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Ministry of Industry,
Investment & Commerce



Final Report

Economic and Technical Cooperation

*Seminar on financing and guarantee systems to support SMEs in the Caribbean
Kingston, Jamaica
15 and 16 October 2015
SP/SFGA-PYMES-C/IF-15*

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C O N T E N T S

RAPPORTEUR'S REPORT	1
I. DEVELOPMENT OF WORKS	1
II. CONCLUSIONS AND RECOMMENDATIONS	10
III. CLOSING SESSION	14
ANNEX I. AGENDA	15
ANNEX II. SPEECH BY ANTONIO LEONE DURANTE, COORDINATOR OF THE REGIONAL LATIN AMERICAN AND CARIBBEAN PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SELA-SMEs PROGRAMME) OF THE PERMANENT SECRETARIAT OF THE LATIN AMERICAN AND CARIBBEAN ECONOMIC SYSTEM (SELA)	21
ANNEX III. SPEECH BY MR VIVIAN BROWN, PERMANENT SECRETARY OF THE MINISTRY OF INDUSTRY, INVESTMENT AND COMMERCE OF JAMAICA	25
ANNEX IV. LIST OF PARTICIPANTS	31
ANNEX V. LIST OF DOCUMENTS	37

RAPPORTEUR'S REPORT

1. The "Seminar on financing and guarantee systems to support SMEs in the Caribbean," organized by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), through the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme), and co-sponsored by the Ministry of Industry, Investment and Commerce (MIIC) of Jamaica, was held in Kingston on 15 and 16 October 2015.

2. In accordance with the Work Programme of the Permanent Secretariat for 2015, approved by the Latin American Council of SELA, this activity aimed to: i) Present the results of the pre-feasibility study for the creation of a Regional Guarantee System for SMEs in the Caribbean; ii) Review the achievements concerning innovative financial mechanisms and instruments to complement guarantee systems; and iii) Promote the integration of work teams in the region for the implementation of regional guarantee systems. The agenda for the meeting is included in Annex I.

3. Participants in this Regional Seminar included representatives of governmental focal points of small and medium-sized enterprises from Barbados, Brazil, Jamaica, Suriname, and Trinidad and Tobago. Likewise, the event was attended by representatives of the Caribbean Information and Credit Ranking Services Limited (CariCRIS), the Caribbean Association of Small and Medium Enterprises (CASME), the Inter-American Development Bank (IDB), the Economic Commission for Latin America and the Caribbean (ECLAC), the Latin American Association of Guarantee Institutions (ALIGA – Spanish acronym) and the Guarantee Fund for Loans to Small Industries (FOGAPI – Spanish acronym). The list of Participants is contained in Annex IV.

I. DEVELOPMENT OF WORKS

4. At the Opening Session, speeches were delivered by the following authorities: a) Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA) (SP/SFGA-PYMES-C/Di N° 1-15) and b) Mr Vivian Brown, Permanent Secretary of the Ministry of Industry, Investment and Commerce of Jamaica (SP/SFGA-PYMES-C/Di N° 2-15).

Both speeches are included in Annexes II and III, respectively.

5. The INTRODUCTORY SESSION was moderated by Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA).

6. Then, the floor was taken by Mr Sergio Alvarez Vazquez, SELA's Consultant, who was responsible for presenting the study "Financing and Guarantee Systems to support SMEs in the Caribbean. Pre-feasibility study on the creation of a Regional Guarantee System for SMEs in the Caribbean" (SP/SFGA-PYMES-C/Di N° 3-15). The consultant made a detailed presentation of the study, which had been distributed among participants prior to the presentation, indicating that for the analysis, the following countries were taken into consideration: Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. During the investigation, an analysis was made of the information related to studies and articles on finance and guarantees for SMEs in the analyzed region, and a questionnaire was prepared on the basis of the structure of the study

2

and sent to public and private institutions of the Caribbean region. The results of this questionnaire were compared with the information obtained from such studies. Some lessons learned from this study were as follows: i) like other experiences in other countries and continents, the market does not always guarantee an efficient credit to SMEs; ii) access to finance is the most significant problem to improve the competitiveness of SMEs; iii) it is necessary to develop a rapid and constant flow of resources to these companies; iv) the Government plays an important role in the implementation and regulation of guarantee systems and is involved in the creation of entities that operate guarantees; v) there are different ways of creating guarantee funds, such as the provision of public resources with a different operator that provides the management resources and does not assume the risks of the transaction on their own assets; and vi) it is advisable to have in place a Guarantee System.

7. Then, Mr Alessandro Bozzo, SELA's Consultant, intervened to present the "Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in Central America" (SP/SFGA-PYMES-C/Di N° 4-15). A summarized presentation was made to highlight the main conclusions of the study and refer to the results of a similar meeting that was held in Costa Rica on 3 and 4 September 2015, where the conditions for the creation of a guarantee system in the Central American region was analyzed. The main aspects and conclusions of the aforementioned study are summarized in the following aspects: i) Regional Guarantee Systems are not developed as would have been expected (other than some exceptions); ii) the objective of the Regional Financing System is to share risks, diversify, increase the capacity and optimize the resources available in the local systems, so that an increase in credit is achieved for micro and SMEs in the countries of the region; iii) the guarantee system takes into consideration a business model based on the management of first-level operators of guarantees, that is, where Guarantee Systems provide direct guarantees to supervised financial institutions, which in turn are in charge of evaluating the end customers; ideally, a new form of institution should not be created, which could result in high costs for creation, management and long periods of establishment; thus, advantage should be taken of the existing entities; iv) as regards the financial resources of the Fund, these could be managed as a trust fund by the same organization in a centralized manner or handed over to the trusteeship in each of the participating countries, thus enabling the cash flow among payment of guarantees, collection of fees, recovery of paid guarantees and profitability of the investments, among others; v) among the particular capacities that should be developed by the Administration of the Fund are the business management, together with the capacity of assessing risks of loan portfolios guaranteed by the national guarantee systems, so as to recognize and estimate the risk of each guarantee entity over time. Some general recommendations were also mentioned, including: i) guarantee is always a guarantee operation granted and not to the guarantee entity; eventually, in countries where there is no guarantee system, the Guarantee Fund is likely to grant direct guarantees to the local Financial Institutions that qualify, but the above must be done only in the appropriate scenario; ii) it is necessary to develop technological systems to manage the flow of information between the administration and the guarantee systems and Financial Institutions, in order to enable reduced costs, massive processing and the sustained efficiency of guarantee toward the system; iii) the conditions of financing may be different for each guarantee institution; iv) finally, it is recommended to begin with a small pilot project, with two local guarantee systems with different objectives; (e.g. grow and share risks, respectively). The inclusion of any Guarantee System, public or private, must be analyzed in detail by the professionals of the corresponding administration.

8. The general debate, as well as the questions and answers, was focused on some administrative and technical aspects exposed in the study presented, and also on the analysis of the different conditions for granting guarantees to micro and SMEs; for example, whether there is

any correlation between the growth of businesses and the increase in the granting of guarantees; the different evaluation mechanisms and methods for granting financing and guarantees to micro and SMEs; the need to promote and stimulate these evaluations by independent and autonomous entities to the financial institutions that issue such guarantees, among others. In addition, an analysis was made of the different factors that may contribute to the evolution of the existing guarantee systems, whose establishment has taken many years. However, at this moment, it is possible to take the experiences and best practices that can be very useful for the Caribbean region and save time and resources. Likewise, an analysis was made of the important role played by the State as an entity regulating and promoting development policies for micro and SMEs, and the cooperation and complementation relations that must be developed with the private and financial sectors for the support of this relevant business sector, which greatly contributes to trade, income and employment in the countries. Nevertheless, this sector requires public policies specifically designed for its promotion and survival, since a considerable percentage of SMEs do not surpass 3 years of activity, among other reasons, because of the difficulty in accessing financing and guarantees. Finally, details were given of the full experience of the guarantee systems in Chile and Peru, and the participants were able to make a wide range of questions regarding these successful experiences in the region.

9. SESSION I: STATUS AND EVALUATION OF CONDITIONS FOR THE CREATION OF A REGIONAL GUARANTEE SYSTEM IN THE CARIBBEAN was moderated by Mr Douglas Webster, Senior Director of Policy, Planning, Projects and Research of the Ministry of Industry, Investment and Commerce of Jamaica.

10. Jamaica: Mr Reginald Nugent, Adviser to the Ministry of Industry, Investment and Commerce, made a presentation entitled "Improving access to capital by MSMEs: managing risks" (SP/SFGA-PYMES-C/Di N° 5-15). He highlighted that in 2014 the small and micro enterprises in Jamaica totalled over 9 thousand. He indicated that some of the obstacles for SMEs to access capital are demand-related issues, such as insufficient business development, unviable business plans, poor articulated business plans, poor management practices, lack of trust in financial institutions, limited knowledge of financing options; and also supply-related issues, such as information asymmetry, risk profile of micro/small enterprises, limited financial options, strict collateral requirements and high transaction cost, among others. He mentioned that the life-cycle of business is very important to consider when determining the financing options and requesting guarantees.

11. Suriname: Mrs Marjorie Renardus, Board Member of the Suriname Business Forum (SBF) and Board Member of Suriname Guarantee Fund, made the presentation "Suriname Business Forum (SBF)" (SP/SFGA-PYMES-C/Di N° 6-15). During this presentation, she detailed the economic and social profile of the country and its main attractions and strengths. She highlighted the public-private partnership as a way to diversify cooperation and the operation of the Suriname Business Forum (SBF), established in 2006 as a dialogue platform of the public and private sectors, the labour unions and the universities. She mentioned that the primary objective of the SBF is to develop the local private sector through partnership, dialogue, formulation of national strategies and design of policy. Among the main responsibilities of the SBF are policy implementation and monitoring, policy evaluation, dialogue and cooperation between the Government and the different actors, implementation of the National Strategy and the identification of priority sectors. The biggest challenges of SMEs are access to finance, the high interest rates and the availability of capital. As regards sustainable economic growth and diversification, she considered it necessary to improve the business regulatory environment, develop infrastructure, improve the tax structure, strengthen corporate governance, promote the development of skills, technologies and

4

innovation, improve firm links, improve public-private dialogue and achieve greater access to financing for SMEs, among other aspects. The biggest challenges for SMEs to access finance are small lending capacity of banks, banks are more focused on larger and well-known borrowers, lack of information on SME finances, among other relevant aspects. The Credit Guarantee Fund Suriname (CGFS) was created to support SMEs in the implementation of their business plan, and all sectors, in particular SMEs, can access this Fund.

12. Trinidad and Tobago: Mr Alan Cooper, Policy Analyst of the Enterprise Development Division of the Ministry of Labour and Small and Micro Enterprise Development, made the presentation "Entrepreneurship and MSE Development in Trinidad and Tobago" (SP/SFGA-PYMES-C/Di N° 7-15). He emphasized that the Ministry has the mandate to develop policy, coordinate its implementation and perform an advisory role on behalf of the Minister; also to develop and implement policies and programmes to promote micro and small enterprise (MSE) growth, mitigate adverse conditions for smaller businesses and create a more favourable environment for entrepreneurship. The objectives of the Enterprise Development Division are to accurately define the sector, create and expand opportunities and reduce obstacles for MSE entrepreneurship, reduce barriers between formal and informal sectors, provide equitable treatment to MSEs, improve MSE access to financing and to the local and international markets, encourage productive and innovative MSEs in the interest of economic diversification, among others. The Ministry has several initiatives and programmes, such as: the National Entrepreneurship Development Company Limited (NEDCO), the FairShare Programme, The National Integrated Business Incubator System (IBIS), the Enterprise Investment Fund (EIF) and the National Baseline Survey. For the period 2015-2016, around 11 action items are in place for MSEs. Mr Cooper presented the wide range of resources that the country has developed to support its micro and SMEs under a public policy for strengthening and providing attention to this sector and developing public and private institutions to that end.

13. Continuing with SESSION I: STATUS AND EVALUATION OF CONDITIONS FOR THE CREATION OF A REGIONAL GUARANTEE SYSTEM IN THE CARIBBEAN, a general debate was developed and participants were able to pose questions to the speakers.

14. In this debate session, the questions were focused on the issue of arrears and their potential relationship with the increased access to financing and guarantees. Reference was made to the importance of financing and guarantee systems and how these could have an impact on economic growth by enabling and creating a favourable environment for the development of micro and SMEs, which could result in the creation of new business opportunities and ventures. Participants gained knowledge about the development of the new financing and guarantee initiatives in Jamaica and Trinidad and Tobago, the Caribbean institutions that are behind the financing and guarantee initiatives, and the structure and integration of the different actors participating in the existing financing and guarantee programmes. A detailed explanation was made of the framework of public policies in Jamaica and Trinidad and Tobago in the fields of SMEs, financing and guarantees, and the operational methodologies and procedures for granting guarantees.

15. SESSION II: MARKET ANALYSIS OF GUARANTEES FOR SMES IN THE CARIBBEAN: SUMMARY OF SUPPLY AND DEMAND FOR SME GUARANTEES was moderated by Mrs Cheronne Allen, Director of the Industry Division of the Ministry of Industry, Investment and Commerce of Jamaica.

16. Following, the PANEL WITH NATIONAL SOCIETIES OF GUARANTEES AND PROMOTERS OF FINANCING AND GUARANTEE SYSTEMS IN THE CARIBBEAN was installed, who made their presentations according to the agenda.

17. Mr Stefan Fortune, Ratings Manager of the Caribbean's regional credit rating agency (CariCRIS), made the presentation "CariCRIS' SME Credit Ratings – Creating a Credit Flow Environment" (SP/SFGA-PYMES-C/Di N° 8-15). He described the vision, mission and main objectives of CariCRIS as the first credit information and rating services company in the Caribbean, owed by regional Central Banks, commercial banks, development banks and other financial entities, offering credit analysis and removing information asymmetry. He indicated that access to information is the real problem between SMEs and providers of capital, in addition to the poor quality of financial disclosure of SMEs and the lack of research coverage. SME Ratings is a tool to measure the SME's financial performance and ability to sustain or improve its performance and credit profile. In his presentation, he explained in detail the operation of this institution and the balance of the results obtained.

18. Mr Glenn H. Gersie, President of the Suriname Guarantee Fund made the presentation "Credit guarantees: the approach in Suriname" (SP/SFGA-PYMES-C/Di N° 9-15). After presenting general information on Suriname, its economic and social situation, and the financial institutions of the country, he mentioned some of the most recent economic developments. Subsequently, he referred to the Credit Guarantee Fund Suriname (SGF), which was created in 1979 and whose activities became inactive between 1997 and 2014. He indicated that the SGF is an independent institution, accountable to the Ministry of Finance and whose fund management and executing agency is the National Development Bank (NDB) of Suriname. Its main objective is the promotion of investment in all sectors of the economy, in particular those investments of small and medium-sized enterprises and start-ups. Its strategy consists of partnership with credit institutions; continued dialogue with the private sector organizations; monitoring of local and international developments; compilation and analysis of statistics and adjustment of policies; further development of the credit guarantee system in Suriname. The procedure for signing a guarantee contract is the following: the credit institution considers a loan application and applies for guarantee at the Fund, the National Development Bank assess the guarantee application and makes the proposal to the Fund, the Fund approves the proposal; and the Bank and the credit institution sign the guarantee contract. There are some government initiatives to support SMEs such as: the Micro Credit Fund and the Agriculture Credit Fund. The National Development Bank also offers an Investment Fund and technical assistance to the private sector; the new initiatives are: a special SME programme; the expansion of the existing "Agri-Business credit programme;" the financial inclusion programme with regard to SME financing in cooperation with the GPMI (Global Partnership for Financial Inclusion); and the SME capacity building.

19. Mrs Wonne Boedhoe, CEO of the Suriname National Development Bank Ltd (NOB), made a presentation entitled "Suriname National Development Bank Ltd., Bank Activities & Guarantee Fund" (SP/SFGA-PYMES-C/Di N° 10-15). She said that the state-owned Bank was established in 1963 and is specialized in development loans with the purpose of developing national industries that contribute to the economic and social development of Suriname. Most of the shares of the Bank are held by the Government of Suriname, while the other shareholders are a local commercial bank and a local insurance company. Currently, the Bank has its own agriculture credit fund and student loan fund. The Credit Guarantee Fund was established in 1979, reactivated its operation in 2007 and in 2014 the Bank decided to allocate funds and appoint a new board of directors to put it into operation. The new initiatives for the SMEs include the designation of a part of NOB's funding for a special SME investment programme, the expansion of the agriculture credit fund, the

6

financial inclusion programme with regard to SME financing, the expansion of student loans, among others.

20. Mr Edward Chin-Mook, President of the Caribbean Association of Small and Medium Enterprises (CASME), made the presentation "CASME. Facilitating the Growth and Development of SMEs in the region" (SP/SFGA-PYMES-C/Di N° 11-15). Reference was made to the creation and objectives of the Caribbean Association of Small and Medium Enterprises (CASME), incorporated in 2005 by Small Business Associations (SBAs) to act as an umbrella organization to interact with the organizations and the government, and to enhance the development and growth of this sector in CARIFORUM countries. CASME operates in three specific areas: financing mechanisms, cooperation programme and competitiveness programme. Among financing mechanisms are banks and credit unions. He presented a feasibility study for the establishment of a mutual guarantee company in Jamaica, funded by the European Union, and explained in detail the work of the European Association of Guarantee Institutions (AECM).

21. Mr Edison Galbraith, General Manager of Loans and Portfolio Administration of the Development Bank of Jamaica Limited, made the presentation "Credit Enhancement Facility, Partial Credit Guarantee for SMEs" (SP/SFGA-PYMES-C/Di N° 12-15). In his presentation, he explained the objectives, challenges and opportunities for using partial credit guarantees to expand access to financing for micro, small and medium-sized enterprises from the perspective of the Development Bank of Jamaica. After detailing some of the technical, administrative and procedural aspects, he highlighted the initiatives of the Bank to increase MSME access to finance, and mentioned that since April 2012, the Bank has made 30,623 loans to MSMEs, creating 6,424 new jobs, and has provided J\$ 612 billion in loan guarantees. In addition, the Bank launched the pilot project Credit Enhancement Facility (CEF) to improve access to financing by SMEs.

22. As a result of the debate, the differences between guarantee systems and guarantee institutions were clarified. In fact, the latter are created and operate on the basis of their membership, and their contributions allow them to meet guarantee and financing requirements of their partners, transforming them into more dynamic, flexible and operational models that could function efficiently under certain conditions; their legal framework provides them greater access to associations of small businesses and exporters. In addition, reference was made to the existence of mutual models, whose development in the Caribbean could be difficult to implement, since it requires many resources that would be difficult to obtain from micro and SMEs. Hence the need to rely on the participation of government institutions. In addition, since this involves the creation of a regional guarantee system for the Caribbean, contributions must stem, in the first instance, from government institutions to generate the necessary incentives within the financial and private institutions of the Caribbean region. This debate highlighted the valuable financial experience that is under way in the Caribbean region. Emphasis was made on the importance of ensuring the highest level of macroeconomic stability in the countries, in particular stability in inflation rates and bank interest rates, which have a significant impact on financing and guarantee operations. In addition, participants considered it useful to rely on strong guarantee systems, because they are a valuable tool to support micro and SMEs in situations of economic crisis. Thus, they agreed that during these cycles of economic crisis, guarantees take on greater relevance and that main clients of guarantee systems are the financial institutions.

23. SESSION III: POTENTIAL OF A REGIONAL GUARANTEE SYSTEM FOR SMALL AND MEDIUM-SIZED ENTERPRISES IN THE CARIBBEAN included presentations by SELA's Consultants Sergio Alvarez and Alessandro Bozzo.

24. Mr Sergio Alvarez Vasquez, SELA's Consultant, made the presentation "Potential of a guarantee system for small and medium-sized enterprises in the Caribbean" (SP/SFGA-PYMES-C/Di N° 13-15). During his presentation, he highlighted some of the general conclusions, such as the fact that demand for financing and guarantee services is unmet in the Caribbean region and that this demand is greater among SMEs that are located in the least favourable regions, as well as those in emerging activities in various sectors. He added that there are different financial needs that require better credit conditions, based on the nature of the business. He pointed out that while guarantee programmes are few in the Caribbean region, some public institutions are directed at developing SMEs that may be interested in supporting the creation of a regional guarantee fund, operated by a guarantee institution specialized in offering guarantees to Caribbean SMEs. He explained that the existing regulatory framework in the Caribbean region is capable of adequately regulating a Regional Guarantee System or a Guarantee Institution in the Caribbean and that there seems to be no difficulties for the establishment of a new guarantee institution with an independent legal institution, based on the existing legal framework and regulations, to provide for the effective application of its operations and achieve its objectives. He emphasized that conditions are ripe for the creation of policies that promote SME access to financing and a strategic alliance with the interested parties (public authorities, financial institutions and SME organizations) in the regulatory and operational development of the Regional Guarantee System. In this regard, it must be noted that undertaking activities that promote growth and development of SMEs is a complex task, and it is necessary to overcome the multiple problems faced by the different markets involved with appropriate strategies to maximize the use of resources and capacities available in the Caribbean region. The implementation of public policy strategies to support SMEs in this context must be designed to enable and promote growth of this sector, making available a series of financial instruments that help improve business competitiveness. The creation of the Regional Guarantee System would be a powerful tool to enable access to financing by more than 250,000 SMEs in the Caribbean region.

25. El Sr. Alessandro Bozzo, SELA's Consultant, made the presentation "Potential of a guarantee system for small and medium-sized enterprises in Central America" (SP/SFGA-PYMES-C/Di N° 14-15). During his presentation, he highlighted some of the benefits of a Regional Guarantee System, such as: i) discharging commitments of Guarantee Systems, and as a result expanding the capacity of these institutions to grant credit guarantees (mitigation of capital and leverage); ii) share risks with a third party, reducing the commitments and risks; iii) improving the rating of the guarantee granted by Guarantee Systems, since it reduces considerably the possibility of default; in addition, it could strengthen and promote the financial operations among the companies of different countries in an environment of greater trust and support. For its part, a Credit Guarantee System enables smaller companies to access credit, thus releasing capital, sharing risks, standardizing operations and improvements, and increasing the lending capacity, since guarantees are granted to benefited systems. For the financial institutions, it reduces provisions and mitigates capital, making it possible for these institutions to grant credit to more companies.

26. As a result of the debate, some technical doubts about the effectiveness of the existing guarantee systems were clarified, in particular those developed in Peru and Chile. In addition, an analysis was made of the experiences and best practices developed in the Central American region, which were included in the study presented by SELA's Consultant, Alessandro Bozzo, and in the conclusions and recommendations of the Seminar on financing and guarantees to support SMEs in Central America, which was held in Costa Rica in September 2015. Additionally, the participants from the Caribbean made some questions about the study on financing and guarantees to support SMEs in the Caribbean, presented by the SELA's Consultant, Sergio Alvarez. The occasion was also ripe for participants of Caribbean institutions to expand the information on the different actions

8

and activities that are being developed to promote financing and guarantees for SMEs in the Caribbean; the way these activities are implemented in each country; the local institutions that are involved; and the programmes and initiatives that are currently under way or in the development process.

27. SESSION IV: PANEL WITH REGION DEVELOPMENT BANKS AND SPECIALIZED INSTITUTIONS WITH POTENTIAL TO PROMOTE GUARANTEES FOR SMEs: PRACTICAL EXPERIENCES was moderated by Mr Owen Francis, Director of Retail Banking Channels at CIBC First Caribbean Bank, who introduced the topic and gave the floor to the speakers scheduled for this session.

28. Mr Edgard Coquis, Director General of the Guarantee Fund for Loans to Small Industry (FOGAPI – Spanish acronym) of Peru, made the presentation “Mecanismos de garantía e instrumentos financieros en el sistema de garantía en Perú” (SP/SFGA-PYMES-C/Di N° 15-15). He provided interesting information on FOGAPI, such as its vision and mission, objectives and extent, nature and structure, and rules and regulatory and monitoring mechanism. In addition, he stressed the importance of public-private partnership developed by the Fund. As regards SMEs, he said that the number of SMEs in Peru have grown 30% over the last 6 years, contributing to 45% of the GDP of Peru and to almost 88% of employment. He pointed out that the lack of real and liquid guarantees, or the small number of guarantees granted to SMEs, converted them into a discriminated sector to access credit. That is why the State had to get involved through the grant of quality guarantees. Based on this need, the Guarantee System was created as a financial scheme that enables and promotes SME access to credit. He referred to the different guarantee models: the individual model, the portfolio or global guarantee model for credits to micro and SMEs, and the intermediate model. He also referred to some complementary financial instruments: trust funds, investment, monetization of postdated cheques and bond credit enhancement on capital markets, among others. He said that the development of the Portfolio Guarantee has significantly increased the impact of guarantees to the benefit of SMEs in Peru. At present, the Latin American Association of Guarantee Institutions (ALIGA – Spanish acronym) is supporting the Latin American Guarantee Fund – FLAG, which could represent a response to the challenge of Guarantee Institutions in Latin America and the Caribbean to deal with micro and SMEs.

29. Mr Dillon Alleyne, Official in Charge of the Trinidad and Tobago subregional office of the Economic Commission for Latin America and the Caribbean (ECLAC), made the presentation “Financing and Guarantee Systems to support Caribbean SMEs” (SP/SFGA-PYMES-C/Di N° 16-15). During the presentation, he described the overarching business environment and the sector of the micro, small and medium-sized enterprises in the Caribbean and Latin America. As regards the overarching business environment, he mentioned the low growth; the high public debt / debt servicing costs; unemployment rates, in particular among the youth and women; the increase in deficit; and limited access to external financing. He also highlighted that most businesses in Latin America and the Caribbean are MSMEs and that the progressive structural transformation of the economy will rely on this sector for support. He mentioned that the MSMEs make up nearly 90% of the production structure in the Caribbean, and absorb between 40% and 80% of the total workforce. Among the challenges are the following: i) the lack of diversified markets and the need to create new export activities in an environment that is increasingly competitive; ii) the need to participate in regional and global value chains, to access high quality labour and to upgrade the technical capacity of companies; iii) the need to access credit at reasonable costs; iv) the need to improve energy efficiency and use more renewable energy, and v) the ability to produce goods and services in a sustainable manner. According to estimates, 25% of SMEs exported during the period 2006-2008, 44% of SMEs had some level of foreign direct investment, 7% of SMEs have some form of technological cooperation with foreign partners. The Credit Guarantee Systems is

presented as an option to reduce credit risk to the lender, an innovative approach to underfunding that addresses the limitation of short-term financing, assists in individual assessment of loans by the established relationship between the borrower and the lender, addresses information asymmetries, lack of collateral and perception of high risk and helps improve financial markets.

30. Mr Francisco Martinotti, President of the Latin American Association of Guarantee Institutions (ALIGA), made the presentation "Asociación Latinoamericana de Instituciones de Garantía - Fortalece los Sistemas de Garantías de América Latina y el Caribe" (SP/SFGA-PYMES-C/Di N° 17-15). During the presentation, he highlighted that ALIGA is a non-profit organization, independent of any government and/or multilateral organization; it is a self-funded institution with the right to free association, comprised of guarantee institutions and aimed at promoting development, competitiveness and stability of Guarantee Institutions in Latin America and the Caribbean. Its purpose is to spread and consolidate the Guarantee Systems throughout the continent and support the development and growth of micro, small and medium-sized enterprises and the business sector in general. ALIGA is currently made up of guarantee institutions from the following regional countries: Argentina, Colombia, Peru, Costa Rica, El Salvador, Brazil, Chile, Bolivia, Panama and Mexico. In Latin America, micro and SMEs generate a large demand for credit, but several factors limit access to financing. Therefore, ALIGA aims to establish and improve Guarantee Systems that support micro and SMEs in their search for financing to develop their businesses and provides key information for Guarantee Systems to enable access to credit by micro and SMEs having difficulty in obtaining credits and confronting inappropriate conditions of costs, deadlines, guarantees or lack of grace periods. In his presentation, he detailed the work carried out by ALIGA and its capacity to cooperate and provide technical assistance to the countries.

31. Mrs Navita Anganu, Financial Market Senior Specialist of the Inter-American Development Bank (IDB), made the presentation "Guarantees for SMEs; practical experiences" (SP/SFGA-PYMES-C/Di N° 18-15). She highlighted the work of the IDB in the Guarantee programmes, reminding that the resources do not represent an obstacle to access credit. She presented a comparison between loans of commercial banks in Jamaica directed at the private productive sector and personal loans, and emphasized that despite the cost of funds, these have been in decline. The framework on access to financing by SMEs remains a work in progress. In response, FOMIN-IDB has focused its intervention on a strategic aspect of economic growth: enabling a sustainable path towards poverty reduction through micro-financing and using financing for dynamic entrepreneurship and economic growth. Projects are aimed at meeting the needs of businessmen at the different stages of the enterprise life cycle. She pointed out that the IDB has implemented programmes in Haiti, Dominican Republic, Nicaragua, Paraguay, Barbados, and Guyana

32. During the debate, participants exchanged opinions about the best strategy for the development of guarantee systems in the Caribbean and the progressive evolution towards a guarantee system for the Caribbean subregion. In addition, a reference was made to the need of developing a cooperation and collaboration relationship between large and small companies, as has been occurring in some countries of the Central American region. Participants mentioned the industries and economies of scale, their operations at the sectoral levels and the importance of creating ways of organization of clusters so as to take advantage of the business opportunities. In addition, they referred to the nature of the products that are traded in the Caribbean and the conditions of competition that micro and SMEs must face and the advantages that can be obtained if companies and structures for trading similar products were developed, promoted by CARICOM. Another aspect that was taken into consideration was the lack of credit culture in the region, and the need to prepare the users of credit, in particular micro and SMEs. Participants also

10

referred to the issue of government procurement and SMEs and gave examples of some very interesting cases developed in Peru. In this regard, governments must take advantage of local SMEs and incorporate them into the process of public procurement, offering high quality and competitive prices that favour communities and the society in general. To that end, it is necessary to create incentives to develop these reciprocal relations strategies between the public and private sectors.

II. CONCLUSIONS AND RECOMMENDATIONS

SESSION V: CONCLUSIONS AND RECOMMENDATIONS was attended by Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin America and the Caribbean Economic System (SELA); Mr Douglas Webster, Senior Director of Policy, Planning, Projects and Research of the Ministry of Industry, Investment and Commerce of Jamaica; and SELA's Consultants Sergio Alvarez and Alessandro Bozzo.

Among the main conclusions and recommendation arising from discussions are the following:

Conclusions

1. There is broad agreement to continue advancing and analyzing the establishment, in the short and medium terms, of a Caribbean Guarantee System.
2. In accordance with recommendations made by the World Bank, a Regional Guarantee System must be managed in a solid, efficient, technical and professional manner, with institutional support and sound credit risk assessment, minimizing costs and generating trust in the financial system and the local guarantee systems. The Regional System could favour the strengthening of the existing Guarantee Systems, expand their capacities and above all allow the banking institutions to extend financing to SMEs in the Caribbean countries.
3. The Critical Success Factor (CSF) that must exist in a Guarantee Fund and its Administration is the generation of trust and security in the Financial System for the benefit of micro and SMEs, since it will cover a significant part of the risk of the System. To that end, it is necessary that the Guarantee Fund has its own capital, raised, liquid and proven. In addition, this capital, once considered to be at the leverage level, must be sufficient for the operation of the Fund, especially because its clients are the Financial and Guarantee Institutions.

Another requirement is that it is managed efficiently, which means, ideally, that it employs specialized professional and technical personnel. That is, it must include a human resource department with experience in the Financial System and aware of the needs of micro and SMEs, making intensive use of the financial technology and at low administration cost. Otherwise, this cost would be transferred directly or indirectly to the micro and SMEs.

4. Risk rating of the Fund is desirable, unless the level of risk of the Fund (measured as a risk of portfolios of guarantees committed by the Fund) is transparent to the Financial Institutions. This element can be obtained through reliable public statistics over time, as is done regularly by other Guarantee Systems in the region, before financial institutions, companies and the public in general.

It is advisable for the Fund to be rated by external specialized risks qualifiers, so that the guaranteed Financial Institutions or the local guarantee systems can trust that guarantees/financing of the Fund would be effective at the time of its compliance, allowing them to mitigate provisions and capital, if this was the case.

The lack of guarantees, the conditions under which financing and higher interest rates are granted as the size of a company decreases, could represent an obstacle for smaller companies to access funds. This is the result of the higher costs associated with the evaluation of micro and SMEs due the higher risk they represent with respect to larger companies or to the operational costs that the financial institution has when reaching smaller customers, distributed or dispersed at the local or national levels.

5. For the creation of a Regional Guarantee System in the Caribbean, it is necessary to work on the creation and strengthening of the local guarantee systems in the Caribbean countries.

The difficulties for SMEs to present guarantees are the main obstacle for these business units, which strive to receive adequate financing for their activities in the financial system. Additionally, as regards the financial institutions, these must assume the cost of risk assessment, atomization of customers, low qualification of companies, low capital support, high demand for capital and provisions, which increases the interest rates of credits and consequently reduces the financing granted to SMEs.

6. The procedures, as well as the regulations, must be clear and simple. The product must be financially attractive to providers of funds and financing institutions. In addition, it is important to evaluate the way banks are charging commissions, based on the risks of credit operations of the credit portfolios of banks or of the local credit guarantee systems.

It is clear that Financial Institutions and guarantee systems could have risks that are different from others, since, for example, one could deal with small-sized enterprises, another with medium-sized enterprises and another with micro-sized enterprises. The three institutions would have portfolios with different risks, because each sector has a distinct risk. Therefore, the Fund must charge an amount for the expected risk of each guaranteed portfolio, which means that it could be different for each Financial Institution, which is normal. Another option is to charge the same risk for all, but this implies that it would be relatively more expensive for some than for others and could discourage those Financial Institutions for which the relative risk is low with respect to the commission. It must be noted that the Fund could charge different commissions according to the expected risk of the guaranteed portfolio to be committed with each Financial Institution, whether it is made up of credits or guarantees.

The objective is that the Fund is sustainable over time and covers at least the expected risk of the credit operations with micro and SMEs. By covering the risk, the Financial Institutions should not commit provisions for the amount covered, or lower them significantly. Upon authorization by the local regulator, they could have lower capital requirements for financing micro and SMEs, which are higher than those imposed on the Financial Institutions when they finance small creditors, whose average risk is higher as their average size decreases.

7. It is important to consider that the final objective of the financing and guarantee systems is the strengthening of micro and SMEs, precisely because of the potential that these

12

companies can generate in the increase in income, production, productivity and employment and, in general, in the economic and social development. Hence the importance of adopting strong public policies aimed at protecting and stimulating the SMEs.

8. In the Caribbean Region, there is an unsatisfied demand for financing and guarantee services in the different countries. This demand is found in different sectors of SMEs located in the least favourable regions, as well as in emerging activities in the different sectors. In addition, there are different financial needs that require improved credit conditions, based on the nature of the business.
9. Although there are few Guarantee Programmes in the Caribbean, there are public institutions in each country directed at the development of SMEs that may be interested in supporting the creation of a Regional Guarantee Fund, operated by a specialized entity, provided that it is integrated into the Financial Sector of the countries in the region.
10. In the Caribbean Region, there is an unsatisfied demand for financing and guarantee services in the different countries. This demand is found in different sectors of SMEs located in the least favourable regions, as well as in emerging activities in the different sectors. In addition, there are different financial needs that require improved credit conditions, based on the nature of the business.
11. The existing regulatory framework in the Caribbean region is capable to adequately regulate the Regional Guarantee System. Apparently, there are no difficulties for a new regional guarantee institution to be established as an independent legal organization, based on the legal and regulatory framework in effect to effectively implement its operations and achieve its objectives.

Although there are few Guarantee Programmes in the Caribbean, some public and private institutions in each country are interested in promoting access to financing and development of SMEs and may be interested in supporting the creation of a Regional Guarantee Fund, operated by a specialized organization, provided that this is integrated into the Financial Sector of the countries in the region. This would make it possible to expand the financial offer for SMEs.

12. The creation of a Regional Guarantee System will be a powerful tool for enabling access to financing by a significant number of SMEs in the Caribbean member countries of SELA. Therefore, the active participation of the different institutions that are involved in these activities is required. Likewise, it has the support of the Caribbean Development Bank (CDB) and the promotion of the Caribbean Community (CARICOM), among others, and of the local development banks, and credit and financing institutions at the local level.
13. Increased awareness on the subject is very important, since the region should adopt a position regarding local and regional guarantee systems to support micro and SMEs in the Caribbean.
14. Debates and the presentation of experiences in Latin America and the Caribbean, in particular in the Caribbean region, demonstrated a varied and rich experience, which offers an optimistic vision of the development of national guarantee systems in the Caribbean and the potential for a regional guarantee system in the future.

15. An aspect on which there was consensus among participants was the need to maintain the conditions of macroeconomic stability in the Caribbean economies, since the control of inflation and interest rates is fundamental for the good functioning of the financing and guarantee systems, which could represent a factor of enormous potential to support micro and SMEs in the event of an economic crisis.

Recommendations

1. Initiate contacts with CARICOM through formal mechanisms established by this regional organization, in order to present draft financial policies that favour the creation of a Regional Guarantee System for the Caribbean, initially with the member countries of SELA so as to collaborate in the promotion and stimulation of this System.
2. Initiate contact with the Caribbean Development Bank, Central Banks of each country and other multilateral and local Financial Institutions to explore the possibility of their participation or contribution in the creation of a Regional Guarantee System.
3. Considering the reality of the region, it is recommended the creation of a Guarantee Fund, which can begin with a small programme as a pilot experience.
4. A recommendation was made to develop a simple, low-cost management system, of massive use and implemented through a prestigious institution that generates trust and security in the financing system and has the capacity to manage the Fund in a sustainable manner over time.
5. The agreements to be made are as follows:
 - i) Approval of the proposal for the creation of a Regional Guarantee System (RGS) in the Caribbean;
 - ii) Approval of the creation of the Regional Working Group for monitoring and implementation of the RGS, made up of representatives of the Caribbean countries, to advance in the establishment of the Regional Guarantee System for the Caribbean. This group would be composed of Caribbean government focal points, financial and guarantee institutions in the Caribbean and the subregional institutions, particularly the CDB, CARICOM, CARICRIS, CASME, SELA, as well as the local development banks and other local and regional organizations. In addition, it was recommended the participation of ALIGA, REGAR, among others.
 - iii) Organization by the CDB, CARICOM and SELA of a meeting of the Working Group of the RGS and regional organizations for 2016.

III. CLOSING SESSION

At the CLOSING SESSION, the floor was taken by Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), and Mr Stephen Wedderburn, Technical Director of the Ministry of Industry, Investment and Commerce (MIIC) of Jamaica.

A N N E X I

AGENDA

SEMINAR ON FINANCING AND GUARANTEE SYSTEMS TO SUPPORT SMEs IN THE CARIBBEAN

Venue: Hotel Jamaica Pegasus. 81 Knutsford Boulevard, Kingston 5, Jamaica
Date: 15 and 16 October 2015

BACKGROUND

The Permanent Secretariat has been involved in the yearly conduction of the Ibero-American Forums on Financing and Guarantee Systems for Small and Medium-sized Enterprises (SMEs) and in the discussion of this topic among the Member States of SELA, in order to promote the creation of financial mechanisms to ensure swift access to credit for SMEs, especially in Central America and the Caribbean.

Within this context, the Permanent Secretariat organized and conducted the "Seminar-Workshop on Guarantee Systems in Central America" in 2013, with support of the Development Bank of El Salvador (BANDESAL), in San Salvador. This event was aimed at financial and business institutions in the region. As for the Caribbean, the "Programme for the creation of a Guarantee System for the Caribbean" was carried out in Georgetown, Guyana, in 2014. This activity was supported by the Caribbean Community (CARICOM).

In 2015, the Permanent Secretariat is expected to conduct two Seminars on Guarantee Systems in Costa Rica and Jamaica, in order to continue making progress in the creation of regional guarantee mechanisms to ensure access to credit for SMEs in both Central America and the Caribbean.

OBJECTIVES

The general objectives of this activity are as follows: i) Present the results of the pre-feasibility study on the creation of Regional Guarantee Systems for SMEs in the Caribbean; ii) Review the achievements concerning innovative financial mechanisms and instruments to complement guarantee systems; and iii) Promote the integration of work teams in the region for the implementation of regional guarantee systems.

This seminar has the following specific objectives: i) Move ahead towards the creation and/or consolidation of guarantee systems in the Caribbean; ii) Involve public and private, national and subregional financial institutions in efforts to create regional guarantee systems; iii) Train officials in relevant topics on guarantee systems to support SMEs; and iv) Obtain contributions, suggestions, possible adjustments and comments from participants of the Seminar, in order to enrich the content of the pre-feasibility study.

Thursday, 15 October 2015**Morning**

8:00 – 8:30

REGISTRATION

8:30 – 8:50

OPENING SESSION

Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA)

Mr Vivian Brown, Permanent Secretary of the Ministry of Industry, Investment and Commerce of Jamaica

8:50 – 9:00

Protocol break

9:00 – 9:15

INTRODUCTORY SESSION

Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA)

9:15-10:15

Presentation of studies:

“Financing and Guarantee Systems to support SMEs in the Caribbean. Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in the Caribbean”.

Sergio Alvarez Vásquez, SELA’s Consultant

“Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in Central America”

Alessandro Bozzo, SELA’s Consultant

10:15 – 10:30

Coffee break

10:30 – 11:00

GENERAL DEBATE

11:00 - 12:30

SESSION I: STATUS AND EVALUATION OF CONDITIONS FOR THE CREATION OF A REGIONAL GUARANTEE SYSTEM IN THE CARIBBEAN

Moderator: Mr Douglas Webster, Senior Director of Policy, Planning, Projects and Research of the Ministry of Industry, Investment and Commerce, Jamaica

- Jamaica: Mr Reginald Nugent, Ministry of Industry, Investment and Commerce
- Suriname: Mrs Marjorie Renardus, Board Member of the Suriname Business Forum (SBF) and Board Member of Suriname Guarantee Fund
- Trinidad and Tobago: Mr Alan Cooper, Policy Analyst of the Enterprise Development Division of the Ministry of Labour and Small and Micro Enterprise Development

12:30 - 1:30	LUNCH
1:30 – 2:30	CONTINUATION OF SESSION I: STATUS AND EVALUATION OF CONDITIONS FOR THE CREATION OF A REGIONAL GUARANTEE SYSTEM IN THE CARIBBEAN
	GENERAL DEBATE. QUESTIONS AND ANSWERS
2:30 – 3:00	CLOSING REMARKS

Friday, 16 October 2015

Morning

9:00-10:30	SESSION II: MARKET ANALYSIS OF GUARANTEES FOR SMES IN THE CARIBBEAN: SUMMARY OF SUPPLY AND DEMAND FOR SME GUARANTEES
	Moderator: Mrs Cheronne Allen, Director of the Industry Division of the Ministry of Industry, Investment and Commerce of Jamaica
	PANEL WITH NATIONAL SOCIETIES OF GUARANTEES AND PROMOTERS OF FINANCING AND GUARANTEE SYSTEMS IN THE CARIBBEAN
	<ul style="list-style-type: none"> • Mr Stefan Fortune, Ratings Manager of the Caribbean’s regional credit rating agency (CariCRIS) • Mr Glenn H. Gersie, President of Credit Guarantee Fund of Suriname • Mrs Wonnie Boedhoe, CEO of Suriname National Development Bank Ltd (NOB) • Mr Edward Chin-Mook, President of the Caribbean Association of Small and Medium Enterprises (CASME) • Mr Edison Galbraith, General Manager of Loans and Portfolio Administration of the Development Bank of Jamaica
10:30 – 10:45	COFFEE BREAK
10:45 – 11:30	GENERAL DEBATE. QUESTIONS AND ANSWERS
11:30 – 12:30	SESSION III: POTENTIAL OF A REGIONAL GUARANTEE SYSTEM FOR SMALL AND MEDIUM-SIZED ENTERPRISES IN THE CARIBBEAN
	<ul style="list-style-type: none"> • Mr Sergio Alvarez Vásquez, SELA’s Consultant • Mr Alessandro Bozzo, SELA’s Consultant
12:30 – 1:00	GENERAL DEBATE. QUESTIONS AND ANSWERS
1:00 – 2:00	LUNCH

2:30 – 3:00 **SESSION IV: PANEL WITH REGIONAL DEVELOPMENT BANKS AND SPECIALIZED INSTITUTIONS WITH POTENTIAL TO PROMOTE GUARANTEES FOR SMEs: PRACTICAL EXPERIENCES**

Moderator: Mr Owen Francis, Director of Retail Banking Channels at CIBC First Caribbean Bank

- FOGAPI: Mr Edgard Coquis, General Manager of the Guarantee Fund for Loans to Small Industries (FOGAPI) of Peru
- ECLAC: Mr Dillon Alleyne, Official in Charge of the Trinidad y Tobago subregional office of the Economic Commission for Latin America and the Caribbean
- ALIGA: Mr Francisco Martinotti, President of the Latin American Association of Guarantee Institutions
- IDB: Mrs Navita Anganu, Financial Market Senior Specialist of the Inter-American Development Bank

3:00 – 3:30 GENERAL DEBATE. QUESTIONS AND ANSWERS

3:30 – 3:45 COFFEE BREAK

3:45- 4:30 **SESSION V: CONCLUSIONS AND RECOMMENDATIONS**

- Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA)
- Mr Douglas Webster, Senior Director of Policy, Planning, Projects and Research of the Ministry of Industry, Investment and Commerce, Jamaica
- Mr Sergio Alvarez, SELA's Consultant
- Mr Alessandro Bozzo, SELA's Consultant

4:30 – 5:00 **CLOSING SESSION**

- Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA).
- Mr Stephen Wedderburn, Chief Technical Director of the Ministry of Industry, Investment and Commerce (MIIC) of Jamaica.

SPEECH BY MR ANTONIO LEONE DURANTE, COORDINATOR OF THE REGIONAL LATIN AMERICAN AND CARIBBEAN PROGRAMME FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SELA-SMES PROGRAMME) OF THE PERMANENT SECRETARIAT OF THE LATIN AMERICAN AND CARIBBEAN ECONOMIC SYSTEM (SELA)

I am honoured to welcome you on behalf of the Ambassador Roberto Guarnieri, Permanent Secretary of the Latin American and Caribbean Economic System (SELA), to this important seminar.

First, I wish to express our satisfaction with the participation of you all in the inaugural session of this activity, related to guarantee systems for SME'S.

I wish to express my special thanks to the Ministry of Industry, Investment and Commerce of the Government of Jamaica for collaborating in the organization of this activity. Our collaboration with the Caribbean, SELA have allowed us to carry out on numerous occasions, several events related to diverse topics and therefore, we are very pleased to carry out another activity.

As a background to this collaboration, we have undertaken in the Caribbean events related to the Guarantee and Financing Systems of the SME's. In 2009, in a joint effort, CARICOM and SELA organized the Regional Forum: "Access to credit and financing for SME's", which was held in Kingston, Jamaica in December 2009. This event was focused on a detailed analysis of the financing mechanisms for the SME's in the Caribbean. Later on, in 2012, another meeting was held in Port of Spain, Trinidad and Tobago, with the support of the International Financial Centre (IFC), and the collaboration of the Association of Caribbean States (ACS).

During 2014, with the support of CARICOM, a Regional Forum on Guarantees was held in Georgetown, Guyana, and among the main recommendations of the participants, it was suggested the possibility of proposing the creation of a guarantee system in the Caribbean. In this regard, it was indicated that the system should be an association between the public and private sectors.

It is important to mention that the Permanent Secretary of SELA has worked on these aspects related to the guarantee systems since 1997, together with IBERAVAL, Reciprocal Guarantee Company of Juanta de Castilla and Leon in Spain, together with some Latin American development financial institutions, and therefore, in a joint effort, we have stimulated the creation of a number of guarantee systems in Latin America. At the same time, in a joint effort with Spain, Portugal and the countries of the region, we have created the Iberia American network of Guarantees (REGAR), which organizes each year a forum on financing and guarantees for micro, small and medium companies, which were held in the last years in Brazil, Spain and for 2015 was held in Peru.

Based on the accumulated experience in Latin America and the Caribbean, the Permanent Secretary proposed to the Latin American Council of SELA to undertake two (2) prefeasibility studies for the creation of Regional Guarantee Systems for Central America and the Caribbean, which would be submitted during specific meetings in Costa Rica and Jamaica. For this reason, the main topic of the seminar that begins today in Kingston, Jamaica, considers the possibility of creating a guarantee system for the Caribbean region. In this manner, we hope to receive from all of you recommendation that would allow us to take the necessary steps in establishing a regional guarantee system in the Caribbean.

The general objectives that we follow with this activity, as indicated in the activity agenda are: i) Present the results of the prefeasibility study for the creation of the Regional Guarantee Systems for the SME's in Central America; ii) Review progress made in mechanisms and new complementary financial instruments to the guarantee systems; and iii) Promote the integration of work teams in Central America, for the establishment of the regional guarantee systems.

The specific objectives of this seminar are; i) Move forward in the conformation and/or consolidation of the guarantee systems in Central America; ii) Incorporate the national and sub-

regional financial organizations, public and private, in order to achieve the establishment of the regional guarantee systems; iii) Train officers on aspects related to the guarantee systems of support the SME's; and iv) Obtain contributions, suggestions, possible adjustments and comments from participants in this Seminar, in order to enrich the content of the prefeasibility study.

Finally, I wish to reiterate our gratitude to the Ministry of Industry, Investment and Trade of the Republic of Jamaica for making this event possible and to the moderators and participants, who responded with enthusiasm to this invitation.

Thank you

**SPEECH BY MR VIVIAN BROWN, PERMANENT SECRETARY OF THE MINISTRY OF INDUSTRY,
INVESTMENT AND COMMERCE OF JAMAICA**

Mr Antonio Leone, Coordinator of the Regional Latin and Caribbean Programme for SMEs

Mr Sergio Alvarez Vasquez, SELA's Consultant

Distinguished guests,

Ladies and gentlemen all,

Good Morning:

Apologies for Minister Anthony Hylton and Minister of State Sharon Ffolkes-Abrahams. Their absence today is no indication of their lack of support for our endeavour over the next two days.

It gives me great pleasure to join you today at this very important Regional seminar on Financing and Guarantee Systems, jointly undertaken by the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA) and our Ministry of Industry, Investment and Commerce.

In so doing, I would like to welcome all those present from our sister countries of the Caribbean, Central America and Latin America. I would also like to extend a special welcome to those representatives from SELA. And of course I would like to welcome those from Jamaica – Jamaicans, those representing our International Development Partners and Foreign Missions to Jamaica.

Today, I am sure there is consensus amongst this audience regarding the significant contribution of micro, small and medium-sized enterprises (MSMEs) to economic growth, employment creation, poverty alleviation, and regional development. As such, it is our individual and collective goal to facilitate and promote the growth and development of that sector.

At this juncture, we in Jamaica have particular interest in the growth and development of the MSME sector. Jamaica is currently engaged in a significant economic reform programme (with the support and collaboration of some of our major international development partners – the IMF, World Bank, and the IDB, to name a few). To date there have been considerable success in stabilizing the macro-economy, improving the business environment, facilitating the emergence and transformation of Jamaica into a logistics-centred economy, and in promoting the development of significant potential growth sectors in the Jamaican economy.

Simultaneously, however, the desired level of economic growth and job creation have been elusive. We have the challenge, right now, to shift to economic growth and job creation, on an appreciable and sustainable basis, without undermining the gains already made in stabilizing the macro-economy and detracting from the integrity of the economic reform programme.

In this regard, the MSME sector is of particular significance to Jamaica! We believe that the MSME sector is and must be an integral part of our growth strategy!

The growth and development of the MSME sector is a function of several variables:

At the macro-level – the economic and business environment.

Sector level – Business ideas, entrepreneurial instincts, business support and development (in its wide array), etc.

Specific sector support policies – linkages to large businesses.

Financing

And this is what we are here about today.

As you may know, credit limitation of small enterprises is due to factors such as the high administrative costs of small-scale lending, the high risk attributed to small firms, and their lack of collateral.

Other pertinent features relating to MSME finance include:

- Fear of interfacing with financial institutions
- Lack of sufficient financing resources and options
- Lenders having onerous requirements
- Lack of understanding of the MSME sector by financiers
- Lack of relevant data on the MSME sector
- Government and political interference, and
- Strict collateral issues

In Jamaica and elsewhere in the Caribbean, therefore, start-ups and small firms continue to face challenges in obtaining finance, which is a key ingredient to their development and success. Global studies indicate that access to finance is a major contributing factor to the success of a business at the startup, growth and expansion phases of the business lifecycle.

In order to address this issue, various efforts have been made to broaden the range of MSME and entrepreneurship finance in developed, developing, as well as emerging economies. These include, for example, asset-based finance, crowdfunding, equity finance, and of course, credit guarantee systems.

In this regard, several initiatives have been implemented by the Government of Jamaica to support the growth and development of the MSME sector. Administrative policies and legislative measures have been put in place to improve our business environment, making it easier and more efficient to start or register a business.

We have developed an MSME and Entrepreneurship Policy that provides a comprehensive policy framework, with strategies to address the needs of the sector. The Policy, among other things, focuses on a structured approach to business plan development and project design, the screening and evaluation of business plans, and rigorous risk-management assessment, supported by a window for financing that includes various forms of debt, as well as equity facilities.

Concomitant with the Policy are initiatives such as the Security Interests in Personal Property Act, modern bankruptcy and insolvency legislation, and the ongoing modernization of our intellectual property regime.

Financial Options

Clearly, however, there is need for more innovative financing solutions for MSMEs, particularly at the different stages in the life cycles of such businesses, as various financing modalities are best suited for specific stages of the business lifecycle. Equity financing, venture capital funds,

crowdfunding and angel investments are some of the alternative financing options, which are currently underway. However, these require further development and demonstration of success as a prerequisite to being more widely embraced.

With all of this, collateral remains a bad word for many of our MSMEs. For most, collateral is not always available, and its use may have some drawbacks:-

- The borrower may not have collateral of suitable size and quality.
- The collateral may be worth more to the borrower than to the financial institution providing the loan, which may lead to undervaluation.
- The use of collateral usually increases the cost of borrowing, as it generally involves legal and other administrative procedures.

A well-designed credit guarantee system helps to close this financing gap by substituting collateral provided by a borrower, with credit protection, provided by an external guarantor.

Conclusion

Ladies and gentlemen, removing impediments to the growth and development of the MSME sector is a major priority for the Government of Jamaica, and I am sure, our Caribbean brothers and sisters.

A properly implemented credit guarantee system can help to overcome the collateral constraints, offset the risks of lending to MSMEs and micro borrowers, and, among other things:

- Fill the supply-demand gap in MSME finance in the Caribbean
- Lower funding costs for MSMEs
- Alleviate financing constraints for MSMEs
- Reduce opportunity costs for MSMEs
- Increase the survival rate of our MSMEs
- Provide a chance for MSMEs to grow faster and further, and
- Contribute to a resilient economy

For us, therefore, we see this seminar as a significant element in the efforts to find immediate solutions that will enable our small and medium-sized enterprises (SMEs) and entrepreneurs to fulfil their roles in boosting investment, and creating jobs.

Ladies and gentlemen, it is in this context that we welcome this seminar today.

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LIST OF DOCUMENTS

SP/SFGA-PYMES-C/DT No. 1-15	Agenda
SP/SFGA-PYMES-C/DT No. 2-15	<p>“Financing and Guarantee Systems to support SMEs in the Caribbean. Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in the Caribbean”</p> <p>Sergio Alvarez Vásquez, SELA’ s Consultant</p>
SP/ SFGA-PYMES-C/Di No. 1-15	<p>Speech by Mr Antonio Leone Durante, Coordinator of the Regional Latin American and Caribbean Programme for Small and Medium-Sized Enterprises (SELA-SMEs Programme) of the Permanent Secretariat of the Latin American and Caribbean Economic System (SELA)</p>
SP/ SFGA-PYMES-C/Di No. 2-15	<p>Speech by Mr Vivian Brown, Permanent Secretary of the Ministry of Industry, Investment and Commerce of Jamaica</p>
SP/ SFGA-PYMES-C/Di No. 3-15	<p>“Financing and Guarantee Systems to support SMEs in the Caribbean. Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in the Caribbean”</p> <p>Sergio Alvarez Vásquez, SELA’ s Consultant</p>
SP/ SFGA-PYMES-C/Di No. 4-15	<p>“Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in Central America”</p> <p>Alessandro Bozzo, SELA’ s Consultant</p>
SP/ SFGA-PYMES-C/Di No. 5-15	<p>“Improving access to capital by MSMEs: managing risks”</p> <p>Reginald Nugent, Ministry of Industry, Investment and Commerce</p>
SP/ SFGA-PYMES-C/Di No. 6-15	<p>“Suriname Business Forum (SBF)”</p> <p>Marjorie Renardus, Board Member of the Suriname Business Forum (SBF) and Board Member of the Suriname Guarantee Fund</p>
SP/SFGA-PYMES-C/Di No. 7-15	<p>“Entrepreneurship and MSE Development in Trinidad and Tobago”</p> <p>Alan Cooper, Policy Analyst of the Enterprise Development Division of the Ministry of Labour and Small and Micro Enterprise Development</p>

SP/SFGA-PYMES-C/Di No. 8-15	<p>"CariCRIS' SME Ratings – Creating a Credit Flow Environment"</p> <p>Stefan Fortune, Ratings Manager of the Caribbean Information and Credit Ranking Services Limited (CariCRIS)</p>
SP/SFGA-PYMES-C/Di No. 9-15	<p>"Credit guarantees: The approach in Suriname"</p> <p>Glenn H. Gersie, President of the Suriname Guarantee Fund</p>
SP/SFGA-PYMES-C/Di No. 10-15	<p>"Suriname National Development Bank Ltd.: Bank activities & Guarantee Fund"</p> <p>Wonnie Boedhoe, CEO of the Suriname National Development Bank Ltd (NOB)</p>
SP/SFGA-PYMES-C/Di No. 11-15	<p>"CASME. Facilitating the Growth and Development of SMEs in the Region"</p> <p>Edward Chin-Mook, President of the Caribbean Association of Small and Medium Enterprises (CASME)</p>
SP/SFGA-PYMES-C/Di No. 12-15	<p>"Credit Enhancement Facility, Partial Credit Guarantee for SMEs"</p> <p>Edison Galbraith, General Manager of Loans and Portfolio Administration of the Development Bank of Jamaica Limited</p>
SP/SFGA-PYMES-C/Di No. 13-15	<p>"Financing and Guarantee Systems to support SMEs in the Caribbean. Pre-feasibility study for the creation of a Regional Guarantee System for SMEs in the Caribbean"</p> <p>Sergio Alvarez Vásquez, SELA's Consultant</p>
SP/SFGA-PYMES-C/Di No. 14-15	<p>"Potencialidades de un sistema de garantías para las pequeñas y medianas Empresas en Centroamérica"</p> <p>Alessandro Bozzo, SELA's Consultant</p>
SP/SFGA-PYMES-C/Di No. 15-15	<p>Mecanismos de Garantía e Instrumentos Financieros en el Sistema de Garantía en Perú</p> <p>Edgard Coquis, Director-General of the Guarantee Fund for Loans to Small Industries (FOGAPI) of Peru</p>
SP/ SFGA-PYMES-C/Di No. 16-15	<p>"Financing and Guarantee systems to support SMEs in the Caribbean - ECLAC"</p> <p>Mr Dillon Alleyne, Official in Charge of the Trinidad and Tobago Subregional Office of the Economic Commission for Latin America and</p>

	the Caribbean (ECLAC)
SP/SFGA-PYMES-C/Di No. 17-15	Asociación Latinoamericana de Instituciones de Garantía - Fortalece los Sistemas de Garantías en América Latina y el Caribe Francisco Martinotti, President of the Latin American Association of Guarantee Institutions (ALIGA)
SP/SFGA-PYMES-C/Di No. 18-15	"Guarantees for SMEs; practical experiences" Mrs Navita Anganu - Financial Market Senior Specialist of the Inter-American Development Bank (IDB)
SP/SFGA-PYMES-C/Di No. 19-15	List of Participants