



Regional: Pacific Business Investment Facility

Project Name	Pacific Business Investment Facility	
Project Number	47373-001	
Country / Economy	Regional	
Project Status	Closed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8729-REG: Pacific Business Investment Facility	
	Technical Assistance Special Fund	US\$ 1.50 million
	Pacific Business Investment Trust Fund	US\$ 11.00 million
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Partnerships Private sector development	
Sector / Subsector	Finance / Small and medium enterprise finance and leasing Industry and trade / Small and medium enterprise development	
Gender	Some gender elements	
Description	Asian Development Bank (ADB) (i) establish the Pacific Business Investment Trust Fund; (ii) accept and administer grant contributions to the trust fund from bilateral, multilateral, and other sources, in each case substantially in accordance with the terms and conditions set forth in this paper; and (iii) administer a portion of technical assistance (TA) for the Pacific Business Investment Facility, to be financed on a grant basis from the trust fund.	
Project Rationale and Linkage to Country/Regional Strategy	<p>Pacific island countries face significant and complex development challenges that constrain private sector growth. Challenges include the high cost of doing business, inadequate infrastructure, outdated legal systems, inadequate business and technical advisory services, and land rights issues. The financial sector is underdeveloped, with a low ratio of private sector credit to gross domestic product. Businesses of all sizes have difficulty securing commercial finance in the Pacific. Small and medium-sized enterprises (SMEs) are particularly affected, because commercial banks in the region extend little credit to this segment. Opportunities for businesses to raise additional capital through stock exchanges are also limited. There are no private equity funds in the region and no near-term prospects for new funds. Since 2010, the economic ministers of the Pacific Islands Forum have annually called on development partners to help increase access to finance for SMEs. The Government of Australia expressed interest in working with ADB to design innovative approaches to address the financing constraint faced by SMEs. ADB's Midterm Review of Strategy 2020 emphasizes ADB's intention to expand support for SME finance.</p> <p>In 2013, ADB reviewed (i) private equity funds and other finance facilities in the Pacific, (ii) the financial sector and supply of and demand for business advisory services by country, (iii) the experience of hybrid risk finance and business advisory support facilities in other regions, and (iv) potential models for the Pacific region. The review found that to ease the financing constraint faced by SMEs, government and development partner efforts should aim to unlock the excess liquidity that commercial financiers have in almost all Pacific island countries. While commercial banks report an interest in increasing lending to SMEs, they remain hesitant. Their credit policies and products favor larger clients and short-term investments. The banks, which are highly risk averse, have expressed concerns over SMEs having weak internal management capacity (including limited financial management skills), as well as insufficient shareholder capital and acceptable collateral. Proposals put to banks by SMEs generally lack the rigor required from a business and financial plan. As a result, credit is often unavailable or unaffordable for SMEs at offered terms.</p> <p>The TA's impact will be the sustainable growth of the private sector in selected Pacific island countries. The outcome will be commercially successful and sustainable SMEs in Pacific island countries. It is expected that (i) at least \$15 million of additional finance will be leveraged from commercial sources; (ii) at least 100 supported SMEs will expand or diversify operations; and (iii) at least 1,000 jobs will be created or saved in supported SMEs.</p> <p>Tailored business advisory services are needed to reduce financier concerns about SMEs' internal capacities. While these services are available in the larger Pacific island countries, their focus is on large, predominantly foreign-owned enterprises, governments, and development partners. In contrast, business development centers, where they exist, cater to microenterprises and informal sector operators. This leaves SMEs unserved. Building the managerial and technical capacity of these entrepreneurs is essential to improve the business risk profile with financiers. Further, in the underdeveloped Pacific financial markets, innovative financing arrangements are required to leverage and supplement commercial finance. These measures facilitate access to finance for SMEs to expand and diversify, and would absorb excess bank liquidity. They would complement ongoing private sector development and financial sector reforms, including secured transactions reforms, which will increase access to finance by SMEs over time, but will not alone bridge the financing gap.</p> <p>Business financing and development programs have been implemented in the Pacific and other regions by bilateral development partners, development finance institutions, and private fund management companies for many years. The following lessons have been drawn from these programs: (i) managerial and technical advice to SMEs, pre- and post-finance, is essential for leveraging commercial finance; (ii) SMEs must contribute to the cost of advisory services to ensure buy-in, and must see the advice provided as independent, objective, and confidential; (iii) extensive collaboration with commercial financiers and other stakeholders is vital to achieve the intended impact and lower implementation cost; (iv) SMEs typically demand less than \$300,000 in finance, which finance facilities with a commercial mandate have been unable to respond to effectively; (v) where finance is provided, self-liquidating instruments are preferred to prevent exit issues; (vi) expansion of existing businesses is less risky and more likely to succeed than establishment of new ventures; (vii) maintaining an in-country advisory presence in many countries is not cost-effective; and (viii) building in-country advisory capacity is usually not sustainable in the Pacific without continued donor support because of the small market size.</p>	
Impact	Sustainable growth of the private sector in selected Pacific island countries	
Project Outcome		
Description of Outcome	Selected SMEs in Pacific island countries are commercially successful and sustainable	
Progress Toward Outcome	Supported 23 businesses expand or diversify their operations by helping raise \$11.51 million in commercial finance. Created or saved 1,155 jobs in supported businesses, of which 548 were women.	
Implementation Progress		

Description of Project Outputs	1. Business advisory services are provided to SMEs in selected Pacific island countries 2. Selected SMEs receive concessional loans from the Pacific Business Investment Trust Fund in parallel with commercial finance 3. Project management services are effectively delivered
Status of Implementation Progress (Outputs, Activities, and Issues)	Provided advice to 277 businesses through designated business advisors, of which 89 businesses are women managed and/or owned. Provided specialist business advisory support to 23 businesses to secure finance for business consolidation, expansion or diversification. Out of these, 9 businesses were women-owned and/or managed. BIF referred 26 businesses to other development programs for further assistance. The facility closed in April 2018 due to funding cessation.
Geographical Location	Regional

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design (i) Government officials from relevant government agencies and state-owned enterprises in the concerned Pacific island countries; (ii) Private sector entities including chambers of commerce, women's groups, banking institutions; (iii) Civil society organizations including women's and community groups; and (iv) Development partners active in private sector development activities in Pacific and other bilateral and multilateral development institutions/organizations.

During Project Implementation Same as during the project design with more frequent and in-depth consultations.

Business Opportunities

Consulting Services Consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time).

Procurement Procurement will be undertaken in accordance with ADB's Procurement Guidelines (2013, as amended from time to time).

Responsible ADB Officer	Nizami, Masudur R.
Responsible ADB Department	Pacific Department
Responsible ADB Division	Pacific Liaison and Coordination Office in Sydney, Australia
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable

Concept Clearance	03 Jun 2014
Fact Finding	-
MRM	-
Approval	26 Sep 2014
Last Review Mission	-
Last PDS Update	28 Sep 2018

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Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
26 Sep 2014	-	26 Sep 2014	31 Aug 2019	-	01 Nov 2018

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,500,000.00	11,000,000.00	0.00	0.00	0.00	0.00	12,500,000.00	17 Jun 2022	4,825,657.76

Project Page	https://www.adb.org/projects/47373-001/main
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