



**STATEMENT BY
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GOVERNOR, EASTERN CARIBBEAN CENTRAL BANK
Launch of
The Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)
5 October 2020
(ECCB Headquarters, St Kitts and Nevis)**

Salutations:

Ms. Tahseen Sayed, Director for the Caribbean, World Bank

Mr. Michael Spencer, Chairman of Eastern Caribbean Partial Credit Guarantee Corporation and other Board members

Mrs. Carmen Gomez-Trigg, Chief Executive Officer, ECPCGC and her colleagues

Mr. Whitfield Harris Jr, Financial Secretary, Antigua and Barbuda

Mr. Medford Francis, Managing Director, Bank of St. Lucia

Mr. Ellington Edwards, Managing Director, National Bank of Dominica

Ms. Karen Williams, Head of Projects and Technical Assistance Unit, ECCB

Other colleagues

Members of the Media

Citizens and Residents of the ECCU



Introduction

This day has finally come – the official launch of the ECPCGC.

We are living in “covidous” times and the ECCU is facing its worst economic contraction, on record, currently projected at 15.4 percent for 2020.

Truth be told, the lack of access to credit was a pre-existing condition of the ECCU financial system but the pandemic has greatly exacerbated the situation. Businesses (large and small) are under stress and some are already in severe distress. Against that backdrop, the Governments of the ECCU and the ECCB welcome the launch of the ECPCGC at this particular time.

At the outset, I wish to thank Mr. Michael Spencer, Chairman of the Board and all directors for their work over the past two years to facilitate the commencement of operations. I also applaud the hard work of the CEO and her team resulting in the pilot phase and now the full launch.

Equally, I wish to record the appreciation of the ECCU Governments for the strong support of the World Bank from the outset of this Project both financially and technically. Tahseen, in you, our region believes we have a highly motivated and committed partner and we thank you and your colleagues for all of your support for this Project and indeed on the portfolio of projects on which our institutions are currently engaged. I especially recognise the work of Nadeem Karmali who invested considerable time and effort including policy dialogue and country



consultations, feasibility, project preparation, Board approval and Corporation set up and Fadwa who took over project lead. I also acknowledge the contribution of Karen Williams, Monique Franks and other ECCB colleagues.

Allow me then to make two key points which speak directly to the motivation of the ECCU Governments and the ECCB to establish the ECPCGC.

1. A Sound Credit Ecosystem is Essential for Development

Lack of access to credit is a perennial and persistent problem for many small businesses in our region.

In reviewing the 2020 Doing Business report, for the indicator, *getting credit*, most of the ECCU countries ranked at 165 out of 190 countries, with Dominica and Grenada slightly better at 152. Clearly, this is problematic.

In terms of credit extension and allocation, 50% of credit goes to the personal sector. In contrast, the productive sectors such as tourism, manufacturing and agriculture get less than 10% each. Evidently, this is also highly problematic.

Efficient financial intermediation, broad financial inclusion and private sector development are imperatives for economic growth and development.



One of the purposes of the ECCB is to regulate the supply of money and credit. To that end, and consistent with the ECCB Strategic Plan 2017-2021, the ECCB is working on a suite of initiatives with the World Bank Group that would help build out a modern credit ecosystem in the ECCU. These include the partial guarantee corporation, the credit bureau, the secured transactions collateral registry and the enactment of a modern insolvency framework.

The crafters of the ECCB Agreement had the foresight to include in the articles of the Agreement, Article 42 (1), which provides a role for the ECCB in administering or participating in corporations providing guarantees for credit.

The primary objective of the Eastern Caribbean Partial Credit Guarantee Corporation is to **cause an increase in the availability of loans to MSMEs, thereby expanding access to credit**, which is one of the strategic priorities of the ECCB.

Even as we lament lack of access to credit to small businesses, the irony is that our banking system has excess liquidity. The banks do have the appetite to take on the risk of some of our small businesses and the development banks have the appetite but not the liquidity to lend.

I am, therefore, pleased to note that the ECPCGC will work not only with commercial banks but with the other sources of financing such as credit unions and development banks.



I make a special appeal for the Corporation, as a matter of policy, to support women in business as well as young digital entrepreneurs, as we build out our digital economy. Far too often, with no track record or collateral, they have been shut out of the credit space and stymied in their ability to realise their dreams and contribute to raising their families and building our region.

2. Small Businesses are Critical to Broad-Based Growth in the ECCU

The following numbers tell an important story:

- MSMEs account for 70 – 80 % of the businesses in the Eastern Caribbean and contribute more than 50% of GDP;
- Small businesses account for at least 50 percent of all jobs in our region.
- There is a high level of rejection of SMEs loan applications (a WB survey indicates a rejection rate of 86%)
- There is a high and unmet demand for loans by SMEs (about \$1.1 billion in the ECCU)

The lack of or insufficient collateral from MSMEs is a major reason for MSMEs being denied loans. The ECPCGC's business model caters for the provision of up to 75.0 per cent of the collateral required by the lending institutions for loans to MSMEs. The risk is borne by the three parties to the loan: the borrower, the lender, and the guarantor (ECPCGC). The ECPCGC's guarantee will reduce the risk borne by participating lending institutions and result increased credit to MSMEs.



From experience, we know that small businesses need more than credit. They also need technical support and handholding. The mandate of ECPCGC includes capacity building of MSMEs. Consequently, the ECPCGC will partner with established trainers and business support organizations across the ECCU to provide the requisite training and technical support to entrepreneurs. As a consequence of this collaboration, it is the hope of ECCB, as a regulator, that some of the participating institutions which are our licensees will benefit from an enhancement in their risk management capability.

Conclusion

I congratulate all who have worked on this Project culminating with today's launch including our Governments which have invested US\$12 million.

Please rest assured that the ECCB will continue to provide unstinting support to the ECPCGC and its partners on the next leg of this journey.

The Governments of the ECCU and the ECCB look forward to a highly successful programme with strong results and development impact!

I thank you.