

Designing the SIRF Fund

Gender-Responsive

Blended Finance Window

Summary fact-sheet \ March 2024

Background

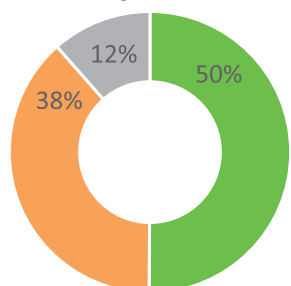
Small to medium-sized enterprises (SMEs) in Antigua and Barbuda comprise 88 per cent of the country's businesses, and are predominantly owned by men (see graphs below).¹ However, they face challenges with accessing capital² (see below) and, similarly to companies across the OECS, invest significantly less in product and services innovation than elsewhere in the world.^{3,4} Concessional finance for low carbon development, and to build climate resilience in SMEs most affected by climate change, is crucial for the social and economic development of Small Island Developing States, especially for SMEs owned/operated by women, for whom credit access issues compound inequality and increase climate and

intersectional vulnerability. Addressing gender equality within climate action can deliver positive outcomes for both global agendas.

The Sustainable Island Resource Framework (SIRF) Fund was established in 2019 as a financial vehicle to deliver climate and environment-related projects and programmes across the Eastern Caribbean using a microfinancing modality. Following the success of its Revolving Fund Programme for Adaptation, the SIRF Fund is looking to expand its financial support beyond concessional loans and offer additional forms of concessional capital to support 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, to improve both equity and productivity.

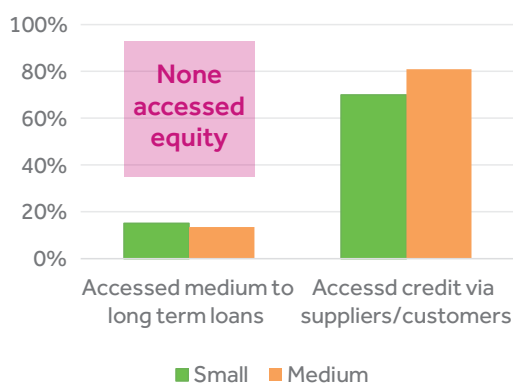
The Commonwealth Secretariat in collaboration with the NDC Partnership provided technical assistance to the Department of Environment (DoE) of the Government of Antigua and Barbuda to design a gender-responsive Blended Finance Window under the SIRF Fund.

Businesses in Antigua and Barbuda by size



■ Small ■ Medium ■ Large

Type of finance accessed by SME, by business size

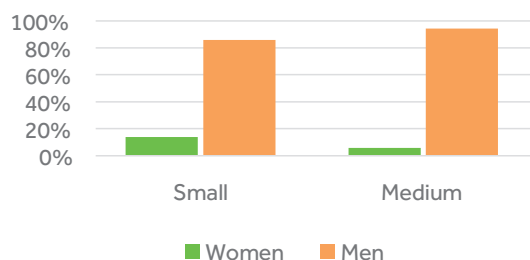


■ Small ■ Medium

The research process

A highly participatory and inclusive approach was taken to engage with key stakeholders encompassing umbrella groups of women farmers, government entities, commercial banks, credit unions, national

Ownership of small and medium-sized enterprises by gender



■ Women ■ Men

Constraints on capital access

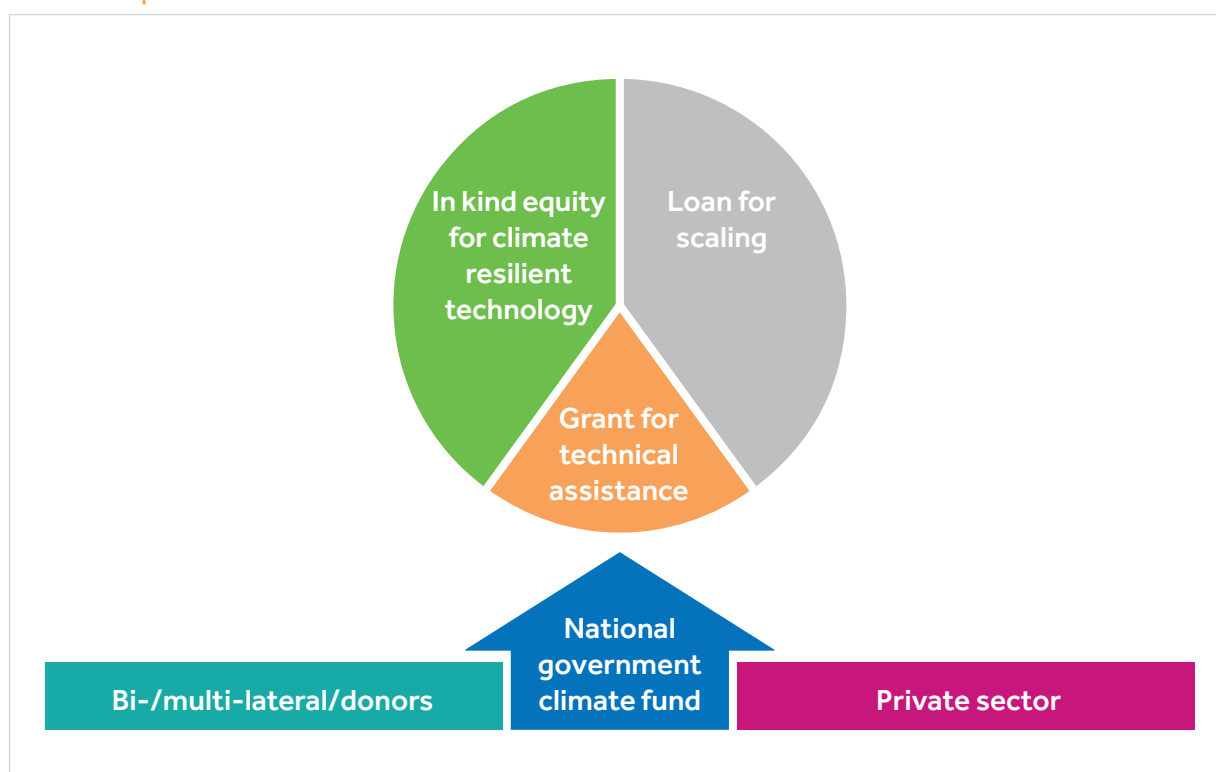
Supply side constraints	Demand side constraints
<ul style="list-style-type: none"> • Lack of sectoral knowledge • Assessment of credit risk misaligned with SME realities • Perceived high risk of SMEs and associated high lending rates of 8–12 per cent • Shareholder exclusions of SMEs at highest risk from climate or environmental shocks • Gender agnostic lending policies • Lack of defined institutional pro-climate lending policies • Lack of lenders' familiarity with new climate related technologies 	<ul style="list-style-type: none"> • Limited capacity to produce business plans and financial projections • Inability to satisfy eligibility criteria or complete loan application processes • Unaffordable interest rates on loans or insurance products • Risk aversion and lack of trust due to uncertain and volatile external environment • The informal nature of SMEs, with uncertain or seasonal revenue streams • Gender divergence in lending and business growth preferences • Short-term, inflexible credit not well-suited to longer-term investments in business innovation or new technologies

and international funders and potential beneficiaries. Central to the approach was the iterative capture of capital access constraints (see table above) and design requirements through open dialogues inclusive of gender needs, such as SMEs led by mothers with infants.

Constraints to SME financing

To address these constraints, the Blended Finance Window was designed to remove eligibility and application-stage barriers, formal registration and collateral requirements. Gender specific portfolio-level financial and gender eligibility targets were established. The window will offer technical assistance, highly concessional loans and in-kind

Core components offered under the Blended Finance Window



equity provision for the purchase of climate smart or low-carbon technology. The financial modalities come with flexible repayment schedules and contractual term renegotiation potential where climate related repayment challenges occur.

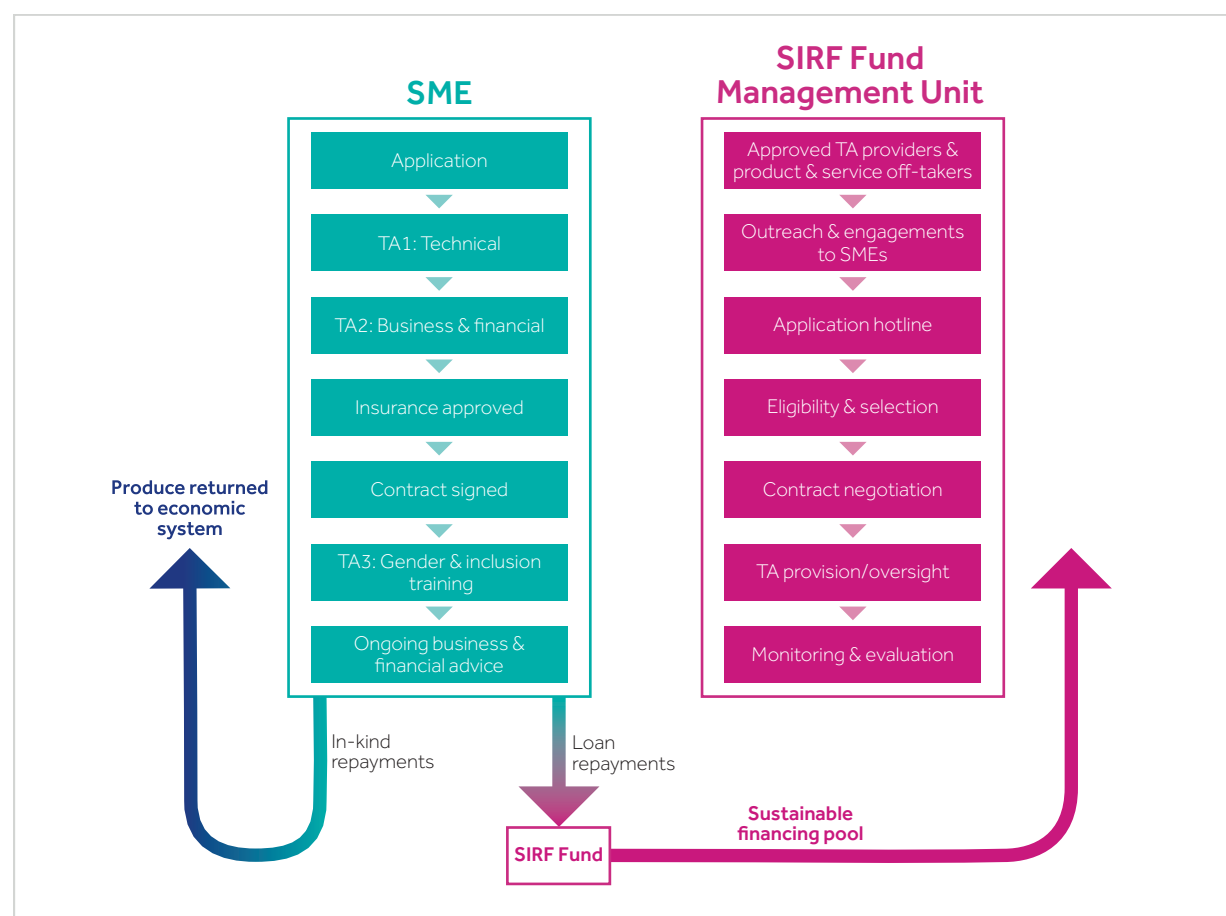
Innovative and gender responsive features of the Blended Finance Window

1. Available to 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.
2. Of the available financing, 40 per cent will be awarded to SMEs of which women comprise 30 per cent or more of the owners, management or staff.

3. Provides a technical assistance grant package covering pre-application advice, technical support, financial and business development support, and gender-responsiveness and inclusion training.
4. Offers micro-equity⁵ investments of up to EC\$500,000 (US\$185,000) for the adoption and transfer of climate smart/low-carbon technology.
5. In-kind repayment mechanism to approved product off-takers.
6. Concessional loans up to EC\$500,000 (US\$185,000) at 2 per cent interest rate.
7. Repayment schedules are flexible according to SME requirements.

Next steps are now being taken to operationalise the Blended Finance Window. For more information please contact the SIRF Fund Secretariat at doesirffund@ab.gov.ag.

Provisional BFW operating model



About this project

This fact-sheet draws from and summarises a longer report which gives a fuller account of design recommendations for a gender-responsive, blended financing micro-equity facility under the SIRF fund in Antigua and Barbuda. See <https://thecommonwealth.org/publications/sirf-fund-gender-responsive-blended-financing-window>

Endnotes

- ¹ Compete Caribbean (2020), 'Innovation, Firm Performance and Gender Survey: General information', available at: <https://www.competecaribbean.org/docs/ifpg-survey/index.html>
- ² Ibid.
- ³ As of 2019, the last year for which data was available. Ibid.
- ⁴ Inter-American Development Bank (2022), *Strengthening Private Sector Development through Innovation in the Eastern Caribbean OECS Member Countries*, loan proposal.
- ⁵ 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.



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