

²⁷ V-Lab, 2022, V-Lab Newsletter, May, p 1.

²⁸ V-Lab Joint program with the Department of Labor to promote entrepreneurship and innovation among seasonal workers.

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5 The Potential of Digital Entrepreneurship in the Pacific: A Comparative Analysis

5.1 Introduction

This chapter explores the potential of digital entrepreneurship in the Pacific. The Pacific region and Oceania, excluding Australia and New Zealand, encompasses a diverse group of 12 independent nations and territories spread across three Pacific regions—Melanesia, Micronesia, and Polynesia. Over the decade from 2010 to 2020, their population grew by 2.6 million, to 12.5 million. With that, economic activity grew significantly, increasing from \$20.9 billion to \$36.0 billion (a compound annual growth rate of 5.6%). Yet, the region's rate of economic growth in 2017–2021 slipped to 3.7%, below the global 4.8% annual average. This slowdown in socioeconomic development harms the catchup the small island developing states (SIDS) were on during the first 15 years of the 21st century. The downward trend was affected by the coronavirus disease (COVID-19) pandemic, and disrupted trade flows—for example highlighted by Palau's economy being reclassified from high-income (since 2018), back to the upper-middle-income group.

The situation differs across the SIDS (**Figure 5.1**). The economically richer economies of Palau, Nauru, the Marshall Islands, and Tuvalu are to the right in the figure. To the left are the poorer economies—Kiribati, Solomon Islands, Papua New Guinea, and Vanuatu—most classified as lower middle income. A small number of countries still outperform the world's growth average, while the majority of Pacific SIDS do not. For them, the gap with other countries globally is widening, thus making it harder to catchup.

This begs the question whether the region is missing out on the economic growth benefits generated by digitalization, and particularly in the field of digital entrepreneurship. The research question becomes:

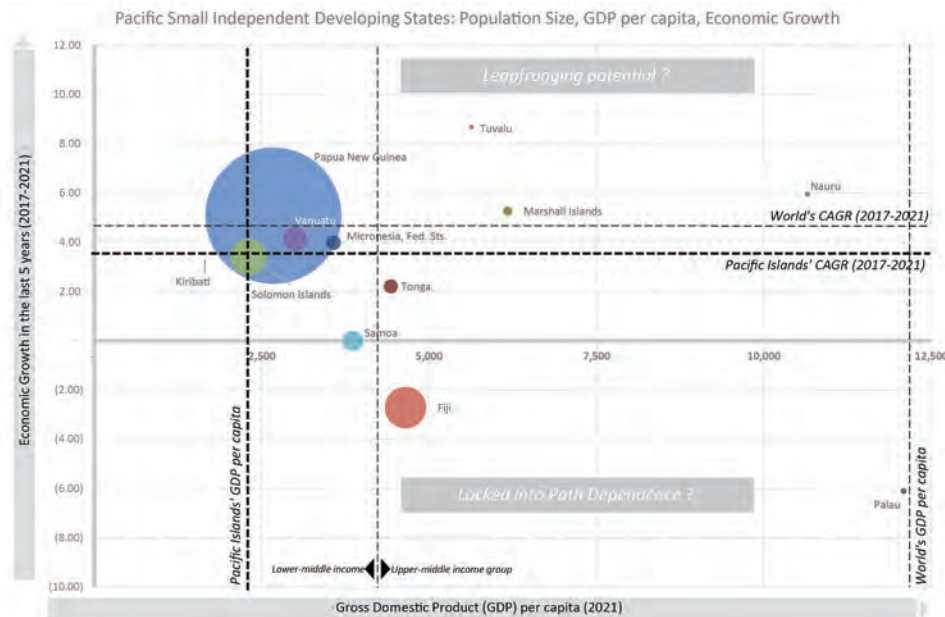
What are the factors facilitating or hampering the potential for digital entrepreneurial ecosystems in the Pacific?

It is important to note that the economic landscape of the Oceania region, excluding Australia and New Zealand, is highly diverse and varies from country to country. The specific economic conditions, industries, and challenges faced by individual nations shape their economic profiles within the broader Oceania context.

To achieve this objective the report follows five steps:

- (i) describing the economic contexts of the Pacific countries;
- (ii) explaining how digital entrepreneurship systems (DES) allow for more digital entrepreneurship;
- (iii) determining the country peers of the Pacific countries;
- (iv) comparing the DES of country peers; and
- (v) extrapolating and triangulating the country peer DES to the Pacific countries.

Figure 5.1: Economic Catchup in the Pacific Region



CAGR = compound annual growth rate, GDP = gross domestic product.

Source: The World Bank and United Nations.

5.2 Economic Context of the Pacific Region

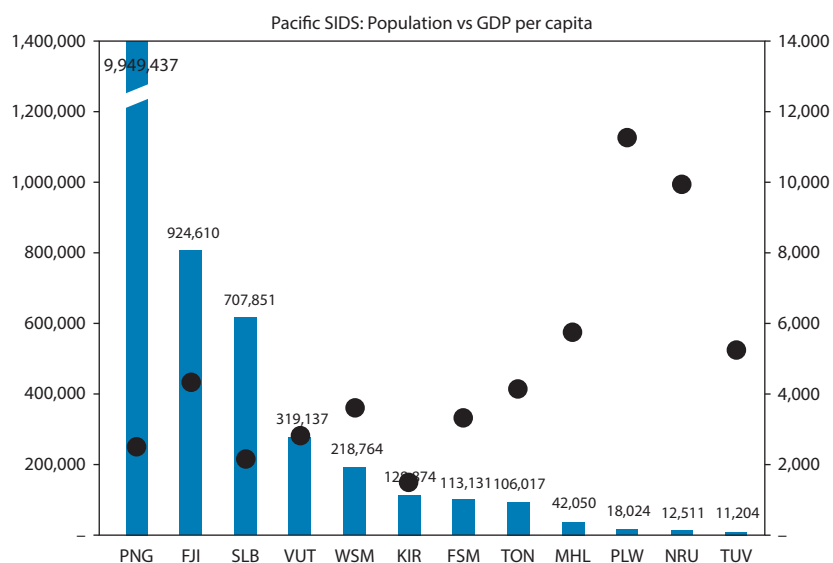
The Asian Development Bank has 14 members in the Pacific region. The 12 countries that define the scope of the research include (i) Fiji, (ii) Kiribati, (iii) the Marshall Islands, (iv) the Federated States of Micronesia (FSM); (v) Nauru, (vi) Palau, (vii) Papua New Guinea (PNG), (viii) Samoa, (xi) Solomon Islands, (x) Tonga, (xi) Tuvalu, and (xii) Vanuatu.

As the Cook Islands and Niue are not independent states, hardly any internationally comparable data are available to conduct comparative analyses. Thus, they are excluded from the analysis. Although PNG's much larger land size and population relative to the other small island states, it could assume that SIDS factors may be less of a burden in the process of economic development and digital entrepreneurship. Yet, our analysis shows that SIDS factors carry weight relative to its smaller neighboring island states. Therefore, PNG is not treated as an outlier in the analyses.

Describing the economic landscape of this region involves considering the economies of individual countries, their key industries, trade dynamics, and development challenges. First, many countries in Oceania are classified as SIDS. These nations often face unique economic challenges due to their small populations (fewer than one million inhabitants except for PNG), limited resources, geographical isolation, and vulnerability to climate change and disasters.

Second, the SIDS in the Pacific are economically diverse (**Figure 5.2**). While PNG, Fiji, Solomon Islands, and Vanuatu rely heavily on agriculture, fisheries, and forestry, others have developed niche export industries such as tourism (the Cook Islands, Palau), offshore financial services (the Marshall Islands), or mining (PNG, Nauru). The economic structure varies significantly. Appendix 1 summarizes the economic fabric and development of each country, while Appendix 2 gives an overview of the value-added contributions of the main sectors.

Figure 5.2: Economic Diversity among the Pacific Island States



FJI = Fiji, FSM = Federated States of Micronesia, GDP = gross domestic product, KIR = Kiribati, MHL = Marshall Islands, NRU = Nauru, PLW = Palau, PNG = Papua New Guinea, SIDS = small island developing states, SLB = Solomon Islands, TON = Tonga, TUV = Tuvalu, VUT = Vanuatu, WSM = Samoa.

Source: The World Bank and United Nations.

The 12 Pacific Island economies have four main performance measures in common: first, they are small—with the exception of PNG, all have populations of less than 1 million. Second, they are middle-income countries and still developing. Their gross domestic product (GDP) per capita, apart from Palau and Nauru, is around \$4,000 annually. This is the level distinguishing between lower- and higher-middle-income countries. Third, they are open economies and dependent on international trade: registered imports are higher than 48% (lowest is Solomon Islands, highest is Nauru). And fourth, the export values of goods and services are insufficient to finance imports. All countries hold trade deficits. The three strongest exporters are Nauru, Fiji, and Marshall Islands, each generating at least 45% of GDP from exports.

Although there are many similarities on measures of economic performance, the Pacific economies differ greatly on how they generate national income—(i) different sectors, (ii) levels of personal remittances, and (iii) development aid received. First, across the 12 countries, agriculture plays an important role, especially for Solomon Islands, the Marshall Islands, and Kiribati. Cultivation of coconut, cocoa, coffee, sugar, and tropical fruits is common. Fishing and aquaculture also contribute significantly, providing employment and export opportunities. Specific to several countries are mining and natural resources. Some possess valuable mineral and natural resource deposits, nickel, copper, gold, and bauxite or fossil fuels (such as oil, natural gas, and coal). PNG has a significant mining sector. Industry is the least-developed sector in most countries, except for PNG and Fiji. And services are generally where most value added is generated. Within services, tourism is a major economic driver—such as in Palau, Fiji, Samoa, and Vanuatu. The region's natural beauty, cultural heritage, and unique biodiversity attract visitors worldwide. These countries rely heavily on tourism-related activities, including accommodations, restaurants, transportation, and recreational services.

Second, remittances from overseas workers play a crucial role in several Pacific economies. Many seek employment in countries like Australia, New Zealand, the United States, or other parts of the world. The money sent back home supports local communities, boosts consumer spending, and helps improve living standards. Third, the net official development assistance (ODA) is also an important income source for Pacific economies. Countries vary by ODA dependency—from PNG (4.6%) and Samoa (10.0%) to the Marshall Islands (36.5%) and Tuvalu (44.3%).

Despite the potential economic opportunities, all SIDS face several common challenges. Limited infrastructure, including transportation networks and reliable energy systems, can impede economic growth. The effects of climate change, including rising sea levels, extreme weather events, and ocean acidification, pose significant risks to the region's agriculture, coastal communities, and tourism.

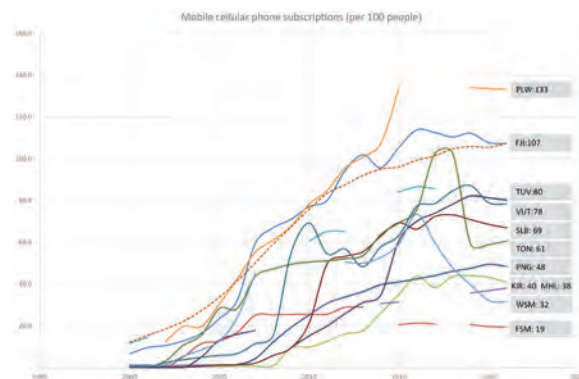
In recent years, the Pacific economies followed the global digitalization trend, though often lagging the technological advances made in other countries worldwide (**Figure 5.3**). There is wide diversity in adopting digitalization in terms of internet access, mobile cellular subscriptions, and measures like secure internet servers and fixed broadband.

Figure 5.3: Digitalization Infrastructure Development of Pacific Economies

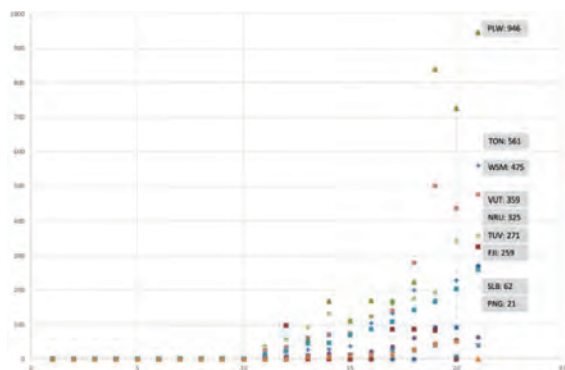
Internet Access (% population)



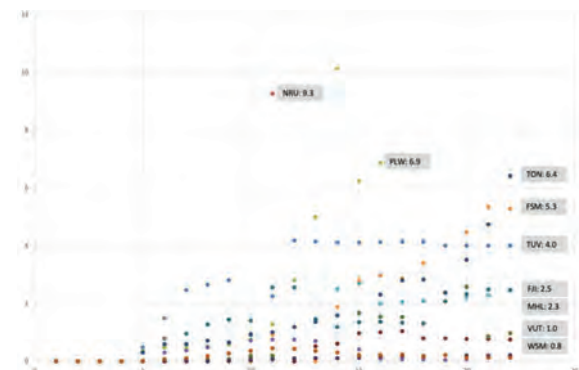
Mobile Cellular Subscriptions (per 100 people)



Secure Internet Servers (per million people)



Fixed Broadband Subscriptions (per 100 people)



Note: The SIDS are an exception to the correlation between low internet use and a low gender parity score—while universal connectivity remains elusive, these islands have generally reached full gender parity. Source: ITU. <https://www.itu.int/itu-d/reports/statistics/2022/11/24/ff22-the-gender-digital-divide/#:~:text=The%20world%20takes%20a%20small%20step%20towards%20digital%20gender%20parity&text=On%20a%20global%20scale%2C%2069,using%20the%20Internet%20in%202022.>

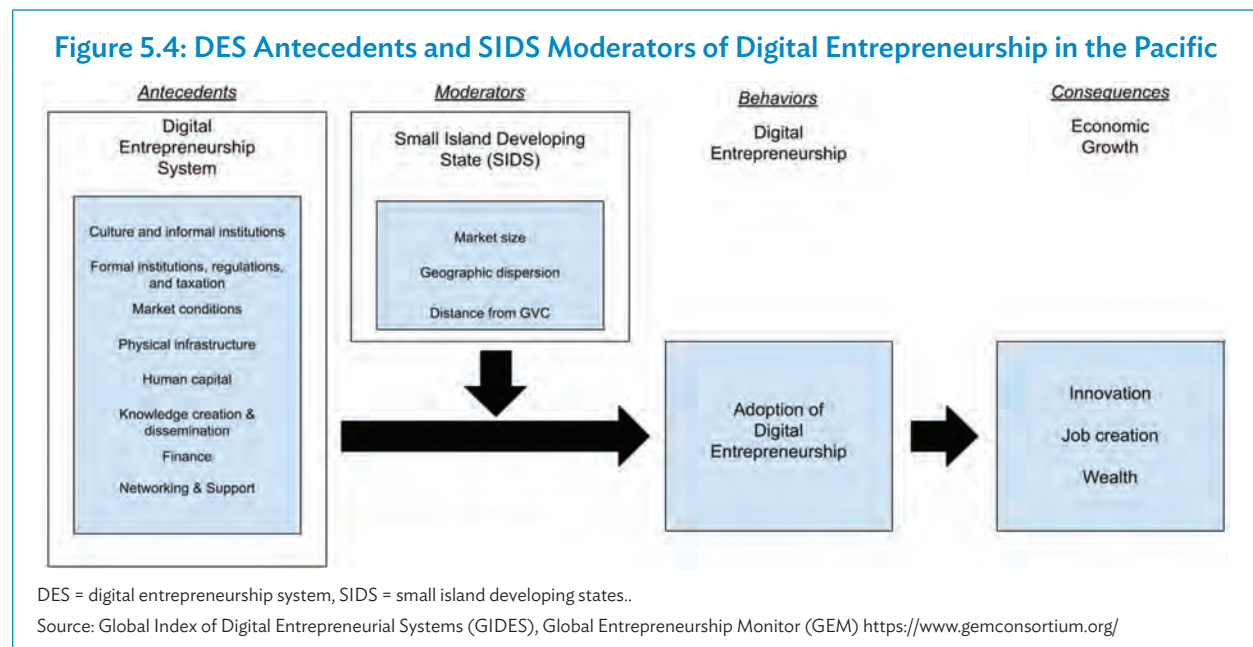
Source: World Bank database <https://data.worldbank.org/> accessed 1 July 2023.

5.3 Digital Entrepreneurship, Antecedents, and Consequences

Digital Entrepreneurship Potential

Digital entrepreneurship refers to “technological advancement with new ways of establishing and performing business”¹ and is viewed as “the pursuit of opportunities based on the use of digital media and other information and communication technologies.”² It is about combining “digital infrastructure and entrepreneurial agents within the context of both ecosystems.”³ The platforms, infrastructures, or things that use computing power on universal public networks are known as digital technologies and the intersection of digital technologies and entrepreneurship.⁴ Based on these, digital entrepreneurship is defined as the process of creating, developing, and managing a business venture that operates primarily in the digital realm. It involves utilizing digital technologies, platforms, and strategies to identify, create, and capitalize on entrepreneurial opportunities online. Digital entrepreneurs leverage the power of the internet and technology to start and grow their businesses, often focusing on areas such as e-commerce, online services, software development, digital marketing, and content creation. They harness the potential of digital tools, including websites, mobile applications, social media platforms, and online marketplaces to reach and engage with their target audience, deliver products or services, and generate revenue.

There is a research model for exploring the potential of digital entrepreneurship in a country (**Figure 5.4**). The acceleration in adopting digital technologies for creating and scaling new businesses has many positive economic consequences, such as innovation, job creation and wealth generation.



¹ C. Hull et al. 2007. Taking advantage of digital opportunities: A typology of digital entrepreneurship. *International Journal of Networking and Virtual Organizations*. 4(3), pp. 290-303.

² E. Davidson and E. Vaast. 2010. Digital entrepreneurship and its sociomaterial enactment. In 2010 43rd Hawaii International Conference on System Sciences. IEEE. pp. 1-10.

³ F. Sussan and Z. J. Acs. 2017. The digital entrepreneurial ecosystem. *Small Business Economics*. 49, pp. 55-73.

⁴ S. Nambisan. 2017. Digital entrepreneurship: Toward a digital technology perspective of entrepreneurship. *Entrepreneurship theory and practice*. 41(6), pp. 1029-1055.

The left side of the figure shows the antecedent factors influencing the level of digital entrepreneurship. Generally, eight pillars constituting the DES affect the way digital technologies are used in entrepreneurial behavior in an economy.

Consequences

A worldwide study on entrepreneurship conducted in 65 countries estimates that there are at least 582 million entrepreneurs. On average, a country's level of entrepreneurship (total entrepreneurial activity) is about 12% of the workforce.⁵ In the United States, 16% of the workforce is involved in entrepreneurial activities. However, the level of entrepreneurial activity varies substantially from country to country—from 3% in Poland to more than 40% in the Dominican Republic.

Entrepreneurial activities have been widely assumed to be catalysts for economic development and growth.^{6,7} Yet cross-country empirical studies find that it depends on the type of entrepreneurial activity. There appears to be no link between aggregate entrepreneurship and economic growth, but when a closer look is taken at developing economies where manufacturing is relatively important, opportunity-driven entrepreneurship is positively linked with growth and development.⁸ One of the key benefits is promoting innovation. Entrepreneurs, driven by creative ideas and willingness to take risks, introduce new products, services, and business models that can disrupt traditional industries and drive technology forward. This innovation not only enhances productivity and efficiency but also expands the range of opportunities and choices available to consumers.

The mechanisms of how successful innovative opportunity-driven entrepreneurship contributes to job creation and wealth accumulation are obvious. First, jobs are created when entrepreneurs establish and grow their ventures, often requiring a workforce to support operations. This leads to new job opportunities, reducing unemployment rates and improving the overall standard of living. Additionally, entrepreneurship fuels the development of entrepreneurial ecosystems, attracting talent and fostering a culture that further stimulates job creation and economic dynamism. Entrepreneurial activities can also lead to wealth accumulation within a country. Successful entrepreneurs generate profits and accumulate wealth, which can be reinvested into their businesses or used to fund new ventures. This capital circulation stimulates economic growth by financing research and development, infrastructure development, and other productive investments. Additionally, the wealth generated by entrepreneurs can contribute to higher tax revenues, supporting public services and social programs that benefit the broader population. Finally, it is also important to note a possible unintended consequence of the new form of entrepreneurship—it could worsen the well-known global gender gap in digital access and also make digital entrepreneurship gender-unbalanced.⁹

⁵ Global Entrepreneurship Monitor (GEM). 2023. Global Entrepreneurship Monitor 2022/2023 Global Report: Adapting to a “New Normal.” London: GEM.

⁶ M. A. Carree and A. R. Thurik. 2003. The Impact of Entrepreneurship on Economic Growth. In Z. J. Acs and D. B. Audretsch, eds. *Handbook of Entrepreneurship Research. International Handbook Series on Entrepreneurship*. vol 1. Springer, Boston, MA. https://doi.org/10.1007/0-387-24519-7_17.

⁷ Z. J. Acs et al. 2005. *Growth and Entrepreneurship: An Empirical Assessment*. Max Planck Institute of Economics. <http://hdl.handle.net/10419/24892>.

⁸ J. Kim et al. 2022. *Entrepreneurship and Economic Growth: A Cross-Sectional Analysis Perspective*. Asian Development Bank. <http://dx.doi.org/10.22617/WPS220399-2>.

⁹ The International Telecommunication Union (ITU) found that the digital gender divide is closing globally, with 62% of men and 57% of women now using the internet. Although the gap is greatest in least-developed countries, where the proportion of women using the internet is 12 percentage points lower than men. (Source: The Mobile Gender Gap Report, 2022).

In summary, increased entrepreneurial activities bring about economic growth consequences for a country, including innovation, job creation, and wealth accumulation. Embracing and nurturing entrepreneurship can lead to a more vibrant and prosperous economy, driving long-term sustainable development and improving the well-being of individuals and society.

These positive economic consequences are critical for developing economies that have fallen behind, as digital entrepreneurship and its accelerated adoption of digital technology could allow a country to leapfrog technologically, or at least close the gap with the global economic growth rate. In many developing countries, the mobile phone has been an example of a “leapfrog” technology: it has enabled developing countries to skip the fixed-line technology of the 20th century and move straight to the mobile technology of the 21st century. Also, leapfrogging developing countries can avoid some environmental harm as they do not need to follow the polluting development trajectory of industrialized countries.

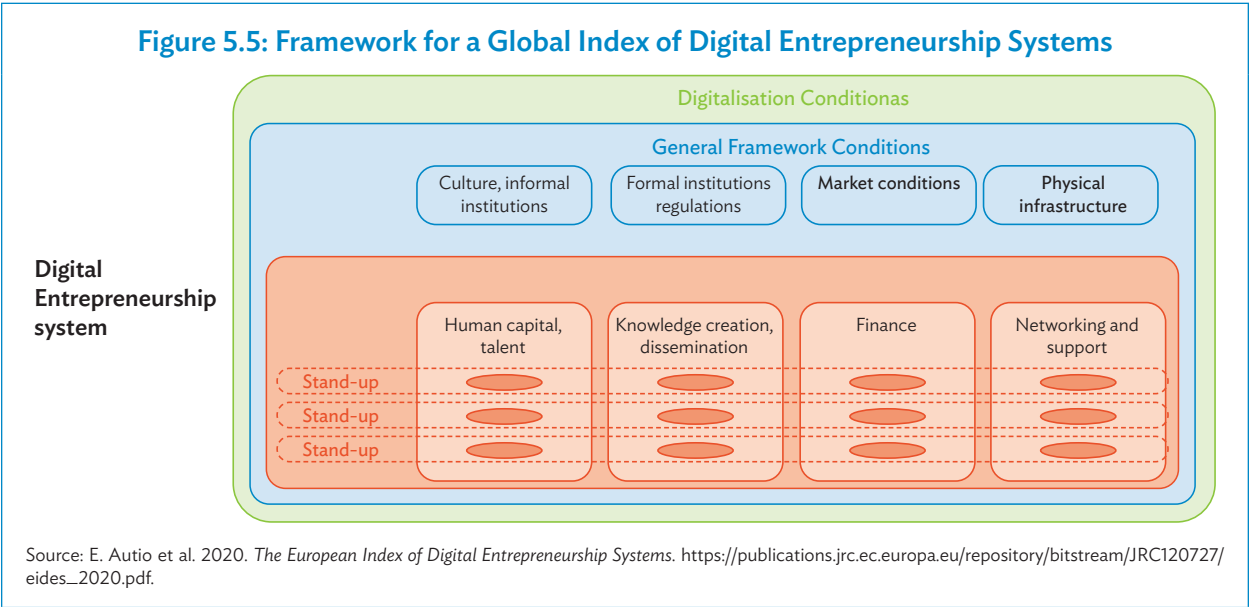
Antecedents and Moderators

The literature on entrepreneurial ecosystems applied to Pacific economies distinguishes between antecedents and moderating effects of the potential for digital entrepreneurship.

a. Digital Entrepreneurial System Antecedent Factors

The Global Index of Digital Entrepreneurial Systems (GIDES) provides a framework that includes all the antecedents influencing the development and maturity of a digital entrepreneurship ecosystem (Figure 5.5).

These factors are divided into general framework conditions and systemic framework conditions. The main idea is that the first four pillars in the general framework—conditions such as (i) culture and informal institutions; (ii) formal institutions, regulations, and taxation; (iii) market conditions; and (iv) physical infrastructure—have four associated digital counterparts. Each framework condition can be digitalized using a suitable measure of a corresponding digital context coming from variables that reflect digitalizing each framework condition. Consequently, two versions of each framework condition appear in the index: a non-digitalized version and a digitalized one.



In addition to the general framework conditions, the GIDES also measures systemic framework conditions—resource-related conditions which directly effect the entrepreneurial dynamic of a country or region. Businesses require a range of different resources (such as human capital, knowledge creation and dissemination, finance, and networking and support) in order to scale up successfully. These resources do not substitute against one another. Therefore, the systemic framework conditions must come together to help “co-produce” the system’s results.

In the GIDES’ theoretical structure, the general framework conditions apply broadly to entrepreneurship, while the systemic framework conditions act differently across three stages of the entrepreneurial development—stand up, start up, and scale up. The stand-up stage is the self-selection of individuals into entrepreneurship. The start-up stage then creates the new firm, while the scale-up stage moves into a business model with high-growth potential. Accordingly, the GIDES includes three sub-indices for each systemic framework condition plus their digital versions—calculated with measures in the corresponding digital context.

The value of the overall GIDES is the average of both general and systemic framework conditions. This approach could offer a helpful portrayal of national systems of entrepreneurship. In each national system, general framework conditions regulate how the systemic conditions can realize their full potential and co-produce the national entrepreneurial dynamic. The approach also distinguishes between digital and non-digital conditions to proxy the effect of digitalization on systems’ abilities to facilitate a high-quality entrepreneurial dynamic. Also, declining the conditions across the three entrepreneurial stages allows for even more fine-grained policy insights.

A global ranking of 113 countries on all 8 pillars, using 205 indicators (as listed in Appendix 3), can be tabulated (**Figure 5.6, Table 5.1**). Each line on the radar chart corresponds to a country group distinguished by its DES performance. The 15 top-performing countries are labelled as “Leaders.” The 10 countries in the second country group still perform above average but are considered followers. The third group is trying to catch up with the followers and leaders. The two largest groups are 32 “Laggards” and 41 “Tailenders.”

Figure 5.6: Digital Entrepreneurship Systems among Five Country Groups

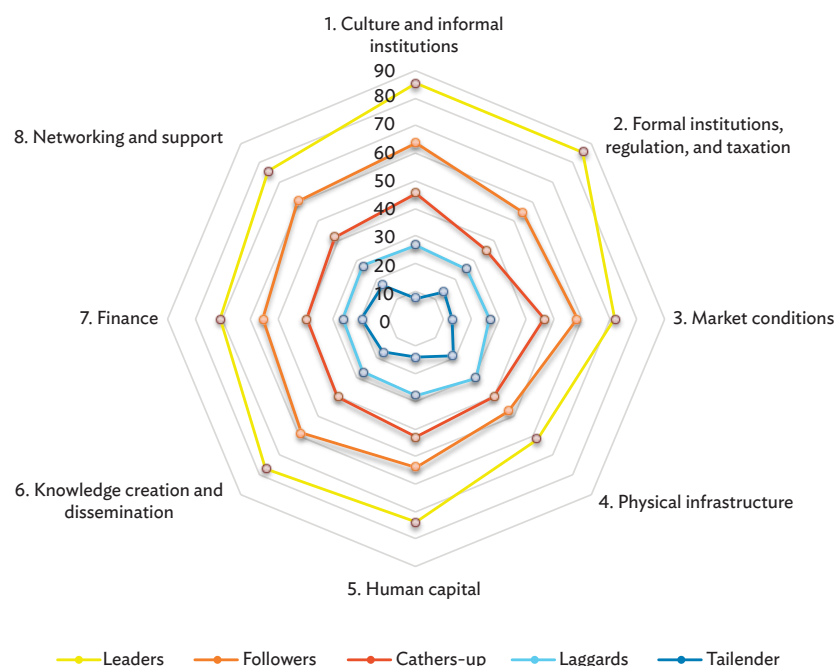


Table 5.1: Country Groups of Digital Entrepreneurship Systems

Country Groups	Leaders N = 15	Followers N = 10	Catch-ups N = 15	Laggards N = 32	Tailenders N = 41
1. Culture and informal institutions	85.2	63.9	45.5	26.7	7.3
2. Formal institutions, regulation, and taxation	85.6	54.5	35.5	25.6	14.0
3. Market conditions	71.9	58.3	46.4	26.8	13.2
4. Physical infrastructure	61.9	47.4	39.9	30.6	18.9
5. Human capital	73.8	53.8	42.9	27.9	14.0
6. Knowledge creation and dissemination	76.9	58.9	39.9	27.2	17.0
7. Finance	70.7	55.4	39.7	26.3	19.6
8. Networking and support	75.6	60.4	41.8	27.0	17.2
	Singapore United States Germany	Republic of Korea Belgium Malta	Malaysia Portugal PRC	Viet Nam Indonesia Greece	Philippines Rwanda Madagascar

PRC = People's Republic of China.

Source: Authors.

Various studies have investigated the cultural and technological issues that hamper development of entrepreneurial activities in the Pacific.¹⁰ A recent qualitative study on Entrepreneurial Support Organizations in six Pacific countries (and Timor-Leste) identified 12 characteristics related to local entrepreneurship ecosystems that hamper local entrepreneurship development: (i) limited information; (ii) duplicative and sporadic support for entrepreneurial activities; (iii) it identified; (iv) urban-centric, excluding vulnerable minorities; (v) limited, cumbersome access to finance; (vi) lack of stakeholder communication and alignment; (vii) downturns due to climate disasters; (viii) limited digital and information technology support and nascent infrastructure; (ix) lack of in-country, long-term capability building; (x) unsupportive regulations and policies for scaling up and growth; (xi) poor societal image of entrepreneurs; and (xii) lack of access to venture capital.¹¹

These findings indicate that these countries score rather low on the eight DES pillars.

b. Moderating Factors for SIDS

Aside from these antecedent factors assumed to influence the adoption of digital technologies in entrepreneurial activity, there are some important SIDS factors that could moderate the impact of DES factors.¹² SIDS is a distinct group of 39 states and 18 associate members of United Nations regional commissions that face unique social, economic and environmental vulnerabilities. SIDS are located in the Caribbean, the Pacific, the Atlantic, and Indian Ocean. They were recognized as a special case both for their environment and development at the 1992 United Nations Conference on Environment and Development held in Rio de Janeiro, Brazil. It is estimated that the SIDS cover 65 million people, slightly less than 1% of the global population—yet this group faces unique social, economic, and environmental challenges.

¹⁰ N. Rull and Z. Kakal. 2021. Entrepreneurship Ecosystem in the Pacific: Network Analysis and Mapping of Institutions Supporting Entrepreneurship; United Nations Development Program (UNDP). 2019. Entrepreneurship and Innovation in the Pacific—Workshop Report 2019. <https://www.pacific.undp.org/content/dam/fiji/docs/Entrepreneurship%20Innovation.pdf> (accessed 1 June 2023); UNDP and United Nations Conference on Trade and Development (UNCTAD). 14 November; UNCTAD (2022); and Roa (2021).

¹¹ N. Rull and Z. Kakal. 2021. Entrepreneurship Ecosystem in the Pacific: Network Analysis and Mapping of Institutions Supporting Entrepreneurship. United Nations Capital Development Fund (UNCDF), United Nations Development Program (UNDP), and United Nations Conference on Trade and Development (UNCTAD). 14 November.

¹² UN (nd) Small Island Developing States (SIDS). <https://www.un.org/ohrls/content/about-small-island-developing-states#:~:text=Small%20Island%20Developing%20States%20> Accessed 10 June 2023.

Many face a remote geography, which leads to high import and export costs for goods as well as irregular international traffic volumes. Yet, they must rely on external markets for many goods due to their narrow resource base. Several aspects of SIDS can be operationalized: (i) market size (liability of smallness); (ii) geographic diversity; (iii) distance to global value chains (such as tyranny of distance); and (iv) logistics performance costs.

The relative SIDS severity among Pacific economies can be measured (Appendix 4). It assumes that all suffer from being SIDS, yet some have a smaller market, are more geographically dispersed, and are more remote than others.

5.4 Comparative Analysis Methodology

To assess the potential of digital entrepreneurship for a country, the nation's performance on the eight pillars of DES is examined as measured by 214 indicators (see Appendix 3). Yet, for the 12 Pacific SIDS countries, much of the data are missing because country samples do not include the smaller nations. For instance, for Palau, the Marshall Islands, Tuvalu, and Nauru, data for at most nine indicators could be retrieved. For Samoa, Kiribati, FSM, and Tonga, 15 indicators were available. Even for the larger Pacific economies, data for only 31 (Solomon Islands) to 40 (PNG) indicators were recorded.

Nonetheless, to make some inferences on the potential of digital entrepreneurship, a comparative analysis was done by looking at neighboring and similar country peers. Assuming countries go through similar development stages, a peer comparison can uncover meaningful patterns of development and highlight factors that have either promoted or restricted the acceleration of digital entrepreneurship.

Selection of Country Peers

There are two principles for selecting country peers for comparison. The first is to choose on the basis of *proximity*. Economies nearby that have similar geography to Pacific island states—they also have many islands with a dispersed population. Due to proximity, they have many of the same natural and climate-change challenges. Thus, Indonesia and the Philippines were selected. Although both have significantly larger populations (250 million, and 100 million, respectively), they also have a large number of islands. Indonesia has over 17,000 islands, outside the five largest islands of Java, Sumatra, Kalimantan, Sulawesi, and Papua. The Philippines has 7,641 islands with over 2,000 inhabited outside Luzon, which is the most populous and hosts the capital Manila.

The second selection principle is to choose based on their similarity to SIDS—least developed island economies. Caribbean economies must deal with similar SIDS challenges. Examples include Haiti, Grenada, St. Lucia, St. Vincent and the Grenadines, and the Dominican Republic. Of these, the GIDES dataset has only data for the Dominican Republic.

All three peer countries score below average (<33) on all dimensions (**Table 5.2**). Indonesia performs best on four DES pillars. The two others perform relatively better on two pillars—the Philippines on Knowledge Creation and Dissemination along with Networking and Support. The Dominican Republic scores relatively better on cultural and information institutions for supporting entrepreneurship, and its market conditions are relatively better.

In extrapolating the peer benchmarking scores to the Pacific, the highest scores among the three peer countries would indicate a more optimistic estimation, while the lowest scores would indicate a low expected score. The difference between the highest and the lowest scores on a dimension indicates the certainty of the expected score for similar countries. In this benchmarking analysis, the highest certainty is on the Finance pillar (potentially 18% lower than the optimistic expectation). The most uncertain pillar is Human Capital (potentially 48% lower than the optimistic expectation).

Table 5.2: Comparative Analysis—Neighbor and Similarity Peers

Pillar	Indonesia	Philippines	Dominican Republic	Pessimistic versus Optimistic	Variance from Optimistic
1. Culture and informal institutions	10.4	<u>8.0</u>	11.2	8.0 - 11.2	38%
2. Formal institutions, regulation, and taxation	22.1	16.2	<u>15.6</u>	15.6 - 22.1	21%
3. Market conditions	<u>14.7</u>	19.3	21.5	14.7 - 21.5	32%
4. Physical infrastructure	24.0	<u>19.2</u>	22.5	19.2 - 24.0	20%
5. Human capital	29.0	21.5	<u>15.2</u>	15.2 - 29.0	48%
6. Knowledge creation and dissemination	22.3	24.4	<u>19.0</u>	19.0 - 24.4	22%
7. Finance	22.0	<u>18.0</u>	21.3	18.0 - 22.0	18%
8. Networking and support	30.4	30.9	<u>21.3</u>	21.3 - 30.9	31%
GIDES 2021 scores	20.4	18.5	17.6	17.6 - 20.4	
	71	79	81		
	Catch-Ups	Laggards	Laggards		

GIDES = Global Index of Digital Entrepreneurial Systems.

Source: Authors.

Estimating SIDS Factors

After benchmarking to nearby or similar peer countries, the potentially negative moderation effects of factors uniquely related to SIDS are estimated. The relative severity of SIDS factors is based on three measures (Table 5.3):

- (i) Market size: how large is the population?
- (ii) Geographical dispersion: how much of the population spread over different islands?
- (iii) Distance from the global value chain: how distant is it from larger international markets?

The SIDS severity can arguably increase or decrease the potential for Digital Entrepreneurship. One school of thought is based more on what is currently taking place, that SIDS severity creates higher transaction costs for trading “analogue” goods and services, and therefore may inhibit both domestic and international trade. The other school of thought is the opposite and more positively framed toward innovation—as transaction costs are high, the potential reward for reducing these costs increases the incentive to adopt digital technologies and digital entrepreneurship.

Table 5.3: Relative SIDS Severity among Pacific Island States

Country Name	Market Size	Market concentration	Relative Alternative Access	Logistics Performance Indicator	SIDS severity
Fiji	++	+	1	Low	1 Low
Vanuatu	+	--	1	n/a	2 Medium-Low
Samoa	+	--	1	n/a	2 Medium-Low
Palau	--	+	1	n/a	2 Medium-Low
Kiribati	0	0	1	n/a	3 Medium
Papua New Guinea	+++	---	2	Medium	3 Medium
Solomon Islands	++	--	2	Medium	3 Medium
Tonga	0	+	2	n/a	3 Medium
Marshall Islands	-	0	2	n/a	4 Medium-high
Nauru	---	++	2	n/a	4 Medium-high
Micronesia, Federated States of	0	---	1	n/a	5 Very High
Tuvalu	---	0	1	n/a	5 Very High

SIDS = small island developing states.

Note: A minus indicates relatively higher SIDS severity. A plus indicates relatively lower SIDS severity.

5.5 Conclusions and Implications

This analysis explores the potential for digital entrepreneurship for economic growth and prosperity in the Pacific. It begins by describing the economic context of the 12 Pacific countries that are very similar on four economic performance measures—economic size, development level, dependency on global trade, yet with limited exports.

The chapter then explains how DES factors allow for more digital entrepreneurship. It also explains the potential moderating effects of factors specifically related to SIDS.

It conducts a comparative analysis of neighboring and similar country peers. With little data available on the indicators behind the DES pillars, the analysis extrapolates from (larger) neighbors and similar country peers. It finds patterns for digitalization development and highlights factors that have either promoted or restricted the acceleration of digital entrepreneurship in the Pacific.

Generally, the analysis shows that, despite the urgency to reduce high transaction costs, the likelihood that digital entrepreneurship can contribute is unfortunately small—as similar and neighboring country peers have low-scoring DES pillars, in particular (i) cultural and informal institutions, (ii) formal institutions, and (iii) market conditions.

The pillars related to digital counterparts are potentially scoring better, especially in Human Capital and Networking Support. Yet, the variance of performance among peers is very high.

Recommendations

In extrapolating the performance of similarity and neighboring country peers, the analysis finds that all eight DES pillars remain a challenge for Pacific economies. The most restrictive bottlenecks to be addressed first are

- culture and informal institutions,
- market conditions, and
- human capital.

There are multilateral organization initiatives that support the DES ecosystem in the Pacific. First, the pillar of Culture and Informal Institutions are addressed by improving country scores on their Ease of Doing Business. Second, market conditions, particularly for SIDS, are addressed by combining Pacific markets and working hard to reduce logistics costs. Third, human capital initiatives are designed to promote entrepreneurship among school children, but with additional emphasis on minorities and women. Finally, leveraging the diaspora communities can expand the geographical reach of businesses operating in the Pacific, not just to adjacent markets, but also to the United States; the United Kingdom; Australia; New Zealand; Japan; and Taipei, China.

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6 Conclusion

Pacific economies rapidly recovered from the COVID-19 pandemic, growing by 6.1% in 2022 after contracting by 1.3% in 2021. A strong tourism rebound largely contributed, especially in Fiji. Several downside risks to growth remain: slower yet still high inflation and increased emigration to advanced Pacific countries, resulting in skilled labor shortages that may affect the tourism rebound. Also, stagnating businesses may slow growth in the region: limited international trade with continuing supply chain disruptions, underdeveloped agribusiness with few branding strategies, a lack of an entrepreneurial base, and largely low-technology industries.

MSMEs help drive growth in the Pacific, yet they have limited presence in the region's economies. It is critical to strengthen MSME dynamics to create sustainable, inclusive, and resilient growth in the region. There are six areas—tourism, international trade, agribusiness, labor mobility, digitalization, and finance—that need to be addressed.

This theme chapter focuses on four selected areas and their policy implications to examine how small firms can better contribute to economic growth.

The limited capacity to accommodate tourist demand—mainly due to labor shortages—may slow the recovery momentum in tourism. Emigration to Australia and New Zealand has increased. Regulatory reforms and incentives like tax exemptions could help attract skilled workers back to domestic markets.

High fuel and transport costs continue to hold back Pacific trade. MSME participation in international trade can be encouraged through modern trade facilitation using ICT, better access to trade finance, and greater use of regional trade agreements.

Agricultural value chain finance (AVCF) is a promising financing model that allows financial institutions to reach out to farmers more effectively by obtaining borrower data from buyers/aggregators. Three case studies in Fiji, PNG, and Samoa show the benefits AVCF provides in boosting lending to MSMEs, including smallholders and women farmers.

On emigration, firms, along with source and host governments, may need to develop and implement strategies that ensure benefits are retained and harmful risks minimized.

Digital entrepreneurship offer new growth opportunities for businesses. The analysis using data on neighbors and peers identified eight pillars comprising digital entrepreneurship systems—culture, legal status, market access, infrastructure, human capital, knowledge, finance, and networking. Supportive regulations, reduced logistics costs, entrepreneurship education and training will be needed to help strengthen digital entrepreneurship.

Appendixes

1. Economic Overview of Pacific Island States

Papua New Guinea (PNG) has close to 10 million inhabitants. The country gained its independence in 1975 and grew its economy to \$26.6 billion by 2021. With \$2,600 gross domestic product (GDP) per capita, PNG is a lower-middle-income country whose primary sectors include agriculture and fisheries. Important export industries are mining (such as petroleum gas, gold, and copper ore). Thus, PNG has \$11 billion in exports, against a much lower \$4.3 billion in imports. Net official development assistance (ODA) equals 4.6% of gross national income, the lowest among Pacific economies. Personal remittances amount to \$11 million.

Fiji (FIJ) became independent in 1970. It has a current population of 925,000, not much higher than in 2010. Its \$4.3 billion economy is mainly tourism-based with over \$1 billion of its \$2 billion in exports dependent on personal and business travel. Imports to Fiji have grown significantly higher, to 60% of GDP (\$2.8 billion). Net ODA rose recently to almost 15%, while historically between 2% and 3%. Overseas worker remittances is nearly \$400 million.

Solomon Islands (SOL) has a \$1.6 billion economy, created and maintained by the Pacific's fast-growing population of 707,000 people. The grew by 28% from 440,000 in 2011. Some 75% of its labor force works in subsistence agriculture and fishing. Exports of goods, primarily rough wood to the People's Republic of China (PRC), are worth \$479 million. Imports include petroleum, machinery, and food; valued similar to exports. Net ODA have dropped from 30%-40% of GDP to 16%. Personal remittances are slightly more than \$50 million.

Vanuatu (VAN) has a population of 319,000 people and a \$956 million economy, primarily agriculture, which employs 80% of the labor force. Its \$270 million in exports are mainly frozen fish and ships. Service exports amount to \$324 million. ODA has been steady at 15% of gross national income (GNI). Remittances have consistently grown to \$207 million.

Samoa (SAM) has 218,000 inhabitants with a GDP of \$844 million. The county's economy is dependent on agricultural exports, development assistance, and remittances. About 66% of the population works in agriculture, producing coconut and copra. Exports of goods are one-fifth of service exports (\$259 million), primarily tourism. Net ODA is 10% of GDP, one of the lowest in the region. Its \$248 million in personal remittances offer a significant amount of economic support.

Kiribati (KIR) became independent in 1979 and now has a population of about 129,000 people. The size of its economy is \$207 million annually. As measured by GDP per capita, it is the poorest country in the Pacific. Most income comes from abroad and includes fishing licenses, ODA, worker remittances, and tourism. Exports of goods, mainly fish, amount to \$94.5 million and services worth \$12 million. Net ODA meets the region's average of 20%. Personal remittances account for 6% of GNI.

Tonga (TON), independent since 1970, has a population of approximately 105,000 and a GDP of \$470 million. Tonga's economy heavily relies on agricultural exports (bananas and coconuts), development projects, and remittances (46%). However, the value of goods exports is significantly lower than the substantial amount of service exports, which primarily stem from tourism.

The **Federated States of Micronesia** (FSM) is home to approximately 115,000 people with a GDP of \$430 million. A significant portion of GDP, around 67%, comes from services. Imports remain relatively high, over 70% of GDP, while exports generate 30%.

The **Marshall Islands** (RMI) has a population of approximately 42,000 people with a GDP of \$280 million. Services provide 65% of value added. The relies on imports, which comprise over 69% of GDP. This indicates a relatively high level of dependence on external sources for meeting domestic consumption demands. In contrast, exports plays a much smaller role, generating around 12% of the country's GDP. Like many small island nations, it grapples with the challenge of balancing trade imbalances and reducing import dependence to foster sustainable economic growth. Diversifying the economy and promoting export-oriented sectors is crucial for enhancing economic resilience and reducing its vulnerability to external economic shocks.

Palau (PAL) has a population of approximately 18,000 and GDP of \$217 million. Services, primarily tourism, plays a significant role in the economy, contributing around 73% of GDP. The pandemic shut down tourism while the economy suffered tremendously. Its recovery is not going as fast as expected. The country aims to diversify its economy, boost exports, and reduce import dependence to build sustainable growth.

Nauru (NAU) is a one-island nation with a population of approximately 13,000 people and a GDP of \$150 million. Its service sector, with financial services, plays a significant role in the economy. Nauru is a highly open economy and faces the challenge of high imports, which are over 115% of GDP, with services exports account for approximately 55%.

Tuvalu (TUV) is a small island developing state comprising nine atolls in the South Pacific. It is geographically isolated and highly vulnerable to climatic and economic shocks. The country's national income derives from fishing license fees, trust fund investments, ODA, its "dotTV" domain name royalties, and remittances. Disasters triggered by natural hazards increase the country's economic volatility and substantially affects its fiscal position.

Source: World Bank database <https://data.worldbank.org/>. Accessed 10 June 2023.

2. Key Indicators in Pacific Island States

Country	GDP (current \$) (2020)	Population (2020)	GDP per capita (current \$)	Agriculture (%)	Industry (%)	Services (%)	Government (%)	Exports (%)	Imports (%)	Net ODA received (% of GNI)	Personal remittances, received (%)
Papua New Guinea	30,633,444,294.63	10,142,619	3,020.27	18.8 ²	33.1 ²	<u>44.0</u> ²	..	..	..	<u>4.69</u> ¹	<u>0.01</u>
Fiji	4,943,248,200.04	929,766	5,316.66	9.2	17.6	50.3	24.8 ²	45.6	62.3	14.96 ¹	9.28
Solomon Islands	1,595,710,784.31	724,273	2,203.19	34.1 ²	17.2 ²	48.6 ²	25.1 ²	25.8	<u>48.0</u>	16.5 ¹	5.09
Vanuatu	983,582,864.56	326,740	3,010.29	21.2 ⁴	10.0 ⁴	59.8 ⁴	<u>20.6</u> ³	15.2	54.4	15.03 ¹	7.63
Samoa	832,421,565.37	222,382	3,743.21	9.9	11.4	70.5	21.8	12.3	52.8	10.04 ¹	33.63
Tonga	469,228,124.15 ¹	106,858	4,425.97 ¹	16.3 ¹	15.9 ¹	49.7 ¹	30.7 ¹	12.5 ¹	60.8 ¹	22.82 ¹	46.22 ¹
Micronesia, Federated States of .	427,094,119.11	114,164	3,741.06	22.5	<u>4.0</u>	66.8	..	30.0	71.4	29.38 ¹	-
Marshall Islands	279,667,900.00	41,569	6,727.80	25.3 ¹	10.3 ¹	65.3 ¹	55.7 ¹	46.6 ¹	69.6 ¹	36.47 ¹	10.73
Kiribati	223,352,943.19	131,232	<u>1,701.92</u>	26.7 ²	10.0 ²	69.2 ²	67.3 ²	<u>11.6</u> ¹	87.1 ¹	18.35 ¹	6.72
Palau	217,800,000.00 ¹	18,055	12,083.89 ¹	<u>3.0</u> ¹	12.1 ¹	73.2 ¹	..	..	..	22.67 ¹	1.17 ¹
Nauru	150,922,211.04	12,668	11,913.66	..	..	..	..	55.8	115.4	14.44 ¹	4.99 ⁴
Tuvalu	60,349,391.10	11,312	5,334.99	..	..	..	..	..	..	44.36 ¹	4.15 ¹

GDP = gross domestic product, GNI = gross national income, ODA = official development assistance.

Notes: **Bold** numbers indicate the highest values; underlined numbers indicate lowest values; year of most recent figures (1 = 2021; 2 = 2020; 3 = 2019; 4 = 2018).

Sector data includes agriculture, forestry, and fishing, value added (% of GDP), industry including construction, value added (% of GDP), services, value added (% of GDP).

Source: World Bank database <https://data.worldbank.org/>. Accessed 10 June 2023.

3. Global Indicators of Digital Entrepreneurship Systems and Pacific Island Coverage

Pillar/Variable		Indicator	Dataset
GENERAL FRAMEWORK CONDITIONS (GFC)			
1	Culture, informal institutions (GFC_P1)	Efficiency of legal framework in setting disputes	World Economic Forum (WEF), Global Competitiveness Index 4.0
2		Corruption Perception Index	Transparency International
3		Corporate governance	World Economic Forum (WEF), Global Competitiveness Index 4.0
4		Attitudes towards entrepreneurial risk (failure 2018,2017)	World Economic Forum (WEF), Global Competitiveness Index 4.0
5		Reliance on professional management	World Economic Forum (WEF), Global Competitiveness Index 4.0
6		Willingness to delegate authority	World Economic Forum (WEF), Global Competitiveness Index 4.0
7	Formal institutions, regulation, taxation (GFC_P2)	Rule of law (Property rights)	Economic Freedom Index, Rule of Law pillar, Heritage Foundation
8		Rule of law (Judicial Effectiveness)	Economic Freedom Index, Rule of Law pillar, Heritage Foundation
9		Distortive effect of taxes and subsidies on competition	World Economic Forum (WEF), Global Competitiveness Index 4.0
10		Total tax rate (reciprocal value)	World Bank, Doing Business project
11		Efficiency of legal framework in challenging regulations	World Economic Forum (WEF), Global Competitiveness Index 4.0
12	Market conditions (GFC_P3)	Domestic market size	World Economic Forum (WEF), Global Competitiveness Index 4.0
13		Urbanization (urban population)	United Nations, Department of Economic and Social Affairs, Population Division. World Urbanization Prospects
14		Extent of market dominance	World Economic Forum (WEF), Global Competitiveness Index 4.0
15		Economic complexity (re-scaled)	Observatory of Economic Complexity
16	Physical infrastructure (GFC_P4)	Prevalence of non tariff barriers	World Economic Forum (WEF), Global Competitiveness Index 4.0
17		Electricity infrastructure	World Economic Forum (WEF), Global Competitiveness Index 4.0 (International Energy Agency)
18		Transportation infrastructure	World Economic Forum (WEF), Global Competitiveness Index 4.0
SYSTEMIC ENTREPRENEURIAL CONDITONS (SEC)			
19	Human capital (S1_SEC_P1)	Quality of education	Average of two indicators: quality of education system and quality of management schools (The GITR)
20		Future workforce	World Economic Forum (WEF), Global Competitiveness Index 4.0
21	Human capital (S2_SEC_P1)	Tertiary education enrolment (capping)	UIS. Stat
22		Percentage of universities in top ranking (top 1,000 per million population)	Webometrics Ranking of World Universitie, CSIC
23		STEM education	Sum of the % of graduates from tertiary education graduating from Natural Sciences, Mathematics and Statistics + Engineering, Manufacturing and Construction programs (%)
24	Human capital (S3_SEC_P1)	Researchers in R&D (per million people)	UNESCO Institute for Statistics
25		Extent of staff training	World Economic Forum (WEF), Global Competitiveness Report 4.0
26		Skilled labor	World Economic Forum (WEF), Global Competitiveness Report 4.0
27		Labor freedom	Heritage Foundation
28	Knowledge creation and dissemination (S1_SEC_P2)	Skillset of graduates	World Economic Forum (WEF), Global Competitiveness Index 4.0

Pillar/Variable	Indicator	Dataset
29	Professionals & researchers	Global Talent Competitiveness Index, 2018
30	Attracting and retaining talents	Average of country capacity to attract and retain talent (WEF)
31	Knowledge creation and dissemination (S2_SEC_P2)	Quality of research institutions
32		World Economic Forum (WEF), Global Competitiveness Index 4.0
33		Technicians and associate professionals
34	Knowledge creation and dissemination (S3_SEC_P2)	International Labour Organisation (ILO)
35		Quality of math and science education
36		World Economic Forum (WEF), Global Competitiveness Report
37	Finance (S1_SEC_P3)	Gross domestic expenditure on R&D (GERD)
38		The Global Innovation Index
39		PCT patent applications
40	Finance (S2_SEC_P3)	World Economic Forum (WEF), Global Competitiveness Index 4.0
41		Knowledge absorption
42		GLOBAL INNOVATION INDEX
43	Finance (S3_SEC_P3)	University-industry collaboration in R&D
44		World Economic Forum (WEF), Global Competitiveness Index 4.0
45		Domestic credit to private sector
46	Networking and support (S1_SEC_P4)	International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.
47		Financing SMEs
48		World Economic Forum (WEF), Global Competitiveness Index 4.0
49	Networking and support (S2_SEC_P4)	Venture capital (VC) availability
50		World Economic Forum (WEF), Global Competitiveness Report 4.0
51		VC funding per capita
52	Networking and support (S3_SEC_P4)	Number of VC investors per capita
53		Dealroom.co
54		Market capitalization
55	GENERAL DIGITAL FRAMEWORK CONDITIONS (DFC)	World Economic Forum (WEF), Global Competitiveness Index 4.0
56		Financing through local equity market, 1-7 (best)
57		World Economic Forum (WEF), Global Competitiveness Index, 2017-2018
58	Culture, informal institutions (DFC_P1)	Social capital
59		WEF, GCI
60		International co-inventions
61	Culture, informal institutions (DFC_P1)	World Economic Forum (WEF), Global Competitiveness Report 4.0
62		Joint venture/strategic alliance deals
63		The Global Innovation Index
64	Culture, informal institutions (DFC_P1)	State of cluster development
65		World Economic Forum (WEF), Global Competitiveness Index 4.0
66		Multi-stakeholder collaboration
67	Formal institutions, regulation, taxation (DFC_P1)	World Economic Forum (WEF), Global Competitiveness Index 4.0
68		Logistic index
69		World bank
70	GENERAL DIGITAL FRAMEWORK CONDITIONS (DFC)	
71	Culture, informal institutions (DFC_P1)	Household with computer (%), latest available data (2014-2019)
72		ITU World Telecommunication/ICT indicators, December 2020 edition
73		Households with internet access at home (%), latest available data (2014-2019)
74	Formal institutions, regulation, taxation (DFC_P1)	ITU World Telecommunication/ICT indicators, December 2020 edition
75		Individuals using the internet, total (%), latest available data (2014-2019)
76		ITU World Telecommunication/ICT indicators, December 2020 edition
77	Formal institutions, regulation, taxation (DFC_P1)	% of firms having their own website, latest available data
78		WBG Enterprise Survey
79		Future orientation of government, (DTF)
80	Formal institutions, regulation, taxation (DFC_P1)	The Global Competitiveness Index 4.0 2019 Dataset | Version 20191006
81		Percentage of network attacks by Kaspersky
82		Securelist (reciproc)
83	Formal institutions, regulation, taxation (DFC_P1)	Percentage of WEB treats
84		Securelist (reciproc)
85		Software piracy rate, % software installed
86	Formal institutions, regulation, taxation (DFC_P1)	WEF - Global Information Technology Report (reciproc)
87		Competition in network services
88		The Global Competitiveness Index 4.0 2019 Dataset | Version 20191006

Pillar/Variable	Indicator	Dataset
60	E-government Index	UN
61	Market conditions (DFC_P3)	Used the internet to pay bills or to buy something online in the past year (% age 15+)
62		Used the internet to buy something online in the past year(% age 15+)
	Internet shopping	Network Readiness Index, Global Findex Index, WBG
63	% of firms using email to interact with clients/suppliers	WGB Enterprise Survey
64	B2C E-commerce Index	UNCTAD
65	T-index (%)	translated.com
66	Physical infrastructure (DFC_P4)	Prepaid mobile cellular tariffs, PPP \$/min.
67		Mobile broadband data only 1.5 GB
68		Fixed broadband Internet tariffs, PPP \$/month
69		Fixed broadband 5GB
70		Median download_ uploads, 2020
71		Uploads, fastmetrix
72		Mobile network coverage, % pop.
73		Secured internet servers
SYSTEMIC DIGITAL CONDITIONS (SDC)		
74	Human capital (S1_SDC_P1)	Internet access in schools
75		Digital skills among population
76	Human capital (S2_SDC_P1)	Employees by sex and occupation - 2 digit level: 35 - Information and communications technicians
77	Human capital (S3_SDC_P1)	Technology adaption
78	Knowledge creation and dissemination (S1_SDC_P2)	Number of OA journals by country DOAJ per mill. Population
79		Scientific and technical journal articles per mill population
80		Wikipedia yearly edits
81		Video uploads on YouTube
82		Moblie app development
83	Knowledge creation and dissemination (S2_SDC_P2)	Employment in knowledge-intensive services
84		Number of professional developers
85	Knowledge creation and dissemination (S3_SDC_P2)	Total computer software spending
86		Impact of ICTs on business models, 1-7 (best)
87		Impact of ICTs on new organizational models, 1-7 (best)
88		ICT PCT patents, applications/million pop.
89	Finance (S1_SDC_P3)	Made or received digital payments in the past year (% age 15+)
90		Used a mobile phone or the internet to access a financial institution account in the past year (% age 15+)

Pillar/Variable	Indicator	Dataset
91	Used a mobile phone or the internet to access an account (% age 15+)	The Global Findex Index
92 Finance (S2_SDC_P3)	Market Volumes of Alternative Finance Transactions (\$ per capita)	The Global Alternative Finance Market Benchmarking Report, 2020 (Cambridge)
93 Finance (S3_SDC_P3)	Fintech firms per capita	Dealroom
94 Networking and support (S1_SDC_P4)	Generic top-level domains (gTLDs)	The Global Innovation Index
95	Use of virtual social networks, 1-7 (best)	WEF - Global Information Technology Report
96	Use of virtual social networks	We Are Social and Hootsuite (2020) Global Digital Report 2020 (https://wearesocial.com/digital-2020)
97	Use of virtual professional networks	Global Talent Competitiveness Index
98 Networking and support (S2_SDC_P4)	Availability of local online content	The Network Readiness Index
99	SR score per capita	Startupranking.com
100 Network and support (S3_SDC_P4)	ICT use for business-to-business transactions, 1-7 (best)	Global Information Technology Report
101	Business-to-consumer Internet use, 1-7 (best)	Global Information Technology Report
102	Business use of digital tools (normalized)	Network Readiness Index, 2020
NORMALIZATION (INDICATORS) GENERAL FRAMEWORK CONDITIONS (GFC)		
103 Culture, informal institutions (GFC_P1)	Efficiency of legal framework in setting disputes	World Economic Forum (WEF), Global Competitiveness Index 4.0
104	Corruption Perception Index	Transparency International
105	Corporate governance	World Economic Forum (WEF), Global Competitiveness Index 4.0
106	Attitudes toward entrepreneurial risk (failure 2018,2017)	World Economic Forum (WEF), Global Competitiveness Index 4.0
107	Reliance on professional management	World Economic Forum (WEF), Global Competitiveness Index 4.0
108	Willingness to delegate authority	World Economic Forum (WEF), Global Competitiveness Index 4.0
109 Formal institutions, regulation, taxation (GFC_P2)	Rule of law (Property rights)	Economic Freedom Index, Rule of Law pillar, Heritage Foundation
110	Rule of law (Judicial Effectiveness)	Economic Freedom Index, Rule of Law pillar, Heritage Foundation
111	Distortive effect of taxes and subsidies on competition	World Economic Forum (WEF), Global Competitiveness Index 4.0
112	Total tax rate (reciprocal value)	World Bank, Doing Business project
113	Efficiency of legal framework in challenging regulations	World Economic Forum (WEF), Global Competitiveness Index 4.0
114 Market conditions (GFC_P3)	Domestic market size	World Economic Forum (WEF), Global Competitiveness Index 4.0
115	Urbanization (urban population)	United Nations, Department of Economic and Social Affairs, Population Division. World Urbanization Prospects
116	Extent of market dominance	World Economic Forum (WEF), Global Competitiveness Index 4.0
117	Economic complexity (re-scaled)	Observatory of Economic Complexity
118	Prevalence of non tariff barriers	World Economic Forum (WEF), Global Competitiveness Index 4.0
119 Physical infrastructure (GFC_P4)	Electricity infrastructure	World Economic Forum (WEF), Global Competitiveness Index 4.0 (International Energy Agency)
120	Transportation infrastructure	World Economic Forum (WEF), Global Competitiveness Index 4.0

Pillar/Variable		Indicator	Dataset
SYSTEMIC ENTREPRENEURIAL CONDITONS (SEC)			
122	Human capital (S1_SEC_P1)	Quality of education	Average of two indicators: quality of education system and quality of management schools (The GITR)
123		Future workforce	World Economic Forum (WEF), Global Competitiveness Index 4.0
124	Human capital (S2_SEC_P1)	Tertiary education enrollment	UIS. Stat
125		Percentage of universities in top ranking (top1000/all)	Webometrics Ranking of World Universities, CSIC
126		STEM education	Sum of the % of graduates from tertiary education graduating from Natural Sciences, Mathematics and Statistics + engineering, Manufacturing and Construction programs (%)
127		Human resources in science and technology	Total R&D personnel per million inhabitants, UIS. Statistics
128	Human capital (S3_SEC_P1)	Extent of staff training	World Economic Forum (WEF), Global Competitiveness Report 4.0
129		Skilled labor	World Economic Forum (WEF), Global Competitiveness Report 4.0
130		Labor freedom	Heritage Foundation
131	Knowledge creation and dissemination (S1_SEC_P2)	Skillset of graduates	World Economic Forum (WEF), Global Competitiveness Index 4.0
132		Professionals & researchers	Global Talent Competitiveness Index, 2018
133		Attracting and retaining talents	Average of country capacity to attract and retain talent (WEF)
134	Knowledge creation and dissemination (S2_SEC_P2)	Quality of research institutions	World Economic Forum (WEF), Global Competitiveness Index 4.0
135		Technicians and associate professionals	International Labour Organisation (ILO)
136		Quality of math and science education	World Economic Forum (WEF), Global Competitiveness Report
137	Knowledge creation and dissemination (S3_SEC_P2)	Gross domestic expenditure on R&D (GERD)	The Global Innovation Index
138		PCT patent applications	World Economic Forum (WEF), Global Competitiveness Index 4.0
139		Knowledge absorption	GLOBAL INNOVATION INDEX
140		University-industry collaboration in R&D	World Economic Forum (WEF), Global Competitiveness Index 4.0
141	Finance (S1_SEC_P3)	Domestic credit to private sector	International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates.
142		Financing SMEs	World Economic Forum (WEF), Global Competitiveness Index 4.0
143	Finance (S2_SEC_P3)	Venture capital availability	World Economic Forum (WEF), Global Competitiveness Report 4.0
144		Venture Capital funding per capita	Dealroom.co
145		Number of VC investors per capita	Dealroom.co
146	Finance (S3_SEC_P3)	Market capitalization	World Economic Forum (WEF), Global Competitiveness Index 4.0
147		Financing through local equity market, 1-7 (best)	World Economic Forum (WEF), Global Competitiveness Index, 2017-2018
148	Networking and support (S1_SEC_P4)	Social capital	WEF, GCI
149	Networking and support (S2_SEC_P4)	International co-inventions	World Economic Forum (WEF), Global Competitiveness Report 4.0
150		Joint venture/strategic alliance deals	The Global Innovation Index
151	Networking and support (S3_SEC_P4)	State of cluster development	World Economic Forum (WEF), Global Competitiveness Index 4.0
152		Multi-stakeholder collaboration	World Economic Forum (WEF), Global Competitiveness Index 4.0
153		Logistic index	World bank

Pillar/Variable		Indicator	Dataset
GENERAL DIGITAL FRAMEWORK CONDITIONS (DFC)			
154	Culture, informal institutions (DFC_P1)	Household with computer (%), latest available data (2014-2019)	ITU World Telecommunication/ICT indicators, December 2020 edition
155		Households with Internet access at home (%), latest available data (2014-2019)	ITU World Telecommunication/ICT indicators, December 2020 edition
156		Individuals using the Internet, total (%), latest available data (2014-2019)	ITU World Telecommunication/ICT indicators, December 2020 edition
157		% of firms having their own website, latest available data	WBG Enterprise Survey
158	Formal institutions, regulation, taxation (DFC_P1)	Future orientation of government, (DTF)	The Global Competitiveness Index 4.0 2019 Dataset | Version 20191006
159		Percentage of network attacks by Kaspersky	Securelist (reciproc)
160		Percentage of WEB treats	Securelist (reciproc)
161		Software piracy rate, % software installed	WEF - Global Information Technology Report (reciproc)
162		Competition in network services	The Global Competitiveness Index 4.0 2019 Dataset | Version 20191006
162		E-Government Index	UN
163	Market conditions (DFC_P3)	Used the internet to pay bills or to buy something online in the past year (% age 15+)	Global Findex Index, WBG
164		Used the internet to buy something online in the past year (% age 15+)	
165		Internet shopping	Network Readiness Index, Global Findex Index, WBG
166		% of firms using email to interact with clients/suppliers	WBG Enterprise Survey
167		B2C E-commerce Index	UNCTAD
168		T-index (%)	translated.com
169	Physical infrastructure (DFC_P4)	Prepaid mobile cellular tariffs, PPP \$/min.	WEF - Global Information Technology Report (reciproc)
170		Mobile broadband data only 1.5 GB	ITU, ICT price basket 2018-2020 (reciproc)
171		Fixed broadband Internet tariffs, PPP \$/month	WEF - Global Information Technology Report (reciproc)
172		Fixed broadband 5GB	ITU, ICT price basket 2018-2020 (reciproc)
173		Median download_ uploads, 2020	Downloads, fastmetrix
174			Uploads, fastmetrix
175		Mobile network coverage, % pop.	WEF - Global Information Technology Report
176		Secured internet servers	Netcraft
SYSTEMIC DIGITAL CONDITIONS (SDC)			
177	Human capital (S1_SDC_P1)	Internet access in schools	WEF - Global Information Technology Report
178		Digital skills among population	The Global Competitiveness Index 4.0 2019 Dataset | Version 20191006
179	Human capital (S2_SDC_P1)	Employees by sex and occupation - 2 digit level: 35 - Information and communications technicians	ILO Statistics per population
180	Human capital (S3_SDC_P1)	Technology adaption	Cisco Digital Readiness Index 2019
181	Knowledge creation and dissemination (S1_SDC_P2)	Number of OA journals by country DOAJ per mill. Population	Morrison et al
182		Scientific and technical journal articles	National Science Foundation, Science and Engineering Indicators.
183		Wikipedia yearly edits	The Global Innovation Index

Pillar/Variable	Indicator	Dataset
184	Video uploads on YouTube	The Global Innovation Index
185	Mobile app development	Network Readiness Index, 2020
186 Knowledge creation and dissemination (S2_SDC_P2)	Employment in knowledge-intensive services	Global Innovation Index
187	Number of professional developers	Developer Survey Results 2017, Stackoverflow
188 Knowledge creation and dissemination (S3_SDC_P2)	Total computer software spending	The Global Innovation Index
189	Impact of ICTs on business models, 1-7 (best)	Global Information Technology Report
190	Impact of ICTs on new organizational models, 1-7 (best)	Global Information Technology Report
191	ICT PCT patents, applications/million pop.	Global Information Technology Report
192 Finance (S1_SDC_P3)	Made or received digital payments in the past year (% age 15+)	The Global Findex Index
193	Used a mobile phone or the internet to access a financial institution account in the past year (% age 15+)	The Global Findex Index
194	Used a mobile phone or the internet to access an account (% age 15+)	The Global Findex Index
195 Finance (S2_SDC_P3)	Market Volumes of Alternative Finance Transactions (US \$ per capita)	The Global Alternative Finance Market Benchmarking Report, 2020 (Cambridge)
196 Finance (S3_SDC_P3)	Fintech firms per capita	Dealroom
197 Networking and support (S1_SDC_P4)	Generic top-level domains (gTLDs)	The The Global Innovation Index
198	Use of virtual social networks, 1-7 (best)	WEF - Global Information Technology Report
199	Use of virtual social networks	We Are Social and Hootsuite (2020) Global Digital Report 2020 (https://wearesocial.com/digital-2020)
200	Use of virtual professional networks	Global Talent Competitiveness Index
201 Networking and support (S2_SDC_P4)	Availability of local online content	The Network Readiness Index
202	SR score per capita	Startupranking.com
203 Network and support (S3_SDC_P4)	ICT use for business-to-business transactions, 1-7 (best)	Global Information Technology Report
204	Business-to-consumer Internet use, 1-7 (best)	Global Information Technology Report
205	Business use of digital tools (normalized)	Global Information Technology Report

B2C = business-to-consumer, ICT = information and communication technology, OECD = Organisation for Economic Co-operation and Development, R&D = research and development, SMEs = small and medium-sized enterprises.

Source: Asian Development Bank. 2022. *Asian Development Outlook 2022 Update: Entrepreneurship in the Digital Age*. September.

4. Relative Small Island Developing States Severity Indicators

Country Name	Market Size	Country Population	Market concentration	Number of islands (inhabited)	Urban/ Capital Population	%	Distance to large international markets	Distance to large international markets	Distance to large international markets	Relative Alternative Access	Logistics Performance Indicators	Relative SIDS severity
							Japan/ PRC/ ROK/ Taipei, China	Australia/NZ	US/Canada			
Fiji	++	924,610	+	330 (110)	740,000	80.0	7,179	3,215	11,940	1	2.3	1 Low
Vanuatu	+	319,137	--	83 (65)	66,000	20.7	6,359	2,591	9,425	1	N/A	2 Medium-Low
Samoa	+	218,764	--	10 (2)	35,000	16.0	7,473	4,312	7,724	1	N/A	2 Medium-Low
Palau	--	18,024	+	340 (16)	14,318	79.4	3,172	4,912	10,614	1	N/A	2 Medium-Low
Kiribati	0	128,874	0	33 (21)	70,480	54.7	7,467	6,669	5,351	1	N/A	3 Medium
Papua New Guinea	+++	9,949,437	--	600	364,145	3.7	5,076	2,745	10,677	2	2.7	3 Medium
Solomon Islands	++	707,851	--	900 (9)	161,197	22.8	5,476	2,842	9,574	2	2.8	3 Medium
Tonga	0	106,017	+	169 (36)	74,454	70.2	7,904	3,577	8,559	2	N/A	3 Medium
Marshall Islands	-	42,050	0	34 (24)	20,301	48.3	4,510	5,018	7,450	2	N/A	4 Medium-high
Nauru	--	12,511	++	1 (1)	12,511	100.0	4,914	4,051	8,351	2	N/A	4 Medium-high
Micronesia, Fed. Sts.	0	113,131	--	607	5,000	4.4	3,433	4,061	9,237	1	N/A	5 Very High
Tuvalu	--	11,204	0	9 (4)	6,320	56.4	6,194	4,025	7,946	1	N/A	5 Very High
Average							5,763	4,002	8,904			
							*Tokyo	**Sydney	**San Francisco			

NZ = New Zealand, PRC = People's Republic of China, ROK = Republic of Korea, SIDS = small island developing states, US = United States.

Source: World Bank database <https://data.worldbank.org/>. Accessed 10 June 2023.

Background Notes and Tables

1. Rationale and Methodology

Background

The Asian Development Bank (ADB) upgraded the *Asia Small and Medium-Sized Enterprise Monitor* (ASM) in 2020, responding to greater demand for high-quality multicountry analytical data on micro, small, and medium-sized enterprises (MSMEs) and regional best practices that support their development. The ASM is a knowledge-sharing product developed to be an important resource for MSME development policies in Asia and the Pacific. The ASM, as an annual publication, reviews financial and nonfinancial conditions of MSMEs at the country and regional level. The ASM has several main objectives: (i) provide in-depth analyses on MSMEs, finance, and policy interventions; (ii) exchange country best practices and experience on MSME development; and (iii) present timely comparative financial and nonfinancial data on MSMEs. Its target clientele are government authorities in ADB developing member countries (DMCs) responsible for MSME development and access to finance; and to support their promotion of evidence-based policy design. It also serves audiences such as academia to encourage more country, regional, and global dialogue on MSME policies and financial inclusion.

Components

Since its inauguration in 2020, the ASM covers 25 ADB DMCs—including 10 countries from Southeast Asia, 5 from South Asia, 7 from Central and West Asia, and 3 from the Pacific—to analyze MSME development and access to finance.¹ ADB has published 11 ASM reports including this volume.²

The ASM has three components: (i) country and regional reviews, (ii) thematic analysis, and (iii) technical assessments. During the coronavirus disease (COVID-19) pandemic, ADB prepared two special chapters to assess its impact on MSMEs—ASM 2020 and ASM 2021.

The **Country and Regional Review Volume** (main ASM report) offers in-depth analyses on financial and nonfinancial issues affecting MSME development. Each presents three review dimensions with 14–16 sub-dimensions for analysis: (i) MSME development (scale of MSMEs, employment, business productivity, market access, technology and innovation, and networking and support); (ii) access to finance (bank credit, public financing and guarantees, nonbank financing, digital financial services, capital markets, and financial infrastructure); and (iii) policies and regulations (MSME development and financial inclusion—along with responses to the pandemic and Russian invasion of Ukraine). This volume analyzes these dimensions based on data collected from DMC partner institutions using ASM Standardized Data Request Forms.

The **Thematic Chapter** explores best practices related to MSME development and access to finance by using an impact evaluation approach—one that assesses how an intervention affects particular conditions compared with non-intervention—and/or descriptive analyses. Impact evaluation is a useful analytical tool to evaluate the impact of policy interventions on national MSME development and access to finance. The analysis is expected to be used as a pilot project exercise for MSME development and finance in DMCs. Thematic chapters focused on fintech

¹ From Southeast Asia, Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic (Lao PDR), Malaysia, Myanmar (temporarily stopped updates after 2020), the Philippines, Singapore, Thailand, and Viet Nam. From South Asia, Bangladesh, India, Nepal, Pakistan, and Sri Lanka. From Central and West Asia, Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. From the Pacific, Fiji, Papua New Guinea, and Samoa.

² ADB. *Asia Small and Medium-Sized Enterprise Monitor*. <https://www.adb.org/publications/series/asia-small-medium-sized-enterprise-monitor>.

loans to tricycle drivers in the Philippines for ASM 2020, digitalizing microfinance in Bangladesh (findings from baseline surveys) for ASM 2021, the Russian invasion of Ukraine and its impact on small firms in Central and West Asia for ASM 2022, and a report on how small firms can contribute to resilient growth in the Pacific post COVID-19 (combined with the Country and Regional Review Chapter) for the ASM 2023.

Separately, given the heightened needs of DMC governments, ADB published two special chapters that analyzed the impact of the COVID-19 pandemic on MSMEs in Indonesia, the Lao PDR, the Philippines, and Thailand. The special study was based on the findings from year-long MSME surveys conducted in March 2020–April 2021.

A **Technical Chapter** was prepared until 2021. It aimed to design and test a new composite index called the Small and Medium-Sized Enterprise Development Index (SME-DI) to numerically measure factors affecting MSME development, by using multivariate analysis based on country data. Technical chapters were published in ASM 2020 and ASM 2021 as pilot exercises. The SME-DI was applied to the regional analysis in Volume I of ASM 2022. It was not prepared in the ASM 2023 due to insufficient data available for estimates in the Pacific.

Data Processing

To collect reliable and accurate data with periodic updates, ADB first built strategic partnerships with key institutions that hold MSME data—including SME agencies, relevant line ministries, statistics offices, central banks, financial authorities, SME banks, and chambers of commerce. To systematically compile the data, ADB prepared Standardized Data Request Forms to collect MSME data from partner institutions, comprising two separate forms on finance and nonfinance. Missing data and information were supplemented by surveys, field research, and virtual/in-person interviews. For ASM 2023, field missions were conducted in March 2023 in Fiji, Papua New Guinea, and Samoa. A total of 40 in-person meetings and interviews were conducted with key stakeholders including central banks, financial authorities, SME agencies, line ministries, and private institutions in the three Pacific countries—which became the basis for Country Chapter analyses. All data collected were interactively reviewed and finalized by an ADB team and DMC partner institutions. Country and regional data incorporated into ASM reports are downloadable in Excel format as time-series data from the ADB website (Asia SME Monitor database).

Modality of the Publication

The ASM relies on national MSME definitions for comparative analysis as they are a policy benchmark, and collectively uses “MSME” throughout, unless otherwise stated. The ASM uses a regional approach for analysis. It analyzes a designated region and countries, with data updates of past analyses each year. Using this approach, ASM 2020 focused on 10 Southeast Asian countries with ASM 2021 covering five countries in South Asia, updating Southeast Asian data (except Myanmar). ASM 2022 expanded country coverage to Central and West Asia, adding 7 countries with updates of 14 countries. ASM 2023 added three Pacific economies with updates for 21 countries. We systematically prepare the ASM in close collaboration with ADB’s knowledge and operations departments. Capacity-building programs will be included based on key findings from ASM reports and data upon request from participating DMC governments.

2. Regional Data Tables

A. MSME Landscape

A1. Number of MSMEs

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	5,427	...	...	...	...	...	5,248	5,721	5,876	5,921	6,001	5,853	...
Cambodia	376,069	...	462,582	55,206,444	...	512,870	...	61,661,177	63,932,617	64,194,057	65,465,487	...	...	...
Indonesia	52,764,750	54,114,821	...	56,534,592	57,895,721	59,262,772	...	...	124,567	...	...	...	...
Lao People's Democratic Republic	126,717	...	...	...	...	...	...	124,510	...	...	...	...	...	124,567	...	133,721	...
Malaysia	548,467	...	...	...	...	...	...	638,790	...	...	...	...	...	907,065	1,086,157	1,154,809	1,181,631	1,151,339	1,226,494	1,173,601
Myanmar*	39,949	40,811	40,559	40,396	39,272	38,978	38,590	38,654	39,062	39,162	59,694	61,949	71,290	75,116	...	...	...
Philippines	780,469	781,201	758,436	777,357	774,664	816,759	940,886	937,327	942,935	896,839	911,768	920,677	998,342	995,745	952,969	1,076,311	1,105,143
Singapore	246,300	247,700	254,400	262,800	272,500	281,000	298,500
Thailand	3,366,227	2,857,633	2,896,066	2,933,167	2,646,549	2,730,591	2,763,997	2,736,744	2,765,986	3,004,679	3,046,790	3,077,832	3,105,096	3,134,442	3,178,124	3,187,278
Viet Nam	143,622	186,379	230,365	272,483	316,941	338,916	365,181	393,915	433,453	495,010	544,212	592,865	651,138	666,266	699,859	...
South Asia																				
Bangladesh
India*	36,176,000	37,736,000	39,370,000	41,080,000	42,873,000	44,764,000	46,754,000	48,846,000	51,057,000	51,999,000	63,387,673	...	...	...	...
Nepal*	166,348	171,004	189,026	204,582	226,711	244,365	268,682	300,721	337,864	390,493	...	...	...
Pakistan	3,210,000	...	...	...	...	...	...	...	...	...	...	...	...	...	...	5,200,000	...	...
Sri Lanka	1,077,267	...	...	...	...	...	...	...	...	...
Central and West Asia																				
Armenia	...	93,835	99,820	79,595	81,953	129,985	132,923	59,267	68,682	73,295	77,999	76,589	69,360	76,763	59,467	68,654	75,045	83,032	89,831	...
Azerbaijan	...	161,434	178,540	184,281	196,972	204,960	205,028	207,120	153,353	141,422	165,277	186,898	187,375	191,695	169,603	244,883	271,304	316,370	355,906	...
Georgia	...	27,217	34,783	33,374	33,072	32,961	37,990	42,365	57,325	54,418	58,761	70,491	90,992	97,627	124,614	126,770	128,204	129,268	139,275	...
Kazakhstan	507,365	572,738	643,276	707,821	663,374	661,598	84,611	809,750	888,233	926,844	1,244,579	1,106,353	1,145,994	1,241,328	1,330,244	1,387,311	1,431,647	1,818,764
Kyrgyz Republic	...	8,485	8,471	9,467	9,852	11,988	12,221	12,161	12,211	11,931	12,549	13,505	14,027	14,368	14,653	15,289	16,978	17,019	17,050	...
Tajikistan	55,750	55,750	24,459	27,964	31,144	37,832	38,907	38,907	37,804	25,451	26,463	26,691	27,650	29,555	31,419
Uzbekistan	...	99,780	100,751	112,260	129,211	135,561	152,246	164,052	177,876	177,551	189,867	196,014	207,104	210,594	229,666	262,930	334,767	411,203	462,834	523,556
Pacific Islands																				
Fiji	10,583	...	...	...	9,773	9,723	9,186	...	...
Papua New Guinea	11,554	...	...	...	...	49,501	...	...	...	...	...	...
Samoa	3,277	3,533	4,264	4,614	4,963	4,775	4,664	4,816	5,218	4,526	4,540

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India and Myanmar, and 15 July in Nepal). For Kazakhstan, data for operating MSMEs. For Papua New Guinea, data in 2016 was extracted from the SME Policy 2016 (March 2016).

Source: ADB Asia SME Monitor 2023 database.

A2. MSMEs to Total (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	97.5	...	...	...	...	96.6	97.0	97.2	97.3	97.3	97.2	...	...
Cambodia	99.8	99.9	99.8	99.9	99.9	99.9	99.9	99.9	99.9	99.9	99.9	...	...	...
Indonesia	99.9	99.9	99.9	99.8	...	...	...	...	99.8	99.8	99.8	...	...
Lao People's Democratic Republic	99.8	...	...	...	98.5	...	...	...	...	...	97.9	97.6	97.4	97.3	97.2	97.4	...
Malaysia	99.2	...	...	...	92.0	91.8	91.6	90.3	89.1	88.4	87.9	87.4	87.1	90.2	89.6	90.1	89.9	...	...	...
Myanmar*	99.7	99.6	99.6	99.6	99.6	99.6	99.6	99.6	99.5	99.5	99.6	99.5	99.5	99.5	99.6	...
Philippines	99.5	99.5	99.5	99.5	99.5	99.5	...
Singapore	99.7	99.7	99.8	99.8	99.5	99.5	...
Thailand	99.6	99.7	99.8	99.8	99.8	97.2	97.2	97.9	97.9	98.0	98.0	97.2	97.2	97.4	97.4	...
Viet Nam	96.3	97.0	97.4	97.5	97.6	97.7	97.8	97.8	98.0	98.0	97.1	97.1	97.4	97.4	97.4	...
South Asia																				
Bangladesh	99.97	...	...	...	...	...	...	...	...	...
India	99.9	...	...	...	...	...	...
Nepal
Pakistan	99.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...	98.6	...	...
Sri Lanka	99.8	...	...	...	...	...	...	...	...	...
Central and West Asia																				
Armenia	...	97.8	97.7	97.7	97.8	97.7	97.7	98.0	98.0	98.0	99.0	99.0	99.0	99.0	99.8	99.8	99.8	99.8	99.1	...
Azerbaijan	99.6	99.7	99.7	...
Georgia	...	99.6	99.6	99.6	99.5	99.5	99.5	99.6	99.6	99.5	99.5	99.6	99.7	99.7	99.7	99.7	99.7	99.7	99.7	...
Kazakhstan	99.6	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.7	99.8	99.8	99.8	99.8	99.8	99.8	99.8	...
Kyrgyz Republic	...	95.7	95.7	96.0	96.4	96.9	97.3	97.6	97.6	97.6	97.7	97.9	98.0	98.0	97.9	98.0	98.3	98.3	98.2	...
Tajikistan	97.5	97.5	97.8	97.7	98.7	98.7	98.7	98.7	98.7	98.2	98.5	98.6	98.6	...
Uzbekistan	...	93.9	94.8	96.3	97.2	97.5	97.7	98.1	98.3	98.4	98.5	98.6	98.8	98.8	99.0	99.2	99.3	99.3	99.3	...
Pacific Islands																				
Fiji	85.2	...	...	...	82.2	79.4	82.4	...	...
Papua New Guinea
Samoa	94.5	95.0	95.8	96.2	96.5	96.5	96.2	96.4	96.8	96.5	96.6

MSME = micro, small, and medium-sized enterprise.

Note: End-of-year data except * fiscal year data (ended 31 March in Myanmar).

Source: ADB Asia SME Monitor 2023 database.

A3. MSMEs by Sector (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Agriculture	3.1	...	...	1.4	1.4	...	0.9	...	1.7	1.0
Manufacturing	10.5	13.9	16.7	14.7	5.6	...	12.1	...	16.3	14.7
Transportation and communications	5.7	...	7.3	3.0	...	...	2.3	...	...	8.1
Construction	9.6	...	0.9	1.7	7.9	...	0.4	...	...	14.4
Wholesale and retail trade	35.6	59.6	63.5	61.2	84.4	...	49.3	...	41.9	37.7
Other services	34.4	26.5	10.7	3.2	...	...	34.6	...	40.1	22.5
Others	1.1	...	0.9	14.8	0.4	...	0.4	...	...	1.7
Year	2020	2014	2016	2020	2022	2022	2022	2022	2022	2021
Item / South Asia	Bangladesh	India*	Nepal*	Pakistan	Sri Lanka					
Agriculture	...	...	16.3	1.0	...					
Manufacturing	11.1	31.0	33.2	20.0	23.6					
Transportation and communications	16.9	...	...	2.0	4.2					
Construction	0.1	...	3.0	0.1	0.8					
Wholesale and retail trade	45.9	36.3	...	53.0	41.1					
Other services	25.7	32.6	46.7	22.0	29.2					
Others	0.3	0.01	0.7	1.9	1.2					
Year	2013	FY 2018	FY 2019	2005	2013					
Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Agriculture	...	1.0	1.5	15.2	3.3	15.0	10.2			
Manufacturing	12.9	4.9	9.2	5.6	14.6	9.0	18.7			
Transportation and communications	4.6	22.3	8.5	4.7	5.3	1.8	6.2			
Construction	3.0	4.1	8.4	5.2	12.2	7.2	8.9			
Wholesale and retail trade	56.4	33.5	41.0	35.1	28.0	13.3	34.8			
Other services	22.8	33.6	1.8	18.4	36.6	54.7	8.8			
Others	0.3	0.6	29.6	15.8	...	...	12.4			
Year	2021	2021	2021	2022	2021	2022	2022			
Item /Pacific Islands	Fiji	Papua New Guinea	Samoa							
Agriculture	...	...	1.6							
Manufacturing	7.1	10.0	6.4							
Transportation and communications	17.6	15.0	25.8							
Construction	5.2	12.5	5.4							
Wholesale and retail trade	17.7	35.0	33.9							
Other services	52.2	22.5	26.3							
Others	0.2	5.0	0.6							

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in India and 15 July in Nepal). For Malaysia, "wholesale and retail trade" includes transportation and storage, telecommunication, and real estate. For Nepal, "others" include energy-based, mining and minerals; other services include information and technology, and tourism. For Armenia, "other services" include electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities; information and communication; real estate activities; professional, scientific and technical activities; administrative and support service activities; repair of computers and personal and household goods; accommodation and food service activities, while "others" include mining and quarrying. For Tajikistan, "other services" include health and social services, education, public administration and defense, real estate, financial intermediation, recreation and entertainment, culture and sports, as well as other community, social and personal services. For Papua New Guinea, data was recalculated based on the data in the SME Policy 2016 (March 2016).

Source: ADB Asia SME Monitor 2023 database.

A4. MSMEs by Region (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar*	Philippines	Singapore	Thailand	Viet Nam
Capital city	...	18.8	...	22.3	14.7	15.3	18.4	...	16.4	...
Other areas	...	81.2	...	77.7	85.3	84.7	81.6	...	83.6	...
Year	2014		2020		2015	FY2019	2022	2022		
Item / South Asia	Bangladesh	India*	Nepal*	Pakistan	Sri Lanka					
Capital city	28.5	48.8	19.5	0.6	13.3					
Other areas	71.5	51.3	80.5	99.4	86.7					
Year	2013	FY 2018	FY 2019	2005	2013					
Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Capital city	50.8	49.0	45.6	11.2	62.5	21.8	20.3			
Other areas	49.2	51.0	54.4	88.8	37.5	79.5	79.7			
Year	2021	2021	2021	2022	2021	2022	2022	2022		
Item / Pacific Islands	Fiji	Papua New Guinea	Samoa							
Capital city	...	31.3	...							
Other areas	...	68.7	...							
Year	2016 (SME Policy)									

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in India and Myanmar, and 15 July in Nepal). Capital city: Yerevan in Armenia; Baku in Azerbaijan; Phnom Penh in Cambodia; Tbilisi in Georgia; Astana in Kazakhstan; Bishkek in the Kyrgyz Republic; Vientiane in Lao PDR; Kuala Lumpur in Malaysia; Yangon in Myanmar; National Capital Region (NCR) in the Philippines; Bangkok in Thailand; Kathmandu in Nepal; Islamabad in Pakistan; Colombo in Sri Lanka; Port Moresby in Papua New Guinea. For Bangladesh and India, Urban/Rural. Data for Papua New Guinea was recalculated based on the data in the SME Policy 2016 (March 2016).

Source: ADB Asia SME Monitor 2023 database.

A5. Number of Employees by MSMEs

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	59,179	1,158,871	...	...	...	64,722	65,486	66,123	64,384	64,487	69,480	...	...
Cambodia	1,099,647	96,193,623	98,238,913	101,722,458	107,657,509	114,144,082	123,229,386	112,828,610	116,431,224	116,978,631	119,562,843	...	...	...
Indonesia	472,231	...	...	...	...	472,529	...	...	...	...
Lao People's Democratic Republic	238,703	...	...	...	...	...	7,339,000	7,785,000	8,836,000	9,069,000	6,663,000	6,889,000	7,106,000	7,318,000	7,253,000	7,315,000	...
Malaysia	5,707,000	5,846,000	6,133,000	6,283,000	6,476,000	6,798,000	7,074,000	7,339,000	7,785,000	8,836,000	9,069,000	6,663,000	6,889,000	7,106,000	7,318,000	7,253,000	7,315,000	...
Myanmar	4,930,851	4,770,445	4,891,836	4,784,870	4,791,179	4,922,251	5,714,262	5,510,760	5,380,815	5,460,777	5,607,748
Philippines	332,755	...	335,542	335,505	359,541	352,935	...	...	...	...	...	...	...	...	...	...	...
Singapore
Thailand	8,900,567	...	...	10,507,507	10,995,977	11,783,143	11,414,702	10,601,666	10,749,735	11,747,093	13,088,802	13,950,241	12,060,369	12,714,916	12,601,726	12,828,336
Viet Nam	2,834,950	3,347,883	3,872,711	4,394,537	5,060,430	5,107,698	5,179,702	5,321,882	5,682,980	6,205,320	5,638,134	5,627,982	5,681,518	5,332,083	5,341,547	...
South Asia																				
Bangladesh	210,38,994	...	...	...	...	...	...	...	...	...
India*	80,523,000	84,200,000	88,084,000	92,179,000	96,515,000	101,069,000	106,110,000	111,424,000	117,132,000	111,228,000	110,980,000	...	...	...	...
Nepal*	1,761,863	1,843,908	1,914,469	1,987,387	2,062,497	2,140,706	2,157,744	2,263,363	2,337,373	2,466,992	2,606,086	2,808,052	...	...	...
Pakistan*	24,066,900	...	...	27,324,000	...	...	...	...
Sri Lanka	2,255,182	...	...	...	...	...	...	...	...	...
Central and West Asia																				
Armenia	365,486	375,802	383,432	448,311	471,304	465,761	268,610	280,927	290,388	370,269	365,262	228,311	168,185	212,963	248,060	232,955	240,665	...
Azerbaijan	68,565	73,447	87,524	92,108	103,246	105,902	93,205	90,182	95,503	108,976	384,066	281,099	290,133	283,483	332,255	348,723	357,840	...
Georgia	205,685	254,481	246,516	244,953	226,064	257,776	265,939	349,993	364,953	405,637	428,153	445,990	474,576	490,897	491,668	442,164	460,175	...
Kazakhstan	1,875,626	1,951,888	2,121,198	2,152,960	2,296,600	2,630,680	2,427,136	2,383,338	2,576,902	2,810,962	3,183,844	3,166,792	3,190,133	3,312,457	3,448,727	3,472,666	4,109,741
Kyrgyz Republic	87,000	84,200	87,900	90,800	96,800	88,600	86,000	87,400	88,000	88,500	88,300	87,400	89,400	91,000	107,800	100,800	92,900	...
Tajikistan	165,000	172,000	181,000	189,000	194,000	209,000	199,000	187,000	196,000	302,000	284,000	241,000	...	248,545	259,841	251,315	252,719	...
Uzbekistan	5,974,900	6,602,600	7,334,100	8,071,100	8,370,100	8,643,900	8,950,700	9,239,700	9,604,000	9,950,800	10,170,400	10,397,500	10,541,500	10,138,800	10,318,000	9,865,700	10,080,600	10,222,800
Pacific Islands																				
Fiji	30,880	...	...	...	...	22,902	24,083	21,302	...
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India, 15 July in Nepal, and 30 June in Pakistan). For Papua New Guinea, data in 2016 was extracted from the SME Policy 2016 (March 2016).

Source: ADB Asia SME Monitor 2023 database.

A6. MSME Employees to Total (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	59.4	...	...	...	...	55.1	56.5	57.3	57.4	55.7	54.6	...	...
Cambodia	74.8	...	72.0	97.2	...	71.8	...	97.0	96.8	...	...	...	...	...
Indonesia	97.3	97.3	97.2	82.9	...	96.7	97.0	96.8	82.4	...	...	...	...
Lao People's Democratic Republic
Malaysia	56.4	56.6	56.8	56.9	58.2	58.9	58.0	55.5	57.3	57.2	57.5	63.8	46.6	47.0	47.6	48.0	48.4	48.0	47.8	...
Myanmar
Philippines	66.8	64.7	61.2	63.2	62.3	61.0	64.9	63.7	62.8	61.6	63.3	62.8	62.2	62.4	62.7	64.9	65.1
Singapore	71.9	72.0	72.1	71.8	71.5	70.9	71.0	71.5
Thailand	80.3	78.5	82.2	85.5	69.5	71.7	71.9	71.0
Viet Nam	39.2	...	78.2	77.9	83.9	81.0	45.2	44.2	44.2	44.3	38.1	38.0	37.5	36.3	36.1	...
South Asia																				
Bangladesh	85.9	...	...	...	...	...	...	...	...	...
India*
Nepal*	73.5	...	...
Pakistan*
Sri Lanka	75.1	...	...	...	...	...	...	...	...	...
Central and West Asia																				
Armenia	...	68.2	68.2	68.2	68.2	68.2	68.2	68.2	68.2	68.2	...	68.2	68.2	64.3	66.2	68.3	69.8	68.7	69.6	...
Azerbaijan	5.6	6.5	6.7	7.3	7.6	6.7	6.5	6.4	7.9	7.6	6.3	20.4	20.8	42.9	43.7	42.1	41.8	...
Georgia	...	63.7	65.2	68.3	67.8	64.7	66.5	66.9	69.5	68.3	67.6	68.5	68.3	67.3	67.0	66.9	65.0	62.8	61.8	...
Kazakhstan	25.8	26.4	27.8	27.4	29.1	32.4	29.2	28.0	30.1	33.0	37.8	37.0	37.2	38.1	39.3	39.8	39.9	45.8
Kyrgyz Republic	...	44.1	43.4	43.6	44.2	45.6	47.2	48.2	47.2	48.3	48.5	48.5	48.8	48.2	48.7	48.9	53.0	52.6	49.3	...
Tajikistan	...	7.9	8.1	8.5	8.8	8.9	9.4	8.9	8.3	8.6	11.9	13.0	11.9	9.0	...	21.3	20.9	20.7	20.4	...
Uzbekistan	...	60.3	64.8	69.1	72.1	73.1	73.9	74.3	75.1	75.6	76.7	77.6	77.9	78.2	78.0	76.3	76.2	74.5	74.4	...
Pacific Islands																				
Fiji	22.1	20.2	28.3	...
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India, 15 July in Nepal, and 30 June in Pakistan). For Malaysia, data in 2015-2019 was revised based on a methodology change. Revised data include the government, informal sector excluding agriculture, unregistered businesses in agriculture, and outsourcing activities in computing the overall employment which signified as denominator. For Nepal, data was extracted from the Industrial Statistics 2019-2020, and small and medium-sized enterprises only.

Source: ADB Asia SME Monitor 2023 database.

A7. MSME Employees by Sector (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Agriculture	1.5	...	...	2.1	10.8	...	2.3	...	0.6	1.3
Manufacturing	10.3	15.2	20.5	22.5	16.6	...	17.8	...	21.9	27.9
Transportation and communications	6.3	...	4.7	3.1	...	...	5.5	...	...	8.0
Construction	14.6	...	...	2.8	9.1	...	3.1	...	...	18.3
Wholesale and retail trade	32.0	46.7	54.4	46.6	63.2	...	27.5	...	33.6	24.4
Other services	32.8	38.1	19.5	1.8	...	...	42.1	...	43.9	18.0
Others	2.5	...	0.9	21.1	0.3	...	1.7	...	...	2.0
Year	2020	2014	2016	2020	2021	2022	2022	2022	2022	2021

Item / South Asia	Bangladesh	India*	Nepal	Pakistan*	Sri Lanka
Agriculture	...	...	...	...	...
Manufacturing	20.3	32.5	...	22.8	28.1
Transportation and communications	9.4	...	...	11.5	3.4
Construction	0.2	...	...	16.2	2.1
Wholesale and retail trade	39.9	34.9	...	32.5	30.8
Other services	29.9	32.6	...	16.0	33.2
Others	0.4	0.01	...	1.0	2.4
Year	2013	FY 2018	...	FY 2018	2013

Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan
Agriculture	...	5.3	1.9	11.2	4.2	13.6	33.0
Manufacturing	22.4	14.5	12.5	10.3	32.4	7.2	12.3
Transportation and communications	3.8	11.2	10.2	5.0	3.9	2.2	5.1
Construction	8.3	15.4	10.6	8.1	12.7	4.9	12.3
Wholesale and retail trade	32.1	16.8	30.6	30.1	17.7	6.0	14.4
Other services	32.5	28.3	1.9	26.1	29.1	66.1	8.2
Others	0.9	8.5	32.3	9.2	...	...	14.7
Year	2021	2021	2021	2022	2021	2021	2022

Item / Pacific Islands	Fiji	Papua New Guinea	Samoa
Agriculture	...	46.9	...
Manufacturing	8.3	11.9	...
Transportation and communications	16.8	...	...
Construction	5.4	...	...
Wholesale and retail trade	17.5	...	...
Other services	51.8	41.2	...
Others	0.3	...	...
Year	2021	2021	2021

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in India and 30 June in Pakistan). For Malaysia, «wholesale and retail trade» includes transportation and storage, telecommunication, and real estate. For Armenia, «other services» include electricity, gas, steam and air conditioning supply; water supply, sewerage, waste management and remediation activities; information and communication; real estate activities; professional, scientific and technical activities; administrative and support service activities; repair of computers and personal and household goods; accommodation and food service activities, while «others» include mining and quarrying. For Papua New Guinea, «other services» includes construction, transportation, telecommunication, wholesale and retail trade, and real estate.

Source: ADB Asia SME Monitor 2023 database.

A8. MSME Employees by Region (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Capital city	...	20.0	...	...	15.7	...	32.6	...	27.2	...
Other areas	...	80.0	...	...	84.3	...	67.4	...	72.8	...
Year	2014		2015		2022		2022			
Item / South Asia	Bangladesh	India*	Nepal	Pakistan	Sri Lanka					
Capital city	34.4	44.9	...	...	18.5					
Other areas	65.6	55.2	...	...	81.5					
Year	2013		FY 2018		2013					
Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Capital city	64.5	63.2	51.4	11.9	49.9	...	6.8			
Other areas	35.5	36.8	48.6	88.1	50.1	...	93.2			
Year	2021		2021		2022		2022			
Item / Pacific Islands	Fiji	Papua New Guinea	Samoa							
Capital city	...	66.0	...							
Other areas	...	34.0	...							
Year	2011		2011							

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in India). Capital city: Yerevan in Armenia; Baku in Azerbaijan; Phnom Penh in Cambodia; Tbilisi in Georgia; Astana in Kazakhstan; Bishkek in the Kyrgyz Republic; Kuala Lumpur in Malaysia; Port Moresby in Papua New Guinea; National Capital Region (NCR) in the Philippines; Bangkok in Thailand; Colombo in Sri Lanka. For Bangladesh and India, Urban/Rural.

Source: ADB Asia SME Monitor 2023 database.

A9-1. GDP of MSMEs (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	3,233	3,472	3,808	3,584	...	...	5,599	5,323	5,126	4,898	5,170	...	...
Cambodia	2,969,346	3,411,975	4,321,830	4,869,568	5,440,008	6,228,285	7,009,283	7,820,283	8,673,895	9,580,763	...	...	...
Indonesia
Lao People's Democratic Republic
Malaysia	190,099	205,999	220,213	234,359	257,883	274,766	275,324	298,180	319,822	339,121	360,816	409,716	435,072	458,686	491,568	522,415	553,426	512,922	518,075	...
Myanmar
Philippines	751,543	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Singapore
Thailand	3,728,130	3,863,743	3,858,146	4,258,542	3,268,113	3,793,480	4,245,831	4,225,832	4,366,685	4,785,814	5,261,996	5,654,320	5,920,898	5,392,288	251	284
Viet Nam
South Asia																				
Bangladesh*	225,691	245,579	261,131	283,226	309,094	339,458	370,864	411,480	443,716	...	...
India*	243,366	25,621	27,582	30,457	25,833	27,584	29,169	30,888	33,377	36,001	39,196	42,322	...	...	...
Nepal
Pakistan	103,220	120,580	152,468	192,339	249,117	281,836	328,826	386,099	442,268	494,949	575,507	633,065	772,543	851,921	1,038,496	1,286,572
Sri Lanka
Central and West Asia																				
Armenia	...	736,467	892,667	1,070,445	1,291,206	1,487,951	1,335,202	1,487,887	1,648,407	1,698,993	1,559,516	1,564,691	1,616,739	1,681,700	1,371,222	1,417,786	1,708,535	1,625,888	1,932,444	...
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 31 March in India). For Malaysia, nominal value added of SMEs. For Bangladesh, manufacturing gross value added of cottage and small enterprises. For Pakistan, GDP of small manufacturing only. For Fiji, gross value added of MSMEs. For Papua New Guinea, data extracted from the SME Policy 2016 (March 2016). Armenia: AMD million; Azerbaijan: AZN million; Brunei Darussalam: B\$ million; Fiji: F\$ million; Georgia: GEL million; India: Rs billion; Indonesia: Rp billion; Kazakhstan: KZT million; Kyrgyz Republic: KGS million; Malaysia: RM million; Pakistan: PRs million; Papua New Guinea: K million; Philippines: P million; Singapore: S\$ billion; Tajikistan: TJS million; Thailand: B million; Bangladesh: Tk million; Uzbekistan: SUM million.

Source: ADB Asia SME Monitor 2023 database.

A9-2. GDP of MSMEs (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	2,596	2,571	3,122	3,137	...	2,562	3,723	3,972	3,742	3,618	3,818	...	...
Cambodia
Indonesia	330,258	376,221	446,932	399,505	437,300	451,489	531,679	577,248	592,979	689,214	...	...	...
Lao People's Democratic Republic
Malaysia	50,052	54,210	58,257	66,391	77,910	79,412	86,504	96,812	106,576	116,824	110,935	117,079	101,415	102,157	121,076	126,187	135,312	127,911	123,941	...
Myanmar
Philippines	15,395	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Singapore
Thailand
Viet Nam	111,451	110,709	115,791	141,245	103,128	123,849	129,407	128,150	129,994	133,570	160,991	174,447	196,381	178,172	166,879	176,689
South Asia																				
Bangladesh*	2,856	3,159	3,350	3,611	3,927	4,105	4,420	4,547	5,230	...	...
India*	616,535	571,859	471,583	445,618	460,985	465,075	493,264	561,139	561,629	593,823	...	...	...
Nepal
Pakistan	1,686	1,524	1,809	2,244	2,769	2,901	3,112	3,873	4,317	4,722	5,212	4,561	4,988	5,388	5,883	5,681
Sri Lanka
Central and West Asia																				
Armenia	...	1,516	1,983	2,495	4,245	4,851	3,533	4,094	4,260	4,210	3,846	3,294	3,343	3,475	2,838	2,931	2,662	3,101	4,025	...
Azerbaijan	...	445	221	419	531	897	1,052	1,404	2,151	2,651	3,127	3,012	2,395	2,028	2,240	5,786	6,513	6,436	8,209	...
Georgia	938	1,400	1,405	1,695	1,966	3,077	3,744	3,913	5,948	5,582	3,701	4,522	4,693	4,841	4,159	4,743	...
Kazakhstan
Kyrgyz Republic	...	981	1,075	1,351	1,702	2,164	1,942	1,927	2,434	2,617	2,803	2,739	2,283	2,695	3,176	4,573	5,757	55,093	65,112	61,284
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 31 March in India). Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

A10. MSME Contribution to GDP (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	17.3	14.9	16.0	17.6	...	20.3	34.3	31.8	25.0	26.7	31.2	...	...
Cambodia	56.2	56.2	58.0	59.1	60.3	61.4	59.8	60.9	61.1	60.5	...	...	...
Indonesia
Lao People's Democratic Republic	32.8	33.4	33.6	34.2	36.6	37.0	37.3	37.8	38.3	38.9	38.1	37.4	...
Malaysia	29.3	29.7	30.2	30.4	31.5	32.0	32.6	32.8	33.4	33.6	34.2	36.6	37.0	37.3	37.8	38.3	38.9	38.1	37.4	...
Myanmar
Philippines	36.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Singapore
Thailand
Viet Nam	41.4	39.8	39.9	39.4	39.3	39.1	39.1	39.8	41.0	41.9	42.4	43.0	43.8	46.8	48.2	48.0
South Asia																				
Bangladesh*	18.7	18.5	18.1	17.8	17.3	17.2	16.5	16.1	16.4	...	...
India*	35.4	36.1	36.1	36.7	29.6	29.9	29.8	29.3	29.5	29.3	29.8	30.3	...	...	...
Nepal	22.0	...	...	...
Pakistan	1.0	...	1.1	1.2	1.3	1.3	1.4	1.5	1.5	1.6	1.7	1.7	1.9	1.9	2.0	2.0
Sri Lanka
Central and West Asia																				
Armenia	...	38.6	39.8	40.3	41.0	41.7	42.5	43.0	43.5	42.5	34.2	32.4	32.0	33.1	24.6	23.6	26.0	26.3	27.7	...
Azerbaijan	...	1.8	1.6	1.9	1.6	1.8	2.6	2.8	3.5	4.1	4.5	4.3	7.5	6.4	5.9	13.4	14.9	16.7	16.4	...
Georgia	49.1	46.4	52.3	50.4	55.5	55.4	56.0	57.3	56.1	58.4	61.6	60.5	59.3	60.8	52.8	...
Kazakhstan	10.5	9.8	10.7	16.7	17.7	20.6	17.3	17.1	16.7	25.9	24.9	26.8	26.8	28.4	31.7	32.8	33.5	36.5
Kyrgyz Republic	42.6	46.5	42.6	41.2	39.5	39.9	38.9	40.3	40.3	39.1	41.2	42.5	42.8	40.6	42.8	...
Tajikistan	...	43.3	44.0	46.2	46.5	46.5	45.0	48.0	48.0	51.8	51.6	58.6	56.9	66.1	64.5	56.5	58.5	53.0	59.4	...
Uzbekistan
	...	35.6	38.2	42.1	45.7	48.2	50.1	60.8	61.9	60.8	60.9	61.9	64.6	66.8	65.3	55.3	50.9	51.0	50.0	48.3
Pacific Islands																				
Fiji	10.7	...	...	...	7.2	7.8	6.3	...	...
Papua New Guinea	17.3	...	...	...	...	...	...
Samoa

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 31 March in India). For Malaysia, nominal value added of SMEs. For Singapore, nominal value added of SMEs. For Bangladesh, contribution of cottage and small enterprises to manufacturing gross value added. For Nepal, data cited from the 2019 NRB Report. For Pakistan, small manufacturing contribution to GDP. For Papua New Guinea, data extracted from the SME Policy 2016 (March 2016). Source: ADB Asia SME Monitor 2023 database.

A11. MSME GDP by Sector (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Agriculture	...	...	...	...	10.5	...	1.0	...	0.5	...
Manufacturing	...	...	26.8	...	22.3	...	19.3	...	32.9	...
Transportation and communications	...	...	4.8	...	...	...	...	...	...	...
Construction	...	...	...	...	4.8	...	...	...	3.8	...
Wholesale and retail trade	...	...	47.8	...	60.8	...	18.4	...	20.5	...
Other services	...	...	20.6	...	...	...	41.9	...	39.8	...
Others	...	...	...	...	1.6	...	19.3	...	2.5	...
Year 2016202120062022										
Item / South Asia	Bangladesh	India	Nepal	Pakistan	Sri Lanka					
Agriculture	...	...	...	...	...
Manufacturing	...	...	...	12.5	...					
Transportation and communications	...	...	...	...	...
Construction	...	...	...	...	...
Wholesale and retail trade	...	...	...	...	...
Other services	...	...	...	...	...
Others	...	...	...	...	...
Year 2020										
Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Agriculture	...	2.8	1.5	...	20.8	...	46.6			
Manufacturing	19.4	13.6	12.4	...	14.7	...	11.0			
Transportation and communications	4.7	11.3	11.7	...	4.9	...	6.5			
Construction	15.9	12.9	17.9	...	10.3	...	9.5			
Wholesale and retail trade	34.5	32.7	27.8	...	39.3	...	11.0			
Other services	24.8	26.7	0.6	...	3.0	...	15.4			
Others	0.7	...	28.1	...	7.0	...	...	
Year 202120212021202120212022										
Item / Pacific Islands	Fiji	Papua New Guinea	Samoa							
Agriculture	...	...	...				
Manufacturing	10.0	...	...					
Transportation and communications	12.7	...	...					
Construction	6.2	...	...					
Wholesale and retail trade	17.2	...	...					
Other services	53.0	...	...					
Others	0.9	...	...					
Year 2020										

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data. For Malaysia, real GDP data, and «wholesale and retail trade» includes transportation and storage, telecommunication, and real estate. For Pakistan, GDP of small manufacturing only. For Uzbekistan, «wholesale and retail trade» includes accommodation and food services. For Fiji, gross value added of MSMEs.

Source: ADB Asia SME Monitor 2023 database.

A12. MSME GDP by Region (% share, latest available year)

Item / Southeast Asia	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Capital city	...	...	...	...	23.0	...	...	...	...	...
Other areas	...	...	...	...	77.0	...	...	...	...	...
Year 2015										
Item / South Asia	Bangladesh	India	Nepal	Pakistan	Sri Lanka					
Capital city	...	...	...	...	...
Other areas	...	...	...	...	...
Year										
Item / Central and West Asia	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Capital city	65.0	...	61.4	...	...	15.3	...			
Other areas	35.0	...	38.6	...	...	84.7	...			
Year 2012 2021 FY2019										
Item / Pacific Islands	Fiji	Papua New Guinea	Samoa							
Capital city	...	...	...				
Other areas	...	...	...				

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data. For Malaysia, real GDP data. Capital city: Yerevan in Armenia; Tbilisi in Georgia; Dushanbe in Tajikistan; Kuala Lumpur in Malaysia.

Source: ADB Asia SME Monitor 2023 database.

A13-1. MSME Export Value (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia
Indonesia	162,255	175,895	187,442	166,627	182,113	185,075	255,126	301,630	293,841	339,191	...	...	...
Lao People's Democratic Republic	1,238	...	...	...	...	...	...	...	...
Malaysia	116,800	131,000	134,700	136,900	145,200	145,000	155,100	166,200	171,800	176,300	117,800	124,260	...
Myanmar
Philippines
Singapore
Thailand
Viet Nam	1,576,000	1,691,000	1,564,000	1,669,000	1,971,000	2,065,460	770,382	870,660	910,803	959,853	918,386	1,010,521	1,012,596	859,893	1,024,482	1,060,208
South Asia																				
Bangladesh
India*	7,922,321	8,442,912	9,212,416	8,886,300	8,756,387	10,286,693	11,345,380	11,308,805	...	...
Nepal
Pakistan	404,395	...	...	...	...	...	...	...	...	...	...	...	...
Sri Lanka
Central and West Asia																				
Armenia	...	60,153	73,059	69,252	68,730	57,895	45,747	...	...	...	...	...	...	...	...	...	...	...	...	...
Azerbaijan
Georgia	3,149	3,470	3,974	4,598	5,523	5,993	6,740	7,304
Kazakhstan
Kyrgyz Republic	...	9,275	8,992	13,758	13,719	30,474	18,948	21,383	29,099	32,026	28,474	27,406	41,031	39,377	42,183	50,485	48,939	40,669	63,738	...
Tajikistan
Uzbekistan	...	374,974	384,427	886,449	1,720,226	1,977,827	2,604,359	2,993,762	5,072,967	3,790,440	8,263,408	8,860,554	9,491,276	10,144,141	22,406,111	31,800,519	44,855,566	32,488,598	36,115,582	46,686,688
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India). For Pakistan, data from Pakistan Economic Survey 2009-10. Armenia: AMD million; Georgia: GEL million; Indonesia: Rp billion; Kyrgyz Republic: KGS million; Lao PDR: KYN million; Malaysia: RM million; Thailand: B million; India: Rs million; Pakistan: PRs million; Uzbekistan: SUM million.

Source: ADB Asia SME Monitor 2023 database.

A13-2. MSME Export Value (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia
Indonesia	18,046	19,397	19,384	13,670	14,639	13,481	18,988	22,264	20,291	24,400	...	...	...
Lao People's Democratic Republic	0.2	...	...	...	...	...	...	...	...
Malaysia	37,922	41,195	44,020	41,738	41,486	38,800	34,543	40,936	41,498	43,105	29,377	29,727	...
Myanmar
Philippines
Singapore
Thailand
Viet Nam	46,738	48,453	46,999	55,557	62,196	67,433	22,558	26,416	25,537	26,592	28,102	31,141	33,599	27,948	30,655	30,675
South Asia																				
Bangladesh
India*	133,316	138,888	130,777	137,062	147,395	159,189	154,809	...	...
Nepal
Pakistan	4,718	...	...	...	...	...	...	...	...	...	...	...	...
Sri Lanka
Central and West Asia																				
Armenia	...	124	162	191	256	189	121	...	...	...	...	...	...	...	...	...	...	...	...	...
Azerbaijan
Georgia	1,315	1,371	1,533	1,718	1,926	1,829	2,176	2,703
Kazakhstan
Kyrgyz Republic	...	223	218	361	386	773	430	454	656	676	578	465	541	568	613	723	793	492	752	...
Tajikistan
Uzbekistan	...	354	366	715	1,334	1,420	1,724	1,783	2,826	1,911	3,752	3,658	3,378	3,139	2,759	3,811	4,715	3,101	3,335	4,059
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India). For Pakistan, data from Pakistan Economic Survey 2009-10. Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

A14. MSME Exports to Total (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia
Indonesia	17.0	15.8	16.4	14.1	15.7	15.7	14.4	14.5	14.4	15.7	...	...	...
Lao People's Democratic Republic
Malaysia	16.4	16.9	17.5	17.8	17.8	17.7	18.6	17.3	17.3	17.9	13.5	8.0	...
Myanmar
Philippines
Singapore
Thailand
Viet Nam	30.1	28.9	29.4	29.9	10.6	11.9	12.6	12.3	11.5	12.5	13.3	11.7	12.0	10.7
South Asia																				
Bangladesh
India*	42.6	42.4	44.8	49.9	49.7	48.6	48.1	49.8	...	...
Nepal
Pakistan	25.0	...	...	...	...	...	...	...	...	...	...	...	...
Sri Lanka
Central and West Asia																				
Armenia	...	15.7	16.4	16.9	17.4	17.9	17.7	...	...	...	...	...	...	...	...	...	...	...	...	...
Azerbaijan
Georgia	59.7	61.9	55.8	50.8	50.7	54.7	51.3	48.3
Kazakhstan
Kyrgyz Republic	...	30.9	32.3	40.5	29.3	41.7	25.7	25.9	27.9	35.0	28.8	24.7	36.5	36.1	34.7	39.3	35.4	24.9	27.3	...
Tajikistan
Uzbekistan	...	7.3	6.0	11.2	14.8	12.4	14.6	13.7	18.8	14.0	26.2	27.0	27.0	26.0	22.0	27.2	27.0	20.5	20.0	21.6
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in India). For Pakistan, data from Pakistan Economic Survey 2009-10.

Source: ADB Asia SME Monitor 2023 database.

B. MSME Access to Finance (Banking)

B1-1. MSME Bank Loans Outstanding (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	3,304,913	8,996,603	11,367,818	12,219,363	14,631,502
Cambodia	45,8164	526,397	608,823	763,307	790,467	856,997	942,388	1,032,643	1,111,340	1,091,232	1,223,433	1,348,813
Indonesia	14,919	13,997	15,939	14,241	141,04	15,731	12,848	15,477
Lao People's Democratic Republic	305,064	319,952	363,205
Malaysia*
Myanmar*
Philippines
Singapore
Thailand
Viet Nam
South Asia																				
Bangladesh
India
Nepal
Pakistan
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in Myanmar). For India, urban cooperative banks plus commercial banks for 2015-2020. Armenia: AMD million; Azerbaijan: AZN million; Bangladesh: Tk billion; Brunei Darussalam: B\$; Fiji: F\$ million; Georgia: GEL million; India: Rs million; Indonesia: Rp billion; Kazakhstan: KZT million; Kyrgyz Republic: KGS million; Lao PDR: KN billion; Malaysia: RM million; Myanmar: MK million; Pakistan: PRs million; Papua New Guinea: K million; Philippines: P million; Samoa: ST million; Singapore: S\$ million; Sri Lanka: SLRs million; Tajikistan: TJS million; Thailand: B billion; Uzbekistan: SUM million; Viet Nam: D billion.

Source: ADB Asia SME Monitor 2023 database.

B1-2. MSME Bank Loans Outstanding (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia
Indonesia	50,525	54,436	49,949	61,359	57,301	63,784	69,559	71,310	79,947	77,305	85,741	85,742
Lao People's Democratic Republic	1,831	1,710	1,922	1,669	1,592	1,696	1,164	932
Malaysia	38,666	40,133	41,406	45,831	51,986	61,124	64,341	69,631	63,965	66,756	77,749	71,888	68,057	76,076	76,544	82,303
Myanmar*	772	...	...	...
Philippines	5,563	7,096	8,006	9,325	8,895	9,528	9,787	9,975	10,661	10,958	11,605	10,158	9,259	8,777
Singapore	35,987	43,745	49,588	52,561	56,205	53,913	53,781	60,199	57,503	63,883	68,507	94,216	101,108
Thailand	79,710	79,313	77,686	119,206	134,807	151,048	156,154	165,641	165,544	170,126	192,421	202,154	218,289	163,648	154,967	152,594
Viet Nam	78,606	...	...
South Asia																				
Bangladesh	9,478	9,594	12,237	14,445	16,904	18,260	21,024	23,295	21,273	24,638	26,803	28,066	27,294
India	239,510	255,880	249,060
Nepal
Pakistan	6,795	4,851	4,132	3,927	3,271	2,740	2,579	2,866	2,909	3,891	4,078	3,700	3,082	3,019	2,969	2,387
Sri Lanka	3,986	...	...
Central and West Asia																				
Armenia	2,259	2,436	3,060
Azerbaijan	2,024	2,619	3,339
Georgia	2,377	2,749	6,735
Kazakhstan	2,218	3,509	6,780	12,514	13,003	11,503	9,390	9,040	8,329	8,370	8,329	9,803	6,060	9,010	8,392	6,153	5,512	5,976	8,736	9,792
Kyrgyz Republic	121	199	231	456	595	456	456	460	548	685	885	1,083	1,000	1,090	1,267	1,458	1,635	1,548	1,648	...
Tajikistan	216	256	329	186	260	107	144	138	133	101	134	...
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in Myanmar). Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

B2. MSME Bank Loans to Total (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	0.1	0.2	0.2	0.2	0.2
Cambodia	20.8	19.4	18.5	20.4	19.3	...	...	...	...	...	...	...
Indonesia	19.7	19.9	21.2	21.0
Lao People's Democratic Republic	30.9	23.4	23.8	20.6	19.8	17.1	11.5	12.0
Malaysia	18.2	17.4	16.3	14.4	15.0	15.3	15.7	16.6	17.4	18.0	18.3	16.1	14.5	15.4	15.4	16.6
Myanmar*	4.6	...	...	...
Philippines
Singapore
Thailand
Viet Nam
South Asia																				
Bangladesh
India
Nepal*
Pakistan
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in Myanmar and 15 July in Nepal). For Bangladesh, commercial banks' MSME loans outstanding divided by total loans outstanding of all operating banks; actual percentage share of MSME loans to total loans outstanding in commercial banks would be higher. For India, commercial banks only. For Nepal, data from NRB Report, SME Financing in Nepal 2019. For Pakistan, SME loans to total domestic private loans outstanding. For Sri Lanka, MSME loans to total outstanding loans to the private sector.

Source: ADB Asia SME Monitor 2023 database.

B3. MSME Bank Loans to GDP (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	0.05	0.07	0.07	0.06
Cambodia	6.2	6.4	6.7	7.2	6.9	6.9	6.9	7.0	7.0	7.0	7.2	6.9
Indonesia	12.7	10.8	11.3	9.3	8.5	9.1	7.0	7.2
Lao People's Democratic Republic	18.1	19.3	20.7	22.0	23.3	24.0	23.0	20.6	18.4	21.5	20.7	20.3
Malaysia
Myanmar*
Philippines
Singapore
Thailand
Viet Nam
South Asia																				
Bangladesh
India
Nepal
Pakistan
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

GDP = gross domestic product; MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year data (ended 31 March in Myanmar). For India, data for commercial banks only.

Source: ADB Asia SME Monitor 2023 database.

B4. MSME Bank Loans by Sector (% share, latest available year)

Item	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar*	Philippines	Singapore	Thailand	Viet Nam
Agriculture	6.0	...	17.1	3.8	3.6	1.0	7.6	0.2	1.8	3.2
Manufacturing	23.0	...	10.1	7.9	14.5	18.9	8.8	8.2	19.2	...
Transportation and communications	10.0	...	3.4	1.1	...	3.4	6.0	7.3	...	...
Construction	2.0	...	3.9	20.7	14.0	1.5	7.6	4.9	5.3	40.0
Wholesale and retail trade	21.0	...	48.7	37.0	67.1	45.6	40.1	13.2	32.3	56.8
Other services	38.0	...	15.7	18.6	...	11.4	6.9	59.9	34.1	...
Others	...	...	1.2	11.0	0.7	18.3	22.9	6.3	4.2	...
Year	2022	2022	2022	2019	2022	FY2019	2022	2022	2022	2020
Item	Bangladesh	India	Nepal	Pakistan	Sri Lanka					
Agriculture	...	...	...	4.0	11.9					
Manufacturing	39.5	...	...	43.8	50.5					
Transportation and communications	...	...	...	4.9	...					
Construction	...	...	...	2.9	...					
Wholesale and retail trade	40.9	...	...	29.9	...					
Other services	19.6	...	...	5.9	37.6					
Others	...	...	...	8.7	...					
Year	2022	2022	2022	2022	2020					
Item	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Agriculture	8.4	...	4.9	23.3	23.8	31.1	...			
Manufacturing	14.8	...	13.1	4.3	11.6	3.0	...			
Transportation and communications	3.3	...	3.2	6.2	3.1	1.5	...			
Construction	17.1	...	16.8	5.9	9.7	6.2	...			
Wholesale and retail trade	27.3	...	15.3	1.4	36.7	34.9	...			
Other services	9.1	...	25.2	24.8	4.8	15.3	...			
Others	20.1	...	21.5	34.0	10.4	7.9	...			
Year	2022	2022	2022	2022	2021	2021				
Item	Fiji	Papua New Guinea	Samoa							
Agriculture	3.3	...	...					
Manufacturing	8.1	...	...					
Transportation and communications	8.7	...	...					
Construction	9.9	...	...					
Wholesale and retail trade	24.4	...	...					
Other services	41.4	...	...					
Others	4.1	...	...					
Year	2022	2022	2022							

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in Myanmar). For Malaysia, «wholesale and retail trade» includes transportation and storage, telecommunication, and real estate. For Viet Nam, «wholesale and retail trade» refers to commercial services. Data for Brunei Darussalam refers to SME Bank data only. For Tajikistan, «wholesale and retail trade» refers to international trade, and «other services» include catering.

Source: ADB Asia SME Monitor 2023 database.

B5. MSME Bank Loans by Region (% share, latest available year)

Item	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Capital city	100.0	...	30.6	...	21.7	...	84.4	...	...	26.9
Other areas	...	...	69.4	...	78.3	...	15.6	...	...	73.1
Year	2022	2022	2022	2022	2022	2022	2022	2022	2020	2020
Item	Bangladesh	India	Nepal	Pakistan	Sri Lanka					
Capital city	76.2	...	...	...	...	
Other areas	23.8	...	...	...	...	
Year	2022	2022	2022	2022	2022					
Item	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Capital city	77.0	71.4	69.5	14.1	55.0	...	...	
Other areas	23.0	28.6	30.5	85.9	45.0	...	...	
Year	2022	2022	2022	2022	2021	2022	2022			
Item	Fiji	Papua New Guinea	Samoa							
Capital city	...	...	...				
Other areas	...	...	...				
Year	2022	2022	2022							

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data. Data for Brunei Darussalam refers to SME Bank data only. Capital city: Yerevan in Armenia; Baku in Azerbaijan; Bandar Seri Begawan in Brunei Darussalam; Tbilisi in Georgia; Astana in Kazakhstan; Bishkek in the Kyrgyz Republic; Viet Nam: Hanoi. For Bangladesh, Urban/Rural.

Source: ADB Asia SME Monitor 2023 database.

B6-1. Nonperforming MSME Bank Loans (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	267/41	83,829	368,517
Cambodia	15,674	17,011	19,515	31,560	33,208	35,597	38,570	35,504	40,089	43,110	46,757	46,033
Indonesia
Lao People's Democratic Republic
Malaysia	12,083	9,882	8,895	10,590	9,552	8,574	8,216	8,553	8,880	8,874	10,065	10,203	10,313	9,798	10,060	13,131
Myanmar
Philippines	23,656	25,347	25,512	25,097	25,209	26,217	25,989	30,030	32,306	48,072	52,656	45,916
Singapore
Thailand
Viet Nam
South Asia																				
Bangladesh
India
Nepal
Pakistan
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data. For India, data for commercial banks only. Armenia: AMD million; Azerbaijan: AZN million; Georgia: GEL million; India: Rs million; Indonesia: Rp billion; Malaysia: RM million; Pakistan: PKR million; Philippines: P million; Singapore: S\$ million; Tajikistan: TJS million; Thailand: B billion.

Source: ADB Asia SME Monitor 2023 database.

B6-2. Nonperforming MSME Bank Loans (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	0.02	0.06	0.27
Cambodia
Indonesia	1,728	1,759	1,601	2,557	2,407	2,649	2,843	2,452	2,884	3,056	3,777	2,926
Lao People's Democratic Republic
Malaysia	3,650	2,856	2,601	3,438	3,004	2,802	2,505	2,444	2,070	1,976	2,479	2,465	2,521	2,443	2,407	2,976
Myanmar
Philippines	594	615	574	562	554	526	521	570	637	1,001	1,037	818
Singapore	540	502	441	475	1,034	1,607	3,551	3,617	2,870	3,132	2,491	2,379
Thailand	4,091	4,079	4,150	4,164	4,535	5,727	6,722	7,076	7,668	8,222	7,600	7,591
Viet Nam	8,902	...	...
South Asia																				
Bangladesh	3,595	3,865
India	17,433	18,340	23,183	23,464	21,689	22,221	24,512	17,857
Nepal
Pakistan	572	767	939	1,133	1,061	982	820	867	736	635	658	544	517	510	471	349
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia	81.5	80.4	67.2	58.7	54.0	67.3	77.7	85.2	152.1	139.6	297.2	241.6	243.5
Kazakhstan	9.5
Kyrgyz Republic
Tajikistan	19.4	25.4	23.6	43.6	51.5	85.7	62.3	50.0	32.8	6.9	6.2	...
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Notes: End-of-year data. Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

B7. MSME Nonperforming Loans to Total MSME Bank Loans (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	0.24	0.69	0.03
Cambodia
Indonesia	3.4	3.2	3.2	4.1	4.2	4.2	4.1	3.4	3.6	4.0	3.8	3.4
Lao People's Democratic Republic
Malaysia	9.4	7.1	6.3	7.5	5.8	4.6	3.9	3.5	3.2	3.0	3.2	3.4	3.7	3.2	3.1	3.6
Myanmar
Philippines	7.6	7.4	6.6	6.5	5.9	5.5	5.3	4.9	5.2	5.5	9.9	11.2	9.3
Singapore	1.5	1.4	1.0	0.8	0.8	1.9	3.0	5.9	6.3	4.5	4.6	2.6	2.4
Thailand	5.4	4.0	3.5	3.3	3.1	3.5	4.4	4.5	4.6	4.7	7.7	7.5	7.5
Viet Nam	11.3	...	...
South Asia																				
Bangladesh	3.6	3.6	6.4	7.9	11.8	...	...	...	...	...	...	14.2	14.2
India	9.6	10.3	10.9	10.4	9.1	9.6	9.9	7.4
Nepal
Pakistan	8.5	15.8	22.7	28.8	32.4	35.9	31.8	30.2	25.3	16.6	15.4	14.7	16.8	16.9	15.9	14.6
Sri Lanka
Central and West Asia																				
Armenia
Azerbaijan
Georgia	10.3	8.7	6.4	5.0	4.2	4.4	5.2	4.3	6.1	4.9	9.8	6.5	5.3
Kazakhstan	3.9
Kyrgyz Republic
Tajikistan
Uzbekistan	9.0	10.0	7.2	23.4	19.8	80.2	43.2	36.1	24.8	6.8	4.6	...
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise; NPL = nonperforming loan.

Notes: End-of-year data. For India, data for commercial banks only.

Source: ADB Asia SME Monitor 2023 database.

B8-1. Outstanding Guaranteed Loans (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia
Indonesia	8,154	5,010	30,486	40,760	47,422	49,546	22,757	70,669	75,004	125,912	163,200	178,061	306,543	440,707
Lao People's Democratic Republic
Malaysia	39	42	45	47	50	51	53	56	60	64	67	71	75	81	87	90
Myanmar
Philippines	215	131	108	58	67	26	126	80	175	230	123	595	185	78	349	992	1,336
Singapore
Thailand	22	22	40	73	113	180	244	270	309	331	354	374	389	451	626	651
Viet Nam
South Asia																				
Bangladesh
India*	10,560	21,950	68,750	125,890	137,840	160,620	181,880	212,750	199,490	199,310	190,660	301,680	458,510	368,990	561,720
Nepal*	578	810	...	...	...	...
Pakistan
Sri Lanka
Central and West Asia																				
Armenia	...	47	366	628	748	429	598	181	122	578	1,104	1,091	860	84	710	370	351	128	670	507
Azerbaijan	43	131	139	144
Georgia	101	205	354
Kazakhstan	677	4,238	10,991	7,990	15,448	26,964	27,474	42,846	65,348	102,748	275,466	365,286	377,569
Kyrgyz Republic	5	16	43	75	55	41	790	1,752	2,967	5,015	5,759	...
Tajikistan	15	66	106	115	277	204	176	...
Uzbekistan
Pacific Islands																				
Fiji	103	272	416	685	803	80.6	108.5	112.5	34.2	119	9.6
Papua New Guinea
Samoa	7.6	8.2	9.0	11.7	14.1	10.8	11.4	14.6	17.2	21.5

Notes: End-of-year data except * fiscal year data (ended 31 March in India and 15 July in Nepal). For Malaysia, data from Credit Guarantee Corporation. For the Philippines, approved guaranteed loans data from Small Business Corporation until August 2019; outstanding guaranteed loan from PhilGuarantee for 2020. For India, guaranteed loans approved to MSMEs (CGTMSE). For Nepal, data from Deposit and Credit Guarantee Fund (DCGF). For Samoa, data from Samoa Business Hub. Armenia: AMD million; Fiji: F\$ million; Georgia: GEL million; India: Rs million; Indonesia: Rp billion; Kazakhstan: KZT million; Kyrgyz Republic: KGS million; Malaysia: RM million; Nepal: NRs million; Philippines: P million; Samoa: ST million; Tajikistan: TJS million; Thailand: B billion.

Source: ADB Asia SME Monitor 2023 database.

B8-2. Outstanding Guaranteed Loans (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia	3,362	4,215	3,891	3,983	1,650	5,560	5,536	...	...	12,624	21,483	28,015
Indonesia	867	557	...	...	...	...	...	...	...	...	...	...	...	...
Lao People's Democratic Republic
Malaysia	11,722	12,081	13,129	15,388	15,804	16,797	16,128	16,029	13,869	14,187	16,522	17,092	18,289	20,125	20,766	20,485
Myanmar
Philippines
Singapore
Thailand
Viet Nam	660	626	1,197	2,418	3,567	5,892	7,425	8,178	8,560	9,239	10,828	11,520	12,892	15,027	18,737	18,839
South Asia																				
Bangladesh
India*	218	471	1,534	2,364	2,516	2,595	2,872	3,207	2,936	3,118	2,732	4,233	6,277	4,966	6,785
Nepal*
Pakistan
Sri Lanka
Central and West Asia																				
Armenia	...	0.1	0.8	1.7	2.5	1.4	1.6	0.5	0.3	1.4	2.7	2.3	1.8	0.2	1.5	0.8	0.7	0.2	1.4	1.3
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

Notes: End-of-year data except * fiscal year data (ended 31 March in India and 15 July in Nepal). Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

B8-3. Number of MSMEs Guaranteed

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam
Cambodia	3,623	1,652,965	718,320	1,437,650	1,909,912	1,961,121	2,347,429	2,443,907	1,006,219	4,390,765	4,432,182	4,913,219	5,540,545	6,867,153	8,366,920	8,436,628
Indonesia
Lao People's Democratic Republic
Malaysia	13,004	103,688	14,073	7,670	7,504	21,522	2,368	6,839	8,225	7,568	8,637	8,999	10,827	13,472	21,736	13,159
Myanmar
Philippines	64	43	36	17	10	9	22	91	142	181	14,799	327	80	2,943	17,059	8,864
Singapore
Thailand	2,206	1,335	5,507	12,259	15,992	21,950	25,256	23,117	75,799	53,842	109,087	77,858	88,215	166,418	226,308	82,747
Viet Nam
South Asia																				
Bangladesh
India
Nepal*
Pakistan
Sri Lanka
Central and West Asia																				
Armenia	...	7	56	87	129	97	122	53	28	150	243	235	176	18	81	64	82	30	76	45
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

MSME = micro, small, and medium-sized enterprise.

Note: End-of-year data except * fiscal year data (ended 15 July in Nepal).

Source: ADB Asia SME Monitor 2023 database.

C. MSME Access to Finance (Nonbanking)

CT-1.1. NBFI Financing, Total (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	1,415	1,562	1,716	2,023	1,881	1,677	1,570	1,552	1,537	1,576	1,583	1,617
Cambodia	617,271	1,130,585	1,244,970	1,724,841	2,591,263	3,538,889	5,261,552	7,299,407	12,580,330	13,146,559	17,761,787	22,527,051	30,527,095	38,877,763	333,15,455	407,826,464
Indonesia	423,136	452,048	477,590	593,199	427,983	417,487	475,863
Lao People's Democratic Republic	49,209	93,042	103,110	459,065	430,988	835,488	1,461,276	2,196,508	4,808,287	6,075,379	5,405,244	6,480,546	8,103,707
Malaysia	2,479	2,277	2,097	553	953	1,130	1,364	1,487	1,392	1,641	1,245	1,386	1,800,232	1,312	1,663	1,275
Myanmar*	49,041	67,245	110,069	169,293	260,948	446,016	793,197	1,800,232	...	...	...
Philippines	6,544	5,947	7,711	8,576	8,538	130,201	310,467	382,773	403,599	527,932	610,164	659,171	659,899	...
Singapore	8,058	9,460	11,312	11,654	12,385	13,352	12,547	12,849	13,254	14,712	14,080	130,300	151,090
Thailand
Viet Nam	23,708,082	29,076,880	36,450,934	45,557,772	53,221,190	61,880,958	71,700,966	84,896,048	96,140,373	75,707,125	92,405,581	...	...
South Asia																				
Bangladesh	268,638	344,538	407,375	448,478	530,724	615,962	662,449	671,768	669,232	673,542	704,357
India	574,756	755,190	1,108,210	1,282,338	1,257,732	1,509,208	1,644,339	2,158,371
Nepal*	106,515	145,952	234,153	262,732	365,554	449,686
Pakistan	38,141	39,641	37,121	36,249	32,989	37,062	42,694	52,088	69,097	80,283	90,590	111,193	118,694	109,491	110,868	111,826
Sri Lanka	106,211	128,378	213,397	265,456	388,416	471,698	553,095	641,349	837,672	1,006,306	1,108,691	1,205,002	1,200,314	1,164,440	1,266,666	1,246,551
Central and West Asia																				
Armenia	...	2,393	4,848	16,390	38,230	57,382	55,443	69,584	93,742	128,347	149,826	174,209	186,502	173,611	199,721	236,217	347,603	311,137	309,792	263,731
Azerbaijan	343	463	539	578	399	318	252	284	276	347	454
Georgia	...	1	2	4	56	114	131	232	352	523	666	868	1,204	1,450	1,143	1,108	1,545	1,597	2,308	2,868
Kazakhstan	...	4,400	9,200	12,500	18,000	22,000	22,600	19,100	17,900	25,300	36,500	50,400	127,460	176,944	1,001,497	1,331,466	1,875,350	2,099,765	2,515,111	1,166,456
Kyrgyz Republic	...	1,244	2,128	2,804	4,921	7,191	9,061	11,011	15,261	14,960	18,778	21,272	13,979	10,381	11,286	15,483	19,515	19,756	22,898	26,207
Tajikistan	...	654	644	788	2,104	2,264	2,093	436	632	935	1,377	1,894	1,993	1,701	1,695	2,041	2,125	2,058	2,496	...
Uzbekistan	69,943	114,069	39,639	193,265	411,433	755,698	934,752	1,335,172	...
Pacific Islands																				
Fiji
Papua New Guinea	1,190	1,328	1,437	1,365	1,525	1,612	1,819	1,853	2,012	2,064
Samoa

MSME = micro, small, and medium-sized enterprise; NBFI = nonbank finance institution.

Notes: End-of-year data except * fiscal year data (ended 15 July in Nepal and 31 March in Myanmar). Armenia: AMD million (microfinance institutions and pawnshops); Azerbaijan: AZN million (microfinance institutions and credit unions/cooperatives); Bangladesh: Tk million (nonbank finance institutions regulated by Bangladesh Bank); Brunei Darussalam: B\$ million (finance companies and pawnbrokers); Cambodia: KR million (microfinance institutions and leasing companies); Fiji: F\$ million (microfinance institutions); Georgia: GEL million (microfinance institutions, credit unions/cooperatives, and pawnshops); India: Rs million (nonbank finance institutions regulated by Reserve Bank of India; MSME financing only); Indonesia: Rp billion (finance companies, microfinance institutions, and government pawnshops); Kazakhstan: KZT million (microfinance institutions, credit unions/cooperatives, finance companies, and pawnshops); Kyrgyz Republic: KGS million (microfinance institutions, credit unions/cooperatives, finance companies, pawnshops, and leasing companies); Myanmar: MK million (microfinance institutions); Nepal: NRs million (microfinance institutions); Pakistan: PRs million (microfinance institutions and leasing companies); Papua New Guinea: K million (microfinance institutions, credit unions/cooperatives, and finance companies); Philippines: P million (credit unions/cooperatives, pawnshops, and nonstock savings and loans associations [NSSLAS]); Singapore: S\$ million (finance companies); Sri Lanka: SLRs million (nonbank finance institutions regulated by Central Bank of Sri Lanka); Tajikistan: TJS million (microfinance institutions and nonbank credit institutions); Uzbekistan: SUM million (microfinance institutions and pawnshops); Viet Nam: D million (People's Credit Funds and microfinance institutions).

Source: ADB Asia SME Monitor 2023 database.

C1-2. NBFI Financing, Total (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	1,097	1,201	1,406	1,429	1,533	1,334	1,156	1,171	1,133	1,139	1,176	1,164	1,196
Cambodia	154	277	299	426	642	886	1,317	1,791	3,107	3,250	4,395	5,986	7,475	7,084	8,099	9,890
Indonesia	31,432	33,366	32,080	36,199	30,343	29,258	30,250
Lao People's Democratic Republic	6	12	13	57	53	103	179	265	564	686	583	587	488
Malaysia	749	658	613	180	300	369	416	425	325	366	307	335	368	327	254	289
Myanmar*	58	...	...	68	107	130	...	313	512	1,228	...	...	...
Philippines	141	135	176	215	192	2,918	6,582	7,684	8,085	10,014	12,025	12,992	12,998	...
Singapore	6,247	7,777	9,272	9,176	9,383	9,398	8,653	9,589	9,746	10,898	10,667	10,319	11,237
Thailand
Viet Nam	1,252	1,396	1,750	2,166	2,505	2,827	3,236	3,786	4,212	3,270	3,995	...	...
South Asia																				
Bangladesh	3,364	4,431	5,226	5,713	6,744	7,448	7,896	7,912	7,892	7,850	7,115
India	8,665	11,113	17,335	18,374	17,647	20,578	22,131	26,072
Nepal*	1,035	1,269	2,067	2,230	3,011	3,408
Pakistan	653	501	441	423	367	382	404	518	602	766	820	816	766	686	628	494
Sri Lanka	977	1,135	1,866	2,393	3,410	3,709	4,230	4,894	5,815	6,718	7,253	6,611	6,609	6,247	6,320	3,653
Central and West Asia																				
Armenia	...	5	11	45	126	187	147	191	243	318	366	367	385	359	413	488	725	595	645	670
Azerbaijan	437	578	687	371	225	187	148	167	163	204	267
Georgia	...	0.8	0.9	2.1	35	68	78	131	211	316	360	460	503	548	441	412	539	487	745	1,061
Kazakhstan	...	34	69	98	150	182	152	129	121	168	237	276	375	531	3,014	3,466	4,902	4,989	5,825	2,521
Kyrgyz Republic	...	30	52	74	139	183	205	234	328	316	381	361	184	150	164	222	280	239	270	306
Tajikistan	...	218	201	214	601	647	476	99	132	195	287	357	285	215	193	217	219	182	221	...
Uzbekistan	29	41	43	24	49	79	89	123	...
Pacific Islands																				
Fiji	0.05	0.05	0.06	0.20	0.19	0.14
Papua New Guinea	511	491	512	478	430	472	479	534	528	573	586
Samoa

NBFI = nonbank finance institution.

Notes: End-of-year data except * fiscal year data (ended 15 July in Nepal and 31 March in Myanmar). Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

C2. NBFi Financing to Bank Loans (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	27.3	30.7	33.0	32.3	35.4	30.8	31.0	30.6	28.4	26.1	27.1	25.3
Cambodia	9.7	11.5	11.9	13.1	14.8	15.2	17.9	19.2	19.2	23.5	27.1	27.7	29.8	23.0	21.2	21.9
Indonesia	9.7	9.5	9.0	9.0	7.8	7.4
Lao People's Democratic Republic	0.4	0.5	0.4	1.3	1.1	1.7	2.4	3.3	7.0	8.5	6.9	7.4	6.3
Malaysia	0.38	0.31	0.27	0.06	0.09	0.10	0.11	0.11	0.10	0.11	0.08	0.08	0.10	0.10	0.10	0.06
Myanmar*	1.7	1.6	1.7	1.9	2.1	2.6	4.1	7.7	...	...
Philippines	0.2	0.2	2.5	5.3	5.0	5.7	6.3	6.4	...	...
Singapore	1.3	1.2	1.3	1.1	1.1	1.2	1.1	1.1	1.0	1.1	1.0	1.1	1.2
Thailand
Viet Nam	1.2	1.3	1.3	1.3	1.3	1.3	0.9	1.0	...	...
South Asia																				
Bangladesh	7.4	7.6	7.5	7.1	6.5	5.9	5.2
India	0.8	1.0	1.3	1.4	1.2	1.3	1.7
Nepal*	5.3	6.0	8.0	8.8	9.6
Pakistan	1.4	1.2	1.1	1.0	0.9	0.9	1.0	1.1	1.2	1.4	1.3	1.4	1.4	1.2	1.0	0.9
Sri Lanka	6.9	7.9	13.6	13.5	14.9	15.0	16.1	16.5	17.8	18.2	17.2	15.7	14.8	12.8	12.1	11.7
Central and West Asia																				
Armenia	...	1.8	2.6	7.1	9.4	9.3	7.9	7.8	7.7	8.4	8.8	8.4	9.3	7.5	7.9	8.1	10.2	8.0	8.4	6.8
Azerbaijan
Georgia	...	0.2	0.1	0.1	1.2	2.0	2.6	3.8	4.7	3.0	3.0	3.0	2.8	2.5	2.8	2.0	1.9	2.0	2.1	2.3
Kazakhstan	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.4	1.0	1.4	7.9	10.2	13.5	14.2	5.4	6.4
Kyrgyz Republic	...	21.4	27.6	24.7	23.6	28.1	35.9	41.7	48.9	37.3	34.8	27.0	14.9	11.1	10.4	12.1	13.3	12.2	13.6	5.1
Tajikistan	...	69.5	56.6	33.5	58.0	51.4	42.2	14.1	15.9	21.5	22.9	24.4	21.6	20.9	24.9	30.9	28.0	23.4	26.4	12.8
Uzbekistan	0.2	0.3	0.2	0.2	0.4	0.3	0.4	...
Pacific Islands																				
Fiji	1.5	1.5	1.7	5.6	3.9
Papua New Guinea	9.7	9.1	7.7	8.3	8.1	8.7	8.8	9.6	9.5
Samoa

NBFi = nonbank finance institution.

Note: End-of-year data except * fiscal year data (ended 15 July in Nepal and 31 March in Myanmar).

Source: ADB Asia SME Monitor 2023 database.

C3. NBFI Financing to GDP (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	7.6	6.7	7.2	8.0	9.3	10.6	10.6	9.4	8.5	8.4	9.5	8.4
Cambodia	1.8	2.7	...	3.7	5.0	6.2	8.6	10.8	10.8	16.2	19.8	19.8	22.6	27.7	27.9	30.1
Indonesia	3.3	3.2	3.2	2.8	2.5
Lao People's Democratic Republic	0.1	0.1	0.1	0.1	0.5	0.4	0.7	1.1	1.6	3.2	3.7	3.1	3.5
Malaysia	0.4	0.3	...	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9	0.7
Myanmar*	0.5	2.4	...	...	...
Philippines
Singapore	0.1	0.1	0.1	0.1	0.1	1.0	2.2	2.5	2.4	2.9	3.1	3.5	3.4
Thailand
Viet Nam
South Asia																				
Bangladesh
India
Nepal*
Pakistan
Sri Lanka
Central and West Asia																				
Armenia	0.1	0.2	0.6	1.2	1.6	1.8	2.0	2.5	3.0	3.3	3.6	3.7	3.4	3.6	3.9	5.3	5.0	4.4
Azerbaijan
Georgia	0.0	0.0	0.3	0.3	0.6	0.7	1.1	1.4	1.9	2.2	2.8	3.5	4.0	2.8	2.5	3.1	3.2	3.8
Kazakhstan	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.4	2.1	2.4	3.0	3.0	4.0
Kyrgyz Republic	1.3	2.1	2.5	3.5	3.8	4.5	5.0	5.3	4.8	5.3	5.3	3.2	2.2	2.1	2.7	3.2	3.3	3.2
Tajikistan	13.7	10.4	10.1	22.5	17.7	11.8	2.1	2.6	3.1	3.8	4.7	4.4	3.3	3.1	3.2	3.0	2.6	3.0
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

GDP = gross domestic product, NBFI = nonbank finance institution.

Note: End-of-year data except * fiscal year data (ended 15 July in Nepal and 31 March in Myanmar).

Source: ADB Asia SME Monitor 2023 database.

C4-1. Nonperforming NBFI Financing (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	13.2	18.9	20.3	23.5	20.4	19.1	20.1	15.1	17.2	25.3	15.6	7.8
Cambodia	1,171	4,719	34,847	20,361	5,753	10,284	30,880	52,119	94,788	210,885	298,210	335,399	262,692	563,564	845,912	1,047,805
Indonesia	12,644	12,260	11,810	10,853	14,899	12,861	9,629
Lao People's Democratic Republic	74,235	225,592	149,387	130,747
Malaysia
Myanmar*	42.1	40.6	68.0	25.8	16,445	2,769	9,085	14,376	...	...	...
Philippines	20,356	32,840	24,868	29,302	38,268	44,003	49,151	...
Singapore	148	197	...	...
Thailand
Viet Nam	83.8	912.1	140.2	86.6	105	554	16,319	18,669	644,466	705,880	...	...
South Asia																				
Bangladesh	13,871	18,064	20,223	40,012	38,693	45,232	54,394	63,988	100,536	130,166	168,215
India	467,032	606,742	867,226	1,530,874	1,540,101	1,265,910	2,079,118	1,854,881
Nepal
Pakistan	1,589	2,031	2,862	3,390	2,961	3,312	3,014	1,620	2174	2,288	1,970	2,109	2,176	6,589	9,640	10,277
Sri Lanka	6,053	20,911	19,904	23,527	37,024	44,095	47,439	52,973	65,895	93,010	127,626	161,602	139,318	230,907
Central and West Asia																				
Armenia
Azerbaijan
Georgia
Kazakhstan
Kyrgyz Republic
Tajikistan
Uzbekistan
Pacific Islands																				
Fiji
Papua New Guinea
Samoa

NBFI = nonbank finance institution.

Notes: End-of-year data except *fiscal year data (ended 31 March in Myanmar). Azerbaijan: AZN million (microfinance institutions); Bangladesh Tk million (nonbank finance institutions regulated by Bangladesh Bank); Brunei Darussalam: B\$ million (finance companies only for 2010-2011; finance companies and pawnbrokers for 2012-2022); Cambodia: KR million (microfinance institutions and leasing companies); Georgia: GEL million (microfinance institutions); India: Rs million (nonbank finance institutions regulated by Reserve Bank of India); Indonesia: Rp billion (data from 2016 to 2022 based on New Business Activities [POJK 35/POJK.05/2018] and New Economy Sector [SEOJK 3/SEOJK.05/2016]); Kazakhstan: KZT million (microfinance institutions [2017-2022], finance companies [2017-2022], and pawnshops [2020-2022]); Myanmar: MK million (microfinance institutions); Nepal: NRs million (microfinance institutions); Pakistan: PRs million (microfinance institutions and leasing companies); Papua New Guinea: K million (microfinance institutions, credit unions and cooperatives, and finance companies); Philippines: P million (credit unions and cooperatives only); Sri Lanka: SLRs million (nonbank finance institutions regulated by Central Bank of Sri Lanka); Tajikistan: TJS million (microfinance institutions and pawnshops); Viet Nam: D million (microfinance institutions only for 2011-2018; microfinance institutions and pawnshops); Uzbekistan: SUM million (microfinance institutions and pawnshops); Viet Nam: D million (microfinance institutions only for 2011-2018; microfinance institutions and pawnshops); Viet Nam: D million (microfinance institutions only for 2011-2018; microfinance institutions and pawnshops).

Source: ADB Asia SME Monitor 2023 database.

C4-2. Nonperforming NBF1 Financing (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	10.0	10.2	155	16.0	17.8	145	13.2	15.0	11.0	12.8	18.9	11.4	5.8
Cambodia	0.3	1.2	8.4	5.0	1.4	2.6	7.7	12.8	23.4	52.1	73.8	83.2	64.3	138.2	205.6	254.4
Indonesia	941.0	904.9	815.6	780.7	1,051.3	901.3	612.1
Lao People's Democratic Republic	8.4	24.3	135	7.9
Malaysia
Myanmar*	0.05	0.04	0.07	0.20	1.21	2.03	5.86	9.81	...	...	...
Philippines	431.5	659.3	498.2	555.8	754.2	887.0	968.1	...
Singapore	108.8	145.9	...	...	...
Thailand
Viet Nam	0.004	0.044	0.007	0.004	0.005	0.025	0.728	6.8	27.8	30.5	...	...
South Asia																				
Bangladesh	173.7	232.3	299.4	509.7	491.6	546.9	648.3	753.7	1,185.5	1,571.1	1,699.1
India	7,041.0	8,929.3	13,565.2	21,935.4	21,509.4	17,339.4	27,887.7	22,405.7
Nepal	77.9
Pakistan	26.0	25.7	34.0	39.6	32.9	34.1	285	16.1	20.7	21.8	17.8	15.2	14.1	41.3	39.4	15.8
Sri Lanka	52.9	188.5	174.8	185.8	283.2	336.5	339.2	353.6	431.1	510.3	702.7	866.9	695.1	635.9
Central and West Asia																				
Armenia
Azerbaijan
Georgia	38.8	47.6	41.2	39.2
Kazakhstan	32.7	27.3	25.7	32.1
Kyrgyz Republic	250.6	208.0	231.5	288.1	311.8	146.5
Tajikistan
Uzbekistan	0.1	0.1	0.7	1.4	4.0	4.9	4.5	5.7	5.6	10.4	20.0	26.6	17.3	11.8	7.3	9.0	7.1	...
Pacific Islands																				
Fiji
Papua New Guinea
Samoa
Tonga
Vanuatu
Yap
Zimbabwe

NBF1 = nonbank finance institution.

Notes: End-of-year data except * fiscal year data (ended 31 March in Myanmar). Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

C5. NBFI NPF to Total Financing (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
Brunei Darussalam	0.8	1.1	1.2	1.1	1.1	1.3	1.0	1.1	1.6	1.0	0.5
Cambodia	0.2	0.4	2.8	1.2	0.2	0.3	0.6	0.7	0.8	1.6	1.7	1.5	0.9	2.0	2.5	2.6
Indonesia	3.3	3.0	2.7	2.4	4.0	3.5	2.3
Lao People's Democratic Republic	1.2	4.2	2.3	1.6
Malaysia
Myanmar*	0.09	0.06	0.06	0.2	0.6	0.7	1.1	0.8	...	...	...
Philippines	11.8	14.4	10.4	9.4	10.8	12.1	12.9	...
Singapore	1.1	1.3	...	...	...
Thailand
Viet Nam	0.02	0.03	0.004	0.002	0.002	0.01	0.2	0.3	7.8	7.9	...	...
South Asia																				
Bangladesh	5.2	5.2	5.0	8.9	7.3	7.3	8.2	9.5	15.0	19.3	23.9
India	3.7	3.9	4.8	7.1	6.4	5.8	7.3	5.8
Nepal*	0.9	1.0	1.2	2.3	2.6	2.3
Pakistan	4.2	5.1	7.7	9.4	9.0	8.9	7.1	3.1	3.4	2.9	2.2	1.9	1.8	6.0	6.3	3.2
Sri Lanka	2.8	7.9	5.1	5.0	6.7	6.9	5.7	5.3	5.9	7.7	10.6	13.9	11.0	17.4
Central and West Asia																				
Armenia
Azerbaijan	42.1	24.5	30.8	21.0	15.0
Georgia**	8.3	7.5	5.9	3.0
Kazakhstan	8.3	6.0	4.7	5.8	5.4	5.8
Kyrgyz Republic
Tajikistan**	0.05	0.06	0.12	0.21	0.8	4.9	3.4	2.9	2.0	2.9	7.0	12.3	9.0	5.4	3.3	5.0	3.2	...
Uzbekistan	4.4	4.6	6.5	7.5	7.5	6.8	19.8	8.5	...
Pacific Islands																				
Fiji
Papua New Guinea	4.5	9.6	8.7	8.3	11.4	10.9	14.2	10.9	13.3	14.4	14.0
Samoa

NBFI = nonbank finance institution, NPF = nonperforming financing.

Notes: End-of-year data except * fiscal year data (ended 15 July in Nepal and 31 March in Myanmar). ** Microfinance institutions only.

Source: ADB Asia SME Monitor 2023 database.

C6. NBFI Financing by Sector (% share, latest available year)

Item	Brunei Darussalam (refers to financing companies only)	Cambodia	Indonesia	Lao People's Democratic Republic (MFIs only)	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
Agriculture	...	17.8	6.0	13.7	...	30.8	...	...	...	...
Manufacturing	...	1.8	9.7	0.4	12.4	10.5	...	...	...	...
Transportation and communications	98.1	4.4	6.8	0.1	5.9	...	...	...	...	...
Construction	...	4.5	3.4	3.1	...	...	...	...	...	...
Wholesale and retail trade	...	23.3	23.3	20.5	...	33.2	...	...	...	...
Other services	...	13.6	6.8	3.1	3.8	25.6	...	...	...	...
Others	1.9	34.5	44.0	59.1	77.9	...	...	...	...	...
Year	2022	2022	2022	2022	2022	2022 September 2019				
Item	Bangladesh	India*	Nepal*	Pakistan	Sri Lanka					
Agriculture	2.3	...	45.7	16.9	...					
Manufacturing	41.8	35.2	...	2.7	...					
Transportation and communications	3.7	...	...	0.1	...					
Construction	18.8	...	...	0.9	...					
Wholesale and retail trade	14.9	64.8	...	34.6	...					
Other services	...	...	27.9	8.6	...					
Others	18.6	...	26.4	36.3	...					
Year	2022	FY2022	2022	2022	2022					
Item	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan			
Agriculture	28.5	12.0	6.6	...	36.8	31.1	...			
Manufacturing	10.2	...	...	...	1.4	11.8	...			
Transportation and communications	2.0	...	...	...	2.3	0.3	...			
Construction	6.9	...	...	...	18.7	3.0	...			
Wholesale and retail trade	8.6	9.0	11.9	...	20.6	3.4	...			
Other services	31.2	9.0	...	...	14.6	48.0	...			
Others	12.6	70.0	81.5	...	5.6	2.3	...			
Year	2022	2022	2022	2022	2022	2021				
Item	Fiji	Papua New Guinea	Samoa							
Agriculture	...	3.4	...							
Manufacturing	...	1.4	...							
Transportation and communications	...	27.2	...							
Construction	...	26.3	...							
Wholesale and retail trade	...	6.6	...							
Other services	...	21.2	...							
Others	...	14.0	...							

NBFI = nonbank finance institution.

Notes: End-of-year data except * fiscal year (FY) data (ended 31 March in India and 15 July in Nepal) and September 2019 data in Myanmar. For Brunei Darussalam, Indonesia, and Papua New Guinea, finance companies only. For Armenia, Cambodia, the Lao PDR, the Kyrgyz Republic, Nepal, Pakistan, and Tajikistan, microfinance institutions only. For Malaysia, «other services» include life sciences and information and communication technology. For Bangladesh, nonbank finance institutions regulated by Bangladesh Bank. For India, data for wholesale and retail trade refers to all services sectors. For Nepal, «others» includes wholesale credit, and cottage and micro industries.

Source: ADB Asia SME Monitor 2023 database.

C7. NBFi Financing by Region (% share, latest available year)

Item	Brunei Darussalam	Cambodia	Indonesia	Lao People's Democratic Republic	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	
Capital city	...	10.5	...	...	...	99.3	35.2	...	...	...
Other areas	...	89.5	...	...	...	0.7	64.8	...	...	...
Year	2022										
Item	Bangladesh	India	Nepal	Pakistan	Sri Lanka	September 2019					2021
Capital city	1.6	...	2022					2021
Other areas	...	...	...	98.4	...					
Year	2022										
Item	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Tajikistan	Uzbekistan				
Capital city	...	59.0	37.6	...	...	15.1	...			
Other areas	...	41.0	62.4	...	...	84.9	...			
Year	2022							2021			
Item	Fiji	Papua New Guinea	Samoa								
Capital city	...	...	...					
Other areas	...	...	...					
Year											

NBFi = nonbank finance institution.

Notes: For Cambodia, Myanmar, and Pakistan, microfinance institutions only. For the Philippines, credit unions and cooperatives only. Capital city: Baku in Azerbaijan; Phnom Penh in Cambodia; Tbilisi in Georgia; Yangon in Myanmar; Islamabad in Pakistan; National Capital region in the Philippines; Dushanbe in Tajikistan.

Source: ADB Asia SME Monitor 2023 database.

C8-1. Market Capitalization (local currency)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
BRU (no exchange market)
CAM - Main board
INO - Main board
INO - Acceleration Board
LAO - Main board
MAL - ACE
MAL - LEAP
PHI - SME board
PHI - Main board
SIN - Catalist
THA - mai
VIE - UPCoM
South Asia																				
BAN - CSE*
BAN - DSE*
IND - BSE SME Exchange
IND - NSE Emerge
IND - NSE* ¹
NEP - NPSE*
PAK - PSX
SRI - Colombo Stock Exchange
Central and West Asia																				
ARM - AMX
AZE - BSE
GEO - GSX
KAZ - KASE
KAZ - Alternative Board for SMEs
KYR - KSE
TAJ - CASE
UZB - TSE
Pacific Islands																				
FJI - SPX
PNG - PNGX
SAM (no exchange market)

AMX = Armenian Securities Exchange; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; BSE = Baku Stock Exchange/Bombay Stock Exchange; CAM = Cambodia; CASE = Central Asian Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GEO = Georgia; GSX = Georgian Stock Exchange; INO = Indonesia; LAO = Lao PDR; KAZ = Kazakhstan; KASA = Kazakhstan Stock Exchange; KYR = the Kyrgyz Republic; KSE = Kyrgyz Stock Exchange; MAL = Malaysia; MYA = Myanmar; NEP = Nepal; NPSE = Nepal Stock Exchange; NSE = National Stock Exchange; PAK = Pakistan; PHI = Philippines; PNGX = Papua New Guinea National Stock Exchange (Port Moresby Stock Exchange renamed to PNGX in 2019); PSX = Pakistan Stock Exchange; SIN = Singapore; SME = small and medium-sized enterprise; SPX = South Pacific Stock Exchange; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; TSE = Republic Stock Exchange «Toshkent»; UZB = Uzbekistan; VIE = Viet Nam.

Notes: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 15 July in Nepal). Items marked in light yellow are specialized boards; others are main boards of the stock exchanges. Armenia: AMD million; Azerbaijan: AZN million; Bangladesh: Tk million; Cambodia: KR million; Fiji: F\$ million; Georgia: GEL million; India: Rs million; Indonesia: Rp billion; Kazakhstan: KZT million; Kyrgyz Republic: KGS million; Lao PDR: KN million; Malaysia: RM million; Myanmar: MK million; Nepal: NRs million; Pakistan: PRs million; Papua New Guinea: K million; Philippines: P million; Singapore: S\$ million; Sri Lanka: SLRs million; Tajikistan: TJS million; Thailand: B billion; Uzbekistan: SUM million; Viet Nam: D million.

Source: ADB Asia SME Monitor 2023 database.

C8-2. Market Capitalization (\$ million)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
BRU (no exchange market)
CAM - Main board
INO - Main board	211,097	98,310	214,827	361,150	390,085	426,783	346,133	420,261	353,222	428,224	520,548	485,015	522,625	494,151	578,570	603,848
IND - Acceleration Board
LAO - Main board
MAL - ACE
MAL - LEAP
MYA - Main board
PHI - SME board
SIN - Catalist
THA - mai
VIE - UPCoM
South Asia																				
BAN - CSE*
BAN - DSE*
IND - BSE SME Exchange
IND - NSE Emerge
NEP - NPSE*
PAK - PSX
SRI - Colombo Stock Exchange
Central and West Asia																				
ARM - AMX
AZE - BSE
GEO - GSX
KAZ - KASE
KAZ - Alternative Board for SMEs
KYR - KSE
TAJ - CASE
UZB - TSE
Pacific Islands																				
FJI - SPX
PNG - PNGX
SAM (no exchange market)

AMX = Armenian Securities Exchange; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; BSE = Baku Stock Exchange/Bombay Stock Exchange; CAM = Cambodia; CASE = Central Asian Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GEO = Georgia; GSX = Georgian Stock Exchange; INO = Indonesia; KAZ = Kazakhstan; KASE = Kazakhstan Stock Exchange; KYR = the Kyrgyz Republic; KSE = Kyrgyz Stock Exchange; MAL = Malaysia; MYA = Myanmar; NEP = Nepal; NPSE = Nepal Stock Exchange; NSE = National Stock Exchange; PAK = Pakistan; PHI = Philippines; PNGX = Papua New Guinea National Stock Exchange (Port Moresby Stock Exchange renamed to PNGX in 2019); PSX = Pakistan Stock Exchange; SIN = Singapore; SME = small and medium-sized enterprise; SPX = South Pacific Stock Exchange; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; TSE = Republic Stock Exchange «Toshkent»; UZB = Uzbekistan; VIE = Viet Nam.

Notes: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 15 July in Nepal). Items marked in light yellow are specialized boards; others are main boards of the stock exchanges. Exchange rates of local currency to US dollar refer to end-of-year currency rates from the International Monetary Fund (IMF) International Financial Statistics in designated years.

Source: ADB Asia SME Monitor 2023 database.

C8-3. Market Capitalization to GDP (%)

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
BRU (no exchange market)
CAM - Main board
INO - Main board	503	218	36.0	47.3	452	479	442	495	423	46.4	51.9	47.3	45.9	45.2	48.6	48.9
INO - Acceleration Board	0.0002	0.02
LAO - Main board	72	10.0	9.4	10.3	10.3	8.1	8.1	6.5	5.9	4.6	4.3	4.4
MAL - ACE	0.7	0.7	0.7	0.7	1.0	0.9	1.0	0.8	1.1	0.8	1.2	2.5	1.9	1.9
MAL - LEAP	0.2	0.2	0.3	0.3
MYA - Main board
PHI - SME board	...	0.005	0.005	0.005	0.065	0.059	0.004	0.006	0.007	0.005	0.007	0.061	0.204	0.113	0.195	0.062	0.059	0.003	0.002	0.4
SIN - Catalist	2.0	1.5	1.8	2.4	2.7	2.2	2.1	2.7	2.3	1.9	2.3	2.2	1.4
THA - mai	0.4	0.2	0.4	0.5	0.7	1.1	1.4	2.9	2.4	2.9	2.2	1.5	1.3	1.5	2.9	3.2
VIE - UPCoM	0.2	0.6	0.7	0.8	0.7	0.9	1.4	6.1	12.2	14.8	15.9	16.9	10.1
South Asia																				
BAN - CSE	73	12.4	13.8	19.3	24.4	17.8	16.0	17.0	15.6	14.4	15.8	13.9	13.0	8.8	12.4	11.3
BAN - DSE	87	14.8	17.6	33.9	312	23.6	21.1	21.9	21.4	21.4	18.4	19.2	17.1	15.7	11.2	13.0
IND - BSE SVE Exchange	0.003	0.027	0.073	0.065	0.122	0.136	0.099	0.090	0.108	0.20	...
IND - NSE Emerge	0.001	0.002	0.003	0.004	0.009	0.062	0.067	0.039	0.028	0.04	0.08
NEP - NPSE*	44.9	52.1	31.6	207	20.9	26.4	47.4	40.8	72.5	60.3	41.5	40.6	45.8	94.0	59.1
PAK - PSX	46.9	17.5	20.5	22.0	16.1	21.2	27.0	29.3	25.3	33.1	26.8	22.2	20.5	19.3	13.8	9.7
SRI - Colombo Stock Exchange	22.9	11.1	22.6	34.5	30.7	24.8	25.6	30.0	26.8	22.9	21.8	19.9	19.0	19.8	31.0	15.9
Central and West Asia																				
ARM - AMX	...	0.5	0.8	0.8	1.0	15	17	15	14	13	14	15	21	27	2.6	2.4	2.3	2.2	2.5	3.1
AZE - BSE
GEO - GSX
KAZ - KASE
KAZ - Alternative Board for SMEs
KYR - KSE
TAJ - CASE	34	2.0	1.6	1.7	2.7	2.5	2.5	2.3	2.8	3.7	3.6	4.6	4.2	5.5	7.1	8.8
UZB - TSE
Pacific Islands																				
FJI - SPX	20.3	19.9	14.9	17.9	16.1	12.9	11.0	11.5	10.0	9.9	10.9	12.8	16.2	26.4	34.8	35.7	35.3	28.2
PRG - PNGX
SGM (no exchange market)

AMX = Armenian Securities Exchange; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; BSE = Baku Stock Exchange/Bombay Stock Exchange; CAM = Cambodia; CASE = Central Asian Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GEO = Georgia; GSX = Georgian Stock Exchange; INO = Indonesia; LAO = Lao PDR; KAZ = Kazakhstan Stock Exchange; KYR = the Kyrgyz Republic; KSE = Kyrgyz Stock Exchange; MAL = Malaysia; MYA = Myanmar; NEP = Nepal; NPSE = Nepal Stock Exchange; NSE = National Stock Exchange; PAK = Pakistan; PHI = Philippines; PNGX = Papua New Guinea National Stock Exchange (Port Moresby Stock Exchange renamed to PNGX in 2019); PSX = Pakistan Stock Exchange; SIN = Singapore; SME = small and medium-sized enterprise; SPX = South Pacific Stock Exchange; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; TSE = Republic Stock Exchange «Toshkent»; UZB = Uzbekistan; VIE = Viet Nam.

Note: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 15 July in Nepal). Items marked in light yellow are specialized boards; others are main boards of the stock exchanges.

Source: ADB Asia SME Monitor 2023 database.

C8-4. Number of Listed Companies

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Southeast Asia																				
BRU (no exchange market)
CAM - Main board	420	440	459	483	506	521	537	566	619	668	713	766	825
INO - Acceleration Board
LAO - Main board	113	119	112	109	107	109	113	115	119	129	135	141	159
MAL - ACE
MAL - LEAP
MYA - Main board
PHI - SME board
SIN - Catalist	133	136	139	139	155	172	185	200	214	216	217	217	212
THA - mai	60	66	73	81	95	111	122	134	159	159	175	183	198
VIE - UPCoM	34	109	131	132	142	169	256	417	690	810	872	910	892	856
South Asia																				
BAN - CSE*	228	204	200	207	220	232	252	261	266	274	288	293	310	321
BAN - DSE*	282	243	232	238	251	263	283	292	297	305	317	321	341	350
IND - BSE SME Exchange
IND - NSE EmERGE
NEP - NPSE*
PAK - PSX	142	159	207	216	228	235	232	230	208	196	212	219	234
SRI - Colombo Stock Exchange	651	644	638	573	560	557	554	558	559	546	534	531	531	531
Central and West Asia																				
ARM - AMX
AZE - BSE
GEO - GSX
KAZ - KASE
KAZ - Alternative Board for SMEs
KYR - KSE
TAJ - CASE
UZB - TSE
Pacific Islands																				
FJI - SPX
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SAM (no exchange market)

AMX = Armenian Securities Exchange; ARM = Armenia; AZE = Azerbaijan; BAN = Bangladesh; BRU = Brunei Darussalam; BSE = Baku Stock Exchange/Bombay Stock Exchange; CAM = Cambodia; CASE = Central Asian Stock Exchange; CSE = Chittagong Stock Exchange; DSE = Dhaka Stock Exchange; GEO = Georgia; GSX = Georgian Stock Exchange; INO = Indonesia; LAO = Lao PDR; KAZ = Kazakhstan; KASA = Kazakhstan Stock Exchange; KYR = the Kyrgyz Republic; KSE = Kyrgyz Stock Exchange; MAL = Malaysia; MYA = Myanmar; NEP = Nepal; NPSE = Nepal Stock Exchange; NSE = National Stock Exchange; PAK = Pakistan; PHI = Philippines; PNGX = Papua New Guinea National Stock Exchange (Port Moresby Stock Exchange renamed to PNGX in 2019); PSX = Pakistan Stock Exchange; SIN = Singapore; SME = small and medium-sized enterprise; SPX = South Pacific Stock Exchange; SRI = Sri Lanka; TAJ = Tajikistan; THA = Thailand; TSE = Republic Stock Exchange «Toshkent»; UZB = Uzbekistan; VIE = Viet Nam.

Note: End-of-year data except * fiscal year data (ended 30 June in Bangladesh and 15 July in Nepal). Items marked in light yellow are specialized boards; others are main boards of the stock exchanges.

Source: ADB Asia SME Monitor 2023 database.

Asia Small and Medium-Sized Enterprise Monitor 2023

How Small Firms Can Contribute to Resilient Growth in the Pacific Post COVID-19 Pandemic

The development of micro, small, and medium-sized enterprises (MSMEs) is key to promoting inclusive growth in developing economies in Asia and the Pacific. The Asia Small and Medium-Sized Enterprise Monitor (ASM) provides data and analysis as a resource for evidence-based policy design on MSME development. The ASM 2023 focuses on the Pacific. This report reviews the financial and nonfinancial conditions of MSMEs at the country and regional level as well as a thematic report.

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