



Ministerial Statement
by

The Hon. Jamahl S. Simmons, JP, MP
Minister of Economic Development and Tourism

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**The Bermuda Economic Development Corporation's
Loan Guarantee Programme**

Good morning Mr. Speaker, I rise today to provide an update on one the Government's 100 day promises under the Ministry of Economic Development and Tourism.

In our election platform we pledged to double the guarantee capacity of the Bermuda Economic Development Corporation (BEDC) to give more access to capital for entrepreneurs. I am pleased to report that the Cabinet has approved the increase of BEDC's capital from \$1 million to \$2 million thereby laying the foundation to assist many more local entrepreneurs through doubling its guarantee capacity.

Mr. Speaker, what does this mean? Well, before I explain I think it would be helpful to give some historical context of BEDC.

Established on January 20, 1981, to provide advice and support to Bermuda's local small businesses.

In 2011, the BEDC remit was expanded to not only serve Bermuda's local small businesses, but also its medium-sized businesses, vendor markets, and the Island's economic empowerment zones.

In 2015, the BEDC was given the authority to manage the Island's peddlars and vendors industry, thereby becoming a one-stop shop for all things entrepreneurial for Bermuda's local businesses from startup micro-enterprises to established medium-sized entities and everything in between.

BEDC's mission is to inspire, inform, support and grow new and existing Bermuda businesses through education, guidance, data provision, advocacy, networking and financing.

Since 1981, BEDC has assisted thousands of local Bermuda business owners and entrepreneurs start, sustain, or grow their business and offers the following services and programmes:

- General Business Development Support and Technical Advice
- Entrepreneurship Workshops
- Intensive Multi-Week Entrepreneurship Development Courses
- Economic Empowerment Zones
- Vendor Markets
- Vending Licenses
- Business Mentorship Programme
- Small Business Construction Incubator Support
- Retail Development Programme
- Loan Guarantee Programme
- Micro Loan Programme
- HM Customs Letter of Credit Programme

- Entrepreneurship Pitch and Networking Events
- International Partnerships
- Global Entrepreneurship Week/Global Entrepreneurship Congress Events

Mr. Speaker, via its legislation, the Bermuda Economic Development Corporation Act 1980, the Corporation is able to provide financial assistance products up to six (6) times its capital, therefore it currently can provide a maximum total of \$6 million in loan guarantees and other financial products at any one time.

With this increase of its guarantee capacity through doubling its capital to \$2 million, BEDC will be able to offer a maximum total of \$12 million in guarantees, loans, grants, and other financial products for businesses to access. This opens the opportunity for more Bermudians to consider entrepreneurship, “doing for self,” to create new business and new jobs. The increased capitalisation will commence in the 2018/19 fiscal year. It also allows BEDC to assist with the delivery on other areas within the Government’s 100 day platform such as the Sports Clubs Guarantee Programme.

Mr. Speaker, increasing BEDC’s capitalisation would also assist local businesses by creating an avenue and budget to provide access to capital directly from BEDC through direct loans as opposed to the only option being through Bermuda’s financial institutions. Many local small and medium-sized businesses need access to small amounts of capital under \$20,000 which banks don’t historically provide as they are not very profitable and require the same amount of human resources as larger facilities.

BEDC has seen success in its past direct lending programmes. Both BEDC's EEZ Loans and Micro Loan programmes have assisted nearly 50 entrepreneurs and this increase in capitalisation will allow past programmes to be improved, re-instated, and expanded.

As this honourable House is aware **Mr. Speaker**, the BEDC currently offers a Loan Guarantee bank financing product for entrepreneurs to access in order to startup, sustain, or grow their local businesses. While not a bank, the BEDC has the legislative authority to act as a guarantor for portions of bank loans for small and medium-sized businesses that appear viable, and where the credit-worthiness of the borrower is sound.

As the guarantor of last resort, BEDC's current policy is that it can guarantee up to 50% of an agreed business bank loan amount up to a guarantee maximum of \$200,000 per business. The Loan Guarantee helps if the business does not have enough collateral required to secure the loan. The guarantee is currently only provided for demand or term loans and not other bank products such as overdrafts, lines of credit, or credit cards.

As of August 31st 2017, within the 2017/18 fiscal year BEDC has supported 25 businesses Loan Guarantees and Guarantee-backed Micro Loans helping these entrepreneurs to secure nearly \$4 Million in bank loans for their businesses. In addition, currently BEDC's direct loans to another 15 businesses total nearly \$200,000. Doubling BEDC's capitalization allows it to assist many more businesses.

Mr. Speaker, although it is improving since the Island's recession, Banks are still slow to lend to local small and medium-sized local businesses if bank loans are not

100% collateralised. The BEDC sees this in reality every day, which then this lack of lending contributes to a lack in business growth and job creation for the Island.

In this regard, BEDC believes that increasing its maximum guarantee percentage would assist local businesses. Given the experiences from the recession, the Island's financial institutions more often than not, will require loans to be 100% secured. Despite businesses receiving approval from BEDC for its Loan Guarantee, many businesses are not able to secure bank financing because they do not have the ability to come up with the remaining 50% in collateral to fully secure the loan.

As such, BEDC is currently exploring the viability of increasing its guarantee percentage beyond 50% up to 65% to a maximum guarantee amount of \$200,000 of a bank loan which would reduce this gap for businesses. This option could be actioned as a policy change not requiring any legislative amendments.

Mr. Speaker, while the Government is providing access to additional finances for Bermuda's entrepreneurs, I want the public to know that BEDC also has a robust policy for paying out on any called loans and collecting on any loans guarantees it pays out on. In the event that a borrower is unable to repay the BEDC-guaranteed loan, the loan is called and the BEDC must make a payment to the bank for that borrower. The borrower is then liable to the BEDC for the amount paid to the bank plus administration fees and any legal expenses that may be incurred by BEDC in recovering the outstanding debt.

Every approved business applicant is required to sign an undertaking agreeing to pay BEDC back if the Corporation pays out a defaulted loan on its behalf. This

can also involve the use of the debt collection agencies and legal recourse with the courts as necessary.

In closing, **Mr. Speaker**, this Government is working to build a fairer and better Bermuda. We are committed to business and job growth as well as the recovery of our economy. Today's announcement provides another milestone for the Government and the Corporation whereby doubling its capital will allow it to provide more financial products to Bermuda's business owners and entrepreneurs.

We are confident that through continuously offering opportunities to our local Bermudian entrepreneurs we can help to foster economic growth, create opportunities for new business, and facilitate job creation.

Bermuda's economic prosperity is founded on entrepreneurial vision, hard work, and ingenuity. It is our intention to continually develop the BEDC as a stronger more powerful tool for economic empowerment and to foster cooperative economics.

Thank you **Mr. Speaker**.