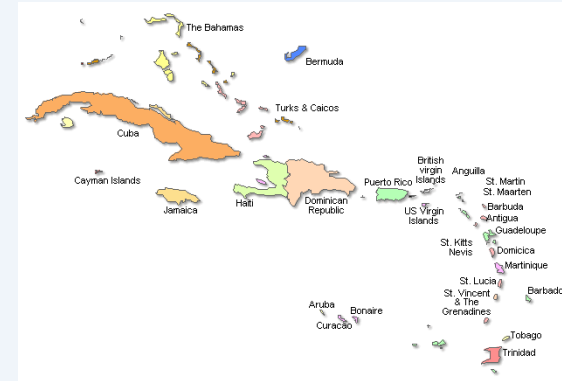




PRE-FEASIBILITY STUDY CREATION OF A REGIONAL GUARANTEE SYSTEM FOR SMEs IN THE CARIBBEAN REGION

Presentation of the Study: Consultant Sergio Alvarez

Regional Guarantee System for SMEs in the Caribbean Region



Caribbean Region countries included in the study:

- Commonwealth of The Bahamas
- Barbados
- Belize
- Cooperative Republic of Guyana
- Republic of Haití
- Jamaica
- Republic of Surinam
- Republic of Trinidad and Tobago

Methodology

- The scheme of this study is worked with SELA
- It analyzed information about studies and articles on finance and guarantees to SMEs in the region studied.
- A questionnaire was prepared according to the structure of the study and sent to public and private institutions in the Caribbean region that were in the database of SELA.
- The questionnaire results are contrasted with the information obtained from studies and articles.

Guarantee System in Latin America: Lessons to be learned

Features:

- They are a subsystem within the financial system, and are instruments of public policies to facilitate SMEs' access to financing.
- They have mobilized more credit, improved credit conditions and also guaranteed to SMEs when they win public procurements. This activity has grown 10 times in the last decade.
- There is a significant trend toward implementing quality regulatory framework for the efficient supervision of guarantee systems.
- The sustainability of guarantee systems in Latin America is based on a philosophy of shared risks to the financial sector.

Guarantee System in Latin America: Lessons to be learned

Lessons:

- Like other experiences in other countries and continents, the market does not always guarantee an efficient credit to SMEs.
- Access to finance is the most important problem to improve the competitiveness of SMEs. It is necessary develop a rapid and steady flow of resources to these companies.
- The Government has an important role in the implementation and regulation of guarantee schemes, and also are involved in the creation of the actors operating guarantees
- There are different forms of create Guarantee Funds, like the provision of public resources with a different operator that provides the management resources and no assumes the risks of the transaction on their own assets.
- It is desirable to have a Re-guaranteed System

Analysis of the demand for guarantees for SMEs in the Caribbean Region

- The English Caribbean has a cultural diversity and his economy, face common challenges such as unemployment and an underdeveloped private sector.
- Policy makers are constantly faced with the challenge of encouraging job creation by promoting the creation of SMEs.
- Most entrepreneurs work for necessity and no for opportunities. This situation influence the transformative impact these entrepreneurs in the socio-economic development of the region.
- SMEs are the "spine" of the Caribbean economies and a significant source of employment and tax, however, there is insufficient statistics about their activities.
- In the Caribbean Region, many family businesses have successfully developed their small business (agriculture, light industry, handicrafts and commerce)
- There is a business sector within an informal or "underground economy".
- In some countries, there are state programs that offer credit services and financial support to enterprises in order to promote entrepreneurship.



Analysis of guarantees demand for SMEs in the Caribbean Region

ESTIMACION DEL CARTERA DE MICROCRÉDITO EN LA REGIÓN CARIBE.

(en dólares americanos)

País	Población (1)	Variación %	PBI (millones) (1)	Variación %	Ingreso Per cápita (1)	Variación %	N° PYME (2)	Cartera Microcrédito (2)	Variación %	Crédito Promedio
Jamaica	2,715,000	17%	11,690	16%	4,300	4%	30,818	34,958,033	14%	1,134
Trinidad y Tobago	1,341,000	8%	26,536	36%	20,338	21%	15,222	27,399,075	11%	1,800
Barbados	279,912	2%	6,148	8%	24,015	25%	3,177	6,354,569	3%	2,000
Surinam	551,000	3%	2,812	4%	7,050	7%	6,557	18,404,272	8%	2,807
Belice	335,188	2%	2,800	4%	8,412	9%	5,643	24,733,692	10%	4,383
Guyana	801,194	5%	2,788	4%	4,500	5%	2,478	2,156,430	1%	870
Bahamas	368,000	2%	9,228	13%	27,394	28%	4,177	18,797,277	8%	4,500
Haití	9,800,000	61%	11,056	15%	1,153	1%	183,597	112,031,979	46%	610
	16,191,294	100%	73,058	100%	97,162	100%	251,669	244,835,328	100%	

Fuentes para los supuestos:

(1) Información obtenida de Wikipedia al 15/08/2015

(2) Cifras del FOMIN Microfinanzas en América Latina y el Caribe Septiembre 2013

(3) Los estimados de Cartera para Trinidad y Tobago, Barbados y Bahamas fueron hechos por el Consultor

ESTIMACION DE LA CARTERA QUE ATENDERÁ LA SOCIEDAD DE GARANTÍAS

(en dólares americanos)

	Año 1	Año 2	Año 3	Año 4	Año 5
Monto total de Microcréditos en la Región Caribe	244,835,328	257,077,094	269,930,949	283,427,496	297,598,871
Porcentaje de incremento anual de Cartera de Microcréditos	0%	5%	5%	5%	5%
Porcentaje de participación de la Sociedad de Garantías	18%	20%	22%	24%	26%
Monto total de Créditos afianzados por la Sociedad de Garantías	44,070,359	51,415,419	59,384,809	68,022,599	77,375,706

Analysis of financial offer for SMEs

- The Bahamas and Barbados have important offshore banking sectors, equivalent to 72 times and 11 times their economies, respectively. Some of the countries in the region also have offshore banking sectors, though in a smaller proportion of GDP.
- It is difficult to find microfinance providers in the region, except Jamaica, where virtually all participants in the IMF can be found.
- The regulation of credit unions has presented a challenge for most countries around the world, often for the creation of multipurpose cooperatives that provide other services (production, trade, health, education, etc.), along with credit.
- Most of the largest and most important credit unions in the Caribbean Region have had relationship with the employers. However, they allowed the immediate members of family also to become members of the credit union, and usually this was expanded to more distant relatives.

Evaluation of the minimum conditions to create a Guarantees System in the Caribbean Region (1)

- In the Caribbean region there is an unmet demand for financial services and guarantees. This demand is in various segments SMEs located in the less favored countries and regions as well as in emerging activities in various sectors.
- Guarantee programs are scarce, but there are public institutions aimed at the development of SMEs that can support the formation of a regional fund operated by an institution of Warranties.
- In the Caribbean region there are the conditions for the financial and public sectors promote the development of SMEs; facilitating their access to finance.
- It is necessary to strengthen the legal system to promote the mixed ownership of the guarantee system, especially, private financial institutions to ensure fair treatment of shareholders including explicit and implicit subsidies, which should be transparent.

Evaluation of the minimum conditions to create a Guarantees System in the Caribbean Region (2)

- The regulatory framework in the Caribbean Region may allow the search for conditions of social support and compliance with state policies. Apparently there are no difficulties in establishing a Regional Guarantee Institution.
- There are conditions for establishing policies that promote access to finance for SMEs and strategic partnerships with public authorities, financial institutions and SME organizations) for the development of guarantee systems.
- The guarantees provided by a guarantee institution, be well designed to be effective. There is knowledge and experience in other institutions or professionals who can provide expert advice.
- There are conditions to design and implement a guarantee institution with a solid corporate governance structure, an independent and competent board with directors appointed in accordance with clearly defined criteria

Evaluation of the minimum conditions to create a Guarantees System in the Caribbean Region (3)

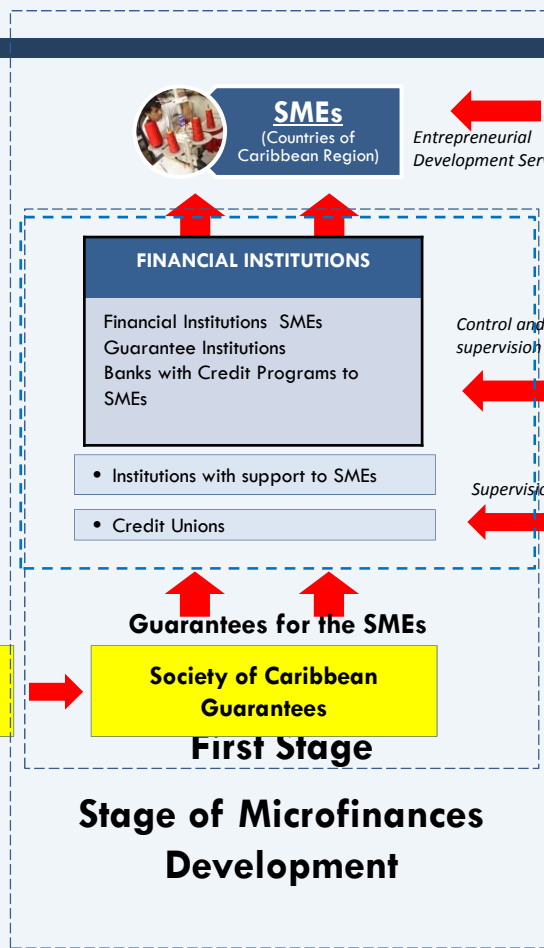
	Bahamas		The Central Bank of the Bahamas
	Barbados		Central Bank of Barbados
	Belize		Central Bank of Belize
	Guyana		Central Bank of Guyana
	Haití		Banque de la République d'Haiti
	Jamaica		Bank of Jamaica
	Surinam		Central Bank of Van Surinam
	Trinidad and Tobago		Central Bank of Trinidad and Tobago

Jamaica: Ministry of Industry, Investment and Commerce
Trinidad and Tobago: Ministry of Labour and Small Enterprise Development
Barbados: Ministry of Industry, International Business, Commerce and Small Business Development
Surinam: Ministry of Trade and Industry
Belize: Ministry of Trade, Investment Promotion, Private Sector Development & Consumer Protection
Guyana: Ministry of Tourism, Industry and Commerce
Bahamas: Ministry of Financial Services (Small Business Guarantee Loans)



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Esquema general y estrategia de funcionamiento del Sistema Regional de Garantías para la Región Caribeña



Ministerys
(Promote SMEs)

Set Policies

Central Banks
(Caribbean Region)

Leagues of Credit Unions

Governaments
(Caribbean Region)

Propose Policies to SMEs

CARICOM
(Caribbean Community)

(WOCCU)
(World Council of Credit Unions)

Development Banks
(and other multilateral institutions)

Guarantees Fund
(in Trust)

Society of Caribbean Guarantees
First Stage

Stage of Microfinances Development

Entrepreneurial Development Services

Control and supervision

Supervision

Determining the terms of Risk Management for the SRG

- Credit risk
- Market Risk
- Interest Rate Risk
- Foreign Currency Risk
- Operating Risk
- Liquidity Risk

Guidelines strategy to penetrate the market of SME guarantees

- Target market of the Caribbean Region:

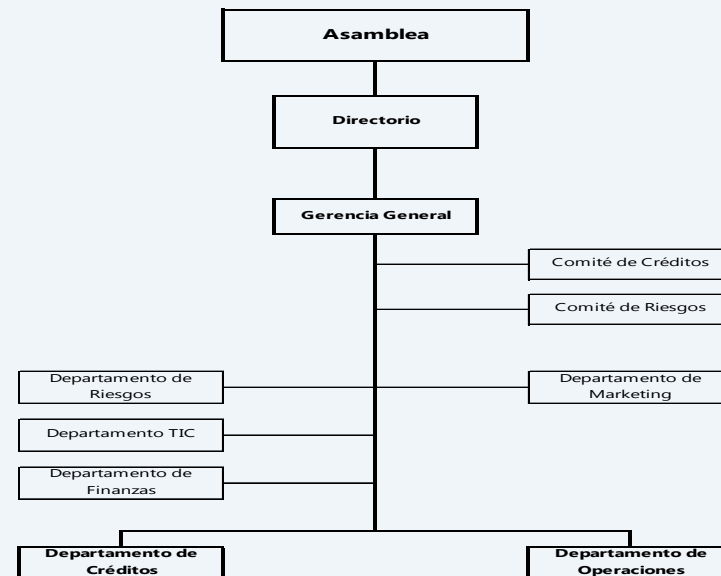
- SMEs
- Financial Institutions.

- Business strategy:

- For each segment SMEs
- For Financial Institutions

- Organizational structure:

- Shareholders
- Board
- General Manager
- Risk Department
- Credit Department
- Operations Department
- Finance Department



Guidelines strategy to penetrate the market of SME guarantees

- Strategic alliances with other Regional Systems in Latin America and other continents.



- Equipment and infrastructure.

Investment and sizing of the funds required for the GRS (1)

SOCIEDAD DE GARANTIAS DEL CARIBE

PORCENTAJES ESTIMADOS DE MONTOS AFIANZADOS TIPO DE GARANTIAS

TIPO DE GARANTIAS	% por Tipo de Garantía	% de Cobertura por Sobre el Crédito Garantizado
a. Reafianzamiento de Garantías individuales PYMES	40%	80%
b. Garantías para Crédito ante Proveedores	25%	80%
c. Garantía de Portafolio	20%	50%
d. Garantías para Instituciones con Programas PYMES	5%	50%
e. Garantías Internacionales	10%	100%
Total	100%	

- Estimated percentages of Guarantee Amounts by type of guarantees
- Projection of Guarantee Amounts by type of guarantees (5 years)

PROYECCION DE SALDOS DE MONTOS GARANTIZADOS SEGÚN TIPO DE GARANTIAS

(en dólares norteamericanos)

TIPO DE GARANTIAS	Proyección de Montos Garantizados - Año 1								
	Jamaica	Trinidad y Tobago	Barbados	Surinam	Belice	Guyana	Bahamas	Haití	Total Año 1
	14%	11%	3%	8%	10%	1%	8%	46%	
a. Reafianzamiento de Garantías individuales PYMES	2,516,978	1,972,733	457,529	1,325,108	1,780,826	155,263	1,353,404	8,066,302	17,628,144
b. Garantías para Crédito ante Proveedores	1,573,111	1,232,958	285,956	828,192	1,113,016	97,039	845,877	5,041,439	11,017,590
c. Garantía de Portafolio	1,258,489	986,367	228,764	662,554	890,413	77,631	676,702	4,033,151	8,814,072
d. Garantías para Instituciones con Programas PYMES	314,622	246,592	57,191	165,638	222,603	19,408	169,175	1,008,288	2,203,518
e. Garantías Internacionales	629,245	493,183	114,382	331,277	445,206	38,816	338,351	2,016,576	4,407,036
Total de Monto Afianzado	6,292,446	4,931,833	1,143,822	3,312,769	4,452,065	388,157	3,383,510	20,165,756	44,070,359
Monto de Siniestros (Honramientos) sobre Montos afianzados	125,849	98,637	22,876	66,255	89,041	7,763	67,670	403,315	881,407
Porcentaje estimado de honramientos	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%



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Investment and sizing of the funds required for the GRS (2)

SOCIEDAD DE GARANTIAS DEL CARIBE

PROYECCION DE INGRESOS POR COMISIONES SEGÚN TIPO DE GARANTIAS

(en dólares norteamericanos)

TIPO DE GARANTIAS	Proyección de Ingresos por Comisiones - Año 1								
	Jamaica	Trinidad y Tobago	Barbados	Surinam	Belice	Guyana	Bahamas	Haití	Total Año 1
a. Reafianzamiento de Garantías individuales PYMES	151,019	118,364	27,452	79,506	106,850	9,316	81,204	483,978	1,057,689
b. Garantías para Crédito ante Proveedores	94,387	73,978	17,157	49,692	66,781	5,822	50,753	302,486	661,055
c. Garantía de Portafolio	25,170	19,727	4,575	13,251	17,808	1,553	13,534	80,663	176,281
d. Garantías para Instituciones con Programas PYMES	6,292	4,932	1,144	3,313	4,452	388	3,384	20,166	44,070
e. Garantías Internacionales	3,146	2,466	572	1,656	2,226	194	1,692	10,083	22,035
Total de Ingresos por Comisiones	280,014	219,467	50,900	147,418	198,117	17,273	150,566	897,376	1,961,131

Porcentaje promedio de comisiones Ingresos Comis./ M. Garantizado

4.45%

% de comisiones para el Fondo Regional de Garantías	20%								
Monto de Comisiones para el Fondo Regional de Garantías	56,003	43,893	10,180	29,484	39,623	3,455	30,113	179,475	392,226
Monto de Comisiones para la Sociedad de Garantías del Caribe	224,011	175,573	40,720	117,935	158,493	13,818	120,453	717,901	1,568,905
Monto total de Comisiones	280,014	219,467	50,900	147,418	198,117	17,273	150,566	897,376	1,961,131

TIPO DE GARANTIAS	Porcentaje promedio de Comisiones	Condiciones
a. Reafianzamiento de Garantías individuales PYMES	6%	anual sobre Monto Garantizado
b. Garantías para Crédito ante Proveedores	6%	anual sobre Monto Garantizado
c. Garantía de Portafolio	2%	anual sobre Monto Garantizado
d. Garantías para Instituciones con Programas PYMES	2%	anual sobre Monto Garantizado
e. Garantías Internacionales	1%	Tarifa Plana por rangos

- Projections of fees by type of guarantees



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Investment and sizing of the funds required for the GRS (3)

SOCIEDAD DE GARANTIAS DEL CARIBE

REQUERIMIENTOS DE INFRAESTRUCTURA, EQUIPOS Y MOBILIARIO PARA LA SOCIEDAD DE GARANTIAS DEL CARIBE

(En dólares americanos)

INVERSIONES	Sede Principal	
	Monto	Cantidad
a) Local apropiado		
· Instalaciones y acondicionamiento	20,000	
· Paneles publicitarios	5,000	
SUB TOTAL	25,000	
b) Equipos:		
· Microcomputadoras	15,000	8
· Impresoras (inyección de tinta).	1,600	8
· Estabilizadores de voltaje	600	8
· Teléfonos celulares	1,600	8
SUB TOTAL	18,800	
c) Mobiliario		
· Escritorios con modulo para microcomputador incorporado	2,400	8
· Sillones para escritorio	1,600	8
· Sillas de atención para escritorios	1,000	16
· Estanterías para documentos	3,200	8
· Muebles archivadores de documentos	3,200	8
· Caja de seguridad	8,000	1
· Baterías de sillas de espera	1,000	3
· Sillas giratorias de Cajero	200	1
· Módulos para atención al público	10,000	3
SUB TOTAL	30,600	
d) Tecnología Informática y Comunicaciones		
· Sistema de Información Gerencial (ERP)	50,000	
· Sistema Informático Operativo	60,000	
· Sistema de Comunicaciones	25,000	
SUB TOTAL	135,000	
TOTAL GENERAL EN DOLARES AMERICANOS	209,400	

GASTOS ADMINISTRATIVOS Y DE OPERACIÓN PARA LA SRG

(Gastos anuales en dólares americanos)

RUBRO	Monto
• Alquiler de local	48,000
• Sueldos de personal + carga laboral	540,000
• Gastos de Directorio	60,000
• Servicios de terceros	36,000
• Energía eléctrica y agua	3,600
• Servicio Telefónico	4,200
• Servicio teléfono celular	1,200
• Tributos y licencias	2,400
• Gastos de Reparación y Mantenimiento	1,800
• Suministros diversos (Útiles de Oficina)	2,400
• Gastos de promoción	18,000
• Gastos de Capacitación	3,000
TOTAL GASTOS	720,600
Imprevistos (15%)	108,090

- Investment
- Administratives and operations expenses



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Investment and sizing of the funds required for the GRS (4)

SOCIEDAD DE GARANTIAS DEL CARIBE

FLUJO DE CAJA PROYECTADO PARA LA SOCIEDAD DE GARANTIAS DEL CARIBE
(en dólares norteamericanos)

	AÑO 1	AÑO 2	AÑO 3	AÑO 4	AÑO 5	TOTAL
Inversión inicial	209,400					
1.-INGRESOS						
Ingresos por Comisiones						-
Comisiones por Reafianzamiento Garantías Individuales	1,057,689	1,233,970	1,425,235	1,632,542	1,857,017	7,206,453
Comisiones por Garantías para Crédito ante Proveedores	661,055	771,231	890,772	1,020,339	1,160,636	4,504,033
Comisiones por Garantía de Portafolio	176,281	205,662	237,539	272,090	309,503	1,201,076
Garantías para Instituciones con Programas PYMES	44,070	51,415	59,385	68,023	77,376	300,269
Garantías Internacionales	22,035	25,708	29,692	34,011	38,688	150,134
Otros ingresos						-
TOTAL INGRESOS	1,961,131	2,287,986	2,642,624	3,027,006	3,443,219	13,361,966
2.-EGRESOS						
Gastos Administrativos y de Operación	828,690	828,690	828,690	828,690	828,690	4,143,450
Siniestros (Honramientos)	881,407	1,028,308	1,187,696	1,360,452	1,547,514	6,005,378
Comisiones para el Fondo Regional de Garantías	392,226	457,597	528,525	605,401	688,644	2,672,393
Otros egresos						-
TOTAL EGRESOS	2,102,323	2,314,596	2,544,911	2,794,543	3,064,848	12,821,221
3.-SALDO DEL MES	68,208	(26,609)	97,713	232,463	378,371	750,145
5.-SALDO ACUMULADO	68,208	41,598	139,311	371,774	750,145	

	Periodo
Inversión de Activos y Gastos Administrativos	(209,400) 0
Retornos netos(Comisiones - Comisiones FRG - Gastos Administ)	(141,192) 1
	(26,609) 2
	97,713 3
	232,463 4
	378,371 5

• Cash flow for 5 years



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CALCULO DEL VAN

TIR

VAN

Investment and sizing of the funds required for the GRS (5)

SOCIEDAD DE GARANTIAS DEL CARIBE

CALCULO DEL FONDO REGIONAL DE GARANTÍAS Y PATRIMONIO DE LA SOCIEDAD DE GARANTIAS DEL CARIBE

(en dólares americanos)

	Año 1	Año 2	Año 3	Año 4	Año 5	Promedio anual Total
Saldo de Monto Garantizado por año	44,070,359	51,415,419	59,384,809	68,022,599	77,375,706	60,053,778
Menos Siniestros u Honramientos por año	881,407	1,028,308	1,187,696	1,360,452	1,547,514	1,201,076
Monto Garantizado Neto	43,188,952	50,387,110	58,197,113	66,662,147	75,828,192	58,852,703
Propuesta de Patrimonio de la Sociedad de Garantías del Caribe	500,000	500,000	500,000	500,000	500,000	500,000
Más promedio de comisiones por Garantías con respaldo de Patrimonio	22,250	22,250	22,250	22,250	22,250	22,250
<i>Condición: Patrimonio de la Sociedad es utilizado en primera opción</i>						
Monto estimado utilizado de Fondo Regional de Garantías	42,688,952	49,887,110	57,697,113	66,162,147	75,328,192	58,352,703
Nivel de Apalancamiento	5	5	5	5	5	5
Monto de Fondo Regional con Apalancamiento (por utilizar)	8,537,790	9,977,422	11,539,423	13,232,429	15,065,638	11,670,541

Monto estimado para el Fondo Regional de Garantías

18,000,000

- Calculating the size of the Guarantee Fund

Outcomes

Amount estimated of the Microloan Portfolio for SMEs in the Caribbean Region:	US\$ 244,835,328
Percentage of participation of the Microloan Portfolio for Year 1:	18%
Estimated amount of the microcredit portfolio guaranteed by the RGS:	US\$ 44,070,359
Estimated percentage of annual growth of the Microloan Portfolio	5%
Estimated percentage growth of participation of the RGS in the Microloan Portfolio	2%
Minimum Equity for the RGS	US\$ 500,000
Minimum amount of Regional Guarantee Fund (In Trust)	US\$ 18,000,000
Leverage the Regional Guarantee Fund	times
Total amount leveraged by the Regional Guarantee Fund	US\$ 90,000,000
Percentage estimated of claims	2%
Percentage of fees for the Regional Guarantee Fund	20%
Investment in equipment and facilities for the RGS	US\$ 209,400
Annual operating and administrative expenses	US\$ 828,690
Internal Rate of Return for the cash flow to 5 years	17.7%

Conclusions (1)

- In the Caribbean region there is an unmet demand for financial services and guarantees in the countries that comprise it. This demand is in various segments SMEs located in disadvantaged regions as well as in emerging activities in various sectors. There are also several financial needs that require better credit conditions, according to the nature of business.
- While in the Caribbean Region, the Guarantee Programs are scarce, there are public institutions oriented to the development of SMEs, who may be interested in supporting the formation of a Regional Guarantee Fund, operated by a guarantee institution specialized in provide guarantees to the SMEs in the Caribbean Region.
- The regulatory framework that exists in the Caribbean Region is able to properly regulate the Regional Guarantee System and the new Society of Guarantees in the Caribbean. Apparently there are no difficulties for the new institution of guarantees can be established as a separate legal entity based on the existing legal and regulatory framework to provide effective implementation of its operations and the achievement of its objectives.

Conclusions (2)

- There are conditions for establishing policies that promotes access to financing of SMEs and create a strategic alliance with stakeholders (public authorities, financial institutions and organizations of SMEs) in the regulatory and operational development of the Regional Guarantees System.
- On the other hand, we must recognize that the development of activities that promote the growth and development of SMEs is a complex task, and it is necessary take the multiplicity of problems that afflict the various markets they serve, with appropriate strategies for maximize the useful of the resources and capabilities available in the Caribbean Region.
- Consequently, the design and implementation of public strategies to support SMEs in this context, policies should be designed to facilitate and promote the growth of this sector by making available a range of financial instruments that help to achieve a substantial improvement business competitiveness
- The creation of the Regional Guarantee System, will be a powerful tool to facilitate access to funding of more than 250,000 SMEs that exist in the Caribbean Region in the countries members of SELA, and why not, in others countries of this region.

Recommendations

- Initiate contacts with CARICOM, through formal mechanisms established by this regional entity, to present a draft financial policies that favor the development of SMEs with the creation of the Regional Guarantee System for the Anglophone Caribbean region within the features described in this study.
- It is necessary develop relationships with the Central Banks of each country in the Caribbean region, the Caribbean Development Bank and other multilateral financial institutions to explore the possibility to participate or contribute, to the formation of the Regional Guarantee Fund. It should be noted that this financial instrument will facilitate access to financing of SMEs and will contribute to the economic development of the countries of this region.
- Analyze and discuss with all stakeholders the creation of the future Guarantees Regional System for the Anglophone Caribbean Region.
- Strengthen the explicit configuration of the National Guarantee Systems in each country involved in the future Regional Guarantee System. This will be very beneficial to the extent that help boost the regional system.

Thank you very much!
Sergio Álvarez: nuevosur@gmail.com