

December 22nd, 2020

Ministry of Finance sends a bill to adjust the state guarantee mechanism and support the economic recovery ahead.

Santiago, December 22nd, 2020. Yesterday, the Ministry of Finance sent a bill to Congress that expands the benefits and uses of the Guarantee Fund for Small and Medium-sized firms (FOGAPE), in order to increase access to credit with state guarantees. FOGAPE is a state credit guarantee facility available to the banking sector and managed by Banco Estado.

The bill sent to Congress today allows for several adjustments to the FOGAPE mechanism, including:

1. FOGAPE-COVID loans are allowed to be extended up to 5 years, from a current maximum of 4 years, allowing for an extension in the payment period, subject to an agreement between the debtor and the financial institution;
2. Credits granted under the new “FOGAPE-REACTIVA” program are allowed to be granted until December 31, 2021, extending the April 30th, 2021 deadline of the FOGAPE-COVID program;
3. “FOGAPE-REACTIVA” loans may be used for investment in fixed assets and refinancing, in addition to working capital;
4. The interest rate on FOGAPE programs is made more flexible, allowing a greater number of firms to access credit with state guarantees;
5. The new FOGAPE-REACTIVA program allows for greater limits of state guarantees for loans for the acquisition of fixed assets, and in cases in which loans for sectors that were particularly affected during the current crisis;
6. The new guarantees that are delivered under the FOGAPE-REACTIVA program are allowed to have a maximum duration of 7 years, extending these guarantees until 2028.

The current FOGAPE-COVID mechanism has been successful in contributing towards the proper flow of credit in the economy, especially during the months in which most of the Chilean economy was in lockdown. As a matter of fact, the FOGAPE-COVID program has thus far approved roughly 300,000 working capital loans, 97% of which have been to SMEs, totaling about USD 14 billion in loans. As has been highlighted by the Central Bank of Chile, the timely implementation of this policy contributed towards an expansion in commercial credit in year-on-year terms, in stark contrast to credit dynamics in previous recessions. The policy was coordinated with the Central Bank of Chile and the Financial Markets Commission to ensure the maximum impact and availability of credit and working capital to firms.



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The law that approved the FOGAPE-COVID program in April-2020, also included the authorization to inject up to USD3 billion in capital to FOGAPE, of which USD850 million have been contributed to FOGAPE. Financial resources implied by the modifications to the FOGAPE law sent yesterday will be considered within the USD3 billion authorization.

