



Stakeholder Consultation and Report Launch on 'Micro, Small and Medium-sized Enterprises' Access to Finance in Samoa'

Opening Session

Welcome:

Lanna Lome-Ieremia, Manager - Financial System Development, Central Bank of Samoa

Prayer:

Alofaifo Seleni, Assistant Manager – Financial Supervision and Regulatory Services
Central Bank of Samoa

Keynote Address:

Maiava Atalina Emma Ainuu-Enari, Governor, Central Bank of Samoa (CBS)

Remarks by:

Mr Pulotu Lyndon Chu-Ling, CEO, Ministry of Commerce, Industry & Labour

Mr Iosefa Maiava, Head – UNESCAP Subregional Office for the Pacific

Mr. Bram Peters, Program Manager, Pacific Financial Inclusion Programme, UNCDF

United Nations Economic and Social Commission for Asia and the Pacific

MSME Financing Series No. 1

A Framework for Country Studies on MSMEs Access to Finance in Asia and the Pacific



Micro, Small and Medium-sized Enterprises' Access to Finance Publication Series

*Tientip Subhanij, Chief of Financing for
Development, ESCAP*



Barriers and opportunities for women-led micro, small, medium enterprises in Samoa

18th August 2020

Sudha Gooty (Ms.)
Programme Manager
United Nations ESCAP

Catalyzing Women's Entrepreneurship

5-year project
2018-2023

Advance
women
entrepreneurship
and market
participation
in the Asia-Pacific
region

 Critical to
sustainable
development

On-the-ground
implementation activities in
Bangladesh,
Cambodia, Fiji,
Nepal, Samoa and
Viet Nam.

With policy and advocacy
support across
South Asia, South East
Asia and the Pacific.

Multiplier effects on
social
and 
economic
growth

3 pillars of influence

1. **Policy and Advocacy**
2. **Innovative Financing**
3. **ICT & Business Skills**

ICT & Business Skills



- Capacity development of women entrepreneurs and policy makers
- Leveraging ICT tools and technologies
- Gender-responsive programmes

Women's entrepreneurship is a **key catalyst** for:

- Economic independence
- Overcome poverty
- Increased employment for women
- Greater investment in education and health

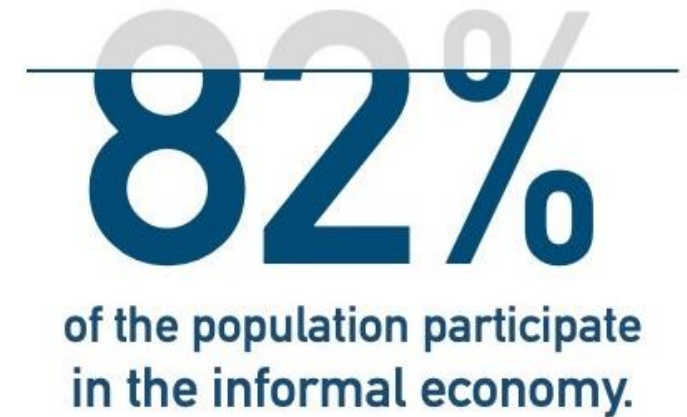
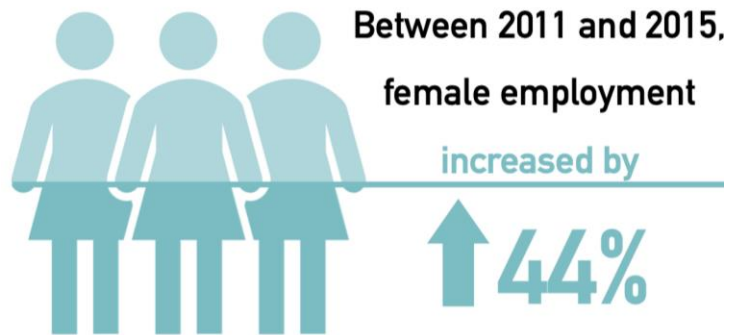


Policy and Advocacy

- Evidence through in-depth national and sub-regional research
- Regional and global advocacy
- Capacity development
- Technical assistance

Innovative Financing

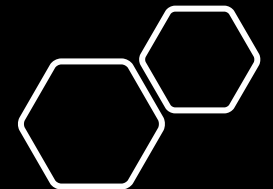
- Three mechanisms managed regionally by ESCAP
- Challenge Fund
- Women's Livelihood Bond
- Impact Investment Fund



Source: Women's World Bank (2013)

Women in the formal and informal economy in Samoa

- Employed* in the sectors of education (17.1%), commerce (14.3%) and other services (12.1%)
- Number of women rising in senior management
- 29% of the formal workforce – women
- MSMEs engine of growth” for emerging economies
- SMEs represent over 88% of all enterprises in Samoa
- Women owned between 40 to 46 per cent of businesses in Samoa (ADB 2018)



Opportunities/recommendations

1. Utilize ICT to improve productivity, entrepreneurship, finance, and innovation- WMSMEs
2. Incentives to formalize businesses across Samoa specially WMSMEs
3. Formulation of policies/responses to be targeted – generating data for decision making
4. Providing a “one stop shop” for information, guidance, application submission and follow up on business regulations in Samoa.
5. Addressing social and cultural norms , impact of COVID-19 on WMSMEs
6. Gender-inclusive financial products and information





Session 1: Micro, Small and Medium-sized Enterprises' Access to Finance in Samoa and Recommendations

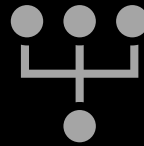
John Hardin, Consultant, ESCAP



METHODOLOGY



Consultations with finance providers, organisations, donors and SMEs.



Coordination with project to develop MSME policy framework.



Findings from review of DBS pilot microfinance scheme in Savai'i.

Microfinance

CRUCIAL FOR
DEVELOPMENT IMPACT
AND AS FEEDSTOCK
FOR SME SECTOR.

POTENTIAL FOR
GRADUATION OF
BORROWERS TO SME
LOANS.

SUPPLIERS – SPBD, DBS
(EXPANSION), SBH
(PLANNED).

Review of DBS pilot scheme

OUTCOMES

- 70% of sample reported an increase in family incomes as a direct result of the loan.
- Reported total increased incomes were 3.3 times the value of the loans provided.
- 87% of the surveyed borrowers have plans to continue, expand or diversify their microenterprises



Few complaints
from lenders or
private sector.



Only identified
shortcoming is no
credit bureau.

BUSINESS ENABLING ENVIRONMENT

INITIAL RECOMMENDATIONS

Pre COVID 19

Microfinance Sector

- Reasonably well supplied – SPBD, DBS and SBH (proposed).
- Women main beneficiaries.
- Not a priority area for initiatives.
- Possible technical support for DBS.

SME ACCESS TO FINANCE



Supply of financial services is thin but adequate.



Small domestic market LIMITS
PRODUCTS AND services.



SMEs complain they can't access
affordable credit.



Lenders complain they receive too few
“bankable proposals”.

WHAT IS A BANKABLE PROPOSAL

- A strong, properly thought-out business case with credible financial projections (including debt service cover).
- Track record of business owner important – the “personal factor”.
- Few SMEs can document a strong business case and professional external services are expensive.

RESULT

```
graph LR; A((UNMET DEMAND FOR SME COMMERCIAL FINANCE)) --> B((SECTOR GROWTH CONSTRAINED))
```

UNMET
DEMAND FOR
SME
COMMERCIAL
FINANCE

SECTOR
GROWTH
CONSTRAINED

INITIAL RECOMMENDATIONS

Good microfinance
performance and spread.

Focus on SME demand side
shortcomings.

Develop and strengthen
local business service
providers.

No separate program for
women – more generous
support.

SME DEMAND SIDE

MORE BANKABLE PROPOSALS BEFORE
LENDERS.



ASSIST POTENTIAL SME BORROWERS TO
THINK THROUGH BUSINESS PROJECTS.



INTEGRATED PROGRAM – SBH, LOCAL
BUSINESS ADVISORS.



INTEGRATED PROGRAM

- Strengthen local financial and business advisors with emphasis on properly assessed finance submissions.
- Support Samoa Business Hub to play even stronger role.
- Priority given to women entrepreneurs – additional support to build confidence.
- Partial guarantee scheme to supplement strong finance submissions.
- Underpinned by clear definitions and improved data.

COLLATERAL SHORTFALL GUARANTEE SCHEME

Borrower to provide minimum 50% collateral.

90% of balance covered by guarantee = partial guarantee.

Banks refer, independent panel checks eligibility.

Women particular beneficiaries – possible higher guarantee, say 95%

RATIONALE

Microfinance sector important but adequately supplied and women main beneficiaries.

Important SME sector constrained by limited access to finance.

Banks are liquid and willing to lend but calibre of finance submissions is poor.

Need improved support services to help SMEs work through growth and finance options.

Acceptable collateral a barrier to credit - partial guarantee scheme useful ***IF*** combined with a strong finance submission.



QUESTIONS COMMENTS

Your feedback is very important





Panel Discussion

Moderator:

Vaitulia Alatina Ioelu, Chief Executive Officer, Samoa Business Hub (SBH)

Panel of Discussants:

Pulotu Lyndon Chu-Ling, Chief Executive Officer, Ministry of Commerce, Industry & Labour, (MCIL)

Goretti Godinet Fau, Manager Loans, Development Bank of Samoa (DBS)

Luapene Lefau, General Manager, South Pacific Business Development (SPBD)

Tauiliili Ruth Penaia, Senior Manager, Samoa Commercial Bank (SCB)



Session 2: COVID-19 Supplemental Report and Recommendations

John Hardin, Consultant, ESCAP

COVID 19 IMPACT

- DECLINING SALES
- LIQUIDITY AND CASH FLOW CHALLENGES
- STAFF LAYOFFS
- INCREASED UNCERTAINTY ABOUT BUSINESS'S ABILITY TO SURVIVE.



IMPACT ON MICROENTERPRISES

LESS RISK OVERALL BUT STILL NEED AND
DESERVE SUPPORT



IMPACT ON SMEs

- SALES AND CASHFLOW
- DEBT SERVICING
- RESCHEDULE DEBT
- SECURE CREDIT FROM CAUTIOUS LENDERS
- PLAN FOR A CHANGED ENVIRONMENT

IMPACT ON WOMEN

EVEN MORE CAUTIOUS
CONFIDENCE IN
APPROACHING
LENDERS

RECOMMENDATIONS

MODIFICATIONS AND ADDITIONS



SHORT AND MEDIUM TERM

- CONTINUING REPAYMENT AND INTEREST REPAYMENT RELIEF DBS AND SPBD
- CAPITAL INJECTION INTO DBS - ROLL OUT OF MICROFINANCE PROGRAM AND LOAN RESTRUCTURING FACILITY
- CONCESSIONAL LOAN TO SPBD FOR SME CREDIT
- REALLOCATE AGRIBUSINESS SUPPORT SCHEME FUNDS TO SBH FOR BROADER SECTOR COVERAGE
- SBH TO PLAY UPGRADED ROLE

MEDIUM/LONGER TERM

- REDUCE STATUTORY RESERVE DEPOSITS;
CONCESSIONAL LOANS TO BANKS FOR DEDICATED
SME LENDING
- FAST RACK CREDIT BUREAU
- COLLATERAL SHORTFALL GUARANTEE SCHEME
- FINTECH – TRANSACTIONS, PAYMENTS, LENDING
- MOBILE MONEY AGENCY NETWORKS.

KEY SECTORS

- TOURISM OPERATORS
ALLOCATED PRIORITY
- PROMOTION OF SAMOA
AS SAFE DESTINATION
- AGRICULTURE AND
AGRIBUSINESS SUPPLY
CHAINS

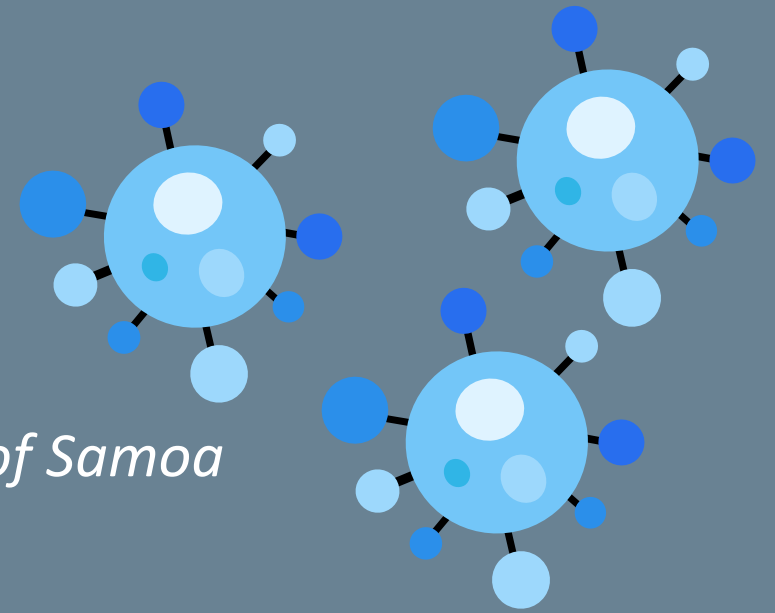
BENEFITS FOR WOMEN

- MICROFINANCE
- SME LOAN FOR
ACCEPTABLE
MICROFINANCE CLIENTS
- MORE GENEROUS AND
TAILORED SUPPORT
ACROSS ALL ACTIVITIES

QUESTIONS
COMMENTS



Panel Discussion



Moderator:

Susana Laulu, Chief Executive Officer, Development Bank of Samoa (DBS)

Panel of Discussants:

Leaupepe Esera Poliko, Manager-Security, Legal & Recovery Unit, Samoa Business Hub (SBH)

Lemauga Hobart Vaai, Chief Executive Officer, Samoa Chamber of Commerce (CoC)

Rosalina Leiofi-Satuala, Office Manager, Samoa Hotel Association (SHA)

Donald Leumaga, Facility Manager, Samoa Agri Business Support program (SABS)

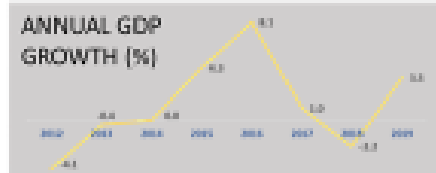
SAMOA

Overview

TOTAL POPULATION
197,097

20%
population below the
NATIONAL
POVERTY LINE

ADULT LITERACY RATE
Nagat 15+
99.2% 99.0%



US\$ 4,316
GDP PER CAPITA

78% MOBILE PHONE
22% MOBILE INTERNET

28,199 HOUSEHOLDS
RELY ON AGRICULTURE
FOR SURVIVAL
WITH 44% SELLING
FAST OR ALL OF THEIR
PRODUCE INFORMALLY OR SEMI-FORMALLY

Remittances

REMITTANCE RECIPIENTS

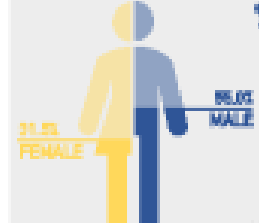


In 2018, personal remittances received totaled
\$147,000,000 USD



Economy

LABOUR FORCE PARTICIPATION
Nagat 15+

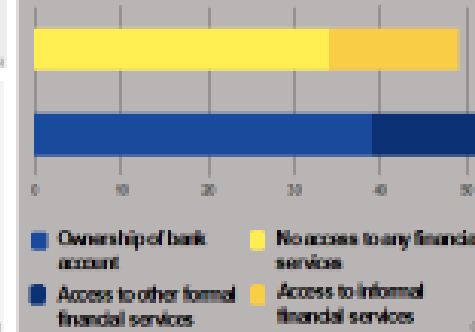
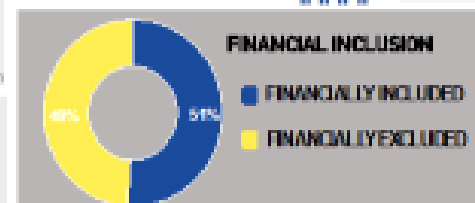


FINANCIAL INCLUSION BY OCCUPATION
3.4% In rural areas 5.8% In urban areas

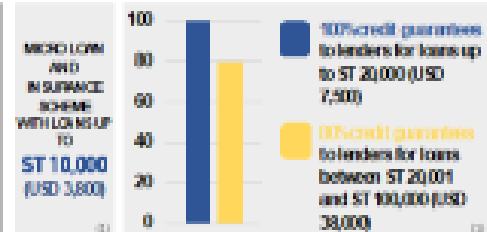
WOMEN OWN 40-46%
OF ALL BUSINESSES IN SAMOA

SMEs REPRESENT 88% OF ALL ENTERPRISES

Financial Inclusion



Samoa Business Hub



Business Link Pacific

New Zealand Government funded program

Technical assistance
to local
business
service
providers

50% subsidies
on fees
charged
to SMEs
for a full range of
finance related
activities

Commercial Finance

50% OF SMEs
HAVE OBTAINED
COMMERCIAL
CREDIT

INTEREST RATES FOR COMMERCIAL FINANCE
RANGE FROM 8-14% PER ANNUM

As of December 2019,
TOTAL CREDIT
provided to the private sector
by the commercial banks was
ST 1,156 million
(USD 435 million)
RISE 13% SINCE 2016

KEY INDUSTRIES RECEIVING CREDIT



"Women take on more responsibility for debt management and have, according to lenders, proven to be more responsible managers"

BANK ACCOUNT OWNERSHIP



4 COMMERCIAL BANKS

ACCOUNTING FOR 58.3%
OF THE SUPPLY
OF DOMESTIC CREDIT

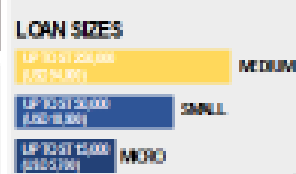
BETWEEN 4,000-6,000 SMEs USE ONE OR MORE FINANCIAL SERVICES

CREDIT LINES
INTEREST CHARGE
SMEs 10%
WHICH FINANCE 5%

Development Bank of Samoa

TOTAL LOAN PORTFOLIO OF ST 147 million (USD 55 million)

98% OF CUSTOMERS ARE MSMEs



SINCE 2006, SUPPORTED THE ECONOMIC EMPOWERMENT OF WOMEN

Inclusive Development Facility for Women and Youth piloted in Savaii in July 2017

- 5 tier levels of financing, up to ST 7,500 (USD 2,850)
- 778 women and youth received loans
- Total loans deployed amounting to ST 2 million (USD 755,000)
- 70% in agriculture and fishing sectors
- Default rate <2%
- 70% of women reported increases of family incomes as a direct result

Women in Business Development Initiative

WORKS WITH 1,300 FAMILIES IN MORE THAN 189 VILLAGES



Closing Session

Speakers:

Pacific Financial Inclusion Programme, UNCDF

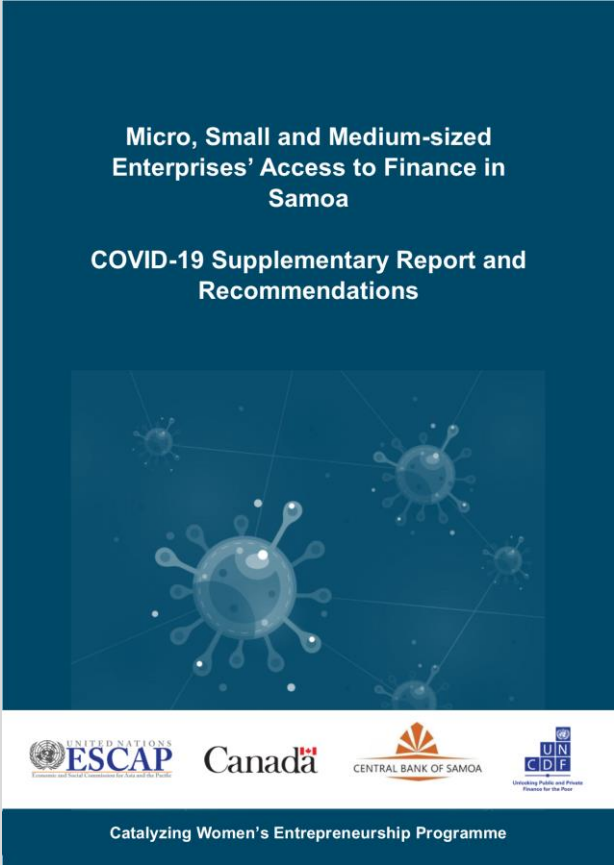
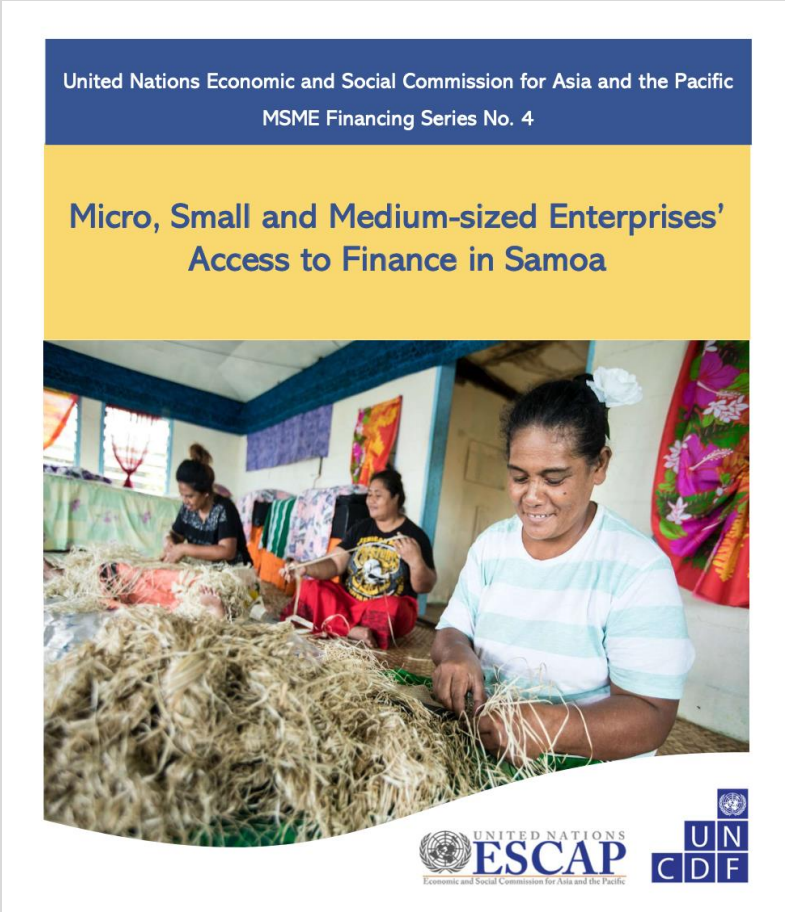
Alberto Isgut, Economic Affairs Officer, ESCAP

Deanna Morris, Programme Management Officer, Catalyzing Women's Entrepreneurship, ESCAP

Lanna Lome-Ieremia, Manager – Financial System Development, CBS



Download the Reports



Thank You!

Please provide your survey feedback on this event here:

