

DBJamaica's CEF guarantees spur banks to lend more to SMEs



Anchored by its determination to help the SME sector grow and guided by its research conducted in 2009 on the challenges that SME faces in accessing finance, the Development Bank of Jamaica (DBJ) has implemented several SME initiatives including a partial credit guarantee program called the 'Credit Enhancement Facility' (CEF). The CEF addresses these challenges by providing partial loan guarantees to banks to enable them to make more loans to SMEs, and sharing loan losses on a *pari passu* basis. The CEF guarantees may be issued to support SME loans that either do not have sufficient collateral to meet the banks requirements or that the bank considers risky.

Under the CEF, banks may apply for partial loan guarantees up to JA\$15 million (US\$130,000) or 50% of the value of a loan made to SME. In the case of energy efficiency and renewable energy projects, the CEF provides coverage of up to 80%

up to a maximum of JA\$15 million. To encourage the implementation of energy efficiency and renewable energy projects, SMEs may access up to JA\$15 million or 80% guarantees for these projects, while those who are just starting a business, say a period of less than 12 months, they may access DBJ guarantees of up to 80% or JA\$5 million (US\$43,000) on loans below JA\$6.25 million (US\$54,000).

Since its inception up to December 2014, the DBJ has provided 176 CEF guarantees of JA\$380 million allowing SMEs to access loans of over JA\$780 million through ten (10) financial institutions (FI). The issued CEF guarantees have impacted the Agriculture, Services, Manufacturing, and Agro-processing sectors with Agriculture accounting over 50%, the Service sector 30%, and the Manufacturing sector 14% of the guarantees issued.

To further increase its utilization, the DBJ recently amended the CEF to make it more attractive by increasing the amounts guaranteed as well as improving the payouts available to banks.

DBJamaica's "The Credit Enhancement Facility" was given a Merit Award in the 2015 ADFIAP Outstanding Development Project under the SME Development category.

CGC Malaysia's Wholesale Guarantee Scheme: Supplementing SMEs' Access to Finance

The Credit Guarantee Corporation (CGC) Malaysia Berhad and the OCBC Al-Amin Bank in April 2014 launched the first ever 'Islamic Wholesale Guarantee' (WG-i) valued at RM 250 million (USD 69 million). This augurs well for the development of the unsecured SME financing business in Malaysia and is best suited for capital improvement and investment needs such as machinery and raw materials, and to support business growth where additional working capital is required.



The innovation of WG-i aims to capture the participation of other financial institutions by providing capital relief in accordance with Basel II while, at the same time, allowing them to obtain additional security to unsecured or partially-secured SME loans.

WG-i also provides a new edge for the banking industry by reducing risk on books of financial institutions and freeing up capital to allow increased capacity for more SME financing.

In addition, the strength of WG-i lies in its simple implementation method of provid-

IIB prioritizes SME support for economic development in member-states



Providing access to finance for SMEs in the member-states of the International Investment Bank (IIB) is one the main focus of IIB's activities. Hence the development of the "SME Support Program", an important step for IIB to pursue its Development Strategy for 2013-2017 as well as its Country Strategy for 2013-2015. The strategic purpose of this program is to promote accessibility of credit resources for SME entities in segments that procure sustainable development of the IIB member states. As part of its strategy, IIB closely cooperates with the countries in Asia-Pacific, particularly two (2) of its member-states—Mongolia and Vietnam. The program supports sustainable development and poverty alleviation of these nations in particular and the Asia-Pacific region in general.

According to IIB framework agreements, financial intermediaries disburse

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ing blanket guarantee on loans already underwritten by the participating financial institution via a thorough understanding on the underwriting standards and performance of such loans. As the portfolio would have been seasoned for a period of time, loan quality is made more predictive, hence no further credit assessment is required upon submission. The financial institution only needs to submit the qualifying accounts per the agreed terms. WG-i also allows better certainty in outreach and fee income as this is derived from a pool of existing customers in the financial institution's books. The WG-i program has already reached out to a total of 2,297 SMEs since it was launched. CGC and Al-Amin Bank are expecting the demand for wholesale guarantee to increase this year.

The 'WG-I' program won the 2015 ADFIAP Outstanding Development Project Awards under the SME Development Category.

SIDBI's 'smallB.in': Providing Opportunities for Entrepreneurship



The promotion of entrepreneurship is increasingly

being recognized as an important means of unleashing the productive and innovative potential of the youth and is considered as one of the primary sources of job creation, economic competitiveness and prosperity.

The Small Industries Development Bank of India (SIDBI), being the principal financial institution for the promotion, financing and development of the MSME sector in India, has developed and hosted a website, www.smallB.in that serves as a virtual mentor and handholding forum for potential, budding and even existing entrepreneurs.

The website is quite exhaustive, covering various aspects such as scouting for business opportunities, understanding various forms of business organization, learning basic legal aspects, business plan preparation, understanding various requirements for obtaining credit from banks and financial institutions, knowing policies of regulations, schemes and incentives offered by the central states and governments.

Other benefits of the website include unraveling the process of identification of

business opportunities, generate ideas and learn from some of the most successful start-ups in the world, find links and resources for franchise opportunities available in India, access technologies from ITs and other premier institutions for commercialization, discover the essential steps involved in incorporating a new business in India.

It also features the key steps, regulations and procedures involved in setting up of a new enterprise, easily access policy measures, schemes and incentives offered by the central and state governments, features the various sources of finance, how to capitalize a business, how to prepare a detailed project report for a bank or financial institution, how to access collateral-free loans from banks, and also give an overview of venture capitalists in India and how to approach them.

The website has had around 5 million hits since its launch and a rating of 4.30 rating on a 5-star rating poll. The website is SIDBI's attempt to inspire all individuals to look at the business opportunities all around and to demystify and simplify the process of starting a business in India.

SIDBI's 'smallB.in' won the 2015 ADFIAP Outstanding Development Award under the Technology Development category.

Nobody talks about entrepreneurship as survival, but that's exactly what it is and what nurtures creative thinking.

--Anita Roddick

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funds received under the "SME Support Program" to local and medium-sized companies, giving priority to sustainable and social development projects. In implementing the Program, IIB applies a two-stage scheme of lending that involves financing of SMEs through a network of agents (financial intermediaries), commercial banks, leasing companies, etc., This scheme has been applied in Mongolia and Vietnam as the SME sector plays a vital role in growth and development of these nations. According to the Bank's monitoring data, more than 300 SME entities from these nations (final beneficiaries) have already received financing from the IIB's partners under the SME Support Program.

The SME sector has been the priority of all IIB member states as this sector is considered to be a catalyst of economic growth, innovations, and progress. In line with this, IIB considers to further intensify its SME support loan operations in Europe and the Asia-Pacific region.

IIB's 'SME Support Program' was given a Merit Award in the 2015 ADFIAP Outstanding Development Project) under the Financial Inclusion category.

ODB implements loan guarantee program to promote SME development

SMEs are considered the backbone of many nations, generating job employment, contributing to industrial as well as economic development, etc. For many years, the Oman Development Bank (ODB) has been helping SMEs to thrive. It is the only Government-owned development bank that promotes SME development by providing subsidized term-loans with fixed interest rates and longer moratorium and repayment term. As government-institution, ODB lend only to sectors specified by the government. ODB is providing loan of up to 56% of the total project cost subject to a ceiling of RO 1 million (USD2.58 million).

To be more of help to SMEs, ODB has implemented the Loan Guarantee Program (LGP), which was conceived and developed under the aegis of the Directorate of SME Development (currently the Public Authority for SME Development) in the Ministry of Commerce & Industry, Sultanate of Oman. The LGP is the customized version of the 7A program implemented by the Small Business



Administration, (SBA) United States of America. Under the LGP, enrolled commercial banks are encouraged to provide financial assistance of up to RO250,000 (USD650,000) to SMEs eligible under the program. Eligible small business applicants must: 1) be organized for profit; 2) be owned by an Omani Citizen; 3) be located in Oman; 4) be a small/medium enterprise (as defined by MOCI/ODB); and 5) demonstrate a need for the desired credit.

As the lead agency in implementing the program in Oman, ODB developed the Standard Operating Procedure (SOP) documents which would provide the necessary guidelines, templates and forms for the smooth implementation of the project. Commercial banks empanelled in the program were designated as lenders while ODB guarantees of up to 50% of such loans provided by commercial banks to SMEs. ODB's guarantee reduces the requirement of collateral security by lenders, a boon to SME customers, especially to the first generation entrepreneurs. The pro-

gram is attractive to commercial banks as ODB guarantees 50% of the loan and thus reduces their risk, so to with SMEs as they get loans without providing much of the securities.

The program has already resulted in the provision of financial assistance to about 76 SME business ventures in Oman. ODB and commercial banks enrolled in the program worked as a team in implementing the project where the commercial banks have already loaned the amount of RO 8.4 million (USD21.8 million) to SME projects, while ODB had already provided guarantees worth RO 4 million (USD10.4 million). These SME projects involved in the program were mostly owned by young entrepreneurs, including women.

ODB's "Implementation of Loan Guarantee Program" was given a Merit Award in the 2015 ADFIAP Outstanding Development Project) under the SME Development category.

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