



MSME SECTORIAL CREDIT LINE GUIDELINES [SI]

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MICRO, SMALL, AND MEDIUM ENTERPRISES [MSME] CREDIT LINE GUIDELINE [SI]

i. INTRODUCTION

The Micro, Small and Medium Enterprises [MSME] is an initiative of the Solomon Islands Government to support current MSME business entrepreneurs and start-up business creation and generate jobs and make entrepreneurs financial independent.

That is the first step in boosting the domestic economy, but also requires ongoing support from the government, private sector, financial provider services and other relevant stakeholders' sectors to support the MSME program, make enterprises growing up and sustainable.

The Ministry of Commerce, Industries, Labour, and Immigration [MCILI] through the Business Unit and Cooperatives are working with the Central Bank of Solomon Islands [CBSI] to create a Credit Line for the Solomon Islands Development Bank to enable entrepreneurs from access a sectoral credit line for those new and/or existing companies in the Solomon Islands.

The Sectoral Credit Line will initially focus on

- Agricultural Production and related industries
- Tourism Sector
- Fishery Sector
- Agroforestry industries

The MSME target groups in these sectors are focus on

- Women inclusion and initiatives
- Support Youth Initiative

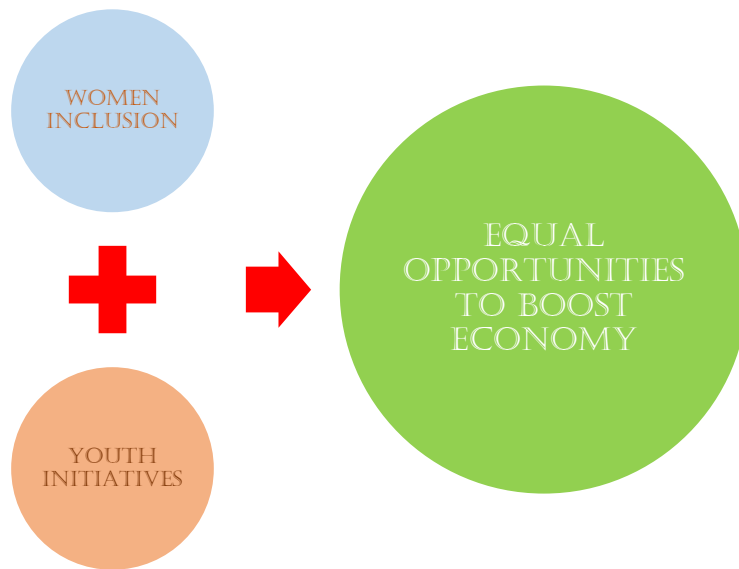
1. MISSION

To care for all MSME Entrepreneurs offering equal opportunity for them and offering a high-quality business services to support their business creation and/or growing the business focus on business sustainability with access affordable credit line to create and/or develop the new/existing business in the Solomon Islands.

2. VISION STATEMENT

Bring inspiration, motivation, and innovation to every MSME in Solomon Islands empowering every of them and working together to build a fast economy for the country.

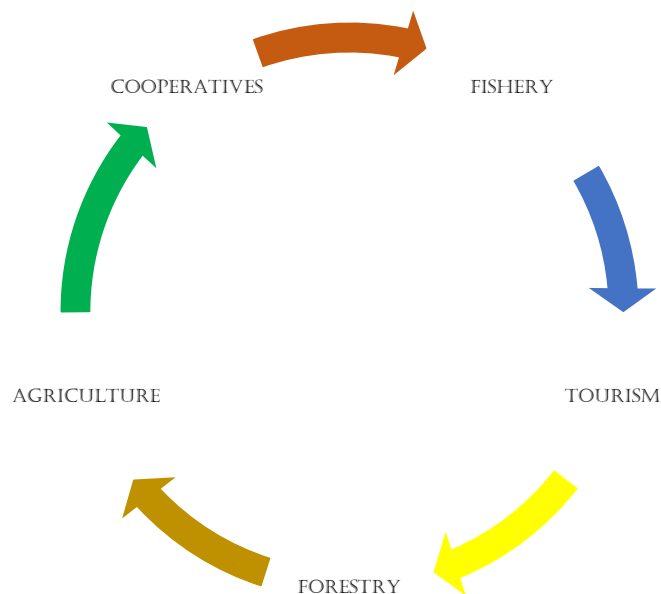
3. TARGETS AND GOALS



The Sectorial Credit Line will help MSME entrepreneurs in the Solomon Islands incentivizing the Women initiatives and participation in the business to be financial independent. Also focus on supporting Youth initiatives to be entrepreneurs that will lead then to be financial independent too.

Both targets are important to boost the cash economy in the Solomon Islands and support new initiatives for the creation and sustain the existing MSME.

The MSME is focus on these Sectoral areas



4. MSME DEFINITION IN THE SOLOMON ISLANDS

The “*Micro, Small & Medium Enterprises (SMES) Policy & Strategy*” published by the Solomon Islands Government through the Ministry of Commerce, Industries, Labour & Immigration stated the “*SME Definition and Current Situation of SMEs in Solomon Islands*” (Pag.2).

The following table summarize the MSME definition in Solomon Islands

Size of the Enterprise	Net Capital Investment (in million SBD)	Annual Turnover (in millions SBD)	Number of Employees (Full Time Equivalent)
Micro Enterprises	Less than 0.5	Less than 0.3	1 to 5
Small Enterprises	0.5 – 1.5	>0.3 to 10	>5 to 25
Medium Enterprises	1.6 – 7.5	>10 to 50	>25 to 50
Large Enterprises	>7.5	>50	>50

5. CREDIT RESPONSIBILITIES

The Solomon Islands Development Bank will be responsible for the administration of the Sectorial Credit Line and the Solomon Islands Government will create a special fund at Central Bank of Solomon Islands who will provide the financial capital for this Credit Line.

The Solomon Islands Development Bank is solely responsible for the assessments and approvals, minimizing collections and align with corporate and government financial goals.

The Credit management Unit of the Solomon Islands Development Bank will be responsible for managing the credit evaluation, review, and approval process, as well as managing overall risk portfolio.

6. CREDIT POLICY

The Solomon Islands Development Bank will establish and maintains credit lines and payment terms for all new and existing MSME customers.

Credit is extended to customers who can demonstrate their ability to repay debt. The Development Bank will define the creditworthiness information process such as trade references and financial information to evaluate credit limits.

7. CREDIT EVALUATION POLICY

The Solomon Islands Development Bank would issue credit to MSME applicants who have history of paying on time and who share financial information that demonstrate they will not default and continue payment on time.

In case the credit applicant is below average risk scores from the creditworthiness information (in house or via third-party) or is unable to provide trade references or financial statement, the entrepreneur(s) will need to file an application for the Micro, Small, and Medium Enterprise Business Loan Guarantee Scheme to support the guarantee for their credit line application.

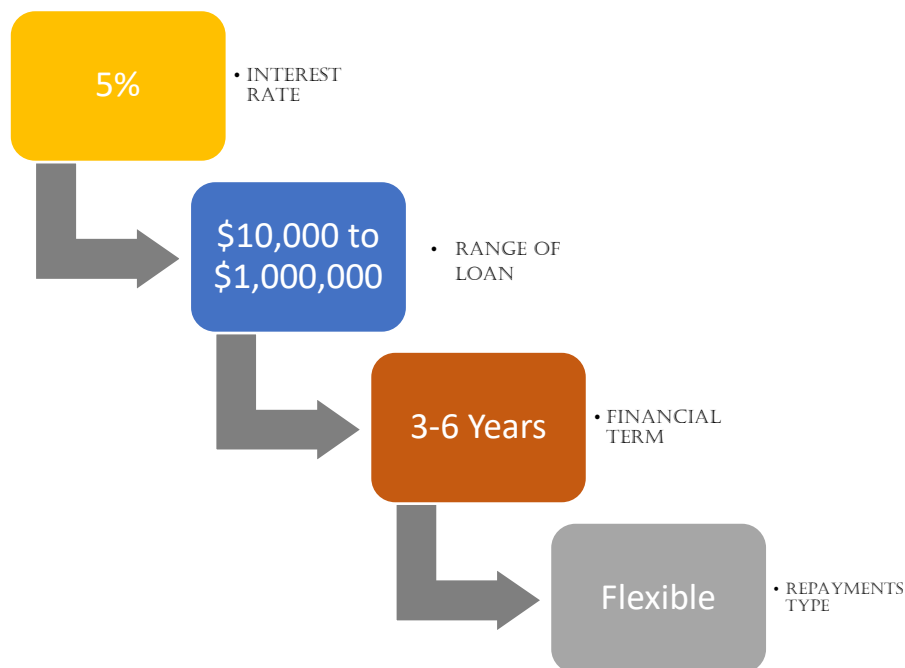
8. CREDIT REVIEW POLICY

For existing MSME customers, the Solomon Islands Development Bank Credit Unit will review credit limits as needed.

All limits would be subjected to change based on changes in MSME entrepreneur's creditworthiness aligned with the bank credit policy.

9. CREDIT TERMS

The Solomon Islands Development Bank will follow the agreed credit line terms and conditions signed between Ministry of Commerce, Industries, Labour and Immigration and the Central Bank of the Solomon Islands for the creation of the MSME Sectorial Credit Line.



10. DELINQUENT ACCOUNT POLICY

This policy establishes the procedures that will be followed when a customer account has a due repayment overdue for more than 90 days and should be labelled “*severely delinquent*”.

The Solomon Islands Development Bank Credit Unit will send a letter to the MSME delinquent marked Final Notice. The account is on hold barring for future credits process.

If the outstanding balance is not resolved with payment, the credit line is cancelled, and the account now must be treated in adherence with the Bank Bad Debt Policy.

11. BAD DEBT/COLLECTION POLICY

When a severely delinquent account (91 + days due) is not resolved with a good faith effort of payment, the Development Bank will exercise the MSME guarantee. In case the MSME used the Micro, Small, Medium Enterprise Business Loan Guarantee Scheme [MSMEBL], the Development Bank will file application to the Central Bank of Solomon Islands to access in full or in part of the amount guarantee by the scheme.

12. REPORTS AND COMMUNICATION

The Solomons Islands Development Bank will monthly report to the Ministry of Commerce, Industries, Labour, and Immigration through the Business Unit and Cooperatives a summary report including and not limited to

- Number of MSME Credit Line Application Received, credit amount required, credit destination, MSME Sector Industry of the applicant
- Number of MSME Credit Line Application Approved and how many will use the MSMEBL guarantee scheme including the dollar amount be guarantee.
- Number of MSME Credit Line Defaulted, amount due, days defaulted at the reporting date, actions taken by the Bank to recover the amount due.
- Balance, at the reporting day, of the Sectorial Credit Line

The Solomon Islands Development Bank, the Central Bank of Solomon Islands and the Business Unit and Cooperatives of the Ministry of Commerce, Industries, Labour, and Immigration will coordinate a monthly working meeting to review, analyse, update, adjust and or make decisions to improve the MSME Sectorial Credit Line access and minimize the financial risk.

13. SPECIAL CREDIT LINE FOR EXPORT GROWTH FACILITY [EGF]

The Export Growth Facility [EGF] is a single facility with three separated windows through which firms can access export finance options not currently available in the Solomon Islands.

- The facility provides the finance necessary for realising the three strategic objects
- Investment Catalyst Fund
- Matching Grant Fund for Market Entry Related
- Export Guarantee Facility

ESTABLISH AND EXPORT GROWTH FACILITY CREDIT LINE

This Export Credit Finance Line has three separate windows of funding:



- An investment catalyst fund to encourage export focused investments



- A matching grant fund for medium sized exporters to meet specific requirements in target markets



- An export guarantee facility to underwrite exports up to 180 days

The Solomon Islands Government will create a separate special fund at Central Bank of Solomon Islands who will provide the financial capital for this Credit Line dedicated to the Export Growth Facility.