



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

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. 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.

### RISK COVERED

Under an Export Finance Guarantee the following risks are covered:

- (i) Failure of the exporter to  
Repay the guaranteed debt due to insolvency.
- (ii) 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.

**NB. 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

In turn, commercial banks are required to complete the prescribed proposal form and return it to the Central Bank together with the following:

- (i) The required application fee (non-refundable).
- (ii) Copies of the confirmed export orders and/or sales contract.
- (iii) 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.
- (iv) Bank or credit reports on the credit worthiness of the overseas buyer.
- (v) Any other pertinent information or documentation deemed necessary by the commercial bank of the Central Bank

If the proposal is accepted by the Central Bank it will be processed immediately and an **Offer of Guarantee Cover** will be forwarded to the commercial bank. On receipt from the commercial bank of confirmation of the acceptance of the offer, together with the guarantee premium and a duly signed recourse agreement, the Central Bank will issue the export finance guarantee.

Where the Central Bank has already issued an export finance guarantee on behalf of an exporter considerably less information may be required in any subsequent request for a Guarantee.

## **RECOURSE AGREEMENT**

Immediately prior to the issue of an export finance guarantee, the commercial bank and the exporter, on the one hand, and the Central Bank, on the other hand shall sign a Recourse Agreement. Under the Agreement, the Central Bank shall be entitled to recover from the exporter directly and/or by the way of offset under the exporter's credit insurance policy, the amount of any claim paid to the commercial bank under the export finance guarantee.

## **FEES AND PREMIUMS**

An application fee of \$25.00 (for loans facilities up to \$250,000) or \$50.00 (for loans facilities in excess of \$250,000) 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.

## **OBLIGATIONS OF COMMERCIAL BANKS**

In accordance with the terms and conditions of the export finance guarantee commercial banks are required to submit monthly declarations to the Central Bank on or before the tenth (10) day of every month listing all credits granted to and payments received from the exporter in the preceding calendar month.

In the event of a guaranteed debt not being paid on the due date or extended due date, or in the event that an exporter, to the knowledge of the commercial bank, will not be in a position to repay the outstanding debt, the commercial bank shall immediately notify the Central Bank in writing and at the same time issue a notice of demand to the exporter for payment of the guaranteed debt.

It shall be the responsibility of commercial banks to notify the Central Bank in writing, thirty (30) days after the issuance of a notice of demand, of the amount of guaranteed debt in default and indicate the steps taken or to be taken to minimize the amount of any loss incurred and to recover the outstanding debt from the exporter.

The commercial bank having ascertained the amount of guaranteed debt in default and having notified the Central Bank of the same will be entitled to submit a claim to the Central Bank within twelve (12) months of the date of default or the due date of payment, whichever is earlier.

The Central Bank will pay to the commercial bank the guaranteed percentage of loss, as follows:

### **Pre-shipment loss**

- (a) Where the loss is due to insolvency, thirty (30) days from the date on which the loss is deemed to have occurred or one hundred and twenty (120) days from the due date of payment.
- (b) Where the loss is due to default, ninety (90) days from the date on which the loss is deemed to have occurred or sixty (60) days from date of insolvency.

### **Post-shipment loss**

In the event of insolvency or default, thirty (30) days from the date on which the loss is deemed to have occurred or sixty (60) days from the due date of payment.

## **RECOVERIES**

After the payment of a claim, the commercial bank should continue to take all necessary steps to recover the full amount of the debt owing by the exporter. Immediate steps should be taken to realize on any security currently held or that may be available for settlement of the outstanding debt.

Recovery expenses will be a first charge against my amount recovered by the commercial bank and/or the Central Bank. All amounts recovered after the payment of a claim will first be deposited with the Central Bank which will have the responsibility for its division and distribution.

## **EXPORT CREDIT INSURANCE COVER**

Any exporter on whose behalf a commercial bank applies to the Central Bank for an export fiancé 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 YOUR BANKER OR THE FOREIGN EXCHANGE & EXPORTS CREDIT DEPARTMENT OF THE CENTRAL BANK.**

CENTRAL BANK OF BARBADOS  
P.O. Box 1016  
BRIDGETOWN  
BARBADOS