

PROJECT SUMMARY

THE BAHAMAS EXPANDING ACCESS TO FINANCE FOR SMEs IN THE BAHAMAS THROUGH FACTORING COMBINED WITH A DIGITAL PLATFORM (BH-T1060)

Small and medium enterprises (SMEs) in The Bahamas face many challenges for growing, including the lack of access to finance. For local financial intermediaries using traditional business models to extend financial products and services across an archipelago of small islands with low population density and underdeveloped infrastructure is challenging, if not unfeasible. Hence, a new approach and model is required to efficiently achieve financial inclusion for the productive sector across The Bahamas.

Taking into consideration the proximity of The Bahamas to the United States, and that the country is home to renowned hotels and tourism facilities, factoring has been identified as an important source of financing for SMEs. Factoring is well suited to the Bahamian SMEs because they are normally engaged in value chains for exporting and/or for the tourism industry. They typically provide goods and services, and in exchange issue invoices which are paid at a future date. The user experience of factoring products and services to SMEs can be significantly improved with (i) the changes in digital technologies and connectivity (e.g. electronic signature, electronic invoicing, etc.), especially in an archipelago like The Bahamas; and (ii) money transfer and payment platforms, the ones that OMNI Financial Group Limited (OMNI, the executing agency of this project) and its related companies currently operate for providing other types of financial products and services in The Bahamas.

The innovation lies in the introduction and mainstreaming of factoring products and services via a digital platform that can efficiently provide access to financing beyond the main commercial districts of Nassau and Grand Bahamas. This will be the first technology-enabled financial solution in The Bahamas, which not only facilitates SMEs' access to finance leveraging their existing commercial relationships with large corporates, but also incentivizes large corporates to enter into commercial relationships with SMEs located in The Bahamas Family of Islands.

The proposed instrument to finance OMNI's activities is also very innovative. The MIF will provide a contingent recovery grant that will be reimbursable depending on the business performance of the new line of financial products and services OMNI will implement through this project. This instrument is used when private for-profit companies need flexible funding to roll out new technology or implement a new way of doing business, as is the case with OMNI in launching and deploying factoring products and services. Resources of the MIF will be disbursed against the fulfillment of agreed prior conditions and will be reimbursed when the company has attained agreed levels of portfolio expansion and outreach.

The direct beneficiaries of this project will be SMEs in The Bahamas, specifically those SMEs that are engaged in business-to-business (B2B) transactions in the productive sector (agro-industry, food processing, mariculture, etc.). Initial targets will be SMEs engaged in value chains (commercial relationships and transactions) with established

large corporates seeking working capital financing of US\$5,000 and above. It is preliminarily estimated that the project will allow OMNI to support 200 SMEs (new and existing clients).