



LAYING OUT THE FACTS ON THE INDUSTRIAL CREDIT FUND

Introduction

The Industrial Credit Fund (ICF) was established by the Government of Barbados in September 1983 with funding from the International Bank for Reconstruction and Development (World Bank) and the Central Bank of Barbados. Since then additional funding has been provided by the World Bank under its Agricultural Development Project in 1987, and by the European Investment Bank in 1990 under its Global Loan Contract. The fund, which is administered by the Central Bank of Barbados, commenced operations with resources of BDS\$25.0 million. It now has resources in excess of BDS\$65 million.

Objective

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 channelled 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:

- a) fixed assets (*excluding real estate purchases*)
- b) working capital (*primarily raw material purchases*), and
- c) technical assistance

Who can Benefit

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.

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 challenges of globalisation*
- *Enterprises providing services to the above*

By How Much

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.

- (3) The term of the loan from the ICF to the financial intermediary is the same as that from 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 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, 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.

Alternate Long-Term Finance

The Barbados Investment Fund (BIF)

The BIF is a facility established by the Central Bank of Barbados and the Caribbean Financial Services Corporation (CFSC) for the purpose of providing equity financing to small and medium-sized businesses operating in the productive sectors in Barbados.

This form of financing enables investors to avoid high levels of fixed financing costs through a mix of loan and equity financing. A blend of such financing can be obtained through the combined use of BIF and ICF funding. Investors desirous of using this mix of financing should contact the CFSC, any commercial bank or the ICF at the Central Bank for further details.

For further information on the ICF, please contact the Foreign Exchange & Export Credits Department, the Central Bank of Barbados at Tel. No. (246)-436-6870, Extension 6516.

E-Mail cbb.lib@caribsurf.com