“Through the Looking Glass”
on RMI’s
Private Sector Development

2016 Pacific Update Conference
18 - 19 July 2016
Suva, Fiji
“RMI Government announced that future growth depends on a thriving private sector and is interested in promoting private sector friendly policies within a sustainable development framework.”

*Private Sector Assessment (PSA) 2003*
*Stagnant Macroeconomy

*PSA 2003
*Low rate of return on capital
- Substantial export of private capital

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<td>RMI (net private capital flows)</td>
<td>-31.2</td>
<td>-6.0</td>
<td>-1.2</td>
<td>-16.8</td>
<td>-14.7</td>
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Source: Asian Development Bank
* Costly Business Environment
* Concentrated Economic Power
* Undeveloped Financial Markets
* Limited Business/Government Consultation

* PSA 2003
* Policy initiatives
  - Key to promote private sector growth by making it more competitive, changing some aspects of the role of the state in the economy
  - Public-Private Dialogue Policy

* Institutional reform that will promote private contracting and encourage financial market growth.
  - SOE Reform, Tax Reform, Land Reform

* Recommendations 2003
* Doing business in the RMI is difficult

* PSA concluded that now was the time to address the role of the state, the role of business and how reform should proceed
In 2016, the situation is relatively unchanged from 2004. With aid unlikely to increase, sustainable future economic growth needs to be propelled by the private sector.
Stagnant Macroeconomy

Figure 1. RMI Real GDP Growth 2004-2014

2004-14 average

PSA 2016
* Private sector’s contribution to the economy has been growing at a faster pace than that of the public sector.

* SOE Reform legislation passed September 2015

* Land Registry established

* Fiscal reform efforts
  - Comprehensive Adjustment Program
  - Tax Revenue and Modernization Commission

* PSA 2016
* The public sector continues to dominate the RMI economy.

* Public sector employees > Private sector employees

* Tax reform legislation did not pass and will need to be reintroduced into legislation

* Weak public-private engagement
* Implement SOE Reform legislation

* Revitalize Tax Reform efforts

* Renew efforts to strengthen land security to facilitate commercial development

* Support development bank as a source of capital for SMEs

* Strengthen Public-Private Engagement

* Recommendations 2016
View challenges not as hurdles but opportunities as we transition from "Through the Looking Glass" to Navigating the Private Sector Development.

* Outlook on Private Sector
Kommol Tata
Thank you
Vinaka vakalevu