

ENERGY SMART FUND

TERMS OF REFERENCE FOR THE SELECTION OF RETAILERS UNDER THE PILOT CONSUMER FINANCE FACILITY

1.0 BACKGROUND

The escalating demands of the global population on the planet's natural resources continue to compel efforts for innovative, sustainable and efficient energy use. Elevated demand for energy has led to the relatively high market price of oil, a vital commodity and primary energy source. Since oil is integral to basically all production processes employed worldwide, there have been continual increases in the cost of living. These inflationary pressures have several negative consequences for Barbados, including the erosion of the citizenry's purchasing power and the increasing demand for foreign exchange for oil imports.

The Government of Barbados is committed to encouraging the efficient generation and conservation of energy through its diversified initiatives. This view was explicitly expressed in its 2008 budgetary proposal which indicated the need to harness natural sources in the generation of electricity, retrofitting properties and revamping vehicles, as well as devising standards and incentives to encourage a major conservation of energy.

As a result, Government pledged a cumulative capital injection of BDS\$20.0 million to establish a multi-tier facility, the Smart Fund (hereinafter referred to as SF). This Fund will assist with the execution of energy efficiency (EE) and renewable energy (RE) projects amongst Barbadian businesses and households alike. The facility will be funded through a loan from the Inter-American Development Bank (IADB). Component one of the Fund will be managed by Enterprise Growth Fund Limited (EGFL).

2.0 OBJECTIVES OF THE ASSIGNMENT

EGFL is seeking proposals for the services of eligible Barbadian retail businesses which offer hire purchase facilities to consumers. This facility seeks to provide interest rate or price rebates to selected retailers in an effort to ease the burden of hire purchase costs borne by consumers, with specific regards to the purchase of EE and energy conservation equipment and distributed scale RE systems.

Furthermore, it is envisioned that such arrangements will encourage lower pricing amongst selected retailers, as well as expand the supply of EE and RE equipment available within the local market.

3.0 **SCOPE OF THE ASSIGNMENT**

Selected retailers will be expected to undertake the following:

1. Specify the preferential hire purchase conditions to be offered with respect to EE equipment and RE systems under the Smart Hire Purchase.
2. Demonstrate how the proposed preferential conditions compare to the regular hire purchase terms previously offered for EE equipment and RE systems. This will assist in assessing the level of benefits to be derived by the consumer.
3. Display to customers the amount of interest rate rebate available on each item for sale under the Smart Hire Purchase.
4. Provide a detailed listing of the type, brand, specifications and volume of EE equipment and RE systems to be offered for sale under the Smart Hire Purchase.
5. Work with customers to ensure that all parties fully understand the details of the programme, the merchandise it relates to and the associated hire purchase arrangements.
6. Devise and maintain an up-to-date and segregated (electronic only) inventory system to record the movement of all items available for sale or sold under the Smart Hire Purchase. This information will be periodically submitted to EGFL for oversight and monitoring purposes.
7. Comply with the minimum standards established by the Barbados National Standards Institution, or any technical Committee established by the ETD for such purposes, with respect to items sold to customers under this programme.
8. Submit quarterly reports to EGFL outlining the performance of the facility. Constructive feedback from selected businesses could also prove useful in improving the administration, operation, monitoring and economic impact of the programme.
9. Ensure that adequate resources are made available to facilitate the programme's satisfactory operation.
10. Comply with the terms and conditions of the Smart Hire Purchase.

4.0 **DURATION OF THE ASSIGNMENT**

This project is being undertaken to ensure that the island becomes more energy efficient through the utilisation of EE and energy conservation technologies, as well as RE systems. The PCF will be capitalised with BDS\$1.0 million from the Smart Fund and will commence on receipt of the said funds from the Government of Barbados. Given the intended purpose of this facility, the PCF will operate on a non-revolving basis until its resources are completely disbursed.

5.0 **CONTRACTUAL AND REPORTING ARRANGEMENTS**

Approved retailers will at all times be deemed as independent business institutions and not EGFL's employee(s) or agent.

The selected retailers shall submit or cause to be submitted to EGFL such reports as may be required pursuant to this engagement and as EGFL shall from time to time reasonably require.

6.0 **APPLICATION PROCEDURES FOR RETAILERS**

The general eligibility criterion for Smart Fund support is to be a business operating in Barbados, with priority given to SMEs as defined by the Central Bank of Barbados. With specific regards to the PCF, this general criterion is augmented by the following conditions:

- Proven experience in the retail sale of EE and conservation equipment, as well as distributed scale RE systems.
- Proven experience in offering hire purchase schemes to customers.
- The ability to offer preferential terms and conditions proposed for EE and conservation equipment and RE systems to be sold under the Smart Hire Purchase.

In order to become an eligible retailer, a standardised application form will be completed, signed and dated by the applying retailer and submitted to EGFL for review. Approval for participation in this programme will be decided by EGFL, on the advice of the SFTC. The applicant will be required to forward the following information and documentation in support of their application to EGFL:

- A brief history of the organisation and its functions.
- Financial statements for the past two to three years.
- A profile of the organisation's main customers.
- The interest rate proposed for selected items under the Smart Hire Purchase.
- The size of the interest rate rebate being requested.
- Information on the management skills and experience within the organisation.
- A description of the applicant's hire purchase experience.
- Information on current hire purchase sales – type and volume of items, terms and conditions.
- The proposed equipment to be offered for sale under the programme.
- Any other relevant information.

Applicants will be responsible for ensuring the accuracy and completeness of their applications.

7.0 **MAXIMUM GRANT SIZE**

Approved retailers will be limited to a maximum grant of \$400,000. Depending on the level of applicant interest observed and the performance of the PCF in the first instance, this area may be subject to review and adjustment by EGFL on a periodic basis. Any amendments to the PCF will be subject to the approval of the ETD in consultation with the IADB.

8.0 **INDEPENDENT AUDIT**

EGFL or duly authorised person shall reserve the right to request an inspection or an audit of the accounts and records of any approved retailer to ensure compliance with prudent business practices and the terms and conditions of the PCF.

9.0 **RESTRICTIONS**

With regards to any specific unit of equipment, an approved retailer is restricted from combining the benefits accruing to a customer under the Smart Hire Purchase with any other incentives afforded by other facilities under the Smart Fund to the same customer.

State owned enterprises and government entities are not eligible for support under component one.