

GOVERNMENT ENHANCES FINANCING SCHEMES TO SUPPORT ADDITIONAL S\$2.3 BILLION OF LOANS TO ALL LOCAL ENTERPRISES

1. The Ministry of Trade and Industry (MTI) announced today that the government is enhancing its business financing schemes to support an additional S\$2.3 billion in loans to help local firms gain access to credit in this current economic slowdown.

2. The enhancements include increasing loan quantum, raising government risk sharing of loan defaults and extending business financing schemes to all local enterprises. With the enhancements, up to 124,000 local companies will be eligible to benefit from these schemes. The enhancements will take effect from 1 December 2008.

3. The government is acting early to enhance our business financing schemes in anticipation of greater credit tightening as a result of the global financial crisis. These measures seek to ensure that local enterprises have sufficient resources to continue to operate, invest, trade and internationalise in an adverse economic climate.

New Loan scheme for working capital

4. MTI has introduced a new loan scheme to help firms meet their working capital needs during this current tightening of credit conditions. Named Bridging Loan Programme (BLP), all local enterprises with more than 10 employees can access credit of up to S\$500,000 under this scheme. The default risk will be shared equally by the government and the financial institutions.

Helping small-to-medium enterprises (SMEs)

5. Today, SMEs are already supported by a range of Government initiatives to assist with their financing needs.

6. Small businesses with no more than 10 employees have access to SPRING's Micro Loan Programme, which will be further enhanced to provide unsecured working loans of up to S\$100,000, up from the previous limit of S\$50,000. The government will increase the proportion of risk sharing to 80% to ensure that participating financial institutions (PFIs) continue to lend to small businesses.

7. To ensure that SMEs can continue to access loans through the existing Local Enterprise Financing Scheme (LEFS), to purchase equipment, machinery and other assets, government will also increase its sharing of the loan defaults from the current 50% to 80% to alleviate the risk taken by PFIs.

Encouraging start-ups

8. To encourage and help new start-ups, the government will raise the investment cap from the current S\$300,000 to S\$1 million under the SPRING's Start-up Enterprise Development Scheme (SPRING SEEDS) and from the current S\$1 million to S\$1.5 million for Business Angels Scheme (BAS) as a permanent feature. In view of the challenge to raise equity in this current climate, the government will temporarily increase the co-match ratio from the existing 1:1 to 2:1. This means that the start-up will receive S\$2 from the government for every dollar an investor puts into the new firm.

Extension of business financing schemes to larger enterprises

9. In this current credit squeeze, MTI will temporarily relax the eligibility criteria of the existing SME financing schemes to allow larger enterprises to also tap on them. Currently, only local SMEs, with an eligibility cap of S\$15 million of fixed asset investments (for manufacturing) or 200 employees (for services), qualify. MTI will waive the eligibility criteria for a year, extending the existing LEFS and Loan Insurance Scheme (LIS) to all local enterprises, regardless of size or sector. For LEFS, the default risk for loans extended to larger enterprises will be shared equally by the government and the financial institutions.

Assisting firms which are venturing overseas

10. To help companies expanding overseas, eligibility criteria under the existing Internationalisation Finance Scheme (IFS) will be widened. Under the IFS, companies can get financing for the acquisition of fixed assets for use abroad or fund the expenses of secured projects overseas. Currently, the cap is S\$100 million for listed non-trading companies, S\$200 million for private non-trading companies, and S\$200 million for listed trading companies¹. These caps will all be raised to S\$300 million to increase the number of companies that qualify for IFS benefits. Furthermore, government will increase its sharing of the loan default from the current 70% to 80% to encourage the PFIs to continue to lend to companies expanding overseas.

11. The enhancements will be valid for a year. MTI will review the need for extension thereafter.

¹ For non-listed trading companies, the current cap of \$500m remains.

12. Please refer to Annex 1 for a summary of the enhancements, and Annex 2 for fact sheets on the various loan schemes:

- Local Enterprise Finance Scheme, Micro Loan Programme and Bridging Loan Programme: administered by SPRING
- Loan Insurance Scheme: jointly administered by SPRING and IE Singapore
- Internationalisation Finance Scheme: administered by IE Singapore.

13. Information on the schemes can be obtained from the EnterpriseOne website at www.business.gov.sg, SPRING Singapore at www.spring.gov.sg, and IE Singapore at www.iesingapore.gov.sg. For queries, companies can call EnterpriseOne at 68981800 or email: enterpriseone@spring.gov.sg. For the Internationalisation Finance Scheme, companies can contact IE Singapore at 6337 6628 or enquiry@iesingapore.gov.sg.

MINISTRY OF TRADE AND INDUSTRY

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