

PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

Enabling the private sector to drive sustainable economic growth and lift Pacific people out of poverty

NEWSLETTER

JANUARY TO JUNE, 2016



Welcome to the first edition for 2016 of the Pacific Private Sector Development Initiative (PSDI) Newsletter.

PSDI aims to alleviate poverty by promoting private sector investment and entrepreneurship in Pacific island economies.

Since its inception in 2007, PSDI has undertaken more than 280 reform initiatives in the areas of access to finance; business law reform; competition and consumer protection; the economic empowerment of women; and state-owned enterprise reform and public-private partnerships. Our reform programs are based on analytical work that rigorously identifies the barriers that private sectors face in the Pacific region.

Inside you'll find an outline of our activities from January to June, and a spotlight on the key barriers that women face in entering the formal economy.

Our stories highlight the role PSDI played in improving access to finance in Papua New Guinea, and in developing a landmark competition framework for Samoa. PSDI also held a workshop to discuss the financial performance of state-owned enterprises in the Pacific region, provided a training course to enhance women's business skills in Tonga, and presented two analytical works at the Australasian Aid Conference, held in Canberra.

05 Helping Businesses Thrive in Papua New Guinea

Businesses and lenders stand to benefit from reforms that enable borrowers to use non-land assets such as crops, equipment, and accounts receivable as collateral to fund their business activities.

07 PSDI Hosts Biennial Leaders Seminar on State-Owned Enterprise Reform in Island Economies

PSDI welcomed ministers and heads of departments responsible for state-owned enterprises to discuss their experiences and strategies for reform.

09 Enhancing Competition and Consumer Protection in Samoa

The Government of Samoa and PSDI worked in collaboration to develop the new Competition and Consumer Protection Act 2016, laying the groundwork for better protection for consumers.

11 Empowering Tonga's Next Generation of Female Business Leaders

In Nuku'alofa, Tonga, 14 women took part in a series of PSDI-led leadership workshops to gain the skills and confidence to take their next step up the career ladder.

13 Extending PSDI's Knowledge and Research

PSDI's analytical work puts credit guarantees and the World Bank's Doing Business indicators under the spotlight.

PSDI NEWS SUMMARY

JANUARY



Secured transactions registry launched in Papua New Guinea

The [Personal Property and Securities Register](#) was launched by Minister for Treasury Patrick Pruaitch, at a breakfast hosted by the Papua New Guinea Chamber of Commerce and Industry in Port Moresby. The online registry will allow lenders to easily secure their claim on 'moveable' assets—ranging from machinery to accounts receivable—that borrowers have pledged as collateral, paving the way for credit to be extended to new categories of borrowers.

See TV interview with PSDI on [Business Plus PNG](#), TV news reports by [EMTV](#) and [NBC](#), read coverage by The National ([1](#), [2](#), [3](#), [4](#)) and [Business Advantage PNG](#), and read PSDI's op-ed in [Nikkei Asian Review](#) on the uptake of secured transactions in the Pacific. **See story on pages 5 and 6.**

Competition and Consumer Protection Act passed in Samoa

This landmark legislation establishes a regulatory framework that will make Samoa a fairer and safer place to do business, and purchase goods and services.

Read PSDI's op-ed in [The National](#). **See story on pages 9 and 10.**

PSDI's Annual Progress Report 2014-2015 released

PSDI's [most recent annual report](#) documents our activities, achievements, and expansion over 2014-2015, and features an extended chapter on how our financing growth initiatives are helping improve funding for Pacific businesses. See [video interview](#) with PSDI Lead Economist Paul Holden's and read his [article](#) on PSDI's progress and potential as it enters its 10th year.

FEBRUARY



MARCH



Women's business leadership pilot project concludes in Tonga

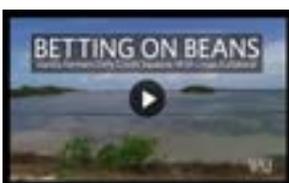
The last of three, two-day training events held in Nuku'alofa saw 14 women employees of major Tongan businesses and government departments graduate from this program, which is designed to help them reach leadership roles.

See story on pages 11 and 12.

Empowering the Other Half released

This [20-page booklet](#) explains how PSDI mainstreams the economic empowerment of women throughout its work and how our pilot projects demonstrate practical approaches to supporting women's equal participation in the private sector.

Read [ADB's article](#) on PSDI's support for women's economic empowerment in the Pacific.



Pilot project in Tonga profiled in Wall Street Journal documentary

A [short film](#) produced by the newspaper to accompany a [feature article](#) looked at an innovative use of Tonga's secured transactions framework, which is enabling vanilla farmers to finance the extension and rejuvenation of their plantations using their crops as collateral.

Business registry training workshop held in Honiara

This three-day workshop marked the beginning of a project to make Solomon Islands' business names and foreign investment registries available online, and to upgrade its already-online companies registry.



State-owned enterprise reform seminar hosted in Sydney

PSDI hosted ministers and heads of departments responsible for state-owned enterprises in six Pacific island countries who gathered to share their experiences of SOE reform and identify opportunities to improve SOE performance.

See story on pages 7 and 8.



JANUARY TO JUNE

State-Owned Enterprise Reform Policy Brief released

The [first of PSDI's Policy Briefs](#)—which articulate the context and rationale underpinning the support PSDI provides—examines the guiding principles of our state-owned enterprise reform work.

PSDI country factsheets released

These [nine factsheets](#) provide an overview of PSDI's support and achievements in each of the 14 Pacific countries we work with.



First report in PSDI's Knowledge Series released

[Digital Financial Services in the Pacific](#) examines the use, challenges, and potential of mobile phone banking in the region. It is the first publication in PSDI's Knowledge Series, which will provide insight and analysis on private sector-oriented reforms in the Pacific region.

Read coverage featuring an interview with PSDI's Senior Finance Sector Expert Peter Dirou in [Business Advantage PNG](#).

APRIL



MAY

Papua New Guinea's secured transactions registry goes live

After support and training prepared local institutions to use the new lending system, Papua New Guinea's online registry was activated, making this the eighth Pacific country PSDI has helped to establish a secured transactions framework.

Hear PSDI Senior Finance Sector Expert Peter Dirou's interview with [Radio Australia](#) and read coverage in [The National](#).



Competition Review workshops held in Papua New Guinea

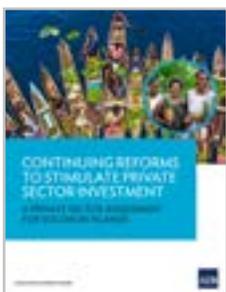
As part of the Consumer and Competition Framework Review PSDI is supporting, four workshops were held around the country with representatives from the business community. The workshops, organized with local chambers of commerce and the participation of the Independent Consumer and Competition Commission, informed businesses about the review, elicited their views on key issues, and solicited written submissions in response to the review's three [Issues Papers](#).



Private sector assessment for Solomon Islands released

PSDI's [most recent private sector assessment](#) provides a snapshot of Solomon Islands' economy, assessing the gains made through private sector reforms and calling for further measures to attract investment and promote formal-sector employment.

Hear Paul Holden's interview with [Radio Australia](#) about the PSA and read his op-ed in the [Solomon Star](#).



Women's business leadership pilot project launched in Fiji

In this Fijian replication of the pilot project that recently concluded in Tonga, 29 mid-level professional women are receiving training and mentorship to help them reach leadership roles.





ECONOMIC EMPOWERMENT OF WOMEN

DID YOU KNOW?



ACCESS TO FINANCE
20% of women in Solomon Islands have a bank account, compared to 32% of men.¹



PARTICIPATION IN THE FORMAL ECONOMY
In Tonga, significantly fewer women (6,333) are in salaried employment than men (10,354).²



WOMEN ON BOARDS
Only 5% of directors on state-owned enterprise boards in Fiji are women.³



WOMEN AND LEADERSHIP
In Solomon Islands' public service, only 5% of senior positions and 22% of mid-level positions are occupied by women.⁴

¹ Financial Services Demand Side Survey Solomon Islands.

² Tonga Department of Statistics. Tonga Statistics at a Glance. <http://tonga.prism.spc.int/#population-statistics-including-administrative-information-and-statistical-tabulation-of-the-2011>

³ ADB. 2016. *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Countries*. Manila.

⁴ ADB. 2015. *Solomon Islands: Country Gender Assessment*. Manila.



HELPING BUSINESSES THRIVE IN PAPUA NEW GUINEA

In Papua New Guinea (PNG), businesses can now access finance more easily by using their non-land assets such as accounts receivable, machinery, or inventory as collateral to secure loans. This will benefit both business borrowers and the financial institutions that offer loans.

Business owners need finance to operate and expand their businesses. Credit assists businesses of all sizes with short-term financing to purchase inventory, and financing to help with longer-term requirements such as machinery and equipment. Entrepreneurs starting new businesses require funding. And farmers need credit to purchase seeds and fertilizer, and to grow crops and raise livestock.

Banking sectors throughout the Pacific have historically viewed lending to businesses—particularly small-to-medium-sized businesses—as high risk. If a business defaults on its loan, the likelihood of the lender getting repaid in full is low. Also, lenders usually require land or buildings as collateral, which most businesses do not have. As a result, credit is hard to come by, business

opportunities are missed, and economic growth is slowed.

Building on experience gained in seven Pacific Island economies, PSDI worked in collaboration with the Government of Papua New Guinea to establish a framework for secured transactions. Initiated in 2011 with the passing of the PSDI-

“Entrepreneurs starting new businesses require funding. And farmers need credit to purchase seeds and fertilizer, and to grow crops and raise livestock.”



PSDI's Peter Dirou and Rosandra Kora respond to questions from PNG's local media.

supported Personal Property Security Act, which strengthened repossession laws, the framework is now in place following the establishment of a new, online collateral registry.

Launched in Port Moresby in January, the online registry enables lenders to conveniently and efficiently record their interest in an asset as collateral for a loan. The registry also helps lenders accurately determine whether an asset has been previously pledged. It reduces the risk of lending to businesses, and enables lenders to expand their loan portfolios.

PNG banks are currently undertaking the important task of collating their

records of pledged assets and entering their records in the new online registry. While the task has required more hands on deck than usual, for Ben Chapman, National Operations Manager from Kina Bank, this process has clear benefits.

“We’ve now created a large database of all our lending customers’ key information—who they are, loan amounts, securities, valuations, insurance details. It can be searched easily and we can filter it if we want certain reports. In hindsight, it’s good to do something like that because you’re doing housekeeping at the same time.”

The reform also enables suppliers of agricultural products, machinery, and equipment to offer finance to their customers, secured by the goods they sell.

PSDI is committed to providing PNG lenders with the ongoing assistance they need to learn how to use the online registry.

To find out more about secured transaction reforms, please contact Peter Dirou, PSDI’s Senior Financial Sector Expert, at peter.dirou@adbpsdi.org; or Terry Reid, International Business Law Expert, at terry.reid@adbpsdi.org

Xianbin Yao, Director General of the Asian Development Bank's Pacific Department, addressing attendees on the first day of the seminar.

PSDI HOSTS BIENNIAL LEADERS SEMINAR ON STATE-OWNED ENTERPRISE REFORM IN ISLAND ECONOMIES

In March, PSDI hosted 14 Pacific island government officials at its biennial Leaders Seminar on State-Owned Enterprise (SOE) Reform in Island Economies.

Participants were invited to discuss the working draft of the forthcoming PSDI publication *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Economies*, and to share SOE reform experiences and strategies. The seminar was a unique opportunity to learn from peers and to explore global experiences of SOE reform.

Opening the seminar, Xianbin Yao, Director General of the Asian Development Bank's Pacific Department, commended the participants for progress made in commercializing and improving the performance of SOEs in the Pacific. This outcome, he stated, was a direct result of the reforms undertaken in recent years. In five of the eight Pacific island countries participating in the study, average profitability of the SOE portfolio had improved during the 2010–

2014 period.

Richard Prebble, former Minister of SOEs in New Zealand, shared his experience of implementing one of the most comprehensive and successful SOE reform programs undertaken in a developed country. He encouraged the participants to maintain their focus on commercializing SOEs, introducing competition, and developing partnerships with the private sector.

“SOE reform is possible and extremely cost-effective,” he said, “but it requires strong and sustained political commitment.”

Chris White, Director of the Commercial Operations Group, New Zealand Treasury, corroborated this view, and shared Treasury's recent

experience with restructuring social housing and implementing public–private partnerships.

Tonga's Minister of Public Enterprises, Poasi Mataele Tei, said the workshop was a valuable networking event.

“The seminar was an excellent opportunity to speak frankly about the challenges of SOE reform and to consider new approaches to strengthen advocacy and build consensus for reform,” he said.

Finding Balance 2016 will be published in August 2016.

For more information about PSDI's work in the area of SOE reform and public–private partnerships, please contact Laure Darcy at ldarcy@adbpsdi.org



Chris Russell, PSDI's State-owned Enterprise and Governance Expert, presenting a summary of the 2016 benchmarking study of SOE performance in island economies.



ENHANCING COMPETITION AND CONSUMER PROTECTION IN SAMOA

When shopping for fresh produce at Apia's fish or fruit markets, the new competition act will help consumers get quality produce at a fair price.

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.

“An effective competition framework with appropriate protections for consumers sets the stage for sustainable growth and a diversified economy,” said Terry Reid, PSDI’s International Business Law Expert.

“This legislation will allow the Government of Samoa to establish a regulatory system that delivers the best outcomes for individuals and the economy overall.”

The act combines modern consumer protection and

pro-competitive rules and is likely to draw recognition to Samoa as a best practice leader in this area.

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 analytic input, policy advice, and legislative drafting support to address local priorities and to tailor the law to the government’s objectives.

The policy and act were then refined to incorporate considerations drawn from consultations with the business sector, regulatory agencies, and government representatives.

Under the act, “consumer guarantees” 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 forming cartels that engage in price-fixing and forbid firms that have market power from misusing it to the detriment of consumers.

With the new legislative framework now in place, the government can establish the Competition and Consumer Commission, which has responsibility for administering the

new law and the power to take action where infringements occur.

A program of public education and an awareness raising campaign for businesses will be developed 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 and competition safeguards.

If you would like to find out more about PSDI's work in competition and consumer protection, please contact PSDI's International Business Law Expert, Terry Reid, at terry.reid@adbpsdi.org



“Under the act, “consumer guarantees” give consumers better assurance of the quality and safety of goods and services offered by traders.”

EMPOWERING TONGA'S NEXT GENERATION OF FEMALE BUSINESS LEADERS

The Women's Business Leadership Program took place in Nuku'alofa, Tonga, over three, two-day sessions that aimed to provide attendees with the skills, knowledge, mentoring, and networking opportunities they require to advance their careers. All attendees selected to take part in the workshops currently work in mid-level roles in the public or private sectors.



The leadership workshops attracted participants from major Tongan businesses and government departments.

The workshops covered a range of topics, from understanding different organizational cultures to the challenges and skills of successful leaders.

The networking component of the workshops—a leadership strategy that extends well beyond the workshops themselves—had the most significant and lasting impact. This component encouraged attendees to develop their own networks—thereby raising their profile, presence, and influence within their organization—and to network with other leaders in

the field. Following the workshops, more than half of the attendees reported that their networking ability had improved significantly.

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 workshops have given one attendee, Ofeina Filimoehala from the Tonga Development Bank, the confidence to set up her own business. The workshop program also helped her think differently about her own goals. “I want to be CEO of a company in three-years’ time,” said Ms. Filimoehala.

Another workshop participant was invited by her employer, Bank South Pacific, to attend an in-house leadership and capacity building workshop. Emele Hia attributes her successful selection to the confidence she gained from attending the PSDI workshop.

The workshops highlighted the role of calculated risk taking, providing

attendees with the confidence to voice their opinion, while being “prepared to accept the consequences, positive or negative,” as Norma Lavemai from Tonga Airports said.

The role of work-life balance, and thinking about what that means for those in leadership roles, was also explored by the workshops. This is an important element in any leadership training course for women but especially pertinent for Tonga, and the Pacific more broadly, given there is still much work to be done to improve gender equality.

The Women’s Business Leadership Program is also running in Fiji from April to October 2016. If you would like to find out more about the program please contact PSDI’s Economic Empowerment of Women Specialist, Vijaya Nagarajan, at vij.n@adbpsdi.org



“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.”

PSDI AT THE 2016 AUSTRALASIAN AID CONFERENCE

At the 2016 Australasian Aid Conference in February PSDI presented two papers, which generated lively discussion and debate.



“Mr. Holden attributed the failure of a number of credit guarantee schemes in the Pacific to the low number of loans guaranteed or the substantial losses incurred on guaranteed loans.”



Following the presentations, PSDI's representatives took a number of questions from the audience.

The conference, held by the Australian National University in Canberra, is a key forum for the discussion of international development policy in Asia and the Pacific.

The first paper challenged the current push for credit guarantees as a means to promote access to finance in the Pacific region, while the second paper questioned the World Bank Doing Business indicators and their ability to reflect recent reforms to the business environment in the region.

PSDI's first presentation critiqued the use of credit guarantees to increase Pacific businesses' access to finance. The paper presented will be published by PSDI as *Credit Guarantees: Challenging Their Role in Improving Access to Finance in the Pacific Region*. It discusses the numerous drawbacks of credit guarantees, showing they are both theoretically flawed and have failed to increase lending to Pacific businesses.

The paper attributes the failure of a number of credit guarantee schemes in the Pacific to the low number of loans guaranteed or the substantial losses incurred on guaranteed loans. It points out that, internationally, credit guarantee schemes have also proved to have significant flaws. The paper also explains that for the amount of lending to be significantly increased by credit guarantees the schemes would have to become unfeasibly large.

The second paper, which, like the first, was presented by PSDI Lead Economist Paul Holden, questioned the usefulness of the Doing Business indicators in the Pacific region. The paper, titled *The Relevance of the Doing Business Indicators for Pacific Island Economies*, argues that the indicators inaccurately represent reforms that have occurred as the indicators focus on procedural inputs and do not attempt to measure the benefits that accrue from business environment reform.

The paper also argues that many of the business environment reforms undertaken by Pacific island countries have not been recognized in the indicators. Also, the indicators' yearly recalibration makes them unstable as historical rankings continually change and, as a result, they are unreliable measures of the business environment. Given their unreliability, Mr. Holden suggested they may even be viewed as counterproductive in identifying reform priorities.

To find out more about PSDI's analytical work, please contact PSDI's Lead Economist, Paul Holden, at paul.holden@adbpsdi.org

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