PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE A DECADE OF REFORM

ANNUAL PROGRESS REPORT 2015–2016

THE YEAR AT A GLANCE

ANALYTICAL WORK, COMMUNICATIONS, AND MONITORING AND EVALUATION

- Cook Islands private sector assessment published and launched
- Solomon Islands private sector assessment published and launched
- Timor-Leste private sector assessment published and launched
- Influence of secured transactions reform on the ability of vanilla bean farmers in Tonga to access credit profiled in the Wall Street Journal
- Internal evaluations of the Samoa Companies Act Reform, the Solomon Islands Companies Act Reform, and the community service obligation framework for state-owned enterprises in Solomon Islands developed

BUSINESS LAW REFORM

- Papua New Guinea Personal Property Security Act implemented and Personal Property Securities Register launched
- Vanuatu Companies Act and Companies (Insolvency and Receiverships) Act commenced and a multiple-entity online registry launched
- Diagnostic of Timor-Leste company law and registry completed
- Tonga Receiverships Bill drafted and enacted
- Tonga Foreign Investment Policy prepared and endorsed by cabinet, and Tonga Foreign Investment Bill drafted

COMPETITION AND CONSUMER PROTECTION

- Samoa Competition and Consumer Bill enacted in January 2016
- Three issues papers and wide consultations completed as part of the Consumer and Competition Framework Review in Papua New Guinea
- White paper completed analyzing options for the establishment of the new multisector regulator for Tonga
- Diagnostics completed for Solomon Islands, Timor-Leste, and Vanuatu
- Issues papers delivered for Solomon Islands, Timor-Leste, and Vanuatu

ECONOMIC EMPOWERMENT OF WOMEN

- Women Business Leadership Program designed and implemented in Tonga, and replicated in Fiji
- Corporate Governance Pilot Program designed and implemented in Solomon Islands, and replicated in Vanuatu
- Specific chapters on economic empowerment of women included in six private sector assessments
- *Women and Business in the Pacific*, a study of constraints faced by women across seven Pacific countries, drafted
- Policy paper titled *Women and Business: Policy Options for the Economic Empowerment of Women* presented at the Pacific Women Parliamentary Partnership Forum plenary session

FINANCING GROWTH

- Report on the interconnectedness within Papua New Guinea's financial system accepted by the Bank of Papua New Guinea
- National risk assessment and national strategic plan for combating anti-money laundering and the financing of terrorism endorsed by Timor-Leste's Council of Ministers in June 2016
- Secured transactions framework applied to support innovations in agriculture value chain financing through the introduction of the Tonga Development Bank's pilot financing facility for vanilla growers in Tonga
- Fiji–New Zealand capital markets knowledge exchange held on 27–28 April 2016 in New Zealand
- Two analytical works published and developed

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

- Finding Balance 2016 drafted and Leaders Seminar hosted for eight participating Pacific countries
- New public enterprise legislation for Fiji and Vanuatu finalized
- Five community service obligation (CSO) contracts prepared in Solomon Islands, and the first CSO contract prepared for a state-owned enterprise in Papua New Guinea (PNG), establishing a process and model for replication in 2016–2017
- Public–private partnership (PPP) project pipeline, PPP Act regulations, and PPP project development guidelines prepared for PNG for use by the future PPP Centre
- A PPP contract for Tonga Forest Products prepared and successfully concluded in June 2016

REFORM SUCCESS REQUIRES
ONGOING ADVOCACY,
A PRACTICAL APPROACH
TO REFORM IMPLEMENTATION,
AND AN ABILITY TO GAIN
THE CONFIDENCE OF
COUNTERPARTS IN PACIFIC
DEVELOPING MEMBER
COUNTRIES THAT PROMOTES
COOPERATION

PACIFIC PRIVATE SECTOR
DEVELOPMENT INITIATIVE:
A DECADE OF REFORM—
ANNUAL PROGRESS
REPORT 2015–2016

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www.adb.org

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Printed in the Philippines.

ISBN 978-92-9257-743-8 (Print) 978-92-9257-744-5 (e-ISBN)
Publication Stock No. RPT178652-2
DOI:<http://dx.doi.org/10.22617/RPT178652-2>

Cataloging-In-Publication Data

Asian Development Bank.
Pacific Private Sector Development Initiative: A decade of reform—annual progress report 2015–2016
Mandaluyong City, Philippines: Asian Development Bank, 2017.

1. Private sector development. 2. Economic empowerment of women. 3. Business law reform.
4. Competition and consumer protection. 5. Financing growth. 6. State-owned enterprise reform and public–private partnerships. I. Asian Development Bank.

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ABBREVIATIONS

ADB	–	Asian Development Bank
AML/CFT	–	anti-money laundering/combating the financing of terrorism
BNCTL	–	Banco Nacional de Comércio de Timor-Leste (National Commercial Bank of Timor-Leste)
CSO	–	community service obligation
DMC	–	developing member country
ICCC	–	Independent Consumer and Competition Commission
IMfTL	–	Instituição de Microfinanças de Timor-Leste (Institute of Microfinance of Timor-Leste)
NZCO	–	New Zealand Companies Office
PNG	–	Papua New Guinea
PPP	–	public–private partnership
PSA	–	private sector assessment
PSDI	–	Pacific Private Sector Development Initiative
SOE	–	state-owned enterprise
TDB	–	Tonga Development Bank
TFPL	–	Tonga Forest Products Limited
VFSC	–	Vanuatu Financial Services Commission

FOREWORD

The Pacific Private Sector Developing Initiative (PSDI) entered its 10th year in 2016. This progress report describes PSDI's key achievements over the past decade in assisting the Pacific developing member countries (DMCs) of the Asian Development Bank (ADB) achieve sustainable and inclusive growth by improving their business environments.

Since 2007, PSDI has helped Pacific DMCs implement a wide range of business environment reforms across its five work areas: business law reform; competition and consumer protection; economic empowerment of women; financing growth; and state-owned enterprise (SOE) reform and public-private partnerships (PPPs).

Secured transactions reforms have improved access to finance in the Pacific region by making it easier for lenders to accept movable assets such as vehicles, inventory, accounts receivable, and even crops, as collateral. This has led to more than 50,000 new loans being granted by financial institutions.

Reforms to business laws and the creation of online registries have more than doubled the rate of businesses registrations in the countries where reforms have occurred. This has made new investments possible, and spurred formal economic activity and job creation.

SOE reforms have improved the governance framework for SOEs in many countries in the region, leading to more efficient and commercially sustainable government enterprises. Support for privatizations and PPPs has further advanced this agenda.

PSDI is currently assisting a number of Pacific DMCs to develop sound competition frameworks—a vital reform in a region where small market size can lead to some firms' economic dominance and monopoly power.

This report has a particular focus on PSDI's support for the economic empowerment of women. It discusses PSDI's strategy for supporting the reduction—and ultimately, elimination—of barriers to women's engagement in the formal economy, and the creation of pathways for women to advance in leadership roles.

In reflecting on PSDI's achievements over the past 10 years, I have a number of observations. The first is the importance of strong analytical work underpinning policies to promote development, which has been a feature of PSDI's approach. The second is that reform success requires ongoing advocacy, a practical approach to reform implementation, and an ability to gain the confidence of counterparts in Pacific DMCs that promotes cooperation. Third, change processes are complex and require a careful approach with close attention to detail. This is particularly the case with promoting women's economic empowerment, where cultural barriers remain. Finally, reforms of this type take an extended period to be implemented and for results to be evident.

The past decade has also shown us that sustaining reform cannot be taken for granted. It requires ongoing dialogue with policy makers and private sectors, so that past gains can be consolidated and built on.

The PSDI team has received strong cooperation and support from Pacific DMCs, which has been a vital feature of the success of PSDI's reforms. I would like to thank PSDI's cofinance partners—the Government of Australia and the Government of New Zealand, whose support has been central to the success of the program.

I look forward to PSDI's continuing success as an integral part of ADB's mission to reduce poverty in the Pacific region.

Xianbin Yao
Director General
Pacific Department
Asian Development Bank

A DECADE OF REFORM

Since its inception in 2006, the Pacific Private Sector Development Initiative (PSDI) has supported more than 280 reforms in its work areas of business law reform, competition and consumer protection, the economic empowerment of women, financing growth, and state-owned enterprise (SOE) reform and public-private partnerships (PPPs). It has contributed to the policy and reform agenda of Pacific countries through private sector assessments (PSAs) and research produced through its analytical work program.

This section highlights key reforms in each of these areas over the 2006–2016 period.

→ THE FINDING BALANCE SERIES IS USED BY THE ASIAN DEVELOPMENT BANK, THE INTERNATIONAL MONETARY FUND, THE WORLD BANK, AND THE FORUM SECRETARIAT TO SUPPORT THEIR REFORM PROGRAMS

ANALYTICAL WORK

1 Analytical Work Program (regional)

PSDI has published 12 PSAs in eight countries since 2006. It has also published 13 additional research publications on topics including the challenges of doing business in Papua New Guinea (PNG), reforming Pacific contract law, secured transactions reform, women and private sector growth, digital financial services, credit guarantees, and SOE benchmarking.

In 2009, PSDI published the first SOE performance benchmarking study for the Pacific, *Finding Balance*. This was the first time that the financial results of SOEs had ever been made publicly available, and resulted in substantially increased awareness of the size and importance of the SOE portfolios, drivers of their poor performance, and strategies for improvement. Countries participating in the study have requested for a new edition to be published every 2 years, and that with each edition, more countries be added to the sample. The fifth edition of the study, published in 2016, covers 12 countries, up from the 3 included in the first edition. The Finding Balance series is often cited by policy makers in the region and is used by the Asian Development Bank (ADB), the International Monetary Fund, the World Bank, the Forum Secretariat, and other development partners to support their reform programs.

PSDI'S 12 PRIVATE SECTOR ASSESSMENTS HAVE HELPED to guide the reform agenda across the Pacific region

BUSINESS LAW REFORM

2 Business Law and Registry Reform (regional)

PSDI's work in the area of business law and registry reform has been fundamental to improving the business environment in Pacific countries. Company law and registry reforms have been successfully implemented in Samoa, Solomon Islands, Tonga, and Vanuatu, with support from PSDI. These initiatives,

SAMOAN MINISTRY OF COMMERCE and PSDI's business law reform experts at the 2013 registry launch

SEWING SKILLS TRAINING in Solomon Islands provided women with access to both skills-based training and finance to help expand their business

which included accompanying reforms of insolvency and receiverships laws for Solomon Islands, Tonga, and Vanuatu, and complementary reforms on business names and business licensing for Tonga, increased the annual rate of company formation by an average of 114% post-reform. By taking full advantage of technology solutions such as the implementation of online registries, the reforms have also reduced the time it takes to form a company, from an average of 24 days to a little over a day. By eliminating the need for lawyers and agents as intermediaries, the reforms have substantially reduced the cost of company formation, making it more advantageous for informal businesses to reap the benefits of formalization. PSDI has produced a short video, *Solomon Islands Breaking Barriers* (<https://www.youtube.com/watch?v=GWtUMYKS3Js>), to showcase its work in this area.

3 Biennial Pacific Business Registries Knowledge Exchange (regional)

Since 2008, PSDI, in partnership with the New Zealand Companies Office, has provided a forum for registrars, senior government officials, and private sector representatives from the region to come together and discuss issues confronting the Pacific registry community. Going on its fifth year in 2017, the Pacific Business Registries Workshop has evolved into the biennial event for Pacific countries to showcase their progress and achievements in the area of business law and registry reform. The exchange has helped generate an appetite for reform among other countries in the region. As of 2016, the Cook Islands, Fiji, Kiribati, and Timor-Leste have all commenced company law reforms with assistance from PSDI.

COMPETITION AND CONSUMER PROTECTION

4 Support to the Independent Consumer and Competition Commission (Papua New Guinea)

PSDI's assistance to PNG's Independent Consumer and Competition Commission (ICCC) in 2007–2008 was crucial in strengthening the ICCC's capacity to regulate competition in the telecommunication sector. According to ADB's 2015 private sector assessment, increased competition in this sector resulted in more people accessing basic telephone services, 1.8 million mobile subscribers by January 2011, and the reduction of call rates by approximately 60%.^a

^a ADB. 2015. *Building a Dynamic Pacific Economy: Strengthening the Private Sector in Papua New Guinea*. Manila.

5 Passage of the Competition and Consumer Protection Act 2016 (Samoa)

Samoa is the first Pacific country in which PSDI has completed policy, legal, and regulatory reforms in the area of competition and consumer protection through the passage of the Competition and Consumer Protection Act in January 2016.

PSDI will continue to support the Government of Samoa in its implementation of the Competition and Consumer Protection Act in the second half of 2016.

ECONOMIC EMPOWERMENT OF WOMEN

6 Assessing the Impact on Women in All Outputs and Programs

With the clear intention of embedding gender assessment into all its activities, PSDI is designing programs that bring economic benefits to women within each of its core work areas. Since 2013, PSDI's analytical outputs have specifically focused on strategies to empower women. Six PSAs have included women-centric chapters ensuring inclusive private sector-led economic growth. In 2014, PSDI conducted an assessment of women's access to finance in Fiji, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu, with the objective of improving financial governance and access. These outputs have informed subsequent PSDI programming.

In 2015–2016, PSDI, in partnership with the Government of Australia, undertook a detailed study of the constraints faced by Pacific businesswomen in Fiji, Kiribati, PNG, Samoa, Solomon Islands, Tonga, and

Vanuatu. The study proposes a set of strategies to foster women's contribution to economic development. It also addresses the lack of data on women's engagement with business across the Pacific to assist development partners in identifying areas for future support.

To demonstrate innovative approaches to involving women in business activities, PSDI has designed and is piloting programs in PNG and Tonga, and two programs in Solomon Islands. (Women in the Solomon Islands Train to Maintain Off-Grid Solar Power Schemes, <https://www.youtube.com/watch?v=cKijakzJmKI>) Three of these pilot programs are being replicated.

FINANCING GROWTH

7 Secured Transactions Law and Registry Reform (regional)

PSDI has successfully implemented secured transactions law and registry reforms in the Marshall Islands, the Federated States of Micronesia, Palau, PNG, Samoa, Solomon Islands, Tonga, Vanuatu, with the recent launch of the PNG personal property securities register. The total number of security interests registered, which represents the number of secured loans granted in the eight Pacific countries that completed the reform, suggests that more than

37,000 loans have resulted from the implementation of the secured transactions framework.

In addition, since 2016, PSDI has supported the implementation of a new secured transactions law and registry in PNG, and the development of a new registry for Samoa. It has also been assisting the governments of the Cook Islands, Fiji, and Timor-Leste through the reform process.

The new laws have allowed people to take out loans using movable property, including equipment, inventory, accounts receivable, contracts, crops, livestock, and shares as collateral. In Solomon Islands, shipping contracts have been used as security for loans. In Tonga, local growers can now use vanilla beans as collateral through a financing facility piloted by Tonga Development Bank (Farmers in South Pacific Bet on Beans for Loan Collateral by the Wall Street Journal, <https://www.youtube.com/watch?v=gjzhVPovo9k>).

8 Transformation from Microfinance Institutions to Commercial Banks (Papua New Guinea and Timor-Leste)

The Instituição de Microfinanças de Timor-Leste (Institute of Microfinance of Timor-Leste or IMFTL) was established as a public microfinance institution in 2001, with assistance from the ADB Microfinance Development Project. By 2008, IMFTL had

expanded its focus beyond microfinance, essentially becoming a small commercial bank with a loan portfolio focused on payroll lending. Its commercial reorientation, with PSDI assistance, led to IMfTL obtaining an unrestricted banking license and, in July 2011, it became Timor-Leste's first locally owned commercial bank, the Banco Nacional de Comércio de Timor-Leste (National Commercial Bank of Timor-Leste or BNCTL). By the end of 2015, BNCTL had expanded to 14 branches throughout Timor-Leste with over 17,000 borrowers and 250,000 depositors. It has a savings portfolio volume of \$89 million and a loan portfolio of \$44.3 million.

In 2004, Wau Microbank was established in PNG under the Microfinance and Employment Project funded by ADB and the governments of Australia and PNG. Its expansion and commercial reorientation culminated in its reorganization as the Nationwide Microbank (now known as MiBank) in 2008, a fully licensed financial institution. In 2012, it won the Most Innovative Company of the Year award from the PNG Institute of Directors for its product, MiCash, a pioneering mobile phone-linked bank account developed with the help of PSDI. It allowed customers to deposit and withdraw funds through more than 150 agents and branches nationwide. As of the end of 2015, 61% of Nationwide Microbank users reside in rural areas, 37% are female, and 80% are new customers. For more information, see Papua New Guinea Microfinance, <https://www.youtube.com/watch?v=IhYCMBgA8>.

WITH PSDI ASSISTANCE, IMfTL became Timor-Leste's first locally owned commercial bank

DIGITAL FINANCIAL SERVICES has led to greater financial inclusion in the Pacific region

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

9 Restructuring and Privatizations (regional)

PSDI has supported the restructuring and privatization of 67 SOEs in the region, improving their financial and operational performance, and reducing the burden on state budgets. Average return on equity of the SOE portfolios in eight Pacific countries improved from a -5.6% in 2008 to 0.6% in 2014. In Solomon Islands, SOE portfolio profitability improved from an average of -13% in 2002–2009 to 10% in 2010–2014. Given the size of the SOE portfolios in these countries, representing between 8% and 21% of total fixed assets in their respective economies, improved profitability has a direct impact on overall economic growth.

In Solomon Islands, the privatization of Sasape Marina evolved into a successful PPP in 2010 after PSDI supported the government in holding an open, competitive tender won by Silentworld Shipping and Logistics and the National Provident Fund (Solomon Islands: Rebirth of a Marina <https://www.youtube.com/watch?v=YVVKYN-r1J4>). The PPP created over 50 new jobs and revitalized economic activity on Tulagi.

LESSONS

A number of powerful lessons have become apparent over the near decade during which PSDI has been operational:

- Ongoing analytical work and reform advocacy is critical for sustainability.
- The barriers to the economic advancement of women in many countries in the region reduce productivity, investment, and growth.
- Reforms should be tailored to reflect the particular characteristics of each Pacific island country.
- Long time horizons are essential to achieve results in private sector development. For example, PSDI started advocating for secured transactions reform in PNG in 2007. Once political support was obtained, work on drafting and passing legislation began. The process involved extensive consultation with a wide variety of stakeholders. In December 2011, PNG passed the secured transactions law. There followed an extended period during which various options for hosting the electronic registry were reviewed. Only in 2016 did PNG gazette the implementing regulations and launch the online secured transactions registry, allowing it to commence operation.
- Many private sector development reforms require continuous support. This is true of SOE commercialization where laws and performance targets are often ignored if the political will to enforce them wanes. Similarly, online company and secured transactions registries require constant refinement and upgrading.
- Implementing similar reforms in countries across the Pacific improves the effectiveness of reform in the region as a whole. While acknowledging each country's cultures and governance, there are powerful benefits to working on similar issues across several countries. Policy makers and the private sector in each country in the region pay close attention to what is going on elsewhere in the Pacific. Since institutional frameworks for private sector development are similar across the region, successful reform in one country is a strong indication that reform will be successful in another.¹
- The high demand for PSDI assistance requires effective and cost-efficient deployment of its human and financial resources. PSDI works closely with the

10 Improved State-Owned Enterprise and Public-Private Partnership Legal, Regulatory, and Governance Frameworks (regional)

PSDI has supported the preparation of new or amended SOE legislation in Fiji, the Marshall Islands, Samoa, Solomon Islands, Tonga, and Vanuatu. Implementation of these laws in the Marshall Islands, Solomon Islands, Samoa, and Tonga has resulted in substantially improved governance practices and transparency. Over 40 elected officials have stepped down from SOE boards, giving them greater independence to operate as commercial enterprises. Contracting frameworks for community service obligations are in place in Fiji, Samoa, Solomon Islands, and Tonga, allowing SOEs to focus on their profitability targets and governments to extract more value for money.

PSDI has supported the development of new PPP laws in PNG and Timor-Leste, and the establishment of a functioning PPP Unit and project development process in Timor-Leste. This unit has successfully concluded the Tibar Bay Port greenfield PPP, and is overseeing the development of several other PPP projects. In PNG, PSDI supported the development of a national PPP Policy in 2008 and a subsequent PPP Act, passed by Parliament in 2014. The PPP Act is awaiting gazettal. PSDI's analysis of PPP structuring options for Jacksons Airport and Lae Port are currently under development by the Government of PNG.

¹ A good example is the ongoing work on the performance of SOEs in Pacific island developing member countries of ADB through both the *Finding Balance* series of reports and the seminars that have been held for senior policy makers. The *Finding Balance* series highlights the costs that poorly performing SOEs impose on economies. As a result, the demand for technical assistance to facilitate SOE reform has increased across the region. Further, by including countries outside the Pacific, it has been possible to do cross-regional comparisons. Similarly, the secured transactions reforms that have now been completed in eight Pacific island economies provide the foundation for improving access to finance across the region.

One of the most important
features of PSDI is its
ongoing **advocacy**
for reform and sustained
commitment
to the reform process

private sector and government counterparts in line with the latter's policy priorities and commitment to reform. If necessary, PSDI realigns its programs when reform enthusiasm in a country has waned, but is prepared to reengage when the government signals renewed interest. The continuity of PSDI has proven to be one of its greatest strengths. It has enabled long-term and ongoing dialogue with government and private sector counterparts in the countries in the region.

CHALLENGES

Although PSDI has made substantial progress, a number of challenges remain:

- The integrity of reform priorities and design can be compromised by pressure from governments and other stakeholders to implement reform before preparatory research and analysis is finished.
- The clustering of demand for PSDI assistance can overstretch available resources, which may compromise the rapid response nature of the program.
- Reform implementation may be delayed by the rapid turnover of government personnel, and the need for new staff to adjust to their roles.
- The increasing number of development partners implementing private sector development reforms and seeking to promote bilateral investment opportunities requires close coordination, not only to preserve the integrity of the reforms, but also to reduce the time required from government counterparts to manage the various programs.

THE POLITICAL ECONOMY OF REFORM: THE IMPORTANCE OF ADVOCACY

The paradox is that improving the business environment for the private sector requires substantial government involvement and support. Business laws need to be modernized; competition frameworks, largely absent in the Pacific region, must be put in place; access to finance requires sound rights in movable property and a framework for pledging it as collateral; infrastructure development requires well-functioning SOEs and PPPs; and removing barriers to women's economic advancement requires not only an entrenching of legal rights, but a change in attitudes that is more effective with the support of government.

Achieving business environment reform is a lengthy process that takes many years. One of the most important features of PSDI is its ongoing advocacy for reform and sustained commitment to the reform process. Over time, this has led to mutual trust and strong working relationships with private sectors and governments in the region.

ECONOMIC EMPOWERMENT OF WOMEN

KEY ACHIEVEMENTS IN 2015-2016

1. Women Business Leadership Program designed and implemented in Tonga, and replicated in Fiji
2. Corporate Governance Pilot Program designed and implemented in Solomon Islands, and replicated in Vanuatu
3. Specific chapters on economic empowerment of women included in six private sector assessments
4. *Women and Business in the Pacific*, a study of constraints faced by women across seven Pacific countries, drafted
5. Policy paper titled *Women and Business: Policy Options for the Economic Empowerment of Women* presented at the Pacific Women Parliamentary Partnership Forum plenary session

Beginning with its 2014–2015 annual progress report, the Pacific Private Sector Development Initiative (PSDI) has dedicated a chapter to an in-depth profile of the aims, challenges, and outcomes of one of its work areas: business law reform, competition and consumer protection, the economic empowerment of women, financing growth, and state-owned enterprise (SOE) reform and public-private partnerships (PPPs). This year's focus is on the economic empowerment of women, following last year's chapter on financing growth.

RATIONALE AND APPROACH

Women are economically disadvantaged in the Pacific region. While the importance of inclusive economic growth has been widely acknowledged, a focused approach to private sector development that considers how to improve the role of women in economic activity is now beginning to take shape. PSDI is making a significant contribution to the development of this approach through a regional study, forthcoming in 2017, undertaken in partnership with the Government of Australia, which assesses the role of women in business across seven Pacific countries,² and advocates for legal and policy frameworks that support their increased participation in the private sector.

The economic empowerment of women emphasizes the “economic” benefits of bringing women into the formal economy in a way that links their economic role to individual autonomy. These benefits include:

- The creation of new businesses by women that generate economic activity in both urban centers and rural areas.
- The expansion of the formal labor market if women can be encouraged to contribute their skills in an effective manner.
- Enrichment of business leadership by encouraging the participation of women who bring different skills and perspectives.
- Higher business productivity on which long-term growth depends.
- Improvement of women's confidence and autonomy to make contributions to the community and the economy.

→ THE ECONOMIC EMPOWERMENT OF WOMEN EMPHASIZES THE “ECONOMIC” BENEFITS OF BRINGING WOMEN INTO THE FORMAL ECONOMY IN A WAY THAT LINKS THEIR ECONOMIC ROLE TO INDIVIDUAL AUTONOMY

These considerations inform all of PSDI's work in developing policy frameworks, introducing legal reforms, and implementing pilot programs. This chapter describes PSDI's efforts to ensure that women's economic empowerment is at the forefront of its work.

THE ROLE OF WOMEN IN THE INFORMAL ECONOMY

The informal economy consists of heterogeneous markets with different groups of individuals engaged in a variety of informal activities.³ In general, informal economic activity is characterized by low productivity and is largely disconnected from the formal economy. As economies grow and develop, the size of the informal economy eventually shrinks and the formal economy dominates, resulting in the long-term improvement in the incidence of poverty.⁴

In most Pacific countries, informal employment is more common in rural areas and on the outer islands. Most women work in the informal sector as employees, as employers, or as vendors of their own produce and handicrafts at the market. The size of the informal economy in the Pacific region and women's participation in it has not been measured with any accuracy. It has been estimated that 80% of households in Papua New Guinea (PNG) rely on the informal economy for their livelihood. In Vanuatu, the informal sector occupies more than 75% of the population, and 72% of households in rural areas derive their income from the sale of agricultural

² Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu.

³ D. Andrews, A. Caldera Sanchez, and A. Johansson. 2011. Towards a Better Understanding of the Informal Economy. *Economics Department Working Papers* No. 873. Paris: Organisation for Economic Co-operation and Development. [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP\(2011\)42&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2011)42&docLanguage=En)

⁴ For a discussion of issues and research related to informality: R. La Porta and A. Shleifer. 2014. Informality and Development. *Journal of Economic Perspectives*. 28 (3). pp. 109–126.

AN ENVIRONMENT THAT ENCOURAGES AND ENABLES WOMEN TO BECOME ACTIVE ENTREPRENEURS, CONSUMERS, AND EMPLOYEES IS NECESSARY FOR ECONOMIC GROWTH

produce, fishing, or home-manufactured goods. In Fiji, women run large informal businesses, with several employees, in hospitality and tourism. In Tonga, only 30% of women have formal employment income.

Businesswomen in the Pacific operating in the informal economy face numerous challenges, which cost them dearly. First, they rarely have access to legal protections such as insurance cover or pensions. This was illustrated by the recent cyclones in Fiji, which saw thousands of market vendors and shop operators lose everything without recourse to compensation. Further, since informal businesses often operate in the shadow of the law (avoiding responsibilities including tax payment), women are unlikely to be able to access courts for dispute resolution.

Second, they have difficulty accessing commercial finance at reasonable rates. Banks and credit unions generally offer secured commercial loans only to registered businesses. This means informal businesswomen have to resort to unsecured consumer loans or microfinance loans, both of which come with higher interest rates.

Third, they are not able to access business opportunities available to formal business operators. They are not able to bid for opportunities offered by governments and other businesses, or participate in large contracts open to corporations or other registered enterprises.

Fourth, they are usually less-efficient than formal businesses. Their low productivity compromises the potential growth rate of Pacific island economies.

These arguments need to be considered in policy development.

Since 2014, PSDI has continued to work with informal groups to promote the advantages of formalizing businesses. In Solomon Islands, PSDI worked with stakeholders to develop awareness of business registration among women operating informal businesses in markets. In Vanuatu, PSDI has aligned such awareness programs with the launch of the business registries. PSDI has also advocated for the removal of discriminatory provisions in business registration laws and processes in Solomon Islands to make it easier for women to register their businesses.

CREATING WOMEN-FRIENDLY BUSINESS ENVIRONMENTS

Laws, regulations, and policies can inadvertently work against women because insufficient attention is given to their potential impact. An environment that encourages and enables women to become active entrepreneurs, consumers, and employees is necessary for economic growth. PSDI's work on business law reform, competition law, and consumer protection, and creating women-friendly business environments can promote economic growth.

To start a formal business, an entrepreneur has to comply with a variety of rules. If these rules are complex, the process is time-consuming or expensive, or the registry staff is unhelpful, women (and indeed many men) will be deterred from ever taking the leap to formalize their activities.

A registration system with reasonable costs and does not discriminate against women will encourage businesses to formalize. The use of online technologies will also reduce the time needed to register businesses and pay for business licenses.

Many Pacific developing member countries (DMCs) are still in the process of improving their systems. In Fiji⁵ and Kiribati, the process of registering a business imposes a particular burden on women who also have home and child-caring responsibilities because they have to travel to a registration office, complete several forms, and pay fees in person. However, Solomon Islands and Tonga, among others, have taken steps to create a more women-friendly business environment.

⁵ Government of Fiji. *Registration of Business Names Act 1962*.

In Solomon Islands, PSDI assisted in the development of an online registration system which will be introduced in October 2016.⁶ PSDI's efforts also resulted in the elimination of the requirement that a married woman seeking to register a business name in Solomon Islands had to supply the name of her husband.

PSDI also supported the development of an electronic registry in Tonga, which includes a clear, well-organized website to facilitate the registration of companies and business names and the licensing of businesses. Since it is online, it is available to the public 24 hours a day, 7 days a week. The online facility also means it is no longer necessary for applicants to travel in person to the registry, which is located in the capital city. This has improved the process of formalizing a business for all Tongans and, in particular, has significant benefits for women who find it difficult to travel to urban centers.

In Samoa, it is now possible to register a business online in 1 day. In April 2014, a national payment system was introduced to allow businesses to register and pay fees online. PSDI has assisted in the enhancement of this payment system by including online payments for registration of companies as well as renewals of business licenses.

Redress mechanisms, central to an effective consumer framework, can inadvertently operate against women. Data on consumer complaints received by PNG's Independent Consumer and Competition Commission (ICCC) from 29 January 2014 to 29 January 2015 demonstrates that far fewer women than men complain about consumer law violations. While a total of 34 complaints were received during this period, only 5 were from women. Thus, in effect, women made only 12% of the total complaints. Likewise in Fiji, out of a total of 181 complaints received by the Fiji Commerce Commission in 2014, only 29% were by women. PSDI's work with the competition commissions in both these countries included innovative design of complaints processes that made it simpler for women to voice their concerns, including the role for alternate dispute resolution processes with women employed as mediators and investigators.

SAMOA'S ONLINE business registry has significantly reduced the time it takes to register a new business

IMPROVING WOMEN'S ACCESS TO BUSINESS FINANCE

Women's access to finance is adversely impacted by customary laws and institutional practice. In a study conducted by the Asian Development Bank (ADB) in 2014, women claimed that accessing finance was too difficult because many banks required up to 100% cash deposit as security; and accessing finance on an unsecured basis was too costly, with microfinance institutions charging interests of around 20%–28% per year.⁷

Secured transactions reform in 11 Pacific countries aims to alleviate the issue of accessing finance through the use of personal property. Borrowers, particularly women, will be able to use personal property in the form of long-term contracts and invoices as well as equipment, inventories, accounts receivable, crops, livestock, and shares, as security for loans under this framework. To accelerate the take-up of this framework, PSDI has designed and is implementing pilot programs in Solomon Islands and Tonga to increase people's confidence in the secured transactions framework, and demonstrate how women's businesses can utilize the new laws and the electronic registry to obtain financing. PSDI will showcase the successful implementation of this program in case studies published in 2016–2017, with the objective of encouraging their replication throughout the Pacific region.

It is undeniable that the traditional form of credit assessments has a discriminatory impact as it emphasizes past financial histories and business

⁶ Government of Solomon Islands. *Registration of Business Names Act 2014*.

⁷ ADB. 2015. *Promoting Gender Quality and Women's Empowerment*. Consultant's report. Manila (TA 6143–REG).

involvement. Many women seeking to transition from the informal sector lack such evidence and are inadvertently excluded from accessing credit. PSDI plans to undertake analytical work on alternative forms of credit assessments that overcomes this form of indirect discrimination by examining a range of dealings that can assess credit risk and creditworthiness.

PROMOTING BUSINESS VEHICLES THAT SUIT WOMEN

The idea of a business as a profit-driven economic unit, controlled and run by the owners, may not align easily with the customary practices, clan ownership, and social and community responsibilities that define a woman's role in many parts of the Pacific. Particularly in the rural parts of many Pacific DMCs, customary norms are stronger than commercial norms, and the concept of a business may be difficult to align with everyday reality.⁸

By recognizing the importance of customary norms in women's lives, and taking them into account in shaping appropriate business vehicles, the Pacific region can move further toward economic empowerment. The following norms require consideration in the Pacific context:

- **Collaboration among community members is strong.** In some communities, the preference may be to collaborate with others on a business venture, rather than to embark on it individually. This may be particularly relevant in agriculture (e.g., coffee and

vanilla) and handicraft production, where family members perform different tasks. A business vehicle that facilitates collaboration is likely to be better accepted by women.

- **Accessing community-held assets.** Assets to operate a business, (e.g., land) is often held collectively, and the chances of accessing these assets may be increased where many community members are involved. Businesses that are able to involve communities and harness community assets without risk of loss will be more sustainable.
- **Accommodating women's varied responsibilities.** Providing for part-time or seasonal work, and allowing the sharing of laborious tasks will encourage women to participate in business while fulfilling their responsibilities to families and communities. This calls for a business vehicle that has more people involved on a part-time or seasonal basis.

The traditional partnership or company model may be suitable for many women particularly in urban areas. Table 1 proposes a number of alternative business vehicles that may offer greater scope for women seeking to start businesses. The association, community company, and cooperative, which are business vehicles currently operating in some Pacific countries, have the potential to allow for greater collaboration among members. The limited liability partnership, which is not used in any Pacific country, may be suitable for women transitioning from the informal sector to the formal sector.

PSDI has embarked on a program to assess the regulatory framework of associations in PNG where there are over 5,000 such entities. This review was prompted by the reported dissatisfaction among members with the governance practices within associations, which have resulted in misappropriation of funds, and limited the participatory rights of members. The reform initiative aims to improve governance and give committee members greater participatory rights.

In Solomon Islands and Vanuatu, PSDI assisted in developing a new form of corporation: the community company. This vehicle is designed specifically to enable the use of community assets for business purposes, while protecting against their diminution. Further, it provides for greater participation by members, with the objective of improving governance.

THE IDEA OF A BUSINESS AS A
PROFIT-DRIVEN ECONOMIC
UNIT MAY NOT ALIGN WITH
THE CUSTOMARY PRACTICES
AND SOCIAL AND COMMUNITY
RESPONSIBILITIES THAT DEFINE A
WOMAN'S ROLE IN THE PACIFIC

⁸ R. Regenvanu. 2009. *The Traditional Economy as a Source of Resilience in Vanuatu*. Brisbane.

TABLE 1: WOMEN-FRIENDLY BUSINESS VEHICLES

BUSINESS VEHICLE	COMMENTS	RECOMMENDATIONS
ASSOCIATION	<ul style="list-style-type: none"> Usually used for not-for-profit ventures, such as the promotion of members of a profession or sporting collective Can represent the interests of its members Popular as it can be the recipient of grants and training services Regulated by outdated legislation in many countries May need to confront problems that arise due to the lack of effective governance processes and the need for management accountability 	<ul style="list-style-type: none"> Assess the capacity of associations to empower women and increase their participation Reassess regulatory framework and recommend reforms Design models, which allow for greater participation by members, improve governance processes, and increase management accountability
COMMUNITY COMPANY	<ul style="list-style-type: none"> Newly designed vehicle to encourage use of community assets and community members participation Available in Solomon Islands and Vanuatu Any activity must be for the community's interest Provides an asset lock and enables community participation 	<ul style="list-style-type: none"> Encourage the use of the community company as a pilot project Consider the potential for such a vehicle to specifically serve women in other Pacific countries
COOPERATIVE	<ul style="list-style-type: none"> Involves community members at different levels Popular in Papua New Guinea, and is used for distribution of government grants Popular in Vanuatu, and has many women managers in Shefa and Tafea provinces Can be used for obtaining accreditation, (e.g., for fair trade or branding of organic produce) However, regulated by outdated legislation in many countries^a There have been several complaints about lack of accountability and poor leadership in the governance of such entities which have to be confronted. 	<ul style="list-style-type: none"> Reassess outdated regulatory framework and recommend reforms Enable greater participation rights for members, and clearly articulate the accountability and duties of leaders Advocate for training on cooperatives' governance to improve participation by members Encourage wider partnerships between large businesses and cooperatives
LIMITED LIABILITY PARTNERSHIP	<ul style="list-style-type: none"> Currently not available in Pacific countries Has few formalities other than business registration Has the advantage of limited liability 	<ul style="list-style-type: none"> Evaluate the potential for a limited liability partnership as a vehicle, which encourages transition of women and men entrepreneurs from the informal to the formal sector Prepare a feasibility study on on limited liability partnership as a business vehicle

^a For example, the Vanuatu legislation is from 1987 (Cooperatives Societies Act, Cap 152) and the Tonga legislation is from 1973 (Co-operatives Societies Act, Cap 118). Source: Pacific Private Sector Development Initiative.

INCREASING WOMEN'S PROMOTION TO SENIOR ROLES

Many women will seek employment in the government or the private sector rather than start their own business. The advantages of regular income, leave benefits, pension entitlements, and security of employment in the formal sector are attractive to many women and men. However,

women have fewer chances than men of reaching senior managerial positions in the Pacific region.

Statistics on women's participation at senior levels (including politicians, senior government officials, and corporate and general managers) reflect this inequality. While women's participation at these levels is highest in the Cook Islands (48%) and Samoa (47%), it is much lower in the Marshall Islands (25%) and Solomon Islands (19%).⁹ Adopting company

⁹ ADB. 2016. *Gender Statistics: The Pacific and Timor-Leste*. Manila (p 10). <http://www.adb.org/sites/default/files/publication/181270/gender-statistics-pacific-tim.pdf>

PSDI IS WORKING IN PNG to provide financing, skills training, business mentoring, and access to markets to over 200 women involved in fisheries.

WOMEN IN SENIOR ← GOVERNMENT ROLES ARE MORE LIKELY TO TAKE UP GENDER-RELATED ISSUES, AND SENIOR CORPORATE WOMEN ARE MORE LIKELY TO ACT AS ROLE MODELS FOR OTHER WOMEN PROMOTING SHIFTS IN CULTURAL NORMS

“shared value” policies that support women’s promotion to senior levels, encouraging business mentoring across industries and countries, and equipping women’s business networks to promote women’s progression in employment nationally and regionally will be necessary to see more women progress to leadership roles in business.

PSDI recognizes that more women in senior roles can generate social and economic benefits. Research supports a “tipping point” effect, whereby cultural change follows once women represent significant and powerful minorities at senior levels of management.¹⁰ This research also suggests that a critical mass of senior women can deliver organizational and cultural changes that facilitate women-friendly workplaces. Women in senior government roles are more likely to take up gender-related issues, and senior corporate women are more likely to act as role models for other women promoting shifts in cultural norms.

PSDI has implemented business leadership programs aimed at increasing women’s presence in senior management in Tonga since 2015 and in Fiji in 2016, and proposes to expand this program to other Pacific countries.

COLLABORATING TO ACHIEVE IMPROVED OUTCOMES FOR WOMEN

Often, research shows that legislators, policy makers, and corporate staff discriminate inadvertently rather than consciously. By adhering to ingrained social and customary practices in business activities, companies may be translating discriminatory traditions into institutional practice. By not considering the impact on women, policy makers frequently design policies that only consider men and which ignore women’s experiences.¹¹ Attempts to remedy this way of thinking and acting come in many forms, and involve various stakeholders. It requires collaboration between government agencies, businesses, business networks and chambers of commerce, financial institutions, and nongovernment organizations. It includes the adoption of diverse strategies, of which gender budgeting, women’s business awards for corporates, and creating an enabling environment that is pro-women, are just a few examples.¹²

PSDI’s private sector assessments (PSAs) advocate for such collaborations to promote economic growth and improve the prosperity of women. They emphasize the importance of diverse stakeholders cooperating to assess laws and policies, and advocate for reform that will level the economic playing field for women.

Women’s business networks have a crucial role in representing the interests and concerns of businesswomen. These networks have been established in PNG, Samoa, Solomon Islands, and Tonga; are being established in Palau and Vanuatu; and have yet to be established in other Pacific countries. While these networks have opportunities to advocate for policy development and legislative reforms, they are hampered by too many responsibilities and too little capacity. Ideally, these networks should be able to represent the interests of women in different sectors (e.g., informal

¹⁰ H. Piterman. 2008. *The Leadership Challenge: Women in Management*. Melbourne. <https://www.dss.gov.au/our-responsibilities/women/publications-articles/economic-independence/the-leadership-challenge-women-in-management?HTML>

¹¹ World Bank. 2015. *World Development Report 2015: Mind, Society and Behavior*. Washington, DC. pp. 51–55

¹² ADB. 2015. *Women in the Workforce: An Unmet Potential in Asia and Pacific*. Manila. pp. 25–29.

canteen operators, microcleaning businesses, small retail businesses, medium-sized tourism businesses) before different stakeholders (e.g., governments, financial institutions, accreditation bodies for fair trade, and Pacific Agreement on Closer Economic Relations [PACER] Plus discussions). PSDI has advocated for increased collaboration by stakeholders with such networks to raise awareness of the need for legal reforms and increase commitment from the government and the business sectors to promote inclusive growth.

PSDI is also collaborating with government departments and regulatory agencies, including business registries, competition regulators, and government banks, to deliver better outcomes for women as business owners, competitors, borrowers, and consumers. One such example is the collaboration between the National Fisheries Authority in PNG and PSDI that is aimed at providing financing, skills training, business mentoring, and access to markets to over 200 women involved in fisheries. Another example is the work undertaken by PSDI with United Nations Entity for Gender Equality and the Empowerment of Women to raise awareness of business law reforms among women in markets in Solomon Islands and Vanuatu.

ACHIEVEMENTS AND DEVELOPMENTS IN 2015–2016

In 2015–2016, the economic empowerment of women focus area was active in 22 initiatives in 8 countries. The highlights for the year are as follows.

Regional

Mainstreaming gender in PSDI's focus areas. PSDI has undertaken a concerted effort to consider the impact of its focus areas on women.

Private sector assessment chapters focused on the impact on women. Analysis on the constraints faced by women seeking to engage in the private sector has been included in six PSAs. Recommendations include reforming discriminatory laws, strengthening institutional capacity, improving access to finance, and developing potential partnerships that will enable women's businesses to become sustainable.

Women in business study. In partnership with the Government of Australia, PSDI has conducted a study on the constraints and pathways faced by businesswomen in seven countries.

EMPOWERING TONGA'S NEXT GENERATION OF FEMALE BUSINESS LEADERS

The Women's Business Leadership Program aimed to enhance the skills, knowledge, and mentoring and networking opportunities available to women working as middle managers. The program had three components: three face-to-face workshops, several networking sessions, and mentoring over a 12-month period.

The hands-on workshops were facilitated by senior businesswomen and covered a range of topics—from understanding different organizational cultures to harnessing the benefits of a digital economy. Yet it was the networking component that had a significant impact and created supportive architecture for progress. Following the completion of the program, more than half of the attendees reported that their networking ability had “improved significantly.” The mentoring component provided the opportunity for attendees to access mentors from Australia, New Zealand, and other Pacific countries.

Providing women with the opportunities and confidence they need to approach leadership roles benefits the women themselves, their families and employers, and ultimately, the economy. The program has given one attendee, Ofeina Filimoehala, from the Tonga Development Bank, the confidence to set up her own business. The program also helped her think differently about her own goals, which is to “be a CEO of a company in 3-years' time.”

The program also explored the role of businesses in driving the economic empowerment of women. Representatives of participating organizations and other speakers shared their successful strategies that resulted in the promotion and retention of women at senior levels.

COLLABORATIONS WITH ← GOVERNMENT DEPARTMENTS, REGULATORY AGENCIES, AND GOVERNMENT BANKS AIM TO DELIVER BETTER OUTCOMES FOR WOMEN AS BUSINESS OWNERS, COMPETITORS, BORROWERS, AND CONSUMERS

Fiji

The Women's Business Leadership Program was launched in Suva on 4 October 2016, and included 30 participants from 20 companies and government departments. The objective of this program is to empower women participants, drive change in organizational culture, and enable greater networking

among professional women. Two further workshops and individual mentoring sessions will continue through 2017.

Papua New Guinea

A pilot program, in partnership with the Nationwide Microbank and the National Fisheries Authority is underway to assist women in the informal fisheries sector. The objective is to assist participants on multiple fronts: accessing credit, skills, and markets.

Solomon Islands

A pilot program on boosting women's technical skills in solar technology maintenance has been completed and is being replicated as part of a larger ADB energy project.

A second pilot program, in partnership with the Solomon Islands Chamber of Commerce, on implementing a sustainable program on corporate governance has been concluded and evaluated. Three of the 18 people trained have gone on to train 101 other individuals.

Source: Pacific Private Sector Development Initiative.

ECONOMIC EMPOWERMENT OF WOMEN SPENDING BY COUNTRY, 2015–2016

Source: Pacific Private Sector Development Initiative.

An assessment on the impact of business law reforms on women has been concluded and its recommendations incorporated into the design of forthcoming PSDI initiatives for the country.

Tonga

The Women's Business Leadership Program was implemented on 25 August 2015. Sixteen women undertook the course, 24 mentors and advocates supported these women, and an informal women's network was formed.

CLASSIFICATION OF PSDI INITIATIVES BY POTENTIAL IMPACT ON WOMEN

PSDI classifies all its initiatives according to their potential impact on women using ADB categories. Category 1 indicates strong gender equity. Category 2 demonstrates effective gender mainstreaming.

Category 3 has some gender elements. As illustrated in Figure 1, the number of initiatives that have a strong gender equity impact increased from 3 in 2010 to 33 in 2016 (Appendix 3). There has also been a steady rise in the number of initiatives with a gender mainstreaming classification. This reflects PSDI's commitment to integrate women's empowerment into the design of all its programs, as well as the work done through the economic empowerment of women pilot projects that commenced in 2014.

RESOURCES ALLOCATED

Close to 50% of resources allocated to economic empowerment of women for the year was spent on regional initiatives, particularly the preparation of *Women and Business in the Pacific*, a study of constraints faced by women across seven countries. PSDI was also active in Vanuatu with spending amounting to 18%, and Tonga to 17%.

BUSINESS LAW REFORM

KEY ACHIEVEMENTS IN 2015-2016

1. Papua New Guinea Personal Property Security Act implemented and Personal Property Securities Register launched
2. Vanuatu Companies Act and Companies (Insolvency and Receiverships) Act commenced and a multiple-entity online registry launched
3. Diagnostic of Timor-Leste company law and registry completed
4. Tonga Receiverships Bill drafted and enacted
5. Tonga Foreign Investment Policy prepared and endorsed by cabinet, and Tonga Foreign Investment Bill drafted

RATIONALE AND APPROACH

Business laws underpin the way in which economic activity is organized. They determine how businesses are formed, how contracts are structured, and how enterprises expand or are closed down. The ease of business formation and costs of complying with laws and regulations have a major bearing on the degree of informal economic activity in a country. If contracting and enforcement are difficult and costly, investment horizons will be shorter, and long-term growth rates lower. Low-cost and inclusive business laws provide strong incentives for business formalization. Formal businesses, in turn, have greater access to finance, contracts, international trade, and prospects for growth.

Through the business law reform focus area, the Pacific Private Sector Development Initiative (PSDI) aims to modernize the foundational business law frameworks of the 14 Pacific developing member countries (DMCs) to create a fully enabled legal environment for starting, running, and dissolving formal businesses. It engages with Pacific DMCs to move their business laws away from their outdated colonial legacies by implementing tailored, relevant, and modern enabling frameworks.

Among the initiatives supported by PSDI to make the legal system accessible to the poor, women, and residents living in remote communities are:

- **Streamlining processes:** low-cost, predictable, and streamlined steps to incorporate and register business entities, leveraging off business registry technology;
- **Introducing simple structures:** single shareholder/single director companies, making it easy for small businesses to formalize; and
- **Allowing for community companies:** an easy-to-establish corporate form for village and community businesses that provides a superior way to receive profits or revenues from royalties or communal economic activities.

Comprehensive reform requires an integrated approach to related policies, laws, and regulations to ensure that any changes will be implemented in an accountable and enforceable manner. In addition to its main focus, the business law reform team provides critical technical advice to other PSDI focus areas through policy design, regulatory change, and legal drafting. For example, reforms to secured

transactions laws, which ultimately aim to improve access to finance, require complex specialist legal knowledge in order to unify the disparate laws and practices that exist around lending over movable property. The business law reform team deploys specialists to guide governments through these legal and institutional changes, and works with the financing growth team, which will ultimately promote the rollout of products leveraging off the new secured transactions laws.

Many of the reforms streamlining business processes directly impact women's access to the formal sector. Through close coordination with the economic empowerment of women team, PSDI is able to ensure that legal reforms maximize the potential benefit to women. Similarly, the reform of competition policies, state-owned enterprises (SOE) policy, and public-private partnerships (PPPs) frameworks all draw on specific legal expertise provided by the business law reform team to effect change.

1. How PSDI Works to Promote Business Law Reform

PSDI's reform work commences with two key elements: country demand and in-depth analysis. PSDI's analytical foundations ensure that reforms are appropriately sequenced, while formal requests from Pacific DMC governments ensure the reform is demand-driven and has country buy-in. In addition to developing appropriate laws, PSDI works with its government partners to improve the methodology of the law reform process itself.

Once the process is initiated through a formal request from the government, the next critical component is the establishment of a reform task force, comprising representatives of the government, the finance sector, the private sector, women's business organizations, and other key stakeholders.

➔ FORMAL BUSINESSES HAVE
GREATER ACCESS TO FINANCE,
CONTRACTS, INTERNATIONAL
TRADE, AND PROSPECTS
FOR GROWTH

BUSINESS REGISTRY TECHNOLOGY SOLUTIONS HAVE BEEN IMPLEMENTED IN SAMOA, SOLOMON ISLANDS, TONGA, AND VANUATU

Drawing on its expertise, best practices, and the country context, PSDI then prepares a diagnostic of the existing legal environment, followed by a “white paper” for policy reform.

The proposed policies are then presented to stakeholders for review and discussion through bilateral meetings, taskforce meetings, and written submissions. In response to a request from the government, PSDI then develops a draft policy framework for review and approval by the cabinet or council of ministers. The final output then forms the basis for the draft laws.

PSDI may provide technical assistance in legal drafting, particularly when it involves highly specialized laws or where country capacity is limited, or provide inputs to draft legislation upon the request of the parliamentary drafters. The draft legislation then undergoes the national process for consultation and debate before its legislative bodies for the passage of a law.

Prior to any law taking legal effect in the country, a thorough implementation and awareness-raising plan is put in place. This is a critical step, which ensures all stakeholders are prepared for the often quite significant changes.

2. PSDI and Technology Solutions

A unique feature of business law reform initiatives supported by PSDI is technology. Wherever possible, technology is incorporated into the design of projects, as it helps manage many of the constraints that affect private sector enabling environments. The benefits of technology include:

- improved access to business registries and the interface with government agencies,

- improved access for women and those in rural areas,
- enabling new pathways for the use of electronic payment systems,
- automation of processes and less dependence on administrative discretion,
- improved transparency and accountability, and
- lower transaction costs.

PSDI works closely with the New Zealand Companies Office (NZCO), a world leader in registry systems, to deliver technology-based solutions throughout the Pacific. In addition to technology diagnostics, NZCO provides project-testing and training support during the implementation of the registries. After the registries are launched, PSDI conducts a phased exit, withdrawing technical and financial assistance according to a schedule that ensures the sustainability of the registry solution in the country of implementation, and promotes local commitment to the program.

Business registry technology solutions have been implemented in Samoa, Solomon Islands, Tonga, and Vanuatu,¹³ with additional solutions being prepared for the Cook Islands. A joint registry solution is also being explored for Kiribati, the Marshall Islands, the Federated States of Micronesia, and Palau. These solutions facilitate registration and maintenance of multiple entities and processes, including foreign investment certification, business licenses, companies, charitable associations, and for small enterprises, business names. With formal registration made easier, entrepreneurs can open bank accounts, access grants, enter into contract with other parties, and import and export goods and services.

3. Implementation and Business Process Change

To maximize the impact and reach of law reform, PSDI prepares plans for extensive capacity building, business process change for the governing body responsible for the law, and awareness-raising campaigns. These implementation steps are as critical for law reform to achieve its objectives as the policy content of the law itself.

PSDI has expertise in using reforms as an opportunity for government agencies to reorient their processes toward a client focus. This entails significant cultural and business process change,

¹³ Samoa Companies Registry. <http://www.companies.gov.ws>; Solomon Islands Company Haus. <http://www.companyhaus.gov.sb>; Business Registries Office of Tonga. <https://www.businessregistries.gov.to>; and Vanuatu Financial Services Commission. <http://www.vfsc.vu>.

which PSDI supports through the reform process. Digitization of company formation and maintenance processes disrupts many traditional government processes, helps offices to move to a paperless environment, improves compliance, and enhances transparency. These changes ultimately result in strengthened institutions, encouraging lowering levels of corruption, and building the private sector's confidence in government.

4. Periodic Effectiveness Review and Impact Analysis

At various stages following the commencement of a law, PSDI works with its counterparts to review the effectiveness of new rules, technology, and business processes. This involves extensive consultation with beneficiaries of the reform, and a critical analysis of the impact of the legislative changes on the private sector.

Because of the lengthy time horizons involved in reform design and the passage of legislation, the evaluation of the impact of business law reforms undertaken have only recently commenced. Initial results are strongly encouraging. New company registrations have increased by 221% in Solomon Islands from 2009—the year the registry was launched, to 2015. Preliminary results from a PSDI evaluation of the Companies Act and registry in Solomon Islands show that, initially, the 2009 reforms contributed to the creation of over 200 new jobs and \$10 million in new investments. Over time, this has expanded to 1,400 new jobs and \$100 million in investments.

A survey of businesses created under the new legal framework and electronic registry in Samoa found that the reform had contributed to the creation of over 300 new jobs and \$20 million in new investments.

ACHIEVEMENTS AND DEVELOPMENTS IN 2015–2016

In 2015–2016, the business law reform focus area was active in 49 initiatives in 11 countries, each at various stages along the reform continuum. The highlights for the year are as follows.

Cook Islands

The Government of the Cook Islands requested PSDI support with the implementation of an

PSDI'S REFORMS
make it easier to start,
run, and dissolve a
formal business

→ NEW COMPANY
REGISTRATIONS HAVE INCREASED
BY 221% IN SOLOMON ISLANDS
FROM 2009—THE YEAR
THE REGISTRY WAS LAUNCHED,
TO 2015

online domestic company registry. Following the completion of a diagnostic, it was recommended that a new Companies Act was required if the Cook Islands was to successfully transition from an outdated paper-based system to a fully online registry. The government has decided to follow the recommendations, and PSDI is currently assisting with the development of a company law policy, which will be followed by the drafting of a Companies Bill and, when passed by Parliament, the implementation of the online company registry.

Fiji

PSDI has been providing advice on the implementation of the new Companies Act, which commenced in January 2016, and has prepared a full diagnostic on the company registry. At the request of the Government of Fiji, PSDI has provided options for the reform of the existing paper-based company registry, and highlighted the steps that need to be taken to implement a fully online electronic system. To date, the government has not decided on which direction it will take, but PSDI will assist with an electronic system if the recommendations are acted upon.

THE PATH TO REFORM: A BASIC ROAD MAP

Source: Pacific Private Sector Development Initiative.

Papua New Guinea

In May 2016, the Papua New Guinea (PNG) Personal Property Security Act commenced, and the accompanying online registry went live. This will change the lending landscape in PNG significantly. The new law and registry will allow movable property to be used as collateral for loans. It will be very easy for lenders to register their interests in movable property, and the simplicity of the new system

ensures very low transaction costs. This reform commenced in 2010 and, after much hard work and consultation, PNG can now begin to realize the benefits. The work has been led by the Department of Treasury which, together with PSDI, has committed to an ongoing implementation program. PSDI is supporting the implementation, and assisting lenders in transitioning their existing charges on to the new system.

Solomon Islands

PSDI continues to build on its extensive business law reform program in Solomon Islands. The online company registry, Company Haus, has not only enabled the creation of more than 400 new companies in 2015, but also supported the strengthening of the compliance culture in the country.

An extension of this work is now underway, through the development of an online foreign investment registry and a rebranding project for the foreign investment division. Business names reforms, supported by PSDI, will also be implemented through

IT WILL BE VERY EASY FOR
LENDERS TO REGISTER THEIR
INTERESTS IN MOVABLE PROPERTY,
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TRANSACTION COSTS

the inclusion of business name registrations in the integrated online platform. The registry, which is in development and due to launch in November 2016, creates a streamlined investment start-up process for domestic and foreign businesses.

PSDI is also assisting the government to create a modernized customs and excise regime. The reform promotes faster clearing procedures, improves revenue collections, reduces process informality, improves border protection, and facilitates trade. Extensive technical consultations on the bill were completed in 2015, with the cabinet approving the draft bill to be released for vetting by the Attorney-General's Chambers in 2016.

Tonga

The Tonga Receiverships Act was passed in September 2015. PSDI supported the diagnostic work, policy design, and drafting of the bill, as well as provided extensive support to the Ministry of Commerce during the enactment of the bill. PSDI also assisted in the finalization of a foreign investment policy. The cabinet endorsed the policy and support will follow for the drafting of a foreign investment bill. Following on from the successful launch of the online business registry in December 2015, PSDI continued to provide further implementation support in 2015–2016.

Timor-Leste

An expanding business law reform program is in place in Timor-Leste to support the Coordinating Ministry of Commerce and Economic Affairs (MECAE). With MECAE, PSDI established a public–private consultative taskforce to drive key private sector reforms. Initially focused on secured transactions reform, the taskforce expanded its mandate and requested PSDI to modernize Timor-Leste's company and insolvency laws. Drawing from recommendations made by PSDI, the Council of Ministers approved specific company law amendments in early 2016. Key changes include a reduction to minimum capital requirements imposed on small companies, modernizing shareholder and director meeting formats, easing audit requirements on smaller businesses, and removing redundant business structures from the legal framework. These reforms intend to eliminate barriers for businesses seeking to enter the formal sector, and

SUCCESSFUL COMPLIANCE STRENGTHENING IN SOLOMON ISLANDS

A modernized law has limited value if there is no culture of compliance. Where a strong culture of compliance exists, a series of positive effects are able to flow into the economy. Company registries contain vital information for potential lenders; those wanting to do business with the company; and government agencies, such as tax authorities, as well as law enforcement and the courts. By encouraging companies and other registered businesses to comply with their disclosure requirements, information is more likely to be up-to-date and useful to those seeking it.

Reforms to registration laws offer a critical opportunity to improve the culture of compliance. In Solomon Islands, where PSDI's first comprehensive registry reform project took place in 2010, data has been collected demonstrating the improvements in compliance rates. Each year, companies are required to update the registry on any changes to its ownership, management, and other basic details. Prior to the reform, rates of compliance with annual returns were very low, relying entirely on the company to provide the documents. Now, an annual return is done electronically, with preset reminders sent to all directors and agents, along with an automatic removal system after 6 months of lateness. Combined with sustained increases in the number of new incorporations, Solomon Islands is an example of business law reform contributing not only to business growth, but to an institutional improvement in the culture of compliance and, ultimately, a strengthening of the rule of law. PSDI intends to roll out compliance programs complementing law and registry reform as part of a next phase of engagement with its country partners.

THE NEW LAWS AND REGISTRY WERE SUPPORTED BY EXTENDED TRAINING SESSIONS WITH BUSINESSES, BANKS, THE LEGAL PROFESSION, BUSINESS AGENTS, AND CIVIL SOCIETY

it is anticipated Parliament will table the law in late 2016. PSDI also provided preliminary guidance on disclosure of beneficial ownership of shares—a critical global corporate transparency issue with an elevated profile since the release of the Panama Papers.

Vanuatu

PSDI commenced foundational business law reforms in Vanuatu in 2006. It had to overcome the challenges of a highly unstable political environment, which saw 12 changes in government leadership in 10 years and, this year, was able to successfully implement the most extensive law and registry reform program in the Pacific to date.

Despite the additional challenge of Cyclone Pam which hit Vanuatu in May 2015, PSDI was able to minimize delays in the implementation of the program through its close partnership with the Vanuatu Financial Services Commission, the private sector, and the State Law Office. In August 2015, the government commenced a new company law, insolvency and receivership law, cross-border insolvency law, and updated the frameworks for business names and incorporated charitable associations.

BUSINESS LAW REFORM SPENDING BY COUNTRY, 2015–2016

Source: Pacific Private Sector Development Initiative.

PSDI'S LAW REFORM program in Vanuatu is one of the most extensive programs in the Pacific

These reforms were accompanied by the implementation of an online registry, allowing for businesses and charities to be set up entirely online. Customer kiosks are now available to assist customers requiring any support with the process, heralding a customer-centric era for the Vanuatu Financial Services Commission.

The new laws and registry were supported by extended training sessions with businesses, banks, the legal profession, business agents, and civil society. Leveraging off these reforms, PSDI will be rolling out provincial-level training as well as a structured

corporate governance program in coordination with the economic empowerment of women focus area.

RESOURCES ALLOCATED

A quarter of spending in business law reform was used to support the implementation of the legal and registry reform package in Vanuatu, while a sixth was allocated to Solomon Islands, where PSDI has been active in business names and foreign investment reform. PSDI has expanded its business law reform program in the Cook Islands which now comprise 19% of annual spending, and Timor-Leste with 9% of annual spending.

COMPETITION AND CONSUMER PROTECTION

KEY ACHIEVEMENTS IN 2015-2016

1. Samoa Competition and Consumer Bill enacted in January 2016
2. Three issues papers and wide consultations completed as part of the Consumer and Competition Framework Review in Papua New Guinea
3. White paper completed analyzing options for the establishment of the new multisector regulator for Tonga
4. Diagnostics completed for Solomon Islands, Timor-Leste, and Vanuatu
5. Issues papers delivered for Solomon Islands, Timor-Leste, and Vanuatu

RATIONALE AND APPROACH

The Pacific Private Sector Development Initiative (PSDI) is supporting the introduction and improvement of competition policies and laws, and their implementation, at the request of several Pacific island developing member countries (DMCs). PSDI's competition reform support is undertaken with the aim of promoting the emergence and development of competitive markets for goods and services, in the interests of equity, private sector development, and economic growth.

Competition between firms generates economic benefits through:

- **Better allocation of resources.** In competitive markets, producers respond to price signals so consumers can buy goods and services they need at the price they are willing to pay. Producers do not restrict output to drive prices higher.
- **More efficient production.** Competitive pressure forces producers to produce at the lowest cost possible, to maximize their profits.
- **Innovation.** Producers must constantly look for improved or new products to offer, and more efficient ways of producing their goods or services, or risk losing customers to their rivals.

In the absence of competition, firms feel less pressure to improve their products or production methods, or reduce their prices. As a result, their customers pay more for goods and services, and have less choice among products and suppliers.

Competition policy is, therefore, a vital part of national economic policy for most of the world's countries. A competition law is a key part of a competition policy. While competition law aims to protect the competitive process in markets, and deter or sanction behavior that deviates from the competitive norm, competition policy aims to create conditions in which competition can emerge and thrive. Because competition is nascent in many developing Pacific island economies, competition policy assumes a particularly important role.

An important issue for Pacific island economies is the tradeoff between competition and efficient firm size. Most countries in the region are small, and market size may not support firms that reach efficient operating scales. Under those circumstances, the regulation of monopoly becomes of paramount importance in ensuring that producers and distributors do not obtain monopoly rents.

Competition policy contributes to achieving a range of economic objectives, such as:

- enhancing market efficiency,
- encouraging entrepreneurship and innovation,
- supporting good governance by limiting opportunities for rent-seeking behavior,
- supporting equality of access to economic opportunities,
- improving the business environment,
- encouraging investment, and
- promoting sustainable and inclusive economic development.

Competition Law

Competition law gives teeth to competition policy by defining forms of anticompetitive conduct in which firms must not engage, and imposes sanctions and remedies for breach. The object of competition law is to protect the competitive process by deterring firms from engaging in conduct that avoids or reduces rivalry between them. Typically, competition laws prohibit firms from entering into anticompetitive agreements (e.g., boycotts), cartel conduct (e.g., price fixing, bid-rigging), and abusing market power (e.g., refusing supply in order to drive a rival out of business), and may require the review of mergers that would be likely to lessen competition (and are likely to create a monopoly). At present, only Fiji, Papua New Guinea (PNG), and Samoa have general competition laws. Several Pacific DMCs have limited competition safeguards. PSDI is working with several countries on developing effective competition laws.

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TEETH TO COMPETITION
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Consumer Protection

Consumer protection is closely allied with competition. Sound competition laws and consumer protection laws are mutually reinforcing. Protecting consumers is vital, not only to help ensure that consumers get a fair deal, but also to make markets operate efficiently. Where consumers' rights are weak, an unscrupulous trader can provide customers with less than they had bargained for. Consumers lose out in such cases and the community will also be less well-off overall, because resources are misallocated, and businesses will be less responsive to consumer needs. Consumer protection is, therefore, an important part of an effective competition policy.

Competition, Consumer Protection, and the Economic Empowerment of Women

Effective competition policy and law may make a substantial contribution to the economic empowerment and wellbeing of women. Enabling women's participation in the economy as entrepreneurs, employees, and consumers is essential for economic growth. Pro-competitive policy measures, such as market liberalization and removal of entry barriers, may allow for the economic participation of previously marginalized groups, including women entrepreneurs or small-scale rural suppliers.

Any restrictions on women's ability to participate in the economy as producers, traders, and employees should be considered in the context of competition policy. First, it is possible that laws, policies, or administrative practices might unfairly restrict women's

access to economic resources or opportunities. Second, anticompetitive forms of conduct may impact markets in which women comprise a large proportion of traders. Third, women may face particular hurdles to asserting their rights or making a complaint. Fourth, competition policy and law should not inadvertently restrict women's economic participation (e.g., by imposing an unforeseen barrier to cooperatives or collectives in which women are involved, or prohibitive compliance costs).

Effective consumer protection laws can help improve the economic welfare of families and individuals. In particular, efforts should be made to address the needs and experiences of women who make many of the consumption choices for their families, as the purchasers of their day-to-day needs and essential services. It is essential that women are aware of the laws that protect their rights, and are able to take steps to assert these rights. In addition, particular attention must be paid to how women's needs and experiences as consumers differ from those of men, and strategies to support women's access to business information, advice, and remedial measures.

Competition and State-Owned Enterprises

Competition policy and law also have an important part to play in the improvement of the performance of state-owned enterprises (SOEs). Traditionally, many SOEs have been sheltered from competition through legislated monopoly rights or advantages unavailable to private sector firms. Removing SOEs' monopolies or other advantages will expose them to competitive pressure, thereby increasing their incentive to operate efficiently. Policies that provide for community service obligations (CSOs) to be contracted to efficient suppliers, and explicitly costed and funded are also pro-competitive.

ACHIEVEMENTS AND DEVELOPMENTS IN 2015–2016

In 2015–2016, the competition and consumer protection focus area was active in 17 initiatives in eight countries, each at various stages along the reform continuum. The highlights for the year are as follows.

PROTECTING CONSUMERS IS VITAL, NOT ONLY TO HELP ENSURE THAT CONSUMERS GET A FAIR DEAL, BUT ALSO TO MAKE MARKETS OPERATE EFFICIENTLY

Fiji

PSDI has helped prepare an options paper for the Government of Fiji for the introduction of a multisector regulator, which is currently under consideration.

At the request of the government, PSDI is also providing additional support for the ongoing review of the national competition and consumer protection framework, with a detailed focus on the policy and legislative approach to competition in Fiji. In addition, PSDI will also provide capacity-building assistance for the Fiji Commerce Commission.

Papua New Guinea

PSDI has supported a Consumer and Competition Framework Review in PNG at the request of the Department of Treasury. During 2015–2016, the review team has consulted widely in PNG and has prepared three issues papers for comment.¹⁴

The next stage of the review will involve the publication of a report and recommendations for legislative and administrative reforms. PSDI is also working with its funding partners to develop a program for operational support to the Independent Consumer and Competition Commission (ICCC), following completion of the review.

Samoa

PSDI has supported the Samoa Ministry of Commerce, Industry and Labour in developing the National Competition Policy and assisted in the drafting of the Competition and Consumer Act 2016, which was enacted by Parliament in January.¹⁵

With the legislative framework for competition and consumer protection now in place, the government can proceed to appoint a Competition and Consumer Commission, which will be responsible for administering the new law, and will have powers to take action against violations of the Competition and Consumer Act. A public education program and an awareness-raising campaign for businesses are

SAMOA'S COMPETITION AND CONSUMER ACT 2016

Samoa is set to become a fairer and safer place to do business and to purchase goods and services after the government passed the Competition and Consumer Act 2016 in January. With its combination of modern consumer protection and competition rules, the Competition and Consumer Act is likely to draw recognition to Samoa as a supporter of modern competition law.

The development of Samoa's National Competition Policy and drafting of the Competition and Consumer Act was supported by PSDI, in collaboration with the Ministry of Commerce, Industry and Labour. PSDI provided analytical input, policy advice, and legislative drafting support to address local priorities and tailor the law to the government's objectives.

Both the policy and the act were refined to incorporate suggestions drawn from consultations with the private sector, regulatory agencies, and government representatives. Under the act, "consumer guarantees" will give consumers better assurance of the quality and safety of goods and services offered by traders. Traders are prohibited from engaging in "misleading and deceptive conduct" and a range of unfair practices.

For businesses, new competition rules prohibit rival firms from forming cartels that engage in price-fixing, and forbid firms from misusing their market power to the detriment of consumers.

With the new legislative framework now in place, the government can establish and appoint members of the Competition and Consumer Commission, who will be responsible for administering the new law and will have the power to take action against any violations.

A public-awareness campaign will be launched in the near future, so that consumers and businesspeople understand their rights and responsibilities under the new law.

PSDI will continue to support the Government of Samoa in implementing the new framework of consumer protection and anti-competitive practices.

¹⁴ Government of Papua New Guinea. 2015. Issues Paper: Consumer Protection and Economic Empowerment of Women in PNG. http://media.wix.com/ugd/43809e_e7687741614b4ccca69f87cea4896e21.pdf; Government of Papua New Guinea. 2016. Second Issues Paper: Competitive Markets and Fair Trading. http://media.wix.com/ugd/43809e_f0cd499f2a4040f6b280f1cd82bc3b9.pdf; and Government of Papua New Guinea. 2016. Third Issues Paper: Industry Regulation and Price Oversight. http://media.wix.com/ugd/43809e_46267e8ef23048a98a3151e7ef346135.pdf

¹⁵ Government of Samoa. 2016. Competition and Consumer Act 2016. <http://www.palemene.ws/new/wp-content/uploads/01.Acts/Acts%202016/Competition-and-Consumer-Act-2016-Eng.pdf>

ENABLING WOMEN'S PARTICIPATION IN THE ECONOMY AS ENTREPRENEURS, EMPLOYEES, AND CONSUMERS IS ESSENTIAL FOR ECONOMIC GROWTH

expected to be undertaken in the near future, so that consumers and businesspeople understand their rights and responsibilities under the new law.

PSDI will continue to support the Government of Samoa in establishing the Competition and Consumer Commission, and building its capacity for monitoring and enforcement.

Solomon Islands, Timor-Leste, and Vanuatu

PSDI has undertaken country-specific diagnostic work and delivered issues papers for consideration by counterparts in Solomon Islands, Timor-Leste, and Vanuatu.¹⁶

PSDI is following up these issues papers with discussions with government counterparts and expects to support further work in the formulation of specific proposals on competition policy, for public consultation and comment.

Tonga

In Tonga, PSDI has developed a white paper analyzing options for the establishment of the new multisector regulator proposed by the Government of Tonga.¹⁷ The government has indicated a desire to progress this work at a date yet to be determined. The paper identified alternative models for a multisector regulator, and indicated the advantages and disadvantages for

Source: Pacific Private Sector Development Initiative.

¹⁶ Competition Policy and Law for Solomon Islands; Competition Policy and Law for Timor-Leste; and Competition Policy and Law for Vanuatu.

¹⁷ The government has not yet finalized the sectors, which the multisector regulator will regulate.

PSDI IS WORKING with the Government of Tonga to establish a multisector regulator

government consideration. A suggested outline for a bill to establish a multisector regulator was included. PSDI also provided a strategy for coordinating three interrelated initiatives raised by the government:

- development of a National Competition Policy;
- establishment of a multisector regulator; and
- preparation of an updated consumer protection bill.

RESOURCES ALLOCATED

Almost two-thirds of spending in competition was spent in PNG, where the Consumer and Competition Framework Review is in full swing. PSDI was also active in Vanuatu with an annual share of 12%, and Timor-Leste with 10%.

FINANCING GROWTH

KEY ACHIEVEMENTS IN 2015-2016

1. Report on the interconnectedness within Papua New Guinea's financial system accepted by the Bank of Papua New Guinea
2. National risk assessment and national strategic plan for combating anti-money laundering and the financing of terrorism endorsed by Timor-Leste's Council of Ministers in June 2016
3. Secured transactions framework applied to support innovations in agriculture value chain financing through the introduction of the Tonga Development Bank's pilot financing facility for vanilla growers in Tonga
4. Fiji–New Zealand capital markets knowledge exchange held on 27–28 April 2016 in New Zealand
5. Published *Digital Financial Services in the Pacific: Experiences and Regulatory Issues*, and developed *Credit Guarantees: Challenging their Role in Improving Access to Finance in the Pacific Region*

RATIONALE AND APPROACH

The broad objective of financing the growth focus area is to promote private sector development through increasing business access to finance. Access to credit remains a protracted problem, despite the prevalence of excess liquidity in many Pacific financial systems and the increased availability of savings products. Many businesses and individuals, particularly women, do not have access to even the most basic financial services.

In addressing these problems, the Pacific Private Sector Development Initiative (PSDI) focus is on:

- **strengthening institutional underpinnings** through developing policy frameworks and related legal and regulatory frameworks—a common thread through all of PSDI's work;
- **strengthening the commercial provision of finance** through the introduction of new products suited to the reality of Pacific developing member countries (DMCs) and the commercial transformation of government-owned financial institutions; and
- **building awareness of key policy issues** through advocacy and analytical work.

PSDI initiatives related to the commercial provision of finance focus on the identification of financing opportunities using movable assets as collateral and the commercial transformation of government-owned banks. This is important to Pacific DMCs because most borrowers cannot offer land and other real estates as collateral for loans (most land is communally owned in the Pacific region). It also impacts significantly on women who have little control over customary land. Initial work with lenders has concentrated on supply chain finance for agriculture, using crop inventory as collateral, and financing road construction contractors, using accounts receivable as collateral. Once lenders are comfortable with these types of transactions, the products could then be extended to other industries, and a wider range of movables finance products could be provided.

The prevalence of government-owned development banks is one of the distinguishing features of Pacific financial systems.¹⁸ In addition, there are wholly or majority government-owned commercial banks in several Pacific DMCs.¹⁹ In a narrow sense, PSDI's

→ INITIAL WORK WITH LENDERS HAS CONCENTRATED ON SUPPLY CHAIN FINANCE FOR AGRICULTURE, USING CROP INVENTORY AS COLLATERAL

engagement with government-owned banks aligns well with its state-owned enterprise (SOE) reform work, as both streams aim to strengthen the commercial orientation of these banks so that government resources are used more effectively. Marrying this with the broader aim of alleviating the credit constraint faced by many private sector businesses reinforces the importance of the transformation of these banks to entities that operate on strictly commercial principles.

The prominence of provident funds is another feature of Pacific financial systems—other than Nauru and Timor-Leste, each of the PSDI DMCs has a provident fund or pension fund of some description—and this type of long-term savings institution typically plays an important role in the provision of long-term finance in more developed economies. PSDI's primary interest is in working with regulators to implement the appropriate legal and regulatory framework to support the continued development of these funds. This institutional framework needs to support a prudent and diversified balance sheet, so that these funds can generate income streams to provide adequate retirement incomes over time. To implement these frameworks, PSDI is working closely with individual funds and regulators, as well as the Forum of Pacific Pension Funds and Social Security Administration chief executive officers (CEOs).

The insurance sector is an important component of developed financial systems, but it is underdeveloped in the Pacific. With wider support from the Asian Development Bank (ADB), PSDI is focusing on business insurance needs as this naturally complements efforts to increase business access to finance. This work is in its early stages, and the intention is to integrate it with broader efforts to develop a comprehensive disaster risk financing

¹⁸ They are present in Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Palau, Papua New Guinea, Samoa, Tonga, Tuvalu, and Vanuatu. Further, the Government of Solomon Islands has indicated that it would like to re-establish the Development Bank of Solomon Islands, and the Government of Timor-Leste has also announced its intention to establish a national development bank.

¹⁹ The Cook Islands, the Federated States of Micronesia, Papua New Guinea, Timor-Leste, Tuvalu, and Vanuatu.

PSDI IS INVESTIGATING OPPORTUNITIES FOR ALTERNATIVE WAYS TO RAISE CAPITAL, SUCH AS REGULATED CROWD SOURCE EQUITY FUNDING

framework as this evolves in the Pacific. PSDI's primary interests will be in strengthening the overall enabling environment, through for example supporting regulatory change, and the introduction of innovative financing instruments suited to the Pacific.

The underdeveloped nature of the pensions and insurance sectors in the Pacific is also symptomatic of the more general absence of capital markets, including equity and bond markets. PSDI's view is that this problem is more tractable if the emphasis is placed on raising capital for smaller businesses—the dominant business form in the Pacific—as opposed to traditional equity markets for larger businesses. Accordingly, PSDI is reviewing companies' legislation in several Pacific DMCs to identify impediments to raising capital for small business, and is investigating opportunities for alternative ways to raise capital, such as regulated crowd source equity funding.

ACHIEVEMENTS AND DEVELOPMENTS IN 2015–2016

In 2015–2016, the financing growth focus area was active in 72 initiatives in 14 countries. The highlights for the year are as follows.

Strengthening Institutional Foundations

PSDI undertook a number of initiatives aimed at strengthening the institutional foundations of the financial system of Pacific DMCs.

Papua New Guinea

The Bank of Papua New Guinea requested PSDI assistance to prepare a report on the extent of interconnectedness within the financial system, and also whether licensed investment managers

were adequately covered by the existing prudential framework.

Solomon Islands

PSDI has commenced work on a policy paper, at the request of the Central Bank of Solomon Islands, addressing the coherence of consumer protection and market conduct safeguards with other regulatory concerns, as reflected in banking supervision standards and in relation to competition within the financial system.

Timor-Leste

PSDI assisted the Central Bank of Timor-Leste in undertaking a review of its offsite banking supervision system and developing the regulatory framework for digital financial services. In addition, substantive support was provided to strengthen Timor-Leste's anti-money laundering/combating the financing of terrorism (AML/CFT) framework through undertaking a national risk assessment and preparing a national AML/CFT strategy, both with extensive stakeholder consultation. Both documents were endorsed by the Council of Ministers in June 2016.

Tonga

PSDI is working with the National Reserve Bank of Tonga to develop legislation for the regulation and supervision of retirement funds to strengthen its oversight of these funds, particularly with respect to investment management and operational risk.

Secured Transactions Applications

Through 2015–2016, PSDI devoted considerable effort to promoting awareness among lenders—bank and second-tier lenders such as finance companies—about the ways in which movable assets financing could be applied in Fiji and Papua New Guinea (PNG), in anticipation of the enactment of new secured transactions legislation. Generally, it is clear that reforms will help alleviate a range of financing constraints, particularly for small businesses needing to finance working capital, through making greater use of inventory finance and financing against contracts, such as government civil construction contracts.

In several cases, PSDI has responded to requests from individual lenders to discuss the design of specific financing instruments and, in some cases, to

TONGA DEVELOPMENT BANK LENDS TO VANILLA GROWERS USING VANILLA BEANS AND BUYER CONTRACTS AS COLLATERAL

Secured transactions reform is opening the way for innovations in agriculture value chain financing, as shown by Tonga Development Bank (TDB)'s introduction of a pilot financing facility for vanilla growers in Tonga.

Under the facility, TDB advances loans to proven vanilla growers so that they can increase their planting. The average loan size is around \$2,000–\$3,000, and the loan is secured against an individual grower's vanilla bean crop and contract with the buyer of the vanilla beans. Previously, TDB would only take land as collateral. But as most growers do not own the land they farm, they could not access the finance needed to expand their production. The expanded production will have a significant impact on local communities through increasing grower incomes and increasing employment, particularly for women in this labor-intensive industry.

This innovation was made possible with the enactment of the Tonga Personal Property Securities Act 2010, which allows lenders to register security interests over movable assets, and to have certainty as to their priority over these interests, when there are competing claims. The act specifically covers farm products. In this type of financing, the bank controls both outwards and inwards cash flows, thereby mitigating repayment risk. In this pilot, a portion of the sale proceeds will be retained by the buyer and then directed to a TDB bank account, from which loan payments will be deducted. TDB staff can attend the vanilla markets to overview these transfers at the point of sale. Seasonal cash flow gaps between grower receipts and payments will be partially covered by intercropping cash crops between vanilla vines. The proceeds from those crops will help meet interest payments and the larger seasonal vanilla harvest payments will cover loan principal repayments.

develop product concepts. Most interest has been in the introduction of agriculture supply chain financing instruments. This was the case in Solomon Islands and Tonga, two countries in which the reforms have been fully implemented, and in which PSDI was active in 2015–2016. The main application being designed in Solomon Islands is a financing facility for cocoa exporters and, in Tonga, design work has focused on a pilot financing facility for vanilla growers.

Government-Owned Banks

In addition to working closely with the Tonga Development Bank on the design of the vanilla financing facility pilot, PSDI has been working closely with the Fiji Development Bank to design product concepts for various agriculture applications in Fiji. While the Fiji Development Bank is the principal lender to the Fijian agriculture sector, it accounts for less than 10% of banking sector assets, and the Minister of Finance has requested PSDI to prepare a discussion paper with options for the future positioning of the Fiji Development Bank within an evolving financial system.

PSDI has also agreed to assist the Federated States of Micronesia Development Bank with the preparation of its strategic plan, and the National Development Bank of Palau to raise its standards to that required for a banking license. In Timor-Leste, PSDI is working with the Ministry of Finance to evaluate the merits of establishing a development bank. The key issues being addressed are the effect of the development bank's establishment on the government's fiscal position, the impact on competition within the financial system, and the extent of any human resource constraint.

With respect to government-owned commercial banks, PSDI continued discussions with MiBank in PNG on possible franchise models and is supporting the Bank of the Cook Islands improve its operational risk management through mapping operational risks, assessing their impact, and developing a policy for managing operational risk that is consistent with the prudential standard of the Cook Islands Financial Supervisory Commission. The major initiative with government-owned commercial banks was a review of the internal audit processes and capability of the National Commercial Bank of Timor-Leste. In Tuvalu, PSDI has agreed to assist the government assess ways to reduce the reliance on the government-owned National Bank of Tuvalu.

Provident Funds

At the request of the Tonga Retirement Fund Board's CEO, PSDI assisted the Tonga Retirement Fund Board to review its policies and policy framework against generally accepted industry practice, and made recommendations for improvement. Building on this review, PSDI continues to work with the Tonga Retirement Fund Board to better integrate individual policies within the overall policy framework, develop a statement of investment beliefs, and improve investment due process for each asset class.

Capital-Raising

PSDI's work on addressing capital-raising constraints faced by small businesses is currently focused on Fiji. The broad exercise is to assist the Capital Markets Development Taskforce, through its secretariat at the Reserve Bank of Fiji, to identify and implement suitable mechanisms to deepen Fiji's capital markets. Key issues being addressed are stock market illiquidity and the lack of new issues of securities in the stock and debt market, with a view to businesses being able to access long-term finance. The impact of the Companies Act 2015 on South Pacific Stock Exchange's operations and regulatory framework it operates within is also being addressed as part of this exercise. PSDI also arranged for a four-person delegation from the Reserve Bank of Fiji and the South Pacific Stock Exchange to visit New Zealand to learn more about New Zealand's experience in developing a policy framework for the long-term financing needs of small businesses, and the introduction of associated practical financing mechanisms such as NXT by NZX and crowd source equity funding. They met with the Ministry of Business, Innovation and Employment of New Zealand, the New Zealand Financial Markets Authority, NZX, and Snowball Effect, which is the main crowd source equity platform in New Zealand.

ADVOCACY AND ANALYTICAL WORK

Advocacy

Pacific Microfinance Week

Through 2015–2016, PSDI made a significant contribution to Pacific Microfinance Week and

continued to build its relationship with key regional and industry associations. The biennial Pacific Microfinance Week, convened by the Microfinance Pasifika Network, was held in Honiara, Solomon Islands in September 2015. Through a platinum sponsorship, PSDI funding provided substantial financial support. PSDI team members also played a substantive role in the event, through membership of the steering committee responsible for the event program and by leading four sessions:

- a plenary session on women's economic empowerment through access to finance;
- a plenary session on regulation of digital financial services attuned to the Pacific;
- a panel discussion on growth pathways, partnership models, and sustainability strategies for development-oriented financial institutions; and
- workshops on improving access to finance for women in the Pacific and financing instruments facilitated by secured transactions reforms.

In addition, PSDI contributed to a panel discussion on the potential to develop new agriculture value chain financing instruments.

PSDI Advocacy for Improving Financial Market Development

PSDI undertook an extensive advocacy program directed at improving financial market development. It continued to develop its relationships with key regional finance sector associations, including:

- the South Pacific Central Bank Governors Meeting, to advocate for finance sector development;
- the Forum of Pacific Pension Funds and Social Security Administration CEOs, as well as the Association of Superannuation Funds Australia, to develop linkages between Pacific provident funds and the Australian superannuation fund industry, primarily through participation in industry events; and
- the Association of Development Financing Institutions in the Pacific, to further the commercial transformation of Pacific development banks, and to introduce new financing instruments, particularly for agriculture, made possible by the reform of secured transactions frameworks.

Source: Pacific Private Sector Development Initiative.

Analytical Work

PSDI prepared two analytical works published in 2015–2016. The first, *Digital Financial Services in the Pacific: Experiences and Regulatory Issues*, reviewed the current use of digital financial services in the Pacific, and identified a number of regulatory issues such as the regulation of agent networks and the importance of building sufficient consumer trust in order for digital financial services to become a viable payments channel. The second, *Credit Guarantees: Challenging Their Role in Improving Access to Finance in the Pacific*

Region, reviewed Pacific and international experience with credit guarantee schemes and questioned the case for the use of these schemes in the Pacific.

RESOURCES ALLOCATED

PSDI spending in financing growth amounted to about a fifth each in Fiji, Samoa, and Timor-Leste, countries currently undergoing secured transactions reform. PSDI was also active in various financing growth activities in PNG amounting to 16% of spending, Cook Islands 7%, and Tonga 6%.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

KEY ACHIEVEMENTS IN 2015-2016

1. Finding Balance 2016 drafted and Leaders Seminar hosted for eight participating Pacific countries
2. New public enterprise legislation for Fiji and Vanuatu finalized
3. Five community service obligation (CSO) contracts prepared in Solomon Islands, and the first CSO contract prepared for a state-owned enterprise in Papua New Guinea (PNG), establishing a process and model for replication in 2016-2017
4. Public-private partnership (PPP) project pipeline, PPP Act regulations, and PPP project development guidelines prepared for PNG for use by the future PPP Centre
5. A PPP contract for Tonga Forest Products prepared and successfully concluded in June 2016

RATIONALE AND APPROACH

State-owned enterprises (SOEs) are often the largest commercial entities in Pacific countries, yet their contribution to economic growth is comparatively low. Pacific SOEs control 7%–21% of the total fixed capital in their respective economies, yet contribute only 0%–12% to the gross domestic product. Many SOEs are monopoly providers of essential public services—airports, ports, power, and water—often at high cost, but with low service standards. This negatively impacts the quality of life enjoyed by Pacific islanders, and also reduces the efficiency of the private sector and its ability to create employment. Where SOEs compete with the private sector, they often do so with the benefit of subsidized debt and equity, and expose governments to commercial risks that they are ill-equipped to manage.

To sustain poorly performing SOE portfolios, governments are forced to regularly inject capital or provide guarantees to commercial lenders or trade creditors—limiting their ability to fund and support other vital social needs.

Pacific countries recognize the importance of SOE reform. In Tonga, a decade of SOE reform supported by PSDI has resulted in a steady improvement in productivity and return on assets in its four infrastructure SOEs.²⁰ In Solomon Islands, a comprehensive SOE reform program based on a robust legislative framework and PSDI support for implementation of its community service obligation (CSO) provisions, has led to a significant improvement in SOE performance. Average portfolio return on equity improved from –11% in 2002–2009, to 10% for 2010–2014.

While steady reform progress has also been made in other Pacific developing member countries (DMCs) in recent years, international and regional experience

demonstrates that governments struggle to sustain good SOE performance. While the SOE model attempts to replicate private ownership demands and dynamics, it never truly replicates the market disciplines that private firms face. As long as SOEs remain under majority public ownership, politicians will avoid commercial decisions with potential short-term political costs.

The SOE model was not designed as a long-term ownership model, but rather to transition from state ownership to increasing private sector participation. PSDI's emphasis is, therefore, to increase private sector involvement in SOE ownership and service delivery. This is being done through contracting out, public–private partnerships (PPPs), and privatizations. For those SOEs that remain under majority public ownership, support is being provided to improve the legal, regulatory, and governance arrangements designed to strengthen SOEs' commercial mandate.

RESULTS OF PSDI'S STATE-OWNED ENTERPRISE REFORM PROGRAM FROM 2010 TO 2015

Generally, the financial performance of Pacific SOEs continues to improve when measured by return on assets. While this improvement is due to a number of factors, improved financial performance only occurs when governments demand that their SOEs operate as commercial enterprises, achieving an appropriate risk-adjusted rate of return. Financial results from 2010 to 2014 generally show an improving trend, and preliminary indications are that this has continued in 2015 (Table 2). To sustain and deepen these gains in 2015–2016, PSDI continued to assist Pacific countries reduce the size of their SOE portfolios and strengthen their commercial frameworks.

TABLE 2: FINANCIAL PERFORMANCE IMPROVEMENTS OF STATE-OWNED ENTERPRISES IN THE PACIFIC, 2010–2014

Return on Assets (%)	Country							
	Fiji	Kiribati	Marshall Islands	Papua New Guinea	Samoa	Solomon Islands	Tonga	Vanuatu
Average 2010–2014	1.5	2.8	(3.7)	1.3	(0.4)	6.7	2.5	(0.1)
2014	2.1	2.9	(2.2)	1.4	(0.4)	6.5	3.2	(3.0)

() = negative.

Source: ADB. 2016. *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Countries*. Manila.

²⁰ Ports Authority Tonga, Tonga Airports Limited, Tonga Power Limited, and Tonga Water Board.

ACHIEVEMENTS AND DEVELOPMENTS IN 2015–2016

In 2015–2016, the SOE and PPP focus area was active in 32 initiatives in 14 countries. The highlights for the year are as follows.

Advocacy and Analytical Work

Underpinning PSDI's reform activities is the analytical and advocacy work that come together in the Finding Balance series of publications. Since 2009, PSDI's Finding Balance studies have been instrumental in maintaining the momentum for SOE reform. They track the challenges, achievements, and best practices in SOE reform in Pacific DMCs. The studies are a valuable SOE reform advocacy tool, providing a unique benchmark for measuring progress and sharing lessons.

The 2016 *Finding Balance* study—the fifth in the series—tracks the performance of SOE portfolios in Fiji, Kiribati, the Marshall Islands, Papua New Guinea (PNG), Samoa, Solomon Islands, Tonga, and Vanuatu, and includes two non-Pacific island nations—Jamaica and Mauritius. Also included is an assessment of the New Zealand and Singapore SOE

In June 2016, PSDI released a regional benchmarking study on port tariffs and productivity, revealing that recent tariff hikes and productivity losses at the Solomon Island Port Authority had made it one of the poorest performers in the region. The study served to inform a national debate on port commercialization in Solomon Islands, where the government is now looking into new reform measures.

Governance and Monitoring

PSDI conducted SOE director training programs in Samoa and Tonga. Particular emphasis has been placed on training current and future female directors, in collaboration with PSDI's economic empowerment of women program. The number of women serving as SOE directors has steadily increased in recent years, reaching 15% of total SOE directors in the Marshall Islands, PNG, Samoa, and Tonga.

PSDI also provided technical support to SOE monitoring units in Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu.

Legislative Framework

PSDI supported the development of SOE legislation in Fiji, the Marshall Islands, and Vanuatu. The Marshall Islands adopted a new SOE Act in late 2015, and Vanuatu is working toward adopting its new SOE Act by mid-2016. PSDI assisted the Fiji Ministry of Public Enterprises in establishing a set of public enterprise policy principles which formed the basis of a new Public Enterprise Bill prepared in March 2016. The Public Enterprise bill is expected to be submitted to Parliament before the end of 2016.

PSDI also continued to support the implementation of the SOE legal framework in Samoa, Solomon Islands, and Tonga.

Transaction Support

The Government of Fiji sought PSDI's assistance to develop standard privatization transaction procedures and to prepare a privatization options analysis for the Fiji Electricity Authority. This work will be expanded in 2016, and will include the development of an SOE reform pipeline and transaction support for 4–5 additional SOEs. Support was provided for the outsourcing of the Tonga Water Board's plumbing services, which was completed in December 2015. PSDI continues to support two

SINCE 2009, PSDI'S FINDING BALANCE STUDIES HAVE BEEN INSTRUMENTAL IN MAINTAINING THE MOMENTUM FOR SOE REFORM

portfolios—two close neighbors that are perceived as representing good practice. The analysis reveals that while SOE reform in the Pacific is still a “work in progress,” it compares favorably with the non-Pacific countries. The 2016 *Finding Balance* study will be published in the third quarter of 2016. A Leaders Seminar was held in March 2016 to discuss the study with ministers and heads of departments responsible for SOEs in each of the Pacific countries included in the study. This was a unique opportunity for participants to engage each other on their reform strategies and challenges.

TONGA FOREST PRODUCTS LIMITED PUBLIC-PRIVATE PARTNERSHIP

Planted more than 30 years ago with assistance from the Government of New Zealand, the trees owned by the Tonga Forest Products Limited (TFPL) represent a valuable resource. The mainly exotic pine plantation covers over 380 hectares on 'Eua Island, which is located about 42 kilometers by sea from the Tongan capital, Nuku'alofa. TFPL is a significant employer to the 5,016 inhabitants of 'Eua.

Due to poor governance and lack of forestry management skills, TFPL has been unable to realize the value of the resource it manages. Return on assets and return on equity have been 0% in 2002–2014. Starved of cash, it adopted an aggressive harvesting program in 2013 that, if continued, would deplete harvestable stock within 8 years. By early 2016, the state-owned enterprise was on the brink of financial and operational failure, unable to service its loan from the Tonga Development Bank.

PSDI has been supporting the Ministry of Public Enterprises to attract much-needed private capital and expertise in TFPL. Recognizing the inherent value of the resource, an investor has agreed to enter into a long-term management contract and acquire the cutting rights. The agreement will result in the repayment of the loan and available cash to invest in a replanting program and much-needed new equipment. The investor has also agreed to, at least, maintain the number of local employees. The government is also sharing in the anticipated improvement in operational and financial performance through a profit-sharing agreement. At the end of the contract period, the assets, including the replanted forests, will be returned to government ownership.

Public-private partnerships can allow governments to tap into private capital and expertise, gaining both short- and long-term benefits.

other potential privatizations in Tonga (Tonga Cable Limited and Tonga Communications Corporation).

At the request of the Government of Samoa, PSDI prepared an options paper on the potential privatization of three SOEs, which will be considered by cabinet in May 2016. The privatization of Agricultural Stores Corporation, which commenced in 2012, was completed in May 2016. PSDI also continues to support the Government of Vanuatu as it considers liquidating or privatizing four SOEs (Asset Management Unit, Metenesel Estates Limited, Vanuatu Agricultural Development Bank, and Vanuatu Livestock Development Corporation).

Community Service Obligations

With PSDI support, the Government of PNG piloted a new CSO policy in 2015, establishing a process and technical parameters, which can then be applied to other SOEs. Implementation of Solomon Islands' CSO framework, which was one of the key drivers in the significant improvement in their SOE portfolio's financial performance since 2008, continues with PSDI support.

Public-Private Partnerships

PSDI continues to support the implementation of the PPP framework in Timor-Leste and the preparation of the Dili Water supply PPP. PSDI provided the PPP Unit with detailed PPP project preparation procedures and guidance materials, and conducted a seminar for ministers and senior public officials to discuss the role of SOEs and PPPs in addressing infrastructure investment requirements in Timor-Leste. Additional training in PPP project development is programmed for the PPP Unit in the second half of 2016, once it has successfully closed its first PPP transaction for the Tibar Bay Port.

At the request of the Ministry of Public Enterprises in Samoa, PSDI supported its new PPP Unit in developing a work program and preliminary pipeline of potential PPP projects. Additional support is programmed in the second half of 2016 once the PPP Unit is ready to progress its first PPP project.

While the Government of PNG passed the Public-Private Partnership Act in September 2014,

PSDI IS WORKING WITH PNG ← POWER TO DEVELOP SOLAR POWER GENERATION PLANTS UNDER PPP MODALITIES

the lack of progress in gazetting the Public–Private Partnership Act is impeding their effective use of the PPP modality. PSDI continues to work with relevant agencies to identify suitable PPP projects, most notably PNG Power, which requested assistance to develop solar power generation plants under PPP modalities. This work is being coordinated closely

with Australian and New Zealand bilateral programs, given their involvement in promoting private investment in the power sector in PNG.

In early 2016, Fiji’s Ministry of Public Enterprises requested PSDI’s assistance with the implementation of several potential PPP transactions and the establishment of a broader PPP program. PSDI delivered a PPP policy paper in the first quarter of 2016, identifying key constraints in the existing legal and institutional frameworks for PPPs in Fiji, and resulting in a ministerial commitment to simplify the existing legal framework and create a transparent PPP project development process. In June 2016, PSDI and the Ministry of Public Enterprises agreed on an initial 18-month program of technical assistance covering PPP policy development, transaction support, development of project development guidelines, and a pipeline of potential PPP projects.

STATE-OWNED ENTERPRISE REFORM SPENDING BY COUNTRY, 2015–2016

\$771,473

TOTAL STATE-OWNED ENTERPRISE
REFORM SPENDING

Source: Pacific Private Sector Development Initiative.

Source: Pacific Private Sector Development Initiative.

During the fourth quarter of 2015, with assistance from the Pacific Regional Infrastructure Facility, PSDI completed a mapping of existing PPP projects in the Pacific, identifying over 30 separate contracts.²¹ Detailed case studies were then prepared on three sectors (franchise shipping, solid waste management, and water/wastewater treatment) to serve as knowledge products and advocacy tools for policy makers in the Pacific. The case studies will be published by PSDI in the first quarter of 2017.

RESOURCES ALLOCATED

More than half of spending on SOE reform was allocated to the preparation of Finding Balance 2016 and the accompanying Leaders Seminar. PNG received about 15% as assistance in implementing its CSO policy.

Almost half of spending on PPP-related activities were allocated to Timor-Leste. Activities in Fiji amounted to 22% and on regional initiatives to 38%.

²¹ Of these, 39% were for the provision of solid waste management services, 23% for water-wastewater-sewage services, 16% in road maintenance and water transport, 12% in ports, and 10% in the power sector.

ANALYTICAL WORK, COMMUNICATIONS, AND MONITORING AND EVALUATION

KEY ACHIEVEMENTS IN 2015-2016

1. Cook Islands private sector assessment published and launched
2. Solomon Islands private sector assessment published and launched
3. Timor-Leste private sector assessment published and launched
4. Influence of secured transactions reform on the ability of vanilla bean farmers in Tonga to access credit profiled in the Wall Street Journal
5. Internal evaluations of the Samoa Companies Act Reform, the Solomon Islands Companies Act Reform, and the community service obligation framework for state-owned enterprises in Solomon Islands developed

ANALYTICAL WORK AND KNOWLEDGE PRODUCTS

PSDI's analytical work informs program design and serves an important advocacy function. It is segmented into four categories: private sector assessments (PSAs), PSDI knowledge series, PSDI self-evaluations, and PSDI case studies.

In 2015–2016, PSDI published:

- (i) PSAs
 - (a) *The Cook Islands Private Sector Assessment: A Stronger Investment Climate for Sustainable Growth*
 - (b) *Reform Renewed: A Private Sector Assessment for Samoa*
 - (c) *Continuing Reforms to Stimulate Private Sector Investment: A Private Sector Assessment for Solomon Islands*
 - (d) *Growing the Non-Oil Economy: A Private Sector Assessment for Timor-Leste*
- (ii) Papers and other analytical works
 - (a) *Empowering the Other Half: Women and Private Sector Growth in the Pacific*
 - (b) *Digital Financial Services in the Pacific: Experiences and Regulatory Issues*
 - (c) *Credit Guarantees: Challenging Their Role in Improving Access to Finance in the Pacific Region*
- (iii) Case studies
 - (a) *Creating Jobs in Samoa Through Private Sector Partnerships*

PSAs have been influential in the formulation of economic policies in Pacific island economies. Pages 103–106 of Appendix 4 show the extent to which PSA recommendations have been adopted. They also form the foundation for private sector-oriented reforms in ADB budget support programs.

In addition to the flagship studies shown above, PSDI has also contributed ad hoc analysis, including the lead chapter in the International Business Registers Report for 2016, a case study on the contracting out of road works in Samoa, and a tourism policy for Palau. Members of the PSDI

**PSDI PUBLISHED
THREE** private
sector assessments
in 2015–2016

➔ PSAS HAVE BEEN INFLUENTIAL IN
THE FORMULATION OF ECONOMIC
POLICIES IN PACIFIC ISLAND
ECONOMIES

team also presented at numerous conferences and workshops during the year.

Case studies, feature stories, policy briefs, fact sheets, country and focus area activity updates, infographics, and a biannual newsletter disseminate the findings of the analytical work and recent reform achievements in accessible formats.

COMMUNICATIONS

The aims of PSDI's communications strategy are twofold. First, it aims to publicize and promote PSDI initiatives undertaken in support of business environment reforms in the Pacific, and recognize the contributions of cofinancing partners. Second, it aims to advance PSDI's reform agenda by fostering support for these reforms and by raising awareness and stimulating discussion on opportunities for their implementation elsewhere across the region. This is achieved by using both in-house and external media to inform the various audiences of PSDI's aims and achievements, as well as its rationale and insights.

Coverage of all PSDI events, publications, and key achievements is reported and shared via the PSDI website and social media. This provides a reliable

PSDI COMPLETED AN ← EVALUATION OF ITS ASSISTANCE TOWARD IMPLEMENTING THE LEGAL FRAMEWORK FOR COMMUNITY SERVICE OBLIGATIONS OF SOES IN SOLOMON ISLANDS

stream of reporting on PSDI's work as well as a catalogue and historical record of its outputs since inception. The website also articulates the guiding strategies that underpin PSDI and its focus areas, and serves as a resource for all PSDI publications, which are also shared online (via adb.org).

Pacific news media are engaged through news releases, targeted briefings, personal communication and invitations to launches and events, resulting in consistent coverage of all PSDI milestones in both national and regional media outlets.

MONITORING AND EVALUATION

The objective of PSDI's approach to monitoring and evaluation is to ensure that PSDI is effectively addressing the problems that constrain the private sector in the Pacific. PSDI evaluates its portfolio of assistance in two ways. First, it tracks its progress against its design and monitoring framework (DMF) to ensure its effectiveness as a whole. Second, it undertakes in-depth evaluation of specific PSDI initiatives to ensure the effectiveness of the reforms, and recommends ways to sustain or improve upon their results. The lessons from these evaluations can then be used to modify similar initiatives already being implemented as well as inform upcoming ones.

ANALYTICAL WORK AND CROSSCUTTING SPENDING BY COUNTRY 2015–2016

\$1,141,293
TOTAL ANALYTICAL WORK AND
CROSSCUTTING SPENDING

Source: Pacific Private Sector Development Initiative.

PSDI monitors its annual progress against its DMF indicators (Appendix 4). In May 2015, new indicators were added to the DMF of PSDI phase III as part of the funding increase provided by the Government of Australia specifically for PSDI to promote private sector reform in PNG. Overall, the data reveal that, during its halfway mark, PSDI is well on track to deliver on its performance targets for phase III.

PSDI has prioritized the in-depth evaluation of specific initiatives during its third phase. In 2015–2016, PSDI completed an evaluation of its assistance toward implementing the legal framework for community service obligations of SOEs in Solomon Islands. It also commenced evaluations of the company law and registry reforms in Samoa and Solomon Islands, the productivity of SOEs in the region, and a pilot Corporate Governance Training Program supporting the economic empowerment of women in Solomon Islands. With a pipeline of in-depth evaluations going forward, PSDI ensures that it will continue to emphasize the evaluation of reform outcomes as part of its monitoring and evaluation program.

RESOURCES ALLOCATED

The majority of spending on the analytical work focus area (70%) was allocated to regional activities such as communication and publication, monitoring and evaluation, miscellaneous analytical work, and other miscellaneous tasks. The preparation of the Solomon Islands PSA accounted for 8% of annual spending, the Vanuatu PSA for 5%, and the Palau PSA for 5%.

RESOURCES AND SPENDING

PSDI phase I, which disbursed \$9.8 million, closed on 30 April 2013 and PSDI phase II, which disbursed \$11.9 million, closed on 31 December 2014. By the end of the third year of phase III (1 July 2015–31 March 2016), PSDI has committed \$25.5 million. As a whole, PSDI has committed \$56 million from 2007 to 30 June 2016.

Financing growth initiatives absorbed 17% of total commitments, (Figure 10: Spending by Focus Area, 2007–2016). Analytical work, communication, monitoring and evaluation, and other crosscutting activities comprised 14% of cumulative spending, followed by SOE reform and public–private partnerships (PPPs), and business law reform, each with 12%. Launched as new focus areas in PSDI phase III, competition was 4% of total commitments

KNOWING THE IMPACT OF REFORMS HELPS TO SUSTAIN THEM: AN EVALUATION OF THE COMMUNITY SERVICE OBLIGATION PROGRAM IN SOLOMON ISLANDS

In April 2016, PSDI completed an evaluation of its assistance to the Government of Solomon Islands to implement the community service obligation (CSO) framework contained in the State-Owned Enterprises (SOE) Act and Regulations. The evaluation concluded that the implementation of the framework has introduced much-needed transparency and rigor in the provision of CSOs.

From 2011 to 2014, a total of US\$11 million (SI\$84 million) was provided to five SOEs for the delivery of CSOs, for an average of US\$2.75 million per year. In 2015, however, CSO payments fell to US\$0.76 million, and CSO payments to Solomon Airlines, Solomon Power, and Solomon Water for delivering services to the outer islands were discontinued. The evaluation highlighted the impact of the government's decision to discontinue the CSO program and, in April 2016, PSDI met with the Ministry of Finance and Treasury and the Economics Association of the Solomon Islands to raise awareness. In May 2016, the *Solomon Star* reported that the government released US\$1.27 million (SI\$10 million) in CSO payments to Solomon Airlines, and signed CSO contracts for five other SOEs,^a signaling a renewed commitment to the CSO program.

As reported in *Finding Balance 2016*, the implementation of the SOE Act, in particular the CSO regulations, has been an important contributor to the dramatic turnaround in the profitability of the Solomon Islands SOE portfolio since 2008.

PSDI has also successfully implemented CSO programs in Samoa and Tonga, and continues to support Papua New Guinea in piloting their CSO programs.

^a Includes reserve for administration cost and foreign exchange fluctuations.

SPENDING BY FOCUS AREA, 2007–2016

\$56,014,815

TOTAL CUMULATIVE SPENDING BY FOCUS AREA

SPENDING BY FOCUS AREA, 2015–2016

\$5,453,737

TOTAL FINANCIAL YEAR SPENDING BY FOCUS AREA

and economic empowerment of women was 2%. Administration expenses, rental, and other miscellaneous expenses amounted to 15% of cumulative spending.²² It is important to note that 24% of the \$56 million in total spending are funds that have been contracted but are not yet disbursed; hence, these will accrue to ongoing and future activities.

In the period 1 July 2015–30 June 2016, spending by focus area totaled \$5.4 million (Spending by Focus Area, 2015–2016). The largest shares went to financing growth at 26% then analytical work and crosscutting at 21%. The balance was committed to SOE reform and PPPs (16%), competition (15%), business law reform (13%), and economic empowerment of women (10%).

In 2015–2016, the analytical work focus area accounted for 48% of regional spending (Regional Spending by Focus Area, 2015–2016). At 28%, SOE reform and PPP activities together were the next largest recipient of PSDI regional funding, with the largest proportion of these funds going to the preparation of *Finding Balance 2016* and an SOE productivity analysis. Economic empowerment of women activities, particularly the preparation of a women and business study, was equivalent to 15% of regional spending for the year. With a great focus on country-specific initiatives during 2015–2016, only about 1% of PSDI's regional spending was on competition during this reporting period.

²² Includes reserve for administration cost and foreign exchange fluctuations.

REGIONAL SPENDING BY FOCUS AREA, 2007–2016

\$10,748,516TOTAL CUMULATIVE REGIONAL
SPENDING BY FOCUS AREA

REGIONAL SPENDING BY FOCUS AREA, 2015–2016

\$1,671,210TOTAL REGIONAL FINANCIAL
YEAR SPENDING BY FOCUS AREA

Source: Pacific Private Sector Development Initiative.

SPENDING BY COUNTRY, 2007-2016

\$35,893,162

TOTAL CUMULATIVE
SPENDING
BY COUNTRY

SPENDING BY COUNTRY, 2015-2016

\$5,453,737

TOTAL FINANCIAL
YEAR SPENDING
BY COUNTRY

Source: Pacific Private Sector Development Initiative.

A photograph of a man and a young child in the ocean. The man, wearing a white tank top, is smiling and holding the child. The child, wearing a dark shirt and blue shorts, is leaning over the man's shoulder. The background shows the ocean and a cloudy sky.

COUNTRY PAGES

THE COOK ISLANDS, FIJI, KIRIBATI,
THE MARSHALL ISLANDS,
THE FEDERATED STATES OF
MICRONESIA, NAURU, PALAU,
PAPUA NEW GUINEA, SAMOA,
SOLOMON ISLANDS, TIMOR-LESTE,
TONGA, TUVALU, AND VANUATU

ECONOMIC
EMPOWERMENT
OF WOMEN BUSINESS LAW
REFORM COMPETITION
AND CONSUMER
PROTECTION FINANCING
GROWTH STATE-OWNED
ENTERPRISE
REFORM ANALYTICAL
WORK AND
CROSSCUTTING

THE COOK ISLANDS

In 2015–2016, the Pacific Private Sector Development Initiative (PSDI) allocated \$251,403 in funding to the Cook Islands. About 54% was spent on business law reform activities such as company law reform; more than a third was spent on financing growth, specifically secured transactions reform and support for the commercial transformation of Bank of the Cook Islands; and 14% on the preparation of the Cook Islands private sector assessment (PSA).

Analytical Work

The PSA for the Cook Islands was published in the third quarter of 2015.

Business Law Reform

PSDI, at the request of the Government of the Cook Islands, is preparing, with joint funding from the Government of New Zealand, a new companies bill for consideration by Parliament in 2016. Policy consultations, together with the drafting of the bill, have commenced. Once the bill is passed, PSDI, together with New Zealand Companies Office (NZCO), will help implement an electronic company registry.

COOK ISLANDS SPENDING BY FOCUS AREA, 2007–2016
(\$564,474)

COOK ISLANDS SPENDING BY FOCUS AREA, 2015–2016
(\$251,403)

FIJI

In 2015–2016, PSDI allocated \$426,600 in funding to Fiji. The majority of funds were used to support secured transactions reform, the commercial transformation of the Fiji Development Bank, and capital market development. PSDI was also active in state-owned enterprises (SOEs) reform in Fiji, which reflected 21% of spending in the country for the year.

Business Law Reform

Opportunities for business law reform are being explored as part of PSDI's comprehensive review of its Fiji work program. PSDI, together with NZCO, prepared a diagnostic of the company registry, with a view toward providing support to the Government of Fiji in the implementation of an online registry. As part of this work, broader support for the implementation of the Companies Act 2015 could be considered.

FIJI SPENDING BY FOCUS AREA, 2007–2016
(\$1,134,211)

FIJI SPENDING BY FOCUS AREA, 2015–2016
(\$426,600)

Competition and Consumer Protection

PSDI provided a review of regulatory legislation in Fiji and a paper on options for the establishment of a multisector regulator, consolidating the regulatory functions currently performed in Fiji by separate agencies.

Economic Empowerment of Women

The Women’s Business Leadership Program was launched in Fiji in April 2016. Thirty participants from 20 companies and government departments took part in the training course, which aimed to provide the skills, knowledge, and experience to advance their careers. The project also paired participants with mentors from Australia, New Zealand, and other Pacific island countries.

Financing Growth

PSDI continued to support the Fiji Secured Transactions Task Force throughout 2015–2016. A policy paper on secured transactions has been developed and assistance has been provided in the preparation of a draft Secured Transactions Bill. The Secured Transactions Bill will be presented to Parliament in the second half of 2016.

PSDI has been working closely with financial institutions in Fiji, including the Fiji Development Bank, to raise awareness of the effects of the reform and the opportunities it will provide for movable property financing. Product concepts for the

agricultural application of movable property financing are being developed for the Fiji Development Bank and other lenders.

PSDI is also supporting the Reserve Bank of Fiji in its role as secretariat for the Capital Markets Development Task Force, to further the development of Fiji capital markets. An initial diagnostic has been completed and discussion paper will be presented by mid-2016.

State-Owned Enterprise Reform and Public-Private Partnerships

Fiji participated in PSDI’s fifth SOE benchmarking study, *Finding Balance 2016*.

PSDI has supported the Ministry of Public Enterprises in its assessment of partial divestment options for several SOEs, including Fiji Electricity Authority and Airports Fiji Limited. In both cases, regulatory implications and the impact of community service obligations (CSOs) are important considerations for structuring the planned divestments, which are expected to be transacted in 2016–2017.

In 2015, the Ministry of Public Enterprises also asked PSDI for support in developing an SOE policy framework, and reviewing the Public Enterprise Act and Public-Private Partnership Act. This work is ongoing and part of a larger collaboration with the government to develop SOE restructuring, divestiture, and public-private partnership (PPP) programs.

KIRIBATI

In 2015–2016, PSDI allocated \$808 in funding to Kiribati, which focused primarily on company law reform.

Business Law Reform

Following a consultation mission in early 2016, PSDI is developing a legal diagnostic of the company and business names laws, and will support the development of a new policy and legislative framework in partnership with the Government of Kiribati.

PSDI is considering technology options for a business registry that is appropriate to the volumes of registrations and business activities in Kiribati.

KIRIBATI SPENDING BY FOCUS AREA, 2007–2016 (\$51,473)

State-Owned Enterprise Reform and Public-Private Partnerships

PSDI has continued to provide peer review for the government's SOE reform program, delivered through an Asian Development Bank (ADB) technical assistance project for Enhancing Economic Competitiveness through SOE Reform.

Kiribati participated in PSDI's SOE benchmarking study for the first time since the biennial exercise began in 2009. The study will inform and support the government's reform efforts.

KIRIBATI SPENDING BY FOCUS AREA, 2015-2016 (\$808)

THE MARSHALL ISLANDS

In 2015–2016, PSDI allocated \$23,505 in funding to the Marshall Islands. This reflects support for the preparation of a Marshall Islands PSA and some consultations with government on the enactment of the State-Owned Enterprise Bill in late 2015.

Analytical Work and Crosscutting

The PSA for the Marshall Islands has been developed, and will be peer reviewed in the last quarter of 2016 for publication in the first quarter of 2017.

Financing Growth

Following the successful implementation of secured transactions reform in the Marshall Islands in 2007, PSDI provided assistance to upgrade the registry in late 2014. Ongoing support to increase lenders' uptake of the secured transactions framework continues.

State-Owned Enterprise Reform and Public-Private Partnerships

PSDI supported the development of an SOE reform policy. The policy formed the basis of a State-Owned Enterprise Bill, drafted with substantial PSDI advice and input. The State-Owned Enterprise Bill was enacted in October 2015.

The Marshall Islands participated in PSDI's fifth SOE benchmarking study. The study has raised awareness of the fiscal cost of the SOE sector in the Marshall Islands, and will support the government's implementation of the SOE Act.

MARSHALL ISLANDS SPENDING BY FOCUS AREA, 2007-2016 (\$162,013)

MARSHALL ISLANDS SPENDING BY FOCUS AREA 2015-2016 (\$23,505)

THE FEDERATED STATES OF MICRONESIA

In 2015–2016, PSDI allocated \$5,171 in funding to the Federated States of Micronesia (FSM) to support preliminary assessments for developing a strategic plan for the FSM Development Bank.

Financing Growth

The secured transactions regime in the FSM commenced in 2006 and is the longest running in the Pacific. PSDI's ongoing work focuses on increasing lenders' uptake of the secured transactions framework.

PSDI also commenced discussions with the FSM Development Bank on assisting with the preparation of a strategic plan to guide the future direction of the bank.

FEDERATED STATES OF MICRONESIA SPENDING BY FOCUS AREA, 2007–2016 (\$56,130)

FEDERATED STATES OF MICRONESIA, SPENDING BY FOCUS AREA, 2015–2016 (\$5,171)

NAURU

In 2015–2016, PSDI allocated \$48,241 in funding to Nauru for legal assistance in support of the Establishment of the Intergenerational Trust Fund. Historically, PSDI provided support to Nauru for the organizational strengthening of the Republic of Nauru Phosphate Corporation, Nauru Utilities Corporation, and Nauru Rehabilitation Corporation, as well as the introduction of banking services to the country, which accounts for \$358,344 in cumulative spending.

NAURU SPENDING BY FOCUS AREA, 2007–2016 (\$358,344)

NAURU SPENDING BY FOCUS AREA, 2015–2016 (\$7,934)

PALAU

In 2015–2016, PSDI allocated \$126,708 in funding to Palau, primarily for the preparation of the Palau PSA and support for the commercial transformation of the National Development Bank of Palau.

Business Law Reform

PSDI completed a diagnostic of the Company Law and the existing company registry in late 2013. It found that the private sector in Palau is severely constrained by an outdated company law and an almost dysfunctional paper-based registry. In 2016, the government requested PSDI to lead a reform of the company registry, which will include the drafting of a Companies Bill and the development of an online company registry.

Financing Growth

Following the implementation of the Secured Transactions Act and the launch of the registry in January 2013, PSDI has provided ongoing support to lenders to increase their uptake of the secured transactions framework.

PSDI will support the commercial strengthening of the National Development Bank of Palau, in line with the regulatory requirements of the Palau Financial Institutions Commission.

State-Owned Enterprise Reform and Public-Private Partnerships

PSDI continues to support Palau's development and implementation of an SOE policy and, in 2016, has been providing technical support in reviewing options for private investment and operation of the Koror airport through a PPP mechanism.

With the Palau Chamber of Commerce, PSDI has developed a corporate governance strengthening program. This began in April 2014 and is ongoing.

PALAU SPENDING BY FOCUS AREA, 2007–2016
(\$643,674)

PALAU SPENDING BY FOCUS AREA, 2015–2016
(\$126,708)

PAPUA NEW GUINEA

In 2015–2016, PSDI allocated \$893,645 in funding to Papua New Guinea (PNG). Competition and consumer protection absorbed 58% of funds, while financing growth received close to a quarter of spending with initiatives to improve the stability of PNG's financial system and the implementation of the secured transactions framework.

Competition and Consumer Protection

PSDI is currently conducting a comprehensive review of the framework for competition and consumer protection, at the request of the Department of Treasury. Extensive stakeholder consultation has been carried out, including interviews, public workshops, and consumer focus groups. PSDI anticipates the review to lead to recommendations for legislative reforms, capacity building within the Independent Consumer and Competition Commission (ICCC), and changes in administrative and regulatory practices.

In mid-2015, the Government of Australia requested PSDI to manage its financial support to the ICCC. PSDI has agreed to do so for 3 years. It is currently managing support to the ICCC for its ongoing competition, consumer protection, regulatory, price control and productivity review functions, and in necessary capacity building, including its capacities to investigate violations and prosecute enforcement actions.

Economic Empowerment of Women

PSDI has implemented a pilot project to help businesswomen operating in the informal fishery sector to formalize their businesses. This project has helped facilitate greater access to markets for women operating small and medium-sized businesses by helping them access finance to grow their operations.

PSDI signed a memorandum of understanding with the Nationwide Microbank (now known as MiBank) in July 2014 to provide participants with access to finance and financial skills training. In 2015–2016, PSDI provided supplemental training on product development, business management, and organizational governance to strengthen the ability of women entrepreneurs to operate businesses over the long term.

PAPUA NEW GUINEA SPENDING BY FOCUS AREA, 2007–2016
(\$4,802,740)

PAPUA NEW GUINEA SPENDING BY FOCUS AREA, 2015–2016
(\$893,645)

In the second half of 2016, PSDI began work on strengthening value chains in agriculture and fisheries. It started working with local organizations to promote the participation of rural women in agricultural production by providing training in agricultural production methods, accessing finance through the secured transactions framework, and accountable governance of local organizations, as

well as assisting with access to markets. By creating supportive institutional frameworks, PSDI will improve the lives of more than 6,000 rural women, assisting in their transition from subsistence activities to active participants in the private sector.

The PSDI-supported Competition and Consumer Review in PNG recognized the need for policies, laws, and institutions to be responsive to the needs of women as producers, consumers, and employees. PSDI authored two issues papers that assessed how such laws affect women and recommended ways in which legal reforms could economically empower women and facilitate their role in the private sector. This review will continue throughout 2016.

Financing Growth

A secured transactions registry went live in May 2016, making PNG the seventh Pacific island country PSDI has helped to establish a secured transactions framework. Ongoing assistance will focus on working with lenders to make them aware of the impact of the reform, and the opportunities the reform provides for the use of movable finance products.

PSDI conducted a review of draft capital markets legislation for the Securities Commission of Papua New Guinea. Through the second half of 2015, PSDI has been working closely with Bank Papua New Guinea to improve the stability of PNG's financial system. It has also completed an assessment of the regulatory regime applying to investment managers and an assessment of finance sector interconnectedness, and is currently discussing their policy implications with the bank.

PSDI has continued its support for Mibank through 2015–2016, focusing on the development of a business model to increase MiBank's regional presence, should it decide to do so.

State-Owned Enterprise Reform and Public-Private Partnerships

PNG has participated in PSDI's fifth SOE benchmarking study. PSDI has had ongoing dialog with PNG's Department of Public Enterprises to define measures to strengthen the legal and regulatory framework for SOEs.

Since the enactment of the Public-Private Partnerships Bill in 2014, PSDI has developed an implementation strategy, a PPP project pipeline, a business plan for a PPP Centre, position descriptions, and a project development facility concept note, and supported the development of regulations. These efforts have been aimed at operationalizing the supporting institutions necessary for the implementation of the PPP act before its gazettal.

PSDI presented updated Port Moresby and Lae Airport PPP assessments to the National Airports Corporation in November 2013, and completed a detailed PPP options study for the new Lae Port in May 2014. Since the Lae Port analysis was completed, ADB's new Office of Public-Private Partnerships has been in discussions with the government to offer transaction support. PSDI will continue to provide input into ADB infrastructure project designs to identify potential PPP opportunities and ensure their consistency with PNG's CSO Policy for SOEs.

The National Executive Council directed the CSO Policy to be piloted in three SOEs, work which PSDI has been supporting since mid-2014 in collaboration with an interdepartmental working group. Of the three SOEs selected for the pilot, one—National Airports Corporation—has been able to provide the necessary data to develop detailed CSO cost estimates and a CSO contract was prepared in the fourth quarter of 2015. The CSO working group intends to use the first successful CSO contract and underlying methodology to expand the application of the policy to additional SOEs in 2016.

Since January 2016, PSDI has been collaborating with PNG Power to introduce renewable energy in isolated diesel centers on a PPP basis. This work builds upon a call for expressions of interest launched by PNG Power in early 2015, and aims to conclude PPP agreements using solar energy in selected sites.

SAMOA

In 2015–2016, PSDI allocated \$379,096 in funding to Samoa. Financing growth activities comprised about 70% of commitments for the year, with the procurement of the personal property securities registry. Business law reform, including a recent evaluation of the company law and registry reform in Samoa, comprised 13% of spending.

Analytical Work

A PSA for Samoa was published in late 2015, and PSDI's first case study, *Creating Jobs in Samoa through Public-Private Partnerships* was published in June 2016.

Competition and Consumer Protection

PSDI provided assistance in drafting the Competition and Consumer Bill. The Competition and Consumer Bill was endorsed by cabinet in early 2015 and enacted by Parliament in January 2016. PSDI is currently planning to support the government in the implementation of the Competition and Consumer Act 2016.

Economic Empowerment of Women

An analysis of the constraints to women's economic empowerment was completed in 2015 and included as a chapter in PSDI's PSA for Samoa.

Financing Growth

PSDI commenced implementing an online secured transactions registry in the first half of 2016. The law and the registry are expected to be launched in the second half of 2016, accompanied by extensive training of stakeholders and awareness-raising.

Discussions have been undertaken with Samoa authorities on possible PSDI assistance to improve the operating performance of the Development Bank of Samoa and the Samoa National Provident Fund.

State-Owned Enterprise Reform and Public-Private Partnerships

Samoa participated in PSDI's fifth SOE benchmarking study. The study raised awareness of the poor performance of Samoa's SOEs and will provide further impetus for the government's reform program.

PSDI provided governance support to the new Ministry of Public Enterprise in June 2015. The SOE board appointment round saw 188 persons apply for

SAMOA SPENDING BY FOCUS AREA, 2007–2016 (\$2,331,691)

SAMOA SPENDING BY FOCUS AREA, 2015–2016 (\$379,096)

102 vacancies. The move to professional boards will reduce political influence, strengthening SOEs' ability to implement their commercial mandate.

PSDI drafted an SOE Ownership, Performance, and Divestment Policy that was adopted by cabinet in January 2015. Support has been provided to the government's privatization program. The sale of Agriculture Stores Corporation was finalized in April 2016 and, at the request of the government, privatization options papers were prepared for Public Trust Office, Samoa Post, and Samoa Housing Corporation. PSDI submitted an options paper in September 2015 and the ministry is reviewing its recommendations and the need for any amendments to the SOEs' establishing acts to facilitate sale.

PSDI provided policy support for the establishment of the Ministry of Public Enterprises, which commenced operations in July 2015.

PSDI is currently supporting the development of a PPP program.

SOLOMON ISLANDS

In 2015–2016, PSDI allocated \$388,060 in funding to Solomon Islands. Close to a third of funds were spent on business law reform and about a quarter was spent on the preparation of the Solomon Islands PSA.

Analytical Work

A PSA for Solomon Islands was published in May 2016.

Business Law Reform

PSDI continues to build on its extensive business law reform program in Solomon Islands. The online company registry, Company Haus, has enabled the creation of more than 400 new companies in 2015.

An extension of this work is now underway, through the development of an online foreign investment registry and a re-branding project for the foreign investment division. Business names reforms, supported by PSDI, will also be implemented through the inclusion of business name registrations in the integrated online platform. The registry, which is in development and due to be launched in October 2016, creates a single, streamlined investment start-up process for domestic and foreign businesses.

PSDI is also assisting the government to create a modernized customs and excise regime. The reform promotes faster clearing procedures, improves revenue collections, reduces process informality, improves border protection, and facilitates trade. Extensive technical consultations on the bill were completed in 2015, with cabinet approving the draft bill to be released for vetting by the Attorney-General's Chambers in 2016.

Competition and Consumer Protection

At the request of the government, PSDI commenced a review of Solomon Islands' competition policy and law requirements in mid-2015. An issues paper prepared by PSDI in December 2015 recommended that the government consider a multiyear phased implementation of any reforms, and substantial capacity building to provide the necessary skills base for administration of consumer and competition safeguards.

SOLOMON ISLANDS SPENDING BY FOCUS AREA, 2007–2016 (\$4,934,265)

SOLOMON ISLANDS SPENDING BY FOCUS AREA, 2015–2016 (\$388,060)

Economic Empowerment of Women

PSDI conducted two pilot projects that aimed to remove constraints to women's economic empowerment in Solomon Islands.

In collaboration with the West 'Are 'Are Rokotani Association; the Ministry of Mines, Energy and Rural Electrification; community organizations; and government agencies, PSDI designed a training program for women on solar panel maintenance. The pilot project has empowered rural women by teaching technical and income-generating skills that have enabled them to create formal businesses, earn income, and open bank accounts.

Following requests from community leaders, the project was replicated in Choiseul Province. It has also attracted significant interest from other organizations, and its strategy of training rural women in infrastructure maintenance is being replicated in ADB's Solar Power Development Project. PSDI has continued to provide onsite training in 2016, along with monitoring and evaluation.

In collaboration with the Solomon Islands Chamber of Commerce and Industry, PSDI delivered a gender-sensitive training program on corporate governance training in July 2014, October 2014, and February 2015, with 70% women participants. Two local participants were trained as trainers and delivered the course in two sessions in November 2015. PSDI also helped the Solomon Islands Chamber of Commerce and Industry to develop a Corporate Governance Manual, and will support them with the creation of a database of graduates. PSDI undertook an evaluation of the program in late 2015. A key outcome of the pilot has been that 3 of the 18 people trained through this program have gone on to train over 100 others.

In 2015, PSDI collaborated with the Guadalcanal Plains Palm Oil Company to assist female family members of the company's male employees to develop a small, sustainable, formal business. The women created a successful clothing and uniform manufacturing business, which is now turning a profit. The aim of the pilot project was to demonstrate an approach for creating small businesses on the margins of big ones, and for the inclusion of women currently dependent on men in the formal economy.

In partnership with United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), PSDI undertook a review of how business law reforms have affected women, and of the effectiveness of women's business associations in Solomon Islands. PSDI is also working with the Solomon Islands Company Haus to create women-friendly business support materials, as well as partnering with nongovernment organizations to raise awareness among women of the benefits and ease of formalizing their businesses and using personal assets to apply for business loans.

PSDI also proposed amendments to Solomon Islands National Provident Fund legislation and Business Names legislation that remove discriminatory provisions, and called for a gender-inclusive approach to the redrafting of the Credit Union Policy.

Financing Growth

Solomon Islands is the fourth Pacific island country that PSDI has helped to establish a secured

transactions framework. Work has continued on increasing lenders' uptake of the online registry, with a particular focus on agriculture supply chain financing.

Throughout 2015–2016, PSDI supported the Central Bank of Solomon Islands and the Ministry of Finance and Treasury to undertake public consultations and develop a credit union policy, as preparation for new credit union legislation. PSDI has also worked closely with the Central Bank and the Ministry of Finance and Treasury to provide drafting instructions for legislation to reform the Solomon Islands National Provident Fund. Both pieces of work have been submitted to cabinet, and are awaiting approval of the new government.

State-Owned Enterprise Reform and Public-Private Partnerships

Solomon Islands' SOE portfolio has undergone a remarkable turnaround over the past 6 years. Rates of return on both assets and equity, which were negative from 2002 to 2009, are now positive, demonstrating what can be achieved with strong government commitment to SOE reform. Solomon Islands has participated in PSDI's comparative study on Pacific SOEs performance since 2011.

PSDI supported the Solomon Islands SOE monitoring unit in implementing a CSO framework and drafting CSO contracts for selected SOEs from 2011 to 2015. These have been instrumental in improving the financial performance of the SOEs. Their implementation has required the ongoing training of SOE and Ministry of Finance officials responsible for SOE monitoring.

Throughout 2015–2016, PSDI provided assistance toward the implementation of the SOE Act and supporting regulations, and the development of individual SOE restructuring strategies. The current government, elected in 2014, has yet to endorse a program of SOE reform, but will develop an SOE capitalization policy. PSDI has been providing input to this policy, which could formalize the government's views on SOE performance, restructuring, and privatization, including through PPPs.

In June 2016, PSDI released a regional benchmarking study on port tariffs and productivity, revealing that recent tariff hikes and productivity losses at the Solomon Island Port Authority had made it one of the poorest performers in the region. The study served to inform a national debate on port commercialization in Solomon Islands, where the government is now looking into new reform measures.

TIMOR-LESTE

In 2015–2016, PSDI allocated \$485,692 in funding to Timor-Leste, with more than half focused on financing growth activities such as secured transactions reform, and the preparation of an anti-money laundering/combating the financing of terrorism (AML/CFT) strategy and national risk assessment. Business law reform comprised 12% of annual spending and competition comprised 16%.

Analytical Work

A PSA for Timor-Leste was published in August 2015.

Business Law Reform

At the request of the government, PSDI provided a review of the company laws in Timor-Leste in late 2015 and early 2016, supported by a consultative public-private reform taskforce. The review recommended the laws be simplified and modernized to bring the companies framework up to global standards, and to provide greater access to the formal sector. Many of the recommendations were taken on board under a new draft Company Law, which received the Council of Ministers' support in April 2016. The draft Company Law is expected to be taken to Parliament in the fourth quarter of 2016.

PSDI also provided a legal diagnostic of Timor-Leste's insolvency laws, which are currently non-functioning and are a hindrance to the growth of the finance sector. Reforming the insolvency framework is a highly technical process. PSDI conducted an in-country analysis in the first half of 2016, with a view to recommending an appropriately tailored insolvency policy framework to the government in late-2016.

Competition and Consumer Protection

At the request of the government, PSDI undertook a review of the country's competition law and policy requirements. This work commenced in September 2015, and an options paper for the government's consideration was delivered in June 2016.

Financing Growth

PSDI has created momentum for lending environment reforms through a legal and policy review of laws governing collateral. Through a consultative process incorporating inputs from the government, private sector, and other stakeholders,

TIMOR-LESTE SPENDING BY FOCUS AREA, 2007–2016
(\$3,309,922)

TIMOR-LESTE SPENDING BY FOCUS AREA, 2015–2016
(\$485,692)

a policy paper proposing a secured transactions law was completed in late 2015.

The next phase of secured transactions reform will involve finalization of a draft law, completing consultations on the law, and obtaining parliamentary support for its enactment. This is anticipated by late 2016.

PSDI was instrumental in transforming the Microfinance Institute of Timor-Leste into Banco Nacional de Comércio de Timor-Leste (BNCTL) in 2011. Since the change, PSDI has supported the diagnostic of the audit processed and capability, alongside support for the wider ADB transformation program. The program provides targeted advisory support to its board, human resource development, risk management, and strengthened accounting frameworks.

PSDI worked with BNCTL to prepare a national risk assessment and anti-money laundering/combating the financing of terrorism strategy. This work is part of the broader mandate of the National Commission for the Implementation of Measures to Combat Money Laundering and Financing of Terrorism, which was established in 2014. These documents were approved by the Council of Ministers in June 2016.

Support to the Central Bank of Timor-Leste has included assistance with the development of the legal and regulatory framework for digital financial services and a review of offsite banking supervision system. PSDI is also working with the Central Bank to review its offsite banking supervision system.

State-Owned Enterprise Reform and Public-Private Partnerships

Since early 2014, PSDI has been assisting the government with the implementation of the PPP policy and legal framework.

In 2012–2013, PSDI financed a PPP prefeasibility analysis for the Dili Water Supply System, which concluded that a PPP could be structured to improve service delivery. The government endorsed the recommendations in early 2014 and is now funding a full PPP feasibility study.

PSDI has been supporting the Dili Water Supply System's PPP Unit in managing a PPP feasibility analysis, which will be completed in the third quarter of 2016, and is expected to set up a competitive tender for a PPP contract in 2017.

This work is being undertaken in parallel with ADB's Urban Water Supply and Sanitation Enhancement Sector Project and the Directorate of Water and Sanitation's ongoing system upgrade planning. In addition to the on-the-job training provided through this PPP project development work, PSDI developed detailed procedures and guidelines for the PPP Unit in 2016, and supporting its evaluation of other potential PPP opportunities, in particular in the power sector.

TONGA

In 2015–2016, PSDI allocated \$334,092 in funding to Tonga primarily for activities in Financing Growth (30%) and Economic Empowerment of Women (27%).

Business Law Reform

Following the successful implementation of the Companies (Amendment) Act and the multiple entity registry launched in December 2014, PSDI supported the policy design and drafting of a Receiverships Bill, which was passed in 2015, but is yet to commence.

Policy consultations and drafting of a Bankruptcy Bill will also be finalized and tabled in Parliament in 2016. PSDI supported consultations on the Foreign Investment Policy, and has drafted a Foreign Investment Act, which will be considered by Parliament in 2016.

Competition and Consumer Protection

PSDI commenced a review of Tonga's competition framework in 2013. In 2014, the government requested for priority to be given to the establishment of a multisector regulator, which

TONGA SPENDING BY FOCUS AREA, 2007–2016
(\$3,700,089)

TONGA SPENDING BY FOCUS AREA, 2015–2016
(\$334,092)

PSDI agreed to support. Issues and options for a multisector regulator have been discussed with the government, and a proposal for a coordinated approach to regulatory and competition reform was provided in the latter half of 2015.

The government has also requested support for competition policy reform, which PSDI will provide in the latter half of 2016.

Economic Empowerment of Women

PSDI designed and implemented a women's business leadership program. The first two 2-day training sessions were held in August and November 2015, and the third was held in February 2016. The program, which has been enthusiastically embraced by leading Tonga companies and government organizations, aims to:

- provide training on leadership and management, including corporate governance, media management, and business networking;
- obtain commitment from Tonga businesses to increase the participation and promotion of women employees, thereby instituting cultural change and commitment to the professional advancement of women; and
- establish mutually beneficial links between Australian and Tongan businesswomen.

Another pilot project launched by PSDI in 2016 aims to increase women vanilla farmer's access to supply chain financing, raise their awareness of business law reforms, and evaluate ways to access concessional financing.

Financing Growth

Following the successful implementation of the secured transactions law and registry in 2010, PSDI continues to engage with lenders to increase their uptake of the secured transactions framework.

PSDI has worked closely with the Tonga Development Bank and key actors in the vanilla industry to develop a supply chain financing product for the industry. The objective is to launch a pilot

financing facility, which is extended to a wider range of borrowers in the vanilla industry, and other agriculture sectors at a later stage.

PSDI has also been working to strengthen the pension fund industry. A review of the policies of the Retirement Fund Board was undertaken in late 2015. Further work to integrate the policies within an overall policy framework, to develop a statement of investment beliefs, and to improve investment due process for each asset class has been built on the initial review.

The National Reserve Bank of Tonga has requested PSDI assistance to reform the legal and regulatory framework for pension funds. This assistance will commence in the second half of 2016.

State-Owned Enterprise Reform and Public-Private Partnerships

Tonga participated in PSDI's fifth SOE benchmarking study.

PSDI has supported a broad-based SOE reform program affecting all Tonga's SOEs, and worked closely with ADB and development partners to design SOE reform policy actions for inclusion in joint program-based grants.

Through ongoing policy dialogue with PSDI, Tonga agreed in 2015 to undertake further SOE restructuring and governance reforms. PSDI drafted an SOE ownership and divestment policy that identifies seven high priority divestments and includes reform plans for the balance of the SOEs. The cabinet endorsed the policy in the third quarter of 2015.

PSDI has also supported the government's governance reforms and provided policy advice in the development of shared SOE boards.

Throughout 2015–2016, PSDI provided advice on privatization options for the Tonga Forest Products Limited, culminating in the government's agreement in May 2016 to enter into a 50-year concession contract with private sector interests to invest in, manage, harvest, and replant the SOE's forestry assets.

TUVALU

In 2015–2016, PSDI did not disburse funding to Tuvalu. Earlier, PSDI had been involved in the peer review of ADB's SOE reform-related work in Tuvalu, which accounts for the cumulative spending of \$16,449.

TUVALU SPENDING BY FOCUS AREA, 2007–2016 (\$16,449)

VANUATU

In 2015–2016, PSDI allocated \$459,813 in funding to Vanuatu. With the launch of Vanuatu's new registry, business law reform comprised 37% of spending for the year, followed by competition at 21%.

Business Law Reform

PSDI supported a comprehensive reform to foundational business laws in partnership with the Vanuatu Financial Services Commission (VFSC) and the State Law Office. A new Companies Act was passed by Parliament in September 2012, and the Companies (Insolvency and Receiverships) Act, and Insolvency (Cross Border) Act were passed by Parliament in 2013.

PSDI support for the implementation of these acts culminated in the launch of an online companies, business names, and charitable associations registry in August 2015. The multiple-entity registry has reduced the average time for company and other business entity registrations from more than 3 weeks to less than 3 days, and made payments and other regulatory requirements simpler and more convenient.

PSDI will undertake a review of the registry implementation in June 2016 to ensure that the transition to an online service is progressing smoothly. It is anticipated that further work on the reform of trustee laws will continue through 2016, along with support for PSDI's financing growth work in the development of a capital markets reform agenda.

VANUATU SPENDING BY FOCUS AREA, 2007–2016 (\$2,238,794)

VANUATU SPENDING BY FOCUS AREA, 2015–2016 (\$459,813)

Competition and Consumer Protection

PSDI commenced a review of the country's competition law and policy requirements in August 2015. An issues paper titled *Competition Policy and Law for Vanuatu* was delivered to the government in early 2016, and a workshop with government representatives was held in June 2016.

Economic Empowerment of Women

In partnership with UN Women and the VFSC, PSDI will be working with women's groups to increase awareness of the opportunities for, and benefits of, business formalization, and how to access finance using the secured transactions framework. PSDI, with VFSC, will also provide training to women working in corporate settings or for government bodies on corporate and SOE governance.

An analysis of the constraints to women's economic empowerment has been included as a chapter in PSDI's forthcoming PSA for Vanuatu.

Financing Growth

Since mid-2014, PSDI has been assisting with the drafting of a new trustee bill to improve Vanuatu's compliance with international commitments and its reputation as an off-shore financial center. PSDI is also working with VFSC on issues related to the Financial Action Task Force guidelines—standards for AML/CFT—to ensure the international companies regime is best practice.

In mid-2014, PSDI began working more closely with lenders to increase their use of the secured transactions framework. This includes identifying transactions where movable assets could be used as collateral, such as financing civil construction contractors using accounts receivable as collateral.

State-Owned Enterprise Reform and Public-Private Partnerships

The PSDI-supported SOE reform policy has guided the development of an SOE Bill in 2015–2016. The SOE Bill will place SOEs on a firm commercial footing and enhance governance, monitoring, and accountability frameworks. The bill has been drafted with significant input and oversight from PSDI. The government intends to introduce the bill into Parliament in the July 2016 sitting.

Throughout 2014, PSDI supported a separate ADB technical assistance project on SOE reform in Vanuatu. The project concentrated on eight SOEs identified as reform priorities, for which it developed restructuring proposals, assisted in bringing audited accounts up-to-date, and identified and costed CSOs. On completion of the project, four of the SOEs were selected for either liquidation or partial privatization. Cabinet papers were prepared and, in some cases, approved by the cabinet, but following the change of Prime Minister and Minister of Finance in June 2015, the cabinet determined to reconsider all recent decisions. PSDI is now working with the Ministry of Finance to advance the privatization/liquidation of two of the SOEs. It is expected that the transactions will be complete in 2016–2017.

APPENDIXES

APPENDIX 1

PORTFOLIO SUMMARY, 2007–2016

Country	Initiatives and Projects						
	Analytical Work and Crosscutting	Business Law Reform	Competition and Consumer Protection	Economic Empowerment of Women	Financing Growth	State-Owned Enterprise Reform	Public-Private Partnerships
Regional	15 (25)	12 (13)	2 (3)	5 (6)	18 (35)	11 (14)	7 (7)
Cook Islands	1 (1)	1 (2)	3 (4)	n.a	2 (5)	1 (2)	n.a
Fiji	1 (2)	1 (1)	2 (4)	1 (2)	5 (13)	1 (6)	2 (6)
Kiribati	n.a	1 (3)	n.a	n.a	1 (1)	1 (2)	n.a
Nauru	n.a	1 (1)	n.a	1 (1)	1 (3)	1 (2)	n.a
Palau	1 (1)	2 (3)	n.a	n.a	2 (4)	1 (5)	1 (1)
Papua New Guinea	4 (4)	3 (6)	3 (4)	4 (6)	5 (12)	3 (5)	7 (11)
Marshall Islands	1 (1)	n.a	n.a	n.a	2 (3)	1 (4)	n.a
Federated States of Micronesia	n.a	n.a	n.a	n.a	2 (4)	1 (1)	1 (1)
Samoa	2 (2)	5 (9)	1 (2)	n.a	4 (5)	2 (5)	3 (3)
Solomon Islands	1 (1)	8 (14)	1 (1)	5 (6)	6 (12)	4 (10)	1 (1)
Timor-Leste	1 (2)	2 (6)	1 (1)	1 (1)	6 (17)	1 (1)	1 (6)
Tonga	4 (4)	9 (15)	2 (3)	2 (5)	7 (13)	2 (8)	4 (6)
Tuvalu	n.a	n.a	n.a	n.a	1 (1)	1 (2)	n.a
Vanuatu	2 (2)	4 (9)	2 (3)	3 (3)	10 (19)	1 (6)	2 (2)
TOTAL							

() = number of projects; projects are discreet steps within a reform initiative; n.a. = not applicable (no initiatives or projects undertaken).
Source: Pacific Private Sector Development Initiative.

Table continued

Total 2007–2016								
Initiatives	Projects	Total Funding Committed, 2007–2016	Total Funding Disbursed 2007–2016	Total Funding Committed 2015–2016	Total Funding Disbursed 2015–2016	Completed	Ongoing	Pipeline
70	103	10,748,514	10,447,065	1,671,208	1,499,071	32	33	5
8	14	564,473	534,253	251,404	221,184	3	5	0
13	34	1,134,211	1,122,211	426,601	414,601	2	10	1
3	6	51,473	51,473	808	4,938	0	2	1
4	7	358,344	358,344	7,934	48,469	3	1	0
7	14	643,674	604,174	126,708	87,208	0	6	1
29	48	5,234,707	4,838,614	1,234,519	1,143,480	9	17	3
4	8	162,013	162,013	23,506	23,506	0	3	1
4	6	56,130	56,130	5,171	5,171	1	2	1
17	26	2,331,692	2,150,779	379,097	198,184	5	7	5
26	45	5,145,230	4,862,703	338,059	597,574	4	21	1
13	34	3,309,923	3,204,802	485,693	768,572	2	11	0
29	53	3,790,088	3,765,077	334,091	391,328	7	19	3
2	3	16,449	16,449	0	0	1	0	1
24	44	2,346,237	2,161,262	459,793	487,478	8	13	3
253	445	35,893,158	34,335,350	5,744,592	5,890,765	77	150	26

APPENDIX 2

INITIATIVES IN 2015–2016

The following shows the Pacific Private Sector Development Initiative's ongoing and pipeline activities. Completed initiatives and projects refer to activities completed by 30 June 2016.

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Cook Islands			
Analytical work	Private sector assessment (PSA) – Publication and launch of the Cook Islands PSA (2015)	Ongoing Ongoing	Completed Completed
Business law reform	Company law reform – Review of the existing act, policy preparation, and drafting of the act – Design and implementation of the company registry	Ongoing Ongoing Pipeline	Ongoing Ongoing Pipeline
Competition and consumer protection	Competition reform – Review of competition law Telecommunication reform – Drafting of the act	On hold On hold On hold On hold	On hold On hold On hold On hold
Financing growth	Support for the commercial transformation of Bank of the Cook Islands – Development of an Operational Risk Management Policy Secured transactions reform – Diagnostic and policy preparation – Drafting and passage of the law – Registry design and implementation	Ongoing Pipeline Ongoing Ongoing Pipeline	Ongoing Ongoing Ongoing Ongoing Pipeline Pipeline
Fiji			
Business law reform	Company law reform – Review of the existing legal framework and awareness raising of impact on women	Ongoing Ongoing	On hold On hold
Competition and consumer protection	Support for the introduction of a multisector regulator – Options analysis Legal framework for competition – Review of the competition law and existing policies and preparation of recommendations for consultation – Preparation of a strategic plan – Preparation of a review of current capacity and development and delivery of a capacity-building program	Ongoing Ongoing	Ongoing Ongoing Ongoing Ongoing
Economic empowerment of women (EOW)	Women's Business Leadership Program – Project preparation and recruitment of participants – Implementation	Pipeline Pipeline Pipeline	Ongoing Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Financing growth	Secured transactions reform <ul style="list-style-type: none"> – Scoping and preparatory work – Policy preparation and drafting and passage of the bill – Registry design and implementation – Increasing lenders' uptake of the secured transactions framework Capital-raising <ul style="list-style-type: none"> – Post-diagnostic Capital market development <ul style="list-style-type: none"> – Legal diagnostic of the Companies Act 2015 – Product and market diagnostic – New Zealand knowledge exchange (April 2016) – Post-diagnostic application, including small and medium-sized enterprises capital-raising Commercial transformation of the Fiji Development Bank <ul style="list-style-type: none"> – Diagnostic 	Ongoing Ongoing Ongoing Pipeline Pipeline Pipeline Ongoing Pipeline Pipeline Pipeline	Ongoing Completed Ongoing Pipeline Ongoing Pipeline Pipeline Ongoing Ongoing Ongoing Completed Pipeline Ongoing Ongoing
Public–private partnerships (PPPs)	PPP transaction opportunities <ul style="list-style-type: none"> – PPP prefeasibility assessments – Identification of PPP transaction opportunities Preparation of a PPP policy framework <ul style="list-style-type: none"> – Preparation of a policy options paper – Preparation of a PPP policy paper – Preparation of a PPP project development guidelines – Capacity building for the development of PPP transactions 	Pipeline Pipeline Pipeline	Ongoing Ongoing Ongoing Ongoing Completed Ongoing Pipeline Pipeline
State-owned enterprise (SOE) reform	SOE reform <ul style="list-style-type: none"> – Capacity building on SOE monitoring – Support for SOE privatization/restructuring – Preparation of an SOE Policy – Drafting of a new Public Enterprise Act – Support for the implementation of the Public Enterprise Act 	Ongoing Ongoing Pipeline Pipeline Pipeline	Ongoing Ongoing Ongoing Completed Ongoing Pipeline
Kiribati			
Business law reform	Company law and registry reform/business names law diagnostic <ul style="list-style-type: none"> – Company law and registry reform – Business names law and registry reform – Other entity laws and registry reform 	Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing Ongoing
Financing growth	Support for the Kiribati Provident Fund <ul style="list-style-type: none"> – Phase 1 		Pipeline Pipeline
SOE reform	SOE reform <ul style="list-style-type: none"> – Support for the implementation of an SOE reform technical assistance project 	Ongoing Ongoing	Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Marshall Islands			
Analytical work	Private sector assessment – Preparation of the Marshall Islands PSA (2016)	Pipeline Pipeline	Ongoing Ongoing
Financing growth	Secured transactions reform – Increasing lenders' uptake of the secured transactions framework	Ongoing Pipeline	Ongoing Pipeline
	Strategic plan for development bank in the Marshall Islands – Diagnostic	Pipeline Pipeline	Pipeline Pipeline
	SOE reform – Drafting and passage of the SOE Act – Support for the SOE Act implementation – Director Training Program	Ongoing Ongoing Pipeline Pipeline	Ongoing Completed Pipeline Pipeline
Federated States of Micronesia			
Analytical work	Private sector assessment – Publication of the Yap PSA (2016)	Pipeline Pipeline	Cancelled Cancelled
Financing growth	Secured transactions reform – Increasing lenders' uptake of the secured transactions framework	Ongoing Pipeline	Ongoing Pipeline
	Strategic plan for the FSM Development Bank – Preliminary assessments – Development of strategic plan		Ongoing Ongoing Pipeline
PPPs	Review and implementation of outsourcing opportunities – PPP preparation	Pipeline Pipeline	Pipeline Pipeline
Business law reform	Support for the establishment of the Intergenerational Trust Fund – Drafting of agreements, negotiations, and settlement		Completed Completed
Financing growth	Introduction of banking services to Nauru – Improving the finance sector regulatory framework, including the establishment of the Financial Services Commission	Ongoing Ongoing	Ongoing On hold
Nauru			
Business law reform	Support for the establishment of the Intergenerational Trust Fund – Drafting of agreements, negotiations, and settlement		Completed Completed
	Introduction of banking services to Nauru – Improving the finance sector regulatory framework, including the establishment of the Financial Services Commission	Ongoing Ongoing	Ongoing On hold

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Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Palau			
Analytical work	Private sector assessment – Preparation of the Palau PSA (2016)	Ongoing Ongoing	Ongoing Ongoing
Business law reform	Reform of the Corporations Act – Drafting and passage of the law – Registry design and implementation	Ongoing Ongoing Pipeline	Ongoing Ongoing Pipeline
	Bankruptcy Law reform – Diagnostic	Pipeline Pipeline	Pipeline Pipeline
Financing growth	Secured transactions reform – Increasing lenders’ uptake of the secured transactions framework	Ongoing Ongoing	Ongoing Ongoing
	Commercial transformation of the National Development Bank of Palau – Scoping and diagnostic	Ongoing Ongoing	Ongoing Ongoing
PPPs	Airport PPP assessment – PPP assessment		Ongoing Ongoing
SOE reform	SOE reform – Assessment of corporatization opportunities – Support for the implementation of the SOE Policy	Ongoing Ongoing Pipeline	Ongoing Ongoing Ongoing
Papua New Guinea			
Business law reform	Associations review – Assessment of current regulations and their impact on women – Drafting and passage of the law – Registry design and implementation		Ongoing Ongoing Ongoing Ongoing
	Cooperatives reform – Diagnostic	Pipeline Pipeline	Pipeline Pipeline
	Support to the Investment Promotion Authority – Registry review – Registry support		Ongoing Ongoing Ongoing
Competition and consumer protection	Legal framework for competition and consumer protection – Review of Competition and Consumer Protection Policy	Ongoing Ongoing	Ongoing Ongoing
	Independent Consumer and Competition Commission Support Program, phase 2 – Program design and development	Ongoing Ongoing	Ongoing Ongoing
EOW	Gender pilot research and development – Assisting women in the informal sector (fisheries) – Business leadership in Papua New Guinea (PNG)	Ongoing Pipeline Pipeline	Ongoing Ongoing On Hold
	Strengthening the supply chain – Project design and implementation (agriculture) – Project design and implementation (fisheries)	Ongoing Pipeline Ongoing	Ongoing Ongoing Ongoing
	Research on an entrepreneurial hub for supporting women’s businesses – Project design and implementation	Pipeline Pipeline	Ongoing Ongoing
	Research on alternative women-friendly business vehicles – Project design and implementation	Pipeline Pipeline	Ongoing Pipeline
			Pipeline

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Financing growth	Support to nationwide Microbank (MiBank) – Preparation of a commercial expansion model	Ongoing	Ongoing Ongoing
	Secured transactions reform – Filing archive (registry) design and implementation – Increasing lenders' uptake of the secured transactions framework	Ongoing Ongoing Pipeline	Ongoing Ongoing Ongoing
	Support for the Microfinance Expansion Project – Implementation support	Ongoing Ongoing	Ongoing Ongoing
	Capital-raising – Post-diagnostic	Ongoing Ongoing	Ongoing Ongoing
	Support for the Bank of Papua New Guinea to strengthen the finance sector institutional framework – Monitoring investment managers of national provident funds – Assessment of the interconnectedness of the financial system – Support for Bank PNG's Financial System Stability Committee	Ongoing Ongoing Ongoing Ongoing	Ongoing Ongoing Completed Ongoing
PPPs	PPP Framework – Drafting of legal framework for PPPs – Develop a business plan for the PPP Centre – PPP pipeline development – Establishment of the Project Development Facility – Implementation of the PPP Law	Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	On hold On hold On hold On hold On hold On hold
	Lae Port PPP – Transaction structuring	Ongoing Pipeline	Ongoing On hold
	PNG power solar independent power producers (IPPs) – Support for IPPs		Ongoing Ongoing
SOE reform	Community service obligation (CSO) framework – Phase II: Legal amendments to implement the SOE Policy – Phase III: Implementation of the CSO Policy	Ongoing On hold Ongoing	Ongoing On hold Ongoing
	SOE reform – Policy dialogue	Ongoing Ongoing	Ongoing Ongoing
	Review of Kumul Consolidated Holdings legislation – Review of the law		Pipeline Pipeline

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Regional			
Analytical work	Monitoring and evaluation for the Pacific Private Sector Development Initiative	Ongoing	Ongoing
	– Preparation and implementation of the Monitoring and Evaluation Framework Approach for PSDI Phase III	Ongoing	Ongoing
	Riding the wave	Ongoing	Ongoing
	– Preparation of the regional PSA (2017)	Ongoing	Ongoing
	Analytical work		Ongoing
	– Case studies on Pacific reforms for two chapters in the Alliance for Financial Inclusion book		Completed
	– Preparation of the Pacific Trade and Invest Survey Summary		Completed
	– Case study on Samoa public works reform		Ongoing
	– Paper on the Doing Business Indicators in the Pacific		Ongoing
	– PSA methodology paper		Completed
	– Chapter on the economic importance of registries for the Corporate Registrars Annual Report 2016		Completed
Business law reform	Electronic registries	Ongoing	Ongoing
	– Regional cloud solution	Ongoing	Ongoing
	Regional foreign investment policy review	Ongoing	On hold
	– Diagnostic	Ongoing	On hold
	Contracting framework (Papua New Guinea, Solomon Islands, Tonga, and Vanuatu)	On hold	On hold
	– Diagnostic	Completed	Completed
	– Contract enforcement in the Pacific	Pipeline	Pipeline
	Company registry for Kiribati, the Marshall Islands, and the Federated States of Micronesia	Pipeline	Pipeline
	– Small states registry	Pipeline	Pipeline
	Pacific Judicial Reform Workshop	Pipeline	Pipeline
	– Preparation and logistics	Pipeline	Pipeline
	Beneficial ownership		Pipeline
	– Diagnostic		Pipeline
	Support to ADB's Office of the General Counsel on an arbitration reform TA		Ongoing
	– Support to the Asian Development Bank (ADB) Office of the General Counsel		Ongoing
	Business Registries Workshop (March 2017)		Pipeline
	– Logistics and preparation		Pipeline
Competition and consumer protection	Competition framework	Ongoing	Ongoing
	– Regional analysis	Ongoing	Ongoing
EEOW	Gender Strategy for the Pacific Private Sector Development Initiative	Ongoing	Ongoing
	– Publication of <i>Empowering the Other Half: Women and Private Sector Growth in the Pacific</i>	Ongoing	Completed
	Women and Business Study (2016)		Ongoing
	– Preparation and publication of the report		Ongoing
	Supporting gender advocacy in the Pacific	Ongoing	Ongoing
	– Conducted various seminars, conferences, and workshops	Ongoing	Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Financing growth	Pacific Islands Working Group Meeting – Pacific Islands Regional Initiative Inaugural Meeting (Port Vila, June 2016)	Ongoing Completed	Ongoing Completed
	Support for ADB workshops on risk management for small and medium-sized enterprises lending – Support for ADB workshop in Sri Lanka (April 2016) – Support for ADB workshop in Nepal (July 2016) – Support for ADB workshop in Fiji (September 2016)	Ongoing	Ongoing Completed Pipeline Pipeline
	Pacific Microfinance Week – Pacific Microfinance Week (September 2015)	Ongoing Ongoing	Completed Completed
	Pacific branchless banking – Digital financial services publication (2016) – Digital financial services regulation	Ongoing Ongoing Pipeline	Ongoing Completed Pipeline
	Secured Transactions Conference – Preparation and logistics	Pipeline Pipeline	Pipeline Pipeline
	Access to Finance Data Portal – Initial work	Ongoing Ongoing	Ongoing Ongoing
	Pacific national provident funds – Diagnostic – Technical support for Pacific Chief Executive Officer Forum (Tonga, October 2015) – Superannuation Conference (Brisbane, Nov 2015) – CEO Roundtable (Nadi, March 2016)	Ongoing Ongoing Ongoing	Ongoing Ongoing Completed Completed
	Capital-raising – Diagnostic	Ongoing Ongoing	Ongoing Ongoing
	Use of credit guarantees in the Pacific – Diagnostic	Ongoing Ongoing	Completed Completed
	Commercial transformation of Pacific development banks – Diagnostic	Ongoing Ongoing	Ongoing Ongoing
	Disaster risk financing/insurance framework – Initial analysis		Ongoing Ongoing
	South Pacific Central Bank Governors' Annual Meeting – December 2015 – November 2016		Ongoing Completed Pipeline
PPPs	PPP case studies – Preparation and publication of case studies		Ongoing Ongoing
	PPP Policy Brief – Preparation and publication of policy brief		Ongoing Ongoing
	PPP assessments – PNG Power		Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
EEOW	Finding Balance 2016 and regional conference – SOE benchmarking study		Ongoing Ongoing
	SOE productivity analysis – Diagnostic		Ongoing Ongoing
	Director training (2015) – Development of an e-training tool – Development of an impact assessment	Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing
	Design and implementation of SOE websites (Kiribati, Marshall Islands, Samoa, Solomon Islands, Tonga, Vanuatu) – SOE website		Ongoing Ongoing
	Port tariff and productivity study – Preparation of a regional ports pricing and productivity comparative study		Completed Completed
Samoa			
Analytical work	Private sector assessment update – Publication of the Samoa PSA update (2015)	Ongoing Ongoing	Completed Completed
Business law reform	Company law reform (registry and amendment) – Registry design and implementation – Drafting of amendments to the Companies Act – E-payments pilot	Ongoing Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing Ongoing
	Business licensing (registry) – Registry design and implementation	Pipeline Pipeline	Pipeline Pipeline
	Foreign investment registry – Policy review – Review of legislation – Registry design and implementation	Pipeline Pipeline Pipeline Pipeline	Pipeline Pipeline Pipeline Pipeline
	Evaluation of the Samoa Companies Act – Preparation of a Companies Act evaluation report		Ongoing Ongoing
Competition and consumer protection	Competition reform – Preparation of Competition Policy and new legislation – Support for implementation of the Competition and Consumer Act	Ongoing Ongoing	Ongoing Completed Ongoing
Financing growth	Secured transactions reform – Drafting and passage of the Secured Transactions Law – Filing archive (registry) design and implementation	Ongoing Ongoing Ongoing	Ongoing Completed Ongoing
	Capital-raising – Post diagnostic	Pipeline Pipeline	Pipeline Pipeline
	National Provident Fund review – Diagnostic	Pipeline Pipeline	Pipeline Pipeline

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
PPPs	PPP project development – PPP project development Capacity-building support to the PPP Unit – PPP Unit capacity building Review and implementation of outsourcing opportunities – PPP preparation	Pipeline Pipeline	Ongoing Ongoing Ongoing Pipeline Pipeline Pipeline
SOE reform	SOE reform – SOE general reform – Restructuring/privatization transaction support – SOE Policy development and implementation – Governance support	Ongoing Ongoing Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing Ongoing Ongoing
Solomon Islands			
Analytical work	Private sector assessment – Publication of the Solomon Islands PSA (2016)	Ongoing Ongoing	Completed Completed
Business law reform	Business licensing reform – Diagnostic Company Law reform – Support for the implementation of the Companies Act – Review of the Companies Act 2009 and Companies (Insolvency and Receiverships) Act 2009 Customs and Excise Act reform – Review, drafting, and passage of the law – Customs Act implementation Foreign investment registry reform – Diagnostic – Awareness raising and business process changes Registration of Business Names Act – Awareness raising and business process changes; informing the review of the act with an EOW perspective Trustee Law reform – Drafting and passage of the law Evaluation of the Solomon Islands Companies Act – Preparation of a Companies Act evaluation report Multiple entities registry (companies upgrade, business names, and foreign investment) – Design and implementation of the registry – E-payments pilot	On hold On hold Ongoing Ongoing Ongoing Ongoing Ongoing Pipeline Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Pipeline	On hold On hold Ongoing Ongoing Ongoing Ongoing Ongoing Pipeline Ongoing Ongoing Ongoing On hold On hold Ongoing Ongoing Ongoing Pipeline
Competition and consumer protection	Competition reform – Competition policy and new legislation	Ongoing Ongoing	Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
EOW	Gender pilot	Ongoing	Ongoing
	– Boosting women’s technical skills to engage in the private sector (solar panel maintenance)	Ongoing	Completed
	– Improving inclusive governance (with Solomon Islands Chamber of Commerce and Industry)	Ongoing	Completed
	Research and development	Pipeline	Ongoing
	– Raising awareness of PSDI initiatives in the informal sector (with UN Women)	Pipeline	Ongoing
	– Collaborating with business to empower women		Ongoing
	– Building awareness of business law reforms among women in the formal economy (with UN Women)		Ongoing
	Evaluation of corporate governance in Solomon Islands		Ongoing
	– Preparation of an evaluation report		Ongoing
Financing growth	Finance sector regulation	Ongoing	Ongoing
	– Drafting of the Credit Union Policy and Bill; informing the review of the act with an EOW perspective	Ongoing	Ongoing
	Secured transactions reform	Ongoing	Ongoing
	– Review, amendment, and implementation of the Secured Transactions Act	Ongoing	Ongoing
	– Increasing lenders’ uptake of the secured transactions framework	Ongoing	Ongoing
	Capital-raising	Pipeline	Pipeline
	– Diagnostic	Pipeline	Pipeline
	Support to the Solomon Islands National Provident Fund	Ongoing	Ongoing
	– Drafting of the National Provident Fund Bill; informing the review of the act with an EOW perspective	Ongoing	Ongoing
	Support to the Central Bank of Solomon Islands		Ongoing
	– Regulation on consumer protection and market conduct		Ongoing
	– Regulatory standard for issuance of commercial paper by banks		Pipeline
PPPs	Development of renewable energy PPPs	Ongoing	Ongoing
	– Identifying opportunity for solar farms in selected outstations	Ongoing	On hold
SOE reform	SOE reform	Ongoing	Ongoing
	– Support for the implementation of the SOE Act (including CSOs)	Ongoing	Ongoing
	– Upgrade of accounting systems (shared accounting services)	Ongoing	Completed
	– SOE Policy formulation	Ongoing	Ongoing
	– SOE restructuring	Pipeline	Pipeline
	Evaluation of the implementation of the CSO framework in Solomon Islands		Completed
	– CSO framework evaluation report		Completed

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Timor-Leste			
Analytical work	Private sector assessment <ul style="list-style-type: none"> – Publication of the Timor-Leste PSA (2015) – Publication of the Timor-Leste PSA translation (2015) 	Ongoing Ongoing	Completed Completed Completed
Business law reform	Company Law reform <ul style="list-style-type: none"> – Legal and registry diagnostic – Legal and policy reform process – Guidance on beneficial ownership – Registry reform Insolvency/bankruptcy reform <ul style="list-style-type: none"> – Diagnostic – Drafting of the law 	Ongoing Ongoing Ongoing Ongoing Pipeline Pipeline Pipeline Pipeline	Ongoing Completed Ongoing Ongoing Pipeline Ongoing Ongoing Ongoing
Competition and consumer protection	Competition Policy <ul style="list-style-type: none"> – Diagnostic and drafting a Competition Policy 	Ongoing Ongoing	Ongoing Ongoing
Financing growth	Secured transactions reform <ul style="list-style-type: none"> – Policy formulation and consultations – Drafting and passage of the law Support to the National Commercial Bank of Timor-Leste (BNCTL) <ul style="list-style-type: none"> – Advisory support (internal audit) – Supporting ADB Expansion of Financial Services Technical Assistance Project – Governance arrangements for BNCTL Anti-money laundering/combating the financing of terrorism (AML/CFT) assistance to the Central Bank of Timor-Leste <ul style="list-style-type: none"> – Preparation of the AML/CFT strategy and completion of national risk assessment Branchless banking <ul style="list-style-type: none"> – Development of legal and regulatory environment for branchless banking Development of a long-term financing modality <ul style="list-style-type: none"> – Assessment of possible development financing options Review of offsite banking supervision <ul style="list-style-type: none"> – Diagnostic 	Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing Pipeline Pipeline	Ongoing Ongoing Completed Ongoing Completed Ongoing Ongoing Completed Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing
PPPs	PPP framework <ul style="list-style-type: none"> – Implementation of the PPP Law – PPP project development (power) – PPP feasibility and transaction support (Dili Water) 	Ongoing Ongoing Ongoing Pipeline	Ongoing Ongoing Ongoing Ongoing
SOE reform	SOE reform <ul style="list-style-type: none"> – Policy dialogue 	Ongoing Ongoing	Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Tonga			
Analytical work	Private sector assessment – Publication of a private sector strategy		Ongoing Ongoing
Business law reform	Bankruptcy reform – Diagnostic and drafting of instructions for the Bankruptcy Bill	On hold On hold	On hold On hold
	Company law reform – Companies Act implementation	Ongoing Ongoing	Ongoing Ongoing
	Foreign investment reform – Foreign Investment Policy review – Drafting and passage of the act – Registry design	Ongoing Ongoing Pipeline	Ongoing Ongoing Pipeline Pipeline
	Receiverships reform – Drafting and passage of the Receiverships Bill – Registry design and implementation	Ongoing Ongoing	Ongoing Ongoing Pipeline
	Multiple business entity registry (companies, business licenses, and business names) – Design and implementation of the registry – E-payments pilot	Ongoing Ongoing Ongoing	Ongoing Completed Ongoing
	Contracting, Sale of Goods Bill, and Arbitration Bill – Diagnostic	On hold On hold	Ongoing Ongoing
	Electronic transactions reform – Diagnostic		Pipeline Pipeline
	Competition reform – Competition diagnostic and policy preparation	Ongoing Ongoing	Ongoing Ongoing
	Support for the introduction of a multisector regulator – Diagnostic – Review of policy and drafting of the law	Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing
	Women’s business leadership pilot – Project design and implementation – Mentoring – Monitoring and evaluation	Ongoing Ongoing Pipeline	Ongoing Completed Completed Ongoing
	Enhancing women’s access to finance – Designing pathways to access supply chain finance		Pipeline Pipeline

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Financing growth	Secured transactions reform – Increasing lenders’ uptake of the secured transactions framework	Ongoing Ongoing	Ongoing Ongoing
	Provident fund regulatory reform – Preparation of policy paper – Review of draft regulation – Drafting of new regulation		Ongoing Ongoing Ongoing Ongoing
	Strengthening the Retirement Fund Board – Review of the Retirement Fund Board policies – Integration of fund policies through statement of investment beliefs		Ongoing Completed Ongoing
	Strengthening the National Retirement Benefits Fund – Review of policies		Pipeline Pipeline
	Support for the Tonga Development Bank – Development of supply chain financing instruments	Ongoing Ongoing	Ongoing Ongoing
	Capital-raising – Post-diagnostic	Pipeline Pipeline	Pipeline Pipeline
PPPs	Review and implementation of outsourcing opportunities – Tonga Forest Products leasing contract	Ongoing Ongoing	Ongoing Ongoing
	Management contract for Tonga export quality management – Management contract		Ongoing Ongoing
	Capacity building for PPP project development – PPP project Development capacity building		Ongoing Ongoing
SOE reform	SOE reform – SOE Policy formulation – SOE restructuring and privatization	Ongoing Ongoing Ongoing	Ongoing Completed Ongoing
	Ministry of Public Enterprises (MPE) capacity building – MPE capacity building	Ongoing Ongoing	Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Tuvalu			
Financing growth	Developing the financial system – Diagnostic of banking system and other financial services		Pipeline Pipeline
Vanuatu			
Analytical work	Private sector assessment update – Preparation and publication of the Vanuatu PSA update (2016)	Ongoing Ongoing	Ongoing Ongoing
Business law reform	Business names reform – Review of the law and drafting of regulations	Ongoing Ongoing	Completed Completed
	Company Law reform – Drafting and passage of the Personal Insolvency Act – Support for the implementation of the Companies Act; Preparation of women-friendly corporate governance materials and training – Review and amendment of the Company Law reform package and registry operation	Ongoing On hold Pipeline Ongoing	Ongoing On hold Ongoing Ongoing
	Trustee Law reform – Drafting and passage of the law	Ongoing	Ongoing Ongoing
	Multiple business entity registry (six entities) – Design and implementation of the registry	Ongoing Ongoing	Ongoing Ongoing
	Competition Policy – Diagnostic – Policy design	Ongoing Ongoing	Ongoing Ongoing Ongoing
EOW	Business leadership replication – Project design and implementation		On hold On hold
	Improving inclusive governance practices – Project design and implementation		Ongoing Ongoing
	Building awareness of business laws among women in the informal sector (with UN Women) – Project design and implementation		Ongoing Ongoing

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Table continued

Focus Area	Initiative	Status as of 2014–2015	Status as of 2015–2016
Financing growth	Secured transactions reform – Increasing lenders’ uptake of the secured transactions framework	Ongoing Ongoing	Ongoing Ongoing
	Legal and regulatory framework for finance – Microfinance legislative framework—drafting of amendments and consultations	Ongoing Pipeline	Ongoing Pipeline
	– Review of the Financial Institutions Act	Pipeline	Pipeline
	– Review of International Banking Act	Pipeline	Pipeline
	– Review of Nonbank Prudential Guidelines	Pipeline	Pipeline
	Improving the integrity of the Offshore Financial Center (AML/CFT) – Assessment of the economic impact of the offshore center	Pipeline	Pipeline
	– Aligning international companies regime with best practices	Pipeline	Ongoing
	Strengthening portfolio and investment management of the National Provident Fund – Diagnostic	Pipeline Pipeline	Pipeline Pipeline
	Collateral guarantees frameworks for financial inclusion – Diagnostic/discussion document	Ongoing Ongoing	Cancelled Cancelled
	Interest rate disclosure regulations (flat versus effective interest rates) – Diagnostic	Pipeline Pipeline	Pipeline Pipeline
	Capital-raising – Post-diagnostic	Ongoing Ongoing	Ongoing Ongoing
PPPs	PPP opportunities – PPP opportunities in the power sector	Ongoing Ongoing	Ongoing Ongoing
SOE reform	SOE reform – Liquidation and restructuring plans for four SOEs – Capacity building of Government Business Enterprise Unit – Drafting of the SOE Act – Support for implementation of the SOE Act – Review of the Vanuatu Agricultural Development Bank	Ongoing Ongoing Ongoing Ongoing	Ongoing Ongoing Ongoing Pipeline Ongoing

Source: Pacific Private Sector Development Initiative.

APPENDIX 3

INITIATIVES CLASSIFIED UNDER GENDER EQUITY

Country	Initiative	Focus Area	Status as of 2015–2016
Fiji	Women's Business Leadership Program <ul style="list-style-type: none"> – Project preparation and recruitment of participants – Implementation 	EEOW	Ongoing Ongoing Ongoing
	Company law reform <ul style="list-style-type: none"> – Review of the existing legal framework and awareness raising of impact on women 	BLR	On hold On hold
Palau	Private sector assessment <ul style="list-style-type: none"> – Preparation of the Palau PSA (2016) 	Analytical work	Ongoing Ongoing
Papua New Guinea	Gender pilot research and development <ul style="list-style-type: none"> – Assisting women in the informal sector (fisheries) – Business leadership in Papua New Guinea 	EEOW	Ongoing Ongoing On hold
	Strengthening the supply chain <ul style="list-style-type: none"> – Project design and implementation (agriculture) – Project design and implementation (fisheries) 		Ongoing Ongoing Ongoing
	Research on an entrepreneurial hub for supporting women's businesses <ul style="list-style-type: none"> – Project design and implementation 		Ongoing Ongoing
	Research on alternative women-friendly business vehicles <ul style="list-style-type: none"> – Project design and implementation 	BLR	Pipeline Pipeline
	Associations review <ul style="list-style-type: none"> – Assessment of current regulations and their impact on women – Drafting and passage of the law – Registry design and implementation 	Competition	Ongoing Ongoing Ongoing Ongoing
	Legal framework for competition and consumer protection <ul style="list-style-type: none"> – Review of Competition and Consumer Protection Policy 		Ongoing Ongoing
Regional	Gender strategy for PSDI <ul style="list-style-type: none"> – Publication of <i>Empowering the Other Half: Women and Private Sector Growth in the Pacific</i> 	EEOW	Ongoing Completed
	Women and Business Study (2016) <ul style="list-style-type: none"> – Preparation and publication of the report 		Ongoing Ongoing
	Supporting gender advocacy in the Pacific <ul style="list-style-type: none"> – Conducted various seminars, conferences, and workshops 		Ongoing Ongoing

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Table continued

Country	Initiative	Focus Area	Status as of 2015–2016
Solomon Islands	Gender pilot – Boosting women’s technical skills to engage in the private sector (solar panel maintenance) – Improving inclusive governance (with Solomon Islands Chamber of Commerce and Industry)	EEOW	Ongoing
			Completed
	Research and development – Raising awareness of PSDI initiatives in the informal sector (with UN Women) – Collaborating with business to empower women – Building awareness of business law reforms among women in the formal economy (with UN Women)		Ongoing
			Ongoing
	Evaluation of corporate governance in Solomon Islands – Preparation of an evaluation report	Analytical work	Ongoing
			Ongoing
	Private sector assessment – Publication of the Solomon Islands PSA (2016)	BLR	Completed
			Completed
Timor-Leste	Registration of Business Names Act – Awareness raising and business process changes; informing the review of the act with an EEOW perspective	Financing growth	Ongoing
			Ongoing
	Finance sector regulation – Drafting of the Credit Union Policy and Law; informing the review of the act with an EEOW perspective	Financing growth	Ongoing
			Ongoing
Tonga	Support to Solomon Islands National Provident Fund – Drafting of the National Provident Fund Bill; informing the drafting of the National Provident Fund Bill	Financing growth	Ongoing
			Completed
			Completed
Tonga	Private sector assessment – Publication of the Timor-Leste PSA (2015) – Publication of the Timor-Leste PSA translation (2015)	Analytical work	Completed
			Completed
Tonga	Women’s business leadership pilot – Project design and implementation – Mentoring – Monitoring and evaluation	EEOW	Completed
			Completed
	Private sector assessment – Publication of a private sector strategy		Ongoing
			Ongoing
	Enhancing women’s access to finance – Designing pathways to access supply chain finance		Pipeline
			Pipeline

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Table continued

Country	Initiative	Focus Area	Status as of 2015–2016
Vanuatu	Business leadership replication – Project design and implementation	EEOW	On hold On hold
	Improving inclusive governance practices – Project design and implementation		Ongoing Ongoing
	Building awareness of business laws among women in the informal sector (with UN Women) – Project design and implementation		Ongoing Ongoing
	Increasing awareness among women and institutions – Reviewing impact of business law reforms on women		Ongoing Ongoing
	Private sector assessment update – Preparation of the Vanuatu PSA update (2016)		Ongoing Ongoing
	Business names reform – Review of the law and drafting of regulations	Analytical work	Completed Completed
	Company law reform – Support for the implementation of the Companies Act; preparation of women-friendly corporate governance materials and training		Ongoing Ongoing
		BLR	

BLR = business law reform, EEOW = economic empowerment of women, PSA = private sector assessment, PSDI = Pacific Private Sector Development Initiative, UN = United Nations.
Source: Pacific Private Sector Development Initiative.

APPENDIX 4

MONITORING AND EVALUATION

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Target: By May 2019, the number of secured loans by financial institutions increases by 30% over 4 years (disaggregated by gender), and the percentage of secured loans rises by 10 points in at least four countries.

Results: The number of secured loans increased by an average of 179% in six countries.

Gender disaggregated data is now being collected in

- Marshall Islands
- Federated States of Micronesia
- Palau
- Solomon Islands
- Tonga
- Vanuatu

Cumulative Number of Secured Loans by Pacific Financial Institutions

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Target: By May 2019, the number of people with access to financial services (disaggregated by gender) through partner institutions rises by 30% in at least four countries.

**National Commercial Bank of Timor-Leste
Number of Borrowers and Depositors**

**Number of Mi-Cash Users
in Papua New Guinea**

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Target: By May 2019, the number of people with access to financial services (disaggregated by gender) through partner institutions rises by 30% in at least four countries.

Vanilla Supply Chain Lending Finance Facility Pilot with the Tonga Development Bank

- There have been 15 new loans to date using an individual grower's vanilla bean crop as security.
- There are no women borrowers so far as the men have tended to take out the loans in their name.

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Target: The ratio of total domestic credit to gross domestic product extended by financial corporations to the private sector in Papua New Guinea increases to 40% or more (2013: 34.6%).

Domestic Credit to the Private Sector
(% of gross domestic product)

	2011	2012	2013	2014
Papua New Guinea	29.2	31.6	34.6	31.0

Source: World Development Indicators database.

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Activities with Milestones

Performance Targets and Indicators with Baselines	Completed
1.1. Implement secured transactions reform.	Ongoing
<ul style="list-style-type: none"> Draft at least two secured transactions laws and associated regulations. 	Draft bill completed in Fiji. Draft legislation underway in Timor-Leste. Diagnostic completed and policy discussions underway in Cook Islands.
<ul style="list-style-type: none"> Install at least three new secured transactions registries and train registry staff. 	Papua New Guinea registry went live in May 2016. Implementation of Samoa registry commenced. Registries planned for Cook Islands, Fiji, and Timor-Leste as secured transactions reforms progress.
<ul style="list-style-type: none"> Disseminate information to lenders and borrowers on the application of the reform. 	Increasing lenders' uptake of the secured transactions framework in Palau, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu. Consulting with lenders as part of secured transactions legislative reform process in Fiji and Timor-Leste.

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
1.2. Expand access to financial services.	Ongoing
<ul style="list-style-type: none"> Undertake finance sector assessments, legal diagnostics of finance sector laws, and regulations. 	Ongoing
<ul style="list-style-type: none"> Reform laws, regulations, and policies in at least two Pacific developing member countries (DMCs). 	Nauru banking legislation – on hold; Solomon Islands credit union policy – completed; Solomon Islands NPF Bill drafting instructions – completed; Timor-Leste offsite banking supervision – ongoing; support to Bank of Papua New Guinea on finance sector regulation; interconnectedness and investment supervision – ongoing; legal and regulatory framework for anti-money laundering in Timor-Leste - ongoing Planned: capital market regulation in Fiji
<ul style="list-style-type: none"> Initiate five pilot initiatives for new financial products or service delivery channels in three Pacific DMCs. 	Vanilla supply chain lending finance facility with the Tonga Development Bank is ongoing. Initiated discussions on civil contracts finance facility in Solomon Islands and Vanuatu. Pre-shipment financing facility for cocoa exporters proposed in Solomon Islands. Cassava and coffee supply chain lending finance facilities being explored in Papua New Guinea.

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
1.2. Expand access to financial services (continued).	Ongoing
<ul style="list-style-type: none"> Pilot test mobile and/or branchless banking products and services by at least two partner institutions. 	Solomon Islands branchless banking pilot/agent setup with Westpac—Westpac withdrew from agreement
<ul style="list-style-type: none"> Undertake institutional strengthening of at least four partner institutions and/or central banks. 	Support for institutional strengthening of Mibank, Bank of the Cook Islands, Banco Nacional de Comércio de Timor-Leste, Tonga Retirement Fund Board, and National Development Bank of Palau underway
<ul style="list-style-type: none"> Facilitate the provision of financial education for clients in at least three Pacific DMCs. 	Undertaken as part of secured transactions implementation work in Fiji, Palau, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu

Output 1: Businesses and households in selected Pacific developing member countries have improved access to financial services.

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
1.3. Provide assistance to the Bank Papua New Guinea (BPNG) and the Papua New Guinea (PNG) Securities Commission to support BPNG's role in developing financial markets.	Ongoing
<ul style="list-style-type: none"> Review capital-raising legislation with the Securities Commission. 	Completed
<ul style="list-style-type: none"> Strengthen the regulatory framework with BPNG to mitigate risks around interconnectedness within the financial system and to improve the monitoring of investment managers. 	Report on extent of interconnectedness in PNG financial system accepted by BPNG. Building on this work, BPNG established a Macro Prudential Unit. PSDI is now assisting the unit to establish a Financial Sector Stability Committee and develop its work plan. Revised report on risks inherent in activities of investment managers appointed by authorized superannuation funds submitted for acceptance of BPNG.
<ul style="list-style-type: none"> Develop a franchise model to underpin MiBank's provincial expansion. 	PSDI has continued its support for Mibank through 2015–2016, focusing on the development of a business model to increase MiBank's regional presence, should it decide to do so.
<ul style="list-style-type: none"> Assess how the regulatory framework of the superannuation and pension fund industry could be strengthened to improve the investment performance of funds. 	Ongoing

Output 2: Selected business laws in Pacific developing member countries promote inclusive business formation, investment, entrepreneurship, and trade

Target: By May 2019, the number of new companies registered increases by 15% after registration reform in four countries.

Progress to date: Target exceeded in Samoa, Solomon Islands, and Tonga.

Country	Number of New Companies Registered During the Year of Registry Launch ^a	Number of New Companies Registered in 2015	Percentage Increase
Samoa	112	209	87%
Solomon Islands	127	408	221%
Tonga	55	73	33%
Average Increase			114%

^a Solomon Islands (2009), Samoa (2012), and Tonga (2014).

Solomon Islands: Business names and foreign investment upgrades underway.

Tonga: Business registries (company, business licenses, and business names) went live in December 2014.

Vanuatu: Business registries (company, business names, and charitable associations) went live in August 2015. Data from the Vanuatu company registry will be collected during the first annual review of the implementation of the law and registry in September 2016.

Output 2: Selected business laws in Pacific developing member countries promote inclusive business formation, investment, entrepreneurship, and trade

Target: Time to register a new company declines to less than 2 days in at least four assisted countries.^a

^a Data from the Vanuatu company registry will be collected during the first annual review of the implementation of the law and registry in September 2016. The initial law and registry reforms in Samoa and Solomon Islands were supported under phase I and II. Further implementation and upgrades (e.g., Samoa e-payment pilot and Solomon Islands multiple entity registry) are being supported under phase III.

^b Tonga had a hybrid paper/electronic company registry in place before the implementation of the online multiple entity registry in December 2014.

Output 2: Selected business laws in Pacific developing member countries promote inclusive business formation, investment, entrepreneurship, and trade

Target: The number of women shareholders and directors increases to at least 20% of directors and shareholders in four assisted countries.^a

**Number of Women Directors and Shareholders
in Samoa and Solomon Islands Companies**
(30 June 2016)

^a Data from the Vanuatu company registry will be collected during the first annual review of the implementation of the law and registry in September 2016.

Output 2: Selected business laws in Pacific developing member countries promote inclusive business formation, investment, entrepreneurship, and trade

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
2.1. Reform commercial laws.	Ongoing
<ul style="list-style-type: none"> Undertake at least seven country consultations on business law reform issues. 	31 ongoing initiatives and 38 ongoing projects requiring regular consultations.
<ul style="list-style-type: none"> Draft at least 12 bills by 2019. 	A total of 10 bills enacted since May 2013. Support for the drafting of 22 bills ongoing.
<ul style="list-style-type: none"> Draft regulations for all laws passed. 	A total of seven regulations made since May 2013. Support for the preparation of seven additional regulations ongoing.

Output 2: Selected business laws in Pacific developing member promote inclusive business formation, investment, entrepreneurship, and trade

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
2.2. Establish business registries.	Ongoing
<ul style="list-style-type: none"> Procure and install at least six business registries. 	Six new registries launched as of 30 June 2016. Three underway for 2016–2017.
<ul style="list-style-type: none"> Organize two regional conferences for staff of national registries in the Pacific and selected other countries. 	First of two held on 3–4 March 2015. The next conference is planned for March 2017.
2.3. Identify legal constraints to the economic empowerment of women.	Economic empowerment of women integrated in the private sector assessments for Cook Islands, Palau, Papua New Guinea, Samoa, and Solomon Islands, as well as in the forthcoming ones for Marshall Islands and Vanuatu.

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Target: By May 2019, a 15% increase in the rate of return on infrastructure state-owned enterprises (SOE) assets as a result of PSDI reforms in at least three countries compared with 2010 baseline.

**Return on Assets of State-Owned Enterprises in the Pacific
(change from 2010 to 2014)**

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Target: Government officials and politicians replaced on 20 infrastructure SOE boards by 2017 in at least three countries.

Number of Elected Officials and Public Servants Removed from State-Owned Enterprise Boards

**Elected Officials/Public Servants on All State-Owned Enterprise Boards
(% of total directors)**

- 13 of 20 SOE boards in four countries to date
- Additional SOE in PNG in 2015-2016

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Target: The number of women on SOE boards increases by 20% by 2017 compared with 2010 in at least three countries.

Increase in the Number and Percentage of Female State-Owned Enterprise Directors in the Pacific

	Fiji	Marshall Islands	Papua New Guinea	Samoa	Solomon Islands	Tonga
Number of female directors 2015	5	17	15	39	7	6
Number of female directors 2012	6	7	6	35	8	13
Change (%)	-17	143	150	11	-13	-54
Female directors 2015 (% of Total)	5	24	16	21	13	16
Female directors 2012 (% of Total)	10	22	10	18	13	17
Change (%)	-50	9	60	17	0	-6

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Target: At least four privatizations are under way or completed by 2017 in the region.

Privatizations/Liquidations Underway or Completed in the Pacific

Privatizations/liquidations completed:

- Samoa Agricultural Stores
- Tonga Investments
- Tonga Print (partial liquidation)
- Tonga Water Board (outsourcing)

Privatizations/liquidations underway:

- Fiji Electricity Authority
- Fiji Government Printery
- Samoa Public Trust Office
- Samoa Housing Corporation
- Samoa Post Limited
- Tonga Cable Limited
- Metenesel Estates Limited
- Asset Management Unit

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Target: At least seven public–private partnerships (PPP) transactions are under way or completed by 2017 in region.

Public–Private Partnerships Underway or Completed in the Pacific

PPP transactions completed:

- Tonga Forest Products

PPP transactions underway:

- Airports Fiji
- PNG Power
- Lae Port (PNG)
- Dili Urban Water (Timor-Leste)

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Activities with Milestones

Performance Targets and Indicators with Baselines	Completed
3.1 Undertake State-Owned Enterprises (SOE) reforms.	
• Measure rates of return on SOEs in at least eight countries in the region by 2019.	Rates of return being measured in eight countries as of 30 June 2016.
• Publish three further SOE benchmarking studies by 2019.	<i>Finding Balance 2014</i> published; <i>Finding Balance 2016</i> to be published in the third quarter of 2016.
• Conduct at least 25 SOE directors training sessions by 2019.	Conducted 14 modules in 2013–2015; developed training video available online in 2016.
• Prepare at least four SOE laws or substantial amendments to existing SOE laws by 2019.	SOE bills prepared for Fiji and Vanuatu; substantial amendments for the Samoa SOE Act passed by Parliament in January 2015; and Marshall Islands SOE Act passed in October 2015.
• Support the implementation of community service obligation frameworks in at least three countries by 2019.	Community service obligation frameworks implemented in Samoa, Tonga, and Solomon Islands; ongoing in Papua New Guinea; planned in Palau, Marshall Islands and Vanuatu.
• Complete at least four privatization transactions by 2019.	Four privatizations and/or liquidations completed; eight privatizations and/or liquidations underway in Fiji, Samoa, Tonga, and Vanuatu.

Output 3: The delivery of infrastructure services will be made more efficient and cost-effective.

Activities with Milestones

Performance Targets and Indicators with Baselines	Completed
3.2 Facilitate the implementation of selected PPPs.	Ongoing.
<ul style="list-style-type: none"> Prepare at least two PPP legal frameworks by 2019. 	PNG PPP law passed in 2014. Work in Fiji ongoing in 2016.
<ul style="list-style-type: none"> Support the establishment of PPP units in PNG and Timor-Leste by 2019. 	Establishment of PPP Unit in PNG suspended pending amendment of the PPP Act; Timor-Leste PPP Unit operational.
<ul style="list-style-type: none"> Identify PPP transaction opportunities in at least five countries by 2019 (completed pre-feasibility). 	Opportunities being pursued in Fiji, PNG, Samoa, Solomon Islands, Timor-Leste, and Tonga.
<ul style="list-style-type: none"> Facilitate the development of five PPP transactions by 2019. 	One completed; four underway.

Output 4: Selected Pacific developing member country governments establish a framework that promotes competition

Target: Competition commissions in place and issuing judgments in at least two Pacific DMCs by 2018.

PSDI Partnership with Competition Commissions in the Pacific (as of 30 June 2016)

- PSDI support to PNG's Independent Consumer and Competition Commission (ICCC) ongoing
- Support for competition commissions planned in Fiji and Samoa

Output 4: Selected Pacific developing member country governments establish a framework that promotes competition

Target: ICCC Capacity development program in technical and crosscutting areas implemented

- PSDI continues to support PNG's ICCC in 2016.

Output 4: Selected Pacific developing member country governments establish a framework that promotes competition

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
4.1 Undertake at least five assessments of competition and regulatory frameworks in Pacific DMCs.	Completed in Samoa, Timor-Leste, and Vanuatu. Assessments underway in Fiji, PNG, Solomon Islands, and Tonga. Regional assessment ongoing.
4.2 Initiate the passing of new competition laws and regulatory offices.	Samoa Competition and Consumer Act passed. Initiated the drafting of new competition laws in PNG. Support to ICCC continues. Support for the establishment of multi sector regulator planned for Fiji and Tonga.
4.3 Assist in implementing regulatory frameworks to support the acts in at least two Pacific DMCs.	PSDI will support implementation of the Samoa Competition and Consumer Act and upon its passage, the PNG Competition and Consumer Protection Bill.

Output 4: Selected Pacific developing member country governments establish a framework that promotes competition

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
4.4 Assist in implementing the PNG ICCC capacity development program.	Support to ICCC continues.

Output 5: Successful pilot initiatives promoting the economic empowerment of women are implemented in selected Pacific developing member countries

Target: At least four economic empowerment of women pilot initiatives completed by May 2019.

Progress to date: On target as of 30 June 2016.

- **Solomon Islands**
 - Boosting women's technical skills – completed
 - Improving inclusive governance – completed and replicated by the Chamber of Commerce; PSDI is replicating in Vanuatu
- **Papua New Guinea**
 - Strengthening the supply chain in fisheries – ongoing
- **Tonga**
 - Women's business leadership program – completed; PSDI is replicating in Fiji

Pilot Initiatives Supporting Women's Economic Empowerment (as of 30 June 2016)

Output 5: Successful pilot initiatives promoting the economic empowerment of women are implemented in selected Pacific developing member countries

Target: Findings of pilot initiatives mainstreamed into gender and/or private sector development policies by 2017 in at least four Pacific DMCs.

Pacific DMCs Where Findings of Pilot Initiatives are Being Mainstreamed into Gender and/or Private Sector Development Policies

1. Lessons from *Strengthening the Supply Chain in Papua New Guinea* have been incorporated into the design of two finance pilot initiatives in Solomon Islands and Tonga.
2. Lessons from *Solar Maintenance in Solomon Islands* have been incorporated into the design of an ADB solar power development project approved in July 2015.
3. Lessons from *Corporate Governance in Solomon Islands* have been mainstreamed into the business law reform program in Vanuatu.
4. Lessons from the *Women's Business Leadership Program in Tonga* are being applied in Fiji.
5. Findings of pilot initiatives presented in various conferences.

Output 5: Successful pilot initiatives promoting the economic empowerment of women are implemented in selected Pacific developing member countries

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
5.1 Undertake research in at least six areas of gender constraints in at least four Pacific DMCs.	Research being undertaken in the following areas: access to finance, competition and consumer protection, informal sector and barriers to formalization, supply chain access, skills access, and awareness of laws in the following countries: Cook Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu.
5.2 Utilize the findings to design at least four gender pilot initiatives.	Seven pilots designed, four pilots implemented, and three pilots replicated in Fiji, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu.
5.3 Evaluate pilot initiatives to identify success factors promoting the economic empowerment of women.	Evaluation conducted on corporate governance training in Solomon Islands. Monitoring and evaluation ongoing in other economic empowerment of women initiatives as implementation continues. Tailored pre- and post-pilot program evaluations are continuing.
5.4 Assist ADB and other development partners in replicating and scaling up successful pilot initiatives.	Lessons from one pilot has been integrated into the design of an ADB solar power project. Lessons from two other pilot initiatives are being integrated into PSDI's Financing Growth and Business Law Reform programs. Partnership with UN Women on a corporate governance pilot in Vanuatu.

Output 6: Strategic and knowledge management services are effectively provided

Target: PSDI analytical work is used by ADB and development partners for country programming (at least six times).

Pacific Countries Where PSDI Supported Private Sector Assessments are Used for Country Programming

Output 6: Summary of Private Sector Assessment Recommendations that have been Adopted

Target: At least 80% of the recommendations of the private sector assessments are adopted and acted on by the respective Pacific DMCs by mid-2019. (Only PSDI focus area recommendations are included.)

As of 30 June 2016, seven private sector assessments under PSDI 3 have been completed.
Percentage of progress against recommendations to mid-2016 is:

– Fiji (Update) 2014	60%
– Papua New Guinea 2015	58%
– Cook Islands 2015	29%
– Samoa 2015	50%
– Timor-Leste (plus translation) 2015	80%
– Solomon Islands 2016	
– Palau 2016	

Average to date (2014–2016) 55%

- Private sector assessments underway for:
 - Vanuatu (third quarter of 2016)
 - Marshall Islands (fourth quarter of 2016)
- PSDI will track adoption of recommendations annually from the time the PSAs are published.

Fiji Private Sector Assessment Update 2014

Priority Recommendations	Outcome
1. Streamline business entry.	X Company law and processes were reviewed and proposals for a new Re-registration Act were made. Currently, recommendations have not been adopted.
2. Improve state-owned enterprise performance and develop public-private partnerships (PPPs).	✓ PSDI has been asked for assistance for SOE reform, privatization, and PPPs, which is currently ongoing.
3. Strengthen infrastructure services.	✓ PSDI is assisting with a competition framework.
4. Increased access to finance and financial services.	✓ PSDI is assisting with a secured transactions law and registry, and capital market development.
5. Reduce price controls.	X No progress.

Overall adoption of recommendations as of 30 June 2016
3/5 = 60%

Papua New Guinea Private Sector Assessment 2015

Priority Recommendations	Outcome
1. Transform the role of the private sector.	X Dialogue between the government and the private sector remains poor.
2. Reform the finance and banking sectors.	✓ Secured transactions law and registry are now being implemented.
3. Promote, encourage and enforce competition.	✓ Assistance is being provided for a Consumer and Competition Framework Review, and to the Independent Consumer Competition Commission.
4. Continue to reform state-owned enterprises (SOEs).	.5 PSDI assisted Papua New Guinea with the passage of a Public-Private Partnership (PPP) Act and development of a PPP Centre. This is now on hiatus pending further review. SOE portfolio performance reviewed.
5. Focus on agriculture as a major sector.	X Some work being done on agricultural pilots as part of the EEOW focus area, but not on agriculture as a major sector.
6. Address the cost of infrastructure.	✓ Assistance with competition framework being provided and with PPPs in the provision of infrastructure.

Overall adoption of recommendations as of 30 June 2016
3.5/6 = 58%

The Cook Islands Private Sector Assessment 2015

Priority Recommendations	Outcome
1. Enhance policy transparency and strengthen public sector performance.	X No progress.
2. Improve the processes for business registration.	✓ Companies Bill being drafted and discussion of electronic registry continues.
3. Improve financial system functioning.	✓ Completed a liquidity management policy in support of the commercial transformation of Bank of the Cook Islands, and commenced a secured transactions diagnostic.
4. Advance gender equality.	X No progress.
5. Improve infrastructure services.	X No progress.
6. Strengthen the policy and legislative framework for state-owned enterprises.	X Support is on hold.
7. Improve the framework for competition.	X No progress.

Overall adoption of recommendations as of 30 June 2016
2/7 = 29%

Samoa Private Sector Assessment 2015

Priority Recommendations	Outcome
1. Fully implement the secured transactions framework	✓ Legal processes are all in place and registry will be installed in 2016.
2. Fully modernize the competition framework	✓ Competition law passed. Implementation to commence in 2016.
3. Privatize state-owned enterprises targeted for divestiture	✓ PSDI is providing assistance with divestiture.
4. Return Unit Trust of Samoa to its original mandate	X No progress.
5. Reduce the regulatory burden	X No progress.
6. Contract out and implement public-private partnerships	X No progress.

Overall adoption of recommendations as of 30 June 2016
3/6 = 50%

Timor-Leste Private Sector Assessment 2015

Priority Recommendations	Outcome
1. Ensure public spending is sustainable and delivers quality infrastructure services.	✓ Assistance being provided to strengthen state-owned enterprise provision of infrastructure services. Assistance is being given to the Public–Private Partnership Unit.
2. Increase women's participation in the formal economy.	✗ PSDI is not working on EEO in Timor-Leste.
3. Strengthen contract enforcement and other gaps in the legal framework.	✓ Company law diagnostic has been completed. Recommendations have been largely adopted, including that on beneficial ownership. Assistance with insolvency and bankruptcy legislation is being provided.
4. Improve the financial system's functioning and inclusiveness.	✓ Secured transactions bill is being finalized. Assistance continues to be provided to National Commercial Bank of Timor-Leste. Ongoing advisory on mobile financial services and development bank issues.
5. Enhance dialogue on investment climate issues.	✓ The Timor-Leste Private Sector Assessment has become a key document for discussions regarding private sector oriented dialogue. Government has created a new agency for the promotion of investment.

Overall adoption of recommendations as 30 June 2016

4/5 = 80%

Output 6: Strategic and knowledge management services are effectively provided

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
6.1 Provide knowledge management.	Ongoing.
• Refine and coordinate TA operational processes by July 2013.	Operations Manual prepared and updated as necessary.
• Hold annual retreats with cofinancing partners and ADB country team leaders.	Retreats held in Aug 2013, 2014, 2015, and 2016.
• Update monitoring and evaluation framework.	Monitoring and evaluation framework updated; implementation continues
• Establish formal dissemination mechanism for publicizing PSDI lessons learned.	Ongoing.
• Hold at least two regional journalist workshops to disseminate PSDI achievements by 2019.	First of two held in March 2014; second planned for 2018.

Output 6: Strategic and knowledge management services are effectively provided

Activities with Milestones

Performance Targets and Indicators with Baselines	Status
6.2 Provide advocacy support.	Ongoing.
<ul style="list-style-type: none"> • Provide advisory support on private sector development oriented reforms in eight Pacific DMC governments and private sector bodies. 	Providing advisory support in 14 Pacific DMCs.
<ul style="list-style-type: none"> • Prepare ad hoc policy briefing notes on business environment issues for cabinet members, ministers, and senior government officials in DMCs as requested. 	Prepared as requested.
<ul style="list-style-type: none"> • Hold regular biannual PSDI roundtable meetings in at least seven Pacific DMCs by 2019. 	Held so far in Cook Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, and Tonga.
<ul style="list-style-type: none"> • Prepare private sector assessment reports. 	7 completed. 2 underway.

Source: Pacific Private Sector Development Initiative, unless otherwise stated.

Pacific Private Sector Development Initiative

A Decade of Reform: Annual Progress Report 2015–2016

The Pacific Private Sector Development Initiative (PSDI) has been working to improve the lives of Pacific people for 10 years. Through reforms that encourage a well-functioning and vibrant private sector, PSDI's initiatives aim to make it easier to set up, run, and dissolve a business in the Pacific region. PSDI encourages the development of a thriving formal sector. Women in particular benefit from operating a business in the formal sector, which provides the opportunity to seek finance from commercial banks, to bid for work from the government and other organizations, and to gain protection under the law.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

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