

RE-LAUNCH OF THE TOBAGO TOURISM DEVELOPMENT FUND PROGRAMME

FACILITY 1



Hosted at Magdalena Grand Beach and Golf Resort, Tobago

Overview by Mr. Jerry Hospedales, Chairman
Trinidad and Tobago Tourism Business
Development Limited
December 6 2017

Trinidad and Tabago Tourism Business Development Limited - Relaunch of Tobago Tourism Development Fund Programme: Facility 1

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Thank you Mr. Awang:

- Hon. Colm Imbert: Minister of Finance
- Hon. Shamfa Cudjoe: Minister of Tourism
- Assemblyman Joel Jack: Deputy Chief Secretary and Secretary of Finance and the Economy, Tobago House of Assembly
- Councillor Nadine Stewart-Phillips Secretary of Tourism, Culture and Transportation, Tobago House of Assembly
- Other specially invited guests
- Members of the media

We have invited you to this very important function. This is the rebranding and the re-launching of the Tobago Tourism Development Fund. You may recall that in the FY 18 Budget Statement two initiatives were announced to improve the usage of the Tobago Tourism Development Fund with its guarantee facility. These two initiatives were directed at reducing the cash flows required by our clients in the tourism and tourism-related businesses for repaying new loans and advances or for restructured loans. The interest rate subsidy of 5% and the extension of maturities to 15 years would undoubtedly assist businesses in meeting their obligations to banks in a timely manner thereby ensuring not only the continuing credit worthiness as customers, but also the maintenance of soundness of our financial institutions.

Since its establishment in 2012, the Trinidad and Tobago Tourism Business Development Limited has been the administrator of the Tobago Tourism Development Fund. We have an agreement with the EXIM Bank of Trinidad and Tobago through which as Agent the Fund is managed. Beginning in June 2013, the Fund has issued Letters of Undertaking or guarantees to four commercial banks which provide loan facilities, including restructuring to our clients in accordance with their normal credit assessment requirements, a key one of which is the ability of the borrower to repay.

On the initiative of the Government and with a view to improving Fund usage the Central Bank has agreed to amend its guidelines related to loan re-negotiations by relaxing the limitations on such negotiations by more than twice for a five year period for the Tourism sector in Tobago. This is being put in place in light of the importance of that sector to the economic development of Tobago. This has avoided the normal requirements for provisioning against impaired loan facilities, thereby allowing the banks to operate flexibly in addressing the financial conditions of our clients. The guarantees attract a fee of 1.0% on the value of the balance of the loan facility with the Letters of Undertaking being provided for each borrower for up to 50% of the outstanding principal and interest balance on existing loan facilities and 100% on new loan facilities. The Fund was capitalized at \$250.0 million.

We are in no doubt that the Fund has encouraged the flow of credit to the sector by ensuring timely and transparent restructuring of viable tourism loans which are facing challenges arising from the economic downturn of that sector. Moreover, it allowed banks to maintain the quality of their loan portfolios and minimize the risk of loss to all stakeholders.

By November 30 2017, the Trinidad and Tobago Tourism Business Development Limited had issued 19 Letters of Undertaking with a value at \$37.6 million backed by the capitalization of the Tobago Tourism Development Fund. Importantly, only 2 loans have defaulted. Immediately and upon their demand call the Trinidad and Tobago Tourism Business Development Limited indemnified the banks with the cash-back guarantee from the Fund; hence the Fund with its guarantee facility is working as originally envisaged.

Through the enhancement of the terms and conditions in the usage of the Fund, we expect additional clients. We will appreciate that appropriate assistance be provided to these clients by the respective organizations in the completion of their applications and proposals. We will continue to provide clients with technical assistance through our office here in Tobago. We wish to ensure that the approaches now adopted by the Fund with the subsidy element and the banks with extended maturities are adequate to the task of revitalizing the Tourism sector in Tobago and of taking advantage of the opportunities posed by the recent global expansion in travel and tourism.

Thank you.