



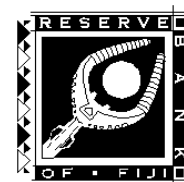
RESERVE BANK OF FIJI

**SMALL AND MEDIUM ENTERPRISES
CREDIT GUARANTEE SCHEME
GUIDELINES**

**(For the use of Commercial Banks, Licensed Credit Institutions and the
Fiji Development Bank)**

May 2016

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1. INTRODUCTION

In an effort to promote and develop the local business industry, improve private sector lending to small and medium enterprises (SME) and stimulate growth, the Fiji Government has allocated funds for the establishment of a SME Credit Guarantee Scheme (SMECGS). Government has provided a total allocation of \$4.0 million to fund the Scheme, which will be administered by Reserve Bank of Fiji¹.

Under the Scheme, Government will guarantee to pay 50 percent of the principal outstanding on defaulted SME loans up to a limit of \$50,000 per business. The guarantee covers lending to all sectors except for loans to Sugar Cane farmers and Government-subsidised businesses. The SMECGS is expected to improve SME access to finance and at the same time enable lending institutions to share part of the risk with Government. The Scheme is accessible to commercial banks, licensed credit institutions (LCIs)² and the Fiji Development Bank (FDB). Claims will be allocated on a first-in basis.

This Scheme is effective and available for use immediately for all new or renewed loans granted from 1 January 2012.

2. DEFINITIONS

- A “**small enterprise**” means any enterprise that has a turnover or total assets between \$30,000 and \$100,000 and employs between 6 and 20 employees.
- A “**medium enterprise**” means any enterprise that has a turnover or total assets between \$100,000 and \$500,000 and employs between 21 and 50 employees.
- An “enterprise” means any going concern that trades in goods or services for profit.
- “Total assets” means any assets that belong to an enterprise.
- “Turnover” means annual sales of goods and services.

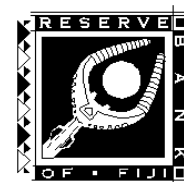
In determining which category the loans and advances fall into, the turnover or total assets shall be used as primary criteria while the number of employees may be used as secondary criteria. However, where there is a conflict of definition between turnover, total assets and number of employees, banks are to utilise the turnover criterion to classify loans.

Clarification on the above eligibility requirements can be sought from the Reserve Bank.

¹ Government began the Scheme with a \$2.5 million allocation in 2012. This was then increased by \$1.5 million to \$4.0 million in 2013.

² LCIs include Credit Corporation Fiji Limited, Merchant Finance Limited, BSP Finance (Fiji) Limited and Kontiki Finance Limited.

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3. ELIGIBILITY

Effective from 1 January 2012, all new **small** and **medium** enterprise loan facilities approved by commercial banks, LCIs and the FDB will be covered by the Scheme, except for the following:

- Loans with interest rates above 10 percent;
- Businesses in the sugar industry; and
- Businesses that already enjoy some form of Government subsidy.

The Scheme does not cover lending that is not directly related to SME operations eg: property investment.

Clarification on the above may be sought from Domestic Markets, Financial Markets Group of the Reserve Bank.

4. GUARANTEE COVER

The Scheme will cover 50 percent of the principal amount outstanding on defaulted SME loans up to a maximum of \$50,000 per individual business.

Example: For a \$100,000 loan advance, if the borrower defaults on the full amount, the lending institution will be able to recover \$50,000 under the SMECGS. If, the borrower had repaid \$50,000 of the principal amount, the default amount falls to \$50,000. In this instance, the lending institution can only claim \$25,000 under the Scheme.

The SMECGS cover is limited to the principal amount only. Interest dues are not covered under the Scheme.

5. INTEREST RATES

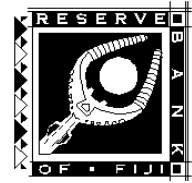
To be eligible for a SMECGS claim, interest rates on SME loans should not exceed 10 percent per annum.

The above rate is subject to periodic review. RBF reserves the right to make changes in line with movements in market interest rates.

6. FEES AND CHARGES

The Reserve Bank will not levy any fees or charges for accessing funds under the SMECGS. However, lending institutions are permitted to charge their respective advertised commercial fees.

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7. REPORTING REQUIREMENTS

To be eligible to access funds under the Scheme, all commercial banks, LCIs and the FDB are required to submit monthly reports to the Reserve Bank with details of the following:

- [i] Detailed list of all new and renewed SME loans including the borrowers name, amount and interest rate;
- [ii] List of all SME loans that are past-due (i.e. failure to repay interest and/or principal for 90 days or more); and
- [iii] List of all outstanding SME loans covered under SMECGS at month-end.

Reports must be submitted via email to domesticmarkets@rbf.gov.fj by the tenth working day of the next month.

8. APPLICATION FOR CLAIM ON GUARANTEE

To apply for a SMECGS claim, the lending institution must first provide evidence that:

- The loan has been in arrears for at least 180 days;
- All reasonable steps have been taken to recover the debt.

Written applications should be sent to the Reserve Bank with the following:

1. Details of the loan for which guarantee cover is being sought;
2. Background and nature of business;
3. Summary of assessment of loan at the beginning of the lending relationship;
4. Transaction History Statements;
5. Documentary evidence of attempts to recover loans; and
6. Confirmation that the loan has been booked as bad debts and/or non-performing loan.

All claims submitted to be addressed as follows:

The Chief Manager Financial Markets Group
Attention: Manager Domestic Markets
Reserve Bank of Fiji
Private Mail Bag
Suva

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9. PROCESSING OF CLAIMS

All claims will be processed and responded to within 5 working days from the date of receipt of application. Assessment criteria used is the same for all lending institutions.

10. CLAIM DISBURSEMENT

Upon approval, the RBF will credit the commercial bank exchange settlement account, LCI advance account or FDB call account with the full amount of the approved claim.

11. LOAN RECOVERY AFTER SUBROGATION

Following the payout of an approved SMECGS claim, lending institutions may only seek to recover the remainder of the loan principal amount and interest dues not covered by the Scheme.

Any recovery of funds in excess of this amount must be refunded to the RBF.

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