

## **Press Release:**

### **The National Credit Guarantee Scheme**

Recognizing the private sector as a critical partner for the growth of our economy. The government has always placed much expectations on the private players to step in for public welfare as we advanced together as a nation. Therefore, it is with pleasure that we introduce the National Credit Guarantee Scheme (NCGS), an initiative that will further empower the private sector's role in reviving the country's economy.

As a counter cyclical policy measure during the COVID-19 pandemic situation, the National Credit Guarantee Scheme (NCGS) is launched on October 5<sup>th</sup> 2020. The NCGS is an intervention that will ease access to finance, by Government guaranteeing a portion of the loans availed under it.

Expansion of credit is necessary for investments. However, collateral requirement is a major impediment, in particular, for aspiring entrepreneurs to avail financing. Therefore, the NCGS will alleviate this challenge of aspiring entrepreneurs, specially under the Cottage and Small Industry. All loans under the Cottage and Small category will not require collateral and startups under the CSI category will be eligible for 100 percent debt financing under the NCGS.

Unlike practices across the globe, the medium and large categories will also be eligible for loans under the NCGS. However, under such categories, a portion of guarantee will be shared between the Government and the Bank and the balance will be secured with collateral from the borrower.

Therefore, the NCGS has been designed to include all categories of industries, but in a responsive and equitable manner.

The projects under the NCGS will be aligned towards the four major thrust areas of:

- i. Boosting exports;
- ii. Reducing economic dependency by investing in import substitution-based projects;
- iii. Promoting innovation and technology; and
- iv. Creating jobs to absorb the displaced and unemployed.

#### **Implementation:**

- i. The NCGS will be implemented under the overall guidance of a national committee called the National Credit Guarantee Committee, which will be chaired by the Finance Minister;
- ii. The NCGS will be implemented in partnership with the participating Banks, to start with the State-owned Banks, namely Bank of Bhutan, Bhutan Development Bank and the National CSI Development Bank (NCSIDBL); and
- iii. A full time NCG support facility will be established with the NCSIDBL to provide all necessary support in availing of loans and implementing projects under the NCGS.

#### **Conclusion:**

There will be challenges and risks in the journey of implementing the NCGS. Across the world, monitoring and support mechanisms of such initiatives have been critical in determining the success of such schemes. While the government will ensure that and fulfill its responsibility to create the environment and platform, we urge the private sector to grab the opportunity, with responsibility.

Through collaboration with responsibility, the investments that emerge as a result of the NCGS shall sustain economic activities, and turn aspirations into a reality for a resilient economy.