



**International
Finance Corporation**
World Bank Group



THE WORLD BANK

FACT SHEET: SMALL AND MEDIUM ENTERPRISE RISK SHARE FACILITY PAPUA NEW GUINEA

IFC, the World Bank, and the Papua New Guinea government have agreed to establish a new financial program that will help improve access to credit for small and medium enterprises – the primary drivers for job creation, poverty reduction, and economic growth in the country. The program will be launched later this year.

SMALLER ENTERPRISES FACE DIFFICULTIES ACCESSING FINANCE

Papua New Guinea's resource boom has raised the growth prospects for the country's private sector, particularly for smaller enterprises that can deliver essential products and services. But many small firms face difficulties obtaining credit to expand their businesses. Only 25 percent of up to 20,000 small and medium enterprises have access to financial services. Moreover, it is estimated that less than five percent of these businesses are owned or managed by women.

Smaller enterprises are often rejected when applying for loans because of their inability to meet bank requirements, such as financial statements, collateral, information, and guarantees. At the same time, lack of information on the sector has discouraged bankers from developing targeted products and investing because of perceived high credit risk.

SMALL AND MEDIUM ENTERPRISES ACCESS TO FINANCE PROGRAM

The Small and Medium Enterprises Access to Finance Program aims to change this by:

- **Increasing the availability of credit through risk-sharing**

The program will help mitigate the default risk that participating banks face by guaranteeing 50 percent of loans that they extend to small and medium enterprises. This guarantee will help banks extend such loans and hence the program and hence the program is expected to support up to 150 million Papua New Guinea kina (around \$61 million) in new financing to small and midsize businesses.

Bank of South Pacific Limited (BSP), Papua New Guinea's largest bank, is the program's first partner.

- **Providing training and assistance to partner institutions that target SMEs**

The program will help BSP and other future partner banks develop financial products targeted at small and medium businesses. Staff will be trained on processing small business loan applications. The program will also help the banks strengthen their

internal systems and procedures using new tools for loan orientation and monitoring, including credit scoring systems.

- **Helping small business owners scale up**

Companies that receive loans under the program will receive support on how to increase their operational capacity through:

- Training in management and financial skills
- Focused mentoring and coaching
- Targeted training for women entrepreneurs

Over five years, the program expects to train 300 small businesses and mentor and coach 150 business owners and 300 women entrepreneurs.

- **Supporting the government to improve the business environment**

The program will provide assistance to the Department of Commerce and Industry to monitor results, gather data on the small business sector, initiate programs to encourage female entrepreneurs, and update its policy and strategy to reduce regulatory constraints and encourage business growth.

WHO CAN APPLY TO THE PROGRAM?

Firms eligible for loans from participating banks include those formally registered in Papua New Guinea and joint-venture companies. Applicants must meet the following criteria:

- Formally registered under the Companies Act of 1997
- Not more than 50 percent directly or indirectly owned by the government of Papua New Guinea
- An entity majority-owned (at least 51 percent) by Papua New Guinea citizens
- Have a maximum annual business turnover of 15 million Papua New Guinean Kina or lower.
- Not a wholly owned subsidiary of a larger corporate entity

The program is a collaborative effort between the Papua New Guinea government; IFC, the member of the World Bank Group focused on private sector development in emerging markets; and the International Development Association, the arm of the World Bank Group that provides interest-free loans and grants to help the world's poorest countries.

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