

Speech by
Honourable James Marape
Prime Minister
at the Occasion of **The Launch of the Credit Guarantee Corporation**
Tuesday, 29th March 2022, APEC Haus

Acknowledgements:

- Acting Governor, Mr. Benny Popoitai,
- Treasurer, Hon. Ian Ling Stuckey
- Interim Board Members of CGC,
- Board Members and Management of the Bank of PNG,
- SME Accelerator Program Manager, Mr. Dominic Sikakau
- Representatives from Development Partners,
- Representatives from Financial Institutions,
- Invited Guests
- Ladies and Gentlemen

1.0 Introductions

1) Today is a special occasion when we launch Papua New Guinea's very own Credit Guarantee Corporation (CGC). Countries around the world have set up various credit guarantee organisations to manage credit guarantee schemes, whether driven by the private sector or by governments. Credit guarantee schemes are a common form of government intervention to unlock finance for the micro small and medium enterprises (MSMEs) however, to have a company to provide that service is a first for PNG.

2) I commend the Acting Governor and the Bank of Papua New Guinea (Bank of PNG) Management and Board for co-financing this project and your tireless efforts to make this launch possible. This is a National Government initiative in partnership with the Bank of PNG to stimulate economic growth and broaden the country's business base.

3) Whilst we have had various guarantee schemes in the country, the establishment of the CGC as an independent legal entity with a sole purpose of providing guarantees and focusing on helping the MSMEs grow and develop is very promising and is in line with My Government's focus on growing the MSME sector. I encourage all the licenced financial institutions to collaborate with the CGC to ensure the credit risk is shared by the CGC and the participating financial institutions, so that the institutions can be encouraged to make credit available to MSMEs.

2.0 Background

4) Financial institutions are often reluctant to lend to MSMEs due to the perceived high risk of lending to the sector. That is why under My Government, we have come up with various incentives to inject funds into financial institutions to assist the MSMEs grow.

5) The government has partnered with BSP through the Credit Enhancement Scheme and National Development Bank's SME Funding with over K280 million in funding for MSMEs. However funding alone will not help MSMEs, we need long term sustainable programs to help MSMEs and this is where SME Corporation and others should step up to provide the necessary assistance required by our MSMEs so there is a holistic approach to developing our MSMEs.

6) In this trying time as business struggles with the socioeconomic impact of COVID-19, in PNG and all over the world, I hope that through the CGC that we will consider some assistance to the smaller financial institutions such as the micro banks when we face uncertain times in the near future. Apart from providing guarantees to financial institutions, I envisage the CGC to also provide wholesale financing to financial institutions, especially the smaller ones, to assist them to expand their microcredit loan portfolios. In addition, to also provide short term liquidity support to financial institutions affected by natural disasters, health pandemics and runs on customer deposits as a first line of defence.

3.0 Alignment with Government Priorities

7) When we came into government our focus has been to stimulate economic growth through a two-pronged economic strategy by boosting the MSME sector and to facilitate the resource projects as steroids for the economy.

8) On boosting the MSME sector and that has been translated into the budget where we have committed to inject K200 million into MSMEs every year for the next 10 years and our partnership with the financial institution. On the resource sector as you know we signed the P'nyang gas agreement on 22 February this year which is a major milestone for the project. Papua LNG we hope to have the FEED by early this year with a final investment decision in 2023.

9) I am pleased to note that the amendments to the Central Banking Act (CBA) My Government has instituted and particularly the first objective of the CBA to “promoting employment and economic growth, especially of the non-mineral and non-petroleum sector” is already working through the establishment of the CGC which will promote employment and economic growth through the MSMEs access to credit and other assistance.

4.0 Credit Guarantee Corporation (CGC)

10) I challenge the CGC and all the financial institutions to assist to develop and grow our MSME sector and also look at the issues of climate change and support inclusive lending to MSMEs to help them build resilience to or mitigate climate change effects. Green loans to MSMEs should be considered using green credit guarantees to mitigate credit risks and improve the bankability of the transactions.

11) Digital Disruption' has become the new normal not only for the financial sector but also for other sectors and industries as well. Traditional businesses and their practices have changed overnight with technological disruption. In some areas, the financial sector will need to catch up to ensure products and services are relevant in a new digital economy. I believe CGC will continue in its efforts to be agile and dynamic in embracing the higher expectations of meeting the financing and development needs of MSMEs moving into the future.

12) I note the success of similar institutions within our region in our neighbour, Indonesia CGC, CGC Malaysia and KODIT in Korea and I hope we can learn from them and grow our CGC to successful and in doing so also grow the MSME sector as seen in those countries.

5.0 Conclusion

13) Let me take this opportunity to wish the Board and Management of CGC all the best and I look forward to hearing stories about innovation in the MSME sector and commend the CGC for its efforts in championing the MSME cause.

14) I understand our friends at Kumul Consolidated Holdings have not yet funded the government's equity in CGC and would like to encourage you to do so immediately.

15) I want to encourage the financial institutions to fully utilize the services of the CGC. When small businesses do not have sufficient access to financial products and services, they may be deprived of the opportunity to grow their business, and as a nation, we lose from the benefits of their potential contributions to the economy.

16) On behalf of the government, I would like to commend the Bank of PNG for establishing the CGC and I look forward to supporting the CGC as it grows and matures overtime to support our MSMEs and our aspirations for economic development.

Thank you and God Bless Papua New Guinea.