

Report: Tonga Informal Business Survey 2021



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MINISTRY OF TRADE & ECONOMIC DEVELOPMENT
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Survey, Statistical Solutions, Management, Tonga

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2. Executive summary

The **Tonga Informal Business Survey 2021** (TIBS, 2021) contains information about the type of economic activities, challenges and opportunities from **2,301** economic units in **1,519** sampled households. The main findings from a general descriptive analysis are the following:

1. Most informal businesses are focused on two main types of activities: agricultural activities and small-scale manufactures. These activities are undertaken mainly with the purpose to sell their produce and for home consumption as well. Main costumers for most businesses were locals Figure 1.
2. Women-headed businesses are rather different than male-headed businesses. Women tend to perform small-scale manufactures and men were predominantly focused on agriculture. Women-headed businesses focused more on sales than male activities.
3. Women-headed activities were purposely more likely to sell their goods whilst men owned businesses were likely for own-consumption. Also, women-headed businesses were less likely to be part of a cooperative. Figure 21.
4. Most businesses (75%) started before the 2020 COVID-19 pandemic, emerged from preferences of self-employment over other types of economic involvement. These activities offered the potential for improved income with a chance to meet their basic needs. Table 2 and Table 3.
5. Most businesses started with personal funding and very little involvement of official institutions with more than 60% unaware of the need to register their business. Figure 3.
6. Few businesses employed more than one person (17%), the employees were mainly casual (56% out of 476), a mixture of non-family members and household members, who earned less than \$200 a month. Half of these workers were paid in kind (n=221). Table 4.
7. Around 70% of businesses own equipment for operating their activities with 19% lacking in equipment. Affordability was the main cause of businesses lacking equipment. The estimated cost of equipment varied. 75% of those that need equipment estimated that less than \$1100 is the cost to cover required equipment. Table 5.
8. Most businesses made a profit from their activities. Businesses with low sales were likely to suffer loses. Figure 5.

9. Small to Mid-profitable businesses were more common across women. Larger highly profitable businesses were much more prevalent among men. Figure 26.
10. The majority of businesses have a bank account (69%). This account is often used also for personal matters (83%). However, informal businesses rarely relied on banks for funding (30%), and many 60% declared that they were not interested in requesting a loan. Table 9.
11. Around 50% of businesses declared that they had not received financial support. Among those that received support, the vast majority received it from private businesses. Figure 12.
12. Businesses would have benefited the most from the provision of technical tools and securing finance but very few knew of these options in Tonga - only 9% were aware of the assistance available at MTED.
13. Insufficient funding and lack of opportunities for trade are the main challenges faced by businesses. Figure 13.
14. The effects of the COVID-19 pandemic are mixed. Out of those that responded to the question about the impact of COVID (n=1733), 40% said that their sales dropped, 12% said their sales increased and 48% declared no changes to their businesses. Table 11.

3. Introduction

This report uses data from the **Tonga Informal Business Survey 2021**, which provides an in-depth exploration of the type of informal businesses, its main sources of funding, the challenges in terms of equipment for production, an overview of the revenue and expenses of the businesses, an exploration of the extent of access to financial institutions, a picture of the challenges faced in the context of the COVID-19 pandemic, as well as the possibility of looking at gender differences.

The report is descriptive in nature, and it has the aim to provide an overview of the main results based on univariate statistics. This has the advantage of covering all the topics included in the survey and to set up further questions for more profound analyses. Therefore, basic tabulations and plots are used throughout the report to communicate the findings more easily.

The report is organised as follows. The first section describes the main characteristics of informal business such as the purpose of the activity, whether the business was created before the COVID-19 pandemic and the reasons why the business has or has not been registered. The second section explores the type of involvement of employees -wages, part or full-time participation, household member or not, children involvement-. The availability, costs and uses of tools and infrastructure for business is explored in section three. The fourth section looks at the estimates of revenue, expenses, and opportunities for investment. The role and use of financial institutions for funding the activities is assessed in section five and development support from customers or different organisations is explored in section six. The seventh section is about the potential challenges and prospects for the informal business -funding and unskilled workers-. Section eight is devoted to the operations of the business in the context of the COVID-19 pandemic. This section focuses on the impact of the pandemic and the support needed and received from different institutions. The final section concludes the document.

4. Background and objectives

The Ministry of Trade and Economic Development (MTED) contributes to the economy of Tonga by supporting development of a more inclusive, sustainable and dynamic knowledge-based economy. In its Corporate Plan for 2019/20-2021/22, MTED has established some initiatives to develop closer public private partnerships with its stakeholders, strengthen Tonga's business enabling environment and support the access to and use of trade, employment and foreign Investment. MTED recognizes that in order to achieve inclusive and sustainable economic development for Tonga, it must engage and support the informal sector.

The informal sector represents an important part of the economy and the labour market in many developing countries, including Tonga. It plays a major role in employment creation, production and income generation and represents a substantial portion of economic activity, contributing significantly to Tonga's economic growth. Unfortunately, due to their nature, i.e. small size, invisibility, and high rates of entry and exit, informal sector enterprises do not enter the business registers or the list frames usually maintained by the national statistical office, so little data on the informal sector exists and its contribution to gross domestic product (GDP) is often understated. Due to this lack of information on the informal sector, ADB through the MTED engaged SSSMT to undertake the Survey. The results of the Research will be used by MTED to assist in developing appropriate strategies and policies to assist informal businesses in Tonga.

The informal sector survey has the following objectives:

1. To map informal business activities according to activity, sectors and sub-sectors (International Standard of Industrial Classification [ISIC] codes).
2. To identify constraints (including COVID-19) to business growth and development in the informal sector.
3. To seek input on alternative business structures for those considering transition to the formal economy.
4. To identify the level of understanding in the informal sector regarding MTED, its work programs and services offered to businesses.

The survey will cover aspects of:

- Organization and status of business
- Business activities
- Employment
- Production and sales
- Expenditures on raw materials and equipment
- Investment, financing and debt
- Business environment
- Problems and prospects (including COVID-19)
- Access to financial institutions and other support structure

5. Methods

The Survey was conducted over a three months period from August to November 2021.

5.1. Data collection

The measurement of informality is relatively recent and there are several challenges that need to be addressed for a successful and comprehensive statistical exercise about it. Although The International Labour Organization (ILO) has developed a series of guidelines for the definition and measurement of informality, inter-country variations and the lack of a sampling framework -i.e. a census of formal and informal businesses- make difficult to do so in an harmonized and systematic way. According to the ILO (1993):

- (i) own-account workers employed in their own informal sector enterprises;*
- (ii) employers employed in their own informal sector enterprises;*
- (iii) contributing family workers, irrespective of whether they work in formal or informal sector enterprises;*
- (iv) members of informal producers' cooperatives;*
- (v) employees holding informal jobs (as defined in subparagraph (5) below) in formal sector enterprises, informal sector enterprises, or as paid domestic workers employed by households;*
- (vi) own-account workers engaged in the production of goods exclusively for own final use by their household, if considered employed according to paragraph 9(6) of the resolution*

Own-account workers, employers, members of producers' cooperatives, contributing family workers, and employees are defined in accordance with the latest version of the International Classification of Status in Employment (ICSE).

Producers' cooperatives are considered informal if they are not formally established as legal entities and also meet the other criteria of informal sector enterprises specified in the resolution concerning statistics of employment in the informal sector adopted by the 15th ICLS.

Employees are considered to have informal jobs if their employment relationship is, in law or in practice, not subject to national labour legislation, income taxation, social protection or entitlement

to certain employment benefits (advance notice of dismissal, severance pay, paid annual or sick leave, etc.).

Drawing upon these definitions and acknowledging the sampling challenges of the measurement of informality, this exercise relied on two-staged sample. First, a sample from a series of households was taken into consideration. Second, the households were enumerated to assess if they participated in *informal* activities -mainly relying on household resources-. As in many countries, the total population in informal activities is unknown. Hence, these results might not be fully representative. Nonetheless, this exercise is meant to be a first and general characterization of informal activities in Tonga.

The survey had a total sample size of **2,301** economic units in **1,519** sampled households. That is, the sample unit of analysis were households and within the household it could be possible to find more than one informal business. To have an idea of the distribution of the sample households by island relative to the known distribution from the latest Census, the following table (1) displays the percentages by islands. The table suggests that there is agreement between the two distributions and that the results are generalised to some extent. The limitation is that the total number of households with informal activities is unknown and it is not possible to generate sampling weights to make more robust inferences. The appendix 1 shows information on the type of economic activity by island to have a better sense of the distribution across different territories.

Table 1: Sample size distribution by Island: Informal business survey and HIES 2016

Island	Informal business survey		HIES 2016	
	Total	% Col	Total	% Col
Tongatapu	1,032	68	15,394	70
Vava'u	248	16	3,512	16
Ha'apai	142	9	1,661	8
'Eua	97	6	1,095	5
Ongo Niua		NA	359	2

5.2 Analysis

The report aims to provide an overview of the main findings of the survey. Hence, it is descriptive in nature. Simple frequencies, cross-tabulations and averages by groups were used throughout the report. To facilitate the reading of the analysis, the reports use mainly plots and tables. The survey was processed in R-software and R Markdown. The following packages were used for producing the tables, plots and the main document: `tidyverse`, `officedown`, `descr`, `flextable`, `viridis`, and `ggpubr`.

6. Results

6.1. Informal business

Figure 1 displays the main types of economic activities performed by the informal businesses in the sample (n=2,301). Root crops, mat production, Tapa making and Ta'ovala manufacturing are the four main activities and account for 50% of all activities. The rest of activities are a mixture of agricultural, commerce imported goods and handicraft activities. However, there is a lot of varieties in the type of products, and, in many cases, some activities constitute less than 2% of the total range of endeavours.

Figure 1: Distribution of the most important types of activities performed by the informal businesses

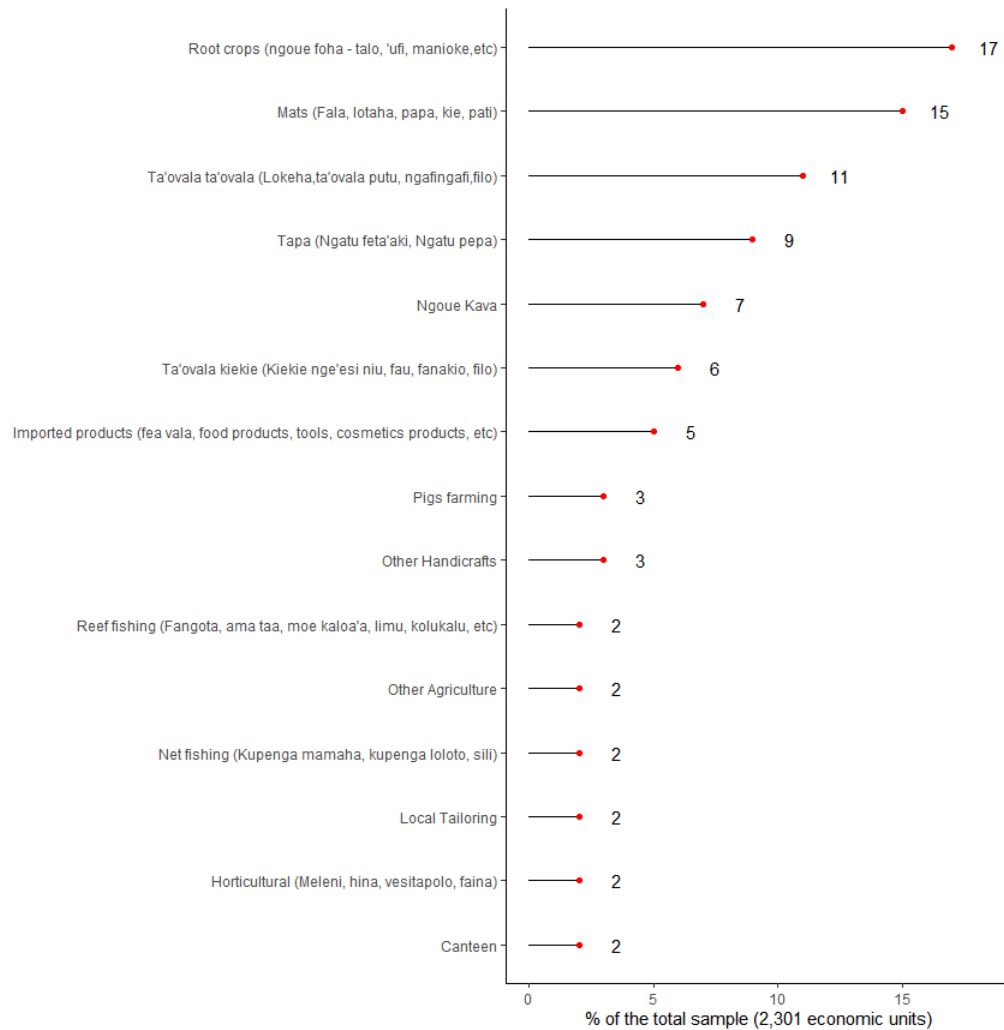


Table 2 shows that the main purposes for doing the activity are for selling goods with minimal home consumption. Almost 80% of businesses have this purpose. The majority of businesses started before the COVID-19 pandemic but around 15% started after the pandemic started. The economic activity rarely takes place with organized groups or cooperative societies, less than one in five business is related to any groups of cooperatives.

Table 2: Purpose and characteristics of the business. Single choice given

Question	Category	Percent (% cols)
What is the purpose of doing the activity	Only for home consumption	9
	Mainly home consumption, but some sale	15
	Mainly sale, but some home consumption	35
	Only for sale	42
	Total	100
How long have you been operating in this activity	Started before COVID-19 (2019)	75
	Started during COVID-19 (2020 - Now)	16
	NA's	9
	Total	100
This activity involves or works closely with any group?	Yes - 'lo	18
	No - 'Ikai	82
	Total	100
Do you want to join or include your activity Cooperative Societies?	Yes - 'lo	16
	No - 'Ikai	84
	Total	100

Table 3 shows that the main reasons for deciding to run a business were that people prefer self-employment and it offers the opportunity for increased income. A 32% of the total sample responded that they have the skill to undertake the activity. When asked about the goals that represent the activity, subsistence living, fulfil church obligations & functions, and paying children's school fees were the most highly endorsed options.

Table 3: Reasons why the business was undertaken and targets and goals of the activity

Question	Label	Percent (Multiple choice)
What are the reason(s) for starting your	Prefer self-employment	50
	Better income	94
	No other alternatives	5
	High demand	4
	Influenced by others	4
	I have the skill	32
Which targets or goals the one which best represents your activity	Subsistence living	83
	Paying of children's school fees	52
	Fulfill church obligations and functions	81
	Making a profit to expand business	5
	Used as a form of employment for youths in the community	1

With regard the reasons given for the lack of registration of the business, the majority of interviewees declared that they were not aware that they should register their business, 20% responded that they didn't understand the process for registrations, around 15% said that they didn't see the benefits of doing so and almost 10% declared that the registration was too costly. The other options were not endorsed by more than 5%.

Figure 2: Reasons given for the lack of registration of the business

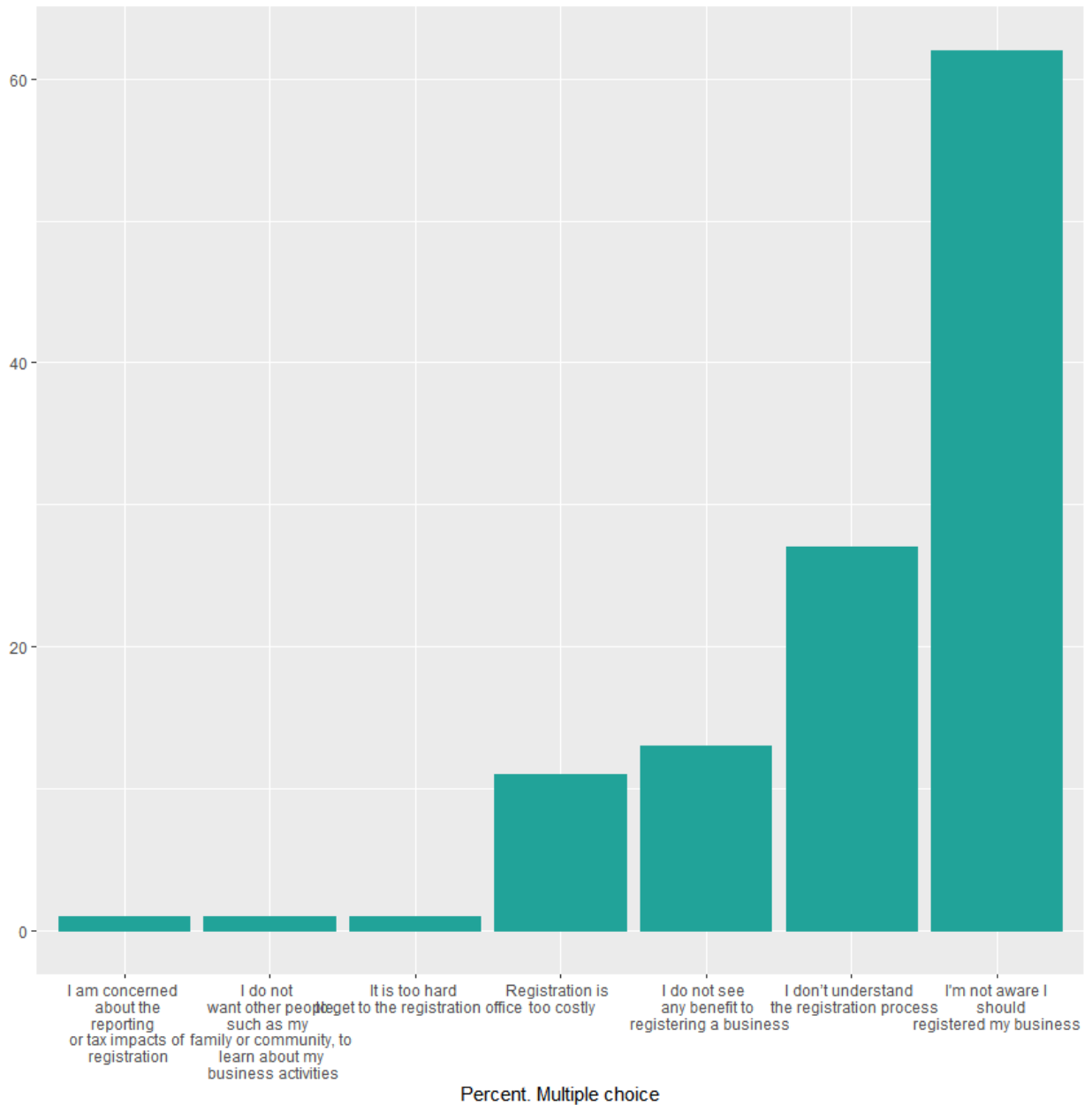
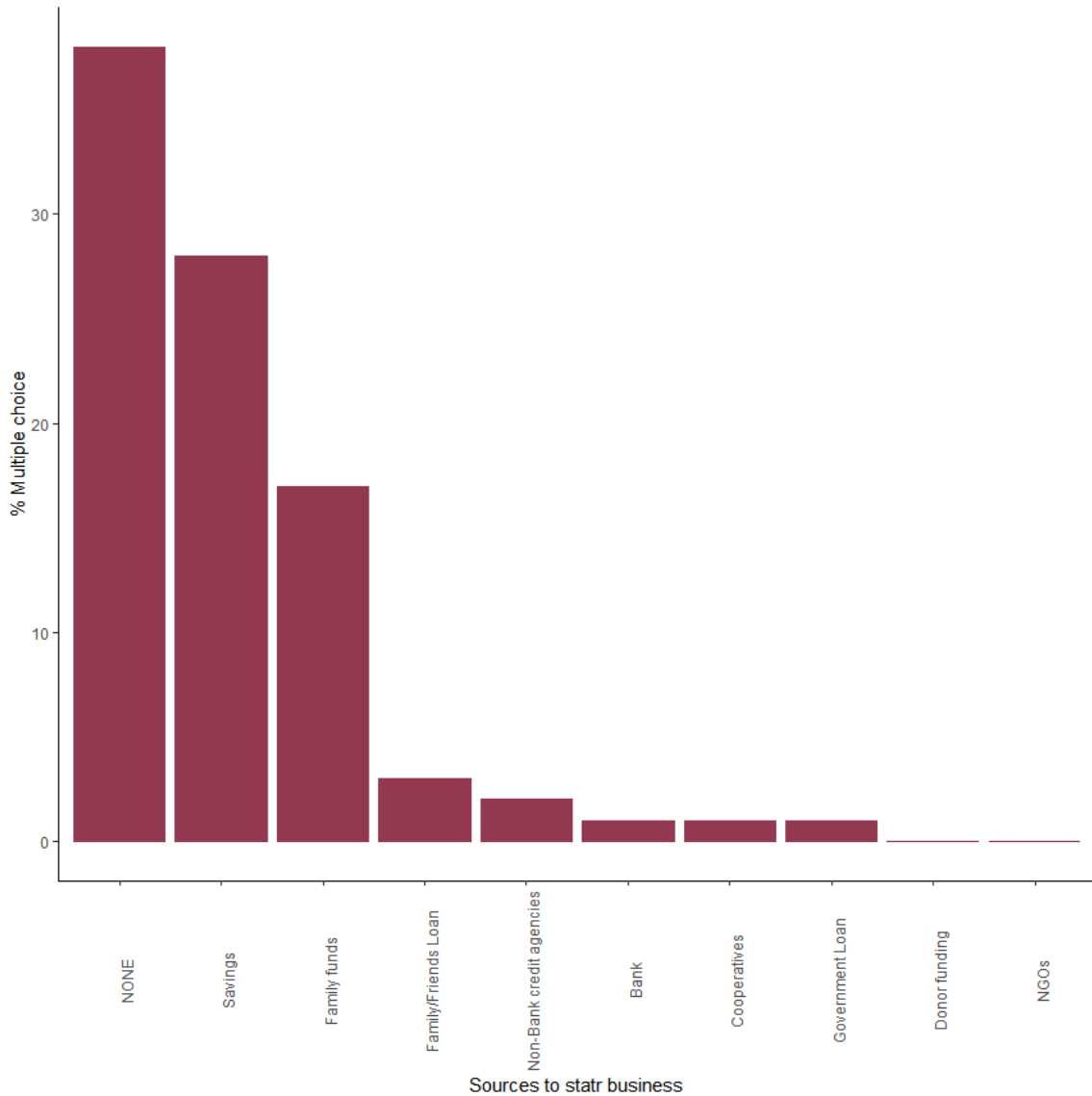


Figure 3 displays the different sources people used for starting their businesses. A large proportion mentioned that they rely in their own sources, either their savings or family funds. More than a third said that they did not use any types of sources. Almost 30% said that they used their savings, almost 20% declared that they used their family funds. Very few people declared using other institutionalised sources of funding like bank or government loans or credits.

Figure 3: Sources for starting the business. Percentages from multiple choice



6.2. Employment

This section explores the number and characteristics of employees among the informal businesses. Table 4 shows that having employees is quite rare among these types of economic activities. 80% of businesses do not have any employees. The size of businesses with employees is, overall, relatively small -between 1 and 3 workers-. Around 10% involve in the economic participation of children and in most of the cases employees' participation is casual. Full-time

participation is rare -only 169 cases. Those businesses with workers - 36% were part time workers.

Most of the workers in the informal businesses are males (63%), six out of ten are non-family workers, 20% are household members and 20% are related but do not belong to the same household. In terms of wages, 60% earn between \$1 and \$100, 30% between \$101 and \$200. Almost half of all workers are paid in kind.

Table 4: Characteristics of the employees in informal business

Question	Category	Percent (% cols)	Frequency
How many workers you are currently employing?	0	83	1919
	1	3	60
	2	2	50
	3	1	23
	4	1	25
	5	1	14
	6	0	10
	7	0	1
	10	0	1
	NA's	9	198
Total		100	2301
Involve children?	Yes	11	259
	No	80	1844
	NA's	9	198
	Total	100	2301
What type of workers is this employee	Part-Time	36	169
	Full-Time	8	40
	Casual	56	267
	Total	100	476
What is the sex of this worker?	Male (Tangata)	63	298
	Female (Fefine)	37	178
	Total	100	476
Is the employee	Household member	20	93
	Family but NOT household members	20	97
	Non-family	60	286
	Total	100	476
What is the estimated wages on a weekly basis?	\$1 - \$100	61	288
	\$101 - \$200	29	138
	\$201 - \$300	7	31
	\$301 - \$400	1	7
	\$401 - \$500	2	10
	\$501+	0	2
Total	100	476	
Does employee received other IN KIND income?	Yes - 'lo	46	221
	No - 'lkai	54	255
	Total	100	476

6.3. Equipment for business operations

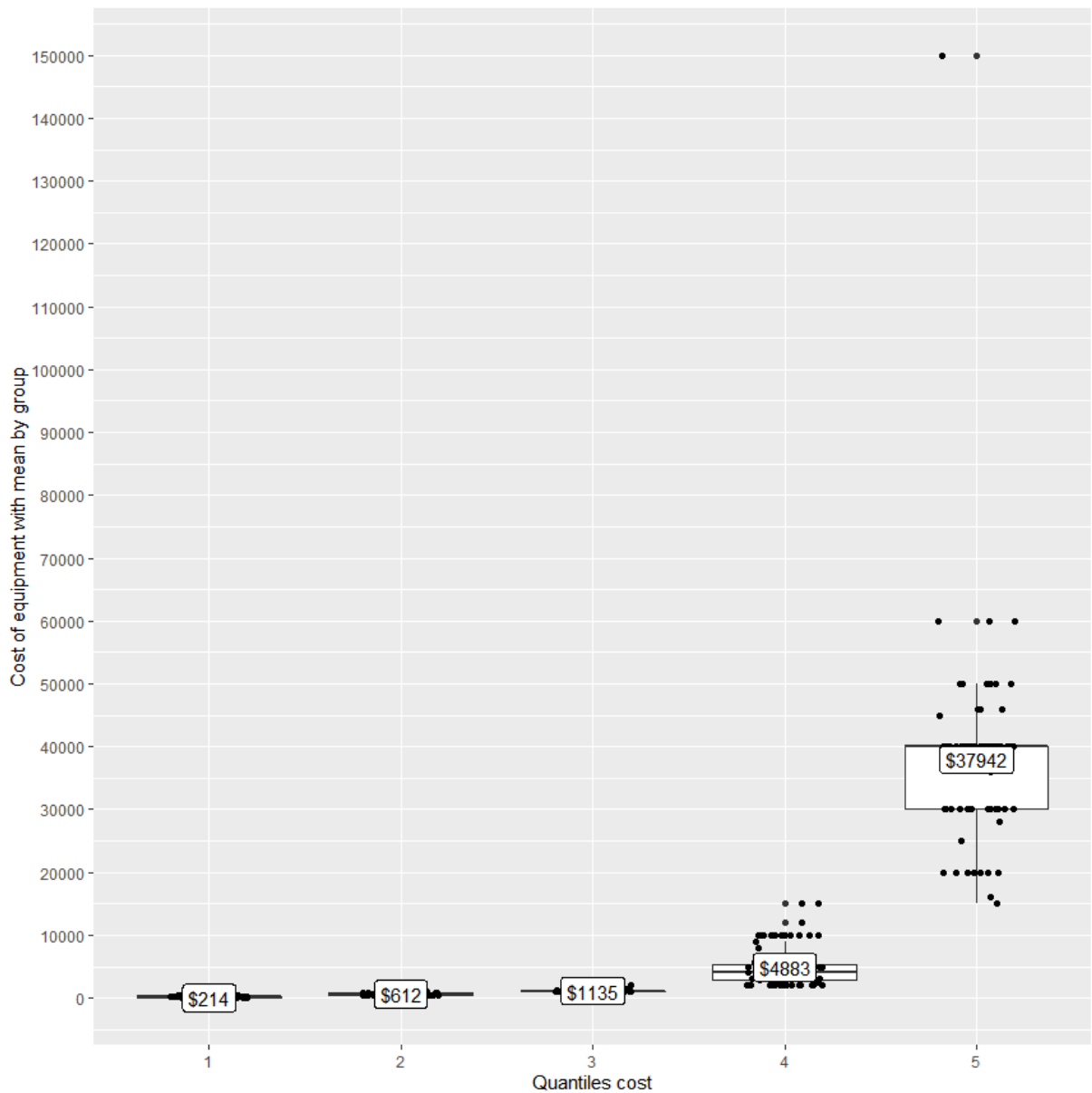
More than two-thirds of all businesses have the right equipment for operating their activities (Table 5). However, around 20% declared they lacked equipment (n=447). When asked about the reasons why they didn't have equipment, the vast majority mentioned that they could not afford it (n=436). The other given reasons were not chosen by the interviewees.

Table 5: Business in need of equipment and reasons they do not have it (n=447)

Question	Category	Percent (% row)	Frequency
Do you have the right equipment to operate your business?	Yes - 'Ilo	72	1656
	No - 'Ikai	19	447
	NA's	9	198
	Total	100	2301
Cannot afford	0	0	11
	1	19	436
	NA's	81	1854
	Total	100	2301

When businesses in need of equipment were asked about the costs, the answers had a lot of variability. Figure 4 summarizes the diverse costs given by quantiles- from the cheaper to the most expensive. The five numbers in the middle of the box plot, correspond to the average cost of each quantile. The first three quantiles -i.e. the 75% of responses- declared that the cost was between \$214 and \$1,135. The fourth quantile estimated an average cost of \$4,883 and the last an average price of \$37,942.

Figure 4: Cost of equipment for those business that need it (n=436)



The participants were asked about the cost of fixing the equipment in case they faced any problems. Very few mentioned having any issues (n=110, 5%) and the vast majority declared that the cost of fixing it would be less than \$1,000.

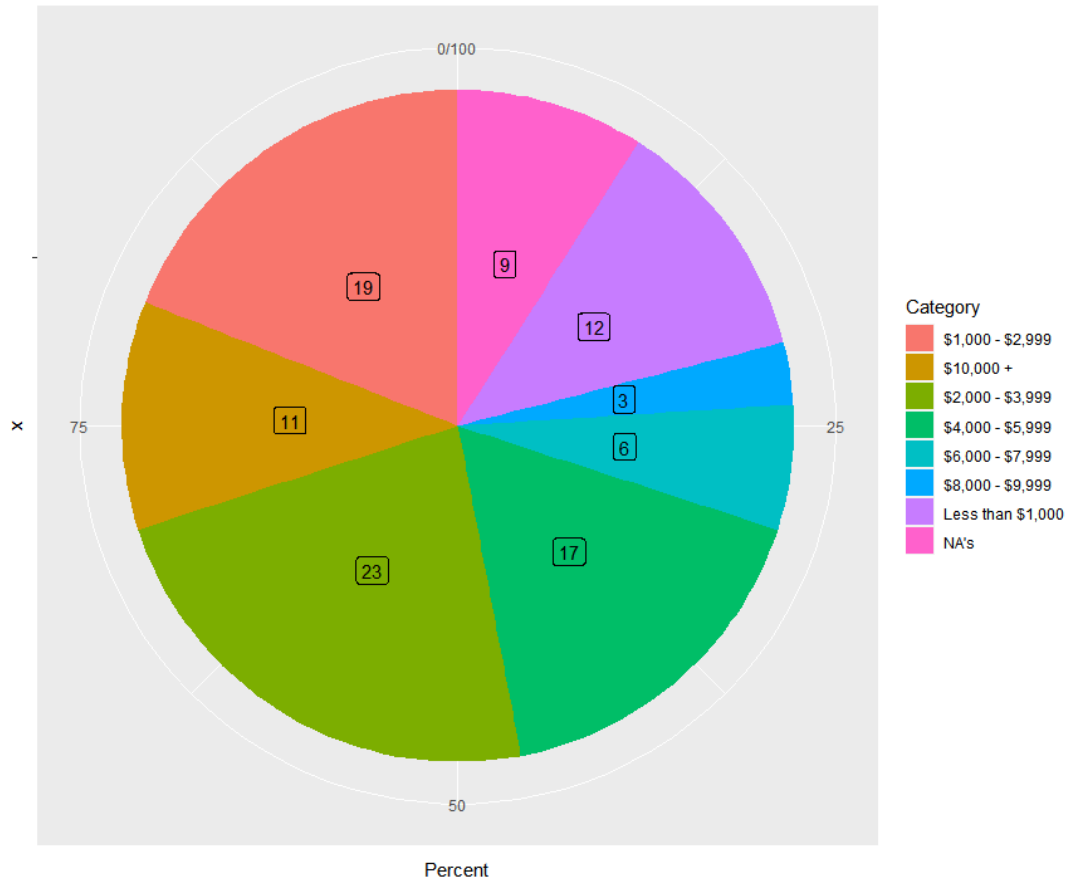
Table 6: Money spent for fixing the equipment

Question	Category	Percent (% rows)	Frequency
If you have the equipments, are there any issue that you had faced with especially with purchase or repair of equipment's used for your?	Yes - 'lo	5	110
	No - 'lkai	15	337
	NA's	81	1854
	Total	100	2301
Could you provide an estimate of the expenditure and costs you spend on the equipment's you use on a monthly basis	Less than \$1,000	3	71
	\$1,000 - \$2,500	1	25
	\$2,501 - \$3,500	0	9
	More than \$ 3,501	0	5
	NA's	95	2191
	Total	100	2301

6.4. Revenue and expenses

Figure 5 shows the distributions of both annual sales and annual cost by different ranges. 12% have annual sales of less than \$1,000. Around 60% of businesses have annual sales between \$1,000 and \$6,000. Around 10% of businesses declared having annual sales of more than \$10,000.

Figure 5: Distribution of annual sales by ranges



When looking at the costs, the distribution is quite skewed towards the lower values. Almost 80% of businesses have annual costs of less than \$3,000. This means that on average the businesses earn more money than they spend throughout the year.

Figure 6: Distribution of annual costs by ranges

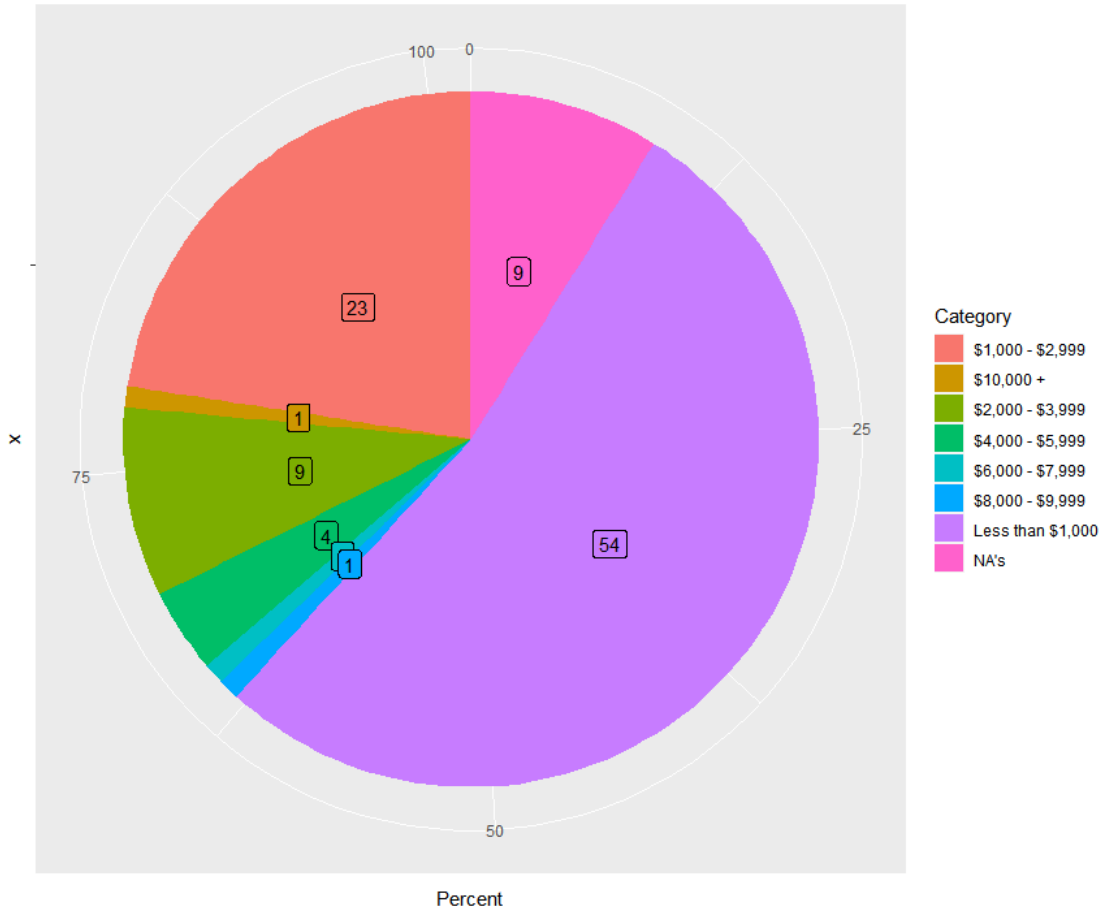


Figure 7 orders the businesses by the reported annual sales and categorizes each group by their differences in costs and sales. The vast majority of businesses make a profit. Businesses that report a small number of sales are those more likely to suffer from losses. The higher the earnings the higher the chances of making profit.

Figure 7: Businesses ordered by annual sales and categorised by their differences in costs and sales

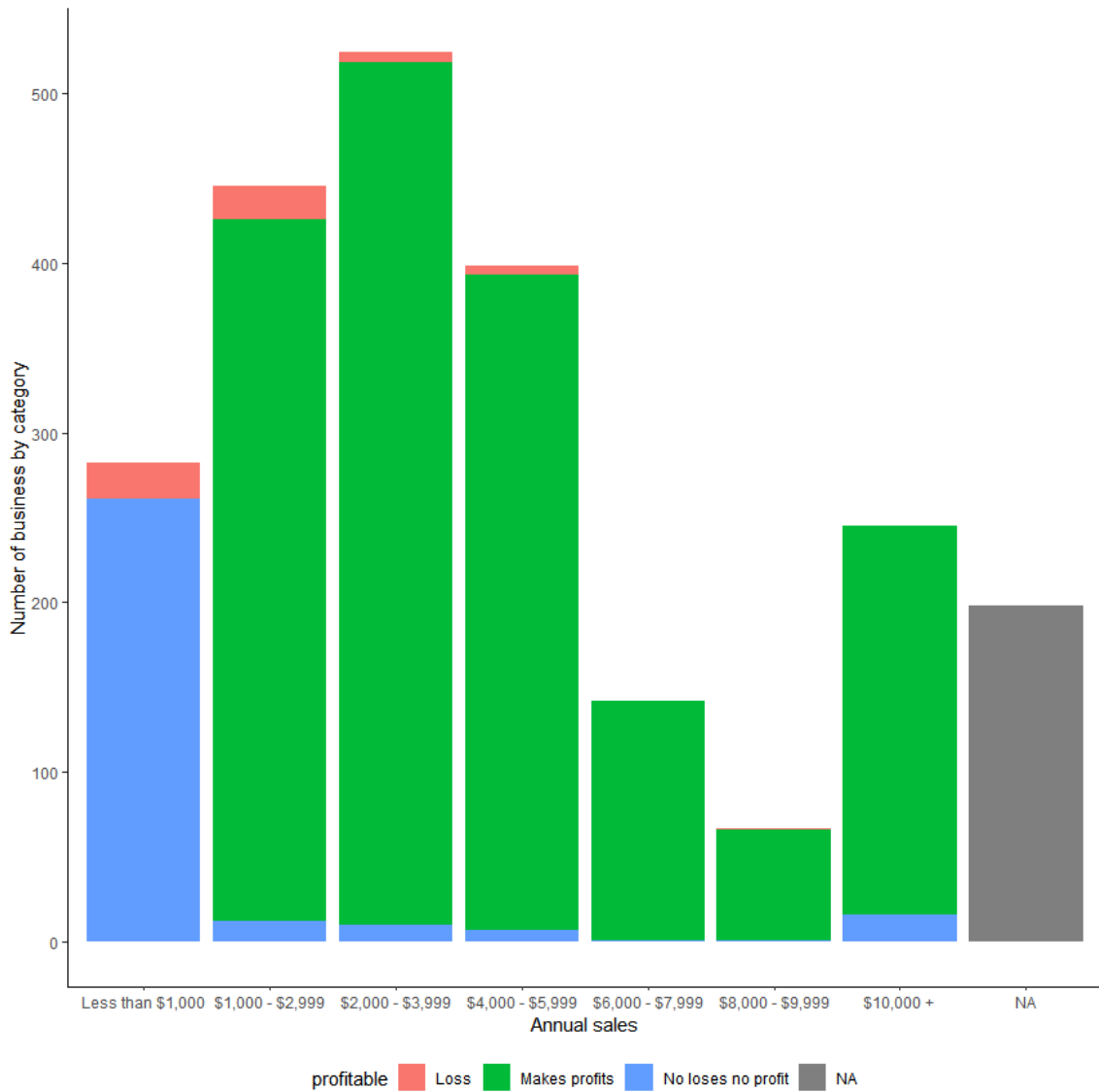


Table 7 shows that around half of the businesses use their savings for reinvestment in their business. When asked about how often they make these investments, most of them declared they do so monthly.

Table 7: Saving and frequency investment back into the business

Question	Category	Percent (% rows)	Frequency
Do you save some money to invest back into your business?	Yes - 'Io	52	1206
	No - 'Ikai	39	897
	NA's	9	198
	Total	100	2301
How often?	weekly	8	183
	fortnight	1	28
	monthly	16	362
	quarterly	5	116
	rarely	22	517
	NA's	48	1095
	Total	100	2301

Table 8 shows how many businesses keep records of their activities and the kind of records used. Around 76% of businesses do not keep some sort of record. Among those that keep records, receipts are the most common type, followed by informal recording and bank statements.

Table 8: Types of record or reports kept by the businesses. Responses to each type or record

Question	Category	Percent (% rows)	Frequency
NONE	No	16	359
	Yes	76	1744
	NA's	9	198
	Total	100	2301
Invoices	No	90	2078
	Yes	1	25
	NA's	9	198
	Total	100	2301
Receipts	No	85	1958
	Yes	6	145
	NA's	9	198
	Total	100	2301
Cash flow statements	No	91	2100
	Yes	0	3
	NA's	9	198
	Total	100	2301
Bank statement	No	85	1965
	Yes	6	138
	NA's	9	198
	Total	100	2301
Informal recording	No	88	2023
	Yes	3	80
	NA's	9	198
	Total	100	2301

6.5. Banks and financial institutions

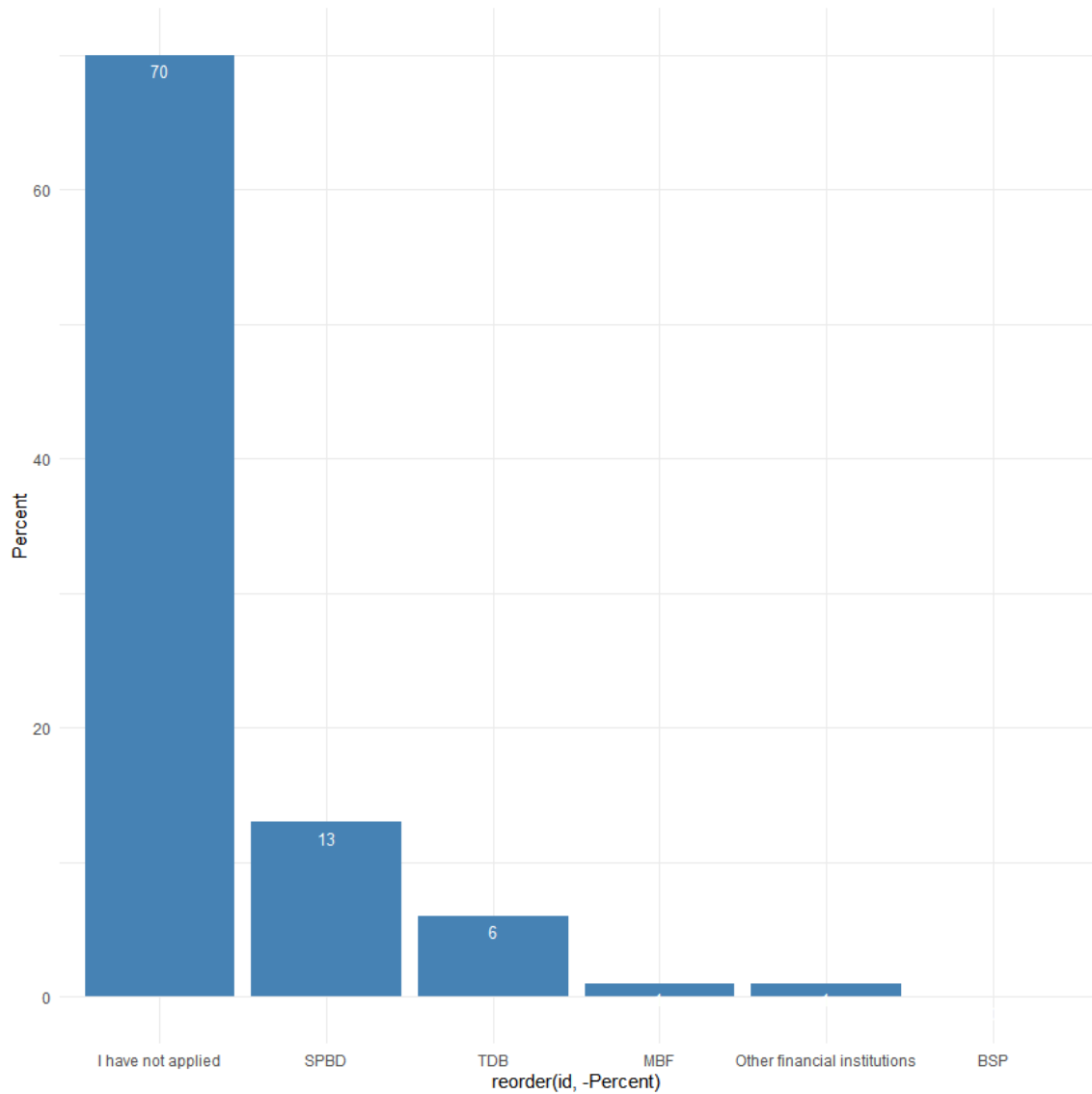
Most of the interviewees (69%) declared that they have a bank account which they use for deposits and withdrawals for their businesses. Among those that use a bank account (n=1587), the vast majority use their personal or family account (83%).

Table 9: Bank account for business and personal use of the bank account

Question	Category	Percent (% rows)	Frequency
Do you have a bank account which you use for deposits and withdrawals of your business?	Yes - 'lo	69	1587
	No - 'lkai	22	516
	NA's	9	198
	Total	100	2301
Is the bank account you use for business activity separate to your personal/family bank account?	Yes - Separate account for this activity	5	74
	Yes - Separate account but combine all activities in this account	12	198
	No - Use personal/family bank account	83	1315
	NA's	NA	714
	Total	100	2301

The following figure (8) shows the percentage of people that declared using a bank or financial institution for acceding a loan. 70% said they did not use a bank or financial institution, 13% mentioned that they use SPBD and 6% TDB. The rest of options were barely mentioned by the interviewees.

Figure 8: Bank or financial institution used to make a loan to help with your business



Among those who have requested a loan (n=486), there is a great deal of variability in the value of the loan. Figure 9 shows by quantiles the distribution of the values of the loans. The average value in the first quantile was \$783, in the second \$1084, in the third \$2122, in the fourth \$4325 and in the fifth \$11,927. It was possible to find few businesses with loans of more than \$50,000.

Figure 9: Mean value of the requested loan by quintiles (n=486)

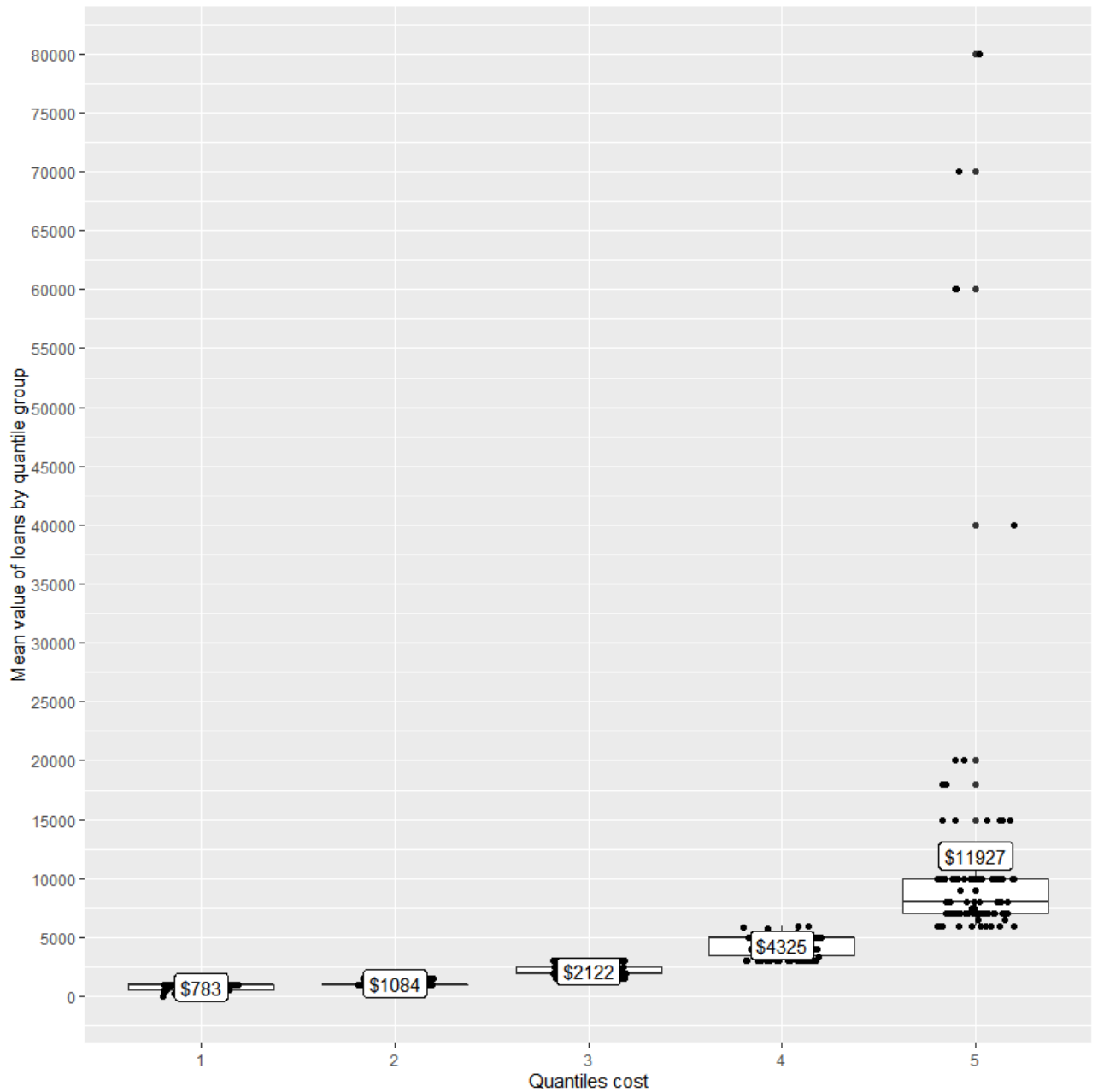
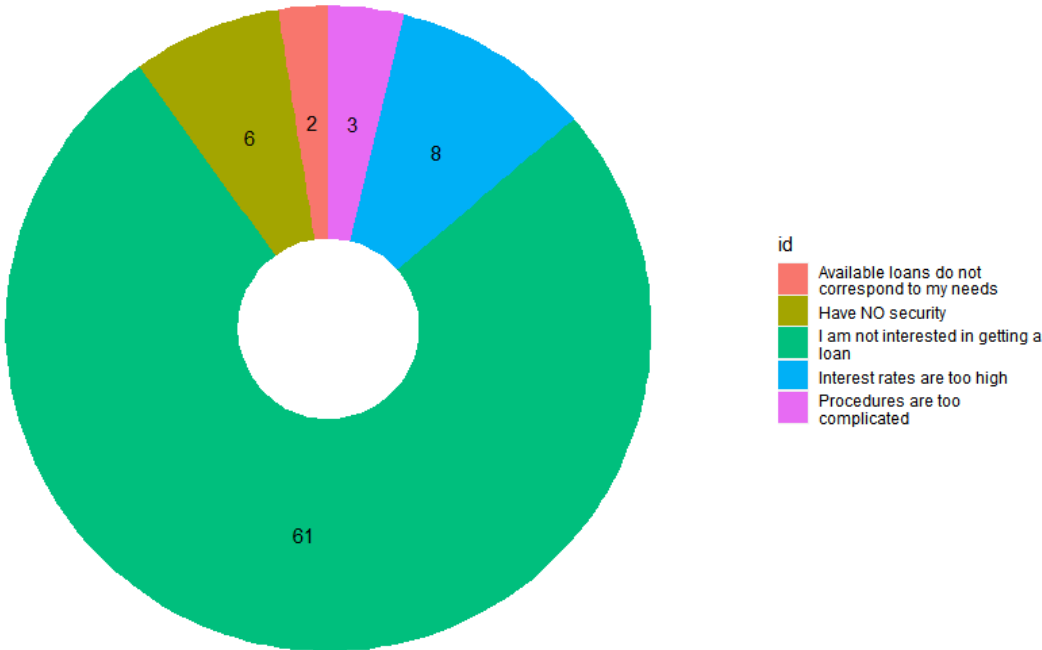


Figure 10 shows the distribution of reasons given for have not applied for a loan. More than 60% of businesses mentioned that they were not interested, 8% said that the interest rates are too high, and 6% declared that the available loans are not suitable for their needs. The other options were endorsed by very few people.

Figure 10: Reason as to why did not or never apply for a loan to the bank or any other financial institution



6.6. Business for development support

Figure 11 displays the distribution of the type of costumers of the business in the sample. More than 80% of interviewees declared that they have local costumers, 35% declared that they export their products and very few endorsed the other options like religious groups, tourism, government and so forth.

Figure 11: Major customers of the business

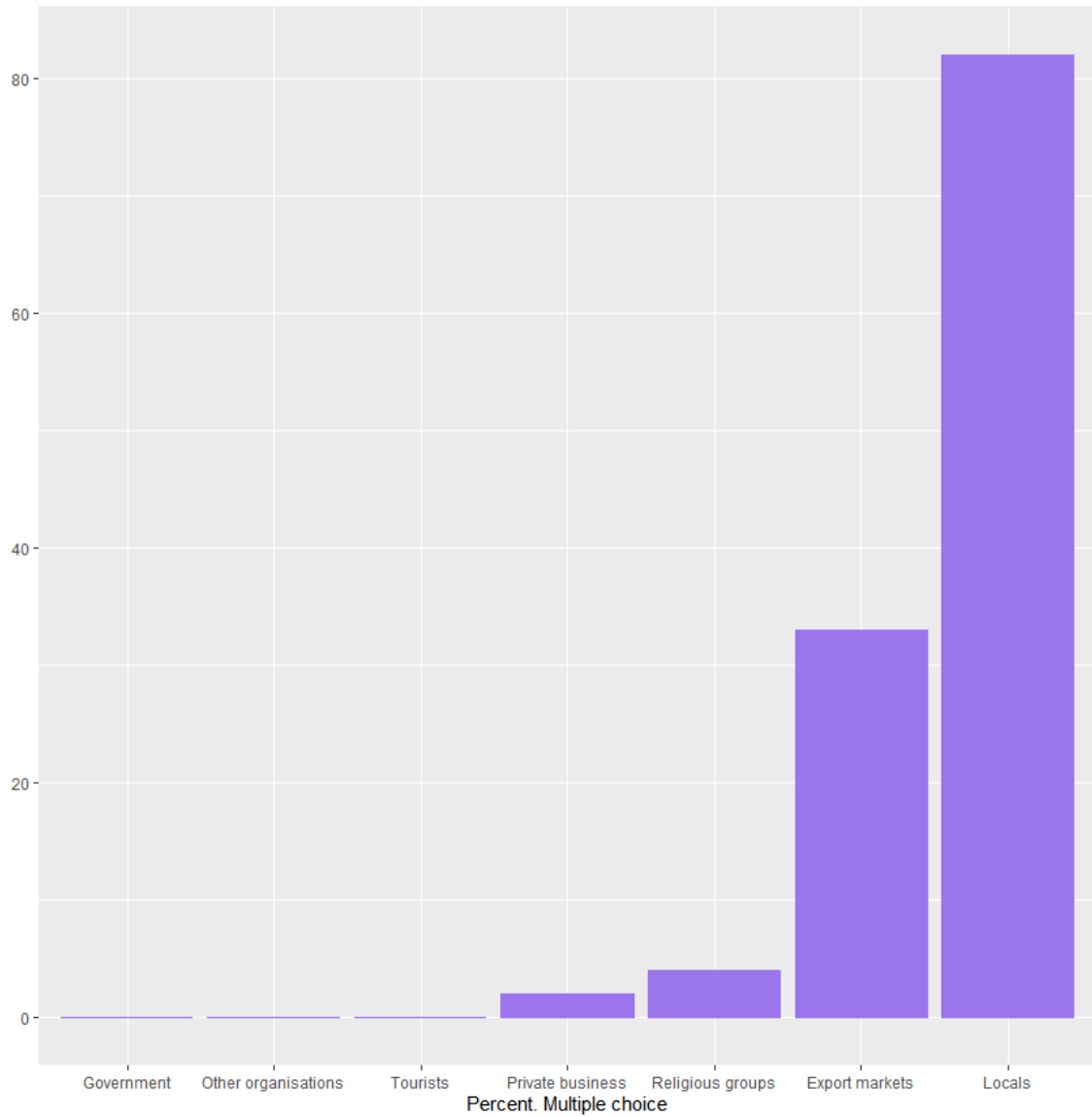
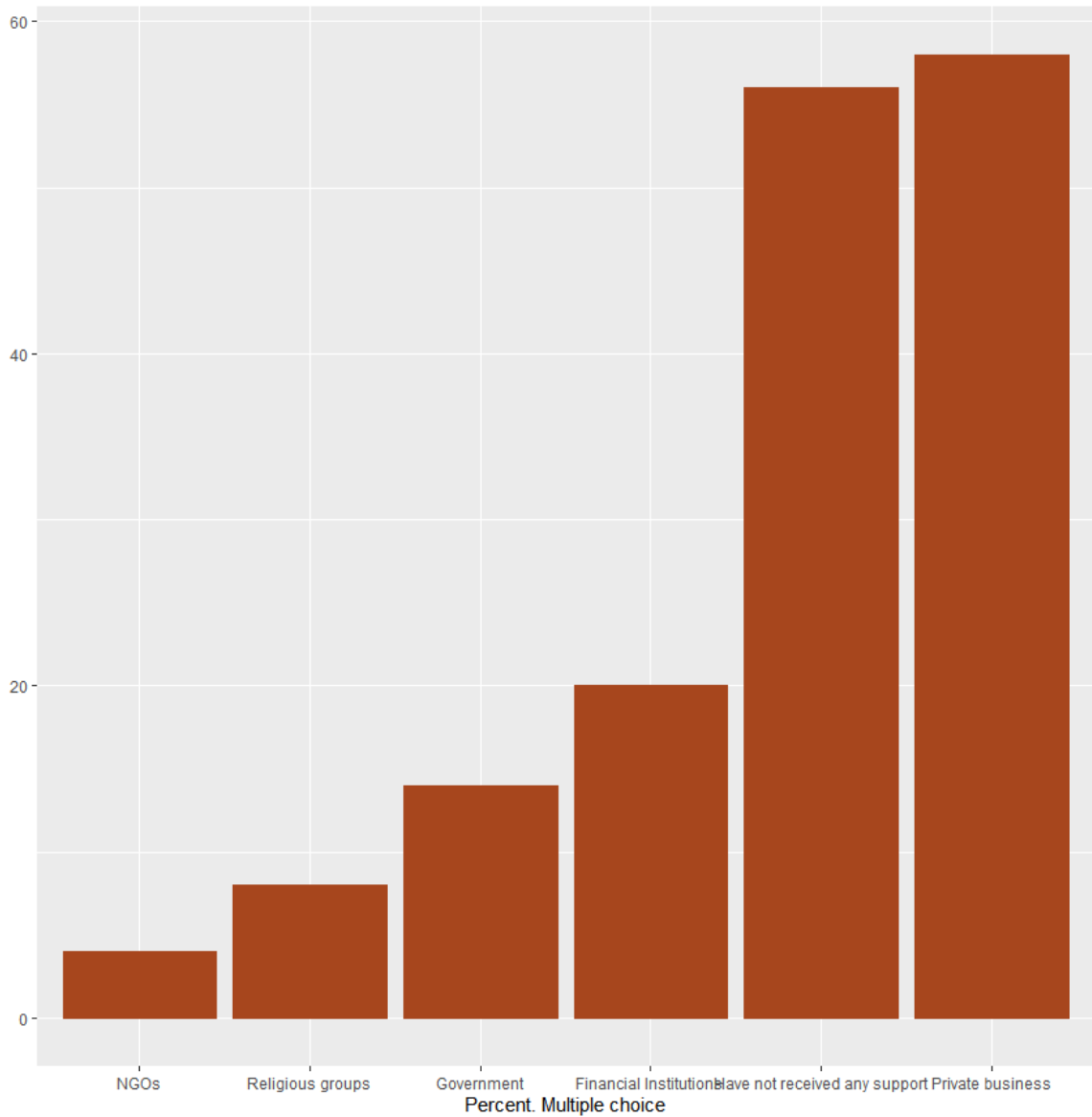


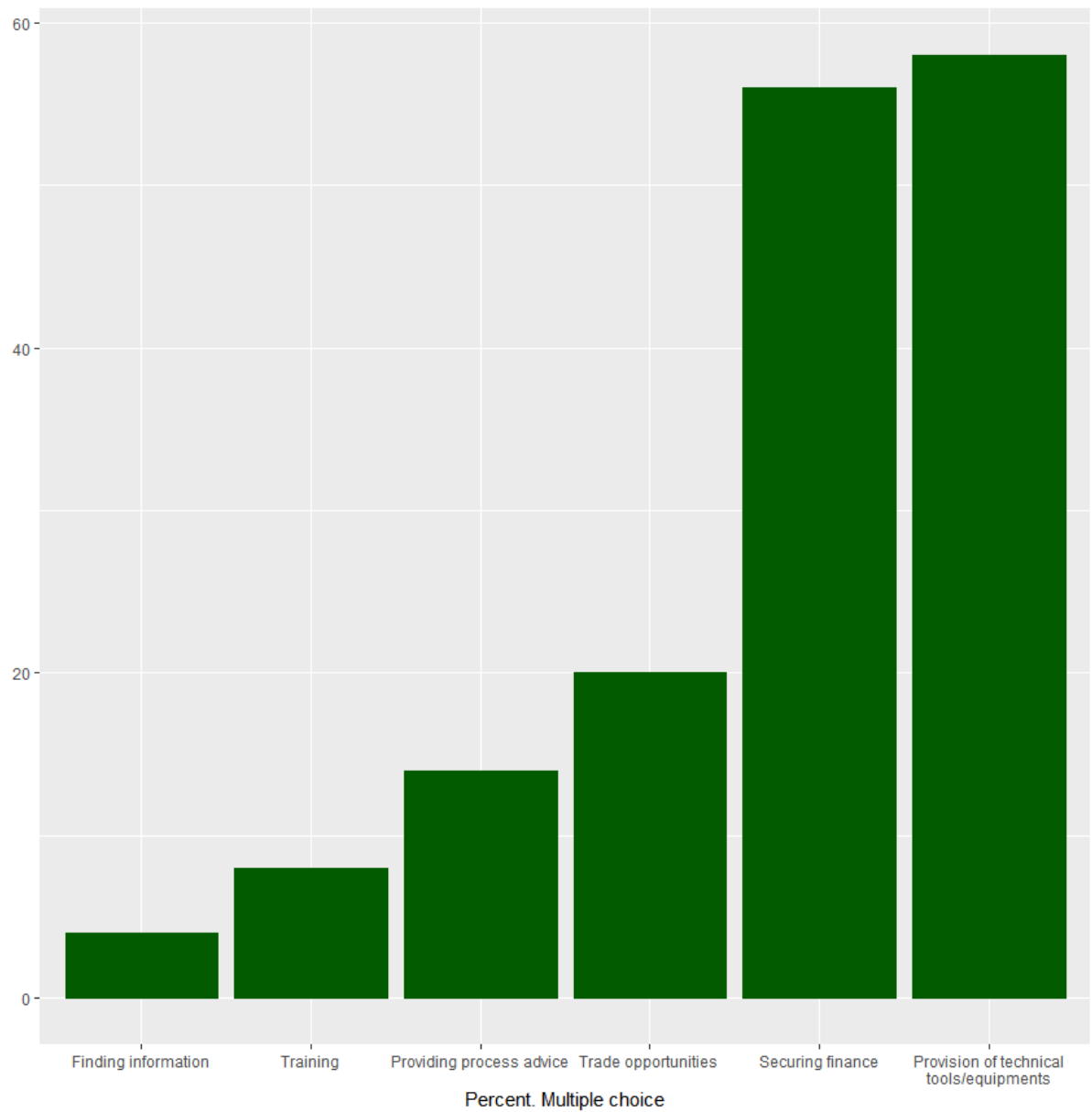
Figure 12 shows the main sources of support from a list of organisations. Private businesses and not receiving support from any organisation were the two most popular options. One of every four declared receiving support from financial institutions and 15% from the government.

Figure 12: Any support received from the different organisations



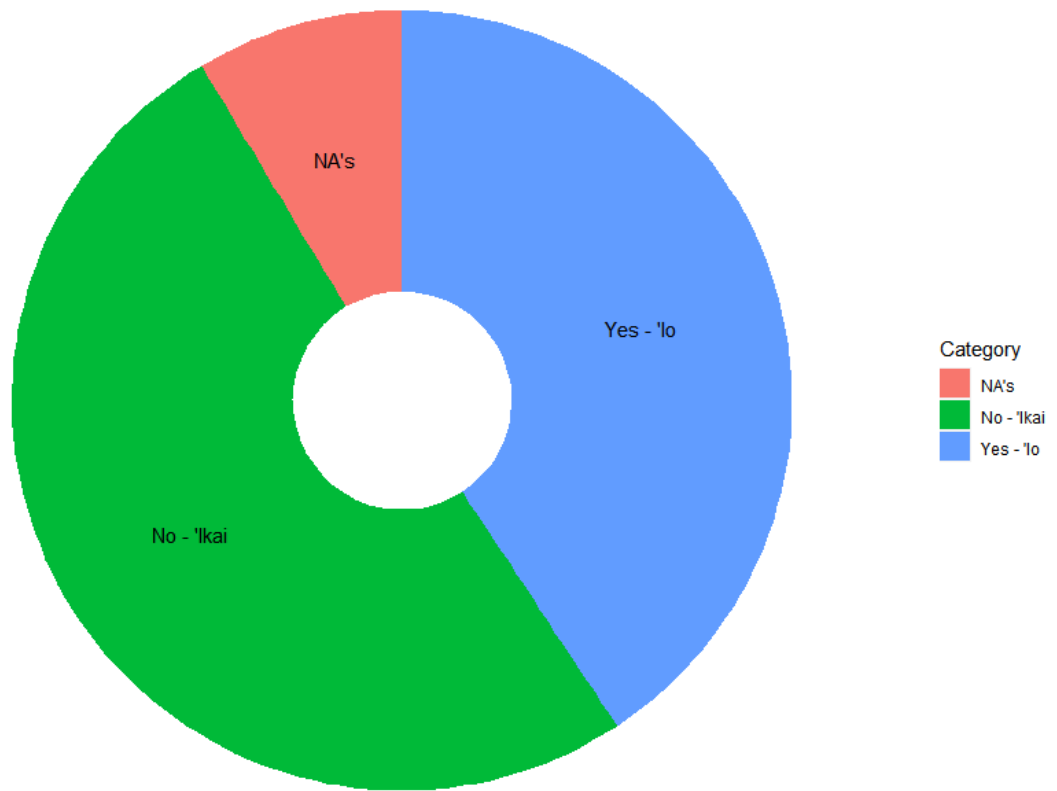
When questioned about the type of support they think will be of great assistance to their businesses, the respondents mentioned that provision of technical tools and advise in securing finance as the two main alternatives (Figure 13). Around 20% said that trading opportunities. The other options were endorsed by a small percentage of people.

Figure 13: Type of support people think will be of great assistance



People were also asked about whether there are enough training programs provided by government to aid business activity development. Almost half declared that there is not enough training, whereas around 40% mentioned that there is indeed sufficient training (Figure 14).

Figure 14: Thoughts on the sufficiency of training programs provided by government to aid business activity development



6.7. Problems and prospects

Figure (15) displays the respondent's opinion about the most common barriers for their businesses when operating. Insufficient funds, lack of resources, lack of information from the market and lack of opportunities for trade were the three most challenges. Competition from other providers and lack of workers were considered the two less problematic. Lack of skills, either financial or managerial were not regarded as too problematic.

Figure 15: Most common barriers faced by the business operations

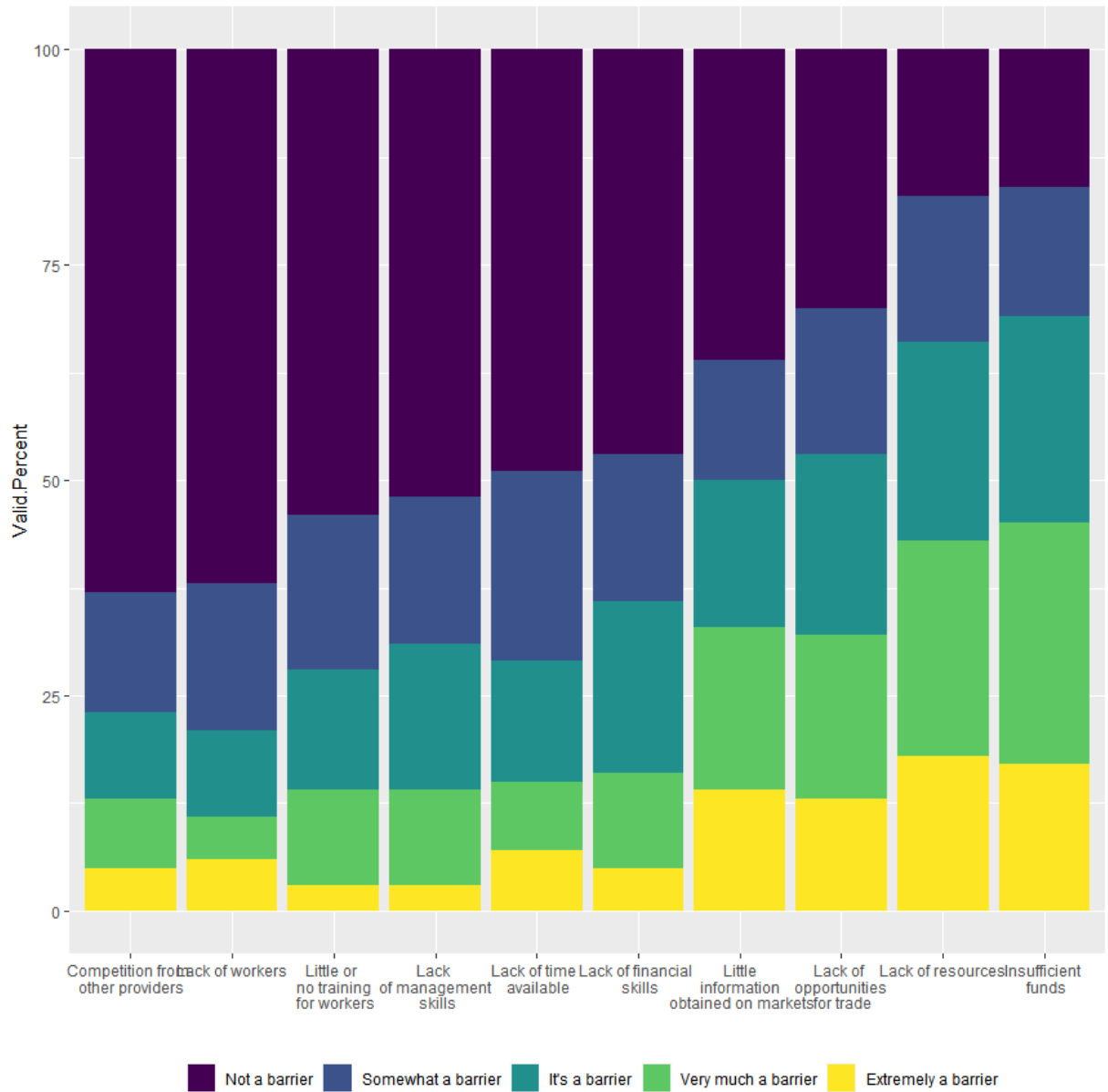
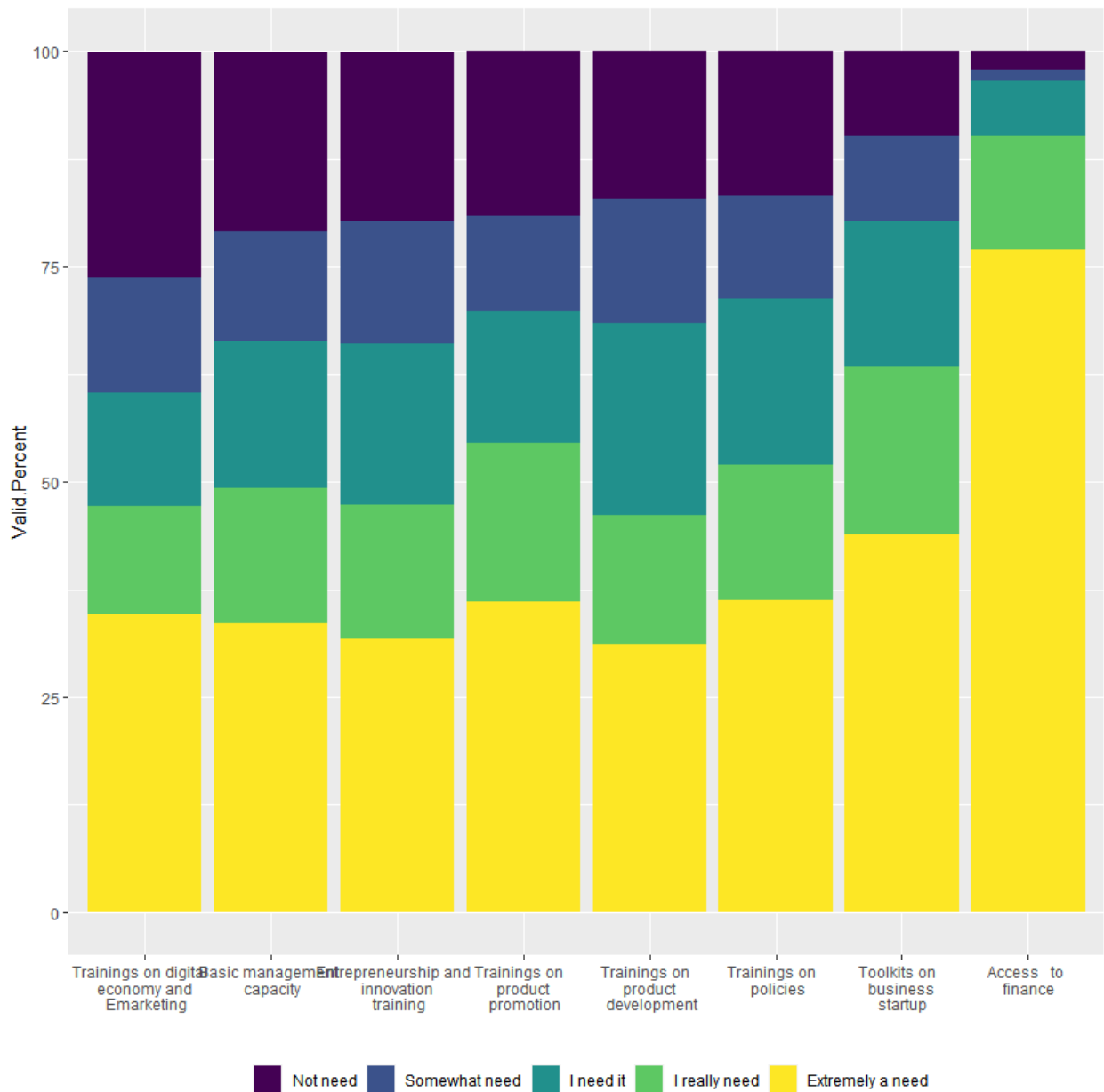


Figure (15) shows the type of business services that the interviewees consider their business needs the most. Access to finance was the most acute necessity- around 75% considered that there is an extreme need of it. The next was access to toolkits on business start-up, followed by training on policies and product promotion. Basic management capacity, entrepreneurship and innovation, and trainings on digital economy were not as widely acknowledged as needs by the respondents.

Figure 16: Business services needed



Very few interviewees knew about the possibility of receiving assistance from the Ministry of Trade and Economic Development (MTED). Only 9% declared that they were aware of this kind of assistance. Out of those who declared they were aware of the assistance (n=201), when asked about their thoughts on the assistance, the vast majority regarded the assistance as very effective.

Table 10: Awareness of MTED assistance

Question	Category	Percent (% rows)	Frequency
Are you aware of the Ministry of Trades and Economic Development (MTED) assistant programs to informal sector?	Yes - 'Ilo	9	201
	No - 'Ikai	83	1902
	NA's	9	198
	Total	100	2301
What are your thoughts on Ministry of Trades and Economic Development (MTED) assistant programs to informal sector?	Not effective	6	13
	Somewhat effective	4	9
	Effective	34	68
	Very effective	35	70
	Extremely effective	20	41
	NA's	NA	2100
	Total	100	2301

6.8. COVID-19

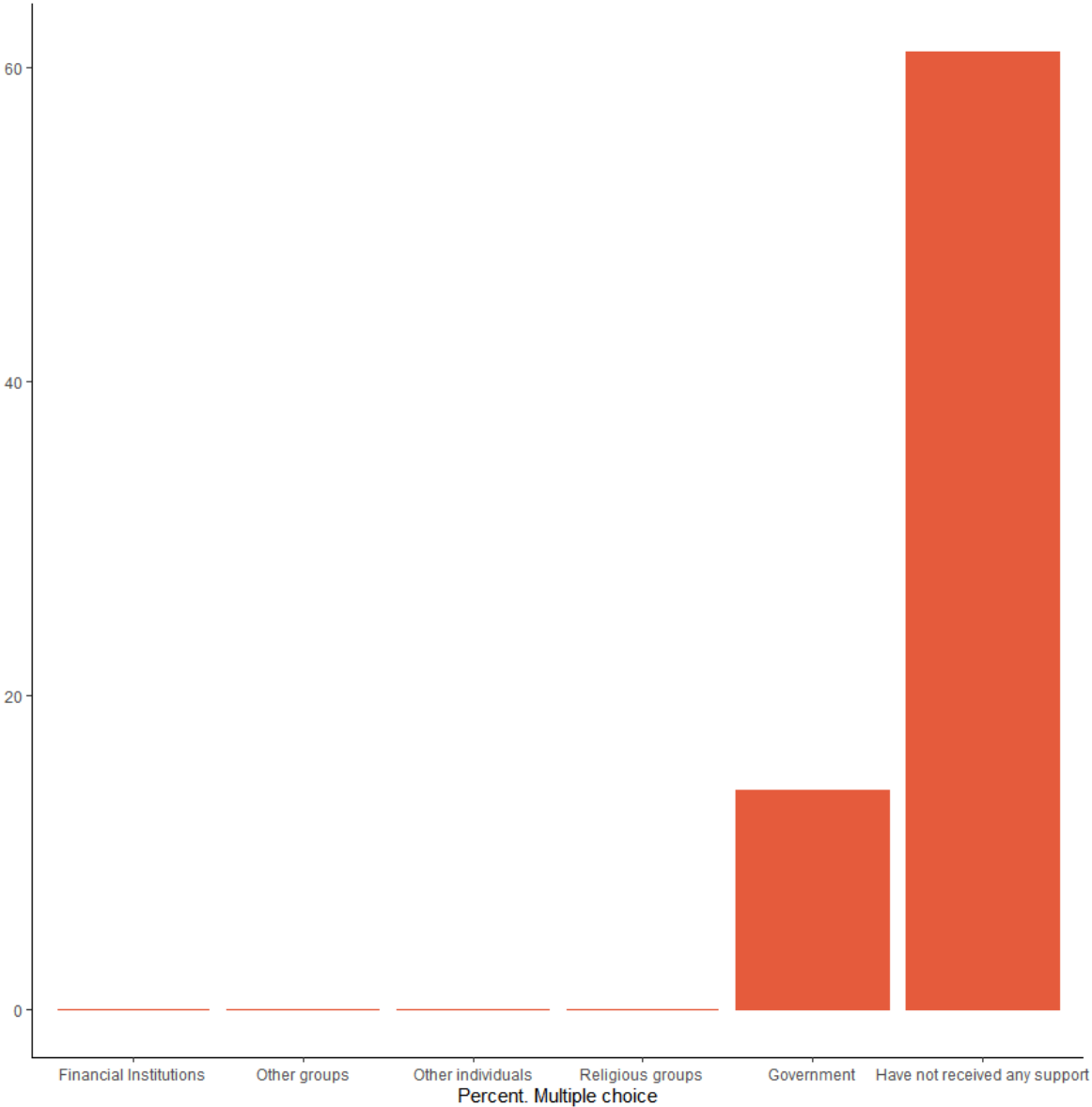
As shown in Table 11, very few businesses had to lay off workers because of COVID-19. Only four businesses reported this circumstance. Around 30% of businesses reported that their sales dropped due to the COVID-19 pandemic, 9% estimated an increase and 36% reported that they remained the same despite the pandemic.

Table 11: Exploration of COVID-19 implications for business

Question	Category	Valid.Perc ent	Frequency
How many workers did you lay off in your business activity because of COVID-19?	0	100	1728
	1	0	1
	2	0	3
	4	0	1
	NA's	NA	568
	Total	100	2301
Did the total sales of your business:	Reduce given the impact of COVID-19	40	693
	Increase given the impact of COVID-19	12	203
	No Impact due to COVID-19	48	837
	NA's	NA	568
	Total	100	2301
Will you still save some money to invest back into your business	Yes - 'lo	44	758
	No - 'lkai	56	975
	NA's	NA	568
	Total	100	2301

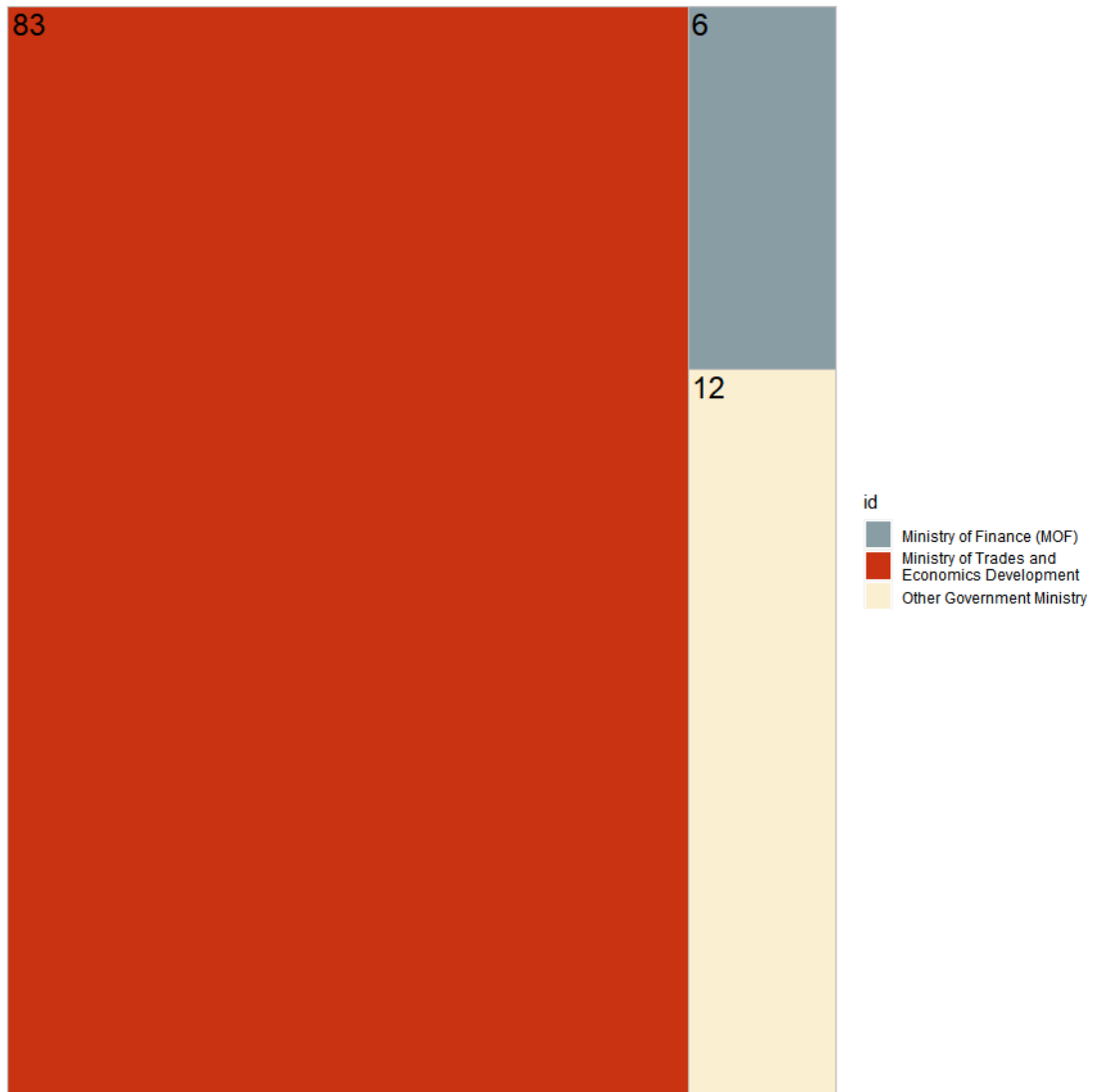
On the question “Have you received any support from the following organisations for COVID-19 for your business?”, 60% mentioned that they have not received any support during the pandemic. Around 15% mentioned that they had been supported by the government. There is no evidence that businesses have been supported by other kinds of institutions.

Figure 17: Support received from different organizations for COVID-19



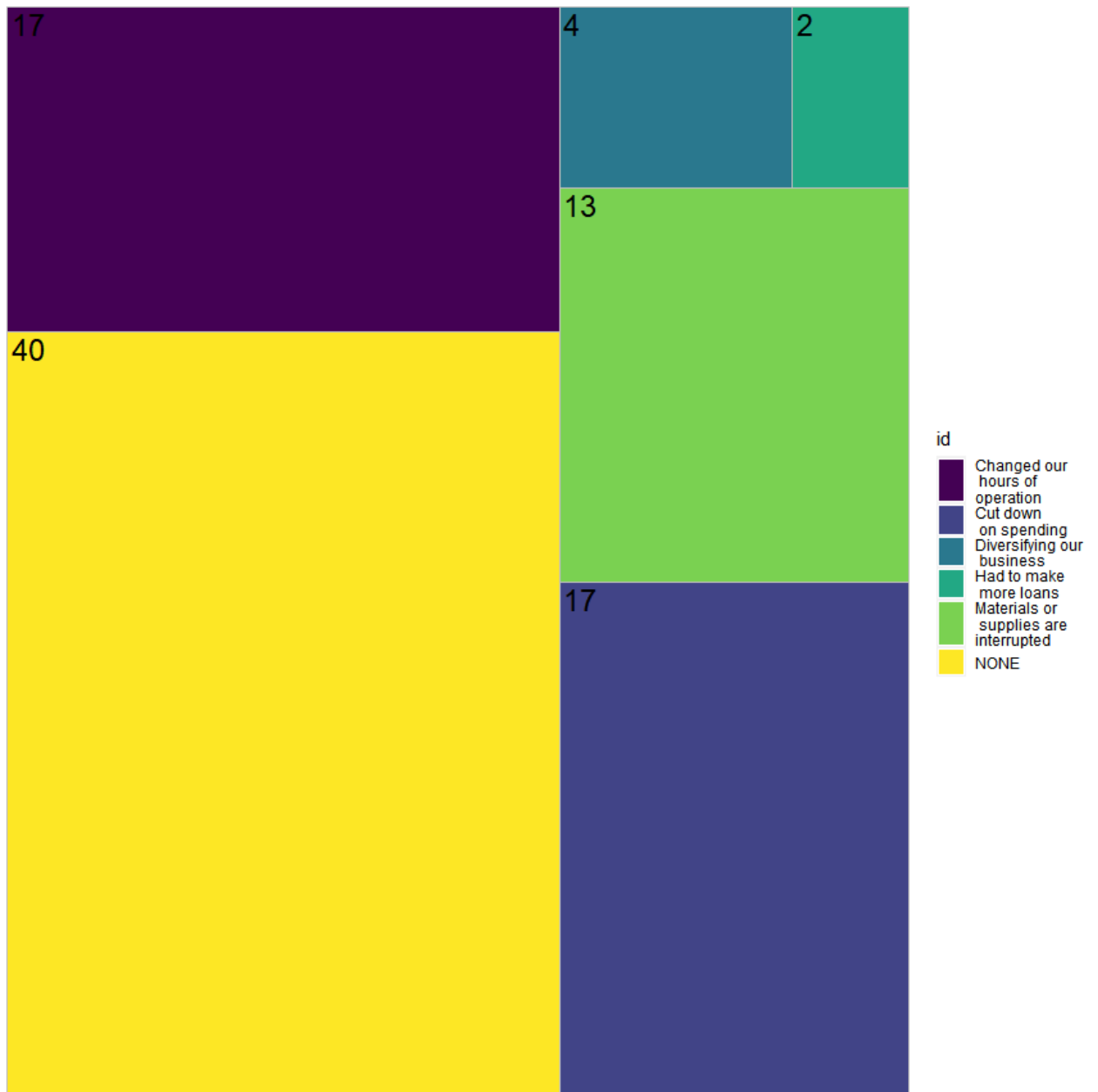
Among those that declared receiving government support (n=321), more than 80% declared receiving it from the Ministry of Trades and Economics Development, the rest declared the support came from either the Ministry of Finance or other government Ministry (Figure 18).

Figure 18: Name Government support n=321



When asked about the changes happening to their business due to COVID-19, 40% of the respondents said that they have not faced any changes. Among those who reported changes, cuts to their spending, changes to the operating hours and interruption for the supply of materials were the main reported modifications (Figure 19).

Figure 19: Changes happening to the business activity because of Covid-19



The participants were also asked about the expected impact of the COVID-19 pandemic. One of every ten businesses expects that the impact will be high, 26% said that the impact would be medium and 38% said that they would survive. Among those that mentioned that they could face an impact, 55% mentioned that they have a plan if COVID-19 reaches Tonga and 20% did not have a plan.

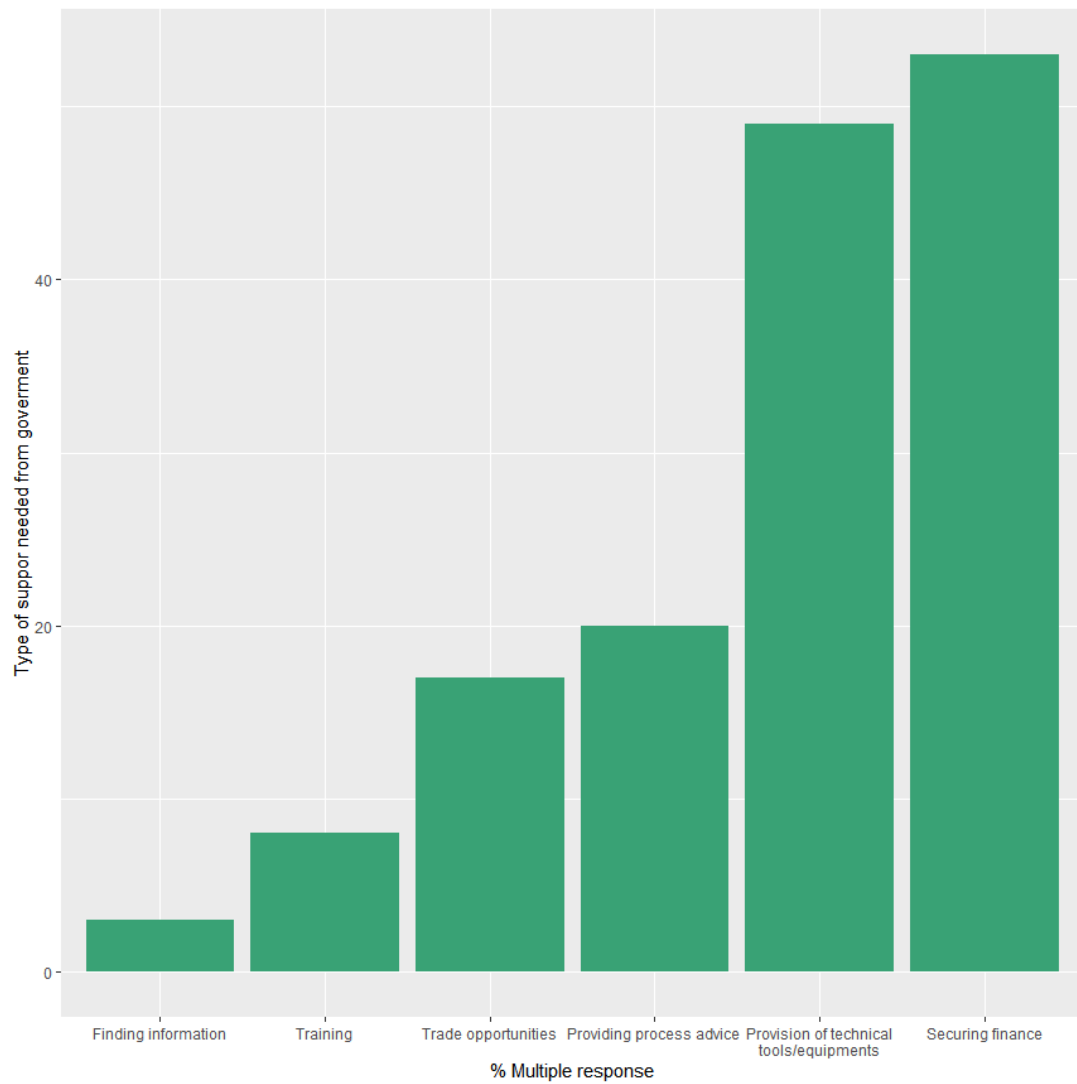
Table 12: Expected impact of the COVID-19 pandemic and plans to face the challenges

Question	Category	Percent (% rows)	Frequency
How will COVID-19 impact the future of your business?	High (may put us out of business)	11	252
	Medium (will impact our business)	26	605
	Low (we can survive)	38	869
	Additional comments	0	7
	NA's	25	568
	Total	100	2301
Do you have a plan if COVID-19 reach Tonga?	Yes - 'lo	55	1263
	No - 'lkai	20	470
	NA's	25	568
	Total	100	2301

Participants were asked about the type of support they would need for their business from government regarding COVID-19. The majority mentioned that securing finance was the most needed support. The second option was the provision of technical tools and equipment.

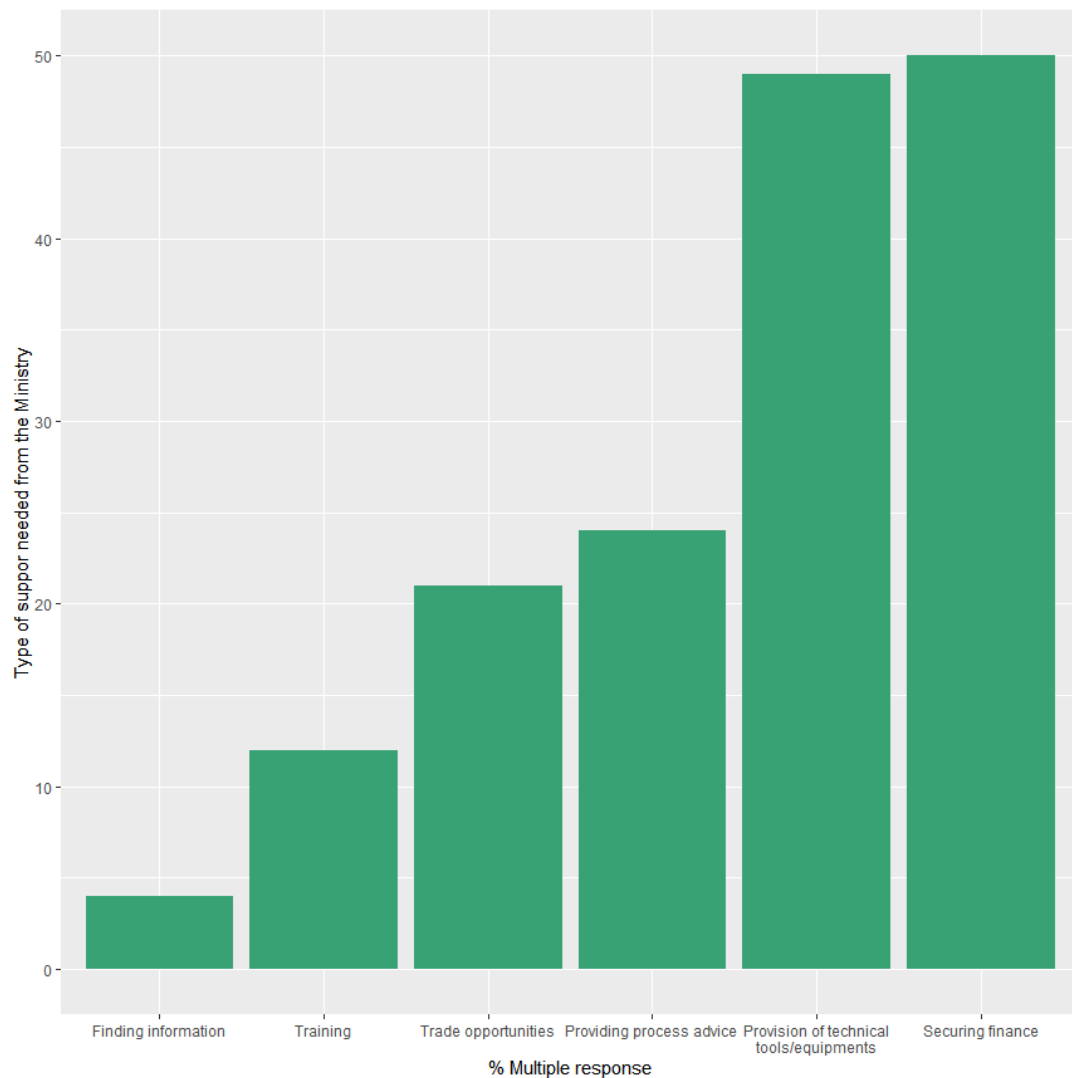
Figure 20: Type of support needed for the business from government as a whole regarding COVID-

19



On the question “What type of support do you need for your business from the Ministry regarding COVID-19?”, respondents had similar responses to the previous question: securing finance and provision of tools and equipment were the most popular.

Figure 21: Type of support needed for the business from the Ministry regarding COVID-19



6.9. Analysis by gender

Figure 22 shows the total number of businesses by type of activity and sex. Out of the 2301 businesses, 1393 (56%) are run by women. When looking at the most common activities, around 95% of root crops and Kava businesses are run by men, in contrast Mats and Ta'ovala are almost entirely run by women.

Figure 22: Total number of bussiness by type and sex of the main responsible



Figure 23 shows the response percentages by sex of the main responsible to the questions about purpose, length of operations and collaboration of businesses. Female-headed businesses tend to be more oriented for only-sales purposes compared with male businesses. In contrast male-headed businesses are more focused on home consumption.

Figure 23: Purpose, length of operations and collaborations of businesses by sex of the main responsible

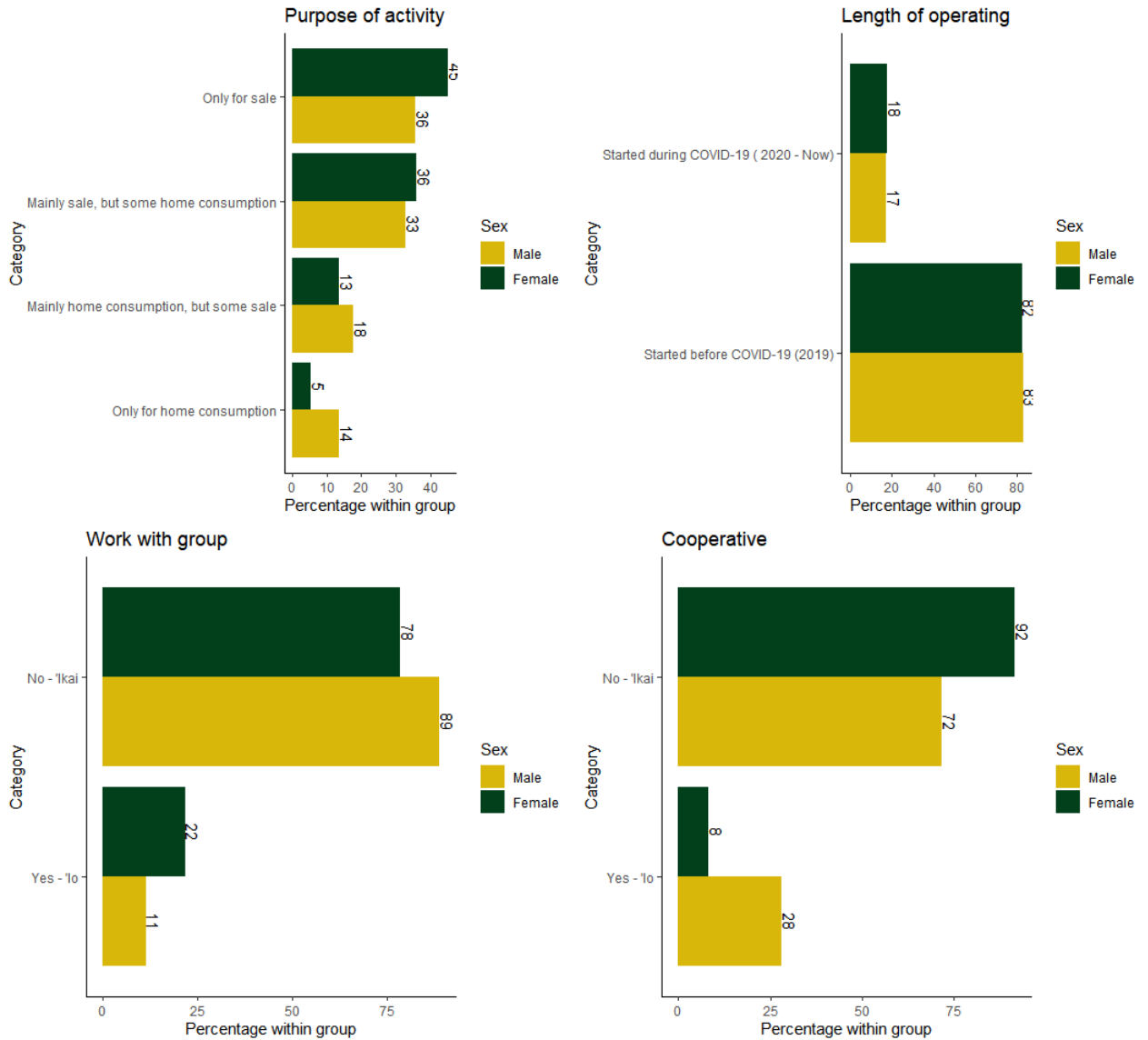
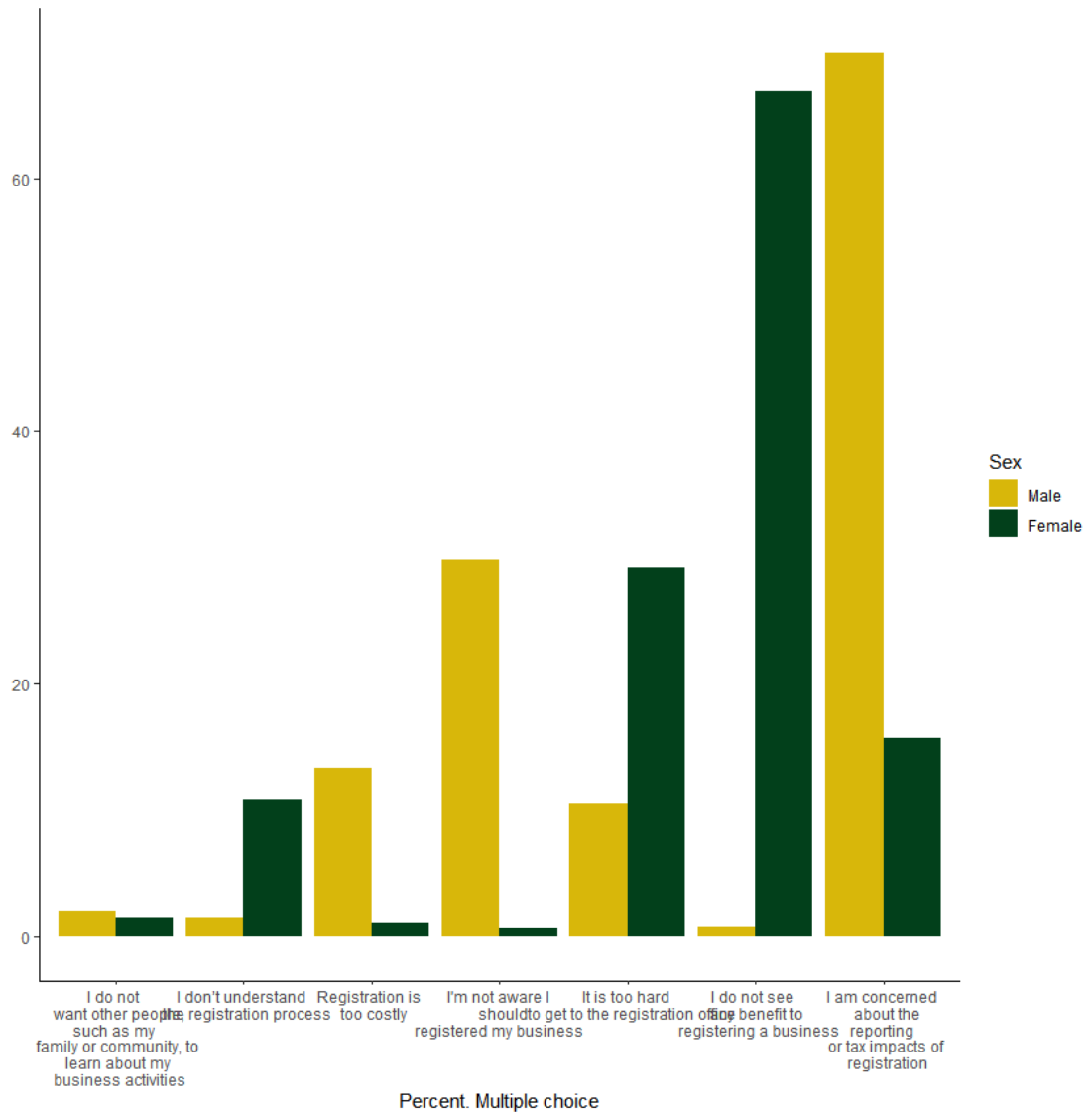


Figure 24 shows the distributions of the reasons given for no registration by sex of the main responsible. The reasons are quite different between men and women. Whereas males mainly did not register their business due to taxes' concerns and lack of knowledge, women did not see a major reason to do so.

Figure 24: Reasons for no registration of business by sex of the main responsible



There are no major differences in terms of the sources of funding for starting the business by sex. The response patterns are very similar between males and females (Figure 25). The only difference is that Males are more likely to conduct their businesses without any type of funding relative to females.

Figure 25: Reasons for no registration of business by sex of the main responsible

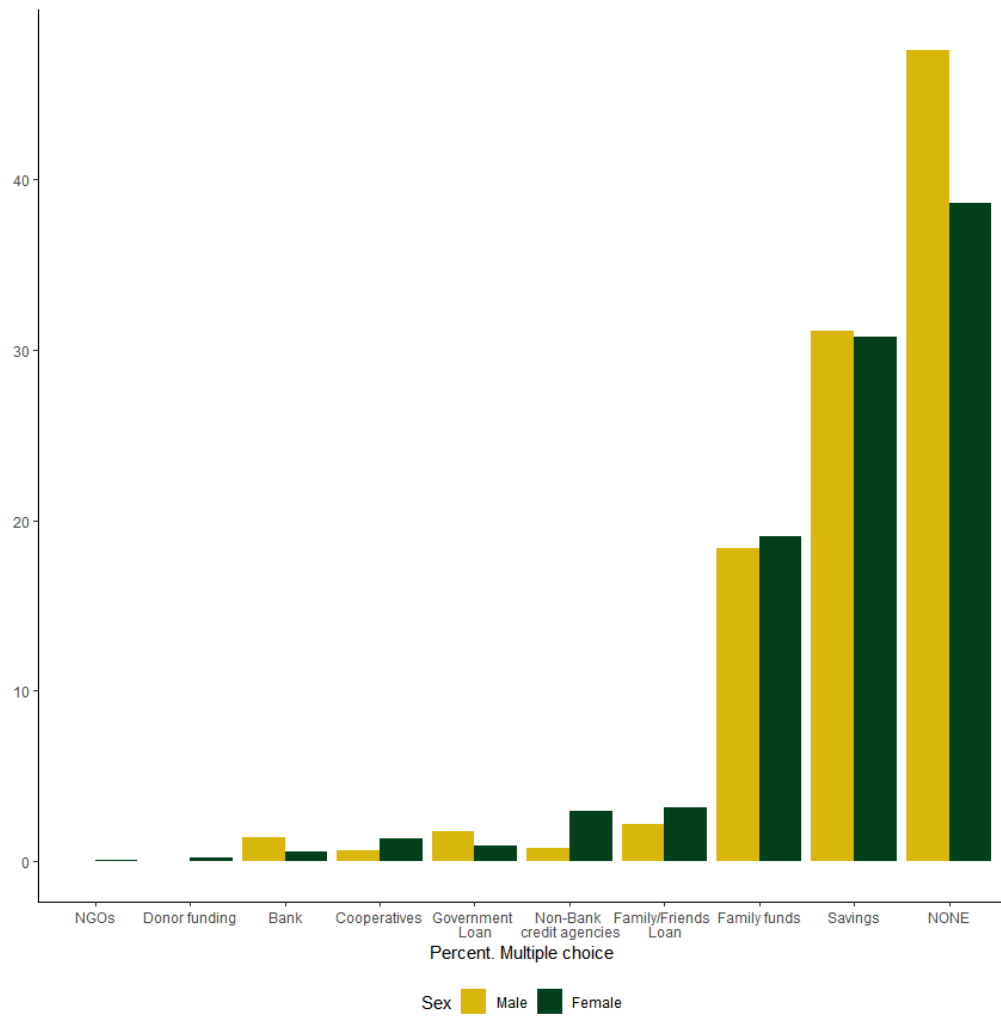
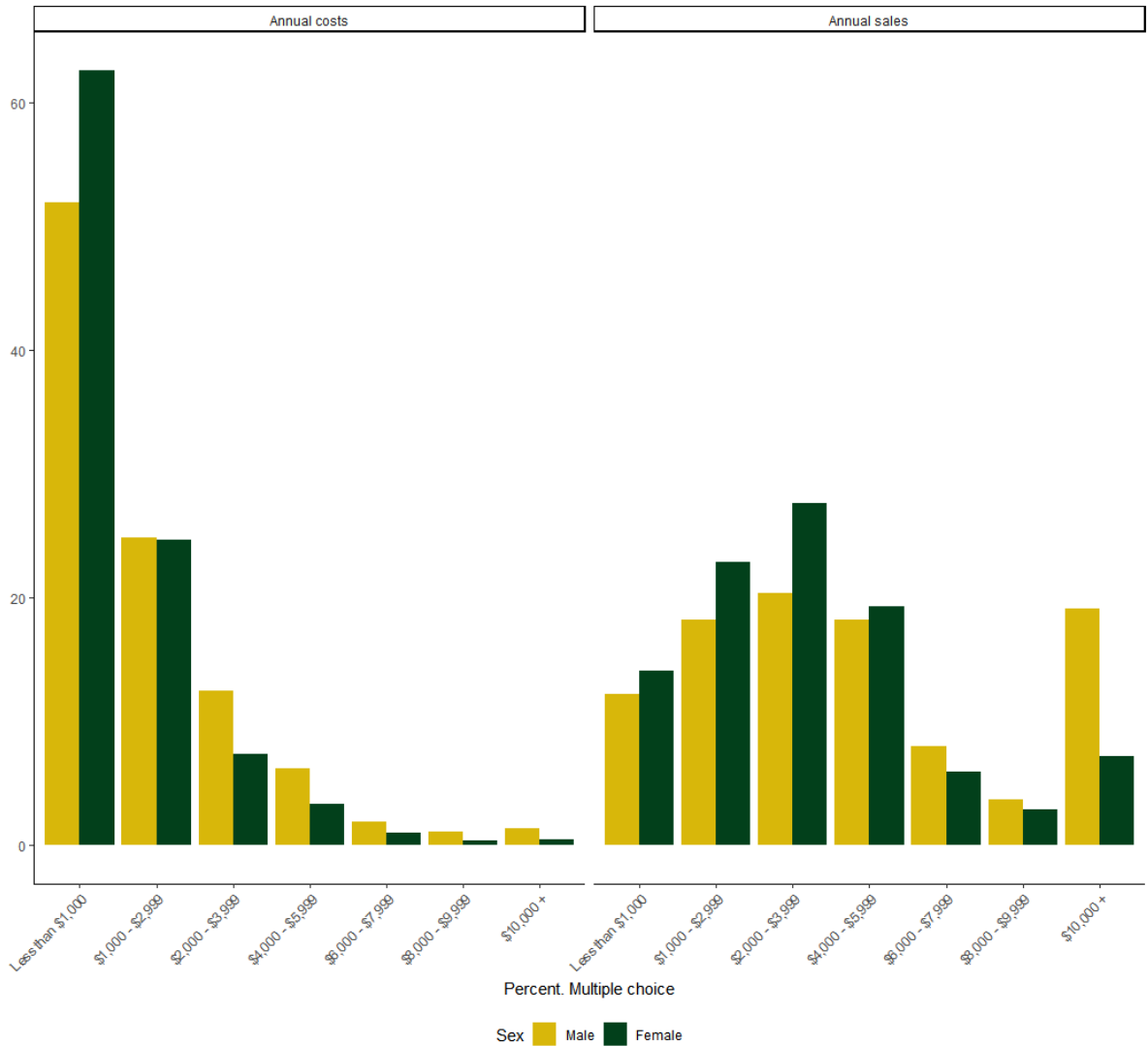


Table 13: Business in need of equipment by sex of the main responsible

Need.Equipm ent	Sex	Freq
Yes - 'lo	Male	67.85
No - 'lkai	Male	32.14
Yes - 'lo	Female	85.21
No - 'lkai	Female	14.78

Female-headed businesses have lower costs than male businesses. It seems that mid and small-profitable businesses are more common across women than among men. Larger, highly profitable businesses are much more prevalent among men than among women.

Figure 26: Purpose, length of operations and collaborations of businesses by sex of the main responsible



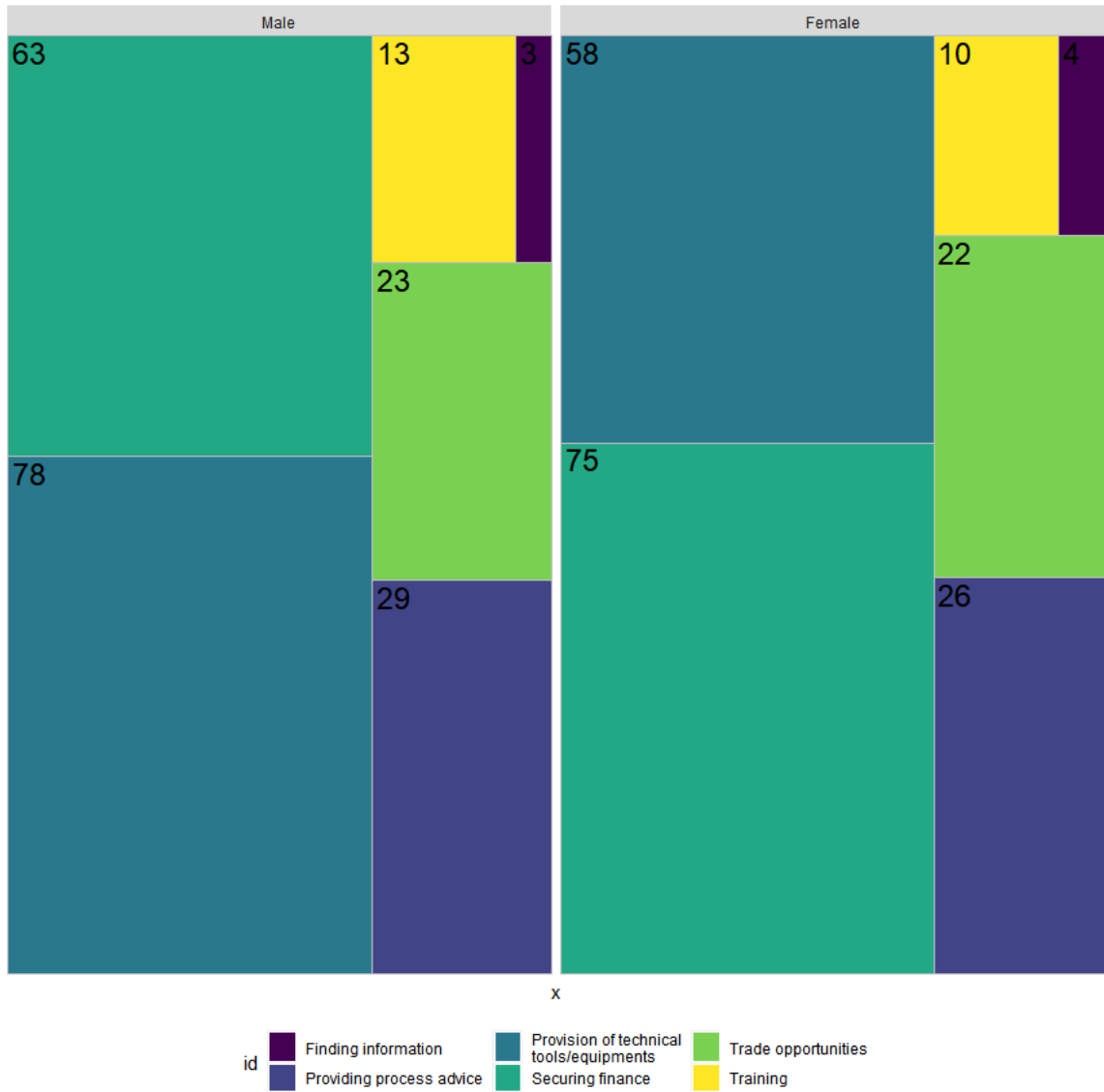
Women are more likely than men to see all the issues like a barrier. Across all questions, it is very clear that men see less concerns about the different aspects of the operation of their businesses.

Figure 27: Most common barriers faced by the business when operating by sex



Men believe that the provision of tools and equipment is the greatest kind of support they need. Women think that financial support is their most important need. These two types of support are the most prevalent among the two groups.

Figure 28: Type of support needed for your business from government as a whole regarding COVID-19



7. Conclusions & recommendations

This report provides an overview of the informal businesses in Tonga based on data from a survey (n=2,301) undertaken by SSSMT. According to the data, the majority of informal economic activities focus on agricultural production and small-scale hand-made manufactures. The local market is the most important for the businesses, although there are some that report exporting their goods. There are marked differences in the profile of businesses depending on the gender of the main responsible for the business. Male-headed businesses are oriented to agriculture and female-headed focus on small-scale manufactures. Furthermore, females, due to the nature of the goods they produce tend to be more market oriented than for home consumption. However, larger highly profitable businesses are more prevalent among males.

The informal businesses in Tonga do not require institutionalised funding for starting their activities- most of them rely on personal savings or funding. In terms of their insertion to the regulated market in Tonga, the majority declared that they were unaware that they needed to register their business.

It is very rare to find businesses with more than one employee. Their enrolment is casual and earn less than \$200 a month and/or paid in kind. For the type of activities performed by some businesses it seems that most have the necessary equipment to perform their activities. However, those who lack equipment are in this situation due to affordability.

The informal businesses in Tonga are unlikely to have losses, the vast majority have more sales than costs. However, the businesses that are more likely to have losses are those who have very few sales. Those who declared sales of less than \$1,000 were more likely to have higher costs than sales.

Businesses would benefit the most from provision of technical tools and securing of finance but very few know that there are options in Tonga- only 9% know that there is assistance from MTED. Insufficient funding and lack of opportunities for trade are the main challenges faced by businesses.

The effects of the COVID-19 pandemic are mixed. 45% declared that they did have any adverse impacts or increased sales after the pandemic. On the other hand, 30% mentioned that they

have seen a reduction in sales. Yet, 60% declared that they have not received support during the global pandemic. Among those receiving support, 83% declared that they did so from the Ministry of Finance.

Recommendations

Based on the results of the survey, the following actions are recommended for implementation to support the Informal Sector in Tonga.

Financing Programmes

The respondents recognised the difference it would make if businesses had access to financial assistance. As most were not keen on loan schemes, it would be useful for MTED to consider developing friendly financial schemes to assist the smaller players and businesses in the Informal Sector.

Improved Communication

From the Survey, most of the businesses were unaware of the support programmes offered by MTED and the Government of Tonga. Should a financial scheme be set up for businesses in the Informal Sector, it is important that MTED implement a clear communication programme with guidance on how to apply which will enhance knowledge of the new initiatives available at MTED.

Equipment Support

The Survey noted the need to support businesses with limited access to equipment for the overall development of their Businesses. MTED could assist businesses develop a financial plan to enable businesses to procure tools and equipment that are required for sustainable growth of their businesses through instalments to relieve the burden on their cashflow and finances of the business.

Opportunities for women

Women operating businesses were less profitable than businesses operated by men. The need for assistance with marketing of their products overseas and locally by MTED was identified. It

would be important to provide a scheme specifically providing technical support for women in the Informal Sector. From providing technical guidance and advice on business registration processes to accessing financial assistance through schemes set up by MTED. Access to Markets overseas would be key for women in the informal sector hence programmes and initiatives targeting this should be shared by the Trade Division of MTED with the women in the Informal Sector. It would be useful if the women are guided through the steps of transitioning into the formal sector with assistance from the Business Advisory Unit of MTED.

Technical Assistance

The Government Tonga through the Ministry should collaborate and work together with development partners to strengthen support for new opportunities in the Informal Sector. Developing schemes to assist the businesses through donor agency funding allowing and incentives for small businesses to grow from strength to strength. Providing new and creative initiatives for women and small businesses to take on board and would eventually boost the economic activities carried out by the Informal Sector.

7.1. Appendices

Type of businesses by island group.

Table 14: Frequency of the main activity of business. Tongatapu

Id.in.ros_activity	Island	Freq
Root crops (ngoue foha - talo, 'ufi, manioke,etc)	Tongatapu	235
Tapa (Ngatu feta'aki, Ngatu pepa)	Tongatapu	201
Ta'ovala ta'ovala (Lokeha,ta'ovala putu, ngafingafi,filo)	Tongatapu	155
Mats (Fala, lotaha, papa, kie, pati)	Tongatapu	144
Imported products (fea vala, food products, tools, cosmetics products, etc)	Tongatapu	113
Ta'ovala kiekie (Kiekie nge'esi niu, fau, fanakio, filo)	Tongatapu	77
Pigs farming	Tongatapu	54
Other Handicrafts	Tongatapu	49
Agriculture Products	Tongatapu	31
Local Tailoring	Tongatapu	30
Net fishing (Kupenga mamaha, kupenga loloto, sili)	Tongatapu	29
Canteen	Tongatapu	27
Roadside food stall	Tongatapu	27
Reef fishing (Fangota, ama taa, moe kaloa'a, limu, kolukalu, etc)	Tongatapu	25
Horticultural (Meleni, hina, vesitapolo, faina)	Tongatapu	24
Other market stalls services	Tongatapu	24
Other Agriculture	Tongatapu	23
Baking	Tongatapu	20
Local household products (taufale, fala, lolo, etc)	Tongatapu	19
Other fishing	Tongatapu	16
Other services	Tongatapu	16
Repair Services	Tongatapu	12
Floriculture (Ngoue matala'i 'akau, ngoue teuteu)	Tongatapu	9
Carpenter	Tongatapu	9
Labour for hire	Tongatapu	7
Others	Tongatapu	7
Cattle farming	Tongatapu	6
Ngoue Kava	Tongatapu	5
Repair works for machines	Tongatapu	5
Wood Carving (Tiki)	Tongatapu	4
Deep water fishing (Tau palu)	Tongatapu	4
Fish fence (Paa ika)	Tongatapu	4
Paintings	Tongatapu	4
Fruits (Coconuts, 'Avoka, moli, etc)	Tongatapu	3
Ngoue Vanilla	Tongatapu	3
Troll fishing (fakatele)	Tongatapu	3
Poultry farming	Tongatapu	3
Pearl Jewelries (Tofe)	Tongatapu	2

Id.in.ros_activity	Island	Freq
Shell Jewelries (Nge'esi fingota)	Tongatapu	2
Caterings	Tongatapu	2
Sewing	Tongatapu	2
Cleaning	Tongatapu	2
Bone Jewelries (Hui)	Tongatapu	1
Restaurant	Tongatapu	1
Other food services	Tongatapu	1
Distance Tailoring	Tongatapu	1
Fisheries products	Tongatapu	1
Tour guides	Tongatapu	1
Landscaping	Tongatapu	1

Table 15: Frequency of the main activity of business. Vava'u

Id.in.ros_activity	Island	Freq
Ngoue Kava	Vava'u	109
Mats (Fala, lotaha, papa, kie, pati)	Vava'u	83
Ta'ovala ta'ovala (Lokeha,ta'ovala putu, ngafingafi,filo)	Vava'u	33
Root crops (ngoue foha - talo, 'ufi, manioke,etc)	Vava'u	24
Canteen	Vava'u	9
Deep water fishing (Tau palu)	Vava'u	8
Net fishing (Kupenga mamaha, kupenga loloto, sili)	Vava'u	8
Ta'ovala kiekie (Kiekie nge'esi niu, fau, fanakio, filo)	Vava'u	7
Reef fishing (Fangota, ama taa, moe kaloa'a, limu, kolukalu, etc)	Vava'u	5
Pigs farming	Vava'u	4
Local household products (taufale, fala, lolo, etc)	Vava'u	4
Fruits (Coconuts, 'Avoka, moli, etc)	Vava'u	3
Ngoue Vanilla	Vava'u	3
Baking	Vava'u	3
Roadside food stall	Vava'u	3
Local Tailoring	Vava'u	3
Imported products (fea vala, food products, tools, cosmetics products, etc)	Vava'u	3
Horticultural (Meleni, hina, vesitapolo, faina)	Vava'u	2
Other Handicrafts	Vava'u	2
Cattle farming	Vava'u	2
Floriculture (Ngoue matala'i 'akau, ngoue teuteu)	Vava'u	1
Troll fishing (fakatele)	Vava'u	1
Caterings	Vava'u	1
Other market stalls services	Vava'u	1
Paintings	Vava'u	1
Others	Vava'u	1

Table 16: Frequency of the main activity of business. Ha'apai

Id.in.ros_activity	Island	Freq
Root crops (ngoue foha - talo, 'ufi, manioke,etc)	Ha'apai	98
Mats (Fala, lotaha, papa, kie, pati)	Ha'apai	95
Ta'ovala ta'ovala (Lokeha,ta'ovala putu, ngafingafi,filo)	Ha'apai	53
Ta'ovala kiekie (Kiekie nge'esi niu, fau, fanakio, filo)	Ha'apai	26
Other Agriculture	Ha'apai	23
Reef fishing (Fangota, ama taa, moe kaloa'a, limu, kolukalu, etc)	Ha'apai	19
Horticultural (Meleni, hina, vesitapolo, faina)	Ha'apai	17
Other fishing	Ha'apai	11
Troll fishing (fakatele)	Ha'apai	9
Net fishing (Kupenga mamaha, kupenga loloto, sili)	Ha'apai	6
Canteen	Ha'apai	6
Other Handicrafts	Ha'apai	4
Sewing	Ha'apai	4
Repair Services	Ha'apai	3
Floriculture (Ngoue matala'i 'akau, ngoue teuteu)	Ha'apai	2
Ngoue Kava	Ha'apai	2
Long line (toutai valu)	Ha'apai	2
Baking	Ha'apai	2
Roadside food stall	Ha'apai	2
Cattle farming	Ha'apai	2
Pigs farming	Ha'apai	2
Carpenter	Ha'apai	2
Fruits (Coconuts, 'Avoka, moli, etc)	Ha'apai	1
Caterings	Ha'apai	1
Other food services	Ha'apai	1
Imported products (fea vala, food products, tools, cosmetics products, etc)	Ha'apai	1
Local household products (taufale, fala, lolo, etc)	Ha'apai	1

Table 17: Frequency of the main activity of business. 'Eua

Id.in.ros_activity	Island	Freq
Ngoue Kava	'Eua	38
Root crops (ngoue foha - talo, 'ufi, manioke,etc)	'Eua	29
Ta'ovala kiekie (Kiekie nge'esi niu, fau, fanakio, filo)	'Eua	19
Mats (Fala, lotaha, papa, kie, pati)	'Eua	12
Ta'ovala ta'ovala (Lokeha,ta'ovala putu, ngafingafi,filo)	'Eua	10
Tapa (Ngatu feta'aki, Ngatu pepa)	'Eua	9
Other Handicrafts	'Eua	5
Ngoue Vanilla	'Eua	3
Canteen	'Eua	3
Local Tailoring	'Eua	2
Other Agriculture	'Eua	1
Long line (toutai valu)	'Eua	1
Baking	'Eua	1
Imported products (feavala, food products, tools, cosmetics products, etc)	'Eua	1

7.2. Type of assistance required: Securing finance by business

Type of activity	% telling securing finance
Pearl Jewelries (Tofe)	100
Shell Jewelries (Nge'esi fingota)	100
Long line (toutai valu)	100
Troll fishing (fakatele)	100
Fish fence (Paa ika)	100
Restaurant	100
Other food services	100
Distance Tailoring	100
Tour guides	100
Cleaning	100
Roadside food stall	84
Labour for hire	83
Deep water fishing (Tau palu)	80
Ngoue Vanilla	78
Mats (Fala, lotaha, papa, kie, pati)	78
Ta'ovala kiekie (Kiekie nge'esi niu, fau, fanakio, filo)	78
Canteen	76
Ngoue Kava	75

Wood Carving (Tiki)	75
Caterings	75
Ta'ovala ta'ovala (Lokeha, ta'ovala putu, ngafingafi, filo)	74
Other services	73
Others	71
Local household products (taufale, fala, lolo, etc)	71
Imported products (fea vala, food products, tools, cosmetics products, etc)	68
Other market stalls services	68
Reef fishing (Fangota, ama taa, moe kaloa'a, limu, kolukalu, etc)	68
Local Tailoring	68
Poultry farming	67
Sewing	67
Other Agriculture	64
Agriculture Products	64
Baking	64
Tapa (Ngatu feta'aki, Ngatu pepa)	62
Carpenter	60
Other Handicrafts	57
Horticultural (Meleni, hina, vesitapolo, faina)	56
Root crops (ngoue foha - talo, 'ufi, manioke, etc)	56
Pigs farming	49
Fruits (Coconuts, 'Avoka, moli, etc)	40
Net fishing (Kupenga mamaha, kupenga loloto, sili)	40
Paintings	40
Repair Services	38
Floriculture (Ngoue matala'i 'akau, ngoue teuteu)	38
Cattle farming	38
Other fishing	37
Repair works for machines	20
Bone Jewellery (Hui)	0
Fisheries products	0
Landscaping	0
