

MFAT Management Response to Pacific SME Finance Facility Pilot Programme: Formative evaluation report

Evaluation: Pacific SME Finance Facility Pilot Programme: Formative evaluation report

Link to evaluation <http://pam.mfat.net.nz/mp/document/309963/properties>

Date of Unit Manager acceptance of the final evaluation report 19/11/2021

Approval of the MFAT Management Response (where provided)

Name of Division Manager Development Economy and Prosperity

Date: 19/11/2021

Recommendation	Response and Action (Agree, Partially Agree, Reject)
1. A Phase Two of the Facility beyond its 14-month pilot should proceed	Agree. MFAT will develop an internal business case for a next phase of funding of the Pacific SME Finance Facility (in combination with Business Liink Pacific) beyond 30 June 2021.
2. Integration with Business Link Pacific should progress.	Agree. See above.
<p>3. Adaptation grants:</p> <ul style="list-style-type: none"> • Continue the adaptation grants to respond to COVID-19 outbreaks over the next 18-24 months as required, as PICs' economies move from survival to recovery mode (this will mean increase capitalisation, review demand, and an adjustment of the budget accordingly) • Use the adaptation grants in a more targeted way to strengthen outreach to specific SME cohorts, such as those SMEs in more remote areas and/or outer islands and/or to attract larger SMEs to apply – for example, by offering a larger grant. • A more streamlined and perhaps less onerous process for smaller SMEs for smaller grants, without compromising any due diligence requirements; a “Do you need help?” link to supporting ICNRs and/or BASPs (if a link does not exist). • Make the application process more flexible and responsive to enable SMEs to apply for support when needed – for example, the Facility could consider a rolling grant window moving forward. 	Agree. These issues will be considered and addressed in the design of a potential second phase.

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<ul style="list-style-type: none"> • Look at how the BASPs', BSMs' and ICNRs' advice and support can be more effective in reaching SMEs in remote areas/outer islands, and in Kiribati, Papua New Guinea, and Solomon Islands. • A clearer delineation between application, validation, and due diligence, with an increased emphasis on the value of the business plan to support SMEs' response and recovery rather than perhaps as being a due diligence component of the validation. 	
<p>4. Concessional loans:</p> <ul style="list-style-type: none"> • Continue to support the testing of the wholesale capital for on-lending approach in different PICs and with different FIs as there is still a need for SMEs to be able to access finance to recover. • Examine whether the current capitalisation of the Facility is sufficient to attract FIs and engage with the Facility; in other words, has the Facility's initial capital contribution been sufficient to leverage FIs' relationships for loans? • Look at using other levers, such as technical advice and support to FIs, to influence the uptake of the Facility's offer of wholesale capital for on-lending to SMEs as concessional loans. 	<p>Agree. These issues will be considered and addressed in the design of a potential second phase.</p>

Recommendation	Response and Action (Agree, Partially Agree, Reject)
<p>5. Phase Two of the Facility should continue to build on what works, which includes:</p> <ul style="list-style-type: none"> • providing advice and support for small to medium enterprises (SMEs) to complete the application, validation, and due diligence, and for their adaptation planning and implementation through the Business Advisory Service Providers, Business Service Managers and In-Country Network Representatives (ICNRs) • taking a flexible approach to enable the Facility to respond to PICs and key partners (including financial institutions) contexts and needs to strengthen progress made • retaining the robust validation and due diligence processes • communicating to build awareness and understanding of the adaptation grants through social media and country chambers of commerce, including local individual organisations that sit under the chambers of commerce • undertaking analysis of the data being collected to ascertain whether the design is targeting the viable but financially distressed SMEs and that no eligible SMEs or certain cohorts of eligible SMEs are inadvertently left behind. 	<p>Agree. These issues will be considered and addressed in the design of a potential second phase.</p>