

## **Kevin Greenidge: Micro, small, and medium-sized enterprises are the backbone of our economy**

Address by Dr Kevin Greenidge, Governor of the Central Bank of Barbados, at a visit of the President and delegation of the Inter-American Development Bank to the Central Bank of Barbados, Bridgetown, 13 December 2024.

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I am deeply honoured to welcome President Goldfajn and the esteemed IDB delegation to the Central Bank of Barbados. It is a privilege to host this important conversation today with both your team, the participating financial institutions, and the beneficiaries of the IDB's impactful funding over the past decade. In this regard, the IDB, as a leading multilateral organisation, has played a critical role in the development of local small and medium-sized businesses, particularly through its steadfast support of the Central Bank's Enhanced Credit Guarantee Fund (ECGF). For this, we remain deeply grateful and committed to our continued collaboration.

Micro, small, and medium-sized enterprises (MSMEs) are widely recognised as the backbone of our economy. The IDB's funding has assisted our MSMEs to deal with the structural barriers to accessing finance, which is critical to the enhancement of their competitiveness, productivity, and resilience. These are all key elements to the growth of MSMEs and provide a means to bolster their economic and financial contribution in small countries, like Barbados.

Since 2015, the ECGF, which is a partial credit guarantee scheme that we at the Central Bank of Barbados manage, was established with the support of United States Dollar (USD) loan funding from the Inter-American Development Bank to the Government of Barbados. This IDB's assistance has contributed to MSME's productive business investments in Barbados by helping them to secure financing from domestic financial institutions.

Under the ECGF, the Central Bank issues partial credit guarantees of up to 80 percent of the total loan amount, which are intended to collateralise various categories of loans from eligible financial institutions up to US\$1 million for a maximum period of 10 years.

We have overseen two of these loan programmes from the IDB to date. The specific objective of the first round of loan funding in 2015 was to boost the productivity and competitiveness of SMEs. The scope of the second loan programme in 2021, i.e., the Global Programme for Safeguarding the Productive Sectors and Employment, built on the momentum of the first by providing collateral support to MSMEs seeking financing during the COVID-19 pandemic period, primarily for short-term working capital needs and medium-term productive business investments.

These programmes have been fully disbursed, and the Central Bank is currently collaborating with the Government of Barbados to negotiate a third round of funding from the IDB for USD 50 million, which will have an expanded focus of:

1. enhancing export readiness and diversification, innovative investment, food security, and climate adaptation;
2. increasing the financial inclusion of women-led/owned business and persons with disabilities; and
3. leveraging technical assistance to support capacity building and training of MSMEs.

Since the launch of the ECGF a decade ago, I can confidently state the operation of the ECGF has achieved its general objective of enhancing MSME's access to much-needed loan funding. In fact, during this period, the Central Bank has approved 326 guarantees totalling over USD 65 million for loans from eight participating financial institutions. Furthermore, during the second loan programme to provide financing support during the COVID-19 pandemic, there was an increased demand for guarantees on loans to the renewable energy sector, which represented one-third of the total guaranteed amount. I am heartened that this sector is also poised to receive additional support in the third round of IDB funding support.

It is evident that IDB continues to be a valuable development partner that is instrumental to Barbados achieving its sustainable development goals. We will endeavour to maintain our strong collaboration into the future, and to provide the required support for our small business sector.

We are heartened by the participation of the MSMEs and their financial institutions, including the Enterprise Growth Fund Limited, which has a mandate of providing financing to small businesses working capital purposes across the various economic sectors, including the renewable energy sector.

I look forward to hearing first-hand the financial institutions' and businesses' experiences with the ECGF and to a lively dialogue on the important topic of access to financing for MSMEs. Once again, welcome to everyone.