This fourth annual progress report of the Pacific Private Sector Development Initiative (PSDI) documents the second phase of PSDI, which the Board of Directors of the Asian Development Bank (ADB) approved in December 2009.

PSDI is a regional technical assistance facility cofinanced by the Australian Agency for International Development. It is designed to support efforts by ADB Pacific developing member countries to encourage private sector-led, sustainable economic growth. PSDI focuses on the following key areas: business law reform, improved access to financial services, and state-owned enterprise reform and public–private partnerships.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.
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The fourth annual progress report of the Pacific Private Sector Development Initiative (PSDI) documents continuing excellent progress in promoting private sector development in the region. As the Asian Development Bank’s Strategy 2020 and Pacific Approach 2010–2014 both emphasize, private sector development is an increasingly important part of ADB operations. PSDI is a central pillar of the Pacific Department’s efforts to promote private sector development in the region. It is attracting widespread attention because of its novel structure and the innovative reforms that have been implemented through its technical assistance. Sound analytical work, extensive discussion, and close involvement of stakeholders in the pursuit of mutual policy goals have become hallmarks of PSDI’s success.

This report documents the second phase of PSDI, which was approved by the ADB Board of Directors in December 2009. It was made possible by generous cofinancing from the Australian Agency for International Development (AusAID), which brings the total funding for this phase of PSDI to $12 million and extends its tenure through 2013.

PSDI has received strong positive feedback from ADB’s Pacific developing member countries (DMCs) on the usefulness and success of the reforms it has supported. It has encouraged closer collaboration and cooperation between ADB and countries in which PSDI reforms have been implemented. Not only have PSDI-supported reform initiatives been welcomed, they have been included among the policy commitments of countries receiving ADB economic support grants and loans. It is especially encouraging that a number of countries have used PSDI-support to take reforms beyond the formal commitments that they made.

A key feature of PSDI is the close cooperation with development partners, which facilitates alignment of policies and coordination of reform efforts. In some countries, private sector–oriented reforms have been jointly implemented, with PSDI funding one part of the reform and another development partner funding the remainder. In addition, the PSDI team has worked closely with AusAID, which has, on a number of occasions, provided supplementary technical assistance funds to ensure the success of particular initiatives. PSDI has also obtained additional resources from ADB stand-alone technical assistance projects, which has leveraged its funding for important reform initiatives.

The additional funding has enabled PSDI to broaden its country scope and to continue to innovate in designing reforms to promote private sector development. In 2010, gender was introduced as a broad crosscutting theme and a comprehensive monitoring and evaluation framework was developed to track progress and evaluate the impact of reforms.

Several seminars and workshops were funded to build capacity in the region and inform Pacific DMCs of successful reform efforts. The close relationship between PSDI personnel and stakeholders has led to increasing demand for further assistance across the region.

I would like to thank the Pacific DMCs and private sector stakeholders for their enthusiasm and cooperation in embracing the concepts embodied in PSDI, AusAID for its strong support for the program, and the PSDI team for the high quality of their work. This combination of expertise and effort has played a major role in PSDI’s achievements so far. I look forward to the further evolution and extension of this innovative initiative.

Robert Wihtol
Director General
Pacific Department
Abbreviations

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<tr>
<th>Abbreviation</th>
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<td>ADB</td>
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<td>AusAID</td>
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<td>CSO</td>
<td>community service obligation</td>
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<td>DMC</td>
<td>developing member country</td>
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<td>IMfTL</td>
<td>Instituição de Microfinanças de Timor-Leste</td>
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<td>M&amp;E</td>
<td>monitoring and evaluation</td>
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<td>PPP</td>
<td>public–private partnership</td>
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<td>PSA</td>
<td>private sector assessment</td>
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<td>PSDI</td>
<td>Pacific Private Sector Development Initiative</td>
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<td>RMI</td>
<td>Republic of the Marshall Islands</td>
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<td>SOE</td>
<td>state-owned enterprise</td>
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The Pacific Private Sector Development Initiative during Its First 4 Years of Operation

The Pacific Private Sector Development Initiative (PSDI) commenced in 2006. It is a regional technical assistance facility of the Asian Development Bank (ADB), cofinanced by the Australian Agency for International Development (AusAID). Its aim is to alleviate poverty in the Pacific region through promoting private sector–led growth. PSDI aims to reduce constraints to private sector development by identifying and removing factors that raise transaction costs, discourage investment, and hinder the formation and growth of businesses. It has focused on improving access to finance, reforming business laws, and improving the delivery of infrastructure services through assisting state-owned enterprises (SOEs) to become more efficient; promoting public–private partnerships (PPPs); and helping governments to privatize selected SOEs. During 2010, two significant additions were made to PSDI core areas: a comprehensive monitoring and evaluation (M&E) framework, which integrates financial controls with initiative tracking and results assessments, and a crosscutting gender strategy, which promotes positive impacts on women’s economic empowerment.

The structure and implementation of PSDI is unique in the region and has resulted in significant reforms to the business environment in Pacific countries. PSDI reform initiatives are based on a rigorous foundation of analytical work, extensive consultation with government and private sector stakeholders, the implementation of reform initiatives, extensive follow-up to ensure that the initiatives are effective, and a comprehensive M&E framework to track and assess the impact of the reforms. PSDI is flexible and can respond to opportunities when they arise. The PSDI model has evolved into a uniquely effective instrument for assisting Pacific economies with private sector development.

Promoting Women’s Economic Empowerment in the Pacific

Women’s contributions to poverty reduction, economic growth, and private sector development are increasingly recognized globally. Women’s economic empowerment became a major crosscutting theme of PSDI during 2010. A gender focus was adopted, with the aim of reaching out more consistently to give women the opportunity to better take advantage of PSDI initiatives. The enhancement of gender-related outcomes in PSDI commences with planning, where all initiatives are reviewed with respect to the extent to which they enhance economic opportunities for women. While there is no specific core gender area, many PSDI reforms have a major impact on promoting the entry of women into formal business, which is where they tend to have the greatest impact on productivity and growth.

Highlights of Activities in 2010

Access to Finance

Access to formal and informal financial services remains very low across the Pacific, particularly in rural areas. As a result, people face real difficulties in

- saving in a secure way for investment and unexpected expenses,
- efficiently transferring funds for both personal and commercial purposes,
- borrowing to facilitate entrepreneurship, and
- securing their assets through other financial products, such as insurance.

The lack of facilities also greatly increases the transaction costs for payment of salaries and receiving
remittances. Improving access to financial services, particularly by improving outreach to rural areas and outlying islands, will enhance welfare, encourage economic growth, and contribute to poverty reduction. Expanding access to finance is, therefore, a key focus area for PSDI.

One of the main obstacles to increasing financial services to rural areas has been the high cost of establishing formal banking networks, but technological advances built on the rapid increase in mobile telephone coverage in the Pacific can change this. Mobile phone networks facilitate communications between bank branches and could lead to the widespread availability of payment facilities and other financial services for the poor.

Highlights of PSDI initiatives in improving access to finance and financial services include the following:

• One of the world’s most extensive programs of secured transactions reform, allowing movable property to be used as collateral for loans by both businesses and consumers in the Pacific region. In 2010, PSDI supported the implementation of registries in Solomon Islands and Vanuatu as well as the upgrade of the registries in the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia. Legal drafting and consultation on the laws and design of the registries is ongoing in Palau, Papua New Guinea (PNG), Samoa, and Tonga.

• Support for existing microfinance institutions, especially in PNG, Timor-Leste, and Vanuatu, to develop their capacity and expand outreach to rural areas.

• Assistance for the development of new products and the use of new technologies to lower the costs of extending rural financial access in Fiji, PNG, Timor-Leste, and Vanuatu.

Business Law Reform

Businesses in many countries in the region are constrained by outdated and inappropriate laws and regulations. Laws are either missing or are deficient in key legal areas such as company formation, contracting, dispute resolution, and insolvency. Some key PSDI-supported reforms for 2010 included the following:

• In Solomon Islands, commencement of the Companies Act 2009 and the Companies (Insolvency and Receiverships) Act 2009. These laws are particularly focused on small and medium-sized enterprises.

• Further consultation on the Vanuatu companies bill and companies (insolvency and receiverships) bill.

• Procurement of electronic company registries for Solomon Islands, where it will go live in 2011, and Vanuatu, where implementation awaits the passage of related legislation. A manual registry was designed for use in Solomon Islands while the electronic registry was being developed and tested. Reregistration of existing companies commenced on 1 July 2010.

• An extensive review of the Customs and Excise Act in Solomon Islands, which commenced in November 2010.

• Implementation of new laws and regulations as a key component in ensuring that legal reforms are effective.

State-Owned Enterprise Reform and Public–Private Partnerships

In the Pacific economies, SOEs are major providers of goods and services, particularly in infrastructure. In many cases, SOEs providing these services are inefficient and are a major impediment to growth and productivity. Reforming SOEs is a key focus area of PSDI. First, where feasible, PSDI initiatives assist governments with privatization. Second, SOE restructuring and enhanced commercialization is being pursued to increase accountability and efficiencies and reduce the strain on state budgets. Third, PSDI programs provide training and support for governance reforms and SOE director training. Fourth, 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, by the end of 2010, independent directors had replaced all of the elected officials and public servants on 10 of the 13 SOE boards. The Legislative Assembly passed an amendment to the Public Enterprise Act in October 2010 that provides a more robust framework for the commercial management of SOEs.
- In Solomon Islands, the full privatization of Sasape Marina was completed, with a consortium assuming ownership of the company’s assets and planning a major rehabilitation of the company’s core slipway operations.
- In the RMI, a draft SOE policy was prepared that can now serve as a blueprint for a future SOE act.
- In PNG, there was progress in developing a community service obligation (CSO) framework as a first step in SOE reform. A draft PPP bill was finalized, although it could not be submitted to Parliament due to the suspension of most parliamentary sessions in 2010. Several opportunities for PPP projects have been identified in the transport, power, and health sectors, which will be further developed in 2011.
- In Timor-Leste, a draft PPP policy was prepared at the request of the Ministry of Finance, and the Council of Ministers is expected to endorse the policy in early 2011.

Analytical Work, Advocacy, and Outreach

One of the strengths of PSDI is that it carries out extensive in-depth analytical work on which reform initiatives are based. All such work is thoroughly discussed with relevant stakeholders and governments in the region to agree upon a program of reform. This is often incorporated into ADB country strategies so that PSDI reforms and more general reform implementation under ADB programs are tightly integrated. Some highlights of analytical and advocacy work under PSDI are as follows:

- An in-depth analysis of the performance of SOEs, Finding Balance 2011: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga, was completed at the end of 2010. This was a follow-on to the successful 2009 publication, Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga. For the 2011 edition, SOEs in the RMI and Solomon Islands were added.
- Breaking Down the Barriers to Business in the Pacific: Private Sector Reform Stories, which tells stories of Pacific people whose lives have been transformed by ADB private sector development reforms, was published.
- The Pacific PSD Quarterly newsletter was launched in November 2010. Each edition will discuss aspects of PSDI-focused reforms in the region.
- Training workshops on SOE reform and PPPs, attended by more than 400 participants, were held to raise awareness of the benefits of PPPs and to assist SOE directors and potential directors to improve the functioning of SOE boards.
- As part of the extensive program of business law reform, workshops and training sessions, attended by over 400 participants, were held on the functioning of new secured transactions laws and registries in Solomon Islands and Vanuatu, as well as on the implications and uses of the new Companies Acts in Solomon Islands and Tonga.
- A private sector development policy and coordination advisor continues to lead the advocacy process in PNG, in addition to helping implement and coordinate PSDI-related activities.
- Numerous articles, opinion and editorial pieces, and interviews addressing private sector development issues and PSDI-sponsored activities were publicized in regional and local media.

Enhancing Monitoring and Evaluation

To better track the progress and results of PSDI, a new M&E framework was developed in 2010. It encompasses all phases of the initiatives under PSDI that promote private sector development in the Pacific region. The framework integrates financial planning and budgeting; identification of focus areas for reform; the planning and implementation of reform initiatives; and the evaluation of outputs, outcomes, and impacts. It incorporates a dynamic feedback mechanism that identifies problems as
they arise in order to better focus initiatives on accomplishing their goals.

Linkages and Partnerships

PSDI continues to promote partnership and cooperation between private sector development donors in the region. Regular consultations with AusAID, both in Canberra and through country posts, have increased. Private sector development donor group meetings are held regularly between ADB, AusAID, the European Investment Bank, the International Finance Corporation, the New Zealand Aid Programme, and the multi-donor Pacific Financial Inclusion Programme to communicate progress, coordinate interventions, and share lessons learned. The Pacific Infrastructure Advisory Center is colocated with PSDI at the ADB Pacific Liaison and Coordination Office in Sydney, Australia, and provides significant collaboration opportunities given PSDI’s expertise, experience, and relationships in the area of CSOs, SOEs, PPPs, and private sector participation in infrastructure.

Outlook

The demand for PSDI-supported analyses and reforms continues to grow. Furthermore, the earlier analytical work on which the first phase of reform efforts was based is now being updated to reflect initiatives that have been completed and to identify new priorities. The relationships that PSDI has established with stakeholders in the region continue to strengthen, which in itself has set up a positive feedback loop from discussion to reform to local advocacy for further reform.

Although reform of the secured transactions framework is complete in the RMI, the Federated States of Micronesia, Solomon Islands, and Vanuatu, implementation continues. Reform is also under way in Palau, PNG, Samoa, and Tonga. As the results of these initiatives are disseminated, interest is growing from other countries that have not yet requested assistance.

Further improvement in the availability of financial services in the area of microfinance will be promoted through mobile banking initiatives in PNG, Timor-Leste, and Vanuatu.

The extensive program of business law reform is being continued and expanded. It is expected that the electronic company registry in Solomon Islands will go live in the first half of 2011. Once Vanuatu has passed its new Companies Act, an electronic company registry will be installed.

Substantial progress in SOE reform and PPPs has been made in PNG and Tonga, and it is expected that new SOE reform programs will get under way in earnest in several other countries in 2011. Pioneering work on the economic impact of SOEs that commenced in 2008 will be extended with the publication of the updated study in 2011.

A crosscutting gender focus was implemented during 2010 to ensure that gender considerations become a strong feature of PSDI. These have been incorporated into the new M&E framework that was developed for PSDI during the year. All initiatives are now measured for their gender impact.

During 2011, work will continue on a regional contracting framework, with extensive analysis that will be disseminated at workshops in the region and subsequently used as a foundation for developing a contracting code. Initial response from the legal community to this work has been enthusiastic.

Continuity of consultations and ongoing dialogue with government and private sector stakeholders has led to a high degree of trust, which has greatly facilitated the prioritization and implementation of reform efforts. As these initiatives come to fruition, the foundation for private sector–led growth in the region continues to strengthen.

Further improvement in the availability of financial services in the area of microfinance will be promoted through mobile banking initiatives in Papua New Guinea, Timor-Leste, and Vanuatu.
Introduction

In response to the widespread recognition of the importance of the private sector for growth, the Asian Development Bank (ADB) has made promoting private sector development a focus of its operations in the Pacific region. It has implemented a significant amount of technical assistance, private sector–oriented grants, and, where feasible, investments through its Private Sector Operations Department.

The Pacific Private Sector Development Initiative (PSDI), which commenced in 2006, reflects ADB efforts to assist its Pacific developing member countries (DMCs) to foster a dynamic and entrepreneurial private sector. PSDI is an ADB regional technical assistance facility, cofinanced with the Australian Agency for International Development (AusAID). It aims to alleviate poverty in the Pacific through promoting private sector–led growth. PSDI focuses on reducing constraints to private sector development by identifying barriers to investment and entrepreneurship that raise transaction costs, discourage investment, and hinder the formation and growth of businesses. Extensive analytical work has identified poor access to financial services, inefficient and high-cost infrastructure and state-owned enterprises (SOEs), and outdated and unsuitable business laws as the main barriers to growth.

During its first 4 years of operation, PSDI has focused its reform efforts in these areas. It has implemented measures to improve access to financial services, both through legal reform and expanding the availability of microfinance. It has promoted business law reform and registries. It has assisted Pacific DMCs in improving the delivery of infrastructure services through assisting SOEs to become more efficient, promoting public–private partnerships (PPPs), and helping governments to privatize selected SOEs.

In 2010, two significant additions were made to PSDI core areas: a comprehensive monitoring and evaluation (M&E) framework, which integrates financial controls with initiative tracking and results assessments, and a crosscutting gender strategy, which promotes positive impacts on women’s economic empowerment.

Although the PSDI technical assistance program commenced in 2006, it is in its second round of financing. An additional $12 million in resources was approved in 2009 with funds released beginning in 2010.

The structure and implementation of PSDI is unique in the region and beyond and has resulted in significant reforms to the business environment in Pacific countries. PSDI reform initiatives are based on a rigorous foundation of analytical work, extensive consultation with government and private sector stakeholders, implementation of reform initiatives, extensive follow-up to ensure that the initiatives are effective, and a comprehensive M&E framework to track and assess the impact of the reforms. PSDI is flexible and can respond to opportunities when they arise. The PSDI model has evolved into a uniquely effective instrument for assisting Pacific economies with private sector development reform.

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**ADB has made promoting private sector development a focus of its operations in the Pacific region**
Key Features of the Pacific Private Sector Development Initiative

Overall Objectives

PSDI is an ADB regional technical assistance facility, cofinanced by AusAID. It aims to alleviate poverty in the Pacific region through promoting private sector–led growth. The structure and implementation of PSDI is unique in the region and has resulted in significant reforms to the business environment in ADB’s Pacific DMCs.

Methodology

PSDI reform initiatives are based on a rigorous foundation of analytical work, extensive consultation with government and private sector stakeholders, a comprehensive implementation of reform initiatives, extensive follow-up to ensure that the initiatives are effective, and a comprehensive M&E framework to track and assess the impact of the reforms. PSDI aims to reduce constraints to private sector development by identifying and removing factors that raise transaction costs, discourage investment, and hinder the formation and growth of businesses. During its first 4 years of implementation, PSDI has focused on increasing access to finance; enhancing the framework for business law; and improving the delivery of infrastructure services by assisting SOEs to become more efficient, by promoting PPPs, and where appropriate, by assisting governments to privatize selected SOEs. In 2010, women’s economic empowerment was added as a crosscutting theme, and a comprehensive monitoring and evaluation framework was developed.

Management Structure

The ADB Pacific Liaison and Coordination Office in Sydney, Australia manages PSDI. The regional management team of the ADB Pacific Department, led by the director general who is based in ADB headquarters in Manila, provides strategic guidance. A team of private sector development experts with extensive experience in PSDI 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 the ADB South Pacific Subregional Office in Suva, Fiji, for operations in the Cook Islands, Fiji, Samoa, and Tonga; ADB’s Special Office in Timor-Leste; and the ADB resident mission in Port Moresby, Papua New Guinea (PNG).
Financial and Portfolio Overview

ADB approved PSDI on 21 November 2006 for $8.7 million, cofinanced by AusAID with $7.6 million. The technical assistance budget was increased with additional cofinancing from AusAID in the amount of $0.3 million in 2008, $0.2 million in 2009, and $0.6 million in 2010, bringing the total budget amount to $9.8 million.¹ In December 2009, with funds from the first phase of PSDI (PSDI 1) about fully committed, ADB and AusAID approved an additional $12.0 million for the second phase of PSDI (PSDI 2) through to 2013. A number of activities that had commenced during PSDI 1 but not completed by the end of 2009 continued with additional funding from PSDI 2.

By the end of 2010, 48 projects had been completed and approximately $8.5 million had been disbursed under PSDI 1. To date, the PSDI 2 portfolio comprises 29 ongoing initiatives and 8 completed projects. In addition, 29 new activities (i.e., initiatives and projects) are planned to commence in 2011. In 2010, $4.9 million was committed in new contracts and additional inputs from the remaining pool of PSDI funds (PSDI 1 and 2 combined). This brings the total committed amount (including carryovers from ongoing contracts) to $5.2 million, which closely tracks the $5.3 million budgeted for 2010. As of 31 December 2010, cumulative disbursements were $10.2 million (47% of the total PSDI budget) and commitments were $13.0 million (60% of the budget). While there was an apparent decline in regional activities, this is due to a reclassification of some activities from regional to individual country initiatives.

As in the past, the country distribution of PSDI work continued to reflect the countries’ demand for initiatives in support of private sector development. Figures 1 and 2 show commitments and disbursements by country and by focus area in 2010. Broadly, the difference between disbursements and future commitments illustrates how country resources will change in 2011 as commitments evolve into disbursements.

¹ The additional funding was provided to support a conference on private sector participation in transport infrastructure in the Pacific, held in Cairns, Australia, in October 2008; a comprehensive microfinance assessment in Fiji; and an extensive review of the Customs and Excise Act in Solomon Islands.
Of the countries that received PSDI support, PNG had the largest share at 20% of disbursements for the year, followed by Solomon Islands at 19%. This will change, however, with Solomon Islands obtaining a larger share of resources in 2011, partly as a result of the reform of the Customs and Excise Act. On the other hand, some programs in PNG are on hold, pending decisions by government on several policy areas. The miscellaneous category in the country charts reflects overhead and administrative costs, which cannot easily be allocated by country.

In 2010, access to finance received 38% of disbursements, followed by SOE reform and PPPs (27%), crosscutting issues (21%), and business law reform (14%). Commitments show a substantial increase in resources allocated to business law reform as successes in this area have generated increased demand.

**Commitments show a substantial increase in resources allocated to business law reform as successes in this area have generated increased demand.**
Access to Finance

The Pacific region has one of the most underdeveloped finance sectors in the world, with a narrow range of available financial services, high costs, and low levels of credit to the private sector. Improving access to financial services can provide opportunities for

- saving in a secure way for both investment and unexpected expenses,
- efficiently transferring funds for both personal and commercial purposes,
- borrowing to facilitate entrepreneurship, and
- reducing the risks of unexpected events through financial products such as insurance.

The low level of financial development is partly the result of the geographical characteristics of Pacific island countries—it is costly to provide services in remote areas. New and rapidly evolving technologies hold the promise of offsetting at least part of these disadvantages. PSDI has promoted rural outreach through the use of new and innovative business models and the latest technological advances. It has assisted in the development of financial products for the rural population. It has also promoted reform of the enabling environment for financial services, including a focus on seeking solutions for gender-specific constraints. Work to improve the enabling environment has included reform of the personal property securities or secured transactions frameworks and registries in eight countries, paving the way for a much wider range of collateral to be used to secure loans. In 2010, PSDI supported the operation of 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, PNG, Samoa, and Tonga. Activities in the area of access to finance represented approximately 38% of PSDI disbursements in 2010.

An efficient and low-cost outreach capability is the most effective way to improve access to financial services, 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 through branchless banking models. ADB technical assistance programs to pilot a branchless banking program with the National Bank of Vanuatu (NBV) have assisted the NBV to move toward piloting a mobile phone banking system that will reduce transaction costs, increase security, and dramatically increase access to financial services in rural areas. PSDI has also funded assistance for identification and development of mobile phone banking opportunities in PNG, Timor-Leste, and Vanuatu.

ADB is working with financial institutions in PNG, Timor-Leste, and Vanuatu to ensure that appropriate financial products are available to the rural and urban poor, and in collaboration with other donors to assist with the development of the microfinance sector in Fiji. In PNG, PSDI’s efforts in 2010 complemented the final stages of the ADB Microfinance and Employment Project, which has laid the foundation for a nascent microfinance sector. PSDI also funded the design of the Microfinance Expansion

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Box 1 Access to Credit through Secured Transactions Reform

The traditional legal framework for secured lending in Solomon Islands and Vanuatu was organized around a variety of complicated legal instruments such as the company charge, available only to registered companies, and the registered bill of sale, the main form available to individuals. Some forms created security interests through registration. However, traditional registries were expensive, cumbersome, and offered little useful information even though much detail was collected. Among competing claims, priority depended not so much on the order of registration but rather on the nature of the legal form used and the type of notice that applied to the collateral. Enforcement took months or, more commonly, years, and required judicial resources. The system was risky for both lenders and borrowers, and had an adverse effect on access to finance. This meant that unlike in countries with highly developed financial markets, few businesses extended credit terms to their customers, borrowing against inventories or warehouse receipts rarely occurred, purchase of equipment through leasing was unusual, and specialized financial institutions did not exist. These conditions result in underinvestment in capital equipment and suboptimal inventories, which impose high costs in remote countries where resupply is difficult because of distance from suppliers. Businesses in such countries need to hold higher inventory than do those in countries where suppliers are nearby. Because holding inventory generally requires financing, access to credit at reasonable cost is especially important for productivity improvements and growth in such countries.

In 2008, with support from the Pacific Private Sector Development Initiative, Solomon Islands and Vanuatu enacted new laws on secured lending, and by 2009, electronic registries began operation. The new laws allow security interests to be created in various forms of movable property, including equipment, inventory, accounts receivable, crops, livestock, and shares. Furthermore, the new framework introduces an effective system that determines the priority of these interests and makes this information publicly accessible (i.e., through simplified priority rules and with the aid of the online registry). Unlike traditional registries, the new registries serve mainly to provide notice to the public to encourage further inquiry before buying or taking any security interest in property of the same nature described in the notice and, more importantly, to establish a priority date (the registration date) by which competing claims to collateral may be assessed. Since registrations take place online instantaneously, this eliminates uncertainty regarding the exact date and time of recording of security interests. This, along with strengthened rules for enforcement, significantly improves the capacity of creditors to assess and reduce the risks they face in terms of the repayment of loans supported by movable collateral while lowering transaction costs. All together, these should significantly improve the environment for accessing credit. Besides encouraging banks to increase the quantity and scope of their lending and perhaps reduce the cost of borrowing, an effective framework for secured transactions also facilitates the extension of trade credit, which assists entrepreneurs to gain access to equipment and raw materials.

Activities to promote financial inclusion are often integrated in PSDI’s other access to finance activities. For example, financial literacy 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. Following a successful financial inclusion workshop in Solomon Islands in late 2010, PSDI will conduct a review of the legal and regulatory environment for both microfinance and mobile phone banking in Solomon Islands in early 2011.

ADB has recently increased its private sector investment activities in the Pacific, with an emerging focus...
on financial services. In 2010, PSDI supported the development of potential investments in small financial institutions in both PNG and Vanuatu, through which ADB can provide additional support for increasing access to finance. PSDI will continue to support the identification and execution of private sector investment opportunities in financial services.

**Business Law Reform**

Business laws in Pacific island countries are outdated and inappropriate in the key areas of company formation, contracting, dispute resolution, and insolvency. These are uncertain, poorly enforced, increase transaction costs for business, and do very little to provide the legal platform necessary to support a robust and developing private sector. They are rarely used by the majority of the population and do not foster the economic inclusion of community groups, women’s groups, associations of small farmers, and local entrepreneurs. PSDI has been actively addressing the urgent need to not only update these laws, but also to tailor them to support island economies. Substantial progress was achieved in 2010.

**Company Laws**

New company laws enacted in 2009 in Solomon Islands and Tonga significantly improve the legal frameworks that support private sector development in the Pacific. These new laws reduce the costs of company formation, facilitate access to finance, and encourage the transition from informal to formal business. In Solomon Islands, the new Companies Act and the Companies (Insolvency and Receiverships) Act were enacted by Parliament in March 2009. The key challenge in 2010 was to finalize the drafting and consultation on the supporting regulations. This was carried out with excellent stakeholder support. The Minister of Commerce issued the regulations in June, and they went into effect on 1 July 2010. The acts cover all types of companies and associated company operations, but the focus is on smaller companies, which are prevalent throughout the region.

The Companies Act supports a simple approach to formation, administration, and disclosure for 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.

**Box 2  Secured Transactions Reform Expands Opportunities for Growing Sandalwood**

The Vanuatu Women in Development Scheme (VANWODS), a Vanuatu microfinance institution, has the idea to secure loans to sandalwood tree growers using the sandalwood trees as collateral. This illustrates the power of the reform by providing an innovative way of securing credit while circumventing the legal difficulties surrounding the use of customary land as collateral for loans.

The director of VANWODS explains, “We will sprout seeds we have stockpiled, and deliver the seedlings to the VANWODS mamas (members) in their different centers. We will have 35 mamas per center, and we will be giving away 3,500 seedlings per center—100 seedlings per mama. The seedlings will be cared for by the various mamas, and after 5 years we will provide loans to the mamas if they would like to expand their businesses using sandalwood trees as collateral. At this time, the security intent in the trees will be registered in the personal property securities registry.”

**Box 3  Promoting Financial Literacy**

Since the launch of the financial literacy program in Vanuatu sponsored by the Pacific Private Sector Development Initiative, training officers from the National Bank of Vanuatu (NBV) have conducted numerous training workshops and produced a radio show about financial literacy. According to a senior NBV official, “people now understand the logic of saving and that to access credit, it is necessary to first open a bank account.”
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 commonly used.

The Companies (Insolvency and Receiverships) Act 2009 and associated regulations in Solomon Islands simplify the current law in the important area of corporate insolvency. The new act codifies many existing practices and makes the application of insolvency procedures much more straightforward.

In Tonga, the Legislative Assembly passed the Companies (Amendment) Act in September 2009, with the act and new electronic registry commencing in the first week of December 2009. The registry component of this reform was supported by the International Finance Corporation (IFC). PSDI provided follow-up support during 2010 to ensure that the act was working as planned and that there were no additional transitional issues to be accommodated.

In Vanuatu, PSDI is supplementing a separate and now completed ADB technical assistance project that 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, a companies (insolvency and receiverships) bill, an insolvency (cross-border) bill, and a personal insolvency bill.

The companies bill provides a more appropriate framework for a small island economy and supports

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**Box 4  Company Law Reform Makes It Easier to Set Up a Business in the Pacific**

The costly and arcane regulations in most Pacific countries often discourage the setting up of businesses. For example, business licensing and registration usually involve complicated requirements and processes that, in many cases, require the services of a lawyer. This added expense puts formalization beyond the reach of small businesses. In addition, many important steps in the process can only be done in capital cities. Those from more remote areas must incur considerable costs in terms of time and transportation if they are to formally register businesses. In many cases, the cost of meeting the various requirements can exceed prospective annual revenues of new businesses.

The new company laws supported by the Pacific Private Sector Development Initiative in Solomon Islands, Tonga, and Vanuatu provide for simplified and automated incorporation processes, which significantly reduce the monetary and time costs of establishing a business in these countries. For example, while companies are still free to adopt their own rules on matters such as the appointment, removal, and powers of directors; rules for meetings; and shareholder rights, doing so is no longer mandatory under the new companies acts. Companies can simply adopt the model rules already contained in the new acts, eliminating the need for lawyers and thus reducing costs. In Solomon Islands, the cost for a local company to register, including name reservation, registration fee, company seal, and stamp duty, was reduced from a minimum of S$2,350 (US$316) under the old Companies Act (1948) to S$1,250 (US$168) under the new act. And whereas it used to take about 4 months under the old act and registry, now the registration process can be completed in a day. Moreover, the provisions for online application make company incorporation considerably more convenient. The new processes also directly identify reporting and disclosure failures. This ensures that records are kept up to date, improves enforcement, and reduces administrative costs.

The companies bill supports the private sector by including company types appropriate 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 proposed legislation were distributed during 2009 and 2010,
with widespread consultations taking place. The change of government in 2010 resulted in modifications of some company law policies that the bills had to accommodate, which has resulted in considerable delay due to the infrequent parliamentary sittings over the year. The bills are receiving a final vetting by the state law office, with a planned introduction to Parliament in 2011.

**Company Registries**

New or improved company registries will be introduced alongside the new company laws. An important and innovative feature will be extending registry outreach to make them accessible to people in the rural and provincial areas and to cater to many communities living on remote islands. The new registries will form an integral component of the implementation of the new acts in each country.

In Solomon Islands, the creation of an electronic Internet-based registry (renamed Company Haus) commenced with an ADB contractor in July 2010. The project team met throughout the second half of 2010, in time for a first release launch of the registry at www.companyhaus.gov.sb in December 2010. A 9-month reregistration process for all existing companies also commenced in July 2010. By 31 December 2010, more than 300 companies had reregistered and 152 new companies had registered under the new system. Funding under PSDI has been set aside for a similar electronic registry for Vanuatu, but this cannot be released until the new Companies Act is passed by Parliament.

**Trust Laws**

There are significant 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 interest of the beneficiaries. In many of these countries there is a significant lack of well-qualified trustees, placing groups that depend on well-functioning trusts 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. The new trust law in Solomon Islands will be considered by Parliament in 2011. In Vanuatu, the trustee bill has been distributed as an exposure draft and will be finalized sometime in 2011. It is planned that the bill will be considered by Parliament in 2012.

**Contracting Frameworks**

There is widespread and enthusiastic support for reform of contracting frameworks in Pacific DMCs. A diagnostic study was completed in 2009, and the next phase of reform will commence in 2011. It will include drafting a code that will be extensively discussed throughout the region. Contract codes will subsequently be developed for each country, but with a strong regional flavor. During 2010, the concept of a contract code was discussed with various private sector development steering committees to ensure that both private and public sector stakeholders are familiar with the reform. This initiative should lead to a more conducive contracting environment and improved enforcement of contractual obligations.
Implementation Programs

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. The Companies Act 2009 commenced on 1 July 2010, and with it came an extensive implementation program in several key areas supported by ADB. Establishment of a new companies office, called Company Haus, formed part of the reforms, with PSDI assisting in training a new company registrar and staff, developing business processes, and operating a transitional paper-based registration system.

Extensive public awareness campaigns were launched and have received both radio airtime and newspaper coverage. About 20 training seminars were delivered, tailored to various stakeholders including the chambers of commerce, small business associations, women in business associations, community groups engaged in commerce, banks, lawyers, and provincial areas. Various fact sheets have also been produced and made available to stakeholders and the general public at no charge. Frequent users of the registry received training through seminars and one-on-one office visits. This has greatly enhanced stakeholder acceptance of the new registry, and these activities will continue in 2011 in Honiara and key provinces. Similar implementation programs are planned for Samoa, Tonga, and Vanuatu.

Competition Frameworks

The rudimentary laws in many Pacific countries do not discourage monopolistic practices and in many cases are supportive of price controls, with little regard for modern principles that encourage competitive markets. The Pacific Islands Forum Secretariat conducted a large regional analysis that was used as the basis for drafting a model law to support a regional approach for establishing a competition framework. PSDI provided comments on this report and approach and advocates a more extensive assessment of current laws and initiatives. While a regional approach to these issues might be the most appropriate way of promoting competition, it is unclear whether Pacific DMCS will accept measures that could interfere with their ability to implement their own competition policies. Nevertheless, there is significant demand for improved competition frameworks in the region. The most effective method to promote this will be joint initiatives from donors and Pacific policy makers working together to ensure a coordinated response. PSDI could support work on this issue in 2011.

Customs and Excise Reform

Under PSDI, an extensive review of the outdated Customs and Excise Act has commenced in Solomon Islands. The current act is having a serious negative impact on the private sector. Because customs and excise duties in Solomon Islands account for about one-third of total government income, the act must not only be modernized but also support efficient revenue collection. The review is seen as a significant priority for the government. A team has been assembled to review the current act and draft a new act and regulations. There will be significant consultations during 2011, with a view to having a bill ready for consideration by Parliament in the first session of 2012.

State-Owned Enterprise Reform and Public–Private Partnerships

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. Reforming 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 2010, PSDI supported the implementation of SOE reforms in Solomon Islands and Tonga; developed approaches for SOE reform in the Republic of the Marshall Islands (RMI), PNG, and Vanuatu; developed a draft community service obligation (CSO) policy and implementation approach for PNG; prepared a PPP policy for Timor-Leste; and completed new 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 sustained demand for technical assistance, which will be pursued in 2011.

State-Owned Enterprise Reform

In Tonga, PSDI continues to support the SOE rationalization program. In 2010, this program resulted in the restructuring of five additional SOE boards so that independent directors had replaced all elected officials and public servants on 10 of the 13 SOE boards by the end of 2010. An amendment to the Public Enterprise Act was also passed that prescribes a more robust process for managing CSOs and strengthens the transparency and reporting requirements, enhancing the governance of SOEs.

In 2010, Tonga became the first Pacific DMC to publish the operational and financial results of its SOEs in local newspapers. Three training programs were undertaken to support the SOE reform initiative in 2010, covering such topics as director performance reviews, directors’ duties and obligations, and comparative SOE performance. 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.

In Solomon Islands, the full privatization of Sasape Marina was completed in late 2010, with the new owner pledging to rehabilitate and expand the company’s slipway operations at its Tulagi site. The transaction relieves the government of funding the ongoing losses of the SOE and sets the stage for renewed employment at the site. The ADB Economic Recovery Support Program for Solomon Islands supported further SOE reforms. These included specific measures to help implement the SOE Act.

Box 6  The Pacific Private Sector Development Initiative Uncovers the Hidden Costs of State-Owned Enterprises

The Pacific Private Sector Development Initiative’s second comparative study of state-owned enterprise (SOE) performance in the Pacific reveals that SOEs continue to place a significant and unsustainable strain on the economies of Fiji, the Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, and Tonga. It estimates that SOEs cost these countries more than 2% of gross domestic product per year by absorbing large amounts of scarce capital stock, on which there are very low returns. This low productivity acts as a drag on each country’s economic growth. SOEs often crowd out the private sector and absorb funds that could otherwise be invested in such high-yield social sectors as health and education. From FY2002 to FY2009, the SOE portfolios’ average return on equity was 0.7% in Fiji, –13.2% in the RMI, 0.2% in Samoa, –13.9% in Solomon Islands, and 6.0% in Tonga. In each country, this rate is substantially below the profitability target set by the government and/or the commercially established risk-adjusted return. In the RMI and Solomon Islands, the chronic operating losses of the SOEs require regular capital infusions from the central budget, further weakening the governments’ fiscal positions. In most cases, the SOEs’ poor performance is due to weak governance arrangements, conflicting mandates, the absence of hard budget constraints, and lack of accountability. SOEs do not operate with the same efficiency incentives as private sector firms; there are few consequences for poor financial performance and few rewards for profitability. While all five countries recognize the need for SOE reform, results have been mixed. Progress appears to be directly correlated to each government’s effectiveness in protecting SOEs from undue political influence. This reality underscores both the vital nature of political commitment and the sensitivities surrounding SOE reform.
and director training on best practices for managing CSOs. PSDI continued to coordinate SOE reform efforts with those of other donors, including the Regional Assistance Mission to Solomon Islands (development of CSO guidelines), World Bank (Solomon Islands Electricity Authority), and Pacific Infrastructure Advisory Center (Solomon Islands Water Authority), and will help to formulate a further ADB-funded SOE reform technical assistance project in 2011, which will include specific performance improvement targets. SOE directors and senior management received training in CSO policy development, and ongoing support was provided to the Ministry of Finance’s SOE monitoring unit on the effective implementation of the new SOE Act and regulations.

In PNG, work progressed to develop a CSO framework as a first step in SOE reform. This work, which is composed of several phases, is being implemented with the close collaboration of key government departments, most notably the Department of Treasury and the Department of Public Enterprises, and is expected to significantly increase the transparency and accountability of the SOEs. A draft CSO policy was prepared in late 2010 and is expected to be endorsed in 2011, along with implementing guidelines and supporting legal amendments. These reforms will pave the way for the piloting of the new guidelines in selected SOEs.

Finding Balance 2011: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga, a comparative analysis of SOE performance and reform experiences in the Pacific, was finalized and slated for publication in March 2011. The study, which updates and expands the first comparative SOE study published by ADB in 2009 by including the RMI and Solomon Islands, highlights the costs of poorly performing SOEs to Pacific economies, both in terms of budgetary burdens and foregone growth. It confirms the importance of strong governance practices and full implementation of robust SOE legislation in achieving good financial performance. The study dispels some common misconceptions about the scope and purpose of SOE reform.

**Public–Private Partnerships**

In Timor-Leste, the government is seeking to increase private sector participation in the delivery of infrastructure and related services, both as a means to leverage the limited technical resources available in the public sector and to accelerate infrastructure development. PSDI supported the preparation of a PPP policy, which the Council of Ministers expects to endorse in early 2011. The policy will be followed by the development of detailed implementation procedures and support for the preparation of the first set of pilot PPP transactions. Once in place, this framework should provide a more transparent and

**Box 7  Pacific Private Sector Development Initiative Helps Identify What Is Necessary for State-Owned Enterprise Reform**

*Finding Balance 2011: Benchmarking the Performance of State-Owned Enterprises in Fiji, Marshall Islands, Samoa, Solomon Islands, and Tonga* concludes that the most important lessons to be drawn from the state-owned enterprise (SOE) reform experiences of Fiji, the Republic of the Marshall Islands, Samoa, Solomon Islands, and Tonga are that

- political commitment is vital to successful reform,
- continued financing of poorly performing SOEs does not restore their profitability and often creates negative performance incentives,
- there is a clear link between SOE performance and a lack of effective ownership and monitoring,
- the private sector has the capacity to invest in SOEs and to deliver community service obligations, and
- the process of establishing SOEs will produce few benefits unless it is supported by effective implementation of the full suite of supporting arrangements that most closely mimic the discipline and incentives of a private firm.

In PNG, work progressed to develop a community service obligation framework as a first step in state-owned enterprise reform.
Box 8 Sasape Marina—A Privatization Success Story in Solomon Islands

In early 2007, the Solomon Islands government decided to privatize Sasape Marina Ltd. Lack of investment and mismanagement had resulted in a steady deterioration of the company’s financial and operating position over the years, with the value of the government’s equity in Sasape Marina falling from SI$14 million in 1996 to an estimated SI$3 million in 2005—the last year in which financial statements were prepared. By 2008, the company was insolvent and its assets were in a state of disrepair, with both of the company’s slipways inoperable.

Without substantial investment, the company faced certain closure. The government, recognizing its limited capacity to invest in and profitably operate the slipways, turned to the private sector. It was decided that an asset sale would be the best way to achieve the government’s objectives to expedite the transaction, minimize its costs, maximize sale proceeds, and have the new owner operating the facilities as soon as possible. With technical assistance from the Pacific Private Sector Development Initiative, a competitive tender was successfully conducted in 2010, with the winning bidder putting forward a plan to substantially rehabilitate and expand the slipways. This investment will make the slipways uniquely capable of servicing and repairing large vessels for the Solomon Islands shipping industry as well as some from neighboring Papua New Guinea.

The new owners, a joint venture between a Solomon Islands company and the National Provident Fund, will invest an estimated SI$10 million at the existing site and employ up to 150 people once the new slipways are operational. This is in contrast to the 32 employees of Sasape Marina who were made redundant when the sale was completed in early 2011. With the proceeds from the sale, the Solomon Islands government was able to finance severance payments for all staff and repay the company’s outstanding debts. Within a few short months of the sale, the new owners are advertising to employ staff to assist in the rehabilitation process.

This transaction illustrates that

- even insolvent state-owned enterprises (SOEs) can be attractive candidates for privatization,
- pre-privatization restructuring is not required to bring about a successful outcome,
- local investors are ready and capable of injecting new capital to revitalize state assets, and
- privatization ultimately leads to employment creation as assets are put to more productive use.

In Solomon Islands, moreover, this transaction has had a further positive impact—providing the current government with a solid example of the benefits of privatization and the political capital to prepare more SOEs for sale.

**Analytical Work, Advocacy, and Outreach**

PSDI initiatives are based on a foundation of extensive analytical work, which serves as a basis for discussions with country stakeholders and enhances PSDI credibility with the private sector in the region.
It also ensures that reforms are demand driven and provides a framework for ongoing policy dialogue.

Private sector assessments (PSAs) serve to identify overall constraints to private sector–led growth and provide a framework for discussions of reform priorities. They include economic analysis of the laws governing private sector activity, estimates of the costs of doing business, and an analysis of the costs and productivity of SOEs. They also examine the quality of infrastructure, telecommunications, and transport, and the impact on business activity. Under PSDI, PSAs have been completed for four countries. No PSAs were prepared in 2010, although prior work continues to inform reform initiatives.

To increase awareness of private sector development–related reform, extensive dissemination and consultation activities have supplemented the program, both within individual countries and regionally.

The following are highlights of PSDI policy analyses and advocacy work in 2010:

- An in-depth analysis of the performance of SOEs, *Finding Balance 2011*, was completed at the end of 2010. This was a follow-on to the highly successful *Finding Balance: Making State-Owned Enterprises Work in Fiji, Samoa, and Tonga* that was published in 2009. For the second edition, SOEs in the RMI and Solomon Islands were added. The findings will be disseminated extensively in 2011.
- *Breaking Down the Barriers to Business in the Pacific: Private Sector Reform Stories* tells the stories of Pacific people whose lives have been transformed through ADB private sector development reforms.
- *Gender Mainstreaming Reforms through Private Sector Development* discusses key reforms in the areas of business law and access to finance and how they promote women’s economic empowerment.
- The *Pacific PSD Quarterly* newsletter was launched in November 2010. Each edition will discuss aspects of PSDI-focused reforms in the region.
- Training workshops were provided to SOE directors and potential directors to assist them with improving the functioning of SOE boards. Specifically, 16 workshops and seminars have been conducted on SOE reform and PPPs at both the country and regional levels, with more than 420 participants in total. This has significantly increased awareness of the need for, benefits of, and potential scope for SOE reform and PPPs.
- Implementation of legal reform included workshops and training sessions that explained the functioning of new secured transactions laws and registries in Solomon Islands and Vanuatu, as well as the implications and uses of the new companies acts in Solomon Islands and Tonga. A complete list of these events is in Appendix 3.
- A private sector development policy and coordination advisor continues to lead the advocacy process in PNG, in addition to helping implement and coordinate PSDI-related activities.
- Numerous articles, opinion and editorial pieces, and interviews addressing private sector development issues and PSDI-sponsored activities were published in regional and local media.

**Gender: A Crosscutting Theme**

Women’s contributions to poverty reduction, economic growth, and private sector development are increasingly recognized globally. Currently, in both development discourse and practice, women are considered an integral part of development strategies. A growing amount of research demonstrates the link between women’s empowerment and social well-being. Yet research also indicates that women’s economic contributions continue to lag behind their achievements in health and education, and a variety of barriers still prevent them from fully contributing to the economy in many parts of the world. In 2009, the gender gap in women’s economic participation was 46%. Despite having obtained equal legal rights and equal status in many countries around the world, women are still discriminated against in many ways. Legislation to promote equal treatment has been adopted and equality mechanisms to monitor implementation have been set up, but despite this, imbalances between women and men persist.

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While PSDI initiatives are not directed specifically at addressing gender issues, all are rated with respect to their gender components as outlined in the following paragraph. Furthermore, many initiatives have a strong positive impact on women’s economic opportunities. Legal reforms implemented in Solomon Islands under PSDI, for example, provide for flexible business structures that will help women create and manage their businesses without unwanted interference from men. Businesses can be incorporated and managed more easily than in the past, while transaction costs can be kept to a minimum. New secured transactions laws in the RMI, the Federated States of Micronesia, Solomon Islands, and Vanuatu will provide greater opportunities for women to access finance. In the microfinance area, a special focus has been placed on increasing access to microloans for women.

In order to track the gender impact of PSDI, all initiatives are now rated using the standard ADB gender categories. Under this schema, a score of 1 for an initiative implies strong gender equity, a score of 2 implies effective gender mainstreaming, and a score of 3 indicates some gender benefits. The nature of PSDI reforms—promoting an enabling environment for any person who wishes to engage in business—implies that specific targeted gender interventions are relatively uncommon. Nevertheless, PSDI is producing a strong gender impact as the following paragraph describes.

Figure 3 shows the distribution of PSDI initiatives in terms of the ADB classification. More than 60% have a classification of either 1 or 2: about 6% have a strong gender equity impact, while 58% have effective gender mainstreaming components. It is clear that PSDI is doing a substantial amount to promote the economic empowerment of women in the Pacific.
PSDI developed a new M&E framework to improve tracking of the progress and results of reforms. Figure 4 illustrates the process. The framework integrates financial planning and budgeting; identification of focus areas for reform; the planning and implementation of reform initiatives; and the evaluation of outputs, outcomes, and impacts. It incorporates a dynamic feedback mechanism that identifies problems as they arise in order to better focus initiatives on accomplishing their goals. In addition, the M&E framework builds in institutional memory through the M&E tool (i.e., database), which, as an added feature, allows the storage of relevant documents within each initiative or project sheet.

The most important characteristics of the new PSDI M&E framework are described in the following points:

- The M&E framework is designed as an operational management tool. It is updated regularly so that task managers and management can use it to monitor and evaluate their initiatives and projects and make mid-course adjustments if necessary.
- It is easy to use. Reports show the status of an initiative clearly, and summary reports are easy to generate.
- The framework highlights important variables: for example, all initiatives and projects have a gender dimension indicator showing the extent to which gender considerations are a component of the initiative or project.
- The framework is long lasting. Many PSDI initiatives are implemented over several years and evaluation may need to continue for a number of years beyond completion. The framework provides for ongoing data collection beyond the life of an initiative.
- Quarterly progress reports are prepared that track developments in each focus area. They show, where relevant, the evolution of initiatives and how they are progressing relative to their goals. By continuing to monitor and evaluate impact in the years following the completion of initiatives, the true development impact of PSDI reforms will be apparent.
- The framework has a knowledge management component to show how the lessons learned are being disseminated. This helps facilitate the sustainability of reforms.
- The framework incorporates institutional memory by having a repository for all key documents and an ongoing narrative that tracks initiative and project developments. It will be possible to determine how past projects or initiatives evolved, what problems arose, and how those challenges were dealt with.
- Financial planning, monitoring, and evaluation are fully integrated.

The M&E framework avoids an overemphasis on measurement indicators, which can bias reform efforts toward initiatives that are easy to measure. Similarly, the M&E framework does not use broader measures of competitiveness on a cross-country basis, because that approach risks directing policies toward improving country rankings rather than basing reforms on priorities identified by in-depth analysis. The M&E framework also provides for surveying the targeted beneficiaries to provide a “reality check” on the effectiveness of reform initiatives and will show where and how they might need to be modified to be fully effective.

PSDI has a rigorous selection process for all proposed initiatives and projects to ensure that they conform to issues that have been identified by analytical work. Reform programs emerge from discussion and dissemination within Pacific DMCS. Currently, PSDI...
Figure 4 The Monitoring and Evaluation Framework for PSDI

Aims of the M&E Framework: To ensure that PSDI is effectively addressing the problems that constrain the private sector in the Pacific. To achieve this, M&E processes and procedures are embedded in every phase of PSDI, from conceptualization of initiatives to completion and evaluation, as well as budgeting and financial control.

Stage 1: Identifying Focus Areas

Analytical Work
Analysis identifies constraints to private sector development. Widespread dissemination and feedback confirms the findings of the analysis.

Consultations and Discussions
Consultations and discussions with government and the private sector result in reform priorities being identified.

Donor Coordination
Ensures consistency of reforms. Implements the Cairns Compact.

PSDI Strategy for Country and Regional Policy Reform
Specifies the PSD component of the country strategy. Assists in developing regional PSD strategy.

Analysis, consultation, coordination, and the PSDI components of the country or regional strategies identify the focus areas for PSDI

PSDI Focus Areas

Access to Finance
Business Law Reform
SOE Reform and PPPs

Crosscutting Theme: Gender
M&E Framework provides monitoring, feedback, and financial control

M&E = monitoring and evaluation, PPP = public–private partnership, PSD = private sector development, PSDI = Pacific Private Sector Development Initiative, SOE = state-owned enterprise
is primarily involved in three focus areas: access to finance, business law reform, and SOE reform and PPPs. Gender is a crosscutting theme to ensure that, although PSDI is broadly aimed at promoting private sector development in the region, all initiatives are classified with respect to their impact on women.

The development of a comprehensive M&E framework will improve the ability to track the evolution of PSDI initiatives to ensure that financial and indicative planning are closely aligned, and it will also allow rapid realignment of initiatives to ensure that they have maximum impact. The structure of the M&E framework provides management with a powerful tool for querying PSDI programs in many dimensions, such as by country interventions, focus area, personnel, budgeted spending against planned spending, gender impact, and the source of requests for assistance, among others.

The new M&E framework is still evolving. As milestones with respect to its ability to track and evaluate reforms are reached, new features will be developed to enhance its functionality. These will include enhanced querying functions to increase its tracking capabilities and improved reporting characteristics to provide fuller information on various data that are maintained in the M&E database.
Linkages and Partnerships

Mainstreaming Private Sector Development in Asian Development Bank Operations

PSDI has been instrumental in forging linkages and partnerships with ADB’s Pacific Department and Private Sector Operations Department.

Analytical work funded by PSDI has played a major role in mainstreaming private sector development in ADB country strategies in the Pacific region. PSDI has been catalytic in attracting ADB private sector operations to the Pacific. In 2009, ADB participated in the expansion of a financing facility for a private investor in the telecommunications sector in PNG. The introduction of competition and the subsequent investment in mobile telecommunications services has transformed the sector and has had a significant impact on economic growth in PNG. Network coverage has improved dramatically to reach all major towns, and customers now have access to a much-improved range of services at a lower cost. In 2010, ADB held discussions with a mobile network operator in PNG and Solomon Islands to provide assistance to expand its network capacity and coverage, which is expected to boost service delivery and competition in these markets.

Furthermore, ADB is currently in discussions with two financial institutions in PNG and Vanuatu about potential equity investments to further strengthen the institutions and the services they provide. These institutions have strong potential to increase their outreach to previously unbanked segments of the population, particularly in rural areas. PSDI has established strong relationships with these institutions and has been instrumental in identifying and developing investment opportunities. Furthermore, PSDI and the Private Sector Operations Department are liaising closely to support the introduction of branchless banking initiatives that are presently being developed. Such initiatives have the potential to rapidly increase access to financial services in a cost-efficient manner.

Fostering External Partnerships

PSDI has promoted partnerships and cooperation between private sector development donors in the region. There are regular consultations with AusAID, which has substantially deepened the ongoing dialogue and collaboration on private sector development issues. This has enhanced analysis and improved the implementation of private sector-oriented country strategies and programs, as well as specific reform initiatives. PSDI 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. Donor group meetings were held between ADB, AusAID, the New Zealand Aid Programme, and the World Bank Group in February 2010 (hosted by the New Zealand Aid Programme), June 2010 (hosted by ADB), and December 2010 (hosted by AusAID) to communicate progress, coordinate interventions, and share lessons learned. The Pacific Infrastructure Advisory Center is colocated with PSDI in ADB’s Pacific Liaison and Coordination Office in Sydney, Australia, and provides substantial collaboration opportunities given PSDI’s expertise, experience, and relationships in the areas of CSOs, SOEs, PPPs, and private sector participation in infrastructure.
PSDI is a uniquely innovative private sector development–oriented reform program. Demand for reforms under PSDI continues to increase as evidence of the success of its initiatives grows. The development of a comprehensive M&E framework will (i) improve the ability to track the evolution of PSDI initiatives to ensure that financial and indicative planning are closely aligned and (ii) allow rapid realignment of initiatives to ensure that they have maximum impact. The ability of the M&E framework to be queried in many dimensions will enhance the manageability of the PSDI program and provide up-to-the-minute information on progress.

Analytical work will continue in 2011. A Solomon Islands private sector assessment (PSA) and an update of the Tonga PSA are planned, with further PSAs planned for a number of other countries in 2012 and beyond. In addition, an assessment of progress in implementing private sector development–oriented reforms for the region as a whole is planned for 2012, in the form of a revised and updated version of *Swimming Against the Tide*, the ADB publication that initiated the process of private sector–oriented reform in the region.

Explicitly incorporating gender as a crosscutting theme will also assist PSDI initiatives in promoting the economic advancement of women in the region. Since all PSDI reforms are now rated for gender impact, it is possible to evaluate both individual initiatives and the entire program for the extent to which PSDI is impacting the economic empowerment of women in the region.

SOE- and PPP-related reforms have been a central part of the implementation of PSDI-type initiatives. A combination of analytical work, technical assistance, and ongoing advice from on-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 2011. Pioneering work on the economic impact of SOEs in Fiji, Samoa, and Tonga that was undertaken in 2008/2009 was extended to the RMI and Solomon Islands and updated for the countries analyzed in the earlier study. This work powerfully demonstrates the drag that inefficient SOEs place on the growth of the economies in the region.

The results from the successful completion of secured transactions reform in the RMI, the Federated States of Micronesia, Solomon Islands, and Vanuatu continue to accumulate. Registrations of security interests have exceeded expectations, and the reforms have contributed to improving access to finance in these countries. Further secured transactions reforms are under way in Palau, PNG, Samoa, and Tonga, making this one of the most comprehensive regional secured transactions reform programs in the world. As in the past, lessons learned in one country provide powerful demonstration and implementation synergies in others.

The effects of company law reform in Solomon Islands and Tonga are also becoming evident. Reregistrations of existing companies on the manual registry have exceeded expectations, and the innovative structure of the reform has resulted in new women-owned and community companies being formed. The electronic Solomon Islands company registry will go live in early 2011.

One of the lessons learned under PSDI has been the importance of comprehensive implementation. Continued implementation assistance will be provided in reform countries to ensure that the full benefits of the activities are delivered.
In 2011, work on developing a regional contracting framework will be extended, starting with an initial round of analysis and workshops. Once the views of stakeholders have been obtained, a comprehensive reform program will commence.

By contrast, work on developing a framework for competition policy has been postponed. A number of regional initiatives by other donors has revealed that there are competing visions with respect to how to best implement such a policy. As this debate proceeds, PSDI has adopted a watching brief on the issue, while being prepared to offer assistance rapidly as soon as a consensus emerges.

In Solomon Islands, an extensive review of the overall legal environment for customs has begun and should be completed by the end of 2011. It involves a comprehensive review of the Customs and Excise Act. The process will culminate with the drafting of a new bill that will go before Parliament sometime in 2011 or early 2012. This is a significant and important reform initiative aimed at substantially improving enforcement, removing cumbersome processes, rationalizing revenue collection, and enhancing the overall integrity of Solomon Islands’ borders. 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.

Pioneering new initiatives in microfinance and the application of technology to payment systems began to be employed in 2010 and should come to fruition in 2011. Substantial progress continues in extending microfinance services and access to credit in PNG, Timor-Leste, and Vanuatu. A pilot program in extending microfinance and microinsurance services will commence in Fiji in 2011.

A feature of PSDI has been the long-term, regular, in-depth dialogue with government and private sector counterparts in Pacific countries, which has heightened the appetite for reform in the region. Observers from outside the region have commented on the uniqueness and depth of reform efforts that have been made possible under PSDI.
APPENDIX 1

Pacific Private Sector Development Initiative Activities by Country

Fiji

Political considerations continue to limit the activity of the Pacific Private Sector Development Initiative (PSDI) in Fiji. However, some gradual reengagement has begun, especially in the areas of microfinance and microinsurance. Furthermore, Fiji is one of the countries that participated in the Finding Balance analysis of the performance of state-owned enterprises (SOEs).¹

A national financial inclusion workshop was held in Fiji in late 2009 with the cooperation of the Australian Agency for International Development (AusAID) and the Pacific Financial Inclusion Programme. As a result, in 2010, the Asian Development Bank (ADB) undertook assessments of the microfinance and microinsurance industries in Fiji. It found that improving access to financial services will require

- strengthening the legal and regulatory environment for microfinance,
- enhancing financial literacy,
- increasing the capabilities of financial service providers, and
- extending the availability of sustainable financial products that meet the needs of low-income households.

There are compelling arguments to support the establishment of a strong greenfield microfinance institution in Fiji.

As a result of these assessments, ADB continues to work with AusAID and the Pacific Financial Inclusion Programme to encourage the development of microinsurance in the country. Several potential partners have been identified for a series of proposed pilot projects to demonstrate the feasibility of microinsurance in Fiji and the Pacific more broadly.

Papua New Guinea

Introduction

Papua New Guinea (PNG) achieved an unprecedented 9 consecutive years of economic growth up to 2010, fueled by favorable commodity prices and investment in the resources sector, and forecasted growth for 2011 remains strong. Construction has begun on a $15 billion liquefied natural gas project, and the prospects of significant spin-off opportunities, together with continued political stability, have boosted investor confidence. Despite the recent strong economic growth, PNG continues to be one of the poorest countries in the region, and more than 80% of the population is engaged in semi-subsistence agriculture.

Private sector–led economic growth remains an important tenet of PNG’s Medium-Term Development Plan 2011–2015, and the government has made some progress in recent years in addressing constraints to private sector development. Increased public investment in the roads sector and the introduction of competition and subsequent private sector investment in the telecommunications, aviation, and power sectors have improved service delivery in these sectors. Nevertheless, inefficient SOEs continue to hold dominant market positions in many sectors of the economy and continue to serve as a drag on

economic growth. PNG remains a difficult and expensive place to do business, and it is imperative that the government further improve and expand access to physical infrastructure and financial services as well as consistently implement policy reforms to facilitate competition, open markets, and create a more secure legal environment for doing business.2

PNG has a highly profitable finance sector, which proved to be fairly resilient to the effects of the global financial crisis. In recent years, the commodities boom has spurred rapid lending growth, and the ratio of private sector credit to gross domestic product has increased from less than 15% in 2005 to some 30% in 2010. Nevertheless, financial markets remain underdeveloped. Although no official data exists, ADB estimates that only 15% of the population has access to formal or informal banking facilities. Particularly in rural areas, access to finance remains extremely low and discourages economic activity. Small and medium-sized firms have difficulty getting financing, and credit is costly. A rudimentary collateral framework and lack of credit information on prospective borrowers further inhibit lending, although a credit bureau was established in 2008. 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.

Access to Finance

Since 2001, ADB has supported the development of the microfinance sector in PNG through the Microfinance and Employment Project, which has built a solid base for the microfinance sector and has enhanced the availability of financial services in rural areas in PNG. The project led to the establishment of Nationwide Microbank, one of the first licensed microbanks in the country. By the end of 2010, Nationwide Microbank had provided savings services to more than 160,000 clients across the country. In 2010, PSDI funded the design and development of the Microfinance Expansion Project, which will provide continued support for the development of the microfinance sector in PNG. It is to be implemented between 2011 and 2017 and will

- strengthen the capacity of the microfinance industry to provide financial services;
- strengthen the capacity of its clients and potential clients to utilize these services;

Box A1.1 The Pacific Private Sector Development Initiative Expands Business Opportunities in Papua New Guinea

For many years, David U. was a factory worker. Then he struck out on his own, selling scones and cell phone cards on the streets of Wewak, a town in Papua New Guinea. When this proved successful, he wanted to go a step further and open a trading store. He needed capital to do so, but could not get a bank loan since like most Papua New Guineans he had no collateral and only modest savings. Through Nationwide Microbank, a microfinance institution supported by the Pacific Private Sector Development Initiative, he was able to borrow K4,000 ($1,520) and opened a shop selling soap, sardines, corned beef, and other dry goods.

Business was good enough for David to repay his loan in 2 months. Since then, he has taken out two more loans—of K10,000 ($3,800) each—to expand his store. In doing so, he has moved from being a microborrower to being classified as a small or medium-sized enterprise (SME). SMEs qualify for loans of K15,000 ($5,704) and above. A cheerful, outgoing man, David is enjoying his new life as a businessman. He and his wife Mathilda now have a staff of eight, including part-time employees. He is already pondering his next venture, which is to open a hardware store.

- provide appropriate regulation for, and supervision of, microfinance institutions and savings and loan societies through the Bank of Papua New Guinea; and
- increase lending to small and microenterprises to increase rural income generation.

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 transaction costs and to increase access to finance in rural areas. In 2008, PSDI funded an assessment of the potential for branchless banking in PNG. ADB will work with mobile network operators and microfinance institutions to facilitate the introduction of branchless banking, and it is continuing to engage with the Bank of Papua New Guinea on the development of an appropriate legal and regulatory framework.

Access to finance is further inhibited by the antiquated collateral framework, which does not accept movable

property as a pledge against loans. In 2010, at the request of the government, PSDI provided assistance to the Department of Treasury in initiating secured transactions reform. This effort has received strong support from stakeholders and will continue in 2011.

**Business Law Reform**

Weaknesses in the commercial legal framework continue to represent an impediment to private sector growth, particularly the underdeveloped leasing system for land and difficult contracting environment. The government has made progress in reforming the land tenure system in recent years. In 2008, PSDI funded a diagnostic study of the contracting environment, which found that PNG could benefit from participating in the development of a regional contracting framework. With the government’s concurrence, this initiative could be pursued in 2011.

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

Since 2008, ADB has worked closely with a multi-agency government task force charged with developing a public–private partnership (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, was endorsed by the Cabinet in December 2008. Since 2009, technical assistance has been provided for the implementation of the policy, including the development of a PPP law and establishment of a PPP Center, which is expected to be completed in 2011. The draft PPP bill, which was finalized and prepared for submission to Parliament in 2010, could not be considered due to the cancellation of the majority of parliamentary sessions in 2010. It is hoped that the draft bill will be tabled in the next parliamentary session, scheduled for mid-2011. The Government of PNG has continued to provide budget allocations for the future PPP Center in anticipation of parliamentary endorsement of the draft bill. In 2010, PSDI funded a preliminary assessment of the feasibility and financial impact of developing a major hospital in PNG under a PPP arrangement, in collaboration with the Department of Health and the International Finance Corporation (IFC). PSDI will continue to support the PPP program in PNG so that the first PPP transactions can be effectively prepared.

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 community service obligation (CSO) framework is an encouraging development. ADB and key government stakeholders are developing a framework that would allow CSOs to be identified, costed, contracted, and financed so that their delivery is on a purely commercial basis. Legal and governance reforms will be required to place the SOEs on a more transparent and accountable footing. This process should, in turn, facilitate the introduction of competition in those sectors where the SOEs continue to hold dominant market positions. An interministerial working group was formed to oversee the development of the framework. A draft CSO policy, prepared with support from PSDI in late 2010, is expected to be completed in 2011.

ADB will continue to pursue private sector investment opportunities in PNG through its Private Sector Operations Department. Such opportunities, which will be examined on their individual merits, will complement existing ADB activities in PNG. They are likely to be concentrated in financial services, telecommunications, transport, and energy.

**Samoa**

**Introduction**

PSDI activity in Samoa has been limited primarily to reengagement in legal reform and ongoing participation in the *Finding Balance* study. The poor performance of Samoa’s SOEs has initiated governance reforms, which are under way but are not proceeding as rapidly as initially expected.

**Access to Finance and Business Law Reform**

PSDI consultants visited Samoa toward the end of 2010 to commence with the consultation and drafting of the personal property securities bill. The Ministry of Commerce, Industry and Labour established a task force that comprises representatives from the public and private sectors and has been very active in leading the reform and conducting
There has been good progress, and consultations will be held throughout 2011 with a view to having a bill ready to be presented to Parliament at the end of 2011 or early 2012. Also in 2011, PSDI will support a regional contracting framework, with Samoa as one of the participating countries. There has been an indication that support is needed to better implement the Companies Act 2001, and this request will be considered in 2011.

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

Samoa participated in the PSDI-funded comparative study on the performance of SOEs in Fiji, Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, and Tonga, *Finding Balance 2011*, a follow-on to the first edition of *Finding Balance* published in 2009. Samoa’s SOE portfolio continues to perform at levels well below the government target of 7.0% return on equity. The actual performance in the period from 2002 to 2009 was a return on equity of just 0.4%. The return on assets was 0.1% for the same period. After publication of the original *Finding Balance*, the government introduced a number of reform initiatives to strengthen SOE governance, such as the introduction of a director selection panel composed of private sector representatives who are responsible for making recommendations to Cabinet on who should be appointed as SOE directors. The government commenced a process to align the director appointment process in the individual SOEs establishing legislation with the requirements of the SOE Act. However, these much-needed reforms were not fully adopted in 2010. PSDI provided support to the SOE Monitoring Unit on an ad hoc basis during 2010. Apart from working with the unit to gather the data for *Finding Balance 2011*, advice and technical support was provided remotely as requested.

**Solomon Islands**

**Introduction**

PSDI was heavily engaged in assisting Solomon Islands with reform during 2010 and substantial progress has occurred. Major ongoing legal reforms have continued, with more anticipated in 2011. SOE reform has commenced—a positive development as *Finding Balance 2011* concluded that Solomon Islands’ SOEs perform especially poorly compared with other countries in the region. Governance reforms are being implemented and should improve future performance. In addition, a substantial privatization and the sale of assets of another SOE occurred.

**Access to Finance**

PSDI helped Solomon Islands establish a secured transactions registry in 2009, which helps improve the access of small and medium-sized enterprises and smaller investors to financial markets. It continues to provide technical support to the operation of the electronic secured transactions registry, which has significantly improved the environment for registering security interests over movable property. Lenders are able to register their interests online and can search and obtain accurate information about the currency and priority of charges.

Following a successful financial inclusion workshop in Honiara, Solomon Islands, in late 2010, PSDI will conduct a review of the legal and regulatory environment for both microfinance and mobile phone banking in Solomon Islands in close consultation with the Financial Inclusion Committee, chaired by the Central Bank of Solomon Islands.

**Business Law Reform**

PSDI has made significant progress in the area of business law reform over the past year. The Companies Act 2009 and the Companies (Insolvency and Receiverships) Act and associated regulations were gazetted and commenced on 1 July 2010. The new company registry began operation on the same day and was first operationalized on a manual basis during 2010. Apart from working with the unit to gather the data for *Finding Balance 2011*, advice and technical support was provided remotely as requested.

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of the new Companies Act, together with the operation of the new registry, has significantly reduced the time needed to register a new company. New company registration can now take only 1 day compared with up to 4 months under the previous Companies Act (1948) and the old registry. In addition, the cost of registration has been significantly reduced: a flat fee has been introduced; legal advice is not necessarily needed; there is no fee for reregistrations; and there is no requirement to pay stamp duty on the authorized capital of new companies.

The public awareness campaign commenced in 2010. There have been a number of tailored presentations to stakeholder groups (e.g., Solomon Islands Women in Business, Chamber of Commerce, all banks, community groups, and several ministries). A public awareness campaign was delivered in Auki and Gizo in late 2010, covering both the company reforms and secured transactions reforms. In addition, ADB has continued to provide advice to professional groups on issues arising out of the new acts. The awareness campaign also involves the distribution of materials that are tailored to the various stakeholders. The materials are prepared in a manner that will allow the registry staff to continue to use them over a period of time, and they are also now available online in the electronic company registry. Complete guides on setting up and administering companies are available on the registry’s website.

Training programs will continue to be rolled out by the registry staff on an ongoing basis. It appears from the relatively high number of new incorporations and reregistrations that the awareness campaign is effective and reaching many groups.

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

In the past year, progress has been made in implementing the provisions of the 2007 SOE Act and in restructuring a number of SOEs. The regulations for the SOE Act 2007 were gazetted and became effective in April 2010. These include rules on

- the appointment and removal of SOE directors,
- specifying directors’ duties, and
- economic functions and community service obligation of SOEs.

The Ministry of Finance and Treasury sent new letters to all SOE chairs and general managers to advise them of the new regulations. Key provisions of the SOE Act requiring the preparation of SOE financial accounts are being implemented; audits of the 2008 accounts are complete, and 2009 accounts have been prepared for a number of SOEs. This work also continues to be supported by the Regional Assistance Mission to Solomon Islands.

SOE restructuring has also progressed, in particular through

- the completion of the sale of the assets of Sasape Marina;
- the appointment of a new general manager, commercial manager, and independent director for the Solomon Islands Electricity Authority, and preparation of a commercialization plan;
- implementation of a financial restructuring plan for Solomon Airlines; and
- the privatization of Soltai, which was completed in the third quarter of 2010, reducing government ownership to 20%.

Progress has also been made to improve governance practices in selected SOEs, in particular at the Solomon Islands Water Authority, where a new chair and board members were appointed in August 2010. In the mobile telecommunications sector, a new license was issued to a private provider, which introduced competition into the sector for the first time and is resulting in downward pressure on mobile telecommunications rates.

Solomon Islands participated in the *Finding Balance 2011* study; the conclusion was that SOEs in Solomon Islands perform poorly relative to other countries in the region, but the commitment to reform brightens prospects for the future.

**Timor-Leste**

PSDI continued to provide substantial assistance and technical support to Timor-Leste to improve access to financial services and to introduce branchless banking. In addition, it has provided help in developing a PPP framework to increase private sector participation in the provision of infrastructure services.

For a number of years, PSDI has provided assistance to the Instituição de Microfinanças de Timor-Leste (IMFTL), a microfinance institution established in 2001 with ADB support. In 2009, PSDI helped IMFTL
prepare for its transition into a small commercial bank by supporting its reincorporation, assisting with the development of a strategy and business plan, and assisting with development of a training plan to develop the institution’s management and staff. Throughout 2010, PSDI supported the implementation of these plans. PSDI will continue to support the development of IMfTL throughout 2011.

In 2008 and 2010, PSDI conducted assessments of the potential for branchless banking models to expand banking services into 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 poor cash management infrastructure and 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. Key stakeholders and the Government of Timor-Leste have expressed interest in the development of these branchless models. PSDI has kept a watching brief on telecommunications liberalization to be ready to respond when opportunities arise, and it is working closely with donor partners in Timor-Leste in these efforts.

To help increase private sector participation in the delivery of infrastructure and related services, the Government of Timor-Leste has sought PSDI support for the development of a PPP framework. A PPP policy was prepared in 2010 and is expected to be endorsed by the Council of Ministers in early 2011. The PPP policy will be followed by the development of detailed implementation procedures and support for the preparation of the first set of pilot PPP transactions. These pilot projects will be selected from a subset given to PSDI and to IFC for joint analysis. It is expected that the two organizations will support the development of the pilot transactions in 2011. PSDI is closely coordinating its PPP work in Timor-Leste with AusAID’s efforts to build capacity for infrastructure planning and delivery.

**Tonga**

**Introduction**

The Government of the Kingdom of Tonga has continued the momentum in private sector development throughout 2010 that started with the release of the 2009 private sector assessment. Many of the policy initiatives identified in that assessment to counteract constraints to private sector growth have been adopted and implemented by the government. These include the 2009 amendments to the Companies Act; in 2010, the establishment of an electronic companies registry, the enactment of the Personal Property Securities Act, and the amendments to the Public Enterprises Act; and ongoing reform of the countries’ SOEs.

A PSDI-funded advisor was resident in Tonga until the end of the first quarter of 2010. The advisor worked in the Office of the Prime Minister to provide general support for the government’s private sector development programs and to support the Ministry of Public Enterprise in implementing its SOE reform agenda.

**Access to Finance**

The personal property securities bill, which was drafted in 2009, went through additional consultation in the early part of 2010. The draft received strong support from the private sector and financial community, and was submitted to the Cabinet for final approval before going to the Legislative Assembly. The Personal Property Securities Act was passed in September 2010. Terms of reference were drafted for an implementation specialist, together with a registry software developer. Work commenced at the end of 2010, with a view to having the electronic registry operational in the first

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**Box A1.2 Pacific Private Sector Development Initiative Assistance Helps Timor-Leste’s First Private Sector–Oriented Commercial Bank**

ADB assistance is helping Instituição de Microfinanças de Timor-Leste (Institute of Microfinance Timor-Leste, IMfTL) become the country’s first locally owned, sustainable, private sector–oriented commercial bank. IMfTL is delivering improved access to financial services to both rural and urban areas in Timor-Leste.

Between 2006 and 2009, the total number of loans increased by 110% to 7,400. In terms of value, the portfolio has gone up by almost 300%. The number of deposits has gone up by 200%. Total assets have increased by 121%, and profits have increased by more than 200%.
quarter of 2011 to ensure that all existing security interests can be registered within the transitional period. A number of seminars were held with banks and the private sector in the last quarter of 2010, explaining the transitional issues and the practical steps needed to ensure an effective commencement of the act. A further series of seminars is planned for 2011, which will assist in the implementation phase.

**Business Law Reform**

The Companies Amendment Act, which was passed in 2009 with the support of PSDI, has been in force for a year and is operating well. There may be some additional seminars in 2011 to further the public’s awareness, but generally the changes introduced with the amendment are supporting the private sector. In 2011, PSDI will support the development of a regional contracting framework, with Tonga as one of the participating countries.

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

Tonga participated in the PSDI-funded comparative study on the performance of SOEs in Fiji, RMI, Samoa, Solomon Islands, and Tonga, *Finding Balance 2011*, which follows on from the publication of the first edition of *Finding Balance* in 2009.⁴ The second comparative study includes two additional countries, RMI and Solomon Islands, while expanding the period of the review by another 3 years. Tonga’s SOE portfolio continues to be the strongest performer among the countries that took part in the study in terms of return on equity and return on assets, achieving an average return of 6%. However, the trend shows declining returns and the SOE portfolio was only able to achieve a −0.4% return on equity in 2009. While this can be explained by a number of “one-off” factors, it demonstrates that a country cannot rest on its past achievements. SOE reform is continuous.

Through the Ministry of Public Enterprises, the government continued its program of SOE reform. Work continued on the reform strategies for 11 SOEs. The reform program is focused on improving the performance of individual SOEs by 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. The *Finding Balance* studies found a close and positive correlation between the adoption of robust governance practices and SOE financial performance. Two PSDI-supported initiatives completed in 2010 have provided a strong platform to enhance governance practices in Tonga. In October 2010, the government enacted significant amendments to the Public Enterprise Act, which introduced a guiding principle for all SOEs to operate as successful businesses, with more clearly defined directors’ duties; robust CSO guidelines; greater public accountability through the requirement that all SOEs publish reports on their performance in local newspapers; a prohibition on the appointment of elected officials as SOE directors; a limitation on the number of public servants that can be appointed to SOE boards;⁵ and the importation of provisions from the Companies Act dealing with conflicts of interest so that they apply to all SOEs, including those not registered under the act.

PSDI also supported the development of position descriptions for all SOE directors and chairs, setting out the performance requirements, general and specific director’s duties relevant for each SOE, and the required core competencies. An annual performance review process for SOE directors was also developed to assist in their ongoing training and development.

The PSDI-supported reform program is also focused on training and skills development for the SOE board members, senior management, and monitoring staff within the Ministry of Public Enterprises. Three workshops were undertaken in 2010, which included training for SOE directors and managers on the new director evaluation process, a seminar on the amendments to the Public Enterprise Act, and a presentation on the key findings of *Finding Balance 2011* and the comparative and absolute performance of the Tongan SOE portfolio in 2002–2009.

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⁵ Only one public servant can be appointed to an SOE board at any time and never as chair.
Pacific Private Sector Development Initiative Activities by Country

The boards of another five SOEs were restructured in 2010, which resulted in all elected officials and civil servants being replaced with private sector directors in 10 of the country’s 13 SOEs.

Private Sector Development Advisor (In-Country)

A PSDI-funded advisor continued to be made available to the Prime Minister’s office for the first quarter of 2010 to assist in the development, coordination, and implementation of policies that support private sector growth. The advisor has also provided in-country support for other PSDI activities mentioned in this report. The support included (i) technical input on a number of private sector–led, government-supported investment proposals in industries such as tourism and fishing, (ii) the establishment of the heat treatment biosecurity facility as an SOE, (iii) chairing the Business Opportunity Support Scheme evaluation panel, (iv) assistance in developing the back-to-back loan documentation to facilitate the rebuilding of Nuku’alofa, and (v) structural and governance advice on the proposed investment in a submarine fiber-optic cable for Tonga.

Vanuatu

Introduction

PSDI was active in Vanuatu in 2010 in several areas: access to finance, business law reform, and, to a lesser extent, SOE reform. In the access to finance area, PSDI helped with secured transactions reform and financial regulation. Ongoing assistance in microfinance continued and included implementing new technology to bring financial services to several islands.

Business law reform also received significant assistance, with help in drafting a number of bills to be considered by Parliament when it begins to meet more regularly.

Access to Finance

PSDI continues to support the recently passed Personal Property Securities Act and the related electronic personal property securities registry that was installed and launched in April 2009. PSDI is supporting the ongoing implementation, promotion, monitoring, and evaluation of this registry.

PSDI continues to supplement ADB technical assistance for the expansion of a microfinance pilot scheme in several of the Vanuatu islands to implement a rural outreach program using new technologies. Through this program, implemented by the National Bank of Vanuatu, many rural and outlying branches will be brought online, and technologies such as mobile banking systems will be deployed to increase efficiency and expand access to financial services for previously underserved people and areas.

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.

Business Law Reform

In 2007–2009, PSDI funded, alongside other ADB technical assistance, the modernization of the Vanuatu commercial legal framework. Experts have assisted in drafting a new companies bill, a companies (insolvency and receiverships) bill, an 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 this was to be procured subject to Parliament passing the bills. There was further public consultation on the companies bill in 2010, and the bills are now with the state law office for finalization and presentation to Parliament. The PSDI team has offered to assist in any way it can to ensure the smooth passage of the bill. Unfortunately, changes in the government and the irregular sittings of Parliament may hamper the progress of the bills. There will be no further action on the installation of an electronic company registry until the bills are passed. In 2011, support will be needed to draft and consult on the regulations, which will support...
the new Companies Act once passed. The consultations on the trustee bill and finalization of this bill will recommence after Parliament has dealt with the companies bills.

In 2010, PSDI also supported the Reserve Bank of Vanuatu to ensure that currently unregulated microfinance institutions (such as the Vanuatu Women in Development Scheme), which are taking deposits, are adequately regulated to protect deposit holders. A draft report has been finalized and will be discussed with stakeholders in early 2011.

State-Owned Enterprise Reform and Public–Private Partnerships

PSDI supported the government in formulating SOE policy principles in preparation for an SOE Act, but progress on this slowed in the second half of 2010 as the Ministry of Finance focused on internal restructuring to strengthen its SOE oversight capacity. Political instability throughout the fourth quarter of 2010 sidelined the SOE reform program, and it is unclear if commitment will return in 2011. PSDI remains ready to reengage with the Ministry of Finance on SOE reforms as soon as the demand arises.
APPENDIX 2

Initiatives and Projects by the Pacific Private Sector Development Initiative in 2010

Fiji

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<th>Focus Area</th>
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<th>Status</th>
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<td>Access to Finance</td>
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<td>Microfinance and Microinsurance Assessments</td>
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<td>Microinsurance Interventions</td>
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<td>Crosscutting</td>
<td>Private Sector Assessment</td>
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No. of Initiatives 2

Also participated in *Finding Balance 2011* (see regional initiatives).

Republic of the Marshall Islands

<table>
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<tr>
<th>Focus Area</th>
<th>Initiative/Project Name</th>
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<tr>
<td>Access to Finance</td>
<td>Secured Transactions Reform</td>
<td>Ongoing</td>
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<td></td>
<td>Registry Application Upgrades</td>
<td>Ongoing</td>
</tr>
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<td></td>
<td>Review and Implementation of the Law and Registry</td>
<td>Pipeline</td>
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<tr>
<td>State-Owned Enterprise (SOE) Reform and Public–Private Partnerships (PPPs)</td>
<td>SOE Reform Program</td>
<td>Ongoing</td>
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<tr>
<td></td>
<td>SOE Policy Preparation</td>
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<td>SOE Act Preparation</td>
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No. of Initiatives 2

Also participated in *Finding Balance 2011* (see regional initiatives).

Federated States of Micronesia

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<tr>
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<th>Initiative/Project Name</th>
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<td>Access to Finance</td>
<td>Secured Transactions Reform</td>
<td>Ongoing</td>
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<td>Registry Application Upgrades</td>
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<td>Independent Review of the Secured Transactions Framework</td>
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No. of Initiatives 1
### Palau

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<td>Access to Finance</td>
<td>Secured Transactions Reform</td>
<td>Ongoing</td>
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<tr>
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<td>Drafting and Passage of the Secured Transactions Law</td>
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### Papua New Guinea

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<td>Access to Finance</td>
<td>Secured Transactions Reform</td>
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<td>Drafting and Passage of the Secured Transactions Law</td>
<td>Ongoing</td>
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<tr>
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<td>Filing Archive (Registry) Design and Implementation</td>
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<td>Support for the Microfinance Expansion Project</td>
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<td>Preparation of the Microfinance Expansion Project</td>
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<td>Project Implementation Support</td>
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<td>SOE Reform and PPPs</td>
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<td>PPP Assessment of Angau Hospital</td>
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<td>Community Service Obligations Framework</td>
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<td>Legal Framework for PPPs</td>
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<td>PPP Center</td>
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<td>PPP Pipeline Development</td>
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<td>Establishment of the Project Development Facility</td>
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<td>Capacity Building for the Independent Consumer and Competition Commission</td>
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<td>Lae Port PPP Assessment</td>
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Also planned to take part in a mobile banking initiative and a regional contracting framework (see regional initiatives).

### Regional

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<th>Focus Area</th>
<th>Initiative/Project Name</th>
<th>Status</th>
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<tbody>
<tr>
<td>Access to Finance</td>
<td>Mobile Banking (Papua New Guinea, Solomon Islands, Timor-Leste, and Vanuatu)</td>
<td>Pipeline</td>
</tr>
<tr>
<td></td>
<td>Secured Transactions Conference</td>
<td>Pipeline</td>
</tr>
<tr>
<td>Business Law Reform</td>
<td>Business Registry Study Tour and Workshop</td>
<td>Pipeline</td>
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<tr>
<td></td>
<td>Contracting Framework (Papua New Guinea, Solomon Islands, Tonga, and Vanuatu)</td>
<td>Pipeline</td>
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<td>Code of Contract</td>
<td>Pipeline</td>
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</table>

continued on next page
Focus Area | Initiative/Project Name | Status
--- | --- | ---
Crosscutting | Gender Strategy for PSDI | Ongoing
 | Monitoring and Evaluation for PSDI | Ongoing
 | Client Surveys | Pipeline
 | Support for ADB’s Private Sector Operations Department | Ongoing

SOE Reform and PPPs | Finding Balance 2011 (Fiji, Republic of the Marshall Islands, Samoa, Solomon Islands, and Tonga) | Ongoing

No. of Initiatives | 8

**Samoa**

Focus Area | Initiative/Project Name | Status
--- | --- | ---
Access to Finance | Secured Transactions Reform | Ongoing
 | Drafting and Passage of the Secured Transactions Law | Ongoing
 | Filing Archive (Registry) Design and Implementation | Pipeline

Crosscutting | Private Sector Assessment | Pipeline

SOE Reform and PPPs | Support for SOE Reforms (Director Training and Capacity Building) | Pipeline

No. of Initiatives | 3

Also participated in *Finding Balance 2011* (see regional initiatives).

**Solomon Islands**

Focus Area | Initiative/Project Name | Status
--- | --- | ---
Access to Finance | Assessment of the Legal and Regulatory Framework for Microfinance and Mobile Phone Banking | Pipeline
 | Secured Transactions Reform | Ongoing
 | Review, Amendment, and Implementation of the Secured Transactions Act | Ongoing
 | Registry Application Upgrades | Ongoing

Business Law Reform | Company Law Reform | Ongoing
 | Review of Law and Registry Design and Implementation | Ongoing
 | Support for the Implementation of the Companies Act Companies (Insolvency and Receiverships) Act | Ongoing
 | Customs and Excise Act Review | Ongoing
 | Trustee Law Reform | Pipeline
 | Business Names Act Review | Pipeline

Crosscutting | Private Sector Assessment | Pipeline

SOE Reform and PPPs | Privatization of Sasape Marina | Closed
 | SOE Reform Program | Ongoing
 | Privatization of Sol Print | Pipeline

No. of Initiatives | 10

Also participated in *Finding Balance 2011* and planned to take part in a mobile banking initiative and a regional contracting framework (see regional initiatives).
### Timor-Leste

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<tr>
<th>Focus Area</th>
<th>Initiative/Project Name</th>
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<tr>
<td>Access to Finance</td>
<td>Payments and Mobile Banking Assessment</td>
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<td>Support to the Instituição de Microfinanças de Timor-Leste</td>
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<tr>
<td></td>
<td>Reincorporation and Advice</td>
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<td>Business and Training Plan Implementation</td>
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<td>SOE Reform and PPPs</td>
<td>PPP Initiative</td>
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<td>PPP Policy and Guidelines</td>
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<td>PPP Legal Instrument</td>
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<td>PPP Assessments and Pre-Feasibility</td>
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Also planned to take part in a mobile banking initiative (see regional initiatives).

### Tonga

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<th>Initiative/Project Name</th>
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<td>Access to Finance</td>
<td>Secured Transactions Reform</td>
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<td>Review of Law and Filing Archive (Registry)</td>
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<tr>
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<td>Design and Implementation</td>
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<td>Business Law Reform</td>
<td>Company Law Reform</td>
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<td>Companies Act Implementation</td>
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<td>Business Names Act Review</td>
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<td>Private Sector Assessment Update</td>
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<td>SOE Rationalization Program</td>
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<td>Phase VI</td>
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Also participated in *Finding Balance 2011* and planned to take part in a regional contracting framework (see regional initiatives).
## Vanuatu

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<th>Focus Area</th>
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<td>Access to Finance</td>
<td>Regulatory Work on Microfinance</td>
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<td>Phase I</td>
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<td>Secured Transactions Reform</td>
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<td>Implementation of the Law and Registry</td>
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<td>Registry Application Upgrades</td>
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<tr>
<td>Business Law Reform</td>
<td>Company Law Reform</td>
<td>Ongoing</td>
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<td>Drafting and Passage of the Companies Act</td>
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<td>Company Registry Design and Implementation</td>
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<td>Support for the Implementation of the Companies Act</td>
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<td>Companies (Insolvency and Receiverships) Act</td>
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<td>Personal Insolvency Act</td>
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<td>Insolvency (Cross-Border) Act</td>
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Also participated in *Finding Balance 2011* and planned to take part in a mobile banking initiative and a regional contracting framework (see regional initiatives).
### APPENDIX 3

#### Seminars and Workshops Supported by the Pacific Private Sector Development Initiative in 2010

<table>
<thead>
<tr>
<th>Seminar/Workshop</th>
<th>Location</th>
<th>Date</th>
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<tbody>
<tr>
<td>Workshop on Developing a Community Service Obligations Framework for State-Owned Enterprises</td>
<td>Port Moresby, Papua New Guinea (PNG)</td>
<td>22–24 February</td>
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<tr>
<td>Design Launch Workshop for the PNG Microfinance Expansion Project</td>
<td>Port Moresby, PNG</td>
<td>23 February</td>
</tr>
<tr>
<td>Public Enterprises Workshop for SOE Directors</td>
<td>Nuku’alofa, Tonga</td>
<td>8–11 March</td>
</tr>
<tr>
<td>Economic Opportunities for Pacific Women in Business (by International Finance Corporation and International Trade Centre)</td>
<td>Port Vila, Vanuatu</td>
<td>14–16 March</td>
</tr>
<tr>
<td>Presentation to the Solomon Islands Chamber of Commerce on the New Companies Act</td>
<td>Honiara, Solomon Islands</td>
<td>17 March</td>
</tr>
<tr>
<td>Pacific Knowledge Seminar on Public–Private Partnerships at ADB Headquarters</td>
<td>Manila, Philippines</td>
<td>18 March</td>
</tr>
<tr>
<td>Presentation on Creating and Running a Company under the New Companies Legislation to the Small and Medium Enterprises Council and Solomon Islands Manufacturing Association</td>
<td>Honiara, Solomon Islands</td>
<td>24 March</td>
</tr>
<tr>
<td>Training for SOE Directors on Director Job Descriptions and the Director Performance Evaluation System</td>
<td>Nuku’alofa, Tonga</td>
<td>30 March</td>
</tr>
<tr>
<td>Further Impacts of Companies Legislation Presented to the Small and Medium Enterprises Council and Solomon Islands Manufacturing Association</td>
<td>Honiara, Solomon Islands</td>
<td>8 April</td>
</tr>
<tr>
<td>Public Seminar on Company Law Reform</td>
<td>Port Vila, Vanuatu</td>
<td>18 May</td>
</tr>
<tr>
<td>Stakeholder Design Workshop for the PNG Microfinance Expansion Project</td>
<td>Port Moresby, PNG</td>
<td>19 May</td>
</tr>
<tr>
<td>Praxis Discussion Series 2010: Microfinance and International Development</td>
<td>Sydney, Australia</td>
<td>27 May</td>
</tr>
<tr>
<td>Presentation to Solomon Islands Women in Business Association on Creating and Running a Company under the New Companies Legislation and on Secured Transactions Reform</td>
<td>Honiara, Solomon Islands</td>
<td>31 May</td>
</tr>
<tr>
<td>Companies Awareness Raising Seminar</td>
<td>Auki, Solomon Islands</td>
<td>10 June</td>
</tr>
<tr>
<td>Presentation to Associations on a Comparison between Community Companies, Cooperatives, and Charitable Trusts</td>
<td>Honiara, Solomon Islands</td>
<td>17 June</td>
</tr>
<tr>
<td>Seminar/Workshop</td>
<td>Location</td>
<td>Date</td>
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<tr>
<td>Pacific Knowledge Seminar on Business Law Reform and Gender at ADB Headquarters</td>
<td>Manila, Philippines</td>
<td>29 July</td>
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<tr>
<td>CSO Workshop</td>
<td>Honiara, Solomon Islands</td>
<td>14–15 September</td>
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<tr>
<td>Presentation on the Impact on Commercial Banks of Reforms for Companies, Business Names, and Charitable Trusts</td>
<td>Honiara, Solomon Islands</td>
<td>20 September</td>
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<tr>
<td>Presentation to the Vanuatu Financial Services Commission on a New Companies Registry under the New Companies Act</td>
<td>Port Vila, Vanuatu</td>
<td>12 October</td>
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<tr>
<td>Knowledge Seminar on PPPs</td>
<td>Dili, Timor-Leste</td>
<td>19 October</td>
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<tr>
<td>Stakeholder Workshop on Microinsurance</td>
<td>Suva, Fiji</td>
<td>26 October</td>
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<tr>
<td>Presentation on Access to Finance in the Pacific at the New York Bar Association Conference</td>
<td>Sydney, Australia</td>
<td>29 October</td>
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<tr>
<td>Workshop to Present Finding Balance 2011</td>
<td>Suva, Fiji</td>
<td>9–10 November</td>
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<tr>
<td>Solomon Islands Financial Inclusion Round Table</td>
<td>Honiara, Solomon Islands</td>
<td>18 November</td>
</tr>
<tr>
<td>Seminar on the Companies Act and Secured Transactions Reform</td>
<td>Gizo, Solomon Islands</td>
<td>22 November</td>
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<tr>
<td>Participation in the International Finance Corporation’s Pacific Regional Team Workshop</td>
<td>Port Vila, Vanuatu</td>
<td>23–25 November</td>
</tr>
<tr>
<td>Workshop on PPP Policy Principles</td>
<td>Dili, Timor-Leste</td>
<td>30 November</td>
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<tr>
<td>Workshop on the Draft PPP Policy</td>
<td>Dili, Timor-Leste</td>
<td>6 December</td>
</tr>
<tr>
<td>Presentation on the Electronic Company Registry to the Public–Private Dialogue Group and the Business Law Advisory Review Committee</td>
<td>Honiara, Solomon Islands</td>
<td>8 December</td>
</tr>
<tr>
<td>Address on ADB’s Access to Finance Activities in the Pacific at Pacific Islands Business Forum</td>
<td>Nadi, Fiji</td>
<td>8–9 December</td>
</tr>
<tr>
<td>Training of Stakeholders on the Use of the Electronic Company Registry</td>
<td>Honiara, Solomon Islands</td>
<td>10 December</td>
</tr>
<tr>
<td>Public Enterprises Workshop for SOE Directors</td>
<td>Nuku’alofa, Tonga</td>
<td>14–16 December</td>
</tr>
<tr>
<td>Meeting with Banking Representatives on Transitioning over to the Electronic Company Registry System</td>
<td>Honiara, Solomon Islands</td>
<td>16 December</td>
</tr>
</tbody>
</table>

This fourth annual progress report of the Pacific Private Sector Development Initiative (PSDI) documents the second phase of PSDI, which the Board of Directors of the Asian Development Bank (ADB) approved in December 2009.

PSDI is a regional technical assistance facility cofinanced by the Australian Agency for International Development. It is designed to support efforts by ADB Pacific developing member countries to encourage private sector-led, sustainable economic growth. PSDI focuses on the following key areas: business law reform, improved access to financial services, and state-owned enterprise reform and public-private partnerships.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.8 billion people who live on less than $2 a day, with 903 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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