

*The Enhanced Credit Guarantee Fund

The Enhanced Credit Guarantee Fund (ECGF) expands its scope in the face of COVID-19 to include collateral credit support for micro, small and medium-sized enterprises (MSMEs) for short-term loans.

The ECGF, a partial credit guarantee, was initially designed to assist businesses across multiple sectors in gaining access to medium to long-term financing from participating financial institutions. Five years later after its launch, the Fund now operating under the Inter-American Development Bank's Global Credit Programme for Safeguarding the Productive Sectors and Employment, has introduced a component to provide security for those also in need of short-term financing (i.e. one year or less).

Here are a number of key points to help you better understand what the Fund is about, what businesses are eligible, and what steps you need to take to benefit from this collateral support:

What is the Fund about?

The Enhanced Credit Guarantee Fund is a partial credit guarantee fund established to assist small and medium-sized enterprises in obtaining short, medium and long-term financing by providing security to eligible financial institutions for new loans.

Why was the Fund made available?

The Fund was made available to offer further collateral support to small to medium-sized businesses, particularly for those most impacted by the global COVID-19 crisis.

Does my business qualify?

Businesses must comply with the following requirements to be eligible to participate under the Fund:

- Be an incorporated entity registered to operate in Barbados
- Have gone through the appropriate credit risk and due diligence analysis by financial institutions
- Generate less than BBD 20 million in annual sales
- Have less than BBD 20 million in total assets
- Employ fewer than 200 persons

Which business sectors can apply?

Guarantee support can be provided to small and medium-sized enterprises involved in agriculture, commerce, industry and the services sectors.

What business activities are eligible?

- Working capital (short-term; less than a year)
- Purchase of land and buildings
- Purchase of equipment and machinery
- Expansion and improvement of infrastructure
- Implementation of new technology, techniques and processes
- Increase in permanent working capital (when working capital is tied to an investment loan), all directly related to the company's activity)

Please note that SME loans previously financed by an IFI will not be eligible.

What are the main features of the Fund?

- Guarantees can only be issued for new loans
- This collateral support can be provided on loans up to USD 1 million (BBD 2 million) per project

- Guarantees outstanding cannot exceed USD 3 million (BBD 6 million) for any one business
- Coverage may be provided for up to 80% of the credit facility
- The maturity period of guaranteed loans shall not exceed ten (10) years
- A premium rate of 0.75% per annum is charged on the loan facility
- Guarantees may be provided for loans in United States dollars or Barbados dollars
- The interest rate is determined by the financial intermediary extending the credit

Where can I apply for the Fund?

- Capita Financial Services Inc.
- CIBC FirstCaribbean International Bank (Barbados) Limited
- Consolidated Finance Co. Limited
- Enterprise Growth Fund Limited
- First Citizens Bank (Barbados) Limited
- RBC Royal Bank (Barbados) Limited
- Republic Bank (Barbados) Limited
- SigniaGlobe Financial Group Inc.

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VALENCIA LIMITED

One local company involved in food manufacturing has been able to ride the "COVID-wave" which has caused several businesses to scale back on operations or undergo a total shut down. Valencia Limited, producers of Barbadian brand yogurt, Vaylen, have been able to "build capital and retain employees" during this season through use of the ECGF some three years ago. Managing Director, Paulina Valencia stated that the company was able to benefit under the programme by acquiring new equipment to enhance their production and service delivery.

When asked if she would recommend the ECGF to other businesses, the answer was a resounding "Yes!" "This is a great avenue through which companies can grow and remain competitive regionally," she added.

The manufacturer best known for its samosas and yogurt hopes to move into a larger facility in the near future.

PAVANA ENERGY LIMITED

Pavana Energy Limited is one of the newer beneficiaries under the programme and they are excited about the support provided through the Fund to allow for the investment in a wind turbine project. "Without the ECGF, our project couldn't be financed!" Omar Allahar, company owner, said that he has already been recommending the Fund to other businesses. "The Enhanced Credit Guarantee Fund is absolutely essential as businesses grapple with the challenges in accessing financing in Barbados", he further stated.

"Although COVID-19 has impacted on our project's timelines, we remain hard at work to set up the turbines so that Barbadians can benefit from wind generated energy," noted Allahar.

