

MFAT Consolidated Management Response to the Impact Assessment of the Samoa Small Business Enterprise Centre (SBEC¹) 2014-2018 and Mid Term Review of the Samoa Private Sector Development Programme (PSDP) 2018-2023

¹ In August 2019, SBEC changed its name to Samoa Business Hub (SBH) and continues to operate as a trust under the Samoa Registry of Incorporated Societies.

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<p>[SBEC Impact assessment] Recommendation 1. Engage with market actors to introduce alternative sources of financing.</p>	<p>Agree. MFAT to support SBEC (now Samoa Business Hub [SBH]) to implement this recommendation under the PSDP, with support from the PSDP Programme Implementation Contractor (PIC).</p>
<p>[SBEC Impact assessment] Recommendation 2. Engage with market actors to identify suitable SMEs to reduce risks of increased defaults.</p>	<p>Agree. MFAT to support SBEC-SBH to implement this recommendation under the PSDP, with support from the PSDP PIC.</p>
<p>[SBEC Impact assessment] Recommendation 3. Assess commercial viability of SBEC's sustainability plan.</p>	<p>Agree. MFAT to support SBEC-SBH to implement this recommendation under the PSDP, with support from the PSDP PIC.</p>
<p>[SBEC Impact assessment] Recommendation 4. Data management and use.</p> <ul style="list-style-type: none"> • A streamlined system of data management between banks and SBEC • Improve the quality of existing data management • Use of information for analytical purposes • Institutionalising ongoing monitoring for service improvement and build on information for the purpose of decision making in addition to reporting 	<p>Agree. MFAT to support SBEC-SBH to implement this recommendation under the PSDP, with support from the PSDP PIC.</p>

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<p>[PSDP Mid Term Review] Recommendation 1. Adopt a light Market Systems Development (MSD) approach by incorporating elements of similar facilities like Business Link Pacific (BLP) financing mechanisms that have proven successful as well as the proposed DFAT Market Development Facility (MDF) initiative. This would require further discussion between MFAT, PIC and SBH to identify the specialist support needed to help build the capacity of Stream 3 staff to think and work in new ways and buy-in from SBH leadership to ensure its success.</p>	<p>Agree. MFAT will work with the PIC and SBH to agree how the MSD approach can inform remaining activities.</p> <p>MFAT to ensure PSDP and BLP continue to provide complementary support, including if BLP is extended beyond 2022.</p> <p>MFAT to fast track discussions and explore possibility of an PSDP-MDF partnership – either formal or informal - noting its DFAT-funded expansion to Samoa in the coming months and MDF’s skills and resources in this area.</p>
<p>[PSDP Mid Term Review] Recommendation 2. Adjust the allocation of funds between components and scope of work/TORs of key consulting inputs (amendments to existing major contracts as may be needed so as to adjust to the requirements of the project (for example, the TA Facility under PIC contract).</p>	<p>Agree. MFAT to amend existing PIC and SBH contracts, as required, to ensure flexible spend in support of activities that are most likely to contribute towards end of activity outcomes.</p>

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<p>[PSDP Mid Term Review] Recommendation 3. Pivoting targeted MSME support in light of COVID 19 impact on Business Growth scheme (Stream 3). PIC Transition Manager and team to assess with SBH feasibility of offering targeted short term TA support for SBH to address emerging TA needs in response to impact of COVID 19. Assess feasibility of offering direct financing facilities (e.g. capital injection through a matching grant) in addition to guarantee scheme for MSMEs who are facing immediate bankruptcy/hardship due to COVID 19. Key steps for implementation of this recommendation include:</p> <ul style="list-style-type: none"> • establishment of a simple mechanism for identifying and prioritising SBH TA needs between SBH, MFAT and PIC. • contract variation for PIC to reallocate/combine available programme funds into a specific budget line ‘Component 2 TA Support for SBH’ to facilitate procurement processes. • fast track discussions on possible areas of collaboration between PSDP and MDF. 	<p>Agree. MFAT will support SBH to tailor its Stream 3 services and products in response to to its clients’ needs under COVID 19, supported by technical inputs from PIC (and the proposed PSDP-MDF partnership).</p> <p>As part of the proposed ‘feasibility’ of offerings, MFAT notes that the SME Finance Facility (FF) that is operated by Business Link Pacific (BLP) currently provides SME funding support (grants and concessional loans) to support their response to COVID 19. MFAT will support SBH to carefully assess the merits of offering additional funding support of this nature to avoid duplication and promote collaboration with existing funding mechanisms.</p> <p>Agree. MFAT to agree with PIC and SBH simple mechanism to identify and procure emerging TA needs.</p> <p>Agree. MFAT to facilitate variation to PIC contract accordingly, with SBH to co-invest where possible using underspends.</p> <p>Agree. MFAT to facilitate PSDP-MDF partnership discussions, regardless of whether MFAT contributes to MDF rolling out in Samoa.</p>

[PSDP Mid Term Review] Recommendation 4. There are several options which came through the discussions on possible strategic direction for SBH in light of possible exit of key development partners at the completion of time bound projects. SBH is well aware of its capabilities and need for having a responsible financing strategy to ensure delivery of its core services. These include the expansion of its role in managing special projects which has built on its reputation to effectively manage and implement projects. Based on these capabilities' possible strategic direction for SBH include the following

- *Retain current mandate with expanded financial products.* SBH to retain current mandate with continued annual support from GoS to cater for the targeted core markets: Leverage 25 years of networking and relationships with clients to build a case for access to the full-term deposits currently maintained by MOF. The growing capacity of SBH to implement special projects provides another key source of income to sustain their core functions, however, cost implication of maintaining these services need to be carefully considered once development projects are completed.
- *Divestiture option - Government or State-Owned Entity:* the capacity to pay among the clients SBH are servicing is very limited. These fees are not sufficient to ensure financial viability of SBH. GoS through the MOF and ADB are restructuring DBS to be more financially viable. The SABS Facility which provides the same services as SBH but to the larger MSMEs in agriculture is now earmarked for absorption into DBS when the project ends in 2021. There is merit in assessing the feasibility of SBH to be fully integrated into existing government entities such as DBS or set up as SOE itself. This would require a big culture shift within DBS and SBH if this option is taken.

Noted. MFAT has not explicitly messaged continuing nor exiting from its partnership with SBH at the end of the PSDP. The MTR usefully shed light on high-level options for SBH's future, noting its desire to work towards becoming more financially sustainable.

Noted. MFAT does not have a view on the options provided but rather, will support SBH and its Board to consider a responsible financial strategy for the organisation within the remaining years of the PSDP.

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<ul style="list-style-type: none"> • <i>Divestiture option - Fully Commercial Entity</i>: another viable option to consider would be to sell to a commercial entity such as SCB who have similar products and target the same market segments as SBH. A variation of this option is for SBH to be fully commercialized and pursue a full business model similar to SPBD by building on its microfinance and microinsurance products. Further analysis on the viability of this option is also warranted. 	
<p>[PSDP Mid Term Review] Recommendation 5. Continuous update and integration of PSDP results framework into SBH CIS system & MCIL M&E as more data on outputs & outcomes are collected by MCIL & SBH. Building on PIC support provided to SBH to design and run its first annual client survey in 2020, SBH to continue annual client surveys from 2021 onwards.</p>	<p>Agree. MFAT will monitor progress of implementation of the PSDP MERL including improvements to specific components under SBH and MCIL, with continued support from the PIC MERL Adviser.</p>
<p>[PSDP Mid Term Review] Recommendation 6. No extension of the Closing Date is recommended at this time but this would need to be revisited in by end 2022. No additional finance is recommended at this time but this would need to be revisited by end 2022 to address potential inequities and for project management costs associated with an extension (if needed).</p>	<p>Agree. MFAT does not see merit in extending the closing date for the PSDP at this stage, however, this decision may be reviewed closer to the end date. A fiscally neutral extension for completing any outstanding activities may be considered.</p>

Recommendation	Response and Action (Agree, Partially Agree, Reject)
[PSDP Mid Term Review] Recommendation 7. Strengthen existing governance mechanism for PSPD by reinforcing high level (CEO or relevant authority) representation in PAC as well as SBH Board. The inclusion of key agencies like MFAT Samoa (S-MFAT) in PAC to ensure coordination with relevant programs including Pacer Plus.	Agree. MFAT is open and supportive of S-MFAT participating as a PAC member to ensure closer coordination and collaboration between PSDP and PACER Plus activities. The decision to include or exclude S-MFAT is a PAC one and not solely MFATs.

