

FALKLAND ISLANDS DEVELOPMENT BOARD



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Title: Additional Financing Options with the Portfolio Participation Program (PPP)

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1.0 PURPOSE

- 1.1 To provide the Board with additional options for raising private financing for FIDC given the success of the first round of the Portfolio Participation Program (PPP), which could include a second tranche of PPP financing and can be applied for general lending purposes and/or FIDC-led projects that will generate a return for FIDC, and provide economic benefit to the Falkland Islands.

2.0 RECOMMENDATIONS

- 2.1 The Falkland Islands Development Board is recommended to;
- i. Note the financing options outlined in this paper; and
 - ii. Approve FIDC to make a second tranche of PPP available in the Falkland Islands to both businesses and individuals as outlined in section 8.0; or
 - iii. Approve FIDC to explore and develop an "Opportunity Fund" from both domestic and international financing that could perpetually finance FIDC's lending capabilities as well as all FIDC-led projects, to be presented at a future Board meeting; or
 - iv. Approve both the second tranche of PPP, and the exploration/development of an Opportunity Fund. **THIS IS RECOMMENDED.**

3.0 STRATEGY

- 3.1 The FIDC Corporate Plan 2024-2029 contains the Objective to "*stimulate capital investment and build resilience in key sectors by providing assistance, incentives and projects,*" with a Priority being "*private financing,*" with Key Actions being "*continue to investigate options for the private financing of projects,*" "*continue to promote and monitor the progress of the Portfolio Participation Programme,*" and "*seek alternative routes for funding and investment (for example, inward investment).*" and the Outcome of "*an increase in capital available for start-ups and growth projects for businesses.*" This report is consistent with the Objective.

4.0 SUMMARY OF IMPLICATIONS

- 4.1 Financial: If a second tranche of PPP financing is approved, FIDC would begin immediately soliciting £500,000 from the private sector. At present, there are no financial implications related to the exploration and development of an Opportunity Fund. If both options are approved, FIDC would begin working on both the aforementioned options jointly.
- 4.2 Legal: Both a second tranche of PPP and exploration of the creation of an Opportunity Fund require FIDC to engage with legal services to draft appropriate agreements to solicit external financing.
- 4.3 Human Resource: None for purposes of this paper.

5.0 BACKGROUND

- 5.1 At the 17 September 2025 FIDC Board meeting, Board members noted the report (Paper No. 915/25) and Project Initiation Document, and agreed in line with the Stanley Marina Request for Proposal (RFP) selections paper FIDC would continue pursuing the development of the Stanley Harbour marina business case, with use of some of the funds from PPP for the project depending on the outcome of FIG funds, the Board further approved the use of PPP funds to support loans once appropriate approval is sourced to undertake this form of lending.
- 5.2 At the same meeting, the Managing Director noted there is potential of a second tranche of PPP once clarity of the use of monies is clear, and Board members were supportive of this.

6.0 PORTFOLIO PARTICIPATION PROGRAM (PPP)

- 6.1 In July 2023, the FIDC Board approved the Portfolio Participation Program, a five (5) year scheme that allowed both individuals and businesses to subscribe to the FIDC loan portfolio for a minimum of £2,000 per subscription, of which FIDC would buy back an equal portion of the subscription each year for five (5) years, while the subscriber earned an interest on that subscription that was in line with the FIDC interest rate – 2.5 percent (%) above the Bank of England base rate.
- 6.2 In August 2025, FIDC repaid PPP subscribers the first-year repayment in the amount of £135,908.06, and will continue to make repayments to subscribers on an annual basis every August for the ensuing four (4) years.
- 6.3 The next repayment is scheduled for August 2026.
- 6.4 For the subsequent four (4) years, the repayment will be equal to one-fifth (1/5) of the principal subscription amount (total £100,000 each year), plus an interest pay-out in line with the FIDC interest rate for that fiscal year. It should be noted FIDC will pay a minimum interest pay-out of five percent (5%) should the FIDC interest ever fall below that percentage.

7.0 PPP FOR GENERAL LENDING PURPOSES

- 7.1 From its inception, FIDC was legally advised that utilizing PPP monies for general lending puts FIDC in violation of the current Falkland Islands Banking Ordinance 1987, which states, *“Falkland Islands Banking Ordinance 1987 – Part I Preliminary – 2 Interpretation – ‘banking business’ means the business of accepting deposits of money which may be withdrawn or repaid on demand or after a fixed period or after notice and the employment of those deposits in whole or in part by lending or any other means for the account and at the risk of the person accepting such deposits and shall include merchant banking business.”*
- 7.2 In September 2025, the Attorney General’s Chambers submitted an opinion via the Falkland Islands Government (FIG) Chief Executive that FIDC’s use of the PPP monies would not violate the Banking Ordinance 1987, and as such, FIDC could apply the money for general lending purposes. On this basis, FIDC allocated £250,000 of the remaining PPP monies for general lending purposes.
- 7.3 FIDC has also concluded the Attorney General’s Chambers opinion can be applied to a second tranche of PPP monies that could be raised.

8.0 SECOND TRANCHE OF PPP

- 8.1 It is recommended that FIDC launch a second tranche (a.k.a., round) of the PPP scheme under the same parameters:
- A portion of interest payments from the FIDC loan portfolio to be purchased by up to 250 subscribers (individuals and businesses);
 - A minimum £2,000 per subscription, which will then entitle those subscribers to an annual percentage return;
 - A minimum five percent (5%) guarantee for subscribers;
 - A fixed period of five (5) years for all subscriptions; and
 - A total raise of £500,000 for FIDC.
- 8.2 There is no indication by FIG that a new tranche of PPP monies will be tax-exempt for subscribers. This is in line with the first tranche of PPP monies, which did not receive tax-exemption when originally applied for.
- 8.3 It is recommended that FIDC amend the original perimeters to allow for pay out of the principal subscription amount (£2,000) to be repaid at the end of the five (5) years, thereby allowing subscribers to receive equal interest pay outs each year. The original scheme allows for 20 percent (%) return of principal subscription amount each year for the five (5) years, thereby reducing FIDC’s cumulative interest pay out each year.
- 8.4 The following tables outline the original pay out schedule against two alternatives, of which the recommended pay out schedule for a second tranche described in 8.2:

Year	Principal	PPP (Already in Effect)
1	£2,000	£400 + £130
2	£1,600	£400 + £104

3	£1,200	£400 + £78
4	£800	£400 + £52
5	£400	£400 + £26
Total Pay Out		£2,390

NOTE: The above table assumes an annual interest rate of 6.5 percent (%), which is the current secured (February 2026) rate from FIDC. The FIDC interest is subject to change.

Total pay-out: £500,000 (principal) + £97,500 (interest) = £597,500.

8.5 The recommended changes outlined in 8.1 are as follows:

Year	Principal	PPP Tranche 2 (Proposed)
1	£2,000	£130
2	£2,000	£130
3	£2,000	£130
4	£2,000	£130
5	£2,000	£2,000 + £130
Total Pay Out		£2,650

NOTE: The above table assumes an annual interest rate of 6.5 percent (%), which is the current secured (February 2026) rate from FIDC. The FIDC interest is subject to change.

Total pay-out: £500,000 (principal) + £162,500 (interest) = £662,500.

8.6 An alternative reinvestment scheme envisions not an annual pay out, but a reinvestment of the interest (compounding), and a new calculated annual amount accrued, of which the total is repaid at the end of five (5) years. This is not recommended.

Year	Principal	PPP Tranche 2 (Reinvestment)
1	£2,000	£130
2	£2,130	£138.45
3	£2,268.45	147.44
4	£2,415.89	157.03
5	£2,572.9	167.24
Total Pay Out		£2,740.16

NOTE: The above table assumes an annual interest rate of 6.5 percent (%), which is the current secured (February 2026) rate from FIDC. The FIDC interest is subject to change.

Total pay-out: £500,000 (principal) + £185,040 (interest) = £685,040.

8.6 FIDC had looked into extending the overall timeframe of a second tranche of PPP, but to extend repayments beyond five (5) years limits the total amount of loans, and by extension interest to be repaid, available to FIDC to use to repay subscribers. As such, FIDC is not recommending adjusting the overall timeframe beyond five (5) years.

9.0 CREATION OF FIDC OPPORTUNITY FUND

- 9.1 It is recommended the FIDC Board approve FIDC to explore and develop an Opportunity Fund from both domestic and international financing that could perpetually finance FIDC's lending capabilities. The purpose of the Opportunity Fund would be to enable funds to be raised from external and internal sources, and to solely be used for investment purposes for the Falkland Islands business community.
- 9.2 Broadly speaking, the advantages of an Opportunity Fund are as follows:
- To permit funds to be raised in both the UK and within the Falklands;
 - To provide a scheme governed by appropriate regulatory controls, but which would not require additional regulatory legislation/resources within the Falkland Islands;
 - To be compatible with laws within the Falkland Islands in respect of foreign ownership controls and to maintain such controls;
 - To provide for a portfolio of risk to any investors ranging from traditional loans through to shared equity arrangements and joint funding solutions; and
 - To enable FIDC to tap into these additional funds for the purposes of complying with its objectives under the FIDC Ordinance, in particular ensuring successful development of businesses and a positive business environment in the Falkland Islands.
- 9.3 It is thought that FIDC would establish the Opportunity Fund in the U.K., and operate it as a trust fund based on a Unit Trust Scheme (defined as "collective investment vehicles that pool funds from multiple investors to invest in a diversified portfolio managed by fund managers).
- 9.4 It is thought the Opportunity Fund would permit individuals and companies to purchase units in the fund, pooling money which is specifically intended to be invest in the Falkland Islands.

10.0 LAUNCHING BOTH PPP AND OPPORTUNITY FUND SCHEMES

- 10.1 The launch of a second tranche of PPP allows FIDC to address a need from both the FIDC Board and Members of the Legislative Assembly (MLAs) in the short-term. Because of the clarification from the Attorney General's Chambers, FIDC could immediately deploy the second tranche of PPP for general lending purposes.
- 10.2 The exploration and development of an Opportunity Fund would allow FIDC to address a perceived long-standing struggle between FIDC and Falkland Islands Government (FIG) as it relates to the FIDC budget, and what FIDC actually needs to operate consistently and effectively on an annual basis.
- 10.3 It is thought that the potential of having an Opportunity Fund means that FIDC can perpetually fund loans to businesses in the Falkland Islands, and finance all FIDC-led projects, thereby significantly reducing FIDC's reliance of FIG subvention on an annual basis, while maintaining current levels of FIG oversight.

11.0 FINANCIAL IMPLICATIONS

11.1 If a second tranche of PPP financing is approved, FIDC would begin immediately soliciting £500,000 from the private sector. FIDC and the Board will need to ensure it has sufficient funding to repay subscribers on an annual basis for five (5) years. At present, there are no financial implications related to the exploration and development of an Opportunity Fund. If both options are approved, FIDC would begin working on both the aforementioned options jointly.

12.0 LEGAL IMPLICATIONS

12.1 Both a second tranche of PPP and the exploration of the creation of an Opportunity Fund require FIDC to engage with legal services to draft appropriate agreements to solicit external financing.

13.0 HUMAN RESOURCE IMPLICATIONS

13.1 None for purposes of this paper.