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BARBADOS

GLOBAL CREDIT PROGRAM FOR SAFEGUARDING THE PRODUCTIVE SECTORS AND EMPLOYMENT

(BA-L1051)

LOAN PROPOSAL

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ABBREVIATIONS	
CAF	Development Bank of Latin America (by its Spanish acronym)
CBA	Cost Benefit Analysis
CBB	Central Bank of Barbados
CDB	Caribbean Development Bank
COVID-19	Coronavirus disease 2019, the disease caused by the 2019 novel coronavirus
CR	Credit Regulations
EA	Executing Agency
ECGF	Enhanced Credit Guarantee Fund
ECLAC	Economic Commission for Latin America and the Caribbean
EFF	Extended Fund Facility
EGFL	Enterprise Growth Fund Limited
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
FEECD	Foreign Exchange and Export Credits Department
FIN	IDB Finance Department
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IFI	Intermediary Financial Institutions
IRR	Internal Rate of Return
LAC	Latin America and the Caribbean
LEG	IDB Legal Department
MSME	Micro, Small, and Medium-sized Enterprises
NPL	Non-Performing Loan
OC	Ordinary Capital
PAHO	Pan American Health Organization
PDFI	Public Development Financial Institutions
RAMSAR	RAMSAR Convention on Wetlands (signed in 1971)
SBA	Small Business Association
SPF	Safeguard Policy Filter
WHO	World Health Organization

PROJECT SUMMARY
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Financial Terms and Conditions				
Borrower:			**Flexible Financing Facility**[a]	
Government of Barbados			**Amortization period:**	25 years
Executing Agency:			**Disbursement period:**	2 years
Central Bank of Barbados (CBB)			**Grace period:**	5.5 years[b]
Source	**Amount (US$ Million)**	**%**	**Interest rate:**	LIBOR-based
IDB (Ordinary Capital - OC):	30	100	**Credit fee:**	[c]
			Inspection and supervision fee:	[c]
Total:	30	100	**Weighted average life:**	15.25 years
			Currency of approval:	Dollars of the United States of America

Project at a Glance
Project objective/description: The objective of this operation is to support the sustainability of the Micro, Small and Medium Enterprises (MSMEs) to maintain employment and economic activity in Barbados in response to the crisis caused by COVID-19. The specific objectives are: (i) to support the short-term financial sustainability of MSMEs; and (ii) to promote the economic recovery of MSME through access to productive financing.
Special contractual conditions precedent to the first disbursement of the loan proceeds: As a special contractual conditions precedent to the first disbursement of the loan proceeds, the Credit Regulations (CR) will have been approved and entered into force in accordance with the terms previously agreed upon with the Bank (¶3.12).
Exceptions to Bank policy: None.

Strategic Alignment						
Challenges:[d]	SI	☒	PI	☒	EI	☐
Crosscutting themes:[e]	GD	☐	CC	☐	IC	☐

[a] Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

[b] Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

[c] The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the relevant policies.

[d] SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

[e] GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problems to be addressed and justification

1.1 **Background.** On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. Coronavirus Disease 2019 (COVID-19) is an infectious disease caused by a novel coronavirus now called Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV-2). As of November 17, 2020, the WHO reported more than 54.7 million confirmed cases in 216 countries, resulting in more than 1.3 million deaths.[1] Almost 12.2 million cases of COVID-19 and 428,106 deaths have been reported in Latin American and the Caribbean (LAC), affecting almost all countries of the region.[2] In Barbados, COVID-19 has had a small impact on the health of its population; as of November 17, 2020, the number of confirmed cases stands at 250, with 7 have died.[3] The country has reported lower infection rates compared to other countries in LAC, barely reaching a rate of 7 cases of COVID-19 per 10,000 people, considerably lower than the almost 60 infections per 10,000 inhabitants registered for the Americas. From the beginning of the crisis in March, the Government of Barbados took very stringent measures to curb contagion among the population.[4]

1.2 **Challenges created by the COVID-19 crisis.** Despite the fact that the health emergency has been controlled so far, the crisis created by COVID-19 has resulted in severe social and economic challenges. Barbados is a small open economy (287,000 inhabitants), predominately service-based and mainly driven by the finance, tourism and transport sectors (34.4%, 17% and 12.6% of Gross Domestic Product (GDP) respectively).[5] Due to the COVID-19 pandemic, the economy contracted 14.9% in the first semester of 2020 and the expected outlook for 2020 is a 11.6% contraction.[6]

1.3 Barbados is highly vulnerable to external shocks and the COVID-19 pandemic has had a strong impact on the national economy, particularly in the tourism sector which accounts for 30.9% when considering indirect spillovers (indirect contribution), and 33.4% of total employment.[7] According to the World Turism Organization (WTO), the number of visitors in Barbados from 2010 to 2018 oscilated between 1.05-1.36 million per year.[8] The coronavirus pandemic has halted tourism arrivals in 2020. Between March 2020 and July 2020, tourism came to standstill. Since reopening international borders and recommencing tourism (mid-July), the number of tourists has slowly increased but still remains well below the average number of arrivals in prior years. Although the authorities have strict travel protocols in place, which are helping to mitigate the spread of the virus within the island, tourism recovery will depend on the evolution of the pandemic in key

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1 See WHO COVID-19 Coronavirus Disease (COVID-19) Pandemic & COVID-19 Situation Reports.
2 PAHO status report (November 17, 2020).
3 At the top of the pandemic, in early April, a maximum number of 11 patients was reached in one day.
4 On April 3, authorities imposed a 24-hour curfew as part of the nation's efforts to curb COVID-19 disease. The government ordered all nonessential business to close; supermarkets and small stores were also closed. The response proved to be efficient and the island was declared virus free at the end of June. Curfews and restrictions were therefore lifted, and Barbados officially reopened for tourism on July 1st, 2020, with entry conditions depending on the country of origin and being updated regularly.
5 See OEL#11.
6 World Economic Outlook, IMF, October 2020.
7 World Tourism Organization. Research Economic Impact.
8 https://www.unwto.org/data.

source markets for tourism, namely Canada, the United States of America and the United Kingdom[9] (See OEL#8).

1.4 There are two additional risk factors that affect the declining economic outlook in the short and medium term. The first is that most of the tourists who visit (and the economic and commercial relations) come from Europe or North America, two of the regions most affected by the pandemic. Therefore, the recovery is expected to be slow and there is still uncertainty about the severity of a second wave.This negative outlook could be extended as far as 2021. Furthermore, the worsening of the world economic situation may impact the inflow of remittances, which accounts for approximatly 3% of GDP.[10] Other economic sectors such as transport, telecommunications, distribution and trade, and construction also remain subdued as a result of the pandemic.

1.5 **Macro and fiscal outlook.** Growth has been slow in Barbados, with an average GDP per capita growth at around 0.66% between 1981 and 2017. The concentration of economic activity in the tourism sector makes the country highly vulnerable to fluctuations in its main tourism source markets and external shocks. Tourism is also the main source of international reserves, which must be maintained at an adequate level due to the fixed exchange rate. The country is also in the midst of a 4-year Extended Fund Facility (EFF) with the IMF, which was signed in October 2018 and based on the Barbados Economic Recovery and Transformation Plan (BERT). To date, Barbados has passed three reviews under the program, and US$283 million have been disbursed. As a consequence of COVID-19, revenues are falling, and expenditure is rising. Therefore, the targets and structural benchmarks have been modified and delayed, respectively. The primary fiscal balance targets have been revised from 6% of GDP to 1% of GDP and 3.5% of GDP in FY2020/21 and FY2021/22 respectively. The deadline to achieve five structural benchmarks set for 2020 under the EFF has also been extended to accommodate for the impact of COVID-19.[11] Despite this, the IMF conducted and completed a quarterly update mission in August 2020 and announced that the country remained on track with the reforms. Also, on October 30, 2020, the IMF reached a Staff level agreement with the Government of Barbados on the Fourth Review of Barbados' Economic Program under the Extended Fund Facility.[12]

1.6 **Current constraints on access to finance for micro, small, and medium-sized enterprises (MSMEs) in Barbados.**[13] Throughout Latin America and the Caribbean, support for the MSME sector is considered particularly critical in

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[9] Two thirds of visitors were coming from these three countries which are still very much affected by the pandemic.

[10] Data World Bank, 2020. Average of the last 20 years. That diaspora mostly lives in North America (United States of America and Canada) and Europe (United Kingdom).

[11] These include the adoption of the Central Bank law by Parliament rescheduled from December 2019 to December 2020; the completion of an actuarial review of the civil service pensions rescheduled from June 2020 to September 2020; a new public pension law rescheduled from September 2020 to December 2020; development of plans to recapitalize the Central Bank and address medium and long-term challenges for the NIS stemming from the debt restructuring, rescheduled from June to December; and the resetting of the fiscal rule benchmark rescheduled from December 2020 to June 2021.

[12] See IMF Reaches Staff Level Agreement on the Fourth Review of Barbados' Economic Program Under the Extended Fund Facility.

[13] See OEL#5.

confronting the crisis. In Barbados, the response to the COVID-19 emergency has involved the conceptualization of programs solely devoted to supporting SMEs and solving the problem of access to credit. According to a Financial Sector Assessment conducted by the World Bank,[14] access to credit in Barbados is well-developed for households, but weaker for firms. Credit to households represents the majority of bank lending and credit unions serve a large majority of the population.[15] However, MSMEs identify access to credit as a key obstacle and mostly finance their investments internally compared to peer countries.

1.7 MSMEs comprise 96.3% of formal enterprises in the country, with a large majority of micro (45.3%) and small (46.9%), while medium (26 to 50 employees) account for 4.1% of the enterprises and the informal sector is estimated to be between 30% and 36% of GDP.[16] MSMEs contribute to 64.1% of the national added value and account for approximately 60.7% of employment.[17] More than 75% of the 9,000 MSMEs operating in the country are in the service industry. Only 16.8% are in the industrial sector and agriculture only represents 5.8% of MSMEs. Nevertheless, MSMEs faced significant obstacles to growth, particularly in terms of access to credit, even prior to the economic crisis caused by COVID-19. According to the most recent World Economic Forum Global Competitiveness Report 2019,[18] Barbados ranks 35 out of a total of 141 countries in the financial system development pillar, but ranks 125 in SME finance. The World Bank Doing Business 2020 Report concludes the same, with Access to Finance as the first problematic factor for doing business in Barbados; the country is ranked in 152nd place out of 190 countries in the "getting credit" category. In fact, 41% of businesses identify access to finance as their main issue and that percentage increases to 45% within MSMEs.[19] As shown in Table 1 below, the majority of working capital is financed from internal funds/retained earnings (mean of 70% and median of 80%). The figures are even higher for the purchase of fixed assets.

Table 1. Sector by working capital sources (%)

Sector	Working Capital Source (%)				
	Internal Funds/Retained Earnings	Banks	Non-Bank Institutions	Credit/Advances from Suppliers /Customers	Other (Money Lenders, Friends, Relatives, Etc.)
Manufacturing	66.66	13.4	0.00	17.02	2.92
Hotels and Restaurants	76.92	14.46	0.00	5.08	3.54
Wholesale and Retail Trade	66.64	20.00	4.55	8.18	0.64
Other Services	73.82	19.12	0.00	7.06	0.00
Total	**70.16**	**15.26**	**0.48**	**11.75**	**2.35**

Source: OEL#16. Analysis of the Market Demand for a Government-backed Loan Guarantee – 2015.

14 Financial Sector Assessment Barbados, World Bank, IMF 2014.
15 See OEL#10.
16 Estimating the Size of the Informal Economies in the Caribbean States, IDB 2017.
17 See OEL#14.
18 World Economic Forum Global Competitiveness Report 2019.
19 See OEL#14.

Table 2. Sector by source of funding for fixed assets purchased in last FY (%)

Sector	Fixed Capital Funding Source (%)					
	Internal Funds/Retained Earnings	Owners' Contributions or Issued New Equity	Bank Borrowing	Non-Bank Financial Institutions	Credit/ Advances	Other
Manufacturing	78.61	0.28	17.5	0.00	3.61	0.00
Hotels and Restaurants	71.00	0.00	10.00	0.00	3.38	15.63
Wholesale and Retail Trade	95.80	0.00	3.00	0.00	1.20	0.00
Other Services	78.38	1.25	15.00	0.00	5.38	0.00
Total	**79.21**	**0.38**	**13.59**	**0.00**	**3.62**	**3.21**

Source: OEL#16. Analysis of the Market Demand for a Government-backed Loan Guarantee – 2015.

1.8 In Barbados, before the crisis, the proportion of the SME loans requested is on average 35% of the total loan portfolio for the financial intermediaries, and only 60% of those loans are approved. On average, 90% of SME loans are required to present a minimum of 100% of collateral for their loans. The average size of SME loan is US$200,000.[20]

1.9 The difficulties faced by MSMEs in obtaining credit through the Barbados banking system are therefore expected to worsen with the economic contraction of 2020. The main problem faced by MSMEs in the current context is the lack of liquidity to cover fixed costs and maintain jobs when faced by an abrupt reduction in their operating income. Access to credit for working capital and purchase of fixed assets will become crucial for the survival of businesses which –given the economic downturn– will not be able to rely on their internal funds for much longer. In a phone survey done by the IDB in June 2020,[21] the impacts on employment and business closures were already very severe. The National Insurance Scheme (NIS) paid US$54.3 million to 31,055 unemployment benefit claimants (approximately one-fifth). Based on the IDB telephone survey results, approximately 30% of households surveyed reported business closures and 46.3% of workers reported losing their job between January and April 2020. Job losses were more prevalent among households who were categorized as poor or extreme poor.

1.10 The productive vulnerability assesment (OEL#9) carried out by the IDB indicates that the tourism and hotel sectors are the most affected, followed by the freight transport and logistics sector, and construction and retail. In the tourism sector, most businesses are cash-flow dependent and highly-leveraged and while hotels are closed, some fixed costs like maintenance, upkeep, and security cannot be deferred. The short-term liquidity shortfall endangers the tourism sector's future as many local operators and hotels are still waiting to be paid for services already delivered to bigger international operators in the first quarter of 2020.[22]

1.11 **Gender gap.** In addition to the systemic difficulties described for access to financing the productive fabric of Barbados, women enterpreneurs face a more severe impact due to the COVID-19 crisis. From a productive perspective, women workers and entrepreneurs are more present in the services and tourism sectors in the country, which are the economic sectors most affected by the crisis. Although Barbados does

[20] See OEL#16.
[21] See OEL#7.
[22] Updated: Caribbean hoteliers accuse TUI of failing to pay debts.

not have adequate gender disaggregated data to understand the situation and gaps faced by women-owned or led enterprises, available information based on a 2016 survey suggest that: (i) 47.7% of sole proprietors are women; (ii) 34.4% of SMEs have majority female ownership; and (iii) at least 55% of these companies in the formal sector suffer some type of restriction on access to financing (OEL#14).The Central Bank, as well as financial institutions, does not currently have permanent mechanisms for the collection and analysis of data disaggregated by the gender of the owner or leader of the entreprise, which makes it difficult to understand the participation of women's companies in key sectors, like tourism as well the barriers they face.

1.12 **Financial supply.** In the last decade, an important concentration process at the Barbados' financial system has ocurred. From 45 financial institutions in 2012 and 26 entities in 2016, the system is currently comprised by 7 commercial banks and 14 trust and finance companies and merchant banks. Additionaly, the Enterprise Growth Fund Limited (EGFL) is the only Public Development Finance Institution (PDFI) operating in the country.[23] During the first half of 2020 financial institutions remained sound and liquid while profitability appeared to be recovering, with banks still presenting high levels of capital adequacy (13.6% in March 2020, vs. 13.5% in 2019; 13.9% in 2018, 17.0% 2017 and 17.0% 2016). However, the sector showed a modest increase of 30 bps in the NPL ratio to 6.9% in 2020 (vs. 6.6% in 2019, 7.4% 2018 vs. 7.9% in 2017 and 8.9% 2016).[24] The financial sector still shows above-normal liquidity ratios with the excess cash ratio for banks rising from 18.5% at the end of December 2019 to 20.1% at the end of June 2020.[25] Nevertheless, for the third consecutive year, credit to the non-financial private sector by deposit-taking institutions declined during the first half of 2020, falling by 1.5% as loan repayments by the personal, distribution, hotels and restaurants, manufacturing, construction, real estate and helath care sectors outweighted new credit. At the same time, the absence of a credit registry or bureau in Barbados has likely supported higher borrowing costs and collateral requirements, highlighted as a major challenge for MSMEs to access credit.[26]

1.13 The Barbadian financial system has a healthy level of solvency enabling it to cope with adverse scenarios. However, the fall in economic activity limits its capacity to increase its lending to MSMEs. Liquidity is more highly valued during periods of greater uncertainty (and financial institutions tend to display a procyclical behavior).[27] With the current crisis and despite the liquidity levels in the Barbardian banking system, there is a fast-occurring and sharp imbalance between financing needs and credit availability which alters the relative prices of credit and, coupled with higher

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[23] EGFL has the purpose of providing development finance to the critical SMEs in agriculture, manufacturing, tourism and renewable energy sectors with export potential. Its role is to support the development of a dynamic small to medium sized business sector through the provision of non-traditional financing instruments and professional expertise. See Annual Report 2019.

[24] See OEL#11.

[25] See Central Bank of Barbados Review of the Economy - January to June 2020.

[26] IDB Caribbean DEVTrends.

[27] In the economic growth phase, they tend to accommodate MSME demand for credit (they take on more risk, basing their expectations of higher yield on a presumably continuous growth of earnings and revenues), while in the economic slowdown phase, their preference for liquidity leads to credit rationing just when SMEs are in need of funds to continue doing business and/or refinance their debt. See The Impact of Risk Factors on the Financial Performance of the Commercial Banking Sector in Barbados (Wood and McConney, 2018).

perceived risk, limits access to finance. This diagnosis shows that times of crisis such as the present are characterized by a general dearth of liquidity and funding alternatives.

1.14 The problem of SME access to finance in Barbados stems from a number of domestic and external factors which contributed to a shift in the local financial system preference toward shorter-term liquid assets, and from private to public funding (OEL#15) As a result of the foregoing, rationing of credit is hindering investment processes aimed at expanding production capacity or introducing innovations. Consequently, amidst current uncertainty related to the duration of the COVID-19 crisis and the feasilibility of business ventures, there is an increase in risk perception regarding credit to MSMEs which results in a lack of appetite for continued lending.

1.15 Many MSMEs that were commercially viable before the crisis are facing a temporary lack of liquidity. This current reality builds upon the structural challenges for MSMEs access to credit previously mentioned. These combined effects, if not addressed, may trigger the closure of businesses and permanent insolvency and the concomitant loss of jobs, making it impossible for them to pay suppliers, workers or to meet their financial commitments. Furthermore, the limited development of MSMEs in the future may discourage the creation of new enterprises and the possibility of growing the number of dynamic enterprises operating in the local economy.[28] However, it is important to highlight that, when provided with adequate financing, MSMEs can be highly flexible in adapting to an economic recession, as they are less affected by inertia, rigidity and sunk costs, and more capable of exploiting market niches.[29]

1.16 **Challenges and progress.** A key economic policy objective in the context of a profound but temporary shock is to prevent liquidity problems leading to firms becoming insolvent, with the consequent irreversible loss of capital and jobs for the economy. In shielding the productive fabric of Barbados from the economic hardships associated with the COVID-19 crisis, the challenge will be to keep as many MSMEs open that were commercially viable before the crisis, avoid short-term insolvencies, and enable these firms to gradually resume normal operations once the health emergency is over (OEL#5 and OEL#9).[30] When the market fails to respond, governments tend to step in with measures that foster and remedy the lack of liquidity while assuaging the risk perceptions of financial institutions, particularly with regard to the MSME segment.

1.17 Barbados has made a longstanding concerted effort to develop its public policy to support the smaller firms in the country. In 2016, the government developed an institutional framework to spur MSME entrepreneurship through the Ministry of Industry, International Business, Commerce and Small Business Development (OEL#13). The "Barbados Growth and Development Strategy Document for 2013-2020" has a section dedicated to Micro, Small and Medium Sized Enterprise

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[28] See OEL#10.

[29] See Tan and See (1997), Gregory et al. (2002), and Narjoko and Hill (2007).

[30] All preidentified sectors face risks associated with the reduction of international demand, along with other financial and equity risks such as the interruption of payment cycles (OEL#9), the accumulation of liabilities (rents and wages), and the reduction of short, medium and long-term a financing. Supply-side risks include limitations on the use of the labor force and insufficient quantity and quality of inputs, among others.

(MSME) development, in which it highlights the government's commitment to provide greater access to capital for MSMEs and to further promote their growth, productivity and revenue generation. The policy also highlights the importance of the private sector in the country's economic growth, the government's commitment to promote business facilitation, and the role that financial institutions play in promoting investments. As a part of these measures, in 2015 the government and the Central Bank of Barbados (CBB), with the support of an IDB loan (¶1.27) created the Enhanced Credit Guarantee Fund (ECGF), which was envisaged precisely to address the risk perception associated with the MSME segment, which proved to be a successful model to build on to address the challenges presented by the COVID-19 crisis.

1.18 **Government measures to support the economy (OEL#6).** In response to the pandemic, the Government of Barbados has outlined a 2-year Economic Stabilisation Program to support firms and households. The program involves a fiscal cost of approximatly US$1.15 billion (11% of GDP). COVID-19 support measures taken by the government has been focused on "increased healthcare spending, accelerated payment of unemployment insurance claims, increased welfare outlays for households ineligible for unemployment benefits and extended grants to small business that maintained all or most of their workers".

1.19 Specifically, as a response to the pandemic, the Government of Barbados has been directly supporting small businesses through: (i) the Small Business Wage Fund (US$10 million) to assist small businesses; (ii) the Barbados Employment and Sustainable Transformation Program (BEST) (up to US$150 million), which provides tourism-sector training and a stimulus package via grants and public investments in hotel and tourism facilities that retain a share of their workers; and (iii) the creative industries stimulus (US$0.5 million). In addition, effective April 1, 2020, the Central Bank reduced the overnight lending rate (from 7 to 2%), reduced the securities ratio for banks (from 17.5% to 5%) and eliminated the 1.5% securities ratio for no-bank deposit taking licensees. It also announced the availability of collateralised loans for up to 6 months as liquidity support.[31] However, no financial institution has yet required access to this facility. These measures follow an agreement with commercial banks to provide forbearance in the form a 6-month debt-payment moratorium for individuals and business directly impacted by COVID-19.[32]

1.20 **Proposed intervention.** In support of the public policy measures that Barbados has adopted to support the economy and, in particular, to ease MSME financing constraints, the proposed intervention will strengthen, building upon the previous ECGF experience (¶1.17), the public program of credit guarantees for enterprises in Barbados. As indicated above, the financial sector in Barbados is facing a series of constraints on providing all the financing that MSMEs will need to endure the effect of the COVID-19 crisis, both in the short term, to ensure MSMEs' immediate survival, and in the medium term, to stimulate a rapid recovery of economic activity and employment in the country.The proposed program therefore seeks to ease the constraints in access to credit faced by MSMEs affected by the COVID-19 crisis, in order to support their survival and preserve the jobs they generate for the economy.

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[31] See Barbados: Central Bank Of Barbados Announces Monetary Policy Measures.
[32] See IMF. Policy Responses to COVID-19 by Country.

This, in turn, will minimize the burden on social protection systems and maximize the speed of economic recovery once the health emergency is over. The intervention will be executed by the CBB, which will receive support from the Bank to improve its capacity to provide credit guarantees so that Intermediary Finacial Institutions (IFIs) can continue to lend to MSMEs affected by the COVID-19 crisis.

1.21 The crisis will lead to a very significant economic downturn with immediate manifestations and lingering effects, even after the health emergency is over. From a macroeconomic perspective, in addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees at least five channels for transmission of the crisis impacts to the region's economy:[33] (i) slowing economic activity of key trading partners that will impact the demand for exports; (ii) less demand for tourism services; (iii) interruption of global value chains; (iv) falling commodity prices; and (v) worsening financial terms. For general aspects of the intervention OEL#2.[34]

1.22 To supplement the efforts of the goverment, the program will focus on providing credit guarantees to MSMEs through the ECGF, maintaining a multisectoral approach and seeking to prioritize the hardest-hit sectors of the economy, such as the tourism industry, retail and services, and logistics and agriculture (¶1.10-¶1.11). In this context, a guarantee mechanism like the ECGF would mitigate the risk associated with lending to MSMEs and thereby encourage financial institutions to participate more intensively in supporting SMEs, thus ensuring that the private financial sector directly contributes to the stabilization and recovery of the productive sector. The availability of a guarantee provides three decisive benefits: (i) it enables MSMEs to finance their cash flow and make their business viable in the short and medium term; (ii) it provides financial institutions with an instrument to mitigate the risk associated with the MSME segment, enabling them to require less provisioning and facilitating the continuity and potential expansion of their MSME portfolio; and (iii) it allows the economy as a whole to benefit from the ability of MSMEs to continue operating in the medium term, using social security benefits to alleviate the impact of business closures and job losses, and creating conditions to facilitate a faster economic recovery.

1.23 **The Bank's experience and lessons learned.** The Bank has extensive experience designing sovereign guaranteed loan programs aimed at improving MSME access to finance through financial intermediaries. In the last financial crisis faced by the region in 2007, the Bank played a countercyclical role by expanding the amount of financing and facilities used to address the lack of access to credit faced by the region's MSMEs and by supporting fiscal expansion and the development of social programs for the most vulnerable people. Liquidity programs

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[33] See Press release by the Economic Commission for Latin America and the Caribbean (March 19, 2020).

[34] This diagnostic assessment focuses on the sectors where jobs are most likely to be lost, if the following risks associated with the COVID-19 crisis are realized: (i) supply contraction factors (such as constraints on the use of labor, insufficient quantity and quality of variable inputs, higher cost of production factors, and value chain disruptions); (ii) demand contraction factors (such as changes in consumer behavior and preferences, liquidity constraints on customers, and lower export demand); (iii) financial factors (such as delays and interruptions in payment cycles, reductions or interruptions in financing, and higher financing costs) and asset factors (lower asset values and accumulation of liabilities); and (iv) other risks of a systemic nature or in the regulatory environment (institutional and legal uncertainty and political and social instability).

for growth sustainability were approved in 2008 and 2009[35] with the aim of reestablishing access to finance for working capital and foreign trade in the productive sectors.[36]

1.24 Specifically, the Bank has supported public credit guarantee funds which, like the one herein proposed in Barbados , aiming to improve MSME access to finance by providing guarantees to IFIs that supply credit to the economy. The Bank has approved programs to enhance MSME access to finance, with components that create or support credit guarantee funds, in a variety of the region's countries, including: Argentina (1914/OC-AR), Barbados (3389/OC-BA & 3390/CH-BA), Chile (4272/OC-CH), Haiti (2416/GR-HA), Jamaica (4115/OC-JA), Nicaragua (3042/BL-NI), Paraguay (3354/OC-PR) and Uruguay (5058/OC-UR).

1.25 **Lessons learned.** The Bank has extensive experience and has generated substantial knowledge and lessons learned from the operations mentioned above (¶1.23-¶1.24) regarding the design and implementation of policies to support MSME finance with a special focus on certain sectors or value chains. For MSME credit risk mitigation public policies to be effective, it is crucial that credit guarantee programs: (i) identify the market failure to be addressed; (ii) be designed to contribute the greatest possible mobilization of credit to the economy; (iii) strengthen cooperation among public and private sector actors with expertise in the relevant areas since the latter can help find solutions to problems and avoid market distortions; (iv) have adequate institutional capacity for rapid, streamlined management of the execution of guarantees (¶3.6); (v) include data collection systems that enable the evaluation of the effectiveness of the guarantee programs from a public policy perspective (¶3.19); and (vi) utilize the most cost-effective combination of instruments for each situation.

1.26 The Bank also has relevant experience in designing solutions to mitigate the problems of access to finance faced by MSMEs and value chains. The following lessons have been learned from these actions as a whole: (i) leverage the countercyclical role of this type of operation in times of tightening credit; (ii) target resources toward segments where lending will have greatest impact on the functioning of the economy (logistics chains) and the well-being of society (the most vulnerable productive sectors) (¶1.33); and (iii) supervise the financial terms on which the resources are allocated to end-users, to avoid market distortions and ensure that there is no dilution of additionality (OEL#4).[37]

1.27 Particularly, there are also specific lessons learned from the previous operation executed with the CBB that will be used in this operation. During the execution of loan 3389/OC-BA & 3390/CH-BA, the Bank helped to design, operationalize and

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[35] In 2008, the IDB created the Liquidity Program for Growth Sustainability under the category of emergency lending (GN-2492-1).

[36] This helped to temporarily offset part of the deficit in financing flows to MSMEs resulting from the international financial crisis. With the same objective of stimulating the supply of credit to the productive sectors, the period following the crisis (2009-2013) saw the approval of contingent credit lines[36] for providing liquidity to the financial sector, as well as global multisector credit programs and—by far the majority—specific productive financing programs for MSMEs, OEL#1.

[37] Section IV of the Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-7) discusses a more extensive and detailed set of lessons learned from the Bank's experience in the sector, as well as the experience of other multilaterals, academic researchers, and other major stakeholders in public policy design of to support MSMEs.

execute the Enhanced Credit Growth Fund (ECGF). The ECGF authorized 115 guarantees that have endorsed long term productive investment loans for a total value of US$43 million and there are six out of seven IFIs participating in the program. Among the most important lessons are: (i) the importance of having an online system that facilitates the monitoring of the pipeline and portfolio of guarantees and improves the coordination and relationship between the CBB and the local banks; (ii) the definition of clear and simple rules and guidelines at each stage of the guarantee cycle that allow the automatic enforcement of the guarantee mechanisms; (iii) the creation of a separate trust fund where program resources were set aside in a special account exclusively intended to fund the resources of the previous program; and (iv) the necessity of developing a marketing plan and promotional activities for outreach that highlighted the objectives of the previous program to the intended beneficiaries and to the private financial institutions (¶3.4 and ¶3.8). This operation was the first SME guarantee fund created in the Caribbean region to support MSMEs access to formal financing. The lessons learned from this operation and those previously mentioned will help to achieve a more efficient and rapid implementation of the program from the beginning of the execution, favoring a rapid channeling of financing resources to firms.

1.28 **Coordination with other Bank projects.** Through providing resources to ease the constraints on access to finance faced by MSMEs, this program is coordinating efforts with a programme to strengthen public policy and fiscal management in response to the health and economic crisis caused by COVID-19 (in preparation) to: (i) strengthen fiscal policy and management; (ii) respond to the health emergency; and (iii) provide safety nets for vulnerable populations, which the Bank is working on with the country. It will complement the "Sustainable Energy Investment Programme (SMART FUND II)" (4865/OC-BA), which is providing funding through the Enterprise Growth Fund Limited to SMEs for implementation of renewable energy and energy efficiency projects. Furthermore, this programme will also complement the "Public Sector Modernization Programme" (4920/OC-BA), which facilitates improvements in the delivery of services from the public sector that affect the private sector.

1.29 **Coordination with other multilateral and/or cooperation agencies.** This program is aligned with the IMF's Extended Arrangement under the EFF for Barbados, which in part aims to provide structural reforms to support growth through improving access to finance to support local investment. The Bank is the first multilateral agency that is supporting the financial sustainability of MSMEs in Barbados. However, the IMF has provided US$90 million in additional budgetary support in response to the pandemic, while the Development Bank of Latin America (CAF, by its spanish acronym) is expected to provided a US$100 million loan to mitigate the economic impact of COVID-19. Additionally, the CDB provided Barbados with a US$75 million loan to help bolster the Government of Barbados fiscal performance and meet critical targets to accelerate economic growth in the country. Finally, the Public Investment Unit (PIU) at the Ministry of Finance, Economic Affairs and Investment officially coordinates all programs for all donors in Barbados and the main financing institutions (IMF, CDB, CAF and IDB) hold coordination meetings on a quarterly basis to ensure all programs are complementary.

1.30 **Strategic alignment.** The intervention is consistent with the Second Update to the Institutional Strategy (AB-3190-2), and is aligned with the challenge of: (i) Social

Inclusion and Equality, as the proposed interventions will contribute to the support of MSMEs and employment in the most vulnerable sectors; and (ii) Productivity and Innovation, through support for productive financing for MSMEs and strategic value chains. The operation is also consistent with the strategic focus area of resource mobilization, through the proposed mechanisms to stimulate the mobilization of private financial sector resources for MSME finance, as well as the company shareholders' own funds. The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators of: (i) number of MSMEs financed; and (ii) jobs supported. It is also aligned with the Support to SMEs and Financial Access/Supervision Sector Framework Document (GN-2768-7), which emphasizes the importance of promoting access to finance by the productive sector. Additionally, the program is in line with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), as part of the support for safeguarding the productive fabric and employment. Finally, the program is included in the Update of the Annex III of the 2020 Operational Program Report (GN-2991-3).

1.31 **Gender considerations.** The IDB is finacing a study to evaluate the MSMEs financing needs during the COVID-19 crisis (¶1.41) and gender aspects will be included to start bridging data and knowledge gaps related to women entrepreneurs in the country. Additionally, the program will require IFIs to report to the CBB the credits granted to women-led or women-owned MSMEs according to best practices. The program will support the CBB in this effort to collect and monitor sex-disaggregated data and to monitor the portfolio in order to generate the respective baselines and databases, which are needed to better understand the situation of women entrepreneurs and to support the design of new financial products that address their situation and needs.

B. Objectives, components, and cost

1.32 **Objectives.** The objective of this operation is to support the sustainability of the Micro, Small and Medium Enterprises (MSMEs) to maintain employment and economic activity in Barbados in response to the crisis caused by COVID-19. The specific objectives are: (i) to support the short-term financial sustainability of MSME; and (ii) to promote the economic recovery of MSMEs through access to productive financing.

1.33 **Single component. Support for MSMEs credit guarantees (US$30 million).** The program will provide financing to support MSMEs guarantee funding provided through the ECGF (¶1.27). Resources will be used to support economic recovery by providing guarantees to production-oriented finance to MSMEs, giving priority to the sectors hardest hit by the COVID-19 crisis (OEL#9), and their overarching value chains, so that anchor companies receiving financing can contribute to the recovery of their suppliers in the supply chain. This intervention is structured as a loan with the following subcomponents:

1.34 **Subcomponent 1.1. Support for access to short-term financial guarantees (US$15 million).** The first subcomponent will facilitate guarantees to support access to short term financing, for less than one year, for MSMEs through eligible participating IFIs (OEL#4). Resources under this subcomponent will be used to help MSMEs affected by the crisis to overcome temporary liquidity problems and continue operating.

1.35 This subcomponent will help to support credit guarantees for individual investments loans to be undertaken by eligible MSMEs. Guarantees may support working capital loans for expenses such as, but are not limited to, the acquisition of supplies or merchandise, payment of salaries, taxes and utilities and for any other purpose related to the recovery, improvement and maintenance of economic activity in the short term.

1.36 **Subcomponent 1.2. Support for access to production-oriented guarantees (US$15 million).** The second subcomponent will provide guarantees to support access to medium-term and long-term financing, from one to five years, for MSMEs through eligible participating IFIs (OEL#4).

1.37 The subcomponent includes credit guarantees for investment projects to ensure that MSMEs have the ongoing access to the finance they need to continue operating their businesses, recovery from the crisis or meet increased demand as a consequence of COVID-19. These credit guarantees will be used for investments related to the purchase of buildings, the purchase of equipment and machinery, the expansion and improvement of infrastructure, the implementation of new technology, techniques and processes, and all directly related to the activities of companies.

1.38 The guarantees will be issued for eligible IFIs to cover individual investment loans to be undertaken by eligible MSMEs. The guarantee will be for up to US$1 million per individual eligible MSMEs loan and will provide coverage of up to 80% of the loan amount for up to 10 years.

1.39 Both subcomponents can facilitate debt restructuring or refinancing to head off bankruptcies of viable businesses. Guarantees cannot be issued to support loans with the objetive of paying for staff-reduction expenses, fines, dividends, acquisition of real estate, except those associated with an investment project or financing shares purchases or other types of transferable securities. Other prohibited uses may appear in the list of exclusion indicated in the CR. The EA will bear the executing costs of evaluation, monitoring and auditing in all cases.

1.40 **Beneficiaries.** Eligible firms for MSME status will be incorporated businesses registered to operate in Barbados and compliant with the necessary licenses and permits with up to US$10 million in assets or yearly revenues or up to 200 employees. These firms will have undergone an appropriate credit risk assessment by a participating IFIs to obtain a loan. The loans will be eligible for the agriculture, commerce, industry and services sectors. Resources under this intervention will be directed both to MSMEs affected by the COVID-19 crisis and to their overarching strategic chains, giving priority to sectors identified in the vulnerability assesment (OEL#9 and ¶1.10).

1.41 As part of the execution of the program and in collaboration with the Small Business Association (SBA), the Bank is in the process of launching a survey to evaluate MSMEs financing needs during the COVID-19 crisis. This survey will update the study done in 2016 (OEL#14) and will help to better target the support to MSMEs through the execution of the program. Particularly, the needs and support for micro and small businesses is a critical issue that the study will seek to identify. In addition, during execution, the collaboration with the EGFL will help support this segment of

companies, particularly when they are not being financed through the traditional banking credit channels.

C. Key results indicators

1.42 **Expected outcomes.** The program's expected impact is to support the sustainability of MSMEs amid the COVID-19 crisis, as measured by: (i) annual income of MSMEs supported by the program; and (ii) percentage of employment registered in MSMEs over total employment registered in the country.

1.43 The outcome indicators for the program will be as follows: (i) non-performing Loans (NPL) of the MSME working capital financing portfolio over NPL of the total financial system, 6 months after the beginning of the project; (ii) leverage of MSME working capital financing resources achieved related to program support; (iii) NPL of the productive MSME financing portfolio over NPL of the total financial system, 24 months after the beginning of the project; (iv) leverage of productive MSME financing resources achieved related to program support; (v) productive MSME financing portfolio amount supported by the program; (vi) proportion of women-owned MSMEs in the productive MSME financing portfolio; and (vii) financial system coverage and number of financial institutions participating in the program.

1.44 **Economic viability.** Economic viability is assessed through the development of a Cost Benefit Analysis (CBA). The CBA is based on the profile of the typical firm expected to benefit from the government guarantee. Based on this profile, the CBA computes the expected change in value added resulting from the improved access to credit. Calculations of the aforementioned flows (discounted at a rate of 12%) yield benefits of US$3,620,309 and an internal rate of return (IRR) of 18%. Additionally, the sensitivity analysis performed on key variables indicates that the program's NPV remains positive for a wide range of scenarios. The economic evaluation is compliant with the economic viability framework developed and validated for the COVID-19 interventions intended to safeguard the productive fabric and employment (OEL#1).

II. Financing Structure and Main Risks

A. Financing instruments

2.1 The total amount of the proposed program will be US$30 million from the Bank's Ordinary Capital. The operation will be structured as a global credit program, since it involves financial intermediation to the beneficiary MSMEs and will be entirely executed through the ECGF (¶1.27). The disbursement period will be 24 months.

Table 3. Estimated project costs (US$ million)

Component	IDB	%
Single Component. Support for MSMEs credit guarantees	30	100
Subcomponent 1.1. Support for access to short-term financial guarantees	15	50
Subcomponent 1.2. Support for access to production-oriented guarantees	15	50
Total	**30**	**100**

Table 4. Disbursement plan (US$ million)

Source	Year 1	Year 2	Total
IDB	15	15	30
%	**50**	**50**	**100**

B. Environmental and social safeguard risks

2.2 As a financial intermediation operation, in accordance with the Bank's Environmental and Safeguards Compliance Policy (OP-703), Directive B.13, this operation cannot be classified ex ante.

2.3 An Environmental and Social due diligence was conducted in compliance with B.13, analyzing the potential socio-environmental risks of eligible sub-loans and the EA's ability to manage those risks. According to the results of such due diligence, this operation is considered as a low risk of Financial Intermediation. Given their size and nature: (i) small scale subloans (with average financing of US$50,000 for Subcomponent 1.1, US$200,000 for Subcomponent 1.2 and a maximum of US$1 million); (ii) dedicated to MSMEs; and (iii) with a multisectoral approach, the eligible subloans will be classified as Category "C", and Category "A" and "B" subloans will be ineligible for financing.

2.4 Resources from the program will not be used to finance any of the following: activities on the IDB's exclusion list (Annex C); activities/sectors that involve higher social-environmental risk or activities that entail: (i) involuntary physical or economic resettlement; (ii) negative impact on indigenous groups; (iii) damage to cultural sites or critical cultural sites; (iv) negative impact on protected areas or RAMSAR sites; and/or (v) the use of invasive species.The potential socio-environmental risks identified for the sub-loans eligible for financing with program resources are of low magnitude and these risks will be managed through the application of an Environmental and Social Risk Management System (ESMS) that will be integrated into the program's CR, whose approval by the IDB is a condition precedent to the first disbursement.

C. Fiduciary risks

2.5 The institutional capacity assessment of the EA shows that the CBB satisfies the necessary conditions to perform fiduciary management activities for the loan operation. Considering this, and CBB's prior experience executing IDB loans, the fiduciary risk for this operation has been determined as low, mainly due to the adequacy of CBB's organizational structure and procedures for fiduciary and financial management of projects, and the overall low risk of CBB's operational performance, see the Fiduciary Agreements and Requirements (Annex III).

D. Other risks and key issues

2.6 **Development risk.** There is a medium risk related to the possibility of adverse selection by choosing as eligible beneficiaries companies that were not viable before the crisis or that the selected companies do not survive as a result of the emergency. To mitigate this risk, credit methodologies used by participating financial institutions were reviewed and considered strong, as well as their financial stability indicators (¶1.12-1.13, ¶1.27, and ¶1.43). Additionally, there is a medium risk that the economic crisis caused by the COVID-19 pandemic in Barbados,

particularly, for the tourism sector, could be longer and more severe than initially expected. Particularly, for this sector, the risk is also associated with border closings and disruption of global air transportation during a potential COVID-19 second wave, which could also impact on business openings during 2021. To mitigate this risk, new assistance programs and more public financial resources may be needed to assist firms and employees (¶1.10 and ¶1.18-¶1.19).

2.7 **Public management and governance risk.** There is a medium risk that the liquidity measures for MSMEs will not reach the sectors hardest hit by the health emergency on a priority basis, and the impact will be less than expected. The Bank has designed the program in a way that seeks to prioritize some preidentified sectors characterized as more vulnerable, coordinating closely with the country on a diagnostic assessment of vulnerabilities for the prioritization of sectors, and will monitor the program on an ongoing basis to ensure effective targeting.

2.8 **Fiscal sustainability risk.** There is a medium risk[38] that the combination of the health and economic crisis as well as external factors, such as the halt in tourism activity, will significantly affect the fiscal and debt position of Barbados, jeopardizing fiscal sustainability (¶1.15-¶1.16). To mitigate the economic risk, the Bank, together with the government and other financial institutions, will continue to coordinate regular discussions on a bilateral basis with other donors and continue to hold annual meetings with the IMF (¶1.29).

2.9 **Sustainability.** The program is expected to contribute to easing the temporary difficulties faced by the most vulnerable population and MSMEs as a consequence of the COVID-19 pandemic. Nonetheless, it offers the country the opportunity to leave support mechanisms in place for future emergencies. The demonstration effect of the program is expected to enable other preventive programs to be developed that reduce the perception of MSMEs related risk. As indicated in ¶1.28, there will be a continuation of efforts and collaboration through further programs developed with the goverment.

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 **Borrower and Executing Agency.** The Borrower for this operation will be the Government of Barbados, and the EA will be the CBB. The EA will be responsible for the administration, execution, control, and monitoring of resources under the operation. The EA has available the necessary administrative, fiduciary and control mechanisms to provide and to maintain a transparent and effective administration of the program and the ECGF (Annex III).

3.2 **Execution and administration.** The program will be managed by the Foreign Exchange and Export Credits Department (FEECD) of the CBB with the support of the EGFL.

[38] Risk identified as medium given the region's vulnerability to economic shocks, negatively impacts the economic growth and fiscal position of Barbados. The average Debt to GDP ratio was 70.3% in 2019 thus providing scope to borrow by the local governments. The state of affairs in each country must be closely monitored by keeping measures in place to minimize the severity.

3.3 The FEECD will be responsible for: (i) preparing, implementing and coordinating the Annual Operating Plans; (ii) preparing budgets, project accounting, financial management and reports, and disbursement requests; (iii) coordinating the preparation of technical, progress and financial reports; (iv) monitoring the progress of program activities and the analysis of variances of actual results against plans; (v) hiring the external audit and ensuring that the internal control recommendations are implemented; (vi) facilitation of external evaluations of the program and ensuring, in collaboration with the participating entities, that the approved recommendations are implemented; (vii) serving as a liaison for the program with the Bank; and (viii) preparing and managing the guarantee contracts under the ECGF.

3.4 The EGFL, which is a PDFI, will be a co-participating entity in the implementation of the program as defined in the CR. In particular, the ECGF could benefit from the EGFL's expertise and local network in: (i) promoting and outreaching the ECGF and identifing MSMEs, particularly those more affected by the COVID-19 crisis; (ii) analyzing the needs of these companies and prioritized sectors; (iii) supporting MSMEs and originating projects that can be backed up by the program; (iv) assisting in the preparation of business plans and credit proposals on behalf of these MSMEs; and (v) screening and presenting potential guarantee proposals to the ECGF. The CBB and the EGFL will hold quarterly coordination meetings to discuss the project progress and the organization of execution activities, mainly referred to promotional actions to support MSMEs. More details will be included in the CR.

3.5 As part of its responsibilities, the CBB performs the task of supervising the participating IFIs that are part of the financial system. In addition, the CBB already has the experience of executing the ECGF mechanism created in 2015 with the support of the IDB (3389/OC-BA & 3390/CH-BA, ¶1.27). EGFL is a PDFI that has the purpose of providing development finance to the critical SMEs in agriculture, manufacturing, tourism and renewable energy sectors with export potential.

3.6 With the purpose of improving the EGFL's institutional capacity, the IDB will also support through a Technical Cooperation (TC) the restructuring of the EGFL and improvement of its organizational capacity to perform these responsibilities. The IDB will assist in the analysis of the EGFL's organizational and financial capabilities, the definition of a new strategy for the EGFL and the definition of new procedures and operating manuals. The IDB can offer technical resources to structure EGFL's response capacity in the provision of various services during the pandemic and subsequent recovery.

3.7 **Other implementation considerations.** The CBB will have fiduciary responsibility for the program resources and perform the following functions: (i) making payments when there is a default in a credit supported by the ECGF as defined in the CR; (ii) preparing execution and physical/financial progress reports for the IDB; (iii) monitoring compliance with environmental and social safeguards; and (iv) program monitoring, evaluation and an external audit of the program.

3.8 As in the previous operation, loans 3389/OC-BA & 3390/CH-BA, the CBB will continue using a segregated account to identify and monitor the ECGF and the guarantees issued under the fund in accordance with the CR. Undisbursed resources accounted for in the segregated account will necessarily be invested in accordance with the CR requirements and proceeds from these investments

reinvested in the ECGF and used to provide guarantees to eligible participating IFIs sub-loan proceeds. Disbursements made by the IDB are kept in the single account that serves to ensure and provide credibility to the ECGF in the event that a loan goes into default and guarantees are claimed and have to be paid subsequently.

3.9 **Eligibility criteria.** IFIs subject to oversight and monitoring by the CBB as well as to PDFIs (altogether referred to as "IFIs") will both be eligible to participate in the program in accordance with requirements stipulated in the CR. The participating IFIs will be any incorporated commercial bank, finance company, trust, finance, merchant bank, or DPFI licensed or otherwise authorized to operate in Barbados. Currently, there are six out of seven commercial banks participacing in the previous operation (3389/OC-BA & 3390/CH-BA). The IFIs will be responsible for: (i) evaluating MSME sub-project risk and presenting requests for guarantees for loans in accordance with the ECGF terms and conditions reflected in the CR; (ii) assuming responsibility vis-à-vis CBB for the collection of financial institutions sub-loan proceeds guaranteed by the ECGF; and (iii) in case of a claim, assuming responsibility for pursuing the collection of the subloan to the full extent of the law and reimbursing CBB with any collected amount in proportion to the CBB's exposure of such loan.

3.10 To be eligible, MSMEs must: (i) be incorporated under the Companies Act of Barbados, possessing the corresponding licenses and permits required to operate under under the laws of the country; (ii) meet the requirements to qualify as an MSME in the country (See OEL#12); and (iii) be solvent and creditworthy and satisfy the credit requirements of participating financial institutions, with the exception of any factor that has deteriorated as a result of the COVID-19 crisis. No guarantee to an MSME may exceed US$1 million or its equivalent in local currency.[39]

3.11 **Credit Regulations (CR).** The CR describe responsibilities in the areas of administration, risk management, and coordination between the EA and the Bank, as well as the eligibility criteria for beneficiaries, sub-loans, and any financial intermediaries. The document also includes agreements for management and monitoring, the CR, and other arrangements.

3.12 **Special contractual conditions precedent to the first disbursement of the loan proceeds. As a special contractual condition precedent to the first disbursement of the loan proceeds, the CR will have been approved and entered into force in accordance with the terms previously agreed upon with the Bank.** This condition is necessary so that the resources can be executed immediately after the first disbursment.

3.13 **Retroactive financing.** The Bank may retroactively finance up to 20% of the loan amount in eligible guarantees issued by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the Loan Contract were met. Such expenditures must have been incurred on or after March 11, 2020, when the WHO declared COVID-19 a global health emergency.

[39] In the case of strategic value chain programs, the loan to the anchor company may exceed this amount, provided that the limit of US$1 million or equivalent in local currency is not exceeded for guarantees to the beneficiary MSMEs.

Currently, the CBB has a demand for guarantees not yet addressed, mainly for short-term, for a total value of US$6 million that may be recognized as retroactive expenses. Furthermore, eligibility requirements for retroactive expenses will have to meet similar criteria to those established in the CR. Even though this predates the project officially entering the pipeline (GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified as from that date, given the exceptional circumstances surrounding the global health emergency.

3.14 **Procurement.** As a demand-driven financial intermediation program, no procurement of goods, works, nonconsulting services, or consulting services is likely to be required as part of execution. No project execution plan or procurement plan is therefore included in this proposal. Any procurement of nonconsulting or consulting services required as part of program administration and/or evaluation will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), or as subsequently updated, including the following temporary measures: (i) goods whose origin is from non-Bank member countries may be eligible for procurement; and suppliers, contractors, consultants or service providers from non-Bank member countries will be able to participate in the selection procedures; (ii) the procurement policies of the Procurement Agents and specialized agencies can be used when they are hired as such by the Borrower or, as the case may be, by the respective Executing Agency; and (iii) consolidated contracting on an international level, as well as procurement by adhering to existing contracts of the Borrower, may be used as procurement methods in addition to those described in the Procurement Policies and the Consultant Policies. These temporary measures will remain in effect until April 7th, 2021. After such date they will cease to be in effect for all purposes established in this Contract. For additional details, see Annex III.

3.15 **Disbursements.** Resources for the program will be disbursed by the IDB as a portfolio of guarantees, approved by the CBB under the ECGF are submitted. The CBB will present disbursement requests to the Bank based on a portfolio guaratees approved as established in the Financial Management Guidelines for IDB-financed Projects (OP-273-12) or current IDB policies. Disbursement verification will be on an ex post basis, subject to the review of the subloans. For the purposes of program execution, the IDB will disburse the resources under any of the modalities established in Document OP-273-12. Disbursement requests will be accompanied by the information listed in the CR.

3.16 **Financial statements and audit.** Throughout the loan disbursement period, the EA will submit to the Bank the ECGF's annual audited financial statements within 120 days after the fiscal year.The Audit's scope and related considerations will follow the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audit. The fiscal year will be from January 1st to December 31st. The Audited Financial Statements should include a report on the eligibility of costs associated with the fund, with the verification of the existence of the issued guarantees and supporting documents, and application of the terms and conditions of the CR for the ECGF.

B. Summary of arrangements for monitoring results

3.17 **Monitoring.** The program execution will be monitored via six-monthly progress reports prepared by the EA and delivered within 60 days after the close of each six-month period. The reports will be based on the reporting commitments included in the Results Matrix, as well as other information in compliance with the eligibility criteria set out in the CR and REL#1. These reports will be reflected in the Progress Monitoring Reports (PMR).

3.18 **Evaluation.** The evaluation strategy for the program's results follows two different approaches: (i) the development of a reflexive evaluation, before and after the implementation of the program-, showing the final achievement of the program's results; and (ii) the development of qualitative analyses, presenting the main weakness, challenges and measures taken during the implementation of the program, and arriving at the main lessons learned.

3.19 The EA will be responsible for maintaining data collection and monitoring systems (REL#1). The EA will commit to maintaining a system for monitoring and evaluation of all subcomponents, which it will use to prepare the reports and data delivered to the Bank. For the purposes of the evaluation, the EA will collect, store, and safeguard all information, indicators, and parameters necessary to prepare the Project Completion Report (PCR), including annual plans and the final evaluation. The additional information required for the evaluation process will be drawn from national and international secondary statistical sources of data and, potentially, reports of relevant organizations.

Development Effectiveness Matrix		
Summary	BA-L1051	
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	**-Social Inclusion and Equality -Productivity and Innovation**	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	**-Jobs supported (#) -Micro / small / medium enterprises financed (#)**	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix	**GN-2991-3**	**The intervention is included in the 2020 Operational Program.**
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		**See par. 1.6-1.8; 1.17; 1.21; and 1.22 of main document**
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution	**10.0**	
3.1 Program Diagnosis	**3.0**	
3.2 Proposed Interventions or Solutions	**4.0**	
3.3 Results Matrix Quality	**3.0**	
4. Ex ante Economic Analysis	**10.0**	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	**3.0**	
4.2 Identified and Quantified Benefits and Costs	**3.0**	
4.3 Reasonable Assumptions	**1.0**	
4.4 Sensitivity Analysis	**2.0**	
4.5 Consistency with results matrix	**1.0**	
5. Monitoring and Evaluation	**7.0**	
5.1 Monitoring Mechanisms	**2.5**	
5.2 Evaluation Plan	**4.5**	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	**Low**	
Identified risks have been rated for magnitude and likelihood	**Yes**	
Mitigation measures have been identified for major risks	**Yes**	
Mitigation measures have indicators for tracking their implementation	**Yes**	
Environmental & social risk classification	**B.13**	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	**Yes**	**Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System.**
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	**Yes**	**BA-T1080. Support for the Organizational Transformation of the Enterprise Growth Fund Limited (EGFL) to fulfill the program responsabilities.**

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Assessment Note: *The operation BA-L1051, for US$ 30,000,000, is part of the Bank's operational response to the COVID-19 Pandemic Global Credit Program for Safeguarding the Productive Fabric and Employment. The general objective of the program is to support the sustainability of Micro, Small and Medium Enterprises (MSME) during the COVID-19 crisis as support of employment in Barbados. The specific objectives are (i) support financial sustainability of MSME in the short run; and (ii) promote the economic recovery of MSME through access to productive financing.*

The loan proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are an appropriate response to the problems identified in the proposal and its contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of outcomes and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicators reflect the contribution to the economic (sustain the annual income of MSMEs supported by the program, and sustain the employment registered in MSMEs over private sector employment registered in the country) objectives of the operation.

The economic evaluation shows that the operation is efficient, with an Internal rate of Return of 18% (higher than the 12% discount rate used in the analysis) a NPV of $ US 3.62 Million. In a context of high uncertainty, the analysis considers the benefits in employment and labor income derived from the reduction of firm's exit rate and reduction in sales drop, while the costs are those associated with the implementation of a financial guarantees.

The monitoring and evaluation plan proposes a reflective analysis of the outcome and impact indicators included in the result matrix, complemented by a review of the theory of change, an updated review of international evidence and qualitative studies. The monitoring and evaluation activities will be carried out by the executing agency, the Foreign Exchange and Export Credits Department, in coordination with the Bank.

RESULTS MATRIX

Objective of the project:	The objective of this operation is to support the sustainability of the Micro, Small and Medium Enterprises (MSME) to maintain employment and economic activity in Barbados in response to the crisis caused by COVID-19. The specific objectives are: (i) to support the short-term financial sustainability of MSME; and (ii) to promote the economic recovery of MSME through access to productive financing.

EXPECTED IMPACT

Indicators	Unit of Measurement	Baseline	Final Target	Means of Verification	Comments
GENERAL OBJECTIVE: SUPPORT THE SUSTAINABILITY OF MSMES TO MAINTAIN EMPLOYMENT AND ECONOMIC ACTIVITY IN BARBADOS IN RESPONSE TO THE CRISIS CAUSED BY COVID-19					
Indicator 1: Annual income of MSMEs[1] supported by the program.	Thousand US$	229	229	Follow-up and monitoring information of the program collected by the Executing Agency (EA); and Small Business Association (SBA).	Measures the variation in the expected income of MSMEs identified by the program as vulnerable. Baseline corresponds to the 2016 Barbados MSME Survey as least available data (Summary of the National Survey of the Micro, Small & Medium Enterprise Sector, SBA). The estimation includes the MSME revenue generated in private, non-agricultural sector. With the support of the project, MSMEs are expected to maintain their yearly income.
Indicator 2: Percentage of employment registered in MSMEs over private sector employment registered in the country.	%	60.7	60.7	Follow-up and monitoring information of the program collected by the EA; and SBA.	Measures the variation in the MSME employment over the total formal employment in the country. Baseline corresponds to the 2016 Barbados MSME Survey as least available data (Summary of the National Survey of the Micro, Small & Medium Enterprise Sector, SBA). The program is expected to help maintain the participation of MSMEs over the total number of registered workers in the country.

[1] See OEL#12 for MSMEs definitions.

EXPECTED OUTCOMES

Indicators	Unit of Measurement	Baseline	Final Target	Means of Verification	Comments
Specific objective 1: Support the short-term financial sustainability of MSMEs					
Indicator 1: Non-performing Loans (NPL) of the MSME working capital financing portfolio over NPL of the total financial system, 6 months after the beginning of the project.	%	TBD	Maintain baseline	Follow-up and monitoring information of the program collected by the EA.	The available public data only covers NPL over total loan portfolio for the financial system as a whole. Baseline to be review with data from ECGF by the kick of meeting for this program. Current ECGF participating IFIs' information will serve to populate the indicator. Baseline is going to be calculated as follows: N/L; where: - Numerator (N): weighted average of participating IFIs NPL, taking into account the total size of their portfolio over the aggregated portfolio of all participating IFIs. - Denominator (D): Financial system NPL. NPL of the financial system amounted 6.9% at the first quarter of 2020 (IMF Article IV report).
Indicator 2: Leverage of MSME working capital financing resources achieved thanks to program support.	Millions of US$	Not applicable	Baseline+ 3.75	Follow-up and monitoring information of the program collected by the EA.	Guarantees will cover 80% of the total financing. Target presents the leverage achieved by the US$15 million of program resources dedicated to subcomponent 1.1.
Specific objective 2: Promote the economic recovery of MSMEs through access to productive financing					
Indicator 3: NPL of the productive MSME financing portfolio over NPL of the total financial system, 24 months after the beginning of the project.	%	TBD	Maintain baseline	Follow-up and monitoring information of the program collected by the EA.	The available public data only covers NPL over total loan portfolio for the financial system as a whole. Baseline to be review with data from ECGF by the kick of meeting for this program. Current ECGF participating IFIs' information will serve to populate the indicator. Baseline is going to be calculated as follows: N/L; where: - Numerator (N): weighted average of participating IFIs NPL, taking into account the total size of their portfolio over the aggregated portfolio of all participating IFIs. - Denominator (D): Financial system NPL. NPL of the financial system amounted 6.9% at the first quarter of 2020 (IMF Article IV report).
Indicator 4: Leverage of productive MSME financing resources achieved thanks to program support.	Millions of US$	Not applicable	3.75	Follow-up and monitoring information of the program collected by the EA.	Guarantees will cover 80% of the total financing. Target presents the leverage achieved by the US$15 million of program resources dedicated to subcomponent 1.2.

Indicators	Unit of Measurement	Baseline	Final Target	Means of Verification	Comments
Indicator 5: Productive MSME financing portfolio amount supported by the program.	Millions of US$	TBD	Baseline+ 18.75	Follow-up and monitoring information of the program collected by the EA.	Baseline to be review with data from ECGF by the kick of meeting for this program. Current ECGF participating IFIs' information will serve to populate the indicator. Baseline is going to be calculated as a weighted aggregate of participating IFIs portfolio, taking into account guaranteed amount by every IFI over total Fund. Considering that guarantees cover 80% of the financing, target includes IDB resources plus leverage amount.
Indicator 6: Proportion of women's MSMEs in the productive MSME financing portfolio.	%	TBD	TBD	Follow-up and monitoring information of the program collected by the EA.	Gender tracking. Women's MIPYME is understood to be those companies led or owned by women (with more than 50% of the shareholding in the hands of women or with at least 25% of the shareholding in the hands of women and at least one woman in a position decision). The program indicates that at least 20% of the resources will be dedicated to financing women's MSMEs. Baseline to be review with data from ECGF by the kick of meeting for this program. Current ECGF participating IFIs' information on proportion of women MSMEs in their portfolio will serve to populate the indicator. Baseline is going to be calculated as a weighted aggregate of participating IFIs percentage of women MSMEs, taking into account guaranteed amount by every IFI over total Fund. Target is going to present current percentage, plus the effect of the 20% of the program resources over aggregated portfolio and average women MSME participation.
Indicator 7: Financial system coverage: number of IFIs participating in the Program	%	Not applicable	87.5	Follow-up and monitoring information of the program collected by the EA.	The indicator shows how many IFIs from the total registered in Barbados Financial System are participating in the context of the program. Target is based on the reach of the Enhanced Credit Guarantee Fund (ECGF), set up with IDB support, where 7 out of the 8 regulated IFIs in Barbados are already participating.

OUTPUTS

Outputs	Unit of Measurement	Baseline 2020	2021	2022	2023	Final Target	Means of Verification	Comments
Single Component: Support for MSME credit guarantee (US$30 million)								
Subcomponent 1.1: Support for access to short-term financial guarantees (US$15 million)								
Product 1: Amount guaranteed for MSME working capital financing with program resources.	Millions of US$	0	12	0	0	12	Follow-up and monitoring information processed by the EA.	
Milestone 1: Amount guaranteed for women's MSMEs working capital financing with program resources	Millions of US$	0	3	0	0	3	Follow-up and monitoring information processed by the EA.	20% of the total amount Women's MIPYME is understood to be those companies led or owned by women (with more than 50% of the shareholding in the hands of women or with at least 25% of the shareholding in the hands of women and at least one woman in a position decision).
Annual cost:	Millions of US$	0	15	0	0	15		
Subcomponent 1.2: Support for access to production-oriented guarantees (US$15 million)								
Product 2: Amount guaranteed for MSMEs productive financing with program resources.	Millions of US$	0	4	8	0	12	Follow-up and monitoring information processed by the EA.	
Milestone 2: Amount guaranteed for women's MSMEs productive financing with program resources.	Millions of US$	0	1	2	0	3	Follow-up and monitoring information processed by the EA.	20% of the total amount Women's MIPYME is understood to be those companies led or owned by women (with more than 50% of the shareholding in the hands of women or with at least 25% of the shareholding in the hands of women and at least one woman in a position decision).
Annual cost:	Millions of US$	0	5	10	0	15		

Country: Barbados **Sector:** CMF **Project Number:** BA-L1051 **Year:** 2020

Fiduciary Agreements and Requirements (COVID-19)

Executing Agency: Central Bank of Barbados (CBB)
Project Name: Global Credit Program for Safeguarding the Productive Sectors and Employment

I. Executing Agency Fiduciary Context

1. Use of Country System in the Project [1]

Budget ☒	Reporting ☒	Information System ☐	Nacional Competitive Bidding (NCB) ☐
Treasury ☒	Internal Audit ☒	Price Comparison ☐	Advanced NCB ☐
Accounting ☒	External Control ☒	Individual Consultancy ☐	Consultancy Firm ☐

Applicable National Laws:
The CBB receives its powers and responsibilities from the Central Bank of Barbados Act (Chapter 323C), which governs its operations and organization.

2. Executing Agency Fiduciary Capacity

According to the Internal Capacity Analysis (ICAS) conducted on June 2014 and the CBB's experience executing the operation (3389/OC-BA & 3390/CH-BA), "Enhanced Access to Credit for Productive Projects Guarantee Fund", the CBB has in place the necessary fiduciary, administrative, financial management and internal control capabilities to execute the loan resources. Given the nature of a global credit program, no procurement activities are foreseen.

3. Fiduciary Risk and Mitigation Actions

Fiduciary Risk: High ☐; Medium ☐ ; Low ☒

Risk	Mitigation Plan
There are no medium or high fiduciary risks in this operation.	

II. Aspects to Be Considered in the Special Conditions of the Contract

Special contractual conditions precedent to the first disbursement of the loan proceeds. As a special contractual condition precedent to the first disbursement of the loan proceeds, the CR will have been approved and entered into force in accordance with the terms previously agreed upon with the Bank.

Retroactive financing. The Bank may retroactively finance up to 20% of the loan amount in eligible guarantees issued by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the Loan Contract were met. Such expenditures must have

[1] Any system or subsystem that is subsequently approved could be applicable to the operation, in accordance with the terms of the validation conducted by the Bank.

been incurred on or after March 11, 2020, when the WHO declared COVID-19 a global health emergency. Currently, the CBB has a demand for guarantees not yet addressed, mainly for short-term, for a total value of US$6 million that may be recognized as retroactive expenses. Furthermore, eligibility requirements for retroactive expenses will have to meet similar criteria to those established in the CR. Even though this predates the project officially entering the pipeline (GN-2259-1), authorization of the retroactive financing on an exceptional basis is justified as from that date, given the exceptional circumstances surrounding the global health emergency.
Exchange rate. For purposes of justification of expenses or disbursements to the IDB (including reimbursements), if the project expenses have been incurred and/or guarantees disbursed in local currency, the equivalent amount to be reported in the project currency, shall be determined using the Telegraphic Transfer Selling Rate to Commercial Banks effective exchange rate of the payment date, as published by the CBB, which will the Article 4.10 paragraph (b)(iii) of the General Conditions.
Annual Audited Financial Statement of the Guarantee Fund. To be submitted to the IDB within 120 days after the close of the CBBs financial year, in addition to Final Audited Financial Statements which are due for submission to the IDB within 120 days of the close (last disbursement date) of the Project. The audit should be conducted by an independent audit firm that is eligible to the Bank. CBB's fiscal year runs from January 1st to December 31st.

III. Arrangements and Requirements for the Execution of Procurement

Exceptions to Policies and/or Guides

As the loan proceeds are exclusive to fund the Guarantee Fund, there will be no procurement activity using loan resources.

Projects with Financial Intermediaries	• Relating to global credit program loans and other operations in which financial intermediaries will be provided with resources for the granting of sub-loans or other forms of sub-financing, the prohibited practice clauses should be indicated in the agreements between the Borrower and its financial intermediaries, those of the borrowers and the sub-borrowers, as well as in contracts for goods, works, consultancy services and other services arising from them, and other contracts financed with the Bank's resources. Alternatively, if it is not possible or practical given the circumstances of the Project, to include such clauses in the contracts mentioned above, the project team may discuss other mechanisms for adopting acceptable controls and for adequately binding third parties to the corresponding sanctions procedures. For this purpose, the project team should coordinate the design of such mechanisms with OII, with the support of LEG.

Operating Expenses: ☐ Not Applicable.	**Domestic Preference:** ☐ Not Applicable.

General Project Supervision Method in Procurement: Not Applicable.

IV. Agreements and Requirements for Financial Management

Programming and Budget	• The Accounts Department is responsible for the overall financial administration activities in the CBB, including accounting, budget (execution), treasury, and asset management. The budget preparation's responsibility lies with the Budget

	Committee of the CBB Board. The budget is prepared based on inputs from various departments, consolidated by the Accounts Department, and approved by the Board. The budget is monitored using the ERP solution, TechnologyOne, integrated with the accounting, financial management, treasury, asset management, procurement, and supply chain management modules. CBB shall use the TechnologyOne system to manage the loan resources. Additionally, the Government of Barbados will allocate budget for the Project in the Government's Estimates of Expenditure for each year.
Treasury and Disbursement Management	• **Disbursement mechanism.** The CBB will present manual disbursement request forms. • **Disbursements method.** Reimbursement of Payments (Direct Payment to Borrower). The first disbursement will capitalize on the fund and facilitate the commencement of operations, based on the approval of the Operations Regulation for the SME Guarantee Fund and a list of a pre-identified pipeline of eligible guarantees. The Bank will determine the subsequent disbursements on the real pipeline of eligible guarantees provided by the CBB. • **Designated account.** A United States Dollar (USD) bank account will be designated by the CBB for the management of project resources. The account, which will be managed through TechnologyOne, will be used to issue guarantees, disburse claims, collect fees and other activities related to the funds in accordance with the terms and conditions specified in the Operations Regulations for the SME Guarantee Fund and CBB Operating regulations.
Accounting, Information System and Report Generation	• The CBB uses the ERP solution, TechnologyOne, for accounting and financial management. As indicated previously, the system allows integration between the various fiduciary modules such as budget, accounting, treasury, and procurement. The Project's financial reporting will issue in the Separate ledger in TechnologyOne guided by the International Financial Reporting Standards (IFRS) and the Central Bank of Barbados Act.
External Control	• **Submission of the AFS of the CDB.** These reports are to be presented to the Bank within 120 days following the end of CBB's fiscal year end, December 31st. auditors, once they are eligible to the Bank. The Audited Financial Statements should include a report on the eligibility of costs associated with the fund, with the verification of the existence of the issued guarantees and supporting documents, and application of the terms and conditions of the Operating Regulations for the Barbados SME Guarantee Fund.
Financial Supervision of the Project	• The Financial Supervision Plan of the Project is prepared based on the fiduciary risk of the Project. As the CBB fiduciary risk is low, the fund's fiduciary review be carried out by the external auditors. Notwithstanding this, the IDB will do desk reviews and in situ oversee of the Project, as deemed necessary. The fiduciary supervision visits will include the verification of financial and accounting arrangements for the fund management and follow-up on implementation recommendations issued by the fund's independent auditor. • It should be noted that IDB's interaction will be with the CBB, the fund manager, and as such, the IDB will not have access to the firms that borrow through the IFIs or to the IFIs that participate in the program.

V. Information Relevant to the Operation

Applicable Policies and Guides for the operation

Financial Management	Procurement
• GN-2811 • OP-273-12	• As a demand-driven financial intermediation program, no procurement of goods, works, nonconsulting services, or consulting services is likely to be required as part of execution. No project execution plan or procurement plan is therefore included in this proposal. Any procurement of nonconsulting or consulting services required as part of program administration and/or evaluation will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the IDB (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-15), or as subsequently updated, including the following temporary measures: (i) goods whose origin is from non-Bank member countries may be eligible for procurement; and suppliers, contractors, consultants or service providers from non-Bank member countries will be able to participate in the selection procedures; (ii) the procurement policies of the Procurement Agents and specialized agencies can be used when they are hired as such by the Borrower or, as the case may be, by the respective Executing Agency; and (iii) consolidated contracting on an international level, as well as procurement by adhering to existing contracts of the Borrower, may be used as procurement methods in addition to those described in the Procurement Policies and the Consultant Policies. These temporary measures will remain in effect until April 7th, 2021. After such date they will cease to be in effect for all purposes established in this Contract.

Records and Archives

The CBB will maintain and keep all records and files of the Project for up to 3 years beyond the operation's execution period, according to best practices.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/__

Barbados. Loan ____/OC-BA to the Government of Barbados
Global Credit Program for Safeguarding the Productive
Sectors and Employment

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of Barbados, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Global Credit Program for Safeguarding the Productive Sectors and Employment. Such financing will be for the amount of up to US$30,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 20__)