

# The SIRF Fund Gender-Responsive Blended Financing Window

Synthesis Report



The Commonwealth



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# Contents

<b>Acronyms and Abbreviations</b>	<b>v</b>
<b>Acknowledgments</b>	<b>1</b>
<b>Definitions</b>	<b>3</b>
<b>Executive Summary</b>	<b>4</b>
<b>1. Backdrop to Developing a New Blended Financing Window</b>	<b>5</b>
1.1 The Sustainable Island Resource Framework and Fund	5
1.2 Access to finance by small and medium-sized enterprises	5
<b>2. Country-led Research and Investigation to Inform Design</b>	<b>7</b>
2.1 Core constraints facing supply- and demand-side capital allocation	8
2.2 Women-led SMEs and access to finance	9
2.3 Blended finance window design considerations	9
<b>3. The Blended Financing Window Design Framework</b>	<b>11</b>
<b>4. Conclusion</b>	<b>15</b>
<b>Endnotes</b>	<b>16</b>



# Acronyms and Abbreviations

<b>A&amp;B</b>	Antigua and Barbuda
<b>BFW</b>	blended financing window
<b>DOE</b>	Department of Environment
<b>EC\$</b>	Eastern Caribbean dollars
<b>GCF</b>	Green Climate Fund
<b>GDP</b>	gross domestic product
<b>M&amp;E</b>	monitoring and evaluation
<b>NDC</b>	Nationally Determined Contributions
<b>NPL</b>	non-performing loan
<b>OECS</b>	Organisation of Eastern Caribbean States
<b>SIRF</b>	Sustainable Island Resource Framework
<b>SME</b>	small and medium-sized enterprises
<b>TA</b>	technical assistance
<b>UNDP</b>	UN Development Programme
<b>UNFCCC</b>	UN Framework Convention on Climate Change
<b>US\$</b>	US dollars



# Acknowledgments

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# Definitions

**Small and medium-sized enterprises (SMEs):** This report understands SMEs to be: 'natural person and legal person enterprises with small production scale and a small number of employees and assets, including small enterprises, micro-enterprises, family workshop enterprises, and individual industrial and commercial households'. SMEs typically share similar characteristics: a high degree of informality, being labour intensive, producing in the household, being small scale and targeting mainly the domestic market.<sup>1</sup> For the purposes of this study, SMEs should also be majority owned by a citizen of Antigua and Barbuda.

**In-kind micro-equity:** This report refers to 'in-kind micro-equity' as envisaged by the Government of Antigua and Barbuda in the implementation of the SIRF Fund as the provision of equipment to beneficiaries in exchange for a future stream of in-kind payments, until full repayment of the equipment is achieved by the business without interest, with ownership then transferred to the business and the SIRF Fund existing contractual arrangements. As such, this approach to equity follows a BOOT (buy-own-operate-turnover) system.

**Blended finance:** This refers to an approach in which grant funds are utilised alongside loans and in-kind equity to ensure that businesses have access to the right mix of financing for their needs.

**Gender equality:** This refers to equal rights, responsibilities and opportunities for women, men, girls, boys and individuals with non-binary gender identity. Gender equality is the ultimate goal sought by a gender-responsive approach.

**Gender equity:** This refers to fairness or justice in the way people are treated, with consideration of historical and socially determined disadvantages. Gender equity leads to gender equality.

**Gender-responsive approaches:** This refers to approaches that examine and actively address gender norms, roles and inequalities. Gender-responsive approaches go beyond sensitivity to gender differences – they actively seek to promote gender equality.

# Executive Summary

The island nation of Antigua and Barbuda is vulnerable to the impacts of climate change, and despite recent classification as a middle-income country, pockets of poverty heighten this risk for some parts of society. Recognising this challenge, the Sustainable Island Resource Framework (SIRF) Fund, administered by the Department of Environment (DOE) in collaboration with the Ministry of Finance, was established in 2019 as a financial vehicle to deliver climate and environment-related projects and programmes both domestically and more widely across the Eastern Caribbean. Following the success of its micro-financing Revolving Fund Programme for Adaptation, the SIRF Fund is looking to expand financial support beyond concessional loans, and offer additional forms of concessional capital to support small and medium-sized enterprises (SMEs) to decarbonise and become more resilient to climate change. The aim is to target the most climate vulnerable sectors and most vulnerable SMEs first and, in doing so, improve resilience to climate change, gender equality and productivity.

As a country member of the NDC Partnership, the Government of Antigua and Barbuda, via the DOE, requested Partnership Action Fund support to develop design recommendations for a gender-responsive, micro-equity, blended financing facility to be delivered by the SIRF Fund.

To realise this aim, the Commonwealth Secretariat responded to the request by the Government of Antigua and Barbuda and, through a co-financing arrangement, engaged the services of Future Earth Limited<sup>2</sup> to support with the design recommendations for the gender-responsive, micro-equity, blended financing window (BFW), based on desk research and inclusive stakeholder consultations across the government and financial sectors, and a defined sample of vulnerable agricultural SMEs.

The BFW will provide financial and technical assistance to Antigua and Barbuda (A&B) SMEs that: (i) are impacted by climate change and seeking to adapt to it; and/or (ii) have the potential to avoid and/or reduce greenhouse gas emissions and are seeking to transition to low-carbon practices in line with Antigua and Barbuda's Nationally Determined Contributions (NDCs) targets. Specific targets are a 25 per cent increase in access to financing for businesses related to the transition to a low carbon, high resilience economy by 2030; and a 20 per cent increase in the number of women-led businesses implementing renewable energy and adaptation interventions by 2030.

The BFW comprises:

1. A technical assistance grant package covering pre-application advice; technical, financial and business development support; plus gender and inclusion training.
2. An in-kind micro-equity investment for the adoption and transfer of climate smart/renewable technology (of up to EC\$500,000 or US\$185,000). The insured technology remains the property of the SIRF Fund until the full cost of the technology is recovered, and legal ownership is then transferred to the SME according to an agreed flexible, long-term schedule of market price-linked in-kind or cash repayments via accredited channels.<sup>3</sup>
3. A concessional financial loan (of up to EC\$500,000 or US\$185,000) at 2 per cent interest rate is repaid according to an agreed schedule.

Due to the heightened vulnerability of women to climate change, compounded by persistent challenges in women's access to finance, gender-specific portfolio-level financial and eligibility targets were established: 40 per cent of the financial portfolio will be awarded to SMEs in which women comprise 30 per cent or more of the owners, management or staff.

# 1. Backdrop to Developing a New Blended Financing Window

The Commonwealth Secretariat is a member and implementing partner of the NDC Partnership, an organisation that is open to countries and international institutions that are committed to the ambitious implementation of Nationally Determined Contributions (NDCs) to climate change and the 2030 Sustainable Development Goals (SDGs).

As a country member of the NDC Partnership, the Government of Antigua and Barbuda, via the Department of Environment (DOE), requested support to determine the feasibility for a gender-responsive micro-equity blended financing window under the Sustainable Island Resource Framework (SIRF). The window is to provide concessional finance to build climate resilience in small and medium sized businesses, which are most affected by climate change but play a crucial role in the social and economic development of Antigua and Barbuda. The Commonwealth Secretariat responded to this request for support.

## 1.1 The Sustainable Island Resource Framework Fund

The SIRF Fund was established by Antigua and Barbuda via Section 42(1)(a) of the 2006 Finance Administration Act, and under Section XII of the Environmental Protection and Management Act of 2019, as the main vehicle through which to finance climate- and environment-related projects and programmes, both domestically and more widely across the Eastern Caribbean. The SIRF Fund Board may establish thematic funding windows to allow for specialisation in and focus on specific focal areas of planned environmental development or environmental programmes subject to the financial rules and procedures prescribed by the Finance Administration Act and Regulations, and may develop its own regulations and procedures.

The SIRF Fund is currently co-managed by the Ministry of Finance and the DOE as an accredited entity of both the Adaptation Fund and Green Climate Fund (GCF). The DOE is currently applying for re-accreditation to the GCF, to include an upgrade for equity financing to permit blending of local co-investment with international financing.

The SIRF Fund is looking to expand its financial support beyond concessional loans, to offer additional forms of concessional capital. Antigua and Barbuda acknowledges the importance of equity and inclusivity in energy transition and is committed to establishing socially inclusive, gender-responsive and accessible investment opportunities.

## 1.2 Access to finance by small and medium-sized enterprises

Antigua and Barbuda has a combined population of 94,298 (76 per cent of which are rural),<sup>4</sup> with a gross domestic product (GDP) of US\$1.76 billion and GDP per capita of US\$18,745.<sup>5</sup> Overall, the financial sector is deemed stable and liquid, and small and medium-sized (SMEs) have a variety of financing options. However, climate risk and vulnerability affect agriculture, fishing and forestry, as well as seasonally employed workers and/or those working in the informal economy.

SMEs represent 83.8 per cent of all businesses, of which 50 per cent are small and 33.8 per cent medium.<sup>6</sup> Only 14 per cent of small businesses and 5.7 per cent of medium-sized businesses are women-owned, while a higher proportion of women than men fall into the lowest income bracket.<sup>7</sup> While SMEs are a key contributor to the national economy, SMEs in the Organisation of Eastern Caribbean States (OECS) region, including in Antigua and Barbuda, invest significantly less in products and services innovation than SMEs in other world regions.<sup>8</sup> This includes in the key areas of digital and climate technology adoption.

The price of adaptation has increased due to the significantly increased costs of supplies to small island developing states (SIDS) experienced because of the COVID pandemic. This has negatively impacted both investment (fewer investees) and borrowing (larger amounts required) in climate mitigation and adaptation solutions by businesses and households.<sup>9</sup>

The financial sector in Antigua and Barbuda is well-capitalised, with non-performing loans (NPLs) at 6.9 per cent in 2022 compared to 78 per cent NPLs provisioned.<sup>10</sup> In 2022, the net ratio of net liquid assets to total deposits was 47.7 per cent, substantially above the Eastern Caribbean Central Bank (ECCB) minimum benchmark of 20 per cent.<sup>11</sup>

In terms of SME financing, most commercial banks offer small business loans at commercial rates, with a typical interest rate of around 8 per cent. The default rate across portfolios, including industries such as construction and agriculture, is reported at around 8 per cent. Credit unions also play a role in

providing financial services, with a focus on known and reliable clients, which experience relatively low default rates at around 10 per cent. Despite higher costs, non-bank institutions are reported to be successful, offering smaller loans with simpler application processes.

The regulatory framework for SMEs is relatively well-developed, defined by the 2007 Small Business Development Act, which includes access to credit guarantees under the national development bank's Credit Guarantee Scheme. Various government and donor-funded initiatives, such as the SIRF Fund Adaptation Window and the Prime Minister's Entrepreneurial Development Programme (EDP), provide loans at interest rates of 1–3 per cent over five years, with a focus on priority sectors and geographical areas in need of support.

Despite the existence of these programmes, the credit, insurance and other financial needs of SMEs remain underserved.<sup>12</sup>

## 2. Country-led Research and Investigation to Inform Design

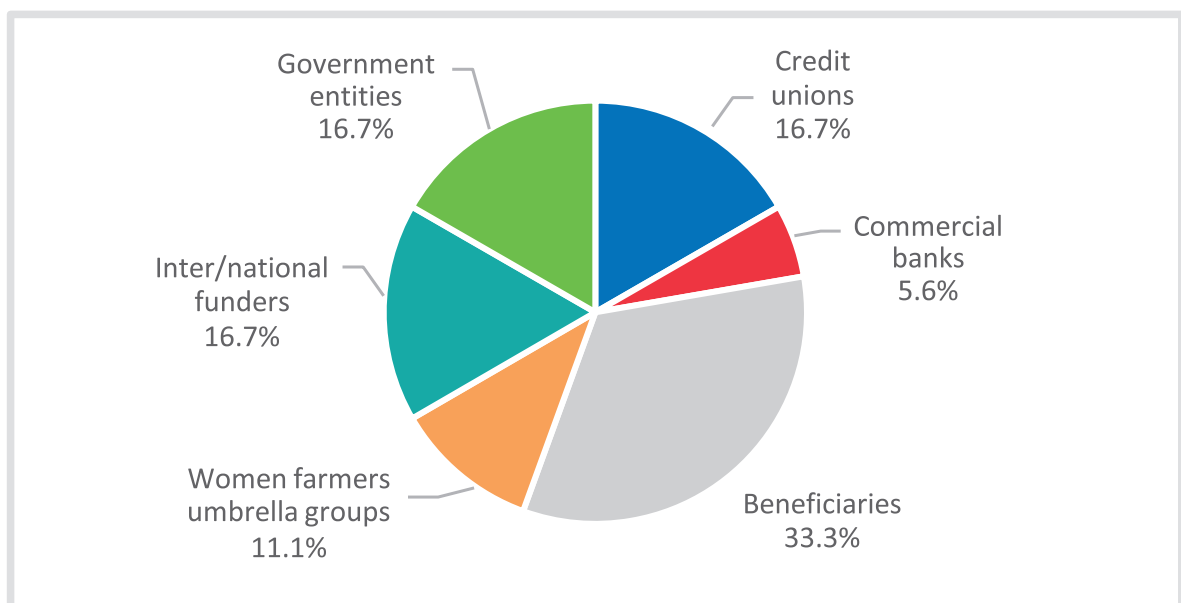
The DOE experiences of administering the first SIRF Fund Adaptation Window, along with desk research and inclusive group and individual stakeholder consultations between August and October 2023 (Figure 2.1), informed the design of the gender-responsive, micro-equity blended finance window (BFW). The gender split for stakeholders consulted was 57 per cent men and 43 per cent women.

The approach taken by Future Earth Limited to working with the DOE and wider stakeholders was collaborative and participatory, allowing feedback to directly inform the design of the BFW. This led to the incorporation of flexible repayment schedules to account for business income fluctuations (for example, to account for harvesting cycles), and the relaxation of the requirement to be a registered business at the point of application, among other considerations. Consultations were carried out to maximise learning opportunities for staff at the DOE and Commonwealth Secretariat with two consultants present at all interviews: one to raise questions, the other to listen. Timings were

adjusted to suit interviewees, and all interviewees and a wider pool of women-owned/operated SME representatives were invited to review the draft design framework and participate in the validation workshop.

A selection of SME farmers from the Shekerley Mountain Management Area in the southwest of Antigua, shortlisted in response to a previous DOE call for proposals under the Path to 2020 project,<sup>13</sup> served as a representative group for detailed discussions on SME financing aimed at addressing climate mitigation and resilience in the agricultural sector. Agriculture remains one of the most economically vulnerable sectors in Antigua and Barbuda, employing only 2.2 per cent of the population.<sup>14</sup> With a 70 to 30 per cent gender split between men and women,<sup>15</sup> women farmers rarely have the same level of access to, or security of, land tenure. They are therefore at a disadvantage with regard to building new businesses, accessing public assistance when available or securing traditional finance.<sup>16</sup> The total number of government land leases granted to women in 2023 as a proportion

Figure 2.1. Stakeholder representation



of the total was just 1.1 per cent.<sup>17</sup> Agricultural losses are attributed in part to poor farming and maintenance practices (forest and woodland loss, land clearing, overharvesting, and quarrying) but majorly to soil erosion, drought, flooding, pest incidence, wildfires and extreme weather events (hurricanes).<sup>18</sup>

While awareness of climate-related challenges among SMEs is high (in 2019, 89 per cent of small businesses and 90 per cent of medium-sized businesses reported concerns that business operations might be disrupted by a natural or human-caused disaster), this has not been accompanied by climate change planning or preparedness. Only 29 per cent of small businesses and 37.7 per cent of medium-sized businesses reported having any sort of disaster recovery or business continuity plan in place to enable them to resume operations,<sup>19</sup> while crop, livestock or business insurance is rare.<sup>20</sup>

There is, however, a strong desire among many farmers to learn more about new technologies and techniques that will improve the conditions of their soil and a willingness to enhance collaborations or build/strengthen collectives and co-operatives to accelerate adaptation and growth.<sup>21</sup> The Ministry of Agriculture encourages the uptake of greenhouses and the adoption of hydroponics systems to increase productivity and attract women and youth, as these technologies are less labour intensive and lend themselves to flexitime.<sup>22</sup>

## 2.1 Core constraints facing supply- and demand-side capital allocation

In 2019, only 15.1 per cent of SMEs, including 13.6 per cent of medium-sized enterprises, in Antigua and Barbuda reported accessing medium- to long-term loans.<sup>23</sup> This compares to 45.5 per cent of large businesses. Overall, purchases on credit, and advances from suppliers and customers, represent the main way in which firms in Antigua and Barbuda access finance, with 70 per cent of small firms and 81 per cent of medium-sized firms reporting having accessed funds this way in 2019.<sup>24</sup> None reported accessing private equity.

Access to credit has been negatively impacted by both hurricanes and droughts over the past 15 years as portfolio risk parameters

are tightened, especially in those sectors vulnerable to environmental conditions – such as agriculture. However, a disincentive is also found in the widespread expectation of publicly funded assistance following climate-related natural disasters, which discourages investment in climate resilience.

Financial institution supply-side constraints in Antigua and Barbuda can be summarised as:

- lack of specific sectoral knowledge and technical climate solutions knowledge;
- assessment of credit risk based on credit history and accumulated wealth/collateral of SMEs;
- the perceived high risk and limited growth and earning potential of SMEs, leading to high interest rates (currently between 8 and 12 per cent);
- unknown external risks, leading to the exclusion of those SMEs at perceived highest risk from economic or environmental/climate shocks, especially by commercial banks who respond to shareholder preferences;
- gender-agnostic lending policies, which do not account for differences in business set up, financial product appetite and operations; and
- lack of defined institutional pro-climate resilience lending policies or plans that address physical and transactional risk and could support SME climate adaptation and mitigation lending and insurance products.

All commercial and non-commercial lenders reported that SMEs' inability to keep accurate records (or indeed any records at all, whether in electronic format or traditional hard copy) was a key barrier to approvals of SME financing.

SME demand-side constraints include but are not limited to:

- their limited capacity to produce bankable business plans supported by economically viable financial projections;
- the complexity of loan application processes and SMEs' inability to satisfy financial institutions' eligibility criteria;
- unaffordable interest rates on loans or insurance products;

- risk-averse behaviour due to the uncertain and volatile external environment, which could negatively impact their business operations and potential profitability;
- the informal nature of many SMEs, with unreliable, uncertain or seasonal revenue streams that make rigid repayment plans more challenging;
- their inability to access finance providers either via a branch or through online services due to lack of confidence, trust or skills; and
- focus on short-term credit lines, which may not be well-suited to longer-term investments in innovation or new technologies.

SMEs also cited several non-finance related challenges that compound these difficulties, including: an unwillingness to finance business expansion requirements that do not involve physically tangible equipment or transportation improvements; and the need to build appropriate skills to understand and deploy new climate resilience-enhancing technologies effectively.<sup>25</sup>

Likewise, on the supply side, several non-financial elements compound the situation. Despite the country's highly climate vulnerable status, its financial institutions have had limited engagement to date with climate-related risks and do not systematically incorporate climate change or environmental strategies into their operations or lending criteria. This is despite two thirds of financial organisations considering climate change a major risk to their organisation.<sup>26</sup> As suggested in the 2021 Financial Sector Adaptation Strategy and Action Plan,<sup>27</sup> identifying the financial implications of climate risks will be critical for the long-term health of Antigua and Barbuda's financial system. It could create new opportunities for profitable investment, including in green entrepreneurship and new technologies. However, the same understanding may also trigger potential capital shifts or flight from the poorest and most vulnerable communities, including women, and from the country itself, as financial institutions seek to limit their exposure. For example, there exists a low understanding among financial institutions of gender-differentiated climate vulnerabilities.<sup>28</sup>

While there is, in principle, access to capital from a wide range of different finance providers, financial institutions overwhelmingly report that they are demand-led and do not have specific policies

or products in place to support businesses to transition to more sustainable, environmentally friendly practices or to adopt innovations or new technologies. From the demand side, there is a lack of the business-related skills necessary to access finance and, beyond this, the skills to effectively deploy, monitor and report on effective use of capital injections.<sup>29</sup> Technical assistance to support business planning, growth forecasting and realisation is therefore fundamental to enabling more SMEs to access finance.

## 2.2 Women-led SMEs and access to finance

Access to finance in the Caribbean is a particularly acute challenge for women-owned and/or -operated businesses. Women-owned and -operated companies have accessed a 20 per cent share of short-term finance, in line with market share, since 2013, but a significantly lower percentage of just 1.3 per cent of medium- to long-term financing.<sup>30</sup> While this can in part be explained by women preferring to take out repeated small funding amounts and build their businesses incrementally, the complexity of application processes, high collateral requirements, short maturity periods and confidence in loan approval also play a role.<sup>31</sup> Only government- or donor-supported programmes (specifically the Entrepreneurial Development Programme and initiatives of the Global Green Growth Institute) report expressly targeting women-owned or -operated SMEs, with all other financial institutions stating lending criteria are gender agnostic, driven only by market demand.<sup>32</sup>

## 2.3 Blended finance window design considerations

The research and consultations found that SMEs in A&B face challenges accessing credit, insurance and financial services, and often resort to self-financing. The issue is not a lack of financial resources available in Antigua and Barbuda but the capacity of SMEs to access these resources effectively. Limited attention given to women-owned businesses by the financial services sector, as well as to SME potential, the climate transition, and broader social and environmental impacts, compounds the situation.

The design of the BFW therefore considered the following.

- Finance to support the adoption of new climate-relevant technologies and innovations to boost competitiveness and growth, and to enhance climate resilience.
- Grace repayment periods, repayment flexibility and renegotiation possibilities with long-term periods.
- Short-term 'contingent' financing or insurance to cover emergencies and ensure business continuation and temporary recovery repayment windows.
- Market rate concessionality on loans and fair prices for in-kind repayments.
- Technical assistance to help applicants understand options and scenarios for seasonal, annual or term-based repayment of in-kind or loan facilities.
- Technical assistance to help SMEs understand which technologies are most suitable for their business and how to adopt them.
- Gender-responsive finance to guarantee the gender-equitable distribution of financial resources to build climate resilience and reduce vulnerability in SMEs.
- That the SIRF Fund should first establish a track record with the new in-kind micro-equity window, by initially focusing on established SMEs; that is, those with at least three years of reasonably successful operations. It could then move on to support unformalised start-ups.<sup>33</sup>
- That the SIRF Fund will have to accept the higher risk associated with supporting SME businesses, including substantial climate- and environmental-associated risks.
- Co-ordination with other finance providers to build clear a roadmap/product for follow-on financing for SMEs emerging from SIRF Fund support. This should concurrently build understanding and capacity in commercial financiers of the climate-related challenges and solutions facing SMEs.
- Clear eligibility criteria as determined by business operations (in the first instance), gender and intended use of investment into climate mitigation and resiliency measures.
- A clear results framework for monitoring the impact on emissions reductions and the Sustainable Development Goals.

Technical assistance provision should be gender responsive, with targets established for reaching women-owned and women-led SMEs, since many women are traditionally employed in elementary occupations and at lower pay scales and may require more support. This extends to confidence building, as men are more likely to take risks and request higher loan amounts than women – who commonly take repeated small loans to build their businesses incrementally. Adequate provision for child/elderly care for those enrolled in SIRF Fund programmes and communal learning environments to boost peer-to-peer support are advised, particularly to support women to benefit from the new financing window.

A face-to-face cross-sectoral validation workshop, and dedicated meeting with the SIRF Fund Board, fed into and improved the design recommendations in January 2024.

## 3. The Blended Financing Window Design Framework

1. The proposed blended financing window (BFW) of the SIRF Fund responds to the need for tailored and affordable finance of Antigua and Barbuda's SMEs that need to invest in climate change adaptation and mitigation in a gender-responsive manner. The core features of the BFW, which are described in detail in the following points, are as follows.
2. BFW will provide financial and technical assistance to A&B SMEs that: (i) are impacted by climate change and seeking to adapt to it; and/or (ii) have the potential to avoid and/or reduce greenhouse gas emissions and are seeking to transition to low-carbon practices.
3. Financial and technical assistance will be provided, on a competitive application basis, to SMEs that comply with the definition of SME contained in A&B's Small Business Development Act (2007), along with minimum business formalisation and track record requirements.
4. Applications will be open to SMEs from any business sectors, as long as the SMEs are able to clearly articulate the climate rationale for their request. Non-exhaustive examples of such sectors include farming, livestock, fisheries and aquaculture, as well as commerce and services businesses that are looking to reduce emissions (for example, by installing solar) or increase their resilience to climate-induced natural disasters.
5. From a gender-responsiveness standpoint, BFW will aim to support SMEs that include a substantial (30 per cent or more) representation of women in their ownership, management or staff. A minimum target will be set in terms of percentage of SMEs in the BFW portfolio that comply with this criterion.
6. BFW will award financial and technical assistance through a competitive process that includes the following steps: (i) annual calls for proposal; (ii) shortlisting based on completeness of the application and compliance with the BFW eligibility criteria; (iii) review and evaluation of shortlisted proposals; (iv) approval of financial and technical assistance package; (v) negotiation of contractual agreement(s); and (vi) disbursement.
  - a. The process will be managed day-to-day by a BFW management unit established within SIRF. The SIRF Board will approve applications based on its normal decision-making procedures.
  - b. The approval criteria will be: (i) climate change rationale for the proposed investment; (ii) SME's business and financial performance; (iii) technical quality of the proposal; (iv) expected financial return from the investment; and (v) evidence of limited access to alternative sources of finance.
  - c. Applicants will be required to include in their application a prescribed list of supporting documents to help the above evaluation, as well as written references.
  - d. SIRF will support applicants during the application process through a 'hotline', as well as advice on the best technical solutions and the most suitable BFW tools for the SME.
7. Selected applicants will receive financial assistance through one or a combination of two instruments (determined on a case-by-case basis), each subject to a separate financial agreement.
  - a. In-kind equity:
    - i. Under the equity agreement, SIRF purchases and owns equipment needed by the SME to achieve its climate change adaptation or mitigation objectives. The beneficiary SME obtains the contractual right to use equipment for its useful life.

- ii. In exchange, the beneficiary makes in-kind payments in regular instalments to SIRF, as per a pre-agreed schedule, until SIRF recoups the purchase price of equipment, at which point ownership is transferred to the SME.
  - iii. No financial return is required by SIRF – only the recovery of the initial investment.
  - iv. A maximum equipment price at time of purchase of EC\$500,000 will apply.
  - v. The size and frequency of in-kind instalments are tailored to each SME based on its financial profile. Because of the in-kind repayment feature, this financial assistance modality is ideally suited to SMEs that produce tangible and marketable goods, such as agricultural products.
- b. Concessional loan:
- i. This financial assistance modality is available to all SMEs whether they produce goods or services.
  - ii. The concessional loan terms (specified in the loan agreement) will include: (i) loan size of up to EC\$500,000; (ii) fee charge of 2 per cent; (iii) collateral requirements: none from the SME; however, if the loan is for the purchase of equipment, the loan will be secured on that equipment; (iv) disbursement schedule in tranches detailed in the loan agreement, based on the SME's investment implementation timeline; (v) maturity of up to 20 years; (vi) grace period of up to one year; and (vii) repayment schedule tailored to the financial profile of each SME.
8. In addition to funding, successful applicants will receive comprehensive technical assistance (TA) from SIRF (via in-house staff or qualified independent experts) in three areas.
- a. Technical TA: Technical implementation of the technologies and business practices funded by BFW.
  - b. Business and financial TA: Business development and future access to financial support.

Figure 3.1. Theory of Change

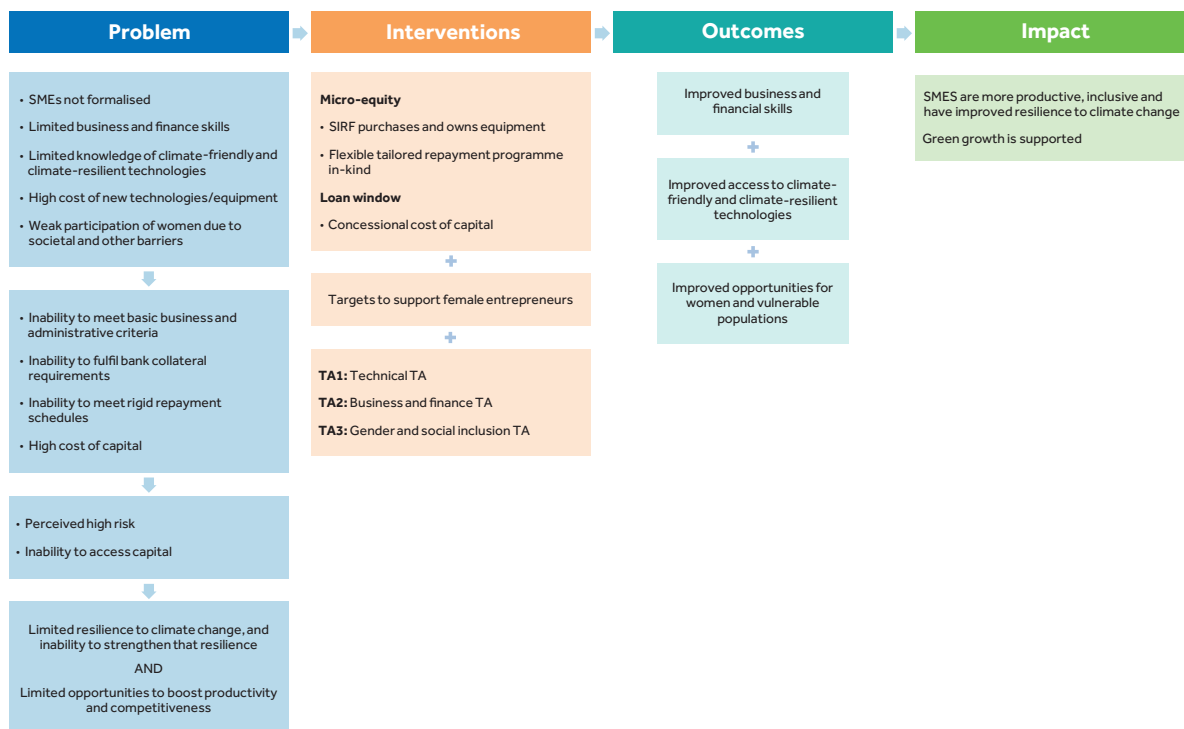
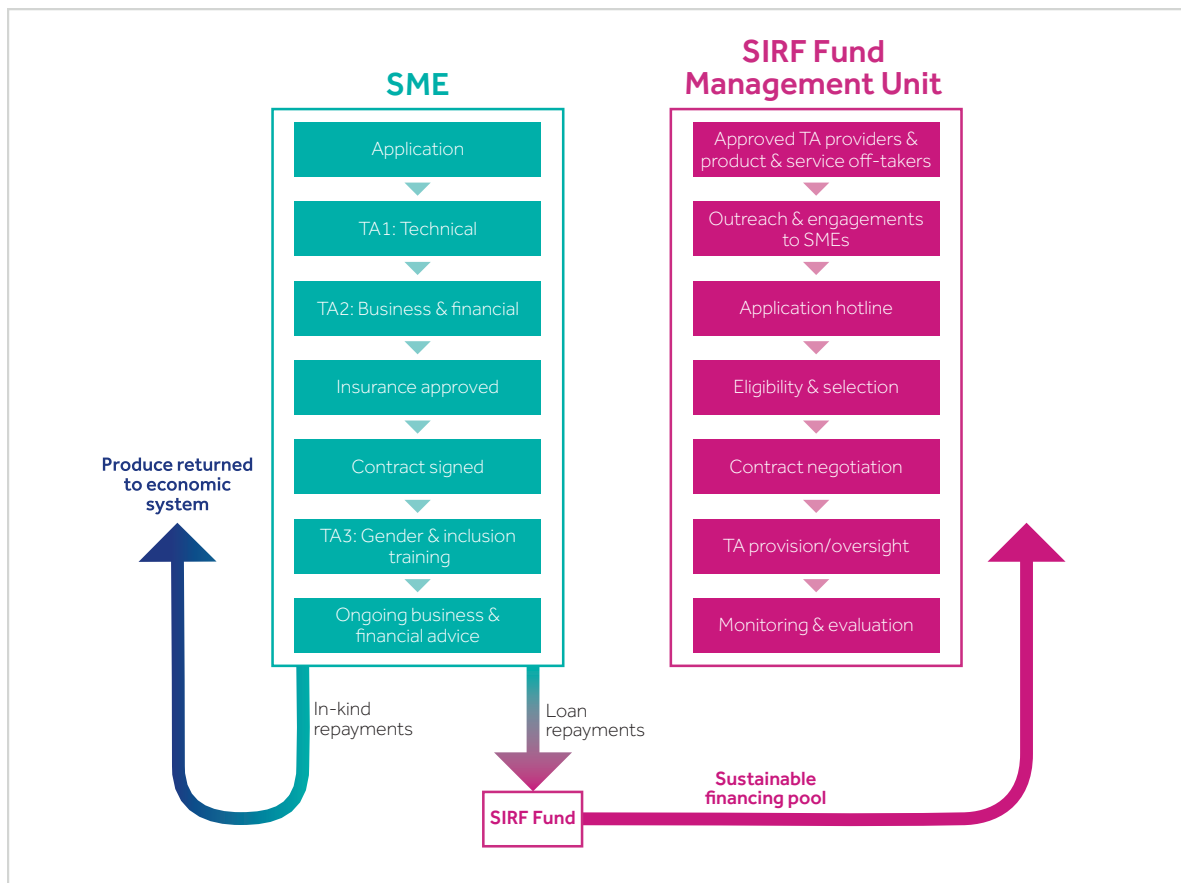


Figure 3.2. Operationalising the BFW



- c. Gender and social inclusion TA: Beneficiary businesses will be required to create targets and indicators to increase the number of women and vulnerable people benefiting from business operations.
9. These features of the BFW directly address the barriers to SME finance in the field of climate change mitigation and adaptation identified and discussed in the associated gap analysis report.<sup>34</sup> The logical nexus between barriers and features of the BFW is described in the Theory of Change diagram in Figure 3.1.

Detailed prescriptions were also considered with regards to legal and financial risk, as well as portfolio management, insurance, delivery of technical assistance, and impact monitoring and reporting. The latter will concern four areas: business and financial performance, gender inclusion, climate change resilience and environmental impact, and progress towards the Nationally Determined Contributions (NDC) targets. Impact monitoring and reporting will be at the individual SME level as well as BFW aggregate portfolio level.

The recommendation is to commence with a simplified version of the BFW focused on discrete thematic areas for at least two calls for proposals, followed by an evaluation, eventual fine-tuning and then roll-out of the full version of the BFW. The 'simplified BFW' could be restricted to: (i) a limited list of eligible sectors, starting with agriculture, livestock, fisheries and aquaculture; (ii) in-kind equity only – this product is quite unique and requires proper testing before scaling it up and pairing it with concessional loans; (iii) focus on specific climate threats (for example, drought) and related solutions (for example, efficient irrigation, water harvesting and storage); and (iv) focus on particularly vulnerable beneficiaries, accompanied by the technical assistance packages.

Following three face-to-face meetings in January 2024 with the initial target audience and financial sector stakeholders (with 75 per cent female representation across 50 attendees, of which 44 per cent comprised the target vulnerable SME audience plus wider government and financial sector stakeholders); a SIRF Fund Board feedback

session; and a DOE wider team meeting, the design recommendations were validated and finalised.

The consultants provided the DOE with suggested next steps to operationalise the BFW covering financing, insurance, legal, managerial and administrative work packages.

The operationalisation of the BFW will require several further steps to be undertaken by the SIRF Fund Board and Management Unit to develop the relationships and process flows required before the first call can be issued (see Figure 3.2).

The consultants provided the DOE with suggested next steps to operationalise the BFW covering financing, insurance, legal, managerial and administrative work packages.

## 4. Conclusion

Based on the SIRF Fund and DOE's aim to directly invest and build climate resilience in the most vulnerable SMEs, The project team researched and proposed design recommendations for a gender-responsive, micro-equity, blended financing window in collaboration with a range of stakeholders across the financial and government sectors, and with considerable input by and validation from a sample of vulnerable farmers and women-owned/operated SMEs.

The core innovative features of the resulting design recommendations for the BFW are: 1) the in-kind, micro-equity component enabling beneficiaries to repay through agricultural and other produce via accredited channels; and 2) the aim to fund SMEs with 30 per cent women's representation, with a targeted 40 per cent threshold for portfolio level funding to fulfil this objective. Further innovations are found in the flexibility of the application process and repayment contractual terms, the provision for three types of technical assistance, and in the monitoring and evaluation (M&E) recommendations.

During the research and validation period, it became clear that some gaps remain in the institutional capacity to deliver the BFW, the detail of the long-term financing strategy, legal and insurance requirements, as well as the logistical structural elements of the in-kind repayment mechanism needed to operationalise the BFW. Recommendations on next steps were conveyed to the SIRF Fund Management Unit and project team. As such, these initial design recommendations can be considered as step one towards establishing this unique window.

# Endnotes

- <sup>1</sup> Adapted from: UN Economic Commission for Latin America and the Caribbean (UNECLAC) (2020), *A preliminary review of policy responses to enhance SME access to trade financing in the Caribbean*, available at: [https://repositorio.cepal.org/bitstream/handle/11362/45101/1/S1901210\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/45101/1/S1901210_en.pdf)
- <sup>2</sup> <https://www.futureearth.eu/>
- <sup>3</sup> Equity as defined by the provision of climate smart or low-carbon technology in exchange for a future stream of in-kind payments until full repayment of the equipment is achieved by the business without interest, with ownership then transferred to the business. No business ownership percentage or financial return is required by SIRF. The approach is similar to a buy-own-operate-turnover (BOOT) system.
- <sup>4</sup> World Bank Statistics (2023).
- <sup>5</sup> World Bank Statistics (2022).
- <sup>6</sup> Compete Caribbean (2020), 'Innovation, Firm Performance and Gender Survey: General information', available at: <https://www.competecaribbean.org/docs/ifpg-survey/index.html>
- <sup>7</sup> Statistics Division (2018), 'Antigua and Barbuda Labour Force Survey', available at: <https://statistics.gov.ag/wp-content/uploads/2020/10/2018-Antigua-and-Barbuda-LFS-Report.pdf>
- <sup>8</sup> Inter-American Development Bank (2022), 'Strengthening Private Sector Development through Innovation in the Eastern Caribbean OECS Member Countries, Loan Proposal', available at: <https://www.iadb.org/en/whats-our-impact/RG-L1160>
- <sup>9</sup> Antigua and Barbuda National Gender Submission to the UN Framework Convention on Climate Change (UNFCCC) (2022), available at: <https://genderclimatetracker.org/sites/default/files/Resources/202204010853---Antigua%20and%20Barbuda%20National%20Gender%20Submissions.pdf>
- <sup>10</sup> International Monetary Fund (IMF) (2023), 'Article IV, Antigua and Barbuda', available at: <https://www.imf.org/en/News/Articles/2023/09/29/cs-92923-antigua-and-barbuda-staff-concluding-statement-of-the-2023-article-iv-mission>; Eastern Caribbean Central Bank, 'Financial Soundness Indicators', available at: <https://www.eccb-centralbank.org/statistics/financial-soundness-indicators>
- <sup>11</sup> Eastern Caribbean Central Bank (2022), *Economic and Financial Review*, December, available at: <https://www.eccb-centralbank.org/publications/economic-and-financial-review>
- <sup>12</sup> Unpublished request for project/programme funding from the Adaptation Fund. An integrated approach to physical adaptation and community resilience in Antigua and Barbuda's northwest McKinnon's watershed (2016).

- 13 The Global Environment Facility (GEF)-funded Path to 2020 project is piloting livelihood financing mechanisms that support conservation and sustainable use of biodiversity and plant genetic resources in the Shekerley Mountains Managed Area. See <https://www.thegef.org/projects-operations/projects/9402>.
- 14 Ministry of Agriculture (November 2023).
- 15 World Bank (2021), *Gender-Responsive Disaster Preparedness and Recovery in the Caribbean: Desk Review*, available at: <https://documents1.worldbank.org/curated/en/715131614832136041/pdf/Gender-Responsive-Disaster-Preparedness-and-Recovery-in-the-Caribbean-Desk-Review.pdf>
- 16 Perspective shared in stakeholder consultations – Ministry of Agriculture (October 2023). The Government of Antigua and Barbuda has no leasehold gender quotas.
- 17 Only nine out of 842 land leases granted in Antigua in 2023 (Ministry of Agriculture, November 2023).
- 18 Caribbean Community Climate Change Centre (2014), *Draft Impact Assessment for the Development of a National Adaptation Strategy to Address Climate Change in the Water Sector for Antigua and Barbuda*, available at: <https://chm.cbd.int/api/v2013/documents/9C93ACC6-EF3E-AC74-9C48-929942AA1FAD/attachments/Draft%20Impact%20Assessment%20%20August%2011%2C2014.pdf>
- 19 See: Compete Caribbean (no date), 'Innovation, Firm Performance and Gender Survey: General information', available at: <https://www.competecaribbean.org/docs/ifpg-survey/index.html>
- 20 Department of Environment (2022), 'SIRF Fund Business Model'.
- 21 Perspective shared in stakeholder consultations – farmer consultation (October 2023).
- 22 Perspective shared in stakeholder consultations – Ministry of Agriculture (October 2023).
- 23 The last year for which data was available (from the Inter-American Development Bank).
- 24 See: Compete Caribbean (no date), 'Innovation, Firm Performance and Gender Survey: Finance and Accounting', available at: <https://www.competecaribbean.org/docs/ifpg-survey/index.html?section=Finance%2520and%2520Accounting>
- 25 Perspective shared in stakeholder consultations – Eastern Caribbean Partial Credit Guarantee Corporation (October 2023).
- 26 Watson, C., Robertson, M., Ramdin, A. and Bailey, C. (2020), *Assessment and Overview of Climate Finance Flows: Antigua And Barbuda 2014–2017*, UNFCCC, available at: <https://unfccc.int/documents/231984>
- 27 UNDP (2021), *Financial Sector Adaptation Strategy and Action Plan*
- 28 Future Earth Ltd (2021), *Light Capacity Needs Assessment*, July.
- 29 Perspective shared in stakeholder consultations.

- <sup>30</sup> Compete Caribbean (no date), Innovation, Firm Performance and Gender Survey, available at: <https://www.competecaribbean.org/docs/ifpg-survey/index.html>
- <sup>31</sup> Mooney, H. et al. (2022, July), 'Finance for Firms: Options for Improving Access and Inclusion', *Caribbean Economics Quarterly* volume 11, issue 2.
- <sup>32</sup> Perspective shared in stakeholder consultations.
- <sup>33</sup> Formalisation of SMEs includes registration, bank account set up and so on.
- <sup>34</sup> The Commonwealth Secretariat (2023). *Gap analysis to inform design recommendations for the SIRF Fund blended financing window*. Internal report authored by Future Earth Limited. Unpublished.

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