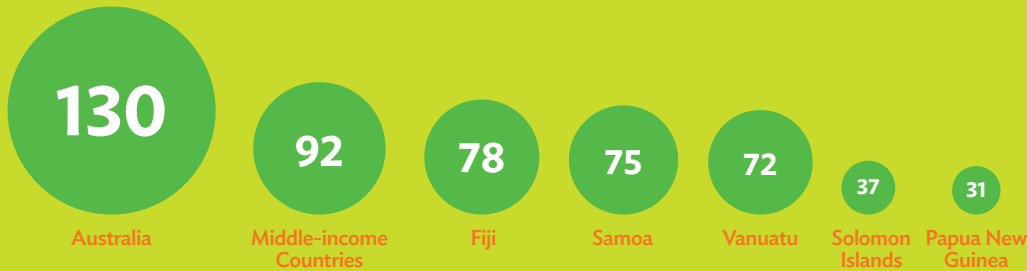


# FINANCING GROWTH

Financial markets in the Pacific are generally underdeveloped, and many people, particularly women, do not have access to basic financial services, especially in rural areas.

## WITHOUT ACCESS TO CREDIT, BUSINESSES CANNOT GROW



Only larger firms can access credit, which means smaller businesses cannot grow.

The ratio of private sector credit to gross domestic product, which illustrates the proportion of economic activity underpinned by borrowing, remains very low in the Pacific.

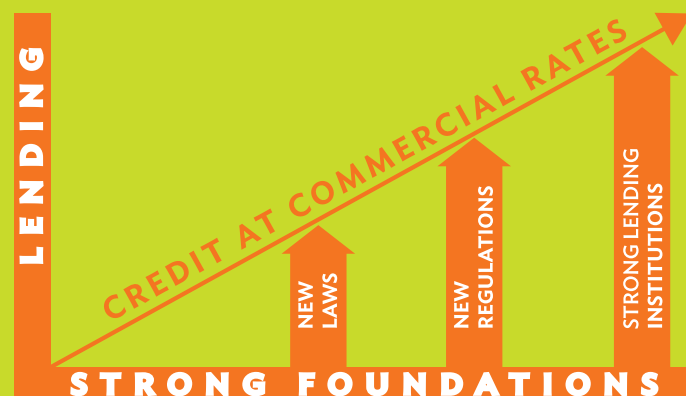
Source: World Bank. 2014. *World Development Indicators*.

## BUSINESS ACCESS TO CREDIT IS CRITICAL TO PRIVATE SECTOR GROWTH



## PSDI UNDERTAKES DIAGNOSTIC EVALUATIONS OF FINANCE AVAILABILITY

Diagnostics of the legal and regulatory structures and other factors influencing the availability of finance are undertaken as part of PSDI's regular private sector assessments (PSAs) of the business environments in Pacific countries. PSDI has produced 14 PSAs on 9 Pacific countries.



By examining the institutional foundations of financial systems, PSDI identifies and proposes laws and regulatory changes that will facilitate the increased availability of credit on a commercially sustainable basis.

## PSDI SUPPORTS LEGAL REFORMS AND HELPS ESTABLISH ELECTRONIC REGISTRIES THAT EXTEND ACCESS TO CREDIT THROUGH LOAN PRODUCTS THAT ARE SUITED TO THE PACIFIC

Secured transactions reforms enable borrowers to use assets other than land and buildings, such as vehicles, machinery, inventory—including crops—and accounts receivable as collateral for loans.

- Legislation recognizing new forms of collateral and lenders' interests is drafted and passed.
- Publicly searchable electronic registries that record lenders' interests in movable assets are created.
- Financial institutions are assisted to develop and implement new products using movable collateral.

SECURED TRANSACTIONS REFORMS IMPLEMENTED OR UNDERWAY IN

- MARSHALL ISLANDS
- PAPUA NEW GUINEA
- TONGA
- VANUATU
- FEDERATED STATES OF MICRONESIA
- SAMOA
- SOLOMON ISLANDS
- FIJI
- PALAU
- TIMOR-LESTE

### LEADING TO:

#### FASTER LOAN APPROVAL

SOLOMON ISLANDS  
Prereform

28 DAYS

Postreform

1 DAY

#### INCREASED LENDING

In 2015, in the eight countries where PSDI's secured transactions reforms have been completed since 2009, the number of loans granted using moveable property as collateral reached:



37,163

## PSDI SUPPORTS REFORMS TO IMPROVE THE OPERATING PERFORMANCE OF STATE-OWNED COMMERCIAL AND DEVELOPMENT BANKS

PSDI PROVIDES TECHNICAL SUPPORT AND ADVICE IN AREAS SUCH AS

- CREDIT POLICIES
- RISK MANAGEMENT POLICIES
- COMPLIANCE WITH REGULATIONS AND STANDARDS

THIS SUPPORT ALLOWS LENDING INSTITUTIONS TO:



Expand the credit services they provide



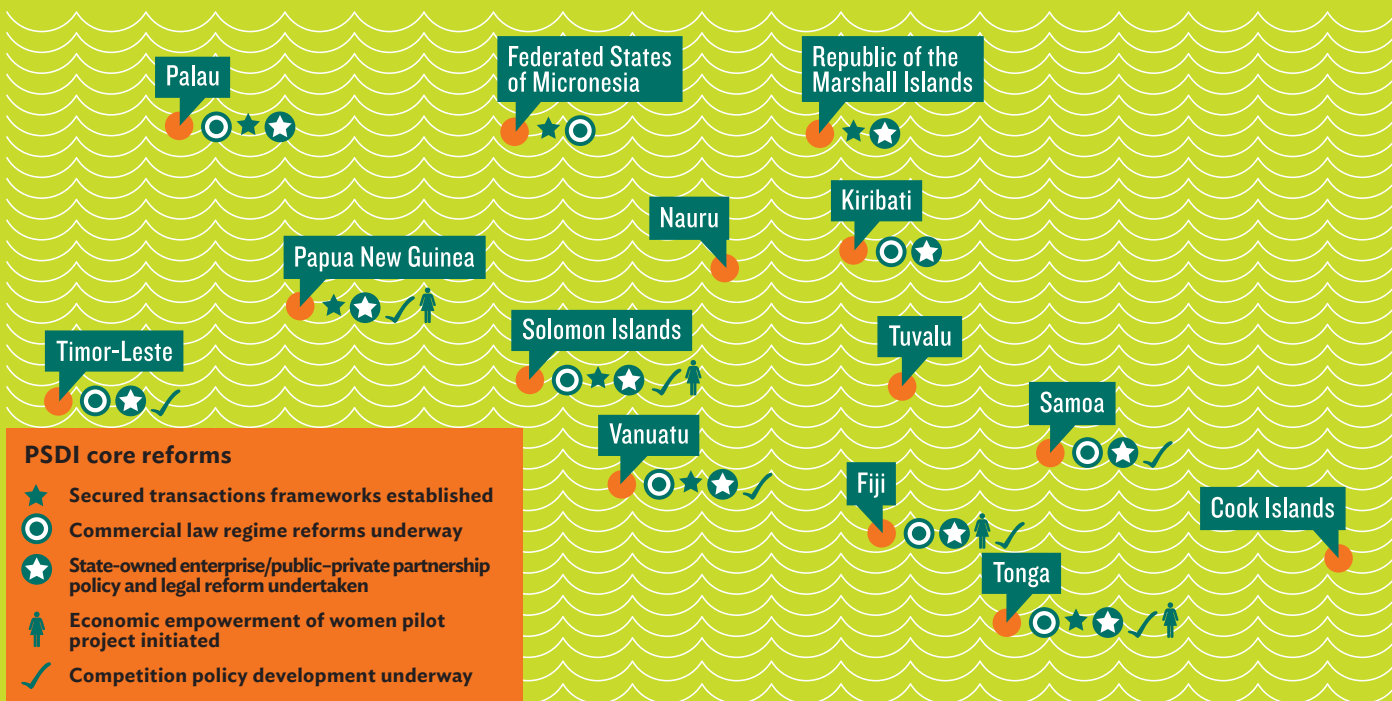
Enhance their commercial sustainability

Contribute positively to economic growth

# The Pacific Private Sector Development Initiative helps 14 Pacific developing member countries of the Asian Development Bank achieve sustainable economic growth through business environment reform.

Since 2007, PSDI has worked to alleviate poverty and promote growth in the Pacific region through reforms that encourage private sector investment and entrepreneurship.

PSDI assists governments and private sector actors to improve the business environment in the Pacific. Underpinned by a rigorous diagnostic approach that includes regular private sector assessments of the business environments in Pacific island countries, and the landmark *Finding Balance* benchmarking studies, PSDI's team of experts provides a range of technical assistance that promotes private sector development in the region. This includes specialized support in the areas of business law reform, access to finance, reforming state-owned enterprises, establishing public-private partnerships, the economic empowerment of women, and promoting competition. PSDI currently focuses on promoting a better business environment through technical expertise that includes assistance with policy, legislative reforms, advocacy, full implementation support for reforms, and technology-based solutions.



## ASIAN DEVELOPMENT BANK

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