



CIMC DEVELOPMENT FORUM

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Opportunities and Challenges

**Empowering the SME sector for
sustainable GROWTH**

Broadening PNG's Socio Economic Base – Promoting the growth of the SMEs - Opportunities & Challenges



- Is the National Government's projected target to create 500,000 SMEs and 2 million jobs by 2030 feasible?
- What are the real opportunities to do this?
- What should to be done to promote growth of a broad based socio economy to facilitate the growth of SMEs?
- Has the resource envelop provided by the National Government to the NDB adequate to encourage participation from aspiring SMEs in both formal & informal sector?
- What sort of businesses is NDB helping and in what provinces?

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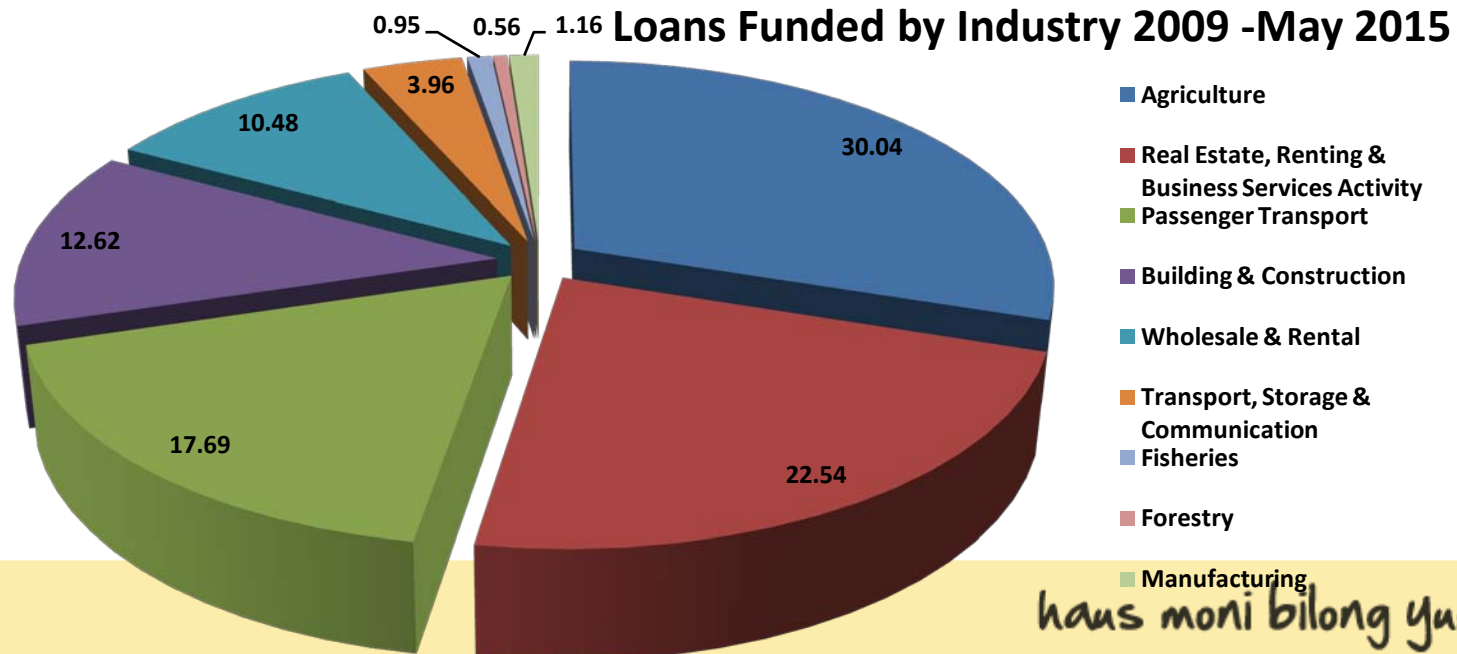


- NDB's main objective is ensuring the financial inclusion of the unbanked population by making banking services accessible to the provinces and districts of the country.
- NDB has been charged by the National Government to implement the SME Stimulus Policy. The Policy could be properly implemented if the bank was adequately funded.
- NDB Group has positioned itself to provide specialised banking services to the rural communities to engage in business activities to eradicate poverty and promote wealth creation.

Loans Funded by Industry 2009- May 2015

Industry Type	2009	2010	2011	2012	2013	Dec-14	May-15	TOTAL	Total No of Loans Funded	%
Agriculture	13,451,425	16,604,606	18,113,788	25,236,976	29,697,226	23,440,654	4,508,448	131,053,123	9,932	30.04
Real Estate, Renting & Business Services	3,404,229	7,949,353	13,264,677	10,830,800	26,730,023	26,183,021	9,961,828	98,323,930	311	22.54
Passenger Transport	2,564,415	6,492,087	9,399,449	16,491,508	17,143,979	16,342,844	8,749,261	77,183,543	1,004	17.69
Building & Construction	335,395	9,489,650	6,738,882	12,580,980	11,276,321	13,358,109	1,293,728	55,073,065	1,498	12.62
Wholesale & Retail	2,073,018	8,314,779	7,160,202	10,496,259	6,285,361	5,840,822	5,529,674	45,700,114	580	10.48
Transport, Storage & Communication	1,456,707	1,131,760	1,161,757	2,231,970	1,495,485	8,407,453	1,371,081	17,256,212	88	3.96
Fisheries	575,595	203,474	474,332	35,394	1,521,577	204,000	1,141,013	4,155,385	1,798	0.95
Forestry	98,117	202,424	9,000	224,406	319,321	573,326	997,874	2,424,468	1,629	0.56
Manufacturing	1,600	5,000	500	10,500	213,176	3,999,366	830,239	5,060,381	1,144	1.16
TOTAL	23,960,501	50,393,132	56,322,586	78,138,793	94,682,466	98,349,595	34,383,146	436,230,220	17,984	100

Government Grants	20,000,000	46,000,000	25,000,000	80,000,000	75,000,000	65,000,000	-	311,000,000	17,984
Internally Generated Funds for Lending	3,960,501	4,393,132	31,322,586	- 1,861,207	19,682,466	33,349,595	34,383,146	125,230,220	
Total	23,960,501	50,393,132	56,322,586	78,138,793	94,682,466	98,349,595	34,383,146	436,230,220	



SME Loans Funded by NDB

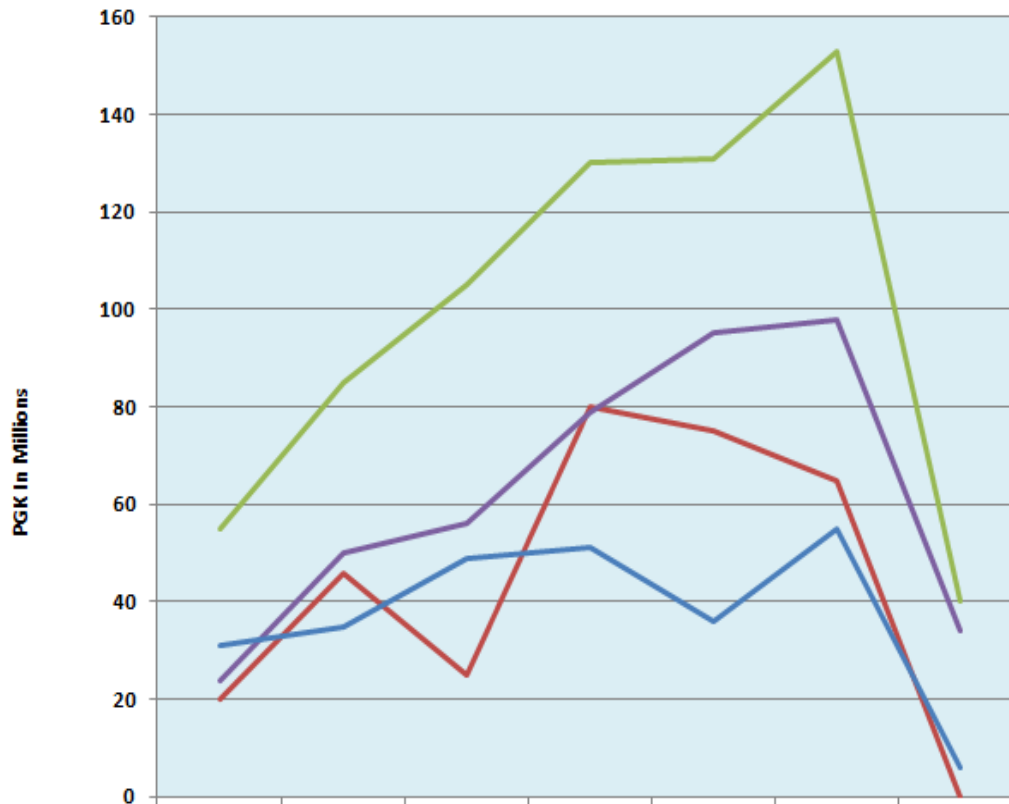


- NDB provides affordable loans at 6.5% interest rate to start and grow businesses to a wide range of small to medium enterprises.
- Loan Book has grown by 413% from 2009 – 2015
- Funding to all sectors have grown with more loans for Agriculture sector being the largest at 30%
- Inadequate funding to the NDB has resulted in 39% of the approved loans not funded . Missed Opportunities for SMEs to grow. (Approved Loans were 225% greater than funding from Government from 2009-2015)
- Demand for SME Loans have increased by an average of 20% per year.

Demand for SME Loans



NDB Loans Approved Vs Funded



	2009	2010	2011	2012	2013	2014	2015	Total K'M
Grants Received (K millions)	20	46	25	80	75	65	0	311
Loan Approved (K millions)	55	85	105	130	131	153	40	699
Loan Funded (K millions)	24	50	56	79	95	98	34	436
Unfunded (K millions)	31	35	49	51	36	55	6	263

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NDB Group



SME STIMULUS PACKAGE

- ✓ 6.5% Interest Rate
- ✓ District Credit Schemes
- ✓ Women In Business
- ✓ Micro Finance
- ✓ Branches in all Provinces

People's Micro Bank



FINANCIAL INCLUSION - MICRO SECTOR

- ✓ Savings Culture
- ✓ Fee-less banking
- ✓ Personal Loans
- ✓ Electronic Banking



BUSINESS INCUBATION PROGRAMS

- ✓ Stret Pasin Retail
 - Shop N Go
 - Style Stret
- ✓ Entrepreneurs' Start-up Dinau
- ✓ Youth Enterprise Scheme (YES)
- ✓ Women Enterprise Scheme (WES)
- ✓ Bizbox, Meals on Wheels

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NDB Group's Products & Services



- **The People's Micro Bank** offers competitive lending products and feeless savings accounts to the formal, informal sector and the rural people to save money. NDB realizes that the rural people lack capacity to mobilise capital, savings culture, financial literacy or business skills necessary to manage their businesses.
- NDB established the People's Micro Bank (PMB) in April 2013 to promote savings culture and offer credit to micro enterprises. PMB has plans to roll out its branch operations to all the provinces and has set up 4 new Branches in Boroko, Wewak, Madang and Popondetta. 4 more branches to be added in 2015. PMB has commenced conducting weekly financial literacy training for its customers and potential customers. As a result, the uptake on opening of savings accounts has been great. Since PMB commenced operations in April 2013, 48,096 customers have opened savings accounts valued at K49m to May 2015. Funded 4,196 loan accounts valued at K27.2m.

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NDB's Products & Services



- **The NDB Investments** offers Stret Pasin businesses Incubation Scheme to eligible national couples to be trained to manage and eventually own these small businesses. This is an expanded version of the successful Stret Pasin Stoa Scheme (retail shops) that was operated by the Bank in the 80s' and 90's which produced a lot successful PNG business people. We are setting up shops in Port Moresby and other centers to operate all types of small businesses. We have so far established 4 shops (Hohola, Goroka, Gordons and down town.
- NDBI has introduced new specially tailored loan products for young entrepreneurs (incl. graduates) to encourage them to engage in small businesses. Young people should make use of these facilities to operate small businesses to gain business acumen and became assertive. This will prepare them for financial leadership, strategic and business advisory roles. Studies have proven that 40% of successful professionals have had early experiences in managing micro to small business therefore NDBI has introduced the first ever Youth Enterprise Scheme . We want to shift our attention to empowering young entrepreneurs to grow the next generation of SME owners in PNG. Women Enterprise Scheme (WES) will be launched soon.

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Growing SMEs in the Districts



District Credit Schemes

- NDB has developed an innovative scheme to promote small businesses at the district levels through the District Credit Schemes. Under this scheme NDB is partnering local MPs to provide micro credit to the people in the districts to start up micro businesses that they can operate.
- Through this partnership, MPs will ensure sustainable development takes place in the districts via the proper use of Government funding under the PSIP and DSIP. NDB offers this solution to the “**free hand out mentality**” that has plagued this nation. Part of MP’s PSIP and DSIP funds are being parked at NDB as security deposit for NDB to lend its own funds against to the rural people to start their micro businesses. This scheme will impose the financial discipline upon the people to manage their businesses so that when their micro loans are paid off they can go to NDB to obtain loans to grow their businesses. NDB will facilitate business skills training to the people to run their small businesses.

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Sustainable Socio Economic Growth



- The growth of a sustainable socio economy conducive for the growth of SMEs in PNG requires deliberate actions by all stakeholders to grow the provincial economies.
- The emerging public-private partnership (PPP) being established for developing projects in Port Moresby and Lae should be extended to the provinces/districts.
- It must be a broad based economy framework that is;
 - bottom up focused rather than top down,
 - it must be activity driven rather than policy driven
 - It must focus on sustainable long term developmental imperatives of the renewable resources in Agriculture, Livestock , Tourism and fisheries and empowering the growth of the MSMEs and the building of human capital/capacity
- Positive National Government structural policy changes has began to assist the broad based economic framework in Provinces/Districts but this must be **sustained for the long term with key enablers of growth.**

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What are the Key Enablers for broad based socio economic growth?



1. Key Infrastructure



2. Availability of State Land



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What are the Key Enablers for broad based socio economic growth?



1. Key Infrastructure

- The National Government's infrastructure development program is beginning to improve business environment and creating business opportunities especially in Port Moresby and Lae. However this program needs to be implemented all provinces and district levels by providing key infrastructure such as properly serviced Roads and Bridges, Jetties, Wharfs, Airports/Airstrips, Electricity and telecommunication and Water & Sewage which **enablers of economic growth.**



What are the Key Enablers for broad based socio economic growth?



2. Availability of Government Land

- The lack of availability of Government land is impeding economic growth in the provinces. Government needs to mobilise land thru acquisition.
- The governments of the emerging Asian nations have been successful with this concept.



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What challenges do potential investors face and what are the prospects for future business growths in the Provinces?

<p>Strengths</p> <ul style="list-style-type: none"> • Abundant Land • Abundant Labour • Abundant Natural Resources/Eco Tourism • Abundant Fisheries Resources • Growing Economy • Geographic Location (Asian Economies) 	<p>S</p>	<p>W</p>	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of State Land (Major impediment) • Lack of proper Infrastructure • High Cost of Transportation/Shipping • High Cost of Public Utilities • High Cost of Telecommunication • High Security Costs
<p>Opportunities</p> <ul style="list-style-type: none"> • Agriculture Sector • Fisheries Sector • Tourism • Downstream Processing 	<p>O</p>	<p>T</p>	<p>Threats</p> <ul style="list-style-type: none"> • Growing unemployment • Law and Order

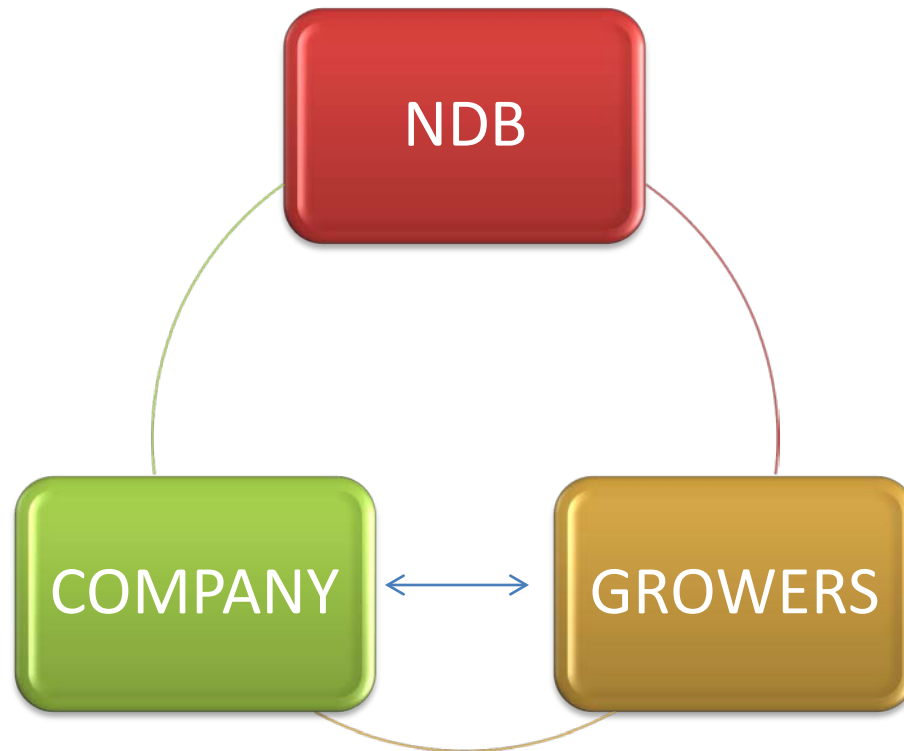
Real Opportunities in the Agriculture Sector



Real Opportunities exists in achieving the National Government's targets in creating 500 SMEs and 2 million jobs by 2030 in the;

- **Agriculture Sector, Fisheries Sector, Tourism sector (Renewable Resources Sector)**
- **Downstream Processing (Value added products)**
- 30% NDB's total funding goes to the Agriculture sector because we believe that this sector has huge potential to grow). The Agriculture sector has opportunities for investors in the nucleus structure of operations involving commercial entities providing the capital/management and markets for small farmers as out growers.
- The business model is working well in Kimbe and Bialla with the small oil palm growers who sell their produce to the NBPOL and Hargy Oil Palm. The small grower's loans taken from NDB are paid these companies after deducting the repayments from their fruit sales. A similar model is used by Mainland Holdings in Lae with their net work of small chicken growers in the Markham valley who sell their birds to the company.

Nucleus Estate Model



Real Opportunities in the Agriculture Sector



- This business model can be replicated throughout the country for the following agro and other businesses for instances in the;
 - Markham Valley for cattle, oil palm, poultry, feed mill and rice farms,
 - Waghi Valley & Baiyer River for Coffee, Poultry, Piggery and Vegetable farming, Feed Mill for poultry and piggery & Dairy farms
 - Southern, Hela and Enga Provinces, Coffee, Tea, Vegetable farming, Cattle, Piggery and Wheat farming
 - Simbu & EHP for Coffee, Poultry, Rice, Cattle and Piggery,
 - Oro, Milne Bay, Gulf and Western for Oil Palm, Rice and Cattle
 - ENB & WNB, NI and AROB for Copra, Cocoa, Rice and Cattle
 - Sepik Plains & Madang for Cocoa, Rice, Oil Palm & Cattle
 - Central Province for Rice, Coffee, Poultry, Piggery & Cattle
 - All Coastal Provinces for Fisheries projects

Real Opportunities in the Agriculture Sector



- PNG has the potential of producing food products for both domestic and export markets by utilizing its fertile soil. For instance it could grow rice locally for its own consumption and for export earnings.
- NDB has funded a rice farming project in the Mekeo plains where the land is suitable for hybrid rice farming. The soil test and feasibility studies for this project have shown positive results and rice planting commenced in October 2014 and rice harvest will begin shortly.
- The Philippines Government is interested in importing surplus hybrid rice for its country's consumption. The hybrid rice can also be grown for export to other Asian countries which have food security problems to feed their growing population.

Conclusion



- **NDB is expanding its branch network operations to all the provinces to provide banking services to facilitate wealth creation for the bulk of the population in the districts. It is promoting savings culture to mobilise capital, financial literacy and business skills amongst the rural people through special invention programs such as District Credit Schemes and micro finance products to assist the rural people to engage in small businesses thus creating a pathway to grow the provincial economies to integrate into the broad socio economy.**
- **National Government needs to provide adequate funding to the NDB to empower the SMEs to attain sustainable growth levels. Demand for SME loans have grown by average of 20% over last 6 years. NDB was unable to fund 39% of approved loans. Demand for SME loans are 225% more that funding from National Government.**

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Conclusion



- **Public Investments in Large Agricultural Impact projects, downstream processing in Renewable Resources sector has the potential to create the growth of 500,000 SMEs and creating 2 million jobs by 2030.**
- **National Government needs to provide enablers such as road infrastructure, telecommunication systems and public utility services and state land for investors to invest in the provinces. 85% of the nations population are rural based who will engaged in business as out growers and the family members will be employed in the small businesses thus facilitating the integration of the provincial economies with the national economy.**