

Trade Competitiveness Briefing Paper

# An Assessment of the Impact of COVID-19 Responses on MSMEs in the Informal Sector: Evidence from Commonwealth Countries in the Pacific

Amrita Saha, Marco Carreras and Evert-Jan Quak



The Commonwealth

By Amrita Saha, Marco Carreras and Evert-Jan Quak, Institute of Development Studies (IDS).

IDS thanks the Commonwealth Secretariat for this opportunity for collaboration. We are grateful to the reviewers for feedback on an earlier version. Devanik Saha at IDS provided research assistance in compiling the policy responses. The complete underlying raw data for the index is available on request from authors. The authors aim to update this measure in future research. Any remaining errors are entirely ours.

Please cite this paper as: Saha, A, M Carreras and E Quak (2020), 'An Assessment of the Impact of COVID-19 Responses on MSMEs in the Informal Sector: Evidence from Commonwealth Countries in the Pacific', *Trade Competitiveness Briefing Paper 2020/03*, Commonwealth Secretariat, London.

The Trade Competitiveness Briefing Paper series provides evaluative and strategic research on new and emerging trade issues of relevance to the Commonwealth member countries. The series focuses on the practicalities of addressing these new issues as well as long existing (but still very current) policy challenges in a time-bound, targeted and effective manner; taking into account both opportunities and challenges that emerge due to changes in global trade landscape. The views expressed here are those of the author(s) and do not necessarily represent those of the Commonwealth Secretariat.

For more information, contact the Series Editor: Opeyemi Abebe,  
o.abeb@commonwealth.int.

---

### Abstract

The coronavirus (COVID-19) pandemic is leading to economic disruptions, with the informal sector in Pacific Commonwealth countries being particularly vulnerable. Informal employment accounts for around half of the employment across many of these countries, and a major part of the informal sector thrives on visiting tourists. COVID-19 has required necessary measures on social distancing, translating to profound economic consequences in the short term that could be much more severe in tourism-related sectors where workers risk being laid off.

This report summarises current policy responses and groups them into five key areas: health and safety measures; welfare support; responses on taxes and fees; finance and credit measures; and structural policies. It then proposes a simple COVID-19 Response for Informal Sector (CRIS) Index that combines information on four indicators (breadth, access, cover and adequacy) for each policy area, based on announced measures, as well as the existing scenario in country, allowing for systematic comparisons across the countries. Finally, it recommends a combination of short-term responses and medium- to long-term measures that are needed to support recovery for informal enterprises and workers.

---

JEL Classifications: J46, O17, Z32

Keywords: Commonwealth Pacific; COVID-19, informal sector, tourism, policy responses

# Contents

---

1. Introduction	4
2. COVID-19 and MSMEs in the Pacific's informal economy	5
3. Methodology	7
4. Assessing policy responses and measures	10
5. Recommendations	23
Endnotes	24
References	25
Annex	27

# 1. Introduction

This report assesses the potential impact of the COVID-19 pandemic on MSMEs in Commonwealth Pacific: **Fiji Islands, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu** and **Vanuatu**, reviewing current economic policy responses and investigating if these responses are sufficient to safeguard actors in the informal sector. The analysis considers both the immediate short-term emerging implications, as well as challenges for the medium- to long-term, when recovery begins. Additionally, it draws focus to the heterogeneity of impacts across sectors.

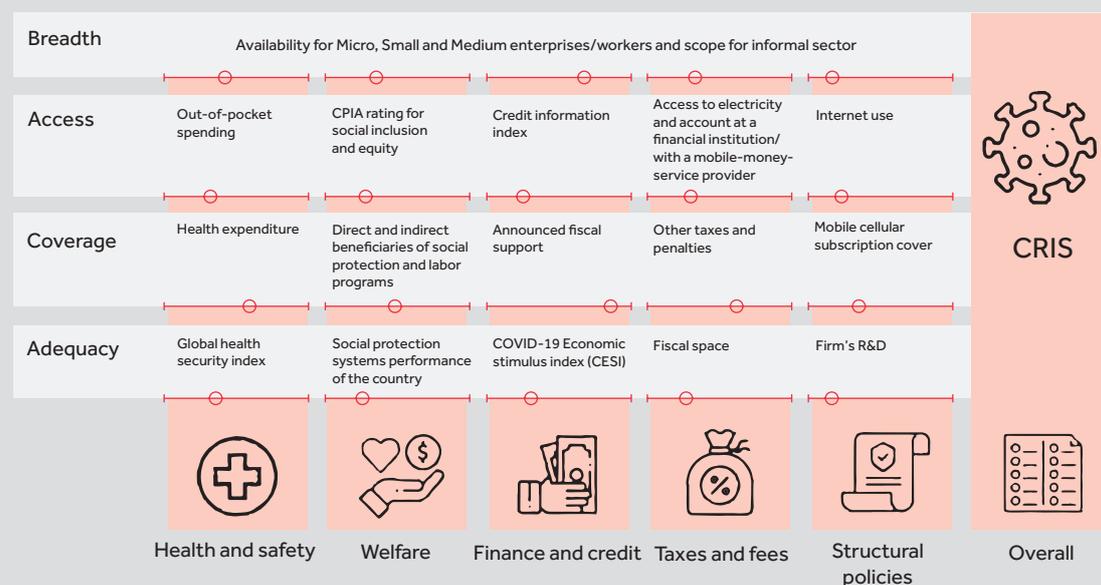
The coronavirus (COVID-19) pandemic has led to large-scale disruptions around the world. Most governments in the Pacific have responded with public health measures to limit the potential spread of the infection. Health measures have often been accompanied with a range of economic and financial responses in the Pacific, to keep the economic fabric alive by preserving jobs and businesses, with a noticeable variation across countries. The combination of measures adopted has important consequences for the severity of the economic downturn.

With limited resources, the Micro, small and medium-sized enterprises (MSMEs) in the

informal economy are particularly susceptible to the disruptions. The effectiveness of the economic interventions also remains uncertain for these actors. Effective responses to COVID-19 to safeguard MSMEs and workers in the informal sector will require a mix of swift, context-specific short-term measures implemented with speed and flexibility and medium- to longer-term policies that focus on building resilience and capabilities. The interventions need to account for the sectors, composition, level of informality, etc.; result from engagement and consultation with stakeholders; and ensure flexibility in monitoring the design and implementation of interventions.

The current economic policy responses in the Pacific are presented in this report as the 'COVID-19 Policy Response for Informal Enterprises Monitor (CPRIM)' and include a subset of actions and measures that affect informal enterprises and workers, either directly or indirectly, as of 15 May 2020. It does not aim to provide a full picture of measures undertaken, but provides a consolidated overview of how Commonwealth countries in the Pacific<sup>1</sup> are responding to the implications of COVID-19 through: (i) **health and safety** measures; (ii) **welfare support** in the form of grants and

Box 1. COVID-19 Response for Informal Sector (CRIS) index



Source: Author illustration.

safety nets; (iii) **finance and credit** support for firms; (iv) **taxes and fees** being waived; and (vi) **structural policies** to encourage the adoption of digital tools or information. The CPRIM can be updated frequently as the response measures continue to evolve.

A four-point diagnostic tool is used to assess the breadth, access, short-term cover, and medium- to longer-term effects across the five areas. These four different indicators are standardised across the five areas and combined to yield a simple unweighted COVID-19 Response for Informal Sector (CRIS) Index that allows for systematic comparisons across the countries, helping narrow down both lessons

and gaps that can inform further policies (see Box 1).<sup>2</sup>

The report is organised as follows: Section 2 reviews the broad structure of the informal economy in the Commonwealth Pacific countries and then analyses the channels of transmission of the COVID-19 global crisis; Section 3 presents the methodology of the report – developed especially to address the question of adequate support for the informal sector; Section 4 outlines the economic responses across countries, assessing the potential effects and gaps for the enterprises and workers; finally, Section 5 concludes by outlining a list of recommendations.

---

## 2. COVID-19 and MSMEs in the Pacific's informal economy

---

COVID-19 is creating hardships in Pacific countries, especially for those in the informal sector. This section begins by outlining stylised facts about the structure of the informal economy, with examples by country.<sup>3</sup> Next, it discusses the unfolding impact and the transmission channels through which the informal enterprises and workers have been affected.<sup>4</sup>

### 2.1 Informal economy in the Pacific

The informal economy comprises of 2 billion people worldwide (ILO monitor 2020). According to the ILO definition, the common characteristics of informal enterprises include the ease of entry, reliance on indigenous resources, family ownership, small-scaled operations, labour intensive, adaptive technology, and unregulated and competitive markets.

In the Pacific, informal employment accounts for around half of the employment in Fiji, Tonga and Vanuatu and more than 80 per cent in Papua New Guinea and Solomon Islands.<sup>5</sup> A major part of informal economic activity thrives on visiting tourists, selling produce to them, offering services like transport, etc.

According to a 2017 ILO report, Solomon Islands has the highest proportion of workforce (85%) in the informal sector, while Nauru has the lowest (4.2%). However, in terms of absolute numbers, Papua New Guinea, the most populated country in the Pacific (with 8.6 million

people), has the highest number of informal workers (its informal rate of employment is 84 per cent). It was also the only country to adopt legislation recognising the contribution of the informal sector to employment growth, when it adopted the Informal Sector Development and Control Act in 2004.

An effective valuation of the informal economy is problematic for Pacific countries. However, there are some estimates. For example, in Fiji, according to Asian Development Bank (ADB) estimates<sup>6</sup> in 2011, the informal economy generated 15.4 per cent of gross domestic product (GDP). Of this, 45 per cent was in real estate and business services, 33 per cent in agriculture, 31 per cent in wholesale and retail trade, 26 per cent in manufacturing, and 29 per cent in personal and household services.

Women in Pacific countries are more likely to be unemployed and seeking informal work. Results from the 2016 Census of Population and Housing in Tonga showed that women comprised 95 per cent of the approximately 5,000 people working in occupations related to handicrafts.<sup>7</sup> In Fiji, a large number of the women participating in the economy were inclined towards low-paying informal sector jobs such as agriculture, handicrafts, sales-related jobs and tourism.<sup>8</sup> Women in the informal sector in Solomon islands are actively involved in floral arts, cooking stalls, betel nut markets, fish

and handicraft markets.<sup>9</sup> However, women's participation has also been largely restricted to low-paid, low-status, unskilled jobs with average earnings close to half compared to average male wages (JICA 2010). In Papua New Guinea, most people are engaged in subsistence activities including agriculture, hunting and forestry (71% of men; 81% of women), with women concentrated in traditional activities involving food production, the sale of fresh produce, betel nuts, fishery and bakery products (ILO 2017). Further, women in the informal economy have limited access to formal channels of finance (ADB 2016).

## 2.2 The unfolding effects of COVID-19 for MSMEs

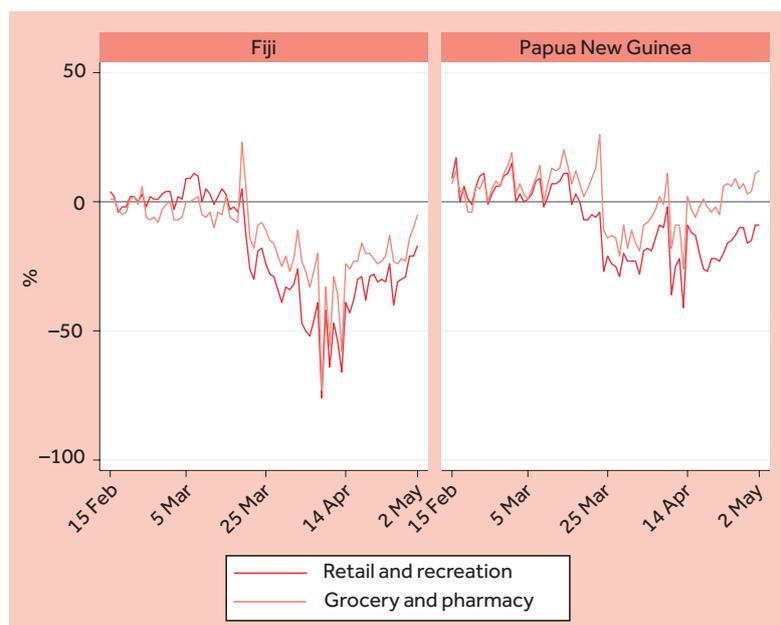
The spread of COVID-19 has required necessary measures on social distancing, translating to profound economic consequences in the short-term. These could be much more severe in the medium- to long-term, depending critically on the current economic policy responses. The effects for informal MSMEs are taking place simultaneously through two direct transmission channels: demand-side shocks and supply-side effects (World Bank 2020).

First, consumers are demanding fewer goods and spending is considerably reduced on services such as travel, entertainment etc., directly

affecting informal enterprises. For example, retail and recreation, grocery and pharmacy sites have experienced a reduction in mobility of between 20 and 50 per cent across countries (Figure 1). Informal firms have also been affected by a reduced demand for goods and services from formal firms and from the knock-on effects of reduced exports.

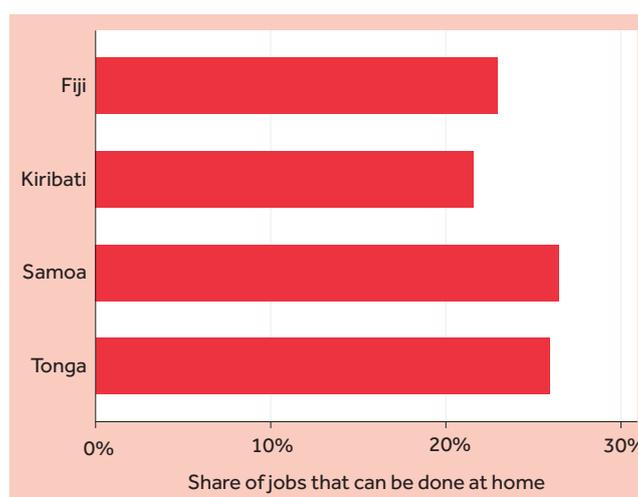
Second, restrictions are affecting the availability of labour – as public transit and mobility to places of work have also decreased. Firm productivity is likely to decline with new modalities of work. Also, shocks affecting access to important inputs will have a huge impact on enterprises, with longer-term consequences, for example, in agriculture and fisheries. In the Pacific region, countries like Fiji, Vanuatu and Nauru, which are heavily dependent on tourism, have suffered huge losses. In Fiji, the tourism downturn is expected to reduce the country's GDP by 38 per cent.<sup>10</sup> Therefore, given the significant contribution of the tourism sector to these countries, it becomes critical to provide an adequate economic stimulus to tourism-focused businesses. The United Nations World Tourism Organization (UNWTO) has formulated a set of recommendations which emphasises the importance of providing financial stimulus, including favourable tax policies, lifting travel

Figure 1. Mobility changes across Caribbean countries



Source: Author's own, using Google's mobility data as per availability for Pacific countries. These show how visits and length of stay at different places change compared to a baseline.

Figure 2. Share of jobs that can be done at home in the Pacific countries



Source: Author's own, using data (as available for Pacific) from Dingel and Neiman (2020).

restrictions as soon as the health emergency allows, promoting visa facilitation, and boosting marketing and consumer confidence, in order to accelerate recovery in the tourism sector (UNWTO 2020).

The two direct channels discussed above, demand-side shocks and supply-side effects, are creating liquidity problems, resulting in reduced output, as well as worker layoffs. The issues are exacerbated for informal MSMEs, which are often outside the scope of formal banking channels.

Informal enterprises will also face indirect effects as a result of funding constraints and credit conditions for formal firms along with more medium- to longer-term effects from uncertainties in relation to investments, innovation and entrepreneurship. For example, there has been a sudden rise of barter trades across Fiji in response to sharp falls in employment due to coronavirus.<sup>11</sup> Most Pacific countries

will be directly affected by the sudden drop in tourism.

Some affected firms and workers are adapting – switching to working from home, online retail or home delivery. For firms to adapt to these modes, there is the need for certain organisational capacities, familiarity with digital platforms, sufficient infrastructure (such as internet coverage) and also consumer demand for the new methods. A recent World Bank report (2020) suggests that the vulnerability of informal firms to demand effects can be assessed by estimating the share of businesses that are most affected. The share of jobs that can be done at home in Commonwealth Pacific countries ranges from 20 to 25 per cent (Dingel and Neiman 2020), suggesting that some parts of the economy can continue to work during periods of stringent social distancing. However, the issues will be acute in the tourism-related sectors where workers risk being laid off.

---

### 3. Methodology

---

A two-stage methodology was used to provide an assessment of the potential impact of economic measures and to investigate the extent to which these will be sufficient to safeguard the informal economy:

- first, a comprehensive review across various policy trackers, government websites

and wider media outlets yielded five broad response areas; and

- second, a diagnostic tool, assessing the policies and accounting for country-specific circumstances, was constructed to examine variation across countries.

These steps are outlined in turn below.<sup>12</sup>

### 3.1 Response areas

Using a scoping of the various types of economic measures that countries all over the world are putting in place, as well as emerging and existing literature on responses to pandemics more generally, we outline the following five response areas:<sup>13</sup>

- **A1. Health and safety:** Measures aimed to improve access to health, improved sanitation, etc. that protect the well-being of individuals and workers.
- **A2. Welfare:** Measures to maintain employment levels and support temporarily unemployed workers, such as cash transfers, fee waivers, wage or employment support.
- **A3. Finance and credit:** Measures aimed at facilitating access to credit and reducing related costs, such as economic stimulus, credit schemes, loan guarantees.
- **A4. Taxes and fees:** Measures aimed at reducing or postponing indirect tax burdens and fees for the informal sector – either directly or indirectly – in relation to VAT [value-added tax], mobile money, digital tools, utilities, etc.
- **A5. Structural policies:** Measures aimed at streamlining procedures providing support for clarity in rules, developing skills, teleworking/ digitalisation, innovation, training and redeployment etc.

These areas, A1 to A5, will be the core of the analysis and will be used to group proposed and announced measures for each country.

### 3.2 Assessing impact of COVID-19 on informal MSMEs

It is currently unclear how the various policies and measures announced in the wake of COVID-19 will impact the informal sector. This paper proposes a diagnostic tool to investigate these measures, assessing four indicator areas: breadth, access, short-term cover, and medium- to long-term adequacy across the five policy areas. By standardising the responses across the indicators and response areas, an unweighted index helps examine variation across countries. The details of this tool are discussed below. (Also see Box 1).

#### i. Breadth

The breadth of the measures for the informal sector is assessed in two steps: first, the general

availability to MSMEs is identified from the policy announcement; second, the scope for the informal sector is assessed based on the wording of the announcement, as well as discussions in the media. The second step is a subjective assessment that can be refined using an expert panel or secondary review. Breadth is the product of availability and scope and ranges between [0, 1, 2] and is standardised within [0, 100] for the composite score.

#### ii. Access

Even when there is availability and scope for the informal sector, access will vary across countries, especially as without employers, banks or ID [identification] systems to share contacts, it is difficult to reach citizens in need of assistance. Access will therefore be dependent on the existing scenario in country. Access is measured for each policy area, to assess the country scenario, irrespective of a new measure, as follows:

*Health and safety:* Access for those in the informal sector is based on the share of out-of-pocket spending on health by households (of total current health expenditures). This measure captures weaknesses, strengths and areas that need investment in a country, such as additional health facilities, better health information systems or better trained human resources. Health financing also serves as a proxy for access to health facilities and progress towards universal health coverage.

*Welfare:* Access to welfare measures is captured using the Country Policy and Institutional Assessment (CPIA) rating for policies on social inclusion and equity (1: low to 6: high) – which includes gender equality, equity of public resource use, building human resources, social protection and labour, and policies and institutions for environmental sustainability.

*Finance and credit:* Access to finance and credit support is based on the World Bank's Depth of credit information index – which measures rules affecting the scope, accessibility and quality of credit information available through public or private credit registries. The index ranges from 0 to 8, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions.

*Taxes and fees:* As governments announce waivers of utility fees, a major share of the informal

sector may lack access to such utilities. Access to responses on taxes and fees for the informal sector is based on a combined assessment using two variables:

- First, access to electricity (as a percentage of the population) – it being impossible to operate a factory, run a shop, grow crops or deliver goods to consumers without using some form of energy. Using the broad indicator of electricity access helps assess the likely ease or complexity for informal enterprises and workers to make use of fee waivers on electricity.
- Second, account ownership at a financial institution or with a mobile-money service provider (as a percentage of the population aged 15 years or more) captures the likely extent to which the informal sector will be accessing the waivers for mobile money and general loans.

The average across the two variables gives a good proxy for likely access for the informal sector.

*Structural policies:* Some governments have put in place measures to support innovative practices such as new modes of finance, digital ways of working, as well as promoting entrepreneurialism for small and medium-sized enterprises (SMEs) through structural policies (OECD 2020). Where these measures are in place, access may be complex for less developed settings where internet coverage remains limited. Access to these policies is assessed using individual use of the internet (as a percentage of the population), where internet users are individuals who have used the internet (from any location) and the internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV, etc.

### iii. Cover

Additionally, during the immediate short-term, there is an urgent need to adopt measures that address liquidity challenges, reduce layoffs, and avoid firm closures and bankruptcies. Short-term cover is measured as follows:

*Health and safety:* Short-term cover is assessed by the level of current health expenditure (as a percentage of GDP) that include healthcare goods and services consumed. While this is a general measure, it proxies for immediate gaps by country.

*Welfare:* Assessed for short-term cover using the measure of coverage of social protection and labour programmes. This shows the percentage of the population participating in social insurance, the ‘social safety net’, and unemployment benefits and active labour market programmes. Estimates include both direct and indirect beneficiaries and therefore also provide a proxy for informal sector actors.

*Finance and credit:* Governments have announced fiscal support packages. Ensuring liquidity support through direct credit lines or guaranteed commercial loans in the short-term is measured in terms of announced fiscal support (as a percentage of GDP) taken from Elgin et al. (2020); Hale et al. (2020); and supplemented by public announcements.

*Taxes and fees:* Short-term cover of these measures is proxied using other taxes (as a percentage of revenue). These include employer payroll or labour taxes, taxes on property, and taxes not allocable to other categories (such as penalties for late payment or non-payment of taxes) – which are more likely to be affecting the informal sector, directly or indirectly. The extent to which there is existing compliance to these will provide an approximation of the relief available for the informal enterprises.

*Structural policies:* Structural measures which streamline and provide information about procedures and new ways of working will be critical. The short-term cover of such responses is proxied using mobile coverage measured by mobile cellular subscriptions (per 100 people), which includes the number of post-paid subscriptions and the number of active prepaid accounts and applies to all mobile cellular subscriptions that offer voice communications. It excludes general internet subscriptions.

### iv. Adequacy

Further, the recovery period will include challenges that firms will face once the epidemic is contained and lockdowns are removed, allowing businesses to reopen. The indicators therefore include an assessment of medium- to long-term effects in terms of area-specific challenges for informal MSMEs. Medium- to long-term adequacy is assessed as follows:

*Health and safety:* The medium- to long-term effects are proxied by the Global Health Security Index – an overall score as the weighted sum of the following category scores: 1) prevention of

the emergence or release of pathogens (16.3%); 2) early detection and reporting of epidemics of potential international concern (19.2%); 3) rapid response to and mitigation of the spread of an epidemic (19.2%); 4) a sufficient and robust health sector to treat the sick and protect health workers (16.7%); 5) commitments to improving national capacity, financing and adherence to norms (15.8%); and 6) the overall risk environment and country vulnerability to biological threats (12.8%).

*Welfare:* The potential medium- to long-term effects are examined using the measure adequacy of social protection and labour programmes. This is based on the total transfer amount received by the population participating in social insurance, the ‘social safety net’, and unemployment benefits and active labour market programmes as a share of their total welfare. ‘Welfare’ is defined as the total income or total expenditure of beneficiary households. Again, estimates include both direct and indirect beneficiaries, and provide an approximate idea of the longer-term scenario for the informal sector.

*Finance and credit:* The long-term likelihood of recovering from depressed demand is proxied by the COVID-19 Economic Stimulus Index (CESI), which combines all adopted fiscal, monetary and exchange rate measures (Elgin, et al. 2020). This measure combines information across the categories of fiscal policy, monetary policy and balance of payment/exchange rate policy, and provides a good proxy for medium- to long-term implications.

*Taxes and fees:* The medium- to long-term effects will be driven by the fiscal capacity of the government. This is measured using the current

account balance of the government (as a percentage of GDP), that is the sum of net exports of goods and services, net primary income, and net secondary income. The measure provides an indication of the country’s fiscal space and therefore reflects the medium- to long-term implications for adequate financial support to firms, households and workers.

*Structural policies:* To enhance longer-term resilience of SMEs and their potential for growth after the crisis, it is important that country responses to the pandemic include a broader array of structural policies. Medium- to longer-term measures should include trainings and investments in building capabilities. This potential is captured using a country’s research and development (R&D) expenditures – the percentage of firms that spend on R&D. Based on underlying data from World Bank enterprise surveys, the universe of firms includes both formal and informal firms and so serves as an approximate measure for implications for the informal sector.

The four different indicators are combined to yield a simple unweighted additive CRIS index<sup>14</sup> that allows for systematic comparisons across the countries.<sup>15</sup> CRIS can be denoted as below:

$$CRIS = \frac{1}{n} \sum_{i=1}^{n=4} \bar{x}$$

Where  $\bar{x} = \frac{1}{n} \sum_{i=1}^5 x$  is the average for each of the four indicators across the five policy areas, such that x includes health and safety, welfare, finance and credit, taxes and fees and structural policies.

---

## 4. Assessing policy responses and measures

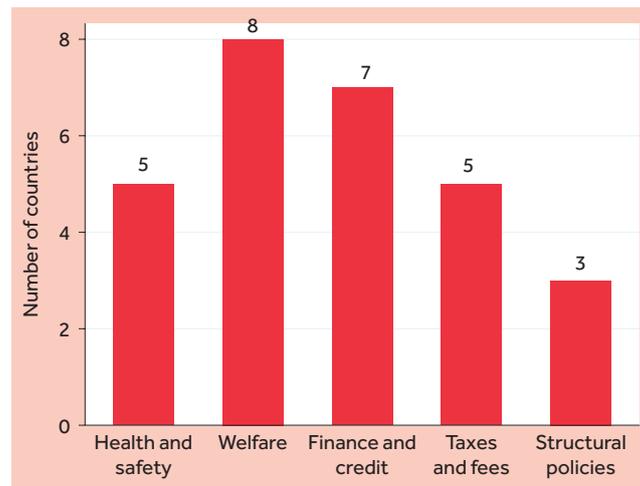
---

Responding to COVID-19, governments adopted economic packages including fiscal, monetary and financial policy measures, with these targeting households, firms, health systems, etc. There is a significant variation in the sets of responses across countries (Hale et. al. 2020), especially so for those measures that may affect the informal sector, either directly or indirectly.

### 4.1 Breadth

Using the framework as described above, the policy responses across the Commonwealth countries in the Pacific are classified under the five policy response areas. This involved a careful review of current economic policy responses and measures. Annex Table A1 details the most relevant measures that were identified – as of 15 May 2020.

Figure 3. Policy responses across Pacific Commonwealth – availability



Source: Author's own.

Figure 3 depicts the number of countries that have implemented each of the five types of responses. Eight out of the nine Commonwealth countries in the Pacific have announced or implemented welfare measures, while five countries have responded with measures in relation to tax and fees. Few countries have also put health and safety and/or finance and credit measures in place. Structural policies appear most limited, as only three countries had covered this policy area. The assessed scope for the informal sector for these measures is also quite varied – and low among all countries. Availability is weighted by scope, to yield breadth and is presented in Figure 4.

#### 4.1.1 Health and safety measures

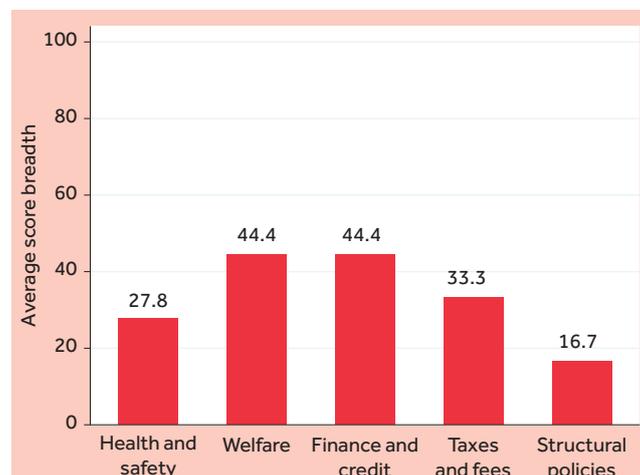
The UN Pacific Strategy (UNPS) (UN in the Pacific 2017, p.13) identifies that the dominance

of the informal and subsistence economy poses a challenge to sustainable development due to the vulnerability of informal subsistence workers and the lack of formal social security systems for those engaged in these activities.

In response to COVID-19, governments have implemented measures aimed at improving access to health, improved sanitation, etc., including social distancing, with the aim of protecting the well-being of individuals.

Due to their lack of adequate health infrastructure, the Pacific islands countries are receiving support from nearby high-income nations. For instance, Australia has been providing bilateral support for COVID-19 preparedness and response to: Fiji (isolation infrastructure, risk communication, personal protective equipment [PPE] and medical equipment, IT support); Kiribati (PPE, medical equipment and

Figure 4. Policy responses across Pacific Commonwealth – breadth



consumables); Nauru (medical equipment and consumables, testing); Papua New Guinea (quarantine management, isolation and intensive care units, laboratory support, risk communication and community awareness, PPE, medical equipment and technical assistance).<sup>16</sup>

In Tuvalu, a public health emergency, which was first declared on 20 March 2020, was extended for six months on 26 March 2020. In Papua New Guinea, containment measures since early February have included a ban on travellers, mandatory health declaration forms for incoming travellers and enhanced screening at designated ports of entry. It also extended the state of emergency, which started on 24 March, for a further two months.<sup>17</sup>

#### 4.1.2 Welfare

Various measures to maintain employment levels and support for temporarily unemployed workers, such as cash transfers, fee waivers, and wage or employment support, have been announced by most Pacific countries. Cash transfers are the most used instrument in the majority of Pacific countries.

Some examples include the Fijian parliament announcing that informal sector workers who test positive for COVID-19 will be given a one-off sum of 1,000 Fiji Islands dollars (F\$). Additionally, informal businesses in lockdown areas will receive a one-off government relief payment of F\$150 if they hold a street trader or hawker license.<sup>18</sup> In Samoa, one measure included a 300 tala or Samoan dollar (T) one-off special pension to be added to the next monthly pension of T145.<sup>19</sup> Furthermore, the government promised to carry over three months of loan repayments for all small businesses under its Government Guarantee Schemes, administered by the Samoa Business Hub.<sup>20</sup>

In Solomon Islands, there will be an exemption of surcharges for employers. A sum of up to 5,000 Solomon Islands dollars (SI\$) will be paid for workers under the age of 50 years who are temporarily laid off or are unemployed.<sup>21</sup> In Kiribati, the government will develop a four-month food buffer strategy. This will ensure continuity of supply and, in terms of its implementation, public-private partnerships will be explored.<sup>22</sup>

#### 4.1.3 Finance and credit support

Seven countries have also implemented measures aimed at facilitating access to credit and

reducing related costs such as credit schemes and loan guarantees. In Vanuatu, the government announced a first-stage fiscal package worth 4.4 billion vatu (Vt) (roughly 4.5 per cent of GDP). It includes: deferred and cancelled taxes, license fees and charges for businesses in 2020; backdating to the start of 2020 of some reductions resulting from forthcoming business license reforms; the Employment Stabilization Payment; SMEs (turnover of less than 200 million Vt) to receive the value of their business license fees; price-based subsidies, if needed, to support producers of copra, kava and cocoa; and support to the transport sector to facilitate farmers' access to major market centres such as Port Vila and Luganville. The government will also support jobs through the Employment Stabilization Payment, which will reimburse employers up to VT30,000 (US\$243) per month per employee on their payroll for four months.<sup>23</sup>

In Tonga, the government announced an Economic and Social Stimulus Package of 60 million pa'anga or Tongan dollars (T\$) (5.3 per cent of GDP) for the financial year 2020 on 2 April 2020. This package is intended to provide short-term assistance to all affected sectors in response to the COVID-19 pandemic. Over a third of the funds will be directed to the health sector, while the rest will support tourism, transport, agriculture, education and security. In Fiji, the government has allocated US\$3 million for unemployment benefit for the informal sector. Furthermore, loan repayments have been deferred for six months, including mortgages, personal loans and hire purchase for those who have lost their jobs or are on reduced pay. Banks will also waive all charges on minimum balances for customers.<sup>24</sup>

#### 4.1.4 Taxes and fees

A common but critical economic response of countries around the world has been associated with measures aimed at reducing or postponing indirect tax burdens and fees for the informal sector – either directly or indirectly, in relation to VAT, mobile money, digital tools, utilities, etc. However, such measures are rare in the Pacific area. Although they have been announced in some cases, there is less clarity about coverage for the informal sector.

In Samoa, the government has announced a reduction in utility prices (electricity and water): by 10 sene (or cents) on the price of electricity,

of which the Ministry of Finance will cover 7 sene and the Electric Power Corporation will cover 3 sene for six months; and a 20 sene reduction in water rates for six months, which will be covered by the Ministry of Finance.<sup>25</sup> In Vanuatu, the government announced support to businesses by deferring a number of taxes and charges. These include road tax, work permit fees, business license fees, residence permit charges and rent tax. Meanwhile, in Fiji, the government promised no water supply disconnections until 31 December 2020. The Water Authority of Fiji has also agreed to transport water to any area impacted by cuts through July 2020 – at a cost of just over US\$2 million.

#### 4.1.5 Structural policies

At a time when firms are rushing to adapt to new ways of operating, measures aimed at streamlining bureaucratic procedures by providing support for clarity of rules are of great importance. While governments have announced relief and recovery measures, structural policies – which provide training, resources, information etc. – are an equally critical aspect (OECD 2020). For instance, without awareness, the target populations may not be able to benefit from schemes.<sup>26</sup>

There is some evidence of emerging measures to support innovative practices and entrepreneurialism of MSMEs, but the intensity of such measure is low. To enhance longer-term resilience, it is important that country responses to the pandemic include structural policies. Increasingly, developed countries are putting in place structural policies to help SMEs adopt to new working modes and digital technologies to continue operations. These policies aim to address urgent, short-term challenges such as teleworking. Such direct measures are quite rare in the Pacific area and need to be taken in account going forward to the recovery phase.

## 4.2 Access, cover and adequacy

This section presents an assessment of different types of emerging policy responses on the informal sector. Responses are assessed to review if they are sufficient to safeguard enterprises and individuals in the informal economy. Given the rapidly changing landscape, it is difficult to capture the likely impact of the policy responses. Instead, the sets of measures are compared for relative access, cover and adequacy for the

informal sector across the countries – role of health and safety measures in supporting well-being, adequate welfare support, finance and credit in maintaining liquidity, tax and utility waivers in adjusting to price shocks and the role for structural policies. The effects are also reviewed by broad sectors, focusing on agribusiness, tourism and other services, especially as the prevalence of small businesses differs across these sectors. The underlying proxy measures of access, cover and adequacy are discussed by each response area.

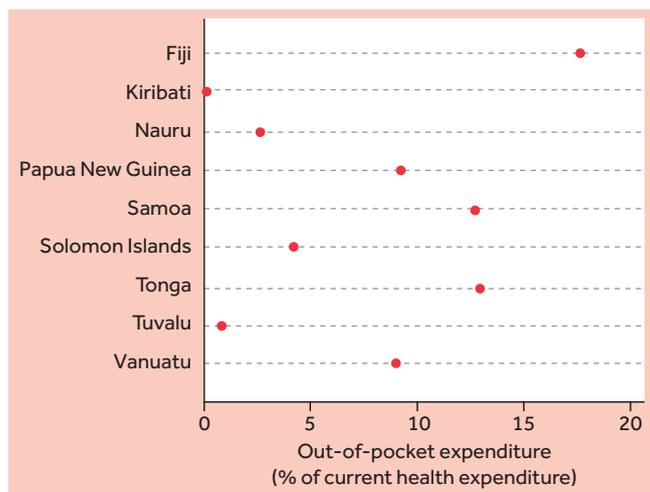
### 4.2.1 Well-being

*Access:* COVID-19 has drawn particular attention to availability and allocation of health sector financing, as responses to address gaps in health and safety will affect both enterprises and workers in the informal sector. Effects will be both direct and indirect, as ill-health or poor sanitation could result in economic losses from closures, absenteeism, as well as affecting consumer demand in the marketplace. The Pacific countries have relatively low out-of-pocket expenses (on health), but the situation varies. Examining the levels of out-of-pocket expenditure (Figure 5) highlights the variation in access to health facilities – Fiji is the country with the highest expense.

*Cover:* The short-term appropriateness of health and safety responses is assessed using the country's per capita health expenditure as a proxy indicator – as shown in Figure 6. Health expenditure as a percentage of GDP in Pacific countries ranges from 2.5 to 17 per cent. In the short term, the most critical issues concerning the health of informal workers are around hygiene and sanitation. Health guidelines are needed for informal traders (WIEGO 2020) and should be implemented swiftly if these workers are to go back to work safely.

*Adequacy:* COVID-19 will also have important long-term consequences, with effects on human capital accumulation, and will require investments in strengthening healthcare capacities. Examining the Global Health Security (GHS) Index reveals low levels of long-term preparedness in Pacific countries. Figure 7 reports the GHS Index for 2019 by country, in comparison with the world average. From a medium- to long-term perspective, the economic shocks and loss of employment may push informal workers to work without adequate preventive

Figure 5. Out-of-pocket expenditure (% of current health expenditure)



Source: Author's own, using World Development Indicators data.

measures or appropriate protection (FAO 2020), thus exposing themselves and their families to long-term health and safety risks. These long-term health risks may exacerbate their expenses and have a catastrophic impact.

#### 4.2.2 Adequate welfare support

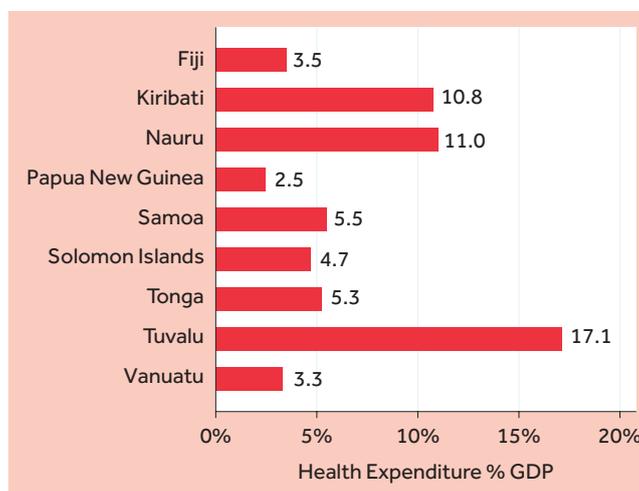
*Access:* As welfare measures are being announced, access may not be straightforward for the informal sector. The Country Policy and Institutional Assessment (CPIA) rating for policies on social inclusion in the Pacific is at an average rating of 3 (on a scale of 1 to 6), with countries such as Papua New Guinea and Solomon Islands at the lower end of equity in terms of social protection and labour. This highlights the need for effective and targeted social safety nets that can be

accessed by the poor and vulnerable, especially in the informal sector.

*Cover and adequacy:* Measuring likely coverage of welfare programmes – the percentage of the population participating in social protection and labour programmes – provides information on short-term cover from such programmes. A medium- to longer-term indicator could be proxied by the adequacy of existing welfare programmes in these countries, with this measured as the total transfer amount received by all beneficiaries as a share of the total welfare (income) of beneficiaries. Longer-term adequacy will also depend on public works, etc.

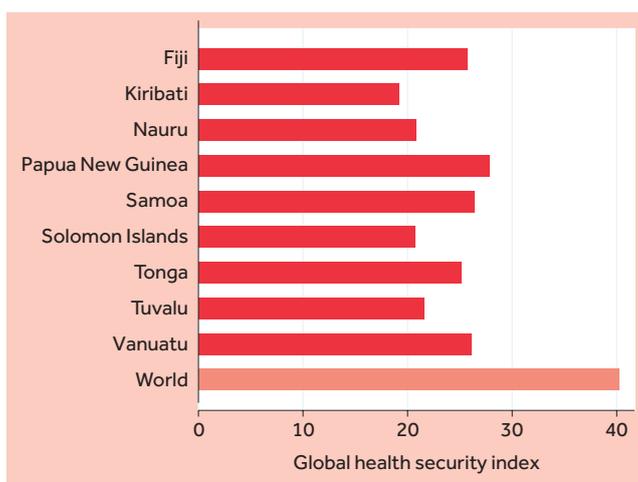
Both the short-term and medium- to longer-term indicators are reported in Figure 8.

Figure 6. Health expenditure in Pacific countries



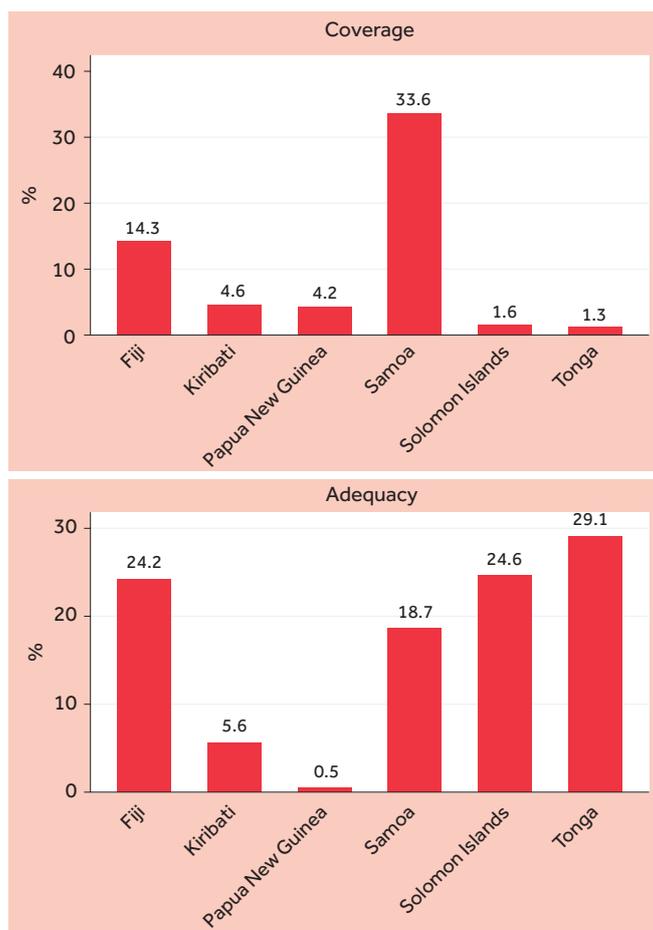
Source: Author's own, using World Development Indicators data.

Figure 7. Global Health Security Index for 2019 – Pacific countries



Source: Author's own, using data from the Global Health Security Index.

Figure 8. Coverage and adequacy of social protection and labour programmes in the Pacific



Source: Author's own, using World Bank ASPIRE data. Coverage is the percentage of the population participating in social protection and labour programmes. Adequacy is measured as the total transfer amount received by the population participating in social insurance, the 'social safety net', and unemployment benefits and active labour market programmes as a share of their total welfare, defined as the total income or total expenditure of beneficiary households.

Coverage is low in Tonga and Solomon Islands; adequacy of existing programmes also appears to be low, at about 20 to 30 per cent compared to an average of 80 per cent in more advanced economies. This figure is extremely low in Papua New Guinea.

#### 4.2.3 Maintaining liquidity for firms

*Access:* The World Bank Credit information index, which measures the accessibility and quality of credit information (the range is from 0 to 8) suggests differences across countries. While this information is lacking for countries such as Kiribati and Nauru, the core for the region is closer to the world average. The targeting of liquidity measures will be key to reaching out to informal sector enterprises, as their information may not be easily available.

*Cover:* Examining the size of fiscal support gives a picture of potential liquidity available in the short-term. Examining information on announced fiscal policy stimulus (percentage of GDP) across countries, as of 15 May, 2020, reveals substantial differences. Most countries have announced fiscal stimulus measures ranging from 2 to 4 per cent of GDP. However, these measures have only a temporary effect in terms of easing pressures on SMEs; they do little to build long-term sustainability.

The crisis will be forcing a fundamental rethinking of business and operating models, which will transform small business sectors for years to come. In general, there is a large variety in financial support available to MSMEs; however, this support is used differently depending on the firms' size, formality, time in business, and skills/network of entrepreneurs. For example, there are special SME funds, microfinance, grant schemes, asset-based finance, trade finance and venture capital funds. The conclusion from the literature is that MSMEs in the informal economy rely mostly on traditional loans, with these mainly from microfinance or community-based finance groups.<sup>27</sup> Other financial interventions mostly target special groups of high-potential entrepreneurs (e.g. start-ups) in the formal economy (see, for example, Fox and Kaul 2017; Datta et al. 2018).

In the Pacific countries, states' governments already acutely recognise the importance of social capital in the delivery of financial and non-financial small business support schemes, through solidarity groups within the communities. These groups are seen as a valuable asset to

reach out to remote or indigenous communities for business learning, the generation of business ideas, the identification of needs and the development of micro finance institutions at the village level (Tuibeqa 2015). As such, microfinance services in the Pacific region already use social capital to extend their microfinance outreach and to build new village-based microfinance institutions. Building on that experience, COVID-19 related interventions should make use of the same channels to reach MSMEs and increase impact.

Interventions that aim to increase the liquidity of MSMEs in the informal sector in the short-term should be channelled through community-based financial institutions, and microfinance institutions should be considered essential services during the crisis. Beyond emergency liquidity, these institutions should directly support debt waivers, lower interest rates and moratoriums on debt repayment for MSMEs. However, they need support from their lenders (e.g. banks or investors) and in terms of regulations.

One of the problems is that a moratorium on debt repayments during the COVID-19 crisis is not mandatory and does not automatically apply for debt repayments by microfinance institutes to banks.<sup>28</sup> When banks or private investors still demand repayments from microfinance institutions, in turn, they cannot implement the moratorium or interest rate reductions to their clients, at least not for an extensive period of time. Furthermore, during the moratorium, the interest payment often accumulates. This makes it harder for MSMEs in the informal sector that pay higher interest rates and have to pay more in total interest over the longer period of time of their debt. Debt waivers will also fail for informal MSMEs if this group is not explicitly targeted with such policies. Policies are often vague on how the strategy can target debt waivers for enterprises in the informal economy, reducing its effectiveness for the majority of businesses.

*Adequacy:* In a prolonged crisis, there may be a need for (conditional) grants and soft loans to rebuild working capital, assets and the like in the informal sector (World Bank 2020). Governments play a crucial role in providing emergency loans to SMEs, with flexible repayments, even on existing loans, often guaranteed through public funds. However, such mechanisms do not necessarily or automatically

reach MSMEs in the informal sector. This is only possible through targeted policies to informal sector actors, along with consultation and co-ordination with representatives of informal sector associations and community self-organisation groups. Furthermore, liquidity through the availability of cheap new loans is only relevant for MSMEs that have less of a debt burden.

To structurally increase liquidity for MSMEs in the Pacific, extended microfinance systems that include other services, like insurance, technical assistance and business trainings are strongly required. The literature is clear that combining access to finance interventions with advisory services, technical assistance and business trainings tends to have a more positive effect on firms (in terms of productivity, upscaling, even employment effects) than just financial support.<sup>29</sup> However, research in the Pacific region shows that there is a significant lack of access to business advisory services and capital for MSMEs. This is due to them being unaware of opportunities and the existence of small business advisory and microfinance services (Nair and Chelliah 2012; Nand 2014).

Currently, most combined interventions for enterprises are tailor-made and include larger amounts of finance. This increases the risk for the lender and therefore excludes micro- and small enterprises in the informal economy, focusing instead on high potentials in the formal economy. One way to increase incentives to lend to MSMEs is through credit/loan guarantee funds. The literature is clear that such guarantees are indeed making loans to MSMEs less risky, enabling banks to reduce collateral requirements or extend loan durations. These are also able to target special sectors if more attention is needed there (e.g. in tourism, agriculture). However, such guarantee funds do not necessarily include all MSMEs and neither reduce interest rates nor fees, with the result that micro- and small enterprises that face structural barriers are still excluded (Saadani 2011). Most finance institutions that are participating in loan guarantee schemes merely provide 'comfort', with no changes in loan procedures. This is important, as it will not change the attitude and procedures for MSMEs to access guaranteed loans (Hansen et al. 2014).

Finally, in the long term it is also important that MSME debtors can rely on an insolvency framework that suits them. They are often treated

differently because MSME debtors tend to lack good records and reliable financial information. They are also usually financed with a mixture of corporate debt and personal debt and are often informal entities. Insolvency frameworks do not permit or incentivise financing after formal insolvency proceedings are filed, even though such financing will be vital to the MSME's survival. MSMEs are specifically vulnerable to this risk, as they will not be offered a restructuring or reorganisation process (by virtue of their size). Even then, MSMEs often lack the resources to cover the costs and fees for a formal insolvency procedure. With an insolvency system that is not working for them, insolvent MSMEs are most likely to go in liquidation.<sup>30</sup>

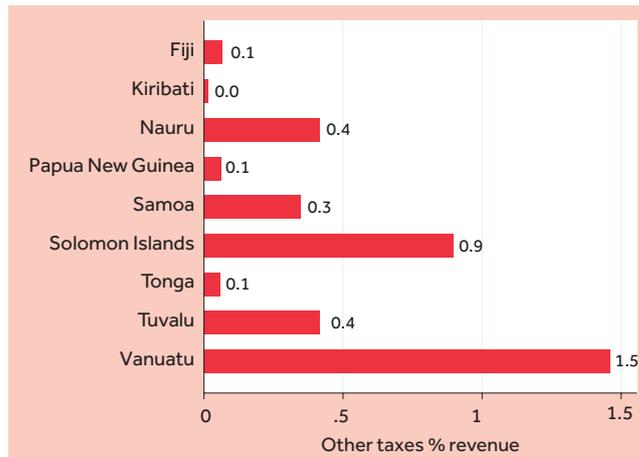
#### 4.2.4 Adjusting to price shocks and supply chain disruptions

*Access:* Adjusting to price shocks will be contingent on measures aimed at reducing or postponing indirect tax burdens and fees for the informal sector – either directly or indirectly, in relation to VAT, mobile money, digital tools, utilities, etc. Figure 9 reports the percentage revenue from other taxes, which highlights the very low extent to which there is existing cover.

*Cover:* Value chain disruptions, like abrupt changes in demand, input supplies and prices, have huge impacts on MSMEs in the informal sector, as they rely on day-to-day sales for survival. During the crisis, to avoid insolvencies, MSMEs in the informal sector will increasingly rely on short-term measures that lower utility and operational costs (e.g. subsidies, temporary fee reductions). Temporary exemptions from tax payments may also be offered; however, this measure is mostly addressed to the formal sector. Informal sector enterprises pay taxes in the form of fees, such as daily market fees to local authorities, whether or not they are registered. The most effective tax incentive for MSMEs in the informal sector, therefore, is to reduce such fees.

Expanding business linkages is possible in times of limited mobility during COVID-19. For example, facilitating the way in which large, formal businesses work with small, informal business as their outlets and for the distribution of essential goods to people's doorsteps. With COVID-19, when crowds are forbidden, this can ensure that business continues in new ways, especially with area-based outlets (ILO 2020b).

Figure 9. Other taxes in the Pacific



Source: Author's own, using World Bank data.

Furthermore, economic stimulus packages should be directed to improve informal economy working spaces and infrastructure – such as markets and communal workshops – in such a way that they promote social distancing, so they can become operational in the short term, even during the current crisis. Public spending can also be directed to investments in roads and electricity supplies in the areas where MSMEs in the informal sector operate, in order to reduce their costs in the longer term and improve their connections to mobile solutions.

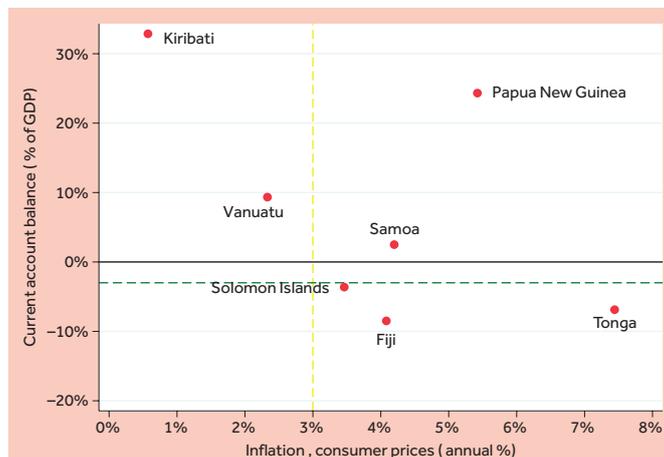
Trainings and technical assistance during sustained lockdown, because of the need for reduced interactions between large groups, are of specific concern during COVID-19. Technology can provide a solution for e-training but could be less effective for MSMEs in the informal sector. Micro and small entrepreneurs that make use of digital financial systems in

the value chain can, for example, benefit from direct payments, transparent confirmation of payments, and can reduce security risks, as they are not carrying large amounts of cash around. This could also increase productivity, as payments go directly to the entrepreneur's mobile wallet, and increase efficiency, as they do not need to travel to collect or disburse cash.

*Adequacy:* Long-term effects can be assessed using a country's fiscal balance, as reported in Figure 10. A country in the region with a rate of inflation below the world inflation threshold and a primary balance greater than its corresponding threshold is considered to have adequate fiscal and monetary space. Otherwise, the country may not have monetary space or fiscal space (or both).

Governments and employers' organisations can strengthen business development services

Figure 10. Fiscal balance in the Pacific countries



Source: Author's own, using World Development Indicators data.

to enable operators in the informal sector to strengthen their businesses and shift their business activities to other sectors, or to provide goods or services that are in demand, as a way to seize new opportunities that may arise in the market as a result of the crisis. This may require upskilling and reskilling, including remotely and online, and access to knowledge and technologies, as well as fostering linkages between larger formal and informal businesses. Non-financial enterprise interventions are costly and need selection processes to find the best suited firms. This often reduces the chances of MSMEs in the informal sector from being able to access such interventions.

Evidence from developing countries also shows that interventions that support very isolated or internalised larger production structures are less likely to create forward and backward linkages, meaning that MSMEs will only receive limited benefits (Quak and Flynn 2019). With the right incentives, along with support and interventions targeted around localised MSMEs, forward and backward linkages can be built (e.g. tourism). Such linkages can be built with informal MSMEs and could create semi-informal market relations.

There is some positive evidence on interventions by governments to increase wages and incomes through chain interventions, such as joint interventions with the private sector where the government provides policy, legal, infrastructure and/or financial resources (such as tax incentives, land and grants), creating an enabling environment that is more conducive to promoting activities in a chain or sector. The voluntary nature of such programmes is often

mentioned as an important way to engage with private sector actors to push for change; yet for others this shows a lack of structural change or enforcement.

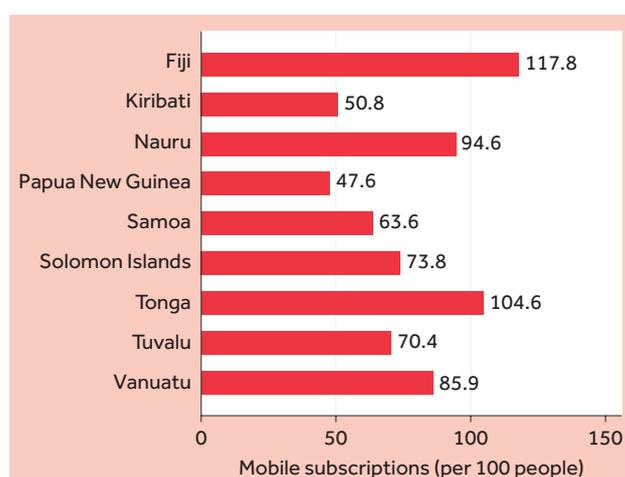
Finally, if any non-financial interventions, sector-specific policies or stimulus packages in value chains are to work for the informal sector, it is important that informal economy associations and member-based organisations play a key role in the design and deployment of these strategies to ensure they are fit for purpose.

#### 4.2.5 Role for structural policies

*Access:* In the short term, information for adapting, identifying and learning about unknown elements is required as quickly as such elements appear. In order to enhance access to social protection and welfare support, for example, it is essential to improve access, simplify procedures and simplify associated contribution payment mechanisms. Ease of access to measures that simplify procedures or provide information for adapting to new ways of working is assessed using individual use of the internet (as a percentage of the population), as with lockdown measures, the internet would serve as a key source of information. This statistic reveals quite varied levels across Pacific countries – Kiribati, Papua New Guinea and Solomon Island have only about 15 per cent access.

*Cover:* To proxy for the short-term cover from such measures, the depth of mobile coverage will be important, as mobile subscriptions cover both formal and informal sector. Figure 11 reports mobile coverage for Pacific countries. It reveals good short-term cover, as individuals

Figure 11. Mobile coverage across Pacific countries



Source: Author's own using World Development Indicators data.

in these countries will be able to make use of mobile-based information dissemination.

Research shows that MSMEs increasingly make use of mobile solutions, like mobile money and digital information services; this is also the case in the informal economy. In the context of the Pacific region, several studies have emphasised the potential of, for example, mobile-money services as these could alleviate the impact of structural impediments and persistent challenges, such as geographic remoteness and dispersion, small-scale, limited infrastructure, and fragile correspondent banking relationships.

Mobile money is a cheap and accessible channel for business transactions to consumers (both in-store and remotely) and for making payments to suppliers or employees;<sup>31</sup> for government payments and for receiving government subsidies; and to access credit. All this is important to cope and adapt to the COVID-19 containment measures.

However, it should not be overlooked that cash transactions still remain important for MSMEs in the informal economy. Also, cultural and social relations remain important in communities. Therefore, community-based finance groups (e.g. local savings and loan groups) should not be overlooked within a mobile-money approach. Mobile solutions in finance should complement existing efforts to promote financial inclusion (Davidovic et al. 2019). Neglecting an understanding of the social relations within communities is likely to make the attainment of financial inclusion far more challenging.

In the crisis, interventions to lower or waive mobile service fees could have an impact on

MSMEs that are searching for m-solutions. Digital technologies can simplify the loan application process and provide alternative methods and data to facilitate and expedite credit decisions by state development banks. Partnerships between banks and mobile network operators should be promoted to provide such loans to subscribers. Financial institutions could also leverage online platforms for reverse-factoring transactions that ease supply-chain financing for MSMEs and shorten the maturity of the payments involved (World Bank 2020).

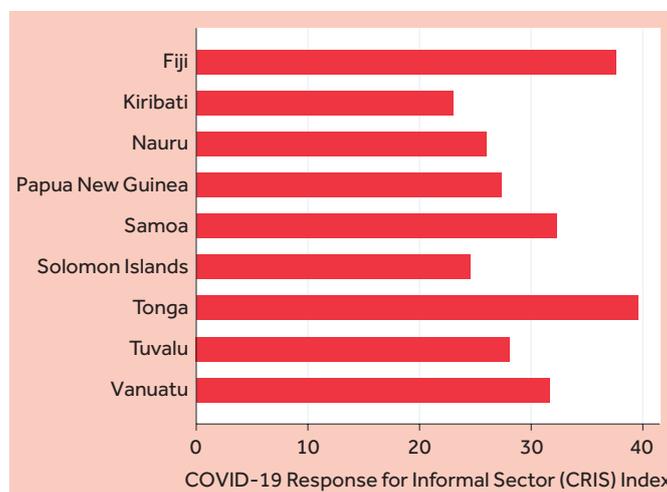
*Adequacy:* Medium- to long-term digital transformation objectives should help ensure that enterprises can bounce back strongly: solutions that negate the need for large upfront capital outlays and that can be easily implemented will ease the adoption of new technologies for SMEs. The cloud removes many of the obstacles to digital transformation. While research and development (R&D) serves as a good measure, this information is rarely available for Pacific countries.

#### 4.3 Overall assessment

Finally, these measures yield the composite CRIS Index (0–100),<sup>32</sup> developed to capture the variety in policy responses, including breadth, access, short-term, and medium- to longer-term effects across the five areas, from the perspective of the informal sector. See Figure 12. Table 1 provides summary statistics across the indicators and areas.<sup>33</sup>

To examine the underlying indicators further, Figure 13 reports the relationship between

Figure 12. COVID-19 Response for Informal Sector (CRIS) Index



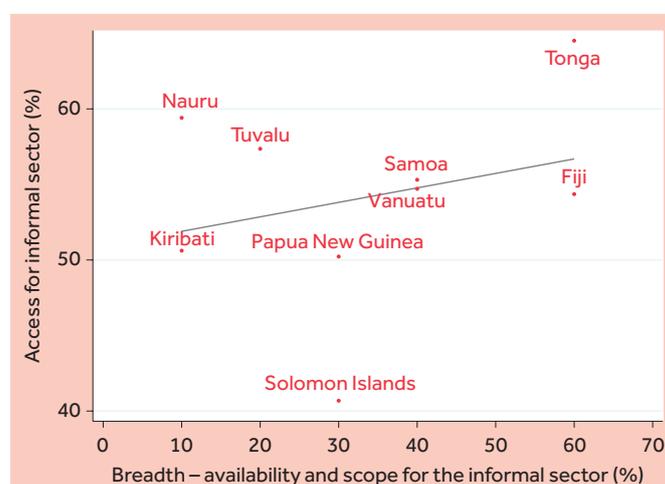
Source: Author's own.

Table 1. Summary statistics

Area	Mean	Median	SD	Min	Max
<b>Health and safety</b>					
Overall score	37.9	42.4	7.5	28.4	47.1
Breadth	27.8	50.0	26.4	0.0	50.0
Access	93.0	91.0	5.6	84.4	99.9
Cover	7.1	5.3	4.9	2.5	17.1
Adequacy	23.7	25.1	3.1	19.2	27.8
<b>Welfare</b>					
Overall score	28.2	27.6	9.7	16.3	45.0
Breadth	44.4	50.0	30.0	0.0	100.0
Access	41.4	41.4	7.5	32.0	58.0
Cover	9.9	9.9	9.9	1.3	33.6
Adequacy	17.1	17.1	9.1	0.5	29.1
<b>Finance and credit</b>					
Overall score	27.9	24.9	11.1	12.5	43.0
Breadth	44.4	50	30.0	0.0	100.0
Access	18.1	0.0	27.3	0.0	62.5
Cover	3.5	3.0	3.1	0.0	8.7
Adequacy	45.5	46.4	5.3	37.1	52.5
<b>Tax and fees</b>					
Overall score	32.0	30.9	7.9	19.7	47.9
Breadth	33.3	50.0	35.4	0.0	100.0
Access	85.4	96.8	19.3	54.4	100.0
Cover	0.4	0.3	0.5	0.0	1.5
Adequacy	8.9	6.7	15.4	-8.5	38.0
<b>Structural policies</b>					
Overall score	24.0	22.6	12.2	9.6	43.0
Breadth	16.7	0.0	25.0	0.0	50.0
Access	32.7	33.6	17.7	11.2	57.0
Cover	25.9	22.6	15.5	5.6	51.2
Adequacy	20.8	20.8	0.4	20.0	21.5

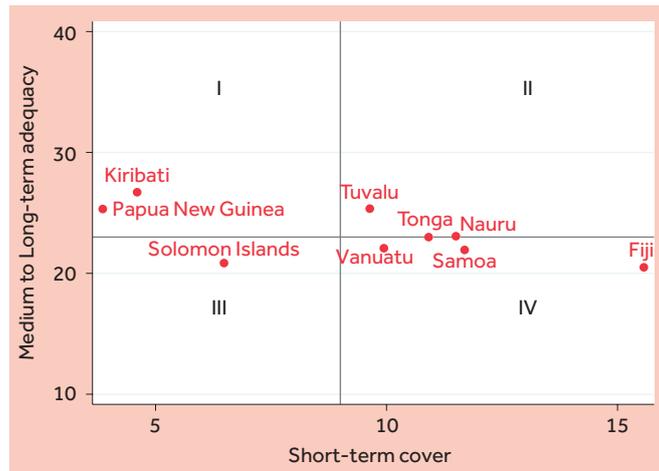
Note: Mean, SD = Standard deviation, Min = minimum, Max = maximum.

Figure 13. Average breadth and access for informal sectors in Commonwealth Pacific countries



Source: Author's own.

Figure 14. Average cover and adequacy in Commonwealth Pacific



Source: Author's own.

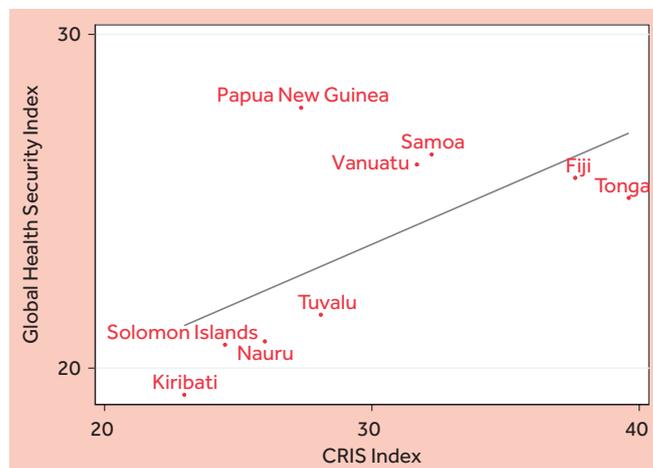
average assessed breadth and access across the five key areas. It is notable that most countries have some scope for the informal sector (this ranges from a low of 10 per cent in Kiribati to 60 per cent in Fiji and Tonga). Further, there is a positive but weak correlation between breadth and access for informal sector.

Figure 14 depicts the correlation between average short-term cover and medium- to longer-term adequacy of the responses. On average, cover and adequacy across the five areas appear low at approximately 8 to 23 per cent. Countries in quadrant I (Kiribati, Papua New Guinea) are the ones with lower than average short-term cover, but higher medium- to long-term adequacy; those in quadrant II (Tuvalu) score higher both in terms of the short-term and medium- to longer-term measures; Solomon Islands in quadrant III scores low on both measures; finally, quadrant IV countries (Fiji, Samoa, etc.) fare well in terms of short-term cover, but score lower than the regional average on the medium- to longer-term effects.

Islands in quadrant III scores low on both measures; finally, quadrant IV countries (Fiji, Samoa, etc.) fare well in terms of short-term cover, but score lower than the regional average on the medium- to longer-term effects.

To examine the underlying indicators further, Figure 15 reports the correlation between the CRIS Index and the Global Health Security Index. As of 15 May 2020, none of the Pacific countries scored high on the composite CRIS measure – nor on the Global Health Security Index. Countries such as Tonga and Fiji scored relatively higher on the CRIS Index, but their Global Health Security Index was at the lower end. There is a need to strengthen health and safety preparedness as an important component of economic policy responses across all Pacific countries.

Figure 15. CRIS Index and the Global Health Security Index



Source: Author's own.

## 5. Recommendations

---

This report outlines six recommendations on how governments can intervene to preserve the informal sector and prevent mass unemployment post COVID-19.

### Strengthen health and sanitation for the informal sector with capacity building

- The current health crisis places an emphasis on the need to strengthen public health capabilities. For the informal sector, clean water supplies and distribution of protective materials such as masks and gloves will need renewed focus, in particular when the tourism sector reopens.
- Fiscal policy should redirect government expenditure to increase these capacities in the health system, to provide adequate and affordable medical supplies and sanitation in the immediate period.
- Longer-term strengthening of health infrastructure will be important for medium- to long-term capacity, so informal MSMEs' services to tourists can take place safely.

### Targeted fiscal measures and income support in the short term

Income support should be provided to the most vulnerable in the informal sector – especially those in sectors where containment measures prevent people from working, such as the tourism sector in the Pacific. Immediate responses in the informal sector should target cash transfers; short-term subsidised food, electricity and other basic services; and a temporary freeze on loans, etc. Countries such as Kiribati, Tuvalu and Nauru need these measures to be fast-tracked. Fiscal authorities in Pacific countries should also assist affected firms and sectors of production through tax relief, temporary credit lines (at favourable rates of interest and repayment terms), and by providing delays on debt repayments (Loayza and Pennings 2020). These can be targeted to specific sectors that are worst hit by the crisis – through development banks, microfinance and community-led finance groups.

### Wider supply-side measures to support the informal sector

- Targeted loans for the informal sector can sustain them through the collapse in demand.

- MSMEs in the informal sector can most effectively be supported with short-term measures that lower utility and operational costs (e.g. subsidies on rent, electricity fee reductions, etc.). Local taxes in the form of fees, such as daily market fees to local authorities, should be frozen or reduced for informal firms.
- Stimulus packages should include informal economy working spaces and infrastructure, directed to the worst hit sectors, such as in tourism. This should become more structural investments in the longer term.
- Business linkages between MSMEs and large, formal businesses should be facilitated within the local context around informal business outlets and distribution channels. This will facilitate business continuity in the short term and create market opportunities through such networks for the medium and longer term.

### Innovative digital solutions to support the informal sector

Digital technologies can provide a solution for the disbursement and expansion of social assistance to individuals, households and businesses in the informal sector using registered mobile-money accounts. However, although mobile money is becoming more important in the Pacific – in terms of doing business in the informal economy, accessing financial services and receiving social protection payments – the cash economy remains important for large parts of the informal sector. Other mobile solutions can be promoted, such as e-health or e-learning tools. The report suggests additional support for Kiribati, Papua New Guinea, Samoa and Solomon Islands.

### Investing in medium- to long-term resilience

- Medium- to long-term measures should be focused on supporting recovery to pre-crisis production and employment levels. Targeting swift and comprehensive measures today will support this recovery. Policy-makers will have to monitor the situation and be innovative in responding to gaps in their measures.

- Enterprise interventions that combine financial and non-financial (e.g. trainings, mentoring, networking) support generate better outcomes, but should become more tailor-made and include larger amounts of finance for MSMEs. The best way to do this is via a sector or value-chain approach that includes industry-specific networking, regulations, standards, innovation and lead firm–SME linkage programmes.
  - Governments and employers’ organisations should strengthen business development services to enable operators in the informal sector to shift their business activities to sectors or products and services with better opportunities.
  - Short-term interventions that target MSMEs in the informal sector can be linked with longer-term resilience programmes, for example, by making cash transfers conditional, or linking emergency finance measures with non-financial support programmes, or through structural investments in value chains or sectors.
- Foster wide-reaching collaborations that include associations and communities**
- Closer collaborations are recommended between banks and investors and microfinance institutions, informal sector representatives from associations and community self-organisations (self-help groups), and also from communities in remote islands, to help in decisions on what interventions could work better to support local MSMEs during the crisis. To stimulate short-term and medium- to longer-term linkages between informal and formal enterprises, closer partnerships need to be fostered between sector-specific employer organisations (e.g. tourism) and SME representatives.

---

## Endnotes

---

- 1 Details can be accessed by following relevant links and webpages (available from authors) that provide the full picture of the measures.
- 2 Details in Annex Box A1 and Table A2.
- 3 This is based on a structured literature review on the informal economy from 2000–19.
- 4 This discussion is based on emerging evidence in relation to COVID-19 since January 2020.
- 5 ILO (2017), A study on the future of work in the Pacific. Available at: [https://www.ilo.org/suva/publications/WCMS\\_553880/lang--en/index.htm](https://www.ilo.org/suva/publications/WCMS_553880/lang--en/index.htm) (accessed 16 May 2020).
- 6 Ibid.
- 7 Pacific Community (2017), Women’s Economic Empowerment in the Pacific, available at: <https://www.spc.int/sites/default/files/wordpresscontent/wp-content/uploads/2017/09/Overview-Pacific-Womens-Economic-Empowerment-SPC2.pdf> (accessed 12 May 2020).
- 8 Fiji Women’s Rights Movement (2018), ‘Decent Work for Fijian Women – A Stagnant Reality’, available at: <http://www.fwrn.org.fj/images/fwrn2017/balance/Balance-Dec-2018-PRINT-1.pdf> (accessed 16 May 2020).
- 9 Pacific Community, Regional Rights Resource Team (2015), ‘Recognising women’s contribution to Solomon Island’s economy’, available at: <https://rrrt.spc.int/media/stories/2015/12/recognising-womens-contribution-to-solomon-islands-economy> (accessed 12 May 2020).
- 10 KPMG (2020), ‘Fiji: Government and institution measures in response to COVID-19’, available at: <https://home.kpmg/xx/en/home/insights/2020/04/fiji-government-and-institution-measures-in-response-to-covid.html> (accessed 14 May 2020).
- 11 The Guardian (2020), ‘Two piglets for a kayak: Fiji returns to barter system as Covid-19 hits economy’, available at: <https://www.theguardian.com/world/2020/may/08/two-piglets-for-a-kayak-fiji-returns-to-barter-system-as-covid-19-hits-economy> (accessed 12 May 2020).
- 12 Details outlined in Annex Table A2.
- 13 The five areas were classified after carefully reviewing the policy trackers of the International Monetary Fund (IMF), International Labour Organization (ILO), World Bank, Organisation for Economic Co-operation and Development (OECD) and the International Growth Centre (IGC); and to capture categories that would be relevant for a comprehensive overview for the informal sector.
- 14 The robustness of the index is assessed using Principal Components Analysis (PCA). Results are available in a supplementary appendix.
- 15 This approach has the advantage of measuring a range of indicators and mitigating the possibility that any one indicator may be over- or mis-interpreted. The composite measure can be refined such that there is less chance of leaving out any important information that is systematically correlated with the outcome of interest – this being support for informal MSMEs, in our case, and reducing any reason for measurement error.
- 16 World Health Organization (2020), ‘COVID-19 Situation Update (13–18 April 2020)’, available at: [https://www.who.int/docs/default-source/wpro---documents/dps/outbreaks-and-emergencies/covid-19/covid-19-joint-external-situation-report-12.pdf?sfvrsn=ac350bc1\\_2](https://www.who.int/docs/default-source/wpro---documents/dps/outbreaks-and-emergencies/covid-19/covid-19-joint-external-situation-report-12.pdf?sfvrsn=ac350bc1_2)
- 17 International Monetary Fund (2020), ‘Policy Responses to COVID-19, Policy Tracker’, available

- at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#S>
- 18 Republic of Fiji (2020), Economic and Fiscal Update Supplement to the COVID-19 Response Budget Address, available at: <http://www.parliament.gov.fj/wp-content/uploads/2020/03/SUPPLEMENT-TO-THE-COVID-19-RESPONSE-BUDGET-ADDRESS.pdf> (accessed 14 May 2020).
  - 19 BDO Samoa (2020), 'Stimulus Measures', available at: <http://www.bdo.ws/en-gb/services/special-events/covid-19-crisis-hub/government-support-measures> (accessed 12 May 2020).
  - 20 See: <https://www.samoagovt.ws/2020/04/government-relief-assistance-announced-for-tourism-sector-covid-19/> (accessed 12 May 2020).
  - 21 ILO (2020a), 'Country policy responses', available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm%22%20%5C%20%22SB> (accessed 15 May 2020).
  - 22 IMF (2020), Policy Responses to COVID-19, Policy Tracker, available at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#N> (accessed 14 May 2020).
  - 23 Daily Post (2020), 'VT4 Billion Stimulus Package', available at: [https://dailypost.vu/news/vt4-billion-stimulus-package/article\\_91c9d47c-7399-11ea-b675-d7366938da98.html](https://dailypost.vu/news/vt4-billion-stimulus-package/article_91c9d47c-7399-11ea-b675-d7366938da98.html) (accessed 15 May 2020).
  - 24 Republic of Fiji (2020), op cit. note 22.
  - 25 BDO Samoa (2020), op cit. note 23.
  - 26 For instance, in India, state governments are running several schemes and relief measures, but reports have found that there is a lack of awareness about them among the most vulnerable populations (Das 2020).
  - 27 A crisis often triggers self-organisation in the informal sector. It is often constraints with money transactions and the need for short-term loans that trigger the formation of joint liability and solidarity groups, some of which eventually grow into multi-purpose self-help organisations.
  - 28 The Economist (5 May 2020), available at: <https://www.economist.com/finance-and-economics/2020/05/05/for-microfinance-lenders-covid-19-is-an-existential-threat>; Mader (April 2020), IDS blog post, available at: <https://www.ids.ac.uk/opinions/the-informal-sector-urgently-needs-cash-and-debt-relief/>; Rozas, D (14 April 2020), available at: <https://nextbillion.net/liquidity-solvency-microfinance-investors-covid19/>
  - 29 The literature is mixed about the impact of financial support on MSMEs. Financial support in SME funds seems to have positive effect on capital investment, firm performance and employment in supported firms (Kersten et al. 2017). However, other meta-evaluations of SME financing programmes show that access to financial services improved firm performance, but only resulted in higher productivity growth and employment effects for larger firms (Cravo and Piza 2016). Banerjee et al. (2015) suggest that while many SME access to finance interventions result in business creation and expansion, access to microfinance does not raise incomes significantly. This may relate to the informality of businesses, the lower amount on offer in microfinance arrangements, and can also be related to lack of capacity-building services in microfinance programmes. Or as Mader (2018) states, there is no transformative or clear positive effect of such microfinance interventions on poverty.
  - 30 The World Bank acknowledges that jurisdictions should consider providing out-of-court assistance to MSMEs such as mediation, debt counselling, financial education or the appointment of a trustee. With a better understanding of MSMEs' insolvencies and specific frameworks to deal with this group, including simplified procedures, MSMEs could deal with times of insolvencies better and without liquidation (source: World Bank 2017).
  - 31 ADB (2016a). The report recommends for the Pacific region four points: strengthening consumer trust, improving access by strengthening agent networks, promoting enabling regulatory environments, and encouraging cross-regulatory co-operation.
  - 32 PCA was used to examine its robustness and correlation between the unweighted and weighted scores; the principal components are also attached - in Annex Table A4 and Figure A1.
  - 33 The area scores and overall score by country are in Annex Table A3.

---

## References

---

- Asian Development Bank (2016a), Digital financial services in the Pacific. Experiences and regulatory issues, ADB, Manila, Philippines, available at: <https://www.adb.org/sites/default/files/publication/182300/digital-financial-services-pacific.pdf>
- ADB (2016b), 'Women and Business in the Pacific', available at: <https://www.adb.org/sites/default/files/publication/445821/women-business-pacific.pdf> (accessed 18 May 2020).
- Banerjee, A, D Karlan and J Zinman (2015), 'Six Randomized Evaluations of Microcredit: Introduction and Further Steps', *American Economic Journal: Applied Economics*, 7(1), 1–21.
- Cravo, TA and C Piza (2016), 'The impact of business support services for small and medium enterprises on firm performance in low- and middle-income countries: a meta-analysis', (English), Policy Research Working Paper, No. WPS 7664, Impact Evaluation series, Washington, DC.
- Das, E (2020), '1.77Mn Indians Are Homeless, 40% Of Them Are Getting No Lockdown Relief'. Indiaspend, India. Available at: <https://www.indiaspend.com/1-77mn-indians-are-homeless-40-of-them-are-getting-no-lockdown-relief/>
- Datta, N, A Elzir Assy, J Buba, S Johansson de Silva and S Watson (2018), *Integrated Youth Employment*

- Programs, A Stocktake of Evidence on What Works in Youth Employment Programs*, The World Bank, Washington, DC.
- Davidovic, S, E Loukoianova, C Sullivan and H Tourpe (2019), 'Strategy for Fintech Applications in the Pacific Island Countries', International Monetary Fund, Asia and Pacific Department, Series No.19/04, Washington, DC, available at: <https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2019/08/21/Strategy-for-Fintech-Applications-in-the-Pacific-Island-Countries-46862>
- Dingel, JI and B Neiman (2020), 'How many jobs can be done at home?', No. w26948, National Bureau of Economic Research, available at: [https://bf.uchicago.edu/wp-content/uploads/BFI\\_White-Paper\\_Dingel\\_Neiman\\_3.2020.pdf](https://bf.uchicago.edu/wp-content/uploads/BFI_White-Paper_Dingel_Neiman_3.2020.pdf) (accessed 16 May 2020).
- Elgin, C, G Basbug and A Yalaman (2020), 'Economic policy responses to a pandemic: developing the Covid-19 economic stimulus index', Columbia University. (accessed 16 May 2020).
- Food and Agriculture Organization (FAO) (2020), 'Impact of COVID-19 on informal workers', Geneva, available at: <http://www.fao.org/3/ca8560en/CA8560EN.pdf> (accessed 11 May 2020).
- Fox, L and U Kaul (2017), *The Evidence is in: how Should Youth Employment Programs in Low-Income Countries be Designed?*, US Agency for International Development (USAID), Washington, DC, available at: [http://conference.iza.org/conference\\_files/GLMLICNetwork\\_2017/fox\\_l4959.pdf](http://conference.iza.org/conference_files/GLMLICNetwork_2017/fox_l4959.pdf) (accessed 20 May 2020).
- Hale, T, S Webster, A Petherick, T Phillips and B Kira (2020), Oxford COVID-19 Government Response Tracker, Blavatnik School of Government. (accessed 16 May 2020).
- Hansen, A, B Ndirangu, C Kimeria, J Wendle and N Oshry (2014), *Assessing Credit Guarantee Schemes for SMEs Finance in Africa – Evidence from Ghana, Kenya, South Africa and Tanzania*, French Development Aid Agency (AFD). France.
- International Labour Organization (ILO) (2017), *A Study on the Future of Work in the Pacific*, available at: [https://www.ilo.org/wcmsp5/groups/public/---asia/--ro-bangkok/--ilo-suva/documents/publication/wcms\\_553880.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/--ro-bangkok/--ilo-suva/documents/publication/wcms_553880.pdf) (accessed 17 May 2020).
- ILO (2020a), 'COVID-19 and the world of work, country policy responses' [online], Geneva, [cited 11 May 2020]. Available at: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--tr/index.htm>
- ILO (2020b), 'The impact of the COVID-19 on the informal economy in Africa and the related policy responses' [online], Geneva, [cited 11 May 2020]. Available at: [https://www.ilo.org/wcmsp5/groups/public/---africa/--ro-abidjan/documents/briefing-note/wcms\\_741864.pdf](https://www.ilo.org/wcmsp5/groups/public/---africa/--ro-abidjan/documents/briefing-note/wcms_741864.pdf)
- Japan International Cooperation Agency (JICA) (2010), 'Country Gender Profile: Solomon Islands', available at: [https://www.jica.go.jp/english/our\\_work/thematic\\_issues/gender/background/pdf/e10sol.pdf](https://www.jica.go.jp/english/our_work/thematic_issues/gender/background/pdf/e10sol.pdf) (accessed 18 May 2020).
- Kersten, R, R Harms, K Liket and K Maas (2017), 'Small Firms, Large Impact? A Systematic Review of the SME Finance Literature', *World Development* 97, 330–348.
- Loayza, NV and S Pennings (2020), 'Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries', Research and Policy Briefs, No. 28, World Bank, Washington, DC.
- Mader, P (2018) 'Contesting Financial Inclusion', *Development and Change*, 49(2), 461–483.
- Nand, SS (2014), 'A Study of Small and Micro Enterprise Regulatory Impediments in Fiji', in *Urbanization in Asia*, Springer, pp.199–211, available at: [https://doi.org.ezproxy.sussex.ac.uk/10.1007/978-81-322-1638-4\\_12](https://doi.org.ezproxy.sussex.ac.uk/10.1007/978-81-322-1638-4_12)
- Nair, R and J Chelliah (2012), 'Understanding Key Impediments to Small Businesses In South Pacific Island Nations: A Case of Fiji', *Journal of Global Business Management*, Vol. 8, No. 1., available at: <http://www.jgbm.org/page/24%20John%20Chelliah.pdf>
- Organisation for Economic Co-operation and Development (OECD) (2020), SME Policy Responses. Available at: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>
- Quak, E-J and J Flynn (2019), 'Private Sector Development Interventions and Better-Quality Job Creation for Youth in Africa', Institute of Development Studies, Brighton.
- Saadani, Y, Z Arvai and R Rocha (2011), *A Review of Credit Guarantee Schemes in the Middle East and North Africa Region*. World Bank Policy Research Working Paper No. 5612, Available at SSRN: <https://ssrn.com/abstract=1794917>
- Tuibeqa, AT (2015), 'A framework for small business support services in Pacific island countries based on experiential claims in Fiji', dissertation for a PhD at College of Business, Victoria University, Melbourne, available at: <https://core.ac.uk/download/pdf/33477852.pdf>
- Women in Informal Employment: Globalizing and Organizing (WIEGO) (2020), 'Poster: COVID 19 Health Guidelines for Informal Traders', available at: <https://www.wiego.org/resources/poster-covid-19-health-guidelines-informal-traders> (accessed 16 May 2020).
- World Bank (2017), *Report on the Treatment of MSME Insolvency*. World Bank, Washington, DC. Available at: <https://openknowledge.worldbank.org/handle/10986/26709>
- World Bank (2020), Assessing the impact and policy responses in support of private-sector firms in the context of the COVID-19 pandemic, (accessed 15 May 2020). Available at: <http://pubdocs.worldbank.org/en/879461586478617078/COVID-19-Outbreak-Support-to-Firms.pdf>
- United Nations (2017), *UN Pacific Strategy, 2018-2022*, available at: [https://www.unicef.org/about/execboard/files/Final\\_UNPS\\_2018-2022\\_Pacific.pdf](https://www.unicef.org/about/execboard/files/Final_UNPS_2018-2022_Pacific.pdf)
- UN World Tourism Organization (UNWTO) (2020), 'UNWTO Launches a Call for Action for Tourism's COVID-19 Mitigation and Recovery', available at: <https://www.unwto.org/news/unwto-launches-a-call-for-action-for-tourisms-covid-19-mitigation-and-recovery> (accessed 14 May 2020).

## Annex

### Box A1. Notes for COVID-19 Response for Informal Sector (CRIS) Index

<b>BREADTH</b>	<p><b>Breadth = Availability*Scope</b>          Availability: General availability for MSMEs for each area, identified from the CPRIM [0 or 1]          Scope: for the informal sector based on the wording of the announcement, as well as discussions in the media [0, 1, 2]  <b>Source: COVID-19 Policy Response for Informal Enterprise Monitor (CPRIM)</b></p>
<b>ACCESS</b>	<ul style="list-style-type: none"> <li>• Health and safety: Share of out-of-pocket spending on health by households</li> <li>• Welfare: Country Policy and Institutional Assessment (CPIA) rating for policies for social inclusion and equity – gender equality, equity of public resource use, building human resources, social protection and labour, and policies and institutions for sustainability</li> <li>• Finance and credit: Credit information index affecting the scope, accessibility and quality of credit information</li> <li>• Taxes and fees: Access to electricity (% of population) and account at a financial institution or with a mobile money-service provider (% of population, 15 years or over)</li> <li>• Structural policies: Individual use of internet (% of population)</li> </ul> <p><b>Source: World Development Indicators</b></p>
<b>COVER</b>	<ul style="list-style-type: none"> <li>• Health and safety: Current health expenditure (% of gross domestic product [GDP])</li> <li>• Welfare: Based on coverage (both direct and indirect beneficiaries) of social protection and labour programmes (% of population), which provides approximate measures of social protection systems' performance for the country, based on nationally representative household surveys</li> <li>• Finance and credit: Liquidity support, based on announced fiscal support (% of GDP)</li> <li>• Taxes and fees: Cover from indirect tax or fee exemptions, based on other taxes (as % of revenue), including employer payroll or labour taxes, taxes on property, and taxes not allocable to other categories, such as penalties for late payment or non-payment of taxes</li> <li>• Structural policies: Mobile coverage, based on mobile cellular subscriptions (per 100 people)</li> </ul> <p><b>Sources: World Development Indicators; ASPIRE: The Atlas of Social Protection – Indicators of Resilience and Equity, The World Bank; Elgin et al. (2020); Hale et al. (2020) – supplemented by announcements; International Telecommunication Union</b></p>
<b>ADEQUACY</b>	<ul style="list-style-type: none"> <li>• Health and safety: Medium- to long-term effects based on the Global Health Security Index</li> <li>• Welfare: Based on adequacy (both direct and indirect beneficiaries) of social protection and labour programmes (% of total welfare of beneficiary households) that provides approximate measures of social protection systems' performance for the country, based on nationally representative household surveys</li> <li>• Finance and credit: Medium- to long-term likelihood of recovering from depressed demand, based on the COVID-19 Economic Stimulus Index (CESI)</li> <li>• Taxes and fees: Fiscal space using current account balance of the government (% of GDP)</li> <li>• Structural policies: Research and development focus of firms – R&amp;D (% of firms)</li> </ul> <p><b>Sources: World Development Indicators; ASPIRE: The Atlas of Social Protection – Indicators of Resilience and Equity, The World Bank; Elgin et al. (2020)</b></p>

The four different indicators are combined to yield a simple unweighted index, CRIS, that can be denoted as below:

$$CRIS = \frac{1}{n} \sum_{i=1}^{n=5} \bar{x}_i$$

Where  $\bar{x}_i$  is the simple average across four indicators for each policy area (i) and can be written as:  $\bar{x}_i = \frac{1}{n} \sum_{j=1}^4 y_j$ .  
 y is a vector that includes breadth, access, cover and adequacy.

Table A1. Policy responses in Pacific countries – as of 15 May 2020

RESPONSE TYPE	Health and safety measures (Access to health, improved sanitation)	Welfare (Cash transfers, fee waivers, wage or employment support)	Finance and Credit support (Economic stimulus, credit schemes, guarantees)	Taxes and Fees (Mobile money, digital tools, utilities, etc.)	Simplified procedures (Support for clarity in rules, easier access, etc.)
<b>Fiji</b>		<ul style="list-style-type: none"> <li>– Fijians in the informal sector who tested positive for the virus to be paid a one-off sum of F\$1,000. Informal sector in the lockdown areas entitled to one-off Government relief payment of F\$150 where an informal worker holds a street trader or hawker license</li> </ul>	<ul style="list-style-type: none"> <li>– Allocation of US\$3 million for unemployment benefit – lockdown areas (informal sector)</li> <li>– Allocation of US\$5 million for SMEs (formal sector)</li> <li>– Loan repayments have been deferred for six months, including mortgages, personal loans and hire purchase for those who have lost their jobs or are on reduced pay</li> <li>– Banks will waive all charges on minimum balances for customers</li> </ul>	<ul style="list-style-type: none"> <li>– No water supply disconnections until 31 December 2020; the Water Authority of Fiji has also agreed to transport water to any area impacted by cuts through July this year – at a cost of just over \$US2 million</li> </ul>	<ul style="list-style-type: none"> <li>– Fiji Commerce &amp; Employers Federation (FCEF) has launched a COVID-19 enterprise impact assessment</li> <li>– FCEF has tailored the ILO's COVID-19 six-step business continuity plan and Employers Guide on Managing your Workplace During COVID-19, and has launched a training programme to introduce the materials to member companies</li> </ul>
<b>Kiribati</b>		<ul style="list-style-type: none"> <li>– Government to develop a four-month food buffer strategy, which will ensure continuity of supply</li> <li>– Government to explore different public-private partnership models for implementation</li> </ul>			
<b>Nauru</b>	<ul style="list-style-type: none"> <li>– While mitigation measures have not been needed, containment efforts have been sizeable</li> </ul>				

(Continued)

Table A1. Policy responses in Pacific countries – as of 15 May 2020 (Continued)

<b>Papua New Guinea</b>	<ul style="list-style-type: none"> <li>– Containment measures since early February 2020, including a ban on travellers, mandatory health declaration forms for incoming travellers and enhanced screening at designated ports of entries</li> <li>– Extended the state of emergency, which started on 24 March, for further two months</li> </ul>	<ul style="list-style-type: none"> <li>– 250 million kina (K) to 'keeping jobs, rural households and MSMEs and [to] enhance food security' (no mention of informal sector)</li> </ul>	<ul style="list-style-type: none"> <li>– Government has so far allocated K45.33 million (0.05% of GDP) to prepare and respond to any outbreak and is working on additional fiscal and support measures</li> <li>– Announced a K5.6 billion economic stimulus package in the parliament</li> <li>– Government has announced K600 million credit line to support businesses and individuals, in co-ordination with the banks and financial institutions, and K500 million support from superannuation savings to employees affected by the economic slowdown</li> </ul>	
<b>Samoa</b>	<ul style="list-style-type: none"> <li>– Government is taking full precautions and preventive measures to control the transmission of COVID-19, including preparation of the health system to treat and care for patients</li> <li>– Social distancing measures are also in effect</li> </ul>	<ul style="list-style-type: none"> <li>– Government has put together the first phase of the fiscal and economic response package, amounting to T66.3 million (3% of GDP)</li> <li>– The package includes expenditure to cover the immediate medical response</li> </ul>	<ul style="list-style-type: none"> <li>– Assistance to the private sector and assistance to individuals and households</li> </ul>	<ul style="list-style-type: none"> <li>– T300 one-off special pension to be added to the next monthly pension of T145</li> <li>– A six-month moratorium on pension contributions for the hospitality sector</li> <li>– Reduction in utility prices (electricity and water) and water rates</li> </ul>
<b>Solomon Islands</b>	<ul style="list-style-type: none"> <li>– Exemption of surcharges for employers</li> <li>– A sum of up to SI\$5,000 for members under the age of 50 years who are temporary laid off or are unemployed</li> </ul>	<ul style="list-style-type: none"> <li>– Government has adopted a COVID-19 economic stimulus package of SI\$309 million (about 2.5% of GDP), to be financed by both government and donors</li> </ul>	<ul style="list-style-type: none"> <li>– Government will reduce electricity tariffs</li> </ul>	

(Continued)

Table A1. Policy responses in Pacific countries – as of 15 May 2020 (Continued)

RESPONSE TYPE	Health and safety measures (Access to health, improved sanitation)	Welfare (Cash transfers, fee waivers, wage or employment support)	Finance and Credit support (Economic stimulus, credit schemes, guarantees)	Taxes and Fees (Mobile money, digital tools, utilities, etc.)	Simplified procedures (Support for clarity in rules, easier access, etc.)
<b>Tonga</b>	<ul style="list-style-type: none"> <li>State of national emergency and toughened measures for incoming travellers</li> </ul>	<ul style="list-style-type: none"> <li>Needs-based financial assistance</li> </ul>	<ul style="list-style-type: none"> <li>Government of Tonga announced an Economic and Social Stimulus Package of T\$60 million (5.3% of GDP) for FY2020 on 2 April 2020</li> <li>This package is intended to provide short-term assistance to all affected sectors in response to the COVID-19 pandemic; over a third of the funds will be directed to the health sector, while the rest will support tourism, transport, agriculture, education and security</li> </ul>	<ul style="list-style-type: none"> <li>Three-month moratorium on Government Development Loans &amp; TC Gita Recovery Loan Fund</li> <li>Deferral of retirement contributions and hardship allowances for laid-off employees (up to three months)</li> <li>Assistance with the payment of utility bills by public enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Tonga Chamber of Commerce and Industry (TCCI) introduced micro-learning units on business and human resource strategies to manage the impacts of COVID-19</li> </ul>
<b>Tuvalu</b>	<ul style="list-style-type: none"> <li>Public health emergency, which was first declared on 20 March 2020, was extended for six months on 26 March 2020</li> </ul>	<ul style="list-style-type: none"> <li>Overall stimulus, but nothing focused on MSMEs/informal sector</li> </ul>	<ul style="list-style-type: none"> <li>Government released Tuvalu's Strategic COVID-19 Economic and Financial Relief Package on 6 May 2020</li> </ul>		
<b>Vanuatu</b>		<ul style="list-style-type: none"> <li>Supporting jobs through the Employment Stabilization Payment, which will reimburse employers up to Vt30,000 (US\$243) per employee per month on their payroll for a period of four months</li> </ul>	<ul style="list-style-type: none"> <li>A first-stage fiscal package worth 4.4 billion vatu (roughly 4.5% of GDP) was announced</li> <li>Package includes: deferred and cancelled taxes, license fees and charges for businesses in 2020; backdating to the start of 2020 of some reductions resulting from forthcoming business license reforms; the Employment Stabilization Payment; SMEs (turnover of less than 200 million Vt) to receive the value of their business license fees; price-based subsidies, if needed, to support producers of copra, kava and cocoa; and support to the transport sector to facilitate farmers' access to major market centres such as Port Vila and Luganville</li> </ul>	<ul style="list-style-type: none"> <li>Supporting businesses by deferring of a number of taxes and charges; these include road tax, work permits fees, business licenses fees, residence permit charges and rent tax</li> </ul>	<ul style="list-style-type: none"> <li>Government will suspend many of the regulations for procurements below Vt10 million (US\$87,000) to ensure contracts can be signed quickly and to enable projects to begin immediately</li> <li>More than 300 businesses have been trained in business preparedness</li> </ul>

Table A2. COVID-19 Response for Informal Sector (CRIS) Index – underlying areas and indicators

S. No.	Area	ID	Indicator	Description and Rationale	Coding	Construction Notes	Data Sources				
1	Health and Safety	Q1	Breadth	Identify if a measure has been announced or implemented generally, with direct or indirect effects for MSMEs (0 or 1), combined with a subjective assessment of the scope of policy announcement to cover informal sector (0-None; 1-Narrow; 2-Broad)	0-100	<b>Breadth = Availability*Scope</b>	International Monetary Fund – Policy response to Covid-19, World Bank's Social Protection and Jobs Responses to COVID-19; ILO Country policy responses; IGC's COVID-19 policy tracker; Government sources and media channels				
				Q2	Access			Ease of access to health facilities. Based on the share of out-of-pocket spending on health by households (of total current health expenditures)	0-100	Re-scaled for positive scale to 0-100	World Development Indicators
				Q3	Cover			Short-term cover based on current health expenditure (% of GDP)	0-100	0-100	World Development Indicators
				Q4	Adequacy			Medium to long-term effects based on the Global Health Security Index	0-100	0-100	GHS Index
2	Welfare	Q1	Breadth	Identify if a measure has been announced or implemented generally, with direct or indirect effects for MSMEs (0 or 1), combined with a subjective assessment of the scope of policy announcement to cover informal sector (0-None; 1-Narrow; 2-Broad)	0-100	<b>Breadth = Availability*Scope</b>	International Monetary Fund – Policy response to Covid-19, World Bank's Social Protection and Jobs Responses to COVID-19; ILO Country policy responses; IGC's COVID-19 policy tracker; Government sources and media channels.				
				Q3	Access			Ease of access to welfare support. Based on the CPIA rating for policies for social inclusion and equity that includes gender equality, equity of public resource use, building human resources, social protection and labour, and policies and institutions for sustainability	0-100	Re-scaled 0-100	World Development Indicators

(Continued)

Table A2. COVID-19 Response for Informal Sector (CRIS) Index – underlying areas and indicators (Continued)

S. No.	Area	ID	INDICATOR	Description and Rationale	Coding	Construction Notes	Data Sources
3	Finance and Credit	Q2	Cover	Based on coverage (both direct and indirect beneficiaries) of social protection and labour programs (% of population) that provides approximate measures of social protection systems performance of the country based on nationally representative household surveys	0-100		ASPIRE: The Atlas of Social Protection – Indicators of Resilience and Equity, The World Bank
		Q3	Adequacy	Based on adequacy (both direct and indirect beneficiaries) of social protection and labour programs (% of total welfare of beneficiary households) that provides approximate measures of social protection systems performance of the country based on nationally representative household surveys	0-100		ASPIRE: The Atlas of Social Protection – Indicators of Resilience and Equity, The World Bank
		Q1	Breadth	Identify if a measure has been announced or implemented generally, with direct or indirect effects for MSMEs (0 or 1), combined with a subjective assessment of the scope of policy announcement to cover informal sector (0=None; 1=Narrow; 2=Broad)	0-100	Breadth = Availability*Scope	International Monetary Fund – Policy response to Covid-19; World Bank's Social Protection and Jobs Responses to COVID-19; ILO Country policy responses; IGC's COVID-19 policy tracker; Government sources and media channels
		Q3	Access	Ease of access to finance and credit. Based on the credit information index affecting the scope, accessibility, and quality of credit information; ranges from 0-8, with higher values indicating the availability of more credit information to facilitate lending decisions	0-100	Re-scaled to 0-100	World Development Indicators
		Q2	Cover	Liquidity support through direct credit lines or guaranteed commercial loans. Based on announced fiscal support (% GDP)	0-100		Elgin, Basbug and Yalaman (2020); Hale et al. (2020) – supplemented by announcements
		Q3	Adequacy	Medium to long-term likelihood of recovering from depressed demand. Based on the COVID-19 Economic Stimulus Index (CESI)	0-100	Re-scaled 0-100	Elgin, Basbug and Yalaman (2020)

(Continued)

Table A2. COVID-19 Response for Informal Sector (CRIS) Index – underlying areas and indicators (Continued)

4	Taxes and Fees	Q1	Breadth	Identify if a measure has been announced or implemented generally, with direct or indirect effects for MSMEs (0 or 1); combined with a subjective assessment of the scope of policy announcement to cover informal sector (0-None; 1-Narrow; 2-Broad)	0-100	Breadth = Availability*Scope	International Monetary Fund – Policy response to Covid-19; World Bank's Social Protection and Jobs Responses to COVID-19; ILO Country policy responses; IGC's COVID-19 policy tracker; Government sources and media channels
		Q2	Access	Ease of access to indirect tax and fee waivers. Based on access to electricity (% of population) and account at a financial institution or with a mobile-money-service provider (% of population 15 years or more)	0-100	Composite measure using an average of two	World Development Indicators
		Q3	Cover	Cover from indirect tax or fee exemptions. Based on other taxes (as % of revenue) include employer payroll or labour taxes, taxes on property, and taxes not allocable to other categories, such as penalties for late payment or non-payment of taxes	0-100		World Development Indicators
		Q4	Adequacy	Current account balance of the government (% of GDP). Based on an indication of the country's fiscal space	-50 to +50		World Development Indicators
5	Structural policies	Q1	Breadth	Identify if a measure has been announced or implemented generally, with direct or indirect effects for MSMEs (0 or 1); combined with a subjective assessment of the scope of policy announcement to cover informal sector (0-None; 1-Narrow; 2-Broad)	0-100	Breadth = Availability*Scope	International Monetary Fund – Policy response to Covid-19; World Bank's Social Protection and Jobs Responses to COVID-19; ILO Country policy responses; IGC's COVID-19 policy tracker; Government sources and media channels
		Q2	Access	Ease of access to measures that simplify procedures or provide information for adapting to new ways of work, based on individual use of internet (% population)	0-100		World Development Indicators
		Q3	Cover	Mobile coverage based on mobile cellular subscriptions (per 100 people)	0-100		World Development Indicators/International Telecommunication Union
		Q4	Adequacy	Research and development focus of firms – R&D (% of firms)	0-100		World Development Indicators



Table A3. COVID-19 Response for Informal Sector (CRIS) Index – Underlying data (standardised to 0-100) (Continued)

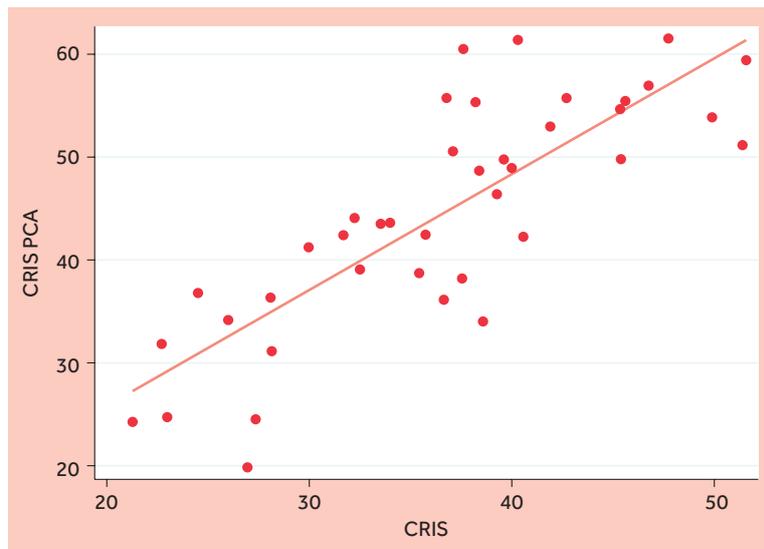
<b>Caribbean</b>	Antigua and Barbuda	49.6	53.0	12.5	49.4	62.2	45.4	28.0	60.8	8.7	75.9	100.0	54.7
	Bahamas	26.3	53.0	35.5	48.5	38.1	40.3	49.5	60.8	48.9	85.1	62.8	61.4
	Barbados	48.1	40.5	28.5	50.5	66.2	46.8	24.3	49.7	33.1	83.5	94.1	56.9
	Belize	40.8	53.5	23.2	41.4	33.0	38.4	43.2	61.4	33.8	61.1	43.9	48.7
	Dominica	37.2	36.9	25.0	41.0	43.8	36.8	48.1	39.6	26.2	100.0	64.7	55.7
	Grenada	45.0	54.2	37.1	47.4	44.4	45.6	19.8	67.7	49.2	77.6	62.9	55.5
	Guyana	26.0	26.2	47.7	42.0	28.0	34.0	45.1	28.3	16.2	90.1	38.3	43.6
	Jamaica	29.4	55.3	47.9	35.5	41.4	41.9	60.0	65.6	23.2	57.8	58.2	53.0
	Saint Lucia	36.3	54.2	24.1	38.8	25.4	35.7	24.2	67.7	39.7	40.9	39.8	42.5
	St Kitts and Nevis	33.4	53.0	23.1	36.2	45.4	38.2	33.5	60.8	53.1	52.2	77.1	55.3
	St Vincent and The Grenadines	39.1	53.2	23.1	47.7	22.4	37.1	34.5	61.9	53.1	73.6	29.6	50.6
<b>Pacific</b>	Trinidad and Tobago	38.5	53.0	43.5	52.0	51.7	47.7	32.5	60.8	38.8	95.0	80.6	61.5
	Fiji	28.4	45.0	37.3	34.4	43.0	37.6	57.6	36.8	100.0	46.9	61.1	60.5
	Kiribati	32.5	25.0	12.5	34.2	10.7	23.0	93.9	13.4	8.7	0.0	7.7	24.7
	Nauru	45.2	17.1	12.5	26.7	28.5	26.0	83.7	10.5	8.7	23.7	44.2	34.2
	Papua New Guinea	42.8	21.7	43.0	19.7	9.6	27.4	47.7	0.0	62.2	7.6	5.1	24.5
	Samoa	42.5	40.1	23.6	37.4	17.6	32.2	55.8	56.2	46.4	40.1	21.8	44.1
	Solomon Islands	30.0	27.6	23.8	27.5	13.6	24.5	72.3	9.7	43.7	44.6	13.6	36.8
	Tonga	42.4	31.1	37.9	47.9	38.7	39.6	57.4	25.6	54.4	59.3	52.3	49.8
	Tuvalu	47.1	16.3	24.9	29.6	22.6	28.1	100.0	5.6	28.3	15.6	32.3	36.3
	Vanuatu	30.1	30.3	35.4	30.9	31.7	31.7	60.6	25.3	50.8	37.3	38.0	42.4

**Notes:** Panel A reports the unweighted sub-scores and the overall CRIS score. The PCA was done across the four indicators for each policy area, using original data on variables as discussed in this paper. For the unweighted score, we took the simple unweighted average across the three indicators of access, cover and adequacy. Panel B reports the sub-scores after the PCA, normalized in the range 0-100; the overall CRI score is also listed.

Table A4. COVID-19 Response for Informal Sector (CRIS) Index – PCA

<b>Health and Safety</b>				
Component	Eigenvalue	Difference	Proportion	Cumulative
Component 1	1.59	0.49	0.40	0.40
Component 2	1.10	0.26	0.27	0.67
Component 3	0.84	0.37	0.21	0.88
Component 4	0.47	–	0.12	1.00
Variable	Component 1	Component 2	Component 3	Component 4
Breadth	-0.37	0.76	0.24	0.49
Access	0.67	-0.05	-0.25	0.70
Short-Term	0.47	0.05	0.87	-0.14
Long-Term	-0.44	-0.65	0.35	0.51
<b>Welfare</b>				
Component	Eigenvalue	Difference	Proportion	Cumulative
Component 1	2.02	1.11	0.50	0.50
Component 2	0.90	0.25	0.23	0.73
Component 3	0.65	0.23	0.16	0.89
Component 4	0.42	–	0.11	1.00
Variable	Component 1	Component 2	Component 3	Component 4
Breadth	0.52	-0.04	0.81	-0.27
Access	0.56	-0.38	-0.14	0.72
Short-Term	0.56	-0.12	-0.56	-0.60
Long-Term	0.33	0.92	-0.10	0.21
<b>Finance and Credit</b>				
Component	Eigenvalue	Difference	Proportion	Cumulative
Component 1	1.27	0.24	0.32	0.32
Component 2	1.03	0.04	0.26	0.57
Component 3	0.99	0.28	0.25	0.82
Component 4	0.71	–	0.18	1.00
Variable	Component 1	Component 2	Component 3	Component 4
Breadth	0.64	0.36	0.27	-0.62
Access	-0.27	0.79	0.42	0.36
Short-Term	0.72	-0.06	-0.02	0.69
Long-Term	-0.05	-0.49	0.87	0.03
<b>Tax and Credits</b>				
Component	Eigenvalue	Difference	Proportion	Cumulative
Component 1	1.80	0.64	0.45	0.45
Component 2	1.15	0.57	0.29	0.74
Component 3	0.58	0.12	0.15	0.88
Component 4	0.47	–	0.12	1.00
Variable	Component 1	Component 2	Component 3	Component 4
Breadth	0.62	-0.15	-0.01	0.77
Access	0.08	0.85	-0.52	0.10
Short-Term	0.53	0.40	0.67	-0.34
Long-Term	-0.57	0.32	0.54	0.53
<b>Structural Measures</b>				
Component	Eigenvalue	Difference	Proportion	Cumulative
Component 1	1.96	0.93	0.49	0.49
Component 2	1.02	0.33	0.26	0.74
Component 3	0.69	0.36	0.17	0.92
Component 4	0.33	–	0.08	1.00
Variable	Component 1	Component 2	Component 3	Component 4
Breadth	0.48	-0.25	0.83	-0.13
Access	0.61	0.14	-0.41	-0.67
Short-Term	0.61	-0.18	-0.30	0.71
Long-Term	0.16	0.94	0.22	0.20

Figure A1. Correlation between unweighted CRIS and CRIS using PCA



**Note:** CRIS unweighted (x-axis) and CRIS with PCA (Y-axis). We find a highly significant correlation between the two at 0.82.

