

THE PACIFIC REGIONAL PRIVATE SECTOR STRATEGY

**Strengthening Foundations for Resilient and
Inclusive MSME Growth**

2025 - 2030

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EXECUTIVE SUMMARY

The private sector is the backbone of Pacific economies, and without its robust and vibrant presence, these economies would face significant economic challenges. Its critical role in the economy stems from being the largest employer, the primary source of innovation, and a key contributor to sustainable economic development and growth. The private sector drives productivity, fosters competition, and generates wealth, while also playing a pivotal role in poverty reduction through employment creation and improving living standards.

Being widely regarded as the engine of economic progress, the private sector is a key catalyst for economic growth and sustainable development, hence the need for Forum 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.

Forum Members are implementing various initiatives and support programmes dedicated to private sector development at the national level, such as national private sector development strategies, public-private partnerships, and sector-specific incentives. These efforts reflect the recognition that a vibrant and resilient private sector is essential for achieving sustainable economic diversification and long-term prosperity. While national interventions exist, a robust regional private sector strategy was missing till date. A coordinated regional approach is now essential to leverage the collective strengths of Forum Island Countries (FICs), fostering regional economic integration through cross-border collaboration, facilitating shared resources, and sharing best practices to achieve common economic objectives across the Pacific region.

The Pacific Regional Private Sector Strategy (PRPSS) was mandated by the Forum Trade Ministers in 2021 to drive sustainable and resilient economic growth, job creation and innovation across the region. Since private sector development encompasses a wide range of critical development areas across multiple sectors, the Pacific Regional Private Sector Strategy (2025-2030) will specifically focus on fostering the growth and sustainability of Micro, Small and Medium enterprises (MSMEs), which are widely recognised as the backbone of Pacific economies. MSMEs play a pivotal role in driving economic diversification, creating employment opportunities and enhancing local entrepreneurship. In the global landscape, MSMEs account for 50-60% of the global GDP, represent 90% of businesses worldwide, and contribute to 70% of global employment¹. The true picture of MSMEs contribution to economic activity is missing in FICs, mainly due to the informality of MSMEs and lack of data collection mechanisms.

Thus, the theme of this Strategy is “Strengthening Foundations for Resilient and Inclusive MSME Growth.” This theme reflects the core objectives of the Strategy, which is to create a more robust and supportive business enabling environment for MSMEs. By focusing on these foundational elements, the Strategy aims to address the most pressing challenges that domestic MSMEs encounter, with the goal of unlocking their full potential and ensuring they can not only survive but thrive in an increasingly competitive and dynamic global market.

The Strategy would center on tackling key barriers faced by MSMEs through six priority areas, which include (1) business enabling environment; (2) business growth and innovation; (3) access to finance, (4) building future resilience; (5) inclusive entrepreneurship; and (6) regional dialogue.

¹ Adapted from “Small and Medium Enterprises (SMEs) Finance,” by the World Bank Group, 2019 ([World Bank SME Finance](#))

By targeting these critical areas, the Strategy seeks to build a more resilient MSME sector that can withstand economic shocks, adapt to changing market conditions, and capitalise on emerging opportunities. Moreover, by fostering inclusive growth, the Strategy ensures that MSMEs from diverse backgrounds, including women-led, youth-led, marginalised communities and rural and informal enterprises have equal opportunities to grow and contribute to the economy.

The Strategy will be implemented over a 5-year period, recognising the need to prioritise and rationalise selected priority areas that have been identified through consultation with Pacific stakeholders as both critical and feasible for execution within this timeframe. This approach will ensure the Strategy addresses the most pressing issues by implementing Regional Collective Actions (RCAs) in collaboration with technical agencies, international organisations and donor partners within the medium timeframe, utilising available limited resources effectively. In cases where RCAs may not be applicable due to the varying landscapes of private sector development across FICs, the Strategy could instead consider supporting tailored national-level actions, recognizing that regional strategies are typically implemented through RCAs. The Strategy will complement Forum Members national private sector strategies and the implementation of reforms through RCAs. RCAs refers to an implementing activity that an individual country would otherwise be required to undertake on its own, relying on its own resources, is instead undertaken in part or in whole by all members of a group using their collective actions.²The mid-term review of the Strategy will allow the flexibility to adapt to new challenges and opportunities as they arise.

Value Add of the Strategy

The Strategy is unique as the first regional initiative solely dedicated to private sector development in the Pacific. While various initiatives led by the Pacific Islands Forum Secretariat (PIFS) involve the private sector as either direct or indirect beneficiaries, this Strategy stands out for its targeted focus on the growth, transformation, and resilience of MSMEs, focal areas that have been largely absent in existing regional frameworks.

The Strategy is designed to address the systemic barriers that prevent many MSMEs from participating in or benefiting from current programmes of support. These challenges include issues related to scale, informality, lack of registration, and limited capacity to generate measurable impact. By addressing these constraints, the Strategy seeks to strengthen the foundational capacity of MSMEs, enabling them not only to access and benefit from existing initiatives but also to contribute meaningfully to broader economic activity. Ultimately, the Strategy aims to foster a more inclusive private sector ecosystem by facilitating new entrants into existing development programs, thereby expanding the base of economic participation.

The Strategy is aimed at empowering MSMEs to overcome growth challenges and unlock their potential. It is to specifically address the root causes that hinder MSME's ability to grow and thrive through the following actions:

- (i) helping businesses to formalise and get access to the benefits of formalisation;

² Pacific Island Forum Secretariat, Pacific Regional Trade Facilitation Strategy (2024), available at [PTF002 Strategy & Implementation Roadmap FINAL WEB.pdf](#)

- (ii) promoting diversification and value addition to break the dependency of Pacific economies on a narrow range of exports;
- (iii) promoting inclusive entrepreneurship, the Strategy champions the active participation of youth, women, and other marginalised groups. It places special emphasis on nurturing social enterprises and cooperatives by supporting their establishment, growth, and sustainability;
- (iv) Spurring innovation through potential business accelerators and incubators programmes; and
- (v) Building resilience of MSMEs by facilitating access to Business Continuity Planning and microinsurance.

The Strategy serves as a regional advocacy instrument to guide and align the priorities of international agencies and development partners with the region's agreed objectives for private sector development. Its use in this capacity will promote policy coherence, strengthen coordination, and help prevent the duplication of efforts across the region.

Any most importantly, it is promoting regional integration through:

- (i) the establishment of a regional dialogue mechanism that promotes effective public-private dialogue. This mechanism will ensure that MSME needs and private sector priorities are regularly considered in regional policy processes and reducing fragmentation.; and
- (ii) Ensuring peer to peer learning and sharing of best practices across FICs. This would be possible through ensuring there is a robust regional private sector advocacy body such as PIPSO. The Strategy advocates for a revitalised regional advocacy body and strengthened National Private Sector Organisations.

Abbreviations

ACP	African Caribbean and Pacific
ADB	Asian Development Bank
ABAC	APEC Business Advisory Council
APEC	Asia Pacific Economic Cooperation
CROP	Council of Regional Organisations of the Pacific
FDI	Foreign Direct Investment
FEMM	Forum Economic Ministers Meeting
FIC	Forum Island Country
FSM	Federated States of Micronesia
FTOM	Forum Trade Officials Meeting
FTMM	Forum Trade Ministers Meeting
GDP	Gross Domestic Product
IPA	Investment Promotion Agency
MSG	Melanesian Spearhead Group
MSMEs	Micro, Small and Medium-sized Enterprises
NPSO	National Private Sector Organization
PIFS	Pacific Islands Forum Secretariat
PIPSO	Pacific Islands Private Sector Organisation
PNG	Papua New Guinea
PPP	Public Private Partnership
PRED	Pacific Roadmap for Economic Development
PTI	Pacific Trade Invest
RCA	Regional Collective Action
RMI	Republic of the Marshall Islands
SBDA	Small Business Development Agency
SIDS	Small Islands Developing State
SPBD	South Pacific Business Development

Voices of the Pacific Islands Forum

“Leaders emphasised the importance of economic prosperity and wellbeing to the security of Pacific countries and the need to maximise business to business engagements to realise the potential of Pacific people and their resources.” – 51st Pacific Islands Forum Communique, Suva, 11-14th July 2022.

“An economically strong nation in the Pacific contributes to a safe and secure region. And to get there for us in the Pacific, I propose the following: a step up of internal trade and commerce between our nations; ... our friendly nations must assist more in areas of commerce and trade and not just aid and grants; ... our nations must have person-to-person, business-to-business relationships too and not just government-to-government. We in PIF are now outlaying a 2050 strategy, and the chief outcome of this strategy must be the economic well-being of our people and our nations. In the life of this 2050 strategy, we must become strong and robust economies.”
- Hon. James Marape, Prime Minister of Papua New Guinea, 51st Pacific Islands Forum Leaders Meeting, Suva, 18th July 2022.

“Nauru recognises that our sustainable development aspirations and goals are not possible without strong partnerships hence we call on the international community, our partners and friends to continue to support the SIDS and our efforts to chart our course towards a resilient and prosperous future, where no one is left behind.” - H.E. Hon. David W.R. Adeang, MP, President of the Republic of Nauru, 4th International Conference on Small Island Developing States, Antigua & Barbuda, 27th May 2024.

“Building public-private partnerships is a key mechanism for advancing essential development in the country.” – Hon. Jeremiah Manele, Prime Minister of Solomon Islands, 13th Australia Solomon Islands Business Forum, Honiara, 3rd September 2024.

“The National Reserve Bank of Tonga’s strong performance is providing additional revenue to the Government to support its strategic priorities including the private sector, such as supporting our small medium enterprises through the Ministry of Trade and Economic Development, our Ministry of Agriculture and Fisheries, advancing resilience preparedness, digital transformation and technology to reduce business unit costs.” - Hon. Siaosi Sovaleni, Prime Minister of Tonga, 35th anniversary of NRBT, Nuku’alofa, 13th September 2024.

The Forum Leaders Retreat *“resolved to elevate the visibility of the Smaller Island States, its priorities, challenges, and contributions at the national and regional level to better inform targeted regional solutions”* – Pacific Forum Leaders Meeting, Nuku’alofa, 29-30 August 2024.

“We had our first dialogue in December of 2017 because my Administration felt it critical to engage with the private sector and seek avenues for direct engagement so as to boost the overall development of the Republic of the Marshall Islands.” - H.E. Dr Hilda C. Heine, Ed. D, President of the Republic of Marshall Islands, 2nd National Public-Private Dialogue, Majuro, 5th March 2019.

“There was general agreement on the great importance for all members of welcoming and offering incentives for investment, and the desirability of ensuring a substantial local equity in all enterprises.” Inaugural Leaders Summit, Joint Final Communique, South Pacific Forum, Wellington, 5-7th August 1971.

Voices of the Pacific Private Sector

“While the private sector in each of our countries continue to play important roles, the following challenges need to be addressed to continue enhancing those roles: a) Enhance the business environment: Streamline regulations, reduce bureaucracy, and strengthen property rights; b) Expand financial access: Promote microfinance, SME lending, and develop capital markets; c) Invest in infrastructure: Build robust transportation, energy, and digital networks; d) Foster trade and investment: Support export-oriented businesses and attract foreign investment; e) Develop human capital: Invest in education, training, and skills development; f) Strengthen regional integration: Facilitate cross-border trade and investment; g) Empower SMEs and entrepreneurs: Provide business support services, incubation programs, and market access; h) Build climate resilience: Promote climate-friendly business practices and disaster preparedness.” - Robert Aisi, Acting CEO, PNG Chamber of Commerce & Industry, Statement to the Forum Economic Ministers Meeting, Suva, 1st August 2024.

“Most businesses in the Pacific are micro and small businesses, and many work in the informal sector. This is due to the small size of our economies. As they underpin all the local supply of goods and services, the role of small business is significant at a local and national level. Our regional strategy in this regard focuses on e-commerce and connectivity infrastructure as the more cost-effective methodology for better stakeholder economic benefits.” - Howard Politini, PIPSO Chair, Global Business Network Forum for SIDS, Antigua & Barbuda, 25th May 2024.

“Business continuity planning and building private sector resilience must now include in addition to preparedness and post disaster rehabilitation, climate change, natural disasters and plans for health pandemics. The lessons of the current health pandemic must be integrated in future plans, and private sector inclusion is essential so that overall resilience is improved.” - Stephen Lyon, Cook Islands Chamber of Commerce President and PIPSO Chairperson, Private Sector Dialogue with Forum Economic Ministers, 11th August 2020.

“The panel underscored the need for inclusive and sustainable economic development. It outlined some of the private sector’s challenges, including - enabling women and girls to participate in the economy; access to financial and digital literacy programmes; access to climate finance; access to finance for micro, small and medium enterprises; expediting the digital transformation; compliance with anti-money laundering and counter terrorist financing regulatory requirements; reliable air and sea connectivity; skills development; marketing products for export; and engagement between regional organisations, national governments and the private sector.” - Private Sector Panel, Forum Trade Ministers Meeting, Suva, 6th October 2023.

“The potential and untapped SME sectors should be a focus in planning and mapping development in Pacific Islands Countries. ... Entrepreneurship is vital for our economy. Let’s work together to promote local content. ... The Blue Pacific Ocean family can have a high performing and sustainable economy. The Private Sector needs the key infrastructures, low-cost energy, roads, level implementation of trade agreements, accelerate policy reforms to support private sector, boost the SME sector and let’s build the Pacific Private Sector actors and implementors.” - James Dolarji, CEO, Solomon Islands Chamber of Commerce & Industry, Statement to the 53rd Pacific Islands Forum Leaders Meeting, Nuku’alofa, 27th August 2024.

“While seasonal employment abroad benefits (remittances and poverty reduction) our unskilled and semi-skilled workers, we must invest in education and training to ensure these opportunities are maximized.” - Sam Vea, President, Tonga Chamber of Commerce & Industry. Statement to the 53rd Pacific Islands Forum Leaders Meeting, Nuku’alofa, 27th August 2024.

1.0 Introduction

The Blue Pacific Continent, spanning over 20 per cent of the earth's surface, is home to the 16 Forum Island Country (FIC) members of the Pacific Islands Forum: the Cook Islands, Federated States of Micronesia (FSM), Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, Niue, Palau, Papua New Guinea (PNG), Republic of Marshall Islands (RMI), Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. The FICs share similar challenges, attributed to their small size, limited land-based natural resources, vulnerability to climate induced disasters, narrow economic base dependent largely on tourism, agriculture, fisheries and remittances, and great distances to major markets. These structural challenges are further compounded by a growing youth population in need of employment opportunities and acute vulnerability to external global shocks, such as pandemics, geopolitical tensions, and supply chain disruptions. The region is also among the most vulnerable globally to climate-induced and geophysical disasters. These inherent challenges significantly increase the cost of doing business in the region, discouraging much-needed trade and investment flows. Limited connectivity, high transportation costs, and inadequate infrastructure further exacerbate these constraints, reducing the competitiveness of the FICs in global markets.

The region is diverse in the size and scale of its economies. PNG has the largest Gross Domestic Product (GDP) in the region, amounting to USD30.7 billion in 2023 - six times more than the second largest economy, Fiji with a GDP of USD5.4 billion³. Together, PNG and Fiji account for 87% of the region's GDP. In contrast, the remaining FICs have much smaller economies, with GDP's ranging from USD62 million in Tuvalu to USD938 million in Samoa. Despite these vast economic differences, the FICs share a common vision in their national development strategies: fostering private sector growth as a key driver of sustainable economic development.

The region's economy is primarily driven by tourism and fisheries, while agriculture and forestry are also significant sectors, particularly in the larger FICs. Remittances also play a significant role in supporting the region, as evident during COVID-19 when contributions from migrant workers helped sustain livelihoods⁴. The pandemic's profound impact on the Pacific has underscored the urgency for economic diversification, beginning with high value-niche processing, enabling existing businesses to increase their value-add, and their expansion into emerging sectors.

The 2050 Strategy for the Blue Pacific Continent mandates the need for "increasing the role of the private sector in important areas such as fisheries, agriculture, forestry, mining and tourism, and cultural industries and creating employment and entrepreneurial activity in the micro, small and medium-sized enterprises (MSMEs)" which is "vital for improving and expanding wellbeing opportunities for Pacific peoples"⁵. Supporting the implementation of the 2050 Strategy and its thematic area *Resources and Economic Development*, the Pacific Roadmap for Economic Development (PRED) recognises the importance of promoting a dynamic Pacific private sector

³ The World Bank Data – GDP (Current US\$) – Pacific Island States 1960-2022
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=S2-PG>.

⁴ Labor mobility and remittances in the Pacific during COVID-19 Dung Doankirstie Petrou, February 24, 2022.

⁵ 2050 Strategy for the Blue Pacific Continent, PIFS, Suva, 2022.

that is resilient, inclusive and transformative and establishing an enhanced regional dialogue mechanism through strengthened national and regional private sector organisations.

2.0 Understanding the Pacific Context

MSMEs⁶ are the backbone of FIC economies, signaling their significant contribution towards economic activity. However, a key challenge in the Pacific is the absence or lack of standardised definitions for MSMEs, which hinders the ability to accurately assess their impact and tailor policies effectively. This lack of clarity also makes it difficult to track MSME growth, support their needs and foster a conducive environment for their development. MSMEs contribute around 10-18% of GDP and account for 50-60% of total employment in Fiji and PNG. In Fiji alone, MSMEs represent 82% of all business establishments⁷ (Table 1). Data from the Fiji Revenue & Customs Service further highlights their economic importance, with 22,800 of the country’s 117,000 MSMEs paying taxes amounting to FJD59 million annually⁸. PNG aims to increase their number of SMEs to 500,000 and their contribution to 50% of GDP by 2030⁹. In service-oriented economies like Palau, RMI, Samoa and Vanuatu, MSMEs contribute between 50% and 80% of GDP. They also account for 88% of total establishments in Samoa. MSMEs also have substantial presence in the informal sector and support significant levels of livelihoods.

Table 1: Economic Contributions of MSMEs in Selected FICs¹⁰

	Percentage of GDP	Proportion of Registered Businesses	Proportion of Workforce
Fiji	18 per cent	82 per cent	60 per cent
PNG	Not available	Over 90 per cent	Not available
Samoa	Over 40 per cent	Not available	Not available
Solomon Islands	30 – 35 per cent	Not available	Not available
Vanuatu	Not available	Over 90 per cent	75 per cent

In view of the dominance of MSMEs in the region, the continual challenges facing them and their strong prospect to generate income through job and business creation, the Strategy will focus on supporting MSME development in the FICs during its first iteration covering 2025-2030.

The Strategy also promotes inclusivity by prioritising the inclusion of women, youth and persons with disabilities, recognising their contributions to economic activity and the unique challenges they face in business development. Consideration is also given to the significant challenge of

⁶ MSMEs are typically defined as enterprises with fewer than 250 employees.

<https://www.oecd.org/en/data/indicators/enterprises-by-business-size.html>

⁷ <https://www.finance.gov.fj/wp-content/uploads/2024/02/Fact-Sheet-MSME.pdf>; [Job Creation Remains a Challenge For Micro, Small, And Medium-Sized Enterprises in Fiji | Asian Development Bank](#);

⁸ Mr Udit Singh, Fiji Revenue and Customs Service CEO, speaking at MSME Day celebrations, Suva, www.fijivillage.com, 18th July 2024

⁹ <https://www.pwc.com/pg/en/publications/sme-bulletin/sme-bulletin-png-sme-policy-commentary.pdf>

¹⁰ Fiji National Development Plan 2025-2029; Samoa Ministry of Finance and Planning, Annual Economic Report, 2021. Pacific Islands Forum Secretariat MSME Policy Briefs, 2020; Asian Development Bank (ADB) reports on Pacific MSME development, 2020; and Samoa Ministry of Finance and Planning, Annual Economic Report, 2021.

youth bulge which cannot be absorbed by existing labour markets and job creation strategies.¹¹ In August 2024, PNG's Prime Minister expressed concern about the 200,000 school dropouts who need "positive engagement" every year¹². Similarly, in Fiji the Minister for Education highlighted that nearly 5,000 students dropped out of the formal education system before completing primary education and another 6,000 left before completing Year 10 between 2019 and 2023¹³.

3.0 The Pacific Regional Private Sector Strategy (2025-2030)

3.1 Vision, Mission and Objectives

Vision

A dynamic, resilient, and inclusive Pacific private sector that empowers MSMEs, fosters sustainable and equitable economic growth, and enhances regional prosperity for the wellbeing of all Pacific people.

Mission

To support and empower MSMEs through enhancing access to finance, creating an enabling environment, fostering innovation, resilience and inclusive entrepreneurship to create economic resilience, inclusivity, and long-term prosperity for all Pacific communities.

Objectives

The Strategy aims to establish a dedicated regional framework for private sector development, focused on:

- **Enhancing the Business Environment for MSMEs** – Defining key priorities and strategies to foster a supportive environment that enables MSMEs to grow, trade, and invest.
- **Facilitating Collaboration and Partnerships** – Serving as a reference document to guide regional cooperation and engagement with partners on MSME and broader private sector development.
- **Strengthening Regional Advocacy on Private Sector Development** – Acting as the primary advocacy tool aligned with the 2050 Strategy for the Blue Pacific Continent, the Pacific Roadmap for Economic Development, and existing regional frameworks.
- **Advancing Research and Knowledge Management** – Improving data collection, analysis, and knowledge sharing to support evidence-based private sector development policymaking and MSME growth.

3.2 Strategy Alignment to the 2050 Strategy of the Blue Pacific Continent, the Pacific Roadmap for Economic Development and Other Frameworks

The Pacific Regional Private Sector Strategy (PRPSS) complements and advances the aspirations outlined in the 2050 Strategy for the Blue Pacific Continent, a blueprint to strengthen collective action and deepen regionalism for the next three decades.

¹¹ The Pacific Youth Development Framework 2014-2023, SPC, Suva 2015.

¹² <https://www.postcourier.com.pg/marape-urges-youths-to-create-jobs/>

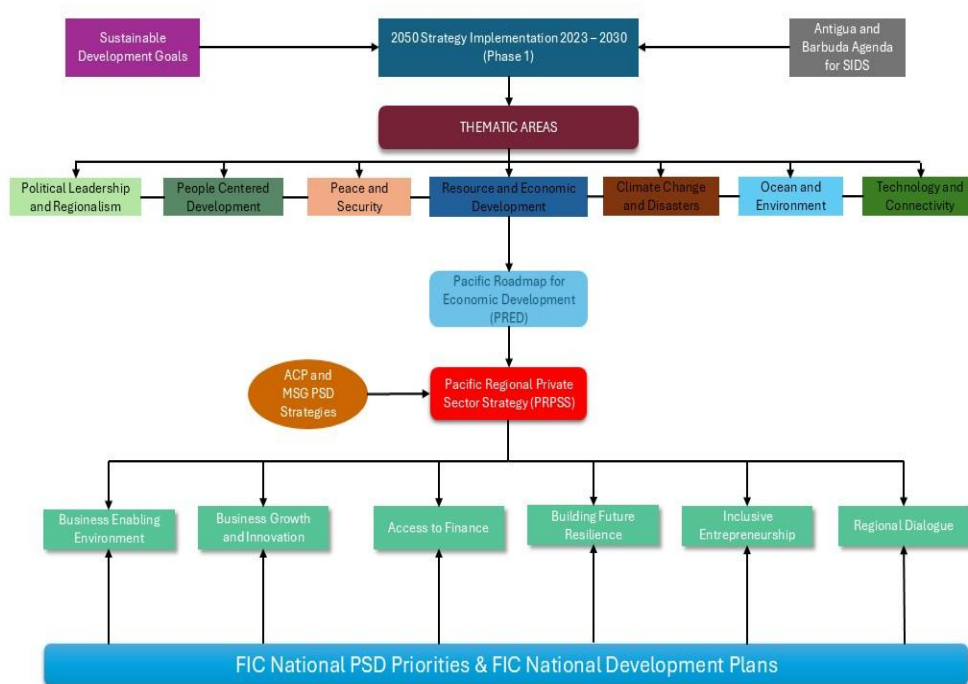
¹³ <https://www.fijitimes.com.fj/school-dropout-issue-radrodro-4589-students-drop-out-before-completing-primary-education/>

Private sector development is a key pillar of the Pacific Roadmap for Economic Development (PRED), which serves as the implementation framework for the *Resources and Economic Development* thematic area within the 2050 Strategy. Specifically, Systems Outcome 1.4 of the PRED calls for “strengthened policies, legislation, and mechanisms that support the development and sustainable growth of the private sector.”

The cross-cutting nature of private sector development extends far beyond the *Resources and Economic Development* thematic area of the 2050 Strategy. The successful implementation of the PRPSS is expected to generate positive ripple effects across the remaining six thematic areas of the 2050 Strategy: *Political Leadership and Regionalism*, *People Centered Development*, *Peace and Security*, *Climate Change and Disasters*, *Ocean and Environment*, and lastly, *Technology and Connectivity*.

Given this interconnected approach, regional collective actions in each of these pillars will play a crucial role in complementing and achieving PSD priorities at the national level. These priorities are aligned with the Forum Island Countries' (FICs) national development strategies, ensuring that private sector growth contributes directly to broader economic and social progress, as depicted in Figure 1.

Figure 1: PRPSS Linkages to Key Policy Instruments



3.3 Strategic Pillars and Priorities

The Pacific Regional Private Sector Strategy will concentrate on supporting domestic MSMEs across the Pacific. It focuses on priority areas of fundamental importance to MSMEs. The strategy looks to address challenges to MSMEs and unlock their potential, highlighting the importance of addressing the root causes that hinder MSMEs' ability to grow and thrive locally. To realise the Strategy's vision, the following six pillars have been identified: Business Enabling Environment, Business Growth and Innovation, Access to Finance, Building Future Resilience, Inclusive Entrepreneurship, and Regional Dialogue.

The Strategy will undergo a comprehensive review in 2030 to assess its effectiveness and determine any necessary refinements or new pillars for its next iteration. The existing pillars were shaped through high-level consultations with Members, results of a survey with National Private Sector Organisations, feedback received from CROP agencies, consultation with Civil Society Organisations (CSOs), and technical assistance from international agencies and development partners. Their successful implementation will require strong coordination, sustained partnerships, and a commitment to fostering an inclusive and resilient private sector that supports economic development across the Pacific.

3.3.1 Pillar 1. Business Enabling Environment

A strong Business Enabling Environment (BEE) is critical for fostering private sector growth, particularly for Micro, Small, and Medium Enterprises (MSMEs), which form the backbone of Pacific economies. To ensure MSMEs remain competitive and resilient, Forum Island Countries (FICs) must prioritise reforms that simplify business regulations, reduce administrative burdens, and create a more predictable and transparent policy landscape. Cumbersome regulatory frameworks continue to pose significant obstacles to MSME development. These challenges include excessive licensing requirements, unclear business registration processes, and inconsistent enforcement of regulations, all of which contribute to high costs and uncertainty for MSMEs. Addressing these structural barriers requires governments to implement clear, streamlined, and harmonised regulations that support MSMEs from startup to expansion, ensuring their sustainability.

One critical issue is the lack of a standardised MSME definition or set of criteria shared across Pacific economies, which creates inconsistencies in policy implementation, funding eligibility, and access to support programmes (See Box 1). Without a clear classification system, MSMEs often struggle to access financial incentives, tax relief, and development initiatives specifically designed for them. Establishing a regional framework/guideline for MSME definitions would help governments and financial institutions tailor interventions more effectively, ensuring targeted policies reach businesses that require them the most. Without standardised definitions,

Box 1: Varying Pacific MSME Definitions

PNG has an SME Act, an SME Policy and the Small and Medium Enterprise Corporation (SMEC) whose programs are also designed to formalise the informal sector but their definition of an MSME varies across organisations. Fiji has an MSME Policy and an official definition for MSMEs whereas other FICs are either developing MSME policies and definition as in Samoa, or do not have a definition at all. The SBDAs across the Pacific play critical cross-cutting roles in enabling MSMEs in both the formal and informal sectors in areas with further growth potential such as digital technologies and cultural industries.

governments and financial institutions face serious difficulties to tailor interventions that address pressing MSME needs, leading to inconsistencies in eligibility for incentives, funding, and regulatory benefits¹⁴

Beyond regulatory clarity, governments must focus on reducing administrative burdens and enhancing digital government services. Cumbersome business registration processes discourage formalisation, leading to high levels of informality that limit firms' access to financing, training, and legal protections. This creates problems of business informality, which impedes the public delivery of services and is associated with lower levels of productivity, job creation and economic growth. Introducing simplified, digital-first registration systems would help lower entry barriers, enabling more entrepreneurs, particularly those in remote areas to enter the formal economy. Additionally, automating key government services such as tax filing, licensing, and compliance reporting can reduce operational costs and improve service delivery efficiency. This shift would ensure that MSMEs spend less time navigating bureaucracy and more time focusing on innovation and business growth.

By integrating entrepreneurship into formal and informal education systems, and promoting collaboration with schools, universities, training institutions, and the private sector, countries can cultivate a new generation of business leaders capable of driving inclusive and sustainable economic growth. This approach also ensures that Micro, Small, and Medium Enterprises (MSMEs) are better prepared to navigate market demands, access opportunities, and contribute meaningfully to national and regional development.

- i.* **Desired Outcome:** A conducive and efficient business environment that enables MSMEs to thrive, with streamlined regulatory frameworks, clear MSME definitions and databases, *and* robust institutional support.
- ii.* **Priorities:**
 - a.* **Simplifying business registration by** reducing bureaucracy and streamlining processes facilitating business operations.
 - b.* **Developing and standardising MSME definitions and databases** through establishing clear and consistent MSME definitions and databases across the region to guide policies, financing, and support programmes.
 - c.* **Exploring activities addressing informality**
 - d.* **Promoting Entrepreneurship Education through exploring collaboration with schools, Universities and other institutions.**
- iii.* **KPIs:**
 - a)* Percentage increase in formalised MSMEs over a set period.
 - b)* Number of FICs adopting and implementing an official MSME definition, inclusion of MSME definitions in national policies and financing programs, and creation of MSME databases.
 - c)* Inclusion of entrepreneurship in FIC education system.

¹⁴ The Doing Business survey last conducted in 2021 was replaced in 2024 by the Business Ready (B-Ready) surveys, <https://www.worldbank.org/en/businessready>.

3.3.2 Pillar 2: Business Growth and Innovation

Enhancing productivity, embracing technology, and fostering innovation are seen as crucial to economic development of the Pacific region. MSMEs, as important sources of employment and drivers of structural transformation, are a core part of this strategy and member governments must intensify efforts to help MSMEs modernise their processes and grow their operations.

Box 2: Village Local Goes Global

After rebranding in 2013, Fiji Airways won an award at the 2014 HOW International Design Awards that recognise design excellence in innovation. At the heart of this was Fiji Airways' landmark, a Masi or Tapa symbol designed by celebrated Fijian Masi artist, Ms Makereta Matemosi. As a little girl in Lau, she took interest in village women who gave their life to masi-making. At its centre is a distinctive teteva motif, representing spirituality, Fijian hospitality, consideration for others, and the connection that Fiji Airways offers to the world. The achievement demonstrates the exceptional creativity of an ordinary but talented Fijian woman who captured global accolades.

Business Development Services¹⁵ (BDS) play an important role in this process, offering services to MSMEs that are outside their core business operations and helping to build long-term capacity in various areas. Ultimately, BDS allow businesses to concentrate on their core strengths while continuing to grow. To enhance the provision and use of BDS, policy makers in FICs must engage directly with MSMEs to better understand their unique needs and inform them on how BDS can help foster their growth.

Additionally, Small Business Development Agencies (SBDAs) should be actively involved in MSME development efforts, as they provide essential support through technical assistance, policy implementation, and advocacy. A notable example of this is the collaboration between the University of Guam, US Small Business Administration and the Northern Pacific network of Small Business Development Centres (SBDC) involving the FSM, Palau, and RMI Governments, and FSM's four State Governments (Chuuk, Kosrae, Pohnpei, and Yap)¹⁶.

Sector-specific strategies are essential for driving sustainable economic growth in the FICs, as they enable governments to tailor policies and interventions to the unique opportunities and challenges of key industries. Given the region's reliance on sectors such as tourism, fisheries or agriculture, targeted strategies that foster innovation within these industries can help maximise economic potential, enhance competitiveness, and build resilience against external shocks like

Box 3: Diversifying in Tonga: Fish Exports to Kava on Tap

'Alatini Fisheries Ltd, once Tonga's leading fish exporter, closed due to high operational costs. They then took over Pacific Brewing in 2017 with the idea of producing and selling local beverages to share their Polynesian heritage. COVID-19 in 2020 and the Hunga Tonga-Hunga volcano and tsunami in 2022 forced the company to explore other options to survive. Two years of research led to the blending of tradition and innovation, thus the introduction in 2024 of Sparkling Kava on tap at the Reload Bar in Nuku'alofa. Next will be value-adding through the flavouring, bottling and canning of kava for export.

¹⁵ Business development services are generally defined as non-financial services that improve companies competitiveness and enhance business performance across the private sector.

¹⁶ <https://www.pacificsbdc.com>

climate change and global market fluctuations. For instance, innovation in sustainable tourism can promote eco-friendly practices and introduce new community-based tourism models that generate income while preserving natural and cultural heritage. Social entrepreneurship can also play a key role by creating businesses that prioritize social impact, such as empowering local communities and ensuring that the benefits of tourism are distributed equitably, all while fostering environmental sustainability. Sector-specific innovation can open new avenues for economic development. Additionally, value addition and diversification within these sectors can further enhance economic stability by reducing reliance on a single industry and expanding the range of goods and services offered. A good example is award-winning and organic-certified Niue Honey that exemplifies how strategic investment in niche, premium, and sustainable exports can generate high returns for Small Island State economies. It highlights the importance of: (i) leveraging natural advantages; (ii) developing high-quality, certified products; and (iii) building strong export linkages and market branding.

FIC economies must also recognise the importance of digitalisation and the potential benefits it can bring to MSMEs. Currently, MSMEs in the Pacific lag behind larger firms in their adoption of digital technologies. This is partly due to the small size and relative remoteness of Pacific islands, where challenges such as limited submarine cable connectivity and a lack of domestic data centers drive up the cost of broadband access for both businesses and households¹⁷. Policymakers should actively support MSMEs' digitalisation efforts by offering financial incentives, implementing programmes to enhance digital literacy, and establishing technology incubators to foster innovation and digital skills development. Additionally, efforts to improve infrastructure, reduce connectivity costs, and promote access to affordable, high-speed internet will be critical for empowering MSMEs to fully embrace digital opportunities.

- i. **Desired Outcome:** strengthen the growth and competitiveness of MSMEs through innovation, helping alleviate key needs and allowing them to easily expand, reaching new clients/markets and develop new products.*
- ii. **Priorities:***
 - a. **Expanded access to business development services** for MSMEs for long-term sustainability.*
 - b. **Increased innovation and productivity** through establishing clear innovation approach for specific sectors, including value addition and diversification efforts.*
 - c. **Promotion of digitalisation** through programmes that incentivise and promote MSMEs' utilisation of digital tools and by exploring potential ways to increase MSMEs access to digital infrastructure and virtual incubation.*
 - d. **Strengthening Small Business Development Agencies (SBDAs)** through enhancing the capacity of SBDAs to effectively support MSMEs with technical assistance, policy implementation, and advocacy.*
- iii. **KPIs:***
 - a) Increase in the number of MSMEs receiving Business Development Services.*

¹⁷ UNCTAD (2022) Digital infrastructure and ICT use in the Pacific https://unctad.org/system/files/official-document/dtlecdc2022d4_ch2_en.pdf

- b) Increase in the number of FICs with digital and/or innovation-support mechanism.*
- c) Increase in the number of incubators, accelerators across FIC economies.*
- d) Increase in the number of MSMEs receiving advisory and capacity-building support from SBDAs annually.*

3.3.3 Pillar 3: Access to Finance

Traditional banks often perceive small businesses as high-risk borrowers, leading to stringent lending requirements that exclude a significant portion of the MSME sector. The absence of tailored financial products combined with high transaction costs, limited reporting capacity, and weak financial literacy, further limits the ability of MSMEs to access formal credit. Sixty-five per cent of respondents to the 2024 PTI Exporters Survey found it difficult to obtain finance due largely to businesses having limited financial track records.¹⁸ Additionally, informal businesses, which make up a large portion of the Pacific's MSME sector, face even greater challenges in securing loans due to their unregistered status and lack of bankable projects.

Efforts to address these challenges through innovative financing instruments, such as Peer to Peer lending, extended credit facilities, alternative and psychometric loan decisioning models could be considered through this Strategy. Women entrepreneurs have benefited immensely from unsecured loan facilities offered through the South Pacific Business Development and the Fiji Development Bank¹⁹. In addition, United Nations Capital Development Fund (UNCDF)-led initiatives including the Pacific Islands Fintech Innovation Challenge, and the digital nano loan facility, the Solomon Islands National Provident Fund (SINPF)²⁰ have provided relief to eligible members of the SINPF, particularly targeting those who may not have easy access to traditional banking services.

One of the eminent problems for MSMEs is the high-cost and difficulty for financial institutions in assessing creditworthiness. Regional approaches, such as the creation of a regional credit bureau, could alleviate the capacity constraints of the smaller FIC economies and enable MSMEs with better access to financing, especially for traditionally marginalised borrowers (women, youth, persons with disabilities).

Access to microcredit in the PIC remains limited, with many MSMEs and entrepreneurs struggling to secure financing due to high collateral requirements, underdeveloped financial infrastructure, and the dominance of informal businesses. While microfinance institutions and regional initiatives have made progress in expanding financial inclusion, challenges such as high interest rates, limited outreach in remote areas, and lack of tailored financial products continue to hinder small business growth. One example is the South Pacific Business Development Microfinance Network operates in countries like Samoa, Tonga, and Fiji, providing small loans to women entrepreneurs to start or expand their businesses.

¹⁸ PTI Pacific Islands Export Survey 2024 Highlights, [export-survey-2024-highlights_web.pdf](#) ([pacifictradeinvest.com](#))

¹⁹ <https://www.fbcnews.com.fj/business/spbd-creates-genuine-opportunities/>, 7th October 2024; <https://www.fbcnews.com.fj/news/fdb-approves-585-loans-for-women-entrepreneurs>, 2nd March 2023; <https://spbdmicrofinance.com>; <https://ola.fdb.com.fj:2021/WEF/ApplicationForm>.

²⁰ <https://www.uncdf.org/article/8219/sinpf-delivers-new-nano-credit-facility-under-solomon-islands-australia-partnership>

Strengthening financial ecosystems through policy reforms, innovative financing mechanisms, and capacity-building programmes is essential to ensuring that Pacific MSMEs can access the capital they need to grow, compete, and contribute to economic development.

*i. **Desired Outcome:** to enhance financial inclusion for underserved groups, including women, youth, and persons with disabilities, by developing alternative business financing models that are inclusive, accessible, and effective.*

*ii. **Priorities:***

Develop and implement alternative credit assessment models that utilise innovative methods to assess creditworthiness for underserved groups.

*iii. **KPIs:***

a) Adoption of alternative credit assessment models;

b) Increase the proportion of MSMEs using traditional/alternative forms of finance over the next 5 years.

Box 4: Improving Access to Finance in the Pacific

SPBD has provided 340,000 loans worth over USD 630 million to over 120,000 women entrepreneurs in Fiji, Samoa, Solomon Islands, Tonga and Vanuatu. Founder, Mr Greg Casagrande says they will provide USD 20 million worth of loans to women entrepreneurs in Fiji, which is part of the USD 80 million to finance over 25,000 female entrepreneurs in the Pacific this year. Since the inception of SPBD in 2000, an entrepreneur has been established in over 120,000 families to help them move up on the economic ladder.

FDB, which works in partnership with SPBD, has its own microfinancing facility for women entrepreneurs that approved 585 loans (from 2,000 applications) valued at FJ\$1.4 million between August 2022 and February 2023. FDB has also added parametric insurance products in partnership with Tower Insurance to provide immediate relief to customers in the event of a cyclone.

Kindling Kiribati distributed 176 loans to women across the country in 2022 and in 2023 an extra 109 loans were extended to women in rural communities.

3.3.4 Pillar 4: Building Future Resilience

The impact of climate-induced disasters and pandemics like COVID-19, has been devastating across the Pacific region. These events have significantly disrupted MSMEs in both the formal and informal sectors, severely affecting businesses' operations, supply chains, and workforce. Vulnerable groups, particularly women-owned enterprises, face heightened challenges, as they often lack the financial resilience and resources to withstand prolonged economic downturns or recover quickly from crises. Furthermore, the vulnerability of MSMEs is compounded by limited access to climate-resilient infrastructure, inadequate insurance coverage, and insufficient risk management strategies. To build climate resilience, it is essential to enhance adaptive capacity through policies that promote disaster preparedness, diversification of income sources, and investment in sustainable practices. Supporting businesses with climate-smart technologies,

access to climate risk insurance, and training on disaster risk reduction can help mitigate these impacts.

Disaster recovery plans have played a crucial role in supporting Pacific businesses following recurring climate-induced disasters and COVID-19 that have destroyed key sectors (Table 2). A 2021 Business Impact Survey of 236 enterprises in Fiji indicated that 94 per cent of businesses were adversely affected by the pandemic,²¹ while 56 per cent of Samoan businesses experienced severe impacts²². In PNG, 75 per cent of 3,000 SMEs nationwide were adversely affected by the pandemic²³, while informal sector employment in the Solomon Islands was cut in half, along with significant job losses in the services sector²⁴. Additionally, 79 percent of female-led businesses across the region reported a significant decline in revenue since the pandemic began, compared to 54 per cent of their male-led counterparts²⁵. These figures highlight the disproportionate challenges faced by businesses in the region, particularly those led by women.

Table 2: Losses by Key Sectors due to Cyclones and COVID-19

Losses by the Agricultural Sector after Major Cyclones²⁶		
Fiji after TC Winston in 2016: USD 216 million	Vanuatu after TC Pam in 2015: USD 53 million	Tonga after TC Gita in 2018 : USD 43 million
Losses by Productive Sectors after COVID-19 & TC Harold in Vanuatu²⁷		
Productive Sectors	COVID-19 Losses since March/April 2020	TC Harold Losses in April 2020
Food Security & Agriculture	USD 2.4 million	USD 164.5 million
Commerce, Trade, Industry, Cooperatives & Tourism	USD 68.8 million	USD 5.2 million

Rebuilding following COVID-19 was complex, particularly due to the low uptake of Business Continuity Plan (BCP) by MSMEs, which were unprepared for unprecedented global phenomena (Table 3). Insurance-related challenges further complicated the recovery process. In 2021, the International Labour Organisation (ILO), the United Nations Development Programme (UNDP) and the International Fund for Agricultural Development (IFAD) collaborated with the Vanuatu Business Resilience Council on in-country training on BCPs²⁸. Similarly, in 2023, the Fiji Business Disaster Resilience Council received support from PIFS for peer-to-peer learning on Climate Finance and Resilience, aimed at strengthening the capacity of Pacific regional private sector representatives. The Council continues to run local training on “Resilient Businesses Ready for Tomorrow”²⁹. Private sector resilience before the advent of COVID-19 is also noteworthy (Box 5).

²¹ https://www.ilo.org/suva/public-information/press-releases/WCMS_816653/lang--en/index.html

²² Findings of the Rapid Assessment of Covid-19 in Fiji and Samoa, ILO, July 2020.

²³ <https://www.thenational.com.pg/covid-19-affects-smes/>

²⁴ COVID-19 in Solomon Islands: Economic and Social Impacts; Insights from the January-February 2022 round of high frequency phone surveys, World Bank and Pacific Observatory

²⁵ <https://www.rnz.co.nz/international/pacific-news/439662/surveys-show-pandemic-s-impact-on-pacific-businesses>

²⁶ Pacific Financial Inclusion Program, <http://www.pfip.org>

²⁷ Vanuatu Recovery Strategy 2020-2023 – TC Harold & COVID-19; Government of Vanuatu, July 2020

²⁸ UN Pacific Informal Economies Recovery Project, UN COVID-19 Response and Recovery Fund, e-Newsletter September-October 2021

²⁹ <https://www.fijitimes.com.fj/peer-to-peer-learning/>

Table 3: Proportion of Private Sector Without BCPs in Selected FICs³⁰

Fiji	Solomon Islands	Palau	Tuvalu	Tonga	RMI	Samoa
41%	53%	66%	71%	73%	78%	82%

Box 5: Pre-COVID Disaster Preparedness

Business Continuity Planning preceded COVID-19 for companies in Ba, Fiji as they have proactively had such plans for decades in readiness for devastating floods that hit Ba each year. “Before COVID, we had invested into resilience, installing elevators and buying forklifts to speed up the shifting of stocks to newly built mezzanines, waterproofing counters, getting back-up power generators and training of staff. Insurance covers only cyclones, not floods, as our buildings are certified by engineers. Floods know no boundaries, the worst in 2009. The cost of resilience is downtime. It’s heavy.” – Business Executive, Ba.

Moving forward, to build resilience of MSMEs, it is critical to provide further support for the widespread adoption of BCPs and resilience strategies among MSMEs. Post-disaster, MSMEs also face significant insurance challenges, including lack of coverage, underinsurance, and slow claims processing. While the Pacific Catastrophe Risk Insurance Company assists governments with disaster risk management, there is a growing need for similar schemes that support the resilience of the private sector. Developing such mechanisms could enhance MSMEs’ ability to recover quickly from future crises and reduce vulnerabilities in the region.

- i. **Desired Outcome:** strengthen the disaster resilience of MSMEs across the Pacific region by ensuring the widespread adoption of Business Continuity Plans (BCPs) and resilience instruments, including microinsurance.*
- ii. **Priorities:***
 - a) Promote the widespread adoption of Business Continuity Plans (BCPs) to ensure MSMEs can maintain operations during disruptions and recover swiftly from crises.*
 - b) Establish partnerships with insurance providers to develop affordable and tailored microinsurance products that better meet the specific needs of MSMEs, enhancing their financial resilience against disasters.*
- iii. **KPIs:***
 - a) Increase in the percentage of MSMEs with BCPs or climate adaptation plans over the next 5 years.*
 - b) Increase the proportion of MSMEs accessing climate insurance from x per cent to y per cent over five years.*

³⁰ Rapid Assessments on Impact of COVID 19 on Employment and Business 2020–2021 conducted by the ILO and IOM in the Pacific.

3.3.5 Pillar 5: Inclusive Entrepreneurship

The Pacific region faces significant challenges with a growing youth segment, where high unemployment rates among young people are a pressing concern. The 15–24 age category makes up half of the unemployed population in the region³¹. There are also considerable gender disparities in labour markets, for instance, according to the 2022 Samoa Labour Force and Child Labour Survey, the national labour force participation rate stood at 43.8% with males having higher participation rates than females across all age groups.³² . While opportunities emerge through temporary labour migration to Australia and New Zealand with nearly 48,000 working visas issued to Pacific Islanders in 2022-23³³, the labour exporting FICs are grappling with shortages of semi-skilled and skilled workers which result in higher operational costs associated with the recruitment of workers from abroad.

This issue of low employment among the vulnerable could be addressed by equipping them with the opportunities and skills to leverage their untapped potential, which could also support both local businesses and the broader economy.

Strengthening education and vocational pathways that align with the demands of the private sector will ensure that young people are equipped with the skills needed to thrive, reducing unemployment rates and promoting inclusive growth.

Unlocking entrepreneurial talent across the population contributes to inclusive and sustainable growth, labour market attachment and social and financial inclusion. Another strategy is to ensure that the skills acquired by those who go abroad through labour mobility schemes are effectively utilised upon their return, through sustainable reintegration programmes that also cover small business development. By providing returning workers with pathways to apply their newly gained expertise and knowledge, while simultaneously supporting the local workforce through targeted training and employment initiatives for youth, a more robust and skilled labour market could be created. Youth entrepreneurship can be a powerful tool for economic diversification and resilience in the region. With many Pacific economies reliant on traditional industries, empowering young entrepreneurs can stimulate new sectors, drive digital transformation, and foster sustainable local enterprises. Additionally, young people are progressively working towards contributing to meaningful endeavours which create positive social and environmental impacts; and SMEs and/or social enterprises may allow these aspirations to be fulfilled, generating positive social impacts for the society. However, young entrepreneurs could face challenges with regards to access to finance, training, supportive legal frameworks, amongst many others³⁴.

Inclusive entrepreneurship policies³⁵ aim to offer all people an equal opportunity of creating a successful business, regardless of their gender, age, or other personal characteristics. Inclusive

Box 6: Remittance Potential for Small Investments

“Participants earn significantly more than what they would at home – between three and four times for Tongan workers and up to nine to 10 times for ni-Vanuatu. On average, close to 60 percent of their earnings can be saved and sent home.” World Bank (2023) Pacific Workers and Their Families Share Their Stories.

³¹ The Pacific Youth Development Framework 2014-2023, SPC, Suva 2015.

³² Samoa Labour Force and Child Labour Survey 2022, Samoa Bureau of Statistics accessible on [2022_SLFCLS_Report.pdf](https://www.samoabureauofstatistics.gov.su/2022-SLFCLS_Report.pdf)

³³ <https://devpolicy.org/pacific-labour-mobility-over-the-last-year-continued-growth-20230808/>

³⁴ OECD 2023, The Missing Entrepreneurs: https://www.oecd.org/en/publications/the-missing-entrepreneurs-2023_230efc78-en.html

³⁵ <https://www.oecd.org/en/topics/inclusive-entrepreneurship.html>

entrepreneurship policies that ensure equal opportunities for all, can be key for this inclusive approach. By promoting targeted policies and mechanisms, the region can help women, youth, and social entrepreneurs³⁶ overcome systemic barriers such as limited access to finance, restrictive societal norms, and inadequate training opportunities. Enhancing the participation of women in the MSME ecosystem through economic empowerment is particularly vital, given their significant contributions to local economies and the persistent challenges they face in running a business.

The strategy could explore the policies and mechanisms for promoting equitable opportunities through inclusive MSMEs, the focus is on studying three specific target groups: women, youth, and social enterprises.

*i. **Desired Outcome:** create a skilled, employable, and resilient workforce and entrepreneurs in the Forum Island Countries, with a particular focus on empowering youth, women and disadvantages communities.*

*ii. **Priorities***

a) Enhancing Technical and Vocational Education and Training (TVET) through strengthening education and skills development programmes to ensure they align with market needs, equipping youth with relevant, in-demand skills for sustainable employment.

b) Support for Sustainable Reintegration by creating pathways for returning workers to apply their skills locally, with a focus on fostering entrepreneurship and enabling them to contribute to the local economy.

c) Explore addressing specific barriers faced by women and youth entrepreneurs, through improved awareness and specific support instruments.

d) Expand awareness and support for social entrepreneurs, increasing awareness about the concept and raising the visibility of existing social businesses.

*iii. **KPIs:***

a) Increase in the number of youth and women completing vocational training programs aligned with industry needs.

b) Increase in the number of returning workers who successfully launch businesses.

c) Increase the number of FICs with social entrepreneurship definitions and support programmes.

3.3.6 Pillar 6: Regional Dialogue

Regional integration is the cornerstone for Pacific resilience, providing a platform for collaboration, sharing of best practices and resources, and expanded market opportunities. By fostering closer economic ties, Pacific nations can enhance trade, investment, and business development while creating a more competitive and interconnected private sector. For MSMEs, regional integration can reduce barriers to cross-border trade, improve access to finance, and facilitate knowledge-sharing on best business practices, ultimately strengthening their ability to compete in both regional and global markets.

³⁶ Social enterprises are defined as “any private activity conducted in the public interest, organised with an entrepreneurial strategy, whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals”.

To advance regional integration, structured policy dialogues are essential, enabling policymakers to exchange information, discuss policy solutions, and coordinate regional approaches to common challenges. Moreover, Public-Private Policy Dialogues (PPPDs), such as the private sector dialogue held along the margins of Forum Economic Ministers Meeting and Pacific Islands Forum Leaders Meeting, play a crucial role in ensuring that businesses have a voice in policy development and must continue to be supported. An example of such a set-up is presented in Box 7, which presents a useful business case for consideration.

The success of PIFS' establishment of the Pacific Islands Private Sector Organisation (PIPSO as the regional private sector advocacy body in 2005 representing the voice of businesses in regional policymaking has waned in recent years. Effective collaboration with PIPSO allows Member governments to engage directly with the private sector, ensuring that policies are practical, inclusive, and aligned with the needs of businesses. By strengthening these dialogues, the Pacific Islands Forum can create a more integrated and dynamic economic environment that supports sustainable and inclusive growth. The success of PIPSO is also closely tied to its long-term sustainability, which is highly driven by the active participation of National Private Sector Organisations (NPSO) that represent the interests of businesses at the national level. For effective regional integration, it is critical to have robust and fully functional NPSOs. This highlights the urgent need for ongoing capacity building, strategic collaboration among NPSOs, strengthened governance practices and financial sustainability of these organisations.

Policy makers from different agencies should also explore ways they can share data, and best practices across the region, with efforts being made to improve data collection, harmonise methodologies and establish regional definitions/guidelines wherever applicable as prerequisites for ensuring regional integration.

In addition, to enhance policymakers' capacity and improve their support to MSMEs, workshops offering knowledge sharing and the exchange of best practices should be routinely held. The establishment of a regional repository to capture and share best practices in private sector development across Forum Island Countries could be considered. This repository would serve as a knowledge-sharing platform, enabling countries to learn from one another's experiences, replicate successful initiatives, and promote more coordinated and informed decision-making at both national and regional levels

- i. **Desired Outcome:** Enhance regional integration by ensuring a revitalised and fit-for-purpose regional private sector organisation and strengthening National Private Sector Organisations, thereby enabling the exchange of good practices and data among the relevant authorities.*
- ii. **Priorities:***
 - a) Strengthen the effectiveness of the dialogue mechanisms within the Forum process and at the regional level.*
 - b) Conduct public-private policy dialogues.*
 - c) Explore creation of mechanisms for exchange of regional data and best practices and conducting regional analysis to support policy-making decisions.*
 - d) Facilitate improvements to the governance of PIPSO following the key recommendations of the 2019 PIPSO review report.*
- iii. **KPIs:***
 - a) Conduct policy dialogues and public-private policy dialogues.*
 - b) Regional and national data collection mechanisms.*

- c) *Fit for purpose regional private sector organisation and strengthened NPSOs.*
- d) *Regional repository of best practices in private sector development.*

Box 7: APEC Dialogue Process With ABAC

The APEC Business Advisory Council (ABAC) is the private-sector arm of the Asia-Pacific Economic Cooperation. This private-sector body presents recommendations to APEC leaders in an annual dialogue and advises APEC officials on business-sector priorities and concerns. ABAC meets four times a year; they also attend senior officials' meetings, the annual ministerial meeting and the various sectoral ministerial meetings.

4.0 Implementation Plan

Upon the adoption of the Pacific Regional Private Sector Strategy by the Forum Economic Ministers Meeting, the Secretariat will develop the Implementation Plan (IP) in collaboration with international organisations, donor partners and regional institutions, for an out of session endorsement by Members by the end of December 2025. The IP will guide the Strategy's first five-year iteration, providing a structured approach to delivering key priorities. This IP will outline targeted regional collective actions, establishing clear milestones, defining responsible stakeholders, and identifying resource requirements. A coordinated regional effort will be fostered by leveraging partnerships with Forum Member countries, governments, private sector organisations, development partners, and regional institutions.

The Implementation Plan will specify the sequencing of activities distinguishing between quick wins and medium-term actions while clarifying responsibilities among governments, the private sector, and development partners. It will also outline the mechanisms for execution, including knowledge-sharing initiatives, technical capacity-building, and policy support. Financial sustainability will be a key focus, with funding options explored in partnership with development and dialogue partners. Reports from ADB's forthcoming Pacific Islands Private Sector Assessment, undertaken to understand the composition and nature of private sector activity across the region, could be utilised to inform regional actions under the Strategy.

Technical, capacity building and resource support from identified implementation partners including the Asian Development Bank, Griffith Asia Institute, International Labour Organisation, Organisation for Economic Co-operation and Development, and the World Bank will be critical in ensuring the successful implementation of the Strategy. To avoid duplication and possible synergies of efforts, it will be critical to identify existing or forthcoming regional collective actions aligned with the priority areas of the Strategy being implemented by these organisations.

The Secretariat will play a coordination role in the implementation of the Strategy, through liaison with implementing partners to ensure future regional private sector development programmes are aligned with the PRPSS, whilst ensuring the RCAs identified are being effectively implemented, and supporting or leading where necessary on resource mobilisation efforts.

5.0 Governance and Monitoring and Evaluation

For a successful implementation of the Strategy within the intended timeframe, the development of a regional coordination body is pertinent. This will be achieved through the establishment of an MSME Working Group. To strengthen in-country support and ensure effective execution, this group will consist of “MSME Champions” nominated by Forum Member Countries to oversee and drive the implementation of the Strategy. The group will also collaborate with key stakeholders, technical experts, institutional partners, and development organisations engaged in private sector development, including MSME sector growth, both within and beyond the Pacific region. These Champions will help coordinate activities, facilitate stakeholder engagement, and enhance communication between national governments, the MSME Working Group, and other key actors. The plan will be designed to align with national MSME strategies while remaining adaptable to emerging priorities, ensuring meaningful and sustained private sector development across the Pacific.

Over the 5-year tenure of the Pacific Regional Private Sector Strategy, the MSME Working Group will oversee implementation through regular monitoring and evaluation to assess progress in achieving the Strategy’s objectives. Monitoring and evaluation will be a continuous and participatory process, with Members’ MSME Champions playing a key role in tracking progress at the national level. Upon further deliberation with OECD, there is a possibility of utilising the OECD SME Policy Index and developing a similar index for the Pacific³⁷.

The M&E Framework will focus on three components:

- a. **Routine Monitoring** – Regular tracking of project activities, outputs, and budget expenditures against set targets, with reports submitted to the MSME Working Group the Pacific Economic Sub-Committee, Forum Economic Ministers Meeting and Forum, Forum Trade Officials Meeting and Forum Trade Ministers Meeting.
- b. **Annual Reporting** – Submission of Annual Reports to Forum Trade Ministers Meeting and Forum Economic Ministers Meeting to assess ongoing progress and address implementation challenges.
- c. **Mid-Term and End-of-Term Reviews** – A comprehensive Mid-Term Review will be conducted to assess progress, identify gaps, and recommend course corrections, while an End-of-Term Review will evaluate overall achievements and inform future iterations of the Strategy. In the absence of baseline data, a baseline survey could be considered at the launch of the Strategy to enable the collection of comparable data useable for the evaluation of achievements as the implementation of the Strategy progresses. The OECD SME Policy Index could be developed for this purpose.

The Strategy will be reviewed in 2030 for updating in 2031 and reviewed every 5 years until 2050 in alignment with the 2050 and PRED Implementation Plans. This will help determine the priority areas to be covered in forthcoming iterations of the Strategy.

³⁷ [SME Policy Index | OECD](#)