

TECHNICAL ASSISTANCE COMPLETION REPORT¹

Division: PARD

TA No. Country and Name			Amount Approved: \$500,000	
TA3549-SAM: Capacity Building of Financial and Business Advisory Intermediaries			Revised Amount: n/a	
Executing Agency Treasury Department		Source of Funding TASF	Amount Undisbursed: \$5,075	Amount Utilized: \$494,925
TA Approval Date: 21 November 2000	TA Signing Date: 11 January 2001	Fielding of First Consultants: March 2002	TA Completion Date Original: 31 December 2005	Actual: 25 April 2006
			Account Closing Date Original: 31 December 2005	Actual: 14 August 2006

Description: Since 1966, the Government has embarked on a process of economic reform and liberalization, which recognizes the private sector as the engine of growth. The reform process has resulted in an environment that is conducive to economic growth. The Government's statements for the development of Samoa have consistently reinforced the partnership between the private sector and Government. After focusing on major macroeconomic reforms, the Government is now developing strategies to broaden the spread of benefits of economic growth. ADB has supported these efforts through the Financial Sector Program loan.² A key component of these strategies is the development of infrastructure of the village economy, which centers on micro- and small enterprises (MSEs). Improving MSEs access to credit, supported by improved access to services provided by business development service providers, will contribute to growth in employment and income earning opportunities in this sector.

The Small Business Development Project (the Project)³ was designed to generate additional income and employment opportunities within the MSE sector for all Samoans, with an emphasis on those in the rural areas. The Project aimed to do this by improving access of MSEs to credit, business training and advisory services. The Project had four components: (i) expand the small business loans guarantee scheme, (ii) support a pilot microfinance facility, (iii) enhance business advisory and training services, and (iv) improve the policy and legislative environment for small business development.

The TA to provide capacity building for financial and business advisory intermediaries was approved together with the Project. The TA aimed to support the implementation of the Project through strengthening the capacities of the key participating organizations for the Project's credit components – the Small Business Enterprises Centre (SBEC) for the SBLGS and the Development Bank of Samoa (DBS) and Women in Business Development Incorporated (WIBDI)⁴ for the pilot microfinance facility. The TA also supported ongoing efforts to improve the legal and regulatory environment for the private sector. The TA intended to support (i) policy and legislative reviews for debt recovery processes and customary land reforms, and (ii) establishment of an upgraded chattels registry and credit reference scheme. The Executing Agency (EA) was the Treasury Department (TD) while the implementing agencies included the Department of Trade, Commerce and Industry (DTCI), Department of Justice (DOJ), SBEC, DBS and WIBDI.⁵ The Project as well as the TA was managed by a Project Monitoring Unit (PMU).

Expected Impact, Outcome and Outputs: The overall expected impact of the Project and the TA was to generate additional income and employment opportunities for the MSE sector, targeting vulnerable groups and the rural sector. The expected outcome was MSE growth through improved availability of financial and nonfinancial business development services. The TA outputs included (i) strengthened capacities of financial and business intermediaries

¹ In preparing any country program or strategy, financing and project, or by making any destination of or reference to a particular territory or geographic area in this document, the Asia Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

² ADB.

³ ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan and Technical Assistance Grant to Samoa on Small Business Development Project and Proposed Equity Investment in a Venture Capital Fund*. Manila. (L1785-SAM for \$3.5 million approved in November)

⁴ Originally Women in Business Foundation (WIBF) which changed to WIBDI in 2005

⁵ Subsequent to the Government 2003 reforms and restructuring of the public service, TD was realigned and named Ministry of Finance (MOF), the divisions of DTCI and DOJ responsible for implementation of some of the Project components were merged with the Labour Department as the new Ministry of Commerce, Industries and Labour (MCIL).

involved in implementation of the Project, particularly the Small Business Enterprises Centre, the Development Bank of Samoa and the Women in Business Foundation, and (ii) improvements in the legal and regulatory environment for the corporate sector generally, in particular those areas that impact the MSE sector. The TA design was appropriate and the rationale was aligned with the national strategies and ADB's strategic objective to develop private sector. Overall, the TA rationale, formulation, including the extent of the stakeholder consultation were adequate and appropriate, and TA objectives, terms of reference, executing arrangements, and implementation schedule were deemed satisfactory and appropriate.

Delivery of Inputs and Conduct of Activities: The TA included 11 person-months of international consultants comprising a legal specialist in commercial/company law, a microfinance specialist, a non government organization and governance specialist, and a credit reference facility specialist. The 10 person-months of national consultants' included a customary land specialist, a litigation specialist (debt recovery) and a guarantee scheme specialist. A Credit Specialist was contracted towards the latter part of the TA to work primarily with the POs to manage their portfolios particularly in addressing a growing arrears situation. With respect to capacity building of the participating organizations, the TA (i) supported the preparation of procedures manuals for the SBLGS and MFF, (ii) conducted staff training, (iii) assisted with strengthening governance structures, and (iv) improve portfolio management of the selected POs. The TA facilitated improvements in the legal and regulatory business environment through (i) supporting the establishment of the credit reference bureau, (ii) progressing efforts to promote the economic use of customary land, (iii) drafting a personal properties securities legislation, (iv) finalizing activities to effect the promulgation of the company law, and (v) making recommendations to improve debt recovery process. The terms of reference were fulfilled and the consultant inputs were deemed of high quality. Progress and final reports were of good quality. The TA was extended for two months in order to conduct a study tour to examine land leasing frameworks in Fiji and New Zealand. ADB's TA reviews were conducted together with those for the Project and a midterm review was done in November 2005. ADB's TA administration was deemed satisfactory. The performance of MOF was deemed satisfactory, however, the civil service restructuring meant a shift in implementing agencies, hence, the TA implementation was mainly driven by the PMU and MOF resulting in a lack of ownership in some instances. The executing agency was satisfied with the results of the TA.

Evaluation of Outputs and Achievement of Outcome: An assessment of the achievements of the TA is summarized below:

Output 1 – Strengthened capacities of financial and business advisory intermediaries involved in the implementation of the Project: The Microfinance Specialist/Team Leader, NGO and Governance Specialist and the Guarantee Specialist assisted with preparation of procedures manuals to administer the MFF and the SBLGS and relevant training were conducted with the staff of the POs involved. The NGO and Governance Specialist worked closely with WIBDI to strengthen its institutional arrangements and governance structure and facilitated the conduct of its first external audit. A Credit Specialist was engaged later in the TA to work with the POs but primarily with SBEC on strengthening its portfolio management and developing strategies to address a growing arrears situation. This resulted in improvements immediately following the TA, however, continuing capacity development was needed given the current deteriorating arrears situation. A Recoveries Officer was also engaged on the recommendation of the Specialist to follow up recoveries of foreclosed accounts. To date, the recoveries officer has collected 6% of total foreclosed amounts. The capacity development activities were highly appreciated by the POs and achieved their intended outcomes.

Output 2 – Improvements in the legal and regulatory environment for the corporate sector generally, in particular those areas that impact the MSE sector – The TA initiated all the policy component activities of the Project with mixed results. The TA completed the remaining activities which effected the promulgation of the new company law on 1 July 2008. The TA facilitated the establishment of a credit reference bureau which was initially deemed completed and successful when Data Services Limited (DSL) was launched in July 2005. However, due to institutional issues, the bureau never became operational and the DSL shareholders eventually decided to wind up the company. Despite this, the TA initiated the concept that is now being considered as a regional initiative with much support by the local banking fraternity. The TA started exploratory work on the economic use of customary land culminating in a report approved by Cabinet which dovetailed into follow on support by ADB under TA4712.⁶ The TA assisted with drafting personal properties securities legislation; however, this required the establishment of a chattels registry which was to have been completed under the Project. Both the legislation and registry were transferred in 2006 to MCIL for implementation together with the companies' registry being prepared with support from ADB's regional technical assistance to private sector development. These activities were still ongoing after Project completion. The TA made recommendations to streamline debt recovery process and a report was presented to the Government in 2004. Some of the recommendations were implemented under the MJCA Institutional Strengthening Project. A review of the recommendations was conducted towards the end of the Project and Cabinet

⁶ ADB. 2005. *Technical Assistance to Samoa for Promoting the Economic Use of Customary Land*. Manila. (TA4712-SAM for \$300,000 approved in December).

has directed MJCA to continue to implement the recommendations as early as possible.

Overall Assessment and Rating: The TA is rated partly successful. The TA inputs were provided satisfactorily, however, due to ongoing capacity issues in the POs, particularly SBEC, there are continuing concerns over the quality of its portfolio management and a growing number of non performing loans. Following a review of SBEC in December 2008, the New Zealand Agency for International Development (NZAid), has increased its funding assistance to SBEC to increase its resources and provide technical assistance to review the SBLGS framework and provide necessary capacity development. WIBDI has continued to improve on its governance structure as started under the TA. A number of policy component activities need to be completed, however, the TA has started the momentum, such that, once completed, will generate significant improvements in the business environment in Samoa.

Major Lessons: The following lessons can be learned from this TA: (i) an ambitious TA covering sensitive issues, pioneering some with multitude participants need the right implementation arrangements, (ii) there is a need for local ownership by line agencies and improved communications, (iii) an extensive use of consultants does not overcome capacity constraints due to heavy commitments elsewhere, (iv) any TA with a number of complex components need good leadership by the EA, (v) any country can benefit from knowledge of techniques and practices applied in other countries (customary land study tours), and (iv) there is great need for ongoing capacity development to ensure sustainability of TA outcomes..

Recommendations and Follow-Up Actions: As mentioned NZAid is supporting the institutional strengthening of SBEC to continue its administration of the SBLGS, however, the Government should consider increasing its support for this to be sustainable. With regards to the policy components – (i) the International Finance Corporation is leading the discussions on the development of a regional credit reference facility which is receiving good support; and (ii) activities to promote customary land reforms will continue under a new ADB technical assistance being processed for 2009 approval. The Government has indicated its commitment to complete the remaining activities to complete the personal properties legislation and chattels registry as well as implement the debt recovery process. Further support to these activities can be considered under ADB's regional technical assistance to private sector development.

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