

# Fostering Private Sector Development

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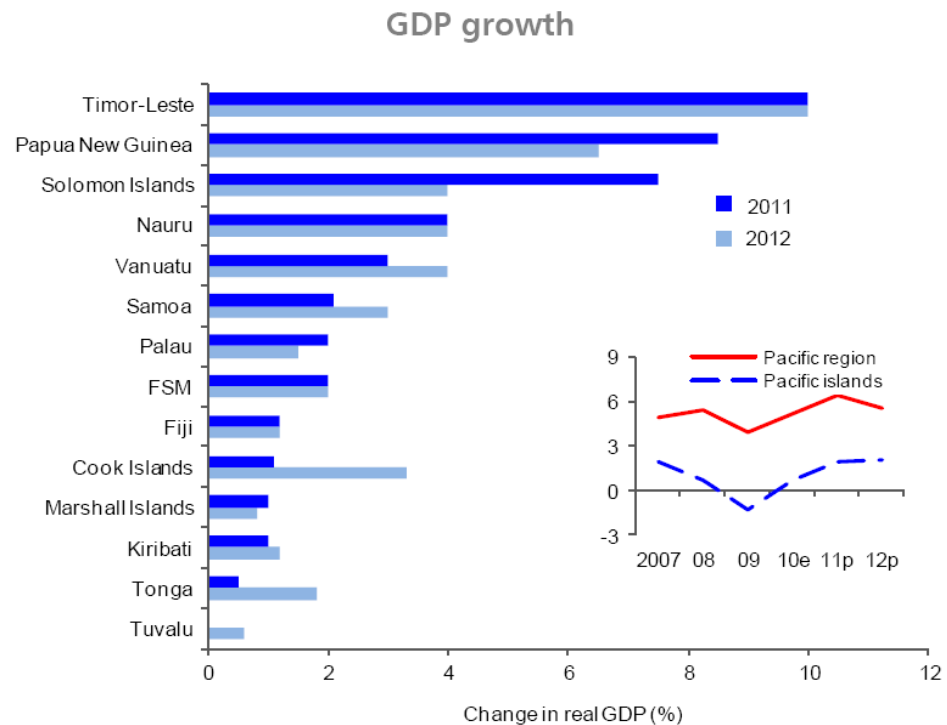
# Introduction

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- Supportive credit environment exists today
- Growth challenges are faced by financial services and Pacific economies
- Driving economic development and improving investment environment in a targeted way is critical

# Where are we at today?

- Global volatility continues and the recovery remains uncertain.
- Pacific North West region continues to outperform, with early signs of growth in Fiji.
- Liquidity is generally good and regional banks are well placed to support appropriately structured investment
- Widespread criticism of financial services sector not doing enough to improve access to credit



Source: ABD, Pacific Monitor Dec 2011



# Investment climate: what are the challenges?

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## The climate

- Major Regional banks provide competitive products and services and are well funded (AA rating)
- Banks (and telcos) continue to improve access through significant investment: electronic banking, ATMs
- Prudent management of lending crucial in ensuring the stability of the banking system – critically important to the economic development
- Improving access to credit is more about economic growth and targeted promotion than available funding
- A healthy, transparent and de-regulated economic environment will help support economic growth

# Investment climate: what are the challenges?

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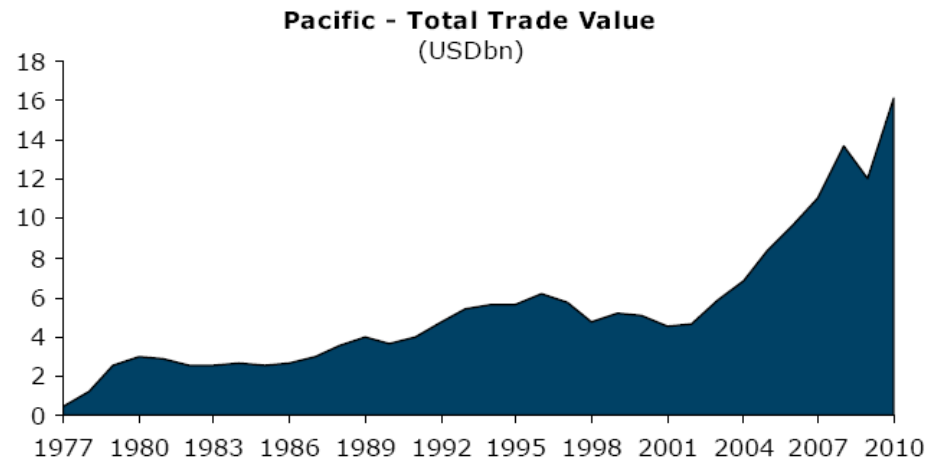
## Challenges

- Pacific is less economically and politically stable which increases risk and required return
- Direct intervention by Government and regulators have potentially had adverse implications
- Lack of progress on Regional trade pact – PACER Plus
- Complex taxation rules and capital mobility
- Labour mobility

# Opportunities for the region

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- Pacific's trade has grown 15% yoy for past 30 years
- The region's future success is linked to Asia
- Targeted investment and promotion of competitive industries required – need to pick some winners
- Agriculture; offshoring services; tourism are some examples



Sources: WITS, ANZ Research

# The ideal investment environment

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- Pacific Governments must promote better local and international investment
- More regulation is **not** the way to encourage private sector activity
- We need more certainty around government policy, particularly taxation and capital mobility
- We will achieve this by having an inclusive conversation between Governments and the private sector

# Conclusion

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- We're keen to see the Pacific prosper, but we need a healthy, transparent and de-regulated environment to foster further private development.
- Banks recognise the responsibility to contribute to the development of the banking sector in the Pacific and the economy broadly.
- We are committed to continuing to invest responsibly in the long-term future of our Pacific business

**Questions?**