



MEDIA RELEASE

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Policy intervention needed for informal enterprises' transition to SMEs

Enterprises involved in informal economic activities have the potential to become Small and Medium Enterprises (SMEs) if supported through appropriate policy interventions to grow and become sustainable.

Intervention must focus on developing strategies that can assist SMEs that demonstrate promising signs of innovation and diversifying their businesses, findings from a study by PNG National Research Institute (PNG NRI) states.

"Innovation and diversification of businesses can also create additional spin-off benefits to provide training and create employment for local communities," lead author of "[*Innovation in the informal economy: Lessons from case studies in selected areas of three provinces in Papua New Guinea*](#)" (PNG NRI Discussion Paper No.186) Dr. [Elizabeth Kopel](#) says.

Informal economic activities cover enterprises that are not registered with the PNG Investment Promotion Authority (IPA) covering all sectors. This study investigated innovation of informal economic activities. It shows that the informal economy is huge, but it has a narrow base and lacks diversity and innovation, limiting its potential to grow.

"Growth and expansion of innovative enterprises is constrained by financial, technical and resource challenges. Individuals and enterprises driving innovation need to be supported with appropriate assistance to enable them to grow and make the transition...to meeting PNG's SME Policy target of reaching 500,000 SMEs by 2030."

The issues and challenges faced by informal enterprises can be taken into account by the development of upcoming review of National Informal Economy Policy. Effective implementation would require well crafted implementation strategy that would provide a road map to guide projects and activities to achieve the policy objectives.

There is also a need for research to identify and analyse innovations in non-agricultural, manufacturing and downstream processing informal economic activities as well as specific informal enterprises that have potential for export like trading of artefacts, spices and honey.

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