

Private Sector Dialogue with Forum Economic Ministers
9 May, 2019

Statement by the Private Sector

1. Honourable Ministers, on behalf of the collective Private Sector, we reiterate the importance of this, your annual dialogue with the regional business community. The private sector met on the 7th & 8th May to discuss key issues which require collective solutions and policy interventions. In line with your agenda, we have two critical issues identified for your consideration. These are access to Climate Financing, including resilient infrastructure financing, and a Forum Business Travel Card.

#1: Access to Climate Financing

2. Pacific states have an increasing vulnerability to economic risks as climate change related events have greater potential to impact our economies. Building a resilient Private Sector is necessary in order to build national economic resilience. The faster businesses get back to business, the faster people get back to work, taxes get paid and the economy recovers. While climate finance is available, access and uptake is limited due to challenges related to PICs scale and size, extensive bureaucratic application processes and complex and multiple documentation. At the national level, effective engagement with the private sector needs further strengthening. At the regional level, work done to create regional resilience funds and access to finance to build resilience needs to be more inclusive of the Private Sector.
3. Public and private sector infrastructure needs strengthening for greater resilience. In the private sector case this can be due to sub-standard building codes or buildings not built to existing codes, business owners not investing in protection from natural disasters, limited and sometimes outdated hazard risk science and limited use of localised knowledge and expertise surrounding resilience.
4. The cost of resilient infrastructure can be relatively high and in our high cost of finance environments, businesses are more likely to invest in expansion which sees a return, rather than strengthening infrastructure, which has no immediate benefit.
5. Regarding insurance, there is mixed availability and affordability of insurance products available to the Private Sector needed to protect businesses critical to the economy and community of each Pacific Island Country. This includes insurance for asset protection and business interruption. Few businesses utilize insurance due to the cost and lack of awareness of the benefits. Some offshore insurance products exist, however, accessibility and affordability for the Private Sector remains a major challenge. As climatic event severity increases as forecast we will face significant issues in the insurance sector, which may require Government intervention to resolve.
6. In summary, limited access to climate finance, non-resilient infrastructure, a lack of insurance take-up and declining insurance capacity increases the vulnerability of Pacific

Islands Countries economies and livelihoods. In addition, there are associated macro-economic challenges, including GDP loss, increased public expenditure and public foreign debt, and impacts to the growth and returns for businesses.

7. **Asks:** Accordingly we the private sector request Forum Economic Ministers to:

Climate Financing

8. **Work** with the private sector to strengthen financing for resilience building objectives, noting that business continuity is vital for economic stability and that policy-based incentives can help to accelerate private sector responses to climate and disaster risk.
9. **Strengthen** private sector engagement under the Green Climate Fund National Designated Authority (NDA) in order to ensure Private Sector resilience is improved through the GCF Private Sector adaptation mechanisms, and effectively include the Private Sector in the development of country climate strategies.

Resilient Infrastructure

10. We **note and welcome** current infrastructure financing initiatives including the Australian Infrastructure Financing Facility for the Pacific (AIFFP), the Pacific Islands Investment Forum (PIIF) and the Pacific Resilience Fund (PRF) which have the potential to create stronger climate resilience, grow each national private sector, create employment and generate economic growth for our countries.
11. The national economic benefits of these initiatives will be optimised through collaboration with the private sector. This should include appropriate private sector representation in governance structures and project selection at the regional and national level. Selected overseas contractors must meet minimum requirements for partnerships with local contractors to build national economic capacity through increased local employment and procurement of goods and services.

Building Standards

12. **Ensure** there are appropriate building standards in each country to provide minimum performance standards for buildings and infrastructure to withstand the impact of “reasonably expected” natural disasters (for example for many Pacific Islands Countries that may mean surviving a category 5 cyclone) thereby protecting property and life. Standards should ideally be monitored during the construction of such buildings and infrastructure to ensure compliance with standards. We accept for some countries the initial first steps may be establishing building standards and informing business owners and property developers of the benefits of complying with them. We acknowledge higher building standards may increase building costs in the short term, but will provide

significant economic benefits over the longer term with business and employment continuity and the enhanced safety of communities and their citizens.¹

Insurance Products

13. Noting the low uptake and lack of or declining access to adequate insurance coverage in the region, **partner** with the private sector to explore national and regional-scale, Pacific-specific insurance products (from credit worthy insurers), ensuring that private sector demand can be met by accessible and affordable options in the interest of economic stability. As an example, the Pacific Financial Inclusion Program that targeted MSMEs to take up basic insurance products.

#2: Forum Business Travel Card

14. Improving the mobility of business people across borders through the establishment of a *Forum Business Travel Card* would enhance the ease and efficiency of doing business in the region. This is also consistent with the kind of regional economic integration that is envisaged under current and proposed regional trade agreements.
15. In this regard the private sector welcomes initiatives like the MSG Port Moresby Declaration to enhance connectivity through the development of an MSG Travel Card, and the announcement by H.E Mark Coulton, the Australian Assistant Minister for Trade, Tourism and Investment at the 6th Australia-Vanuatu Business Forum held in Port Vila, Vanuatu in March 2019 on the forthcoming “introduction of an Australia Pacific Travel Card to facilitate travel between Pacific islands countries and Australia.”
16. We the private sector welcome the progress made in this regard, and urge continued action towards introducing a Forum Business Travel Card. We request all Forum countries to expedite agreements on this issue including Australia implementing the Prime Minister’s commitment to introduce such a facility for business travel.

Other Issues

Pacific Trade Invest

17. The private sector wishes to thank the Pacific Trade and Invest Network, in its operations across its various markets, to promote Pacific products and investment. This service remains of immense value to the region, and accordingly we look forward to continued collaboration with the network.

Debt Levels

18. With reference to the paper on *Emerging Economic Issues & Implications for Pacific Economies* (PIFS(19)FEMM.2) that was presented to you Ministers, the private sector records its concerns at the rising foreign currency debt levels across the region.

¹ According to the World Bank, for every \$1 of investment in resilience, there is a \$7 return.

PIPSO

19. We the private sector also reiterate our call for a strengthened PIPSO as the region's private sector organisation. We look forward to the commencement of the PIPSO review, as was requested last year.
20. Finally, we thank you Honourable Ministers for continuing to engage with the Private Sector at this Forum.

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