



Ministerial Statement
by

The Hon. E. David Burt JP, MP
The Premier

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Update on the Support provided to Local Small and Medium Businesses since the Global Pandemic

Mr. Speaker, I am pleased to provide an update on Financial Support provided to Bermuda businesses through the Bermuda Economic Development Corporation (BEDC) since the declaration of the global pandemic.

The BEDC is currently responsible for providing financial support and technical advice to small and medium-sized businesses; for overseeing the Economic Empowerment Zones (EEZs); for growing outside vendor markets; and for managing vendors and issuing vending licenses. The organisation's key objective remains to assist the Government in encouraging economic growth for Bermuda's local small and medium sized businesses.

By no stretch of the imagination has the last 16 months been easy for both Bermuda and the World. The pandemic has wrought havoc on all aspects of civil society, and Bermuda's businesses have not been spared.

However, **Mr. Speaker**, in order to address the debilitating impacts of the global pandemic on Bermuda's local small and medium businesses, the BEDC had no choice but to pivot significantly to expand both its financial products and its advisory services, so that local businesses had the best chance of successfully managing the

new-normal. With support from the Bermuda Government, the BEDC responded quickly and decisively with customized products and services aimed at helping businesses navigate the challenges presented by the impact of the coronavirus.

As of today, the BEDC has deployed a total of \$4.4 million in funding to local small and medium businesses since the onset of the global pandemic and I will break down this financial support further, but before doing so, I think it is important to provide an overview of the efforts of the BEDC since March 2020, in assisting our Island's entrepreneurs and business owners.

Mr. Speaker, on March 20th, 2020, the BEDC announced that it would reallocate funds from its budget and also modify its existing products and services to be able to provide local business owners with support during these uncertain times with the onset of the pandemic. The raft of support mechanisms implemented were as follows:

1. BEDC reallocated \$350,000.00 from its existing operations/programmes to its capital budget to increase its capitalisation to \$2 million. This allowed:
 - a. an increase to \$1 million (50% of capitalisation) in direct lending funds to assist businesses
 - b. an increase to \$12 million (6 times capitalisation) for issuing loan guarantees for bank financing
2. BEDC reallocated \$100K from its existing budget to provide access to businesses to external expertise support in accounting, legal, and marketing services (supplementing BEDC's support and expertise) to assist in right-sizing business once Covid-19 passes.
3. BEDC facilitated the creation of an ideas pool where businesses could write in with recommendations and suggestions of how public authorities and departments could assist them.

4. BEDC amended its payment terms to pay all its vendors on a weekly basis to ensure they were not waiting for payments to facilitate better cash flow.
5. BEDC acted as an intermediary connecting consumers/buyers with sellers as businesses had underused inventory.
6. BEDC facilitated businesses in forming partnerships, merging, sharing overhead, etc. with other businesses to reduce operating costs, both during and once Covid-19 passes.
7. BEDC increased its microloan offering from \$20,000.00 up to a maximum of \$30,000.00 per business with no security required, and
 - a. new microloan clients received a decrease in interest rates by 1.5% to 3% and 3.5% for EEZ and non-EEZ Businesses, respectfully.
 - b. microloans were expanded to be used for both capital and working capital purposes.
8. All new and existing microloan clients had the option to structure/restructure their loans for 3 to 6 months interest-only repayment periods based on need then followed by principal and interest (P&I) payments.
9. Existing microloan clients had the option to extend their loan repayment terms from prior 9 to 24 months to up to 42 months if needed which reduced their monthly payment amounts once in the P&I phase of their loans.
10. BEDC increased its guarantee to 75% (from 65%) of a bank loan up to a maximum of \$300K as a result of increased new capitalisation total of \$2M.
11. BEDC's allowed its guarantee to be applied, for the first time, against lending from other entities, such as could be seen in the partnership with the Bermuda Credit Union Coop Society.
12. BEDC immediately reduced all application fees by 50% for all its products.
13. BEDC also immediately reduce its loan guarantee fees by 50%.
14. BEDC decided to absorb the cost for credit checks thereby eliminating this fee to the client.

15. Entrepreneurs who operated seasonal businesses had the option to have recurring interest-only periods for the life of their microloans.
16. All new approved microloans had the option to delay the first repayment date by 2 months – to be on the last business day of the month 2 months after the month in which the drawdown occurred – this applies to the interest-only option also.
17. BEDC increased the maximum credit line it guarantees for its Letter of Credit product for retailers from \$10K to \$12.5K.
18. BEDC significantly expanded its seminar and webinar programming as businesses needed access to business knowledge and best practice over the last 15 months to help right-size.
19. BEDC offered all its seminars and webinars free of charge to all business owners and entrepreneurs who registered.
20. Registration fees for all BEDC's multi-week courses were reduced by 50%.

Mr. Speaker, I have taken the time to set out in careful detail the actions taken on behalf of small and medium-sized businesses and of the extensive work the BEDC has and continues to do, to support them. Additionally, the BEDC also worked with the Ministry of Finance and other Government Departments to determine what other relief could be provided to support business owners through the pandemic.

In April 2020, the BEDC further expanded the assistance it was able to provide to Bermuda's local small and medium businesses. Now, the Corporation has been able to:

- a. Complete a jurisdictional review of other countries' support to SMEs to help inform Bermuda's support.
- b. Complete a survey of local business needs.
- c. Actively holding and participate in weekly webinars to assist local businesses and connect them with each other.
- d. Act as an intermediary between business and government departments for assistance and clarification when needed.

- e. Continue its Mind Your Business radio show on Ocean 89 to engage and inform local businesses.
- f. Restructure its loan guarantees for the businesses who had bank financing as needed.
- g. Restructure the current BEDC direct microloans portfolio based on their needs.
- h. Respond to thousands of requests in emails, phones, calls and social media platform questions for advice and direction.
- i. Engage in numerous meetings and negotiations with the 3 Banks to firm up the new guaranteeing of overdrafts and progressing our shared concept of providing “pre-approved” lump sums of guarantees to the financial institutions in order to cut processing times on business financing requests.
- j. Compile and distribute to local businesses a list of all the Government Departments offered who offered Covid-19 relief and assistance.
- k. Compile and distribute to local businesses a list of all the Banks’ Covid-19 reliefs and assistance.
- l. Work with private sector entities, such as the Bermuda Credit Union Coop Society, to develop additional financial products to support local small and medium-sized businesses to amplify what BEDC, the Government, and the Banks were providing.

Mr. Speaker, through the Ministry of Finance’s additional \$12M grant provided in 2020, the BEDC’s efforts to assist local SMEs with funding shortfall needs increased dramatically. We were determined to be understanding and responsive as a Government and the additional grant support went a long way to assist local businesses to survive over this last 16 months. The additional \$12M supplemented BEDC’s \$1M in direct lending and \$12M in loan and overdraft guarantees, allowing the Corporation to develop new and expanded financial products including the creation of the Covid-19 Business Sustainability and Continuity Funding Programme.

The relief funding programme consists of a portfolio of financing products for businesses to take advantage of as follows:

1. BEDC Covid-19 Loan/Grant Product;
2. BEDC Micro Loan Product;
3. BEDC Debt Consolidation Micro Loan Product;
4. BEDC Loan Guarantee Product;
5. BEDC Overdraft Guarantee Product; and

6. BEDC Covid-19 Emergency Grant Product

Over the last 16 months, BEDC has approved 255 applications, significantly outpacing approvals in a “normal” year, for a total of \$4.36 Million to assist our local small and medium business through in a variety of financing options.

The breakdown of the funding approved to date is as follows:

- 50 General and Debt Consolidation Micro Loans approved totaling \$1.1 Million in loan funds disbursed;
- 117 Covid-19 Combined Loans/Grants approved totaling \$2.4 Million in funds disbursed. \$1.1 Million of this is the grant portion of this product with the remaining \$1.4 Million as the loan portion;
- 5 Loan Guarantees have been approved, the majority with the Bermuda Credit Union Coop Society totaling \$289 Thousand in guarantee funds;
- 4 Overdraft Guarantees have been approved through with the Banks totaling \$152 Thousand in guaranteed funds;
- 79 Covid-19 Emergency Grants have been approved totaling \$420 Thousand in grant funds disbursed.

Mr. Speaker, the Island’s economic activity is expanding as a direct result of our effective management of the Coronavirus. Local businesses will still require financial assistance and the need has expanded from just surviving with funding for immediate overhead and working capital needs as seen in the early days of the pandemic, to funding for pivoting, innovation, sustainability, and growth needs. As such, businesses will have access to the funds from the Covid-19 Business Sustainability and Continuity Funding Programme and it is anticipated that at least a further \$3 to \$4 Million in financial support will be deployed by the end of this fiscal year.

Mr. Speaker, let me close by expressing my thanks to the entire team of the BEDC. The women and men working there have stayed true to their mission of doing all they can to assist small and medium sized businesses. I must also recognize the able leadership of Mrs. Erica Smith who tirelessly champions the core values of the

organization. The BEDC team should be commended for their efforts, but ultimately the priority has been to save as many local businesses over this challenging 16 months as possible. Although much progress has been made to assist businesses, further support will be needed. Accordingly, I am pleased to advise this Honourable House and the public that the BEDC will continue to provide Covid-19 Funding Support until March 31st, 2022.

Thank you, **Mr. Speaker.**