

Financing, Technical Assistance and Incentives for Small & Medium Enterprises

How & Where to Get It

Produced by The Business Development Unit,
Ministry of Commerce, Consumer Affairs & Business Development



Financing, Incentives and Technical Assistance for Small and Medium Enterprises

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OVERVIEW

Small and Medium Enterprises (SME's) face many challenges which impact on their viability and competitiveness which in turn affects our economic growth and development. One of the major challenges faced by SME's is the difficulty in accessing financing for start-up capital, meeting every-day expenses and expanding operations. A number of small business persons complain that they do not have the savvy to develop their own business plans and some financial institutions label them as being risky.

This publication seeks to integrate fragmented information about the different avenues of financing available to SMEs. The consolidation of valuable information about incentives, grants, and technical assistance and other financing options available from both government-funded agencies and other stakeholders are highlighted.

The Government of Barbados through its various avenues provides a variety of assistance to SME's and encourages a spirit of entrepreneurship to all stakeholders. To this end, other new initiatives are being formulated which would further enhance the success of SME's.

The need for proper recording keeping by SME's is very crucial since most of the agencies require business plans and projected or past years' financial statements which would be very difficult to produce without proper financial record management.

The failure or success of SME's is ultimately in the hands of the owners. Corporate Governance along with other proactive measures which minimise risk should not be taken lightly and entrepreneurs are encouraged to use the avenues showcased in this book.

BUSINESS PLANS

What is a Business Plan?

A business plan outlines your vision and goals for your business; it is essentially your roadmap for future development, whether your business is starting up or established.

Importance of the Business Plan

A business plan is crucial when you are exploring financing options. It helps investors and credit institutions to understand what you intend to spend the invested or borrowed money on, and how this will benefit your business. In fact, most potential investors and credit institutions will insist on seeing your business plan before they consider funding your business. Your business plan should not be discarded once you have obtained funding because it is an important management tool for setting goals for your business. You should also review your business plan periodically. This will help you to evaluate where your business is and whether it has achieved any of the objectives that you have set.

The essential elements of a business plan

Your business plan should include:

- A summary of what your business does, its history, and your goals for the future of the business.
- The time-frame the business plan covers normally depends on the institution, which could be at least two years.
- The marketing aims and objectives, for example, how many new customers you expect to gain by a certain time.
- Operational information such as where your business is located, your suppliers and the plant and equipment you require.
- Financial information forecasts for 3-5 years, including profit and loss forecasts, cash flow forecasts, sales forecasts and audited accounts.
- A summary of the objectives of the business, including targets and dates.

If you intend to present your business plan to investors or banks, you will also need to include the following:

- Your aims and objectives for each area of the business.
- Details of the history of the business, including at least three years' prior financial statements.
- Your business' management structure and human resource skills.
- Information about your product or service, and how it can compete in the market place.
- How you will manage credit, expenditure, stock, debtors and creditors.
- A cash flow forecast indicating the amount of funding you need and why. If your business is a start up business, include estimates of how much money you will need for at least 2 years, or until you begin to make a profit.
- How you intend to repay your loan, when it will be repaid, and how investors can get their money back.

HOW TO FINANCE YOUR BUSINESS

The type of financing options available to your business will depend to a large extent on its needs and financial resources. There are generally two types of financing options available to you:

- A. Debt Financing
- B. Equity Financing

A. Debt Financing

Debt financing involves borrowing money that will have to be repaid over a period of time, usually with interest. Debt financing can be either short-term (repayment due in less than one year) or long-term (repayment due after more than one year). The lender does not gain an ownership interest in your business and your obligations are limited to repaying the loan.

Though banks are the main source of debt financing for small businesses, many other financial institutions and agencies provide loans at very competitive rates. Many credit institutions have different lending criteria, loan terms and interest rates, and many offer special deals. Shopping around could save you a lot of money in the long run.

Obtaining a loan is not always easy, especially for small businesses which are generally deemed to be very risky. Before you approach a financial institution for a loan, it is important to understand the factors which will influence their decision to lend to you.

Five Important Considerations Which Influence a Lender's Decision

i. Your Ability to Repay

Your ability to repay is one of the most important points considered by credit institutions. Banks are interested in two sources of repayment - cash flow from the business and collateral. Financial institutions will evaluate your business' past financial statements to analyse your business' cash flow. Generally, financial institutions are more comfortable lending to a business that has been in existence for a number of years because they have a financial track record.

ii. Your Credit History

Your personal and business credit history will also play an important role in a credit institution's decision on whether to lend to you. If your credit history is good, it will generally be easier to obtain a loan.

iii. The Equity in Your Business

Financial institutions are also interested in the amount of equity in your business. This will help them to determine whether there is enough equity in your business to leverage the loan. Equity can be built up through retained earnings or through a cash injection from you or an investor. It is also very important that your total liabilities or debt are not more than four (4) times the amount of your equity. Most financial institutions will require you to put up part of the sum needed, and the amount you must put into the business will depend on the type of loan, purpose and terms.

iv. Your Collateral

Financial institutions are also interested in the collateral of the business. Collateral are assets that can be sold to repay the loan. If you do not have collateral, your credit institution may request a guarantor, that is, someone who will put up their collateral to help you to secure the loan.

v. Your Business Experience/Track Record

An entrepreneur that has little or no experience in business will find it more difficult to obtain a loan. Credit institutions are generally interested in whether you have experience in the industry or entrepreneurial experience.

Advantages of Debt Financing

- i. Financing is guaranteed for a certain period unless the loan conditions are breached.
- ii. Loans can be tied to the lifetime of the equipment or other asset the money is being borrowed for.
- iii. You know what the repayments are and can budget accordingly.

Disadvantages of Debt Financing

- i. Loans may have very strict terms and conditions.
- ii. Loans are sometimes not very flexible.
- iii. Cash flow problems can cause you to default on your interest payments.
- iv. Lenders will need to be convinced that you can repay them, or at least that you can provide security.

- v. If a loan is secured against the assets of the business or your personal possessions, including your home, you could run the risk of losing them if you cannot meet the monthly payments.

B. EQUITY FINANCING

What is equity finance?

Equity finance is capital invested in a business in return for a share of the ownership and, sometimes, limited control of the business. The most common source of professional equity funding is from venture capitalists. Venture capitalists are institutional risk takers and may be government-assisted sources or major financial institutions.

Equity investors do not normally receive interest or have to be repaid as would obtain in the case of debt financing. Instead, equity finance investors receive dividends, and their return is dependent on the growth and profitability of your business.

Is equity finance right for your business?

Whether equity financing is right for your business will depend on the climate in your business. Investors will expect a higher return than would be the case with more secured investments. Equity finance is therefore likely to be more suitable in the following instances:

- the nature of a project is unattractive to traditional financial institutions such as banks.
- the business is unable to pay loan interest because of limited cash or available cash is set aside for other activities such as growth and expansion.

What makes a company attractive to equity investors?

i. Industry

Companies that are attractive to equity investors are typically high-growth companies, with the potential for a high rate of return.

ii. Clear Exit Strategy

Equity investors are attracted to companies that have a clear exit strategy, allowing them to obtain the return on their investment. Generally, equity investors like to exit an investment within 5-7 years.

Financial Return

Equity investors are attracted to businesses that can clearly demonstrate the likelihood of significant financial returns.

Advantages and Disadvantages of Equity Finance

The main advantages of equity finance are:

- i. Investors only receive returns on their investment if the business is doing well.
- ii. Equity finance will provide valuable resources for your business. Equity investors often bring valuable skills, contacts and experience to your business and can assist you with key decision-making and strategies.
- iii. Investors are often willing to provide more funding as the business grows.

The main disadvantages of equity finance are:

- i. You may have to relinquish some control over major business decisions and the management of your business.
- ii. You may have to give up valuable management time to provide regular information for the investor.
- iii. Your share in the business will diminish. However, your share may grow if the funding provided by the equity investor grows your business.

Before you consider equity finance ask yourself:

- Are you prepared to relinquish some control and a share in your business? If so, how much?
- How much funding do you require and for what purpose?
- How long will you need the funds?

Alternative Sources of Financing

1. **Overdrafts** - overdrafts can be expensive but flexible form of borrowing.
2. **Family Loans** - these can be a good source of finance.
3. **Additional Funds** - from you or partners and directors in your business.
4. **Government Support** – there are many incentives available to SMEs by government agencies.
5. **Joint Ventures** - these can take the form of cooperation between you and another individual or business for a specific enterprise rather than in a continuing relationship.
6. **Credit Cards** - these are a relatively expensive but quick way of raising finance. They are a flexible form of borrowing but are not suitable for long-term borrowing.

Ministry of Agriculture and Rural Development

- Agricultural Incentives Programme
 - Livestock Development Fund
 - Rural Enterprise Fund
-

AGRICULTURAL INCENTIVES PROGRAMME

The Ministry of Agriculture and Rural Development (MARD) provides funding, incentives and duty-free facilities to persons in the agricultural sector such as farmers, exporters and processors.

Agricultural Incentives

The following incentives are provided to qualifying farmers and organizations:

- Cotton development
- Spraying and weed control equipment
- Irrigation systems
- Pasture development
- Orchard development
- Assistance to farmers' organizations
- Agricultural and agro processing machinery
- Land cultivation
- Livestock development
- Re-tooling fishing, poultry, livestock industries
- Farm security
- Farm management and agribusiness
- Support for farming organisations
- Resource protection and management
- Post-harvest technology
- Organic farming
- New crop technology (greenhouses & hydroponics)
- Farm attachment mentorship programme
- Disaster relief revolving fund

Most of the incentives are processed exclusively by the MARD. In some cases, however, other agencies are involved either partly or entirely in administering particular incentives. Incentives are generally given in the form of rebates for funds already spent by the applicant.

Duty Free Concessions

Duty-free concessions are processed by the Customs Department in consultation with the MARD and the Ministry of Finance (MF). Duty free concessions are provided on the following items:

- Planting material

- Machinery and equipment
- Agricultural Chemicals
- Veterinary medicaments
- Hand tools
- Irrigation machinery and equipment
- Organic farming
- Miscellaneous items
- Special inputs

Registration

- An applicant must first be registered with the MARD and be issued with an Identification card. These cards are issued at the time of registration at the Agricultural Services Unit, MARD headquarters.
- The ID card identifies a bona fide farmer or processor and may be requested by officials of the MARD, MF, Customs Department or any other government department. In the event of a duty-free vehicle concession this number is used as identification via adhesive decals applied to the vehicle.

Applications for Incentive Rebates

1. Application for incentives should be made to the MARD. Application forms are available at the MARD headquarters. Specific requirements for accessing each incentive are indicated on the respective forms. Original receipts, VAT registration number and NIS number must be submitted when requested. There are certain exceptions to these requirements. In the event that the applicant wishes to retain his original bill, a verified photocopy will be held by the MARD and the original returned to the applicant.
2. In the case of Technical Assistance Funds and Working Capital Funds applications should be made directly to the MARD and if successful, disbursements are made by the Agricultural Development Fund through the Enterprise Growth Fund Ltd.
3. In some cases successful applicants for Technical Assistance Funds will be required to provide twenty-five percent of the cost of the respective activity from their own funds. In these cases this portion may be paid on an incremental basis depending on the project cycle.
4. To benefit from a Retooling rebate, management practices, HACCP and ISO standards and protocols must be approved by a qualified specialist in the field. Organisations will have to demonstrate their stipulated protocols before funds are disbursed.
5. Organic farmers will be required to meet the minimum requirements set out by the

MARD in order to qualify for a rebate.

6. With regard to rebates on Agricultural and Agro-Processing Machinery, applications are made through the Inland Revenue Department at the time of submitting income tax.
7. In the case of incentives handled entirely by the MARD, The Agricultural Services Unit of the Ministry of Agriculture and Rural Development will visit to examine the operations of the farm or business when necessary. In the appropriate situations a decision will then be made to recommend the request, deny the request or postpone recommendation pursuant to the applicant satisfying any criteria related to supporting documentation or farm practice.
8. Payments are disbursed through the Ministry's Accounts Department. Successful applicants are notified by telephone when cheques are ready for collection.
9. A farmers organisation which wants to participate in the incentive scheme must be registered:
 - As a co-operative in good standing with the Co-operatives Division; or
 - As a company through the Corporate Affairs office; or
 - Any other form of registration of which the Minister of Agriculture and Rural Development approves.

Applications for Up Front Duty Free Concessions

1. An applicant for up front duty free concessions must be registered as a farmer, processor, exporter or importer with the MARD and be issued with an identification card.
2. Applications for these concessions should be made when or before the item/items arrive in the country and before duty has been paid.
3. Applicants must produce an Invoice and either a Bill of Lading or Airway Bill to the Agricultural Services Unit, Graeme Hall, Christ Church. At the Unit the applicant will complete an application form and take that document to customs to claim the concession.
4. In some cases the Customs Department will need verification of certain agricultural items. In those cases officers of the Agricultural Services Unit will take steps to make that verification and inform the Customs Department of their disposition towards the item.
5. Agro-processors must write to the Customs Department and indicate the list of raw materials that they want to import.

Special Duty Free Concession Items

1. With the exception of applications for vehicles, all applications for these concessions should be made in writing to the MARD when or before the item/items arrive in the country and before duty has been paid. It would be useful for the applicant to submit a Pro-Forma Invoice to the ministry before the item is shipped.
2. This category includes certain items which can be used both for agriculture and for other purposes. These Farm Inputs are dealt with on a case by case basis where bona fide farmers can show a particular need. These items include such things as generators, building materials.
3. In these cases an Officer of the Agricultural Services Unit may visit the farm and make the necessary assessment before the concession can be considered.

Applications for Duty-free Vehicles

1. These are made in writing to the Ministry of Finance (MF). The MF will send applications to the MARD for verification of the status of the farmer and for an assessment of the operations of the farm.
2. Various types of vehicles are allowable but the vehicle must be compatible with the operation for which it is intended. For example four-wheel drive vehicles with open trays or panel vans for farmers, refrigerated vehicles for agro-processors handling meat and fish etc. Jeeps are not allowed.
3. The applicant's letter to the MF should be accompanied by:
 - A Value Added Tax (VAT) certificate
 - A National Insurance Clearance Certificate
 - The most recent Land Tax bill or certification of a property lease agreement which shows intention of the landlord to grant occupation for at least 5 years.
4. After receiving the application from the MF, the MARD may invite the applicant to attend an interview and an officer of the MARD will visit the premises to assess the operations. Applicants must satisfy a number of criteria. They must:
 - Show a need for a vehicle to undertake such activities as are normally associated with the operation.
 - Derive an annual gross income from the enterprise of at least \$60,000 per year.
 - Have at least ¼ acre under production.
 - Demonstrate farm and business practices which are consistent with aesthetic

standards and the sustainability of the operation.

5. During the assessment the MARD will require information on production and sales for a one-year period. The operator must produce verifiable documentation from a purchaser or purchasers that sales have taken place. After the assessment is complete, the officer will fill out a record form and require the applicant's signature.
6. The recommendation of the MARD is based on satisfaction of the above criteria. This recommendation is communicated to the MF. Final approval is granted by the MF and is communicated by letter to the successful applicants.
7. The importing garage must inform the MF of the vehicle Make/Model, Engine number, Chassis number, CIF value and shipping vessel arrival date. In cases where the applicant is making the import independent of a garage, then the applicant will be responsible for informing the MF.
8. The MF will, in writing, inform the Customs Department, applicant and garage (if appropriate) giving approval for the concession. The MF may also require a special license to be affixed to the vehicle. Value Added Tax must be paid on the transaction to acquire the vehicle.
9. Successful applicants will be required to display their Farmer Registration Number on the left and right doors of the vehicle. This number must be of specific dimensions as determined by MF. Within three weeks of purchasing the vehicle the recipient must bring the vehicle with the affixed Farmer Registration Number to the MARD to be verified by an officer of the unit.
10. The concession may be provided once every seven (7) years but the vehicle may be sold after the fifth (5th) year. If the vehicle is sold before the end of the stipulated five year period, the recipient will forfeit some portion of the duty forgone. The MF must be informed before such a sale.
11. Similarly, vehicles which are written off by insurance companies following accidents within the specified five year period will attract some portion of duty. In this case the vehicle may be replaced by another duty-free vehicle provided that the applicant still qualifies. Application is again made to the MF.
12. A recipient who within the five year period ceases to be involved in the agricultural activity for which the concession was granted will also forfeit some portion of the duty forgone.

Recipients are required to cooperate with the MARD with respect to inspection of the agricultural activities of the enterprise and to respond to questionnaires and other data gathering methods.

The Ministry of Agriculture and Rural Development reserves the right to deny any applicant a grant or concession if there is evidence of any management practice existing on a farm or business which is sufficiently deleterious to jeopardize future production or plant, animal or human health. Applications in this case may be held in suspension until such practices are corrected. Examples of such practices are indicated below:

1. Livestock

- Animal welfare - e.g. physical abuse, inappropriate housing.
- Unsanitary conditions and groundwater pollution - e.g. manure build-up, excessive flies and odour.
- The presence of unsightly materials or equipment contributing to rodents and disease vectors.

2. Crops

- Soil conservation - e.g. visible soil loss or potential for erosion, lack of protective measures.
- Inappropriate pesticide application - e.g. unsafe storage area, lack of protective clothing for workers, use of banned chemicals.

3. Aesthetic

- Establishment of buffers or a buffer zone – e.g. poultry houses.
- Planting of shade/fruit trees.

For more information, contact

Ministry of Agriculture and Rural Development
Graeme Hall, Christ Church
Telephone#: (246) 428-4150
Fax#: (246) 420-8444
E mail: info@agriculture.gov.bb
www.agriculture.gov.bb

LIVESTOCK DEVELOPMENT FUND

The Livestock Development Fund was established by the Rural Development Commission to reduce unemployment in rural areas through the development of a sustainable micro business sector.

GENERAL POLICY

In order to access funding from the Fund:

- The location must be in rural Barbados
- The project must be viable and sustainable
- The applicant must show the ability to repay the loan within the given period.
- Qualifying borrowers fixed and moveable assets should not exceed BDS \$500,000.00, and should be involved in start-up and/or existing livestock enterprises approved by the Commission.

Priority will be given to applicants for small loans to start new businesses, expand existing businesses and those applicants who will be able to generate additional employment.

The Commission will not be granting loans for ventures which not only appear to be “high risk”, but by their very nature are considered able to attract financing from other financial institutions.

It will also be the policy of the Commission to make small loans and in this respect, more persons will benefit from the programme.

TERMS AND CONDITIONS

Interest Rate

Minimum of 4% per annum and chargeable on the reducing balance.

Repayment Period

Maximum of ten (10) years

Security Instruments

Equitable Mortgage, Bill Of Sale, Promissory Note and Deposit of Title Deeds.

Loan Ceiling

- Ceiling of \$50,000.00 for vegetable/food crop and livestock enterprises.
- Ceiling of 25,000.00 for non-agricultural enterprises.

The Commission in its discretion, may approve loans in excess of the agreed ceilings, and charge interest at the market lending rate.

PROCEDURES FOR APPROVAL OF LOANS

The applicant must complete the appropriate form which initially seeks to obtain relevant information on the applicant and the purpose for the loan.

Members of staff will visit the applicant and the proposed location of the venture to verify that the information submitted on the application form is correct.

DISBURSEMENT OF FUNDS

After a loan has been approved, and before any disbursement is made, the following procedures apply: -

- The applicant is informed in writing by a letter which sets out the terms and conditions of the loan.
- The applicant is required to sign a Letter of Commitment.
- The applicant is required to sign the appropriate security instrument (s).

In cases where the Commission decides to make the disbursement (s) by installment (s), the applicant is required to submit copies of receipts as evidence that the amount advanced was used for the purpose for which it was granted.

MONITORING OF LOANS

The Commission in most cases makes direct payments to the suppliers instead of to the loan recipients.

Mechanisms are put in place to monitor the projects to ensure that loans are used for the purposes for which they were granted.

A member of staff will visit prospective borrowers before and after the loans have been approved. In addition, the loan recipients are encouraged and assisted in the keeping of relevant records for their business.

For more information, contact:

The Rural Development Commission
Porters, St. James
Telephone#: (246) 422-4108
Fax#: (246)422-7669
E-mail: rdc@caribsurf.com

RURAL ENTERPRISE FUND

The Rural Enterprise Fund was established by The Rural Development Commission to assist small businesses with investment capital in order to encourage the development of vibrant micro-enterprises in rural areas. This fund is administered by the Rural Development Commission and is categorised by the following:

CRITERIA FOR LOANS

- The location must be in rural Barbados
- Borrower's net worth must not exceed \$250,000.00
- Project must be viable and sustainable
- Applicant must show the ability to repay the loan within the given period
- Qualifying borrowers must be individuals and/or companies which are involved in start-up and/or existing agricultural, fishing and other small businesses approved by the Commission.

Priority will be given to applicants for small loans to:

- Start new businesses,
- Expand existing businesses, and
- Generate additional employment.

TERMS AND CONDITIONS

Interest rate

Minimum of 4% per annum and chargeable on the reducing balance.

Default Interest

3% above lending rate and applicable where the applicant has defaulted in the repayment of an installment for ninety (90) days.

Repayment Period

- Minimum of One (1) year

- Maximum of Seven (7) Years

Security Instruments

- Promissory Note
- Guarantor's agreements
- Bills of Sale
- Deposit of Title Deeds
- Insurance Policies
- Assignment of Sales Proceeds

Loan Ceilings

- Ceiling of \$50,000.00 for vegetable/food crop and livestock enterprises.
- Ceiling of 25,000.00 for non agricultural enterprises.

The Commission in its discretion, may approve loans in excess of the agreed ceilings, and charge interest at the market lending rate.

Unacceptable Loans

Loans will not be made for the following:

- Land Acquisition
- Purchase of Motor Vehicles
- Refinancing (Debt Liquidation)

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The applicant must complete the appropriate form which initially seeks to obtain relevant information on the applicant and the purpose for the loan.

Members of staff will visit the applicant and the proposed location of the venture to verify that the information submitted on the application form is correct.

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The Rural Development Commission
Porters, St. James
Telephone#: (246) 422-4108
Fax#: (246) 422-7669
E mail: rdc@caribsurf.com

Ministry of Commerce, Consumer Affairs and Business Development

- Small Business Development Act Cap. 318C
-

SMALL BUSINESS DEVELOPMENT ACT

The Government of Barbados, in its effort to position the small business sector as one of the leading sectors of the modern Barbadian economy while promoting a culture of international competitiveness among SMEs, enacted the Small Business Development Act, 1999-23 in December 1999.

The Act allows the Minister to grant Approved Small Business Status to incorporated small businesses that carry on an activity which is of significant or substantial socio-economic benefit to Barbados. This Act which is administered by the Business Development Unit of the Ministry allows the Minister to grant Approval Status to small businesses.

BENEFITS UNDER THE ACT

The benefits which may accrue to an Approved Small Business are:

1. The payment of corporation tax at the rate of 20% on the profits of the business
2. Exemption from duty on raw materials, plant and equipment imported for use in the business
3. Technical assistance as it relates to:
 - a. the development of product design;
 - b. the development of package and label design;
 - c. the provision of assistance in the development and maintenance of quality control;
 - d. the provision of marketing assistance for the local and export market;
 - e. the provision of assistance to businesses seeking to participate in overseas trade shows;
 - f. the preparation of business plans to facilitate the initial financing and management of the business;
 - g. the financing of feasibility studies relating to the development of new businesses or products;
 - h. the provision of assistance in managerial accounting or budgetary analysis; or
 - i. the provision of assistance in general or production management.

4. Exemption from withholding tax on dividends and interest earned on investment in an approved small business or in any fund approved for investment in small businesses;
5. Exemption from payment of stamp duty under the stamp duty act on all documents related to the business where the registration of those documents is required by law; and
6. A deduction of corporation tax of an amount equal to 20% of the actual expenditure incurred in respect of the use of technology, market research and any other activity that is. In the opinion of the Commissioner of Inland Revenue, directly related to the development of the business.

ELIGIBILITY

Companies must satisfy the following criteria to be eligible for Approved Small Business Status:

- i. be incorporated under the Companies Act; and have satisfied any two of the following criteria:
 - have 25 or less employees
 - earn less than BDS\$2 million gross sales annually
 - has not more than BDS\$1 million as stated or paid up capital

REFUND OF INCORPORATION COSTS

Businesses which have been granted Approved Small Business Status may apply for a refund on the cost of incorporation. Successful applicants will be refunded a sum of up to \$1,700.00 or 75% of the cost of incorporation, whichever is less.

Export Promotion and Marketing Fund Act

Under this Act an Approved Small Business is exempt from the imposition of the **cess** on imported goods for use in the business as stated in Section 7(2) (f) (x) of the Act.

For more information, contact

The Ministry of Commerce, Consumer Affairs and Business Development
Telephone#: (246) 427-5270
Fax#: (246) 431-0056
E mail: bdu@commerce.gov.bb
www.commerce.gov.bb

Ministry of Economic Affairs and Development

- Fiscal Incentives Act
 - International Business Companies Act
 - Societies with Restricted Liability Act
 - Barbados Investment and Development Corporation (Programmes)
 - Urban Enterprises Programme
-

FISCAL INCENTIVES ACT

Government introduced a wide range of investment incentives for the manufacturing industry under the Fiscal Incentives Act, 1974. The Act implements an Agreement between Barbados and certain countries in the Caribbean region for the harmonization of fiscal incentives to industry.

BENEFITS

An approved manufacturing enterprise may be granted incentives under the Fiscal Incentives Act (FIA) for the manufacture of an approved product. Such enterprises are entitled to the following benefits:

1. Tax Holiday

The enterprise will be granted a tax holiday, during which time it will be exempt from income tax on profits and gains earned from the manufacture of the approved product. The length of the holiday depends upon the local value added in manufacturing the approved product.

Enclave enterprises, producing exclusively for export outside of the Caricom region and those that are considered to be highly capital intensive (with an investment of more than US \$25 million) will be granted a 10 year tax holiday, irrespective of the local value added.

2. Loss relief

Any net tax loss incurred during the tax holiday may be carried forward at the end of the tax holiday and offset against future taxable profits earned by the approved enterprise for a period of five years. Any losses sustained after the holiday period qualify for the normal carry forward period that is currently 9 years.

3. Dividends

Dividends paid by an approved enterprise to Caricom resident shareholders, from profits earned during the period of the tax holiday are exempt from tax in Barbados. Non-Caricom shareholders are exempt from tax in Barbados, to the extent that such tax exceeds the tax payable on the dividends in their country of residence.

ELIGIBILITY

- i. Companies must be incorporated and registered in Barbados.
- ii. The product must be of benefit to Barbados, both economic and non- economic considerations being taken into account; and
- iii. The product must have a beneficial effect on employment in numbers and gross wages.

APPLICATION PROCEDURES

Applications must be accompanied by:

- i. Projected profit and loss and income statements for the first three years. If the enterprise is already in operation, audited balance sheets and profit and loss statements for the past two years should also be submitted.
- ii. Statements of projected cash flow for the first three years.
- iii. A market survey or appropriate supporting information to substantiate sales projections for each project.
- iv. An Environmental Questionnaire, especially if the company plans to manufacture or use chemicals or food products.

Excluded Products

Hats and caps	Hollow ware (aluminium)
Bakery products	Mattresses
Beer	Paper bags
Brushes and mops	Phonograph records
Cardboard boxes	Plastic film
Cigarettes	Pop corn
Clocks	Printery
Coir products, mats and matting	Rum
Concrete blocks	Shirts and Knitted underwear
Concrete pipes (non asbestos)	Syrups
Concrete tiles	Tissue paper products
Copra	Tubular furniture (aluminium)
Corrugated cardboard containers	Twine
Drinking straws	Umbrellas
Edible oils and fats from copra	Window frames (aluminium)
Handicraft items	Stationery (except continuous business forms)
Automobile Mufflers	

For more information, contact:

The Ministry of Economic Affairs and Development
The Business Centre, Upton, St. Michael
Telephone#: (246) 430-2200
Fax#: (246) 429-6849/228-6167
Email: info@barbadosbusiness.gov.bb
www.barbadosbusiness.gov.bb

International Business Companies Act

The International Business Companies Act Cap.77 is the legislation governing international business companies carrying on the business of international manufacturing or international trade and commerce from within Barbados with a view to:

- a) encouraging the development of Barbados as a responsible international financial centre;
- b) provision of incentives by way of tax reduction, exemptions and benefits for international manufacturing and international trade and commerce from within Barbados.

For the purposes of this Act, an international business company shall be deemed to be resident in Barbados where that company is incorporated or registered under the laws of Barbados.

Extracts from the International Business Companies Act relating to business incentives:

Section 2 (1) b – provision of incentives by way of tax reduction, exemptions and benefits for international manufacturing and international trade and commerce from within Barbados.

Section 5 – A company which has held a license under this Act shall not be eligible to apply to become an approved enterprise under the Fiscal Incentives Act.

Section 6 (1) – For the purposes of this Act, but subject to subsection (2) international trade and commerce is:

- a) the business of being a broker, agent, dealer, seller, buyer or factor within Barbados of goods to be trans-shipped through or from Barbados;
- b) the business of the selling of services which, if originating in Barbados, are to or for, or on account of, persons resident outside Barbados; and
- c) the business of providing from within Barbados a prescribed service for a company carrying on an international business or for a company carrying on business in Barbados under an enactment referred to in section 7(2), other than a licensed bank referred to in paragraph (e) of that subsection; or subject to this Act, any other business carried on from Barbados.

Section 10 (1) – Subject to this section and section 11, in lieu of tax at the rate specified under the Income Tax Act, there shall be levied and paid to the Commissioner of Inland Revenue, in respect of the income year 1991 and in each subsequent income year of an international business company, a tax on the profits and gains of the company at the following rates:

- (a) 2.5 per cent on all profits and gains up to \$10,000,000;
- (b) 2 per cent on all profits and gains exceeding \$10,000,000 but not exceeding \$20,000,000; and
- (c) 1.5 per cent on all profits and gains exceeding \$20,000,000 but not exceeding \$30,000,000.

Section 6 (2) An international business company may elect to take a credit in respect of taxes paid to a country other than Barbados provided that such an election does not reduce the tax payable in Barbados to a rate less than one per cent of the profits and gains of the company in any income year.

Section 11 – An international business company shall not be liable to pay any tax under the Income Tax Act except as is provided by Section 10 hereof in respect of an income year, nor shall it be liable under this or any other enactment to pay any other direct tax on its profits and gains in respect of that income year.

Section 13 (1) – All dividends, royalties, interest, fees, management fees, paid or deemed to be paid by an international business or to a person resident outside Barbados is exempt from tax under the Income Tax Act.

For more information, contact:

The Ministry of Economic Affairs and Development
The Business Centre, Upton, St. Michael
Telephone#: (246) 430-2200
Fax#: (246) 429-6849/228-6167
Email: info@barbadosbusiness.gov.bb
www.barbadosbusiness.gov.bb

Societies with Restricted Liability Act

The Societies with Restricted Liability Act Cap.318B is the legislation providing for the organization of societies with restricted liability with full corporate personality and for related matters.

Extracts from the Societies with Restricted Liability Act:

- 41) 1 Subject to Subsection (2) an international society may not
- a) acquire or hold land in Barbados, other than land required for its business held by way of lease or a tenancy agreement for a term not exceeding the period fixed in the articles for the duration of the society or such shorter period as circumstances require;
 - b) transact business with any person resident in Barbados;
 - c) take deposits from any person in contravention of the Financial Institutions Act.
- 41) 2 An international society may:
- a) acquire such goods and services in Barbados as it requires for the conduct of its business; and
 - b) transact in Barbados such business as may be prescribed with
 - another international company
 - an international business company licensed under the International Business Companies Act.
 - an off-shore bank licensed under the Off-shore Banking Act, and
 - an exempt insurance company licensed under the Exempt Insurance Act.

Extracts from the Societies with Restricted Liability Act Cap.318B relating to business incentives.

Section 43 (1) – Special tax provision (same as Section 10 (1) and (2) of the International Business Companies Act).

Section 44 –A society shall not be liable to pay any tax under the Income Tax Act, except as is provided by Section 43 in respect of an income year, nor shall it be liable under this or any enactment to pay other direct tax on its profits and gains in respect of that income year.

Section 46 (1) – An international society may import or purchase out of bond, free of customs duty, consumption tax, ad valorem stamp duty and other like duties, taxes and impost, such as plant machinery, equipment, (excluding motor vehicles), fixtures, appliances, apparatus, tools and spare parts, and such raw materials, goods, components and articles, as is necessary for the society to carry its business.

Section 46 (2) – The goods referred to in subsection (1) may only be imported or purchased out of bond free of the duties, taxes and imposts referred to in that subsection where the manager of the international society certifies to the Comptroller of Customs, in this Act referred to as the “Comptroller”, that the goods are imported or purchased for use exclusively by the society.

For more information, contact:

The Ministry of Economic Affairs and Development
The Business Centre, Upton, St. Michael
Telephone#: (246) 430-2200
Fax#: (246) 429-6849/228-6167
Email: info@barbadosbusiness.gov.bb
www.barbadosbusiness.gov.bb

BARBADOS INVESTMENT & DEVELOPMENT CORPORATION (PROGRAMMES)

The Barbados Investment and Development Corporation (BIDC) is the industrial development agency which has the responsibility for promoting and facilitating the establishment and expansion of business enterprises in Barbados, and for export promotion of Barbadian goods and services.

The BIDC also administers the Government's incentive program for industry and provides a variety of free advisory services for companies seeking to establish business entities on the island, especially in the areas of Information Technology, Manufacturing and Financial Services.

SERVICES PROVIDED

A number of special programmes are provided through the various divisions of the BIDC to exporters of goods and services from Barbados.

1. Specialist Business Development Advice

A team of knowledgeable Business Development Officers is available to both potential and experienced exporters. These officers provide advice and useful information relating to export market development and trade regulations for specific product groups, and also liaise with exporters and other BIDC divisions from which additional services may be available.

2. Market Development Programme

An aggressive Market Development Programme uses in-country Market Representatives to help introduce Barbadian products in new export markets. Initially launched in Canada in 1994, the Programme expanded to the USA in 1998 and the UK in 2000, helping manufacturers capitalise on strategies involving niche marketing, branding, certification and the attainment of quality standards.

The Division further extends its reach through the network of overseas BIDC offices (New York, Miami, Toronto, London), which aid in identifying prospective distributors and partners. A special Market Development Programme for Barbadian craft is implemented from New York, and craft producers with competitive advantages are encouraged to contact the Division to arrange participation.

3. Outward Trade Missions

Trade missions are organised to assist Barbadian companies in getting their products into markets where research indicates that there is prospective demand. Missions typically

involve a series of meetings with potential distributors and other interested business partners, with a separate in-country itinerary developed for each participant. A BIDC officer accompanies the group, providing on-the-spot facilitation as well. Companies may apply to the Export Grant Incentive Scheme for reimbursement for their mission-related expenses.

4. Certification Service

BIDC is the certifying authority for exported goods requiring CARICOM, CBI, Caribbean, Venezuela/Caricom and Colombia/Caricom Certificates of Origin. The Export Promotion Division offers an immediate certification service for exports under these agreements from Monday to Friday, 8:00 a.m. - 3:00 p.m. There is a minimal charge for certifying documents.

5. E-Commerce Website: www.shopatbarbados.com

A dynamic e-commerce website, www.shopatbarbados.com, harnesses the power of the internet to further promote local food products, craft items, souvenirs and memorabilia. The website particularly targets persons who have visited Barbados. Producers of non-perishable products who are interested in becoming involved in this programme should contact the Export Promotion Division of the BIDC.

6. Trade Information For Exporters

The Export Promotion Division has collaborated with the BIDC Research, Planning and Information Division to produce a useful guide: "*The Documentation Handbook: A Guide to Exporting from Barbados*". The BIDC Library collection also includes market research information produced by the Research, Planning and Information Division for a wide range of countries. Clients may visit the Library on an appointment basis, or may be referred by BIDC officers.

7. Design Assistance

The BIDC Design Centre provides design services to artisans, manufacturers, designers and the general public. Design services include:

- Brochure and Flyer Design
- Product, Packaging and Textile Design
- Logo and Corporate Identity Development

8. Export Grant Incentive Scheme

The Export Grant Incentive Scheme (EGIS) is a reimbursable grant scheme which was introduced to encourage producers of goods and services to develop export trade. It is a prime support facility through which manufacturers and service providers can strengthen

their export marketing activities, and will facilitate them through the stages of market research to implementation of sales missions.

The EGIS is administered by the Export Promotion Division of the Barbados Investment and Development Corporation (BIDC). Barbadian manufacturers and service companies may apply for EGIS assistance to undertake market research, sales, and promotion and marketing activities in overseas markets. Successful applicants may be reimbursed with up to 75% of the cost of the activity.

ELIGIBILITY CRITERIA

All exporters and potential exporters of goods and services can benefit from the scheme as long as they meet the following criteria:

- Have potential to generate foreign exchange from exporting.
- Have the financial and other resources to pursue the opportunities arising from the activities undertaken.
- Have their management and marketing functions located in Barbados.
- Have a written export development or export marketing plan.

DETAILS OF THE SCHEME

- It is a reimbursable scheme, and disbursement is conditional upon the BIDC receiving a satisfactory written report on completion of the activity, accompanied by appropriate bills reflecting costs incurred in connection with the activity.
- The application must be submitted, approvals and support levels must be determined and BIDC commitment documented before the project is implemented.
- EGIS supports a varied range of export marketing activities, including market research, participation in outward and inward trade missions, trade fairs, exhibitions, advertising and promotional materials, brochures, flyers, posters, etc.

REBATE CATEGORIES

Exporters involved in BIDC Sponsored activities and companies seeking to penetrate new markets or undertaking projects targeted at non-CARICOM markets are eligible for 75% rebate. All other activities are eligible for 50% rebate.

Application forms are available from the Export Promotion Division.

9. Special Technical Assistance

The Special Technical Assistance (STA) Programme, formerly referred to as the

Competitiveness Enhancement Scheme, was implemented during financial year 2001/2002 to address some of the known weaknesses of the manufacturing sector in Barbados. Administered by the Barbados Investment and Development Corporation (BIDC), the Programme assists companies interested in exporting professional services and those involved in traditional manufacturing activities.

The programme encourages businesses to address these key areas as part of their export strategy, and gives special attention to furniture and beverage producers under pressure to defend and expand their share of the local market.

It offers the opportunity for companies having at least 51% Barbadian ownership to set an export goal, identify the steps required by the organisation to get there, and to receive financial assistance in order to make the goal a reality.

TYPES OF ACTIVITIES FUNDED

Activities funded under the STA Programme include:

- Human Resources Development, Training and productivity enhancement
- Marketing
- Plant upgrade consultation
- Operational redesign
- Product development
- International standards certification/Compliance and Registration of Patents and registration with professional bodies
- Capacity building within BMA, SBA and the crafts sector
- Diagnostic procedures

ELIGIBILITY CRITERIA

To apply for the programme, businesses must be:

- At least 51% CARICOM owned,
- Located in Barbados,
- Registered and operating for at least one year,
- In good standing with the BIDC, National Insurance Scheme, Inland Revenue Department, the Value Added Tax Office and other government agencies,
- Willing to collaborate in a diagnostic exercise,
- Currently exporting or planning to export.

GENERAL POLICY

- Applicants receiving funding from another Government agency for a specific

programme shall not be eligible for technical assistance funding for the same programme.

- Applicants in the “Basic Industries”, as defined in Barbados’ Economic Policy Statement, shall not be required to meet the first criterion.
- For service companies, no single element from within a programme shall exceed \$50,000.00 per annum.

10. Innovation Support Programme

The Small Business Centre of B IDC offers an Innovation Support Programme, which provides strictly confidential assistance for creative Barbadians involved in the development, intellectual property protection and commercialization of any new product ideas that they may entertain from time to time.

The Programme aims to ensure that no good ideas are lost due to a lack of financial, technical or other means of pursuing them by linking all of the expertise and skills necessary to assist persons in developing new product ideas with good commercial potential.

It represents a strategic alliance between the innovators and B IDC for the purpose of realizing the commercial benefits of any innovative ideas conceptualized by private individuals. The responsibility for protecting your intellectual property rights is entirely yours but the Corporation will guide and assist you financially within the extent of its means.

11. ‘Holding Hands’ Mentorship Programme

The ‘Holding Hands’ Mentorship Programme offered through the Barbados Small Business Centre is intended to help small businesspersons to benefit from the knowledge and experience of well-established and leading businesspersons, professionals and educators willing to provide advice, guidance and other forms of support. Carefully selected mentors are assigned to participating small businesses in all categories within the sector.

12. Incubator Programmes

The B IDC Incubator Programme is intended for start-up and emerging businesses, its primary objective being to improve their chances of success. The maximum period of incubation is three (3) years. A Virtual Incubator Programme caters to home-based businesses, pulling together five (5) key programmes in an effort to stimulate their rapid growth and sustained development.

All Incubator participants can benefit from the full range of services and facilities offered through the Barbados Small Business Centre:

- Business Consultancy Services
- (Accounting/Marketing/Management)

- Design Centre Services
- Business Mentoring Services
- Seminars/Workshop Facilities
- Use of Training and Meeting Rooms
- Local Telephone and Local Fax Machine Services (Free)
- Overseas Fax Transmissions (At Cost)
- Overseas Telephone Calls (At Cost)

Participants are required to submit progress reports to a Review Committee, which regulates terms and conditions of participation.

For more information, contact:

The Barbados Investment and Development Corporation
Princess Alice Highway, Bridgetown
Telephone#: (246) 427-5350
Fax#: (246) 426-7802
E-mail: bidc@bidc.org
www.bidc.org

URBAN ENTERPRISES PROGRAMME

The Urban Enterprise Programme was developed with the fundamental aim of providing increased employment opportunities for persons in the urban area through the development of a sustainable micro business sector.

The Programme is administered by the Urban Development Commission, and provides funding for small business people who would not normally attract funding from commercial banks but who have viable, employment generating projects.

LOAN CRITERIA

- Priority will be given to applicants for small loans to start new businesses, and those applicants who would be able to generate additional employment.
- The project is viable and the applicant has the ability to repay the loan within the given period.
- The Commission will not be granting loans for ventures which not only appear to be "high risk" but also by their very nature are considered to be able to attract financing from another financial institution.

TERMS AND CONDITIONS

Interest rate

Minimum of 4% per annum and chargeable on the reducing balance.

Default Interest

3% above lending rate and applicable where the applicant has defaulted in the payment of an installment for ninety (90) days.

Repayment period

Maximum of seven (7) years

Security Instruments

Equitable Mortgage, Bill of sale and Promissory Note.

Ceiling

Ceiling of \$25,000.00

The Commission, in its discretion, may approve loans in excess of the agreed Ceilings, and also charge interest at the market lending rate.

DISBURSEMENT OF FUNDS

After a loan has been approved, and before any disbursement is made, the following procedures apply: -

- The applicant is informed in writing and the letter sets out the terms and conditions of the loan;
- The applicant is required to sign a Letter of Commitment;
- The applicant is required to sign the appropriate Security Instrument.

In cases where the Commission decides to make the disbursements in installments, the applicant is required to submit copies of his receipts as evidence that the amount advanced was used for the purpose for which it was granted.

MONITORING OF LOANS

The Commission in some cases makes direct payment to suppliers instead of making the cheques available to the applicant.

The Commission will put mechanisms in place to monitor projects to insure that loans are used for the purposes for which they are granted.

The Business Analyst and staff visit the applicant before and after the loans have been disbursed. In addition, applicants are encouraged and assisted in keeping proper accounts.

For more information, contact:

The Urban Development Commission
37 Roebuck Street, Bridgetown
Telephone# (246) 228-8285
Fax#: (246) 228-8284
E mail: udc37@sunbeach.net
www.urbanbarbados.org

Ministry of Education, Youth Affairs and Sports

- Project Oasis
 - Youth Entrepreneurship Scheme
-

PROJECT OASIS

This project started fully in the year 2005 under the Division of Youth Affairs. It seeks to provide vocational and sports training opportunities for young people who “lime on the blocks” across Barbados.

Project Oasis also has partnerships with training institutions and other developmental agencies such as the Youth Entrepreneurial Scheme and The Barbados Youth Business Trust.

Minimal Requirements and Conditions of Acceptance:

- Mainly youth between the age of 17 – 29 years but exceptions could be given.
- Person must be unemployed.
- No discrimination of persons assisted.
- Youth realised from prison are also encouraged to join.

The project’s training programmes are designed to incorporate the level of education the applicant possesses.

If no facilities are available the project’s Youth Commissioners and others train participants on the spot in the various communities.

Participants are also taught life skills e.g. HIV/Aids and Drug Awareness, Conflict Resolution and Money Management.

The arrangement for contracts and payment for land lease, ploughing of land and the sourcing of seeds are done by the project free of cost.

Access is also given to the project’s equipment such as cameras, and Laptop computers.

Stipends

- One hundred and fifty dollars (\$150.00) per week for bobcat training.
- Twenty dollars (\$20.00) a day for other institutional training programmes.

The following programmes are offered:

Ministry of Education (Youth Development Programme)

- Digital Media Film Project

- Small Business Course (Small Business Association)

Samuel Jackman Prescod Polytechnic

- Auto Mechanics
- Electrical Installation
- Computer Repairs
- Autobody Repairs
- Electronics (Radio/TV)
- Electronics (Sound Systems)
- Autotronics
- Nail Care
- Cookery

Inter-American Institute for Entrepreneurs

- Organic Farming for Entrepreneurs
- Farm Management

Barbados Community College

- Bartending
- Cookery

Barbados Vocational Training Board

- Bobcat Operation

Other

- Leather Craft
- Community Based Agriculture Projects
- Steel Pan
- Bee Keeping
- Basic Mathematics
- Basic English

For more information, contact:

Ministry of Education, Youth Affairs & Sports
Youth Development Programme (Block Committee)
Telephone#: (246) 430-2808
Fax#: (246) 436-8909

YOUTH ENTREPRENEURSHIP SCHEME

The Youth Entrepreneurship Scheme (YES) is a publicly funded programme within the Ministry of Education, Youth Affairs and Sports which provides a package of assistance with a network of resources to support emerging entrepreneurs between the ages of 15 and 30 in the creation, growth and development of their own successful businesses.

GENERAL POLICY

Technical assistance is available for:

- 1) start-up businesses, and
- 2) existing businesses.

YES will provide technical assistance for any meaningful business idea or venture.

Training and technical assistance services are provided free of cost. However, YES expects that persons who choose the programme will demonstrate commitment and application. YES reserves the right to review its relationship with persons who do not exhibit such behaviour.

SERVICES PROVIDED

YES offers its clients:

1. Direct Technical Assistance
2. Facilitation of access to financial assistance
3. Mentorship Programme
4. Training
5. Accounting and Marketing Services

1. Direct Technical Assistance

Youth Enterprise Officers and contracted consultants are actively in the field guiding young entrepreneurs in the steps to business ownership and management by providing guidance in all aspects of setting up, operating and managing their businesses.

2. Access to Finance

YES does not lend capital, however it facilitates links between young entrepreneurs and financial institutions that understand their needs and constraints. YES works closely with the Barbados Youth Business Trust.

3. Mentorship Programme

YES' Mentorship programme allows experienced, dynamic business mentors to work with entrepreneurs on a one-on-one basis to support, guide and inspire them to successfully accomplish their business goals.

4. Training

YES offers a comprehensive entrepreneurial developmental training programme where participants are tutored in a range of topics within Business Planning and Management and personal development and other business-related activities.

5. Accounting and Marketing Services

A cost sharing facility is provided to entrepreneurs who, for various reasons, are unable to perform their own record keeping, financial analysis and accounting functions and also provides affordable marketing strategies for them.

ELIGIBILITY

To qualify for YES' assistance, all you need is:

1. A strong desire to have your own business!
2. A business idea or simply a special talent!
3. Commitment!
4. Determination!
5. The will to go the extra mile!
6. Be under age 30!

For more information, please contact:

Youth Entrepreneurship Scheme
Ground Floor, S P Musson's Building, Hincks Street, Bridgetown
Telephone #: (246) 430-2803/4
Fax #: (246) 228-8514

Ministry of Finance

These programmes are administered by the Central Bank of Barbados.

- Credit Guarantee Scheme
- Enhanced Credit Guarantee Scheme
- Export Credit Insurance Scheme
- Export Finance Guarantee Scheme
- Industrial Credit Fund

Allowances administered by the the Inland Revenue Department.

- Income Tax Act

Imported Goods Exempted from the imposition of the cess (Customs Department).

- Export Promotion and Marketing Fund Act
-

CREDIT GUARANTEE SCHEME

The Credit Guarantee Scheme for Small Businesses is sponsored by the Central Bank of Barbados in an effort to assist small businesses in obtaining adequate security for their loans from credit institutions.

The Scheme is designed to offer a substantial degree of protection to credit institutions against possible losses in respect of the credit granted to small enterprises which do not have adequate security. Any credit institution desirous of participating in the Scheme may apply to the Central Bank to do so and, upon approval, provide credit facilities to eligible borrowers.

ELIGIBILITY CRITERIA

The borrower may be an individual, partnership, a corporate body, or an association of individuals, and must have the ability to contract loans and other credit facilities.

To qualify as an eligible small business the borrower must either be a company incorporated under the Companies Act and approved as a small business in accordance with the Small Business Development Act, 1999-23 or meet the eligibility criteria listed below: -

- i. Gross sales/revenue must not exceed \$2M per annum.
- ii. Stated or paid-up capital must not exceed \$1M.
- iii. For an enterprise engaged in agriculture, acreage under cultivation must not exceed 25 acres.

In addition to the criteria listed above, eligible small businesses should clearly demonstrate a need for financial assistance and/or security.

Eligible small business borrowers must have or make an equity contribution of at least 20% of the loan facility being sought. The borrower's contribution may be in the form of equity in the business, a cash injection or tangible security with an equivalent net realizable value.

Credit institutions may apply for guarantees not only on behalf of small businesses already established but also on behalf of those about to be established or contemplating expansion.

TYPES OF FACILITIES GUARANTEED

Credit facilities which may be guaranteed include demand loans, term loans, overdrafts,

discounts, letters-of-credit, acceptances, payment guarantees, tender bids and contract bonds.

Short-Term Loan Facilities

Short-term loan facilities, up to a maximum of \$80,000.00, will be guaranteed by the Central Bank where such facilities are for the purpose of meeting working capital requirements, (i.e. for the purpose of purchasing raw materials, fertilizers, trade merchandise, etc. and meeting labour costs and other direct operating expenses). Bids for Government or private contracts which require an initial deposit or bond are also included in such short-term facilities.

Medium-Term Loan Facilities

Medium-term loan facilities, up to a maximum of **\$150,000**, will be guaranteed by the Central Bank where such facilities are for the purposes of purchasing fixed assets, machinery and equipment.

Guarantee Period

Short-term facilities are guaranteed for a maximum of two (2) years

Medium-term facilities for a maximum of seven (7) years

Technical Assistance Loans

The Central Bank will guarantee technical assistance loans up to a limit of BDS\$50,000 for any one borrower (i.e. within the overall cost of BDS\$150,000 for medium term facilities), where such facilities are for the purpose of:

- Market or product research
- Marketing
- Product costing
- Promotion
- Production/plant layout
- Accounting and/or information systems,
- Staff training
- Management/entrepreneurial training
- Business reorganization/restructuring
- Any other relevant areas of technical assistance

The cost of preparing loan proposals may be included in the principal amount of any loan guaranteed under the Scheme. The maximum amount that may be included for this

purpose is limited to \$10,000.00.

EXTENT OF GUARANTEE

The Scheme offers commercial banks and other credit institutions protection against losses arising from the failure of borrowers to repay their loans. The risks covered under the guarantee are:

- i. Insolvency of the borrower
- ii. Protracted default by the borrower

All advances given under short-term and/or medium-term guaranteed facilities will remain covered. In the event of loss, the Central Bank will indemnify the credit institutions to the extent of 80% of the loss sustained. Thus, credit institutions will only bear 20% of any loss.

The maximum amount of loss to be borne by the Central Bank shall not exceed:

- \$64,000.00 in respect of short-term loan facilities, or
- \$120,000.00 in respect of medium-term facilities.

However, in the case of a new (start-up) business the Central Bank will guarantee up to 90% of the loan provided there is an equity contribution of at least 20% (i.e. of the guaranteed loan) by the borrower and the business has not been in operation for more than eighteen months.

HOW TO OBTAIN A GUARANTEE

Commercial banks and other credit institutions approved by the Central Bank, which are desirous of obtaining guarantees for loans to small businesses, should apply on the prescribed forms, to the Foreign Exchange & Export Credits Department of the Central Bank. Credit institutions should evaluate loan proposals from small business applicants and indicate the extent of their loan participation to the Central Bank.

Guarantee applications should be accompanied by all relevant documents and evidence supporting the borrower's financial position and creditworthiness.

Where necessary, the borrower should be required to maintain adequate security for the credit facility extended. However, in no case would the lack of adequate security be considered by the Central Bank as the prime reason for refusing a guarantee application.

OBLIGATIONS OF BORROWERS

- i. It shall be the responsibility of the borrower to provide the credit institution with reliable and up-to-date information concerning the business in order that a complete assessment of the financial needs may be undertaken and the appropriate guarantee be provided by the Central Bank.
- ii. The borrower must provide the credit institution and the Central Bank with timely reports on the operation of the business as may be required from time to time.
- iii. The borrower will ordinarily be required to comply with the terms and conditions of any loan granted by a credit institution and must ensure that the repayment schedule, as specified under the terms of the Central Bank's Guarantee, is complied with.

The failure of the borrower to meet any of the abovementioned obligations could result in the revocation of any credit guarantee issued on his behalf by the Central Bank.

BENEFITS

Small businesses which make use of the facilities provided under this Scheme could derive substantial benefits, including:

- Adequate security for loans
- Increased working capital
- Expansion of fixed assets, machinery and equipment
- Increased cash flow
- Increased sales and profits
- Lower rates of interest
- Expansion and diversification of operations
- Opportunity to employ more people and new skills
- New technology
- New products

Similarly, credit institutions which participate in this Scheme may derive several benefits, including:

- Added protection for loans
- New business from new clients
- Additional business from existing clients
- Lower losses from loan defaults
- Better working relationships with small clients
- Opportunity to provide advisory services

RATES OF INTEREST AND PREMIUM

The rate of interest on loans guaranteed under the Scheme shall be determined by the individual credit institution. Such rates of interest should be determined after taking into consideration the percentage of the loan guaranteed and the risks associated with the entire loan.

A guarantee premium shall be payable by credit institutions at the rate of 1½ per cent per annum on the highest amount of the facility outstanding at any time during any one calendar quarter. The liability to pay the premium shall be that of the credit institution.

For more information, contact:

The Foreign Exchange and Export Credits Department
Central Bank of Barbados
Tom Adams Financial Centre, P.O Box 1016, Bridgetown
Telephone#: (246) 436-6870
Fax#: (246) 427-9559
Email cbb.lbr@caribsurf.com
www.centralbank.org.bb

ENHANCED CREDIT GUARANTEE SCHEME

In support of the Government's efforts to bring some measure of relief to those enterprises in the private sector which may have been adversely affected by the fallout from the terrorist attack on the United States on September 11, 2001, The Central Bank of Barbados established an Enhanced Credit Guarantee Scheme for enterprises in the foreign exchange earning sectors, under the following terms:

Any credit institution desirous of participating in the Scheme may apply to the Central Bank to do so and, upon approval, provide credit facilities to eligible borrowers.

ELIGIBILITY

The borrower may be an individual, partnership, a corporate body, or an association of individuals, and must have the ability to contract loans and other credit facilities.

To qualify the borrowers must meet the following criteria: -

- The enterprise must be in the foreign exchange earning sectors, or be a direct supplier to an enterprise earning foreign exchange.
- Sales in foreign currencies must be at least 75% of gross revenue, or at least 75% of gross revenue must be supplied to enterprises earning foreign exchange.

CREDIT FACILITIES GUARANTEED

- Credit facilities to be guaranteed shall be the net amount of new credit advanced to the enterprise.
- The maximum amount of credit facilities to be guaranteed shall not exceed 80% of the loan from the credit institution or BDS\$2.0 million, whichever is lower.
- Guarantees may be provided for working capital facilities up to a maximum maturity of three (3) years.
- Guarantees for medium-term facilities may be provided up to a maximum of ten (10) years.
- Credit facilities which may be guaranteed include demand loans, term loans, overdraft, discounts, letters-of-credit, acceptances, payment guarantees, tender bids and contract bonds.

EXTENT OF GUARANTEE

The Scheme offers commercial banks and other credit institutions protection against losses arising from the failure of borrowers to repay their loans. The risks covered under the guarantee are:

- i. Insolvency of the borrower.
- ii. Protracted default by the borrower.

All advances given under short-term and/or medium-term guaranteed facilities will remain covered. In the event of loss, the Central Bank will indemnify the credit institutions to the extent of 80% of the loss sustained. Thus, credit institutions will only bear 20% of any loss.

HOW TO OBTAIN A GUARANTEE

Commercial banks and other credit institutions approved by the Central Bank, which are desirous of obtaining guarantees for loans to small businesses, should apply, on the prescribed forms, to the Foreign Exchange & Export Credits Department of the Central Bank. Credit institutions should evaluate loan proposals from applicants and indicate the extent of their loan participation to the Central Bank.

Guarantee applications should be accompanied by all relevant documents and evidence supporting the borrower's financial position and creditworthiness. Where necessary, the borrower should be required to maintain adequate security for the credit facility extended to him. However, in no case would the lack of adequate security be considered by the Central Bank as the prime reason for refusing a guarantee application.

INELIGIBLE CREDIT FACILITIES

The following credit facilities will **not** be eligible for guarantee under the Scheme:

- i Any credit facility in respect of which risks have already been covered by Government or under any other scheme.
- ii Any credit facility which does not conform to the credit regulation policy of the Central Bank of Barbados.
- iii Any credit facility granted to the borrower who had defaulted on any other credit facility made available to him under the Scheme.
- iv Any credit facility to refinance an existing debt except where the Central Bank is satisfied that such refinancing has not arisen from default or inability of the borrower to repay an existing debt.

OBLIGATIONS OF BORROWERS

- It shall be the responsibility of the borrower to provide the credit institution with reliable and up-to-date information concerning his business in order that a complete assessment of his financial needs may be undertaken and the appropriate guarantee be provided by the Central Bank.
- The borrower must provide the credit institution and the Central Bank with timely reports on the operation of his business as may be required from time to time.

Failure by the borrower to meet any of the above-mentioned obligations could result in the revocation of any credit guarantee issued on his behalf by the Central Bank.

RATES OF INTEREST AND PREMIUM

Credit institutions shall not charge interest on credit facilities guaranteed under the Scheme at a rate in excess of the average cost of funds plus a margin of 3.5%. A guarantee premium equivalent to a rate of 1½ percent per annum on the monthly balance of the loan guaranteed shall be payable on approval of the guarantee. In the case of an overdraft facility, the guarantee premium will be the rate of 1½ per cent per annum on the amount of the overdraft facility guaranteed.

BENEFITS

- Enhanced cash flow to businesses which utilise the facility.
- Credit institutions would be in a position to provide long-term financing with a guarantee in place.
- Increased cash flow to businesses which utilise the facility.
- Adequate security for loans.
- Lower rates of interest.

For more information, contact:

The Foreign Exchange and Export Credits Department
Central Bank of Barbados
Tom Adams Financial Centre, P.O Box 1016, Bridgetown
Telephone#: (246) 436-6870
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www.centralbank.org.bb

EXPORT CREDIT INSURANCE SCHEME

The Central Bank of Barbados established the Export Credit Insurance Scheme in 1978 to promote and facilitate the growth of Barbados' manufactured exports. The Scheme provides insurance cover against losses arising out of non-payment by overseas buyers for Barbadian manufactured goods.

TYPES OF POLICIES OFFERED

Under the Export Credit Insurance Scheme, **four** types of policies are available:

1. The Global Shipments Policy

The Global Shipments Policy protects the exporter from the date of shipment, and in most cases covers comprehensive risks, i.e. commercial and political risks. However, where exports are to government departments or to associate firms or where exports are to be effected against a confirmed irrevocable letter-of-credit, the policy may be endorsed to cover political risks only.

The Central Bank, in the event of a default, will cover losses to the extent of 90% in case of political risks and 80% in case of commercial risks. In other words, the exporter will be required to participate in the losses to the extent of 10% in case of political risks and 20% in case of commercial risks.

The policy will be issued for a period of one year and will apply to all shipments of goods from Barbados (except those shipments specifically excluded in Schedule A of the policy) made by the exporter during that period.

2. The Specific Shipments Policy

The Specific Shipments Policy protects an exporter who may not have regular exports of a repetitive nature, but may wish to cover single transactions.

3. The Contracts Policy

The Contracts Policy protects the exporter from the date of contract until the date of payment. It covers goods which are made specifically for the original buyer.

4. The Services Policy

The Services Policy covers such services as technical and professional contract services, royalty payments, patent fees, aircraft and dry dock repairs.

HOW TO OBTAIN A POLICY

To obtain an Export Credit Insurance Policy the exporter is required to submit a proposal on the prescribed form to the Central Bank. The proposal requires the exporter to describe the goods to be insured and the countries to which they will be exported, the value of exports for the ensuing year and the respective terms of payment.

ADVANTAGES OF CREDIT INSURANCE OVER

Export Credit Insurance is made available to exporters at a minimum cost which may be compared favourably with other types of insurance. Exporters who have export credit insurance cover are able to:

- a) Enter into new markets aggressively.
- b) Offer more liberal payment terms to present buyers and potential buyers.
- c) Be more competitive in the international market.
- d) Obtain liberal discounting facilities from commercial banks.

Without the protection of export credit insurance, export losses could have serious consequences for the exporter.

LIMITS OF LIABILITY

The total liability of the Central Bank in respect of shipments covered under the policy will be limited to the amount of the maximum liability stated in Schedule A attached to the policy.

The amount of the credit limit for any particular buyer will be the amount specified by the Central Bank in the Approved Credit Limit Notification to the exporter.

CREDIT LIMITS ON OVERSEAS BUYERS

The exporter will be required to apply to the Central Bank on the prescribed application form for a credit limit on each buyer to be covered under the policy. The amount of the credit limit for any particular buyer will be the amount specified by the Central Bank in the Approved Credit Limit Notification. The Central Bank will not be liable for any amounts in excess of the credit limit.

There is an annual non-refundable fee of \$10.00 in respect of the credit limit granted on each overseas buyer.

CREDIT INFORMATION

The exporter will be required to obtain as much information as possible on the overseas buyers when seeking new business. This information should be included in the application for a credit limit on the buyer.

The Central Bank may use various sources to obtain credit information on the buyer and to prepare a credit profile for purposes of determining credit limits. Ordinarily, shipments to new buyers should be on either Letter-of-Credit or Sight Draft. Terms may be subsequently extended gradually in accordance with the buyer's performance.

SPREAD OF RISKS

Exporters often enquire whether they can insure only those transactions which are likely to experience payment difficulties. In response to this query, it should be noted that the 'spread of risk' concept which is applicable in all other fields of insurance is also applicable to export credit insurance. This concept requires the exporter to offer for insurance cover a mix of transactions which affords the insurer an adequate spread of risks, that is, both low and high risk transactions must be offered for insurance cover.

The Central Bank's Export Credit Insurance and Guarantees Department assesses the risks associated with the transactions to be offered for insurance cover and, by mutual consent with the exporter, agrees on the transactions that will form the basis of the insurance contract. Thus, except for those transactions to be excluded by mutual consent, the exporter is required to insure all other transactions.

DUTIES OF EXPORTER

The exporter will be required to deliver to the Central Bank on or before the 15th day of each calendar month a declaration on the prescribed form of the Central Bank stating:

- All eligible shipments made by him during the previous month,
- All amounts which at the end of the previous month remained unpaid, wholly or partly, for more than two months from the due date of payment, in respect of all shipments previously declared.

However, in some cases (e.g. insolvency, diversion of voyage, transfer delays) the Central Bank will pay claims one month after the ascertainment of loss. Claims must be supported by satisfactory evidence of loss. This merely requires the exporter to show that the goods were shipped and that no payment was received.

The Central Bank will not be liable for the payment of a claim unless that claim has been received in writing on the prescribed form within twelve (12) months of the date on which

the loss was sustained.

The Central Bank will not be liable for loss which arises due to any dispute between the exporter and the buyer and/or due to the claim of the buyer that he is justified in withholding payment of the contract price of the gross invoice value of the goods or any part thereof.

RECOVERIES

Any sums recovered from the buyer or any other source by the exporter or the Central Bank will be divided between the Central Bank and the exporter in the same ratio in which the loss was shared. All recoveries shall first be deposited with the Central Bank.

Any expenses incurred by the exporter with the consent of the Central Bank or by the Central Bank for effecting recoveries from the buyer or any other source shall be a first charge on any amounts recovered.

ASSIGNMENT OF POLICIES

The policy provides for assignment of the benefits of the entire policy or the assignment of the benefits of individual shipments made under the policy. If the exporter is dealing with only one bank, it would be advisable to assign the benefits of the entire policy in favour of that bank. If the exporter deals with more than one bank, under the policy, the benefits of individual shipments could be assigned to a particular bank.

To assign a policy, the exporter will be required to complete the prescribed assignment letter in triplicate and after having it signed by the commercial bank, submit it to the Central Bank.

The assignment of the Policy may not be necessary where the exporter has Post-Shipment coverage under an Export Guarantee.

One of the principal benefits to an exporter of assigning the insurance policy or having post-shipment cover under an export finance guarantee is to be able to discount export bills receivable and obtain immediate cash. Commercial banks which provide this facility to exporters can in turn make use of the Central Bank's Export Rediscount Facility which allows exporters to obtain export finance at minimum cost.

BACK TO BACK INSURANCE AND GUARANTEE COVERAGE

It is prudent for exporters to have both insurance and guarantee cover. Where an exporter obtains a loan from a commercial bank to finance the production of goods for export or to finance export receivables, and where such a loan is guaranteed by the Central Bank, the guarantee will protect the commercial bank for as much as 90% of any loss incurred.

However, the commercial bank and/or the Central Bank would still have recourse to the exporter for the indebtedness outstanding. It is therefore very important that the exporter be covered by export credit insurance in order to ensure that any obligation to the commercial bank, in the event that the overseas buyer should default or become insolvent, can be fully met.

For more information, contact:

The Foreign Exchange and Export Credits Department
Central Bank of Barbados
Tom Adams Financial Centre, P.O Box 1016, Bridgetown
Telephone#: (246) 436-6870
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E mail cbb.libr@caribsurf.com
www.centralbank.org.bb

EXPORT FINANCE GUARANTEE SCHEME

The Central Bank of Barbados established the Export Finance Guarantee Scheme in 1978 to enable exporters to obtain liberal finance facilities from their bankers for the production of goods for export.

TYPES OF COVERAGE PROVIDED

The Scheme offers both pre-shipment and post-shipment coverage.

1. Pre shipment coverage is provided in respect of any credits granted by a commercial bank to an exporter for the purpose of manufacturing, processing and/or packaging of goods for export against a firm contract or agreement of sale with a foreign buyer.

2. Post-shipment coverage is provided in respect of any credits granted by a commercial bank to an exporter through the purchase, negotiation or discount of export bills relating to the shipment of goods out of Barbados under contract or agreement of sale with a foreign buyer.

RISKS COVERED

Under the Export Finance Guarantee, the following risks are covered:

- Failure of the exporter to repay the guaranteed debt due to insolvency.
- Non-payment by the exporter of the guaranteed debt due to protracted default.

Under pre-shipment coverage, this includes, by implication, the non-delivery of valid shipping documents by the exporter to the lending bank and non-payment on account of non-shipment of goods.

The percentage of loss guaranteed by the Central Bank in respect of pre-shipment coverage will normally be 75%. However, up to 90% of loss may be guaranteed where a commercial bank is requested to provide export loans in circumstances which carry higher than normal risks.

In respect of post-shipment coverage, the percentage of loss guaranteed by the Central Bank is 90%.

ELIGIBILITY

All goods partly or wholly produced, processed or manufactured in Barbados are eligible for

export finance guarantee facilities. Foreign-owned companies in Barbados which are engaged in processing or manufacturing goods for export are eligible to participate in the Export Finance Guarantee Scheme, subject to exchange control regulations and to the condition that where their parent companies have been declined coverage by an export credit organisation in their country, the same transaction will not be covered by the Central Bank.

Export Credit Insurance coverage is a prerequisite for obtaining export credit guarantee facilities.

HOW TO OBTAIN AN EXPORT FINANCE GUARANTEE

Export manufacturers who require export finance guarantees to finance their export orders and/or export receivables should inform their commercial banks of their requirements and request them to obtain the necessary guarantee facilities from the Central Bank.

Export manufacturers should supply commercial banks with copies of their export orders and all relevant financial information concerning their operations. In turn, commercial banks are required to complete the prescribed proposal form and return it to the Central Bank together with the following:

- a) The required application fee (non-refundable).
- b) Copies of the confirmed export orders and/or sales contract.
- c) A statement of financial position (audited or unaudited) of the exporter, or a cash budget and/or a cash flow projection for the ensuing six-month period.
- d) Bank or credit reports on the credit worthiness of the overseas buyer.
- e) Any other pertinent information or documentation deemed necessary by the commercial bank or the Central Bank

FEES AND PREMIUMS

An application fee of \$25.00 (for loans facilities up to \$250,000.00) or \$50.00 (for loans facilities in excess of \$250,000.00) must accompany all applications for export finance guarantees submitted to the Central Bank.

Commercial banks are required to pay premiums on the amount of the loan facility negotiated at the rate of 1% or 1.5% per annum depending on the amount of the loan facility negotiated and/or percentage of loss guaranteed. The higher premium rate (1.5% per annum) is applicable to loan facilities in excess of \$250,000 or facilities in respect of which more than 75% of any loan loss is guaranteed.

EXPORT CREDIT INSURANCE COVER

Any exporter on whose behalf a commercial bank applies to the Central Bank for an Export Finance Guarantee must be the holder of valid export credit insurance policy or have applied for such a policy. Export credit insurance provides the exporter with protection against not only unforeseen losses in export markets but also against recourse by commercial banks to recover unpaid pre-shipment or post-shipments credits.

Use the Export Credit Insurance and Guarantee Scheme to obtain finance for your exports.

All commercial banks and exporters in Barbados are urged to use the Export Credit Insurance and Guarantee Scheme. It enables commercial banks to lend with safety and to increase their total loans to exporters. Similarly, it increases the exporter's borrowing capacity and permits a more liberal flow of funds for export production, very often at better rates of interest.

Discuss the Export Finance Guarantee Scheme with your banker.

For further information contact:

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Telephone#: (246) 436-6870
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www.centralbank.org.

THE INDUSTRIAL CREDIT FUND

The Industrial Credit Fund (ICF) was established by the Government of Barbados in 1983 with funding from the World Bank and the Central Bank of Barbados. The objective of the ICF is to contribute to the development of the country by stimulating growth of output, employment and foreign exchange earnings of the Barbados economy. To this end, the ICF provides medium and long-term credit to productive enterprises operating mainly in the private sector.

Access to ICF Resources

ICF resources are channeled to beneficiaries through qualified financial intermediaries. These intermediaries are commercial banks and other financial institutions operating in Barbados.

Potential beneficiaries must first approach a financial intermediary with a project proposal. The intermediary will in turn submit the proposal to the Industrial Credit Fund.

WHAT CAN BE FINANCED

The ICF's resources can be used to finance:

- Fixed Assets (excluding real estate purchases)
- Working Capital (primarily raw material purchases), and
- Technical Assistance

ELIGIBILITY CRITERIA

- To benefit from the ICF, an individual must be a resident Barbadian national.
- In the case of corporate bodies, they must be capable of contributing to the growth of output, employment and foreign exchange earnings of the economy of Barbados.

Beneficiaries must have the managerial, technical and financial capacity to implement their projects efficiently, and must be either establishing a new enterprise or expanding existing capacity.

ELIGIBLE ACTIVITIES

The following areas of activity are eligible for loans:

- Agro-industry
- Manufacturing
- Fisheries
- Tourism
- Mining and Quarrying
- Information Technology
- Construction and Engineering
- Research and Development
- Transportation and Telecommunications
- Resource Development
- Consulting Services
- Health Services
- Management and other professional services
- Trade Finance for exports and strategic imports
- Restructuring or re-equipping of operations to meet the challenges of globalization
- Enterprises providing services to the above

LOAN CEILING

The ICF is prepared to advance up to 90% of the loan made by the intermediary, provided that the ICF loan does not exceed 80% of the cost of a new project or 90% of the cost of the expansion of an existing enterprise.

The amount of ICF advances outstanding to a single beneficiary at any one time is limited to BDS\$5.0 million.

SECURITY

The financial intermediary should take such security from its client as it considers appropriate since it carries the full credit risk of the loan. The risks associated with the loan as well as the security provided will determine the rate of interest on the loan.

TERMS OF ICF ADVANCES

Maturity

1. Maximum maturity is twenty (20) years (including maximum grace period of three (3) years where the funds are for fixed assets, i.e., building and equipment;
2. Maximum maturity is five (5) years (including a maximum grace period of two (2) years where funds are for working capital and technical assistance not associated with fixed assets.

The term of the loan from the ICF to the financial intermediary is the same as that from

3. the financial intermediary to its client.

Interest Rate

- Advances to financial intermediaries under the ICF scheme will attract an interest rate in the range of two percentage points above or below the average rate payable by commercial banks in Barbados on interest-bearing deposits as calculated by the Central Bank of Barbados.
- The financial intermediary and the beneficiary are entitled to negotiate a rate of interest that is mutually acceptable to both parties.
- Interest rates under this facility are not subject to Central Bank restrictions or included in the calculation of the commercial banks' average lending rate.

GENERAL PROCEDURES

Where a financial intermediary is making a loan of \$450,000.00 or less, reimbursement from the ICF is automatic, provided the purposes of the loan are consistent with the Statement of Policies of the ICF.

Where the intermediary's loan is in excess of \$450,000.00, the approval of the ICF is required before funds can be disbursed to the intermediary. For such loans, the ICF specifies the information it considers necessary for approval of the application.

For more information, contact:

Foreign Exchange & Export Credits Department
Central Bank of Barbados
Telephone#: (246) 436-6870
Fax#: (246) 427-9559
E-mail: cbb.lib@caribsurf.com
www.centralbank.org.bb

INCOME TAX ACT

The Income Tax Act is administered by the inland Revenue Department. Corporation Tax is levied on the profits of a company earned in a fiscal period that should not exceed fifty-three (53) weeks.

Allowances — Companies

- Annual Allowances (i.e., depreciation allowances on the straight-line method at prescribed rates are deductible for the year of purchase. Balancing Allowances and charges (to ensure that total allowances equal but do not exceed cost) are made on the sale or obsolescence of machinery and plant.
- Prescribed Basic Industries are entitled to, instead of the initial allowance, an Investment Allowance on plant or machinery which was new or which was imported into Barbados for the first time.

The investment allowance is not deducted like the initial allowance in determining the diminished value of the asset. The rate is 40% in the case of the manufacture and the refining of sugar and the manufacturing of products from clay or limestone. In any other case the rate is 20%.

A person entitled to claim an Export Allowance could also qualify for an investment allowance at the rate of 40%.

- Capital Expenditure on Industrial Buildings and Structures may be written off by an initial allowance of 40% of the cost and an annual allowance of 4%.
- Agricultural Businesses (other than those engaged in the refining or manufacture of sugar) can claim a Cash Rebate on capital expenditure incurred on agricultural machinery or plant which was new or which was imported into Barbados for the first time. The rates are 10%, 15%, or 18% depending on the type of machinery or plant.
- Commercial buildings qualify for a building allowance equal to 10% of the improved value where the property is registered with the National Trust, and 1% of the improved value where it is not so registered.
- Where a building, other than a commercial building or a building enjoying the benefits under the Hotel Aids Act, has been converted by the owner to provide units for rental to residents, 40% of the capital expenditure incurred on the conversion may be claimed as an initial allowance in the year the expenditure was made and 4% as an annual allowance.
- Persons engaged in the business of export to countries outside CARICOM may claim a research and development allowance of 150% of qualifying expenditure on the research and development undertaken for the purpose of promoting the export sales of the

business.

- A market development allowance of 150% of the specific expenditure incurred for the purpose of encouraging tourist to visit Barbados may be claimed by persons engaged in the tourist industry.
- A person other than a company enjoying benefits under the Fiscal Incentives Act 1974, that exports sugar to countries outside CARICOM, is entitled to an export allowance at prescribed rates.
- An export allowance may also be set off against the tax payable on the income from the reinvestment of profits earned in Barbados from enclave enterprises owned by persons other than Barbadian citizens, which produce goods exclusively for export outside of CARICOM.
- A foreign currency earnings allowance calculated as set out in the Fourth or Fifth Schedule, in the Income Tax Act is available to a person carrying on business in Barbados and whose assessable income is derived from the undertaking of qualifying overseas construction projects, or the supplying of qualifying overseas professional services, has the payment due, either by transfer of foreign currency to Barbados through the Barbados banking system or by payment in Barbados currency from funds held in Barbados which would be legally remitted from Barbados.
- If a capital expenditure is made in relation to a water storage facility on any commercial building, an allowance up to a maximum of \$3,500.00 may be claimed for each commercial building.
- Persons contributing an amount of money to the Tourism Development Corporation, that person can deduct an amount equal to: - 150% of the actual amount contributed, or 150% of 3% of his pre-tax profits from the preceding year, whichever is lesser.
- A company investing an amount in the Barbados Agency for Micro Enterprise Ltd. can deduct an amount equal to 120% of the actual amount invested up to a maximum of one million dollars.
- A company which has contributed an amount of money to the Regional Negotiating Fund can deduct an amount equal to 150% of the actual amount contributed in calculating the assessable income.

For more information, contact:

Inland Revenue Department
Treasury Building
Bridge Street
St. Michael
Telephone#: (246) 430-3109
Fax#: (246) 436-3238
www.barbados.gov.bb

EXPORT PROMOTION AND MARKETING FUND ACT

Imported Goods Exempted from the imposition of the cess (Second Schedule), Section 7(2)

The following goods on importation into Barbados are exempted from the cess:

- (a) goods that are subject to Part I- Section B of the Customs Tariff;
- (b) goods that are set out in the Customs Tariff (Amendment) Order, 2004 (S.I.2004 No.63);
- (c) motor vehicles that are subject to excise tax;
- (d) goods to which
 - (i) Section 6 of the Caribbean Community Act and Article 87 of the Revised Treaty of Chaguaramas apply; or
 - (ii) Goods to which the CARICOM Trade Agreements apply in respect of the countries of
 - (A) Colombia;
 - (B) Costa Rica;
 - (c) Cuba; and
 - (D) The Dominican Republic;
- (e) goods falling under the Table of Exemptions set out in Part II - Section B of the Customs Tariff;
- (f) Goods imported by
 - (i) a foreign sales corporation within the meaning assigned by the Barbados Foreign Sales Corporation Act;
 - (ii) an international business company within the meaning assigned by the International Business Companies Act;
 - (iii) a company that is licensed to engage in exempt insurance business under the Exempt Insurance Act;
 - (iv) a company that is registered as a management company under the Exempt Insurance Act;

- (v) a company that is an approved shipping company under the Shipping (Incentives) Act;
 - (vi) a body corporate that is licensed to carry on international financial services under the International Financial Service Act;
 - (vii) an exempt society within the meaning of Section 48 of the Societies With Restricted Liability Act;
 - (viii) an international trust within the meaning of the International Trust Act;
 - (ix) a qualifying insurance company within the meaning of section 2(1) of the Insurance Act; or
 - (x) any other body established under or pursuant to any other enactment granting exemptions similar to those granted by the enactments mentioned in paragraphs (i) to (x).
- (g) goods imported for the purpose of a tourism project or a tourism product or a tourism project approved under the tourism Development Act
- (i) in respect of which relief from tax may be claimed pursuant to the provisions of that Act;
 - (ii) for the purpose of the refurbishment of that tourism product or tourism project and where the goods are contained in a list of goods approved by the Minister for such purposes;
- (h) goods imported by an approved developer under the Special Development Areas Act;
- (i) goods entered by a supplier for export that are exported in compliance with the Customs Act and Customs Regulations;
- (j) goods imported by a company enjoying incentives under the Fiscal Incentives Act; and
- (k) currency notes and coins imported under the Central Bank of Barbados Act.

For more information, contact:

Customs Department
Port Authority Building
Harbour Road
St. Michael
Telephone#: (246) 430-2300
Fax#: (246) 430-2370

Ministry of Labour and Social Security

- Employment and Training Fund

EMPLOYMENT AND TRAINING FUND

The Technical and Vocational Education Council administers the Technical and Vocational Training Act 1993-11.

This council was formed with a view to promoting the growth of technical and vocational education and training in order to enhance the competitive position of Barbados.

The TVET Council has developed occupational standards in the areas of Information Technology, Customer Services, Tourism and Technology.

These occupational standards will be the basis of a competency-based system of certification known as the National Vocational Qualification (NVOs). NVOs will assume increasing importance in facilitating the free movement of skills within the region, with the creation of the CARICOM Single Market and Economy (CSME).

The TVET Council also manages the Employment and Training Fund (ETF). This facility provides grants to employers, business associations, and training institutions to train and retrain workers as well as the unemployed, self-employed and retrenched persons.

The ETF is a Government administered facility that provides grants to upgrade the training of persons at all levels: workers, supervisors, managers and owners.

ETF – Programme Conditions:

- The proposed training programme must prepare participants from labour demand occupations.
Applicants must provide at least twenty-five percent (25%) of the total program cost.
- The training must be done in Barbados and must be completed within a twelve month period.
- Applicants must have paid all amounts due to the Training Levy of the National Insurance Scheme.

Some programmes supported include:

- Skills training in the construction industry for artisans.
- General management training for small farmers in agriculture.
- Computer courses for small business managers.
- Customer relations training for workers in the retail, petroleum products, restaurant,

hotel, beer and soft drink industries.

ETF does not support professional training programs involving the upgrading of skills of personnel such as doctors, accountants, lawyers and architects.

For more information, please contact:

Technical and Vocational Education Training (TVET) Council
No.7, 'Chelwood', 8th Ave. Belleville, St. Michael
Telephone#: (246) 435-3096
Fax#: (246) 429-2060
www.tvetcouncil.com.bb

Ministry of Social Transformation

- Welfare to Work Programme
-

WELFARE TO WORK PROGRAMME

This department executes the Welfare to Work Programme. It assists unemployed persons but is not limited to persons enlisted on welfare. Persons can develop the necessary skills in order to own their own small business.

Eligibility Criteria

- be between 17 to 45 years of age inclusive
- be unemployed but preference will be normally be given to persons already on welfare.

The programme provides small grants for persons interested in starting a small business.

The programme provides a stipend of fifty (\$50) dollars a week for training courses which include:

- Care of the Elderly
- Child Care
- Customer Service
- Needlework
- Jewelry Making
- Clothing and Textiles
- Basic Computer

The programme also is associated with the Samuel Jackman Polytechnic which teaches courses such as:

- Counseling
- Care of the Elderly – Advanced Course

The Programme also provides job placements at various agencies.

For more information, contact:

The Welfare Department
Lr. Bay St.
St. Michael
Telephone#: (246) 426-3035
Fax#: (246) 228-7647

MINISTRY OF TOURISM AND INTERNATIONAL TRANSPORT

- Tourism Development Act
-

TOURISM DEVELOPMENT ACT

The Tourism Development Act 2002, which replaced the Hotel Aids Act of 1956, significantly expands incentives for investment in the Tourism and Hospitality sector in Barbados beyond the traditional accommodations sector.

Incentives are offered in the Act to restaurants, recreational facilities and services, development of attractions which emphasize the island's natural, historic and cultural heritage and for the construction of properties in non-coastal areas.

TOURISM PRODUCTS/PRODUCTS THAT CAN BENEFIT

To be eligible for incentives/concessions under the Tourism Development Act, a project must fit into one of the following categories:

- Construction of a new hotel, the alteration or renovation of an existing hotel or the conversion of a building into a hotel;
- Furnishing and equipping of a building to be utilized as a hotel;
- Provision of tourist recreational facilities and tourism related services;
- Construction and equipping of a new restaurant or the alteration or renovation of an existing restaurant;
- Construction of a new attraction or alteration or renovation of an existing attraction;
- Restoration, preservation and conservation of natural sites;
- Construction and furnishing of villas and timeshare properties;
- Addition to a tourism product of facilities or services intended to increase or improve the amenities that the tourism product provides.

APPLICATION & APPROVAL PROCESS

The Minister of Tourism, on receipt of an application to develop or operate a tourism product, must, within 90 days of the receipt of the application, either notify the applicant, in writing, of its approval or refusal or request that additional information be submitted.

Where it is determined that a Tourism project is practical and that it would assist with the development of tourism, approval of the tourism project may be granted in a three stage authorisation procedure which includes:

- An Interim Approval based on the information submitted with the application or in response to a request for additional information;
- A Final Approval based on the completed product that incorporates any changes that may have taken place during the construction of the project;
- A License issued to the Applicant when the Minister is satisfied that all relevant procedures, requisitions and statutes have been complied with, and that the tourism product is in a suitable form and is of a standard to commence operation.

SCOPE OF CONCESSIONS

Customs Duty or Income Tax concessions may be granted under the Tourism Development Act in respect of:

- Duty-free importation (including waivers of Value Added Tax (VAT) and Environmental Levy) of building materials and equipment during construction and rehabilitation;
- Duty-free importation (including waivers of Value Added Tax (VAT) and Environmental Levy) of supplies for refurbishment of hotels, restaurants, villas and sports and recreation facilities for tourism purposes;
- Extended tax holidays/write-off of capital expenditure and accelerated write-off of interest;
- Training of employees;
- Marketing.

A project which is approved under the Tourism Development Act will not be allowed concessions at the same time under the Shipping Incentives Act or the Special Development Areas Act.

1. Customs Duty Concessions

The Minister may issue to the owner or operator of a tourism project or product which has been granted an Interim Approval, a permit for the importation of building materials and supplies without payment of customs duty. These items are to be used exclusively for the construction and development of the tourism project and they may

be purchased from a bonded warehouse, imported or locally manufactured or produced.

The owner or operator of a tourism project or product for which Interim Approval has been granted is exempt from the payment of customs duties on specified supplies to be used for equipping that project. Concessions for refurbishing a tourism product are also made available if the owner or operator of such a product has a valid license or is registered with the Barbados Tourism Authority.

If the holder of a permit can satisfy the Comptroller of Customs that the building materials and supplies purchased for a tourism product have been purchased in Barbados, or in the case of importation that the customs duty was paid by the holder of the permit, provisions are made for the grant of a refund of customs duty (including VAT and Environmental Levy). Such items may not be sold, rented, exchanged or given away, exported or applied for any other purpose except under exceptional circumstances.

2. Income Tax Concessions

Income Tax concessions in respect of write-off of interest, accelerated deduction of expenditure, interest rate subsidy, equity financing, training and marketing are extended to hotels, restaurants and other tourism products. These concessions are outlined in further detail below:

i. Write-off of Interest

The owner or operator of a hotel or restaurant, which is valued at not less than BDS\$1.75 million, who borrows funds from a private sector lending institution to upgrade the hotel or restaurant, and incurs expenditure for this purpose in an income year, shall be entitled to deduct 150 per cent of the interest paid on the loan from his taxable income in respect of loan funds not exceeding BDS\$7.5 million.

An investor who obtains a loan to construct a new hotel with not less than 250 rooms and with conference facilities for not less than 500 persons, may deduct in any income year, 150 per cent of the interest paid on loan funds not exceeding BDS\$40 million.

An owner or operator of a new hotel being constructed in an inland location, will be allowed to deduct for income tax purposes, 150 per cent of interest paid on a loan up to BDS\$20 million obtained for the construction of the hotel. Inland is defined in the First Schedule.

An investor who secures a loan to buy two or more hotels, each with 50 rooms or less, in order to own, manage and market them as a group, will be allowed to deduct for income tax purposes in any income year, 150 per cent of the interest paid on a loan not exceeding BDS\$15 million.

An investor who obtains a loan to construct, upgrade or refurbish a tourist attraction based on the natural or cultural heritage of Barbados will be allowed to deduct, for tax purposes, 150 per cent of the interest paid on loan funds not exceeding BDS\$3 million. This investor will be allowed an income tax credit of 30 per cent on the purchase of plant and equipment costing over BDS\$100,000 used to refurbish, upgrade or construct the attraction. If the tax credit cannot all be written off in one year, the excess may be carried forward for a period not exceeding fifteen (15) years.

ii. Training

An owner or operator of a tourism project or product who, in an income year incurs expenditure on training staff of that project or product, may deduct 150 per cent of that expenditure from his income for tax purposes. The expenses that may be claimed include fees payable to a training institution or trainer approved or recognised by the Barbados Ministry of Tourism or the Barbados Ministry of Education, cost of accommodation and subsistence. If the tourism project or product has an employee share ownership scheme approved by the Ministry of Tourism, the deduction will be 200 per cent of the training expenditure.

iii. Marketing

The owner or operator of a tourism product who incurs expenditure for marketing in an income year will be allowed to deduct 150 per cent of this expenditure for income tax purposes. Marketing expenditure shall include the cost of travel to trade shows, conventions and meetings, the printing of brochures and other literature for distribution overseas, the cost of electronic marketing and the hiring of short-term marketing consultancy services.

iv. Tourism Product Development/Research

The owner or operator of a tourism product who incurs expenditure for an approved tourism product development, tourism research, provision of an apprenticeship scheme, the organisation and hosting of tourism exhibitions and trade fairs or development of nature trails and community tourism will be allowed to deduct an amount equal to 150 percent of the expenditure in calculating assessable income for an income year.

v. Wastewater Disposal Systems

An operator of a tourism product who incurs expenditure in improving the wastewater disposal system of a tourism product will be allowed a tax credit of 20 per cent of the capital cost of fittings, pipes and pumps used in the improvement of the wastewater system. If the credit cannot be written off in one (1) year, it may be carried forward to

a period not exceeding fifteen (15) years.

vi. Set-off of Approved Capital Expenditure

The owner of a qualifying tourism project, which has a value of up to \$200 million, will be entitled to duty free concessions and (except for restaurants) will be allowed to set off approved capital expenditure against revenues for a period of fifteen (15) years. Hotels with capital expenditure over \$200 million are allowed one additional year to write off expenditure, for each additional \$20 million up to a maximum of twenty (20) years.

REFINANCING OF LOANS

- In the case of any loan for which an investor, owner or operator is allowed, a 150 percent write-off of interest, no more than half of that loan may be used to refinance existing debt.
- Properties in respect of which loans for refinancing of debt are made must be of an approved standard to benefit from the accelerated write-off of interest.

For more information, contact:

Barbados Tourism Investment Inc.
2nd Floor, Nemwil House, Collymore Rock, St. Michael
Telephone#: (246) 426-7085
Fax#: (246) 426-7086
Email: btii@tourisminvest.com.bb

Prime Minister's Office

- Cultural Action Fund
-

THE CULTURAL ACTION FUND

The Cultural Action Fund is administered by the National Cultural Foundation. Under the Cultural Industries Development Act the Cultural Action Fund is a programme whose goal is to develop and enhance highly skilled entrepreneurs in the cultural industries.

The Fund aim is to stimulate local artists and with technical assistance, consulting and facilitation the fund will impact positively on the following:

- Increased successful projects in the cultural industries;
- Improved administration and project management among the small and medium sized enterprises to whom the program is geared;
- Increased revenue for cultural and artistic services/products;
- Increased national economic activity in the Cultural Industries over the long term.

General Terms and Conditions:

The Cultural Action Fund (CAF) is open to all citizens and permanent residents (at least ten years residency) of Barbados. Applications will be considered based on the following.

A written proposal outlining your cultural or artistic project which may include:

- a) Research work conducted within the area of Cultural Industries;
- b) Innovative ideas, products and services that will stimulate film production, visual arts, performing arts, literary arts, and cultural heritage;
- c) Training and/or professional development in the Cultural Industries;
- d) The development of new databases and new technologies for the purpose of enhancing the operations and management of the Cultural Industries sector;
- e) The strengthening of network activities of cultural institutions;
- f) The presentation of proof of ownership of the concept and contents of the project through registration, copyright, and/or trademarks;
- g) The presentation of all documents as required in the attached application form;
- h) A signed copy of the letter of Request for CAF/NCF Project Grant.

Financing and Implementation Period

The CAF will offer grants at three levels:

- Level 1. Maximum \$7500.00
- Level 2. Maximum \$20000.00
- Level 3. Maximum \$50000.00

Disbursement will be in tranches at the end completion of the project phases and the adequacy of results.

These projects are short term in nature lasting up to twelve months but can be extended for a maximum of an additional twenty-four months.

For more information, contact:

The National Cultural Foundation
West Terrace, St. James
Telephone#: (246) 424-0909
Fax#: (246) 424-0916
E-mail: mail@thencf.org
caf.ncf.bb

Companies/Non-Governmental Organisations

- Barbados Agency for Micro-Enterprise Development Ltd. (Fund Access)
 - Barbados Coalition of Service Industries
 - Barbados Small Business Association
 - Barbados Youth Business Trust
 - Caribbean Financial Services Corporation
 - Barbados Investment Fund
 - Enterprise Growth Fund Limited
 - Agricultural Development Fund
 - Industrial, Investment and Employment Fund
 - Small Hotels Investment Fund
 - Tourism Loan Fund
 - Small Business Venture Capital Inc.
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BARBADOS AGENCY FOR MICRO-ENTERPRISE DEVELOPMENT LTD. (FUND ACCESS)

The Barbados Agency for Micro Enterprise Development Ltd. was established to fill the void in development finance for micro enterprises which arose from the closure of the Barbados Development Bank. Since 1998, The Barbados Agency for Micro Enterprise Development Ltd., trading under the name Fund Access, empowers micro entrepreneurs by providing access to credit, enterprise training, technical assistance and other professional development services.

LENDING CRITERIA

Fund Access provides credit for the following categories of business:

- Service and Trade
- Retail and Distribution
- Manufacturing
- Tourism, and
- Agriculture

Funding from Fund Access can be used to finance fixed assets, stock, advertising and renovations for new and expanding businesses.

LOAN TERMS AND CONDITIONS

Loan Size: Loans can range from \$700.00 to \$100,000.00.

Administration Fee: 3% of the loan amount requested.

Interest rate: 6% per annum.

Security Requirements: Three (3) guarantors (flexibility exists), Bills of Sale, Fixed deposits, Life Insurance Policy, Mutual funds, Shares/stocks, Government Bonds, Land and/or property.

Repayment periods: Repayment periods are determined on an individual basis, but usually range from 1 year to 10 years.

Creditors Life Insurance: Clients are insured for the duration of the loan repayment period and insurance must be paid by the client prior to disbursement.

ELIGIBILITY CRITERIA

- The applicant must have a commercially viable project.
- The business, once developed, must be the primary source of income and employment for the applicant.
- The applicant must be willing to supply Fund Access with information relative to the project for the duration of the period of the loan.
- The applicant must demonstrate a willingness to be trained in enterprise development and receive technical assistance from Fund Access.
- The applicant should make a tangible investment in the project either in cash or in kind.
- The business should create job opportunities.

OTHER SERVICES PROVIDED

1. Technical Assistance

Technical Assistance is essentially a programme designed to provide technical support to loan beneficiaries. This support is crucial to the beneficiaries within the first six months of the loan. This technical assistance provides support generally to ensure the success of the project, and may include further training and support from external consultants as deemed necessary.

2. Accounting Service

Fund Access provides an accounting service to its clients specifically designed for micro entrepreneurs. A computerized accounting programme will be utilized to deliver monthly financial reports to clients.

All of the services mentioned above are free to the clients of Fund Access.

3. Business Development Seminars

The Technical Assistance Department also hosts informative seminars facilitated by external consultants. At these seminars, clients are further trained in areas such as labour

laws, cash flow management and customer service.

4. Business Centre

A recent addition to the Technical Assistance Department has been the Fund Access Business Centre. The Business Centre is equipped with modern computer equipment and offers the following services at very competitive rates: -

- Overseas and local faxes
- Photocopying
- Desktop publishing e.g. flyers, business cards and brochures
- Internet access

The Business Centre also has a small library where clients can borrow books, pamphlets, brochures and journals, on a variety of business related topics.

For more information, contact:

The Barbados Agency for Micro Enterprise Development Ltd
"City Building", Pinfold Street, Bridgetown
Tele No: (246) 228-1366
Fax No: (246) 228-1343
E mail: fundaccess@caribsurf.com
www.fundaccess.org

Barbados Coalition of Service Industries

In 2002, the Government of Barbados supported the CARICOM initiative to set up the Barbados Coalition of Service Industries. Since its establishment the main aims of the organization have been to develop and diversify the local services sector and to prepare local service providers to manage the challenges and opportunities which will be presented in an era of expanding global markets.

The organization represents the interest of approximately thirty-nine (39) service associations comprising over three thousand (3000) Barbadian service providers in the private and public sector.

This is wholly Government funded but acts like a private entity where companies who want to have access to information free of cost on export opportunities have to apply for membership.

The objectives of the BCSI are as follows:

- To promote the further development and competitiveness of Barbados' service sector.
- To ensure that the highest industry standards are met by all Barbadian service providers.
- To educate Barbados service providers on relevant aspects of the CSME, FTAA, WHO, and ACP/EU agreements and on Government policies or issues which can affect trade in services.
- To represent the interest of Barbadian service providers by lobbying government for legislative and policy changes which will promote fair multinational rules for trade in services.
- To provide Barbadian service providers with knowledge of export activities.

EXPORT PROMOTION (TRADE MISSIONS)

Under the sponsorship of the Barbados Investment Development Corporation the BCSI organized the region's first service-based trade mission to St. Lucia and St. Vincent in August 2005. In November 2005 BCSI also conducted a trade mission to Guyana and Suriname.

Networking

The BCSI has developed a global network of key contacts in the public and private sectors. Over one hundred (100) individual contacts in over eighty (80) organizations have been established, extending throughout CARICOM including the United States of America, United Kingdom, Belgium, Singapore, Taiwan, Geneva, Venezuela, Dominican Republic and Belize to name a few. This network has served to increase the access to global opportunities and facilitate the export of services.

For more information, contact:

Barbados Coalition of Service Industries
4th Ave, Belleville
BTHA Building
St. Michael
Telephone#: (246) 429-5357
Fax#: (246) 429-5357
E-mail: msmall@bcsi.org.bb/bcsi@sunbeach.net

BARBADOS SMALL BUSINESS ASSOCIATION

The Barbados Small Business Association (SBA) is the non-profit representative body for micro, small and medium-sized enterprises. Originally formed in 1974, it was re-established in 1993, following a period of dormancy, and officially opened its Secretariat in 1995.

The SBA's mission is to represent the interests of small enterprises and to promote their success through the development of financial and training opportunities to effect long-term stability and growth within the sector. In fulfillment of its mission, the SBA seeks to enlarge business opportunities for its members, provide services for better business practice including accounting, management, marketing, human resources and legal services, and explore additional business financing for members.

HOW TO BECOME A MEMBER

Membership in the SBA is open to all businesses meeting any **two** of the following criteria:

- i. Annual sales under BDS \$2 million
- ii. Total assets under BDS \$1 million
- iii. Employing 25 persons or fewer

BENEFITS

Aside from having an effective lobby to Government, members also can access the following:

- Group Health Insurance - The SBA Health Shield
- Free Education and Training opportunities
- Website facilities
- Advertising discounts with radio and newspaper agencies
- Marketing opportunities at exhibitions and showcases
- Joint Tendering on Government Contracts through SBAEI
- Equity Finance through SBVCI
- Factoring

- Partnerships with SBA on commercially feasible projects
- A wider customer base by accessing the SBA Membership
- Advice on the viability of projects
- Debt Management Advice
- Sectoral group support through group discussion and problem solving

For more information, contact:

Barbados Small Business Association
#1 Pelican Industrial Park, Bridgetown
Telephone#: (246) 228-0162
Fax#: (246) 228-0613
Email: theoffice@sba.org.bb
www.sba.org.bb

BARBADOS YOUTH BUSINESS TRUST

Established in 1996, the Barbados Youth Business Trust (BYBT) offers a coordinated and comprehensive program that assists young people to develop the necessary skills and attitudes to become successful entrepreneurs. The Trust provides start-up capital, affiliated business grants, business mentoring, opportunities for marketing and on-going and consistent business support, in order to encourage and nurture a new generation of Barbadians in business.

The BYBT is a registered charity and an NGO working with the very clear and focused mandate of alleviating poverty among youth; creating decent and sustainable work for youth; generating income and wealth creation among youth.

Mission Statement

To help young people who would not otherwise have had the opportunity to develop their self-confidence, achieve economic independence, fulfill their ambitions and contribute to their community through the medium of self-employment and job creation.

ELIGIBILITY CRITERIA

Applicants must:

Be between 18 to 35 years of age inclusive.

Not be attending school full-time.

Be residents of Barbados. Foreign Nationals living legally in Barbados will qualify, the exception being those on student visas or temporary permits.

Be unable to access start-up funding from the traditional commercial institutions, family or friends.

Prepare a Business Plan and be willing to (if not already in place) apply for the necessary licenses and insurance to operate the proposed business.

Be willing to accept a BYBT approved business mentor who will provide the required level of assistance and guidance, working in accordance with the expected guidelines established by BYBT.

Have their business based in Barbados and operated from within Barbados and all trade names, partnerships, corporations, cooperatives, franchise operations etc. must be registered in Barbados.

Prepare a Business Plan and be willing to (if not already in place) apply for the necessary licenses and insurance to operate the proposed business.

Be willing to accept a BYBT approved business mentor who will provide the required level of assistance and guidance, working in accordance with the expected guidelines established by BYBT.

Have their business based in Barbados and operated from within Barbados and all trade names, partnerships, corporations, cooperatives, franchise operations etc. must be registered in Barbados.

GENERAL REQUIREMENTS & REGULATIONS

Start-up loans are available for viable new businesses.

Developmental loans are available for businesses five (5) years old and under.

The business, once developed, must be the primary source of employment for the applicant.

BYBT funds must be used for start up or expansion costs, not for the refinancing of existing debts.

Businesses assisted in whole or in part by the BYBT must comply with all health and safety legislation, and be adequately insured.

All young entrepreneurs assisted by BYBT must have access to business mentoring, opportunities for training and development, networking, and all other ongoing and consistent business development strategies that BYBT implements.

Loan Ceilings

The maximum amount of financial assistance that the BYBT will extend to any one applicant is, in the aggregate, \$30,000.00.

TYPES OF LOAN FACILITIES AVAILABLE

Business Loans – Up to \$25,000.00

The loan must be used to acquire fixed assets and/or to use as working capital and/or to fund further training to establish the applicant in his/her chosen profession, trade, craft or service.

Business Development Loans – Up to \$25,000.00

Available during the first five years of operation to a business that has the potential to expand.

Interest Rates

The Trust reserves the right to change the interest rate from time to time by giving due notice to its clients. Rates, however, are expected to vary between 10-12% per annum.

OTHER LOANS/GRANTS

The Trust also makes available Loans/Grants up to a maximum of BD\$1,000.00 per business as follows: -

Feasibility Studies

A request for Feasibility Study funds should be supported by a business proposal that shows why test marketing or study is essential. A description of the study to be undertaken should include details of:

- Target Group
- Area which feasibility study will cover
- Sample questionnaire/survey to be administered/conducted
- Production of any models/samples/prototypes
- Estimated costs associated with the study
- Who will carry out study
- Length of time study is estimated to take
- Next steps on study conclusion
- Any other relevant information

Go And See Missions

Go and see assistance is intended to help young entrepreneurs who would otherwise have the resources to investigate possible new markets, new technology and new trends to further develop their business. Requests will be considered in cases where the young entrepreneur is unable to underwrite the costs or raise the necessary funds.

Education

Up to \$1,000.00 (in the aggregate)

This form of financial assistance may be extended by way of a direct loan or a grant for continuing education at a recognized learning institution in Barbados.

Young entrepreneurs must be currently engaged in their own business venture and intend to continue the business uninterrupted during the proposed study period. The educational/training course to be undertaken must be directly related to the enhancement of the applicants business and/or technical skills.

REPORT SUBMISSION REQUIREMENTS

All young entrepreneurs who become recipients of BYBT's loans/grants are required to submit a report on completion of the activity detailing its results and the impact on the business. Any revisions to be made to the business plan should also be outlined. Details of expenditure of BYBT's funds must be presented, accompanied by receipts.

In cases where grants are rewarded, young entrepreneurs will be required to work with a BYBT approved business mentor for their business and personal growth and development.

For more information, contact:

The Barbados Youth Business Trust
1st Bridge House, Cavan's Lane, Bridgetown, St. Michael
Telephone#: (246) 228-2772
Fax#: (246) 228-2773
Email: bybyouthbusiness@caribsurf.com
www.youthbusiness.bb

CARIBBEAN FINANCIAL SERVICES CORPORATION

The Caribbean Financial Services Corporation was established in 1984 to provide financing to the private sector in the form of medium/long term loans and equity, and to offer a broad range of financial services. The creation of CFSC grew out of the awareness of the Region's business community of the key role that it must play in the economic development of the Region.

SERVICES PROVIDED

Facilities currently available are:

- Medium and long term loans
- Co-financing opportunities
- Equity participations
- Extensive contacts with a wide range of project specialists
- Securities brokerage service

CFSC Fund Management Services also offers security underwriting and other merchant bank-related services.

Eligible Activities

CFSC will become involved in the area of manufacturing, agro industry, tourism and related enterprises which activities will enhance the region's foreign exchange earning capabilities and generate employment.

Transactions Financed

CFSC will provide funding for capital cost components (equipment, building and real estate) of viable projects.

Interest Rates and Loan Maturities

CFSC's interest rates are attractive. The absence of adequate long-term credit facilities is considered a major problem in local capital markets, and in recognition of this CFSC, will make loans with maturities of up to 15 years. Repayment terms, including grace periods, are arranged as circumstances warrant.

Loan Currency

Loans are usually denominated in US dollars reflecting the fact that CFSC will seek to make arrangements to protect borrowers from exchange risks and, where such options are available, local currency loans will be made. Limited funding is available in BDS dollars and Eastern Caribbean Currencies.

Security Requirements

CFSC lends based on its assessment of the project. Formal security will usually be limited to the assets being financed.

Loan Ceiling

The maximum size loan that CFSC can make is set by its capital base and is restricted to 15% of its net worth. The maximum loan size is currently US\$1,300,000. Where loan requirements exceed CFSC's maximum, arrangements can be made to co-finance the transaction with another financial institution.

Equity Participation Policy

CFSC provides equity funds for projects similar to those to which the Corporation will lend and in fact usually offers this facility as a part of a financial package. CFSC's equity investment in any one project is limited to US\$700,000.00 (Local equivalents).

Eligibility

If you are involved in manufacturing, agro industry, the tourist industry or operate an enterprise generating or saving foreign exchange and/or providing employment, or alternatively if you are considering new investment or an expansion of your existing activities in one or more of these areas, then you should talk to CFSC.

For more information, contact:

Caribbean Financial Services Corporation
Radley Court Collymore Rock, St. Michael
Telephone#: (246) 431-6400
Fax#: (246) 426-1869
Email: cfsc@sunbeach.net
Website: www.cfsc.com.bb

BARBADOS INVESTMENT FUND

The Barbados Investment Fund (BIF) is a close-ended equity fund established in July 1992 by the Central Bank of Barbados and the Caribbean Financial Services Corporation for the purpose of providing equity financing for small and medium-sized businesses operating in Barbados. The Caribbean Financial Services Corporation (CFSC) is responsible for the administration of the BIF on a day-to-day basis. This type of facility is ideal for enterprises which have difficulty in obtaining additional credit facilities.

Definition of Companies

The BIF defines small and medium sized companies as follows:

- i. Small company: shareholders' equity does not exceed \$750,000.00;
- ii. Medium-sized company: shareholders' equity is in excess of \$750,000.00 but does not exceed \$5M

The BIF will provide funds for capital cost components, i.e. equipment and real estate, as well as working capital support for investee companies.

General Policy

Equity investment is available for:

- Start-up businesses, and
- Existing businesses

BIF will be involved in the areas of:

- Manufacturing
- Agro-industry
- Tourism
- Operating enterprises generating or saving foreign exchange and/or providing employment
- Related enterprises considered to be commercially viable

All BIF investments will be in the form of equity investments. These investments may

comprise common or preferred stock and/or any combination of the two. All investments will be accompanied by shareholders' agreements.

Applicants should be prepared to:

- Discuss the company's business plan including its financial and management structure.
- Discuss the company's marketing and growth strategies for the next three (3) to four (4) years.
- Make available the company's current and/or recent available financial statements.

EQUITY INVESTMENT LIMIT

Not more than BDS\$1.5 million of the BIF's funds are committed to a single company. The BIF will not acquire controlling interest in any investee company.

The Fund will seek to liquidate its investments as practical considerations dictate. Exit procedures will be included in all shareholder agreements and divestment will normally be expected between 5 and 7 years after the investment.

For more information, contact:

Caribbean Financial Services Corporation
Radley Court, Collymore Rock, St Michael
Telephone#: (246) 431-6400
Fax#: (246) 426-1869
Email: info@cfsc.com.bb
www.cfsc.com.bb

ENTERPRISE GROWTH FUND LIMITED

Enterprise Growth Fund Limited (EGFL) is a joint public/private sector institution established in January 1998 to provide venture capital, business advisory services, and technical assistance to small and medium sized companies in the productive sector.

While there are no restrictions on the sectors the Fund will invest in, it seek to encourage investment in those businesses that generate significant employment and/or foreign exchange across the following sectors/sub-sectors:

- Services
- Tourism Projects, and tourism-related services
- Information Technology
- Agro Processing
- Light Manufacturing
- Retail and Distribution
- Construction

ELIGIBILITY CRITERIA

To qualify as an investee, a company must be considered a small or medium-sized business, satisfying at least two of the following criteria:

The market value of the company's fixed assets must be greater than \$25,000.00 but less than \$1.0 million.

The number of employees must be greater than five but must not exceed two hundred persons.

The company must generate annual sales of between \$100,000.00 and \$7.5 million.

TYPES OF FUNDING PROVIDED

Venture Capital

The EGFL provides venture capital ranging from \$100,000.00 to \$1.5 million per Investee Company.

EGFL can invest in your business by purchasing a minority shareholding. This investment may comprise common stock, preferred stock or quasi-equity based instruments. The investment instruments are tailored to fit the cash flow dynamics of your company.

REQUIREMENTS AND CONDITIONS

Small and Medium-sized Enterprises (SMEs) wishing to access equity funding from EGFL should meet the requirements and conditions as articulated below:

A realistic business plan which fully describes the business and its growth potential in terms of revenues, earnings, assets and cash flow and demonstrates a reasonable anticipation of profit based on a history of performance or other characteristics.

Principals with a financial stake in their own enterprise wanting to raise capital for expansion and growth of the business by permitting equity ownership by EGFL and other institutional equity providers.

Evidence of demand for the company's technology, products or services.

The promise of a sustainable competitive advantage for the company's products or services associated with superior technology, patented products, established market position, substantial barriers to entry, or a dominant distribution in its market.

The potential to add significant value to Barbados' economy by increasing foreign exchange earnings and/or generating employment.

The ability to provide EGFL with an attractive return (10-15%) with a clearly defined exit strategy.

For existing entities, audited financial statements (income statement and balance sheet) of the enterprise for the last three years immediately preceding the year of application.

A copy of the following corporate documentation:

- A copy of the Certificate of Incorporation;
- A copy of the Notice of Address or Notice of Change of Address of the entity's registered office;
- A copy of the Notice of Directors or Notice of Change of Directors;
- A copy of the Articles of Incorporation;
- Where appropriate an environment impact assessment may be required.

Governmental or corporate approvals, permits and consents required in connection with the execution of the project. These must be obtained and in full force and effect (proof provided to EGFL) prior to disbursement of funds.

Prior to disbursement, the applicant must ensure that N.I.S., taxes and P.A.Y.E. are current, or that satisfactory arrangements have been made (proof provided to EGFL) to bring any arrears current.

Loan Financing

The EGFL provides loan financing ranging from \$100,000.00 to \$1.5 million at an interest rate of 6% per annum.

INFORMATION REQUIRED

SMEs wishing to access loan funding from EGFL should provide the following information and documentation in support of their application:

A comprehensive business plan which clearly demonstrates that the project is commercially viable. The business plan should include but not be limited to the following information:

- A clear definition of the project;
- The estimated total cost of the project supported by bills of quantity;
- The amount of loan funds being requested;
- Management skills to ensure project viability;
- The use of the proceeds of the loan;
- Other sources of financing for projects whose total cost exceed the loan amount;
- Details relating to shares and to the number of shares held by shareholders;
- Realistic financial projections for 5 years (balance sheet and income statement), showing the ability of the entity to meet its debt-service obligations as well as a risk and sensitivity analysis;
- Internal rate of return (hurdle guide between 10% and 12%);

- Foreign exchange earning capacity;
- Employment generation.

For existing entities, audited financial statements (income statement and balance sheet) of the enterprise for the last three years immediately preceding the year of application.

A copy of the following corporate documentation:

- A copy of the Certificate of Incorporation;
- A copy of the Notice of Address or Notice of Change of Address of the entity's registered office;
- A copy of the Notice of Directors or Notice of Change of Directors;
- A copy of the Articles of Incorporation;
- Where appropriate, an environment impact assessment may be required.

Governmental or corporate approvals, permits and consents required in connection with the execution of the project. These must be obtained and in full force and effect (proof provided to EGFL) prior to disbursement of funds.

LOAN TERMS AND CONDITIONS

Loan Restrictions

During any ten-year period, a client of the Fund should not be eligible to borrow more than the higher of \$1.5 million or 15% of the total capitalization of the Fund. Exceptions will be considered on a case-by-case basis.

Loans provided by EGFL shall not be used to purchase land, land and buildings or other real estate except where the buildings are to be used for productive purposes. In such cases, only the costs of erecting or renovating the buildings including expansion will be financed.

Loan Repayment Periods

Repayment periods will be twelve years or less. However, EGFL will use its discretion to offer loans with repayment periods that are longer than twelve years; such loans may attract a higher interest rate.

Moratoria

The grace period, (during which only interest payments are due and payable), for loans with repayment periods of five years or less will be limited to one year.

Where a construction and/or installation contract is less than one year, the grace period will be limited to the length of construction and/or installation contract.

For loans with repayment periods in excess of five years but less than or equal to ten years, the grace period will be limited to not more than two years.

For loans with repayment periods in excess of ten years, the grace period will be limited to not more than three years.

Loan Security

Security on loans will generally take the form of a first legal mortgage but EGFL is prepared to take second mortgages in instances where 80% of the market realisation value of the underlying security is adequate to liquidate all prior charges and the EGFL's exposure.

Refinancing

Refinancing of existing debt will be limited to no more than 25% of the proceeds of any loan, and will be undertaken only in those instances where it is essential to the perfection of security or the smoothing out of debt service payments. Loans will be utilised primarily for the upgrading of existing assets and the acquisition of new capital assets.

Statutory Payments

Prior to disbursement, the applicant must ensure that all N.I.S., taxes and P.A.Y.E. are current, or that satisfactory arrangements have been made (proof provided to EGFL) to bring any arrears current.

OTHER SERVICES PROVIDED

Technical Assistance

The EGFL also provides Technical Assistance up to **\$70,000.00** per Investee Company over the life of the investment. Technical assistance is provided in the following areas:

- Finance
- Marketing
- Production

- Information Technology
- Technology Transfer
- Training

Business Advisory Services

Business Advisory services are also provided to help clients turn their profit potential into solid business gains.

For more information, contact:

Enterprise Growth Fund Limited
Ground Floor, Suite B1, Welches Plaza, Welches Road, St. Michael
Telephone#: (246) 426-1809
Fax#: (246) 431-0124
Email: finance@egfl.bb
www.egfl.bb

THE AGRICULTURAL DEVELOPMENT FUND

The Agricultural Development Fund (ADF) was established to stimulate the development of a competitive agriculture sector by providing technical assistance and loans to the farming and fishing communities to help them meet the challenges of globalization.

The Agricultural Development Fund is managed by the Enterprise Growth Fund Limited (EGFL), while the Ministry of Agriculture and Rural Development provides technical evaluations of all project applications.

TYPES OF FUNDING PROVIDED

You may qualify for the following:

- **Sugar replanting incentives** and price support for the crop as determined by the Ministry of Agriculture and Rural Development.
- **Loans** on attractive terms to assist with increasing your competitiveness through retooling, introducing new technology, implementing best practices, and for working capital purposes.

The size of the loans will range from \$50,000.00 to \$1 million.

The interest rate for loans is currently 5.5% per annum, and will be applied to loans on a reducing balance basis.

Repayment periods for loans to purchase equipment will not exceed the useful life of the equipment, while working capital loans will be payable at the end of the crop cycle.

Security is required for all loans, usually in the form of a legal charge over assets acquired with the proceeds of the loan and other collateral that might be deemed necessary.

Technical Assistance

The Fund also provides technical assistance for:

- Training in post harvest technology (up to 75% of the cost).
- Training in quality assurance systems (up to 75% of the cost).
- The preparation of feasibility studies.
- Conducting market research.
- Project development.

- Training in organic product techniques.

ELIGIBILITY CRITERIA

The ADF was established to assist you if you are among the following:

- Sugar cane farmers.
- Cotton producers, processors and investors.
- Fresh produce farmers.
- Livestock, dairy and fisheries operators.
- Horticulturists.
- Farmers' organizations such as associations and cooperatives.

To qualify for assistance from the ADF you must:

Be registered with the Ministry of Agriculture and Rural Development, and be issued with a Farm Registration Identification Card.

Be registered with both the VAT Office and National Insurance Scheme and show evidence of compliance.

LOAN APPLICATIONS LESS THAN \$150,000.00

Applicants will be required to submit a completed application form. EGFL will provide assistance in preparing applications to the required standard for loan amounts less than \$150,000.00.

LOAN APPLICATIONS EXCEEDING \$150,000.00

A comprehensive business plan should be completed which should contain the following information:

- An overview of the business.
- Information on the business' financial and management structure.
- Market information and considerations, including growth strategies for the next 3-5 years.

- Financial projections supported by realistic assumptions demonstrating the project's ability to be profitable.
- Current and/or most recent financial statements.

For more information, contact:

Enterprise Growth Fund Limited
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INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

The Industrial Investment and Employment Fund was established to help local manufacturers become internationally competitive, by providing financing for retooling, the creation of growth oriented companies, and working capital purposes.

HOW THE IIEF CAN HELP YOU

- You may qualify for up to \$2 million in loan financing from the IIEF for the following purposes:
- Refurbishment, rehabilitation, renovation and/or relocation of your manufacturing enterprise;
- Construction/purchase of new plant and equipment;
- The complete rebuilding on the same site of your manufacturing enterprise; and

Working capital for the procurement of inputs (raw materials inventory) will be provided to companies undergoing rapid growth via a revolving line of credit system. Working capital loans will usually be secured by an assignment of receivables to the IIEF and will be due and payable when payment is received from the purchaser(s).

ELIGIBILITY CRITERIA

The IIEF will provide financing to limited liability manufacturing companies with 51% of their share capital, owned by Barbadian residents. Such enterprises must demonstrate the potential to add significant value to the Barbadian economy by:

- Being a net earner/saver of foreign exchange; and/or
- Generating employment.

TERMS AND CONDITIONS OF LOANS

Interest Rates

Loan interest rates are set by the Fund Manager at least 2% below the average prime lending rate of commercial banks. Interest is applied to loans on a reducing balance basis.

Repayment Periods

Loan repayment periods will normally be 10 years or less for capital projects, but the Fund

Manager will have the discretion to extend the loan repayment period. Loans with repayment periods in excess of 10 years will be subject to a higher interest rate during the additional years.

Security

Security is required for all loans, usually in the form of a legal charge over assets acquired with the proceeds of the loan and any other collateral that might be deemed necessary.

Moratoria

Moratoria on the repayment of the loan principal only will be granted as follows:

- One (1) year for loans with repayment periods of five (5) years or less;
- The grace period will be limited to the length of the construction and/or installation contract, when the time required to complete construction and/or installation is less than one (1) year;
- Two (2) years for loans with repayment periods in excess of five (5) years but less than or equal to ten (1) years; and
- Three (3) years for loans with repayment periods in excess of ten (1) years but less than or equal to fifteen (15) years.

INFORMATION REQUIRED

In order to make a meaningful assessment of your request for financing, you should provide a business plan, which includes:

- An overview of the business;
- Information on the business' financial and management structure;
- Current and/or most recent audited financial statements;
- Market information and considerations, including growth strategies for the next three to five years; and
- Financial projections supported by realistic assumptions demonstrating the project's ability to be profitable.

STATUTORY REQUIREMENTS

Businesses wishing to access funding must provide documentary evidence that they are up-to-date with respect to NIS payments, VAT, PAYE and other statutory obligations or that satisfactory arrangements have been made to clear any arrears.

For additional information, contact:

Enterprise Growth Fund Limited
Ground Floor, Suite B1, Welches Plaza, Welches Road, St. Michael
Telephone: 426-1809; Fax: 431-0124
Email: finance@egfl.bb
www.egfl.bb

SMALL HOTELS INVESTMENT FUND

The Small Hotels Investment Fund (SHIF) assists small hotels with marketing, management, procurement of joint services and refurbishment. The SHIF, administered by Enterprise Growth Fund Limited, also finances projects that clearly demonstrate that they will enhance the financial viability and operational performance of the small hotel sector.

ELIGIBILITY

The resources of the SHIF will be used to make loans only to:

1. Members of the SHBI in good standing and members who qualify under the By-Laws and regulations of the SHBI.
2. Entities that comply with the minimum standards as established by the European Travel Trade.
3. Entities that are registered and certified by the Barbados Tourism Authority.

TERMS AND CONDITIONS

Loan Ceilings

The maximum funding per application is the higher of \$250,000.00 or 5% of the un-disbursed balance of the Fund.

While there is no specified minimum for the SHBI, the minimum loan size for SHBI members is \$50,000.00.

Interest Rate

The current interest rate is 5%

Repayment Period

Loan repayment periods are 10 years or less including a 5 year moratorium on the repayment of interest and principal.

Security

Security on loans will generally take the form of a first legal mortgage but the Fund is prepared to take second mortgages in instances where 80% of the market realization value of the underlying security is adequate to liquidate all prior charges and the Fund's exposure.

Resources from the Fund together with their re-flows may be used to finance the refurbishment and expansion of entities which participate in the Small Hotels of Barbados Inc. (SHBI).

HOW TO APPLY

Entities wishing to access loan funding from the SHIF should provide the following information and documentation in support of their application:

1. **A loan proposal** which clearly demonstrates that the project is commercially viable. The proposal should include but not be limited to the following information:
 - (a) Summary information including the borrower's details, type of business and contact information and summary financial statements;
 - (b) Details of Shareholders/ Directors;
 - (c) Credit record;
 - (d) Background to the project;
 - (e) The project;
 - (f) Project costs;
 - (g) Projected implementation date/ schedule;
 - (h) Marketing;
 - (i) Work experience;
 - (j) Management;
 - (k) Employment;
 - (l) Proposed security.

2. **Audited financial statements** for those companies which are required by the Companies Act of Barbados to file annual audited financial statements. Companies which are below that threshold and are therefore not required to file audited financial statements can provide three years' financial statements supported by a review from an independent auditor.

3. **Copies of the following corporate documentation:**
 - A copy of the Certificate of Incorporation;
 - A copy of the Notice of Address or Notice of Change of Address of the entity's

registered office;

- A copy of the Notice of Directors or Notice of Change of Directors;
- A copy of the Articles of Incorporation.

Governmental or corporate approvals, permits and consents required in connection with the execution of the project. These must be obtained and in full force and effect (proof provided to EGFL) prior to disbursement of funds.

For more information, please contact:

Enterprise Growth Fund Limited
Suite B1, Welches Plaza, Welches Road, St. Michael
Telephone #: (246) 426-1809
Fax #: (246) 431-0124;
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www.egfl.bb

TOURISM LOAN FUND

The Tourism Loan Fund was established in 1999 to provide financing on concessionary terms to those entities operating in the accommodation sub-sector and to those operating in or desirous of entering the attractions sub-sector. The Fund is administered by Enterprise Growth Fund Limited.

GUIDELINES & LOAN APPLICATION PROCEDURES

Resources from the Fund will be used to provide loans for the following purposes:

1. Refurbishing and upgrading of plant and equipment in the small accommodation sector; and
2. Refurbishing and upgrading or construction of facilities to be used for the purpose of carrying on business in the areas of historical, cultural and natural heritage attractions.

ELIGIBLE HOTELS AND ATTRACTIONS

The Tourism Loan Fund will be used to make loans to the following:

1. Accommodation properties with seventy-five rooms or less.
2. Facilities to be used for the purpose of carrying on a business in the area of our natural, historical and cultural heritage.

There must be no government participation in the share capital of these entities.

TYPES OF PROJECTS FUNDED

The Tourism Loan Fund will be used for the following purposes:

1. Refurbishment, rehabilitation or renovation of accommodation properties with seventy-five rooms or less;
2. Accommodation properties of seventy-five rooms or less but which seek to expand to seventy-five or to more than seventy-five rooms so that these properties can benefit from economies of scale;
3. The complete rebuilding on the same site of an accommodation property of seventy

five rooms or less;

4. The construction of new facilities, including buildings together with ancillary facilities and equipment, where the facilities are to be used for the purpose of carrying on a business which emphasizes our historical, cultural, and natural heritage;
5. The refurbishment, rehabilitation, renovation or expansion of existing facilities, including buildings together with ancillary facilities and equipment, where the facilities, are to be used for the purpose of carrying on a business, which emphasize our historical, cultural and natural heritage.

APPLICATION PROCEDURES

Entities wishing to access funding from the Tourism Loan Fund should provide the following information and documentation in support of their application:

1. **A comprehensive business plan** which clearly demonstrates that the project is commercially viable. The business plan should include but not be limited to the following information:

- A clear definition of the project;
- The estimated total cost of the project supported by bills of quantity;
- The amount of loan funds being requested;
- Management skills;
- The use of the proceeds of the loan;
- Other sources of financing for projects whose total cost exceed the loan amount;
- Details relating to shares and to the number of shares held by shareholders;
- Realistic financial projections for 5 years (balance sheet and income statement), showing the ability of the entity to meet its debt-service obligations as well as a risk and sensitivity analysis;
- Internal rate of return (hurdle guide between 10% and 12%);
- Foreign exchange earning capacity;
- Employment generation.

2. **For existing entities, audited financial statements** (income statement and balance sheet) of the enterprise for the last three years immediately preceding the year of application.
3. **A copy of the following corporate documentation:**
 - A copy of the Certificate of Incorporation;
 - A copy of the Notice of Address or Notice of Change of Address of the entity's registered office;
 - A copy of the Notice of Directors or Notice of Change of Directors;
 - A copy of the Articles of Incorporation;
 - Where appropriate an environment impact assessment may be required.
4. Governmental or corporate approvals, permits and consents required in connection with the execution of the project. These must be obtained and in full force and effect (proof provided to EGFL) prior to disbursement of funds.

TERMS AND CONDITIONS OF LOANS

Loan size

The maximum loan size is the higher of \$4.5 million or 15% of the total capitalization of the Fund.

Interest Rates

The interest rate is currently 5.5%.

For all loans with repayment periods of 10 years or less, the concessionary interest rate will be established at approximately 3 percentage points below the weighted average prime rate of commercial banks.

Loan Restrictions

During any ten year period, a client of the Fund should not be eligible to borrow at concessionary rates more than the higher of \$4.5 million or 15% of the total capitalization of the Fund.

Loan Repayment Periods

Repayment periods will be ten years or less. However, EGFL will use its discretion to offer loans with repayment periods that are longer than ten years, such loans will however attract a rate that is higher than the concessionary rate.

Moratoria

- The grace period, (during which only interest payments are due and payable), for loans with repayment periods of five years or less will be limited to one year.
- Where a construction and/or installation contract is less than one year, the grace period will be limited to the length of construction and/or installation contract.
- For loans with repayment periods in excess of five years but less than or equal to ten years the grace period will be limited to not more than two years.
- For loans with repayment periods in excess of ten years, the grace period will be limited to not more than three years.

Loan Security

Security on loans will generally take the form of a first legal mortgage but the Fund is prepared to take second mortgages in instances where 80% of the market realisation value of the underlying security is adequate to liquidate all prior charges and the Fund's exposure.

Refinancing

Refinancing of existing debt will be limited to no more than 25% of the proceeds of any loan and will be undertaken only in those instances where it is essential to the perfection of security or the smoothing out of debt service payments. The Fund will be utilised primarily for the upgrading of existing assets and the acquisition of new capital assets.

Statutory Payments

Prior to disbursement, the applicant must ensure that:

- N.I.S, taxes and P.A.Y.E are current, or
- Satisfactory arrangements have been made (proof provided to EGFL) to bring any arrears current.

For more information, contact:

Enterprise Growth Fund Limited
Suite B1, Welches Plaza, Welches Road, St. Michael
Telephone #: (246) 426-1809
Fax #: (246) 431-0124;
Email: finance@egfl.bb
www.egfl.bb

SMALL BUSINESS VENTURE CAPITAL INC.

The Small Business Venture Capital Inc is a limited liability company incorporated on February 6, 1996, and was established to provide venture capital (equity based financing) and technical assistance to small companies, with strong profit making and growth potential. Its primary function is to make investments in small Barbadian-owned private sector enterprises.

ELIGIBILITY CRITERIA

To qualify as an investee, a company must be considered a small business, satisfying at least **two** of the following criteria:

- i. The market value of the company's fixed assets must be less than \$1.0 million.
- ii. The number of employees must be twenty five (25) persons or fewer
- iii. The company must generate annual sales of under \$2.0 million

All SBVCI Investments are in the form of equity investments, i.e. buying shares in the investee company through a shareholders' agreement. The company will, however, seek to liquidate its investments by selling the shares back to the investee companies or by selling shares to a third party with the consent of the investee company. These exit arrangements form part of all the shareholder agreements.

TERMS AND CONDITIONS

Investment Ceiling

The primary business of Small Business Venture Capital Inc., is to make investments of between \$50,000.00 and \$150,000.00

Repayment Period

The maximum repayment period is seven (7) years.

Divestment Policy

SBVCI would normally want to sell its shares within seven (7) years of the investment but

shorter periods can be agreed on when shareholders' agreements are drawn up.

The SBVCI is primarily concerned with enhancing the value of its investment so that at the time of divestment a reasonable return can be attained.

Interest Rates

Unlike loan financing, the equity financing provided by the SBVCI does not carry any monthly or annual interest cost.

SBVCI does not wish to own more than forty nine percent (49%) of the share capital in any business, since its main objective is to help the investee company grow without taking it over or controlling it.

APPLICATION PROCEDURES

In order to make a meaningful assessment of your business the SBVCI would like to discuss with you:

- Your company's business plan, including its financial and management structure, and its marketing and growth strategies for the next three to four years.
- You should also make available your company's current and/or most recent audited financial statements.

For more information, contact:

Small Business Venture Capital Inc.
c/o Small Business Association
Pelican Industrial Estate, Princess Alice Highway, Bridgetown
Telephone#: (246)-228-0162
Fax#: (246) 228-0613
E-mail: theoffice@sba.org.bb
www.sba.org.bb