

# **GUIDELINES FOR THE GOVERNMENT OF BOTSWANA COVID-19 LOAN GUARANTEE SCHEME)**

## **BACKGROUND**

The Government COVID-19 Loan Guarantee Scheme ("Scheme") is offered as part of the Government of Botswana ("Government") economic response to the COVID-19 pandemic. The guarantee is offered in terms of section 22 of the Public Finance Management Act.

### **1. WHAT IS THE PURPOSE OF THE SCHEME?**

The purpose of the Scheme is to provide eligible businesses affected by the COVID-19 pandemic access to credit from banks established by Botswana legislation and commercial banks licensed in terms of the Banking Act ("Banks") to support ongoing business operations.

The Scheme is to encourage lending to qualifying businesses by offering a partial Government guarantee of 80% to Banks against losses on qualifying loans to eligible applicants. The Banks shall retain the remainder of 20% risk of the financed facility. The Scheme does not substitute for conventional lending that would otherwise have taken place.

### **2. WHO ARE THE OWNERS OF THE SCHEME?**

The Scheme is facilitated by the Government and the custodian of the Scheme is the Ministry of Finance and Economic Development.

### **3. WHO ARE THE ADMINISTRATORS OF THE SCHEME?**

The Scheme is administered by Export Credit Insurance and Guarantee Company (Botswana) Pty Ltd T/A BECI to issue guarantees on behalf of the Government to Banks.

### **4. HOW IS THE SCHEME STRUCTURED?**

Businesses complying with the relevant qualifying conditions will be partially guaranteed by the Government through BECI. Accordingly, the Scheme provides for a risk-sharing mechanism between the business sector (through the guarantees) and the Banks in the non-guaranteed portion. The Government shall provide 80% security cover while the Banks will take on the 20% of the balance of the risk.

### **5. WHAT IS THE ROLE OF THE BANKS?**

The Banks shall approve qualifying applicants in accordance with their standard internal processes and credit risk policies.

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The Banks will undertake full loan recovery process against defaulting borrowers and provide evidence of such process before calling on a guarantee.

**6. WHAT IS THE INTEREST RATE ON THESE GUARANTEED LOANS?**

The interest rate charged on the loan will be prime plus 0.5%.

**7. WHICH BUSINESS SECTORS QUALIFY TO BENEFIT FROM THE SCHEME?**

All business sectors are eligible for the subsidy with the exception of the following;

- a. Businesses with direct Government shareholding and Government aided entities such as and non-governmental organisations.
- b. Parastatal Companies.

**8. WHAT ARE THE ELIGIBILITY REQUIREMENTS FOR A BUSINESS TO BENEFIT FROM THE SCHEME?**

The Business must;

- i. be tax compliant,
- ii. duly registered with the Companies and Intellectual Property Authority,
- iii. have been operating and bankable for at least a year prior to 03 April 2020,
- iv. demonstrate how COVID-19 has disrupted their business, and
- v. provide a sustainable business model.

**9. WHAT IS THE MAXIMUM AMOUNT TO BE APPLIED PER BENEFICIARY?**

9.1 The maximum facility to be granted for any one beneficiary shall be P25 million, subject to the following qualifying credit criteria:

- Loans from P0-2 million - turnover of up to P5 million in the last 12 months prior to 03 April 2020;
- Maximum of P5 million – turnover of up to P10 million in the last 12 months prior to 03 April 2020;
- Maximum of P10 million – turnover of up P25 million in the last 12 months prior to 03 April 2020;and
- Maximum of P25 million – turnover of P50 million up to P100 million in the last 12 months prior to 03 April 2020.

9.2 Any exposure or aggregate accommodation to be covered by the Guarantee to a single borrower or group of related borrowers (as defined by the Banking Act



Regulations) shall not exceed P25 million and shall be denominated in domestic currency.

**10. WHAT IS THE COST OF THE GUARANTEE?**

There are no fees chargeable for the issued guarantee.

**11. ARE BANK FACILITY ARRANGEMENT FEES APPLICABLE?**

In cognisance of the distress that businesses are going through, the Banks are encouraged to charge a nominal facility arrangement fee for the guaranteed facility.

**12. WHEN MAY A BANK APPLY FOR THE GUARANTEE?**

The Banks may apply for a guarantee until 30<sup>th</sup> November 2020. This therefore means a Bank must have received the application prior to this date to qualify for assistance under the Scheme.

**13. WHICH FINANCING IS COVERED UNDER THE SCHEME?**

Working capital to cover operations and administrative expenses so as to stabilise operations that were adversely affected by the COVID-19 pandemic. Items of capital nature shall not be supported by the scheme.

**14. WHAT IS THE TERM OF THE GUARANTEE?**

The term of the guarantee will be subject to a maximum term of two (2) years.

**15. WHAT IS THE APPLICATION PROCEDURE?**

- i. Companies must apply for the finance facility with their respective Banks.
- ii. Banks will then apply to BECI for the approved finance facility to be guaranteed by the Scheme.

**16. IS THE GOVERNMENT LIABLE FOR LOSSES INCURRED AS A RESULT OF A CHANGE TO THESE GUIDELINES WITHOUT PRIOR NOTICE?**

The Government reserves the right to change any of the Scheme guidelines at any time and shall not be liable to any party whatsoever, regarding any actual or implied loss as a result of such a change.

Further enquiries may be made to BECI during working hours: Contact number 3188015