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INTRODUCTION

The Government of Barbados pledged a capital injection of BDS\$5.0 million, forming part of the BDS\$20 million Small Hotels Investment Fund (SHIF), with the balance to be raised from the private sector on terms and with concessions similar to those provided to investors of Enterprise Growth Fund Limited. These funds are to be used to finance activities which should lead to an enhancement of the performance of entities, which participate in a business co-operative.

The small hotel sector has determined that the most appropriate corporate legal structure to fulfill the objectives of their organisation is that of a not-for-profit corporation as defined under the Companies Act of the Laws of Barbados. The corporation so formed shall be called "Small Hotels of Barbados Inc." (hereinafter referred to as SHBI).

The provisions contained herein will be used:

- i. to guide the design, approval, implementation, supervision and monitoring of projects and activities submitted by SHBI to SHIF for funding
- ii. to guide the approval, disbursement and debt service of loan applications submitted by SHBI

These provisions have been approved by the Investment Committee of SHIF and will be subject to changes from time to time by way of a majority vote of the Investment Committee as constituted at paragraph 7.

September 2004

SMALL HOTELS INVESTMENT FUND

POLICY AND FUNDING GUIDELINES

1.0 PURPOSE AND OBJECTIVES

- (a) The purpose of these guidelines is to inform potential beneficiaries of the Small Hotels Investment Fund (SHIF), about the general and specific requirements which apply to the application, evaluation, approval and implementation of projects sponsored by Small Hotels of Barbados Inc. and funded by SHIF. **The beneficiaries of the SHIF will be restricted to members of the Small Hotels of Barbados Inc.**
- (b) SHIF shall seek to finance projects submitted by SHBI which clearly demonstrate that they will enhance the financial viability and operational performance of the small hotel sector.
- (c) SHIF, where appropriate, will seek to add value to projects and programmes developed by the SHBI by providing business advice, identifying key resources to assist with project design, implementation, monitoring and evaluation.
- (d) The Fund will finance a balanced portfolio of cooperative projects that enhance the marketing capability, revenue earning capacity, human resources and financial viability of the broad membership of the SHBI.
- (e) The arrangements between the SHIF and recipient members of the SHBI regarding such matters as the use of the proceeds of financing, the procurement of products and services which are to be financed and the extent to which these procurement contracts are subject to the review of SHIF, will be set forth in each case in the agreement for such financing.
- (f) The primary responsibility for the procurement of goods and services will rest with the SHBI and SHIF will ensure that goods and services are procured in accordance with the procedure and in conformity with the requirements set out herein. The rights and obligations of recipients of financing, vis-à-vis suppliers and contracts for goods and service, are governed by the contracts made between them.

2.0 APPLICATION PROCEDURE

A project document and or an annual budget, including details of re-flows, capital and operating expenditures, will be submitted by SHBI to SHIF's Investment Committee for review and approval.

The project submission or budget should include, but not be limited to:

- an overview, a description of potential benefits (economic, financial, operations) and its impact on the performance of member hotels;
- an analysis of its impact on the financial sustainability of the Fund and how the Fund's capital will be replenished over the long term;
- an implementation plan;
- a schedule of the project costs, pricing (including commissions and up-charges to recipients) and eligibility criteria for participation in the programmes.

The project proposal or budget should demonstrate a sustainable competitive advantage for participating hotels and an improved market position. Resumes and references of resource persons/consultants and contractors to the project should demonstrate the relevant core competencies and experience to manage the execution of the project.

3.0 FUNDING RESTRICTIONS

- (a) SHIF will not borrow money or mortgage or pledge any of its assets.
- (b) The Fund will not engage in short-term financing, other than that referred to in paragraph 10.0, for bulk purchasing of goods and services for consumption by the membership of the SHBI except in cases where such financing represents an advance that will be refinanced by a bank on terms and conditions satisfactory to that particular institution and SHIF.
- (c) The Fund will not invest in real estate development or income producing properties.
- (d) The liquid investments of the Fund will be held in the custody of a Barbadian commercial bank.

4.0 FUNDING ACTIVITIES

SHIF will seek to fund projects or activities in the following areas:

- (a) Marketing of member hotels locally and internationally to travel trade on a commission basis. Marketing initiatives such as the development of a web site with e-commerce capability, a 1-800 central reservation service as well as representation at international trade shows are examples of the types of marketing activities that SHIF could undertake.

- (b) Establishing a “buying group” for the purchasing needs of small hotels for operating and furnishings, fixtures and equipment (FF&E) requirements in exchange for a mark-up on goods purchased by member hotels.
- (c) Human resource development and administration of staff training and coaching programmes.
- (d) Food and beverage consulting.
- (e) Advice on financing and liability management issues, benchmark information (rating systems), statistical information, energy, environmental and conservation measures, etc.
- (f) Services bureau for accounting, payroll and similar services if required by the membership of the SHBI.

5.0 GENERAL FUNDING PROVISIONS

- (a) The maximum funding per application is limited to the higher of BDS\$5.6 million or 15% of the undisbursed balance of the Fund. The Investment Committee will not unreasonably withhold approval of projects with a total capital expenditure exceeding this amount.
- (b) Participating hotels will be required to furnish occupancy rates, room rates, average daily revenues and any other relevant performance statistics to the Fund Manager on a timely basis. This information will enable effective monitoring of each project funded by SHIF. Failure to provide such information may render defaulting hotels ineligible to participate in any subsequent funding provided by SHIF.
- (c) All accommodation properties participating in projects funded by SHIF should be registered and certified by the Barbados Tourism Authority.
- (d) Eligible groups will be restricted to those properties in good standing under the bulk purchasing line of credit as detailed in 10.0.
- (e) All accommodation properties accessing the fund must be members of the SHBI and be in good standing.

6.0 APPROVAL PROCESS

Approval of a funding application is obtained by submission of a project appraisal and other related documentation:

(1) For consideration, review and approval by the Investment Committee of SHIF to be constituted as follows:

- Two representatives of EGFL
- Two representatives of SHBI
- One representative of the Division of Tourism

(2) **Chairman**

The Chairman shall be the Permanent Secretary, Division of Tourism. In his absence a duly authorised representative of the Division of Tourism shall act as Chairman.

(3) **Quorum**

Three committee members shall form a quorum for the transaction of business. No business shall be transacted at a meeting unless a quorum is present.

A quorum shall be constituted as follows:

- a) One representative of EGFL
- b) One representative of SHBI
- c) The Permanent Secretary, Division of Tourism or in his absence, a duly authorised representative of the Division of Tourism.

(4) **Voting**

Questions arising at any meeting of the Investment Committee of the SHIF shall be decided by a majority of votes. EGFL and SHBI shall each have two representatives entitled to one vote per representative and the Chairman shall have one vote and a casting vote.

7.0 AWARDING OF CONTRACTS

All procurement contracts exceeding **BDS\$20,000** for the provision of goods and services to be consumed by the membership of SHBI should be made on the basis of tenders either in response to advertisements or in response to letters of invitations to at least three qualified contractors or suppliers. The Investment Committee of SHIF reserves the right to review the selection of any contractor/supplier and to re-open the tendering process.

8.0 DISBURSEMENT GUIDELINES

Provided project approval has been obtained from the Investment Committee of SHIF and the underlying contracts for procurement of goods or services have been executed in accordance with paragraph 8.0, disbursement of funds will be made in accordance with the following guidelines:

- (a) Disbursement will be made directly to the account of SHBI to be paid directly to the account of suppliers or contractors. Disbursement will not be made, under any circumstances, to the account or individual benefit of the membership of SHBI.
- (b) Disbursement may occur quarterly in advance for approved projects or budgets in which case the Committee shall reserve the right to request an inspection or an audit of the accounts and records of SHBI to ensure compliance with prudent financial practices.

9.0 FUNDING OF ADMINISTRATION AND OVERHEAD EXPENSES

- (1) Administration, overhead expenses and management fees incurred in managing SHIF will be funded from re-flows to the Fund and income earned on liquid deposits held by SHIF, with the aforementioned expenses limited to 90% of total investment income or interest earned.
- (2) **Management Fees**

Management fees shall be accrued on the basis of 0.5% per annum of the total assets of the Fund.

10.0 APPOINTMENT OF AUDITOR

SHIF shall reserve the right to appoint an independent auditor to examine and report on the financial and management accounts of SHBI. The cost of the audit will be funded from investment income as stated in paragraph 10.0.
