

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BARBADOS**

**ENHANCED ACCESS TO CREDIT FOR PRODUCTIVITY PROJECT**

**(BA-L1034)**

**PROJECT PROFILE**

The project team consisting of prepared this document: María Netto, IFD/CMF, Team Leader; Daniel Fonseca, IFD/CMF, Alternate Team Leader; Eduardo Ponce, IFD/CMF; Gloria Lugo, IFD/CMF; Alejandro Tamola, IFD/CMF; Anganu, Jaiwattie, CMF/CJA; Leanne Cumberbatch, CCB/CBA; Adela Moreda Mora, INE/RND; Stephanie Suber, IFD/CMF; Claudia Stevenson, IFD/CTI; and Guillermo Eschoyez, LEG/SGO.

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**BARBADOS**  
**Project Profile (PP)**

**I. BASIC DATA**

<b>Project Name:</b>	Enhanced Access to Credit for Productivity Project
<b>Project Number:</b>	BA-L1034
<b>Project Team:</b>	María Netto, IFD/CMF, Team Leader; Daniel Fonseca, IFD/CMF, Alternate Team Leader; Eduardo Ponce, IFD/CMF; Gloria Lugo, IFD/CMF; Alejandro Tamola, IFD/CMF; Anganu, Jaiwattie, CMF/CJA; Leanne Cumberbatch, CCB/CBA; Adela Moreda Mora, INE/RND; Stephanie Suber, IFD/CMF; Claudia Stevenson, IFD/CTI; and Guillermo Eschoyez , LEG/SGO.
<b>Borrower:</b>	Government of Barbados (GOBA).
<b>Executing Agency:</b>	Central Bank of Barbados
<b>Financing Plan:</b>	IDB (OC) US\$25 million
<b>Safeguards:</b>	Policies triggered: B.13 Classification: Not required.

**II. GENERAL JUSTIFICATION AND OBJECTIVES**

**A. Background**

- 2.1 **Macroeconomic context.** Barbados is a small open economy with a concentrated domestic production base, predominantly driven by the services industries (88% of GDP). In the last 5 years the country has been facing growth and macroeconomic stability challenges, with low and negative economic growth (on average –0.5 percent in the past 5 years)<sup>1</sup>. The economy had no growth in 2012 and contracted by 0.7 percent in 2013. According to the IMF<sup>2</sup>, negative growth is projected to persist in 2014, partly associated with declining competitiveness in the tourism sector<sup>3</sup>. However, the economy is expected to grow in the medium-term with the start of new tourism-related capital projects<sup>4</sup>.
- 2.2 **Slowdown of tourism industry.** The tourism industry, which is the main driver of the Barbados economy<sup>5</sup>, has worsened in the past two years, recording a 6% and 5.6% decline in long-stay arrivals in 2012 and 2013, respectively<sup>6</sup>. The challenges facing the tourism industry have also adversely

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<sup>1</sup> The current economic conditions maintain a stagnant labor market with high unemployment rates. The unemployment rate has been persistently in double digits since 2009, with the latest available data as at the end of October 2013 being 11.2% up from 10% in 2009. The unemployment rate is estimated to continue increasing in 2014 with the retrenchment of over 3,000 public sector workers.

<sup>2</sup> [IMF Article IV Consultation Mission to Barbados, 2013](#)

<sup>3</sup> [World Economic Outlook, October 2013](#)

<sup>4</sup> Macroeconomic Analysis, CCB/CBA, IDB, Feb 2014.

<sup>5</sup> World Travel and Tourism Council estimated that in 2012 Travel and Tourism contributed 39.4% to GDP, 38.8% of total employment, 64.5% of total exports and 21.1% of total investment.

<sup>6</sup> Central Bank of Barbados, 2013.

impacted related sectors<sup>7</sup> (see [Figure 1](#)). The government of Barbados has been developing a strategy to promote alternative models for the tourism industry to attract new visitors, tap in other markets of types of tourists in the United States of America, Canada and Latin American countries, and to promote private investments in the industry. As a consequence, the private sector, in particular Small and Medium Enterprises (SMEs), will need to adapt and modernize their businesses in order to be more competitive.

- 2.3 **The financial system.** Commercial Banks are the most important source of credit to private sector in Barbados. All of the commercial banks operating in Barbados are subsidiaries or branches of regional or international banks. The Barbadian financial system has remained generally stable and well capitalized, with high levels of liquidity and moderately profitable operations (see [Figure 2](#)).
- 2.4 **Decrease in productivity.** Barbados's private sector productivity (understood as Total Factor Productivity or TFP) had a period of improvement relative to other countries in the Caribbean and Latin America from the mid-1980s to late 1990s<sup>8</sup>. However, from early 2000s to 2008 the upward trend in relative productivity began to stagnate and even to decline when compared to the typical behavior of a larger set of countries<sup>9</sup> (see [Figure 3](#)). The decline in productivity for Barbados became worse after the 2008 crisis; in particular, when considering the more recently available comparable data (up to 2011), productivity in Barbados declined by 20% when compared to Jamaica and Dominican Republic since 2008<sup>10</sup>. The lack of financing was one of the factors driving the dip in productivity that followed the emergence of the 2008 (along with other factors such as the contraction in global demand and the reduction in tourist inflows)<sup>11</sup>.
- 2.5 **Problem identification.** Access to financing has been identified as the most important constraint for doing business in Barbados<sup>12</sup>, particularly to SMEs. The problem to be addressed by the project is the lack of credit for SMEs to be

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<sup>7</sup> Sectors such as transport, telecommunications, whole sales and trade, and construction rely on the tourism in industry and have slowed down because of reduction in tourist visits. Clyde Mascoll, 2013. "The Promotion of Greater Inter-Sectoral Linkages with the Tourism Sector in the Barbados Economy", The Barbados Private Sector Association.

<sup>8</sup> It is important to stress here the distinction between TFP and other widely used productivity measures like "labor productivity" or the concept of "competitiveness" covered in surveys like the "Enterprise Survey" (World Bank) and indices like those in the "Doing Business" report (International Financial Corporation and World Bank).

<sup>9</sup> Relative productivity stagnates when compared to the typical (median) evolution of productivity observed in Jamaica and Dominican republic, and Jamaica, Dominican Republic, Honduras, and Guatemala; when the comparison group includes countries like Mexico and Ecuador, Barbados shows a decline in relative productivity since early 2000s.

<sup>10</sup> CMF calculations.

<sup>11</sup> Such contraction of productivity due to access to finance are consistent with the results of Mendoza (2010), Jermann and Quadrini (2009) that show how TFP can decline following a financial shock and Amo-Yartey (2012) that shows that macroeconomic vulnerabilities were already increasing in Barbados since 2006 due to the high public debt and the deterioration in the net financial position with nonresidents. See: Jermann, U. and Quadrini, V. 2009. "Macroeconomic effects of financial shocks"; Mendoza, E. 2010. "Sudden stops, financial crises, and leverage"; Amo-Yartey, C. 2012. "Barbados: sectoral balance sheet mismatches and macroeconomic vulnerabilities".

<sup>12</sup> [World Bank Enterprise Survey 2010](#), [The Global Competitiveness Report 2013–2014 of World Economic Forum](#).

able to maintain business continuity and to invest in innovation needed to adapt to new tourism models and business diversification that the economy requires. Access to credit will increase overall productivity of local firms<sup>13</sup>.

## **B. Main causes to the problem**

- 2.6 Local commercial banks have shown a suboptimal credit risk perception in Barbados, mainly due to the following factors<sup>14</sup>:
- a. The financial system has experienced a significant increase in non-performing loans (from 3.4 % in 2008 to 12% as of 2013), especially in the corporate category, mostly explained by the effects of the international financial crisis and its consequences on the local economy<sup>15</sup>;
  - b. The tourism industry in Barbados has been less competitive and while the government has focused its own intervention to directly address a new tourism strategy, assistance is needed to support the necessary investments to be undertaken by the productive core of SMEs that gravitate around the larger tourism projects;
  - c. The commercial banks are branches of regional or international banks and their risk assessment and financial products are not scaled down to specific conditions of local business in Barbados, particular of SMEs.
- 2.7 Therefore, the banking system in general has tended to compensate its risk aversion by requiring high levels of collateral for lending operations. However, the range of available assets for collateral to banks is limited, as are the types of legal entities that have the ability to pledge collateral within the legal frameworks of most countries in the region. This tendency has added difficulties for SMEs which tend to have more limited alternatives and in markets not yet used to use cash flows as collateral (for example from savings of energy efficiency investments).
- 2.8 While promoting access to finance for small business development has been a Barbadian government policy priority and it has dedicated funds to promote investments in local businesses, the funds were not channeled through the local financial markets as required and were of limited resources<sup>16</sup>. The Central Bank of Barbados has also developed credit guarantee schemes to commercial banks for private sector investments, however it is understood that these schemes have lacked sufficient funding. Further the use of schemes has so far been limited, mainly because of narrow eligibility requirements and little flexibility of their requirements and lengthy bureaucratic procedures to be accessed<sup>17</sup>.

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<sup>13</sup> Access to credit was considered the most important barrier to start up business. Despite government efforts, starting a business in Barbados is considered to be challenging compared to many other Caribbean countries. Furthermore, Barbados fell from 69th to 77th in the starting a business ranking between 2013 and 2014. (see [Ibid](#), [WEF](#)).

<sup>14</sup> Paul Holden, 2011. "Enhancing Access to Finance in the Caribbean", IADB Discussion Paper.

<sup>15</sup> Central Bank of Barbados, 2013.

<sup>16</sup> Lindsay Holder, Clyde Mascoll, 2013. "A Policy Framework to Incentivize the Micro Business Sector in Barbados", The Barbados Private Sector Association.

<sup>17</sup> Interviews with the 6 most important Commercial Banks of Barbados in February 2014.

### **C. Objective**

- 2.9 The objective of the proposed project is to contribute to increase productivity for SMEs by facilitating access to medium- and long-term credit.
- 2.10 The proposed project would enhance prior guarantee mechanisms activities that the Government of Barbados has undertaken to promote productivity, with particular emphasis on SMEs as an important part of its new strategy to stimulate the tourism sector in the country's National Strategic Plan<sup>18</sup>. The project would be in the form of a lending operation to the government to create a credit guarantee mechanism that can compensate for the existing lack of collateral from SMEs to comply with high collateral requirements for loans from commercial banks. It is expected that in the long term, the guarantees undertaken under the project will have a demonstrative effect that will stimulate a higher risk appetite for commercial banks in the SMEs segment and lead to increased financing in this market segment. It would be designed based on the existing experience of the Central Bank in managing guarantee schemes, and would be developed with the necessary resources and flexibility to address the current risks perceived by commercial banks, and stimulate SMEs access to medium- and long-term credit.

### **D. Coordination with Country Strategy / Programming objectives**

- 2.11 The project reflects the priorities to promote private sector investments and support the financial system of Barbados identified by the government and being integrated in the new IDB country strategy for Barbados under development. The project is also consistent with the findings of the Country Program Evaluation: Barbados 2009-2013 from IDB's Office of Evaluation and Oversight (OVE) and supports private sector investments in different sectors identified the IDB country strategy of Barbados (2009-2013) (GN-2539). The operation also reflects the IDB's institutional priorities as outlined in the report on the Ninth General Capital Increase in Resources for the Inter-American Development Bank (GCI-9) (AB-2764) as it contributes to the goals of: (i) "supporting development in small and vulnerable countries" (such as Barbados); and (ii) institutions for growth / social welfare.
- 2.12 The project is also consistent with the "Barbados Growth and Development Strategy 2013-2020" and with the Barbadian "Small Business development Act" of 2002.

## **III. PROJECT DESIGN AND TECHNICAL ISSUES**

- 3.1 It is proposed that the project will be in the form of a loan of \$25 million, to establish a guarantee mechanism to facilitate access to medium- and long-term financing for SMEs through the local commercial banks; the mechanism is expected to be managed by the Central Bank.
- 3.2 The anticipated disbursement profile will be similar to standard of investment operations.

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<sup>18</sup> See Barbados Growth and Development Strategy 2013-2020.

- 3.3 Sufficient resources from the loan will be used to support the project administration, execution, monitoring and evaluation.
- 3.4 To complement the operation, a US\$240,000 (plus US\$60,000 in kind) Technical Cooperation Operational Input (BA-T1032) would be requested to promote the mechanism, support the involvement of commercial banks and SMEs (See attached TC Brief). The IDB may also seek resources from the European Union Caribbean Investment Facility (CIF)<sup>19</sup> to further enhance the mechanism impact and dissemination.

#### **IV. SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1 In accordance with Directive B.13 of the Bank's Environment and Safeguards Compliance Policy (GN-2208-20 and OP-703) and because the resources from this operation will be used for replenishing a Guarantee Fund, no ex-ante environmental impact classification is required.
- 4.2 There is a risk that the expected demand for credits backed by the guarantee mechanism could be smaller than the current demand due to slow economic growth in Barbados or slow economic recovery of the main tourism source markets and their impact on economic growth in Barbados. It is expected, however, that economic growth will be spurred in the medium and long term by government programs to promote the diversification and new business models for the tourism sector<sup>20</sup>.
- 4.3 There is a risk that the Central Bank of Barbados would have limited institutional capacity to execute an enhanced and more flexible guarantee instrument. The project team will work with the Central Bank to improve its institutional capacity as part of the preparation of the project and the Technical assistance mentioned in ¶3.4.

#### **V. RESOURCES AND TIMETABLE**

- 5.1 Approximately US\$85,000 will be used for the project preparation and mission travel (identification, analysis and negotiation). The following are estimated dates for key milestones in the preparation process: POD due on August 20<sup>th</sup> and consideration by the Board, on October 15<sup>th</sup> 2014.

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<sup>19</sup> For more information see [European Commission-Press Release](#).

<sup>20</sup> Macroeconomic Analysis, CBA, IDB, Feb 2014.

CONFIDENTIAL

<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.

## SAFEGUARD POLICY FILTER REPORT

PROJECT DETAILS	
IDB Sector	FINANCIAL MARKETS-CAPITAL MARKET DEVELOPMENT
Type of Operation	Financial Intermediation/Global Credit
Additional Operation Details	
Investment Checklist	Generic Checklist
Team Leader	Netto de A. C. Schneider, Maria E. (MNETTO@iadb.org)
Project Title	Enhanced Access to Credit for Productivity and Competitiveness Program
Project Number	BA-L1034
Safeguard Screening Assessor(s)	Suber, Stephanie (ssuber@IADB.ORG)
Assessment Date	2014-03-06

SAFEGUARD POLICY FILTER RESULTS		
Type of Operation	Loan Operation	
Safeguard Policy Items Identified (Yes)	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
	The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
	The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)
	The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
	Operation for which ex-ante impact classification may not be feasible. These loans are: Policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, or conditional credit lines for investment projects.	(B.13)



	Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
<b>Potential Safeguard Policy Items(?)</b>	No potential issues identified	
<b>Recommended Action:</b>	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s), including B13, for guidance. No project classification required. Submit Report and PP (or equivalent) to ESR.	
<b>Additional Comments:</b>		

<b>ASSESSOR DETAILS</b>	
<b>Name of person who completed screening:</b>	Suber, Stephanie (ssuber@IADB.ORG)
<b>Title:</b>	Project Assistant
<b>Date:</b>	2014-03-06

## SOCIAL AND ENVIRONMENTAL STRATEGY

1. **Program.** The objective of the proposed project is to contribute to increase productivity for SMEs by facilitating access to medium- and long-term credit. The project would provide continuity and enhance prior guarantee mechanisms activities that the Government of Barbados has undertaken to promote productivity, with particular emphasis on SMEs as an important part of its new strategy to stimulate the tourism sector in the country's National Strategic Plan.

The project would be in the form of a lending operation to the government to create a guarantee mechanism that can compensate for the lack of collateral that the commercial banks require for SME loans. It is expected that in the long term, the guarantees undertaken under the project will have a demonstration effect that will stimulate a higher risk appetite for commercial banks in the SME segment and lead to increased financing in this market segment. It would be designed based on the existing experience of the Central Bank in managing guarantee schemes, and would be developed with the necessary resources and flexibility to address the current risks perceived by commercial banks, and stimulate SME access access to medium- and long-term credit.

2. **Categorization of Environmental Impact.** In addition, as a loan to a financial intermediary similar, where the nature of specific projects are not defined a priori, and in accordance with Directive B.13 of the Bank Environmental and Safeguards Compliance Policy (Document GN-2208-20 and Manual OP-703), and because the resources from this operation will be used for replenishing a Guarantee Fund, no ex-ante environmental and social safeguard impact classification is required.

### Technical Analysis

Studies	Date	References and Links
Lindsay Holder, Clyde Mascoll, 2013. “A Policy Framework to Incentivize the Micro Business Sector in Barbados”, The Barbados Private Sector Association.	June 2012	<a href="#">-policy-framework-to-incentivize-the-micro-business-sector-in-barbados</a>
World Bank Enterprise Survey 2010, The Global Competitiveness Report 2013–2014 of World Economic Forum.	2013	<a href="#">World Bank Enterprise Survey 2010, The Global Competitiveness Report 2013–2014 of World Economic Forum.</a>
Demand Analysis	In preparation	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=XXXX">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=XXXX</a>

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## TC ANNEX

### STRENGTHENING THE INSTITUTIONAL CAPACITY OF THE CENTRAL BANK OF BARBADOS

#### I. Basic project data

▪ Country/Region:	Barbados
▪ TC Name:	Strengthening the institutional capacity of the Central Bank of Barbados
▪ TC Number:	BA-T1032
▪ Team Leader/Members:	María Netto, IFD/CMF, Team Leader, Daniel Fonseca, IFD/CMF, Co-Team Leader; Eduardo Ponce, IFD/CMF; Gloria Lugo, IFD/CMF.
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Operational Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	BA-L1034
▪ Reference to Request <sup>1</sup> : (IDB docs #)	
▪ Date of TC Abstract:	March 26 2014
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Barbados and CBB
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	IFD
▪ IDB Funding Requested:	US\$240,000
▪ Local counterpart funding, if any:	US\$60,000
▪ Disbursement period (which includes execution period):	48 months
▪ Required start date:	July 2014
▪ Types of consultants (firm or individual consultants):	Individual and/or firm consultants
▪ Prepared by Unit:	IFD/CMF
▪ Unit of Disbursement Responsibility:	CMF
▪ Included in Country Strategy (y/n);	N
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	Supporting development and Institutions for growth

#### II. Objective and Justification

- 2.1 The TC has the following objectives: (i) to improve its processes and monitoring systems for guarantees and financial products; (ii) to innovate and foster their financial products to support access to finance for SME and; (iii) to strengthen its institutional and operational capacity within the financial system. These objectives will serve to promote best practices and a more compelling use of the financial products offered by the Central Bank of Barbados (CBB) to enhance access to finance for SME.
- 2.2 The Barbadian financial system has remained generally stable and well capitalized. While credit quality declined further at banks, credit unions and non-bank financial institutions experienced no growth in their non-performing loans. With deposit growth outstripping the rise in credit, the commercial banks are holding significant amounts of liquid assets<sup>2</sup>, however, they are not using this excess liquidity to increase lending to the private sector. The

<sup>1</sup> A copy of the Letter of Request, Programming/Portfolio Review Mission Aide Memoire or Report requesting the TC should be submitted with the Abstract.

<sup>2</sup> An excess cash to deposit ratio is on the 4.7 percent level.

commercial banks' high risk perceptions for their customers are one of the main barriers identified for low access to finance, where firms may also lack the necessary guarantees and collateral to obtain credit for investment or working capital. Moreover, financial institutions do not lend to newer or smaller businesses since they associate them with factors that increase financial risk, justifying the lack of bankable projects.

- 2.3 Access to finance has been identified as the single most problematic factor for doing business, and particularly, an obstacle for small and medium enterprises (SME) in Barbados<sup>3</sup>. The inability to broadly use collateral poses a major impediment to financial access for SME. A general constraint perceived is that the range of assets that can be used as collateral is limited, reducing access to credit except for large companies or wealthy individuals with substantial land holdings, while smaller borrowers are excluded from the system, and the credit chain is shortened with no borrowing against inventories or warehouse receipts.
- 2.4 As a part of the CBB efforts to address these challenges in past years, various guarantee schemes have been put into place to primarily assist businesses which encounter difficulty in providing adequate security for domestic credit from commercial banks and eligible financial institutions. The characteristics and design of these financial products are differentiated according to the sector they are aimed for. However, the heterogeneity perceived amongst these products for substituting collateral for a government guarantee, along with the expertise to manage them, have not met the expected demand for them, and have not contributed by securing financing when needed by the businesses.

### III. Description of activities and outputs

- 3.1 This TC would be implemented through the following activities:
- 3.2 **Component 1: Improvement of processes and information systems to provide credit guarantees and cover claims.** Under this component, there will be an assessment of the current situation of banking processing and information systems and from current CBB guarantee platform to identify specific processes and information systems to provide credit guarantees and cover claims. The proposals will include recommendations and implementation of banking integrated systems for guarantees and claims, efficient workflow systems for processing demands and providing expedited responses by ensuring continuous monitoring and risk management of financial products and electronic and web based systems interface.
- 3.3 **Component 2: Dissemination of information for the use of guarantee scheme.** Under this component, the promotion and dissemination of information of the guarantee mechanism to be developed under the IDB operation, will be undertaken through seminars and consultations with the commercial banks, non-traditional lenders, licensed financial intermediaries, private sector associations and relevant firms to create strategic alliances, have their inputs and

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<sup>3</sup> World Economic Forum's Global Competitiveness Report on Barbados (2013-14)

concerns taken into account and give the end-users a broader knowledge of the availability financing products.

- 3.4 **Component 3: Enhance institutional capacity.** Under this component recommendations will be made regarding best practices procedures to follow for enhancing institutional and operational capacity of the Guarantee Mechanism. This will include support to (i) the CBB to improve its ability to design financial products and programs and create a stronger network and liaison with the local financial institutions and SMEs, as well as with the relevant Ministries and government agencies; (ii) the procedures and secretarial services that will support the Committee of the Guarantee Mechanism.
- 3.5 The activities proposed under the technical cooperation would build upon IDB's long track record in working with the Barbados institutions. In particular, it would be aligned with the work of Capital Markets and Financial Institutions Division (IFD/CMF) with the Government and the CBB to promote access to finance and productive credit for SMEs while delving into expanding the knowledge and expertise of using guarantee products with the local financial institutions. Also, it will support the coordination needed among the Ministry of Finance and Economic Affairs, Central Bank, and the Ministry of Industry, International Business, Commerce and Small Business Development.
- 3.6 The proposed TC is consistent with the GCI-9 as it contributes to the goals of (i) "supporting development in small and vulnerable countries" (such as Barbados); and (ii) institutions for growth / social welfare.

#### IV. Budget

- 4.1 The total cost of this TC will be US\$300,000. The IADB contribution will be \$240,000 and the rest will be financed (in kind) by the CBB.

##### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
<b>Component 1</b>	Processes and systems	140,000	20,000	160,000
<b>Component 2</b>	Dissemination of information	50,000	10,000	60,000
<b>Component 3</b>	Institutional Capacity	40,000	20,000	60,000
<b>Component 4</b>	Contingencies	10,000	10,000	20,000

#### V. Executing agency

- 5.1 It is expected that the Ministry of Finance and Economic Affairs submit the formal request of this technical cooperation by the end of April. The execution could be undertaken by the IDB

with the goal of enhancing local institutional capacity while supporting coordination among the official entities involved in the preparation and successful execution of the Guarantee Mechanism.

## **VI. Project Risks and issues**

- 6.1 As identified during the preparation of the profile of the loan operation this TC is supporting (BA-L1034), a risk has been identified in the loan operation to the effect of the Central Bank of Barbados' capacity to adapt to the enhanced and flexible features of this particular guarantee instrument; therefore this TC, to be executed by the Bank, is expected to enhance the CBB's technical capacity, in particular related to a more streamlined operational flow and promotional competencies, thus mitigating the risk associated to the loan.

## **VII. Environmental and Social Classification**

- 7.1 The TC is not expected to generate negative environmental and social impacts. Consequently, it is expected that this project is classified in category C, which means that environmental and social assessments are not necessary.