



## PACIFIC ISLANDS FORUM SECRETARIAT

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### FORUM ECONOMIC MINISTERS MEETING

1 – 2 August 2024

#### INFORMATION PAPER 4: PRIVATE SECTOR DEVELOPMENT

##### Purpose and Summary

##### Purpose

This paper seeks:

- (i) To inform FEMM of the 2023 Forum Trade Ministers Meeting outcome requesting the support of Forum Economic Ministers to lead the formulation of the Pacific Regional Private Sector Strategy (PRPSS), in consultation with Forum Trade Ministers and other relevant stakeholders; and
- (ii) To inform FEMM on progress made towards the development of the PRPSS and next steps for Strategy formulation and endorsement.

##### Summary

The development of the PRPSS stems from the decision of the 2021 Forum Trade Ministers Meeting (FTMM). In April 2023, the PRPSS Concept Note, including the Consultant Terms of Reference, supported by Business African Caribbean and Pacific States (ACP) was circulated to Official Contacts of Forum Members and CROP for review and comments.

The private sector is a key catalyst for economic growth and sustainable development, hence the need for Member countries to raise their private sector development ambitions by targeting interventions that promote an enabling environment to address market failure, support enterprise creation and enhance the capacity of Pacific businesses to participate in the local, regional, and global economy.

The PRPSS will provide distinct priorities and strategies to fast-track efforts put in place by the private sector on post-COVID 19 pandemic economic recoveries while also outlining priority areas to boost the private sector's competitive advantage and the region's gradual integration into the global economy.

The PRPSS will seamlessly harmonise with the vision of the 2050 Strategy for the Blue Pacific Continent (2050 Strategy) and play an instrumental role in actively advancing the forthcoming Pacific Roadmap for Economic Development (PRED) within the 2050 Strategy's thematic area of 'Resources and Economic Development,' the Pacific Aid for Trade Strategy 2020-2025 and the Pacific Trade Invest (PTI) Strategic Plan 2023-2026.

It is against this backdrop FTMM has requested FEMM to spearhead the development of the Strategy. This request is rooted in the fact that the Strategy is one of the key deliverables of PRED. In 2023, FTMM

## FORUM EYES ONLY

endorsed the proposed strategic areas in the concept note, followed by the PESC's endorsement in February 2024. In addition, the PESC also:

- a. Discussed and considered PESC to spearhead the development of the PRPSS, in consultation with the Forum Economic Ministers Meeting (FEMM), FTMM and other relevant stakeholders;
- b. Discussed and considered the Workplan proposed, taking into consideration that it is aligned with the PRED Workplan and agreed for the PRPSS to be considered at the 2024 FEMM; and
- c. Noted the proposed seven strategic areas in the Concept Note as the basis for stakeholder consultations. The development of the PRPSS and the selection of the four strategic pillars will be contingent on the outcomes of the consultations.

The following are proposed strategic areas identified in the concept note provided at [Annex 1](#):

- i. Access to Finance;
- ii. Integration of Digital Technologies;
- iii. Business Continuity Planning;
- iv. Promoting Diversification and Value Addition;
- v. Business Enabling Environment;
- vi. Boosting Entrepreneurship; and
- vii. Building Climate Resilience

### **A. Overview - Situational Background**

1. Historically, private sector issues have largely been captured and incorporated into specific sectoral policy frameworks or regionally mandated strategies within the Forum's ambit. While this has ensured that Pacific private sector priorities and issues are included, a standalone and dedicated PRPSS is integral as private sector issues are currently fragmented across several key regional strategies and implementation plans, thus creating untapped synergies.

2. However, considerable work is being undertaken by international agencies, donor partners and other stakeholders on private sector development in the region. There is a need to conduct a mapping of relevant programmes/initiatives in the private sector development space for insertion into the PRPSS.

3. The development of the PRPSS follows the decision of the 2021 Forum Trade Ministers. Ministers tasked the Secretariat to consider existing regional mechanisms and agencies, including the Pacific Islands Private Sector Organisation (PIPSO), PTI Network, and other regional agencies providing support to the private sector in response to the devastating impacts of the COVID-19 pandemic in the development of the PRPSS, in consultation with Members, CROP Agencies and other technical institutions.

### **B. PRPSS Linkage to Current Regional Initiatives**

4. The 2050 Strategy is the blueprint to strengthen collective action and deepen regionalism for the next three decades, which advocates for a whole-of-region approach in supporting and delivering shared regional priorities. It outlines 10 commitments across 7 interconnected thematic areas and 5 strategic pathways crucial for the sustainable long-term development of the region.

5. Support for the private sector is integral to the thematic area ‘Resources and Economic development’ under the 2050 Strategy. It highlights the private sector’s important role in accelerating the region’s economic growth by ensuring sustainable management and development of the region’s natural and human resources.

6. Furthermore, private sector engagement and development is a key focus under the Pacific Regional Economic Development (PRED) roadmap, which outlines the economic strategies and pathway to deliver the 2050 Strategy, particularly in the thematic area of ‘Resources and Economic Development’. The PRPSS will feature prominently in the implementation plan of the PRED.

7. The PRPSS will also support the ongoing implementation of the Pacific Aid for Trade Strategy 2020-2025 and its next iteration in 2026. It will also support the private sector to access climate finance through the development of a climate finance strategy. It also includes the recommendations of the report titled “Investigation of the supply-chain disruption due to the pandemic and its economic impacts on businesses across the Forum Island Countries”, which calls for policies to build resilience to future shocks and pandemics and understanding inter-dependencies in Member countries supply chains as crucial to recognizing the strengths and weaknesses of the different links. The Strategy’s proposed priorities are also well-aligned with tackling export dynamic issues of transportation by air and maritime including costs and logistical challenges identified in Pacific Islands Export Survey 2022.

8. The objectives are to develop a dedicated and distinct regional private sector strategy premised on the following:

- i. the need to articulate and capture the priorities and strategies to foster a business-enabling environment that promotes private sector development through better trade and investment opportunities, enhanced business competitiveness, food security and in climate-resilience;
- ii. a reference document or regional framework to facilitate and build relationships and collaboration with partners on broader private sector development;
- iii. promotes synergies and linkages with the revised Organisation for African Caribbean and Pacific States (OACPS) Private Sector Development Strategy, Melanesian Spearhead Group (MSG) Secretariat Private Sector Strategy, the 2050 Strategy, and existing regional frameworks and mechanisms; and
- iv. improving research and knowledge management on private sector development issues to promote inclusive market development in the Pacific.

### C. Progress Update

9. The OACPS extended technical assistance towards the development of the Strategy through the recruitment of a consultant, under its Business-ACP programme funded by the European Union.

10. The Consultant visited Papua New Guinea for stakeholder consultations and carried out desktop reviews as well as online surveys with National Private Sector Organisations (NPSO's) and development agencies to understand the challenges of private sector development and to map out the current regional initiatives.

11. The surveys and desktop review informed the first draft of the Strategy, attached as **Annex 2**, which was received by the Secretariat on 23 May 2024 from the OACPS consultant.

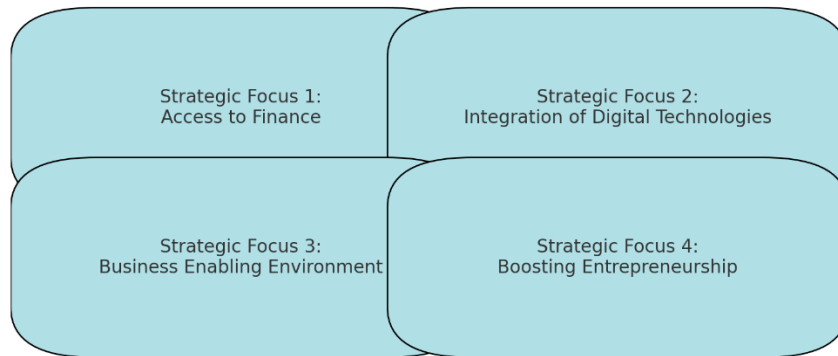
12. The Secretariat engaged a Quality Assurance Expert, who has been onboarded and is currently working with the Secretariat to review the draft Strategy. Attached as **Annex 3** is a table showing proposed changes to the draft Strategy by the Quality Assurance Expert.

13. The Secretariat has reached out to international agencies like the Asian Development Bank Private Sector Development Initiative (ADB PSDI) and the World Bank for technical assistance and collaboration opportunities.

14. Given that the PRPSS is a key deliverable of the Pacific Regional Economic Development (PRED) and will play an instrumental role in its advancement, it is crucial to develop the Strategy concurrently with PRED to ensure alignment.

#### First Draft and Proposed Changes

15. The first draft of the Strategy highlights four strategic focus, which are summarised below based on consultations with Members and surveys conducted with NPSOs:



16. The Quality Assurance Expert and the Secretariat through further deliberations have agreed to re-arrange the priority areas under four strategic pillars as follows:

STRATEGIC PILARS	<b>Pillar 1: Private Sector Recovery Post-Pandemic &amp; building resilience for future shocks</b>	<b>Pillar II: Enterprise Development</b>	<b>Pillar III: Institutional Capacity Building of Export and Business Promotion Agencies</b>	<b>Pillar IV: Strengthening Regional Dialogue and Governance Mechanism</b>
Priority Areas	<ul style="list-style-type: none"> <li>• Informal Economy Empowerment</li> <li>• Building Business Resilience</li> <li>• Business Continuity Planning</li> <li>• Labour Mobility</li> <li>• Indigenous Business Development</li> <li>• Women in Business</li> </ul>	<ul style="list-style-type: none"> <li>• Access to Finance (Innovative portfolio, trade, venture capital, cost of finance)</li> <li>• Private Sector Led-Innovation</li> <li>• Public-Private Partnership</li> <li>• Enhancing E-Commerce capabilities and integration of digital technologies</li> <li>• Cooperative Development</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification and Value Addition</li> <li>• Standards and Packaging</li> <li>• Quality Infrastructure</li> <li>• Investment promotion outreach support</li> <li>• Small business development</li> </ul>	<ul style="list-style-type: none"> <li>• Effective regional private sector organisation</li> <li>• NPSO Capacity Building</li> <li>• Effective Regional Dialogue Mechanism</li> <li>• PSD Donor Roundtable</li> </ul>

17. The sub-regional workshops with Member governments, NPSOs, industry/business associations, donor agencies and international organisations will be critical in refining the Strategy’s priority areas under each strategic pillar. After the endorsement of the PRED, the draft Strategy will then be considered for an out-of-session approval in 2025.

18. The Secretariat has received feedback from Members on the draft Strategy, which will be considered while polishing the draft strategy.

### Next Steps

19. The tentative timelines for the Strategy development are as follows:

Activities	Timelines (Tentative)
1 Draft Strategy Received from OACPS Consultant	23 May 2024
2 Strategy Reviewed Internally by Advisers	29 May 2024
3 Update to PESC	11 June 2024
4 Meeting with the World Bank and ADB PSDI on Technical Assistance and Implementation of the Strategy	June 2024
5 Information and Update presented at FEMM	1 August 2024
6 <u>Sub-regional workshops</u>	
a. Federated States of Micronesia	a. 22-23 August
b. Tonga	b. 5-6 September
c. Vanuatu	c. 26-27 September

	Activities	Timelines (Tentative)
7	Validation Workshop in Nadi, Fiji	November 2024
8	Final Strategy and Implementation Plan endorsed out of session	2025

Pacific Islands Forum Secretariat  
25 July 2024

**PACIFIC REGIONAL PRIVATE SECTOR STRATEGY (2024-2028)**

**Concept Note**

**A. Background**

1. The private sector is a key driver of trade and sustainable economic development. Hence the need for the Blue Pacific Continent to pursue private sector development targeting interventions for establishing an enabling environment, addresses market failures, supports business creation, and enhances the capacity of businesses to participate in the local, regional, and global economy.
2. The Pacific Regional Private Sector Strategy (PRPSS) will outline distinct priorities and strategies to place the private sector at the heart of economic recovery efforts post Covid-19 and clearly outlining priority areas to boost private sector competitiveness and growth. It will be a reference document to facilitate relationships and collaboration with partners on a broader private sector development.
3. The development of the PRPSS follows the decision of the 2021 Forum Trade Ministers. Ministers tasked the Secretariat to consider existing regional mechanisms and agencies including Pacific Islands Private Sector Organisation (PIPSO), Pacific Trade and Investment (PTI) and other regional agencies providing support to private sector in response to COVID-19 in the development of the Regional Private Sector Strategy, in consultation with Members, CROP Agencies and other technical agencies.

**B. Objective**

4. The objective is to develop a dedicated and distinct regional private sector strategy premised on:
  - the need to articulate and capture the priorities and strategies to foster a business-enabling environment that promotes private sector development through better trade and investment opportunities, enhanced business competitiveness, food security and climate resilience;
  - a reference document or regional framework to facilitate relationships and collaboration with partners on broader private sector development.
  - Promotes synergies and linkages with the revised Organisation for Africa, Caribbean and Pacific States (OACPS) Private Sector Development Strategy, Melanesian Spearhead Group (MSG) Secretariat Private Sector Strategy, the 2050 Strategy for the Blue Pacific Continent and existing regional frameworks and mechanisms.
  - Improving research and knowledge management on private sector development issues to promote inclusive market development in the Pacific.

**C. Rationale for a Pacific Regional Private Sector Strategy**

5. Private sector development is important now than ever, especially with countries developing economic recovery programmes to foster sustainable economic development following the effects of Covid-19. A healthy private sector helps in the creation of employment opportunities and is the end user of regional and multilateral trade agreements. There is also no doubt that the private sector is an ally for sustainable economic growth, therefore, efforts must be taken at a regional level to foster private sector development efforts. The barriers to business due to smallness, lack of access to finance, remoteness from main markets, technical barriers to trade (TBT), private sector diversification, value addition, standard and quality culture, and digitalization will be prominently captured in the strategy.
6. As regional and global geo-political interest shifts and with the world becoming increasingly globalized, the limelight is gradually on the Pacific. The strategy is timely as the global landscape is changing after the unprecedented effects of Covid-19, which has largely contributed to change in consumer-behaviour and shift towards digitalisation. There are gaps in regulations that impede the adoption of digital technologies and innovative ways of doing business. The Pacific economies are facing low growth rates and looking for innovative ways of economic development. Private sector growth is crucial for economic development by encouraging trade, investment, and entrepreneurship. The strategy will be a systematic and coherent overarching framework for achieving the aspirations of the Blue Pacific through enhanced cooperation with all stakeholders and strong leadership of the private sector.
7. Historically, within the Forum's ambit, issues affecting the private sector have largely been captured and incorporated into specific sectoral policy frameworks or in regional mandated strategies. Whilst this has ensured that Pacific private sector priorities and issues are included, a standalone and dedicated Pacific private sector strategy is lacking. As private sector issues appear in these multitude of documents, the relationships amongst and between these have become complex, and at times may be seen as disjointed. Also, considerable work is being undertaken by international agencies, donor partners and other stakeholders on private sector development in the region. There is a need to conduct a mapping of relevant programmes/initiatives in the private sector development space for insertion into the Strategy.
8. Recalling the Sustainable Development Goals (SDGs) – the global call to end poverty where *partnership* is touted as the way to meet balanced outcomes in social, economic, and environmental sustainability. A key actor in this partnership agenda (SDG17) is the private sector with a role to play in contributing to or influencing the whole SDGs landscape. For the Pacific, a private sector strategy is another important complementing document to guide its SDG implementation and enable stakeholders to leverage each other's core competencies.

#### **D. Pacific Regional Private Sector Strategy linkage to 2050 Strategy**



9. The 2050 Strategy for the Blue Pacific Continent<sup>1</sup>, which is the overarching blueprint to strengthen collective action and deepen regionalism for the next three decades advocates for a whole-of-region approach in supporting and delivering shared regional priorities. It outlines 10 commitments across 7 interconnected thematic areas and 5 strategic pathways crucial for the sustainable long-term development of the region. Private sector is also supporting the implementation of the Pacific Aid for Trade Strategy 2020-2025<sup>2</sup>.
10. Support for private sector is an integral part of the thematic area ‘Resource and Economic development’ under the 2050 Strategy for the Blue Pacific Continent, which highlights the important role the private sector will play in accelerating the region’s economic growth aspirations by ensuring sustainable management and development of the region’s natural and human resources. One of the strategic pathways under this thematic area is ‘increasing opportunities for all Pacific peoples including women and girls, youth, and vulnerable groups to engage in economic activity and further development of MSMEs’. Economic recovery efforts of Pacific Island economies are highly dependent on a robust and resilient private sector. To ensure this, the Pacific Island Forum Secretariat needs to articulate a strategy to clearly outline the status of the private sector, the challenges it faces and whole-of-region approach towards supporting and delivering the aspirations of the private sector.
11. Private sector engagement and development is a key focus under the development of the Pacific Regional Economic Development (PRED) roadmap, which outlines the economic strategies and pathway to deliver the 2050 Strategy, in particular the thematic area ‘Resource and Economic Development’. The development of the PRPSS will feature prominently in the implementation plan of the PRED. PRED core objectives are Grow and Diversify the Economic Pie; Strengthen Economic Defenses from Shocks; Optimize Blue Economy Revenue Potential; and Future Proof Pacific Economies.

## **E. Strategic Areas for Consultations**

12. Whilst it is recognized that there are inherent challenges that the private sector faces across the region, the Pacific Regional Private Sector Strategy stakeholder consultations will focus on seven strategic areas as the building block of determining **four priority areas** for the Strategy. Key strategic objectives for each priority area will also be developed following stakeholder consultations.
13. While the Strategy will guide activities across the region, it will be operationalized at the country level, due to the differing cultural, political, economic, and social conditions across the Pacific nations.
14. Each priority area will consider inherent challenges of the vulnerable segment, including businesses owned by women, youth, and people with disabilities (PWDs).

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<sup>1</sup> <https://www.forumsec.org/wp-content/uploads/2022/08/PIFS-2050-Strategy-Blue-Pacific-Continent-WEB-5Aug2022.pdf>

<sup>2</sup> <https://www.forumsec.org/wp-content/uploads/2020/04/Pacific-Aid-for-Trade-Strategy-2020-2025.pdf>

15. The proposed<sup>3</sup> strategic areas are:

- a. **Access to Finance** – access to finance is one of the main hurdles for both women-owned and micro, small and medium businesses. MSMEs are the backbone of the Pacific economies, constituting the majority employees and contributing a significant amount towards the Gross Domestic Product. It is also a fact that MSMEs represent by far the largest number of businesses, operate mostly in the informal sector, and support the most livelihoods. They are unable to access finance opportunities to sustain and grow businesses as they are considered risky for loans. Lack of collateral and poor financial records impede their access to finance. The Strategy will seek to identify and outline concrete action items to identify lending options for MSMEs to support their growth and success. Pacific businesses face this challenge for a few reasons one being not having enough capital, or a personal good to guarantee the business. More than 50% of the Pacific businesses are community-based businesses and informal setting. The strategy will support the transition from informal to the formal sector.
- b. **Integration of digital technologies** – The benefits of digitizing business processes towards improving services and expanding opportunities, in terms of accessing new markets and expanding customer base cannot be unseen, especially with the lessons learnt from Covid-19. Adopting digital tools has many benefits, but adoption remains low in the Pacific. E-commerce is an area that could be explored under this priority area. The digital divide remains prominent, therefore, fostering inclusive digital economies is important. Some reasons for not adopting digital technologies are attributed to lack of access due to limited services and infrastructure, lack of awareness, lack of skills and training, lack of capital, high cost of acquiring and maintaining digital technologies, and lack of trust in new systems. Peer-to-peer learning promoting knowledge exchange between businesses is also highly recommended. Despite progress related to strengthening the digital economy, significant gaps remain in ICT infrastructure and services (most severe in rural and remote areas), logistics and distribution systems, legal and regulatory frameworks, secure e-payment options, digital skills, and access to finance.
- c. **Business Continuity Planning** – the Pacific is at high risk of calamities being prone to natural disasters. In most instances, after a natural disaster or economic shock, numerous businesses are closed because of lack of business continuity plans and adaptability to the new operating environment, which could change drastically after a disaster. Most vulnerable to disasters and crisis are informal sectors, often lacking support, social protection, and the capacity to withstand shocks. Women and youth led MSMEs are at the forefront requiring the most support in ensuring their businesses is sustainable and can grow. Tailored assistance towards vulnerable groups will be of utmost importance, with awareness on the availability of such assistance.

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<sup>3</sup> The strategic areas will form the basis of stakeholder consultations. The four priority areas of the Strategy will be determined following stakeholder consultations.

- d. **Promoting Diversification and Value Addition** – economic diversification remains crucial for private sector growth and economic recovery in the Pacific. To achieve this, investment in infrastructure, institution and skills are required as the building blocks. Pacific economies are highly dependent on primary commodity production, however, there is scope for more value addition and diversifying and venturing into other sectors. Targeting niche markets and high-end products and services must occur parallel to scoping potential sectors. Increasing opportunities through Public-Private Partnerships that lead to value addition of the region’s natural resources must also be considered.
  
- e. **Business enabling environment** - a thriving private sector is dependent on enabling regulations supported by sound macroeconomic policies, for example, appropriate competition policies, trade policies, tax policies, to name a few. Post-Covid, reforms are being undertaken to incorporate the changing global landscape, crucial to spur entrepreneurial development. Discussions around the business environment for MSMEs must also gain traction and address barriers to the formalization of businesses. Increased trade and investment are the focus for most Pacific islands through their trade commission offices, as well as the Forum’s Pacific Trade and Invest offices however the volume of deals secured can be greater with an optimal business environment. Indeed, competition seeks to maintain a competitive market and in regulating anti-competitive behaviour by dominant suppliers. Pacific businesses that are most impacted by COVID-19 are micro, small, and medium sized enterprises (MSMES). Their survival is essential to the development of competition in the Pacific in addressing consumer welfare and long-term economic growth. Business activity in the Pacific is dominated by State-Owned Enterprises (SOEs) and a small number of multi-national businesses. In PICs, markets for many goods and services exhibit little or no competition, so dominant suppliers face little or no pressure to improve their products delivery or pricing.
  
- f. **Boosting Entrepreneurship** – new and growing businesses represent primary sources of job creation and innovative activities in an economy. Building an enabling environment to support entrepreneurship for the youth, women and vulnerable groups is critical for the Pacific, as most nations have young populations and MSME’s are dominated by women. Developing entrepreneurship-supporting ecosystems across the Pacific is critical. In most instances, entrepreneurship is not seen as positive or as aspirational, which will only change through awareness, sharing of success-stories, peer-to-peer learning and building supportive entrepreneurship ecosystems.
  
- g. **Building Climate Resilience** - private sector in the region is vulnerable to all forms of disasters that usually cause widespread damage and losses to businesses depending on the severity of the disaster. Climate change is expected to exacerbate these events with increased intensities or frequencies e.g., cyclones, rainfall and ocean temperatures that have historically disrupted business development. For businesses to be sustainable and successful, the capacity of the private sector to manage risks will need to be strengthened. Business models and strategies must be

able to integrate climate change risks to build resilience and become a core part of the business operation.

## **F. Strategy Development**

16. The formulation of the Strategy will be coordinated by the Secretariat with the support of a Business-ACP consultant, funded by the European Union as part of technical assistance awarded to Regional Focal Point for Members of the Pacific Islands Forum.
17. The Consultant and the Private Sector Team at the Secretariat will facilitate in-country workshops to ensure inclusive and meaningful consultations. Feedback and views of a range of private sector players and stakeholders in private sector development will be considered in informing the four strategic priority areas of the Strategy and the implementation roadmap.
18. A regional validation workshop will be held after the Strategy is composed to review and finalise the draft of the Strategy and the implementation roadmap. Key stakeholders from Pacific Islands Member Countries in private sector development will be invited to participate in the validation workshop.

## **G. Strategy Implementation**

19. The Strategy will have an Implementation Roadmap, a medium-term plan outlining action items under each priority area, monitoring the regional landscape on changing or new priorities for the private sector, promoting coordination across key stakeholders, and mobilizing resources from development partners and donor agencies where current resources are insufficient to achieve targets. The Plan will outline indicative budget, recommended implementing agencies, partners, baselines and targets to be achieved in the medium-term.
20. Regular updates in relation to the implementation status of the Strategy will be provided at relevant regional meetings, for instance, Forum Trade Ministers Meeting, Forum Economic Ministers Meeting, Pacific Islands Forum Leaders Meeting, Pacific Islands Women Leaders Meeting and embedded into private sector dialogues. Sensitizing CROP agencies and dialogue partners on strategy implementation status is also important for coordination and resource mobilization purposes.

## **H. Monitoring and Evaluation**

21. It is critical to have a monitoring and evaluation framework in place for effective implementation of the Strategy. The roadmap will provide baseline for monitoring and evaluation and will be conducted by the Secretariat.

## **I. Mid-Term Review**

22. A Mid-Term review of the Strategy will be conducted by an independent party to assess the continued relevance of the Strategy and the progress made towards achieving its planned objective. The findings of the Mid-Term review will be tabled at relevant regional meetings.



## Pacific Region Private Sector Strategy

## List of Acronyms

<b>ACP</b>	African Caribbean and Pacific countries
<b>ADB PSDI</b>	Asian Development Bank Private Sector Development Initiative
<b>ARAP</b>	Australia Regional Aid Program
<b>BDA</b>	Business development Agencies
<b>CROP</b>	Council of Regional Organisations
<b>DFAT</b>	Department of Foreign Affairs and Trade (Australia)
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organisation
<b>FFA</b>	Forum Fisheries Agency
<b>FEMM</b>	Forum Economic Ministers Meeting
<b>FTMM</b>	Forum Trade Ministers Meeting
<b>GCF</b>	Global Climate Fund
<b>GGGI</b>	Global Green Growth Institute
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labour Organization
<b>MDF</b>	Market Development Facility
<b>MSG</b>	Melansia Spearhead Group
<b>MSME</b>	Micro Small Medium Entreprises
<b>MFAT</b>	Ministry of Foreign Affairs and Trade (NZ)
<b>NPSO</b>	National Private Sector Organisation
<b>NZ AD</b>	New Zealand Aid and Development
<b>PPIU</b>	Pacer Plus Implementation Unit
<b>PHAMA Plus</b>	Pacific Horticultural and Agricultural Market Access
<b>PIFS</b>	Pacific Islands Forum Secretariat
<b>PIPSO</b>	Pacific Islands Private Sector Organisation
<b>PRIF</b>	Pacific Regional Infrastructure Facility
<b>PBPP</b>	Pacific Biosecurity Partnerships Program
<b>PIFON</b>	Pacific Islands Farmers Organization
<b>PRPSS</b>	Pacific Regional Private Sector Strategy
<b>PRINGO</b>	Pacific Regional NGO Alliance
<b>PS</b>	Private Sector
<b>PSD</b>	Private Sector Development
<b>PTI</b>	Pacific Trade Invest
<b>PTO</b>	Pacific Tourism Organisation
<b>SIDS</b>	Small islands development states
<b>SPC</b>	The Pacific Community
<b>UNCDF</b>	United Nations Capital Development Fund
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and Pacific
<b>USAID</b>	United States Agency for International Development
<b>UNCTAD</b>	UN Trade and Development



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## **1.0 Executive Summary**

## 2.0 Introduction

The Pacific region is made up of a number of countries and territories with varying land sizes, population, limited resources, economy and cultures. The region comprises of 14 small islands developing states (SIDS): Cook Islands; the Federated States of Micronesia; Fiji; Kiribati; Nauru; Niue; Palau; Papua New Guinea; the Republic of the Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

According to the World Bank current statistics in 2020<sup>1</sup>, the combined value of the Pacific SIDS Gross Domestic Product (GDP) was around US\$41.92 billion. Papua New Guinea has the largest with a GDP of US\$31.6 billion in 2020. This is six times more than the second largest economy: Fiji (US\$4.9 billion GDP in 2020). Papua New Guinea and Fiji both account for 87 percent of the region's GDP. The remaining Pacific SIDS, particularly the Polynesian and Micronesian countries, have very small economies, with GDP's ranging from Samoa with US\$832 million in 2020 to the smallest being Tuvalu with a GDP of US\$59 million.

The main economic sectors in the region are tourism, fisheries, forestry and agriculture. Remittances also play an increasingly important role in the economies of the Pacific SIDS, especially during the Covid-19 where contribution of migrant workers support and sustain livelihoods, including meeting family basic needs, education and health<sup>2</sup>.

The geographic isolation and the small land area and population sizes of SIDS results in unique challenges for sustainable development. Pacific SIDS suffer from diseconomies of scale in production and exchange of goods and services, high vulnerability to natural disasters and remoteness from export markets. Most have experienced low average growth in output during the past decade while their growth rates have shown large fluctuations. Trade deficits have been on the rise due to declining exports and increasing imports.

In the Pacific region, majority of businesses are MSMEs. In 2020, MSMEs accounted for 82.4% of all enterprises in Fiji<sup>3</sup>. In Samoa, its 75% while 24% per cent of national production in the Federated States of Micronesia can be attributed to the informal.

The Government of PNG have plans to increase SMEs to 500,000 in 2030 and to contribute 50% of the country's GDP<sup>4</sup>. MSMEs plays a crucial role in the Pacific economies. MSMEs includes informal and formal businesses. Usually majority are still informal since the set-up is quick and easy. Once they start operating, these informal MSMEs then slowly progress to formal business through business registration and licensing.

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<sup>1</sup> The World Bank Data – GDP (Current US\$) – Pacific Island States 1960-2022  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=S2-PG>

<sup>2</sup> Labor mobility and remittances in the Pacific during COVID-19 Dung Doankirstie Petrou, February 24, 2022

<sup>3</sup> Job Creation Remains a Challenge For Micro, Small, And Medium-Sized Enterprises in Fiji – ADB News from Country Office  
News from Country Offices | 25 October 2023

<sup>4</sup> <https://www.pwc.com/pg/en/publications/sme-bulletin/sme-bulletin-png-sme-policy-commentary.pdf>, pg 1

MSMEs support the livelihoods of many families in semi-urban and rural areas and most are involved in the agriculture industry. Therefore, the increase of support to MSMEs supports the Pacific countries well-being. Majority of this MSMEs were affected during COVID19 and some were closed down. With post COVID19 recovery, it is important that the strategies provided should support the various types of business especially MSMEs.

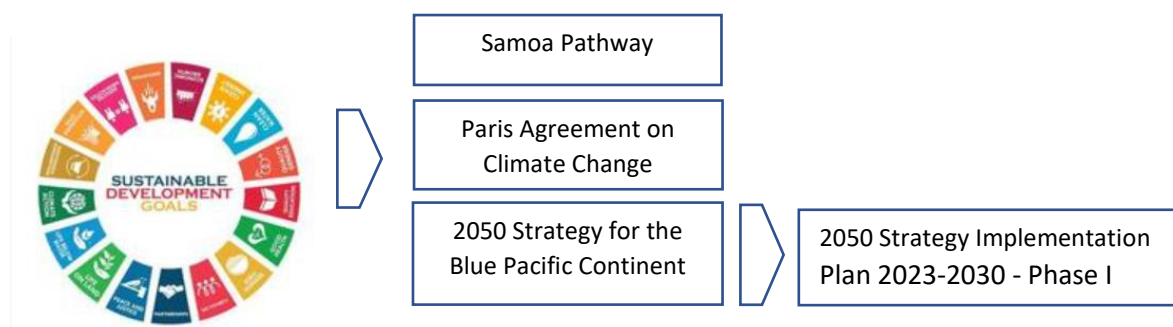
In the Pacific region, the number of business development agencies have increased over the years to address the various challenges confronting the private sector. The work of Pacific Trade Invest (PTI), Pacific Business Link (PBL), Market Development Facility (MDF), and Pacific Horticulture Agriculture Market Access Plus (PHAMA Plus, Asian Development Bank Private Sector Development Initiative (ADB PSDI) have been successful and have been worked well in the countries that they have delivered their programs. However, these BDA only served in few countries from three to eight countries. They don't cover all the 14 pacific island countries. A number of small island countries, missed out of the private sector development support. Hence the same challenges highlighted two decades ago, continues to heard today.

In this regard it is important to develop a regional private sector strategy that will be able to direct support not only to the big and middle size countries in the region but to small islands as well. Due to the different development level in Melanesia, Polynesia and Micronesia, it is important to note that different private sector strategies should be tailored to the local country context. Strategies that are relevant to Melanesia countries may not be suitable to the Polynesia or Micronesia countries.

### 3.0 Pacific Region Private Sector Strategy Development Framework

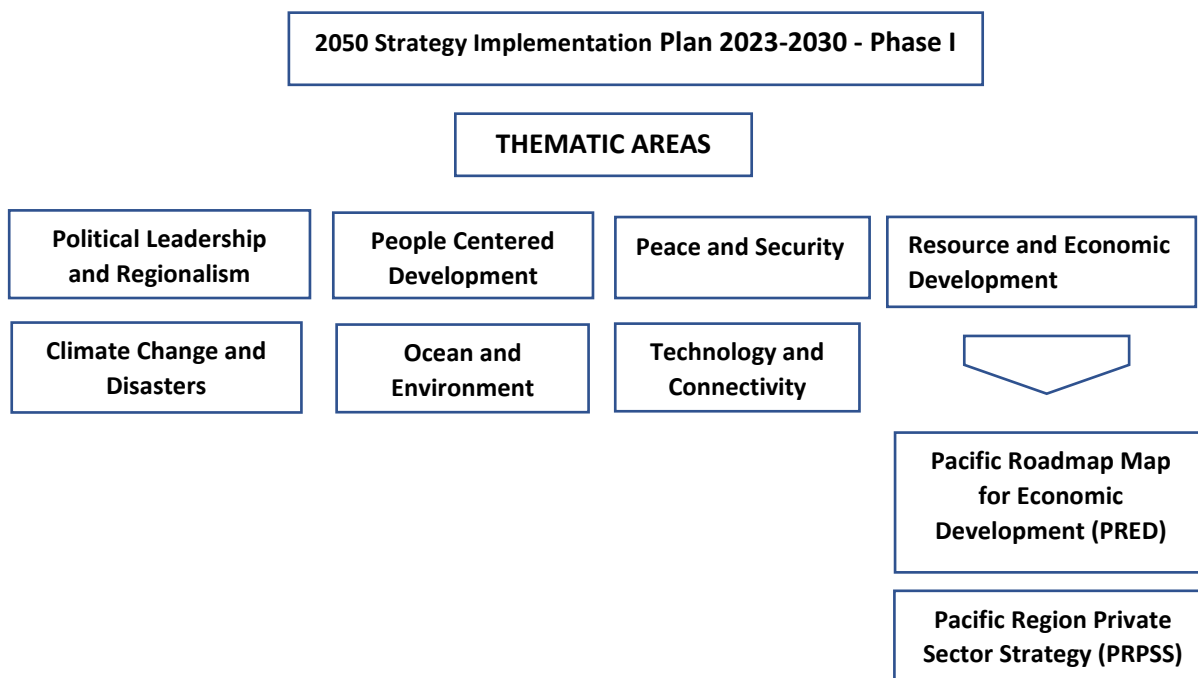
The Pacific SIDS have been aligning their development strategies with the Sustainable Development Goals<sup>5</sup>, Samoa Pathway<sup>6</sup>, the Paris Agreement on Climate Change<sup>7</sup>, and the 2050 Strategy for the Blue Pacific Continent. These frameworks provide Pacific SIDS the opportunity to advance sustainable development. Figure 1 below shows the various strategies and pathways are developed and aligned to.

Figure 1



Following the development of the 2050 Strategy for the Blue Economy<sup>8</sup>, PIFS developed the 2050 Strategy Implementation Plan for 2023 -2030<sup>9</sup> as shown in the Figure 1 above. There were seven key thematic areas developed with the strategic pathways. Under the thematic area of Resource and Economic Development, the Pacific Region Private Sector Strategy is being developed.

Figure 2



<sup>5</sup> <https://sdgs.un.org/goals>

<sup>6</sup> <https://www.un.org/ohrlls/sites/www.un.org.ohrlls/files/samoa-pathway-overview.pdf>

<sup>7</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement-2015>

<sup>8</sup> 2050 Strategy for the Blue Pacific Continent, Pacific Islands Forum Secretariat, Suva, Fiji, 2022

<sup>9</sup> 2050 Strategy, Implementation Plan 2023-2030, Phase I – 2050 Strategy for the Blue Pacific Continent – Setting the Foundations Towards Transformational Change, 2023

There are also some cross cutting issues for the private sector in other thematic areas like climate change and disasters and technology and connectivity.

### 3.1 OACP Private Sector Development Strategy

Under the Revised OACPS Private Sector Development (PSD Strategy) of June 2023, there are four pillars that drive the initiatives under private sector development. The four pillars are:

- a. Pillar 1 – Enhancing OACPS Business Climate
- b. Pillar 2 – Strengthening OACPS entrepreneurship
- c. Pillar 3 – Competitiveness, Innovation & development, financing OACPS MSMEs
- d. Pillar 4 – Advancing effective market access for OACPS for MSMEs

Supporting these four pillars, the OACP strategy are eight sector strategies namely creative industries, professional services, digital trade, green transition, agricultural value chains, sustainable tourism and blue economy. These sector strategies are applicable and relevant to the Pacific region.

As can be seen, the key focus of the OACP Private Sector strategy are MSMEs and the Pacific region private sector is dominated by MSMEs. This is the sector that faces a lot of challenges and where much interventions are required.

### 3.2 Pacific Region Private Sector Strategic Focus

The meeting of the Forum Economic Ministers meeting (FEMM) held on 9 -10<sup>th</sup> August 2023, the Ministers *“emphasised the exploration of public-private partnership opportunities as a means to facilitate greater regional economic integration that can harness innovation, encourage the growth of MSMEs, mitigate against the negative impacts stemming from labour mobility, and economic shocks in the aftermath of the pandemic and climate induced disasters.”*<sup>10</sup>. The Ministers called on the involvement of key stakeholders in the development PRED which includes the private sector and civil society.

At the same FEMM meeting, the Chair of the PIPSO presented the collective views of the private sector, and highlighted the various challenges confronting the private sector which ranged from access to finance, climate change and supply chain disruptions. There was a strong call on the public-private partnership to collaborate and resolves these challenges.

In October 2023, the Forum Trade Ministers<sup>11</sup> (FTMM) endorsed the recommendation to develop a Pacific Region Private Sector Strategy (PRPSS). According to the proposal put forth to the FTMM, *the PRPSS will provide distinct priorities and strategies to fast-track efforts put in place by the private sector on post-COVID 19 economic recovery while also outlining priority areas to boost the private sector’s global competitive advantage and the region’s gradual integration into the global economy”*.

Furthermore, *the PRPSS will seamlessly harmonise with the vision of the 2050 Strategy for the Blue Pacific Continent (2050 Strategy) and play an instrumental role in actively advancing the forthcoming*

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<sup>10</sup> 2023 Forum Economic Ministers Meeting, 9 – 10 August 2023 Suva, Fiji

<sup>11</sup> 2023 Forum Trade Ministers Meeting - Agenda Item 8 – Private Sector Development, 6 October 2023, Suva, Fiji

*Pacific Roadmap for Economic Development (PRED) within the 2050 Strategy's thematic area of 'Resource and Economic Development,' the Pacific Aid for Trade Strategy 2020-2025 and the proposed Pacific Trade Invest (PTI) Strategic Plan 2023-2026".*

Under the Pacific Aid for Trade Strategy 2020-2025<sup>12</sup>, there are four thematic priority areas which are services sector, electronic commerce, comprehensive connectivity and deepening Forum markets. These areas are expected to contribute to the performance and rankings of PICs in the World Ba Doing Business indicators. Basically, the work involve addressing the challenges in business enabling environment and e-commerce in the Pacific.

The Pacific Trade Invest (PTI) Strategic Plan for 2023 -2026 focusses on two key strategic areas. The first strategic area is trade which promotes the export of Pacific goods and services. The second is investment which facilitates sustainable investment deals for Pacific expansion ready businesses and initiatives.<sup>13</sup> PTI over the years has been successful in assisting Pacific businesses find overseas markets, training businesses on overseas market requirements and e-commerce, and matching investors with Pacific businesses.

As highlighted in the FEMM 2023 meeting, since post COVID 19, the business landscape, trading challenges, value chain supplies and technology advances have all changed. It gave rise to different ways of doing business. Digital connectivity became an important tool for trade.

At FEMM, the following seven strategic areas were highlighted that needs to be addressed for private sector are as follows:

- i. Access to Finance;
- ii. Integration of Digital Technologies;
- ii. Business Continuity Planning;
- iv. Promoting Diversification and Value Addition.
- v. Business Enabling Environment.
- vi. Boosting Entrepreneurship; and
- vii. Building Climate Resilience.

According to the FEMM outcomes, the Forum Economic Ministers wanted four key areas to focus on in the region and the four areas are to be determined by consultation with the private sector and other key stakeholders

After the consultation and obtaining all views of all the 14 National Private Sector Organizations (NPSO) of the PICs<sup>14</sup>, the four strategic areas of focus are as follows. The selected areas were based on the ranking on the responses received from all the fourteen (14) NPSOs and New Caledonia NPSO.

- Access to Finance
- Integration of Digital Technologies
- Business Enabling Environment
- Promoting Diversification and Value Addition/Boosting Entrepreneurship

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<sup>12</sup> PACIFIC AID FOR TRADE STRATEGY (PAFTS) 2020-2025

<sup>13</sup> PACIFIC TRADE INVEST STRATEGIC PLAN 2023-2026

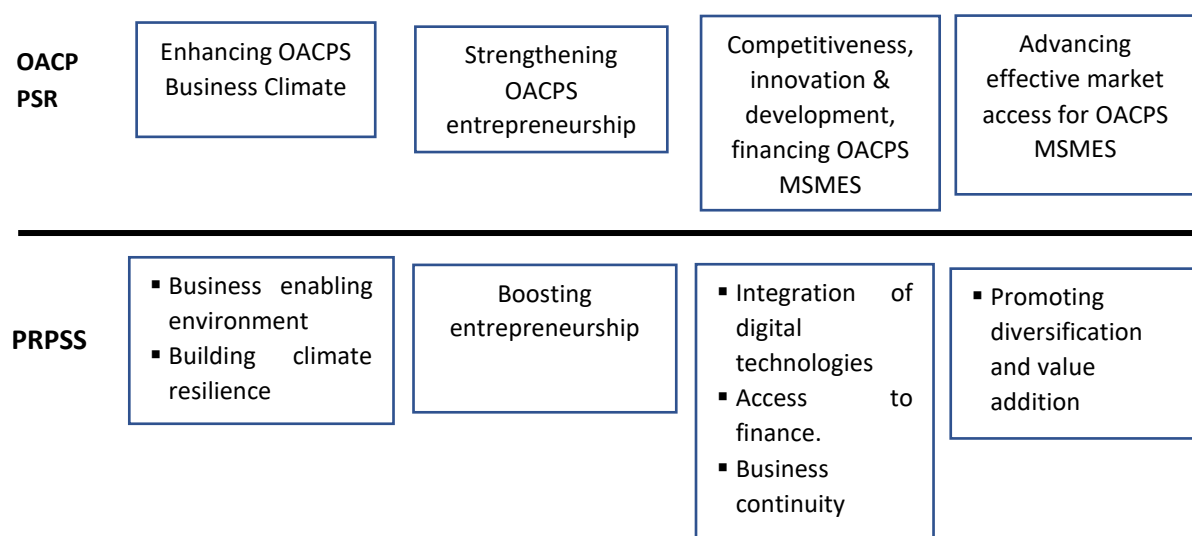
<sup>14</sup> Responses from all the 14 NPSOS from the 14 Forum Islands countries on March 2024 online survey response, March 2023

Promoting diversification and boosting entrepreneurship received equal responses/ranking and it indicates the importance on these two areas especially for the support of MSMEs especially for smaller island states.

The four strategic areas are aligned to the work of the 2050 Strategy for the Blue Pacific Continent, Pacific Roadmap for Economic Development (PRED), Pacific Aid for Trade Strategy 2020-2025, Pacific Trade Invest Strategic Plan for 2023 -2026 and the Pacific Regional E-commerce Strategy and Roadmap developed in 2021. This highlights that work have been on-going in these four strategic areas. In some areas further work and support are needed. Access to finance and the business enabling environment are two areas that have been highlighted over the past decades for the Pacific Region.

In summary the seven strategic focus for region neatly aligns with the four pillars of the OACP Strategy as shown below.

Figure 3





## 4.0 Private Sector Development Work in the Pacific

A lot of work has been done in the Pacific region for private sector development. Some work has been undertaken at regional level while others at country level. Many organizations both regional and international agencies, including donor countries have provided funding to support various programmes to address the challenges confronting businesses in the region.

It has been observed that around 22 organizations and agencies are involved in the work around the seven strategic focus. These organizations are ADB PSDI, Pacific Business Link, Department of Foreign Affairs and Trade (DFAT), European Union (EU), Food and Agriculture Organization (FAO), Forum Fisheries Agency (FFA), Global Climate Fund (GCF), Global Green Growth Institute (GGGI), International Finance Corporation (IFC), International Labour Organization (ILO), PTI (AU, NZ, China & Europe), MDF, Ministry of Foreign Affairs and Trade (MFAT), Pacer Plus Implementation Unit (PPIU), Pacific Biosecurity Partnerships Program (PBPP), Pacific E-Commerce Initiative (under PIFS), PHAMA Plus, Pacific Islands Farmers Organization (PIFON), Pacific Islands Forum Secretariat (PIFS), Secretariat of the Pacific Community (SPC), UNTACD, UNESCAP, USAID, and the World Bank (WB).

All the 22 organizations listed above are currently working along the lines of the seven strategic focus. Some agencies may be addressing four to five strategic focus while for some agencies like ADB PSDI are undertaking work in all the seven strategic areas.

At country level, national private sector organizations (NPSOs), chambers of Commerce, MSMEs councils, other sectorial private sector organizations like Hotels and Tourism associations, Fishermen associations, Farmers organizations, Transport associations, Manufacturers associations and relevant government ministries like the Ministry of Trade, Industry, Commerce, SMEs and Cooperatives, they assist and support businesses in various sectors.

At the same time business development support organizations Pacific Business Link, PTI, MDF, and PHAMA Plus which are supported by donor countries like Australia, New Zealand the EU are undertaking great work in supporting MSMEs with business development advice, business support grants, marketing, business financial services, product development, certifications and value chain supply.

With regards to trade and investment, Pacific Trade Invest is the leading organization assisting Pacific businesses with regards to assisting MSMEs with export opportunities, business matching with overseas businesses, facilitating trade shows for export businesses and niche products, providing trade market intelligences and facilitating investments to Pacific businesses amongst others.

International agencies have also been active in undertaking development work in the private sector. UNDCF for example is working on improving digital access for financial services and allowing greater financial access especially in rural areas which greatly benefit in low income households<sup>15</sup>.

It also observed that while the number organizations and agencies undertaking private sector development work, most of these agencies are working in three or eight the most in Pacific Island. They focus on only big and middle size countries and may include one or two small islands. A number of small islands like Nauru, Niue, Tuvalu, Kiribati, Palau, FSM and RMI are left out. They don't receive the full private sector support from most of these agencies. There maybe two or three organizations working with these small islands. As such they miss out on some funding and programs that is meant

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<sup>15</sup> <https://www.uncdf.org/fiji>

for the region. At the same time, support programs are for a limited time period from one to five years. Once the project is completed, some have a second phase, while, majority are discontinued.

Outline below is a brief mapping of the various agencies working on the seven strategic focus and the OACP four pillars.

#### **4.1 OACP Pillar 1 – Enhancing Business Climate**

##### **PRPSS Strategic Focus - Business Enabling Environment & Building Climate Resilience**

A number of organisations are involved in supporting Pacific Island countries to build an enabling business environment. The ADB PSDI is undertaking extensive work in 14 Pacific Island countries that involves reforming laws and legislations pertaining to business, business registration process, movable assets for financing, introducing simple business structures, entrepreneurship and foreign direct investment and supporting community companies.<sup>16</sup>

World Bank and IFC, and with the assistance from the central banks in the region are also working on implementing a set of critical reforms regarding the national payment systems which includes the legal and regulatory framework, digital clearing and settlement systems and the creation of oversight skills in the sector. These operations will support banks and other institutions to provide digital payment services to the population and industry.

Through the IFC's work in the region, the focus is on improving domestic business opportunities, improve policies that will help to create a sustainable business environment. Work is also being done in reforming the regulatory environment by providing alternative dispute resolution mechanisms and to also improve access to finance to increase opportunities for trade and improve economic prosperity.

The Pacific Biosecurity Partnerships Program (PBPP) supports the region through training and mentoring support, addressing regulatory issues, improving export pathways and also conduct risk assessments and the development of import conditions.

The EU has also guaranteed its support by supporting economic reform programs and the creation of an enabling environment for the private sector through various agencies working in the Pacific. They will be covering 13 countries.

DFAT has also contributed to work in line with business enabling environment by supporting programs that support economic growth, connecting investors with Pacific business opportunities and supporting the Pacific in getting maximum benefit from their fisheries sector through regional trade and investment opportunities.

The Pacer Plus Unit (PPU) is working with Pacific island countries on the implementation of the tariff schedules, rules of origin and customs procedures. This will assist Pacific businesses on understanding the trade rules on exports to international markets and likewise trade within the Pacific.<sup>17</sup>

MDF is working on addressing other regulatory environment constraints that increase the cost of doing business in Fiji and other Pacific Island countries like Samoa and Tonga. Through strategic partnerships with local agents such as legislative authorities, MDF is hopeful that this will propel change that is needed.

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<sup>16</sup> <https://www.pacificpsdi.org/what-we-do/business-law-reform/>

<sup>17</sup> <https://pacerplus.org/about-us/what-is-the-implementation-unit>

FAO is engaging financial institutions and investors (both local and international) in order to improve the investment process and capitalize on the potential of innovative finance to de-risk and mobilize private investment to achieve SDGs.

PIFS is working on strengthening regional collaboration to support improvements to legal, regulatory governance, and monitoring arrangements to strengthen State Owned Enterprises commercial mandate, enhance transparency and improve accountability. Furthermore, it had developed the Kava Implementation and implemented to Kava growing countries.

ADB through partnerships with the GGGI, is supporting capacity building of the private sector on any national climate finance initiative and will be mobilized through peer to peer learning, and training of trainers with existing partners.

With regards to climate resilience, work is being done by PIFS in the region to develop simple and user-friendly tools to assist MSMEs in analyzing climate risks. Through the Pacific E-Commerce Initiative, central banks have already made headway through the establishment of the Pacific Regional Regulatory Sandbox Guidelines based on guidelines and regulatory sandboxes to facilitate Fintech solutions that have been approved in Fiji and PNG. Work is also done to harmonize the adoption of best trade facilitation practices, automated border management systems and promoting regional solutions to improve access to E-Commerce platforms that will support an enabling environment for digital trade.

USAID working with multilateral partners like France, the Republic of Korea, EU and India to cooperate and to support the Pacific on Climate Resilience and adaptation, education and employment opportunities, access to financing, and protection of maritime domains and livelihoods. USAID will also engage other technical agencies to strengthen the ability of Pacific governments and communities to mobilize climate finance by increasing awareness of international climate funds and providing specific technical assistance to develop funding proposals.

## **4.2 Pillar 2 - Strengthening OACPS Entrepreneurship**

### **PRPSS Strategic Focus- Boosting Entrepreneurship**

Boosting entrepreneurship comprised of an array of support provided to be start-up and MSMEs which includes creating an entrepreneurial ecosystem, access to finance, training, capacity building, collaboration and networking.

Pacific Business Link provides business advisory and financial services in Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Tonga & Vanuatu. The services include business toolkits for businesses to undertake various diagnostics assessments, business advisors and business financing especially for MSMEs.<sup>18</sup>

In Fiji, MDF developed a pilot business acceleration program in 2016, to support MSMEs through an outcome-oriented program. It is designed to help business focus on growth and develop their business skills. It is very successful program and it called Fiji Enterprise Engine. This initiative has resulted in the additional sales revenue of FJD1.2 million for 8 MFEE participants and has created employment opportunities for 32 men and women. The success of the MFEE model acted as a catalyst for an MDF and Fiji Commerce and Employers Federation (FCEF) partnership to develop MSMEs in Fiji through the first private-sector-led business acceleration system targeting FCEF members. These include members

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<sup>18</sup> <https://businesslinkpacific.com/>

of the Young Entrepreneurs Council (YEC) and Women Entrepreneurs & Business Councils (WEBC)<sup>19</sup>. This program is being extended to other Pacific Islands countries like Samoa and Tonga.

In Samoa, the Samoa Chamber of Commerce and Industry (SCCI) in collaboration with UNDP and Citi Foundation started a start-up incubator program for youth-led social enterprises. This involves a pitching competition for seed funding or in-kind support. This has resulted in 115 Samoans youth being supported in their early years of operating their business with 56% female participation.<sup>20</sup>

In Papua New Guinea, the Women in Business Resource Centre (WBRC) provides business skills training and business enhancement for MSMEs. This also applies to women informal businesses which are great in numbers. With business skills training, provides free workshops and training to grow their businesses and as well to aspiring business women. The workshops include financial literacy, professional development, business ideation, e-commerce, digital marketing, and tax and customs procedures. The workshops are facilitated by established entrepreneurs, university lecturers, adult literacy trainers, and other local professionals.<sup>21</sup> This is program that can be replicated around the region in collaboration with NPSOs.

The PNG MSMEs Council is the peak body representing MSMEs in the country and advocating their interest to Government and stakeholders. The council also provides training via IFIA to build essential business skills, mentoring and funding for innovative businesses.

To develop and fully support Kava farmers and exporters in the Pacific, PIFS has developed a Kava implementation strategy in conjunction with the various key stakeholders.

A key focus of PHAMA Plus is to also ensure sustainability of kava production where environmental pressure and climate change represent a risk to export revenue, fresh produce and other commodities.

PIFON is also working with farmer organizations to grow and develop partnerships with existing and new partners. This will support learning opportunities that develop skills as well as build and maintain business relationships.

#### **4.3 Pillar 3 - Competitiveness, Innovation and Development, Financing OACPS MSMEs;**

##### **PRPSS Strategic Focus - Access to Finance, Integration of Digital Technologies and Business Continuity**

A number of key agencies are involved in supporting the private sector in innovation, access to finance, digital literacy training and business continuity.

MSMEs funding through debt funding from the commercial banks are a challenge. It is quite a difficult process to complete and comply with all the requirements. The ADB PSDI <sup>22</sup> is working on a number of initiatives relevant for the region. This includes Small-scale offers (or “small offers”), crowd funding and investment geared crowd funding. These new initiatives formalised the cultural ways of raising funds in the Pacific. The Pacific communities are usually successful in the way it raises fund for community projects and therefore can be used to raise funds for MSMEs.

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<sup>19</sup> [https://marketdevelopmentfacility.org/wp-content/uploads/2019/12/MFEE\\_rev1.pdf](https://marketdevelopmentfacility.org/wp-content/uploads/2019/12/MFEE_rev1.pdf)

<sup>20</sup> <https://samoachamber.ws/programs-partners/>

<sup>21</sup> <https://www.pngwbrc.com/entrepreneurship-training>

<sup>22</sup> <https://www.pacificpsdi.org/assets/Uploads/PFS-Innovative-Financing-Mechanism-in-the-Pacific.pdf> pg 8

Pacific Trade Invest help exporters refine their competitive edge by supporting participation at international trade shows. The exposure to such events assists Pacific businesses to ascertain the sales and marketability in the international markets. PTI I also conducting digital literacy through the E-Commerce Workshops. In 2023 PTI Australia has facilitated AUD76 million of exports, assisted 725 businesses and facilitated AUD16m of investment.<sup>23</sup> Businesses are moving to the use of E-commerce platforms to sell their goods and services.

Pacific Business link assists businesses with business continuity plan through the provision of business tool kits to check on the health of the business, business continuity planner and diagnostic report. These toolkits assist business to understand the gaps in their business and focus on areas that needs to be address. At the same time, Business Link also provides a Climate Action Sensor which is a self-assessment tool on how a business can act on climate. Furthermore, businesses are assisted in looking for a financier for their financing need through their “Find a Financer” tool kit.<sup>24</sup>

ADB PSDI is partnering with domestic financial institutions to increase MSMEs access to finance while working with CSOs and NGOs to strengthen financial literacy and inclusion. This includes introducing new financing products where borrowers can use their movable assets as collateral, introduced new capital raising platforms such as equity crowd funding and peer to peer lending. Also, ADB’s Trade Finance Program provides credit guarantees and loans to local banks that will assist lending to MSMEs.

PIFS is also looking to establish a risk-sharing facility that aims to make it easier and more attractive for Tonga MSMEs to access finance to invest in climate risk management measures and the development of their business more generally. The facility may also potentially provide technical assistance grants.

PHAMA Plus works in a number of countries in the region and supports agribusinesses in exporting their product to international markets. Assistance provided includes market access into international market, assisting with Phyto- sanitary issues, export feasibility to destinations and bio security plans amongst others. In Tonga, exporters are increasing their exports through enhanced fumigation services. In PNG, Coffee companies are gaining access to new international markets with assistance to international trade shows. In Solomon Islands agribusinesses products such as cocoa, coconuts and sawn timber are supported by PHAMA plus to increase quantity and quality of products being exported<sup>25</sup>.

UNDF, UNDP and UNCTAD are working key stakeholders in 11 Pacific countries to develop inclusive digital economies to enhance their market participation of rural communities, women’s and MSMEs.<sup>26</sup>

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<sup>23</sup> <https://pacifictradeinvest.com/en/about-us/pti-australia/>

<sup>24</sup> <https://sme.businesslinkpacific.com/#business-toolkit>

<sup>25</sup> <https://phamaplus.com.au/where-we-work/>

<sup>26</sup> <https://www.uncdf.org/fiji>

#### 4.4 Pillar 4 - Advancing effective market access for MSMEs

##### PRPSS Strategic Focus - Promoting Diversification and Value Addition

While PHAMA Plus, MDF and PTI supports work in these areas, it is limited to a certain extent. Their work does not cover the 14 Forum Island countries.

PHAMA Plus is working with Kava growers to improve the quality of their products both in the local and international markets. The assistance includes the co investment in improved processing facilities. The processing facilities includes power washers, solar dryers and pounding equipment.

In Fiji, PHAMA Plus is working closely with MDF to support ginger exporters. Ginger exporters both fresh and valued have been increasing steadily over the years. This represents an increased opportunity especially for value added ginger. MDF will supporting organic certification and value-added products that will facilitate the premium prices of the ginger products.

The Table 1 below provides is a brief summary of organizations agencies that are undertaking private sector development and supporting businesses in the Pacific region. A detailed summary of their work in attached in Annex II.

Table 1

	Pillar 1	Pillar 2	Pillar 3	Pillar 4
OACP Four Strategic Pillars	Enhancing OACPS business climate	Strengthening OACPS entrepreneurship	Competitiveness, innovation and development, financing OACPS MSMEs;	Advancing effective market access for OACPS MSMEs
Pacific Region Private Sector Strategic Focus	<ul style="list-style-type: none"> <li>Business enabling environment</li> <li>Building climate resilience</li> </ul>	<ul style="list-style-type: none"> <li>Boosting entrepreneurs hip;</li> </ul>	<ul style="list-style-type: none"> <li>Integration of digital technologies</li> <li>Access to finance.</li> <li>Business continuity planning</li> </ul>	<ul style="list-style-type: none"> <li>Promoting diversification and value addition</li> </ul>
Organizations undertaking work under the four pillars in the Pacific Region	EU, World Bank, IFC, ADB PSDI, PFTAC, ILO, PIFS, SPC and USP, Business Link	ADB PSDI, MDF, ILO, PTI, EU, FAO, PIFS, Business Link Pacific, UNDCF	ADB, EU, IFC, PIFS, MDF, PTI, World Bank, MDF, PHAMA Plus, PIFON, COLEACP, UNDCF, Business Link	PTI, PHAMA Plus & MDF, PPIU

## 5.0 Challenges and Opportunities for the Private Sector

The Pacific region is not an easy place to do business. The geographic isolation and the small land area and population sizes of SIDS results in unique challenges. Pacific SIDS suffer from diseconomies of scale in production and exchange of goods and services, high vulnerability to natural disasters and remoteness from export markets. With COVID19 it added to the existing challenges. The impacts of COVID19 were severe to businesses. Tourism, trade and MSMEs have suffered the most and need significant support to help with recovery.

At the FEMM in August 2023<sup>27</sup>, the Chair of PIPSO highlighted a number of challenges confronting the private sector, post COVID recovery. This includes rising inflationary costs due to high fuel prices, labour shortage, skills shortage, internet connectivity to allow for E-commerce trade and supply chain disruption and connectivity.

An online survey conducted in March 2024, with the 14 National private sector organisations in the region, highlights the many challenges that continues to confront many businesses in the region as shown in the Table 2 below.

Table 2

14 NPSOs (100%)	13 NPSOs (93%)	12 NPSOs (85.7%)	10 NPSOs (71.4%)	9 NPSO (64.3%)	8 NPSO (57.0%)
Access to finance	Lack of funding support	Taxation Policy	High cost of communication - internet data and mobile charges	Frequent outage of utilities	Poor connectivity of internet and communication lines
Government legislations and policies	High cost of utilities	Climate Change Support	Pricing of products		High Cost of labelling and packaging
High Cost of Freight	Market access				High cost of export certifications

Source: NPSO Private Sector Survey March 2024

Some of these challenges are currently being addressed by international agencies like ADB PSDI, World Bank and IFC including business development support agencies like PTI, MDF, Pacific Business Link and PHAMA Plus. It has been observed that some of these challenges have been existing for many years.

The Doing Business Survey conducted by the World Bank annually provides insightful information regarding the business environment in most Pacific island countries. The survey provides an assessment on starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority Investors and paying taxes<sup>28</sup>. The ranking and scores of the countries as shown in the table below, shows that while some countries have made some improvements in the business environment, others have deteriorated. Starting a business is still a lengthy and costly process. Access obtaining construction permits is also a lengthy process. While getting electricity have improved for some countries, it is the inconsistency of power supply that

<sup>27</sup> Statement to the Forum Economic Ministers Themes: Access to Finance/Climate Change/Labor Mobility/Supply Chain Disruption - Mr Howard Politini (PIPISO Chairperson)

<sup>28</sup> <https://archive.doingbusiness.org/en/reports/global-reports/doing-business-reports>

affects businesses. Access to credit is an issue for businesses while liquidity is high, banks complaining of lack of bankable projects.

Table 3

Countries	2020		2018		2016	
	DB Rank	DB Score	DB Rank	DB Score	DB Rank	DB Score
Fiji	102	61.5	101	60.74	88	62.55
Papua New Guinea	120	59.8	109	59.04	145	50.74
Palau	145	53.7	130	55.58	136	53.43
Samoa	98	62.1	87	63.89	96	60.70
Tonga	103	61.4	89	63.43	78	64.13
Kiribati	164	46.9	157	48.74	149	49.50
Solomon Islands	136	55.3	116	58.13	112	57.86
Vanuatu	107	61.1	90	63.08	94	61.08
Federated States of Micronesia	158	48.1	155	48.74	148	49.67
Republic of Marshall Islands	153	50.9	149	51.45	140	51.58

Sources: World Bank Doing Business Survey Reports, 2016, 2018 & 2020

The Pacific Region is facing many region-wide challenges, including the impact of climate change, a pressing need to generate livelihoods and populations that are more and more consuming imported, highly refined foods, accompanied by decreased local food production and consumption. The consequences are an imminent public health crisis and risks for environmental collapse<sup>29</sup>.

Amidst these challenges confronting the private sector, it also gives rise to new opportunities. In the Pacific region the two key industries are agriculture and tourism. Tourism is the Pacific most consistent economic driver however not all countries in the region attract tourists. During COVID19, tourist destination countries in the Pacific were badly affected by the international travel ban.

With post COVID19 recovery, a number of new opportunities have been identified and PTI, MDF and PHAMA Plus are working closely with businesses.

MDF is prioritising work with key market players and governments involved in the national economic recovery. This work involves working through a number of innovative partnerships which includes cruise and yachting sector development, supporting and promoting investment and product development, improving air access and route development and the Pacific people capacity's development<sup>30</sup>.

Agriculture remains the backbone of Pacific economies as a source of livelihoods and as a major export earner. Potential for the Pacific is found in the production and export of high value niche agricultural produce. The pristine environment, on which agricultural production takes place braced by other environmental and ecological factors, supports organic produce. Fresh food market worldwide and provides lucrative opportunities to investors and stakeholders. Potential commodities for value added processing include; papaya, tomatoes, pineapple, coconut, duruka, mango, chillies, banana, cassava, taro, breadfruit, sweet potatoes, ginger, cocoa and dairy.

<sup>29</sup> FAO, "Organic Agriculture and Fair Trade in Pacific Island Countries", 2009, p. 3

<sup>30</sup> <https://marketdevelopmentfacility.org/>



Over the years, there is an increase in the of imported foods which has impacted the diet and health of the population. In many countries, the tourism industry relies on imported food to supply the hotels. For example, a study conducted by IFC in 2018 in Fiji showed that over 54% of food used in the tourism industry are still imported. As efforts are made to link the agriculture and tourism industries, it must be noted that the Pacific Island Countries (PICs) share common challenges that impede their efforts to achieve balanced economic growth and sustainable food security<sup>31</sup>.

Much is known about the food production, supply and quality constraints as well as the issues relating to accessing tourism markets. A lot of good work is currently being undertaken by agriproducers, farmers, hotels and government at various sites throughout the region however a lot more needs to be done.

Linkages between agriculture, health and tourism not only potentially increase opportunities for domestic agriculture earnings, new markets and product development and therefore sustainable economic growth, but also offer opportunities to help develop visitor attractions and distinctive tourism destination brands through the creative use and marketing of local produce and production techniques, and use of local landscapes. In order to acquire these benefits, the tourism industry needs to be proactive in utilizing local, high quality, healthy and niche agricultural products in touristic sites and events.

Hence the two productive sectors agriculture and tourism offer the best opportunities for inclusive economic growth in several Pacific Island countries and therefore the promotion of linkages between tourism and agriculture should help create economic opportunities; build resilience in rural communities; and improve sustainable development in both sectors. In spite of the fact that agriculture remains for most countries in the region the main source of livelihood for the majority of the population, its contribution to economic value added has generally declined over the last decade, whereas the tourism sector has seen significant growth. It has become the “life blood” for several of the small island fragile economies.

To increase access to finance especially to MSMEs, IFC has invested in National Bank of Samoa and HFC Bank in Fiji. This is to support trade and economic growth. Further work is being done to advance the gender equality by addressing gender-based violence and the provision of child care<sup>32</sup>.

Technology integration in business and digital transactions are becoming important to Pacific business. The recent Digital Economy Report for the Pacific Edition 2022 by UNTACD<sup>33</sup>, highlighted a number for challenges for the Pacific region which includes distinct characteristics of the Pacific, connectivity, research and data collection and regional cooperation to build inclusive digital economies.

PIFS has developed the Pacific Regional E-commerce Strategy and Roadmap<sup>34</sup> which is to guides the region on E-commerce development and the priority areas. The Roadmap falls under the Pacific Aid for Trade Strategy 2020-2025 and identifies measures which can improve E-commerce readiness through the forms of collective action identified by the Framework for Pacific Regionalism (FPR).

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<sup>31</sup> <https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=18381>

<sup>32</sup> <https://www.ifc.org/en/where-we-work/country/pacific-islands>

<sup>33</sup> United Nation Conference on Trade and Development Digital Economy Report, Pacific Edition 2022, Towards Value Creations and Inclusiveness, pg XIII -XV

<sup>34</sup> <https://pacificcommerce.org/wp-content/uploads/2022/06/Regional-Ecommerce-Strategy-Roadmap.pdf>

In April this year the USAID undertook a digital ecosystem country assessment for the Pacific Islands. Similar findings as the UNTACD were highlighted which includes the various stages of digital development across the Pacific region.

## 6.0 Pacific Regional Private Sector Strategy

The Pacific regional private sector strategy is based on four selected strategic focus by the Pacific businesses that are members of the national private sector organizations. It also includes MSMEs councils or organizations, sectorial organizations.

### 6.1 Strategic Focus One – Access to Finance

**Access to finance strategy is to focus on MSMEs**

Strategy	Actions	Impact Indicators
Provide grant funding to NPSOs, MSMEs Council, Chambers of Commerce and women in business organisations to provide grants and loans to MSMEs and women	<ul style="list-style-type: none"> <li>• Build capacity of NPSOs, MSMEs council and Chambers of Commerce to provide grants and loans to MSMEs.</li> <li>• Financial management training to be provided to all successful recipients of grants of loans before disbursement of the grants/loans.</li> <li>• Evaluation and monitoring of the progress recipients to be undertaken by the NPSOs, MSMEs and Chambers of Commerce</li> </ul>	<ul style="list-style-type: none"> <li>• Number of loans and grants provided</li> <li>• Number of people employed</li> <li>• Loan repayment rate</li> <li>• Number of businesses paying of their loans.</li> <li>• Sales Turnover</li> </ul>
<p>Increase support to Business Support Agencies (BSA) like PTI, Pacific Business Link, MDF and PHAMA Plus.</p> <p>To increase the level of support to businesses and extend their operations to cover the 14 Forum Island countries.</p>	<ul style="list-style-type: none"> <li>• Establish support to other Pacific islands that have not been covered by these BSA.</li> <li>• Increase funding support to Pacific businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Number of countries established in</li> <li>• Number of businesses assisted</li> <li>• Number of people employed</li> <li>• Number of successful market access</li> <li>• Volume of investment</li> </ul>
Support Peer to Peer lending Pay Forward scheme (as operated by the PNG WBRC) and community crowd funding on digital platforms.	<ul style="list-style-type: none"> <li>• Support and provide funding to payment system providers to develop the digital peer to peer lending</li> </ul>	<ul style="list-style-type: none"> <li>• Number of participants in the peer to peer lending and Pay Forward Scheme.</li> <li>• Number and volume of loans provided under peer</li> </ul>

	<p>pay forward scheme and community crowdfunding.</p> <ul style="list-style-type: none"> <li>• Appropriate regulatory policies to be developed to support these innovative financing</li> <li>• PNG WBRC to share the services provided and the Pay Forward Scheme to all NPSOs in the region.</li> </ul>	<p>to peer lending and pay forward scheme</p> <ul style="list-style-type: none"> <li>• Number of employees</li> </ul>
<p>Support ADB PSDI small scale offers regime, community crowd funding and investment geared crowdfunding.</p>	<ul style="list-style-type: none"> <li>• Develop the legal and regulatory framework as well as the technical infrastructure.</li> <li>• Development of standardised information templates for sufficient level of disclosure.</li> <li>• Support awareness of these potential innovative funding initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of businesses using these funding schemes</li> <li>• Value of funds raised under these schemes</li> <li>• Number of countries that can adopt these schemes.</li> </ul>
<p>Improve access to relevant financial services on appropriate terms</p>	<ul style="list-style-type: none"> <li>• Develop public credit guarantee schemes</li> <li>• Promote FDI in financial services, supply chain finance (factoring) and leasing</li> <li>• Facilitate collateral-free loan screening mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Performance of banking sector in facilitating loans to entrepreneurs</li> <li>• Support by private investors for start-ups</li> <li>• Adequacy of financial infrastructure for entrepreneurship lending</li> </ul>
<p>Promote Funding for Innovation and startups</p>	<ul style="list-style-type: none"> <li>• Establish an Innovation Grant fund to be manage by BSA for Pacific Businesses</li> <li>• Support the use of intellectual property as collateral</li> <li>• Provide performance-based loans and incentives for innovation and green growth</li> </ul>	<ul style="list-style-type: none"> <li>• Number of businesses supported</li> <li>• Number of innovative businesses</li> <li>• Number of employees</li> <li>• Number of people/communities impacted</li> </ul>
<p>Provide regular financial and digital literacy training at different stages of the business growth.</p>	<ul style="list-style-type: none"> <li>• Support NPSOs, MSMES Council and Chambers of Commerce to provide financial and digital literacy</li> </ul>	<ul style="list-style-type: none"> <li>• Number of training delivered</li> <li>• Number of businesses trained</li> <li>• Number of business using digital technology for business</li> </ul>

## 6.2 Strategic Focus Two – Integration of Technology

Strategy	Actions	Impact Indicators
Support and improve internet connectivity both in urban, rural areas and maritime islands like using satellite technology like Starlink.	<ul style="list-style-type: none"> <li>• Provide all the options for internet connectivity provide by Telecoms and satellite technology</li> </ul>	<ul style="list-style-type: none"> <li>• Connectivity coverage in urban and rural areas</li> <li>• Download speed of internet data</li> </ul>
Encourage technology integration of businesses with digital payment systems like EFTPOS, mobile wallets and payments systems app.	<ul style="list-style-type: none"> <li>• Provide digital training on business integration and use of various digital platforms to assist businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of businesses trained</li> <li>• Number of users of payment platforms</li> <li>• Value and volume of transactions</li> <li>• Disaggregated data on male, female, youth businesses using digital technology</li> </ul>
Support the use E-Commerce platforms of e-commerce platforms like Amazon, Alibaba, websites, social media platforms to advertise and sell goods and services.	<ul style="list-style-type: none"> <li>• Provide training on the use of E-commerce platforms to sell their goods and services of Pacific businesses.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of Pacific businesses using e-commerce platforms</li> <li>• Value and Volume of e-commerce transactions</li> <li>• Number of businesses from different sector using the platforms.</li> </ul>
Develop enabling regulatory frameworks to allow digital transactions, digital identification/biometrics and digital cash and wallets.	<ul style="list-style-type: none"> <li>• Implementation of proper regulatory policies to allow an enabling environment for digital technology in the financial system</li> <li>• Implementation of prudent cyber security measures to protect the payment system for regional and national transactions in region.</li> </ul>	<ul style="list-style-type: none"> <li>• Length of time to develop the regulatory policies</li> <li>• Number of cyber security attacks.</li> <li>• Impact of the cyber security attacks at regional and national level.</li> </ul>

### 6.3 Strategic Focus Three – Business Enabling Environment

Strategy	Actions	Impact Indicators
Improve the business registration process	<ul style="list-style-type: none"> <li>• Review business registration and licensing process</li> <li>• Simplify business process</li> <li>• Automate on-line registration process that which is also mobile friendly</li> <li>• NPSOS and Chamber of Commerce to conduct regularly workshops on business registration process in country.</li> <li>• Reduce fees for business registration and licensing</li> </ul>	<ul style="list-style-type: none"> <li>• Number of reduced steps in business registration</li> <li>• Number of steps reduced to acquire business licensing</li> <li>• Automation of business registration.</li> <li>• Business registration using mobile phones</li> <li>• Number of workshops conducted by NPSOs on business registration and licensing</li> <li>• Reduction in fees for registration and licensing</li> </ul>
Reduce the high cost of doing business	<ul style="list-style-type: none"> <li>• Identify areas where the costs are high or have unhidden costs</li> <li>• Reduce the delay in processing construction permits and other regulatory requirements for businesses.</li> <li>• Review and update outdated business laws</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in the number of days to acquire utilities</li> <li>• Reduction in the number of days to acquire construction permits or other regulatory requirements</li> <li>• Number of outdated laws reviewed and implemented.</li> </ul>
Strengthen Government and Private Sector Dialogue	<ul style="list-style-type: none"> <li>• Build NPSOs capacity to dialogue with Government</li> <li>• Government and NPSOs to establish a framework to guide the regular dialogue at country level.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of capacity support provided to NPSOs</li> <li>• Development of the public and private sector framework</li> <li>• Number of public and private sector dialogue conducted</li> </ul>
Review Taxation Policy	<ul style="list-style-type: none"> <li>• Review the taxes that apply to MSMEs</li> <li>• Examine ways to relieve tax for MSMEs to assist them in the post COVID recovery</li> <li>• Review tariffs and duties on materials used by MSMEs for post COVID19 recovery</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in taxation policy to assist MSMEs</li> <li>• Changes to tariffs and duties to assist MSMEs</li> </ul>

## 6.4 Strategic Focus Four – Promoting Diversification and Value Addition/Boosting Entrepreneurship

### Promoting Diversification and Value Addition

Strategy	Actions	Impact Indicators
Support mechanization of farms to allow multiple crops	<ul style="list-style-type: none"> <li>• Provide financing to businesses to acquire machines for their farms.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the number of mechanized farms</li> <li>• Increase in the number of different types of crops</li> </ul>
Secure market access	<ul style="list-style-type: none"> <li>• Increase support to PTI and PHAMA Plus to assist businesses market.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in the number of Pacific businesses exporting</li> <li>• Increase in the number of new markets</li> <li>• Value and volume of exports</li> </ul>
Support specialized equipment for value additions to various farm produce and handicrafts	<ul style="list-style-type: none"> <li>• Provide grants/loans to assist businesses acquire special equipment for value additions</li> </ul>	<ul style="list-style-type: none"> <li>• Number of grants provided to business</li> <li>• Increase in the number of value addition products</li> <li>• Value and volume of value additions products exported</li> </ul>
Support local laboratories for value addition products	<ul style="list-style-type: none"> <li>• Establish laboratories to test value added products</li> </ul>	<ul style="list-style-type: none"> <li>• Number of successful value-added products</li> </ul>

### Boosting Entrepreneurship

Strategy	Actions	Impact Indicators
Support business services to businesses	<ul style="list-style-type: none"> <li>• Support NPSOs and Pacific Business Link to provide business services</li> <li>• Provide NPSOs capacity to provide business services.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of businesses supported</li> <li>• Number of NPSOs assisted to provide business services</li> </ul>
Provide entrepreneurship program.	<ul style="list-style-type: none"> <li>• Support NPSOs and MDF to provide business enterprise engines programs for scalable start-ups.</li> <li>• Provide grants and loans to support start-ups.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of scalable start-ups program</li> <li>• Number and value of businesses assisted with loans or grants</li> <li>• Number of countries supporting entrepreneurship</li> </ul>
Support Co-working Services	<ul style="list-style-type: none"> <li>• Provide grants to support the establishment of co-working services.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of co-working services established or available.</li> </ul>

	<ul style="list-style-type: none"> <li>• Support NPSOs to provide co-working services spaces.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of businesses that used the co-working services</li> </ul>
Support Business Incubation Program	<ul style="list-style-type: none"> <li>• Support and build capacity of NPSOs to provide business incubation program.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of business incubation programs</li> <li>• Number of business in the incubation programs</li> </ul>
Facilitate Business Mentoring	<ul style="list-style-type: none"> <li>• Support and build capacity of NPSOs to develop business mentoring in country.</li> </ul>	<ul style="list-style-type: none"> <li>• Number of mentors taking part</li> <li>• Number of business mentored.</li> <li>• Impact of mentoring programming</li> </ul>
Support Women and Youth Entrepreneurs	<ul style="list-style-type: none"> <li>• Establish Youth and Women Entrepreneurs association.</li> <li>• Provide support to association and their networks.</li> <li>• Provide training and grant support to youth and women start-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Number of youth and women entrepreneurs' associations establish.</li> <li>• Number of training and support provided.</li> <li>• Number of grants or loans provided.</li> </ul>

## 7.0 Implementation Strategy

To implement the four key strategies in the region will be a challenge, however most business agencies are already working in the region. However, some agencies are working in some countries but not in the other countries. It observed that many small islands countries like Nauru, Niue, Kiribati, Tuvalu, FSM, RMI and Palau do not have these business development agencies. These are small island states and especially from the countries in the North Pacific.

To implement the PRSSP four key strategic focus, it would require a collaboration of multi stakeholders both at country and regional level. Hence the need to develop an implementation strategy that will clearly guide and demarcate the different roles that will be played by different stakeholders. At the same time recognized the vast differences in the various economies in the region. Most business development agencies only work in five or eight countries the most.

With regards to implementation of the strategies, all NPSOs stated that they would like to be involved in the implementation of the strategies at country level. Some of the NPSOs are already implementing some strategies while others are not. In this regard capacity building and funding are required for NPSOs for these services. Funding support from government and development agencies are necessary for NPSOs capacity building.

Financial support be increased to PTI, Pacific Business Link, MDF and PHAMA Plus to continue and increase their level of support to businesses and extend to other countries. They should collaborate with the NPSOs to deliver to programs.

As shown in the tables below most agencies are undertaking work in various strategic focus, however it does not include all the countries in the region. Small islands countries miss out like Niue, Tuvalu, FSM, RMI and Palau.

Table 4

OACP Four Strategic Pillars	Enhancing OACPS business climate	Strengthening OACPS entrepreneurship	Competitiveness, innovation and development, financing OACPS MSMEs;	Advancing effective market access for OACPS MSMEs
Pacific Region Private Sector Strategic Focus	<ul style="list-style-type: none"> <li>▪ Business enabling environment</li> <li>▪ Building climate resilience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Boosting entrepreneurs hip;</li> </ul>	<ul style="list-style-type: none"> <li>▪ Integration of digital technologies</li> <li>▪ Access to finance.</li> <li>▪ Business continuity planning</li> </ul>	<ul style="list-style-type: none"> <li>▪ Promoting diversification and value addition</li> </ul>
Organizations undertaking work under the four	EU, World Bank, IFC, ADB PSDI, PFTAC, ILO, PIFS, SPC and USP, Business Link	ADB PSDI, MDF, ILO, PTI, EU, FAO, PIFS, Business Link Pacific, UNDCF, NPSOs,	ADB, EU, IFC, PIFS, MDF, PTI, World Bank, MDF, PHAMA Plus, PIFON, COLEACP, NPSOs,	PTI, PHAMA Plus & MDF



pillars in the Pacific Region			UNDCF, Business Link	
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As part of the implementation strategy, there should be regular reviews and evaluation of the strategies implemented at country and regional level. The NPSOs can be responsible for the country level evaluation while a committee can be established comprising of selected representatives from key agencies like PIFS, SPC and private sector representatives selected from NPSOs to conduct for the region.

To complement the evaluation and monitoring work, an IT platform can be developed for evaluation, monitoring and impact assessment of the work at country and regional level.

With the implementation strategy to be developed, it is important to ensure that the majority of the funding support reach the beneficiaries rather than supporting organizations operational expenses

## 8.0 Private Sector Participation at Regional Level

Governments in the region and regional crop agencies always highlight that the private sector is the engine for growth, however when it comes to forum meetings, the private sector is set aside and not included in the main meeting. While inclusion is an important part of sustainable development, the current practice of having the private sector outside of the main meeting deprives the leaders and ministers of having a better perspective of what is happening in the economies of the region. The regional architecture needs to change to be inclusive in meetings and discussions pertaining to the region wellbeing.

The region's private sector has been part of the public and private sector dialogue at the Forum Leaders, Forum Economic Ministers and recently Forum Trade Ministers meetings. This has been happening since 2010. At these meetings, there is a dialogue session and the results of the dialogue are presented to the Leaders and Ministers by the PIPSO Chair or a representative selected by the private sector.

After this presentation to Leaders and Ministers, very little or nothing at all happens with regards to the private sector statements on issues affecting the private sector.

The current arrangements, there is no seat or observer status for the private sector at the Forum Leaders, Forum Economic Ministers and Forum Trade Ministers. They are taken aside and only brought into the meetings to present their statement and leave immediately.

PIFS needs to consider seriously, the inclusion of the private sector to provide meaningful contributions to these meetings rather than delivering prepared statements.

In this regard, the following are recommendations for a meaningful engagement of the private sector at regional level.

- Establish a formal framework on the engagement of the private sector at regional level in particular at Forum meetings. This is to ensure that the private sector contribute to meaningful discussions at these meetings.
- PIPSO to be part of the CROP agencies
- Decisions or recommendations made at Forum meetings are carried out at country level. It's been observed over the years, that there is no connectivity of decision made at Forum meetings to what is happening at country level. Each country may have different priorities to that have been decided at Forum meetings.
- Formalized the inclusion of the private sector seat at the Forum Meetings first as an observer and then progress to sit in with Leaders and Ministers to provide meaningful contributions to the meetings.

## 9.0 Conclusion

Over the years many issues regarding the challenges and opportunities for the Pacific region private sector have been documented and highlighted by many development agencies. While some work has been done to address these challenges, others continues to affect the private sector.

In implementing strategies to address issues affecting the private sector, some can be done immediately, while others can take a number of years and the impact may even take few years to be seen.

The number of business development agencies to address specific sector challenges like market access, certifications, export ready companies, business services and access to finance, these are limited to big and middle size economies in the region. A number of small island states have been deprived of these targeted supports for their private sector.

At same time a large number of supports have been poured into the agriculture and tourism sectors, and these are not relevant to some small islands states. It's important that when implementing private sector strategies, they must implement those that are relevant to small islands.

The vast distance and coverage for the private sector support in the region, it is logical that the NPSOs are supported with funding and capacity building to assist the MSMEs in their countries. These small island countries may not fully receive the support provided to big and middle size countries from these various business development agencies, at least with proper support and funding, their NPSOs can provide such services.

The implementation of the PRPSS should be inclusive especially for small island countries.

**Proposed Changes to First Draft of the PRPSDS  
(DRAFT PIFS presentation to PESC Meeting on Tuesday, 11 June 2024)**

<b>First Draft (follows Chapter numbering)</b>	<b>Proposed Changes</b>
1. Executive Summary: Pending	Pending
2. Introduction: lengthy; broad; weak on the role of PSD in FIC economies especially of SIS and informal sector	<ul style="list-style-type: none"> <li>a) Highlight the critical role of PSD in FICs with a strong focus on SIS;</li> <li>b) Provide relevant socio-economic statistics including the impact of PSD in each FIC.</li> </ul>
3. Pacific Region Private Sector Strategy Development Framework: linked more to global agreements (SDGs, SAMOA) than regional (2050 Blue Strategy, PRED)	<ul style="list-style-type: none"> <li>a) Strengthen alignment of PRPSDS with key regional mandates including FEMM, PRED and 2050 Blue Economy Strategy;</li> <li>b) Identify FICs with a national PSD strategy that can be aligned with this new strategy.</li> </ul>
4. Private Sector Development Work in the Pacific: reporting on the 22 partners lack structure; aligned with OACPS pillars	<ul style="list-style-type: none"> <li>a) Revisit past PSD Donor roundtables;</li> <li>b) Engage with relevant international PSD events through SIDS/OASIS/OACPS;</li> <li>c) Highlight key successes of previous PIFS PSD Strategy such as establishing PIPSO, NPSO capacity building and Tavola evaluations of PIPSO.</li> </ul>
5. Challenges and Opportunities for the Private Sector: challenges/opportunities are discussed together; NPSO survey results are generalized; Doing Business surveys dropped; draft notes challenge due to Covid but excludes emerging opportunities; informal sector, indigenous business and creative sector are notable omissions	<ul style="list-style-type: none"> <li>a) Conduct SWOT analysis of Pacific PSD;</li> <li>b) Help prepare for the World Bank Group's new Business Ready survey that will replace the Doing Business survey;</li> <li>c) Highlight surveys of Covid impacts and FICs' vulnerabilities to disruptions;</li> <li>d) Focus on readiness strategies for future pandemics and development of informal, indigenous, creative sectors;</li> <li>e) Include case studies from FICs, Caribbean, Indian Ocean, ASEAN, Africa.</li> </ul>
6. Pacific Regional Private Sector Strategy: While the 4 pillars (Access to Finance, Digital Technologies, Enabling Environment & Promoting Diversification) are traditional MSME issues, missing are contemporary/Pacific-specific issues e.g. pandemic readiness, and informal, indigenous & creative economies; KPIs lack figures and gender impacts.	<p>Pillar 1: Post-Pandemic Recovery and Preparing for Future Disruptions</p> <ul style="list-style-type: none"> <li>a) Building business resilience</li> <li>b) Business continuity planning</li> <li>c) Informal economy empowerment</li> <li>d) Indigenous business development</li> <li>e) Labour mobility</li> </ul> <p>Pillar 2: Enterprise Development</p> <ul style="list-style-type: none"> <li>a) Access to Finance (Innovative portfolio, trade, venture capital)</li> <li>b) Public-private partnerships</li> <li>c) Digital technologies</li> </ul>

	<ul style="list-style-type: none"> <li>d) Private sector-led innovation</li> <li>e) Accelerators and incubators</li> </ul> <p>Pillar 3: Export Capacity Development</p> <ul style="list-style-type: none"> <li>a) Diversification and value addition</li> <li>b) Quality infrastructure (biosecurity)</li> <li>c) Standards and Packaging</li> <li>d) Virtual Pacific Export Council</li> <li>e) Pacific PSD Expo as mini-Davos to bring private sector and decision makers together</li> </ul> <p>Pillar 4: Enhanced Regional Dialogue</p> <ul style="list-style-type: none"> <li>a) PIPSO Plus support</li> <li>b) NPSO capacity building including national level roundtables</li> <li>c) Effective regional dialogue</li> <li>d) PSD donor roundtable</li> </ul> <p>Areas of Special Emphasis</p> <ul style="list-style-type: none"> <li>a) PSD in Pacific Small Island States</li> <li>b) Agriculture, fisheries, forestry</li> <li>c) Gender equality/social cohesion</li> <li>d) Circular economy</li> <li>e) Creative/traditional economy</li> </ul>
7. Implementation Strategy	<ul style="list-style-type: none"> <li>a) PIFS to lead the implementation strategy with a Senior Regional Private Sector Adviser;</li> <li>b) Tentative budget for the first 3 years with potential donors;</li> <li>c) Identify various UN and other agencies for technical assistance to various sub-sectors in each of the pillars;</li> <li>d) Prioritize key focus areas and low hanging fruits at the regional level and what may work in each FIC.</li> </ul>
8. Private Sector Participation at Regional Level: PIPSO is a FEMM Observer	To be redressed through PIPSO Plus support under Pillar 4 above
9. Conclusion: does not capture key PSD issues points and the way forward	Pending
Notably, the draft did not give much attention to Monitoring and Evaluation as well as Risk and Mitigation Measures	Monitoring and Evaluation as well as Risk and Mitigation Measures to be covered

## **Proposed Outline of the Revised Draft Strategy**

### 1. Executive Summary

### 2. Introduction

#### 2.1 Vision and Objectives

2.2 Alignment to 2050 Blue Pacific Strategy. Pacific Roadmap for Economic Development and relevant international mandates

#### 2.3 Pillars and Priorities

##### Pillar 1: Private Sector Recovery Post-Pandemic and Future Resilience

- a) Building business resilience
- b) Business continuity planning
- c) Informal economy empowerment
- d) Indigenous business development
- e) Labour mobility

##### Pillar 2: Enterprise Development

- a) Access to Finance (Innovative portfolio, trade, venture capital, cost of finance)
- b) Public-private partnerships
- c) Enhancing E-commerce capabilities and integration of digital technologies
- d) Private sector-led innovation (including virtual accelerators and incubators)
- e) Cooperatives development

##### Pillar 3: Institutional Capacity Building of Export and Business Promotion

###### Agencies

- a) Diversification and value addition
- b) Quality infrastructure
- c) Standards and Packaging
- d) Investment promotion outreach support
- e) Small business development

##### Pillar 4: Enhanced Regional Dialogue

- a) Effective regional private sector organisation
- b) NPSO capacity building
- c) Effective regional dialogue mechanism
- d) PSD donor roundtable

## 2.4 SWOT Analysis of Pacific PSD

## 2.5 Areas of Special Emphasis

- a) PSD in Pacific Small Island States
- b) Agriculture, fisheries, forestry
- c) Gender equality and social inclusion/cohesion
- d) Circular economy
- e) Creative/traditional economy

## 3. Implementation Strategy

- a) PIFS to lead the implementation strategy with a Senior Regional Private Sector Adviser;
- b) Tentative budget for the first 3 years with potential donors;
- c) Identify various UN and other agencies for technical assistance to various sub-sectors in each of the pillars;
- d) Prioritize key focus areas and low hanging fruits at the regional level and what may work in each FIC.

## 4. Monitoring and Evaluation

## 5. Risk and Mitigation Measures

## 6. Conclusion