

MIDTERM REVIEW OF THE PRIVATE SECTOR DEVELOPMENT INITIATIVE MANAGEMENT RESPONSE

The Australian Department of Foreign Affairs and Trade (DFAT) welcomes the findings from the midterm review of the Pacific Private Sector Development Initiative (PSDI). PSDI is a regional technical assistance facility co-financed by the Government of Australia, the Government of New Zealand, and the Asian Development Bank (ADB). Since 2006, PSDI has been working with ADB's 14 Pacific developing member countries (DMC) to improve the enabling environment for business and support inclusive, private sector-led economic growth. PSDI provides support to Pacific governments across six areas, access to finance, business law reform, state-owned enterprise reforms, public private partnerships, the economic empowerment of women, and competition and consumer protection. Since 2007, the PSDI has launched 276 subprograms from a total of \$60.4 million allocated funds (\$49.8 million of which has been provided by Australia). The objective and purpose of the review was to assess the effectiveness and relevance of PSDI against its objectives, and provide recommendations for the way forward.

The review found that, after a decade in operation, PSDI had delivered against its objectives including the provision of highly relevant advisory services in a very challenging development environment. However, it recommended that PSDI's strategy and governance arrangements evolve to ensure the program's continued relevance. The review highlights a number of areas in which PSDI can expand its programs with options to improve operational and organisational efficiency. For example, the review recommends that Australia consider a new management structure which clarifies lines of accountability while preserving PSDI's demand driven flexibility. The review also suggests shifting to a sectoral basis for PSDI's resource allocation, with lead consultants considering the potential for growth or productive capacity of sectors when prioritising development activities in each Pacific island economy. Finally, the review advocates for PSDI to facilitate ongoing dialogue between the private sector of each Pacific country and its respective government.

DFAT agrees with most of the mid-term review's findings and recommendations. With regard to the recommendations on program scope, DFAT notes the recommendation that technical assistance resources, which to date have been demand driven, should move towards a more strategic approach based on country consultations and potential for industry growth. While DFAT sees merit in a more structured approach to prioritising PSDI resources, the review also highlights the success of the demand-driven model. Specifically it found that PSDI's demand-driven model was responsive and highly valued by DMCs. Finally, DFAT notes and supports the call for greater dialogue between the program and the private sector.

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