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Summary paper and recommendations on four statistical areas for the Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau

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For Asian Development Bank

Asian Development Bank

ASIAN DEVELOPMENT BANK

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Abbreviations

ADB	Asian Development Bank
BGRT	Business Gross Revenue Tax
BOP	Balance of Payments
EconMAP	Economics Monitoring and Analysis Program (GSUSA)
EPPSO	Economic Policy, Planning, and Statistics Office (RMI)
FAS	Freely Associated States
FDI	Foreign Direct Investment
FIB	Foreign Investment Board (Palau)
FSM	Federated States of Micronesia
GAO	US Government Accountability Office (US)
GDP	Gross Domestic Product
GSUSA	Graduate School USA
HIES	Household Income and Expenditure Survey
IIP	International Investment Position
IMF	International Monetary Fund
IOM	International Organization for Migration (UN)
MIDAS	Migration Information and Data Analysis System (IOM)
Palau	Republic of Palau
PFTAC	The Pacific Financial Technical Assistance Centre
RMI	Republic of the Marshall Islands
SME	Small and Medium Enterprise
SPC	The Pacific Community
TA	Technical Assistance
UN	United Nations
US	United States

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Executive Summary

ADB TA-6695 REG: Assessing and Improving Policy Response to Economic Shocks in the North Pacific (54059-001) covers the three Freely Associated States (FAS); the Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI), and Republic of Palau (Palau).

The technical assistance (TA) project has two components:

i. Review how the countries responded to the COVID-19 pandemic with an emphasis on the economic impacts and lessons relevant to responding to future economic shocks.

ii. Review available statistical information in four data areas and propose recommendations to maintain and improve data collection, and to address any data gaps. The four data areas are:

   a. Migration,
   b. Remittances,
   c. Foreign Direct Investment (FDI), and
   d. Small and Medium Enterprises (SMEs).

This 3-country report is focused on the second component and is intended to summarize the current data situation and provide governments, donors, and other stakeholders with a list of potential actions and priorities to improve each of these data areas going forward. Detailed reviews of each data area are contained within the individual country reports provided under this TA.

Readers should keep in mind two impactful constraints on statistical development common to the FAS. First, the micro-size of these countries; each has a small national statistics office, operating with limited capacity. These offices are severely constrained and have limited scope to add new tasks and implement improvements. Capacity supplementation will be a crucial part of the solution. Second, institutional factors somewhat unique to the FAS rule out some solutions that may have worked elsewhere.

The four statistical data areas

For each data gap the potential for statistical improvement and importance to FAS policy formulation can be summarized as follows:

Table 1: The four statistical data areas: Policy relevance and potential to improve

	Data area	Importance to policy	Potential to improve
A	Migration	Very High	High
B	Remittances	Medium	Low
C	Foreign Direct Investment	Medium	Low-Medium
D	Small and Medium Enterprises	Low	Low

Statistics on migration and its impact of population levels inform multiple key areas of national development and policy response, including planning for government services such as health, education and infrastructure, plus labor market, social security and economic futures. This data area is clearly the most important of the four and is prioritized in the recommendations for donors.

Key data needs are inadequately met at present, and this has compromised planning and policy design, especially in the RMI and FSM. The 2021 RMI census revealed a 20 percent fall in population since the previous 2011 census. This severe population decline was a shock to government and other stakeholders, given that projections available prior to the census had indicated growth in population. The underlying problem was the absence of any annual data on net migration that could have informed the population projections/estimates. A similar scenario is expected for the FSM, but results from its 2023 Census are not yet published.

The highest priority need is to develop standard annual migration statistics for all three FAS. Solutions are possible but need coordinated investments from donors and FAS governments to enable:

1. A regional project to develop FAS Border Control data into migration statistics. Adequate data exists for the FSM and Palau, and for the RMI, with the exception of Kwajalein, where access issues with the US military base need to be resolved.
2. Development of an ongoing, long-term technical support mechanism for migration statistics to ensure sustainability. This would be best achieved by one international entity having the clear responsibility.

Additionally, it is recommended that the US government develop publicly available statistics on inward and outward migration of FAS citizens from US border control data.

Population Censuses for the FAS are largely adequate, but it is recommended that measurement of Census undercount is integrated into future censuses. This would facilitate more timely publication and greater confidence in Census results, both of which have been an issue for the latest RMI and FSM Censuses.

Consideration could be given to providing funding for the RMI and FSM to conduct a population Census or Mini-census on a 5-year cycle, rather than the current 10-year interval. In the long-term, moving to a population register approach may be possible, particularly for Palau, which has demonstrated strengths and innovations in administrative data. Well-designed pilot tests and feasibility studies should be supported by donors.

Statistics on remittances would improve understanding of one area of foreign financial flows of medium-low importance to the FAS policy settings. The data needs are inadequately met at present. However, the sending of remittances home by FAS migrants is understood to be of a much lesser scale than for many South Pacific nations, so this data gap is less critical than might be assumed.

Institutional factors rule out the usual pathways for developing remittance statistics. The use of the US dollar and integration with the US banking system rule out the use of foreign exchange transactions to measure remittances as is done in much of the South Pacific. Furthermore, in most nations, central banks have an economic management role and resources for data development that will inform Balance of Payments statistics. However, in the FAS, financial regulators have a narrow risk management focus and are

not resourced to take on additional data collection roles. Economy-wide surveys such as the HIES are helpful, but unlikely to provide robust data on remittances.

The best that can be recommended is that donors consider funding topical surveys aimed specifically at understanding remittances and potentially other migrant issues. These would be most useful if repeated at regular intervals to identify changes.

Statistics on Foreign Direct Investment would improve understanding of one area of foreign financial flows that supports economic development. This is of medium importance to FAS policy settings. The data needs are inadequately met at present.

Assistance should be provided to develop FDI statistics from Palau tax data. This is only possible in Palau, following recent tax reforms including the filing of company balance sheets. Administrative data should ideally be part of the solution for RMI and FSM also but are unlikely to meet needs in the near or medium term.

Ideally, administrative data should track the ultimate origin of FDI. This should be added to data collections where possible.

Donors might also consider supporting annual FDI surveys drawing on standard Balance of Payments (BOP) templates. However, the scope for the small and overloaded FAS statistics offices to successfully take on this work will be a constraint.

Small and Medium Enterprise statistics would be of lower priority. The data needs have not been addressed at all prior to this ADB project. This TA presented analysis of administrative data to document SME numbers and SME employment within each FAS economy. Periodic re-analysis of existing administrative data on SMEs should suffice to meet most needs.

Business Survey/Economic Census.
This is a standard component of most countries' economic statistics but does not exist for the FAS. This is a cross-cutting data gap that constrains understanding of FDI and SMEs. More significantly, addressing this would support better overall macro-economic statistics, including GDP. This report therefore includes an additional recommendation to support business surveys/ economic census for the FAS.

Priority recommendations for donors

Table 2 below provides a list of key elements of a statistical program that would improve the availability of information in the four data areas. The list is intended to focus on recommendations that require donor support. The main sections of this report elaborate and indicate areas that require not only donor support but also actions that are within the capacity of the FAS themselves. The recommendations suggest specific institutions that may be best suited to respond to a particular need. In certain cases, future TA design could include initiatives that cover several of the individual elements in the Table below.

Table 2: Priority recommendations for donors

	Recommended action	Priority	Investment Level	Responsible entities
1	**Migration**			
	Address technical assistance gap for migration statistics			
a	Establish a dedicated TA support mechanism for FAS migration statistics	High	Medium	Donors (ADB)
	Develop migration statistics from FAS border control data			
b	Ensure full and consistent coverage for FAS border control data.	High	Low / Medium	Donors (ADB)
c	Review/resolve other border control data coverage issues.	High	Low / Medium	Donors (ADB)
d	Fund feasibility assessment for travel history matching	High	Low / Medium	Donors (ADB)
e	Fully incorporate Kwajalein into RMI "MIDAS" system.	High	Medium	USAKA, IOM
	Population censuses			
f	Measure census undercount	High	Medium	Donors TA support (SPC)
g	Publish census populations by single year of age and sex	High	Low	TA support (SPC)
h	Consider funding a 5-year census cycle for FSM and RMI	High	High	Donors TA support
i	Consider developing population register approaches	Low	High	Donors TA support
	Other actions on population			
j	Publish US survey data on FAS migrants by origin country, including birthplace	Medium	Low / Medium	US government
k	Publish US border control data on FAS citizens	High	Medium	US government
2	**Remittances**			
a	Consider topic-based surveys of households specifically designed to measure remittance receipts	Medium	Medium	Donors (ADB)
3	**Foreign Direct Investment (FDI)**			
a	Develop FDI data from corporate reporting	Medium	Low / Medium	Donors (ADB)
b	Track ultimate residence of FDI owners within data collected (ultimate country of corporate control)	Low	Low / Medium	Donors (ADB)
c	Develop use of tax data for FDI statistics in Palau	Medium	Low / Medium	Donors (ADB)
d	Consider supporting an annual FDI survey	Low	Medium	Donors (ADB) TA support (IMF)
4	**Small and Medium Enterprises (SMEs)**			
a	Provide recommended definition of SMEs for the FAS	Medium	Low	Donors (ADB)
b	Fund periodic analysis of administrative data on SMEs in each FAS	Low	Low	Donors (ADB)
5	**Business Surveys/Economic Census**			
a	Develop business surveys for each FAS	Medium	Medium	Donors (PFTAC)

1. Introduction

This paper is provided as part of the Regional ADB TA-6695 REG: Assessing and Improving Policy Response to Economic Shocks in the North Pacific (54059-001).

The scope of the TA covers three small North Pacific countries, namely the Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI) and Republic of Palau (Palau). These countries share many geographical, historical, institutional/cultural, and economic commonalities. They also each have close "Compacts of Free Association (Compacts)" with the United States and are thus commonly referred to as the "Freely Associated States (FAS)". These Compacts provide for extensive economic assistance from the US (including both fund transfers and direct service provision), defense arrangements, and near-complete rights for FAS citizens to travel and migrate to the US.

The TA has two components:

i. Review how the countries responded to the COVID-19 pandemic with an emphasis on the economic impacts and lessons relevant to responding to future economic shocks.

ii. Review available statistical information in four data areas and propose recommendations to maintain and improve data collection, and to address any data gaps. The four data areas are:

   a. Migration[1],
   b. Remittances,
   c. Foreign Direct Investment (FDI), and
   d. Small and Medium Enterprises (SMEs).

This 3-country document is focused on the second component and is intended to summarize the current data situation and provide governments, donors, and other stakeholders with a summary of potential actions and priorities to improve data availability in the four data areas going forward.

The three separate papers developed under this TA include the more detailed country-specific review of these four data areas for each FAS

The four data areas

The four data areas identified for coverage in the TA are:

1. Migration,
2. Remittances,
3. Foreign Direct Investment (FDI), and
4. Small and Medum Enterprises (SMEs)

1 The project initially used the term "population, including out-migration" for this data area, but effectively focused on the gap in migration data and how that influences population estimates.

These were identified because they were:

a) Relevant to economic management in small island economies, including in the situation of responding to economic shocks,

b) Understood to be topics for which there has been limited data available to identify their role in the FAS economies and whether the design of policy responses are compromised. Hence ADB's interest in identifying actions to improve data availability in future.

2. Migration

Definitions

The population is a fundamental feature of a country and generally well understood, but there are concepts and technical definitions relevant to this report. Likewise, migration is the movement of people into or out of the country.

The international standard population measure is the "usually resident" population – that is the population who usually reside within the borders of a country at a point in time[2]. Persons who usually reside outside the country but are visiting temporarily are excluded, and residents of the country who are temporarily absent elsewhere are included.

An exception is that persons residing on military bases of one country within the borders of a host country are treated as residents of the country that controls the military base. Thus, the military personnel, civilian workers and the families residing on Kwajalein military base are not counted in the usually resident population of the RMI.

There are other population concepts relevant to some purposes. An example is the 'de facto' population, which is a count of all persons actually present in a country at a point in time, including visitors. Governments may also track their population of citizens including those residing abroad, for electoral or other purposes. This report focuses on the usually resident population concept.

The term migrant is undefined under international law, and usually refers to "a person who moves away from his or her place of usual residence, whether within a country or across an international border, temporarily or permanently, and for a variety of reasons."[3] For statistical purposes the United Nations (UN) recommends a 1-year departure length as a duration to count as "emigration". This aligns with the 1-year definition for a person to be deemed as resident for purposes of economic statistics (National Accounts and Balance of Payments), albeit with some exceptions, such as students intending to return to their home country.

2 This includes all persons residing in the country, whether or not they have a legal right to be present temporarily or permanently.

3 https://www.iom.int/who-migrant-0

Measurement methodology and standard practice.

Standard practice internationally is to count all people in a country via a regular population census. Most countries conduct population censuses on a 5-year or 10-year cycle with the 5-year cycle being the UN recommendation. The census enumerates the de facto population, so some adjustments are made to derive the usually resident population. Census questions include information to identify enumerated people who reside elsewhere, as well as persons temporarily absent from enumerated households. No census achieves one hundred percent coverage, so it is recommended that procedures to estimate the census undercount are included in the Census design. These may include a 'Post Enumeration Survey (PES)' and/or adjustments identified via use of administrative or other data sources.

Increasingly, administrative data sources are used to support or supplement the conduct of population census and a small number of countries with advanced government data systems now utilize administrative data to an extent that they do not conduct an actual census enumeration at all – an approach often referred to as a population register.

Censuses provide single point-in-time information on population. National statistical agencies usually generate intercensal population estimates on an annual basis. These start from the previous census data, add births, subtract deaths, and add net migration. Ideally, each of these sources of population change is measured directly, births and deaths from registrations and net migration from border crossing data, although adjustments or estimates may be needed to cover data deficits. These estimates are updated each year until the next census when the intercensal estimates are revised to align with the new census result.

Population projections may also be provided. These typically use cohort-component methodology, whereby fertility, age-and-sex-patterns for births, deaths, and net migration are assumed or modelled forward from the previous intercensal patterns. In the absence of high-impact events such as wars and famines, these factors usually change slowly, so such population projections are usually informative, although less so for longer range projections.

In practice when developing countries have gaps in births, death and migration data, intercensal population estimates may be generated using population projection methods.

However that if actual population change factors diverge from the assumptions, the population projection methods can give misleading results. Of the change factors, net migration is the most problematic, as the net movement of people can vary substantially or even reverse direction. Periods of accelerated migration changes may present both population measurement and policy response challenges.

Statistics on net migration are generally compiled from border crossing data generated from the countries' customs/immigration system. Statisticians convert border data into statistical estimates of outward, inward, and net migration, usually on an annual basis. Coverage is a key consideration – are all entry and exit ports covered, and are all persons crossing the border in each direction recorded?

A common approach is to use traveler declarations on their intent – i.e. how long they intend to be away from or in a country. However, plans may change from the original

intent for various reasons. Net migration results may be thus distorted, and it can be very difficult to determine the extent or direction of such errors.

More recently, countries such as Australia and New Zealand have moved to a 'travel histories' approach. This requires a linking of records such that all arrival and departure dates are identifiable for each individual traveler. The usual place of residence is then determined for each traveler based on the time they were in or out of the country. New Zealand and Australia apply a 12/16-month rule, whereby a person is classed as migrating inward if they arrive and are then present for 12 out of the following 16 months. Similarly, a person is classified as migrating outward if they leave and remain away for 12 out of the following 16 months. For travelers with multiple border crossings, statistical estimation is required until 16 months have elapsed. This travel history approach has been found to give improved results over intentions-based data. However, the border data and the procedures for matching individual records need to be sufficiently robust for this approach to be viable.

Current country statistics

Population censuses

Historically, all three FAS ran their Census of Population and Housing following US conventions and the US Census Bureau was the major source of technical support until the 1990s. The FAS Censuses are now primarily supported by The Pacific Community (SPC), as are other Pacific island countries. The censuses are run by island statistical offices, with many short-term staff hired for the exercise. Census history since 1980 for the three FAS is shown below. Palau follows a 5-year Census cycle, and FSM and RMI follow a 10-year cycle, although none have been able to follow that timing exactly.

Table 3: Population census history and counts: Palau, FSM, and RMI

Palau		FSM		RMI	
Census Year	Population	Census Year	Population	Census Year	Population
1980	12,116	1980	73,155	1980	30,873
1986	13,873			1988	43,380
1990	15,122				
1995	17,225	1994	105,506		
2000	19,129	2000	107,008	1999	50,840
2005	19,907				
2012	17,445	2010	102,843	2011	53,158
2015	17,661				
2020	17,614	2022	unknown *	2021	42,418

* as of December 2024 the 2022 FSM Census result is unpublished. A decline similar to RMI may occur.

The censuses cover most of the standard demographic information sets and in broad terms all three FAS have thus had their demographic history reasonably well documented, although the censuses have been less frequent than desirable in the FSM and RMI.

However, this project has identified that public availability of Census data shows some gaps. In some cases, this is because publication websites are out of date, or do not include the full set of tabulations for each census. A further issue is that some details are not available for all censuses. For example, the ability to conduct cohort-component analysis is in some cases compromised by the absence of publicly available single year of age and sex data, and breakouts separating citizens from noncitizens.

Intercensal population estimates

Availability of annual intercensal population estimates has been more limited. The FAS statistics offices do not generate these, understandably given their small size. SPC updates and publishes intercensal population estimates for all FAS's (and other Pacific Island countries) but the updates do not occur annually and the methodology used for each country appears not to be published in any detail[4]. Additionally, the UN publishes country population estimates in their annual "World Population Prospects". Again, the methodology for each country is not provided. In the absence of official national intercensal population estimates, the SPC or UN estimates tend to be used for international and domestic purposes, until the next Census result is available.

Following the 2010 FSM and 2011 RMI censuses, all population estimates were for continued, albeit relatively moderate growth. For example, in 2021 the ADB used an estimated 2020 population for RMI of 55,000, matching the SPC estimates, while UN estimates were considerably higher, at 59,600.[5] However, the 2021 RMI Census showed a very sharp population decline to 42,500 in 2021. ADB subsequently revised the estimated RMI population downward by 23% as illustrated by the following charts. Absence of migration data meant that all previous estimates had severely overstated the RMI population level.

For FSM the situation is similar in that all agencies estimated continuing growth since 2010. The 2023 FSM census count is not yet published, but as with the RMI is also expected to show an large-scale decline at odds with previous estimates.

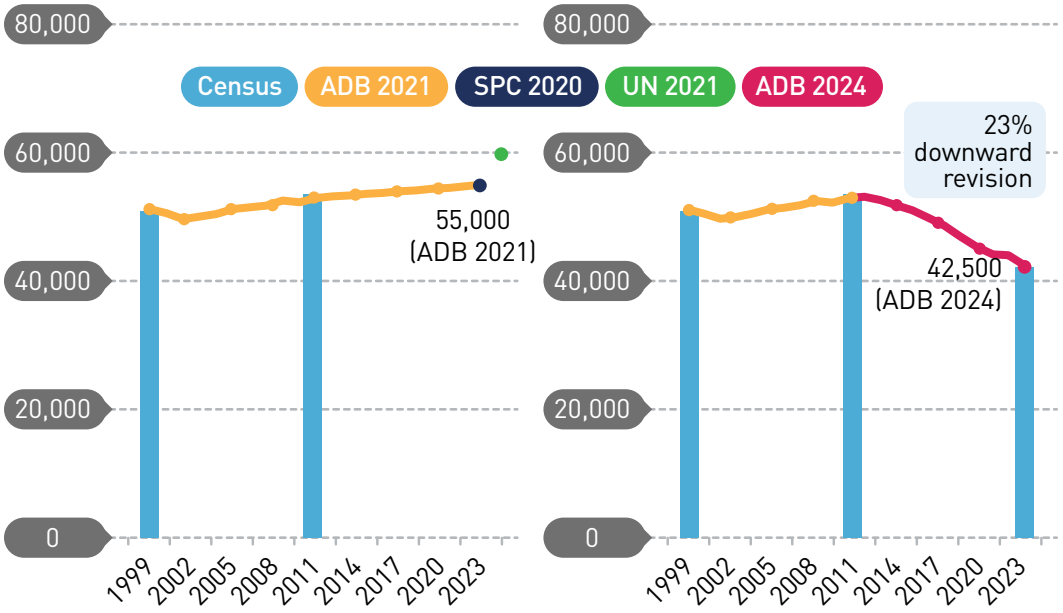
Measurement of census coverage

Neither country had the benefit of a Census Post-Enumeration Survey (PES) to measure coverage effectiveness. In the absence of this verification, it was initially unclear whether the unexpectedly low census counts reflected the true situation or census coverage issues. This led to the need to develop unplanned validation measures requiring considerable time to implement. The combination of an unexpectedly large

4 Discussions with SPC indicate that work plans in this area envisage enhancement. Refer https://sdd.spc.int/events/2024/10/5th-pacific-statistics-standing-committee-pssc-meeting "WP2 Population Statistics Work Plan".

5 https://data.adb.org/dataset/marshall-islands-key-indicators

Figure 1: RMI population estimates: before and after 2021 Census



population decline and delayed publication of the census results has not been positive for confidence in official statistics.

Migration statistics

Official statistics on migration are essentially missing for all three FAS, despite migration being a significant national issue in each.

Over the years several approaches have attempted to bridge this data gap from external sources, relying on the fact that almost all migration of FAS citizens is to/from the USA. However, none of these has proved sufficient:

1. US Department of Transportation passenger count data: Publicly available monthly records of passengers on US air carriers by airport were used by the Graduate School to generate indicators of annual net migration as total passengers arriving less passengers departing from FSM and RMI airports[6]. This relied on the fact that non-US air carrier travel options were largely unavailable. This proxy approach generated plausible indicators of likely net migration trends over 2000-2011 and 2017-2019. However, the years 2012-2016 and 2020 onwards have seen this approach give erratic results including substantial net in-migration at some points. Original source data is not available to validate, but the most likely explanation is changing data compilation by either the US carriers themselves or the data compilers. Compilation is not straightforward as it requires consistently correct counts of passengers who get on or off at each airport, excluding passengers who stay on the same flight to travel to a subsequent destination.

6 This approach was not viable for Palau which has substantial non-US originated flights.

2. US border data: Mirror data from US border control authorities would seem to have potential as a proxy indicator. However, unique Compact-enabled VISA-free US entry rights mean that FAS citizens are not included in the published US statistical data on migrants. The US Government Accountability Office (GAO) examined data on FAS migrants twice (2011 and 2019) and highlighted that this is a significant data gap for the US. GAO sourced original 2015-2019 US border crossing data by FAS citizens from Department of Homeland Security and assessed the potential to generate estimates of FAS migration from this. While GAO found that it was possible to generate useful information this was a one-off study only. There does not appear to be any US institution positioned to carry that forward into an ongoing data series.
3. US surveys: The GAO also examined a range of US survey data including Population Censuses, the American Community Survey, and targeted surveys of Micronesian migrants. Each of these provides useful information, but they are primarily for US purposes and do not measure FAS out-migration. One issue is the US focus on the concept of "Compact migrants" as defined for the purpose of distributing US grant funds, which includes children of migrants aged under age 18. US surveys may focus on concepts such as ethnicity rather than birthplace. Also, published data may be grouped for the three FAS combined rather than for each FAS separately. While US survey data does give valuable insight into FAS migrant populations, including change over time it is not suitable for compiling statistics on FAS out-migration.

Historically, border control processes operated by the FAS governments were primarily focused on managing the entry and exit of non-citizens. Missing or partial recording of FAS citizen movements meant that migration statistics could not be generated from border crossing data in the normal manner.

However, over the last 10-15 years, each FAS has modernized and improved the coverage and computerization of their border control systems as follows:

» Palau has been through several border control upgrades and since 2018 has recorded all citizen and non-citizen travelers. As of 2024, Palau has upgraded further, including biometric identification, in line with the US border control protocols. Palau has a large tourism industry, so it is crucial to correctly separate the relatively small number of migrants from the large number of non-migration movements.

» FSM has also fully computerized its border systems, starting from at least 2008. Whilst there have been some challenges bringing together full data from all four states it is understood that all international travelers are recorded.

» RMI implemented the widely used MIDAS border control system with assistance from the International Organization for Migration (IOM) in 2019. All citizen and non-citizen border crossings are recorded; however, the system has not yet been fully implemented at Kwajalein international airport due to unresolved issues with airport access, which is operationally controlled by the US army base, not the RMI government.

Assuming RMI's Kwajalein airport issue is resolved, all three FAS will have the border control data needed to generate annual statistics on migration as well as short-term visitor statistics. However, the projects that enabled these systems to be developed

were focused on border security and immigration administration and did not extend to developing statistics.

The FAS governments will need separate technical support to develop and maintain the statistics that are now possible. However, there does not appear to be any external technical agency tasked with providing this support for Pacific nations.

This project conducted a detailed review of Palau border control data and concluded that developing a travel histories approach is likely to be possible, albeit requiring investment to further develop data cleaning/validation processes. This would need substantiative support given the technical details of that methodology and the staffing and technical constraints of small island statistical offices. An initial assistance project for a detailed feasibility study and development of a medium-to long-term project plan is suggested as the first step.

This project also takes the view that there may also be potential for this approach for both FSM and RMI. However, some issues not typically encountered elsewhere would need to be addressed:

- Interstate travellers. Within the FSM, travellers between states use the same flights as international travellers. Thus, both domestic and international travellers are recorded by the FSM border management system and are not separately identified. Additionally, travellers to/from Yap and other FSM states travel through Guam - i.e. some domestic travellers exit then re-enter the FSM. This mixing of domestic and international travel makes analysis of the FSM border management more complex than is usually the case. A similar challenge occurs in the RMI where some domestic travellers between Kwajalein and Majuro use the international flight. There are also domestic flights on this route.
- Transiting crews. Both FSM and RMI see the pass-through of quite substantial changeovers of fishing boat crews in their ports. These crews may arrive by plane and leave by boat or the reverse. Border control recording and statistical processing will need to be robust to ensure no significant distortion in the migration statistics occurs.

Beyond population census and border control data some other data sources could potentially be used to give insight into migration. The most significant of these is permit databases on foreign workers. These should be provided to statistical offices in as much detail as possible where they could be utilized to generate annual statistical tabulations to enable additional analysis to inform labor and policy development. The data recorded in the permit databases would benefit from some expansion and alignment with statistical classifications and needs. There could also be more integration with other administrative data sources such as tax and social security data.

Recommendations for migration statistics

The recommendations for this data gap fall into four sub-areas: 1) Technical Assistance for Migration statistics, 2) Develop migration Statistics from Border Control data, 3) Population Censuses, and 4) Other actions (low priority).

Address technical assistance gap for migration statistics

Establish dedicated capacity support/supplementation mechanism for FAS migration statistics.

Priority:	High
Responsible entities:	Donors
Investment level:	Medium

Provision of ongoing technical assistance and capacity supplementation to Pacific statistics offices is well established and productive in other statistical areas, such as census (SPC), and economic statistics (Graduate School, PFTAC). However, no agency currently appears to be set-up to provide support on migration statistics. The absence of this support and the drive it would provide partly explains the lack of progress to date. Future progress is unlikely without such assistance.

Technical assistance would need to be substantial during the development phase, but there will be ongoing support needs, particularly when administrative data systems and processes evolve. Similarities across the three FAS mean a coordinated approach will be more efficient and effective than individual country projects, but the assistance will need to be customized to each FAS to some extent.

This may suit a regional project for the FAS to assist the development of migration statistics over 3 years, including the establishment of long-term arrangements beyond the end of the project.

Develop migration statistics from border control data

Ensure full and consistent coverage for FAS border control data

The full coverage and computerization of FAS records on all travelers is a pre-requisite for developing statistics on migration (and visitors). All three FAS are well on the way to achieving this, but outstanding coverage and treatment issues need to be resolved and/or validated.

Fully incorporate Kwajalein into the RMI MIDAS system

Priority:	High
Responsible entities:	Technical assistance providers (IOM) and RMI statistical office.
Investment level:	Medium

This is a major outstanding issue. For RMI it will require both diplomatic resolution between the RMI government and US Army, and additional technical and possibly funding assistance from IOM beyond the now ended MIDAS installation project.

Review/resolve other border control data coverage issues

Priority:	High
Responsible entities:	Technical assistance providers and FAS statistical offices.
Investment level:	Low-Medium

In addition to the usual coverage completeness issues for border control, the data on three FAS-specific matters needs to be robust in order to avoid distorting the net results. Coverage and consistency will need to be verified, and any issues resolved, as follows:

Domestic travelers on international flights:

» In FSM this occurs between FSM states and to/from Yap via Guam. In RMI, domestic travelers may use international flights between Kwajalein and Majuro. Ideally all such travelers will be recorded in border control data with sufficient information to identify them as domestic travelers.

Transiting fishing boat and aircraft crews:

» The movement of fishing boat crews and air crews can be quite complex. Fishing crews may arrive by air and depart by sea (or vice versa) or arrive and depart by sea. Air crews may transit through airports, but some may also overstay for a few days. A further complication is that some air crew may be FAS citizens.

FAS citizens:

» FAS citizen travel should now be fully recorded in all cases, but given that this was not historically done, this should be verified to ensure that the current processes are providing full coverage data in all cases.

Fund feasibility assessment for travel history matching

Priority:	High
Responsible entities:	Donors
Investment level:	Low-Medium

Palau should take priority as a test case although it may be possible for a feasibility study to cover all three FAS. This could be a small stand-alone project or potentially combined with the previous recommendation.

Population censuses

Measure census undercount

Priority:	High
Responsible entities:	Donors, technical assistance providers (SPC) and FAS statistics offices.
Investment required:	Medium

Building a Post-Enumeration Survey (PES) or equivalent into future census design and funding would give confidence in census results, and should help avoid the undue delays in publication of census counts that occurred for the latest RMI and FSM censuses.

Publish census populations by single year of age and sex

Priority:	High
Responsible entities:	Technical assistance providers (SPC) and FAS statistical offices
Investment level:	Low

Publication of census tables by single year of age and sex would enable cohort analysis to give insight into historical migration even where census dates do not fall on 5- or 10-year cycles. This would be most useful if done consistently for all FAS censuses since the late 1990s.

Consider implementing a 5-year census cycle

Priority:	High
Responsible entities:	Donors, technical assistance providers (SPC) and FAS statistical offices.
Investment level:	High

RMI and FSM could consider conducting censuses on a 5-year cycle as occurs in many South Pacific nations and Palau. This would be particularly beneficial while high net out-migration continues. However, this would entail considerable cost and potential strain on local statistical staff resources. It may be possible to mitigate this cost somewhat by running a “mini-census” with a limited questionnaire, between full 10-year censuses.

Consider developing national population registers

Priority:	Low
Responsible entities:	Donors, technical assistance providers (SPC) and FAS statistical offices.
Investment level:	High

Development of a population register approach may be feasible and beneficial. This would need to be a long-term plan, likely enabled by the extent to which FAS governments modernize and integrate computerization of government services and records over coming decades. Palau is the most likely candidate for this given the substantial advances and investments already made in government IT systems.

Other actions

Publish US border control data

Priority:	High
Responsible entities:	US government agencies
Investment Level:	Medium

US authorities should be encouraged to compile and publish annual statistical data on FAS citizen movements across US borders. Currently no such data is publicly available.

Encourage US authorities to compile and publish survey data on Micronesian migrants in the US by FAS origin country, including birthplace

Priority:	Medium
Responsible entities:	US government agencies
Investment level:	Low-Medium

Understanding of FAS out-migration and diaspora populations would be enhanced if US authorities publicly publish US Census and Survey data on Micronesian migrants to a level of detail that suits the needs of FAS stakeholders. This should include identification by FAS origin country, including birthplace.

Regular analysis of administrative data on foreign workforce

Priority:	Low
Responsible entities:	Technical assistance providers and FAS governments
Investment level:	Low

Understanding of changes in the FAS foreign workforce would be enhanced by repeating the analysis of administrative data provided by this study. A 3-year cycle would be sufficient for most needs. Additionally, efforts to improve linkage between administrative data sources such as Social Security, Tax and Foreign worker permits, are to be encouraged as these can enable further statistical improvements over the long term.

3. Remittances

Definitions

The IMF has addressed remittance concepts and definitions. The 2009 IMF Balance of Payments (BOP) guidance updated concepts to address increased globalization, including the increased economic integration of migrant workers and their associated remittance flows.[7] The updated IMF definition of “personal remittances” includes two components: a) transfers between resident and non-resident households, and b) net

7 International Monetary Fund, Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6), 2009 . https://www.imf.org/en/Publications/Manuals-Guides/Issues/2016/12/31/Balance-of-Payments-Manual-Sixth-Edition-22588 IMF, International Transactions in Remittances: Guide for Compilers and Users, 2009 . https://www.imf.org/external/np/sta/bop/remitt.htm

earnings of persons who work for a non-resident employer but are abroad for less than a year.

However, for this paper, "remittances" refers only to the first component – i.e. transfers of funds by residents of a country to households in another country. For the FAS the second component is not likely to be significant, or separately measured with any accuracy.

Globally, remittances are usually sent 'home' by persons who have migrated from a lower to a higher income country, or by descendants of those migrants. For some nations, remittances represent a sizable and stable source of funds that can exceed official aid or foreign direct investment and may be a very important source of income for receiving households.

Remittances are well documented as particularly strong in parts of the Pacific, particularly Polynesia, with not only migrants but also second and even third generation descendants of migrants regularly sending money to their 'home' countries. In part, this reflects strong familial and cultural obligations.

With an increasing population of citizens having migrated, the FAS undoubtably benefit from increasing inward remittance flows. However, cultural factors differ from the South Pacific, and the remittance flows per migrant are understood to be comparatively low. Additionally, the FAS have foreign workers who send some of their earnings home, i.e. outbound remittances.

Remittances include funds that flow through formal channels (banks, wire transfers and digital platforms), plus informal channels such as hand-carried money or goods, goods shipped home or even purchased in the home country from overseas (e.g. online mechanisms). Remittances from non-resident households to non-profit institutions such as churches may also exist.

Measurement methodology and standard practice.

Remittances are typically measured or estimated using a combination of administrative and survey data. The aggregate flows are reported within a country's Balance of Payments. Additionally, some countries may compile and report separate statistics on remittances, including details such as the origin country, remittance channel etc.

Accurately measuring remittance flows can be challenging, owing to the proliferation of individual small transfers. Unrecorded remittance flows through informal channels may be substantial.

The proliferation of channels is a major obstacle to recording FAS remittance flows. Channels identified include:

1. Banks: International funds transfers, but also fund transfers within the same bank
2. 2.Remittance companies (money transfer operators): e.g. Western Union and Money Gram
3. People travel with cash and goods
4. Digital payment channels: e.g. Paypal, CashApp.

5. Paying for goods and services provided from offshore, e.g. Amazon, Airfares,
6. Local channels, e.g. offshore purchases from RMI stores, informal systems for sending funds used by foreign workers.

For the FAS all of the above occur, but the reach of each channel is not known.

IMF guidelines focus on four data sources for remittances: household surveys, International Transactions Reporting Systems, money transfer operator data, and indirect data sources. Each of these have strengths and weaknesses:

1. Household surveys: questions on remittances can be incorporated in censuses, labor market surveys, living standards assessments, and household income and expenditure surveys. However, unless repeated consistently over time, surveys do not capture time series information. They alsosuffer from reporting gaps and respondent fatigue that limits the detailed level of questions that may be needed to gain accurate results. Customized surveys designed specifically to collect data on remittances may overcome some of these issues, but have their own challenges, including cost and achieving the sample size needed to give representative results.
2. International Transactions Reporting Systems aggregate individual transaction data from banks and through foreign exchange transactions. Government reporting requirements largely determine the statistical value of this data source, including whether data is structured by sending and originating country and the minimum reporting thresholds. This source may not cover money transfer operators and will not cover informal remittances.
3. Money transfer operator data can be a richer data source than is often captured in bank clearance data, but these only cover a subset of overall remittance activities.
4. Indirect data sources such as administrative data, demographic profiles, and econometric methods can be used to estimate remittances. These techniques may build on other information, including survey data, and estimates based on data from the remittance sending countries. Compiling estimates via such approaches may be labor-intensive and challenging to maintain consistently over long time periods.

There is no standard approach, rather the estimates are developed as best possible given the nature of each country's remittance flows and data sources.

A particular challenge is that the nature of remittances continues to evolve over time. The cost of formal channels motivates households to adopt alternative ways to send remittances. A recent example is the increasing availability and use of digital payments platforms, some of which may be unique to certain populations, countries, or regions.

Current country statistics

Utilization of overseas exchange transaction data to estimate remittances is not a viable option in the three FAS since most transactions utilize the US dollar and no foreign exchange conversion takes place.

Some data is requested by statistics offices from major remittance companies such as Western Union and MoneyGram, but this has been limited to total annual transaction flows in each direction. These numbers are very hard to interpret without a way to identify which transactions are remittance related or flow to households versus businesses. There may be potential to develop a statistical questionnaire with sufficient detail. However, this would require good co-operation from the remittance companies and would still not record the remittances flowing through other channels.

Major FAS banks operate effectively as branches of the Bank of Guam or Bank of Hawaii. Thus, the potential to source detailed transaction data useful for statistical purposes is less than it would be if all FAS banks were fully separate and transacting with non-related offshore banks. A further complication is that many FAS citizens use accounts in a location that differs from their residence. For example, a person with an account in FSM may continue to use that account after they migrate to Guam. Thus, a transfer to a relative's FSM account would record as an internal FSM transaction.

Unlike in countries with their own currency and a central bank with both banking supervision and economic functions, each FAS has a small financial regulator focused on bank supervision only. These regulators receive regular from the commercial banks, but these are geared towards financial risk analysis and supervisory ratings. The detailed transactions reporting needed to track remittances is not requested and is not a priority for financial regulators except for certain suspicious transactions. This differs from countries where a central bank compiles external transactions data for balance of payments purposes to ensure financial stability. Ideally the scope of FAS bank reporting would be widened to meet statistical needs, but this would need a scope expansion decision and new resources to develop and maintain additional bank reporting and is not likely to occur.

FAS population censuses and Household Income Expenditure Surveys have included some questions relevant to statistics on remittances. The questions have not been fully consistent over time, due to changing methodologies. Additionally respondent overload places limits the extent to which detailed questions can be asked within these surveys which must cover a wide range of topics. Consequently, it is difficult to assess if the household survey results on remittances are indicative.

A more productive approach may be to implement micro-surveys focused specifically on remittances. Getting the design of these right would be challenging – local language translations would be needed – it is unlikely that most respondents would even understand what the term 'remittance' implies, for example. The surveys would also need to cover enough households to be meaningful – larger sample sizes would be needed if remittance receipts per household are highly variable.. An advantage of targeted remittances surveys is that they could also seek qualitative information about remittances, such as sender-receiver motivations, barriers to sending-receiving remittances, and how households put remittance receipts to use. Such improved qualitative understanding could help identify policy measures that could be implemented to facilitate remittances.

Recommendations for statistics on remittances

Targeted household surveys

Consider topic-based surveys of households specifically designed to measure remittance receipts

Priority:	Medium
Responsible entities:	Donors, technical assistance providers and FAS governments
Investment level:	Medium

Focussed surveys on remittances will likely be the most successful vehicle for improving information on FAS remittances. However, to be truly informative such surveys would need to be repeated on a regular cycle, and address issues such as achieving sufficient sample sizes without undue cost.

Census and HIES Surveys

Improve remittances questions and tabulations in Census and HIES surveys

Priority:	Low
Responsible entities:	Technical assistance providers and FAS governments
Investment level:	Low

Some improvements can be made in questionnaire coverage and consistency. It may be possible to dovetail designs, so the surveys work together.

4. Foreign Direct Investment (FDI)

Definitions

Under international statistical definitions a direct foreign investment relationship arises "when an investor resident in one economy makes an investment that gives control or a significant degree of influence on the management of an enterprise that is resident in another economy" . Investment transactions are presented as annual transactions (flows) that result in a stock of foreign-controlled assets.

Research on FDI usually focuses on the impact of FDI on economic growth, employment, and trade, but there is also considerable interest in FDI's effects on non-economic areas including the environmental, political, and social sectors.

Increasing FDI is commonly advocated as a path to improving economic growth by international organizations, including ADB. Over recent decades each of the FASs have put in place measures to facilitate and regulate foreign investment, although the nature of these and the resulting significance of FDI differs.

This report focuses on the international definitions of FDI as per the Balance of Payments. A guideline treats equity constituting 10 or more percent of voting rights as constituting a direct investment relationship. Foreign ownership below that level would generally be treated as portfolio investment not FDI.

It is noteworthy that the international definition of FDI as ownership of businesses by non-residents does not align with the concept of 'foreign investment' applied in the FAS regulatory regimes which cover most business ownership by non-citizens, including those that reside in the FAS as owner operators or for other reasons.

Also noteworthy is that the international definitions do not cover informal arrangements such as the "front businesses" in each FAS, which are 'owned' by local citizens but controlled in whole or in part by non-citizens.

Measurement methodology and standard practice

International guidelines recommend that statistics cover both FDI stocks and flows on at least an annual basis. FDI stocks comprise the sum of FDI within a country, compiled from corporate balance sheets and form a key part of the International Investment Position (IIP). FDI flows cover the changes in FDI investment each year and form part of the Balance of Payments. Some countries may also compile separate statistics on FDI, including details such as the origin country, industry/activity, and employment and taxes generated. FDI is only recorded when it actually occurs, not when it is announced.

The most common approach is for FDI businesses to be covered by a targeted survey as part of a wider survey of businesses for the Balance of Payments. These may be full coverage or a sample survey. In many small countries the Balance of Payments and associated FDI survey is the responsibility of the central bank which has both a strong interest in using this data, and often has greater scope to mobilise the staff and financial resources on this topic than national statistics offices.

Surveys may be supplemented in part or whole by administrative records. This is particularly viable where corporations are required to file financial records to regulatory or tax authorities. Such records are not always available on a timely basis however, or may not cover all FDI, so statisticians may make estimates to cover a range of omissions and delays. In cases where administrative data and surveys do not exist or are not yet sufficient, estimates of FDI may need to be made by other methods, including applying older data, reviewing qualitative data (media and industry reports etc), applying assumed rates of FDI, etc. FDI statistics can be particularly challenging when regulatory environments allow FDI to occur without administrative records that allow statisticians to identify the list of businesses/projects for which FDI is occurring. Outward FDI can be hard to identify in this respect.

In theory outward and inward FDI should match off between countries and globally but a range of issues including timing of recording, exchange rates and complex ownership structures, including "pass-through investment", mean this will not be the outcome. Recent recommendations include that countries identify the ultimate FDI ownership where possible.

Current country statistics

No FAS has recently conducted a business survey or economic census, or currently has a business survey in their 3 to 5-year statistical work plans. Although desirable, without external drivers it appears unlikely this will be prioritized over other statistical needs. There is low demand for FDI and Balance of Payments statistics in the FAS,

so the standard FDI-focused surveys have never occurred, although this has been recommended (but not resourced) by the IMF.

Administrative data on FDI exists to varying extent in each FAS, and further development of this data appears to provide the best opportunity for improved statistics on FAS FDI.

Palau has the most advanced administrative data among the FAS. All formal inward FDI is regulated such that it all flows into Palau-registered corporations. Palau's annual Corporate Registry filing includes balance sheets, and these have been used to compile aggregated data for the Balance of Payments (BoP) and International Investment Position (IIP). However, the accurate and timely provision of annual data has been weakly enforced, resulting in substantial data gaps that require estimation leaving considerable uncertainty in the results. A revised reporting process for corporations is being implemented, but efforts to simplify reporting may reduce the data available for statistical needs on FDI.

From 2023, Palau has implemented tax reform including an annual Business Income Tax return. This has been designed with statistical needs in mind, including balance sheets, and it is anticipated that statistical data on FDI corporations can be developed from this in due course. As of late 2024, the first year of data from the new tax reporting system was not yet available, so the coverage and quality of the new tax returns is still to be proven. Technical assistance will be needed to translate the tax data into the various statistical outputs. Also the tax returns need some re-design to enable foreign assets and liabilities to be fully identified.

With the long-term input of the Graduate School's EconMap program, Palau's economic statistics have made extensive use of administrative data, particularly Social Security and Business Gross Revenue Tax returns (BGRT). The statistical databases developed include statistical classifications and time series and the FDI ownership shares sourced from Palau's Foreign Investment Board (FIB) have been incorporated[8]. This allowed this project to illustrate the impact of FDI on sales, value-added and employment within the Palau economy, including breakdowns by economic activity (industry).

In the FSM and the RMI administrative data is more limited. Neither have corporate balance sheet reporting to regulators that is compiled and accessed by statistics. Where there are reporting requirements, links between government offices have not been made. In addition, it is doubtful that annual reporting requirements are sufficiently enforced and validated.

However, FDI into FSM and RMI is substantially restricted, so its extent is limited. With local knowledge it was possible for the major FDI businesses to be identified by local statisticians, although the precise FDI ownership shares were not always known. With this information, this study was able to compile estimates of the FDI share of turnover and value added by industry for FSM and RMI. These are understood to provide an informative picture, although some revisions would be expected if full ownership information can be sourced in the future. Further work would allow FDI contribution to employment to be generated for FSM and RMI.

To date no attempt has been made to quantify the immediate or ultimate origin of FDI. This would require enhanced information collection by FAS FDI regulators.

8 Considerable local knowledge is required to exclude investment recorded by foreigners that reside in Palau. The same issue will exist for FSM and RMI foreign investor permit records.

Recommendations for FDI statistics

FDI regulators

Develop FDI data from public corporate reporting

Priority:	Medium
Responsible entities:	Technical assistance providers, and FAS governments
Investment level:	Medium-Low

Where possible, annual reporting by FDI permit holders should be expanded to include the financial data required for FDI statistics. To be useful this information needs to be computerized and the data validated, including re-confirmation/correction from the respondents when needed.

Track ultimate residence of FDI owners within collected data (ultimate country of corporate control).

Priority:	Medium
Responsible entities:	Technical assistance providers, and FAS governments
Investment level:	Medium-Low

This extension of information collection on FDI ownership would align with recent international recommendations.

Other administrative data

Develop use of tax data for FDI statistics

Priority:	Medium
Responsible entities:	Technical assistance providers, and FAS governments
Investment level:	Medium-Low

This should soon be actionable for Palau with suitable form modifications to capture external assets and liabilities given recent tax reform and reporting changes.

For RMI and FSM future upgrades of business tax regimes should be used to enhance information collection on FDI as far as possible.

Create inter-linkages across administrative data.

Priority:	Low
Responsible entities:	Technical assistance providers, and FAS governments
Investment level:	Medium-Low

Approaches such as ensuring data sharing between government agencies and aligning business identification systems are encouraged.

Business surveys

Consider supporting an annual FDI survey

Priority:	Low
Responsible entities:	Donors, technical assistance providers, and FAS governments
Investment level:	Medium

An annual survey of FDI businesses would follow standard Balance of Payments practice and IMF templates. However, this would be challenging for the small FAS statistics offices because: 1) the financial detail in these surveys requires a skillset not currently available, and 2) it is challenging for staff to engage successfully with many FDI entities, 3) the offices are stretched with many other priorities. To be successful an FDI survey would need additional human resourcing accompanied by sustained hands-on technical assistance backstopping.

Consider supporting economy-wide business surveys/economic census

Priority:	Low
Responsible entities:	Donors, technical assistance providers, and FAS governments
Investment level:	High

These economy-wide surveys would benefit statistics on FDI, but to a lesser degree than a focused FDI survey. Whilst a significant gap in the standard official statistics program with particular potential for improving GDP statistics, these surveys are not currently a priority for FAS statistics offices, and none currently have the technical capacity to develop and run these surveys.

5. Small and Medium Enterprises (SMEs)

Definitions

There is no standard international definition of small and medium enterprises, so countries define SMEs as is relevant for their own situations. This is typically done using turnover values or employee counts as proxies for enterprise size.

For the three small FAS's no previously agreed definition could be identified. Almost all FAS enterprises would be small if international definitions were applied. Additionally, the availability of data on employee counts and turnover varied, although all three FAS have identification of formal employment by businesses via social security systems and business licensing. A further complicating factor is the existence of very small scale (informal) household income earning activities, many of which may be secondary or intermittent means of income generation for the household. These informal micro-enterprises do not fall within the SME concept as generally understood, so are not focused on by this report.

Given that minimal data on FAS business demography is available, this TA concluded it would be more useful to provide data for the entire business sector disaggregated by size classes as best possible in each FAS, rather than restricting the analysis to a

particular size definition for SMEs. This approach would provide previously unavailable data on the SME landscape in each FAS.

Measurement methodology and standard practice

There is no international mandated set of statistics on SMEs.

Country statistics normally begin with simply identifying the number of SMEs in the economy. These are usually then expressed as a share of the total number of businesses. Further information is then usually provided by tabulating the number of SMEs by industry classification. Some countries also tabulate SME counts by geographic region.

The second level of SME statistics aims to describe the impact or extent of SMEs' share within the economy. These usually present the contribution of SMEs in terms of employment and ideally GDP (value added). As with the SME counts, these are also usually expressed as a share of the total private sector and/or national employment, and breakouts by industry. Regional breakouts may also be provided. Beyond employment data the contribution of SMEs to GDP (value added) is also often presented, with similar breakouts. Some countries also present SMEs' contribution to exports, both as a way to document SMEs' economic contribution, and their exposure to global markets.

A third level of SME statistics commonly provided relates to the enabling conditions for SMEs to flourish. These are likely to include statistics on SME access to finance, including bank loans (number, balances and non-performing loans), non-bank finance, and share markets (counts of SME listings and market capitalisation). Again, these may be broken out by industry and region.

The above SME statistics are largely derived as extensions to the standard set of statistics on businesses. SME counts, employment and GDP shares usually draw on economic censuses/business surveys run by national statistical offices and/or administrative data including business registration/licensing, tax and employment records, etc. Statistical estimation may have to be applied to enable presentations of SME shares by activity or region. Data on SME financing may be compiled via regulatory authorities, and/or by specific surveys of SMEs.

Countries may also publish data on other aspects of SMEs, such as information on programs tasked with assisting SME development.

Current country statistics

None of the FAS has a national definition for SMEs. Guidance from external entities with expertise in this area would assist and it would be beneficial if a recommended uniform definition, appropriate to the FAS, could be provided. This would facilitate comparability by avoiding a situation where each FAS adopted a different definition.

This study found that existing data on SMEs in the FAS was extremely limited. Some information can be gleaned from existing censuses and survey reports and from published tabulations of business registries, but the design of these was not targeted to provide information on SMEs specifically.

No FAS has conducted a recent business survey or economic census or currently has this in their 3- to 5-year statistical work plans. Although desirable, without external drivers it appears unlikely these will be prioritized over other statistical needs.

However, it was identified that statistical offices in each FAS do have access to administrative data that include SMEs and examples of tabulations that can be generated from these were developed by this study

Quarterly social security returns are common to all three FAS. These have the advantage that coverage is generally comprehensive of formal businesses, and the employee counts and earnings align with commonly used metrics for identifying SMEs. A further advantage is that all three FAS have this data, so three-country comparisons can be made. This data has a long history so it would be possible to use Social Security data for longitudinal analyses of SMEs, including attributes such as SME growth and survival over time.

The second major administrative data source is tax data, particularly Business Gross Revenue Tax (BGRT), which identifies turnover. Palau has high-quality BGRT data, and this study generated an analysis to demonstrate how it can be used. The quality, computerization, and availability of BGRT data to the Palau Statistics Office is not present in the FSM or the RMI, but in both countries efforts to improve this are under way with the potential to generate the data in the future.

In Palau tax reforms implemented from 2023 are now collecting substantial additional data including annual income statements and balance sheets. In due course these can provide a much richer dataset for SME analysis as they will replicate much of the information normally collected in a business survey, but with full coverage. The RMI is at earlier stages of tax reform development, but if this proceeds RMI may also have similar data at some future point.

The creation of interlinkages between administrative data would improve the potential for statistical use and analysis. For example, in Palau the annually updated business license links with tax and Social Security data by design, but this is not the case in FSM or RMI.

There is also potential for the regulators of banks and financial institutions to collect and publish data on lending to SMEs. Development banks might also do this of their own accord, given that supporting SMEs is part of their mandate.

Recommendations for SME statistics

Develop a definition of SMEs appropriate to the FAS

Provide a recommended definition of SMEs for each FAS.

Priority:	Low
Responsible entities:	Technical assistance providers
Investment level:	Low

A recommended uniform definition for the three FAS would help guide compilers of information and facilitate comparability.

Administrative data

Periodic analysis of administrative data on SMEs in each FAS and create inter-linkages across administrative data.

Priority:	Low
Responsible entities:	Technical assistance providers and FAS governments
Investment level:	Low

The analysis of SME characteristics and economic contributions via social security and tax data should be conducted periodically with a minimum 5-year interval

Develop administrative data on SME loans.

Priority:	Low
Responsible entities:	FAS financial regulators and development banks
Investment level:	Low

The collection and publication of statistics on lending to SMEs by financial regulators and development banks should be encouraged to the extent feasible.

Census and HIES Surveys

Where possible, ensure questionnaires and tabulations facilitate data on SMEs.

Priority:	Low
Responsible entities:	Technical assistance providers and FAS governments
Investment level:	High

Provision of information on SMEs should be considered within the design and tabulation of future census, HIES, and labor force surveys.

Business surveys

Consider supporting economy-wide business surveys/economic census

Priority:	Low
Responsible entities:	Donors and FAS governments
Investment level:	High

These economy-wide surveys would benefit statistics on SMEs. Whilst a significant gap in the standard official statistics program with potential for improving GDP statistics, these surveys are not currently a priority for FAS statistics offices, and none currently have the technical capacity to develop and run these surveys.

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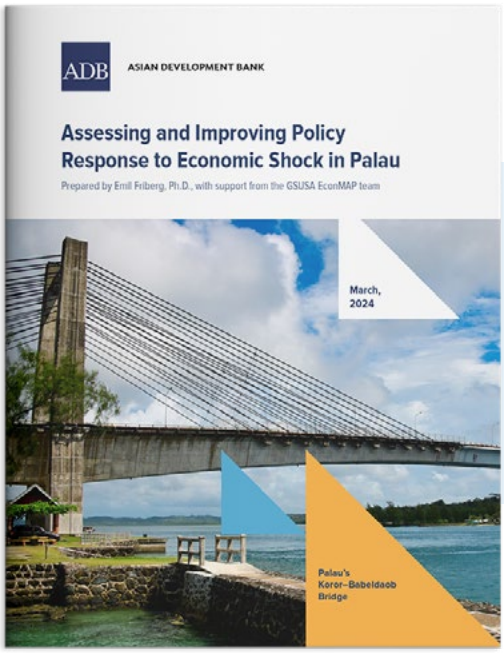

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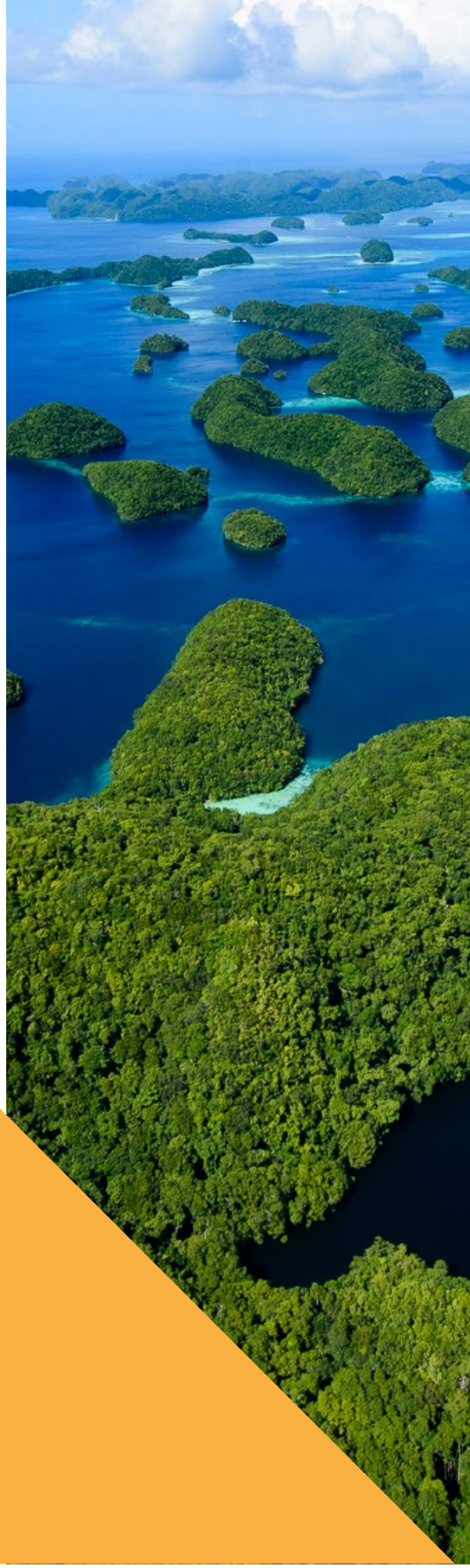

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