

**46th Pacific Islands Forum Leaders Meeting
Port Moresby, Papua New Guinea**

Private Sector Dialogue with Pacific Islands Leaders

9 September 2015

**Supporting SMEs to Increase Economic Growth, Employment and
Reduce Poverty**

**Statement by Benson Nablu
Board Member, Pacific Islands Private Sector Organisation (PIPSO)**

The Honourable Prime Minister for Papua New Guinea, Chair of the Pacific Islands Forum, Mr Peter O'Neill;

Your Excellencies and your esteemed delegations;

Dame Meg Taylor, Secretary General of the Pacific Islands Forum Secretariat;

Representatives of Regional and International Agencies, Development partners; and

Distinguished representatives from Civil Society and Private Sector.

1. Good afternoon and warm Pacific greetings from the Pacific Islands Private Sector Organisation. It gives me great pleasure to stand before you today to deliver a statement from the Pacific islands private sector.

2. As the umbrella organisation for 15 Pacific Islands NPSOs, PIPSO represents the business interests of the Pacific, which is predominantly composed of micro and small and medium enterprises (SMEs). We are the backbone of our economies driving innovation, economic growth and poverty reduction.

3. The Forum Secretariat circulated our issues paper prior to this, and that paper was calling for greater support to our business community, particularly the SMEs.

4. As you would be well aware, our Pacific businesses are predominantly SMEs, and include the informal micro businesses and home-based enterprises, which has been known to increase in recent years.

5. While SMEs continue to dominate the business landscape, we are of the view that there is limited and irregular support provided to them. The Governments happily develop a “one stop shop” to create a local culture favorable to foreign investment to ease the facilitation of various levels of bureaucracies of different Government agencies; however, the same cannot be said for our own SMEs and their business needs at country level. For example, in many of the Pacific islands, to obtain information on business licenses and approvals, and other aspects of doing business, SMEs very often need to go from “pillar to post”, and from one government agency to another. It is indeed very frustrating and is one of the core complaints and concerns raised by entrepreneurs and business start ups.

6. UNESCAP in one of their recent reports on *SMEs in Asia and the Pacific*, acknowledged the presence and importance of the large SME sector, and that there is great diversity in the region’s enterprises and SMEs who are at different stages of evolution in their respective economies; and thus their relative roles and contributions AND needs also differ.

7. This echoes and supports our sentiments in that, whilst the constraints SMEs face to strengthen their competitive performance are broad and varied, there is ultimately still some very basic and fundamental

challenges such as terms of access to finance, and the cost and ease of doing business that needs to be addressed.

THE ISSUES

8. Your Excellencies please allow me to briefly highlight and re-emphasize some of these particular deficiencies which most of you are familiar with:

9. Firstly, **limited access to finance.**

- Reports from various surveys and studies show that access to finance is the biggest constraint.
- A number of initiatives have been introduced by some governments in the Pacific which includes credit guarantee schemes, import substitution and export facility and export credit facility. However SMEs continue to experience difficulty in accessing credit from financial institutions.
- The issue is not the lack of finance but the process to obtain finance which is very constraining. We like to acknowledge the effort being undertaken by the various Banks to increase lending to the SMEs sector and a special mention of BSP in setting up SMEs Business Centers in their branches to. We need to see more of these roll out throughout the Pacific.
- We also like to acknowledge the **FIRST** PNG Women's Micro Bank catering for women and girls. This is also the **first in the Pacific Region** and the **Fourth Bank** in the world catering for women and girls. A truly phenomenal achievement fully backed by Government. This bank addresses the constraints in the process of obtaining

finance and we encourage other Pacific Islands to consider such solutions.

10. Secondly, **lengthy and cumbersome processes in business registration, approvals and renewal of business licenses.**

- The ADB has been working in a number of Pacific island countries to reform company laws and this has resulted in significant turnaround in the registration of companies. However this is only one part of the equation. Companies also need to obtain business licenses and renew these on an annual basis.
- In countries where business licenses are not issued by the authority that register companies in such cases the local governments or local municipal councils, the process is very frustrating and cumbersome for SMEs. The need for simplified business registration and other administrative processes cannot be emphasised enough. In some countries business licenses renewals can even be more challenging.

11. Thirdly, linking to the two issues I have highlighted is the need to have sufficient **business infrastructure support, including that of trade and investment opportunities.** There is very little or absence of national business service centers for SMEs to obtain a menu of business support services such as business advice, training, mentoring, business connection, trade opportunities, funding information, and the full range of available government services available to them.

- We have Investment Bureaus catering for Foreign Investors to facilitate their investment in the Pacific islands countries. This is great. But what do we have for our SMEs? We like acknowledge the effort

undertaken by the New Zealand Government to support Small Business Enterprise Centers like in Samoa and Tonga. We need more of these in other countries. We also acknowledge and thank all foreign investors and companies that have invested in the Pacific. The region is not an easy region to do business in. Their contribution to the Pacific Island economies is significant and valuable. Therefore trade and investment facilitation should continue to be consistent or even increase to another level to foreign companies.

- At the same time we need fully integrated business centers for our SMEs to unlock opportunities and remove blockades for better economic participation of our people which includes women, youths and those with disabilities.

THE WAY FORWARD

12. Whilst this has been an opportunity to bring our issues to your attention, let me also take this opportunity to reaffirm to you our commitment to working with Government Administrations on national and regional economic development aspirations.

13. PIPSO recognizes the core objectives articulated in the *Framework for Pacific Regionalism*, and particularly with the three objectives that we as private sector are happy to support and work toward – (i) sustainable development that combines economic social, and cultural development in ways that improve livelihoods and well-being and use the environment sustainably; (ii) economic growth that is inclusive and equitable; and (iii) strengthened governance, legal, financial, and administrative systems.

14. Further, at the 3rd International Conference on Small Island Developing States held in Samoa, our Leaders, through the *Samoa Pathway*, reaffirmed its support to private sector by calling for:

- promoting and fostering an environment conducive to increased public and private sector investment and the creation of decent jobs and livelihoods that contribute to sustainable development;
- developing entrepreneurial and vocational skills; and
- accessing technologies to achieve sustainable development and foster environments that provide incentives for innovation and entrepreneurship, which are essential enablers and drivers for sustainable development.

15. To support countries and the region to meeting those key regional commitments, the Pacific islands private sector is calling for Pacific Governments to seriously consider removing blockades and unlocking opportunities for our local businessmen and women. We need to provide the necessary support and structure for homegrown sources of growth, such as micro and SMEs.

16. Today, it is also a great opportunity to acknowledge PNG's efforts in placing SME development at the forefront of the national development agenda. Earlier this year, PNG established an SME Council which is chaired by the Honourable Prime Minister – this indicates the level of importance that is placed in the development of SMEs in PNG, and having the Honourable Prime Minister championing SME development is positive and truly encouraging. We also acknowledge the Prime Minister of Samoa who is also a champion and supporter for the Samoa Women in Business. PIPSO and its constituents salute you for this. We encourage the same for the wider Pacific island countries. We need champions in this area.

17. To conclude, the private sector of the Pacific Islands would like to propose some actions to catalyst the growth and strength of our SMEs.

18. **Clear National Policy Strategic Direction of Micro SMEs Development** – we need to clearly spell this out and how this policy direction will be implemented. We have seen policies being developed but there is lack of implementation and support. We need to synchronize the policy direction and its implementation. All those responsible should be accountable and committed.

19. **Simplification of business registration, business licenses and renewals.** The local government authorities in various urban areas and provinces need to have consistent procedures rather than different procedure from one jurisdiction to another. We need to get our basics right. We need to use technology to enhance these mundane procedures. PIPSO is willing to work with local governments to reform this processes.

20. **Provide SMEs Business Center for Advice and Support**

Our people are important and they need to be put in the centre of our development. We need to provide business centers and the Chambers of Commerce and Business Councils can work in partnership with Government on how best to bring this about. We need to build support networks and connect this to the SIDS Global Business Network which PIPSO and its partners are working on. Our SMEs are equally important as our Foreign Investors and we need to unlock the opportunities.

21. **Build Trade and Investment Capacity of SMEs**

In order to trade whether regionally or globally, our SMEs need to be supported to first trade locally. There are various trade agreements in place

in the Pacific region and to make use of these trade opportunities, directed support to improve the quality of the products, packaging, labeling and meeting sanitary standards are important. PIPSO is currently providing some support in this area and there is a need to increase this type of support at country level for SMEs. We need to strengthen SMEs to produce quality products that can be known worldwide. We have SMEs that have already done that and this highlights the potential and opportunities that exist. SMEs need technical and funding support.

22. Last but not least, **we need to modernize and reform our financial institutions laws to allow for innovative funding solutions into our country.** Traditional banking has its place but is unable to fully cater for SMEs funding needs. We need crowd funding, angel investors' equity and debts instruments. An array of alternative financing is needed.

23. Honorable Chair, some of the proposals put forward today has also been repeated in past meetings and regional forums. We are calling for decided action and commitment so that there is equitable distribution of development gains. We need to be true to our people.

24. PIPSO and its constituents are willing to work in partnership with all levels of Government administration and developments partners to bring about these necessary reforms to move us forward.

25. We thank you for the opportunity to address this esteemed gathering and we wish you all a successful Forum Leaders Meeting.

9 September 2015
Port Moresby, Papua New Guinea