



## GOVERNOR'S TALKING NOTES ON THE RELAUNCH OF THE EXPROT CREDIT AND SMALL SCALE ENTERPRISE LOAN GAUARNTTEE SCHEMES AT HILTON GARDEN HOTEL, 17 SEPTEMBER 2021

---

Programme Director

Honourable Ministers of Finance, Commerce, Industry and Trade and, Agriculture

Honourable Members of both Houses of Parliament present today

Principal Secretaries in the Ministries of Finance, Commerce, Industry and Trade and Agriculture, Senior Government Officials

Central Bank Board of Directors, management and staff

Chairperson of the Eswatini Bankers Association

Heads and representatives of banks and non-bank financial institutions

Chief Executive Offices, Executives and, representatives of public enterprises and private sector companies

Owners of Small and Medium Enterprises present today

Representatives of the media

Distinguished guest, ladies and gentlemen

**A very good morning to you**

May I start by expressing my heartfelt gratitude to the Honourable Minister of Commerce, Industry and Trade for partnering with the Central Bank of Eswatini in co-hosting this very important event. I make these remarks on behalf of my governor who would have loved to be here with us today. The relaunch of the Export Credit and Small Scale Enterprise Loan Guarantee Schemes has come at a time when the business community, more especially the Small- Medium Enterprises are faced with numerous challenges amongst which is the lack of access to finance that has persisted over the years.

The schemes that are being relaunched today, were established in the early 1990s by Government and placed at the Central Bank of Eswatini (CBE) for administrative purposes. The Central Bank administers two credit guarantee schemes being the Export Credit Guarantee Scheme (ECGS) and Small Scale Enterprise Loan Guarantee Scheme (SSELGS) through the Development Finance Division (DFD). I should hasten to mention that these schemes are administered by CBE on behalf of the Ministry of Commerce, Industry and Trade (MCIT).

The schemes were set-up with an initial capital contribution from Government of E5.0 Million for SSELGS and E13.5 Million for ECGS. May I say that the schemes are supposed to be self-sustaining through premium income from guarantees issued to cater for administrative expenditure, which has not been the case over the years. Thus, the day to day costs of administering the schemes are currently borne by the Central Bank and the recapitalisation of the Schemes is done by the Ministry of Finance after motivation by the Ministry of Commerce, Industry and Trade.



Distinguished guests, the role of the Guarantee Schemes is to provide a cover where there is lack of adequate collateral for risks associated with business loans. The guarantee is a formal assurance or security to be paid to financing institutions on fulfilment of certain conditions. Until recently, the participating financing institutions have been primarily the commercial banks licenced by the Central Bank of Eswatini.

Government has since authorized the on-boarding of the following Non-Bank Financial Institutions to participate in the schemes: namely: FINCORP, Eswatini National Industrial Development Corporation (ENIDC); Youth Enterprise Revolving Fund (YERF) and Industrial Development Company of Eswatini (IDCE).

## PERFORMANCE OF THE SCHEMES

Ladies and gentlemen, it suffices to mention at this juncture that in the early years of operation of the schemes the uptake was not impressive. To understand the reasons for the low uptake, the Ministry of Commerce commissioned several studies.

In 2010 a tripartite stakeholder review; involving the Ministry of Commerce, Central Bank and participating commercial banks was undertaken

However, these efforts did not yield significant improvement in the performance of the schemes.

The Schemes leverage ratio has continued to be between one to two times the fund balance which is considered quite low.

It is worth mentioning that despite the subdued performance over the years, the default rate has remained within the acceptable 5% to 8% range.

The reviewed terms and conditions being relaunched today for both schemes commenced in 2019 but unfortunately was disrupted by the COVID-19 pandemic and took a longer time to complete culminating in the Participation Agreements signed in early 2021.

The review exercise was undertaken by a Task Team involving various stakeholders, amongst which was the Central Bank, commercial banks, Non-Banks Financial Institutions (Development Finance Institutions), Ministry of Commerce, Industry and Trade, Ministry of Finance, Ministry of Agriculture, NAMBOARD and ESWADE.

Despite the subdued performance over the years, I wish to thank Government for allowing and entrusting the Central Bank to continue with the management of the schemes.

In this regard ladies and gentlemen, the Central Bank continues to provide the necessary reports to the Ministry of Commerce on the schemes and these include Quarterly Performance Reports, yearly audited Financial Statements as well as any ad-hoc reports that may be requested by the Ministry from time to time.



Distinguished guests, let me briefly highlight some of the challenges experienced by Central Bank whilst managing the schemes:

- Recapitalisation of the Schemes:**  
To cater for the potential increase in the uptake as there will now be an increased coverage of financiers’ country-wide, we request Government to continue to recapitalise the schemes.
- Inadequate Marketing and Promotion of the schemes:**  
There is the widespread perception that the schemes are relatively unknown by potential enterprises and we would like to implore our partners; Government, banks and NBFIs to collaborate with us in the promotion of the schemes in all forums where SMEs are concerned.
- Default and Claims Process which is considered cumbersome by participating financing institutions:**  
This issue has been discussed extensively with the participating financing institutions and has since been reviewed to make the process easier and also to reduce the lead times for the processing of submitted claims without compromising the quality of the assessment.
- Availability of varied types of Guarantees:**

The schemes had over many years concentrated on providing individual guarantees and it has proved to be a challenge to varied needs of SMEs. This has been revised to include Portfolio Guarantees. The youth businesses are now catered for under the revised credit guarantee schemes in order to address the high youth unemployment, especially of university and college graduates. Also, the agriculture sector is a focus area to revitalise the export market.

In Summary ladies and gentlemen, I would like point out some of the salient features of the revised Operational Terms and Conditions of the Schemes:

**Under the Export Credit Guarantee Scheme:**

Old Terms and Conditions	Revised Terms and Conditions
Pre-shipment Guarantee was 75% Post-shipment Guarantee was 85%	Blanket cover of 90% for both Pre- and Post-shipment Guarantees
No provision for agricultural projects	Specific provision for agriculture sector
No Contribution by project promoter	10% contribution by SMEs
Interest charge was Prime Rate	Prime plus 1%
Claim payment done within 2 months of Claim submission	Claim payment is to be within 30 days after submission of Claim Form



### Small Scale ELGS:

Old Terms and Conditions	Revised Terms and Conditions (2021)
Only commercial banks participated	Addition of eligible NBFIs that have signed respective Participation Agreements (ENIDC, IDCE, FINCORP and YERF) Provision of credit guarantees specifically to the youth
Loans up to E500, 000	Loans of up to E1,000,000
Individual guarantees provided	Individual and Portfolio guarantees provided
No specified time frame	Claim payment is to be within 30 days after submission of Claim Form

### CONCLUSIONS

1. Programme director, may I assure the nation that the Central Bank remains committed to continue collaborating with all stakeholders in assisting SMEs through proper administration of the two credit guarantee schemes.
2. I want to welcome aboard the NBFIs that Government recently authorized for the Central Bank to enter into Participation Agreements with.
3. The Central Bank will continue to monitor the performance of the schemes after the relaunch and submit the required reports to the Ministry of Commerce, Industry and Trade.
4. Program director, allow me to also pass my gratitude to the commercial banks, that have kept the fire burning since inception of the schemes for collaborating with Government, Central Bank and SMEs to ensure that the schemes continue to be operate. We are hopeful that there will be a marked improvement in the uptake of the schemes after this relaunch.

**I Thank You!**