MARCH 15, 2020

IMPACT ASSESSMENT REPORT OF SAMOA SMALL BUSINESS ENTERPRISE CENTRE (SBEC)

2014-2018

ASSESSMENT TEAM: SYEDA SAMIRA SAIF, JAWAD KHAN BALOCH, RIDWAN KAREEM

Executive Summary

Small Business Enterprise Centre (SBEC) aims to support small entrepreneurs, preferably belonging to vulnerable groups in Samoa, to access information and finance needed to nurture and grow their enterprises. This Impact Assessment, covering the period from 2014 – 2018 was conducted to investigate both the performance and impact of SBEC's activities for Samoan businesses and on the wider economy.

The assessment used a mix of qualitative and quantitative methods to estimate the social and economic impact of SBEC services. In-depth interviews were conducted with SBEC clients and relevant stakeholders to understand the relevance of the program and establish causality between the Trust's activities and the impact.

To ascertain SBEC's economic impact, the research used the Input-Output (IO) model. The model requires an accurate estimation of additional revenue generated because of loans accessed by the businesses in each sector. Given the informal nature of most of the businesses supported, the report identifies a range of minimum and maximum economic impact that the program could have had during the studied period. Based on these assumptions, as elaborated below, the report finds that the SBEC loan guarantee program from 2014-2018 generated an annual return of **0.62%-1.21% of average national GDP**. For every dollar of loan disbursed under the loan guarantee programme, impact the GDP to the tune of 2.66 dollars. It is important to note that the loans are repaid over a period of 3-4 years which means the impact of the loans disbursed between 2014-2018 continues beyond 2018. A distribution effect of the loan over the assessed period and beyond is described in the report in detail.

In absence of any recent labour market survey or labour multiplier studies, the research relied on in-depth interviews to capture any additional employment created as a result of the loan. Based on the interviews and underlying assumptions detailed in the report, the research finds that SBEC's support led to the creation of **312 additional jobs** in the economy, of which 30% are women.

The research also explored potential points of exclusion for Persons with Disabilities to access SBEC's activities, the inclusion and agency of female clients and also aimed to understand the household use of income generated through the businesses that are supported by SBEC. The research did not find any potential points of concern regarding the environmental impact of the program given the size of businesses it engages with and the sectors they work in, however, it does find merit to plans of the new phase of the trust to provide services on insurance to reduce the vulnerability of businesses in the face of extreme climatic events.

This research also dives deeper into the key areas concerning SBEC's impact during this period, including:

- *the relevance and vitality of SBEC's activities, particularly the Guarantee scheme and training services for small businesses in Samoa:* 74% of SBEC clients interviewed for this research had taken a loan from a formal institution previously (either through SBEC or non-SBEC sources). Of them **34% took loan from non-SBEC** sources indicating their familiarity with the formal credit market, however, almost in all cases the size of the previously taken loans was small (less than SAT 5,000). SBEC's services provide significant value to businesses which want to obtain loans larger than SAT 5000 and less than SAT 50,000 (averaging at SAT 10,000). The research found that commercial banks in Samoa find this segment, particularly businesses with owners who do not have a formal employment, to be highly risky; hence justifying an external intervention to facilitate access to finance for enterprises falling in the segment.

While finding the assistance to be relevant, the research also notes the lack of efforts from the trust to address the challenge in a systemic manner, bringing into question the sustainability of the services in the absence of external support. In this regard, the authors emphasise the importance of engaging with existing actors in the relevant sectors that SBEC operates in to explore creative financing mechanisms to increase its strategic value (for example engaging with major distributors for retail sector, or exporters and input suppliers for agriculture).

- *The effectiveness of SBEC to reaching the right segments of Samoan businesses, which would otherwise not be able to access such services:* The research finds the almost all the businesses that received loan through SBEC's support would not have been able to obtain a loan of the size without SBEC's support. It is, however, also noted that not all the businesses which have successfully repaid their loans have done so through the core business activities for which the loan was taken. Instead, alternative sources of income proved vital for a sizeable proportion of businesses to be able to repay the loan. It is, therefore, advised that a careful approach needs to be taken when selecting suitable businesses to support their loan applications as the loan may increase the financial burden on the recipients, or encourage making investments in risky projects that may not have a long-term viability.

Given the legacy of the program, the information and insights it has accumulated over the years, and the strong relationships it has built with Government stakeholders as well financial institutions, SBEC is in a strategically well-positioned to address the challenges that entrepreneurs face in a sustainable manner, while reducing the need for external funding required over time.

Acknowledgements

The impact assessment team acknowledges the support provided by the New Zealand Government Ministry of Foreign Affairs and Trade and the Small Business Enterprise Support Centre (SBEC) team throughout the assessment. The team would like to extend their appreciation to Atuaisaute Misipati and Tevita Tariu for providing extensive support in coordinating and facilitating the meetings with the clients, to overcome the challenges posed by COVID-19.

The team would also like to extend their gratitude to the SBEC clients and stakeholders who have allocated time to share their insights and experiences of engaging with the programme in different capacities.

Table of Contents

1. Relevance of SBEC

1.1. The Samoa Small Business Enterprise Centre (SBEC) Model

The Samoan economy is based largely on services, agriculture and remittances with a heavy reliance on imports to meet local demand. New Zealand and Australia are the main export markets as well as the main sources of remittances coming into Samoa.

Within Samoa, where SMEs are estimated to be **88.27% of all enterprises**[1] and can provide a source of employment, drive economic growth and even substitute imports in some cases, they face a range of challenges including vulnerability to extreme climatic events, limited private ownership of property leading to a limited access to finance, and limited access to business services.

SBEC was formally established in 1994 to address two key constraints that MSMEs in Samoa face: (a) the lack of knowledge on business planning and management and (b) limited access to finance. Since its inception, its role has broadened more from supporting businesses wanting to access a loan for the first or the second time, to supporting businesses which are more established, have export potential or are export ready. This is further corroborated by the findings of this assessment where a substantial portion of the clients interviewed (74%) took a loan previously. Its core services, however, remained consistent around providing advisory, training and loan guarantee services to the qualified MSMEs. The illustration below outlines the process through which SBEC supports MSMEs in Samoa.

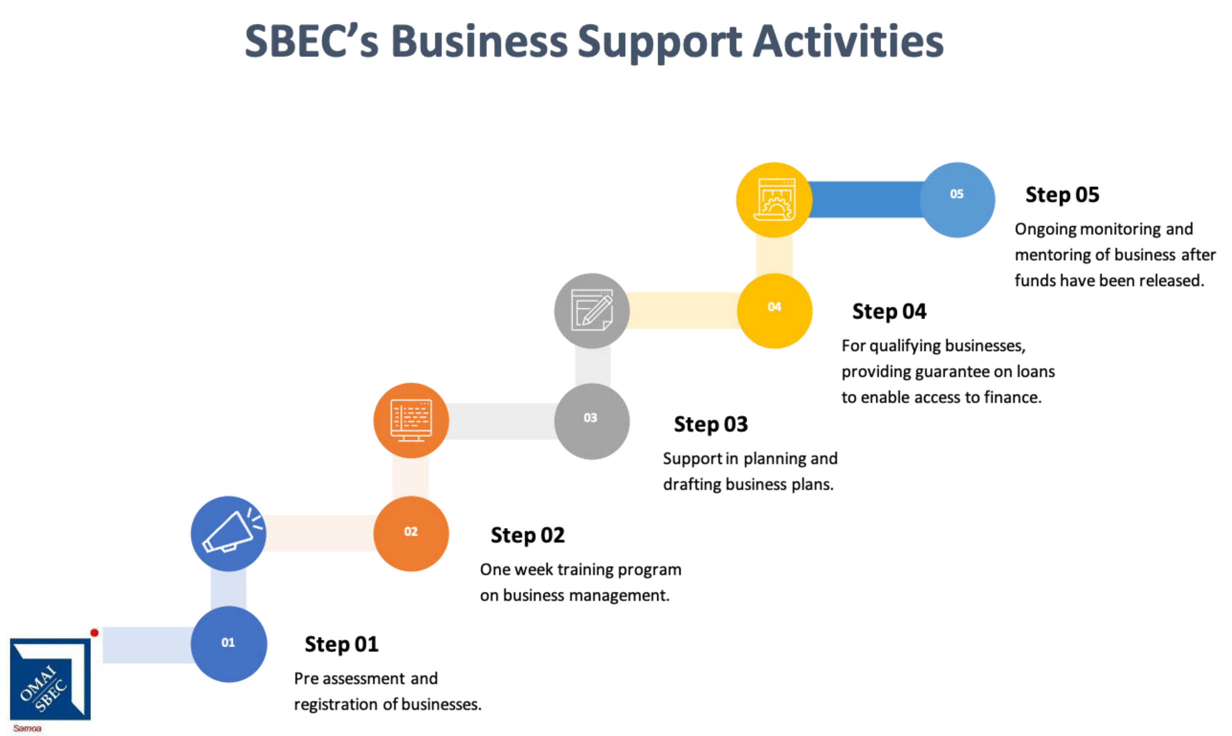


Figure 1: SBEC's Business Support Activities

[1] https://www.samoaobserver.ws/category/article/19130

In order to locate and define its clientele more effectively, these groups were further defined on a demographic basis as being disadvantaged groups, which consisted of the relatively poor, youth and women in the rural areas and outer islands.

The support to access a loan has two key phases: (1) Pre-loan approval and (2) Post-loan approval. Activities under the first phase includes assessment of the businesses against certain profiles and registering the ones that meet the criteria. This is then followed by a week-long training covering business functions as management, bookkeeping, marketing and business planning. Upon the completion of the training, the participants are provided with a certificate which is included as a pre-requisite for businesses to apply for the loan guarantee scheme of SBEC. Qualified businesses are then required to submit documents in relation to the business and a draft business plan which is finalised with SBEC's support. Each loan application is assessed by the commercial and development banks that SBEC works with on their own merit and only the commercially viable plans are approved. This process may take up to 8 weeks.

Once the loan is approved by the bank, SBEC provides ongoing monitoring support to the businesses to check progress and usage of loan. According to SBEC staff, clients are visited once after the first instalment is paid, followed by a periodic visit of 3 months, unless there are issues with the repayment.

The mode of delivery of the program largely stayed the same through the period of 2014-2018 as compared with the previous assessment period. The relevance of SBEC can be assessed on two levels if the business mentoring and training services are clubbed together for this purpose.

Key Financial Sources of SBEC

SBEC's operations are funded by different funding streams, including user payments (business plan and guarantee fees), professional fees (consulting fees) and grant funding. The primary sources of grant funding are: The New Zealand Government's Ministry of Foreign Affairs and Trade (MFAT), and the Samoan Government. SBEC's activities are largely funded by government and donor support with a small proportion from other sources.

Below is a snapshot of the financial performance over the 2014-2018 period. The table below gives a breakdown of the total income sources of the program.

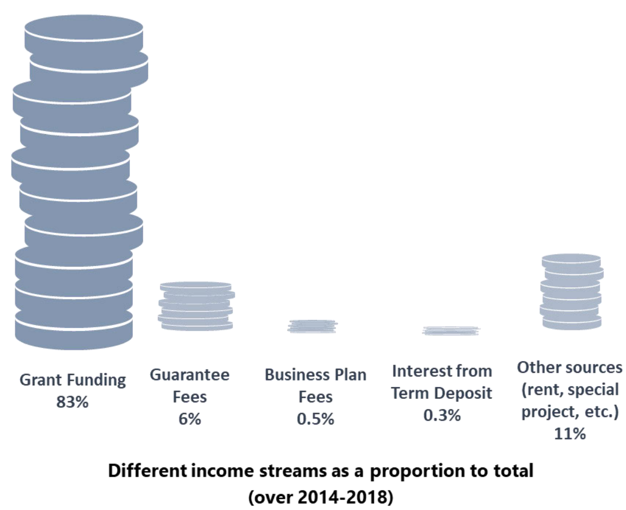


Figure 2: Income Streams of SBEC (2014-2018)

Table 1: Summary of SBEC Income (2014-2018)

	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Cumulative (2014-2018)
Guarantee Fees (SBEC + ADB) per year	116,206	135,982	218,205	106,529	576,922
Business Plan Fees per year	1,820	13,450	16,450	13,050	44,770
(a) Total Income from Fees per year	**118,026**	**149,432**	**234,655**	**119,579**	**621,692**
(b) Interest from term deposits	5,891	4,985	7,170	10,209	28,255
(c) Income from all other sources (trainings, events, rent of facility, special project, etc.) except GRANT	424,157	**71,365**	253,180	272,432	1,021,134
(1) Total recorded Income (a+b+c)	**548,074**	**225,782**	**495,005**	**402,220**	**1,671,081**
NZAid Grant + un-utilised funds from previous term + performance payment	1,550,404	1590348	1,579,582	1,252,042	5,972,376
Govt. of Samoa	450,000	450,000	450,000	600,000	1,950,000
(2) Total Grant/Funding Received	**2,000,404**	**2,040,348**	**2,029,582**	**1,852,042**	**7,922,376**
Grand Total (1+2)	**2,548,478**	**2,266,130**	**2,524,587**	**2,254,262**	**9,593,457**

Relevance of SBEC

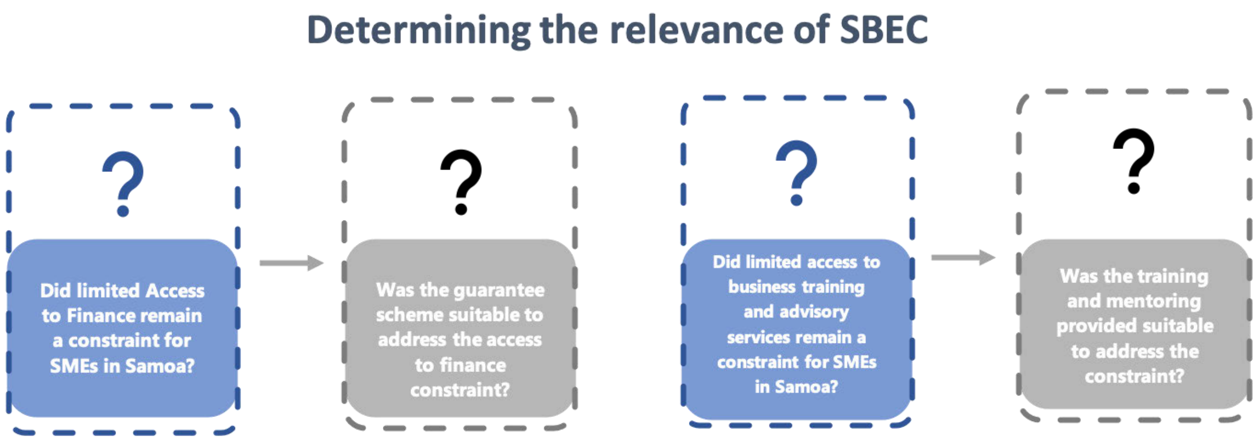


Figure 3: Assumptions related to relevance of the SBEC model

To assess the relevance of the first level, i.e., the constraints around Access to Finance and business training and advisory services, two approaches can be used:

1) A robust understanding of the sectors that SBEC support loan provision in, to determine what growth would look like in that sector and what are the key constraints in that sector impeding that growth.

2) Assessing the indicators of demand for business services and business financing to determine the overall gap in supply of these services.

The first method gives a more realistic picture of relevance of the program. An example of this would be the agriculture sector, which comprises the largest share in SBEC's portfolio. SBEC's portfolio, which includes support to enterprises for cattle farming, vegetable or root crops production all face their own unique challenges. For instance, Taro exports from Samoa in Australia were banned during the period being assessed for this report reducing the overall market size for Taro farmers. In this context reopening that market becomes one of the primary constraints to growth in that sector, as opposed to facilitating the expansion of Taro plantations through access to finance initiatives. This deeper understanding of constraints in different sectors that SBEC works in would realistically highlight the relevance of business management services and access to finance in a given period.

During the in-depth interviews conducted for this assessment, the assessment team identified one instance where SBEC took a proactive role by discouraging investments in taxi services after recognizing the high supply of such services as compared to the overall demand. Review of business plans also indicate that each of the plans include a "Market Situation Analysis" which is a brief overview of the status of the sector and justifies how the proposed application fits within the market. However, it wasn't conclusively established if SBEC generally takes a more active role in guiding investments and reviews its portfolio to reflect on the growth of the sector and its constraints to tailor its services based on the needs of a given sector. Inconclusive evidence of deliberation or intent to align SBEC's priorities with that of sector needs renders this approach to assess relevance ineffective.

The second method to assess relevance looks at the overall market of business and credit services for MSMEs, which is expanded below.

Credit Services

Nearly **47% of adult Samoans had borrowed from either formal or informal sources** in the year 2014, with a mean number of 1.2 outstanding loans per adult. The nature of these loans was mainly personal, covering education needs, house renovations, weddings or funerals. 12.5% of the adult borrowers in Samoa had taken the loan from a formal financial institution, as compared to 6.9% of the same in Fiji or the average of 7.5% in lower income countries. (CBS Financial Demand Side Survey)

While this percentage is higher as compared to other economies in the South Pacific, the majority of Samoans are still being served by the informal sources of financing (mainly friends and family), which corroborates with the in-depth interview findings of the SBEC assessment, mentioned in section 2. According to the CBS financial Demand Side Survey, the key reasons for Samoan adults for not accessing credit include **(a)not having money to repay loans**, **(b)not wanting to be indebted** **or** **(c)not needing credit**.

The access for SMEs is more unclear, particularly given the varying interpretation of SMEs within the commercial banks in Samoa. A 2013 survey by Samoa Bureau of Statistics found that 40 percent of responding businesses had secured a bank loan to support business expansion. For majority of the businesses, the key source of financing for growth has been savings or through family support. Based on each commercial lender's portfolio, the number of operating businesses with some form of financial product is estimated to be between 2000-2500, or almost 50% of all operating SMEs[2].

World Bank Group and SME Finance Forum estimated the SME finance gap in Samoa to be **USD 35.6 million** in 2017. This figure, however, should be taken cautiously as the methodology assumes this to be the latent demand for SME finance based on a "sales-debt" ratio in developed countries. The two challenges arising from the methodology include the assumption that debt is in all cases is a function of sales and the assumption that the regulatory environment, macro-economic environment and the ability and the willingness of SMEs in developing countries to secure debt is the same as in developed countries.

While the assessment included an economic analysis to estimate impact of loans already disbursed, a more in-depth qualitative approach was adopted to determine the financing gap or potential demand in the market by understanding the appetite of the commercial banks to supply more loans to the category of businesses that SBEC supports[3] and through determining a counterfactual of the level of financing that SBEC supported SMEs would have been able to secure without SBEC's support.

The **performance of the loans** (default rate of the loan) of SMEs supported by SBEC reported to be either at the same level of total portfolio of the banks or worse off. In case of BSP, the average default rate across their non-SBEC loan portfolio was less than 2%, compared to approx. 15% default rate of their SBEC portfolio, while the absolute values of default with SBEC clients is small given the small proportion SBEC clients in the overall portfolio of BSP, it does form the basis of a lower appetite for a commercial bank to increase such proportions. Overall, the appetite of the banks to service the category of businesses that

2 MSME access to Finance, UNCDF

3 Categories are defined further in Chapter 2 of this assessment report

SBEC support was low due to the lack of strong commercial incentives given the loan performance, if the SBEC guarantee scheme was not present.

This was further corroborated by the responses of the SMEs that were interviewed for this assessment, where roughly one-fifth of the SMEs would not have been able to access any other **alternative sources of finance** if it were not for SBEC's support. For the remaining 78% who would have been able to access alternative sources of finance would not have been able to secure the amount required (or what they secured through SBEC) due to the nature of the loan sources (e.g., micro-loans, personal loans, etc.).

While both these responses indicate the criticality of SBEC in facilitating access to finance and its importance as a pathway towards better livelihoods, it struggles to establish a sizable market demand that is, in the current context, commercially viable to be catered to by the private sector on its own. In other words, while the services that SBEC provides are critical, they may not be commercially viable for private sector to offer on their own due to reasons including the relatively smaller size of the total addressable market or the high cost of offering such services to this market.

Suitability of the Guarantee scheme

According to an OECD global evaluation of Credit Guarantee Schemes, problems of information asymmetry affects SME's ability to appear as credit worthy to banks. This is due to the disproportionality between the cost of assessing a small company's need for finance and its capacity to repay a loan on the one hand and the potential financial return on the other. This issue can arise as a result of the existence of considerable fixed costs associated with such credit assessment from the lender's perspective.

The situation is potentially further complicated by SMEs lack of collateral, limited credit history and lack of expertise in producing financial statements. Standardised information on past performance and growth prospects of SMEs seeking funding is often unavailable, or only partially available. The usual reaction of banks to such situations is to charge higher interest rates, as well as demand collateral to cover losses in the event of a default on the loan. An SME's borrowing ability and willingness to provide collateral signals a certain degree of creditworthiness and validity of growth prospects. SMEs, particularly those that are start-ups or are in their early years may have viable business prospects yet typically lack a track record and also collateral. They can thus find themselves rationed out of the credit market. Hence, the provision of a publicly supported guarantee for bank credit effectively substitutes for the collateral that is lacking (OECD 2017)[4].

While the assessment validates that most SBEC's beneficiaries would not be able to procure formal financing in the absence of SBEC, it is valuable to understand why banks in Samoa do not cater to this segment of the businesses on their own. The key reasons cited in the interviews conducted for this assessment include:

- *Higher cost of managing the loans:* given the small size of loan, coupled with the absence of appropriate collateral or guarantee, the risk of repayment and cost of maintaining the loans is cited to be high. This is despite the uptake of the all the costs of assessments and monitoring that SBEC takes up. The challenge for size of businesses that SBEC works with, on the other hand is that they don't usually qualify for large loans nor micro-loans.

[4] Evaluating Publicly Supported Credit Guarantee Programmes for SMEs, OECD 2017

- *Higher or the same risk of default as compared to the total portfolio:* Banks mention a generally higher risk of default on the SMEs supported by SBEC, this perception does not work in the favour of SMEs that SBEC supports. The sense of higher risk strengthens the narrative of there not being a commercial case of catering to the small businesses independently. This also contributes to the number of repeat clients that SBEC has, as banks do not always entertain these clients despite having established a relationship with them through previous loans.

The guarantee scheme does address a fundamental challenge of the lack of collateral that small businesses in Samoa have, however, it is pertinent to acknowledge that for small businesses, particularly in developing countries, lack of collateral will continue to be a challenge. The average age of businesses that SBEC supports is between 2-5 years which is a small period to establish viability as well as building business assets. The illustration below shows what a "low risk client" for a formal financial institution would look like.

Figure 4: Model of a Low Risk Credit Client

In a context, where small businesses will continue to struggle to meet asset requirements or have a low tangible net worth, it becomes absolutely critical to compliment the guarantee program with efforts to reduce the perception of risks of these small businesses as well as engaging with banks on the costs structures to manage smaller loans to increase their interest and incentive to cater to the segment of the businesses that SBEC supports. It is important to note exploring solutions beyond guarantees requires a genuine commercial interest from the banks to independently cater to the SME segment that SBEC caters to, and the lack of such interest would mean exploring alternatives to financing or a continued subsidisation of guarantee provision through institutions as SBEC.

Business Mentoring and Training

One of the ways of demonstrating credit worthiness to banks is through strong business plans that includes relevance of the business to a growing sector, record of historical performance of existing

businesses, and forecast cash flow expected to be generated as a result of receiving the loan. This is particularly the case for the categories of businesses that SBEC is supporting. In the absence of a private provision of training and mentoring services, particularly for micro and small businesses, the training and advisory services provided by SBEC is critical. While it is clear that SBEC provision of these services is unique, much like the guarantee scheme, the importance of these services for different sectors may vary.

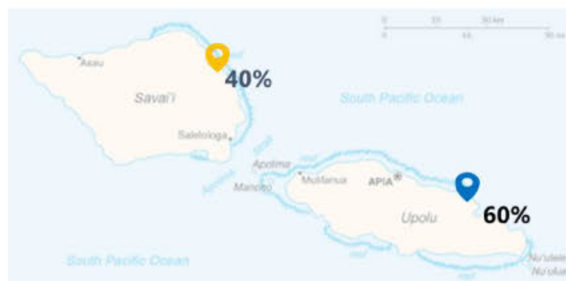
2. Impact of SBEC over 2014-2018

2.1. Loan Guarantee and Advisory services offered over 2014-2018

How much loan has been disbursed and guaranteed?

Total Loan Disbursed and Guaranteed

Over the period of 2014-2018, SBEC supported the development of a total of 1,570 business plans of which 1,018 have been approved for loans worth ST$11,229,132 in total. 60% of the loans have been from Upolu.



The graph below shows the variance between business plans produced and approved. Fiscal Year 2016/2017 saw the highest number of business plans produced and approved while the year 17/18 had the lowest number of loan approvals. Overall, 65% of the total business plans produced over 2014-2018 have been approved for loan. There are also a number of special projects initiated which was aimed at developing business plans but have not translated into loan, which may have contributed to the variance.

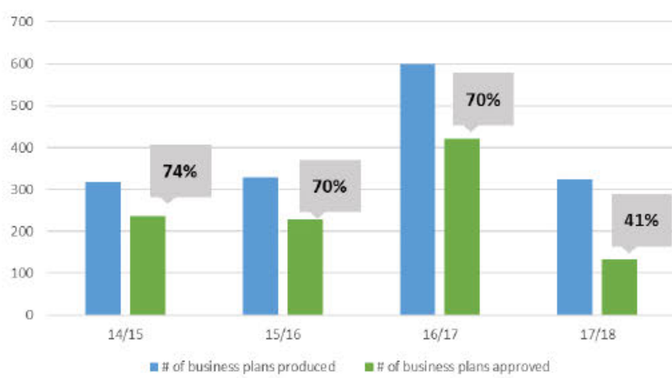


Figure 5: Business Plans Produced Vs Approved

Of the total business plans produced, tourism has the highest approval rate (90%) followed by Agriculture (83%) and Services (61%)

Loans to agriculture sector comprise of the large number and value of loans to total loans disbursed but lowest in terms of average loan size.

Of the total loans approved, Agriculture sector had the highest number and value of loans approved, followed by Services, Retail, Wholesale and Trade, Transportation and Manufacturing respectively. However, the average loan size stood at ST$11,000, with Agriculture sector having one of the smallest average loan sizes (at ST$ 8600) while Transportation had the highest at ST$ 23,000. The size of loan is also rooted to the type of expenditure the loan is taken for. While loan taken for transportation has been used for vehicle purchase, agriculture loan was mostly taken for the purchase of small inputs, agri-tools, chemicals/fertilizers which are less costly per unit relative to transportation.

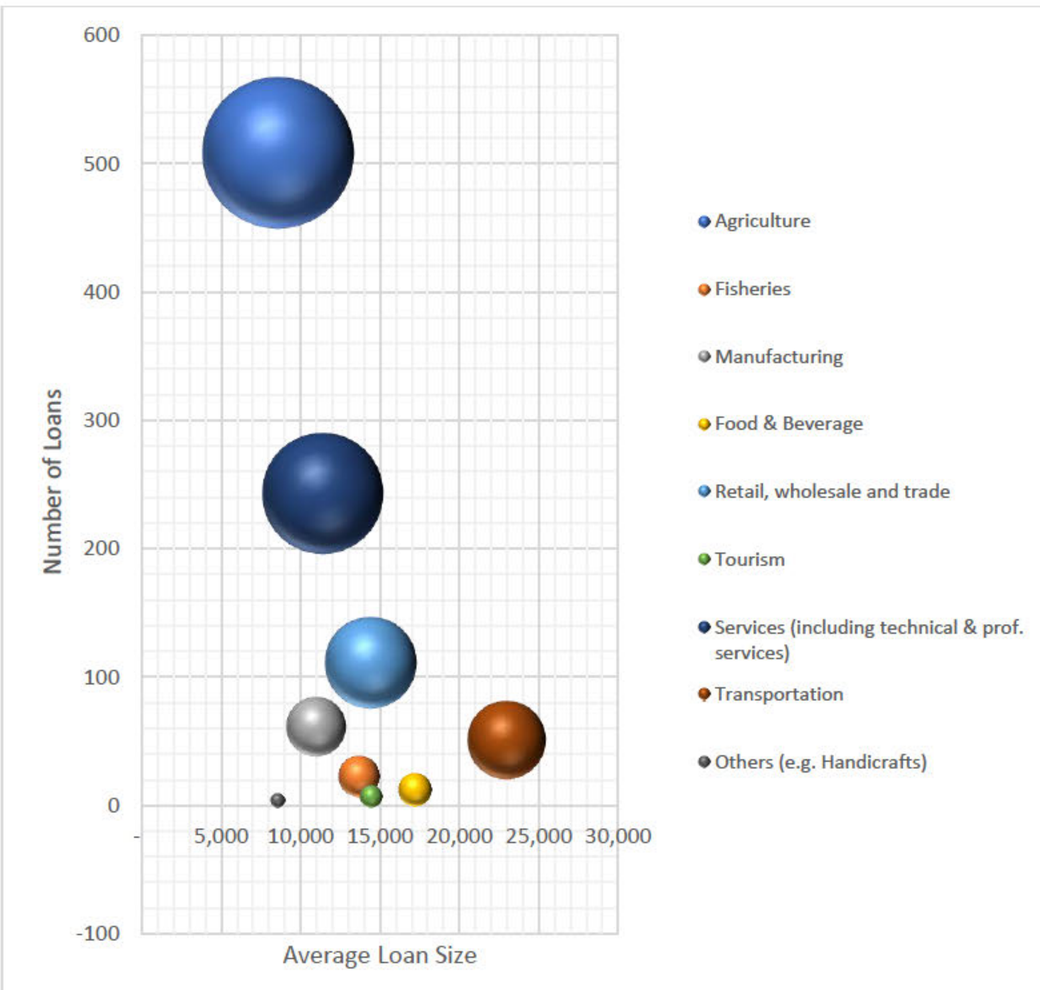


Figure 6: Share of loans per sector

Of the total loan approved over 2014-2018, SBEC committed a guarantee of

ST$ 9,513,744 which is approximately 85% of the total loan value for the period. The proportion of loan guaranteed to loan disbursed has been fairly consistent over the 4 years. The **average guarantee utilisation has been 129% over the 4-year period**. Figure 8 illustrates that the guarantee utilisation was highest in fiscal year 2016/2017 and this was due to a sharp rise in guarantee committed in that year. This indicates (a) SBEC was able to facilitate a higher amount of loan approved for the amount of funds available for the year and (b) there was an increased demand for loans for special purposes such as cyclone recovery etc.

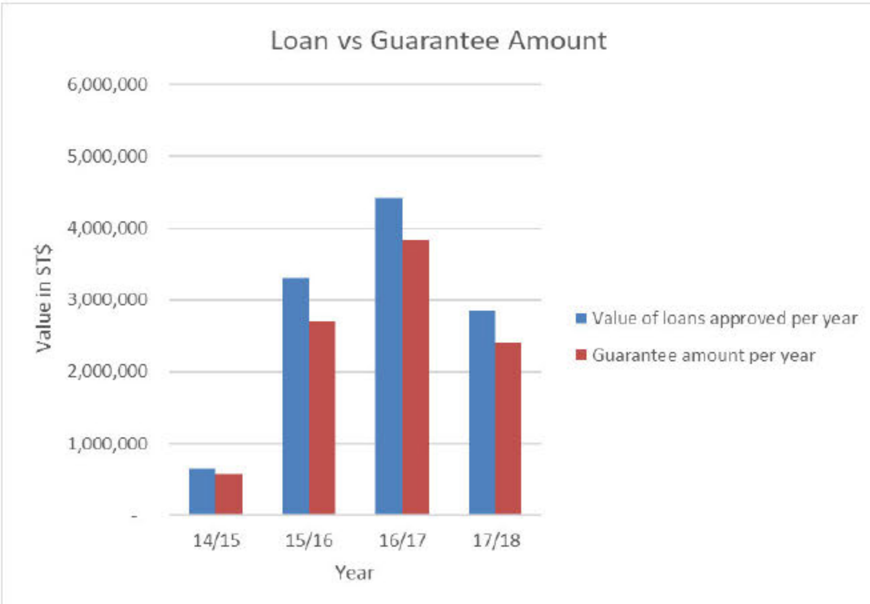


Figure 7: Loan Approved Vs Guarantee Allocated

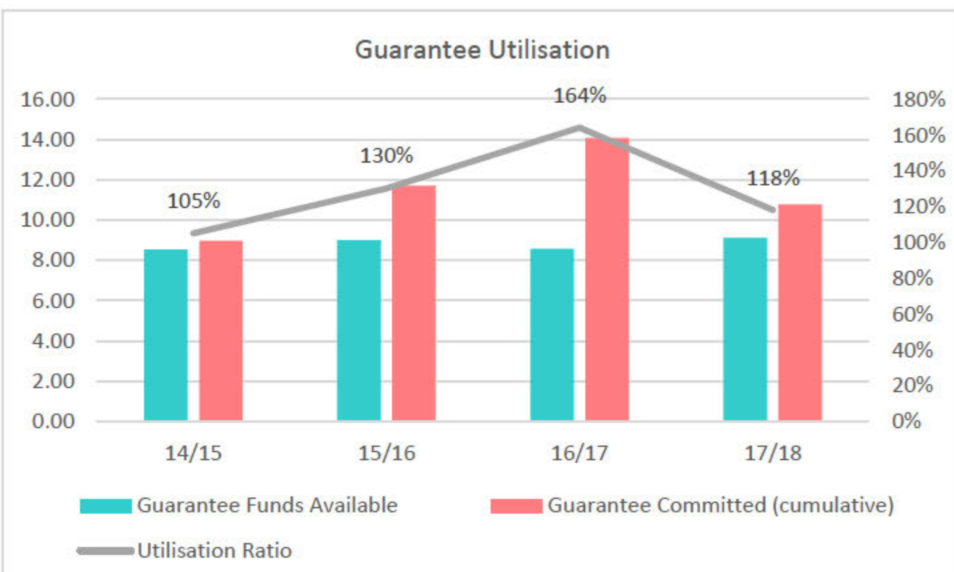


Figure 8: Guarantee Utilisation (Source: SBEC Audit Reports)

Profile of Clients

Who are the clients?

As of 2018, SBEC provided loans to a total of **815** clients[5]. In-depth interviews and review of over 170 business plans reveal the following characteristics of the clients who have taken loan over the period of 2014-2018.

60% male and **40% female**
Average age of clients was reported to be 45 years

It is important to note that the gender of clients is only a representation of the person under whom the loan was registered. It has no bearing on who manages the business. More is described in the next section.

Average Net Worth of Clients **ST$ 44,600**

Majority of the clients have been operating their business for **2-5 years**

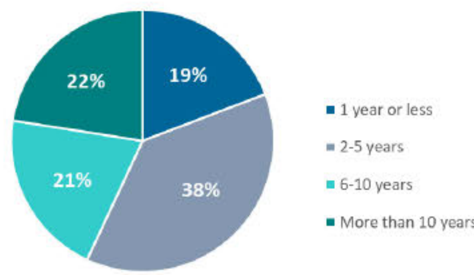
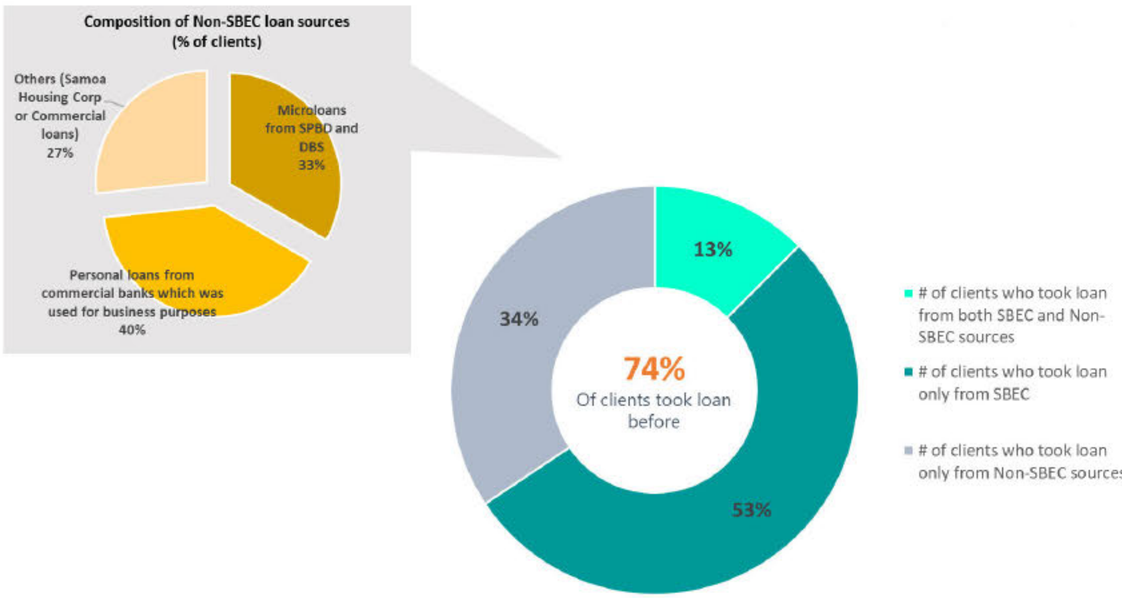


Figure 9: Age of businesses supported by SBEC

[5] While there was data available on the # of loans per year, there was no data available for # of clients per year.

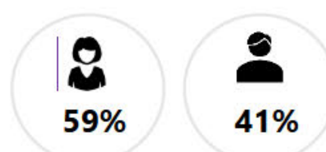


Of the total clients interviewed, 74% of them had taken a loan prior to the 2014-2018 period. Of those repeat clients, 66% of them took a loan previously through SBEC while 47% took loans from only other sources. Those sources include personal loan from commercial banks for the purpose of business, micro-loans and other sources such as Samoa Housing Corporation. This indicates that they may have been able to obtain a loan, however, they also mentioned that the value of loan secured from those sources were small and would not satisfy the requirement they have been able to secure via SBEC6. Further to the size of the loan, availability and eligibility of a personal guarantor at the time of seeking a loan is also a critical factor affecting the ability of securing loan. This is further discussed below.

"SBEC offers assistance, training and follow-up. With commercial banks there is no guarantee if I will get the loan but if we go through SBEC the chances are higher. Also, the waiting period is shorter"

"it is easier to deal with SBH. They are really helpful and not so transactional in nature"

SBEC conducted approximately 144 training sessions over the 2014-2018 period which was attended by 3,061 participants[7] of which 59% were women. In-depth interviews indicate that both husband and wife were invited to attend the training sessions and whoever was available or interested attended the training. In-depth interviews revealed that the top three motivations for approaching SBEC was (1) the absence of suitable guarantor or income to present as personal guarantee (40% of the responses) which includes absence of salaried income and availability of an eligible guarantor at the time of loan requirement, (2) absence of or inadequacy of collateral or assets submitted to the bank, which could range from insufficient asset value or nature of asset not meeting bank criteria, (3) complexity of dealing with the bank documentation and processes and the easy of doing business with SBEC. The team



[6] An estimated proportion of loan secured from other sources has been used to estimate counterfactual which is explained in the methodology of the IO model analysis.

[7] Note that this figure is not overlap adjusted. One single client may have attended multiple sessions.

came across clients in the interview who took repeated loans through SBEC because they felt more comfortable to deal with them relative to the banks.

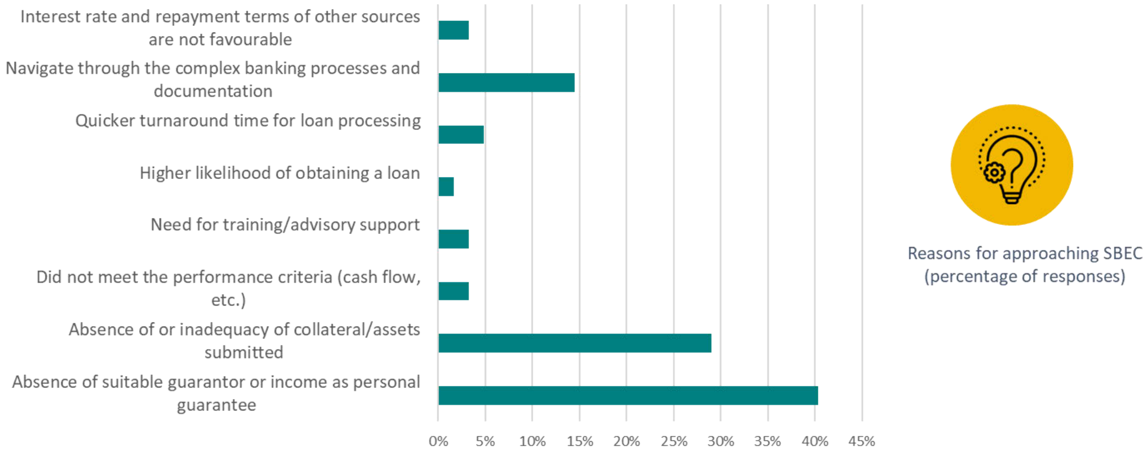


Figure 10: Motivations for approaching SBEC

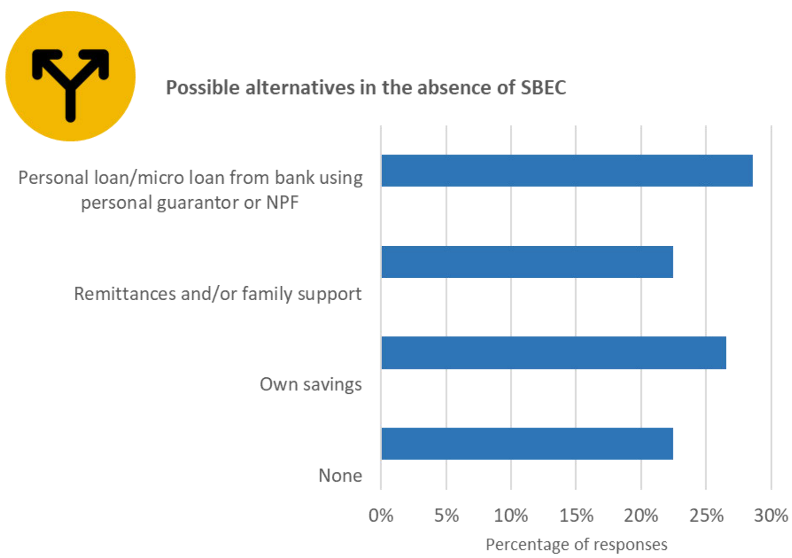


Figure 11: Possible alternatives available to clients

When inquired of the possible **alternative financing options** in the absence of SBEC, 22% of the responses indicated an absence of any possible alternatives to secure finance from any other sources, while 78% of the responses indicated availability of other options (either bank or non-bank financing). Again, this comes with the challenges of drawing on existing resources and in many cases the inadequacy of required funds as they can only obtain a small amount from personal and microloans unless they increase the frequency of it. Clients also mentioned that micro-loans from SPBD requires shorter repayment periods and the interest rate is higher.

2.2. Application of the Loan and Training Services

What have the clients used the loan for and how have they applied the training?

Purpose of the loan and its use

Loans secured from SBEC were used to fund Capital and Operating Costs. While capital costs include fixed costs covering expenses such as equipment, securing large assets, etc., operating costs include the variable costs, cost of goods sold, expenses directly tied to the production of goods and services such as raw materials, labour, rent, utility costs, etc. Review of 177 business plans reveal that clients have taken loans to cover both operating and capital cost, however, a larger proportion of clients mentioned taking a loan for capital expenditure.

92% of the clients requested for **Capital expenses** in their loan applications

63% of the clients requested for **Operating expenses** in their loan applications

Further breakdown shows that of the total responses on loan usage, 47% of the responses have been on equipment and large assets such as agri-tools, irrigation technology, greenhouses, machineries for production and vehicle purchase; 30% of the total responses have been on purchase on inventory/stock and raw materials such as planting materials, inventory for retail store, etc. It is to be noted that in the period 2014-2016, a number of unforeseen events such as a fire in the marketplace and a tropical cyclone meant that businesses had to recover, and a large number of clients took on loans to purchase basic stock of inventory for sale or construction of establishments. 23% of the responses that mentioned use of loan for repair and maintenance include building construction and repair, fencing, etc.

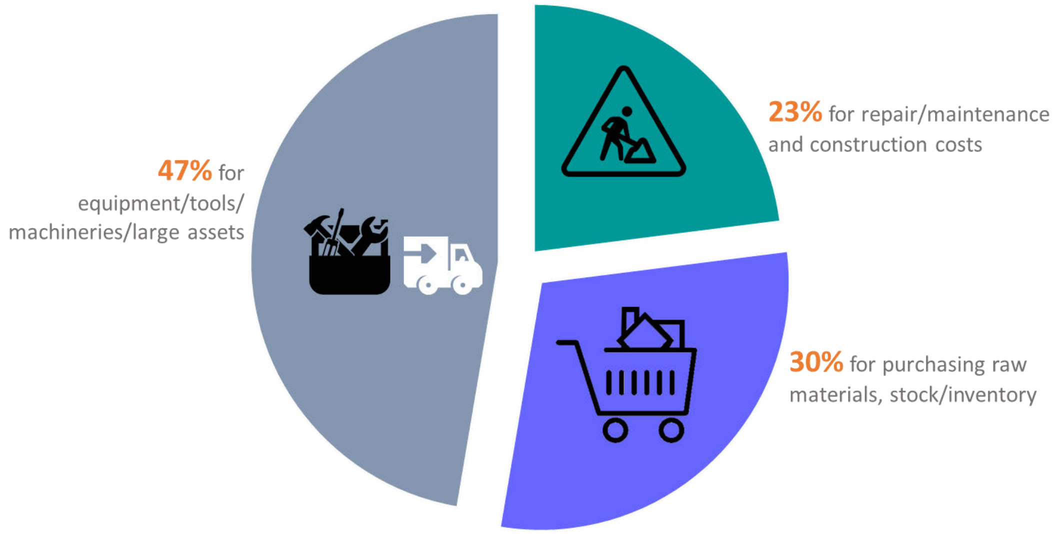


Figure 12: Areas of Loan Usage

When asked about **additional investments** made after taking the loan from SBEC, **53%** of the respondents mentioned having made some form of investment drawing partly on the savings and sales proceeds from the business activities that the loan was taken for, and other sources (e.g. other existing economic activities or family support), either in new businesses, the existing business or both. This indicates that the loan is a means for not only contributing to the growth of existing businesses but also a means for diversifying into new businesses either for a cumulative expansion or risk minimization. For example, a number of businesses diversified into economic activities that generate quicker cash flow to remain resilient during the covid crisis. It was not possible to calculate the leverage of this specific additional investment due to recall issues and also because in many cases respondents pooled in savings from other income sources for which loan was not taken.

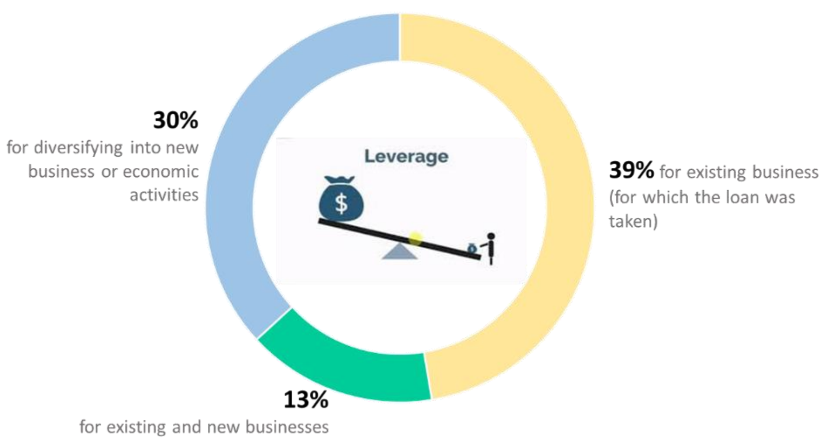


Figure 13: Additional Investments by Clients

Application of the training and advisory services

Over the 2014-2018 period, SBEC provided a range of training support including Start Your Business (SYB) training, Record Keeping, Customer Service, Basic Business Essentials, Basic OHS, etc. In terms of learning, clients highlighted 'book-keeping, accounting practices and financial management', 'business management' and 'better marketing practices and customer service' as the top 3 key three valuable lessons. In terms of application, 'improved accounting practices, financial management and book-keeping' was mentioned the highest (32% of responses), followed by 'business expansion/investment and diversification' (28% of responses), 'better business management, processes and structure' (24%) and 'improved marketing practices/customer service' (14%). It is important to note that business expansion and diversification was highlighted as an important risk mitigation strategy for clients, which was a critical learning from their course.

The following chart shows the key valuable learnings that client remember most from the trainings and what they have applied.

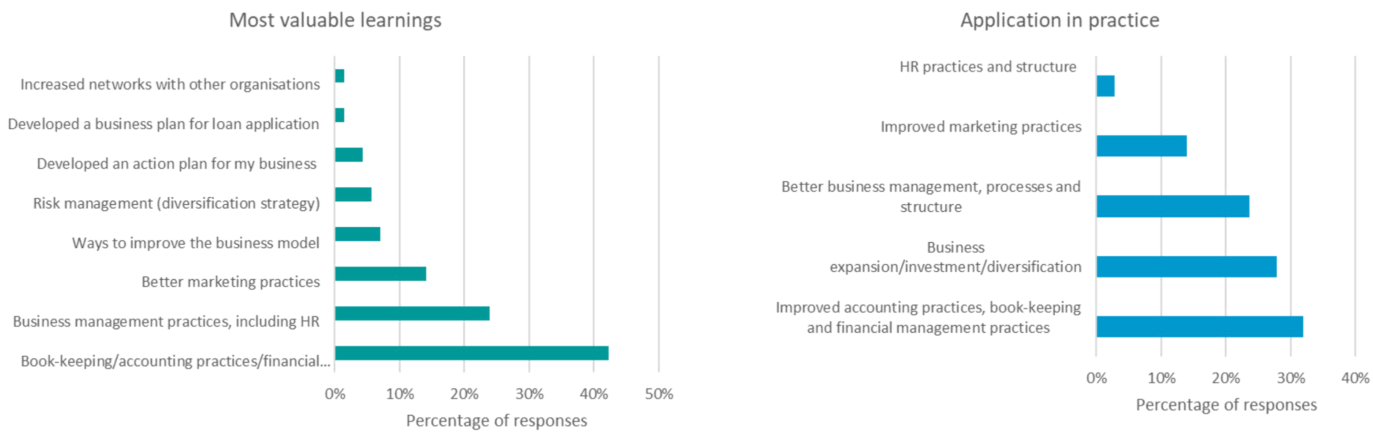


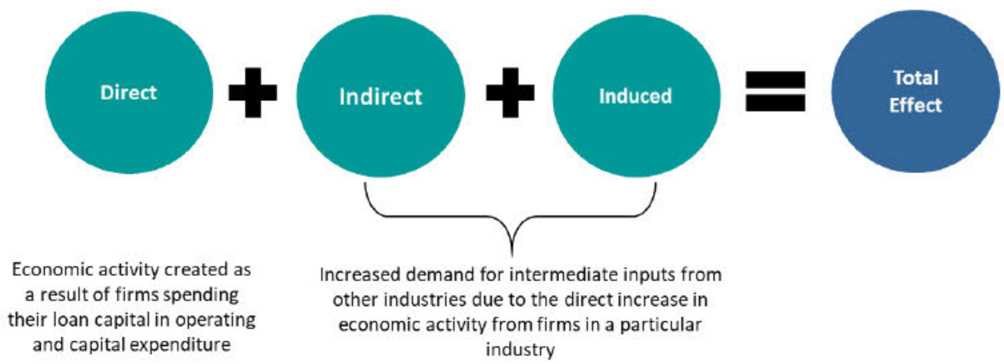
Figure 14: Learning Vs. Application

2.3. Economic Contribution of SBEC

What has been the economic contribution of the SBEC loans guaranteed?

Contribution to GDP

While the section above describes the total amount of loan disbursed and the profile of the clientele, this section focuses on the economic contribution generated as a result of the loan usage. To ensure comparability of previous assessments, the study team used the Input-Output (IO) model to estimate the overall impact. The details on how the model has been derived is explained in the methodology section of the report. The IO model enables the measurement of the indirect and induced effects that result from a direct change in an industry's production, as illustrated below.



In the context of the SBEC's loan guarantee programme, the direct effects relate to the economic activity created as a result of firms spending their loan capital. The indirect effects consist of the increased demand for intermediate inputs from other industries due to the direct increase in economic activity from firms in a particular industry. The induced effects are associated with increases in earnings - as firms in the wider economy increase economic activity to meet the additional demand (direct and indirect) they employ additional personnel, paying them salaries and wages. In turn these employees interact with the economy by spending their salaries and wages, creating the induced effects. The total effect of a given change in any particular industry from SBEC's loan guarantee program will consist of these direct, indirect, and induced effects.

Two important considerations have been made when calculating the direct economic effect:

1. Estimating the return of the loan used
2. Timeline of the effect

1. Estimating the return from the loan used- In an ideal setting, the return of the loan could be well estimated from the *additional sales revenue* that is generated from the additional investments made to the business as a result of the loan. Given that the assessment was conducted in 2020 for the 2014-2018 period, the estimations shared by the clients may have recall issues. Thus, a range has been

used, where the additional sales revenue is used as an upper bound (that is, best case scenario) and the loan interest payment or installment payment is used as the lower bound (that is, minimum amount that the clients would have to generate from the loan to be able to service the debt).

2. Timeline of the effect- Although the loan disbursement period for the assessment is 2014-2018, the repayment period goes beyond those years which means that the businesses would have to generate income to service the loans beyond 2018. Review of business plans and in-depth interviews suggest that the repayment period ranges between 3-5 years. Thus, the assessment team used the IO model to estimate the impact beyond 2018.

Based on these exercises carried out with the IO model, it has been found that the SBEC loan guarantee program from 2014-2018 generated, on average:

An **annual return** within the range of **0.35%-0.69%** of average national GDP over the years **2014-2021**

Contribution to

This compares very closely with the figure reported in the earlier economic and social impact assessment of SBEC carried out in 2015, where it was reported that SBEC activities had an impact of almost 1% of national GDP in the year 2013-14. The range increases considerably under different assumptions, as explained further below.

The figure below plots the GDP effects for each individual year from 2014-2021 for both the lower bound and upper bound scenarios. As can be seen, the overall effects demonstrate an upward trend from 2014-2018, reaching its peak in the year 2017-18. This is due to two factors: (i) SBEC loan activities in 2017-18 are markedly higher for most sectors compared to earlier years, and (ii) the economic effects of loans disbursed in the first three years continue to impact the wider economy in 2017-18.

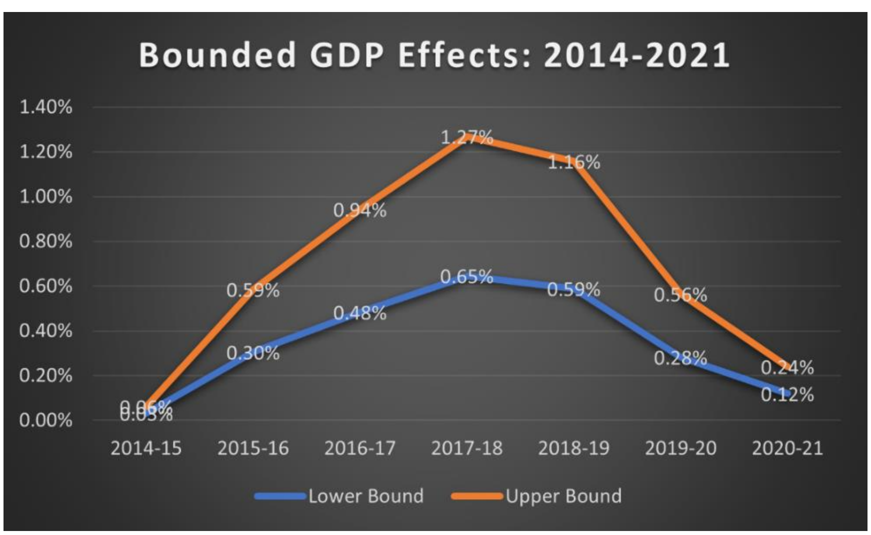
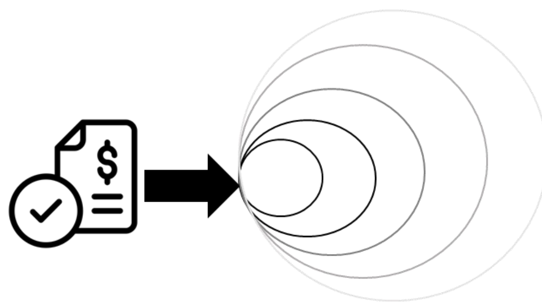


Figure 15: Estimated Contribution to GDP (2014-2021)

Loans related to **capital expenses (CAPEX) account for 68.6% of these effects**, and **operational related expenses (OPEX) account for almost 31.4%** of these effects. We estimate that, on average, for every tala of loan that SBEC facilitated, the effect on the overall GDP is 2.66 tala.



This means that every dollar of loan disbursed under the loan guarantee programme, impact the GDP to the tune of 2.66 dollars.

- Ratio for **CAPEX loan is 2.7**
- Ratio for **OPEX loan is 2.61**

For comparison, the assessment carried out in 2015 found that the equivalent ratios for CAPEX and OPEX were 2.36 and 2.30 respectively.

If we impose a stricter assumption that the direct effects (and their associated indirect and induced effects) from SBEC loan accrue in the very year they are first obtained by the firm, the average annual returns increase considerably. Under this scenario, we find that the SBEC loan guarantee program from 2014-2018 generated an **annual return of 0.62%-1.21% of average national GDP**. The increase in the overall effects is primarily due to constraining all the economy-wide effects to take place within a four-year period, instead of the seven-year period in the analysis above. Thus, although the overall effects do not change substantially, the average yearly effects go up, since a shorter timeframe is being employed to calculate the impact.

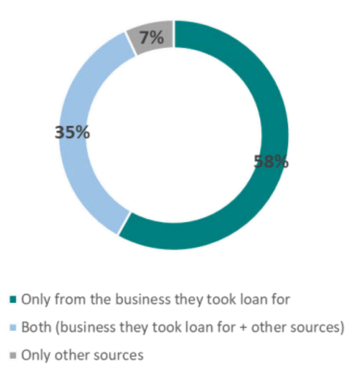


Figure 16: Sources of Loan Repayment

"The true economic impact is not attributed to SBEC's loan alone"

It is important to note that while this estimation takes into account the repayment rate as a proxy for estimating returns on the loans, the in-depth interviews have shown that a good proportion of businesses repaid the loan from other sources (e.g. remittance support, other family member's income or other economic activity), outside of the business they took the loan for. There was no way of estimating proportion of the loan paid out of other sources, but it also shares an important point that the economic impact is not attributed to SBEC's loan alone.

Estimating Counterfactual: When calculating the economic impact, the assessment team also accounted for the counterfactual- that is, **what would have happened anyway**, in the absence of SBEC. The assessment team constructed a counterfactual economy, which assessed the changes in the economy that are likely to take place in the absence of the loan guarantee program. The difference in total GDP between the first simulation and the counterfactual economy will be the effect attributable to the loan guarantee intervention. The counterfactual returns were also generated by these firms in the absence of SBEC's programme, based on the responses in our in-depth interview on the probability of obtaining similar loans in the counterfactual scenario where SBEC did not provide loan guarantees for their client firms. The average counterfactual probability of obtaining similar loans in the absence of SBEC interventions is provided in the methodology section for each sector. The team then subtracted the returns generated in the counterfactual scenario from the overall returns generated in both the lower bound and upper bound cases, to estimate the total economy-wide effects of the intervention.

It is important to note some key limitations of the IO modelling approach we employed to estimate these effects. Firstly, a key modelling assumption is that the technical relationships among industries as portrayed in the 2015 table will remain stable throughout the period of 2014-2020. This assumption is unlikely to hold in the real world, since technical relationships are dynamic in nature, and may respond to a wide array of market forces, including the loan guarantee intervention that this study proposes to study. Secondly, it also necessary to assume that growth in one industry does not constrain growth in others, through competition for labour or capital. Thirdly, the IO model assumes that local industries are able to purchase additional intermediate goods and services from producers within Samoa. If, however, the additional demand of inputs are met by producers outside of Samoa, there will be leakages from the local economy that the IO model is not able to capture. Fourth, we will have to depend on some form of extrapolation for constructing a counterfactual scenario, where the loan guarantee intervention was not implemented. Finally, the model is static, and assumes that constant returns to scales technology governs the entire economy.

Additional Employment Effect

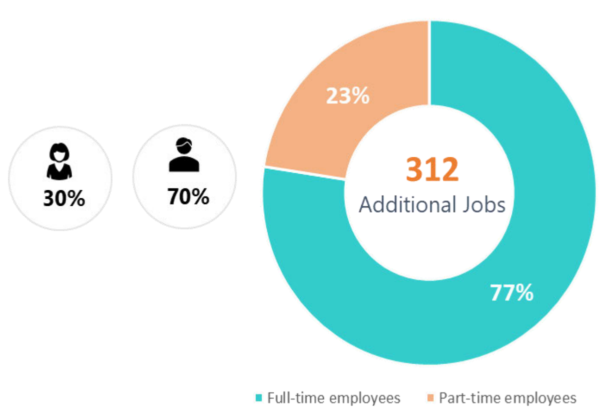


Figure 17:Estimated Additional Employment

This impact assessment focused on the direct additional employment effect as a result of the loan. Additional employment here refers to the hiring of additional staff due to the new set-up, expansion and changes made to the business as a result of the loan.

Additional employment was estimated through the in-depth interviews which was then extrapolated to the total number of

unique clients serviced by SBEC during the 2014-2018 period. The total number of active clients as of 2018 has been 814. Data analysis indicates that 49% are repeat clients. Adjusting for repeat clients, the assessment team extrapolated the average additional employment created by the SMEs interviewed to the total number of unique clients serviced (that is, 417) during the assessment period.

A total of 312 additional or new jobs have been created as a result of the loans facilitated, over the 2014-2018 period. Of the total 241 are new full-time jobs which includes both employees and new entrepreneurs who have used the loan to set-up their business. The remaining 23% (that is 70 jobs) are part-time in nature.

It is important to note that this number is only additional direct employment and is a conservative estimate. SMEs those took loan more than once were not able to separate out the additional employment effect per loan. They were able to highlight the net additional employment effect for the changes made due to the loans taken from SBEC. Hence, unique clients were used for the estimate. Also note that the business plans do not collect comprehensive baseline data of employment for which the assessment limited the analysis to additional employment rather than total employment. Since majority (78%) of these businesses mentioned having some other alternative sources of funding, albeit small amount, no concrete claim can be made that these businesses would have discontinued without the support of SBEC loan. Also, majority of these businesses are small businesses run by husband and wife and other family members so calculating total employment effect runs the risk of overestimating the direct effect.

2.4. Social Impact of SBEC Loan

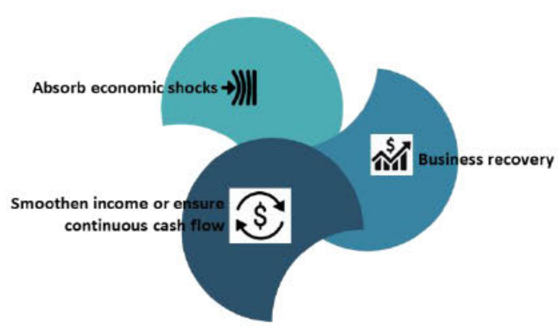
? What has been the social impact of the SBEC loans guaranteed?

The social impact assessment of SBEC loan captures the following:

a. Use of loan for recovery and resilience
b. Accessibility to loan and training services
c. Use of income or proceeds from the business loan taken for

(a) Use of loan for recovery and resilience:

When responding on purposes of loan, a number of businesses, particularly in retail, wholesale and trade highlighted the need for finance in 2016 to recover from the Savalalo fire. A number of businesses taking loan in 2014 also mentioned the importance of accessing loan to contribute to the continued business recovery post cyclone in December 2012. Additionally, 37% of the businesses interviewed mentioned that **they have either diversified or plans to diversify into new business** (alongside continuing existing one) or completely shift into new business as a strategy to (a) reduce risk through economic diversification so that they are able to absorb the shock if any one of the income sources are hurt and (b) invest in economic activity to smoothen cash flow. The latter has been particularly relevant in the past year where a number of businesses expanded agricultural production or



shifted from elei production to selling cooked food/bbq near their residence, etc., to supplement income or ensure a steady income source in times of COVID.

(b) Accessibility to loan and training services to diverse group:

The loan and training services was attended by approximately **1,800 women and 1,200 men** across a range of different profiles. These include seasonal workers, unemployed youths, vulnerable groups affected by natural disasters. The following diagram illustrates the key training and advisory support provided to a range of different groups over the 2014-2018 period, as revealed by the document reviews.

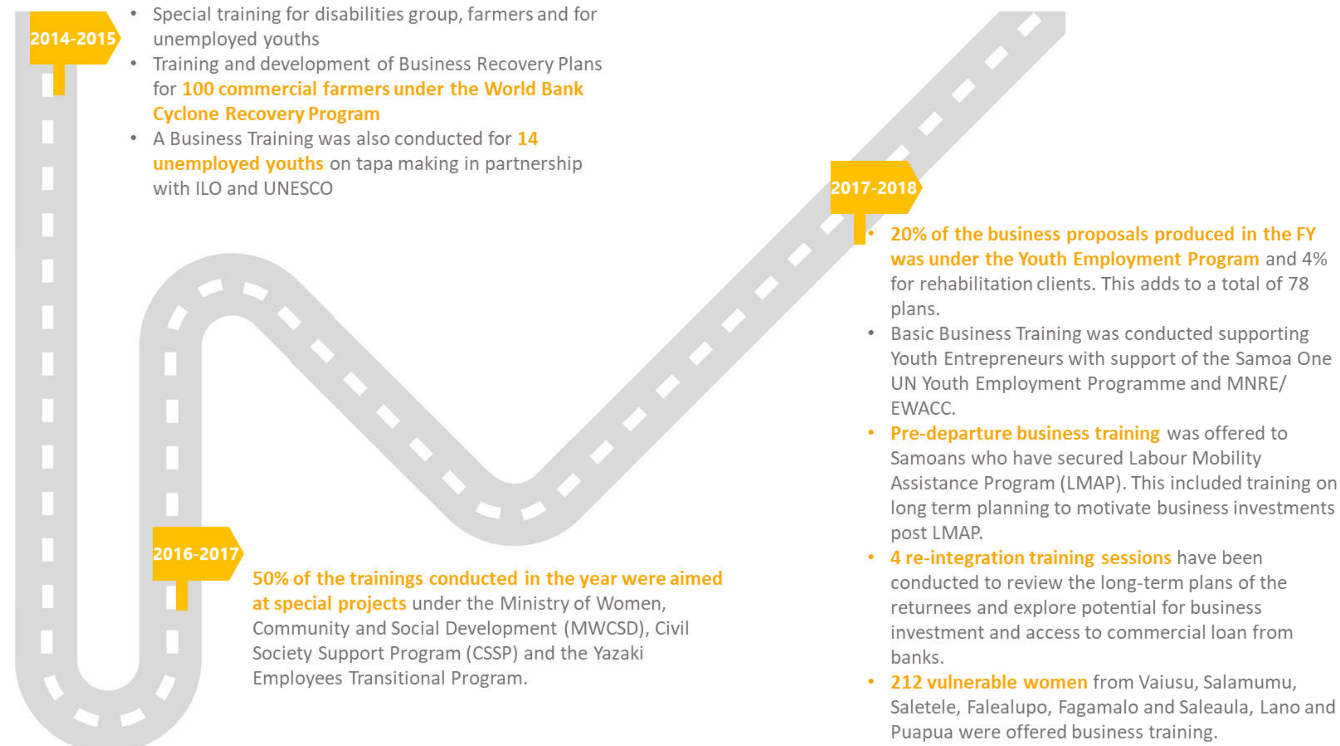


Figure 18: SBEC Services Targeting Diverse Groups

The in-depth interviews further explored the issues around accessibility in three ways:

(a) accessibility in terms of location and distance and ease of the content: the Washington Group defines disability as a result of personal medical conditions and the barriers which limit individuals' abilities to participate fully in society. Based on this understanding, a key area of potential barriers that SBEC is directly engaged in is the provision of its training program. The assessment included questions on the barriers in relation to accessing the training program as well as barriers in comprehending and understanding the training content. 15% of respondents identified that the training location was too far from their home base, which can deter people with long-term personal medical conditions or situational disabilities (pregnancies, injuries, lack of appropriate transportation) to attend the trainings[8]. Areas of improvement have been in relation to the use of simpler terms in English that translates difficult Samoan financial terminologies and the simplifying the content delivery of the budgeting and book-keeping training.

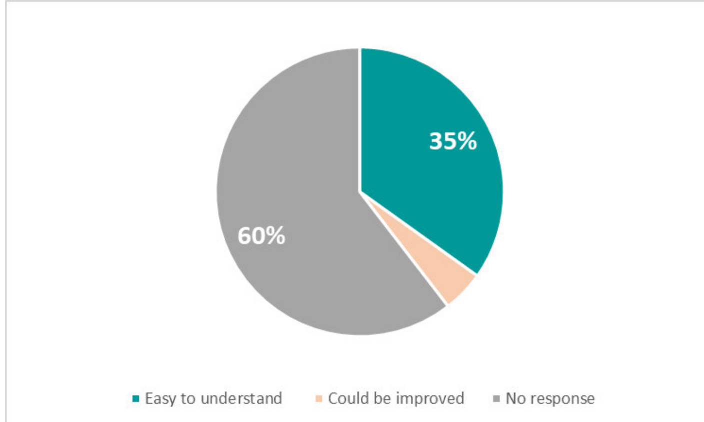


Figure 19: Feedback of Clients on SBEC Training

(b) women's access to training: both women and men from the client household was invited irrespective of who took the loan. This was particularly seen useful because both men and women are involved in managing the business. However, in depth interviews suggest that the timing of the training may have posed difficulty as women/men are either at work or in the absence of being able to delegate household responsibilities, women cannot participate.

(c) women's access to credit: in-depth interviews reveal that there is no specific barrier to accessing credit by women. The difficulty is the same as men and not gender specific, however, some women in the interviews mentioned that limited literacy and understanding of financial management often discourages them from being the primary loan applicant. It is interesting to note that when asked about decision-making and control:

- **53%** of the respondents mentioned that both the husband and wife **jointly** make decisions
- **26%** mentioned that the **wife leads** the decision making
- **21%** mentioned that the **husband leads** the decision making

[8] Note that Washington Group questions on identifying disabilities was not included in the questionnaire, instead function related questions on accessibility of training venue and content were focused upon. The functional approach to disability inclusion for Private sector programs has been established in East Asia and Africa.

This again confirms that the person taking the loan is not reflective of who is the key decision-maker or day-to-day manager of the business. Across some of the interviews, even where the husband leads the decision making, the wife does the day-to-day business management. Therefore, it is critical that women are able to participate and gain skills to improve their ability to manage and lead the business. Interviews with women also revealed that despite their workload on managing household chores alongside the business, women are motivated to run or contribute to the running of the business because they feel good about being able to contribute to the household income and secure children's future. Below are some interesting quotes from female interviewees:

"It is hard for me to manage the business and household chores. I often struggle to give time to my children but the sales from the business is important and I want to continue engaging with the business as it helps me contribute to the HH income and savings for my family's future"

– a female client from Upolu who took out a loan for her retail business.

"I did not go to school. But not women and girls have many opportunities to access education and credit compared to before. Younger women need to take these opportunities that we did not have."

s9(2)(a)

(c) Use of income or proceeds from the business loan taken:

In-depth interviews indicate that clients used their income (from the business proceeds the loan was taken for) for a range of different purposes. However, majority of the responses were about the use of income to 'reinvest in the business', closely followed by 'family expenses particularly children's education and purchase of household assets' and 'savings for the family'[9]. This is also reflective of the business plans where the motivation mentioned is primarily to expand their economic activity to support their livelihoods and improve standards of living.

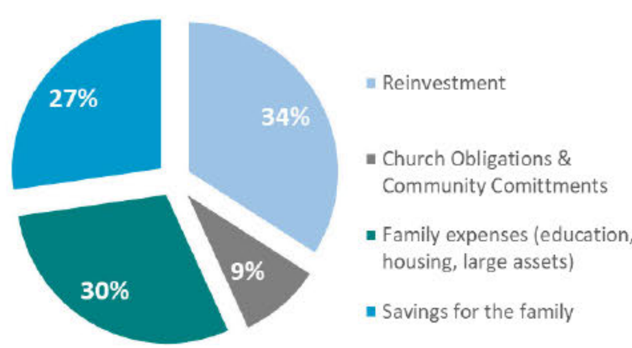


Figure 20: Use of Income by Clients

[9] Note that the category of 'church obligation and community commitments' include responses that explicitly mentioned so. Savings for family and family expenses could also include some component of church obligations but it was not explicitly mentioned.

The pattern of income use towards reinvestment and savings may suggest some influence of the trainings since the second highest application of the training was mentioned to be on “business expansion/investment/diversification”.

(d) Environmental Impact of SBEC services

As per its policy manual, SBEC assesses if a business is violating any environmental law before approving applications. However, given the nature of the sectors and the average loan size guaranteed under the SBEC guarantee scheme (during the period assessed) there is no considerable environmental risks.

The Ministry of Natural Resources and Environment (MNRE) provides a guide on the laws[10] in relation to the areas of concern on the commercial and non-commercial activities carried out in Samoa. Given the largest part of SBEC’s portfolio being in the agricultural and retail sector, the relevant areas of impact can be around water catchment and land clearing, however, given the small sizes of the businesses that SBEC works with fall below the threshold requiring Environmental assessments.

It is important to note that SBEC played a critical role in the recovery of businesses after extreme climatic events. To also assess the positive impact on environment through its services, the program can use the guide from MNRE to develop a checklist to record the assessment of businesses in relation to their impact on the environment.

[10] https://www.sprep.org/attachments/Legal/REVIEWS_ENV._LAW/Conservation_Laws_in_Samoa-Final-version_1.pdf

3. Scalability and Sustainability

Can this impact be scaled and sustained?

3.1. Sustainability of SBEC Services

Acknowledging that the service that SBEC provides for MSMEs in Samoa is critical in nature, it is imperative to define what sustainable provision of these services means in Samoa. There could be two ways of defining it:

a. Sustainability of the businesses that SBEC supports (that is, the continuity of the businesses that SBEC supports), however, it raises the following question- 'what would happen to businesses in future who require the services that SBEC so uniquely provides?'

b. Sustainability of SBEC as an institution- which raises the question- 'is SBEC as an institution able to make sufficient income from a low-income market segment that is highly risky?' The findings of the assessment indicate that that the risks and costs of providing these services on an ongoing basis are high, and hence have required MFAT and Samoan Government assistance to sustain the program for more than two decades.

As the table below outlines that most functions necessary for businesses to secure financing are currently being performed SBEC and in large part being funded externally. While the economic impact of this investment is sizeable, the sustainability of these services being available without public funding – either in the form of government, or donor support is questionable.

Who Does, Who Pays

Functions	Who Does	Who Pays
Promoting financial services and facilitating linkages to the banks	SBEC/Banks	MFAT/Banks
Due diligence of businesses	SBEC	MFAT
Providing training to participants on business management	SBEC	MFAT
Supporting business to draft business plans for bank financing	SBEC	MFAT/Business
Organizing relevant documents required for loan application and paying guarantee fee	Business	Business
Allocating guarantee funds for select businesses	SBEC	MFAT/Gov of Samoa
Assessing the loan application and providing funds	Banks	Business
Ongoing monitoring and advisory of businesses	SBEC	MFAT
Contract enforcement	SBEC	MFAT

Table 2: Functions Being Performed by SBEC

The need for these services is established by continued demand for them from SBEC clients, and to ensure that the services continue to be provided to Samoan businesses, it is imperative that SBEC takes on the challenge to reduce the load of activities it performs in this market to reduce its reliance on donor funding, or secures sufficient support from the Government of Samoa to sustain its services.

The first constraint that SBEC faces in achieving reducing the burden of activities it performs in the market is the lack of commercial incentive for the banks to venture into small business loans with limited collateral. Almost all banks reported that the loans guaranteed by SBEC have more or less the same performance (measured by loans that have defaulted or have not been paid by the client), with the exclusion of BSP, the largest bank in the country.

Data on foreclosures were analysed from the annual reports of SBEC, to observe any trend. Foreclosures were chosen as comparator than arrears, because level of arrears do not always represent health of the business, as in-depth interviews show that repayments are also made from other sources of income.

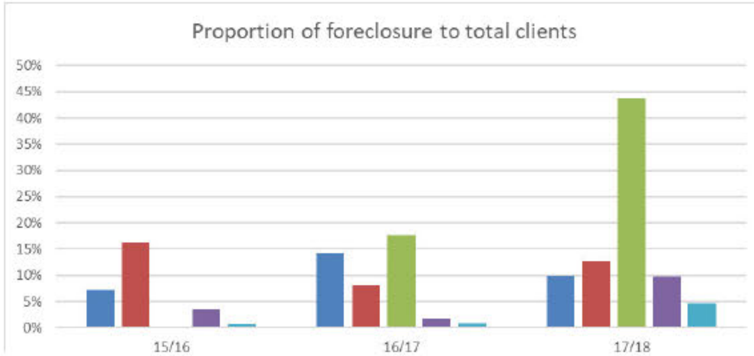


Figure 21: Proportion of Foreclosures to Total Clients (per bank). Source: SBEC Annual Reports

Figure 21 illustrates the loan performances of different banks over the 2015-2018 period, in terms of loan foreclosures to total clients. According to the graph, NBS had the highest number of foreclosures to total clients they were catering to. They are then followed by ANZ. Although the proportion is low for DBS given the size of its portfolio, an upward trend can be observed.

BSP shared that the performance of SBEC supported loans is significantly lower as compared to the rest of their portfolio. It stated that 15% clients coming through SBEC defaulted on the loan as compared to 1% of their total portfolio. BSP did not see the commercial viability of venturing into such loans without SBEC support, nevertheless, commended SBEC's role as socially positive towards the growth of SMEs in the country. All other banks interviewed, including National Bank of Samoa, Development Bank of Samoa and Samoa Commercial Bank stated no major difference between the performance of their total portfolio, when compared with the clients that were guaranteed by SBEC.

To assess this claim, this assessment looked at the percentage of foreclosed loans[11], as reported by SBEC in the annual reports. For the period studied for this assessment, a total of 495 loans were cleared and a total of 95 loans were foreclosed. The percentage of loans foreclosed for the studied period was 15.8%; almost identical to that quoted by BSP.

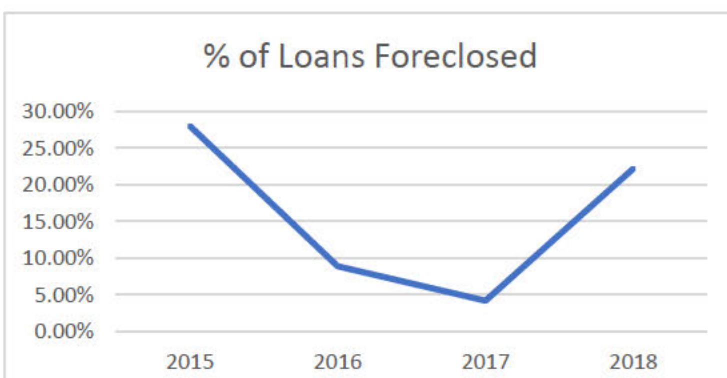


Figure 22: Foreclosed Loans as a Percentage of Loans Foreclosed and Cleared in a Given Year.

[11] The data is sourced from SBEC's annual reports. The percentage is calculated by adding the number of foreclosed and cleared loans each year and deriving a percentage of the foreclosed loans from that total. Given that the loans cleared and foreclosed come from different years, the chart is only representative.

The comparability of SBEC supported bank clients with the bank's clients, which are already credit worthy, does have its challenges as these businesses are often in remote locations, with limited exposure and at times in early stages of their operations. However, these businesses also have an additional advantage over their counterparts – the mentoring and training support that SBEC provides. A multi-country OECD study on Credit Guarantee Schemes (CGS) found[12],

> *"There is also some evidence that loan guarantees could be associated with increased default risk of beneficiary firms. This important observation underscores the need for a careful evaluation of credit guarantee arrangements, as the benefits of higher employment would need to be weighed against any potential increase risk of default potentially brought about by CGS activities."*

In the light of international evidence and statement from local banks, careful consideration and increased efforts are required in selecting and supporting businesses. Particularly, in the absence of a strong business case for banks to venture independently into financing the category of MSMEs that SBEC supports, the assessment team believes that there can be alternative avenues to explore to ensure long term sustainability of the services that SBEC provides currently.

- **Due Diligence***:* Engaging with market associations or key market actors which have an incentive for the businesses to succeed to share the burden of due diligence on businesses. An example of this would be engaging with exporters in the agricultural sector which are looking for more producers to identify most suitable farming enterprises to support and grow. Another example can be by engaging major distributors of goods to identify suitable shop owners looking to expand. Engaging actors in the market will improve the quality of the due diligence and will also provide valuable insights of the market needs to the SBEC team. Moreover, their engagement will potentially exhibit the importance of financing small enterprises for the larger businesses and in the long run potentially reduce the overall role that SBEC plays in some segments of the market.

- **Training and Advisory Services***:* The most frequently identified components of the training program that the clients applied in their businesses were book-keeping and financial management. Other components, while important may vary in relevance for different businesses. SBEC can explore how some components can be offered commercially in the market for interested businesses, complementing its efforts to also achieve financial sustainability.

- **Alternative sources of Guarantee***:* Identifying alternative sources of guarantee or other forms of collateral would be critical in improving SME's credit worthiness. Similar to due diligence suggestion, identifying market actors which can benefit from SME growth in specific sectors can be engaged to reduce the guarantee burden of SBEC while creating an alternative source of credible guarantee for businesses. An example of this happening without SBEC support in Samoa is the auto-finance support that car distributors in Samoa offer to their clients. While the segment is very different from the one SBEC operates in, nevertheless, it is important to also acknowledge that commercially viable sectors would be crowded in by the private sector on

[12] Evaluating Publicly Supported Credit Guarantee Programmes for SMEs, OECD 2017

their own, however, the challenging ones are the only ones that would require and justify external support.

- **Public Funding***:* Given the contribution of SBEC's services to Samoan GDP and the otherwise weak case for private sector to offer the services being offered by SBEC, there is also a potential to sustain the services of SBEC through Samoan Government funding. Donor supported projects, by design and purpose, are meant to demonstrate the effectiveness of a certain model or type of services in a given country. In SBEC's case, the partnership between Samoan Government and New Zealand Government has allowed Samoan Government to be closely involved in the trust and to assess the outcomes of the trust. Given its impact and the institutional knowledge that it has garnered over the years reduces the risk for Samoan Government to fully fund the trust to support small business, particularly in remote and rural areas. Samoan Government is best positioned to ascertain whether the services can be provided through the current SBEC structure or are better suited to be combined with other initiatives it has, however, it is important that institutional memory and the relationships that SBEC has built over the years are fully utilized by retaining its current team.

The key objective of these avenues to explore is to ensure that the critical services that SBEC provide are taken up by market actors and as a result the MSMEs continue to receive such services in a more sustainable manner in the long run.

3.2. Scalability

In the four-year period being assessed, SBEC facilitated a total loan of approximately SAT 11.2 million (USD 4.2 million), whereas (arguably) the latent demand for SME financing for the year 2017 alone was reported to be USD 35.6 million. SBEC, with the best of its intentions can only cater to a small part of this market. For it to expand its influence, it will need to play a more catalytic role in the markets. Being a catalyst would require a focus on creating demonstrative models of what works for different actors in the market as opposed to directly providing assistance to a large number of businesses in a sector.

The most desirable outcome of SBEC's assistance to businesses is them building independent relationships with banks and based on those relationships continue accessing financing on their own. However, as mentioned previously, the high perception of risk associated with MSMEs has deterred banks from creating independent relationships at the expected rate. This has led to a high number of repeat clients for SBEC as elaborated in Chapter 2. To address this, an increased focus is required in the quality assessment of the businesses that are supported by SBEC to demonstrate the value of this segment to the banks. This is crucial as guarantee schemes internationally also carry unintended negative impacts by encouraging businesses which may not yet be credit ready to secure financing, channelling funds to businesses that cannot make productive use of those funds or keeping businesses alive that would otherwise exit from the market due to lower viability.

The absence of a credit bureau in Samoa acts as an impediment for commercial lenders to extend more credit[13]. There are ongoing discussions to revive the work on establishing the credit bureau in Samoa[10]. The establishment of the bureau will open up the opportunity for SBEC to support the segment of businesses it caters to in building their credit ratings and hence becoming more attractive clients for commercial lenders. It is worthwhile to note here that the segment of businesses that SBEC caters to are small in size, young and in remote locations. Making such a segment a commercially attractive client for commercial lenders will require tremendous efforts, nevertheless, the credit bureau will offer opportunities for improving credit access for the most promising enterprises that SBEC supports.

In-depth interviews indicate that 16% of the clients have closed the businesses they have taken the loan for, while 28%, 7% and 2% are planning to diversify. Decision to close the business is related to the poor performance of the economic activity (in relation to its demand or saturation of services). There is no clear evidence if the decision to diversify is related to the risk profile of the businesses, but care should be taken to better understand the reasons for diversification to avoid unintended negative effects mentioned above.

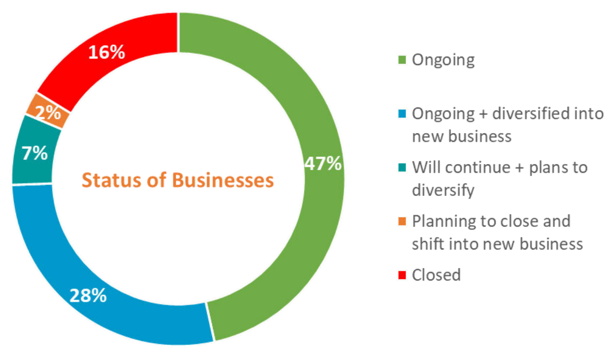


Figure 23: Status of Businesses

Similarly, by keeping in view the suggestions in the sustainability section, the reduced yet more impactful role that SBEC can potentially play will allow more players in the market to take ownership of SBEC initiatives and take them forward without SBEC support.

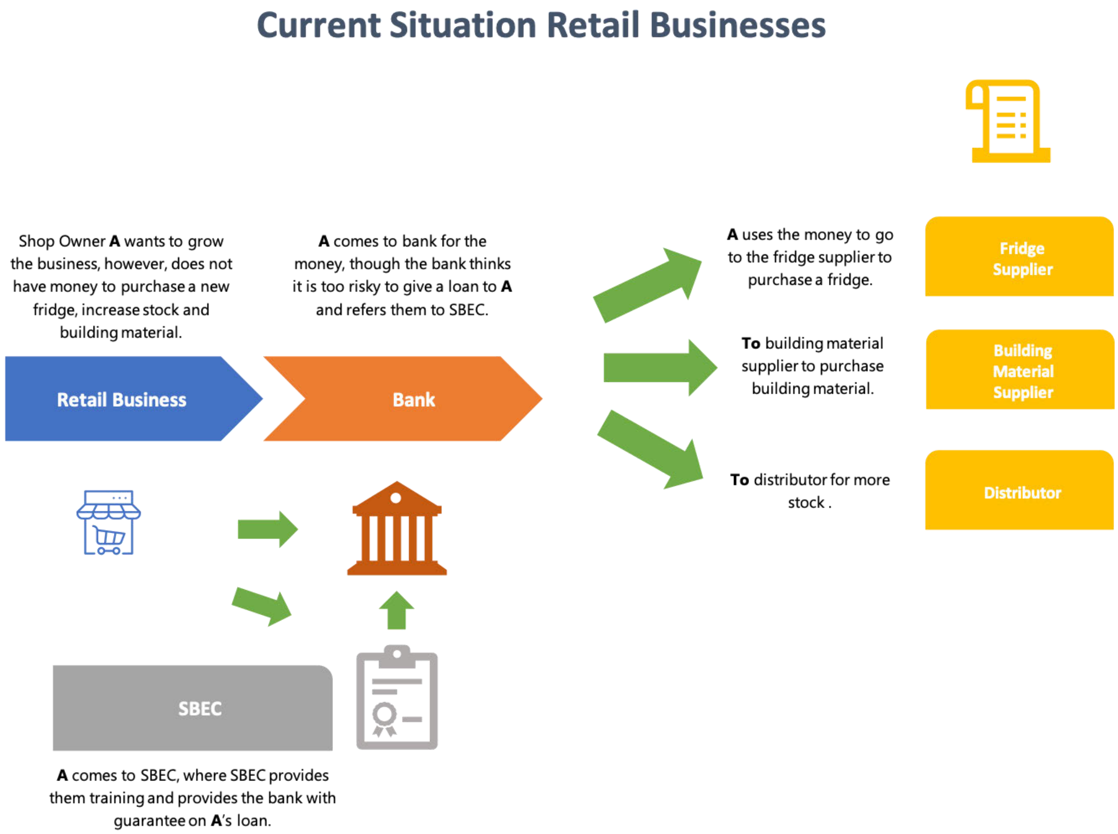
4. Recommendations and Conclusion

Based on the IO model, this research finds that SBEC's contribution to the economy increased during the period of 2014-2018 as compared to the period of 2009 – 2014, when less stringent conditions are applied. These results highlight the importance of SBEC's services for SMEs in Samoa, particularly the guarantee scheme. In the same breath, it also increases the importance of ensuring that these services are sustainable in the long run and more businesses are able to access finance in future as the demand grows. To achieve that, the research finds that the program still has a long and challenging pathway ahead given its current approach. In line with the findings of this research, the assessment team makes the following recommendations to SBEC to maximise its impact for Samoan businesses and the SME eco-system.

Engage with market actors to introduce alternative sources of financing

[13] United Nations, Economic and Social Commission for Asia and the Pacific, *Micro, Small and Medium-sized Enterprises' Access to Finance of in Samoa,* MSME Financing Series No. 4 (Bangkok, United Nations 2020), available at https://www.unescap.org/publications/MSMEs-access-to-finance-Samoa,)

As discussed, a closer look at SBEC's clients in different sectors reveal that the loan applications are made in each sector for a narrow list of items (as shown in figure 12). As such, the suppliers of these items are a beneficiary of SBEC's assistance to the SMEs. Taking an example of the retail sector, SMEs apply for loan to increase their stock, purchase electronics as a fridge or increase their stock (the list is only indicative.



In the current context,

- the banks benefit from SBEC's activities by gaining interest without taking the risk of financing businesses. Given the asymmetry of information regarding these businesses, it is going to remain risky for commercial banks to finance the businesses that SBEC caters to.
- the suppliers of different items that SBEC clients purchase through the loans also benefit by increasing their sales to a market segment which would otherwise not be able to afford those items.

While persuading banks to increase their risk appetites would be challenging given the asymmetry of information they have regarding the small businesses which may not have banked previously for business purposes, exploring other actors in the market which may also have an incentive to provide financing for their products, can be a major sustainable achievement for SBEC. For instance, engaging with electronics suppliers in Samoa to provide fridges or freezers to SMEs on instalments and supporting them to reduce their risks in testing such models could mean a limited need for formal financing for fridges and freezers for all retail SMEs without any need of external support. While not all such stakeholders would be interested in testing financing models to increase their sales, achieving a small number of successes with major stakeholders in the relevant markets that SBEC operates in can significantly reduce the burden on SBEC and increase the scale of its impact.

It is recommended that for each of the sectors, SBEC team identifies market actors who have an incentive to provide financing to the clients and engage with them to introduce alternative models. These models will not be unique for Samoa as during the interviews, it was identified that an agricultural input supplier in Savaii provides credit to a small number of clients to grow their sales. If SMEs in Samoa are able to obtain the items that they are taking loans for without even needing a formal loan, SBEC still achieves its objective of supporting SMEs to grow. Along similar lines, if SBEC successfully persuades, through risk sharing, established actors in the market to act as guarantors for businesses in their supply chain, it also achieves SBEC's core objective. While the precise model and partners may vary, the assessment team emphasises on the need for SBEC to actively explore opportunities where more commercial actors in the market can provide parts of the services that it currently provides itself.

This recommendation is based not only on the viability of exploring such opportunities, but also on the strength of the unique position that SBEC holds in Samoan economy. SBEC, over the years, has successfully been able to reach the remote businesses in the country and has not only helped businesses to grow, but also through its engagement campaigns has sparked entrepreneurial interest even in the remote parts of the country. The length of time that SBEC has had in the economy and the quality of the relationship building efforts positions the trust in a suitable place to influence other actors in the economy to partake in exploring alternative financing models to support SMEs in the country. Leveraging its position in the community and the economy as a whole can help SBEC achieve greater impact, which requires less resources than what are currently utilised.

Engage with market actors to identify suitable SMEs to reduce risks of increased defaults

The risks of encouraging default among MSMEs is high for Credit Guarantee Schemes, and the statistics reported by SBEC in its annual reports suggest that this may also be true in the Samoan context. To mitigate such risks, SBEC will need to be more selective in the businesses it supports as well as improving the quality of the business plans.

The current process to identify suitable businesses can benefit greatly by engaging with market actors which are familiar with the market potential as well as the potential of SMEs operating in the sector. For instance, engaging with exporters facing challenges with supply can help identify suitable agricultural enterprises which could increase their supply if they had greater access to finance. Similarly, engaging with exporters would also strengthen the business plans of the businesses with a clearer avenue and more accurate projections of sales. Choosing the most suitable businesses to support will increase the confidence of commercial banks to engage with the segment that SBEC caters to as well as have greater alignment with market needs of the relevant sectors.

The exact arrangement of such engagements can vary however, and ideally need to be formed on a more ongoing basis with a clear commercial goal for the stakeholders and large businesses of supporting SMEs in their supply chains. Exporters, Input Suppliers, Major distributors and other actors in the market can both identify market opportunities and high potential businesses with minimal effort, they are also incentivised to do so where it benefits them commercially. It is important to avoid arbitrary quarterly or six-monthly meetings with stakeholders which may not yield the same results.

Assess the commercial viability of SBEC's sustainability plan

SBEC's (now Samoa Business Hub) 2019-2023 plan has a strong focus on increasing the revenue streams for SBEC. It needs to, however, be noted that in the researched years (2014 – 2018), external funding coming into SBEC has been on average four times more than its internal revenue, with about 2 million SAT injected each year for its operations. For SBEC to be entirely self-reliant, its new ventures in micro-financing or catering to larger businesses will need to make a profit of at least 2 million SAT per annum to just meet the operation needs of its current structure. For SBEC to be able to do that, certain considerations need to be made. This includes (a) the need to assess the size of the market it is entering (e.g. in the year 2019, SPBD microfinance made a pre-tax profit of 1.4 million SAT) (b) the need to strategise whether to capture part of the market or create new markets or take the same level of risks as the counterparts, (c) consider a timeline within which those changes will be achieved.

The research findings indicate that the current costs and risks will continue if the approach to service SMEs stays the same, which will be extremely challenging to meet without external support for the next several years even if the new ventures are successful. A clear pathway will help New Zealand Government and Samoan Government to ascertain their exit strategy or even decide if their support for the trust will be for an indefinite period.

Moreover, the current market dynamics and relationships also need to be taken under consideration, where SBEC, being a donor-funded trust, needs to support existing players to reach efficiency and avoid overlaps with entities already providing a service. Utmost care needs to be taken as donor funds provide SBEC unfair market advantage against commercial entities, as such if any commercial entity is crowded out due to SBEC's involvement, it does less good for the Samoan economy in the long run.

Data Management and Use

The following are key recommendations on M&E data use for SBEC

- A streamlined system of data management between banks and SBEC: Currently due diligence is process requires SBEC contacting each commercial bank to check against their database on whether the client has previously defaulted or has a current loan. The assessment team recognises the ongoing discussions on the formation of the Samoan credit bureau to ease such processes, and recommends early adoption for such systems. This will allow in improved data management for SBEC and would also be beneficial for its clients.

- Improve the quality of existing data management: review of the business plan and existing database reveals the need for the following:

  - ***Need for overlap adjustment***. SBEC currently reports total number of clients as "total number of active clients till date". When conducting in-depth interviews, it was revealed that a significant portion are repeat clients. It is important for SBEC to report on the number of unique clients and the proportion of repeat clients to total. The need to report repeat clients is critical to trigger the discussion around why there is such a high repeat clientele and what it means for graduation to regular loan services or the demonstration effect.

- ***Need for explicit mention and consistency of data reporting of incremental versus cumulative figures*.** During the document reviews data inconsistencies have been observed between the quarterly report, annual report and the audit reports for the same indicator. It is recommended that all the indicators calculated should have a description or an annex needs to be added on how they are being calculated across the different reports including their definition. For example, the total loan reported in some reports include SACEP and special projects while other reports for the same period does not. In a regular setting cumulative refers to 'total to date'; however, according to SBEC, "the total cumulative loan" is defined as "the total loan approved till date of only *active* loans". Hence there are years where cumulative figures are seen to drop in later years. The reports also do not often clarify which ones are cumulative and which are incremental figures. In the absence of a clear mention of calculations and definitions, this could lead to misleading data interpretation and not provide value for decision making particularly for the board and donors.

- ***Need for consistency in the categorisation of sectors or sub-sectors for the purpose of the loan***- there has been several instances where the business plan records purpose of loan for a certain sector or activity whereas the loan database shared indicates another. In addition, it has also been found that in some cases the activity for which the loan is taken does not match the sector or sub-sector indicated either in the business plan or the loan database. Such inconsistencies will affect the quality of data analysis to make strategic decision on the nature of the loan and the sectors where majority of the loan is being disbursed in.

- Use of information for analytical purposes: SBEC has a rich repository of data on SMEs which can have a strong strategic use beyond just reporting against SBEC indicators. The following are some of the information that could be analysed for periodic strategic discussions:

- **Number of repeat clients** – currently SBEC records total number of loans but it is equally important to capture the total number of repeat clients and the number of loans taken per client. This is to trigger the discussion on why the same client is approaching SBEC, rather than going directly to the bank for subsequent loans.

- **Baseline data of SMEs on total number of employees and the sales revenue** needs to be included in the business plans. Currently the business plans only record possible "best" and "worst case scenario" with arbitrary growth projections. In most cases the number of employees are only limited to those managing the firm, rather than all employees. In the absence of a baseline data, it is not possible to capture the additionality in terms of returns generated by the loans, particularly if it is an existing business.

- **SBEC currently does not have a record of the loan paid off or the actual repayment year.** This is a useful indicator to understand how quickly the loans are being paid off.

- Institutionalising ongoing monitoring for service improvement and build on information for the purpose of decision making in addition to reporting: An outsourced impact assessment activity every four years does provide value in terms of determining larger economic impact of the trust and an external perspective on its performance, however, it is by no means sufficient to ensure real-time and quick decision making. Contribution to GDP only allows to show the economic benefit but focuses heavily on amount of money spent vs amount of return generated with caveats that businesses rely heavily on other sources of income and contribution to GDP is also does not reflect sustainability issues.

Since SBEC has already collected significant amounts of information from clients, it is important to use them constructively as monitoring tools rather than just reporting. Monitoring exercises need to be institutionalized on a more regular basis for the program to truly adapt to the needs of its clients and the dynamic business environment. The shift towards becoming a learning organization is much needed given the repeated findings of the previous assessments around the sustainability of the trust's services.

5. Annexes

Annex 1: Assessment Methodology

A mixed methods approach has been taken that includes document reviews; semi-structured interviews; and a review of business plans, utilizing both qualitative and quantitative tools. These multiple lines of evidence have been triangulated in order to provide a user-focused, evidence-based narrative that connects analysis, findings, conclusions and recommendations.

5.1. Research Method

The research methodology was designed keeping in mind the following broad objectives:

(a) Understanding causality and additionality of SBEC's activities resulting in the medium- and long-term outcomes described as per the Program Results Framework
(b) Estimating the economic and social impact of advisory services and the loan guarantee scheme
(c) Establishing counterfactual

(a) <u>Understanding causality and program additionality</u>

The team used a mixed-methods approach to develop a Contribution Analysis, combining quantitative analysis using the Input-Output model with qualitative, beneficiary-reported attribution of impact to provide sufficient evidence to test the theory of change behind the program activities being evaluated. In-depth and key informant interviews were conducted to understand the main changes experienced (in this case in their business performance and in their lives) over a pre-defined recall period and what they perceived to be the main driver(s) of these changes.

Evidence of attribution was sought through respondents' own accounts of causal mechanisms. In-depth interviews investigated (1) the reasons for them seeking support from SBEC, (2) the usefulness and application of the training services and loan, (3) behaviour and performance change (additionality) as a result of securing the loan and receiving training, and (4) the social changes that have occurred as a result of obtaining the loan. It also aimed to capture the unintended changes- both positive and negative. A thematic coding method was used for drivers, outcomes and attribution and to find emerging trends and patterns between different respondent types.

The findings were triangulated with KII to understand how the SBEC model is relevant to the socio-economic context for the assessment period, to understand the potential for demonstration and sustainability of services.

(b) <u>Estimating the economic impact of advisory services and the loan guarantee scheme</u>

The economic contribution (both direct and indirect/induced) of the loan guarantee scheme and SBEC advisory support was estimated using the **Input-Output model**, to ensure consistency with the previous assessment methodologies. Using the economic model as the basis, the team extrapolated the findings to the total value of loans disbursed and used from the program reports and triangulate the value of loan utilised for operating and capital expenditure to better understand the additional volume of transactions generated as a result of the loan, through the review of the business plans and in-depth interviews.

The Samoa base data tables (2015 being the most recent one) were extracted from the EORA World IO Database14. The 2015 table with 26 economic sectors, was used as base.

A number of adjustments were carried out for consistency, including adjusting for currency differences and matching the sectors in the base tables with the sectoral data from SBEC's aggregate loan database (drawn from the quarterly and annual reports). The IO table for Samoa provides data on the value of transactions between various sectors within the Samoan economy. These measures describe the way in which each industry's production requirements depend on the supply of goods and services from other industries. This information is used to calculate the changes in production that are likely to occur throughout connected industries within the wider economy, due to the effects induced in a particular sector through the loan guarantee intervention.

The direct effects are calculated the following ways:

1. **Use of the interest rate payable on the SBEC loans:** The average interest rate payable on the SBEC loans at the sectoral level is used as a measure of the lower bound of the returns generated by the loans in each given sector. This is considered to be the lower bound since this is the minimum amount that a SBEC client will have to generate from the loan to be able to service the debt. The team used a conservative estimate to assume that the interest rates determined by the rigorous review loan approval process of banks that provide these loans serve as an indicator on the lowest possible returns that can be generated by a particular client. The table below provides the estimated average interest rates for loans in each sector based on the data shared in the business plans reviewed for the assessment period. This average is calculated based on data collected from the in-depth interviews and business plans for a sample of SBEC clients.

Sector	Average Interest Rate	Average Repayment Period	Average Counterfactual Probability	Average CAPEX Ratio	Average OPEX Ratio
Agriculture	9.55%	3.58	15.58%	61.41%	38.59%
Manufacturing	10.42%	3.69	5.00%	59.55%	40.45%
Retail	10.44%	3.53	18.47%	41.83%	58.17%
Services	10.91%	3.91	6.70%	86.22%	13.78%
Textiles	9.96%	3.34	22.22%	63.28%	36.72%
Transport	10.85%	4.43	20.00%	97.77%	2.23%
Fisheries	10.36%	3.75	14.66%	68.34%	31.66%
Food & Beverage	10.36%	3.75	14.66%	68.34%	31.66%
Tourism	10.36%	3.75	14.66%	68.34%	31.66%

Table 3: Values of Sectoral Parameters Obtained from In-Depth Interviews and Business Plans

[14] Lenzen M, Kanemoto K; Moran D, and Geschke A (2012) Mapping the structure of the world economy. Environmental Science & Technology 46(15) pp 8374–8381. DOI: 10.1021/es300171x

For the upper bound of potential returns from loan activities, the team took the ratio of actual annual sales (as reported by respondents in the in-depth interviews) to the projected annual sales as outlined in the business plan for the loan approvals. It was found that, for all the clients in the in-depth interview sample, the actual sales revenues were consistently higher than the projected sales revenue reported in the business plans they had to submit during the loan approval process. This was considered to be the upper bound of possible returns, since they go beyond the projected returns in the business plan, and provide an estimate of returns based on actual economic activities carried out by the SBEC clients.

The lower and upper bound together allow us to calculate the possible range of values within which the direct effects of SBEC's interventions lie. These were then fed into the direct effects into the Samoan IO table to calculate the indirect and induced effects for the time-period 2014-2020. This allows us to calculate the total effects on GDP consisting of direct, indirect, and induced effects – separately for both the lower and upper bound scenarios.

2. Use of the average repayment period: The team used the average repayment period at the sectoral level obtained from the business plans reviewed to estimate the duration of economic effects of these loans beyond the years in which they were first obtained by the firms. These values are reported in table 1. As can be seen, the average repayment period for most sectors vary between 3-4 years. Assuming that the economy-wide effects of a given loan continue to take place over the course of the loan repayment schedule, the effects of loans approved in 2018 will last at least till 2021 for most sectors. This is why although the team is only estimating the effects of loans that were disbursed over the period of 2014-2018 under the guarantee programme, the analysis allow for the economy-wide effects to occur beyond this time period to up-to 2021.

(c) <u>Estimating counterfactual</u>

The additionality of the program was assessed through the interviews of stakeholders and beneficiaries, however, to establish counterfactual (that is, what would happen in the absence of program support), a **Before-After-Comparison with Opinion** was done. The In-depth interviews were conducted to better understand the alternative financing options available for clients prior to securing services from SBEC; how much loan they have secured from other sources before and the perceptive probability of what they could realistically obtain in the absence of SBEC's guarantee scheme. Table 1 above shows the counterfactual probability used per sector. The assessment team then constructed a counterfactual economy, which assessed the changes in the economy that are likely to take place in the absence of the loan guarantee program. The difference in total GDP between the first simulation and the counterfactual economy was estimated to be the effect attributable to the loan guarantee intervention. The KIIs were also used to understand the potential of offering SME financing by financial institutions, in the absence of SBEC support.

5.2. *Research Tools*

The impact assessment relied on the following:

- *Secondary literature and Programme Document Reviews* to capture aggregate figures, trends and understand the broader economic and political environment/influencing factors and the ecosystem within which MSMEs operate in Samoa

- *Development of the economic model* to estimate the economic contribution of the loan guarantee scheme using the Input-Output Model.
- *Primary interviews covering In-depth and Key Informant Interviews:* semi-structured questionnaires were used for a range of Key Informant Interviewees and MSMEs to get a deeper insight into (a) the additionality of business advisory and loan guarantee support, (b) counterfactual and (c) the social impact
- *Business Plan Reviews:* a sample of approved business plans were reviewed with a focus on gathering information on (a) purpose of loan, (b) profile of the clients, (c) repayment rate and period and (d) projected sales or returns

5.3. *Sampling Plan*

Based on the different stakeholders involved and the distribution of different clients across a range of sectors using the loan and advisory services (as per the Annual Reports 2014/2015-2017/2018), a **stratified sampling approach** was taken. Random sample generator was used to select a sample of business plans and respondents within each strata.

Since all clients receiving loan had to undergo the SBEC training, stratification was done only based on sectors and year of loan taken. **A total of 177 SMEs were selected to review their business plans to extract data on** (a) the nature, size of business and net worth of client, (b) type, size and purpose of loan, (c) loan repayment terms/schedule (d) forecast of business performance as a result of loan acquired, (e) key motivation to take the loan and any other qualitative information on the business. **Of the 177 SMEs, 43 clients** were selected for in-depth interviews. The in-depth interviews were focused on validating the findings from the business plans and capture the qualitative nuances around social changes, attribution and additionality. The sample size is very much comparable to the previous assessment and good research practices for qualitative research.

Table 2 shows the breakdown of the in-depth interviews. Sample size within each stratum was selected using the same proportion of loans given out across each sector, in the two islands, over the 2014-2018 period. The sectors selected were the most significant sectors for loan disbursement over the assessment period. Note that the actual sampling frame varied from the planned/intended sample size given the availability and eagerness of clients to be interviewed. For example, the team was only able to secure interview with only one client whose account was foreclosed.

Sample Breakdown for In-depth Interviews			
Sectors	**Upolu**	**Savaii**	**Total**
Agriculture	11	4	15
Retail, wholesale and trade	7	2	9
Manufacturing	5	3	8
Services (including transportation and technical services)	7	4	11
	30	**13**	**43**

Table 4: Sampling Frame for In-depth Interviews

5.4. Limitations and Risk Mitigation Measures

Limitations	Mitigation Strategies
A number of the clients from the random sample selection were either found to have migrated to American Samoa or NZ, deceased, or reluctant to give the interview.	The team went back to the full list of the random sample generator to select the next available respondent from the strata. The research team also increased the total number of samples for the in-depth interviews than planned, to counter the issues around poor response rate.
Risks of recall bias considering the assessment period of 2014-2018	• Reference points were used during the interviews in relation to key events in the year. • Triangulation of information from other sources – key informant interviews, secondary information etc., was used to validate the findings.
Information or research fatigue of stakeholders who have been approached by multiple parties for data	• Attempt was made to review all available secondary information and other relevant studies to avoid duplication. • Initial gap analysis of information was done to identify questions that are most critical to supplement missing data.
Mobility challenges of the assessment team due to COVID-19	Since the assessment team was not able to travel to Samoa in person, all interviews were conducted using remote video calling services with the support of a local point person to help in the coordination.
Language limitation	The assessment team took the support of SBEC staff to coordinate and make the initial introductions with the clients and where relevant translation support was taken.
Risk of incomplete or limited data- (e.g. data on profit or incomplete survey)	In the absence of missing or dated information, the team used proxies and data ranges (e.g. a lower and upper bound of return using repayment rates and actual sales returns). In addition, the program did not record baseline data of employment. The business plans recorded only management personnel data. To avoid recall bias, the research team asked about additional employees hired after

Limitations	Mitigation Strategies
	taking loan, the purpose of hiring the additional employees and how it relates to the loan.
Limitations of using the Input-Output model: (1) A key modelling assumption is that the technical relationships among industries as portrayed in the 2015 table will remain stable throughout the period of 2014-2020. This assumption is unlikely to hold in the real world, since technical relationships are dynamic in nature, and may respond to a wide array of market forces, including the loan guarantee intervention that this study proposes to study. (2) It is necessary to assume that growth in one industry does not constrain growth in others, through competition for labour or capital. (3) The IO model assumes that local industries are able to purchase additional intermediate goods and services from producers within Samoa. If, however, the additional demand of inputs is met by producers outside of Samoa, there will be leakages from the local economy that the IO model is not able to capture. (4) The research team had to depend on some form of extrapolation for constructing a counterfactual scenario, where the loan guarantee intervention was not implemented. (5) The model is static and assumes that constant returns to scales technology governs the entire economy.	• Given the key limitations, the research time triangulated the impacts measured from the IO model with information collected from the interviews. The IO method also does not address the question of additionality. Hence, the research team attempted to focus on additionality using the interviewee's own account of attribution of change to the loan. • Necessary adjustments have also been made to account for currency differences and sectoral definitions.

Annex 2: List of Programme Documents Reviewed and Key Informant Interviews

The following are the list of key documents reviewed

1. SBEC Economic and Social Impact Assessment, 2015.
2. SBEC Annual Reports, 2014-2018.
3. SBEC Quarterly Reports, 2014-2018.
4. SBEC Audit Reports, 2014 – 2018.
5. SBEC Strategic Plan, 2018 – 2023.
6. Samoa Business Hub Strategic Plan, 2019 – 2023.
7. SBH Results Diagram and M&E plan.
8. Central Bank of Samoa (2015), Financial Services Demand Side Survey, 2015.
9. Central Bank of Samoa, Consolidated Annual Report, July 2012-June 2017.
10. Central Bank of Samoa, National Financial Inclusion Strategy for Samoa 2017-2020.
11. UNCDF, ESCAP (2020), Micro, Small and Medium-sized Enterprises' Access to Finance in Samoa.
12. The World Bank Group (2017), MSME Finance Gap study.
13. European Investment Bank (2016) presentation on Pacific SME Financing.
14. Business Link Pacific (2018), SME Market Survey.
15. The Samoa Chamber of Commerce and Industry, Business Confidence Survey, 2018 – 2019.
16. Samoa Bureau of Statistic, Statistical Abstract, 2017.
17. Ministry of Women, Community and Social Development Strategic Plan, 2013 – 2017.
18. Annual Reports of Commercial Banks and DBS, available online between the 2014-2018 period.
19. Financial Services Sector Assessment for Samoa, 2016.
20. OECD (2017), "Evaluating Publicly Supported Credit Guarantee Programmes for SMEs",

The following are the list of different stakeholders who have been interviewed

Stakeholder	Objective of the interview
Central Bank of Samoa	▪ Understanding supply for financing, advisory and other services. ▪ Understanding factors influencing provision of financial services beyond SBEC.
Chamber of Commerce, Ministry of Finance	▪ Understanding demand for financing, advisory and other services. ▪ Understanding factors influencing the growth of MSMEs beyond SBEC.
Development Bank of Samoa (DBS)	
Bank of South Pacific (BSP)	

National Bank of Samoa (NBS) Samoa Commercial Bank (SCB)	▪ Better capture the profile of MSMEs undertaking the loan guarantee scheme across different sectors and the loan utilization purposes. ▪ Understanding the financing gap, MSME portfolio and the risks and market opportunities on engaging with MSMEs in the country. ▪ Understanding the additionality of SBEC in addressing those risks. ▪ Understanding the potential for sustainability of such services beyond program support. ▪ Understanding the difference in the performance of loans provided through SBEC guarantees against loans provided directly. ▪ Understanding the potential changes in services due to the engagement with SBEC. ▪ Capturing existing and potential graduation of clients for subsequent commercial loans (if applicable).
Representatives of New Zealand Ministry of Foreign Affairs and Trade	Understand the vision and strategic relevance of the programme and plans going forward.
Small Business Enterprise Centre (SBEC) staff	Understand how the SBEC model works in practice, strategic objectives, vision for the organisation, implementation challenges and opportunities.

Annex 3: Questionnaires for In-depth Interviews

Date
Name of the person being interviewed
Gender
Age of the respondent and his/her spouse
Company
Location
Value of loan taken
Purpose of the Loan
Years of establishment

General:

a. Over the past 5-6 years, how do you think the business has been performing?
What are the key factors that are contributing to that? (Where there any specific natural shocks or market issues during the period 2014-2018?)

Previous loans/alternative sources of financing:

b. Since the start of the business, how many times have you taken a loan- through SBEC and without SBEC? (If the years and sizes are in memory, then put them down)
c. What are the other sources of financing are available to fund the business? Have you used any? Which is your preferred choice and why?
d. What are the main challenges of accessing loan as an SME? (probe further if this is a female respondent to understand if the issues are any different or additional for women)

Engagement with SBEC:

e. How did you find out about SBEC?
f. What was your key motivation for approaching SBEC? Tick the most relevant option(s)

	(Advisory) Had a business idea but did not know how to start and run the business
	(Advisory) Seek help to improve my businesses processes
	(Advisory) Seek help to improve my business management skills
	(Advisory) Seek help to improve my financial management skills, record keeping/accounting practices and overall finance
	(Advisory) Seek advise on marketing
	(Advisory) Support in business plans to access loans
	(Advisory) Support on risk management and recovery
	(Finance) Needed investment to start a business
	(Finance) Needed investment to grow/expand the business
	Needed support with my business plan to access loans
	Others

g. 7.1. Did you approach the bank yourself (before approaching SBEC for support)? Or why not use alternative sources of funding?
7.1. Why this bank over others (refer to the bank the client has taken the loan from)?
7.2. Why did you choose to go through SBEC rather than the bank itself?

h. What is the likelihood that you would be able to obtain the loan you got, in the absence of SBEC? (Choose from the following)

	0%
	25%
	50%
	75%
	100%

What is your reason for selection?

i. 9.1. Are there other organisations available who can or are currently offering advisory services? If yes, who?
9.2. What type of services do they offer?
9.3. Have you taken any of those services?

j. What were the most valuable learnings from the SBEC training and advisory support? (Pre, during and post loan)

	Developed an action plan for my business
	Developed a business plan for loan application
	Increased networks with other organisations
	Ways to improve the business model
	Business management practices, including HR
	Book-keeping/accounting practices + financial management
	Better marketing practices Risk management (diversification strategy) Others

k. Did your initial business plan or the items/purpose of loan change after the engagement with SBEC? If yes, why and how?

Application and Changes in Performance:

l. After acquiring the loan, what was the role of the bank and SBEC? Expand.

m. Were you able to use the loan appropriately to the purpose outlined in the business plan? Why or why not?

n. What changes did you apply or observe in your business after taking the loan (and advisory)? (Expand on the nature and size of the change and why)

	Business expansion or investment (how)-capital/HR, etc.
	Better business management, processes and structure
	HR practices + staff intake (how much)
	Improved accounting practices, book-keeping and financial practices
	Improved business efficiencies/productivity (how?) Others

o. What is your sales revenue per month or per relevant business cycle? (last year- pre covid and now) Check against the projected figure.

Category	**Sales Revenue/Month**
Baseline sales/month (before you took the loan)	
Sales revenue after taking the loan	
Current sales revenue (to check effect of covid)	

p. You had submitted projections/forecast in the business plan. In your experience how close is the business performing compared to your plan/forecast? (Check against projection and follow up)

	Underestimated	Close to estimate	Overestimated
Sales estimate			
Operational cost			
Capital cost			
Staff requirements			

Loan Repayment:

q. Have you already paid off the loan?

r. If not, how long have you been repaying the loan and what is your monthly repayment rate?

s. Have you had any difficulty in repaying the loan or making the installment payments? Explain if yes.

t. What has been the source(s) of loan repayment? (Tick as appropriate but do not probe)

	From the business for which loan was taken
	Other income sources Describe other sources (if relevant)

Additional Investments:

u. 19.1. Did you make any further investments after taking that loan through the SBEC guarantee? If yes, When?
19.2. What is the source of investment (e.g. sales proceeds or savings from this business/remittances/other loans, etc.)?
19.3. What is the size of investment?
19.4. What is the purpose of investment (existing or new business)? Why?

Employment:

v. Have you employed additional people since you have taken the loan (for expansion/set-up)?

Total #	Full Time		Part-Time	
	Male	Female	Male	Female

Have you increased your sourcing? (Estimated increase in # of suppliers)

Inclusion and Use of Income:

w. Who attended the trainings offered by SBEC?

Husband
Wife
Both
Others

x. If only one of them attended the training, how did you decide who should attend the training?

y. What is the number of trainings you have attended?

z. How far was the training venue and how did you get there?

aa. What is your opinion of the training content – was it easy to understand (in terms of audibility, visuals etc.)

bb. Who manages the business – day-to-day and key business decisions? Why?

cc. How have you or for what purposes have you used the income from the business you took the loan for? (take note of all the range of purposes)

dd. Who decides how to use the income?

ee. If it is a female respondent, ask what is her aspiration or motivation to engage in the business?

Future Plans:

ff. What was your vision behind the investment?

gg. What are your plans going forward? If the client says he/she wants to make additional investment, ask how they plan to secure the investment and the reason for choosing the source.

hh. With the support that you received from SBEC (business plan dev, training, advisory) what are the areas where you think they can improve? Why?