



# DEPARTMENT OF TRADE, COMMERCE AND INDUSTRY

Developing policies and Plans to  
Empower SMEs

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# CONTENT

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- ✘ Why SMEs?
- ✘ SME Policy
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  - Catalytic Projects
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- ✘ SME Risk Share Facility & Cooperatives Societies

# WHY SME POLICY??????

- ✘ Growing Population (Employment Generation)
- ✘ People Empowerment/Poverty Reduction
- ✘ Diversification of Economy
- ✘ Income Generation

# SME POLICY

- ✘ Currently in Draft Form
- ✘ Constraint Based
- ✘ Developed after wide consultation
- ✘ Two documents
  - ✘ - Policy and Action Plan (or Master Plan)
  - ✘ - Covers the Conference Recommendations

# CONSTRAINTS

- ✘ Access to Finance
- ✘ Access to Land
- ✘ Access to Market
- ✘ Access to Business Infrastructure
- ✘ Entrepreneurship Development
- ✘ Training
- ✘ Insurance
- ✘ Technology
- ✘ Intellectual Property Rights (IPR)
- ✘ High Utilities Costs

# ACCESS TO FINANCE

- ✘ The culture and mindset of savings must be developed in all Papua New Guineans and more importantly the entrepreneurs as this mindset will enable the entrepreneurs to survive. International statistics show that 70% of new businesses fail within 5 years; this happens in countries that have good history of savings culture. PNG, however, does not have a savings culture, hence, it is crucial that this mindset must be changed. Change in mindset will enable an entrepreneurial perspective to develop as savings gives rise to an individual to decide what investment options he can engage in to grow his/her money.

# SME POLICY

- × **Policies:**

- × **1. The Government will ensure that existing laws, regulations, policies and practices governing the operations of commercial banks and financial institutions are reviewed with the aim to stimulate the emergence and growth of SMEs.**
- × **2. Appropriate targeted financial inclusion strategy will be put in place to drive the Government's initiatives of increasing the bankable percentage of Papua New Guineans.**

- × **Strategies:**

- × **1. The Government through SME Development Corporation in liaison with all appropriate stakeholders to develop financial literacy programs and facilitate the development of innovative solutions to increase participation of SMEs in credit facilities offered by financial institutions to encourage mindset shift.**

# SME POLICY

- ✘ Activities:
- ✘ 1. The Government through the SME Corporation will support Bank of PNG to continue implementing the Financial Inclusion and Financial Literacy Strategy and ensure it covers majority of the country's population.
- ✘ 2. Identify and partner with educational institutions, non-state actors and the private sector to facilitate financial literacy programs.
- ✘ 3. Review school curricula to include the importance of savings and instil entrepreneurial culture at an early age,
- ✘ 4. Encourage and facilitate for People's Micro Bank and other financial institutions to roll out to all the provinces,
- ✘ 5. The Government through the Bank of PNG will review existing banking regulations in regard to opening bank accounts and service fees



# CONTINUE

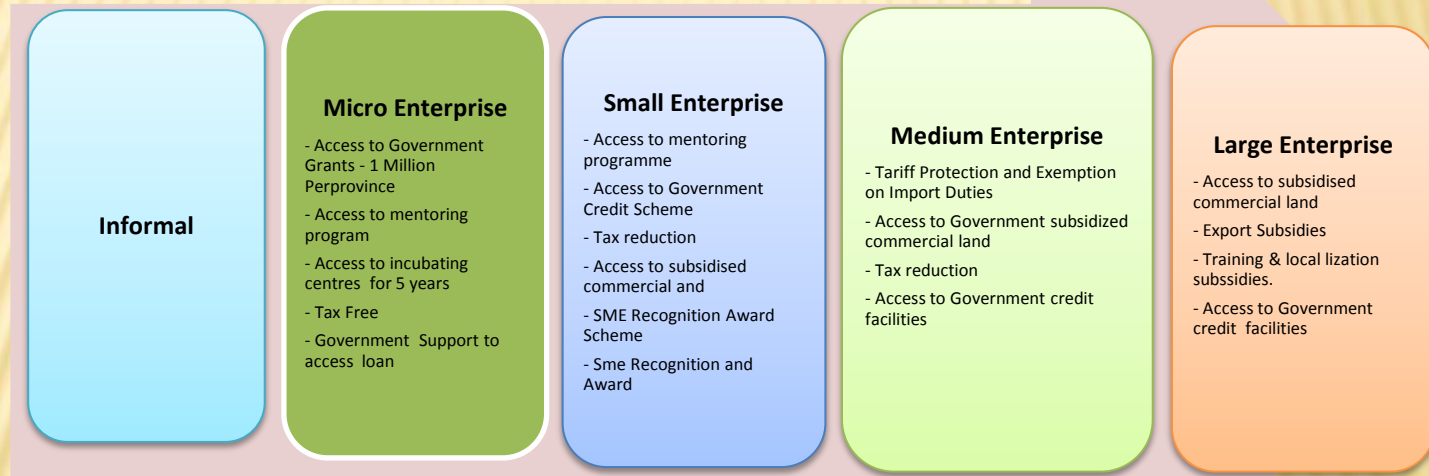
**Financial Mindset: From Savings to management of finances to investment.**

**Key Policy;**

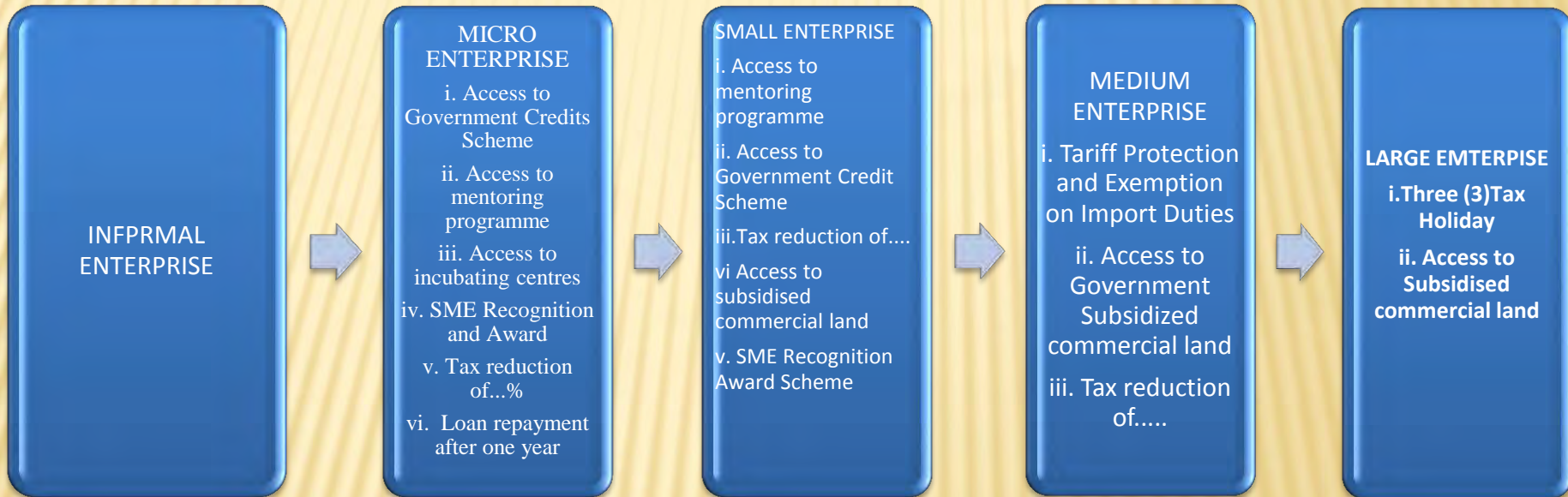
**Appropriate Targeted financial inclusion strategy is put in place to drive the Government's initiatives of increasing the bankable percentage of Papua New Guineans.**

Strategy	Activity	Cost	Time Frame	Agency Responsible	Key Indicators
1. The Government through SME Development Corporation in liaison with all appropriate	1. The Government through the SME Corporation will support Bank of PNG to continue implementing the Financial Inclusion and	500,000 per annum	.2014 - 2030	SME Corp./ NDB/ People's Micro Bank/ Other Financial Institutions	1. Number of bankable population increased 2. Revised school curricular 3. Establishment of peoples micro bank in provinces

# INFORMAL AND FORMAL



# FORMAL AND INFORMAL SMES



# PROVINCIAL CATALYTIC PROJECTS

## Catalytic Projects per province



# SME TARGET

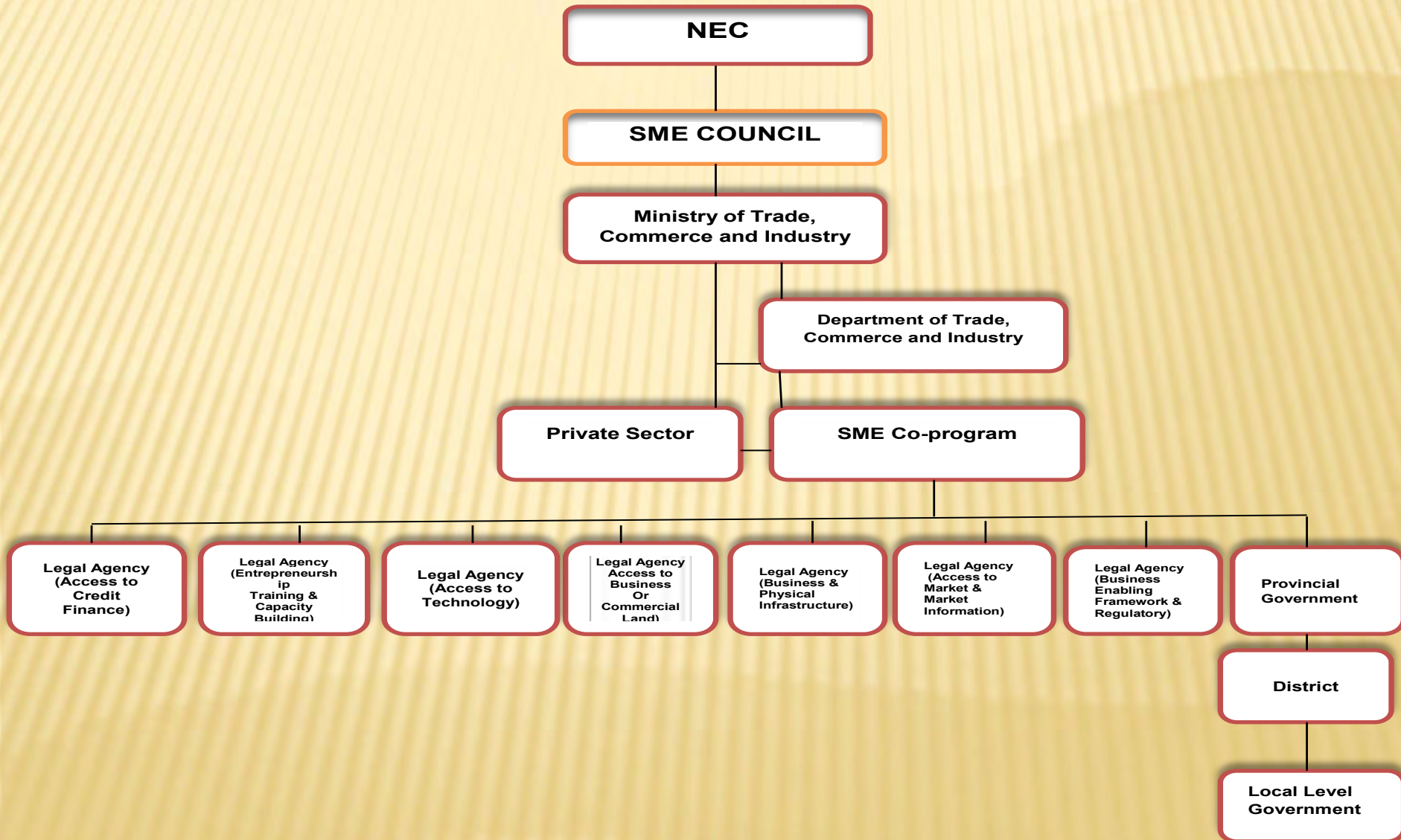
Below in Figure 17 are each provincial centres targets for SME numbers that must be attained to reach the 2030 objectives.

**Figure 17: SME TARGET BY PROVINCE TO BE ACHIEVED BY 2030**

	Population	% of Pp'n	Current SME	% of SME	Target SME
Western Province	180,455.0	2.6	457.3	0.9	11,515.4
Gulf	121,128.0	1.7	269.3	0.5	7,729.6
Central	237,016.0	3.4	671.0	1.4	15,124.8
NCD	318,128.0	4.5	15,484.2	31.3	20,300.8
Milne Bay	269,954.0	3.8	812.0	1.6	17,226.7
Northern	176,206.0	2.5	166.7	0.3	11,244.3
Southern Highlands	515,511.0	7.3	7,846.8	15.9	32,896.5
Hela	352,698.0	5.0	0.0	0.0	22,506.8
Enga	452,596.0	6.4	3,444.7	7.0	28,881.7
Western Highlands	543,915.0	7.7	2,209.6	4.5	34,709.0
Jiwaka	150,947.0	2.1	0.0	0.0	9,632.4
Chimbu	403,772.0	5.7	675.3	1.4	25,766.0
Eastern Highlands	582,159.0	8.2	547.1	1.1	37,149.5
Morobe	646,876.0	9.2	7,513.5	15.2	41,279.3
Madang	487,460.0	6.9	1,034.3	2.1	31,106.4
East Sepik	433,481.0	6.1	1,991.6	4.0	27,661.9
West Sepik	227,657.0	3.2	367.6	0.7	14,527.6
Manus	50,321.0	0.7	1,478.8	3.0	3,211.2
New Ireland	161,165.0	2.3	1,983.1	4.0	10,284.5
East New Britain	271,252.0	3.8	1,619.8	3.3	17,309.5
West New Britain	242,676.0	3.4	927.4	1.9	15,486.0
AR of Bougainville	234,280.0	3.3	0.0	0.0	14,950.2
Total	7,059,653.0	100.0	49,500.0	100.0	450,500.0

# IMPLEMENTATION STRUCTURE

Figure 4: Converging Structure



# CONTINUE —SME POLICY

✘ Is the SME Policy Inclusive?

YES

✘ Will it Achieve the intended Objective?

Will Depend on Getting the Right Ingredient

# DEPARTMENTS PROJECTS

- ✘ Cooperatives Societies
- ✘ Risk Share Facility



# COOPERATIVES

- ✘ The main objective of the Cooperative societies is to mobilize resources collectively by group of people to effectively engage in business activities.
- ✘ We have over 10,000 registered cooperatives and almost 90% of these cooperatives are agriculture based.

# RISK SHARE FACILITY

- ✘ Funded by the World Bank and Government of PNG and currently being implemented by the Department of Trade, Commerce and Industry. To serve as collateral for SMEs to borrow from the commercial banks so this facility provides the guarantee to encourage commercial banks to give out loans to SMEs. The Minimum amount you can borrow is K20,000 and maximum is K10 million. Currently loans are only accessible by established businesses.

# RSF

- ✘ We are working with BSP at the moment and over K49 million has been committed and only 1% have been committed to the Agricultural sector so far



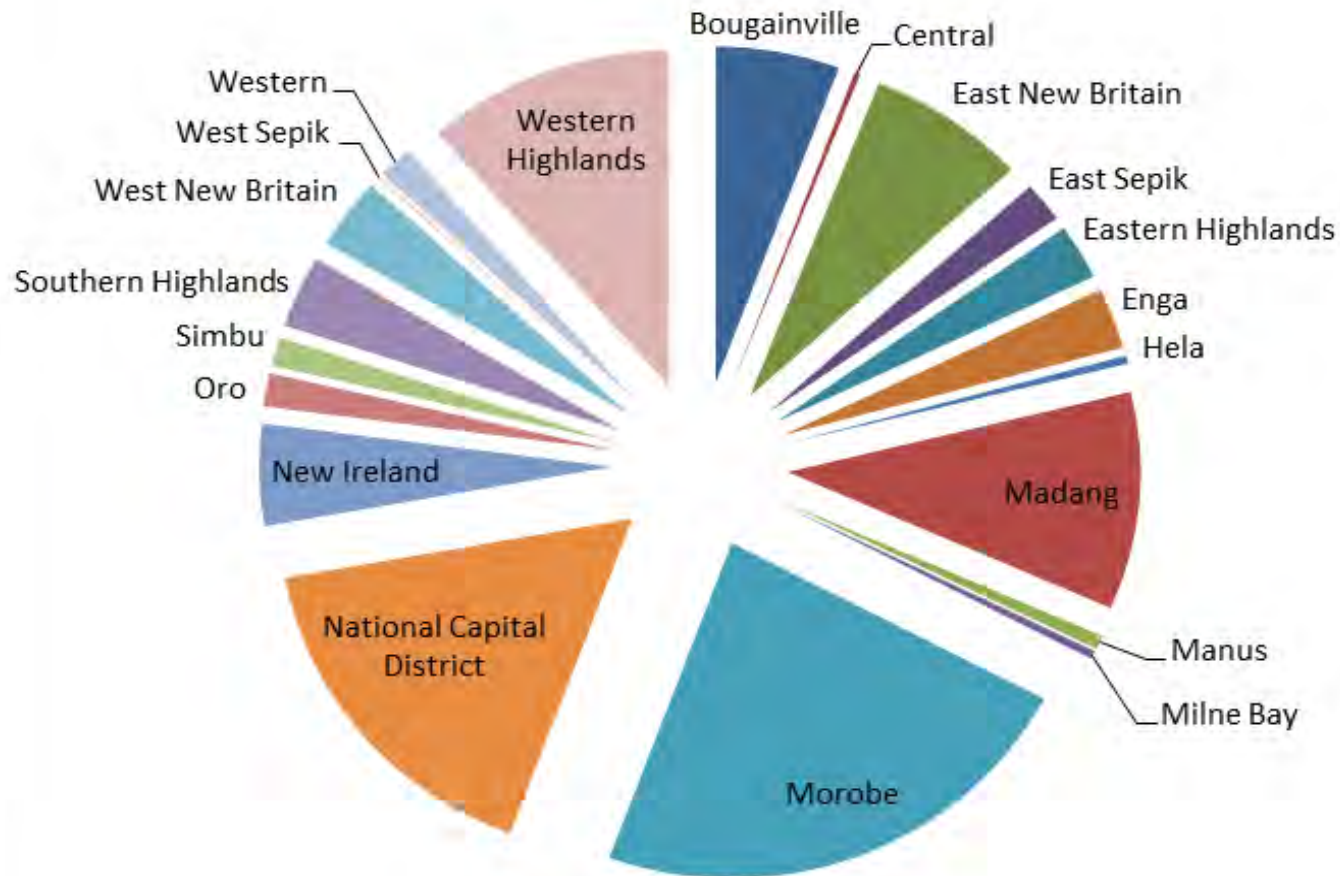
Portfolio by Industry Sector	Facility Committed Limits	Current Principal Balance	%
Construction	8,130,190	7,690,244	17%
Manufacturing	341,720	289,895	1%
Other Business	18,407,863	19,711,863	43%
Retail	7,714,721	7,426,083	16%
Transport & Communication	2,152,890	2,054,184	4%
Wholesale	471,119	415,856	1%
Vehicle/Equipment Hire	6,658,342	5,569,393	12%
Hotels & Restaurants	4,240,016	1,723,032	4%
Business Services	634,778	630,229	1%
Agriculture Hunting & Related Services	499,360	499,361	1%
Post & Telecommunication	213,398	213,398	0%
Electricity Gas & Water Supply	50,000	50,000	0%
<b>Grand Total</b>	<b>49,514,397</b>	<b>46,273,538</b>	<b>100%</b>

# LOAN DISTRIBUTION BY PROVINCE

	Facility Committed Limits	% of committed Portfolio by Province limits	No. of woman owned entrepreneurs access facility
East New Britain	3,303,980	7%	3
Madang	5,219,677	6%	2
Morobe	10,829,621	21%	17
West New Britain	1,852,679	4%	2
Western Highlands	5,331,118	15%	19
Enga	1,464,436	3%	3
Southern Highlands	1,864,020	4%	4
Western	901,045	2%	0
Simbu	732,785	2%	3
Eastern Highlands	1,286,357	3%	1
New Ireland	2,268,807	5%	2
National Capital District	9,017,844	19%	15
Bougainville	3,007,755	6%	5
East Sepik	894,697	2%	4
Oro	836,884	2%	1
Milne Bay	108,077	0%	0
Manus	247,489	1%	2
Hela	239,783	1%	0
Central	70,684	0%	0
West Sepik	36,657	0%	0
<b>Grand Total</b>	<b>49,514,397</b>	<b>100%</b>	<b>83</b>

# LOAN DISTRIBUTION

## Sum of Facility Committed Limits



# CONCLUSION

- ✘ SME POLICY & MASTER PLAN Requires:
- ✘ Effective Coordination and linkages between different government departments and agencies, private sector, donor agencies and other stakeholders;
- ✘ Concrete implementation strategies, action plans, timeframe, budget and agencies responsible for effective implementation;
- ✘ Improvement in capacity of implementing agencies

# CONCLUSION

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+ Thank you