



KAFALAT S.A.L

Guarantees for Loans to SME's

What is KAFALAT

Kafalat is a Lebanese financial company with a public concern that assists small and medium sized enterprises (SMEs) to access commercial bank funding. Kafalat helps SMEs by providing loan guarantees based on business plans / feasibility studies that show the viability of the proposed business activity.

It processes guarantee applications for loans that are to be provided by Lebanese banks to SMEs operating throughout Lebanon.

Concerned Sectors

Kafalat targets SMEs and innovative start ups that belong to one of the following economic sectors:

- o Industry
- o Agriculture
- o Tourism
- o Traditional Crafts
- o High Technology

Who Does it Serve ?

o **Serving Borrowers**

The Kafalat loan guarantee is issued based on the viability of the business project to be financed. The guarantee that is made in favor of the lending bank, allows the borrower to provide the bank with collateral, which makes the loan safer for the bank. With the Kafalat loan guarantee, the bank may require less other collateral for the loan. In fact, Kafalat offers two types of guarantees that explicitly require the lending bank not to impose any additional collateral request on the borrower. The final decision (and the conditions) for granting the loan rests however in the hands of the lender. Kafalat constantly urges banks not to ask for other guarantees and to be content with the credit decision made based on the business plan and the feasibility of the project.

Subsidy for the interest on the loan: In addition to the guarantee, the borrower benefits from a subsidy on the interest that is being charged by the bank. This allows SMEs to access bank funding at a reasonable cost.

◦ **Serving Lenders (the banks)**

- The Kafalat loan guarantee reduces the risk of the loan for the bank.
- Kafalat guaranteed loans in Lebanese Pounds benefit from exemption from the statutory reserve requirement by the Central Bank of Lebanon. This significantly reduces the cost of capital of the lending bank, allowing it to lend customers with lower interest rates.

◦ **Serving the Lebanese Economy**

The Lebanese private sector is dominated by small and medium sized enterprises that face difficulties in accessing funds from commercial banks. Kafalat's loan guarantees help SMEs in Lebanon to access commercial bank debt financing. This allows SMEs to increase the financing of their business activities, which leads to increased domestic investment, output, and employment.

Ownership of KAFALAT

- Kafalat (SAL) is owned by the National Institute for the Guarantee of Deposits (75%) and fifty Lebanese banks (25%)
- Chairman of the Board of Directors / General Manager: Dr. Khater Abi Habib
- Auditor: Kafalat SAL is audited by Deloitte

Kafalat provides loan guarantees to (SMEs) operating in Lebanon

When an SME applies for a loan from a Lebanese bank, it can request through the bank a loan guarantee from Kafalat. Kafalat analyses the guarantee application, the business plan/feasibility study and other supporting documents, and provided the application fulfills all Kafalat conditions, a loan guarantee is issued to the lender in favor of the bank that is giving the loan. However, a loan application approved by the bank does not necessarily mean that Kafalat will approve and issue a loan guarantee.

Types of Loan Guarantees

- o Productive Loans Creating Added Value
- o The Kafalat guaranteed loan could be used for all business related expenditures that include:
Purchase of equipment and capital goods (These can be new or used), Plant renovation, expansion, Purchase of raw materials, spare parts, working capital, and consulting fees; Construction costs (However, the loan should not be exclusively used to cover construction costs), Marketing promotion activities, Research and development; Other strategic objectives that serve the interest of SMEs and start ups.
- o **Trade or Services are Prohibited**

Important

- We don't care for:
 - Client's Real Estate
 - Client's Account
- We Do Care For:
 - The Reputation
 - The Financial History
 - The Project***

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Products Description

Products	Kafalat Basic	Kafalat Plus	Kafalat Innovative
Who Benefits	All types of business ownership	S.A.L, S.A.R.L & COOP	S.A.L & S.A.R.L
Amount	Up to LBP 300mios (C/V in USD or EUR)	Up to LBP 600mios (C/V in USD or EUR)	Up to LBP 300mios
Loan Period	Up to 7 years including grace period between 6 to 12 months	Up to 7 years including grace period between 6 to 12 months	Up to 5 years including grace period between 6 to 12 months
Guarantee Ratio	75% of Loan	85% of Loan	90% of Loan
Key Conditions	Number of employees < 40	No collateral 20% contribution 30% minimum equity	No collateral 10% contribution by borrower

Cost Of The Loan

- 2.5% on the Guaranteed Amount Every Year Over the Loan Period (Regressive Interest)
- 3‰ on the Guaranteed Amount during the First Year as Stamps on the LG
- Interest Calculation and BDL Subsidy

Required Documents

- Adequate business plan reflecting the value added of the new investment
- Financial past performance
- Projected Cash Flow covering loan period
- Proforma Invoices reflecting disbursement of loan
- License from concerned parties (official bodies)
- Form of ownership of premise subject of loan.

THANK YOU !!!

BUSINESS PLAN

- o Executive Summary
- o Business Description (company status, market data, business approach, mission statement, goals & objectives)
- o Management (key personnel, organization chart, salary structure, ownership structure, board of directors)
- o Market Analysis (customers, market size, competition)
- o Marketing Plan (target client, strategy and tactics)
- o Products & Services (nature and type)
- o Production Plan (facility location, production capacities)
- o Financial Data (Financial past performance, projected balance sheet, income statement and cash flow)