

PRIVATE SECTOR STATEMENT TO PACIFIC ISLANDS FORUM LEADERS

Koror, Palau
30 July, 2014

based on

PRIVATE SECTOR DIALOGUE WORKSHOP AND STATEMENT TO FORUM ECONOMIC MINISTERS

Honiara, Solomon Islands, 8-10 July 2014

FISCAL REFORMS AND PAYMENT SYSTEM EFFICIENCIES: IMPACT ON PRIVATE SECTOR

Honourable Leaders

1. The private sector from the region is privileged to be able to engage with the Pacific Islands Forum Leaders at their annual meetings since 2010, and we thank you for your commitment to support private sector development in the region.
2. The past Private Sector Dialogues have assisted us in strengthening the process of regional engagement and enabled us to consider key private sector related issues affecting the businesses in the region in a constructive manner. We are grateful for this opportunity and we wish to impress on the need for action oriented decisions that deal with the issues affecting private sector development in the Forum Island Countries (FICs). Your ongoing support is needed to boost confidence in the private sector in the region to build our economies.
3. The theme of ‘*Oceans: Life & Future*’ for the 45th Pacific Islands Forum on the centrality of a healthy ocean for the livelihood of the Pacific countries is fully supported by the private sector. We are cognisant of the enormity of the threats that continue to confront our oceans and we advocate for sustainable management of our ocean resources, which the private sector is dependent on for its life and future.
4. Earlier this month, the regional private sector representatives met with the Forum Economic Ministers to highlight specific issues currently affecting the private sector. The focus of our discussions was on *Fiscal Reforms and Payment System Efficiencies* and the impact they have on the private sector operations in the region, together with other key aspects relating to strengthening private sector development.
5. The dialogue with the Forum Economic Ministers was most constructive and resulted in the Economic Ministers agreeing to include related decisions in the 2014 Forum Economic Ministers Meeting (FEMM) Action Plan.

6. The private sector is grateful that the Economic Ministers have welcomed the enhanced Private Sector Dialogue involving Economic Officials, Ministers and Leaders. We note that the Forum Secretariat will be developing a process in consultation with Members for more effective engagement at both the Economic Ministers and Leaders meetings, including a robust monitoring and evaluation mechanism that can track the success of the dialogue with FEMM and Forum Leaders.

7. Our dialogue today will focus on two main issues: delays in payments and tax refunds; and promoting business development in the region.

DELAYS IN PAYMENTS & TAX REFUNDS

8. We thank the Economic Ministers for their commitment that they will discuss with their private sector measures to address delayed payments, and that the Forum Island Countries will undertake broader public administration reforms to introduce efficiency in the payment, compliance and tax refunds processes.

9. The theme of *Fiscal Reforms and Payment System Efficiencies* for this year's Dialogue was selected due to the challenges faced by many private sector operators in being unable to receive timely refund of taxes, and also due to the delays in receiving payments for the services rendered. Such delays have a negative impact on the cash flow of our businesses, which in turn limits our ability to meet our payment obligations, with flow-on adverse consequences for the economy.

10. We note that the FICs are at different stages of development of their financial infrastructure and systems to address these concerns, but it is important that these issues be addressed with urgency.

11. The private sector calls on Forum Leaders to support the FICs in improving their payment systems and undertake regular Public Expenditure and Financial Accountability (PEFA) assessments, and develop Public Financial Management (PFM) roadmaps and ensure their effective implementation.

12. We seek Leaders' support for private sector views to be included in the formulation of the priorities for the PFM roadmap. The FIC Governments, private sector and financial institutions need to work together to introduce appropriate measures to deal with delays in payment and cash flow constraints.

13. We also seek Leaders' attention on a proposal we made to the Economic Officials and Ministers. We suggest that the FICs consider the Personal Property Secure Act framework as a basis to allow for the use of moveable assets as collateral to secure loans, and for FICs to also consider a debtor financing facility which would allow for unpaid invoices to be used as collateral to facilitate advance payments from commercial banks. Such initiatives would assist in resolving the delays in payments and we strongly encourage the introduction of appropriate pilot initiatives or any other solutions.

PROMOTING BUSINESS DEVELOPMENT

14. In support of the need to boost investor confidence in the Pacific region, we have noted that the FICs will consider a review of the investment and business development incentives to make them more attractive and comprehensive, with transparent, targeted and time bound incentives schemes. We agree that such schemes should be monitored to ensure that they contribute directly to economic growth and to avoid abuses.

15. It is noted that where there is an effective consultation and continuous engagement between governments and the private sector, it has resulted in greater national development outcomes. The private sector calls on the Leaders to ensure that genuine consultation with the private sector is an integral part of the decision making and priority setting, and that national private sector representatives be included in the structure providing economic development related advice to cabinets.

16. In support of increased activity by the private sector in the region, the Economic Ministers are encouraging development partners to utilise procurement mechanisms that provide increased opportunities for local private sector operators. Economic Ministers are encouraging member countries to exchange private sector knowledge and expertise on strengthening economic development, particularly with regards to industries common to all FICs, such as tourism.

17. The private sector seeks Leaders' support in instituting policies, with specific clauses in contracts, which allow for increased local private sector participation, including capacity building for their full engagement in economic development. There is clear evidence in many of our countries, where capable local business entities have been overlooked in the awarding of government contracts. Indeed, where private sector operators have been fortunate to secure such contracts, the flow-on tangible and in-tangible effects in the national economy are notable. We call on the Leaders, development partners, aid agencies and donors to make available at all times, opportunities for local private sector operators to effectively access public tenders. We seek Leaders attention in removing obstacles that constrain the engagement of local private sector in development projects.

18. Our economies in the Pacific are relatively small but we have significant potential in niche markets which need to be harnessed. The private sector supports the Economic Ministers' decision to develop policies aimed at supporting exporters and further strengthening the Pacific Islands Trade & Investment (PT&I) network to improve effective marketing of Pacific island products and services overseas.

19. The inaugural Pacific Export Survey identified the dynamic nature of small and medium businesses in the Pacific. There are significant prospects for export-led growth and its development potential. The top five international export markets for Pacific islands goods and services are Australia, New Zealand, the United States of America & Canada, Europe and Japan.

20. We support the strengthening of the PT&I network to newer markets, including capacity development of national trade and investment promotion offices to facilitate increased trade and investment between Pacific islands and their trading partners. We call on Leaders and development partners to support the capacity of national private sector organisations and the Pacific Islands Private Sector Organisation (PIPSO). We also call on Leaders and development partners to support the development of small and medium businesses in the Pacific Islands through effective aid-for-trade assistance.

21. Given the seriousness of Non-Communicable Diseases (NCDs) in the region, and their consequences on the private sector in terms of impact on workers' productivity, Economic Ministers have urged that FICs seek to invest in effective mechanisms that seek behavioural changes, through awareness campaigns and public education.

22. Where appropriate, the private sector in consultation with governments, is willing to contribute to the combating of NCDs in the region. We seek Leaders' support in making the private sector an integral part of the fight against the NCDs in the region through suitable functional models.

23. As noted at the beginning of this Statement, we have convened annually as the collective body of the region's private sector representatives since 2010 for a dialogue with the Leaders. We have discussed and presented to you issues that are at the core of private sector development in our countries.

24. This year we took the opportunity to review the current system of tracking progress of the recommendations from our Dialogues and with the support of the Economic Ministers, we will work closely with Members, through the Secretariat, to develop a robust monitoring and evaluation mechanism to track the success of our Dialogues.

25. A Private Sector Dialogue Action Plan will be developed and circulated to the national private sector organisations in the FICs for implementation at the national level. We undertook to seek a meeting, at least on a quarterly basis, with our governments to discuss implementation strategies and map out plans to advance actions at the national level. We need Leaders commitment to this engagement. This process will lead to an overall assessment of the regional state-of-play of all national action plans and will be discussed at the PIPSO annual meetings following which a report will be prepared, which shall form the basis of our future dialogues at the FEMM and Forum Leaders Meetings.

26. Honourable Leaders, we note with appreciation the Economic Ministers' support for the theme for the 2015 FEMM to be based on the development of, and engagement with, the Private Sector in the region. You can be assured of the commitment by the private sector to contribute to the economic development of the region, and we seek your assurances that the matters raised through the Private Sector Dialogue process will be considered by you in the highest regard.

Thank You.