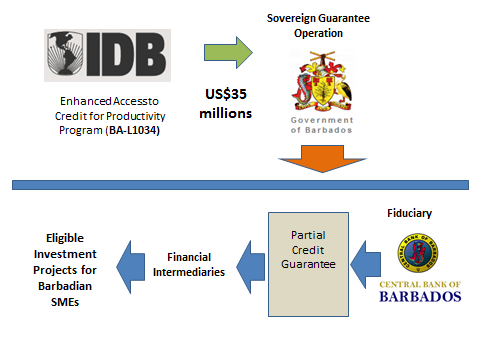
BA-L1034: Program Operative Flow

The objective of the program is to contribute to increase productivity for Small and Medium Enterprises (SMEs) by facilitating access to medium- and long-term credit through a Credit Guarantee Mechanism. In this process, the Government of Barbados (GOB) will be the borrower of the loan and the Central Bank of Barbados (CBB) will be the executing agent for the project (fiduciary).

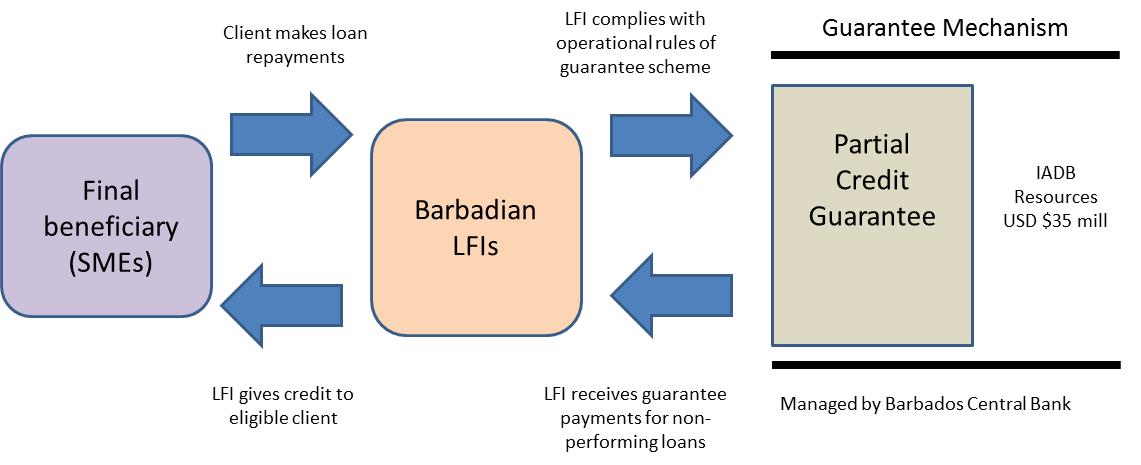
The Intermediary Financial Institutions (IFI) will benefit from the guarantee that will enable the sub-loans to be disbursed for eligible productive investment projects for qualifying SMEs, the final beneficiaries.

**Figure 1: Program Structure**



The obligations and responsibilities of the borrower and the executing agent are detailed in Operating Regulations Document (ORD), as well as the fiduciary obligations related to the project. The Central Bank of Barbados shall use the proceeds of the aforementioned loan to establish, fund, and manage a segregated account for the purpose of providing partial credit guarantees to IFI to finance individual loans to SMEs in Barbados to compensate for the existing lack of collateral from SMEs to comply with the collateral requirements for loans.

**Figure 2: Guarantee Mechanism Structure**

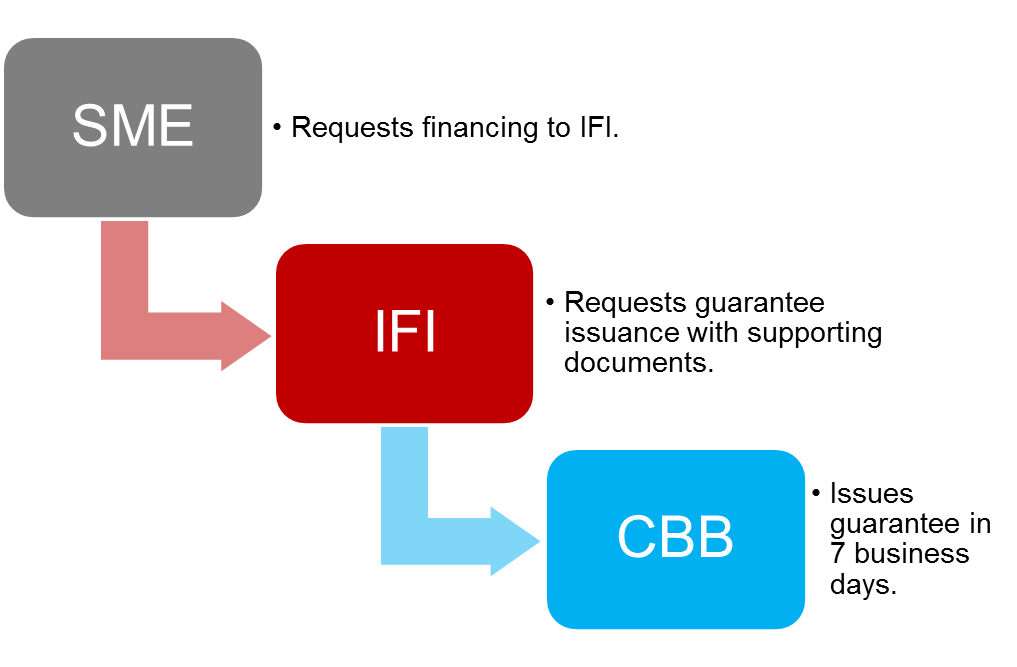


**Guarantee Issuance Process**

The CBB will issue the Guarantee upon fulfillment of a duly completed guarantee application. The Guarantee will be issued electronically and/or any guarantee document which will be legally binding in accordance with applicable Barbadian law, in accordance with the following operational process (Figure 3):

1. The SME requests financing to the IFI.
2. The participating IFIs may request the issuance of a CBB Guarantee.
3. The CBB will issue a Guarantee requested in favor of the requesting IFI within 7 business days of receipt of such guarantee application.
4. The Guarantees issued under the CBB SME Guarantee Fund may only be utilized in accordance with the eligibility criteria stated in the ORD

**Figure 3: Issuance Process**

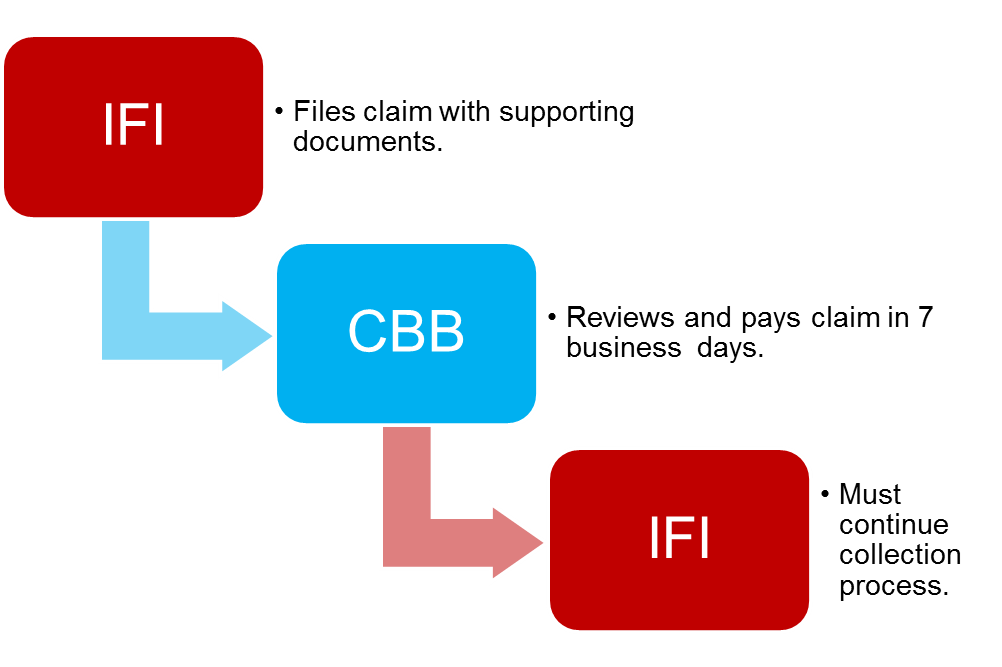


**Guarantee Claim Process**

The guarantee default event will be triggered according to the rules stated in the ORD. Once a Guarantee has entered into a guarantee default event, the following operating procedure will be followed (Figure 4):

1. The IFI will send to the CBB a duly completed Claim Notice upon the occurrence of a Guarantee Default Event.
2. CBB will have 5 business days to review the duly completed Claim Notice and 7 business days to proceed with the disbursement.
3. The IFI will be responsible for recovering the outstanding amount of the defaulted loan.

**Figure 4: Guarantee Claiming Process**



**Guarantee Recovery Process**

Once a Claim has been disbursed, the following operating procedure will be followed (Figure 5) according to the ORD:

1. The rights on the guaranteed portion of the SME loan will immediately transferred to the CBB.
2. The IFI will be obliged to undertake legal collection for the guaranteed portion of the claimed SME loans on behalf of the CBB and any amount collected, after expenses, will be shared pari passu between the IFI’s outstanding balance and the CBB’s outstanding balance based on the claimed amount.
3. The IFI will be obliged to provide a status report on the collection process of claimed SME loans.

**Figure 5: Guarantee Recovery Process**

