

KIRIBATI

CURRENT AND FUTURE
PROJECTS

The comparatively small amount of funding PSDI has spent in Kiribati was mostly deployed in 2014–2015, when \$31,000 of the \$50,450 allocated since 2007 was used for a company law and registry diagnostic and support for SOE reform.

FINANCING GROWTH: In the first quarter of 2017, PSDI commenced a wide-ranging technical assistance program to strengthen the National Provident Fund and improve its investment capability.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: PSDI has continued to provide peer review and support for the government's state-owned enterprise (SOE) reform program, and in June 2014, under a separate Asian Development Bank (ADB) technical assistance project, participated in a multi-donor mission to review SOE reform progress. In 2015–2016, Kiribati participated in PSDI's Finding Balance benchmarking study for the first time since the biennial exercise began in 2009.

BUSINESS LAW REFORM: A company law and registry diagnostic was completed in late June 2014. In August 2016, PSDI delivered a legal diagnostic of the company and business names laws and a review of registry elements of legislation for other entities, including credit unions and co-operatives.

PSDI will support the development of new companies and business name registration laws in 2016 and 2017. Connected to this foundational reform, PSDI is also reviewing designs for an electronic business registry that is appropriate to the volume of registrations and business activity in Kiribati.

REPUBLIC OF THE MARSHALL ISLANDS

OUTCOMES
AND RESULTS

Spending on PSDI assistance to the Republic of the Marshall Islands since 2007 amounts to over \$140,000, with 73% of this spent on SOE reform and 27% on financing growth initiatives. Of the \$24,000 spent in 2015–2016, almost all went toward the preparation of a private sector assessment.

FINANCING GROWTH: The Secured Transactions Act was passed and an electronic registry installed in 2007 with technical assistance from PSDI. Lenders in the Marshall Islands have been active registry users, with more than 10,000 security interests registered as of 2017. Many loans are secured by future land rent proceeds from the military base of the Government of the United States on Kwajalein Atoll. An upgrade of the registry was completed in late 2014.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: The Marshall Islands has participated in the 2011, 2012, 2014, and 2016 Finding Balance studies on the comparative performance of SOEs. The studies have raised awareness of the fiscal cost of the SOE sector in the Marshall Islands and will support the government's implementation of the SOE Act.

CURRENT
AND
FUTURE
PROJECTS

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: PSDI supported the development of an SOE reform policy, which Cabinet endorsed in April 2012. Based on the policy, the SOE Bill was drafted with substantial PSDI advice and input. The bill is designed to strengthen SOE governance and commercial orientation, and support government efforts to improve SOE performance. It was passed by Parliament in 2015. PSDI continues to support its implementation.

ANALYTICAL AND CROSSCUTTING WORK: The Government of the Marshall Islands has requested a private sector assessment, which will be published in 2017.

FEDERATED STATES OF MICRONESIA

OUTCOMES
AND RESULTS

PSDI spending in the Federated States of Micronesia (FSM) totaled over \$56,000 by mid-2016, with close to two-thirds of this committed to financing growth initiatives and over one-third to SOE reform. In 2014–2015, an upgrade of the secured transactions registry saw \$15,000 of the \$20,000 spent that year allocated to financing growth. The \$5,000 spent in 2015–2016 went toward preliminary assessments for the development of a strategic plan for the FSM Development Bank.

FINANCING GROWTH: The secured transactions regime in FSM is the longest running in the Pacific. The regime comprised the Secured Transactions Act 2006 and the creation of an online registry after ADB assisted the Government of FSM to implement secured transactions reforms in 2005–2006. The new framework saw a large number of initial registrations, a lull between 2008–2009, then increased registrations between 2012–2015 representing new loans.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: On request from Pohnpei Utilities Corporation (PUC), PSDI undertook an analysis of PUC's options for outsourcing its power, water, and wastewater operations. The analysis included public-private partnership opportunities. PSDI presented the analysis to PUC management in June 2014, and it was endorsed by the board in late 2014. Implementation assistance is being considered by ADB as part of its broader country partnership strategy.

FINANCING GROWTH: PSDI is supporting an upgrade of the secured transactions registry, a review of secured transactions reform outcomes, and efforts to increase lenders' use of the secured transactions framework. PSDI is also currently assisting the FSM Development Bank to prepare a 10-year strategic plan to guide the future direction of the bank.

ASIAN DEVELOPMENT BANK

MICRONESIA

COUNTRY OVERVIEW | FEBRUARY 2017

NAURU

OUTCOMES AND RESULTS

In 2015–2016, all spending in Nauru—\$48,241—was on business law reform activities, specifically, legal assistance in support of the establishment of the Intergenerational Trust Fund. Of the \$333,593 PSDI has spent on Nauru in total, two-thirds was allocated to financing growth initiatives, representing PSDI's ultimately successful efforts to bring banking services to the country.

FINANCING GROWTH: Prior to Bendigo–Adelaide Bank opening an agency in Nauru in May 2015, Nauru had been without a financial institution capable of providing commercial banking services since the early 2000s. In 2012, PSDI undertook an assessment of the Nauruan people's financial requirements, which it then used to help the Government of Nauru prepare an information memorandum to identify an appropriate institution to provide these services.

In addition, PSDI assisted the government in reviewing the existing regulatory framework for financial institutions and, in February 2014, submitted policy recommendations for the regulation and supervision of financial institutions.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: PSDI assisted the government in restructuring the Republic of Nauru Phosphate Corporation's senior executive management. This included support for recruiting a new chief executive officer (CEO) who began in October 2011. PSDI also supported the development of a new organizational structure for senior management and the board of the Nauru Utilities Corporation and Nauru Rehabilitation Corporation, including assistance with new CEO and other senior management recruitment. PSDI is currently providing input into the public-private partnership options for a new port investment, and conducted a review of the SOE portfolio in early 2017, outlining needed measures to strengthen governance, monitoring, and management practices.

ECONOMIC EMPOWERMENT OF WOMEN: PSDI assisted ADB in reviewing discriminatory laws and practices in Nauru in 2013 and 2014 and with the development of the National Gender Action Plan.

PALAU

OUTCOMES AND RESULTS

About 40% of the \$570,095 committed to Palau since 2007 supported secured transactions reform, which culminated in the launch of an online registry in 2013. In 2015–2016, the \$126,000 allocated to Palau went mostly toward the preparation of a private sector assessment and support for the commercial transformation of the National Development Bank of Palau.

BUSINESS LAW REFORM: PSDI completed a diagnostic of the corporate law and the existing registry in late 2013. It found that the private sector in Palau is severely constrained by an outdated corporate law and an almost dysfunctional paper-based registry.

CURRENT AND FUTURE PROJECTS

FINANCING GROWTH: Following PSDI-supported secured transactions reform, the Secured Transactions Act was passed in May 2012 and an electronic registry was launched in January 2013. Although relatively small, the number of secured loans per capita ranks Palau's secured transactions filings in the top half of those in use in the Pacific. PSDI is providing ongoing support to lenders to increase their uptake of the secured transactions framework.

PSDI is supporting the commercial strengthening of the National Development Bank of Palau in line with government policy for it to become a deposit-taking institution, and consistent with the regulatory requirements of the Palau Financial Institutions Commission. A review of bank policies has also been undertaken and further assistance on policy development and funding strategies will be undertaken during the first half of 2017.

BUSINESS LAW REFORM: In 2016, the government requested PSDI to lead a reform of the corporate registry, which will include the drafting of a corporations bill and the development of an online registry. The bill will be completed in 2017 and PSDI will assist with its passage through the House of Representatives.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: PSDI supported the development of Palau's SOE policy, endorsed by the President in late 2014. It calls for the commercial operation of all three of Palau's SOEs, the establishment of a contracting framework for community service obligations, and the removal of elected officials from SOE boards. In 2017, PSDI will support the preparation of an SOE bill based on the policy.

In 2016, PSDI provided technical support to review options for private investment and operation of the Koror airport through a public-private partnership mechanism.

PSDI supported the government's evaluation of options for merging the power and water utility, and assisted the newly merged utility with their articles of incorporation and CEO selection process.

ECONOMIC EMPOWERMENT OF WOMEN: An analysis of the constraints to women's economic empowerment and recommendations for improving women's engagement with business has been included as a chapter in PSDI's forthcoming private sector assessment for Palau.

ANALYTICAL WORK: A private sector assessment for Palau has been completed and is scheduled to be published in early 2017.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

PSDI works with ADB's 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.

OVERVIEW

Each PSDI focus area, except economic empowerment of women, is represented in the allocations of the \$2.31 million spent in Samoa to date, which is indicative of the wide range of reforms the country has pursued to improve its business environment. Financing growth initiatives have received 26% of this funding—including 69% of the \$361,000 allocated to Samoa in 2015–2016—enabling the procurement of a personal property securities registry. Business law reform has received the second most funding, with the \$490,000 allocated going toward creation of an online companies registry and recent evaluation of the company law and registry expansion opportunities. Significant support for competition reform that required \$373,000 in funding culminated in a new competition policy and the enactment of a Competition and Consumer Protection Bill in 2015. Spending on analytical work, which has received \$376,000 in funding, includes the preparation of Samoa's private sector assessments and associated advocacy activities.

FINANCING GROWTH

CURRENT
AND
FUTURE
PROJECTS

PSDI supported the enactment of the Personal Property Securities Bill in February 2013. Subsequent to an amendment to the act in 2015, PSDI commenced procurement of a registry and is supporting registry design and implementation. The registry is expected to be launched in February 2017.

In 2017, PSDI will support ADB's wider country program to support the commercial transformation of the Development Bank of Samoa and strengthening of the Samoa National Provident Fund to provide adequate retirement incomes.

BUSINESS LAW REFORM

OUTCOMES
AND
RESULTS

After updating the Companies Act Regulations in early 2013, PSDI assisted with the procurement and installation of a new electronic registry. Together with the New Zealand Companies Office, PSDI has carried out significant public awareness activities and capacity building for the new registry. Implementation has revealed that various elements of company law would benefit from an amendment. PSDI has been asked to provide drafting and policy support for those legislative changes.

In 2014, PSDI surveyed company administrators and business services providers to evaluate the Samoa company registry one year after its launch. The survey found that:

- the new company registration rate had doubled by the end of 2013;
- the cost had fallen dramatically;
- registering and maintaining companies was significantly easier;
- online company information searches save large amounts of time and money; and
- the ease of access to information has lowered the costs of company administration, accounting, and auditing.

CURRENT
AND
FUTURE
PROJECTS

In 2017, PSDI will commence implementation of a business law simplification package, which will include a legal diagnostic and policy review of foreign investment, the company law, and laws governing other entities managed by the Ministry of Commerce. The package will also include a scoping study for the potential introduction of a business names regime to assist sole traders entering the formal sector. With PSDI assistance, the online registry will be used as a pilot to support the government in promoting e-payment facilities.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

OUTCOMES
AND
RESULTS

Samoa has participated in all five of the Finding Balance studies. The studies have raised awareness of the poor performance of Samoa's state-owned enterprises (SOEs) and led to an increase in SOE reform impetus. The enactment of the Composition Act in early 2012 triggered the restructuring of all SOE boards to remove elected officials. This reduced the number of public servants and elected officials serving as SOE directors. In 2010, almost 50% of SOE directors were either ministers or public servants. By 2013, only 11% were public servants and none elected officials. The move to professional boards has reduced political influence, strengthening SOEs' ability to implement their commercial mandate.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

PSDI works with ADB's 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS (CONT'D)

OUTCOMES AND RESULTS

In 2012, the Government of Samoa requested PSDI support for the privatization of three SOEs: Agriculture Stores Corporation (ASC), Polynesian Airlines (Investment) Limited (PAIL), and Samoa Shipping Services. Cabinet approved PSDI's recommended sales strategy for ASC but the Privatization Committee, appointed by Cabinet, opted for a more complex sales process. The sale of ASC was completed in April 2016. PSDI's privatization scoping paper for PAIL was submitted in October 2012, but the transaction has not proceeded.

An SOE Minister was appointed in April 2014. PSDI provided advice to the new minister and the Ministry of Finance on how best to undertake the responsibilities of this new role. PSDI also provided advice on changes required to the SOE Act to support the SOE Minister's role and tighten transparency and accountability. The amendments were enacted in January 2015.

In June 2014, PSDI prepared an SOE ownership, performance, and divestment policy update, which was endorsed by Cabinet in January 2015.

In the first half of 2015, support was also provided to the SOE Monitoring Division to strengthen the selection and appointment of directors and to develop a director performance evaluation tool.

CURRENT AND FUTURE PROJECTS

At the request of the government, a privatization options paper was prepared for the Public Trust Office, Samoa Post, and Samoa Housing Corporation. The paper was submitted in September 2015. The Minister of Public Enterprises has endorsed the recommendations, which are expected to be submitted to Cabinet in February 2017. If endorsed, PSDI will support transaction implementation. At the request of the Ministry of Public Enterprises, PSDI undertook a review of proposed amendments to the Public Bodies Act. PSDI submitted its recommendations in August 2016. PSDI is also supporting the development of a public-private partnerships program, and conducted a review, in July 2016, of potential public-private partnership opportunities in the SOE portfolio, identifying three that could be fast-tracked. A cabinet paper with these recommendations was under consideration in the first quarter of 2017. If endorsed, the Ministry of Public Enterprises will apply for funding from ADB's Asia Pacific Project Preparation Facility to support implementation.

COMPETITION AND CONSUMER PROTECTION

OUTCOMES AND RESULTS

At the request of the government, PSDI supported a review of the country's competition and consumer protection policy and law needs. PSDI then supported the development of a draft National Competition Policy, which was adopted by Cabinet in 2013. PSDI also assisted in the drafting of a Competition and Consumer Bill and with public consultations. The bill was vetted by the Attorney General's office in late 2014 and enacted by Parliament in January 2016. PSDI is currently planning to support the government in the implementation of the Competition and Consumer Act, which commences in July 2017. PSDI has been advising the government and provided a draft implementation plan. At this stage, there appears to be slow progress from the government given the July commencement date. The extent of any further support from PSDI is dependent on resources.

ECONOMIC EMPOWERMENT OF WOMEN

CURRENT AND FUTURE PROJECTS

An analysis of the constraints to women's economic empowerment was completed in 2015 and included as a chapter in Reform Renewed, the private sector assessment PSDI produced for Samoa.

ANALYTICAL WORK

OUTCOMES AND RESULTS

PSDI has produced two private sector assessments for Samoa: 2008's *Consolidating Reform for Faster Growth and Reform Renewed: A Private Sector Assessment for Samoa*, published in October 2015. A case study by PSDI on business law and registration reforms in Samoa was included in *Enhancing SME Access to Finance: Case Studies*, a book published by the Global Partnership for Financial Inclusion in June 2015. A case study of Samoa's contracting out program for public works, *Creating Jobs in Samoa Through Public-Private Partnerships*, was published in August 2016.

ASIAN DEVELOPMENT BANK

OVERVIEW

Solomon Islands has been a leading reformer in the Pacific region, actively seeking and implementing reform initiatives with significant support from PSDI. At \$4.8 million, it has received the most funding of all the countries in which PSDI is active.

Business law reform activities account for 45% of PSDI's spending in Solomon Islands since 2007, and 29% of the \$336,601 allocated in 2015–2016. This initially funded customs and company law reform, including an online companies registry. Initiatives supporting state-owned enterprise (SOE) reform account for 24% of overall spending and have led to the implementation of a community service obligation (CSO) framework, the development of shared accounting services, and the successful privatization of three SOEs. Secured transactions reform and a review of the regulatory framework for microfinance and mobile banking comprise the majority of the financing growth portfolio, accounting for 16% of overall spending. Analytical work accounts for 5% of overall spending, with a quarter of that spent in 2015–2016 on preparation of a private sector assessment, published in May 2016.

In September 2013, PSDI appointed a Honiara-based coordinator to support implementation and advocacy of PSDI projects in Solomon Islands. Based in the ADB Extended Mission in Solomon Islands, the coordinator works closely with the Ministry of Commerce, Industry, Labour and Immigration, the Ministry of Finance and Treasury, the Central Bank of Solomon Islands, and the Attorney General's Chambers to progress legal reforms.

FINANCING GROWTH

PSDI supported the enactment of the Secured Transactions Bill in 2008, which was followed by the implementation of an electronic registry, launched in 2009. While Solomon Islands' biggest finance company has embraced the secured transactions framework and increased its loan assets considerably, banks are yet to take full advantage of the opportunity the reform gives to take movable assets as collateral. In response, PSDI is working to increase lenders' uptake of the framework, with a particular focus on agriculture supply chain financing. In 2015 and 2016, PSDI supported the development of a pre-shipment financing facility for cocoa exporters.

Through 2014–2016, PSDI supported the Central Bank of Solomon Islands and the Ministry of Finance and Treasury to undertake public consultations and develop a credit union policy, as preparation for new credit union legislation. This is expected to go to Parliament for approval in 2017. PSDI also worked closely with the Central Bank and the Ministry of Finance and Treasury to provide drafting instructions for legislation to reform the Solomon Islands National Provident Fund, which is currently awaiting cabinet approval.

CURRENT
AND FUTURE
PROJECTS

BUSINESS LAW REFORM

PSDI's most extensive business law reform activity has been in Solomon Islands. PSDI assistance and extended advocacy saw the Companies Act passed in 2010, and an online company registry, Company Haus, launched. As a result of the registry:

- it is cheaper and faster for new businesses to incorporate;
- ministerial approval of company names is no longer required;
- company seals are no longer required, and;
- there is no need to travel to the capital, Honiara, to incorporate.

The average time to form a company has been reduced from nearly 3 months to less than 36 hours. On average, 337 new companies have been incorporated annually between 2010 and 2016, more than double the pre-reform average of 124. The new company law also allows single shareholder companies, giving entrepreneurs maximum flexibility to start and manage a business without external ownership influences and allowing women to start a business without a male co-director.

The community company structure, also introduced under the new company law, offers a more transparent and accountable alternative to communities operating businesses informally or through trusts or cooperatives. It has great potential for managing resource royalties and customary land lease payments. By 2016, 38 community companies had been incorporated in Solomon Islands.

PSDI also identified that simplifying the business names registration system would complement the company law reform. Business names are a form of license used extensively by small and medium-sized enterprises across Solomon Islands. PSDI's ongoing policy guidance and support in drafting the Business Names Bill saw it passed through Parliament and into law in August 2014. PSDI continues to support the Act's implementation through ongoing policy advice and advocacy. In November 2016, business names were included within the online registry.

As a result of the successful implementation of business names reform:

- the time it takes to process the over 1,300 new business name applications per year has been significantly reduced;
- it is now cheaper and faster for small business owners to register a business name;
- small business owners can now register online, removing the need to travel long distances, and;
- license processing, operating costs, and payment procedures have been streamlined through an interface with the existing Company Haus.

In addition to the companies and business names reforms, PSDI undertook a diagnostic on building an online foreign investment registry. This resulted in the development of a common online platform encompassing foreign investment registrations, company registrations, and business name registrations, thereby creating an integrated, streamlined investment start-up process. PSDI also supported the re-branding of the Foreign Investment Division, to InvestSolomons, as part of this initiative.

The integrated online registry was successfully launched in November 2016 at www.solomonbusinessregistry.gov.sb, and PSDI continues to provide implementation support.

OUTCOMES
AND RESULTS

PSDI is assisting the Government of Solomon Islands to create a modernized customs and excise regime. The reform will promote faster clearing procedures, improve revenue collections, reduce process informality, improve border protection, and facilitate trade. Extensive technical consultations on the bill were completed in 2015. Cabinet has now approved the draft bill, which is currently being vetted by the Attorney General's Chambers.

ASIAN DEVELOPMENT BANK

PSDI works with ADB's 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.

SOLOMON ISLANDS

COUNTRY OVERVIEW | FEBRUARY 2017

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

OUTCOMES AND RESULTS

Solomon Islands' SOE portfolio has undergone a remarkable turnaround over the past six years. Rates of return on both assets and equity, which were negative from 2002–2009, are now positive, demonstrating what can be achieved with strong government commitment to SOE reform. Solomon Islands participated in Finding Balance, PSDI's comparative study on Pacific SOEs' performance, in 2011, 2012, 2014, and 2016.

PSDI supported the Solomon Islands SOE monitoring unit in implementing a CSO framework and drafting CSO contracts for selected SOEs from 2011–2015. An evaluation conducted by PSDI in 2015 concluded that these have been instrumental in improving the financial performance of the SOEs. Implementation of the CSO framework and contracts has required ongoing training of SOE and Ministry of Finance officials responsible for SOE monitoring. PSDI also supported the development of statements of corporate objectives by SOEs, shared accounting services for smaller SOEs, and several privatizations (Solomon Island Printers in 2012, Sasape Marina in 2010, and Home Finance in 2008).

In June 2016, PSDI released a regional benchmarking study on port tariffs and productivity, which revealed recent tariff hikes and productivity losses at the Solomon Islands Port Authority had made it one of the poorest performers in the region. The study served to inform a national debate on port commercialization.

PSDI continues to provide assistance toward the implementation of the SOE Act and supporting regulations and the development of individual SOE restructuring strategies. The current Government, elected in 2014, has yet to endorse a program of SOE reform, but in 2016 it released a study sponsored by the Prime Minister encouraging the public service and SOEs to procure future infrastructure investments via public-private partnerships (PPPs). PSDI will provide support to the Ministry of Finance to identify potential PPP projects within the SOE portfolio.

ECONOMIC EMPOWERMENT OF WOMEN

CURRENT AND FUTURE PROJECTS

In 2014, PSDI analyzed constraints to women's economic empowerment in Solomon Islands and initiated the following three pilot projects to illustrate the manner in which women's engagement in the private sector can be propelled:

Boosting Women's Technical Skills – PSDI worked with the West Are'Are Rokotanikeni Association, the Ministry of Mines, Energy and Rural Electrification, community organizations, and government agencies to train women on the maintenance of home solar panels. The pilot project empowered rural women by teaching technical and income-generating skills that enabled them to open bank accounts, create formal businesses, and earn income. Following requests from community leaders, the project was replicated in Choiseul Province. It has also attracted significant interest from other organizations, and its strategy of training rural women in infrastructure maintenance is being replicated within ADB's \$15.2 million Solar Power Development Project, approved in November 2016. Onsite training continues in 2017, along with ongoing monitoring and evaluation.

Improving Inclusive Governance – In collaboration with the Solomon Islands Chamber of Commerce and Industry, PSDI delivered a gender-sensitive training program on corporate governance. The women-targeted program aimed to create "promotion-ready" employees equipped with the skills for senior management positions, including specific preparation for roles on SOE boards. The training was held over three, two-day sessions in July and October 2014 and February 2015, with 70% women participants. Two local trainers who were taught how to deliver the training did so for the first time in November 2015. PSDI also assisted the Solomon Islands Chamber of Commerce and Industry in developing a Corporate Governance Manual. An evaluation of the project was undertaken in 2015.

Collaborating with Large Businesses to Encourage Women's Entrepreneurship – In 2015, PSDI collaborated with Guadalcanal Plains Palm Oil Ltd. to assist women related to the company's male employees to develop a sustainable, formal business. The women created a successful clothing and uniform manufacturing business, which is now turning a profit. The aim of the pilot project was to demonstrate an approach for creating small businesses on the margins of big ones, and for the inclusion of women dependents in the formal economy. It has also provided the participants with transferrable business skills.

In partnership with UN Women, PSDI undertook a review of how business law reforms have affected women. PSDI is also working with the Solomon Islands company registry to create women-friendly business support materials, as well as partnering with nongovernment organizations to raise awareness among women of the benefits and ease of formalizing their businesses and using personal assets to apply for business loans.

PSDI also proposed amendments to Solomon Islands National Provident Fund legislation and Business Names legislation that remove discriminatory provisions, and called for a gender-inclusive approach to the drafting of new credit union legislation.

COMPETITION AND CONSUMER PROTECTION

At the request of the government, PSDI commenced a review of the country's competition policy and law requirements in mid-2015. An issues paper produced in December 2015 recommended the Government consider a multi-year phased implementation of any reforms and substantial capacity building to provide the necessary skills base for administration of consumer and competition safeguards. There has been little progress from the government side, but PSDI hopes to progress the development of a national competition policy in 2017.

ANALYTICAL WORK

Solomon Islands features as a case study in PSDI's 2014 publication *Unlocking Finance for Growth: Secured Transactions Reform in Pacific Island Economies*. Two other PSDI case studies on Solomon Islands—one also on secured transactions reform and one on business law and registration reforms—were included in *Enhancing SME Access to Finance: Case Studies*, a book published by the Global Partnership for Financial Inclusion in June 2015. A private sector assessment for Solomon Islands, *Continuing Reforms to Stimulate Private Sector Investment*, was published in May 2016.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org



COOK ISLANDS

OUTCOMES
AND RESULTS

PSDI has increased its activity in the Cook Islands over the past few years, with almost half of the \$564,000 in total funding being spent in 2015–2016 and over one-quarter in 2014–2015. Spending on company law reform, which will pave the way for the creation of an online companies registry, accounts for 34% of all spending in the Cook Islands and 45% of the \$119,000 allocated in 2015–2016. Analytical work has received the second highest proportion—19%—of overall allocations to Cook Islands. This funded the production of a private sector assessment and reform advocacy activities. In 2015–2016, however, financing growth initiatives received the second-highest proportion of funding, with \$80,000 going toward secured transactions reform and the commercial transformation of the Bank of Cook Islands.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: In November 2011, PSDI reviewed the legislative, governance, and monitoring framework for Cook Islands’ SOEs. In July 2012, the Government of Cook Islands endorsed the resulting gap analysis recommendations. In March 2013, implementation was suspended as the government sought to clarify several issues. After a further review in July 2013, updated recommendations were submitted to the government in August 2013. PSDI remains ready to support implementation.

COMPETITION AND CONSUMER PROTECTION: PSDI prepared an initial assessment of Cook Islands’ competition law and policy requirements in 2009.

ANALYTICAL AND CROSSCUTTING WORK: A private sector assessment entitled *The Cook Islands: Stronger Investment Climate for Sustainable Growth* was published in October 2015.

CURRENT AND
FUTURE PROJECTS

FINANCING GROWTH: PSDI is assisting the Government of Cook Islands with the drafting of a Personal Property Securities Bill. The Bill will be finalized in the first half of 2017, and PSDI will support the Government on implementation.

Discussions commenced with the government in 2014 on secured transactions reform. In 2015, PSDI assisted the Bank of the Cook Islands (BCI) to introduce a new liquidity risk management policy, consistent with the Prudential Statement on Liquidity Risk Management issued by the Cook Islands Financial Supervisory Commission (FSC) and integrated with BCI’s overall funds management policy. In 2016, PSDI extended this support to assist BCI to identify and assess the impact of operational risks and then draft a policy for the management of operational risk consistent with the FSC prudential statement.

BUSINESS LAW REFORM: PSDI, with joint funding from the Government of New Zealand, is supporting company law and registry reform. A review of the existing act was completed in 2014 and a request was received from the government in 2016 to prepare a new companies bill for consideration by Parliament. Drafting of the bill has commenced and policy consultations are ongoing. The Bill will be completed in the first half of 2017. Once the Act has been passed, PSDI, together with the New Zealand Companies Office, will help implement an electronic company registry.

COMPETITION AND CONSUMER PROTECTION: In 2014, PSDI commenced a review of Cook Islands’ competition law and policy requirements. This was halted later that year when the government requested prioritization of an analysis of telecommunications liberalization instead. The telecommunications review was then halted when the government entered negotiations with potential purchasers of Telecom Cook Islands (TCI). Following the acquisition of 60% of TCI by the Bluesky Group early in 2015, the government is again considering reform to liberalize the telecommunications market. There is currently no planned work in Cook Islands for 2017.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

PSDI works with ADB’s 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.

SOUTH PACIFIC MICROSTATES

COUNTRY OVERVIEW | FEBRUARY 2017

TUVALU

OUTCOMES AND RESULTS

PSDI's engagement with Tuvalu has been limited, resulting in spending of just \$16,000 in the 2007–2016 period, all of which was related to SOE reform.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS: In 2012 and 2013, PSDI provided peer review and high level support to ADB's Pacific Subregional Office (SPSO) with the development of a management contract for the government-owned Vaiaku Lagi Hotel. PSDI also supported SPSO on the merger of the Tuvalu Philatelic Bureau, Tuvalu Post Office, and Tuvalu Ticketing Office into one entity.

CURRENT AND FUTURE PROJECTS

FINANCING GROWTH: PSDI is currently undertaking a review of banking institutions, which will inform the development of a financial sector policy.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

PSDI works with ADB's 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.

OVERVIEW

Since 2007, Tonga has received \$3.67 million in PSDI assistance, including \$269,000 in 2015–2016. One-third of this overall figure has been allocated to business law reform initiatives, which have included development of the Pacific’s first multiple-entity registry and numerous legislative reforms. In-country advisory for private sector reform opportunities and the production of two private sector assessments has received 23% of overall funding, while a broad state-owned enterprise (SOE) reform and public-private partnerships program has received 25%.

In 2015–2016, financing growth initiatives received the largest proportion of funding—28%—representing work to develop an agriculture supply churning financing product and support to strengthen Tonga’s pension fund industry. Economic empowerment of women initiatives received 31% of 2015–2016 allocations, which funded the Women’s Business Leadership pilot program.

FINANCING GROWTH

The Personal Property Securities Bill was enacted in September 2010 and an online registry went live in April 2011. PSDI also supported amendments to the act, passed in December 2012, and a registry upgrade.

CURRENT AND FUTURE PROJECTS

While the secured transactions framework is being used, it is not yet fulfilling its potential. PSDI continues to engage with Tongan lenders to increase their uptake of the secured transactions framework and, since mid-2014, PSDI worked closely with Tonga Development Bank and key actors in the vanilla industry to develop a supply-chain financing product for the industry. A pilot financing facility was launched. This has been successful and discussions are under way to extend the pilot to a wider range of borrowers in the vanilla industry and other agricultural sectors.

Since mid-2014, PSDI assisted the Retirement Fund Board (RFB) on strengthening the governance of RFB through an independent review of its policies, and identifying where revisions were needed to make these policies consistent with generally accepted industry standards. In addition to the review, PSDI assisted RFB integrate its policies through an overarching corporate governance framework document and a statement of investment beliefs. Further support to build on earlier assistance is likely. Support for the National Retirement Benefits Fund—the private sector employees’ fund—is also under discussion.

BUSINESS LAW REFORM

In 2009, PSDI assisted the Government of Tonga in preparing the Companies (Amendment) Act. Approved by Cabinet and the Legislative Assembly in September 2009, the Act streamlines the Companies Act 1995 and provides for an electronic registry.

A hybrid paper/electronic registry went live in December 2009. In 2012, the government requested PSDI to undertake design and implementation of a fully electronic company registry. Procurement began in 2014, and in December 2014, Tonga’s innovative online registry went live, allowing users to file and access company records, business names, and business licenses all from the one integrated resource.

PSDI’s 2012 private sector assessment identified business licensing laws as one of the private sector’s most significant constraints. PSDI subsequently assisted the government with business licensing reform, completing a diagnostic and drafting amendments to the Business License Act. Parliament passed the amendments in late 2012, simplifying the entire licensing regime and reducing transaction costs for business. PSDI also drafted regulations and assisted with advocacy.

OUTCOMES AND RESULTS

PSDI is supporting the government in reviewing the current contracting framework. This will result in a diagnostic and policy paper, together with a Contracts Bill in 2018. The review aims to remove the significant legislative gaps that currently exist and improve contract enforcement. This review will also include recommendations on alternative business entities that may be useful in Tonga.

PSDI also provided assistance policy design and drafting of a Receiverships Bill, which was passed by Parliament in 2015, but is yet to commence. In addition, PSDI supported consultations on the Foreign Investment Policy and has drafted the Foreign Investment Bill, which will be considered by Parliament in 2017.

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

OUTCOMES AND RESULTS

PSDI has supported a broad based SOE reform program affecting all of Tonga’s SOEs. This has included:

- preparing an amended SOE Act and providing governance training;
- developing a director performance appraisal system and a skills-based director selection process;
- developing and implementing community service obligation (CSO) guidelines; and
- providing training to assist with implementing the amended SOE Act.

Tonga is the first Pacific developing member country to publish SOE financial and operational performance information in the local press.

TONGA

COUNTRY OVERVIEW | FEBRUARY 2017

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS (CONT'D)

OUTCOMES AND RESULTS

PSDI supported the partial liquidation of Tonga Print Limited in October 2013. It also assisted with the corporatization and commercialization process of the Small Industries Centre, which was commercialized in September 2012, and the restructuring and recommendations for Tonga Communications Corporation, which Cabinet approved in August 2013, but has not implemented. In the first quarter of 2014, at the request of Tonga Water Board, PSDI undertook an outsourcing scoping study, which was implemented in 2015. PSDI funded the placement of an SOE expert within the Ministry of Public Enterprises for 3 months at the end of 2014 to provide transactional support and capacity building, to advise on Tonga Forest Products Limited's financial restructuring and privatization options, and to assist Tonga Broadcasting Commission to identify and cost CSOs. With PSDI's assistance, Tonga has become the first country in the Pacific to develop SOE-specific financial targets based on the ministry's assessment of risk and required return.

PSDI also supported the development of an SOE Ownership, Divestment, and Reform Policy that was adopted by Cabinet in 2014. Tonga has participated in all five Finding Balance studies.

CURRENT AND FUTURE PROJECTS

PSDI has also worked closely with the Asian Development Bank and other development partners to design SOE reform policy actions for inclusion into a multi-donor policy-based grant. Through ongoing policy dialogue with PSDI, Tonga agreed, in 2015, to undertake further SOE restructuring and governance reforms. PSDI drafted an SOE ownership and divestment policy that identifies seven high priority divestments and includes reform plans for the balance of the SOEs. Cabinet endorsed the policy in the third quarter of 2015, and it was further updated in 2016.

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

COMPETITION AND CONSUMER PROTECTION

CURRENT AND FUTURE PROJECTS

PSDI commenced a review of Tonga's competition framework in 2013. In 2014, the Government of Tonga requested that priority be given to the establishment of a multi-sector regulator, which PSDI agreed to support. Issues and options for a multi-sector regulator have been discussed with the government, and a proposal for a coordinated approach to regulatory and competition reform was provided to the government in the latter half of 2015. There has been very slow progress on the government's side, partly due to the many sector reforms they are undertaking. This work will be progressed by PSDI in the first quarter of 2017.

The government has also requested support for competition policy reform, which PSDI will provide in the latter half of 2017. This will include a review of the consumer protection framework.

ECONOMIC EMPOWERMENT OF WOMEN

CURRENT AND FUTURE PROJECTS

PSDI designed and implemented the Women's Business Leadership pilot project, which aimed to move women toward leadership positions by:

- providing training on leadership and management, including corporate governance, media management, and business networking;
- obtaining commitment from Tongan businesses to increase the participation and promotion of women employees, thereby instituting change in business culture and commitment to the professional advancement of women; and
- establishing links between Australian and Tongan businesswomen for theirs and their businesses' mutual development.

The project was enthusiastically embraced by leading Tongan companies and government organizations. Three, two-day training sessions were held: in August and November 2015, and February 2016.

Currently PSDI is working to incorporate a gender perspective into the review of the contracting framework in Tonga. This will include an evaluation of the process of contract formation, the constraints for women in negotiating fair contracts, and accessing effective dispute resolution processes. This work will continue throughout 2017.

ANALYTICAL AND CROSSCUTTING WORK

OUTCOMES AND RESULTS

In 2008, PSDI published *Transforming Tonga: A Private Sector Assessment*, triggering a significant range of reform measures, including company law reform, secured transactions reform, engagement on microfinance, and various initiatives supporting private sector growth. In 2011, PSDI updated the 2008 assessment. The findings were presented and discussed at a Central Bank sponsored summit in March 2012, and a final report, *Continuing Reform to Promote Growth: An Update of the Private Sector Assessment for Tonga*, was published in December 2012.

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

OVERVIEW

PSDI's spending on business law reform initiatives in Vanuatu accounts for 40% of the \$2.2 million in assistance the country has received. A large proportion of these funds were used to support the creation of a multiple entity business registry, launched in August 2015. PSDI has also been active in financing growth initiatives, with over \$600,000 used to strengthen the institutional capacity of the Vanuatu Financial Services Commission, support the creation of a secured transactions framework, and pursue microfinance related activities from 2007–2016. State-owned enterprise (SOE) reform has received 10% of overall funding, but just 4% of 2015–2016 spending after preparation of an SOE policy and act was completed, and ongoing support moved to identifying SOE reform priorities and providing training for SOE directors. Spending on economic empowerment of women initiatives and support for competition reform both amounted to 21% of 2015–2016 funding, respectively, representing business development awareness raising with local women's groups and a review of Vanuatu's competition framework.

FINANCING GROWTH

OUTCOMES
AND RESULTS

PSDI provided assistance to strengthen the capacity of the Vanuatu Financial Services Commission (VFSC), Vanuatu's main non-bank regulatory and supervisory body (both off- and on-shore). PSDI also reviewed the International Financial Centre's structure and operations, and recommended actions for its corporate strategy.

PSDI supported the creation of Vanuatu's secured transactions framework with the Personal Property Securities Bill, passed in July 2008. An electronic registry, launched in April 2009, supported the implementation of the new act. In February 2012, PSDI upgraded the personal property securities registry. Lenders are using the new framework, but further support to identify applications of movables finance is necessary to maximize its benefits. Initially, the most active users of the new framework have been wholesaler businesses, which have increased their credit limits tenfold by securing their loans. Lately, banks have made greater use of the framework, especially in taking general security interests.

In 2012, PSDI completed a diagnostic for the Reserve Bank of Vanuatu and VFSC on the legislative framework for microfinance. The diagnostic identified legal provisions to ensure that unregulated microfinance institutions taking deposits are adequately regulated to protect the interests of deposit holders.

Also in 2012, PSDI assisted the Vanuatu Women's Development Scheme to strengthen its strategy and governance. PSDI facilitated workshops with the management and board, and introduced the organization to international microfinance practices.

CURRENT
AND
FUTURE
PROJECTS

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

In 2017, PSDI is supporting an assessment of the economic impact of the offshore center. Assistance to develop VFSC's supervisory capability over the institutions it regulates is currently under discussion.

BUSINESS LAW REFORM

OUTCOME
AND RESULTS

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

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

While PSDI supported the drafting of a Personal Insolvency Bill as part of an insolvency reform package, the government indicated in 2014 that this had become a lower priority. PSDI stands ready to reengage when government priorities change.

CURRENT AND
FUTURE
PROJECTS

In 2017, PSDI will undertake a review of the registry implementation to ensure the transition to an online service is progressing smoothly. It is anticipated that further work on the reform of trustee laws will continue through 2017 along with support for PSDI's financing growth work in the development of a capital markets reform agenda.

PSDI is providing assistance in drafting a new trustee bill in 2017 to improve Vanuatu's compliance with international commitments and its reputation as an offshore financial center. PSDI is also supporting VFSC to meet its tasks under the anti-money laundering/combating the financing of terrorism action plan. This is part of a larger initiative involving all of government. This work will continue through the first half of 2017.

VANUATU

COUNTRY OVERVIEW | FEBRUARY 2017

CURRENT AND
FUTURE PROJECTS

STATE-OWNED ENTERPRISE REFORM AND PUBLIC-PRIVATE PARTNERSHIPS

At the government's request, PSDI completed a public-private partnership assessment for a proposed new slipway in the fourth quarter of 2014. The study confirmed that no public investment in slipway facilities was required as private investors were already expanding existing infrastructure and competition existed in the sector.

PSDI supported preparation of an SOE reform policy, which was approved by Cabinet in October 2013. The policy has guided the development of an SOE bill that will place SOEs on a firm commercial footing and enhance governance, monitoring, and accountability frameworks. The bill has been drafted with substantial PSDI input and oversight. It has been considered by Cabinet, and the government plans to submit the bill to Parliament in June 2017.

Throughout 2014, PSDI supported a separate Asian Development Bank (ADB) technical assistance (TA) project on SOE reform in Vanuatu. The project concentrated on eight SOEs identified as reform priorities, for which it developed restructuring proposals, assisted in bringing audited accounts up-to-date, and identified and costed community service obligations. On completion of the project, four of the SOEs were selected for either liquidation or partial privatization. Cabinet papers were prepared and, in some cases, approved by Cabinet, but following the change of Prime Minister and Minister of Finance in June 2015, Cabinet determined to reconsider all recent decisions. PSDI is awaiting a request from the Ministry of Finance to restart the privatization/liquidation of these SOEs.

In May 2016, PSDI responded to a request for an immediate diagnostic of the Vanuatu Agriculture Development Bank, allowing a decision to be made within the first 100 days of government. The recommendations were not immediately actioned, however, and it is still unclear if they will be implemented.

In collaboration with the ADB TA, PSDI provided governance training for SOE directors, capacity building for the SOE Monitoring Unit, and the development of an SOE director performance assessment tool.

COMPETITION AND CONSUMER PROTECTION

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

ECONOMIC EMPOWERMENT OF WOMEN

An analysis of the constraints to women's economic empowerment and recommendations for improving women's engagement with business has been included as a chapter in PSDI's forthcoming private sector assessment for Vanuatu.

CURRENT
AND
FUTURE
PROJECTS

In partnership with UN Women, PSDI has been working to increase awareness of business registration, formalization, accessing finance, and the potential to utilize the secured transactions framework, among women and women's organizations. Part of this work included a workshop held with stakeholders in September 2016, and a forum held in December that same year. PSDI has also prepared women-friendly materials to assist access pathways to formalizing businesses and provided an overview of governance to women's business associations.

ANALYTICAL WORK

PSDI published *Sustaining Growth: A Private Sector Assessment for Vanuatu* in 2009. Vanuatu features as a case study in PSDI's 2014 publication *Unlocking Finance for Growth: Secured Transactions Reform in Pacific Island Economies*. Another case study by PSDI on secured transactions reform in Vanuatu was included in *Enhancing SME Access to Finance: Case Studies*, a book published by the Global Partnership for Financial Inclusion in June 2015.

A new private sector assessment for Vanuatu is scheduled to be published in 2017.

OUTCOMES
AND
RESULTS

ASIAN DEVELOPMENT BANK

Pacific Private Sector Development Initiative
Pacific Liaison and Coordination Office
Level 20, 45 Clarence Street, Sydney NSW 2000, Australia

Tel +61 2 8270 9444 • Fax +61 2 8270 9445
psdi@adb.org • @ADB_Sydney_PSDI
www.adbpsdi.org • www.adb.org

PSDI works with ADB's 14 Pacific developing member countries to improve the enabling environment for business and address constraints to private sector development in support of sustainable and inclusive economic growth.

PSDI is co-financed by ADB, the Government of Australia, and the Government of New Zealand.