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### NOTES

(i) In this report, "$" refers to US dollars unless otherwise stated.

(ii) This report has not been formally edited.
ABBREVIATIONS

ADB – Asian Development Bank
Admin – administration
ATM – automated teller machine
AusAID – Australian Agency for International Development
COO – Cook Islands
CPS – Country Partnership Strategy
CSO – community service obligation
EFTPOS – electronic funds transfer at point of sale
FIJ – Fiji Islands
G2P – government-to-person
GBE – government business enterprise
GEC – global economic crisis
HFL – Home Finance Ltd.
ICCC – Independent Consumer and Competition Commission
IFC – International Finance Corporation
IMTL – Instituição De Microfinanças De Timor-Leste
INA – Institute of National Affairs
M&E – monitoring and evaluation
MDFR – management for development results
MPEI – Ministry of Public Enterprises and Information (Tonga)
n.a. – not applicable
NEC – National Executive Council (the Cabinet, Papua New Guinea)
OTH – others
PAL – Palau
PFIP – Pacific Financial Inclusion Programme
PIAC – Pacific Infrastructure Advisory Center
PNG – Papua New Guinea
PPP – public–private partnership
PSA – private sector assessment
PSD – private sector development
PSDI – Pacific Private Sector Development Initiative
REG – regional
RMI – Republic of the Marshall Islands
SAM – Samoa
SCI – statement of corporate intent
SDS – Strategy for the Development of Samoa
SIOD – Samoa Institute of Directors
SML – Sasape Marina Ltd.
SOE – state-owned enterprise
SOEMD – State-Owned Enterprise Monitoring Division (Samoa)
SOL – Solomon Islands
SSS – Samoa Shipping Services Ltd.
TA – technical assistance
TDB – Tonga Development Bank
TIM – Timor-Leste
TON – Tonga
VAN – Vanuatu
VANWODS – Vanuatu Women in Development Scheme
VFSC – Vanuatu Financial Services Commission
FOREWORD

This is the third annual progress report of the Pacific Private Sector Development Initiative (PSDI), which has continued to respond actively to the growing demand for private sector-oriented reform in the Asian Development Bank’s (ADB’s) Pacific developing member countries (DMCs). The growing number of private sector development-related reform initiatives and the continued recognition of the important role for the private sector in promoting economic growth in the region are evidence of its success.

PSDI is cofinanced by the Australian Agency for International Development (AusAID). I am pleased to report that in December 2009, ADB Board of Directors approved a second phase technical assistance program that will extend the tenure of PSDI through 2013. I am grateful to AusAID for contributing further cofinancing that brings the total funding for this second phase of PSDI to $12 million. A particular feature of the success of PSDI is that it has worked in combination with stand-alone ADB technical assistance for private sector development that substantially increases the impact of reform efforts in the region. Another factor in PSDI’s success is close collaboration with development partners, which ensures that reform efforts are well-coordinated. In some cases, reform initiatives have been implemented jointly, which has added to their success.

We continue to receive strong positive feedback from our Pacific DMCs on the usefulness of PSDI assistance. Representatives from Pacific governments and the private sector find that the reforms being implemented under PSDI are enhancing the growth potential of their countries. Furthermore, countries receiving assistance under ADB’s economic support programs have included among their policy commitments long-term reform measures identified through PSDI, to address constraints to private sector development.

With the recently approved additional funding, PSDI is expanding into new areas. Gender mainstreaming will become a standard feature of PSDI reform initiatives. PSDI work to date has enhanced opportunities for women in many Pacific island economies, and PSDI will extend its efforts in this area. PSDI will also expand its work on competition policy to assist participating countries to enhance the competitiveness of their economies. PSDI is also developing an improved framework for contracting, as small, remote economies have a particular interest in enabling long-term, easily enforceable contracts to promote investment and trade. Recognizing the need to ensure the effectiveness, PSDI tasks include monitoring and evaluation as a core feature.

In conclusion, I would like to thank our Pacific DMC governments and their private sectors for their continued enthusiasm and cooperation in implementing reforms. AusAID remains a strong and supportive partner for our efforts. I would also like to thank the members of the PSDI team for their work. The success of PSDI to date is a tribute to their enthusiasm. I look forward to the next phase of PSDI with keen anticipation.

Robert Wihtol
Director General
Pacific Department
EXECUTIVE SUMMARY

A. PSDI During Its First 3 Years of Operation

1. This is the third annual progress report for the Pacific Private Sector Development Initiative (PSDI), a regional technical assistance (TA) program of the Asian Development Bank (ADB) that commenced at the end of 2006 and is cofinanced by the Australian Agency for International Development (AusAID). PSDI aims to alleviate poverty in ADB’s Pacific developing member countries (DMCs) by encouraging private sector-led, sustainable economic growth. It provides the necessary resources for core analytical work, advocacy, and the implementation of reform initiatives that support the private sector in the Pacific region.

2. PSDI addresses the binding constraints to private sector-led economic growth in the Pacific by supporting: (i) increased access to finance through expanding the availability of microfinance and mobile payments, and reforming the collateral framework for lending; (ii) reform of the enabling business environment; and (iii) state-owned enterprise (SOE) reform and the implementation of public–private partnerships (PPPs). PSDI activities are implemented using a mix of country-specific and regional initiatives that cover analytical work, technical assistance, capacity development, and advocacy. It leverages existing ADB country partnership strategies by providing a rapid-response capability for private sector development (PSD) reform that supports the ability of Pacific DMC governments to quickly respond to reform opportunities as they arise.

3. PSDI activities aim to raise economic growth rates in the Pacific by: (i) increasing the amount of productive private investment in individual Pacific DMCs and the region; (ii) improving access to finance and financial services for the private sector in order to ensure that small business are encouraged, and that investment projects and dynamic businesses which have the potential to contribute to growth can be funded, such that the benefits of growth reach down to the rural poor; (iii) increasing the number of formal businesses created and registered through reducing the cost of business entry—the large informal sectors of Pacific economies impose substantial costs in terms of low productivity; (iv) making the commercial legal framework accessible to a significantly larger portion of the population; (v) reducing the cost and improving the quality and availability of infrastructure services; (vi) creating opportunities for private sector participation in markets currently dominated by SOEs and government departments; and (vii) strengthening the overall financial performance of SOEs by improving governance, introducing hard budget constraints and promoting competition, thereby reducing their drain on public funds.

4. Between 2007 and 2009, the first 3 years of PSDI’s implementation, efforts were concentrated on interventions in three key areas: improving access to finance, improving and modernizing the commercial legal framework, and reforming SOEs and developing an environment to support PPP projects in Pacific DMCs. At the same time, PSDI became a powerful instrument with which to engage senior policymakers and stakeholders in the Pacific on a broad PSD reform agenda, which has built up broad reform momentum in the region.

5. In late 2009, ADB and AusAID approved an additional $12 million in resources for a second phase of PSDI that will provide funding for further PSD-oriented reform initiatives in the Pacific region through 2013. The focus areas identified during the first 3 years will be continued. In addition, developing a framework for more effective contracting for doing business in the region will be added to the commercial legal reform component, and options for an effective competition framework will also be explored.
B. Response to the Global Economic Crisis

6. Toward the end of 2008 and during 2009, the global economic crisis hit most countries in the Pacific region hard. With most countries in the region highly dependent on tourism and remittances, many were especially affected. ADB led a number of development partners in offering help with budget shortfalls. While PSDI is not designed for such direct interventions, the technical analysis underpinning its reform interventions has identified factors that promote growth, and many of these were included in policy commitments made by governments in the region. Please see Chapter II, Section D for more information.

C. Promoting Women's Economic Empowerment in the Pacific

7. Women remain marginalized in the formal economies of the Pacific for reasons that range from long-standing cultural practices, structural limitations, and legal and regulatory barriers. PSDI’s activities to promote PSD in the Pacific are addressing a number of the legal, regulatory, and access constraints to women’s economic empowerment. In particular, PSDI’s core activities promote greater participation of women in the formal economy through:

- Business law reforms that facilitate women and women’s groups starting businesses;
- Improving women’s access to credit through reforms that increase their ability to mobilize collateral as security for loans; and
- Expanding rural financial services outreach through supporting the expansion of existing microfinance institutions into rural areas.

Please see Chapter III, Box 1 for more information.

D. Operational Highlights 2009

8. The response of Pacific DMC governments to both the analysis and the technical reforms financed through PSDI has been strongly positive. During its first 3 years of implementation, 62 reform projects, representing a funding commitment of about $9.0 million have been initiated through PSDI (see Chapter IV for details). Highlights of outputs and achievements for PSDI's reform areas in 2009 are presented below (see Chapter V for details).

1. Access to Finance

9. Most countries in the Pacific have only a narrow range of financial services, limited access to credit, and interest rates on loans that are sufficiently high to crowd out investment projects that would be viable elsewhere. The focus of PSDI-oriented initiatives has been on expanding both the range of financial services available and promoting outreach to rural areas. In addition, access to credit is being enhanced by ongoing reform of the collateral framework in eight Pacific countries receiving varying degrees of assistance from PSDI. Until late 2009, standalone TA projects in Papua New Guinea (PNG), Timor-Leste, and Vanuatu, as well as other countries, provided the bulk of ADB support for access to finance in the Pacific. From 2010 onwards, the majority of these interventions will be funded through PSDI. Highlights with respect to improving access to finance through PSDI interventions include:

- Implementing secured transactions reform—laws were passed and personal property securities registries opened in Solomon Islands and Vanuatu. There is ongoing secured transactions reform in Palau, Samoa, and Tonga and a request has been received from the government of PNG for assistance in this area.
- Support for financial education and capacity development as key parts of standalone interventions in PNG, Timor-Leste, and Vanuatu.
• Assistance in implementing mobile phone technology and branchless banking for payments in Timor-Leste and Vanuatu.
• Assistance to microfinance institutions in the Fiji Islands, PNG, Timor-Leste, and Vanuatu to expand rural outreach and provide greater access to financial services.

2. Reform of the Enabling Business Environment

10. Analysis of the business environment in the Pacific undertaken through PSDI indicates that PSD in the Pacific DMCs is constrained by outdated and inappropriate laws and regulations. In many cases, these are simply absent. Deficiency in the key legal areas of company formation, contracting, dispute resolution, and insolvency is a common theme in all Pacific island countries. Reform of the commercial legal framework in which the private sector functions has been an important focus area for PSDI. Some key reform initiatives include:

• New company laws enacted in 2009 in Solomon Islands and Tonga, which should reduce the cost of company formation, facilitate access to finance, and encourage entry into the formal sector. The particular focus of these laws has been on smaller companies, which will promote the growth of the small and medium enterprise sector.

• A Companies (Insolvency and Receiverships Act) passed in Solomon Islands that will make the application of insolvency procedures much more straightforward.

• A Stamp Duties Amendment Act passed in Vanuatu simplifying the payment of stamp duty and eliminating payments on the registration of security interests.

• Diagnostic studies and associated consultations for company registry reforms carried out in Samoa, Solomon Islands, and Vanuatu, with implementation now underway.

• Preparation of a reform roadmap for the contracting framework in the Pacific, which simplifies contracting and dispute resolution.

• Implementation of new laws and regulations as a key component in ensuring that legal reforms are effective. Implementation involves an extensive public awareness campaign and training for stakeholders.

• In the area of competition policy and consumer protection, PSDI-funded experts assisting in strengthening capacity in the Cook Islands, Fiji Islands, and PNG.


11. In the Pacific economies, SOEs are major providers of goods and services, particularly in the utilities, ports and airports, and sea transport sectors. Analytical work has identified that in many cases, provision of these services is inefficient and high cost. As a result, SOE sectors are a major impediment to growth and productivity in many countries and reduce the competitiveness of their private sectors. Reforming SOEs is a key focus area under PSDI. It is being approached in three ways. First, where feasible, PSDI initiatives assist governments with privatization. Second, where privatization is not feasible in the near term, SOE restructuring and commercialization is being pursued to increase accountability and efficiencies in the SOEs, thereby reducing their strain on state budgets. Third, PPPs are being introduced to increase private sector participation in the delivery of core infrastructure and services, creating investment opportunities and improving the service delivery capacity of both the state and its SOEs. Highlights of PSDI interventions in the area of SOE reform and PPPs include the following.

• In Tonga, progress continued on the development and implementation of rationalization strategies for 11 public enterprises. Five training programs were undertaken in 2009 covering topics such as commercial valuations, training for
directors, financial competency, strategic planning, and PPPs. An amendment to the Public Enterprise Act was approved by Cabinet in 2009 and is expected to be sent to the Legislative Assembly in early 2010.

- The **full privatization of Home Finance Ltd.** was completed in Solomon Islands, and the sales plan, timetable, and bid documents for Sasape Marina Ltd. finalized and approved by the board. The tender is scheduled for 2010.

- A **comparative analysis of SOE performance** and reform experiences in the Fiji Islands, Samoa, and Tonga was published and launched at a high-level leaders retreat attended by the Prime Minister of Samoa, minister of finance of Samoa, minister of finance and public enterprises of Tonga, and governor of the Reserve Bank of Fiji. The study was a pioneering analysis of the economic impact of the SOE sector in the three countries. The results of the analysis were disseminated through seminars on the **economic cost of the SOE sectors.** Seminars were held in Samoa, Tonga, and Vanuatu, and attended by over 200 SOE directors and managers, and other government officials. The findings had a strong impact on SOE policies. They led to a Cabinet decision in Samoa to accelerate SOE reform and remove all ministers and civil servants from the boards of the public enterprises. A similar initiative is underway in Tonga, with five boards having been restructured in 2009.

- In **PNG,** work has begun to develop a **community service obligation (CSO) framework** as a first step in SOE reform. This is expected to be completed in 2010, and should lead to significantly increased transparency in the management of the SOE portfolio.

- A **PPP policy** was prepared and endorsed by Cabinet in PNG in 2008, with implementation (i.e., enactment of a PPP law and establishment of a PPP Centre as a specialized advisory body to the Department of Treasury to facilitate the processing of PPP projects) underway in 2009. Once complete, PNG will have the only functioning PPP framework in the Pacific, which should facilitate private investment in infrastructure in the coming years. Several immediate opportunities for PPP projects have been identified in the transport, power, and health sectors, which will be developed in 2010.

- In **Vanuatu,** the government requested ADB support in developing and implementing an SOE reform program, including the development of new SOE legislation and restructuring plans for individual SOEs. The government has appointed an inter-ministerial task force that will oversee the closing of the Vanuatu Commodities Marketing Board, one of the country’s largest SOEs, as a first step in this process. PSDI has been and will continue to jointly support this effort with AusAID’s Governance for Growth program in Vanuatu.

- PSDI supported the Prime Minister's Office in **Tonga** in developing strategies for **maximizing local private sector input** in infrastructure works for the rebuilding of Nuku'alofa. This was part of the fiscal stimulus in response to the global economic crisis. This work has also included the development of a medium-term **whole-of-government infrastructure investment plan** and technical input on a number of private sector-led, government-supported investment proposals in industries such as tourism and fishing.

- **Fifteen workshops/seminars** have been conducted on SOE reform and PPPs at both the country and regional level, with over 400 participants in total. This has significantly increased awareness of the need for, benefits of, and potential scope for SOE reform and PPPs.
4. Analytical Work, Advocacy, and Outreach

12. Initiatives funded by PSDI are identified by in-depth analytical work, advocacy, and discussion with governments and stakeholders. In 2009, these included the following:

- An analysis of the constraints to PSD in Vanuatu. *Sustaining Growth: A Private Sector Assessment for Vanuatu* was published and discussed with the government, with key recommendations being implemented.
- *Reforming Pacific Contract Law*, a diagnostic study on the contracting frameworks and environments in PNG, Solomon Islands, Tonga, and Vanuatu, with a strong recommendation that a codified framework would bring substantial benefits to the private sector.
- Various outreach seminars and training workshops.
- PSD policy and coordination advisors in PNG and Tonga to lead the advocacy and outreach initiatives, in addition to helping implement and coordinate PSD-related activities.
- Outreach through numerous articles, opinion and editorial pieces, and interviews addressing PSD issues and PSDI-sponsored activities published in regional and local media.

E. Enhancing Monitoring and Evaluation

13. Measuring the impact of PSDI-supported TA is crucial to understanding its effectiveness. During the first 3 years of PSDI, a management for development results tool was developed to monitor the progress of projects. Separately, work commenced on developing performance indicators. A more comprehensive monitoring and evaluation (M&E) framework is now under development that integrates financial budgets and controls, monitoring of reform initiatives, and project inputs, and relates, where possible, inputs to outputs, outcomes, and impact. This framework seeks to measure the effectiveness of PSDI-supported TA, as well as, more broadly, the impact of PSD-focused policy reforms and initiatives in the Pacific. All new initiatives will have M&E criteria built into their terms of reference. Additionally, ongoing diagnostic and analytical work will separately assess progress in the broader area of PSD. Please see Chapter VI for more information.

F. Linkages and Partnerships

14. PSDI has promoted partnership and cooperation between PSD donors in the region. There are regular consultations with AusAID, which has deepened substantially through ongoing dialogue and collaboration on PSD issues. This has enhanced analysis and improved the implementation of private sector-oriented country strategies and programs, as well as specific reform initiatives. PSDI's activities have also been closely coordinated with the World Bank Group, and a number of collaborative initiatives in operations and M&E have been successfully implemented. Quarterly donor group meetings are held between ADB, AusAID, the New Zealand Agency for International Development, and the World Bank Group to communicate progress, coordinate interventions, and share lessons learned. The Pacific Infrastructure Advisory Center is co-located with PSDI in ADB's Pacific Liaison and Coordination Office, Sydney, Australia, providing substantial collaboration opportunities given PSDI's expertise, experience, and relationships in the area of CSOs, PPPs, and private sector participation in infrastructure. Please see Chapter VII for more information.
G. Outlook

15. PSDI continues to effectively implement private sector-oriented reform in the Pacific region. The demand for its services remains strong as shown by increasing requests for specialized TA. PSDI is evolving into new areas such as competition and contracting frameworks. In addition, while much of the work under PSDI has promoted the inclusion of women in economic activity, this is now a particular focus.

16. Programming for 2010 in the areas of access to finance, improving the enabling environment, and SOE reform and PPPs is virtually complete. The new M&E framework will have been developed by the midyear and will be applied to new projects.

17. With PSDI having been underway for 3 years, some projects are coming to fruition. The reform of the Companies Acts in Solomon Islands and Vanuatu will be complemented by the installation of electronic registries in 2010. A similar PSDI company law reform initiative in Tonga was augmented through cooperation with the International Finance Corporation, which provided assistance for the installation of a company registry. Once these reforms are complete, these countries will have efficient commercial legal systems that should assist in enhancing their competitiveness.

18. Pioneering new initiatives in microfinance and the application of technology to payment systems are being planned and will be implemented in 2010–2011. The substantial progress that has been achieved in extending microfinance services and access to credit will continue in PNG, Timor-Leste, and Vanuatu. Work is underway to extend microfinance services in the Fiji Islands.

19. Secured transactions reform has been successfully completed in Solomon Islands and Vanuatu. Registrations of security interests have exceeded expectations, and the reforms have contributed to improving access to finance in these countries. One of the lessons learned under PSDI has been the importance of comprehensive implementation. Continued implementation assistance will be provided in these countries to ensure that the full benefits of the reforms are delivered. PNG and Samoa have also requested assistance in implementing secured transactions reform, and work in this area will commence during 2010. Additional assistance will also be provided for secured transactions reforms in Palau and Tonga, and ongoing support for secured transactions systems in the Republic of the Marshall Islands and Federated States of Micronesia.

20. In 2010, work will commence on developing a regional contracting framework and a framework for competition policy, with corresponding workshops to be held within the next 12 months. These will promote regional discussion of these important issues and help generate demand for reform at the country level.

21. In Solomon Islands an extensive review of the overall legal environment for customs will commence in 2010. This will involve a review of the Customs and Excise Act, with a view to drafting a new Bill to be considered by Parliament in 2011. This is a significant and important reform initiative aimed at substantially improving enforcement, removing cumbersome processes, generating greater revenue collection, and enhancing overall border integrity. This is a collaborative effort between PSDI and the Australian Customs Service, which is responsible for a customs modernization program supported by the Regional Assistance Mission to Solomon Islands.

22. SOE and PPP related reforms have been a central part of the implementation of PSDI-oriented initiatives. A combination of analytical work, TA, and ongoing advice through on-the-ground advisors has proven to be a powerful instrument in promoting reform. Substantial progress has been made in PNG and Tonga, which will continue in 2010.
Pioneering work on the economic impact of SOEs that commenced in 2008 will be extended to additional countries and updated for the countries already analyzed in 2010.

23. The continuity of the PSDI team has proven to be one of its greatest strengths and has enabled long-term ongoing dialogue with government and private sector counterparts in the countries in the region. Furthermore, it has also been a major factor in continuing to raise awareness of PSD-oriented reform in Pacific countries. As a result, PSDI-initiated reform efforts look to continue and deepen, and are attracting the attention of private sector development reformers in other parts of the world.
I. INTRODUCTION

1. Since 2002, ongoing work and initiatives by the governments and private sectors in Pacific island countries, the Asian Development Bank (ADB), and other development partners have resulted in the widespread acknowledgement that sustainable economic growth requires a dynamic and entrepreneurial private sector. Governments in the region are focusing to a much greater extent than in the past on removing impediments to private investment and entrepreneurship. To respond to the substantial increase in requests for assistance in implementing private sector development (PSD) oriented reform,¹ and to increase its capacity to promote PSD in the Pacific, ADB established the Pacific Private Sector Development Initiative (PSDI),² a regional technical assistance (TA) program cofinanced by the Australian Agency for International Development (AusAID), with the main goal of promoting PSD to achieve sustained economic growth and reduce poverty in ADB’s Pacific developing member countries.

2. This third annual progress report for PSDI presents a summary of major activities and achievements in 2009. It describes initiatives that are underway or were completed during the year, how resources were utilized, and the contributions that PSDI has made both at the country and regional level. A number of countries have substantial private sector-oriented reform programs, many components of which were identified in PSDI’s analytical work, and are being implemented with PSDI resources. If the reform momentum is maintained, the reforms are likely to have a strong positive impact that will lead to substantial improvements in the business environments in the region. PSDI has proven to be very successful, with requests for assistance and funding that have outstripped its resources.

3. As a result, at the end of 2009, ADB and AusAID approved the provision of an additional $12 million for a second phase of PSDI during 2010–2013.³ Over the next 4 years, the analysis and initiatives that have been implemented to date will be deepened and expanded, and the reach of PSDI will be extended to competition and contracting issues. In addition, a major initiative is being planned to develop and implement a monitoring and evaluation framework to ensure that PSDI projects have the maximum development impact.

4. Chapter II briefly describes PSDI’s objectives, methodology, management structure, and efforts to measure impact and achievement. Chapter III outlines the new focus areas for PSDI in 2010–2013. Chapter IV provides an overview of PSDI’s financial status in terms of disbursements and the remaining commitments as it transitions into the second phase. Chapter V summarizes PSDI’s portfolio of activities, specifically in terms of major achievements in its three focus areas, as well as providing highlights of its analytical and advocacy work. Chapter VI describes ongoing efforts to improve PSDI’s results framework. Chapter VII highlights PSDI’s linkages to other ADB activities and its crucial role in fostering external partnerships, and the report concludes with the outlook on PSDI activities going forward (Chapter VIII). The Appendices contain detailed information on PSDI activities in each of the priority countries (Appendix 1); the PSDI project list (Appendix 2); a summary of PSDI portfolio performance (Appendix 3); a list of PSDI-supported seminars and workshops in 2009 (Appendix 4); details of PSD-oriented reforms contained in the global economic

² Private Sector Development Initiative (TA No. 6353–REG), approved on 21 November 2006 for $8.7 million, cofinanced by AusAID with $7.6 million. The TA budget was increased in 2008, 2009, and 2010 by additional cofinancing from AusAID in the amount of $0.3 million, $0.155 million, and $0.6 million respectively, thereby bringing the total TA amount to $9.755 million.
³ Pacific Private Sector Development Initiative Phase II (TA No. 7430–REG), approved on November 2009 for $12 million, cofinanced by AusAID with $9 million.
crisis related economic support program policy commitments (Appendix 5); and a list of
PSDI’s key achievements and challenges in 2007–2009 (Appendix 6).

II. KEY FEATURES OF THE PACIFIC PRIVATE SECTOR DEVELOPMENT INITIATIVE

A. Overall Objectives

5. It is widely recognized that poverty alleviation is best achieved through sustained,
equitable economic growth. Further, growth is primarily the result of private sector
development (PSD). That is, a dynamic and entrepreneurial private sector provides a
foundation for the rapid transformation of developing economies. The Pacific Private Sector
Development Initiative (PSDI) seeks to create an enabling environment for the private sector
at both the country and regional level. It provides a rapid-response capability for PSD reform,
as well as necessary resources to engage with private sectors and governments in the
region on core PSD-related issues and reforms. Analytical work performed under PSDI
identifies the core constraints that hold back the private sector in the region. Reform
measures that are being implemented are aimed at enhancing productivity and growth, and
alleviating poverty. The constraints are identified through in-depth assessments undertaken
by the Asian Development Bank (ADB) in the Pacific over the past 7 years,\(^4\) which will
continue to be updated to ensure that they are current. As such, PSDI both informs and
leverages existing ADB Country Partnership Strategies.

6. The awareness of the importance of PSD for sustainable economic growth has
increased substantially in the Pacific developing member countries (DMCs) over the past
several years. PSDI has been instrumental in promoting private sector-oriented reform and
has introduced innovative approaches to reforms that contribute to sustainable economic
growth.

7. The main barriers to more dynamic private sectors in the Pacific arise from low levels
of competitiveness, investment, and productivity. These are largely due to the high costs of
doing business and the inadequacies of institutions. Common PSD issues and challenges
facing most Pacific DMCs include: (i) the pervasive role of the state in many aspects of
economic activity, thereby inadvertently exacerbating rather than ameliorating problems
associated with size and geographical isolation; (ii) the failure of financial markets to
intermediate efficiently and provide access to credit for the private sector, especially in rural
areas; (iii) business laws and regulations that are outdated and inadequate to support
modern business transactions; (iv) inefficient, unreliable, and often expensive infrastructure
and services, often provided by state-owned enterprises, which place an unnecessary
burden on both business and government; and (v) lack of competition as a result of small
market size, public or private sector monopolies, and ineffective regulation.\(^5\) PSDI has

\(^4\) ADB has carried out private sector assessments (PSAs) for the Fiji Islands, Republic of the Marshall Islands,
Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu, as well as a regional PSA,
published in 2004 as Swimming Against the Tide: An Assessment of the Private Sector in the Pacific. All ADB
PSAs are available at www.adb.org/PrivateSector/development/assessments.asp.

Solomon Islands Private Sector Assessment: Recovery Through Private Sector-Led Growth. Sydney; ADB.
the Future: A Private Sector Assessment for Papua New Guinea. Sydney; ADB. 2008. Samoa Private Sector
Assessment: Consolidating Reform for Faster Economic Growth. Sydney; ADB. 2008. Transforming Tonga: A
Private Sector Assessment. Sydney; and ADB. 2009. Sustaining Growth: A Private Sector Assessment for
Vanuatu. Sydney.
helped generate the necessary reform momentum to address these issues and challenges and has achieved significant results in its focus areas.

8. PSDI provides the resources and expertise for the identification of the barriers to PSD and the implementation of country-specific and regional PSD reform. Other donors are now emulating its unique rapid response capabilities. PSDI has helped increase the breadth, depth, responsiveness, and effectiveness of ADB’s PSD operations in the Pacific. Representing a substantial part of ADB’s PSD-related operations in terms of value in the region, PSDI’s catalytic capacity has mobilized not only ADB resources, but also those of other donors.

B. PSDI Methodology

9. The process of formulating reform strategies in Pacific DMCs is based on the analysis of constraints to private sector-led economic growth. The conclusions of this analysis lead to in-depth policy dialogue and advocacy with government and the private sector. On the basis of these discussions, specific policies to remove constraints and improve the business climate become part of ADB’s Country Partnership Strategies. Periodic updates of analytical work are planned to assess progress and ensure that reform priorities remain current.

10. The reform strategy is translated into individual technical assistance projects on either the country or regional (often multi-country) level. Experience shows that the multi-country approach is highly beneficial in terms of economies of scale, feedback and learning, and cooperation. Multi-country benchmarking becomes a powerful tool in engendering a sense of awareness and competition in terms of reform achievements among regional neighbors.

11. PSDI’s comprehensive analytical work has led to a technical focus in three core areas. These are:
   - Increasing access to finance, especially for smaller businesses, the informal sector, and microenterprises;
   - Reforming the commercial legal frameworks in Pacific DMCs by reforming business law, strengthening property rights, and promoting competition; and
   - Assisting countries in reforming their state-owned enterprises, strengthening the rules and processes associated with community service obligations, and in implementing public–private partnerships.

C. Management Structure

12. ADB’s Pacific Liaison and Coordination Office in Sydney, Australia manages PSDI. The regional management team of ADB’s Pacific Department, led by the director general, based in ADB Headquarters, Manila, Philippines, provides strategic guidance. A team of PSD experts with extensive experience in PSDI’s focus areas drives the analysis and implementation of reform in Pacific DMCs. The implementation of reform activities is closely coordinated with all ADB offices in the region. In particular, PSDI operations are programmed, designed, and implemented in collaboration with ADB’s South Pacific

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A new initiative to promote PSD in the Caribbean, the "Compete Caribbean Program" is about to commence. This is a $40 million technical assistance program, jointly funded by the Canadian International Development Agency, United Kingdom’s Department for International Development, and the Inter-American Development Bank.
Subregional Office in Suva, Fiji Islands for operations in the Cook Islands, Fiji Islands, Samoa, and Tonga; ADB’s Special Office in Timor-Leste; and ADB’s Papua New Guinea Resident Mission in Port Moresby.

D. Measuring PSDI’s Impact and Achievements

13. Increasingly, implementing reform effectively requires a comprehensive system to measure the impact of reform initiatives and assistance. PSDI is addressing this need through the development and implementation of a comprehensive framework for monitoring and evaluation, which will be a key focus in 2010. To this end, the current management for development results tool is being revised and extended not only to monitor the progress of individual initiatives, but also to improve financial controls, and to assess the outputs, outcomes, and impacts of all PSDI reform initiatives and projects. An expanded system of monitoring and evaluation will be designed in the first half of 2010. The main elements of the new system is described in Chapter VI and the PSDI annual progress report for 2010 will contain a full description of the system and the measurements to date.

14. The global economic crisis (GEC) has damaged the short-term prospects for the Pacific economies, primarily in the form of lower remittance flows and tourist arrivals, but also through reduced investment and, for some countries, lower commodity prices. As a result, economic growth rates have fallen sharply and balance of payments pressures have increased as foreign exchange earnings have declined. ADB is responding by providing support to reduce the short-term impact of the GEC on Pacific economies.

15. To date, ADB has provided, or is about to provide, GEC-related budgetary assistance to four Pacific DMCs: Cook Islands, Samoa, Solomon Islands, and Tonga. Governments in these countries have made policy reform commitments as part of their agreements with ADB. The agreements incorporate the recognition that the structural reforms identified by PSDI also improve the ability of Pacific economies to adjust to the shock of the GEC as well as enhance long-term and potential growth rates. As a result, the list of PSD-oriented reforms contained in the economic support program policy commitments is unprecedented in the region in terms of scope. Details of these reforms are outlined in Appendix 5.

III. NEW FOCUS AREAS FOR PSDI 2010–2013

16. The Pacific Private Sector Development Initiative (PSDI) will be expanding into new areas during its second phase in 2010–2013. While much of the work under PSDI to date has favorably impacted the inclusion of women in economic activity, gender issues will become a particular focus (Box 1). There will also be a significant expansion of the monitoring and evaluation framework. In early 2010, work will commence on an improved monitoring and evaluation framework that extends the managing for development results tool, which has been used for the past 3 years and combines financial planning and control, project monitoring, and tracking within a comprehensive evaluation system.

17. Work will also commence on developing a regional contracting framework, drawing on the PSDI-sponsored diagnostic review of contract law in Papua New Guinea, Solomon Islands, Tonga, and Vanuatu. Given the wide-ranging and enthusiastic support for reform in this area, contract codes will be developed at the country level, but with a strong regional flavor.
In most of the formal sectors of Pacific economies, women are marginalized for reasons that range from deep-seated cultural practices to structural factors and legal and regulatory constraints. The Pacific Private Sector Development Initiative (PSDI) is addressing a number of the legal and regulatory barriers to women’s economic empowerment. In particular, PSDI’s core activities in business law reform and improving access to finance are helping to facilitate women’s entrepreneurship and access to financial services in the following ways.

Business Law Reform

New Companies Acts are being introduced in a number of Pacific countries, which are designed to facilitate women’s participation in the formation of new companies. For example, the Solomon Islands Companies Act, which was passed in March 2009, and the new Companies Act in Vanuatu, which is scheduled for passage in 2010, will allow women to incorporate companies easily, without the need for expensive legal advice. High transactions costs, which currently have a negative effect on the incorporation of companies by women, will be significantly reduced as soon as the Acts commence and new electronic registries, which will also be supported and implemented by PSDI, are operational. The simple procedures provided under the Acts will allow women to file annual returns and eliminate the need to support an expensive company secretary.

A major component of the planned implementation programs will be to familiarize women and women’s community groups with the new opportunities available under the Acts. Implementation will also include developing gender-focused materials, training women, and developing advisory capacity within registries to assist women who wish to form and operate companies. In Solomon Islands, discussions are currently being held with nongovernment organizations to assist in the communication of the reforms to women in rural areas using a variety of communication methods and networks.

The single shareholder/director companies that the new Companies Acts provide for will support greater autonomy and empowerment for women, who will be able to establish companies on their own. In the past, other shareholders, usually male, have been required.

The new Companies Acts for Solomon Islands and Vanuatu also introduce for the first time in the Pacific the concept of a “community company.” This will allow community groups, including women’s groups, to incorporate for the purposes of promoting a community interest or objective. The use of these community companies should assist women in participating in the economy to a much greater extent than in the past.

Improving Access to Finance

To facilitate women’s access to financial services to support their businesses, PSDI is working to expand the rural outreach of existing microfinance institutions in Papua New Guinea, Timor-Leste, and Vanuatu, and reform collateral regimes to allow more forms of collateral to be pledged against loans. Working with partner microfinance institutions in Papua New Guinea, Timor-Leste, and Vanuatu, PSDI has supported the introduction of new technologies and banking agents to lower the cost of rural outreach, provided training to both microfinance loan officers and clients.

In addition to expanding the rural outreach of microfinance providers, PSDI is also working to address a key legal constraint to women’s access to finance: the difficulty of mobilizing collateral. In many Pacific countries, cash or land is the only form of collateral accepted by banks, and women are much less likely than men to have access to land titles. Movable property in the form of equipment, inventory, accounts receivable, crops, livestock, shares, and the like is rarely used as collateral either because it is not possible legally or simply prohibitive due to high transactions costs. PSDI has supported the introduction of Secured Transactions Acts and electronic registries in the Republic of the Marshall Islands, Federated States of Micronesia, Solomon Islands, and Vanuatu. Work is also underway to introduce such reforms in Palau and Tonga, and PSDI has been requested to extend this support to Papua New Guinea and Samoa in 2010. These laws provide women with greater opportunity to borrow against a range of personal assets.

Given the breadth of the constraints to women's economic empowerment in the Pacific, further measures will be required over an extended period to achieve substantial change. These will include support to achieving the Millennium Development Goals, improving access to education, strengthening property rights, and enforcement of laws to protect women from violence and discrimination. PSDI’s interventions need to be placed in this broader context of measures to optimize their impact. PSDI is therefore actively coordinating with development partners, host governments, and nongovernment organizations to integrate reform measures with larger programs designed to promote women’s economic participation.
18. PSDI will support the development of a Pacific competition policy framework, commencing with an analysis of competition policies across the region and the issues involved in promoting competition within small remote island economies. The new framework will be based on an economic analysis of the problems of trading off efficiency and equity in these countries and will lead to a more harmonized approach to competition and consumer protection, while reducing the reliance on price controls, which is common among Pacific countries.

19. Pioneering new initiatives in microfinance and the application of technology to payment systems are being planned and will be implemented in 2010–2011. The substantial progress that has been achieved in extending microfinance services and access to credit will continue in Papua New Guinea, Timor-Leste, and Vanuatu. Work is underway to extend microfinance services in the Fiji Islands.

20. After having supported the first ever Asian Development Bank private sector investment in the Pacific with Digicel in 2009, PSDI will continue to seek to identify private sector investment opportunities. It will also provide transaction support in a range of sectors, such as energy, financial services, telecommunications, and transport.

IV. FINANCIAL OVERVIEW

21. The Asian Development Bank (ADB) approved the Pacific Private Sector Development Initiative (PSDI) on 21 November 2006 for $8.7 million, cofinanced by the Australian Agency for International Development (AusAID) with $7.6 million. The technical assistance (TA) budget was increased in 2008, 2009, and 2010 by additional cofinancing from AusAID in the amount of $0.3 million, $0.16 million, and $0.6 million respectively, thereby bringing the total budget amount to $9.755 million.7 In December 2009, ADB and AusAID approved an additional $12 million for the second phase of PSDI through to 2013.

22. As of 31 December 2009, there were 40 completed, 22 ongoing, and 14 pipeline PSDI projects. In 2009, a total of $2.5 million was disbursed and an additional $1.5 million was committed (i.e., contracted). Disbursements were 25% lower than in 2008, and the amount committed during the year was 61% lower. Cumulative disbursements as of 31 December 2009 were $7.5 million and total commitments were $9.0 million or 98.8% of the total PSDI budget.

23. Although the majority of PSDI projects continue to be regional or multi-country initiatives, new PSDI projects commenced, primarily in Solomon Islands and Vanuatu in 2009. As in previous years, the country distribution of projects continued to reflect the countries' demand for initiatives in support of private sector development. Of the countries that received PSDI support, Tonga had the largest share at 38% of disbursements in 2009 (Figure 1), reflecting the continued commitment of senior policymakers from government, led by the Prime Minister, in implementing key private sector development reforms. By the end of 2009, PSDI introduced a microfinance and micro insurance assessments initiative in the Fiji Islands, extending its reach to a total of 10 Pacific countries.8

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7 The additional funding was provided to support a conference on private sector participation in transport infrastructure in the Pacific, held in Cairns in October 2008; a comprehensive microfinance assessment in the Fiji Islands; and an extensive review of the legal environment for customs in Solomon Islands.

8 In some countries, other ADB TA projects significantly leverage PSDI work. For instance, in 2009, a total of $413,000 was disbursed in Papua New Guinea via ADB TA in addition to the $210,213 disbursed through PSDI.
Figure 1. Disbursements by Country

![Pie charts showing cumulative disbursements (2007-2009) and 2009 disbursements by country.]

OTH = Cook Islands, Fiji Islands, Republic of the Marshall Islands, Palau, and Timor-Leste; PNG = Papua New Guinea; REG = regional; SAM = Samoa; SOL = Solomon Islands; TON = Tonga; VAN = Vanuatu.

24. State-owned enterprise reform and public–private partnerships continued to receive the bulk of PSDI resources by focus area, at 34% of 2009 disbursements and 41% of cumulative disbursements since 2007 (Figure 2). Legal and regulatory reforms continued to increase in momentum in 2009, receiving 26% of disbursements for the year and 16% of total disbursements—an increase in share of about 4% from 2008. On the other hand, initiatives in support of access to finance absorbed 16% of disbursements in 2009 and 19% of cumulative disbursement—about a 3% reduction in its share of cumulative disbursements from the previous year. Crosscutting work received a slightly lower share of 2009 and cumulative disbursement at 17% and 21% respectively. Administration and monitoring received a larger share of resources from previous years at 6% of 2009 disbursements and 3% of cumulative disbursements.

Figure 2. Disbursements by Focus Area

![Pie charts showing cumulative disbursements (2007-2009) and 2009 disbursements by focus area.]

Admin = administration, SOE = state-owned enterprise, PPP = public–private partnership.
V. PORTFOLIO OF ACTIVITIES

A. Overview

25. This chapter describes the achievements and activities supported by the Pacific Private Sector Development Initiative (PSDI) in 2009. Section B covers the three PSDI key focus areas (i.e., access to finance, the legal and regulatory business environment, and state-owned enterprise [SOE] reform and public–private partnerships [PPPs]). Section C describes PSDI’s analytical work, advocacy, and outreach efforts in 2009. An overview of PSDI’s activities in each priority country is included in Appendix 1.

B. Reform Support in the PSDI Focus Areas

1. Access to Finance

26. Issues. The Pacific region has one of the most underdeveloped financial sectors in the world, with a narrow range of available financial services, high costs, and low levels of credit to the private sector. Making financial services available to those currently with no access in the Pacific can provide opportunities for (i) saving in a secure way for both planned and unexpected expenses, (ii) efficiently transferring funds for both personal and commercial purposes, and (iii) borrowing to facilitate entrepreneurship. Separately or in combination, these outcomes will facilitate financial strengthening of rural households, encourage economic growth, and ultimately lead to poverty reduction in Pacific developing member countries (DMCs). Expanding access to finance is, therefore, a key focus area for PSDI.

27. PSDI has achieved success in (i) improving outreach to rural areas and outlying islands through the use of new and innovative business models and the latest technological advances, (ii) developing appropriate microcredit and other products for the rural markets, and (iii) reforming the enabling environment for financial services, including a focus on seeking solutions for gender specific constraints. This includes secured transactions frameworks to broaden the forms of collateral available to borrow against, areas of responsible finance including financial education and literacy, as well as capacity development. Activities in the area of access to finance represented approximately 18% of total PSDI disbursements from 2007–2009. Until late 2009, the Asian Development Bank’s (ADB’s) access to finance activities had often been undertaken through standalone technical assistance (TA) programs or projects. With the extension of PSDI through 2013, many of these activities will be brought under the PSDI umbrella and the focus on access to finance will increase.

28. An efficient and low cost outreach capability is the most effective way to provide access to finance as widely as possible, particularly through the use of technology and innovative outreach models. For example, the rapid expansion of mobile telephone coverage in the Pacific has dramatically increased the options available for provision of financial services more broadly. This presents unique opportunities to use technology to facilitate branchless banking models. ADB’s separately funded TA to pilot a branchless banking program with the National Bank of Vanuatu will significantly reduce transactions costs, increase security, and increase operating efficiency. PSDI-funded assessments of the potential for branchless banking in Papua New Guinea (PNG) and Timor-Leste have provided roadmaps for further assistance. Findings in PNG point to significant potential for branchless banking models and planned investments from the private sector to develop

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9 Expanding Access to Financial Services (TA No. 7023–VAN), approved 12 December 2007 for $600,000.
these capabilities. In 2009, PSDI-funded experts have continued to engage with the Central Bank on the development of an appropriate legal and regulatory framework for branchless banking, as part of broader national payments system reform.

29. In Timor-Leste, the assessment revealed the potential cost advantages of using branchless banking models to facilitate government payments and to provide deposit services to the rural population once deregulation of the telecommunications market is achieved. In 2010, PSDI funds will further support the Government of Timor-Leste and the Banking and Payments Authority in developing its mobile payments regulatory system, as well as options for using branchless technologies to facilitate government payments.

30. ADB is working with financial institutions in PNG, Timor-Leste, and Vanuatu and in collaboration with other donors to assist with the development of the microfinance sector in the Fiji Islands to ensure that appropriate financial products are available to the rural and urban poor. In PNG, PSDI’s efforts currently complement the ongoing ADB Microfinance and Employment Project, which has laid the foundation of a nascent microfinance sector. PSDI will fund the design of a Microfinance Expansion Project in 2010, to build on the existing project and provide continued support for the development of the sector. In Timor-Leste, PSDI has supported the ongoing development of a local microfinance institution in Timor-Leste, toward its transformation into a small, financially sustainable commercial bank. In 2009, ADB TA10 provided legal advice on its legal structure, a new business plan, and a training plan. In 2010, PSDI will support the implementation of the business and training plans and the continued development of the institution. In the Fiji Islands, PSDI will undertake assessments of microfinance operations, microfinance advocacy and sector support services, and micro insurance in order to present roadmaps for the development of each subsector that development partners and other stakeholders can pursue.

31. Work to improve the enabling environment has included reform of the personal property securities frameworks and registries in eight countries, paving the way for a much wider range of collateral to be used to secure loans. In 2009, PSDI supported the opening of new personal property securities registries in Solomon Islands and Vanuatu. Legal drafting and consultation on the laws and design of the associated filing archives is ongoing in Palau, Samoa, and Tonga. At the end of 2009, the Government of PNG expressed its interest in initiating personal property securities reforms, which will be undertaken with PSDI assistance, during 2010/2011. PSDI will also continue to provide assistance in the implementation of secured transactions reforms in the Federated States of Micronesia and the Republic of the Marshall Islands in 2010.

32. Activities to improve the enabling environment for financial inclusion are often crosscutting priorities in PSDI’s other access to finance activities. For example, financial education, training, and capacity development are a key part of interventions in PNG, Timor-Leste, Vanuatu and elsewhere, as are the establishment of efficient regulatory frameworks and legislation to support financial inclusion. Conferences and seminars are also used by PSDI to support these activities.

33. ADB has recently increased its private sector investment activities in the Pacific. A key focus of these activities is financial services, and in 2009, PSDI has supported the identification of opportunities in the Pacific through which ADB can provide additional support for increasing access to finance. These include potential investments in small financial institutions in both PNG and Vanuatu. PSDI will continue to support the

10 Strengthening Microfinance Operations (TA No. 4509–TIM), approved 20 December 2004 for $500,000.
identification and execution of private sector investment opportunities in financial services through PSDI Phase 1 and 2.

34. **Financial inclusion donor coordination** is essential to aid effectiveness. In addition to ADB, a number of development partners are focused on access to finance activities in the Pacific, including bilateral donors such as the Australian Agency for International Development (AusAID), which has cofinanced both PSDI Phase 1 and 2 and recently reaffirmed its commitment to financial inclusion in the Pacific, and the New Zealand Agency for International Development, which has recently undergone a strategic shift toward a focus on supporting the drivers of economic growth. Multilateral development partners such as the International Finance Corporation (IFC) and the Pacific Financial Inclusion Programme, funded by AusAID, the European Union, the United Nations Capital Development Fund, and United Nations Development Programme, are also key partners. Coordination and collaboration among these agencies is essential to developing dynamic rural and microfinance sectors in the Pacific, and in 2009, these partners formed the **Pacific Financial Inclusion Donor Coordination Group** as an important part of existing private sector development (PSD) donor coordination meetings. Through PSDI and other interventions, ADB will continue to work closely with all development partners to achieve the best access to finance outcomes for Pacific countries, including seeking opportunities to coordinate programs and co-invest where feasible.

2. **Business Law Reform**

35. **Issues.** Analysis of the business environment in the Pacific indicates that Pacific economies are constrained by outdated and inappropriate laws and regulations. In many cases, laws are simply absent. The key legal areas of company formation, contracting, dispute resolution, and insolvency present a common theme in all Pacific island countries—they are uncertain, poorly enforced, increase the transactions costs for business, and do very little to provide the legal platform necessary to support a robust and developing private sector. Most of these laws are based on foreign laws, which were transplanted prior to independence in many of these countries and do not cater for, or promote, many of the unique aspects of an island economy. These outdated laws have little impact on the majority of the population and do not foster the growth of community groups, women’s groups, associations of small farmers, and local entrepreneurs. The laws are not accessible to the majority of the population, and PSDI has been actively addressing the urgent need not only to update these laws, but also tailor them to support island economies. Substantial progress has been achieved in 2009.

a. **Company Laws**

36. A series of new company laws have been enacted in 2009, which significantly improves the legal frameworks that support PSD in the Pacific. These new company laws are designed to reflect the needs of the Pacific island countries. Upon implementation, they will reduce the costs of company formation, facilitate access to finance, and encourage the transition from informal to formal business. In Solomon Islands, a new Companies Act, together with a Companies (Insolvency and Receiverships) Act was enacted by Parliament in March 2009. These Acts were prepared under ADB TA\(^{11}\) with ongoing PSDI support. The Acts were widely consulted and have been developed to promote the use of companies in an island economy. The Acts cover all types of companies and associated company operations, but the focus is on smaller companies, which are prevalent in the country. The Companies Act supports a simple approach to formation, administration, and disclosure for

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\(^{11}\) Supporting Business Law Reform (TA No. 4700–SOL), approved 25 November 2007 for $600,000.
companies. It introduces the single shareholder company as well as the concept of community companies to encourage a wide range of community groups to use the company vehicle to support their business activities. Community companies will be able to hold community assets so that these can be used to access finance and create greater accountability and security for future generations. Introducing this type of company as part of the company law creates a system of public notice and removes many of the current inadequacies and risks associated with the traditional trust vehicle, which is currently in common use.

37. The Companies (Insolvency and Receiverships) Act in Solomon Islands simplifies the current law in this important area of corporate insolvency. The new Act codifies many existing practices and makes the application of insolvency procedures much more straightforward. The Solomon Islands Companies Act and Companies (Insolvency and Receiverships) Act had their final Bills Committee hearings in February 2009, with both Acts passed by Parliament in March 2009. The debate in Parliament complimented the Ministry of Commerce, Attorney General’s Chambers, and the supporting ADB team for the work that was done. Particular mention was made of the extensive consultation, which had occurred during the drafting phase.

38. In Tonga, the Legislative Assembly passed a Companies Amendment Act in September 2009. The preparation of this Act with associated consultations and support through the Parliamentary process was completed under PSDI. The Tongan Companies Act 1995 is based on the 1993 New Zealand Act, which has been widely acknowledged as representing regional best practice. However, there were a number of policy changes supported by the Tongan government, which provides a more appropriate legal framework for the Tongan business environment. The Amendment Act removes the compulsory requirement to have a company secretary, which will significantly reduce the cost of operating a company. The amendment also provides for a new registry and therefore simplifies procedures and enforcement mechanisms. A new company registry has been introduced in Tonga, and amendments to the Act supporting this introduction were essential. In 2006, the old company registry was destroyed by fire, together with all the records. The Amendment Act provides for compulsory reregistration of all companies. This will provide an updated and accurate record of all operating companies as well as baseline data for the monitoring and evaluation component of PSDI. The regulations supporting the amendment were drafted under PSDI, in collaboration with the IFC, which provided assistance for the design and installation of the new company registry. The Act and registry commenced in the first week of December 2009.

39. In Vanuatu, PSDI is supplementing a separate and now completed ADB TA,\(^{12}\) which provided institutional strengthening to the Vanuatu Financial Services Commission, the non-bank regulator. This work is designed to enhance the corporate governance and supervisory capacity of the Commission. The support included drafting a Companies Bill, Companies (Insolvency and Receiverships) Bill, Insolvency (Cross-border) Bill, and a Personal Insolvency Bill. The Companies Bill provides a more appropriate framework for an island economy and supports the private sector by including appropriate company types for Vanuatu, together with improved incorporation, administration, and reporting requirements. The Companies (Insolvency and Receiverships) Bill supports a simplified approach to corporate insolvency. A number of iterations of the new Acts in their Bill form were distributed during 2009, with widespread consultations taking place. The Bills will be introduced progressively throughout 2010. Government expects to introduce the Companies

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\(^{12}\) Financial Services Commission on Institutional and Legal Reforms (TA No. 4856–VAN), approved 24 October 2006 for $800,000.
Bill and Companies (Insolvency and Receiverships) Bill at the June 2010 sitting of Parliament. PSDI also provided support to the Ministry of Finance in 2009 on insolvency issues relating to government business enterprises. There was consultation with the Ministry of Finance over the insolvency provisions in the new Bills and how they would affect entities in which the government has shareholding.

b. Company Registries

40. New or improved company registries will be introduced alongside the new company laws, which have been drafted to reflect modern and appropriate requirements for Pacific island countries. Diagnostic studies and associated consultations have been carried out in Samoa, Solomon Islands, and Vanuatu. An important and innovative feature will be extending the outreach of current registries to make them accessible to people in the rural and provincial areas and to cater to many communities living on remote islands. In mid-2009, registry specifications were prepared and tenders requested. A contract will be finalized allowing the successful vendor to commence work in early 2010. The new registries will form an integral component of the implementation of the new Acts in each country. It is planned to have the Solomon Islands company registry “go live” at the end of 2010, with Vanuatu to follow shortly thereafter.

c. Trust Laws

41. There are many problems with the current use of trusts in many Pacific DMCs. The trust is a common vehicle used by various groups, but its success depends on qualified and able trustees dealing with the trust property in the interests of the beneficiaries. In many of these countries, there is a significant lack of well-qualified trustees, with the result that groups depending on well-functioning trusts are often placed at a severe disadvantage. This problem is being addressed by the new company laws, which will provide other options that may be used for similar purposes. Reforms in this area have commenced under PSDI. New trust legislation is being drafted in Solomon Islands and Vanuatu, which will replace the outdated laws and many of the equitable rules with which most trustees are unfamiliar. The new trust laws will provide codified and updated duties for trustees, which are essential. The new trust law in Solomon Islands is being finalized by the Attorney General’s Chambers for further consultation. In light of the 2010 parliamentary elections, it is unlikely that the Trustee Bill will be considered by Parliament until early 2011. In Vanuatu, the Trustee Bill has been distributed as an exposure draft and will be considered by Parliament in late 2010.

d. Contracting Frameworks

42. A PSDI sponsored diagnostic study reviewing contract law in four Pacific DMCs (PNG, Solomon Islands, Tonga, and Vanuatu), revealed that contract law in all four countries is outdated, inappropriate for island economies, inaccessible, and poorly understood. Given the wide-ranging and enthusiastic support for reform in this area, the next phase will commence in 2010 and will include drafting a code as well as wide consultation on its provisions. The development of the Contract Code will be done at the country level, but with a strong regional flavor. Creating this codified structure will also provide an opportunity for widespread consultation and capacity building. This project is a substantial undertaking, but will support a more conducive contracting environment and lead to improved statements of commercial objectives as well as improve enforcement of contractual obligations.

e. Competition Frameworks

43. During 2009, PSDI-funded experts assisted in strengthening capacity in the Cook Islands and PNG in the areas of competition policy, consumer protection, and competition
regulation. In the Cook Islands, a diagnostic study was completed which assessed the current competition and consumer protection laws. There, and in many other countries in the Pacific, the rudimentary laws are supportive of price controls, with little adoption of modern principles that encourage competitive markets. A larger regional analysis is now planned where competition policies will be reviewed across the region. This will result in a more harmonized approach that recognizes the unique nature of small economies and the need to develop codes of practice that protect consumers from predatory market behavior while reducing the reliance on price controls. In PNG, PSDI has been funding ongoing TA to the Independent Consumer and Competition Commission to strengthen its regulatory capacity and establish the parameters for effective competition in the telecommunications sector.

f. Implementation Programs

44. A key theme of the legal reform promoted under PSDI is the implementation of the laws that are being adopted by Pacific DMC governments. Implementation is a crucial component of the legal and regulatory reform process. If the new laws are to work as desired, significant resources must be allocated to implementation. The implementation program has commenced in Solomon Islands given the passage of several new Acts in 2009. Under PSDI, an implementation support expert has been engaged in Solomon Islands to facilitate the introduction of the new registry and support the new registrar over the transition period. The implementation will include an extensive public awareness campaign and training for stakeholders. This will include training in Honiara and the provinces. Similar implementation programs are planned for Tonga and Vanuatu.


45. Issues. SOEs continue to act as a drag on the economic growth of Pacific DMCs. PSDI’s analytical work has sought to quantify the degree to which SOEs crowd out the private sector and absorb scarce public investment resources on which they provide very low returns. The global economic crisis of 2008/2009 has only served to highlight the economic costs of the SOE sector. Reforming these SOEs and opening up their markets to competition, including those that can be served through PPPs, remains a key focus area for PSDI. Over the course of 2009, PSDI has supported the implementation of SOE reforms in Solomon Islands and Tonga, developed approaches for SOE reform in PNG and Vanuatu, designed a legal and institutional framework for PPPs in PNG, and leveraged the findings of its analytical work to advocate for SOE reform throughout the Pacific. This work has raised awareness of the benefits of SOE reform and PPPs and led to increasing demand for TA, which will be pursued in 2010.

a. State-Owned Enterprise Reform

46. Finding Balance: Making SOEs Work in Fiji, Samoa, and Tonga, the first ever comparative analysis of SOE performance and reform experiences in the Pacific, was published through PSDI in early 2009. The study, which focuses on the Fiji Islands, Samoa, and Tonga, has had resonance throughout the Pacific, where SOEs continue to play a dominant role in the economies of the islands. The study was launched at a high-level leaders conference, attended by the Prime Minister of Samoa, the minister of finance of Samoa, the minister of finance and public enterprises of Tonga, and the governor of the Reserve Bank of Fiji. The discussions at the conference led to a Cabinet decision in Samoa to accelerate SOE reform and remove all ministers and civil servants from the boards of the

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13 The telecommunications industry codes developed with PSDI support should remain applicable despite the new industry regulatory framework, which is to be implemented in 2010.
public enterprises. A similar initiative is underway in Tonga, with five boards restructured in 2009 as part of an aggressive SOE reform program. To disseminate the findings of the study, a number of press interviews and a series of workshops were conducted in Samoa, Tonga, and Vanuatu, attended by over 200 SOE directors and managers, as well as ministry chief executive officers. In Samoa, these workshops were followed by a number of one-on-one meetings with SOE boards to discuss the findings and potential approaches for improving SOE performance. An update of the study, which is to include a broader number of participating countries, is planned in 2010.

47. In Tonga, PSDI continues to support the SOE rationalization program, which in 2009 resulted in continued progress on the rationalization of three SOEs commenced in 2008 and the development of rationalization strategies for another eight SOEs. As rationalization strategies are being developed, it often becomes evident that interim restructuring could add immediate value. In such cases, partial reform is undertaken while the holistic strategy is being developed. Of the eight SOEs that joined the rationalization process in 2009, implementation of the strategy has commenced for five. Government expects to restructure another five boards in 2010 as part of the ongoing implementation of its SOE strategy. In addition, Cabinet approved the process to amend the Public Enterprise Act to strengthen its effectiveness and improve transparency and reporting requirements. The amendment has been drafted and the government expects to send it to the Legislative Assembly in early 2010. Also in 2009, five training programs were undertaken to support the SOE reform initiative covering such topics as commercial valuations, training for SOE directors, financial competency, developing a strategic plan, and PPPs. Tonga’s sustained SOE reform efforts have had a powerful demonstration effect on other Pacific countries, illustrating that reform is both possible and beneficial in small island economies.

48. In Solomon Islands, the full privatization of Home Finance Ltd. was completed in April 2009, and the sales plan, timetable, and bid documents for Sasape Marina Ltd. (SML) finalized and approved by the board of SML and its holding company, the Investment Corporation of the Solomon Islands. The tender is expected to be launched in the first quarter of 2010. PSDI will continue to support this process as well as the legal winding up of SML once the asset sale is complete. Further SOE reforms are supported by ADB’s Economic Recovery Support Program for Solomon Islands (see Appendix 5), to be finalized in 2010, including the commercialization of the utility SOEs and capacity building for the implementation of the 2007 SOE Act.

49. In Vanuatu, the government announced plans to close down the Vanuatu Commodities Marketing Board, one of the largest and most problematic SOEs in the country, signaling a commitment to implement substantive SOE reform. PSDI has supported the government in advocating for SOE reform through the dissemination of the Finding Balance study and the preparation of white papers and proposed approaches for implementing SOE reforms in the current economic and political context of Vanuatu.14 At the government’s request, PSDI is expecting to continue to support the SOE reform program in 2010.

50. In PNG, work has begun to develop a community service obligation (CSO) framework as a first step in SOE reform. This work, which will be broken down into several phases, will be implemented with the close collaboration of key government departments, most notably, the Department of Treasury and the Ministry of Public Enterprises, and is expected to significantly increase the transparency and accountability of the SOEs. Key milestones in the implementation of the CSO framework will be an agreement on the legal

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14 These papers were developed in close collaboration with AusAID's Governance for Growth program in Vanuatu.
and regulatory reforms needed to place the SOEs on a more commercial and accountable footing, and will signal the government’s commitment to the reforms. Conclusion of the agreement is expected in 2010.

b. Public–Private Partnerships

51. In PNG, the implementation of the PPP framework was substantially progressed in 2009, with the finalization of the organizational structure, operating guidelines, and resource requirements of the future PPP Centre and the preparation of a draft PPP law and regulations. The government signaled its commitment to the process by granting the requested budget allocation to the PPP Centre for 2010. However, competing requirements of PNG’s liquefied natural gas project preparation meant that senior government officials were not as available as needed to review and finalize the draft PPP law in 2009. The law is expected to be submitted to Parliament in 2010. Once implemented, the PPP framework should facilitate private investment in infrastructure. It will, however, require ongoing TA, in particular, to ensure the proper preparation of the first pilot transactions. Several opportunities for PPP projects have been identified in the health, power, and transport sectors, which will be developed in 2010. Given the broad application of PPPs in PNG, every effort is being made to coordinate work with development partners, in particular with AusAID’s Partnership for Development programs as well as with IFC and PNG Sustainable Development Program Ltd., both of which are actively seeking to expand their investment portfolios in the country.

52. PSDI placed a full-time advisor in the Prime Minister’s Office in Tonga to support the implementation of PSD programs. The advisor supported the development of strategies for maximizing local private sector input in the economy in general and in infrastructure works in particular, as part of the fiscal stimulus in response to the global economic crisis. The advisor assisted the government’s efforts to commence the rebuilding of the Nuku’alofa central business district in a manner that maximized the use of local labor and materials, reviewed and helped to structure joint private sector and government commercial initiatives, sits on the National Economic Development Council (and was appointed Acting Chair to provide cover for the Prime Minister), and generally supports ADB’s PSD programs in Tonga. The support for private sector involvement in infrastructure has included the development of options for the outsourcing of road maintenance works, the development of a medium-term whole-of-government infrastructure investment plan, and technical inputs on a number of private sector-led, government-supported investment proposals in industries such as tourism and transport. The road maintenance outsourcing work, which is currently awaiting a government decision for implementation, draws from the experience of Samoa and is designed to provide value for money while encouraging local contractor input. To leverage other development partner efforts in the infrastructure sector in Tonga, PSDI support has been closely coordinated with the Pacific Infrastructure Advisory Center, co-located with PSDI in Sydney, as well as the World Bank’s Transport Sector Restructuring Program for Tonga.

53. To further inform and discuss the potential application of PPPs in the Pacific, PSDI organized a series of workshops and seminars for public and private sector representatives in PNG and Tonga. These seminars built on those conducted in 2008 and were aimed at

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15 The National Economic Development Council is the key policy and planning interface between the government and private sector. It is a standing Cabinet subcommittee usually chaired by the Prime Minister.

16 The Pacific Infrastructure Advisory Center, will analyze, plan, and provide technical assistance to help Pacific island countries develop sustainable infrastructure and services that support national development goals. Announced in August 2008, the center is the first key component of support to be provided under the Pacific Region Infrastructure Facility.
broadening the understanding of PPPs in two Pacific countries whose governments have demonstrated a strong policy interest in facilitating private sector investment in infrastructure. In PNG, one of the larger PPP seminars was organized in collaboration with the IFC and the Public–Private Infrastructure Advisory Facility, with participation from AusAID, and attended by over 100 government officials and private sector representatives. Five other smaller workshops were conducted over the course of 2009 in PNG to progress the implementation of the PPP policy framework. In Tonga, a PPP seminar attended by over 40 SOE managers and private sector representatives provided a forum for the discussion of mechanisms for broadening the scope of existing service contracts into longer-term PPP arrangements with more private sector investment. PSDI plans to roll out these PPP seminars to more Pacific countries in 2010.

C. Analytical Work, Advocacy, and Outreach

54. A central feature of PSDI is the close link between analytical work, advocacy, and reform initiatives. Over the first 3 years of PSDI, a significant body of analysis has been created which forms the foundation for ongoing interventions. In requests for assistance, Pacific DMC governments frequently refer back to these analyses and associated discussions. This work also builds credibility for PSDI with the private sector.

55. In-depth analysis of the environment for private sector activity within countries, usually done through private sector assessments (PSAs), serves to identify and prioritize reform needs. The PSAs are undertaken through focus group discussions, economic analysis of the laws governing private sector activity, estimates of the costs of doing business, and estimates of the costs and productivity of SOEs. The assessments also examine the quality of infrastructure, telecommunications, and transport, and the impact on business activity. Under PSDI, PSAs have been completed for four countries, with the latest, for Vanuatu, presented during the first half of 2009.

56. ADB, through PSDI or otherwise, also undertakes analytical work on specific topics or themes, both on a country and multi-country basis. To increase awareness of PSD-related reform, an extensive program of dissemination and consultation has supplemented the program, both within individual countries and regionally.

57. The following are highlights of PSDI policy analyses and advocacy work in 2009:

- **Sustaining Growth: A Private Sector Assessment for Vanuatu** was completed in 2009. It was launched at a high level workshop in Port Vila on April 2009. The report concluded that Vanuatu’s reform efforts have led to the highest sustained growth rates in the region. That Vanuatu was one of the few countries to continue to register positive growth during the global economic crisis can also be attributed to these reforms. The report points out that to sustain growth, reform momentum needs to be maintained by making SOEs more efficient to reduce the high cost of infrastructure services, by continuing to upgrade the commercial legal framework, and by expanding access to finance through the vigorous implementation of measures that are already in process, which should result in lower interest rates and more readily available financial services.

- **Reforming Pacific Contract Law**, a diagnostic study reviewing contract law in four Pacific countries (PNG, Solomon Islands, Tonga, and Vanuatu), was completed in 2009. The objective of the study was to consider possible reform of the existing law of contract in a way that would better assist PSD. The study revealed that contract law in all four countries is outdated, inappropriate for island economies, inaccessible, and poorly understood. There has been wide ranging and enthusiastic support for reform in this area. The study recommended a codified approach to contract law that will address the current weaknesses and
create a more accessible contracting environment for companies and individuals in the region.

- The first comparative analysis of SOE performance and reform experiences in the Pacific, entitled *Finding Balance: Making SOEs Work in Fiji, Samoa, and Tonga*, was published and widely disseminated throughout the Pacific.

- Twenty PSD advocacy seminars and training workshops were conducted in the region, attended by over 400 key stakeholders, including policymakers, the media, academia, the private sector, and civil society. (A complete list of these events is available in Appendix 4.) In addition, the PSDI program has attracted widespread interest. A seminar was held at ADB Headquarters in Manila, Philippines on the structure, performance, and outcomes of PSDI. PSDI consultants also gave a keynote presentation on PSDI-sponsored commercial legal reform in the Pacific region at the opening session of the Annual Meeting of the Inter-Pacific Bar Association, also in Manila.

- PSD policy and coordination advisors have been assigned to selected Pacific DMCs—particularly in PNG and Tonga—to lead the advocacy process, in addition to helping implement and coordinate PSDI-related activities.

- Numerous articles, opinion and editorial pieces, and interviews addressing PSD issues and PSDI-sponsored activities were published in regional and local media.

58. Raising awareness of PSD issues throughout the Pacific remains a key component of PSDI’s implementation strategy. Educating and engaging stakeholders (through PSD-related workshops, seminars, papers, editorials, press interviews, and public policy forums, etc.) enhances awareness and understanding of the issues and solutions, creates demand for reform, and is instrumental for establishing a network of reform advocates. In 2009, PSDI actively engaged policymakers, the media, academia, and nongovernment organizations to discuss the importance of PSD and the nature of the reforms needed to support it.

<table>
<thead>
<tr>
<th>Box 2. PSDI Media Outreach</th>
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<tbody>
<tr>
<td>In 2009, over 400 published media stories were collected relating to the Asian Development Bank’s (ADB’s) work on private sector development (PSD) in the Pacific. In addition, television coverage and radio interviews highlighted PSD topics.</td>
</tr>
<tr>
<td>Most of the press coverage was the result of proactive engagement by ADB's Sydney office of the media and other key stakeholders, for instance, through PSD-related media events, distribution of news releases promoting ADB PSD-related reform initiatives, arranging print/radio/television interviews for ADB PSD team members, and writing and placing newspaper articles about ADB's PSD work with targeted media.</td>
</tr>
<tr>
<td>The following Pacific Private Sector Development Initiative (PSDI) related events and milestones received the most publicity and interest among the Pacific, Australian, and New Zealand media in 2009:</td>
</tr>
<tr>
<td>- A news release promoting the launch of <em>Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga</em>, the first comparative analysis of state-owned enterprise performance in the region (February);</td>
</tr>
<tr>
<td>- The launch of ADB's private sector assessment for Vanuatu and the opening of Vanuatu's personal property securities registry (April);</td>
</tr>
<tr>
<td>- Business law reform in Solomon Islands, including the passing of the Companies Act 2009, Companies (Insolvency and Receivables) Act 2009, Secured Transactions Act 2008, and the opening of the Companies Registry Office (April);</td>
</tr>
<tr>
<td>- A regional microfinance conference which resulted in good press coverage of PSDI assistance toward improving access to finance in the Pacific (July);</td>
</tr>
<tr>
<td>- A public–private partnership awareness raising workshop for select Pacific journalists (September); and</td>
</tr>
<tr>
<td>- The opening of the Secured Transactions Filing Office in Solomon Islands (September).</td>
</tr>
</tbody>
</table>
59. To improve public awareness of the importance of PSD-related reform, PSDI continues to engage print, radio, and television media in PSD events (Box 2). For instance, there was television coverage of the Finding Balance launch in Tonga as well as the PPP familiarization seminar in PNG, PSA launch in Vanuatu, and SOE reform workshop in Vanuatu. Newspaper coverage followed almost every seminar and workshop, and a number of radio interviews were conducted throughout the year highlighting PSD topics. The PSA for Vanuatu and the Finding Balance study were published and widely disseminated in the press throughout the region.

VI. RESULTS MANAGEMENT

A. Results Framework

60. To assess the impact of policy and legal reforms, technical assistance, and donor investments in private sector-oriented initiatives in the Pacific, there have been ongoing efforts under the Pacific Private Sector Development Initiative (PSDI) to develop ways to measure performance. This framework is composed of (i) a country-level private sector development (PSD) impact analysis through ongoing analytical work that updates the findings of previous analysis; (ii) at the PSDI project level, measurement of the progress and achievements of individual PSDI-financed technical interventions; and (iii) development and measurement of a broader set of indicators by the PSD Donors Group, which remains a work in progress given the difficulties associated with developing consistent statistics across numerous Pacific island countries. Moreover, PSDI continues to actively seek client feedback to ensure that it is satisfying demand for PSD-related reforms at the country level.

B. The Tracking of Portfolio Performance and the Management for Development Results Tool

61. In 2009, the PSDI portfolio grew to a total of 76 projects, of which 22 are ongoing, 40 have been closed, and 14 are in the pipeline. Overall, the PSDI portfolio continues with a good showing on its third year, with 24% of projects rated as highly satisfactory, 72% satisfactory, and 4% partly satisfactory using the management for development results (MfDR) tool, the monitoring and rating system used for tracking project performance until the end of 2009.

62. The analysis of performance by focus area (i.e., access to finance, legal and regulatory reform, and state-owned enterprise [SOE] reform and public–private partnerships [PPPs]) shows that there has been substantial progress under many initiatives. The MfDR tool, developed for monitoring progress of individual projects, also indicates that there has been substantial progress (Figure 3). In particular, target results relating to SOE reform and PPPs achieved highly satisfactory ratings of 65% and satisfactory ratings of 26%. With no new SOE reform and PPP related projects commenced in 2009, most of the projects in this portfolio were in the mid to late stages of their project cycle where the political leadership necessary to initiate and implement meaningful change has been secured through PSDI’s intensive engagement over the past years. This helps to explain the highly positive results in 2009. Nevertheless, 9% of SOE reform and PPP related target results have been achieved only partly satisfactorily, based on partial implementation over the previous years.

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17 Ten ongoing projects currently have progress of below 25% of completion. Because it is too early in the project cycle to evaluate their performance, they are excluded from this analysis. In addition, the secured transactions reform project in Timor-Leste was closed with progress below 25% of completion in light of other country priorities in the context of weak capacity.

18 See the PSDI annual progress reports for 2007 and 2008 for a detailed description of the MfDR tool.
Figure 3. Results Performance in Key Focus Areas

<table>
<thead>
<tr>
<th></th>
<th>Access to Finance</th>
<th>Legal and Regulatory Reform</th>
<th>SOE Reform and PPPs</th>
<th>Crosscutting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory</td>
<td>54%</td>
<td>58%</td>
<td>65%</td>
<td>63%</td>
<td>61%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>46%</td>
<td>42%</td>
<td>26%</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>Partly Satisfactory</td>
<td>0%</td>
<td>0%</td>
<td>9%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

SOE = state-owned enterprise, PPP = public–private partnership.

63. Although several legal and regulatory reform initiatives were commenced in 2009, they are in the initial stages of their projects cycles, which suggests that their achievement of target results will only begin to be reflected in the coming years. Nevertheless, there has been good progress in the achievement of target results relating to legal and regulatory reforms, with 58% and 42% rated as highly satisfactory and satisfactory, respectively. There has also been some progress in achieving target results relating to initiatives in support of access to finance, with 54% and 46% rated as highly satisfactory and satisfactory, respectively. Although 3% were rated partly satisfactory, 58% and 39% of target results relating to crosscutting work were rated as highly satisfactory and satisfactory respectively.

64. Tonga and Vanuatu continued to be top performers in 2009 (Figure 4). While Tonga’s portfolio remained steady with half of its projects rated highly satisfactory and the remainder rated satisfactory, Vanuatu’s portfolio had some notable improvement over the past year. Sixty percent of its projects were rated highly satisfactory while the rest were rated satisfactory. Furthermore, the number of projects in its portfolio has also more than doubled in 2009.

Figure 4. Overall Performance by Country

<table>
<thead>
<tr>
<th></th>
<th>Samoa</th>
<th>Tonga</th>
<th>Vanuatu</th>
<th>Others</th>
<th>Regional</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfactory</td>
<td>17%</td>
<td>50%</td>
<td>60%</td>
<td>0%</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>50%</td>
<td>50%</td>
<td>40%</td>
<td>100%</td>
<td>78%</td>
<td>72%</td>
</tr>
<tr>
<td>Partly Satisfactory</td>
<td>33%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Others = Cook Islands, Republic of the Marshall Islands, Palau, Papua New Guinea, Solomon Islands, and Timor-Leste.
65. In Samoa, one-third of the projects were rated partly satisfactory, reflecting the slow progress on SOE reforms and delays in business registry reforms. In addition, no new projects were commenced in Samoa in 2009. The remaining country portfolios are rated satisfactory, with only the Solomon Islands portfolio experiencing significant growth, doubling in number of projects over the year. Regional or multi-country projects continue their solid performance, with 22% rated highly satisfactory and the remaining 78% rated as satisfactory.

C. Enhancing Monitoring and Evaluation

66. For the 2010–2013 phase of PSDI, the monitoring and evaluation (M&E) framework will be extended substantially. Limited resources require that PSDI projects maximize the impact of interventions in Pacific countries. In addition, the growing experience gained through PSDI operations to date provides a rich source of lessons learned and guidance for future projects. Going forward, there will be additional focus on ensuring that the M&E framework effectively tracks the success of reform initiatives and disseminates lessons learned.

67. The improved M&E framework will expand on the MfDR tool that has been used for the past 3 years and will combine financial planning and control, project monitoring, and tracking within a comprehensive evaluation system. The aim of the system is to specify clearly:

- The goals of the program, either at the focus area, country, or individual technical assistance level. These are derived from analytical work.
- The objectives and specific actions needed to achieve the desired change.
- The activity and resource inputs for each focus area, country, or technical assistance.
- Inputs – the stages of project implementation.
- Outputs – the milestones the project must achieve.
- Outcomes – the immediate effect of the project.
- Impact – what the project has achieved overall.
- Incorporation of lessons learned into new project design.

68. To illustrate the new M&E framework, PSDI interventions in each of the focus areas comprise a number of reform initiatives that are either country specific or regional. A reform initiative is often comprised of a number of projects. For example, completing the commercial law reform initiative in Solomon Islands comprises two projects, namely installing a new company registry and implementing the new law and registry. For each of these, a project sheet has been developed which lists the following:

- The budget for the project and the amounts to be spent in each phase.
- A budget control tool.
- Personnel and technical inputs, with a timetable for each.
- Output indicators, which are the expected proximate outputs of the project. For example, for the registry project, these will include such factors as when the registry goes live, the completion of the reregistration of existing companies, and when new registrations commence.
- Project outcome indicators, which, for the company registry project, are comprised of the cost of registering without a lawyer, the number of new registrations, and the time to register.
• Impact indicators, which, for the company registry project, consist of the change in the cost of registration without a lawyer, the change in how long it takes to register, the change in the number of formal businesses, the change in the number of rural businesses, the number of women-owned companies registering, and the number of community companies registering.

69. The financial planning and control system establishes budgets for each project, each core area, and each country (plus regional projects). These budgets will then be linked to committed and actual expenditure to ensure that financial controls identify any deviations from budgets, which will enable corrective actions to be taken. The new M&E system integrates the financial planning and control system and the monitoring and reporting system.

70. A feature of the M&E framework is that by delineating clearly expected inputs, outputs, outcomes, and impact for each project, the risks associated with implementation can be identified and anticipated in advance. In addition, the baseline data required to measure each phase of the success of the project can be incorporated into the terms of reference.

71. Performance will also be monitored through ongoing analytical work, such as updates of private sector assessments that will examine specifically constraints identified in earlier private sector assessments and client surveys (e.g., chambers of commerce and senior government officials). Detailed progress reports will be prepared in the form of annual reports. All reports will continue to be published on a dedicated website.

72. More general PSD indicators are also being developed. These will be collected and disseminated at the quarterly donors meetings, where additional data collected by the other donors will also be incorporated into a database.

73. Quarterly progress reports will be prepared that track developments in each of the focus areas. They will show, where relevant, the evolution of projects and how they are evolving relative to project goals. By continuing to monitor and evaluate impact in the years following the completion of projects, the true development impact of PSDI reform initiatives will be apparent.

VII. LINKAGES AND PARTNERSHIPS

A. Mainstreaming Private Sector Development in ADB Operations

74. The Pacific Private Sector Development Initiative (PSDI) has been instrumental in fostering linkages and partnerships on the program and project levels within the Asian Development Bank’s (ADB’s) Pacific Department and Private Sector Operations Department.

- PSDI-funded diagnostics and private sector assessments have informed country strategies and programs. For instance, the private sector assessment for Vanuatu and associated policy dialogue has helped sharpen the Vanuatu Country Partnership Strategy 2010–2014\(^{19}\) approved by the ADB Board of Directors in August 2009.

- PSDI resources enhanced the effectiveness of various sector-specific loans and technical assistance. For example, PSDI supported ongoing loans and technical assistance in the area of rural and microfinance through viability studies on the

potential for branchless banking and application of suitable new technologies to expand the banking frontiers to the outer-islands, complemented the ongoing rationalization of public enterprises in Tonga through the analysis and implementation of contracting out measures in the transport sector, and facilitated the preparation of a draft public–private partnership (PPP) law and institutional arrangements in Papua New Guinea (PNG).

- PSDI has been catalytic in attracting ADB’s private sector and cofinancing operations to the Pacific. In 2009, ADB participated in the upsizing of a financing facility for a private investor in the telecommunications sector in PNG. Furthermore, PSDI funded the preparation of a feasibility study for investment in a local commercial bank in one Pacific country. PSDI continues to support the identification of private sector investment opportunities across the region in a range of sectors, such as financial services, telecommunications, transport, and energy.

B. Fostering External Partnerships

75. Partnerships with key bilateral and multilateral development partners continue to be strong. A key feature of PSDI has been the emphasis on developing and maintaining partnerships with other private sector development (PSD) donors in the region. The aim is to ensure that interventions are coordinated in order to harmonize reform initiatives and to work toward the common goal of promoting PSD-oriented reform.

76. ADB has developed a strong collaboration and working relationship with the Australian Agency for International Development (AusAID), both as a result of cofinancing arrangements and its strong cooperation with AusAID missions at the individual country level. This has harmonized the approach to PSD-related reform in the region. In addition, the seminars and working sessions that the PSDI team has held in AusAID Canberra and country offices have further cemented the close coordination of initiatives in Pacific countries.

77. In addition, the Pacific PSD partnership with the World Bank Group, including the International Finance Corporation (IFC) and the Foreign Investment Advisory Service, continues to expand, with the additional leverage provided by PSDI. Partnership decisions between the agencies are based on continuous dialogue between their Sydney offices and selected joint missions, and include: (i) harmonized reform (e.g., business law and supporting infrastructure in Tonga) and joint conferences and workshops (e.g., PPPs in PNG); (ii) close collaboration, including joint reform implementation mechanisms and reform programs (e.g., a joint PPP assessment for a proposed hospital in PNG, to be conducted in 2010); and (iii) division of labor (e.g., collateral reform [ADB] and credit bureaus [IFC]). Coordination, information sharing, and peer reviews are undertaken on a quarterly basis through PSD donor coordination meetings.

78. ADB is a core member of the Pacific Financial Inclusion Donor Coordination Group, which includes AusAID, the IFC, the New Zealand Agency for International Development, and the Pacific Financial Inclusion Programme funded by AusAID, the European Union, United Nations Capital Development Fund, and United Nations Development Programme, and meets on a quarterly basis in conjunction with the PSD donor coordination sessions. In 2009, this group collaborated on a financial inclusion gap analysis of six Pacific countries, which has been instrumental in identifying key opportunities that could be addressed by donors to further support access to finance. This facility has allowed donors to act in a coordinated manner, based on their core competencies and established relationships with key microfinance partners and regulatory agencies.
79. PSDI has also been actively collaborating with the Pacific Infrastructure Advisory Center (PIAC), which is co-located with PSDI at the ADB Sydney office. In particular, PSDI has provided country and sector knowledge to PIAC, as well as contacts to facilitate engagement with Pacific counterparts. In addition, PSDI has also identified a number of PPP opportunities, which could be supported by PIAC in 2010.

80. PSDI has continued its close relationship with the Pacific media and various research organizations in support of policy dialogue. It has reached out to the many parties interested in PSD-oriented reform in the Pacific, which increases momentum in the individual countries and throughout the region.
VIII. OUTLOOK

81. The Pacific Private Sector Development Initiative (PSDI) continues to effectively implement private sector-oriented reform in the Pacific region. The demand for its services remains strong as shown by increasing requests for specialized technical assistance. PSDI is evolving into new areas such as competition and contracting frameworks. In addition, while much of the work under PSDI has promoted the inclusion of women in economic activity, this is now a particular focus.

82. Programming for 2010 in the areas of access to finance, improving the enabling environment, and state-owned enterprise reform and public–private partnerships is virtually complete. The new monitoring and evaluation framework will have been developed by midyear and will be applied to new projects.

83. With PSDI having been underway for 3 years, some projects are coming to fruition. The reform of the Companies Acts in Solomon Islands and Vanuatu will be complemented by the installation of electronic registries in 2010. A similar PSDI company law reform initiative in Tonga was augmented through cooperation with the International Finance Corporation, which provided assistance for the installation of a company registry. Once these reforms are complete, these countries will have efficient commercial legal systems that should assist in enhancing their competitiveness.

84. Pioneering new initiatives in microfinance and the application of technology to payment systems are being planned and will be implemented in 2010–2011. The substantial progress that has been achieved in extending microfinance services and access to credit will continue in Papua New Guinea, Timor-Leste, and Vanuatu. Work is underway to extend microfinance services in the Fiji Islands.

85. Secured transactions reform has been successfully completed in Solomon Islands and Vanuatu. Registrations of security interests have exceeded expectations, and the reforms have contributed to improving access to finance in these countries. One of the lessons learned under PSDI has been the importance of comprehensive implementation. Continued implementation assistance will be provided in these countries to ensure that the full benefits of the reforms are delivered. Papua New Guinea and Samoa have also requested assistance in implementing secured transactions reform, and work in this area will commence during 2010. Additional assistance will also be provided for secured transactions reforms in Palau and Tonga, and ongoing support for secured transactions systems in the Republic of the Marshall Islands and Federated States of Micronesia.

86. In 2010, work will commence on developing a regional contracting framework and a framework for competition policy, with corresponding workshops to be held within the next 12 months. These will promote regional discussion of these important issues and help generate demand for reform at the country level.

87. In Solomon Islands an extensive review of the overall legal environment for customs will commence in 2010. This will involve a review of the Customs and Excise Act, with a view to drafting a new Bill to be considered by Parliament in 2011. This is a significant and important reform initiative aimed at substantially improving enforcement, removing cumbersome processes, generating greater revenue collection, and enhancing overall border integrity. This is a collaborative effort between PSDI and the Australian Customs Service, which is responsible for a customs modernization program supported by the Regional Assistance Mission to Solomon Islands.

88. State-owned enterprise and public–private partnership related reforms have been a central part of the implementation of PSDI-oriented initiatives. A combination of analytical
work, technical assistance, and ongoing advice through on-the-ground advisors has proven to be a powerful instrument in promoting reform. Substantial progress has been made in Papua New Guinea and Tonga, which will continue in 2010. Pioneering work on the economic impact of SOEs that commenced in 2008 will be extended to additional countries and updated for the countries already analyzed in 2010.

89. The continuity of the PSDI team has proven to be one of its greatest strengths and has enabled long-term ongoing dialogue with government and private sector counterparts in the countries in the region. Furthermore, it has also been a major factor in continuing to raise awareness of private sector development oriented reform in Pacific countries. As a result, PSDI-initiated reform efforts look to continue and deepen, and are attracting the attention of private sector development reformers in other parts of the world.
A. Introduction

1. While private sector-led economic growth remains an important tenet of Papua New Guinea’s (PNG’s) Medium-Term Development Strategy 2005–2010, and has been underscored in each budget speech since 2006, progress to address key constraints to private sector development (PSD) remains mixed. It is imperative that the government further improve and expand access to physical infrastructure and financial services as well as implement policy reforms to facilitate competition, open markets, and create a more secure legal environment for doing business.

2. It is only in selected infrastructure sectors that notable improvements have been made in recent years, largely as a result of increased public investment in the roads sector and the introduction of competition and subsequent private sector investment in the telecommunications, aviation, and power sectors. Inefficient state-owned enterprises (SOEs) continue to hold dominant market positions in many sectors of the economy and continue to serve as a drag on economic growth. This interventionist role of the state in the economy is one of the principal constraints to private sector activity in PNG.

3. Financial markets do not support investment and entrepreneurship. Even though the ratio of private sector credit to gross domestic product in PNG is below 30%, financial institutions have substantial liquidity. While lending has expanded rapidly in the last 5 years as a result of the growth generated by the commodities boom, financial markets remain underdeveloped. Though no formal data exists, Asian Development Bank (ADB) estimates that approximately 15% of the population has access to formal or informal banking facilities. Financing for small and medium sized firms is difficult to come by and credit is costly. A rudimentary collateral framework and lack of credit information on prospective borrowers further inhibit lending. On a more basic level, the recent growth of savings accounts among the few rural finance institutions in PNG demonstrates significant unmet demand for deposit facilities.

4. Other core constraints outlined in the PSDI-sponsored 2008 private sector assessment for PNG¹ include

   - The lack of transparency and accountability in the public sector,
   - Unpredictable changes in government policies for the private sector,
   - Poor infrastructure,
   - A difficult contracting environment,
   - An underdeveloped leasing system for land, and
   - Weak property rights over movable assets.

5. PSDI’s dialogue with the government on core PSD reforms has focused on access to finance, business law reform, the SOE sector, and public–private partnerships (PPPs). To further improve access to finance, PSDI has continued to engage with the Central Bank on the development of an appropriate legal and regulatory framework for branchless banking

and the microfinance industry. Both initiatives will be pursued in 2010. In addition, PSDI will fund the design of a Microfinance Expansion Project in 2010, which will provide continued support for the development and expansion of a sustainable microfinance industry. The government has requested assistance in implementing secured transactions reform, and work in this area will commence during 2010. Furthermore, in 2009, PSDI has continued to provide support to the Independent Consumer and Competition Commission (ICCC), the competition regulator, to strengthen its regulatory capacity and facilitate competition. PSDI activities in 2009 in PNG were mostly undertaken in collaboration with, and augmented by, country specific technical assistance (4722–PNG). Following Cabinet’s endorsement of a new PPP Policy in 2008, progress was made in 2009 with the preparation of a legal and institutional framework to implement the policy, which is expected to be completed in 2010. The government has restated its intention to develop a community service obligation (CSO) framework as an essential component of SOE reform, and this work will be conducted with PSDI support in 2010.

B. Access to Finance

6. With the rapid expansion of mobile telecommunications coverage in PNG, the use of mobile phones to conduct financial transactions has the potential to dramatically reduce transactions costs and lead to increased access to finance in rural areas. A market assessment financed by PSDI in 2008 revealed the potential for branchless banking in PNG, and recommended a measured regulatory approach to encourage innovation and private investment into these applications. In 2009, PSDI-funded experts continued to engage with the Central Bank on the development of an appropriate legal and regulatory framework for branchless banking as part of broader national payments system reform.

7. PSDI’s efforts to expand access to finance are complemented by the ongoing ADB Microfinance and Employment Project, which began in 2001. The Project has built a solid base for microfinance in PNG and has developed microfinance as a suitable tool for rural development in the country. It has successfully laid the foundation of a nascent microfinance sector and has proven very successful, both in delivering services directly and generating broader competencies in the sector. With the project due to close in June 2010, PSDI will fund the design of a Microfinance Expansion Project in 2010, to provide continued support to the development of the sector. This project will leverage existing efforts of microfinance institutions to increase outreach to the rural areas, improve institutional and financial service client capacity, provide efficient financing for micro and small enterprises, and upgrade the microfinance legal and regulatory environment.

8. Access to finance is further inhibited by the antiquated collateral framework, which does not accept movable property as a pledge against loans. The government has requested assistance in implementing secured transactions reform, and work in this area will commence during 2010.
C. Business Law Reform

9. The PSDI-sponsored private sector assessment for PNG identified the lack of competition in key infrastructure service markets as a core constraint to PSD. While the government has enacted a competition law and established an independent regulator (ICCC), sector monopolies continue to deliver suboptimal services, driving up the costs of doing business. In 2009, PSDI continued to support the ICC to build its capacity to execute its economic regulatory and consumer protection mandate, including in the telecommunications sector where a set of industry codes were finalized and interconnection determinations made.

10. Weaknesses in the commercial legal framework continue to represent an impediment to PSD, particularly the underdeveloped leasing system for land and difficult contracting environment. The government has made notable progress in reforming the land tenure system, and these reforms will be pursued in 2010. A diagnostic of the contracting environment was conducted with PSDI support in 2008, and has confirmed the suitability of PNG to participate in the development of a regional contracting framework. With the government’s concurrence, this initiative could be pursued in 2010.

11. The recent introduction of competition and subsequent private sector investment in the mobile telecommunications sector has substantially benefited the economy and has led to a dramatic improvement in service provision in the sector. ADB has a keen interest in furthering the efficient development of the telecommunications sector in PNG, and in 2009, in collaboration with commercial banks and the International Finance Corporation, ADB provided $18 million in senior debt toward the upsize of Digicel PNG’s term loan facility. The funds are to be used to expand Digicel’s network capacity and coverage and upgrade its billing system, among other things. In 2010, PSDI will continue to support the identification of private sector investment opportunities in PNG in a range of sectors, such as financial services, telecommunications, transport, and energy.

D. State-Owned Enterprise Reform and Public–Private Partnerships

12. Since 2008, ADB has worked closely with a multi-agency government task force charged with developing a PPP framework, which will facilitate increased private sector participation in the provision of infrastructure goods and services. The first step in this process, the development of a PPP Policy, received Cabinet endorsement in December 2008. In 2009, technical assistance has been provided for the implementation of the policy, including the development of a PPP law and establishment of a PPP Centre, which is expected to be completed in 2010. PSDI will continue to support the PPP program in PNG so that the first PPP transactions can be effectively prepared. To this end, PSDI will fund a preliminary assessment of the feasibility and financial impact of developing a major hospital in PNG under a PPP arrangement in 2010, in collaboration with the Department of Health and the International Finance Corporation. Other PPP opportunities will be explored in close collaboration with the Government of PNG as well as the Australian Agency for International Development, the World Bank Group, and other bilateral donors actively engaged in the modernization of PNG's infrastructure.

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2 ADB also co-organized a PPP Familiarization Workshop in PNG on 22–23 September 2009 with the International Finance Corporation. The workshop was attended by over 70 government officials, SOE managers, and donor and private sector representatives, and received extensive local media coverage.
13. In the area of SOE reform, in contrast, only limited progress has been made. While competition is gradually being introduced in selected sectors, SOEs still dominate infrastructure provision in PNG, and the government continues to place substantial emphasis on protecting incumbent SOEs. In this context, the government’s intention to develop a CSO framework is an encouraging development. ADB and key government stakeholders have agreed a scope of work for developing a framework, which would allow CSOs to be identified, costed, contracted, and financed so that their delivery is on a purely commercial basis. In order to implement such a framework, legal and governance reforms will be required to place the SOEs on a more transparent and accountable footing so that they can operate on fully commercial terms. This process should in turn facilitate the introduction of competition in those sectors which the SOEs continue to hold dominant market positions. It is anticipated that the development of a CSO framework will commence in 2010, with technical assistance from PSDI.
PSDI ACTIVITIES IN SAMOA

(2009)

A. Introduction

1. Private sector-led economic growth and employment creation is one of the goals of the Strategy for the Development of Samoa (SDS) 2008–2012. The Asian Development Bank’s (ADB’s) assistance strategy for Samoa supports the SDS through interventions targeting: (i) improved delivery of public services, including the removal of infrastructure constraints; and (ii) promotion of private sector development.

2. While considerable progress has been made in improving the business environment over the past decade, many impediments to private sector-led economic growth remain. ADB’s 2007 private sector assessment for Samoa1 highlighted a number of key impediments to private sector activity, which included too large a role of the state in the economy; inadequate economic infrastructure; poor quality and high cost infrastructure-related public services; underdeveloped financial markets; and weaknesses in the enabling business environment, particularly property rights. However, the pace of reform has slowed and many of the constraints identified in 2007 remain.

B. Access to Finance and Business Law Reform

3. Consultants of the Pacific Private Sector Development Initiative visited Samoa toward the end of 2009 to assist in the final implementation of the Companies Act and to provide assistance in finalizing the drafting and implementation of the Personal Property Securities Bill and registry. Assistance on these initiatives will continue in 2010. Also in 2010, PSDI will support a regional contracting framework, with Samoa as one of the participating countries.

C. State-Owned Enterprise Reform and Public–Private Partnerships

4. The PSDI study on the comparative performance of state-owned enterprises (SOEs) in the Fiji Islands, Samoa, and Tonga, Finding Balance,2 highlighted the fact that Samoa’s SOEs are a significant drag on economic activity and act to crowd out the private sector. Scarce capital that could be invested in important social services such as health and education is being diverted to prop up underperforming SOEs. The study was published in early 2009 and its publication was immediately followed by a leaders retreat, hosted by ADB. The attendees from Samoa included the Samoan Prime Minister, minister of finance, chief executive officer of the Ministry of Finance, and head of the SOE Monitoring Division (SOEMD), which is located within the Ministry of Finance. Ministers and senior representatives from the other participating countries also attended. The results of the SOE study highlighted the fact that while Tonga’s SOEs achieved an average return on equity of 7.7% during the period 2002–2006, the return on Samoa’s SOEs over the same period was just -0.5%. The study also showed that for every $1.00 invested in Samoa’s SOEs, they contributed only $0.06 to gross domestic product.

5. Finding Balance highlighted a number of reasons for the poor performance of the Samoan SOEs, but weak governance was identified as the most direct causal factor to poor

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1 Published online in 2008 as Samoa Private Sector Assessment: Consolidating Reform for Faster Economic Growth.
SOE performance. This is manifested in the fact that ministers and civil servants sit on many of the boards of the Samoan SOEs, which creates irreconcilable conflicts of interest and confused accountabilities. Following the February leaders retreat, the Prime Minister, in an effort to generate renewed focus on SOE reform, sponsored a Cabinet paper in March 2009 directing that (i) Ministers and ex-officio board members must step down from SOE boards by June 2010, (ii) SOEs must achieve a minimum of 7% return on equity or chief executive officers and boards may face removal from office, (iii) community service obligations cannot be paid without prior Cabinet and Ministry of Finance approval, and (iv) 50% of profits must be paid to the government as dividends.

6. A PSDI-funded team visited Samoa in early July 2009 to present the Finding Balance study to a group comprising SOE chairpersons3 and chief executive officers, members of the SOEMD, and senior officials from the Ministry of Finance and other line ministries. The Prime Minister in opening the workshop restated and reiterated the focus of his March 2009 Cabinet paper. During the mission, the team also presented the findings to a number of SOE boards, which provided an opportunity to discuss the analysis and SOE specific findings with the boards on an SOE by SOE basis.

7. More recent performance data show that the commercial4 SOEs in Samoa continue to perform poorly. According to the SOEMD, return on equity for the 2008 financial year was just 1.5%. Due to the focus of investing PSDI resources where they can be most effectively utilized, a greater level of engagement in Samoa was not justified in 2009 due to the government’s inability to significantly progress SOE reform.

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3 A number of Ministers who were chairpersons of SOEs attended.
4 Samoan SOEs are divided into Public Trading Bodies and Public Beneficial Bodies. The Public Trading Bodies are required to operate as successful business and should be managed on a fully commercial basis.
PSDI ACTIVITIES IN SOLOMON ISLANDS
(2009)

A. Introduction

1. The Asian Development Bank’s (ADB’s) Solomon Islands Interim Country Partnership Strategy 2009–2011\(^1\) seeks to achieve rapid, pro-poor, private sector-led economic growth, and focuses on improving transportation infrastructure and services, and the enabling business environment. An ADB-sponsored private sector assessment (PSA) for Solomon Islands\(^2\) in 2005 emphasized the need to
   - Rationalize the state-owned enterprise (SOE) portfolio,
   - Improve infrastructure and infrastructure services,
   - Enhance access to credit,
   - Reform business law and regulations,
   - Encourage rural development, and
   - Resolve property rights issues by unlocking customary land for productive and economic uses within a traditional landownership framework.

2. Key crosscutting challenges include the extent of government commitment to reform and capacity to implement policies, adequate mechanisms and processes to implement the reform agenda, and the private sector’s response to microeconomic incentives. A forthcoming ADB-sponsored Solomon Islands economic report confirms these impediments and stresses the need for structural reform as a matter of urgency, taking into account the challenges facing the economy as a result of the rapid decline of logging—a main pillar of the economy and source of government revenue.

B. Access to Finance

3. ADB is currently investigating options to engage in the area of access to financial services in the rural areas of Solomon Islands. To this end, a draft report on access to finance—particularly microfinance—was prepared in October/November 2009, financed by PSDI.

4. The Secured Transactions Act, passed in late 2008, commenced on 1 September 2009. An electronic registry was installed and went live at the same time as the Act commenced. PSDI supported the extensive training of users, which resulted in a smooth transition to the new system. There have been a significant number of registrations during the transition phase. After 6 months of initial utilization, there will be a review of the Act under PSDI to fine tune and “debug.” In 2010, PSDI will continue to support the new registry and conduct further public awareness. This will coincide with the awareness campaign supporting the new companies legislation.

C. Business Law Reform

5. The most significant development in the business law reform area has been the enactment of the Companies Act and Companies (Insolvency and Receiverships) Act by Parliament. This occurred in March 2009, with the legislative process being supported under

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PSDI. The new Acts have been well received by stakeholders but will commence only around mid-2010 after the design and installation of a new company registry. The procurement process for an electronic registry will be conducted in early 2010. In addition, the process of appointing a legally qualified registrar has been concluded, and the new registrar is expected to take up the appointment in early 2010. PSDI will support a robust implementation project of the new Acts in 2010 to ensure all stakeholders are aware of the new regime. There will be extensive capacity development within the new registry, including the training of staff. With the introduction of single shareholder and community companies, a significant amount of training will be conducted at the rural and provincial levels.

6. In 2009, support was provided to the government for the drafting of a Trustee Bill. Given other government priorities, the finalization of this Bill has been deferred. It is planned to introduce this Bill following the 2010 elections. PSDI will provide further input as requested. PSDI sponsored a diagnostic of the contracting environment in several Pacific countries, confirming the suitability of Solomon Islands to participate in the development of a regional contracting framework. This initiative will be pursued in 2010.

D. State-Owned Enterprise Reform and Public–Private Partnerships

7. Since 2005, ADB has been assisting the government in improving SOE ownership arrangements, accountability, and performance. Despite the passage of the SOE Act in 2007 and Cabinet endorsement of the privatization of Home Finance Ltd. (HFL) and Sasape Marina Ltd. (SML) in the same year, implementation has been hindered by political instability and capacity constraints. After 2 years of preparation, the sale of HFL was completed in April 2009. SML, which has also been under preparation for 2 years, has finally received the needed endorsement from its board as well as the board of its holding company, the Investment Corporation of the Solomon Islands, for an asset sale to be conducted via open competitive tender in 2010. Once this transaction is completed, the legal wind-up of SML can be finalized, and will be facilitated by the fact that in 2009 the government settled most of the company’s outstanding liabilities. Once this transaction is completed, and a new government in place in late 2010, further SOE reforms can be supported, most notably the implementation of the SOE Act, preparation of updated financial accounts, commercialization of the utility SOEs, and strengthening of the SOE monitoring unit within the Ministry of Finance. ADB’s proposed Economic Reform Support Program for the Solomon Islands, to be implemented in 2010, will provide further support and focus for these proposed reforms.
1. In Timor-Leste, private sector-led economic growth remains constrained by a complex and cumbersome legal environment, weak infrastructure, extremely limited access to rural finance, and a poor, albeit improving, security environment. The government’s limited capacity to formulate and implement reforms has been exacerbated by the multitude of donor interventions, many of which have not been adequately coordinated.

2. In this environment, the Pacific Private Sector Development Initiative (PSDI) has elected to focus its efforts in expanding access to finance by strengthening existing microfinance providers and identifying economically viable models for rural outreach. PSDI has leveraged the technical assistance already being provided by the Asian Development Bank (ADB) to the Instituição De Microfinanças De Timor-Leste (IMfTL), a microfinance institution established in 2001 with ADB support. Alongside a separate technical assistance project, PSDI assisted with outlining a broad program of institutional and governance reforms for the IMfTL with the Government of Timor-Leste, which took ownership of the institution on 31 December 2008. During 2009, PSDI supported the development of legal advice on the reincorporation of the IMfTL, in addition to a strategy and business plan and a training plan to develop the institution’s management and staff. These outputs were provided to the government in late 2009. PSDI will continue to support the development of the IMfTL as it implements the recommendations of these outputs.

3. In 2008, PSDI conducted an assessment of the potential for branchless banking models to expand the outreach of banking services to rural areas. There is significant unmet demand for deposit services in Timor-Leste and increasing volumes of conditional government cash transfers, which are made difficult by inadequate branch banking networks outside Dili. Branchless banking models, which are considerably more cost-effective than traditional branches, ATMs, or the current government system of cash distribution, could significantly improve access to financial services in the rural areas. The Government of Timor-Leste has expressed interest in the development of these branchless models and has requested support from ADB in formulating a regulatory approach and implementation strategy. PSDI has kept a watching brief on telecommunications liberalization to be ready to respond when opportunities arise. To date, this has not happened, though further work will be undertaken as warranted.

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1 Automated teller machines.
PSDI ACTIVITIES IN TONGA
(2009)

A. Introduction

1. In October 2008, the Prime Minister of Tonga launched the Pacific Private Sector Development Initiative (PSDI) funded private sector assessment (PSA) for Tonga, Transforming Tonga.1 The PSA identified a number of constraints to private sector growth, the effects of which were leading to a lower level of economic activity. The report also contained a series of recommendations to overcome or address those constraints. These recommendations have, to a large extent, been adopted by the government as policy and progressively implemented during 2009.

2. Due to the flexibility of the PSDI program, the Asian Development Bank (ADB) was able to respond rapidly to the government’s desire to introduce a broad range of reform measures, and within a relatively short time frame. During 2009, there were at least 10 active PSDI supported programs in Tonga, while some of these programs had numerous sub-programs.2

3. To support the government in its ambitious reform program, a PSDI-funded advisor was placed in the Office of the Prime Minister in late 2008 and throughout 2009 to assist the government identify and coordinate programs that were supportive of private sector-led growth.

B. Access to Finance

4. Two PSDI-funded microfinance experts undertook a diagnostic mission in late 2008 to review microfinance activities in Tonga. The report was completed in early 2009 and shared with the government. In March 2009, the government requested ADB to undertake a strategic review of the Tongan Development Bank (TDB), including its involvement in microfinance lending. In July 2009, ADB sponsored a field trip to Vanuatu to study the operations of the National Bank of Vanuatu, a regional model of good practice in micro lending. The field trip comprised the minister of finance and public enterprises, the chief executive officer of the Ministry of Public Enterprises, the chairperson and chief executive officer of the TDB, and the governor of the Central Bank of Tonga. An output from the field trip was a report prepared by a PSDI-funded advisor, which set out a series of recommendations for consideration by the board. The strategic review of the operations of the TDB has now been incorporated with the state-owned enterprise (SOE) reform work program.

5. After Cabinet gave the concept its approval, a Personal Property Securities Bill was also drafted in 2009 through a highly consultative process. The draft received strong support from the private sector and financial community and was submitted to Cabinet for final approval in November before going to the Legislative Assembly. Cabinet declined to approve the draft Act due to concerns over disclosure requirements. After further consultation, the draft Bill is expected to be resubmitted to Cabinet in early 2010.

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2 Road outsourcing, microfinance review, PPP training, SOE reform support, director training, Finding Balance feedback, company law reform, development of the Personal Property Securities Act, analysis for $10 million program grant, Prime Minister’s Office resource.
C. **Business Law Reform**

6. The PSA identified significant constraints arising from an incomplete commercial law framework, including an outdated Companies Act, with the additional complicating factor that the company registry was destroyed by fire in 2006, and the lack of a codified contract law. PSDI company law experts worked with registry experts from the International Finance Corporation to address the first constraint. After significant consultation, an amendment to the Companies Act was drafted, which, among other matters, provided for the establishment of a new electronic registry. Cabinet and the Legislative Assembly approved the amendment Act in September 2009, and the registry went live on 1 December 2009. In 2010, PSDI will support the development of a regional contracting framework, with Tonga as one of the participating countries.

D. **State-Owned Enterprise Reform and Public–Private Partnerships**

7. Through the Ministry of Public Enterprises, the government continued its program of SOE reform. Work continued on the reform strategies for three SOEs carried over from 2008, while eight new SOEs were included in the program in 2009. The reform program is focused on improving the performance of the individual SOEs through improving governance arrangements, increasing transparency and accountability, strengthening the commercial drivers, identifying opportunities to contract out operations to the private sector, rationalizing assets, and looking to privatize in whole or in part.

8. The program is also focused on training and up-skilling the SOE boards, senior management, and monitoring staff within the Ministry of Public Enterprises. Five training programs were undertaken in 2009, which included training programs for SOE directors and managers on business valuation techniques, a full week training program for existing and potential SOE directors, training for SOE managers and accountants on financial management, and training for SOE chief executive officers and chairpersons on developing a strategic plan. A workshop on public–private partnerships (PPPs) was also provided for SOE chief executive officers, senior managers, and board members; private sector participants; and officials from infrastructure government ministries. The boards of five SOEs were restructured in 2009, removing all ministers and civil servants, and replacing them with private sector directors.

9. Tonga participated in the PSDI-funded comparative study on the performance of SOEs in the Fiji Islands, Samoa, and Tonga. *Finding Balance.* The minister of finance and public enterprises, together with the chief executive officers of the Ministries of Finance and Public Enterprises, attended a high level discussion on the findings of the study in February 2009, along with representatives from the other participating counties. The two-day discussion resulted in some further positive action and a recommitment to SOE reform. In May 2009, the findings of the study, including the results of a more detailed analysis of the individual SOEs, were presented to the Ministry of Public Enterprises, SOE boards, and senior management at a series of workshops in Tonga.

10. PSDI-funded experts worked with the Ministry of Public Enterprises to draft an important amendment to the Public Enterprise Act. The amendments are designed to improve the process of selection and appointment of directors, prohibit the appointment of ministers and civil servants to SOE boards, strengthen the commercial focus of SOEs,

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3 Tonga Development Bank, Ports Authority Tonga, Tonga Broadcasting Commission, Tonga Power Ltd., Tonga Water Board, Waste Authority Ltd., Tonga Communications Corporation, and Tonga Airports Ltd.

improve transparency and accountability, and introduce a robust procedure for community service obligations. The drafting of the amendment act was completed in November 2009 and is now with Crown Law for process through Cabinet and the Legislative Assembly.

E. Private Sector Development Advisor (In-Country)

11. A PSDI-funded advisor has been made available to the Prime Minister’s Office for most of 2009 to assist in the development, coordination, and implementation of policies that support private sector growth. The advisor has also been able to provide in-country support for other PSDI activities mentioned in this report. While the provision of a dedicated in-country advisor is expensive, it provides significant benefits both to the country and the private sector development program, above and beyond the benefits that flow from the specific activities in which the advisor is involved. As the advisor gains greater knowledge of the domestic issues, stakeholders, internal dynamics, and options and how the system works, becomes more efficient in identifying where value can be added.

12. Some of the initiatives in which the advisor has been involved include supporting the reconstruction of Nuku’alofa, particularly the rebuilding of private sector-owned buildings and the use of local labor and materials; road outsourcing; structuring of joint venture arrangements between the government and the private sector in fisheries and tourism; participating as a member of the National Economic Development Council, which is the primary interface between the government and the private sector on matters concerning economic growth; providing policy advice direct to the Prime Minister on how to address matters that might constrain private sector growth; reviewing business cases and applications from the private sector for government support or grant funding; developing a whole-of-government (including SOEs) infrastructure investment schedule, approval process and policy guidelines, and a priority matrix as input to the government’s medium-term infrastructure plan; policy advice in relation to the development of the Renewable Energy Roadmap; and providing general advice and acting as a sounding board for members of the Tongan private sector. The advisor was also asked to chair the newly corporatized Tonga Post Ltd.
Appendix 1

PSDI ACTIVITIES IN VANUATU
(2009)

A. Introduction

1. Vanuatu has just completed its seventh consecutive year of economic growth, the longest period of sustained economic expansion since independence in 1980. Gross domestic product is estimated to have risen by 6.3% in 2008, and despite a difficult international environment, growth continued in 2009, although it is likely to have slowed to around 3.8%. Vanuatu's improved economic performance in recent years can be attributed to its open trade regime, improvements in economic policy, and gradual progress in the quality of institutions, along with some private sector-oriented reform. There has been strong expansion in tourism, construction, real estate, and finance, together with higher agricultural output.

2. Reforms in the telecommunications sector in 2008 saw the entry of a new mobile phone operator that has significantly reduced calling costs and expanded access to services. Around the same time, the airlines sector was liberalized, resulting in reduced fares and expansion of service, which has significantly benefitted the Vanuatu tourism sector at a time when other Pacific countries had been feeling the negative effects of the global economic crisis.

3. In September 2009, in consultation with the Government of Vanuatu, the Asian Development Bank (ADB) concluded its Vanuatu Country Partnership Strategy 2010–2014, which included private sector development as a key theme. ADB's current Vanuatu private sector development strategy supports the government’s policies outlined in its longer term Priorities and Action Agenda 2006–2015 as well as its Planning Long, Acting Short 2009–2012 medium-term policy framework, which aim to promote economic growth while improving the incomes of the poorer sections of the community and enhancing opportunities and growth in rural areas. These strategies focus, among other things, on improved infrastructure, social development, governance, and private sector development.

B. Constraints to Growth

4. The Pacific Private Sector Development Initiative (PSDI) sponsored private sector assessment for Vanuatu analyzes constraints to sustained private sector-led growth. The principle barriers to investment and entrepreneurship identified in the report are that:

   - Infrastructure services are poor, or high cost, or both.
   - A low rate of return on state-owned enterprise assets is harming growth.
   - Weak governance and intrusive interventions by the state reduces productivity.
   - The commercial legal framework is complex, costly to access, and does not encourage business transactions.
   - Access to finance is poor.
   - Land leasing issues threaten the long-term stability of land market arrangements.

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C. Access to Finance

5. A new Personal Property Securities Act was passed and gazetted in 2008. A new electronic personal property securities registry was installed and launched in April 2009. PSDI is supporting the ongoing implementation, promotion, monitoring, and evaluation of this registry.

6. PSDI continues to supplement ADB technical assistance (TA) (7023–VAN) for the expansion of a microfinance pilot scheme in several of the Vanuatu islands to implement a rural outreach program using new technologies to expand access to financial services. Through the program being implemented by the National Bank of Vanuatu, many rural and outlying branches will be brought online, and technologies, such as mobile EFTPOS\(^3\) and agent banking systems, will be deployed to increase efficiency as well as the reach of the bank to people and areas previously unserved.

7. PSDI continues to support the strengthening of the supervisory capabilities of the Vanuatu Financial Services Commission, which is being required to implement more stringent regulatory standards connected with the International Financial Center, and which is implementing the new personal property securities law and registry.

D. Business Law Reform

8. In 2009, PSDI funded, alongside other ADB TA (4856–VAN), the modernization of the Vanuatu commercial legal framework. Experts have assisted in drafting a new Companies Bill, a Companies (Insolvency and Receiverships) Bill, Insolvency (Cross-border) Bill, a Trustee Bill, and a Personal Insolvency Bill. The experts have helped analyze the options for the development of an electronic company registry and are in the process of procuring this registry. The new company registry is likely to come on line in the second half of 2010. The Companies Bills will be considered by Parliament in May and June 2010, with the other Bills to follow later in the year. In addition, PSDI provided advice to the government on a range of insolvency issues and restructuring of government business enterprises (GBEs), in particular, the Vanuatu Commodities Marketing Board.

9. In 2009, PSDI also supported the Reserve Bank of Vanuatu to ensure that currently unregulated microfinance institutions (such as the Vanuatu Women in Development Scheme or VANWODS), which are taking deposits, are adequately regulated to protect deposit holders. This support will continue in the first quarter of 2010. In 2010, PSDI will support a regional contracting framework, with Vanuatu as one of the participating countries.

E. State-Owned Enterprise Reform and Public–Private Partnerships

10. The Government of Vanuatu has a total of 20 GBEs, many of which provide inferior services, compete on unfair terms with the private sector, and drain the budget. The government is taking important steps to reform the sector, starting with the liquidation of one of the largest GBEs, and requesting ADB support for a broader reform effort in 2010. PSDI will provide support for the development and implementation of a GBE rationalization program in 2010, in close collaboration with the government and the Australian Agency for International Development.

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\(^3\) Electronic funds transfer at point of sale.
Appendix 1

F. Private Sector Investments

11. ADB’s private sector investment activities have recently increased in the Pacific. Such operations will have to be examined on their individual merits, though in Vanuatu there may be opportunities for private sector involvement in supporting development in sectors such as financial services, transport, and energy infrastructure. PSDI will support the identification and formulation of such projects where project preparation costs are high.
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PROJECT NAME</th>
<th>OBJECTIVE/SCOPE</th>
<th>STATUS</th>
<th>EXPECTED KEY RESULTS</th>
</tr>
</thead>
</table>
| COO     | Strengthening Competition and Consumer Protection | Assess competition framework and make recommendations to improve capacity of    | Closed | • Deliver to the government report on mechanisms for enhancing the competitive framework  
• Government to discuss and agree on course of action as a result of report  
• Government to implement agreed reforms                                                                                                                     |
| FIJ     | Microfinance Assessment                          | An in depth assessment of the microfinance industry in the Fiji Islands (FIJ),  | Ongoing| • Develop recommendations for efficient expansion of microfinance services to remote and low income households in FIJ, considering a broad range of alternatives  
• Develop a proposal/business plan for development of a greenfield microfinance institution  
• Develop recommendations and a plan for implementation of a strong and effective microfinance advocacy and sector support services framework  
• Develop a plan for growing the microinsurance industry in FIJ, including key potential suppliers, suggestions on product design, requirements for financial education, methods of removing barriers/impediments, regulatory issues, etc. |
| RMI     | Secured Transactions Registry                    | Establish a secured transactions registry in support of the 2007 Secured        | Closed | • Registry design report submitted to and approved by government  
• Regulations issued  
• Procurement process completed  
• Registry operational online  
• First 50 security interests registered                                                                                                                      |
| PAL     | Secured Transactions Reform                      | Support the establishment of a functioning secured transactions framework,      | Closed | • Sound secured transactions law passed by Parliament  
• Implementing regulations approved  
• Registry established and operational online  
• First 100 security interests registered                                                                                                                     |
| PNG     | Private Sector Assessment                        | A private sector assessment (PSA) for Papua New Guinea (PNG) to identify binding | Closed | • Draft PSA submitted and communicated  
• Final PSA communicated to and consulted with key stakeholders in PNG  
• Publication  
• Agreement from                                                                                                                                            |
<table>
<thead>
<tr>
<th>COUNTRY</th>
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</tr>
</thead>
<tbody>
<tr>
<td>PNG</td>
<td>PSD Seminar Series</td>
<td>Recommend reform priorities.</td>
<td>Closed</td>
<td>Agree concept and sponsorship for PSD Seminar Series with local partners INA and the Port Moresby Chamber of Commerce; seminars on key private sector development (PSD) issues (e.g., competition, business climate, secured transactions reform, corporate governance, public–private partnerships [PPPs], branchless banking, etc.) to raise awareness and support policy dialogue.</td>
</tr>
<tr>
<td>PNG</td>
<td>Private Sector Participation in Medical Supplies Distribution</td>
<td>Support multi-donor group through provision of team leader for a study to assess feasibility of outsourcing the procurement and distribution of medical supplies to the private sector.</td>
<td>Closed</td>
<td>Recommendations to Department of Health Task Force on options for reforming the procurement and distribution of medical supplies; Department of Health Task Force endorsement of recommendations to the NEC (Cabinet); Recommendations implemented.</td>
</tr>
<tr>
<td>PNG</td>
<td>PPP Framework</td>
<td>Develop a PPP policy as a first step in the establishment of a functioning PPP framework to support future infrastructure investment. Once the policy is formally endorsed by the NEC, implementation will involve the development of implementing rules and regulations as well as institutional arrangements.</td>
<td>Closed</td>
<td>Develop a PPP framework to encourage private sector participation into the infrastructure sector; Two public consultation workshops; Policy statement endorsed by the NEC; Agreement with government on implementation support from ADB.</td>
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<td>PNG</td>
<td>PPP Implementation Framework</td>
<td>Support the implementation of PNG’s newly-issued PPP policy, with a focus on implementing rules, regulations, and institutional arrangements.</td>
<td>Ongoing</td>
<td>Develop business plan for PPP Centre; Identify necessary changes to existing legal framework affecting PPPs, and agree with government; Draft PPP law and implementing regulations; Finalize operating manuals for PPP Centre and recruiting plan; Agree financing plan for PPP Centre and project development.</td>
</tr>
<tr>
<td>PNG</td>
<td>Microfinance Legislative Framework</td>
<td>Draft/consult on legislation to core microfinance institutions. The review will be wide enough to cover all deposit-taking institutions, for example, savings and loans cooperative.</td>
<td>Ongoing</td>
<td>Review legislative framework for microfinance institutions; Prepare report and recommendations; Conduct consultations; Draft legislation; Assist in transitioning.</td>
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| PNG     | Preliminary PPP Assessment for Angau Hospital | Assess the preliminary feasibility and financial impact of developing the Angau Memorial Hospital under a PPP arrangement. | Pipeline | • Recommendations to Department of Health on feasibility of structuring the proposed Angau Hospital redevelopment (or parts of it) as a PPP  
  • Department of Health endorsement of recommendations |
| PNG     | Support for the Development of a CSO Framework for SOEs | Support for the development of a framework for the identification, costing, contracting and financing of CSOs by SOEs in PNG. | Pipeline | • Define a process for the transparent identification, costing, contracting, financing and monitoring of CSOs provided by SOEs  
  • Develop a roadmap of legal, regulatory, and governance reforms necessary for the implementation of the framework  
  • Support the piloting of the new CSO framework in a selected number of SOEs |
| PNG     | Microfinance and Expansion Project (Project Preparation) | Support the design of the proposed Microfinance Expansion Project. | Pipeline | • Develop a detailed proposal for the Microfinance Expansion Project, in close consultation with the Government and stakeholders  
  • Project approved by NEC  
  • Project approved by Board of ADB |
| PNG     | Secured Transactions Reform | Support the establishment of a functioning secured transactions framework, including a new law, electronic notice board (registry), and capacity building and awareness. | Pipeline | • Reform roadmap agreed with government  
  • Sound secured transactions law drafted and submitted to Parliament  
  • Implementing regulations approved  
  • Registry established and operational online  
  • First 100 security interests registered |
| SAM     | SOE Reform Program | Support Samoa's State-Owned Enterprise Monitoring Unit (SOEMD) in the (i) development of a new pipeline for state-owned enterprise (SOE) reform, and (ii) implementation of its newly issued policy on community service obligations (CSOs). | Closed | • Business and financial review of SOE portfolio completed, including recommended focus areas for 2008 Corporate Plans  
  • SOEMD Strategic Plan completed, including SOE reform pipeline  
  • For three priority SOEs, reform plan developed and endorsed by Cabinet  
  • Implementation of two of the three SOE reform plans, resulting in increased private investment and/or reduced fiscal transfers to these SOEs |
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<tr>
<td>SAM</td>
<td>SIOD Capacity Building</td>
<td>Support the newly formed Samoan Institute of Directors (SID) in implementing director training courses with international corporate governance specialists so that (i) skills levels of directors increase, and (ii) SIOD sustainability is improved as skills of local trainers increase and SIOD develops capacity to continue course offerings without external support.</td>
<td>Closed</td>
<td>• New CSO guidelines piloted in two SOEs</td>
</tr>
</tbody>
</table>
| SAM     | Samoa Shipping Services Restructuring | Provide restructuring and privatization recommendations for Samoa Shipping Services (SSS), an SOE 100% owned by the government. | Closed | • Recommendations to task force on MV Forum Samoa II  
• Recommendations to task force on crewing services  
• Overall reform and privatization recommendations  
• SSS implements restructuring plan |  
| SAM     | Companies Registry Reform | Support the modernization of the Samoan company registry in line with international standards and the 2006 Companies Law Amendment Act. Components include a diagnostic, software and installation, training, and awareness campaign. | Closed | • Diagnostic report to government completed  
• Registry operational  
• First 100 companies registered |  
| SAM     | Secured Transactions Reform | Support the establishment of a functioning secured transactions framework, including a new law, electronic notice board (registry), and capacity building and awareness. | Ongoing | • Diagnostic report to government completed and agreed on  
• Registry operational online  
• First 100 security interests registered  
• Implementing registration issued |  
| SAM     | Preparing (Quasi) Equity Investment in a Commercial Bank | Prepare the feasibility study for the strengthening of Samoa’s commercial banking sector through: (i) quasi equity investment (subordinated convertible bonds) in a commercial bank, and (ii) supporting the bank through strengthening of credit policies and procedures, developing adequate corporate governance and internal control procedures, as well as in opportunities for commercial cooperation. | Closed | • Due diligence report prepared, presented to Samoa Central Bank Board and Management, and ADB  
• Project document for ADB’s Private Sector Operations Department prepared  
• Equity investment facilitated |
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| SAM     | Private Sector Assessment                        | A PSA for Samoa to identify binding constraints to doing business, discuss solutions to address these, and recommend reform priorities.                  | Closed  | • Draft PSA presented to and consulted with local key stakeholders  
• High-level roundtable conducted  
• Final PSA government endorsed and considered for implementation  
• At least two recommendations translated into reform measures |
| SOL     | Privatization of Home Finance Ltd.               | Support the sales process for (100% government owned) Home Finance Ltd. to the National Provident Fund.                                            | Closed  | • Advisor delivers recommendations to Ministry of Finance on sale structure and price  
• Transaction completed |
| SOL     | Privatization of Sasape Marina Ltd.              | Support the sales process (full privatization) of Sasape Marina Ltd. with a view to revitalizing the ailing SOE through private investment capital and management expertise. | Ongoing | • Privatization strategy developed and agreed by transaction task force  
• Bid documents prepared  
• Tender completed  
• Transaction completed |
| SOL     | Support for Implementation of the SOE Act        | Support implementation of the SOE Act by developing statements of corporate intent (SCIs) prescribed by the Act in five pilot SOEs.                    | Closed  | • Implementing regulations for SOE Act drafted  
• SCI format for SOEs developed  
• SCI completed for five pilot SOEs  
• SOEs report on compliance, with targets identified in SCIs |
| SOL     | Secured Transactions Framework                    | Support the establishment of a functioning secured transactions framework, including a new law, electronic notice board (registry), and capacity building and awareness. | Closed  | • Secured Transactions Law (as previously drafted) passed  
• Registry design agreed and approved  
• Procurement process completed  
• Registry online  
• First 200 filings entered |
| SOL     | Company Registry Design/Implementation           | Design and install a company registry to support the introduction of the Companies Act 2009.                                                    | Ongoing | • Design specifications and procurement  
• Design new company registry  
• Draft supporting regulations  
• Installation of registry  
• Training of registry staff |
| SOL     | Support for Implementation of the Companies Act  | Support implementation of Companies Act 2009 by building capacity across all stakeholder groups, including the registry.                          | Ongoing | • Finalize implementation plan with committee  
• Prepare implementation materials  
• Training of stakeholders  
• Conduct public awareness campaign |
| SOL     | Trust Reform                                     | Draft a trustee bill to cover the trust framework in Solomon Islands.                                                                          | Ongoing | • Diagnostic and recommendations completed  
• Exposure draft for discussion  
• Bill finalized |
<p>| SOL     | Customs Act Reform                               | Develop the policy framework for a new来看报                                                        | Pipeline| • Policy review and recommendations to |</p>
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<tr>
<td>TIM</td>
<td>Secured Transactions Reform</td>
<td>Support the establishment of a functioning secured transactions framework, including a new law, electronic notice board (registry), and capacity building and awareness.</td>
<td>Closed</td>
<td>• Reform roadmap agreed with government&lt;br&gt;• Sound secured transactions law drafted and submitted to Parliament&lt;br&gt;• Implementing regulations approved&lt;br&gt;• Registry established and operational online&lt;br&gt;• First 100 security interests registered</td>
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<tr>
<td>TIM</td>
<td>Strengthening the Financial Sector in Timor-Leste</td>
<td>Promoting effective PSD policies and practices in the area of financial sector development within the context of ADB country assistance strategies and the restructuring of the Institute for Microfinance (IMFTL).</td>
<td>Closed</td>
<td>• Diagnosis of legal and institutional issues around IMFTL finalized and reform roadmap agreed upon&lt;br&gt;• Foundation for Poverty Reduction Board restructuring finalized and reform measures for IMFTL transformation initiated&lt;br&gt;• IMFTL transformation successfully completed</td>
</tr>
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<td>TIM</td>
<td>IMFTL Reincorporation and Advice</td>
<td>Provide assistance with the reincorporation of the IMFTL, as well as the development of an application for an unrestricted banking license, updating of credit and risk management policies, and implementation of IMFTL's Business Plan</td>
<td>Pipeline</td>
<td>• Reinorporation of IMFTL&lt;br&gt;• Submission of a new banking license application&lt;br&gt;• Development and implementation of improved credit and risk management policies&lt;br&gt;• Implementation of training plan&lt;br&gt;• Development of new products</td>
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<tr>
<td>TIM</td>
<td>Banking and Payments Authority (Mobile Banking)</td>
<td>Develop a regulatory roadmap for the Banking and Payments Authority which encourages branchless banking services, and assess the potential for leveraging future G2P payments programmed by the government to pilot new branchless banking services.</td>
<td>Pipeline</td>
<td>• Update the 2008 regulatory diagnostic for branchless banking in Timor-Leste&lt;br&gt;• Agree an approach for increasing the openness and certainty in the current regulatory regime to facilitate branchless banking&lt;br&gt;• Assess the viability of using agent and/or direct to customer branchless models to deliver future G2P payments</td>
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<tr>
<td>TON</td>
<td>Private Sector Assessment</td>
<td>A PSA for Tonga to identify binding constraints to doing business, discuss solutions to address these, and recommend reform priorities.</td>
<td>Closed</td>
<td>• Draft PSA presented to and consulted with local key stakeholders&lt;br&gt;• High level roundtable conducted&lt;br&gt;• Final PSA government endorsed and considered for implementation&lt;br&gt;• At least two recommendations translated into reform measures</td>
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<td>TON</td>
<td>Company Law Reform</td>
<td>Support the strengthening of the legal business framework through the</td>
<td>Closed</td>
<td>● Diagnostic report on company law reform prepared and consulted&lt;br&gt;● Reform white paper prepared and consulted&lt;br&gt;● Law drafted, widely consulted, and submitted for Parliament consideration</td>
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<td></td>
<td>Microfinance</td>
<td>Assess the viability of the application of various microfinance technology</td>
<td>Closed</td>
<td>● Experts’ fact finding report&lt;br&gt;● Design and implementation of ensuing reform program commenced</td>
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<td></td>
<td>Technologies</td>
<td>options at the Development Bank in Tonga.</td>
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<td>TON</td>
<td>Secured Transactions</td>
<td>Support the establishment of a functioning secured transactions framework,</td>
<td>Closed</td>
<td>● Reform roadmap agreed with government&lt;br&gt;● Sound secured transactions law drafted and submitted to Parliament&lt;br&gt;● Implementing regulations approved&lt;br&gt;● Registry established and operational online&lt;br&gt;● First 100 security interests registered</td>
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<td></td>
<td>Reform</td>
<td>including a new law, electronic notice board (registry), and capacity building</td>
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<td></td>
<td>and awareness.</td>
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<td>TON</td>
<td>Outsourcing in the</td>
<td>Develop a restructuring program for the Ministry of Works so that it can</td>
<td>Closed</td>
<td>● Conduct scoping mission in response to Ministry of Finance request&lt;br&gt;● Finalize terms of reference in close coordination with the World Bank Transport Sector Consolidation Project and ADB Urban Rehabilitation projects as well as recruit and assemble technical assistance (TA) team&lt;br&gt;● Team to submit draft recommendations and implementation plan&lt;br&gt;● Cabinet endorsement to implement recommendations</td>
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<td></td>
<td>Ministry for Public</td>
<td>outsourcing most of its road maintenance and other activities to the private</td>
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<td></td>
<td>Works</td>
<td>sector.</td>
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<td>TON</td>
<td>Support for PSD</td>
<td>Full-time support to the Prime Minister’s Office to coordinate ADB’s PSD reforms,</td>
<td>Closed</td>
<td>● All ADB PSD initiatives in Tonga fully supported&lt;br&gt;● Develop CSO guidelines and conduct training with SOEs and MPEI&lt;br&gt;● Provide effective support for the Prime Minister’s Office&lt;br&gt;● Coordinate road outsourcing TA, draft cabinet paper, and facilitate approval by 31 December 2008&lt;br&gt;● Support completion of Phase III Rationalization TA</td>
</tr>
<tr>
<td></td>
<td>Reform</td>
<td>provide overall PSD policy recommendations, coordinate road outsourcing project,</td>
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<td>and support SOE reform in the Ministry of Public Enterprises and Information</td>
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<td>(MPEI)</td>
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<td>TON</td>
<td>SOE Reform Phase IV</td>
<td>Support continued implementation of Tonga’s SOE program rationalization.</td>
<td>Ongoing</td>
<td>● Finalization of at least one SOE transaction&lt;br&gt;● Situation analysis of at least two SOEs</td>
</tr>
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| TON     | Outsourcing the Ministry for Public Works Phase II                            | Support the implementation of the outsourcing strategy for the road maintenance operations of the Ministry for Public Works. | Ongoing | • Establish project team and key counterparts from the government  
• Finalize bid documents for road maintenance contract  
• Conduct bidders conference  
• Conduct tender  
• Finalize road maintenance contract |
| TON     | Company Law Reform Training and Public Awareness                              | Training programs and publications prepared to bring greater awareness of the benefits of incorporating companies. | Ongoing | • A significant increase in the number of incorporated companies  
• Improvement in compliance with reporting and disclosure under the Act |
| VAN     | Microfinance Technologies                                                     | Assess the viability of the application of various microfinance technology options at the National Bank of Vanuatu. | Closed  | • Experts’ fact finding report  
• TA paper for ensuing TA project (not PSDI funded) approved by ADB and endorsed by the government |
| VAN     | Strengthening the Financial Services Commission                              | Strengthen the institutional capacity of the Vanuatu Financial Services Commission (VFSC). | Closed  | • Clear mid-term and long-term business strategy and corporate plan for VFSC developed  
• Recommendations developed for the proposed legal reforms in relation to international companies on existing laws and regulations in Vanuatu  
• Diagnostic on institutional framework of VFSC prepared in the areas of organizational structuring, management responsibilities, staffing issues, management information systems, internal operating procedures, and training  
• Organizational policies and procedures of the VFSC procedures manuals for this regulator developed  
• Reform recommendations implemented at VFSC |
| VAN     | Private Sector Assessment                                                     | A PSA for Vanuatu to identify binding constraints to doing business, discuss solutions to address these, and recommend reform priorities. | Closed  | • Draft PSA presented to and consulted with local key stakeholders  
• Final PSA government endorsed and considered for implementation  
• At least one recommendation translated into reform measures  
• Recommendations used for the ADB Country Partnership Strategy 2010–2014 |
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| VAN     | Secured Transactions Reform                 | Support the establishment of a functioning secured transactions framework, including a new law, electronic notice board (registry), and capacity building and awareness. This project supplements ongoing ADB TA (4457-VAN). | Closed (to be implemented under forthcoming regional secured transactions reform project) | • Sound secured transactions law passed by Parliament  
• Implementing regulations approved  
• Registry established and operational online  
• First 100 security interests registered |
| VAN     | Company Registry Design/Implementation      | Design and install a company registry to support the introduction of the Companies Act 2009.                                                                                                                 | Ongoing             | • Design specifications and procurement  
• Design new company registry  
• Draft supporting regulations  
• Installation of registry  
• Training of registry staff |
| VAN     | Support for Implementation of the Companies Act | Support implementation of Companies Act 2009 by building capacity across all stakeholder groups, including the registry.                                                                                       | Ongoing             | • Finalize implementation plan with committee  
• Prepare implementation materials  
• Training of stakeholders  
• Conduct public awareness campaign |
| VAN     | Microfinance Legislative Framework          | Draft/consult on legislation to core microfinance institutions including the Vanuatu Women Development Scheme. The review will be wide enough to cover all deposit-taking institutions. | Ongoing             | • Review legislative framework for microfinance institutions; prepare report and recommendations  
• Consultations conducted  
• Draft legislation  
• Assist in transitioning institutions as required |
| VAN     | Trust Reform                                | Draft a trustee bill to cover the trust framework in Vanuatu.                                                                                                                                             | Ongoing             | • Diagnostic and recommendation  
• Exposure draft for discussion  
• Bill finalized |
| VAN     | Support for Government Business Enterprise Reform | Support for the development and implementation of a government business enterprise (GBE) rationalization program.                                                                                         | Ongoing             | • Develop GBE reform approach and secure Ministry of Finance and Economic Management endorsement  
• Develop GBE reform strategies for the first subset of GBEs  
• Develop GBE reform strategies for the second subset of GBEs  
• New GBE Act drafted and endorsed by Cabinet |
| VAN     | Securities Regulation                       | Determine the policy framework for a new securities regulatory regime.                                                                                                                                       | Pipeline            | • Policy finalized  
• Exposure draft of Bill for discussion  
• Bill finalized |
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| REG     | Support for PPPs | Building upon the work of RETA 6257, which has produced country strategies to improve infrastructure service delivery, the work will support the implementation of the private sector participation aspects of these PPP strategies in two countries. | Closed | • Hold three regional workshops to discuss strategies for improving the delivery of infrastructure services  
• Identify two countries with which to partner to support implementation of PPP opportunities  
• Secure written agreement from two host country governments on time-bound action plans to develop PPP opportunities, including areas for PSDI TA support  
• Deploy TA to support selected reform actions  
• Selected reform actions implemented |
| REG     | Regional CSO Conference (October 2007) | Workshop in Port Vila for 50 senior officials from SOEs and line ministries from FIJ, PNG, SAM, and VAN to discuss best practices for identifying, contracting, financing, and monitoring the implementation of CSOs in the power, water, telecommunications, and transport sectors. | Closed | • Complete conference prospectus  
• Finalize agenda, speakers, and presentation content  
• Conduct workshop with participation from senior policymakers (Department Secretaries)  
• Positive evaluation from participants regarding relevance and quality of workshop |
| REG     | Market Assessment for Partial Risk and Term Financing Initiative | Assess the viability and market demand for partial risk guarantee products and term financing facilities in the Pacific region. | Closed | • Advisor visits to four Pacific countries (FIJ, PNG, SAM, and VAN) linked to ongoing exercises and supported by local stakeholders  
• Paper on potential for partial risk guarantees and term financing facility  
• ADB to use recommendations to identify innovative products |
| REG     | PSD Communications Strategy | A comprehensive study of the use of communication to secure adoption, and then support successful, sustainable implementation of PSD reforms in ADB’s core PSD practice areas in the Pacific region. | Closed | • Analysis of stakeholders’ perceptions of PSD  
• Media Workshop delivered in Oct 2007  
• Report with campaign details  
• ADB decides to roll out campaign |
<p>| REG     | MDR Monitoring and Evaluation Framework for PARD's PSD and PSDI | Develop a robust management for development results (MDR) tool for PSDI (and ultimately all ADB PSD interventions), focusing on development results and implementation performance. The tool aims at shaping a plausible strategy to achieve the desired results, supporting vigorous and competent implementation, and | Ongoing | • On the basis of attendance at the ADB Pacific Department Retreat in Manila, discussions in Washington with MDR units at the World Bank, Inter-American Development Bank, and the International Finance Corporation, and working discussions with ADB’s Pacific Liaison and Coordination Office in Sydney, Australia, a draft |</p>
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<td>REG</td>
<td>Directors Training</td>
<td>Assessing progress through project results and aggregating results for a portfolio of projects.</td>
<td>Closed</td>
<td>• Developing an MDR tool appropriate to PSD in the Pacific&lt;br&gt;• Supervision of development of data base (Access) to capture MDR information gathered through use of the tool test (in PNG and on PSDI)&lt;br&gt;• Preparation of approach, report structure, and template for PSDI reporting&lt;br&gt;• MDR tool for first annual PSDI report&lt;br&gt;• Monitoring support for PSDI and summary report</td>
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<tr>
<td>REG</td>
<td>PSD Briefing Notes</td>
<td>Develop and disseminate briefing notes for Pacific policymakers on key PSD topics: SOE reform, PPPs, legal business environment, and access to finance. The briefing notes outline the issues and use Pacific examples to illustrate the benefits of reform.</td>
<td>Closed</td>
<td>• Develop briefing note content and format&lt;br&gt;• Publish briefing notes&lt;br&gt;• Implement dissemination strategy</td>
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<tr>
<td>REG</td>
<td>PPP Workshop with Bond University and the Commonwealth Secretariat</td>
<td>Conduct a 1-week course on PPPs for Pacific island officials, with a view to improve understanding of the principles and modalities for successful PPPs.</td>
<td>Closed</td>
<td>• Secure commitment from at least 25 participants to attend the course and finance their own travel&lt;br&gt;• Prepare and deliver presentations at the seminar focused on Pacific challenges in implementing PPPs&lt;br&gt;• Conduct seminar and receive positive overall ratings from participants</td>
</tr>
<tr>
<td>REG</td>
<td>Improving the Contracting Environment in the Pacific Phase I</td>
<td>Prepare diagnostic on contract law framework and recommendation on codification of contract law in the Pacific.</td>
<td>Closed</td>
<td>• Diagnostic and recommendations for Phase II</td>
</tr>
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<td>REG</td>
<td>Microfinance Strategies</td>
<td>Help improve access to finance in the area of rural and microfinance in the Pacific region, with pilot countries PNG, SOL, and TON.</td>
<td>Ongoing</td>
<td>• Fact finding and consultations to PNG, SOL, and TON&lt;br&gt;• Diagnostic report&lt;br&gt;• Translation of recommendations into reform measures</td>
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| REG     | Registry Reform Study Tour and Workshop (May 2008) | (i) Discuss business law and registry reform in Pacific island countries and share related analysis and challenges; (ii) obtain details of international and regional good practice in business registries (especially New Zealand business registries); (iii) assess registry reform options; (iv) examine and discuss the potential for regional cooperation and integration; and (v) promote regional consultation and dialogue on registry reform issues and solutions. | Closed | • Study tour at New Zealand Companies Office  
• Workshop successfully concluded  
• Follow up action toward regional integration and cooperation agreed upon |
| REG     | CSO Training | Workshops for government officials to work through country-specific issues related to the delivery of CSOs. Practical approaches to identifying, contracting, financing, and monitoring the implementation of CSO delivery were discussed, and this has resulted in requests for additional TA to develop CSO frameworks and support the formalization of the CSO contracting process. | Closed | • Finalize CSO workshop presentations and format  
• Deliver CSO training in three countries  
• Deliver CSO training in one additional country  
• Provide follow-on assistance in developing and/or implementing CSO frameworks in at least two countries |
| REG     | SOE Comparative Analysis | Conduct a comparative analysis of SOE performance in FIJ, SAM, and TON in order to underscore the importance of reform and key drivers. Conduct a high-level seminar to discuss reform strategies with the participating countries. | Ongoing | • Collect and analyze data from participating countries  
• Submit initial draft of report for country feedback  
• Report published and sent to countries  
• Conduct seminar to discuss results  
• Press coverage of key messages of report |
| REG     | Regulatory Roadmaps in Support of Mobile Banking | Conduct an assessment of the regulatory implications of new microfinance technologies designed to enable banking services via mobile phones. Assessment to be conducted in PNG and TIM. | Ongoing | • Secure agreement from counterpart governments to conduct analysis  
• Conduct analysis in PNG and deliver report to counterpart agencies as well as to private providers of these technologies  
• Conduct analysis in TIM and deliver report to counterpart agencies as well as to private providers of these technologies  
• Counterpart agencies to endorse recommendations |
| REG     | Pacific Aviation and Shipping | Organize a major regional workshop to (i) support the dissemination of Oceanic Voyages: Aviation and Shipping in the Pacific, and (ii) assist Pacific countries | Closed | • Develop target invitation list and recruit participants  
• Develop agenda and recruit resource speakers  
• Deliver workshop  
• Finalize and disseminate |
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<th>OBJECTIVE/SCOPE</th>
<th>STATUS</th>
<th>EXPECTED KEY RESULTS</th>
</tr>
</thead>
</table>
| REG     | PPP Workshop with Bond University and the ADB Institute | Conduct a 1-week course in PPPs for Pacific island officials, with a view to improve understanding of the principles and modalities for successful PPPs. | Closed | • Secure commitment from at least 25 participants to attend the course and finance their own travel  
• Prepare and deliver presentations at the seminar focused on Pacific challenges in implementing PPPs  
• Conduct seminar and receive positive overall ratings from participants |
| REG     | Pacific Competition Framework | Identify and promote competition issues and strategies to address these. This is expected to lead to a series of support activities both regionally and multi-country. | Ongoing | • Identification of competition issues and strategies to address these  
• Implementation of associated strategies in at least two countries  
• Awareness raising and promotion of competition strategies regionally, leading to expansion of competition support program |
| REG     | Registry Reform Study Tour and Workshop (2010) | (i) Discuss business law and registry reform in Pacific island countries and share related analysis and challenges; (ii) obtain details of international and regional good practice in business registries (especially New Zealand business registries); (iii) assess registry reform options; (iv) examine and discuss the potential for regional cooperation and integration; and (v) promote regional consultation and dialogue on registry reform issues and solutions. | Pipeline | • Study tour at the New Zealand Companies Office  
• Workshop successfully concluded  
• Follow up action toward regional integration and cooperation agreed upon |
| REG     | PSD Performance Evaluation | To assist ADB and the World Bank Group in developing a set of high level PSD performance assessments in Fiji, PNG, SAM, SOL, TIM, and VAN, with the aim of monitoring progress toward PSD outcomes in the region. | Ongoing | • Sound 2008 PSD assessment report |
| REG     | Finding Balance 2010 | Update of *Finding Balance* SOE study with financial data from 2007 and 2008, key governance reforms, | Pipeline | • Secure agreement from participating countries to provide data for study  
• Complete initial draft of |
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PROJECT NAME</th>
<th>OBJECTIVE/SCOPE</th>
<th>STATUS</th>
<th>EXPECTED KEY RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>REG</td>
<td>Monitoring and Evaluation for PSDI 2</td>
<td>and an expanded number of study countries.</td>
<td></td>
<td>study and circulate for comments from participating countries</td>
</tr>
<tr>
<td>REG</td>
<td>Secured Transactions Reform</td>
<td>To develop a comprehensive system to monitor and evaluate PSDI initiatives and projects.</td>
<td>Pipeline</td>
<td>• Improved financial control mechanisms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carry out or further implement secured transactions reform initiatives already underway in the Republic of the Marshall Islands, Federated States of Micronesia, Palau, Solomon Islands, Tonga, and Vanuatu.</td>
<td>Pipeline</td>
<td>• Better feedback on the achievement of milestones</td>
</tr>
<tr>
<td>REG</td>
<td>Improving the Contracting Environment in the Pacific Phase II</td>
<td>Finalize a draft code of contract for consideration of Pacific developing member countries</td>
<td>Pipeline</td>
<td>• Improved evaluation of outcomes and impact</td>
</tr>
<tr>
<td>REG</td>
<td>Gender Assessment</td>
<td>Prepare a PSDI Gender Strategy, identifying (i) gender outcomes that should be achieved by ongoing and programmed TA, (ii) refinements to existing programs to more effectively impact gender outcomes, and (ii) opportunities to develop new TA initiatives to specifically address gender constraints and specifically those preventing women’s participation in income-generating activities.</td>
<td>Pipeline</td>
<td>• More extensive dissemination of results</td>
</tr>
</tbody>
</table>

## PSDI PORTFOLIO PERFORMANCE SUMMARY

### PORTFOLIO RESOURCES: ALL PROJECTS

<table>
<thead>
<tr>
<th></th>
<th>Ongoing</th>
<th>Closed</th>
<th>Pipeline</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Projects</td>
<td>22</td>
<td>40</td>
<td>14</td>
<td>76</td>
</tr>
<tr>
<td>Budget Amount ($)</td>
<td>$3,561,356</td>
<td>$4,679,848</td>
<td>$70,000</td>
<td>$8,311,204</td>
</tr>
<tr>
<td>Disbursed Amount ($)</td>
<td>$1,936,482</td>
<td>$4,679,848</td>
<td>$0</td>
<td>$6,616,330</td>
</tr>
<tr>
<td>Disbursed Amount (% of Budget)</td>
<td>54%</td>
<td>100%</td>
<td>0%</td>
<td>80%</td>
</tr>
<tr>
<td>Value Achieved (%)</td>
<td>34%</td>
<td>92%</td>
<td>n.a.</td>
<td>66%</td>
</tr>
<tr>
<td>Value Achieved ($)</td>
<td>$1,221,703</td>
<td>$4,295,577</td>
<td>n.a.</td>
<td>$5,517,280</td>
</tr>
</tbody>
</table>

The above figures refer solely to project costs and do not include administration and miscellaneous costs. Value achieved shows the achievement of target results in percent of completion or absolute dollar amounts. n.a. = not applicable.

### PORTFOLIO PERFORMANCE SCORES: ACTIVE PROJECTS

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Score</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Score (/6)</td>
<td>4.21</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Timely Implementation to Date (/6)</td>
<td>4.07</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Implementing Agency Performance to Date (/6)</td>
<td>3.67</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Consultant Performance to Date (/6)</td>
<td>4.53</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>ADB Performance to Date (Self Assessment) (/6)</td>
<td>4.31</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Adequacy of Consultations with People Affected (/6)</td>
<td>4.23</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Results Score (/6)</td>
<td>4.46</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Overall Project Performance Score (/6)</td>
<td>4.21</td>
<td>Satisfactory</td>
</tr>
</tbody>
</table>

### DISTRIBUTION OF OVERALL SCORES: ALL PROJECTS

<table>
<thead>
<tr>
<th>Overall Project Performance Score (/6)</th>
<th>4.52</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Of Projects Rated</td>
<td>50</td>
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<tr>
<td>Unsatisfactory (%)</td>
<td>0%</td>
</tr>
<tr>
<td>Partly Satisfactory (%)</td>
<td>4%</td>
</tr>
<tr>
<td>Satisfactory (%)</td>
<td>72%</td>
</tr>
<tr>
<td>Highly Satisfactory (%)</td>
<td>24%</td>
</tr>
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</table>

### RESULTS PERFORMANCE BY KEY RESULTS AREA: ACTIVE AND COMPLETED PROJECTS

<table>
<thead>
<tr>
<th>Results Area</th>
<th>SOE Reform and PPPs</th>
<th>Access to Finance</th>
<th>Legal and Regulatory Reform</th>
<th>Crosscutting</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>No. of Commenced Target Results</td>
<td>66</td>
<td>37</td>
<td>24</td>
<td>35</td>
<td>162</td>
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<tr>
<td>Commenced Target Results (%) of Total</td>
<td>41%</td>
<td>23%</td>
<td>15%</td>
<td>22%</td>
<td>100%</td>
</tr>
<tr>
<td>Results Score (/6)</td>
<td>4.65</td>
<td>4.68</td>
<td>4.88</td>
<td>4.90</td>
<td>4.74</td>
</tr>
<tr>
<td>Budget Amount ($)</td>
<td>$3,574,186</td>
<td>$1,566,243</td>
<td>$1,442,656</td>
<td>$1,654,119</td>
<td>$8,237,204</td>
</tr>
<tr>
<td>Disbursed Amount ($)</td>
<td>$2,825,755</td>
<td>$1,300,175</td>
<td>$1,086,306</td>
<td>$1,404,093</td>
<td>$6,616,330</td>
</tr>
<tr>
<td>Value Achieved (%)</td>
<td>73%</td>
<td>56%</td>
<td>46%</td>
<td>98%</td>
<td>67%</td>
</tr>
<tr>
<td>Value Achieved ($)</td>
<td>$1,954,561</td>
<td>$1,156,910</td>
<td>$879,979</td>
<td>$1,525,830</td>
<td>$5,517,280</td>
</tr>
</tbody>
</table>

PPP = public–private partnership, SOE = state-owned enterprise.
### RESOURCES BY COUNTRY: ALL PROJECTS

<table>
<thead>
<tr>
<th></th>
<th>COO</th>
<th>FIJ</th>
<th>RMI</th>
<th>PAL</th>
<th>PNG</th>
<th>SAM</th>
<th>SOL</th>
<th>TIM</th>
<th>TON</th>
<th>VAN</th>
<th>REG</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Projects</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td>7</td>
<td>8</td>
<td>4</td>
<td>9</td>
<td>10</td>
<td>24</td>
<td>76</td>
</tr>
<tr>
<td>Budget Amount ($)</td>
<td>$50,000</td>
<td>$160,000</td>
<td>$100,000</td>
<td>$200,000</td>
<td>$640,553</td>
<td>$762,980</td>
<td>$614,495</td>
<td>$357,999</td>
<td>$1,603,323</td>
<td>$1,048,303</td>
<td>$2,773,550</td>
<td>$8,311,204</td>
</tr>
<tr>
<td>% of Total Budget</td>
<td>1%</td>
<td>2%</td>
<td>1%</td>
<td>2%</td>
<td>8%</td>
<td>9%</td>
<td>7%</td>
<td>4%</td>
<td>19%</td>
<td>13%</td>
<td>33%</td>
<td>100%</td>
</tr>
<tr>
<td>Disbursed Amount 2009 ($)</td>
<td>$32,482</td>
<td>$0</td>
<td>$0</td>
<td>$28,400</td>
<td>$210,213</td>
<td>$30,604</td>
<td>$197,691</td>
<td>$48,823</td>
<td>$789,669</td>
<td>$155,614</td>
<td>$516,193</td>
<td>$2,009,690</td>
</tr>
<tr>
<td>Disbursed Amount 2007–2008 ($)</td>
<td>$49,402</td>
<td>$0</td>
<td>$5,000</td>
<td>$57,509</td>
<td>$563,553</td>
<td>$535,310</td>
<td>$411,080</td>
<td>$357,999</td>
<td>$1,478,810</td>
<td>$599,652</td>
<td>$2,558,015</td>
<td>$6,616,330</td>
</tr>
<tr>
<td>Value Achieved (%)</td>
<td>0.7%</td>
<td>0%</td>
<td>0.1%</td>
<td>0.9%</td>
<td>8.5%</td>
<td>8.1%</td>
<td>6.2%</td>
<td>5.4%</td>
<td>22.4%</td>
<td>9.1%</td>
<td>38.7%</td>
<td>100%</td>
</tr>
<tr>
<td>Value Achieved ($)</td>
<td>$30,000</td>
<td>$26,000</td>
<td>$38,000</td>
<td>$473,738</td>
<td>$432,602</td>
<td>$296,968</td>
<td>$148,690</td>
<td>$1,328,014</td>
<td>$553,917</td>
<td>$2,189,351</td>
<td>$5,517,280</td>
<td></td>
</tr>
</tbody>
</table>

COO = Cook Islands, PAL = Palau, PNG = Papua New Guinea, REG = regional, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TIM = Timor-Leste, TON = Tonga, VAN = Vanuatu.

### PERFORMANCE SCORES BY COUNTRY: ALL PROJECTS

<table>
<thead>
<tr>
<th></th>
<th>COO</th>
<th>RMI</th>
<th>PAL</th>
<th>PNG</th>
<th>SAM</th>
<th>SOL</th>
<th>TIM</th>
<th>TON</th>
<th>VAN</th>
<th>REG</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Score (/6)</td>
<td>4.00</td>
<td>4.10</td>
<td>4.00</td>
<td>4.50</td>
<td>4.01</td>
<td>3.86</td>
<td>4.00</td>
<td>4.94</td>
<td>4.48</td>
<td>4.67</td>
<td>4.21</td>
</tr>
<tr>
<td>Timely Implementation to Date (/6)</td>
<td>4.00</td>
<td>3.50</td>
<td>4.00</td>
<td>4.13</td>
<td>4.33</td>
<td>3.70</td>
<td>4.00</td>
<td>4.88</td>
<td>4.60</td>
<td>4.64</td>
<td>4.07</td>
</tr>
<tr>
<td>Implementing Agency Performance to Date (/6)</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>3.83</td>
<td>2.10</td>
<td>3.20</td>
<td>n.a.</td>
<td>5.14</td>
<td>4.80</td>
<td>4.67</td>
<td>3.67</td>
</tr>
<tr>
<td>Consultant Performance to Date (/6)</td>
<td>4.00</td>
<td>5.00</td>
<td>4.00</td>
<td>4.88</td>
<td>4.75</td>
<td>4.30</td>
<td>4.00</td>
<td>5.13</td>
<td>4.40</td>
<td>4.72</td>
<td>4.53</td>
</tr>
<tr>
<td>ADB Performance to Date (Self Assessment) (/6)</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>4.75</td>
<td>4.25</td>
<td>4.30</td>
<td>4.00</td>
<td>4.88</td>
<td>4.40</td>
<td>4.54</td>
<td>4.31</td>
</tr>
<tr>
<td>Adequacy of Consultations with People Affected (/6)</td>
<td>4.00</td>
<td>4.00</td>
<td>4.00</td>
<td>5.00</td>
<td>4.30</td>
<td>3.83</td>
<td>4.00</td>
<td>4.71</td>
<td>4.20</td>
<td>4.61</td>
<td>4.23</td>
</tr>
<tr>
<td>Results Score (/6)</td>
<td>4.00</td>
<td>4.17</td>
<td>4.00</td>
<td>4.53</td>
<td>4.53</td>
<td>4.39</td>
<td>4.33</td>
<td>5.03</td>
<td>5.05</td>
<td>4.56</td>
<td>4.46</td>
</tr>
<tr>
<td>Overall Project Performance Score (/6)</td>
<td>4.00</td>
<td>4.10</td>
<td>4.00</td>
<td>4.53</td>
<td>4.53</td>
<td>4.20</td>
<td>4.00</td>
<td>4.10</td>
<td>4.90</td>
<td>4.89</td>
<td>4.61</td>
</tr>
</tbody>
</table>

COO = Cook Islands, n.a. = not applicable, PAL = Palau, PNG = Papua New Guinea, REG = regional, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TIM = Timor-Leste, TON = Tonga, VAN = Vanuatu.
# PSDI-SUPPORTED SEMINARS AND WORKSHOPS IN 2009

In 2009, 20 private sector development advocacy seminars and workshops were conducted and attended by over 400 key stakeholders, including policymakers, the media, academia, the private sector, and civil society.

<table>
<thead>
<tr>
<th></th>
<th>Event</th>
<th>Location</th>
<th>Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Leaders Retreat: SOE Reform in the Fiji Islands, Samoa, and Tonga</td>
<td>Waiheke Island, New Zealand</td>
<td>15–16 February</td>
</tr>
<tr>
<td>2</td>
<td>PPP Policy Implementation Inception Workshop (4722–PNG)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>3–4 March</td>
</tr>
<tr>
<td>3</td>
<td>Second PPP Policy Implementation Workshop (4722–PNG)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>22–23 April</td>
</tr>
<tr>
<td>4</td>
<td>Vanuatu Private Sector Assessment Launch</td>
<td>Port Vila, Vanuatu</td>
<td>24 April</td>
</tr>
<tr>
<td>5</td>
<td>PSDI Brownbag Seminar at ADB Headquarters</td>
<td>Manila, Philippines</td>
<td>28 April</td>
</tr>
<tr>
<td>6</td>
<td>Keynote Presentation on Legal Reform in the Pacific at the Annual Meeting of the Inter-Pacific Bar Association</td>
<td>Manila, Philippines</td>
<td>29 April</td>
</tr>
<tr>
<td>7</td>
<td>Finding Balance: Making SOEs Work in the Pacific</td>
<td>Canberra, Australia</td>
<td>4 May</td>
</tr>
<tr>
<td>8</td>
<td>Finding Balance: Making SOEs Work in the Pacific</td>
<td>Nuku'alofa, Tonga</td>
<td>12–13 May</td>
</tr>
<tr>
<td>9</td>
<td>Address on PNG PPP Policy Framework at the Annual Australia–PNG Business Forum</td>
<td>Madang, Papua New Guinea</td>
<td>17–19 May</td>
</tr>
<tr>
<td>10</td>
<td>Third PPP Policy Implementation Workshop (4722–PNG)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>23 June</td>
</tr>
<tr>
<td>11</td>
<td>Consultative Workshop for a Multi-Utility Regulator for the Fiji Islands (4704–FIJ)</td>
<td>Suva, Fiji Islands</td>
<td>26 June</td>
</tr>
<tr>
<td>12</td>
<td>Finding Balance: Making SOEs Work in the Pacific</td>
<td>Apia, Samoa</td>
<td>6–8 July</td>
</tr>
<tr>
<td>13</td>
<td>Microfinance Study Tour to Vanuatu for Tongan Officials</td>
<td>Vanuatu</td>
<td>14–18 July</td>
</tr>
<tr>
<td>14</td>
<td>Finding Balance: Making SOEs Work in the Pacific</td>
<td>Port Vila, Vanuatu</td>
<td>29 July</td>
</tr>
<tr>
<td>15</td>
<td>Public Consultations on Implementation of PNG PPP Policy (4722–PNG)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>25 August</td>
</tr>
<tr>
<td>16</td>
<td>Public Consultations on Implementation of PNG PPP Policy (4722–PNG)</td>
<td>Lae, Papua New Guinea</td>
<td>27 August</td>
</tr>
<tr>
<td>17</td>
<td>Status and Key Issues in Developing a PPP Framework in PNG: Consultation with AusAID and Treasury</td>
<td>Canberra, Australia</td>
<td>16 September</td>
</tr>
<tr>
<td>18</td>
<td>Delivering PPP in PNG Familiarization Workshop (4722–PNG)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>22–23 September</td>
</tr>
<tr>
<td>19</td>
<td>Microinsurance Information Exchange (with PFIP and INA)</td>
<td>Port Moresby, Papua New Guinea</td>
<td>17 November</td>
</tr>
<tr>
<td>20</td>
<td>Delivering PPPs in Tonga Workshop (7271–TON)</td>
<td>Nuku'alofa, Tonga</td>
<td>9–10 December</td>
</tr>
</tbody>
</table>

RESPONSE TO THE GLOBAL ECONOMIC CRISIS: THE INFLUENCE OF PSDI-RELATED ANALYSIS AND REFORM

1. To date, the Asian Development Bank (ADB) has provided, or is about to provide, global economic crisis (GEC) related budgetary assistance to four Pacific developing member countries (DMCs): Cook Islands, Samoa, Solomon Islands, and Tonga. Governments in these countries have made policy reform commitments as part of their agreements with ADB. The agreements incorporate the recognition that the structural reforms identified by the Pacific Private Sector Development Initiative (PSDI) also improve the ability of Pacific economies to adjust to the shock of the GEC as well as enhance long-term and potential growth rates. As a result, the list of private sector development (PSD) oriented reforms contained in the economic support program policy commitments in the region is unprecedented in terms of scope. They illustrate both the determination of governments in the respective countries to push forward with long-term reform measures and the influence that PSDI sponsored analysis and advocacy has had on the reform agenda in the region. It is also important to note that in many cases, these measures are in addition to other PSD-related reforms that are already underway and which are discussed in detail in Appendix 1.

2. Some examples of PSDI-related policy commitments that are incorporated into the GEC programs include the following.

3. In the Cook Islands, the Ministry of Finance and Economic Management will prepare a report reviewing arrangements and agency responsibilities for the economic regulation of monopolies and other forms of anti-competitive behavior, including at a minimum, statutory monopolies, with a view to removing those that are not in the public interest (e.g., telecommunications), and price controls.

4. In Samoa, the government has committed to replace all members of Parliament and non-essential public servants on the boards of state-owned enterprises (SOEs) by the end of 2010. In addition, SOEs must achieve a minimum rate of return of 7% on assets or chief executive officers and board members will face removal, and 50% of SOE profits will be paid to the government as dividends. These measures result directly from the PSDI analysis of the impact of SOEs on the economies of the Fiji Islands, Samoa, and Tonga. Other PSD-related measures to which the government has committed include the removal of the SamoaTel exclusive license and an undertaking to privatize it.

5. In Solomon Islands, an SOE monitoring unit will be established, and other measures will be implemented to improve the efficiency of SOEs. The telecommunications industry will be deregulated and the new Telecommunications Act will be gazetted, the Solomon Islands Electricity Authority will be commercialized and its financial structure will be reformed. The government has also committed to restructuring Solomon Airlines and to sell a state-owned marina and a home finance company. It has also undertaken to operationalize the new Companies Act and accompanying registry, and to reform customs in order to improve revenue collection and make the process more transparent.

6. In Tonga, the government has committed to the restructuring of at least five public enterprise boards and the rationalization of three others. This will bring the total number of boards restructured to 10 out of the total of 15 SOEs in Tonga. To provide a legal foundation for the reforms, the government has committed to submitting the Public Enterprise Amendment Bill to the Legislative Assembly. Government has committed to submitting a new secured transactions bill to Parliament and to continue to implement the new Companies Act.
7. While this is not a comprehensive list of commitments contained in the GEC documents, they illustrate the influence of PSDI work in the region and the acceptance of governments of the need for PSD reform.
PSDI: SUMMARY OF KEY ACHIEVEMENTS AND CHALLENGES 2007–2009

A. Introduction

1. Since its formal launch in December 2006, the Private Sector Development Initiative (PSDI) has implemented 62 reform projects, worth about $9 million, in three core areas of intervention:
   - Access to Finance
   - Legal and Regulatory Business Environment
   - State-Owned Enterprise (SOE) Reform and Public–Private Partnerships (PPPs)

2. This work is supported by economic and sector work, which provides the analytical framework for these interventions and serves as an effective advocacy tool.

3. This summary provides a snapshot of the key achievements and outputs of the projects funded by PSDI, as well as a summary of the core challenges in implementing private sector development (PSD) reforms in the Pacific.

B. Outputs and Achievements: Access to Finance

- Options for piloting branchless banking technologies have been developed in Papua New Guinea (PNG), Timor-Leste, Tonga, and Vanuatu, including the integration of remittance inflows with domestic transfers and payments. Implementation in PNG is currently ongoing with Nationwide Microbank, the largest microfinance institution in the country.¹

- A draft statement of intent for the regulation of e-banking was prepared for the Bank of Papua New Guinea, an essential step in developing a supporting regulatory environment for mobile banking and electronic commerce.

- A strategic assessment of the potential for leveraging the branch network of the Tonga Development Bank for the delivery of microfinance was completed, with implementation underway as part of the public enterprise rationalization program in Tonga.

- A pilot branchless banking program was developed with the National Bank of Vanuatu, which is now ongoing under separate technical assistance (TA) funding.

- PSDI has led the restructuring of the largest microfinance institution in Timor-Leste, the Instituição De Microfinanças De Timor-Leste (IMfTL), including the development of a roadmap for its transition from a state-owned quasi-bank to a commercially sustainable banking institution focused on rural outreach. Ongoing TA has resulted in the development of a business plan and will continue through the issuance of a full-banking license and the leveraging of new technologies to facilitate outreach.

- Reform of the personal property securities framework is ongoing in seven countries in the region—Republic of the Marshall Islands, Federated States of Micronesia, Palau, Samoa, Solomon Islands, Tonga, and Vanuatu. To date, PSDI has supported the drafting and passing of new Personal Property Securities Acts in Vanuatu (April 2008) and Solomon Islands (August 2008). Legal drafting and consultation on the laws and design of the associated filing archives is ongoing in Palau, Samoa, and Tonga.

¹ Nationwide Microbank has 12 branches and 50,000 active clients with savings accounts totaling K28 million, and credit portfolio outstanding of K11.1 million.
C. Outputs and Achievements: Legal and Regulatory Business Environment

- A total of seven modern commercial laws have been prepared and passed with support from PSDI and will, among other impacts, facilitate the formation of community companies, many of which are likely to be female-owned. Discussions with women's groups in Solomon Islands and Tonga have revealed strong support for these new laws:
  - Companies Act (Solomon Islands)
  - Companies (Insolvency and Receiverships) Act (Solomon Islands)
  - Secured Transactions Act (Solomon Islands)
  - Companies Amendment Act (Tonga)
  - Stamp Duties Amendment Act (Vanuatu)
  - Bill of Sales Regulation Amendment (Vanuatu)
  - Personal Property Securities Act (Vanuatu)

- Eight additional Bills are currently under development with PSDI support:
  - Trustee Bill (Vanuatu)
  - Trustee Bill (Solomon Islands)
  - Companies Bill (Vanuatu)
  - Companies (Insolvency and Receiverships) Bill (Vanuatu)
  - Personal Insolvency Bill (Vanuatu)
  - Cross-border Insolvency Bill (Vanuatu)
  - Personal Property Securities Bill (Tonga)
  - Secured Transactions Bill (Palau)

- Diagnostic studies and associated consultations for company registry reforms have been carried out in Samoa, Solomon Islands, and Vanuatu, with implementation now underway.

- A reform roadmap for the contracting framework in the Pacific has been prepared, which simplifies contracting and dispute resolution. Chief Justices and other senior legal stakeholders in the study countries (PNG, Solomon Islands, Tonga, and Vanuatu) have embraced the recommendation to codify Pacific contract law. Implementation is programmed for 2010.

- In PNG, PSDI supported the Independent Consumer and Competition Commission in establishing the parameters for competition in PNG’s mobile telecommunications sector, which in turn contributed to the exceptional growth in mobile coverage and an estimated 2% increase in PNG’s gross domestic product.

- In the Cook Islands, PSDI assessed the current competitive environment in key economic sectors and developed recommendations for a simplified regulatory regime. This proposal is under consideration by the government and could provide a basis for similar regimes to promote competition in small island countries. PSDI expects to conduct similar assessments in Samoa, Tonga, Vanuatu, and possibly Nauru in 2010.

- In the Fiji Islands, an assessment of the options for developing a multisector utility regulator was developed, presented, and agreed by key government stakeholders. This analysis was shared with a number of other Pacific island countries which need to optimize scarce regulatory resources in the face of growing demand.
D. Outputs and Achievements: State-Owned Enterprise Reform and Public–Private Partnerships

- In Tonga, rationalization strategies have been completed and agreed for five public enterprises, resulting in one privatization, one liquidation, and three restructurings. Eight more rationalization strategies are currently under development, as is capacity building for SOE directors and amendments to the Public Enterprise Act to strengthen its effectiveness.

- The full privatization of Home Finance Ltd. was completed in Solomon Islands, and the sales plan for Sasape Marina Ltd. is now being finalized, to be tendered in 2010.

- A comparative analysis of SOE performance and reform experiences in the Fiji Islands, Samoa, and Tonga was published and launched at a high-level retreat attended by the Prime Minister of Samoa, minister of finance of Samoa, minister of finance and public enterprises of Tonga, and governor of the Reserve Bank of Fiji. The study was the first ever analysis of the economic impact of the SOE sectors on the economies of the three countries, and led to a Cabinet decision in Samoa to accelerate SOE reform and remove all ministers and civil servants from the boards of the public enterprises. A similar initiative is underway in Tonga.

- Seminars on the economic cost of the SOE sectors have been held in PNG, Samoa, Tonga, and Vanuatu, and attended by over 200 SOE directors, managers and government officials.

- In Samoa, PSDI has supported the development of an SOE reform pipeline for 2008–2012, and helped implement its newly issued policy on community service obligations (CSOs).

- In PNG, the government has requested Asian Development Bank (ADB) support for the development of a CSO framework as a first step in SOE reform. Work on this is ongoing, and is expected to lead to significantly increased transparency in the management of the SOE portfolio.

- A PPP policy was prepared and endorsed by Cabinet in PNG in 2008, with implementation underway in 2009. Once complete, PNG will have the only functioning PPP framework in the Pacific, which should facilitate private investment in infrastructure in the coming years. Several immediate opportunities for PPP projects have been identified in the health, power, and transport sectors, which will be developed in 2010.

- In Vanuatu, the government requested ADB support in developing and implementing an SOE reform program. Work is underway to prepare an approach to support the inter-ministerial task force charged with the reform program, with implementation expected in 2010. PSDI has been and will continue to jointly support this effort with the Australian Agency for International Development’s Governance for Growth program in Vanuatu.

- PSDI supported the Prime Minister’s Office in Tonga in developing strategies for maximizing local private sector input in infrastructure works, including as part of the fiscal stimulus in response to the global financial crisis. This work has also included the development of a medium-term whole-of-government infrastructure

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2 Implementation involves the enactment of a PPP law and establishment of a PPP Centre as a specialized advisory body to the Department of Treasury to facilitate the processing of PPP projects.
investment plan and technical input on a number of private sector-led, government-supported investment proposals in industries such as fishing and tourism.

- **32 workshops/seminars** have been conducted on SOE reform, PPPs, and CSOs on both the country and regional levels, with about 1,000 participants in total. This has significantly increased awareness of the need for, benefits of, and potential scope for SOE reform and PPPs.

E. **Analytical Work, Advocacy, and Outreach**

- Four private sector assessments were published and disseminated with support from host country governments and business communities (PNG, Samoa, Tonga, and Vanuatu), providing the basis for broad PSD reform programs in each country.

  - *Finding Balance: Making SOEs Work in Fiji, Samoa, and Tonga*, the first comparative study of the performance, economic cost, and reform experience of SOEs in these countries.

  - *PNG Business Survey* identifying key constraints to business in PNG, published jointly with the Institute of National Affairs.

  - *PSDI Briefing Notes* prepared to simplify key PSD themes for Pacific government officials:
    - Access to Finance
    - Legal Business Environment
    - State-Owned Enterprise Reform
    - Public–Private Partnerships

- Numerous opinion and editorial pieces, press interviews, and position papers on PSD themes.

F. **Lessons Learned and Core Challenges in Implementing PSD Reforms in the Pacific**

- Political instability is a reality in the Pacific, and as a result, reform opportunities can be short-lived. One way to address this is to have the flexibility to quickly mobilize expertise as reform opportunities arise, and to demobilize if political commitment wanes. This allocates resources where the demand is greatest and effectively supports reform-oriented governments and champions. PSDI provides such a flexible, rapid-response capability.

- Reform initiatives often require several years to complete and implement. Because relationships take time to build, long-term engagement is essential. Continuous dialogue is therefore a necessary underpinning of PSDI's rapid response capability.

- Benchmarking among Pacific island countries is a powerful tool for reform advocacy. PSDI's regional coverage provides the data and experience necessary to provide these comparative analyses.

- Public sector capacity throughout the Pacific is limited, and further stretched by a multiplicity of government and donor-led programs. Donor coordination is therefore essential for success, both in programming and implementing reforms.
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