



DEPARTMENT OF TRADE, COMMERCE AND INDUSTRY
SME POLICY AND MASTER PLAN - IMPLEMENTATION ISSUES AND CHALLENGES

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Introduction

- ▶ SMEs play a very important role in the economy.
 - ensure sustainable,
 - equitable and balanced economic growth.
 - key drivers of employment creation, poverty alleviation and innovation.
- ▶ Having recognized the importance of SMEs the Government adopted or endorsed the Kokopo SME Summit Declarations, The Madang Declaration and announced the SME stimulus package.

Policy Development Challenges

- ▶ Regulations, support or inhibits SME growth requires a delicate balance. Overly protective SME Development policies have proved ineffective in promoting a robust and dynamic SME sector. The outcomes of such policies are a small scale sector with low productivity, insufficient opportunities for dynamic growth and powerful vested interests.

Policy Development Challenge

- ▶ Another challenge in drafting the policy has been the gap between the large enterprises and mirco or informal sector
- ▶ PNG has a dual structure where at one extreme there exist a few modern capital intensive resource based, import dependent enterprise whilst at the other extreme there exist the miro and informal enterprises.

SME Policy and Master Plan

- ▶ The SME Policy is comprehensive covering policy issues to implementation issues and action plans and strategies.
- ▶ The challenge remains in the implementation of the Policy

General Issues or Challenges In Implementation

- ▶ Funding
- ▶ Capacity of Implementing Agencies
- ▶ Lack of effective linkages and coordination
- ▶ Political Decision
- ▶ Lack of Proper Monitoring and Evaluation Mechanism

Specific SME Policy Implementation Issues

- ▶ Implementation of Catalytic Projects
- ▶ SME Financing
- ▶ SME Start-up (Incubation Centres)
- ▶ Linkages and Coordination
- ▶ Monitoring and Evaluation
- ▶ Inter-Firm Relationship
- ▶ Globalization and the use of Technology

RISK SHARE FACILITY – ITS IMPLEMENTATION, ISSUES AND CHALLENGES

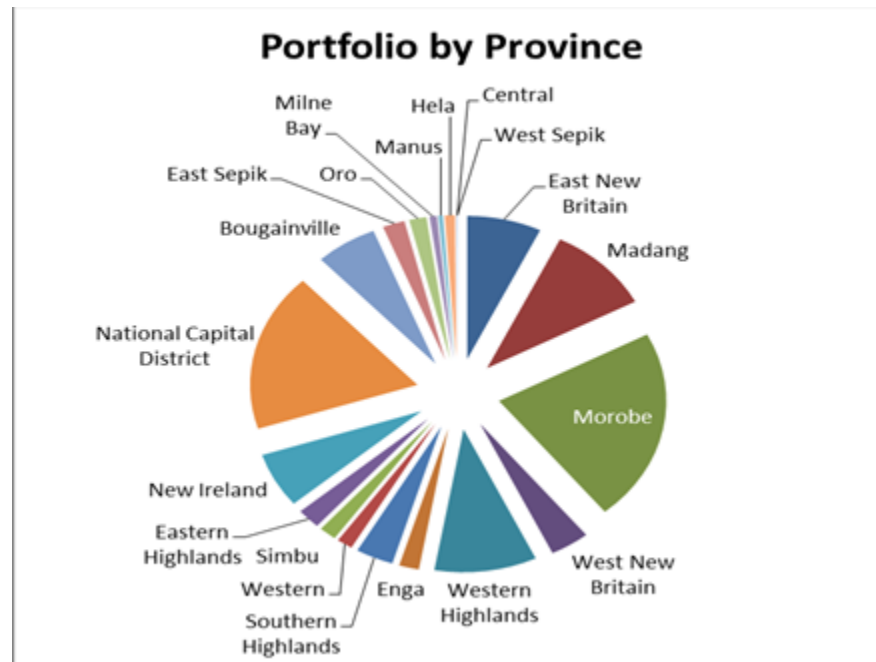
- ▶ The Risk Share facility is a facility which partially guarantees a portfolio of newly-originated loans to SMEs and therefore encourage eligible local private sector commercial banks and finance companies to expand lending and leasing finance to SMEs. It is project funded by the Government and the World Bank.
- ▶ The objective of the Small and Medium Enterprise Access to Finance Project for the Government of Papua New Guinea (GoPNG) is to facilitate access to sustainable credit for Small and Medium Enterprises (SME) and thus contribute to incremental growth of SME employment and income.

RSF – By Sector

- ▶ A total of K104.23million committed including Smart loan Product

Portfolio by Industry Sector	Facility Committed Limits	Current Principal Balance	%
Construction	7,780,940	7,598,795	16%
Manufacturing	273,731	221,906	0%
Other Business	20,771,741	20,055,010	43%
Retail	7,693,608	7,451,184	16%
Transport & Communication	1,547,892	1,449,186	3%
Wholesale	560,654	425,310	1%
Vehicle/Equipment Hire	7,075,732	6,035,863	13%
Hotels & Restaurants	4,151,920	1,634,936	4%
Business Services	1,039,626	1,010,511	2%
Agriculture Hunting & Related Service	508,772	479,042	1%
Post & Telecommunication	200,449	200,449	0%
Electricity Gas & Water Supply	38,591	38,591	0%
Grand Total	51,643,655	46,600,782	100%

RSF – Loan Committed by Province



Loan Commitment by Province

Portfolio by Province	Facility Committed Limits	Current Principal Balance	%
East New Britain	3,705,127	3,588,411	8%
Madang	5,229,434	2,608,441	6%
Morobe	11,257,797	10,184,002	22%
West New Britain	1,965,415	1,916,088	4%
Western Highlands	5,111,225	4,564,249	10%
Enga	993,159	993,159	2%
Southern Highlands	1,876,040	1,860,527	4%
Western	785,375	785,375	2%
Simbu	860,809	860,809	2%
Eastern Highlands	1,168,293	1,148,293	2%
New Ireland	3,217,964	3,129,515	7%
National Capital District	9,270,047	8,817,424	19%
Bougainville	3,077,683	3,064,792	7%
East Sepik	1,105,015	1,105,015	2%
Oro	862,336	816,747	2%
Milne Bay	364,803	364,803	1%
Manus	220,274	220,274	0%
Hela	507,488	507,488	1%
Central	55,877	55,877	0%
West Sepik	9,494	9,494	0%
Grand Total	51,643,655	46,600,782	100%

RSF

- ▶ 1,176 SMEs benefited from these facility
- ▶ 2,035 new jobs were created as a result of the SMEs accessing loans through these facility.
- ▶ 102 women have accessed the facility.

RSF

- ▶ We have trained 32 Provincial Commerce and Advisors and District Business Development Officers
- ▶ 182 SMEs have been trained and 92 of these were women SMEs.
- ▶ We hope to train another 210 SMEs between now and next year.

Issues and Challenges

- ▶ Interest Rate
- ▶ Long-Term Sustainability of the Project
- ▶ Expanding the Financial Services to cover start-ups

Conclusion

- ▶ A sympathetic and entrepreneurial stakeholder environment is very important. SMEs cannot grow in vacuum. If the culture of government, education, regulatory authorities, banks and the professional and the large corporate sector lacks empathy with SMEs, then it will be difficult for the SME sector to grow.

THE END

▶ THANK YOU VERY MUCH