



BARBADOS

July 2023

FIRST REVIEWS UNDER THE EXTENDED FUND FACILITY ARRANGEMENT AND UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND REFORM MEASURES, AND REPHASING OF ACCESS UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BARBADOS

In the context of the Staff Report for the First Reviews Under the Extended Fund Facility and Under the Resilience and Sustainability Facility, Requests for Modification of Performance Criteria and Reform Measures, and Rephasing of Access Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 22, 2023, following discussions that ended on May 12, 2023, with the officials of Barbados on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 7, 2023.
- **A Statement by the Executive Director for Barbados**

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services

PO Box 92780 • Washington, D.C. 20090

Telephone: (202) 623-7430 • Fax: (202) 623-7201

E-mail: publications@imf.org Web: <http://www.imf.org>

Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



IMF Executive Board Completes the First Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility with Barbados

FOR IMMEDIATE RELEASE

- *The Executive Board of the International Monetary Fund completed today the first reviews of Barbados' Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) arrangements, making available SDR 14.175 million (about US\$19 million) under each facility, respectively.*
- *After successfully weathering a series of shocks in recent years, the Barbadian economy has recovered strongly driven by a rebound in tourism and related activities and continues expanding in 2023.*
- *The authorities are making good progress in implementing their updated Economic Recovery and Transformation (BERT) plan and their ambitious climate policy agenda.*

Washington, DC – June 22, 2023: The Executive Board of the International Monetary Fund (IMF) completed the first reviews of the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. The completion of the reviews allows the authorities to draw the equivalent of SDR 14.175 million (about US\$19 million) under the EFF and SDR 14.175 million (about US\$19 million) under the RSF.

Barbados is implementing an ambitious homegrown economic reform and climate policy agenda, aimed at strengthening fiscal sustainability, advancing structural reforms, unlocking the economy's growth potential, increasing resilience to climate change, and greening the economy. These policies are supported by the EFF and RSF arrangements, which were approved on December 7, 2022, in an amount equivalent to SDR 85.05 million (about US\$114 million) or 90 percent of quota, and SDR 141.75 million (about US\$190 million) or 150 percent of quota, respectively (see [Press Release No. 22/417](#)).

After successfully weathering a series of shocks in recent years, the Barbadian economy has recovered, with eight consecutive quarters of growth, and continues expanding in 2023 underpinned by an ongoing rebound in tourism and related activities. The fiscal balance has significantly improved, and public debt has been placed on a downward path, reaching 122.5 percent of GDP as of end-fiscal year 2022/23 (119.6 percent excluding IMF loans provided for balance of payments support). In addition, international reserves have risen to US\$1.6 billion as of end-March 2023, covering over 7 months of imports. The authorities are advancing the structural reform agenda, having completed several structural benchmarks. Efforts to adapt to climate change and support the transition to a greener economy are also progressing. The

authorities have implemented important reforms under the RSF arrangement and renewables are gradually increasing their share in the energy matrix.

Following the Executive Board's discussion, Ms. Gita Gopinath, First Deputy Managing Director and Acting Chair of the Board, issued the following statement:

"Barbados is making good progress in implementing its homegrown Economic Recovery and Transformation (BERT) program and ambitious climate policy agenda, supported by the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. Following a series of shocks in recent years, the Barbadian economy has recovered strongly amid a rebound in tourism. While inflation has increased with the rise in global food and fuel prices, it is projected to moderate in the coming months.

"Fiscal performance has significantly improved, public debt is on a downward trajectory, and reserves have risen. The focus on reducing debt through higher primary surpluses, while maintaining adequate social and capital expenditure is appropriate. Important progress is being made on the structural reform agenda, including to strengthen the duty and tax exemptions framework, enhance tax compliance and risk management, and unlock the economy's growth potential. Continued progress on state-owned enterprise and pension reforms is important. The newly created Fiscal and Growth Councils are critical to help monitor the implementation of the authorities' fiscal strategy and support the growth agenda.

"The authorities are focused on enhancing the monetary policy toolkit and taking steps to safeguard financial stability. It will be necessary to develop liquidity management instruments and take steps to strengthen the AML/CFT framework.

"The authorities are advancing their ambitious climate policy agenda to increase resilience to climate change and green the economy. Ongoing efforts to incorporate climate policy goals in the fiscal process, including by discussing climate change risks in the budget and enhancing public procurement, are welcome. The planned new policy reforms to develop guidelines to implement sustainable/green public procurement and introduce climate/green budget tagging will further support the incorporation of climate priorities in the budget process. The climate policy reforms are expected to help create an enabling environment that mobilizes private sector investment in climate-related projects."



BARBADOS

June 7, 2023

FIRST REVIEWS UNDER THE EXTENDED FUND FACILITY ARRANGEMENT AND UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA AND REFORM MEASURES, AND REPHASING OF ACCESS UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. After successfully weathering a series of shocks in recent years, the Barbadian economy is recovering strongly driven by a rebound in tourism and related activities. Public debt was brought back onto a downward trajectory and international reserves have risen to over 7 months of imports. The authorities are making good progress in implementing their updated Economic Recovery and Transformation (BERT) plan and their ambitious climate policy agenda. Following the completion of the 2018-22 Extended Fund Facility (EFF), a successor 36-month EFF arrangement along with a Resilience and Sustainability Facility (RSF) were approved in December 2022. The authorities are strongly committed to strengthen fiscal sustainability, advance structural reforms, and increase resilience to climate change and natural disasters.

Program Implementation

EFF. All quantitative performance criteria and indicative targets set for the first review were met. The primary fiscal balance recorded a surplus of 2.5 percent of GDP in FY2022/23, following a deficit of 1 percent of GDP in both FY2020/21 and FY2021/22. The budget for FY2023/24 targets a primary surplus of 3.5 percent of GDP, in line with program targets. Public debt fell to 122.5 percent of GDP as end-FY2022/23. The authorities are advancing the structural reform agenda. They strengthened procedures for granting and managing duty and tax exemptions, developed a plan to safeguard the sustainability of the National Insurance Fund, undertook a data matching exercise to improve tax compliance and risk management, completed a stocktaking of growth-enhancing reforms, and tabled in Parliament a bill to reform the public employees' pension scheme.

RSF. The authorities implemented important adaptation measures set under reform measure #1. They amended the Planning and Development Act to improve the climate resilience

of roads and fully operationalized the Barbados Environmental and Sustainability Fund (BESF) to support marine conservation. In addition, the Parliament approved a new water re-use policy. The authorities also advanced important measures to incorporate climate considerations in the budget process, set under reform measure #2. They included a fiscal risk statement discussing climate change risks in the FY2023/24 budget and approved Procurement Act Regulations to enhance the public procurement process and support green procurement. Following the determination by the authorities that the publication of beneficial ownership information of companies participating in public procurement would face legal impediments, reform measure #2 is proposed to be reformulated and completed by the second review, adding two new policy reforms, the development of a sustainable procurement framework to operationalize green procurement and guidelines to implement climate budget tagging, expected to be completed by end-September 2023.

Approved By
James Morsink
(WHD) and Peter
Dohlman (SPR)

A mission team visited Bridgetown during May 3–12, 2023. The team comprised Pablo Morra (head), Keiichi Nakatani, Camila Perez (all WHD), Young Sarah Zhou (SPR), and Peter Mugisa (MCM). Chris Faircloth (Resident Representative Office) assisted the mission. The mission team met with Prime and Finance Minister Mia Mottley, Central Bank of Barbados Governor Kevin Greenidge, Minister in the Ministry of Finance Ryan Straughn, and other senior government officials. Ann Marie Wickham (OED) joined some of the meetings and Executive Director Philip Jennings joined the concluding meeting.

CONTENTS

Acronyms	5
CONTEXT	6
RECENT DEVELOPMENTS AND OUTLOOK	6
A. Recent Developments	6
B. Outlook and Risks	7
PROGRAM PERFORMANCE AND POLICY DISCUSSIONS	7
A. Strengthening Fiscal Institutions and Safeguarding Fiscal Sustainability	7
B. Enhancing Monetary Policy and Preserving Financial Stability	11
C. Building Resilience to Climate Change and Natural Disasters	13
D. Unlocking Barbados' Growth Potential	16
E. Data Issues	16
PROGRAM MODALITIES	17
STAFF APPRAISAL	19
FIGURES	
1. Real Sector Developments	21
2. Fiscal Sector Developments	22
3. External Sector Developments	23
4. Monetary Sector Developments	24
5. Capacity to Repay Indicators Compared to GRA-Only Borrowing Counties, All Programs	25

TABLES

1. Selected Economic Indicators, 2019–2024 _____	26
2a. Central Government Operations, 2019/2020–2028/2029 (In millions of Barbados dollars) ___	27
2b. Central Government Operations, 2019/2020–2028/2029 (In percent of FY-GDP) _____	28
3. Public Debt, 2019/2020–2028/2029 _____	29
4a. Balance of Payments, 2019–2028 (In millions of US\$) _____	30
4b. Balance of Payments, 2019–2028 (In percent of CY GDP) _____	31
5. Monetary Survey, 2019–2028 _____	32
6. Medium-Term Macroeconomic Framework, 2019–2028 _____	33
7. Financial Sector Indicators, 2016–2022 _____	34
8. Program Monitoring – External Financing Requirements and Sources _____	35
9. Schedule of Purchases Under the EFF-Supported Program _____	35
10. Proposed Schedule of Disbursements Under the RSF Arrangement _____	36
11. Program Monitoring – Indicators of Fund Credit Under the EFF and RSF _____	37

ANNEXES

I. Risk Assessment Matrix (RAM) _____	38
II. Debt Sustainability Analysis _____	40
III. Capacity Development Strategy: Updated Country Strategy Note _____	50

APPENDIX

I. Letter of Intent _____	68
Attachment I. Supplementary Memorandum of Economic and Financial Policies _____	71
Attachment II. Technical Memorandum of Understanding _____	99

Acronyms

ARA	Assessment of Reserve Adequacy (IMF)	MFEAI	Ministry of Finance, Economic Affairs, and Investment
BAMC	Barbados Agricultural Management Corporation	MEFP	Memorandum of Economic and Financial Policies
BCED	Barbados Customs and Excise Department	NDC	National Development Corporation
BEPS	Base Erosion and Profit Shifting	NHC	National Housing Corporation
BERT MC	Barbados Economic Recovery and Transformation Monitoring Committee	NIS	National Insurance Scheme
B\$	Barbados Dollar	NIF	National Insurance Fund
BOP	Balance of Payments	PC	Performance Criterion
BRA	Barbados Revenue Authority	PFM	Public Finance Management
BSS	Barbados Statistical Service	PRASC	Canada's Project for the Regional Advancement of Statistics in the Caribbean
CAB	Current Account Balance	RDC	Rural Development Corporation
CAIPO	Corporate Affairs and Intellectual Property Office	RM	Reform Measure
CAPEX	Capital Expenditure	SB	Structural Benchmark
CARTAC	Caribbean Regional Technical Assistance Center	SDR	Special Drawing Right
CBB	Central Bank of Barbados	SOE	State Owned Enterprise
CDB	Caribbean Development Bank	TA	Technical Assistance
CG	Central Government	TMU	Technical Memorandum of Understanding
CIT	Corporate Income Tax	UDC	Urban Development Corporation
CPI	Consumer Price Index	US\$	US Dollar
CY	Calendar Year	VAT	Value Added Tax
EFF	Extended Fund Facility	YoY	Year-on-Year
FAD	Fiscal Affairs Department (IMF)		
FDI	Foreign Direct Investment		
FMA	Financial Management and Audit		
FY	Fiscal Year		
GDP	Gross Domestic Product		
GIR	Gross International Reserves		
GFN	Gross Financing Needs		
IDB	InterAmerican Development Bank		
IFI	International Financial Institution		
IMF	International Monetary Fund		
IT	Indicative Target		
LT	Long Term		
LTU	Large Taxpayer Unit		
MAU	Management Accounting Unit		

CONTEXT

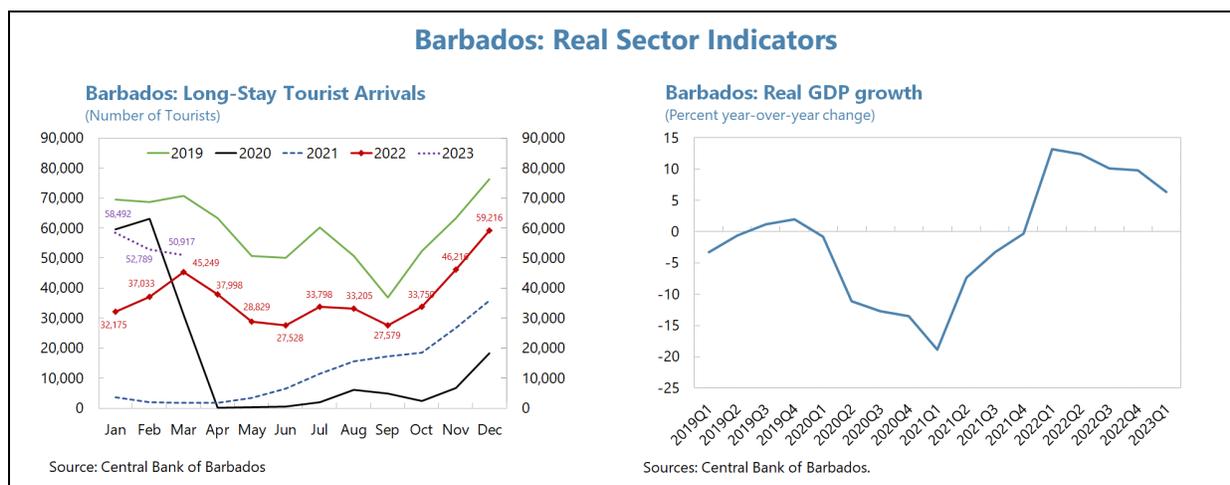
1. Barbados is implementing an ambitious economic reform and climate agenda, supported by the EFF and RSF arrangements. The arrangements were approved in December 2022, following the successful completion of the 2018-22 EFF. The EFF arrangement draws on the authorities' updated Economic Reform and Transformation (BERT 2022) plan. Its key objectives are to strengthen fiscal sustainability, advance structural reforms, and unlock the economy's growth potential. The RSF arrangement supports the authorities' efforts to increase resilience to climate change and green the economy, including by transitioning to a fully renewable-based economy.

RECENT DEVELOPMENTS AND OUTLOOK

A. Recent Developments

2. The recovery in tourism led to strong economic growth in 2022 and early 2023 as well as improvements in other economic indicators, while the rise in global commodity prices and stronger demand increased inflation:

- *Real GDP* rebounded by 10 percent in 2022, following a 13.5 percent fall in 2020-21, driven by a recovery in tourism and related activities. The tourism recovery has lagged those of some regional peers, partly due to the slower lifting of pandemic restrictions, but gathered strength in recent months, with tourist arrivals reaching about 80 percent of pre-pandemic levels in the first quarter of 2023. Real GDP is estimated to have expanded by 6.4 percent in the first quarter of 2023.



- With the rebound in economic activity, the *unemployment rate* fell to 7.2 percent as of March 2023, the lowest level in several years, from over 20 percent during the pandemic.
- *Inflation* reached 6.6 percent (year-over-year) as of February 2023, compared to 2.2 percent in February 2022, driven by the rise in global food and fuel prices and some increases in the prices of dining and recreational activities fueled by the tourism recovery.

- *Credit to the private sector* grew by 3.7 percent in 2022, breaking the downward trend registered since 2019, supported by the improvement in economic activity in the tourism and real estate sectors.
- *The external current account deficit* remained broadly unchanged at around 11 percent of GDP in 2022. The recovery in tourism and goods exports were broadly offset by the increase in imports resulting from the surge in global commodity prices and freight costs and the rebound in domestic demand. Continued support from international financial institutions helped finance the current account deficit.
- *Gross international reserves* reached US\$1.6 billion at end-March 2023, covering over 7 months of imports and about 250 percent of the Fund's reserve adequacy metric.

B. Outlook and Risks

3. The economy is expected to continue recovering and inflation to moderate. Real GDP is projected to expand by around 4.5 percent and return to pre-pandemic levels in 2023, supported by a continued recovery in tourist arrivals and the reactivation of some large-scale tourism projects. Inflation is projected to decline to 5 percent by end-2023 as imported inflationary pressures ease. Over the medium-term, growth and inflation are projected to converge to their medium-term historical averages of about 2 percent, respectively. The current account deficit is expected to decline to 7.7 percent of GDP in 2023 and 4.5 percent of GDP over the medium term as tourism and commodity prices fully normalize.

4. Risks to the outlook are elevated and tilted to the downside. The medium-term economic outlook is vulnerable to a slower than expected recovery in the tourism sector, which depends on developments in key source markets (US, UK, and Canada). An intensification of Russia's war in Ukraine could further increase global commodity prices and fuel inflationary pressures, reducing real incomes in both the main tourism source markets and Barbados. With the peg to the US dollar, further US dollar appreciation could dent Barbados' competitiveness. Tighter global financial conditions and a rise in global risk aversion would increase the cost of external financing, affecting the fiscal and external accounts. The economy is exposed to climate change risks, which could have a dampening impact on economic activity, increase the fiscal deficit and public debt, and pose financial stability risks.

PROGRAM PERFORMANCE AND POLICY DISCUSSIONS

A. Strengthening Fiscal Institutions and Safeguarding Fiscal Sustainability

5. Fiscal performance improved significantly in FY2022/23. The primary balance recorded a surplus of 2.5 percent of GDP in FY2022/23, compared to a deficit of 1 percent of GDP recorded in both FY2020/21 and FY2021/22. The improved fiscal performance was achieved on the back of the decline in COVID-related expenditure, prudent expenditure management, and higher revenue

collection relative to earlier projections as the economy recovered. The improvement in the primary balance allowed the authorities to meet the fiscal target and accelerate debt reduction, including by prepaying domestic debt held by individuals (Series B) equivalent to B\$75 million (0.6 percent of GDP).

Barbados: Estimates of Covid-Related Expenditures			
(In percent of GDP)			
	FY20/21	FY21/22	FY22/23
Covid-related expenditure	2.3	2.1	0.8
Health related	0.9	0.8	0.2
Support to households	0.5	0.3	0.1
Support to businesses	0.3	0.2	0.0
Transfers to SOEs	0.5	0.1	0.0
Education	0.1	0.0	0.0
Other ^{1/}	0.0	0.6	0.5

Sources: Authorities and IMF staff estimates.
1/ Other Covid spending includes recapitalization of the Unemployment Benefit Fund.

6. The FY2023/24 budget envisages an increase in the primary surplus to 3.5 percent of GDP, in line with program targets. The authorities' fiscal policy stance for FY2023/24 strikes an appropriate balance between advancing fiscal consolidation to secure public debt sustainability and safeguarding social and investment needs. On the revenue side, the discontinuation of the temporary pandemic levies is expected to be largely compensated by a cyclical revenue rebound from the continued economic recovery. On the expenditure side, COVID spending is expected to be almost fully phased out in FY2023/24. The wage bill is expected to remain broadly stable as a share of GDP, reflecting the adjustments in public sector salaries announced in March 2023.¹

7. The authorities are making important progress in advancing the structural reform agenda.

- **Duty and tax exemptions reforms.** The Cabinet adopted legislative provisions to modernize procedures for granting and managing duty and tax exemptions consistent with IMF technical assistance (end-December 2022 structural benchmark). Key provisions require: i) that any exemption be "in the public interest"; ii) the approval of the Minister of Finance and/or the Cabinet to grant exemptions above a certain threshold; and iii) repayments if recipients breach the laws of Barbados. The authorities envisage that the rationalization of the exemption framework would gradually help increase public revenue over the medium term.
- **Revenue administration.** The Barbados Revenue Authority (BRA) and the Barbados Customs and Excise Department (BCED) undertook a data matching project (end-March 2023 structural benchmark). The exercise will support efforts to enhance revenue administration by helping improve compliance and risk management.
- **Pension reforms.** The authorities developed a reform plan to enhance the sustainability of the National Insurance Fund (NIF) (end-December 2022 structural benchmark). The planned recapitalization of the unemployment benefit scheme, whose financial position had deteriorated

¹ The government agreed with unions salary increases of 3 percent for FY2023/24 and FY2024/25 for all workers in the public service and state-owned enterprises dependent on government financial support. The agreement also included an increase in allowances of 10 percent for FY2022/23, and 3 percent for both FY2023/24 and FY2024/25, and a tax-free B\$1500 lump sum payment paid in March.

sharply during the pandemic, was completed ahead of schedule.² In addition, in May, the authorities tabled a bill in Parliament to enhance the sustainability of the public sector employees' pension scheme (end-March 2023 structural benchmark) proposing changes for new public sector employees. The approval of the proposed reform of the public sector employees' pension scheme is expected by end-March 2024 (proposed new structural benchmark).

8. The authorities are working on additional reforms to bolster the public financial management framework and rationalize state-owned enterprises (SOEs). The FY2023/24 budget provided resources to establish a fiscal risk unit, which is projected to become operational in June 2023 (end-June 2023 structural benchmark). An independent Fiscal Council has been established with the mandate to monitor the implementation of the fiscal strategy. The SOE reform agenda is also advancing. Proposals to reform the National Housing Corporation (NHC) and the operations of the Barbados Agricultural Management Company (BAMC) are being prepared and expected to fully eliminate budget transfers to these entities (0.4 percent of GDP in FY2022/23) within three years. In addition, the authorities are working to amalgamate the Rural Development Corporation (RDC) and the Urban Development Corporation (UDC) into a single National Development Corporation, which is expected to result in efficiency gains. The authorities intend to reach agreements with stakeholders and finalize the plans to push ahead these SOE reforms by year-end (end-June 2023 structural benchmark; proposed to be reset to end-December 2023). The authorities are also making efforts to enhance the monitoring and execution of the public sector investment program, to be supported by an upcoming climate public investment management assessment (C-PIMA) IMF technical assistance.

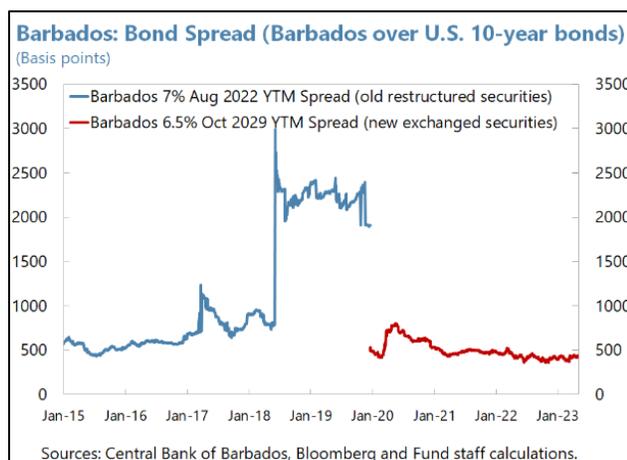
9. The primary surplus is projected to gradually increase over the medium term, supported by the economic recovery and structural reforms. The projected medium-term improvement in the fiscal position would be supported by (i) a cyclical recovery in revenues, as tourism returns to pre-pandemic levels, (ii) the phasing out of remaining emergency revenue and spending measures related to the pandemic, the impact of Hurricane Elsa in 2021, and the rise in global food and fuel prices, and (iii) savings from SOE reforms, tax and customs administration improvements, and other structural reforms. The authorities stand ready to take additional fiscal measures, if needed to meet program fiscal targets. These measures could include: (i) broadening the tax base, including through revamping the VAT regime for the tourism sector, and/or raising the VAT rate, (ii) reforming the property tax regime, and/or (iii) cutting current expenditure and prioritizing capital expenditure.

² The authorities had committed to an infusion of B\$143 million (1½ percent of GDP) by FY2023/24 into the National Insurance Scheme's (NIS) Unemployment Benefit Account to restore its post pandemic viability.

Barbados: Central Government Operations 1/ (In percent of FY GDP)										
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Total revenue	29.6	30.3	28.9	29.7	29.1	29.2	29.4	29.4	29.4	29.4
Tax revenue	27.6	28.3	27.2	27.9	27.3	27.5	27.6	27.6	27.6	27.6
Nontax revenue	2.0	2.0	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Total primary expenditure	23.7	31.3	29.8	27.1	25.6	25.2	24.4	24.4	24.4	24.9
Current primary expenditure	21.9	28.2	25.6	23.1	22.8	22.4	21.6	21.3	21.3	21.4
Capital expenditure and net lending	1.8	3.1	4.2	4.0	2.7	2.8	2.8	3.0	3.1	3.5
CG Fiscal balance	3.6	-4.8	-4.8	-2.1	-1.7	-1.2	0.1	0.3	0.6	0.1
CG Primary balance	6.0	-1.0	-0.9	2.5	3.5	4.0	5.0	5.0	5.0	4.5
Nominal GDP, FY (B\$ millions)	10,654	8,921	10,166	11,943	12,754	13,599	14,371	15,117	15,847	16,575

Sources: Ministry of Finance; and Fund staff estimates.
1/ Fiscal year is from April to March.

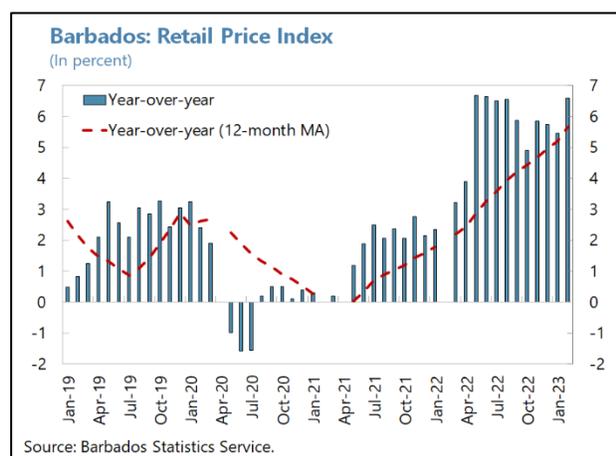
10. Public debt continues to be assessed as sustainable but subject to high risks (Annex II). The public debt declined to 122.5 percent of GDP as of end-FY2022/23, from 135 percent of GDP as of end-FY2021/22. Under the program’s macroeconomic projections, the debt target of 60 percent of GDP would be achieved by FY2035/36. The Sovereign Risk and Debt Sustainability Framework (SRDSF) suggests that Barbados’ overall risk of sovereign stress is moderate and confirms that public debt is sustainable. The main risks to the baseline projections include a slower-than-expected economic recovery, a delay in economic and fiscal reforms to generate primary surpluses, and natural disasters. Gross financing needs are expected to stay at manageable levels on account of programmed primary surpluses and the favorable debt service schedule achieved after the 2018-19 comprehensive debt restructuring. While the authorities have relied on loans from international financial institutions to cover their financing needs in recent years, they are gradually taking steps to restart domestic capital markets. A recent significant step was the purchase by a local bank of B\$100 million of domestic bonds under the BOSS³ plus program in April. Sovereign debt spreads on external debt have declined steadily following the debt restructuring, hovering below 500 basis points in recent months, suggesting that market perceptions about Barbados sovereign credit risks continue gradually improving. The authorities also plan to publish their medium-term debt management strategy (MTDS) and borrowing plan. The MTDS will be underpinned by a debt management objective to meet the Government’s financing needs at the lowest possible cost over the medium- to long-term, consistent with a prudent degree of risk.



³ Barbados Optional Savings Scheme.

B. Enhancing Monetary Policy and Preserving Financial Stability

11. The rise in global food and fuel prices and stronger demand raised inflation. Higher global commodity prices due to supply chain disruptions during the COVID-19 pandemic and the war in Ukraine pushed up inflation since the second half of 2021. As tourism and domestic demand recovered, prices of dining and recreational activities also saw upward pressure. The authorities took measures to contain imported inflation by temporarily reducing VAT on fuel, electricity, and some consumption goods.⁴ In early 2023, the government renewed temporary VAT reductions on oil products and a basic amount of electricity for each household, as well as VAT exemptions on essential consumption goods for 6 and 8 months, respectively. In addition, a social compact with the private sector to restrain price hikes in key consumption items has been agreed. Inflation reached 6.6 percent as of February 2023, up from 2.2 percent in February 2022.⁵ Given the exchange rate peg and high reliance on imports from the US, inflation is expected to moderate to 5 percent by year-end 2023, driven by a projected decline in US inflation and the easing in global oil prices. The potential effects of El Niño on agricultural production constitute, however, an upside risk for the inflation outlook.



12. The authorities are reviewing their monetary policy toolkit under the fixed exchange rate regime. The Central Bank of Barbados (CBB)'s overnight lending discount rate has remained at 2 percent since April 2020. While Barbados has longstanding capital controls delinking local interest rates from global interest rates, monetary transmission is weak due to abundant liquidity and excess reserves in the financial system. As a result, the CBB has few instruments at its disposal to manage monetary and credit conditions. Monetary policy is also constrained by the weakness of the CBB's balance sheet, which is planned to be addressed over the medium term.⁶ The authorities have begun a review of their monetary policy toolkit under the fixed exchange rate regime (end-December 2023 structural benchmark; proposed to be reset to end-November 2023), supported by

⁴ In August 2022, the government temporarily cut VAT rates on electricity from 17.5 percent to 7.5 percent and introduced VAT exemptions on essential consumption items. A VAT cap on oil products was first introduced in April 2022 and later discontinued following the easing in global fuel prices. While the fiscal cost of these measures is estimated to be small, at about 0.1 percent of GDP, they should be phased out to avoid distorting resource allocation or generating higher fiscal costs in the event of further global fuel supply shocks.

⁵ The Barbados Statistical Service (BSS) recently completed a rebasing of the reference basket used to calculate the Retail Price Index (RPI) to update the spending pattern of consumers, adopting a July 2018 reference basket (compared to a July 2001 reference basket previously). One of the main changes to the index was the reduction in the weight of food and non-alcoholic beverages to 22 percent, from 30 percent previously, which resulted in a decline in measured headline inflation from 12.3 percent to 5.7 percent year-over-year as of end-2022.

⁶ See Memorandum of Economic and Financial Policies, paragraph 23.

IMF technical assistance. The objective is to develop liquidity management instruments to gradually enhance the CBB's capacity to manage monetary conditions and interest rate transmission while also maintaining an adequate level of international reserves to support the exchange rate peg. An enhanced liquidity management framework could rely on a combination of instruments, including: (i) reserve requirements on domestic currency deposits; (ii) a mid-rate interest rate corridor in which a policy rate is used to convey the CBB's policy stance; (iii) standing deposit and lending facilities anchored to the policy rate; and (iv) open market operations to anchor short-term interbank rates around the policy rate. Implementing such a framework would require enhancing capacity to assess short term liquidity conditions and calibrate domestic interest rates in line with the exchange rate peg. The authorities should also consider gradually phasing out the 2 percent foreign exchange fee introduced in 2017 (a capital flow management measure).

13. Banks and credit unions are adequately capitalized and asset quality is improving. The economic recovery led to increased demand for credit, which resulted in annual credit growth in 2022 for the first time since 2019. The commercial banks' aggregate capital adequacy ratio was 17.6 percent as of end-2022 (more than double the minimum regulatory requirement). Non-performing loans (NPLs) fell to 5.9 percent of total loans in December 2022 (from 7.3 percent in December 2021). CBB temporary regulatory guidance on NPLs introduced in 2020 was phased out as of October 2022. Liquidity remained stable, with the liquid-to-total asset ratio at 28.1 percent. Credit unions also saw an improvement in credit quality, with NPLs declining to 12.7 percent of total loans as of end-2022, from a peak of 14.1 percent during the pandemic. The overall capital adequacy of credit unions was stable, with an aggregate capital to total assets ratio of 10.7 percent as of end-2022. The Barbadian financial system is not significantly exposed to US regional banks or other global banks. Due to the high level of excess liquidity in the banking system, the rise in global interest rates has not had a significant impact on lending rates in Barbados.

14. Further steps are needed to strengthen the AML/CFT framework. Barbados has recently made progress in addressing key items on the Financial Action Task Force (FATF) Action Plan. Key outstanding issues relate to (i) ensuring that beneficial ownership information is accurate and kept updated and demonstrating that monitoring mechanisms are effectively applied, (ii) addressing the low levels of reporting by some higher risk sectors through outreach and guidance by the Financial Intelligence Unit (FIU), and (iii) stepping up actions to identify, trace, and restrain assets for confiscation by reaching out to regional and international law enforcement agencies for assistance. With respect to measures relating to beneficial ownership, the authorities have carried out inspections and risk rating exercises on companies' beneficial ownership information and have applied sanctions. To address low reporting levels, the FIU has issued guidance and conducted training with reporting entities as well as engaged supervisory authorities on this issue. Finally, the authorities have initiated several international requests for assistance and are pursuing asset sharing arrangements, with the process of repatriation of assets already underway. The FATF will assess these efforts and their impact on Barbados' grey listing. In terms of technical compliance, Barbados is rated as compliant or largely compliant with 33 of the FATF's 40 Recommendations.

C. Building Resilience to Climate Change and Natural Disasters

15. The authorities are pushing ahead their ambitious climate agenda. A key element of the policy agenda is to transition away from fossil fuels. Renewable energy sources (mainly solar energy) covered about 12 percent of Barbados' energy needs in 2022, up from about 9 percent in 2021. There is a need to upgrade the grid's capacity to both absorb and store offtake from renewable sources. Closing regulatory gaps—e.g., regarding the feed-in tariff framework for battery storage—and addressing challenges related to the licensing and approvals process for renewable energy will help increase investments. To support the transition towards a fully renewable economy, the authorities introduced a two-year excise and value added tax holiday for electric vehicles, which has since been extended for an additional two years until March 2026. A Blue-Green Investment Corporation (BGIC) will be established, with the support of USAID and the Green Climate Fund, to create a financing vehicle to support climate related projects such as resilient housing, renewable energy, green transportation, and water conservation.

16. The authorities implemented all measures to build resilience to natural disasters and climate change set under reform measure (RM)#1 for this review under the RSF. The Cabinet approved amendments to the Planning and Development Act to strengthen the climate resilience of roads, mandating that all new road construction should enhance drainage capabilities and physical resiliency. The new policy incorporates climate adaptation priorities into road infrastructure planning and construction. In May, the Parliament approved the Water Re-use Bill, adopting an updated water re-use policy to address water scarcity. The revised water re-use policy will support Barbados' climate resilience and adaptation efforts in a key area of vulnerability, considering that Barbados ranks among some of the most water stressed countries in the world. In particular, the new policy will enhance the use of rainwater and treated wastewater, reducing the country's dependence on groundwater supplies that are negatively affected by climate change. In addition, the authorities fully operationalized a national environmental and conservation trust, the Barbados Environmental Sustainability Fund (BESF), which started receiving savings arising from a debt for nature swap conducted in September 2022. The BESF will support projects enhancing marine protection and protecting Barbados' natural assets. The protection of these assets, increasingly at risk from rising ambient and sea temperatures and sea level rise, is key for the tourism sector that depends heavily on them.⁷

17. The authorities are working to incorporate climate considerations in the budget cycle (RM#2). They included a fiscal risk statement discussing climate change risks in the FY2023/24 budget. The statement highlights that the increased frequency of climate-related events can weaken Barbados' fiscal position and debt dynamics by undermining economic growth, eroding the public revenue base, and leading to higher expenditure for disaster relief and reconstruction. Risks are

⁷ In addition to the adaptation measures undertaken under RM#1, the authorities plan to table in Parliament a National Comprehensive Disaster Risk Management Policy in the coming months (RM#3).

mitigated by ongoing climate mitigation and adaptation efforts, the introduction of natural disaster clauses in newly issued debt instruments, and participation in insurance schemes. In addition,

- The Cabinet has approved Procurement Act Regulations to enhance the efficiency and effectiveness of public procurement.⁸ Such regulations support green procurement, allowing procurement agencies to consider the most advantageous bids from a green/sustainability perspective. The 2021 Procurement Act introduced elements to strengthen the governance of the procurement process, by mandating the Chief Procurement Officer to conduct audits, establish and maintain a register for all suppliers, and publish procurement contracts. Following the determination by the authorities that the publication of beneficial ownership information of companies bidding for public procurement would face legal impediments relating to data privacy, this element of RM#2 is proposed to be replaced by two new climate policy reforms under a reformulated RM#2.
- The two new reforms proposed to be incorporated into RM#2 are: i) the approval by the Cabinet of a sustainable/green public procurement framework providing operational parameters to implement sustainable/green procurement, in line with international best practice; and ii) the approval by the Cabinet of guidelines for climate/green budget tagging, in line with international best practice. The results of the budget tagging exercise are to be published in an annex in the annual budget. These measures, identified in close collaboration with the Inter-American Development Bank (IDB), will support the adoption of sustainable/green procurement and climate/green budget tagging in practice, maximizing progress towards the incorporation of climate goals in the budget process, providing valuable information to policy makers to formulate and assess the impact of climate policies, and helping mobilize climate financing. They are expected to be completed by end-September 2023, with technical assistance support by the IMF and the IDB.

18. The authorities' climate policies entail significant investments in the coming years. The authorities' adaptation and energy transition reforms will provide meaningful gains for the economy over the medium- and long-term by reducing dependence on fossil fuels, increasing resilience, and reducing prospective long-term balance of payments needs related to climate change, thereby enhancing Barbados' long-term fiscal and external sustainability. The undertaking of these reforms, supported by the RSF arrangement, will require significant investments, most notably in the water, renewable energy, and housing sectors. Current climate investment plans, based on the authorities' climate programs to build resilience and support the energy transition, amount to about US\$1 billion, to be undertaken through 2030.⁹ The relatively high import content associated with these investments (about 60 percent on average) would imply an additional balance of payments financing need of around 1 percent of GDP per year based on preliminary estimates. The RSF disbursements are expected to partly finance such additional import needs, while allowing the authorities to maintain sufficient reserve buffer. The RSF arrangement is expected to play a catalytic role in helping mobilize private financing.

⁸ A new Procurement Act was approved by the Parliament in December 2021.

⁹ Investment projects to support climate adaptation and the transition to a green economy are likely to increase in the coming years.

Barbados: Reform Measures Supported by the RSF Arrangement

3-year EFF and RSF approval	1 st Review EFF and RSF	2 nd Review EFF and RSF	3 rd Review EFF and RSF	4 th Review EFF and RSF	5 th Review EFF and RSF
<p>Pillar 1: Reform measures to build resilience to natural disasters and climate change</p>	<p>RM1. Government to approve the Planning and Development Act to improve the climate resilience of roads through improved drainage and other interventions. Government to table in Parliament the Water Re-use Bill, incorporating the new water re-use policy. Government to fully operationalize the National Environmental and Conservation Trust. Implemented.</p>	<p>RM 2. Government to implement the following actions: (i) Include a fiscal risk statement focusing on climate change risks in the budget for FY2023/24; (ii) Cabinet to approve Procurement Act regulations to enhance efficiency and effectiveness of public expenditure and support green procurement; (iii) Cabinet to approve a sustainable/green public procurement framework providing operational guidelines to implement sustainable/green procurement, in line with international best practice; and (iv) Cabinet to approve guidelines for climate/green budget tagging, in line with international best practice, and mandate that the results of the budget tagging be published in an annex in the annual budget. (Proposed revision to RM)</p> <p>RM 3. Government to table the National Comprehensive Disaster Risk Management Policy to support mainstreaming of comprehensive DRM principles into ministry and agency budget planning, ensuring resilience in government and business continuity after a disaster event. (Proposed revision to RM)</p>	<p>RM 4. Government to table an amended Prevention of Floods Act in Parliament, incorporating the new Stormwater Management Plan.</p>	<p>RM 5. Implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.</p>	
<p>Pillar 2: Climate mitigation reform measures (reduction of GHG emissions)</p>		<p>RM 6. Government to (i) extend the tax holiday on electric vehicles; (ii) close remaining regulatory gaps in licensing policy/approvals framework to increase investments into battery storage technologies to meet energy demand. (Proposed revision to RM)</p>	<p>RM 7. Cabinet approval for the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government agencies and develop efficient public lighting.</p>	<p>RM 8. Government to table in Parliament the New Electricity Supply Bill to (i) enhance competition in the electricity market and (ii) introduce local participation in renewable energy investment. (Proposed revision to RM)</p>	
<p>Pillar 3: Reform measures to mitigate transition risks</p>				<p>RM 9. The CBB to adopt a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including building data collection mechanism and joining the Network for Greening the Financial System.</p>	<p>RM 10. The CBB to include climate change risk in their bank stress testing exercise.</p>

19. The authorities are working to mobilize financing to support the climate agenda. In January 2023, the World Bank approved a US\$100 million Green and Resilient Recovery Development Policy Loan. The IDB and other development partners have also expressed interest in supporting Barbados’ climate-related projects. The IMF Climate Finance Task Force facilitated a roundtable, held in February 2023, which included the authorities and representatives from various multilateral development agencies to discuss ideas to scale up climate finance. A working group was subsequently formed to assist the authorities in mobilizing climate finance.¹⁰ The discussions are anchored on three pillars, including policy reforms, capacity development needs, and possible financing arrangements, with due consideration of the authorities’ macroeconomic framework, fiscal envelope, and public debt path set under the BERT program supported by the EFF. In the short term, the work will focus on establishing a project preparation facility to identify and prepare a pipeline of bankable projects as a crucial precursor to the establishment of investment vehicles and financing

¹⁰ The working group includes representatives from the Government of Barbados, the IMF, the IDB, the European Investment Bank (EIB), the International Finance Corporation (IFC), the Caribbean Development Bank (CDB), the Multilateral Investment Guarantee Agency (MIGA), and the Global Climate Fund (GCF).

structures. The project preparation facility would be led by the IDB, with the participation of other development partners.¹¹

D. Unlocking Barbados' Growth Potential

20. The authorities' BERT plan contemplates actions to increase Barbados' growth potential. Central elements of the growth strategy include improving the business environment, increasing private sector investments, boosting competitiveness (including by modernizing infrastructure), and diversifying the economy. Reform priorities to achieve these objectives encompass advancing the digitization of government services, modernization of the customs framework, simplifying the regulatory framework (including to support green investment), enhancing efficiencies in labor and product markets (including by investing in skills training and education), and improving access to private credit (including for small and medium-sized enterprises).

21. The authorities completed a stocktaking of the business environment and established a Growth Council to inform and advance the growth agenda. A 2019 diagnostic of the business environment identified some priority reform areas, including i) the ease of business entry and operations (e.g., securing permits and registrations), ii) processes to secure credit and enforce property rights, and iii) trade facilitation. In recent years, the authorities took actions intended to address challenges in those areas, such as: i) the adoption of a modern business strategy at the Corporate Affairs and Intellectual Property Office (CAIPO); ii) legislation to streamline the permitting process; iii) the introduction of the Fair Credit Reporting Act; iv) the adoption of a modern trading platform (ASYCUDA World); and v) the passage of a modernized Customs Act. The most recent stocktaking exercise (structural benchmark for end-March 2023) suggests that most of the identified reforms are still in train. Forward-looking priorities include i) finalizing the second phase of CAIPO reform to merge registration, payment, and information exchange processes within a single window; ii) broadening the Trusted Trader program for vetted companies; and iii) fully operationalizing the Barbados Electronic Single Window (ESAW) by 2025 to enhance intermediation between the business community and government agencies. These and other priorities will be supported by a newly established independent Growth Council with a mandate to advise on reforms to enhance the investment climate, productivity, and competitiveness.

E. Data Issues

22. The authorities continue improving their economic data. With IMF technical assistance, the Barbados Statistical Service (BSS) compiled constant 2016 price estimates of GDP (rebased from 2010) and updated quarterly estimates of activity-based GDP. The next step will include preparing estimates of expenditure-based GDP and a Tourism and Culture Satellite Account. The authorities are also working to assess the informal economy to obtain a more comprehensive measure of

¹¹ The IMF will not be involved in identifying or preparing a pipeline of projects.

overall economic activity. The BSS recently completed an update of the reference basket used to calculate the Retail Price Index (RPI).

PROGRAM MODALITIES

23. All quantitative performance criteria (QPCs) and indicative targets (ITs) set for the first review under the EFF were met, and structural benchmarks (SBs) were implemented (one with delay) (Appendix I, Attachment I, Tables 1 and 3). Fiscal targets on the central government primary balance, external debt arrears, public debt, and transfers and grants to public institutions, and the net international reserves target were met. The authorities adopted new legislative and regulatory provisions to strengthen and modernize procedures for granting and managing duty and tax exemptions, developed a plan to safeguard the sustainability of the National Insurance Fund (end-December 2022 structural benchmarks), undertook a data matching exercise to improve tax compliance and risk management, and completed a stocktaking of the business environment (end-March 2023 structural benchmarks). The end-March 2023 SB to table in Parliament a reform of the public employees' pension scheme was implemented with delay, in May (T17).

24. QPCs and ITs through June 2024, the clarification and reset of some SBS, and a new SB are proposed (Appendix I, Attachment I, Tables 1 and 3). Minor updates are proposed to QPCs and ITs through March 2024 reflecting updates to the macro framework, and ITs are proposed for June 2024. The SB to establish a GovTech agency (SB15) is proposed to be postponed to end-September 2023 to allow adequate time to staff it. The SBs to approve the reforms of the Rural Development Corporation, the Urban Development Corporation, and the National Housing corporation (SB10) and the Barbados Agricultural Management Company (SB11) are proposed to be reset to end-December 2023 to allow more time to reach agreements with stakeholders. The SB on the review of the CBB's monetary policy toolkit (SB13) is proposed to be reset to end-November 2023 from end-December 2023. In addition, the SB to develop a digital platform to improve the monitoring and execution of the public sector investment programme (SB16) is proposed to be postponed to end-March 2024 so it can be informed by the C-PIMA technical assistance, tentatively planned to take place before year-end. The newly proposed SB9 contemplates the approval by Parliament by end-March 2024 of the public sector employees' pension reform tabled in May.

25. The package of measures set under RM#1 under the RSF have been implemented and the reforms under RMs #3, #6 and #8 have been clarified (Appendix I, Attachment I, Table 2). The authorities implemented the following actions under RM#1, which include: (i) the amendments to the Planning and Development Act to improve the climate resilience of roads, (ii) the approval of the Water Re-use Bill by the Parliament, and (iii) the full operationalization of the BESF (T16). Staff and the authorities agreed to clarify the reforms under some RMs, including the tabling in Parliament of the National Comprehensive Disaster Risk Management Policy (RM#3), the extension of a tax holiday on electric vehicles (RM#6), and the tabling in Parliament the new Electricity Supply Bill (RM#8).

26. RM#2 under the RSF is proposed to be reformulated (Appendix I, Attachment I, Table 2). The authorities included a fiscal risk statement discussing climate change risks in the FY2023/24 budget and approved Procurement Act Regulations. They indicated, however, that the publication of beneficial ownership of bidding companies participating in public procurement, originally contemplated under RM#2, would face legal impediments relating to data privacy. Consequently, this element of RM#2 is proposed to be removed from the reform measure. It is proposed that RM#2 is amended to incorporate two new elements: (i) the approval of a sustainable/green public procurement framework providing operational parameters to implement sustainable/green procurement; and (ii) the approval of guidelines for climate/green budget tagging, with a mandate for the results of the budget tagging to be published in an annex in the annual budget (¶17).

27. The authorities have requested the full purchase under the EFF (SDR 14.175 million) and the disbursement related to RM#1 under the RSF (SDR 14.175 million) for the first review to be available in the form of budget support. Staff supports the authorities' request for the use of Fund resources for budget support (as was done under the previous EFF) given that few alternative financing sources are currently available (in part due to the relatively recent comprehensive debt restructuring). Given the intended use for budget support, the authorities are completing a Memorandum of Understanding that lays out the respective roles and responsibilities between the CBB and the Ministry of Finance for servicing financial obligations to the Fund arising from both the EFF and RSF arrangements. With the proposed IMF disbursement, along with financial support from other international financial institutions, the EFF program is fully financed over the next 12 months, with good prospects for the remainder of the program period. With the reformulation of RM#2, disbursements associated with RM#2 (SDR 14.175 million) will be rephased to the second review.

28. A 2023 safeguards assessment found that the CBB has established strong safeguards. The CBB has implemented all recommendations of the 2018 assessment and has significantly strengthened its safeguards framework. In particular, legislative reforms undertaken in 2020 overhauled the CBB's legal framework, thereby enhancing its autonomy and governance arrangements, while also limiting monetary financing. Financial reporting practices and the external audit mechanism are aligned with international standards. The CBB is committed to address gaps identified in the internal audit function and cyber-resilience and is looking to enhance its emergency liquidity assistance framework, with the support of IMF technical assistance.

29. Barbados' capacity to repay the Fund is assessed to be adequate (Table 11). Debt outstanding and debt service to the IMF are projected to stay relatively high in the near term, with credit outstanding reaching around 500 percent of quota (380 percent of quota excluding the RSF¹²) or about 10 percent of GDP in 2024. Obligations to the Fund would reach about 8 percent of projected reserves over the 2027-29 period. Risks are mitigated by the authorities' strong commitment to reforms and economic stability, projected fiscal adjustment supported by structural

¹² The exceptional access frameworks that apply to GRA and PRGT credit do not apply to RST financing.

reforms, and international reserves remaining above 100 percent of the Fund's reserve adequacy metric throughout the projection period.

30. Risks to the program are elevated. While the economic recovery is now well underway, there are several risks to the outlook, including (i) intensification of regional conflicts leading to higher and more volatile commodity prices; (ii) an economic slowdown in the main source countries for the tourism sector (UK, US, and Canada) and an erosion of purchasing power due to the appreciation of the US dollar; and (iii) more frequent and intensified natural disasters. Implementing the ambitious structural reform agenda to achieve and maintain primary surpluses on a sustained basis could also be challenging. Mitigating factors include the authorities' excellent track record under the previous program, their strong commitment to the reform process, continued strong support from development partners, and broad public support for economic stabilization and reforms.

STAFF APPRAISAL

31. The authorities are making good progress in implementing their Economic Recovery and Transformation (BERT) plan and climate policy agenda. All QPCs and ITs for the first review of the EFF were successfully met and structural benchmarks targeted for the first review were implemented. Similarly, important climate adaptation measures set for this review under the RSF have been implemented and the plans to adopt sustainable/green procurement and climate/green budget tagging will significantly support the climate policy agenda. Prospects for continued strong performance of both the EFF and RSF arrangements remain strong.

32. Fiscal consolidation is advancing. The authorities increased the primary fiscal surplus in FY2022/23, and target a further increase in FY2023/24, while also maintaining adequate social and capital spending (including to address challenges from climate change). A steady improvement in the primary balance is required to preserve and strengthen fiscal sustainability, by gradually reducing the public debt to the long-term target of 60 percent of GDP by FY2035/36. Staff assesses Barbados' public debt to be sustainable but subject to high risks.

33. Continued implementation of structural reforms is essential to generate higher primary surpluses, create fiscal space for climate investment, and achieve the fiscal consolidation goals. The authorities took important steps to modernize and strengthen the framework for managing duty and tax exemptions, enhance tax compliance and risk management (by matching data from different government agencies), and advance pension reforms. The creation of a Fiscal Council to monitor the implementation of the authorities' fiscal strategy is a welcome step. It is essential that the authorities steadily move ahead with the structural reform agenda, most importantly by adopting pension reform plans and advancing the rationalization and consolidation of SOEs.

34. Reforms are also needed to improve the monetary policy toolkit and raise the economy's growth potential. A review of the central bank's monetary policy toolkit under the fixed exchange rate regime is underway, informed by IMF technical assistance. The authorities have

conducted a stocktaking to inform future reform steps to enhance the business environment, stimulate private investment, and boost competitiveness, with a view to unlock Barbados' growth potential. Progress on reforms will be overseen by a newly established Growth Council. Advancing the digitization of government services, enhancing trade and business facilitation, and developing regulatory frameworks for green investment are important elements of this reform agenda.

35. It is important to continue advancing the policy agenda to increase resilience to climate change and support green and inclusive growth. The authorities have implemented important reform measures set for the first RSF review to increase adaptation to climate change. In addition, the transition towards a fully renewable economy is moving along. It is important to continue advancing the climate policy agenda. These reforms, supported by the RSF arrangement, are expected to create an enabling environment that mobilizes private sector resources for climate related projects. Concerted efforts to mobilize and scale up climate financing are underway, supported by development partners.

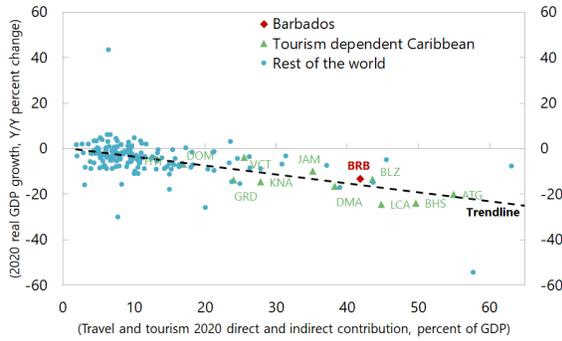
36. Staff recommends the completion of the first review of the extended arrangement under the EFF and the first review under the RSF arrangement. Staff assesses that RM1 under the RSF has been implemented. Staff supports the modification of PCs, ITs, and SBs under the extended arrangement under the EFF, the clarifications of RMs #3, #6, and #8, and the reformulation of RM#2 under the RSF arrangement. The authorities remain committed to achieving program objectives and implementing their ambitious reform and climate agendas.

37. Barbados has been placed on a 24-month Article IV consultation cycle, in accordance with Decision No. 14747 – (10/96).

Figure 1. Barbados: Real Sector Developments

Due to Barbados' heavy reliance on tourism...

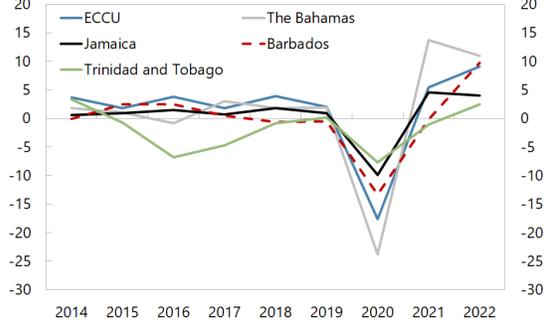
Tourism Dependency and GDP Growth



Sources: World Travel and Tourism Council and Fund staff calculations.

... its economy was among the hardest hit across the region in the aftermath of the COVID-19 pandemic...

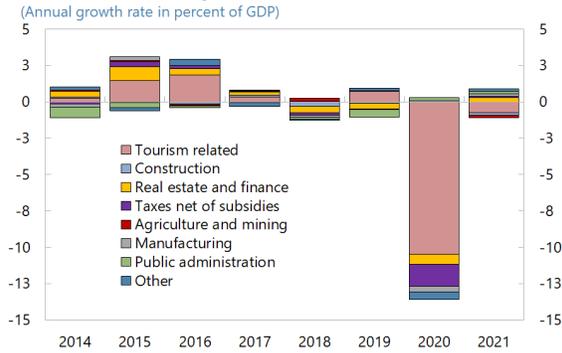
Real GDP Growth (Percent change)



Sources: IMF World Economic Outlook and IMF staff calculations.

...with tourism collapsing and its halt causing a sharp contraction in 2020.

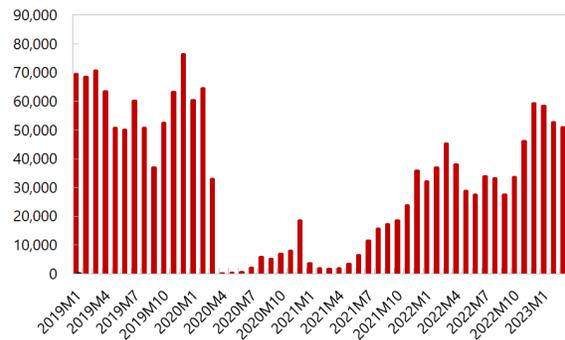
Real GDP Growth by Sectors



Sources: Central Bank of Barbados and Fund staff calculations.

Tourist arrivals have recovered ...

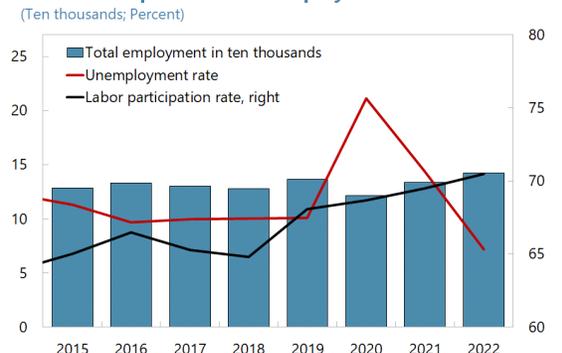
Monthly Tourist Arrivals



Sources: Caribbean Tourism Organization and Fund staff calculations.

... and labor market conditions have improved.

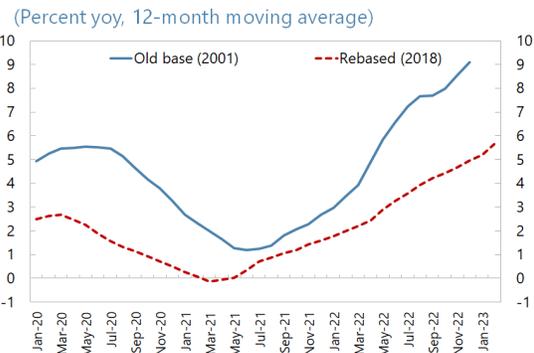
Labor Participation and Unemployment



Sources: Central Bank of Barbados and Fund staff calculations.

Inflation has risen driven primarily by commodity prices.

Barbados: Retail Price Index



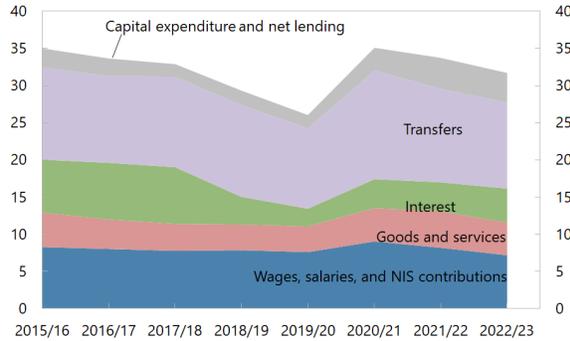
Source: Barbados Statistics Service.

Figure 2. Barbados: Fiscal Sector Developments

After rising during the pandemic, expenditure ratios are now declining...

General Government Expenditures

(Percent of GDP)

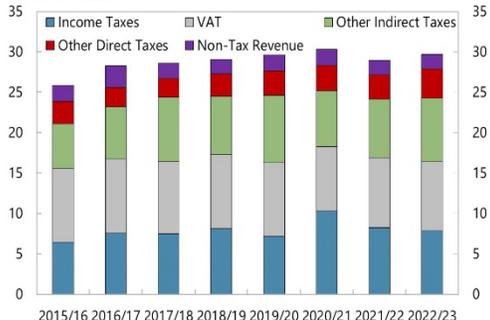


Sources: Central Bank of Barbados and Fund staff calculations.

... while total revenues are recovering driven by higher economic activity

Revenue Composition

(Percent of GDP)

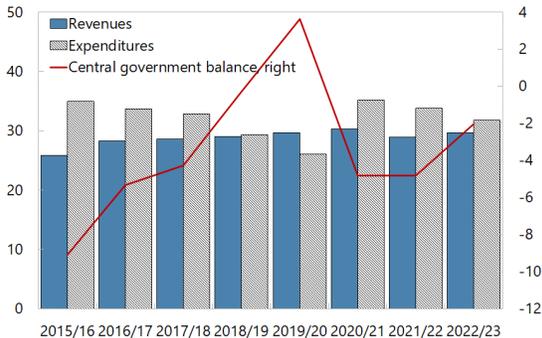


Sources: Central Bank of Barbados and Fund staff calculations.

...contributing to an improvement in the fiscal balance.

Central Government Balance

(Percent of GDP)

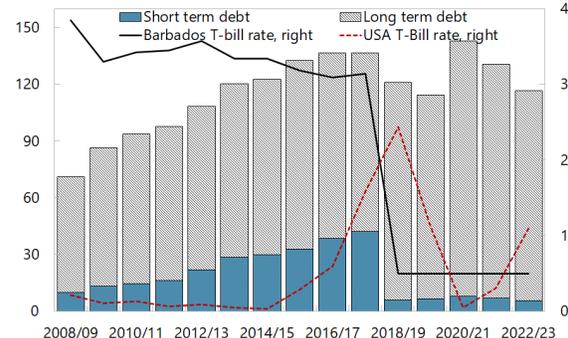


Sources: Central Bank of Barbados and Fund staff calculations.

The use of short-term debt instruments fell following the debt restructuring ...

Government Financing

(Percent of GDP, left; Percent, right)

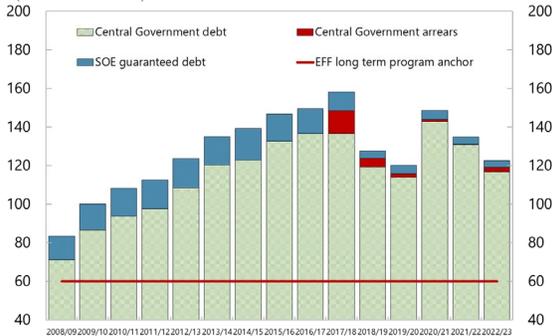


Sources: Central Bank of Barbados and Fund staff calculations.

The public debt ratio has been put on a downward path ...

Public Debt

(Percent of FY GDP)

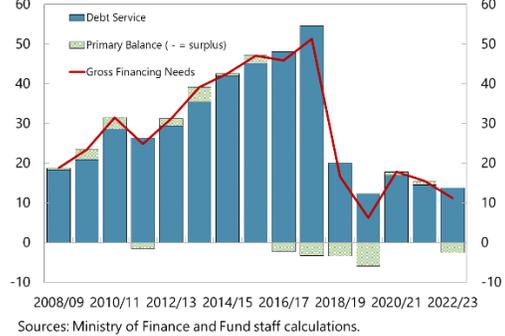


Sources: Ministry of Finance and Fund staff calculations.

... as have debt service costs and gross financing needs.

Gross Financing Needs

(Percent of FY GDP)



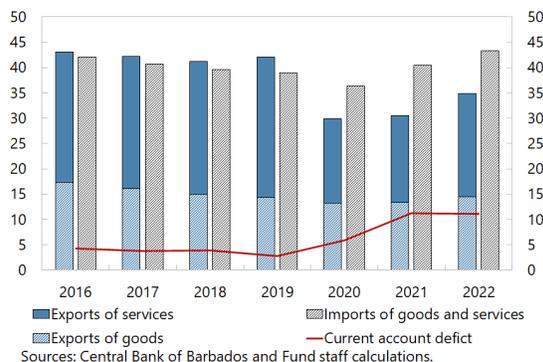
Sources: Ministry of Finance and Fund staff calculations.

Figure 3. Barbados: External Sector Developments

The current account deficit increased to 11 percent of GDP.

Trade

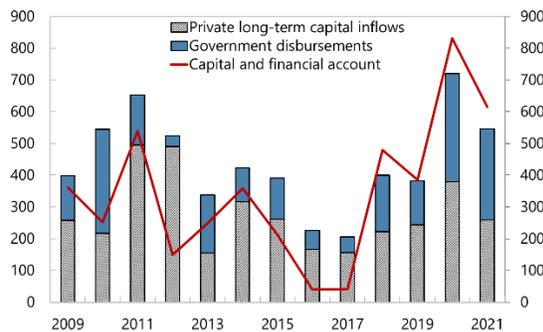
(Percent of GDP)



Inflows from IFIs supported the capital and financial account

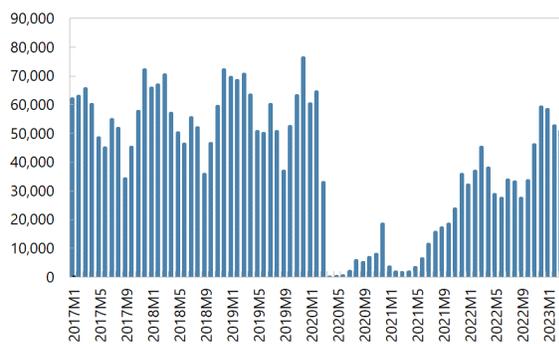
Capital and Financial Account

(In US\$ millions)



Tourist arrivals have recovered ...

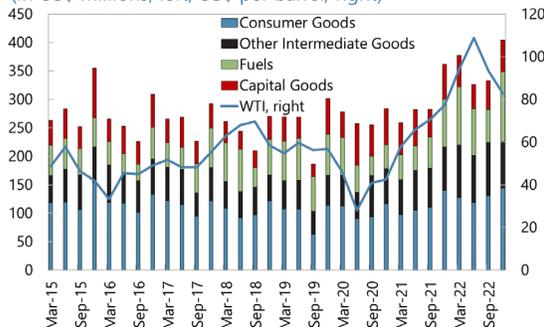
Monthly Tourist Arrivals



The rise in global oil prices increased imports.

Imports and WTI Oil Price

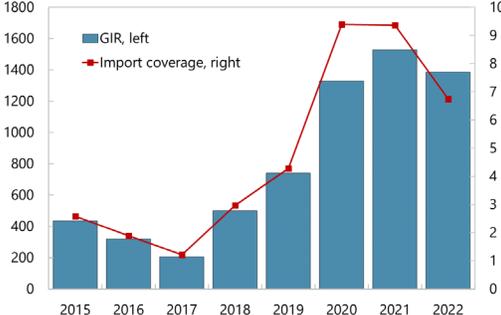
(In US\$ millions, left; US\$ per barrel, right)



...contributing to a continued rise in international reserves.

Gross International Reserves

(In US\$ millions, left; Number of months, right)



...as arrivals from traditional source markets (UK, US, and Canada) have normalized.

Monthly Tourists Arrivals by Country of Origin

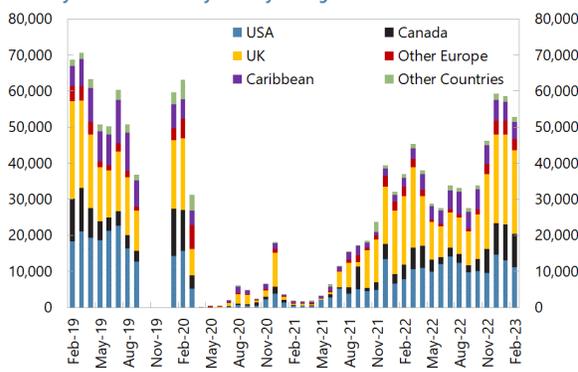
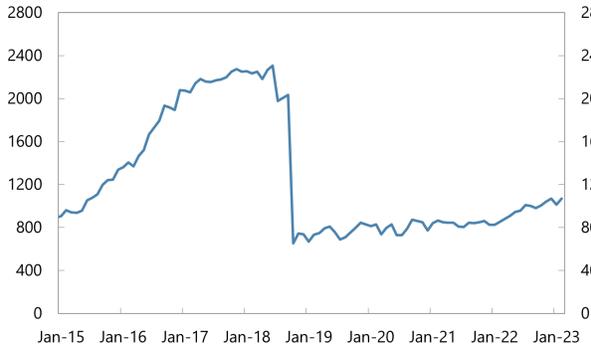


Figure 4. Barbados: Monetary Sector Developments

CBB's claims on the Government declined after the domestic debt restructuring...

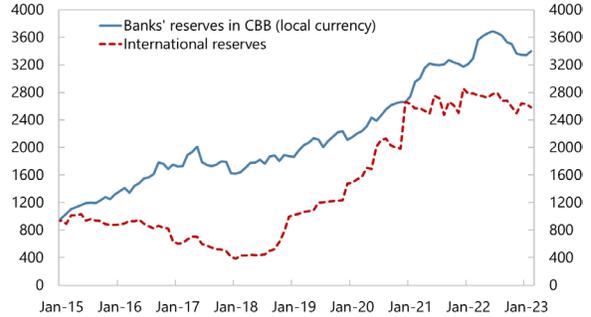
Central Bank's Claims on Central Government
(In B\$ millions)



Sources: Central Bank of Barbados and Fund staff calculations.

CBB's international and commercial banks' reserves at the CBB continue to increase.

Reserves
(In B\$ millions)



Sources: Central Bank of Barbados and Fund staff calculations.

Sovereign debt spreads have narrowed.

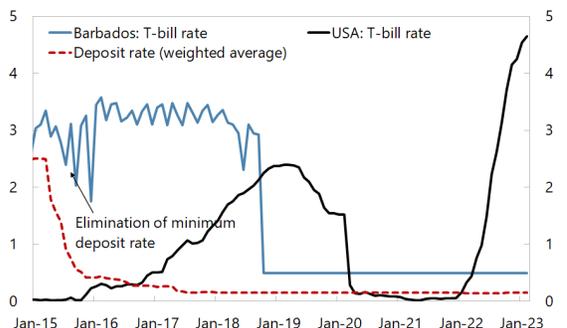
Barbados: Bond Spread (Barbados over U.S. 10-year bonds)
(Basis points)



Sources: Central Bank of Barbados, Bloomberg and Fund staff calculations.

The T-bill rate declined after the debt restructuring, and the deposit rate remains low.

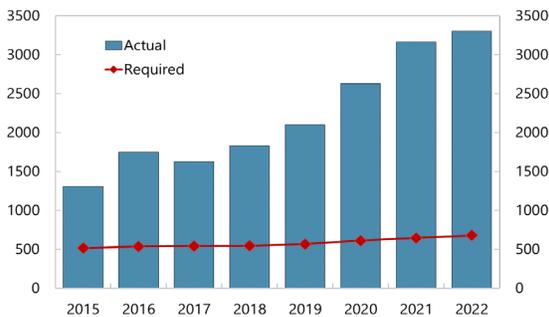
Interest Rates
(Percent)



Sources: Central Bank of Barbados and Fund staff calculations.

... amid high excess liquidity in the banking system.

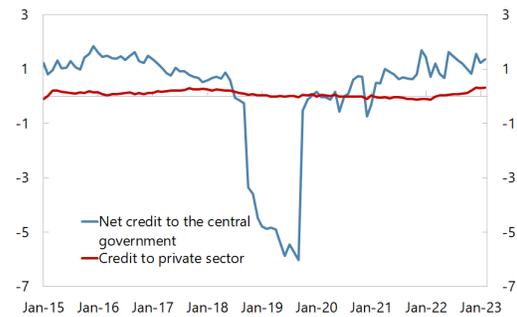
Commercial Banks: Reserves
(In B\$ millions)



Sources: Central Bank of Barbados and Fund staff calculations.

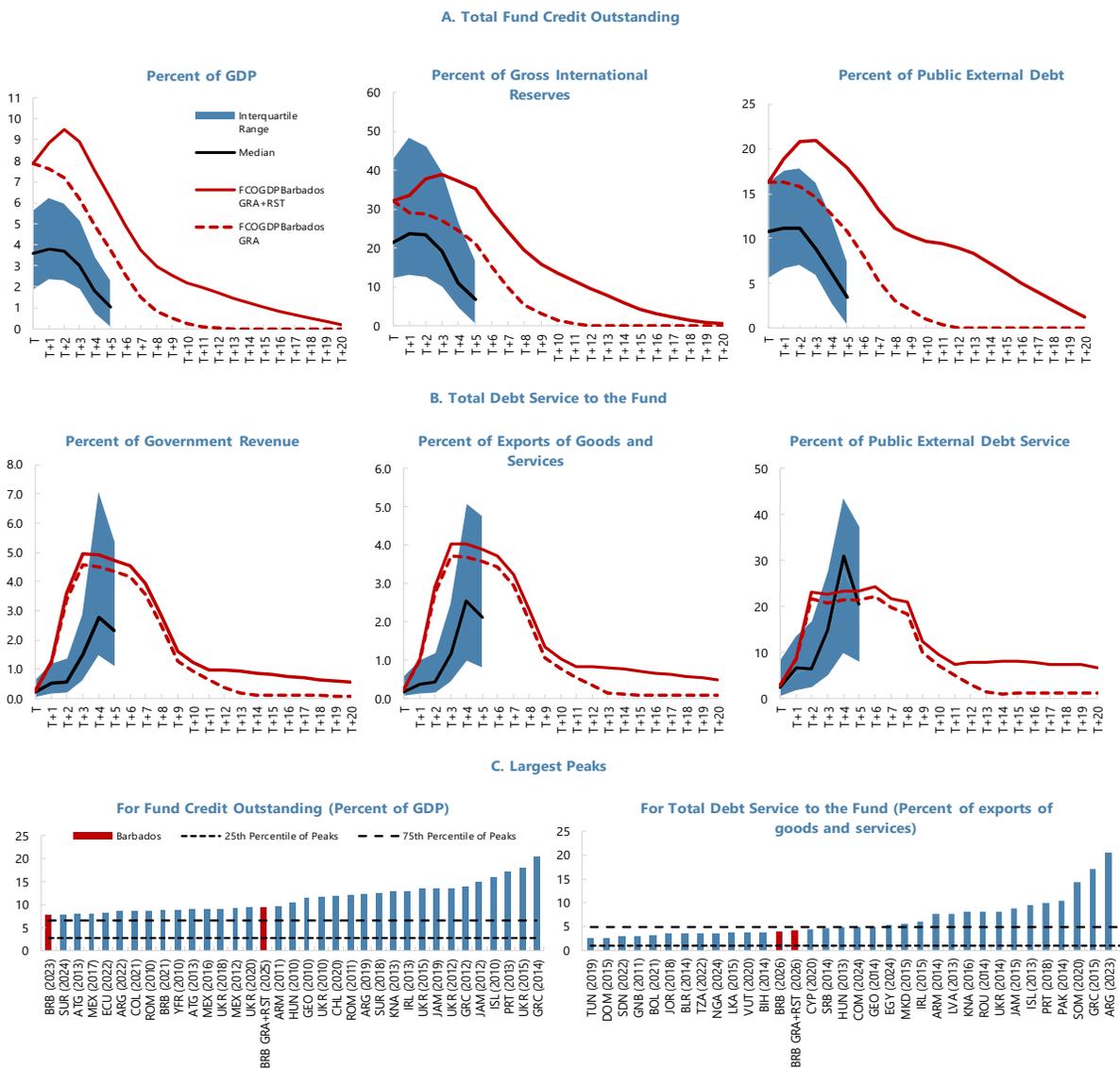
... Credit to the private sector is gradually recovering.

Private Sector Credit
(Percent change of 12-month moving avg.)



Sources: Central Bank of Barbados and Fund staff calculations.

Figure 5. Barbados: Capacity to Repay Indicators Compared to GRA-Only Borrowing Countries, All Programs
(In percent of the indicated variable)



Sources: IMF Finance Department, World Economic Outlook.

Notes:

- 1) T = date of GRA arrangement approval.
- 2) Red lines/bars indicate the Ctr indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect all RFIs and UCT arrangements approved under the GRA (excluding blending arrangements) between 2008 and 2022.
- 4) Countries in the control group with multiple RFIs and/or GRA arrangements are entered as separate events in the database.
- 5) Comparator series is for GRA arrangements only and runs up to T+5.
- 6) Total Debt Service to the Fund consists of GRA, RST and SDR-related obligations.
- 7) All charts use data at the time of program approval with the exception of the chart on the right-hand side of section C, which uses ex-post data due to data limitations.

Table 1. Barbados: Selected Economic Indicators, 2019–2024 1/

I. Social and Demographic Indicators (most recent year)								
Population (2021 est., thousand)	288.6					Adult literacy rate (2014)		99.6
Per capita GDP (2021 est., US\$ thousand)	16.8					Poverty rate (individual, 2010)		19.3
Life expectancy at birth in years (2019)	79.2					Gini coefficient (2010)		47.0
Rank in UNDP Development Index (2019)	58					Unemployment rate (2021)		14.4
Main products, services and exports: tourism, financial services, rum, sugar, and chemicals.								
II. Economic Indicators								
	2019	2020	2021	2022	2022	Projections		
						2023	2023	2024
				CR/22/377		CR/22/377		
(Annual percentage change)								
Output, prices, and employment								
CY Real GDP	-0.5	-13.3	-0.2	10.0	9.8	4.8	4.5	3.9
CPI inflation (average) 2/	2.3	0.5	1.5	9.4	5.0	5.8	5.2	3.1
CPI inflation (end of period) 2/	3.0	0.4	2.2	8.4	5.7	4.3	5.0	3.6
External sector								
Exports of goods and services	6.9	-37.8	6.2	25.6	33.9	11.9	15.6	6.6
Imports of goods and services	2.8	-18.2	15.4	20.2	25.6	5.4	2.9	4.4
Real effective exchange rate (average)	127.6	131.5	127.8	...	125.4	...	...	...
Money and credit								
Net domestic assets	0.0	5.0	3.1	3.1	8.6	1.4	2.8	3.5
Of which: Private sector credit	1.0	-1.2	-1.2	1.0	3.7	2.0	3.0	3.1
Broad money	3.0	7.3	5.6	6.9	5.7	2.4	6.9	3.6
(In percent of FY GDP)								
CG Public finances (fiscal year) 3/								
Revenue and grants	29.6	30.3	28.9	29.3	29.7	28.9	29.1	29.2
Expenditure	26.0	35.1	33.8	31.5	31.7	29.8	30.8	30.4
Fiscal Balance	3.6	-4.8	-4.8	-2.2	-2.1	-0.9	-1.7	-1.2
Interest Expenditure	2.3	3.8	3.9	4.2	4.6	4.4	5.2	5.2
Primary Balance	6.0	-1.0	-0.9	2.0	2.5	3.5	3.5	4.0
Public Debt (fiscal year) 3/								
Central government gross debt 4/	120.0	148.7	135.0	122.5	122.5	114.6	115.0	107.5
External	33.4	49.2	48.2	46.1	46.1	46.2	45.6	44.6
Domestic	86.6	99.5	86.8	76.4	76.4	68.5	69.4	62.9
Balance of payments (calendar year)								
(In percent of CY GDP)								
Current account balance	-2.8	-5.9	-11.2	-10.1	-11.1	-8.9	-7.7	-6.9
Capital and financial account balance	7.2	17.8	12.7	8.3	7.4	10.3	11.6	7.4
Public Sector	3.5	10.5	7.9	2.6	0.1	4.8	5.6	1.9
o/w IMF disbursement	1.9	4.9	1.0	0.7	0.7	1.8	1.8	1.7
Private Sector (including FDI)	3.8	7.3	4.9	5.7	7.1	5.5	6.0	5.5
Net Errors and Omissions	0.0	0.8	3.1	0.0	3.1	0.0	0.0	0.0
Overall balance	4.5	12.6	4.6	-1.8	-0.6	1.4	4.0	0.5
Memorandum items:								
Exchange rate (BDS\$/US\$)	2.0	2.0	2.0	...	2.0	...	...	...
Gross international reserves (US\$ million)	740.5	1,330.3	1,529.4	1,426.2	1,385.1	1,510.7	1,632.8	1,665.9
In months of imports of G&S	4.3	9.4	9.4	7.3	6.7	7.3	7.7	7.6
In percent of ARA	142.8	259.1	288.9	244.3	234.0	246.6	250.3	246.1
Nominal GDP, CY (BDS\$ millions)	10,649	9,344	9,688	11,578	11,371	12,465	12,441	13,314
Nominal GDP, FY (BDS\$ millions)	10,654	8,921	10,166	11,817	11,943	12,672	12,754	13,599

Sources: Barbados authorities; UNDP Human Development Report; Barbados Country Assessment of Living Conditions 2010 (December 2012); and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ In early 2023, the authorities have rebased the CPI from July 2001 to July 2018. One of the main changes to the index was the reduction in the weight of food and non-alcoholic beverages, leading to a decline in headline inflation in 2022 from 12.3 percent to 5.7 percent year-over-year as of end-2022.

3/ Fiscal year is from April to March.

4/ Including government-guaranteed debt, expenditure and debt arrears (if any) and IMF EFF/RSF loan.

Table 2a. Barbados: Central Government Operations, 2019/2020–2028/2029 1/ 2/
(In millions of Barbados dollars)

	2019/20	2020/21	2021/22	2022/23	2022/23	Projections						
						2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
				CR/22/377	CR/22/377							
Total revenue	3,156	2,702	2,941	3,464	3,543	3,663	3,707	3,973	4,223	4,443	4,657	4,871
Current revenue	3,144	2,702	2,935	3,438	3,523	3,656	3,686	3,950	4,199	4,417	4,631	4,843
Tax revenue	2,943	2,527	2,763	3,251	3,334	3,450	3,484	3,734	3,971	4,178	4,379	4,580
Income and profits	764	921	835	989	942	948	966	1,030	1,089	1,145	1,200	1,255
Taxes on property	215	182	205	240	217	257	232	247	261	275	288	301
VAT	967	706	885	1,010	1,023	1,125	1,100	1,180	1,257	1,332	1,406	1,481
Excise	251	154	212	240	247	262	264	282	297	313	328	343
Import taxes	232	192	221	274	242	294	266	291	317	344	370	397
Other taxes	515	372	405	498	663	565	657	705	750	769	786	802
Nontax revenue	201	175	172	187	189	206	202	216	228	240	251	263
Capital revenue and grants	12	0	6	26	20	8	21	23	24	25	27	28
Total expenditure	2,772	3,132	3,431	3,725	3,788	3,779	3,923	4,137	4,209	4,390	4,569	4,858
Current expenditure	2,580	2,856	3,006	3,326	3,312	3,403	3,572	3,756	3,810	3,929	4,076	4,273
Wages, salaries and SSC	807	808	835	936	855	980	894	921	921	935	977	1,031
Goods and services	375	400	493	552	529	482	565	602	636	670	702	734
Interest	250	343	399	498	549	559	662	708	704	703	704	733
Transfers	1,147	1,305	1,279	1,340	1,379	1,381	1,451	1,524	1,548	1,622	1,693	1,775
o/w Subsidies	100	161	190	153	213	142	236	248	240	245	256	276
o/w Grants to public institutions	689	796	749	762	805	794	829	864	893	920	929	937
o/w Retirement benefits	358	348	340	424	362	445	386	412	415	457	509	562
Capital expenditure and net lending	192	276	425	399	476	376	351	382	399	461	492	585
CG Fiscal balance	385	-430	-491	-262	-245	-116	-215	-164	14	53	89	13
CG Primary balance	634	-87	-92	236	304	444	446	544	719	756	792	746
Repayment of domestic arrears (net)	140	74	57	-96	-96	52	20	40	40	40	40	40
CG Fiscal balance (net of arrears)	244	-503	-548	-166	-149	-168	-235	-204	-26	13	49	-27
CG Primary balance (net of arrears)	494	-161	-149	332	400	391	426	504	679	716	752	706
Financing	-244	503	548	166	149	168	235	204	26	-13	-49	27
Net Financing - External	109	846	540	502	376	415	336	304	-9	-156	-316	-205
Capital Markets	0	0	0	0	0	0	0	0	100	125	150	250
Project Funds	72	82	207	215	95	190	120	120	120	120	120	120
Policy Loans	150	600	400	400	400	200	200	200	200	160	0	0
o/w IDB	0	400	200	200	200	200	200	200	200	160	0	0
o/w CDB	150	0	0	0	0	0	0	0	0	0	0	0
o/w CAF	0	200	0	0	0	0	0	0	0	0	0	0
o/w WB	0	0	200	200	200	0	0	0	0	0	0	0
IMF EFF budget support	0	352	97	83	83	226	227	227	114	0	0	0
ow: RSF financing	0	0	0	0	0	151	151	151	76	0	0	0
Amortization	112	188	163	196	202	201	210	242	543	561	586	575
Net Financing - Domestic	-353	-343	8	-337	-227	-247	-101	-100	35	143	268	232
Central bank	165	-67	332	-80	-133	50	150	110	5	-75	-12	0
Commercial banks	-58	106	-25	0	100	0	100	100	150	150	200	200
National Insurance Scheme	-85	-208	15	0	-60	0	0	0	0	0	0	0
Private non-bank and others 3/ 4/	-375	-175	-314	-257	-134	-297	-351	-310	-120	68	80	32
Memorandum items:												
CG gross debt 5/	12,786	13,264	13,721	14,473	14,628	14,529	14,664	14,619	14,447	14,326	14,170	14,090
Nominal GDP, FY (BDS\$ millions)	10,654	8,921	10,166	11,817	11,943	12,672	12,754	13,599	14,371	15,117	15,847	16,575

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ Fiscal year is from April to March.

3/ Insurance companies and other non bank private sector; BOSS programs are also included here.

4/ Including government's equity investment into crisis-affected companies in the tourism sector.

5/ Including: Central Government debt, Central Government expenditure and debt arrears (if any), and SOE debt guaranteed by the Central Government including IMF loan to the CBB; it excludes debt directly serviced by SOEs and not guaranteed by the CG.

Table 2b. Barbados: Central Government Operations, 2019/2020–2028/2029 1/ 2/
(In percent of FY-GDP, unless otherwise indicated)

	2019/20	2020/21	2021/22	2022/23	2022/23 CR/22/377	Projections						
						2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
						CR/22/377						2028/29
Total revenue	29.6	30.3	28.9	29.3	29.7	28.9	29.1	29.2	29.4	29.4	29.4	29.4
Current revenue	29.5	30.3	28.9	29.1	29.5	28.8	28.9	29.0	29.2	29.2	29.2	29.2
Tax revenue	27.6	28.3	27.2	27.5	27.9	27.2	27.3	27.5	27.6	27.6	27.6	27.6
Income and profits	7.2	10.3	8.2	8.4	7.9	7.5	7.6	7.6	7.6	7.6	7.6	7.6
Taxes on property	2.0	2.0	2.0	2.0	1.8	2.0	1.8	1.8	1.8	1.8	1.8	1.8
VAT	9.1	7.9	8.7	8.6	8.6	8.9	8.6	8.7	8.7	8.8	8.9	8.9
Excise	2.4	1.7	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Import taxes	2.2	2.2	2.2	2.3	2.0	2.3	2.1	2.1	2.2	2.3	2.3	2.4
Other taxes	4.8	4.2	4.0	4.2	5.6	4.5	5.1	5.2	5.2	5.1	5.0	4.8
Nontax revenue	1.9	2.0	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Capital revenue and grants	0.1	0.0	0.1	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Total expenditure	26.0	35.1	33.8	31.5	31.7	29.8	30.8	30.4	29.3	29.0	28.8	29.3
Current expenditure	24.2	32.0	29.6	28.1	27.7	26.9	28.0	27.6	26.5	26.0	25.7	25.8
Wages, salaries and SSC	7.6	9.1	8.2	7.9	7.2	7.7	7.0	6.8	6.4	6.2	6.2	6.2
Goods and services	3.5	4.5	4.9	4.7	4.4	3.8	4.4	4.4	4.4	4.4	4.4	4.4
Interest	2.3	3.8	3.9	4.2	4.6	4.4	5.2	5.2	4.9	4.7	4.4	4.4
Transfers	10.8	14.6	12.6	11.3	11.5	10.9	11.4	11.2	10.8	10.7	10.7	10.7
o/w Subsidies	0.9	1.8	1.9	1.3	1.8	1.1	1.8	1.8	1.7	1.6	1.6	1.7
o/w Grants to public institutions	6.5	8.9	7.4	6.5	6.7	6.3	6.5	6.4	6.2	6.1	5.9	5.7
o/w Retirement benefits	3.4	3.9	3.3	3.6	3.0	3.5	3.0	3.0	2.9	3.0	3.2	3.4
Capital expenditure and net lending	1.8	3.1	4.2	3.4	4.0	3.0	2.7	2.8	2.8	3.0	3.1	3.5
CG Fiscal balance	3.6	-4.8	-4.8	-2.2	-2.1	-0.9	-1.7	-1.2	0.1	0.3	0.6	0.1
CG Primary balance	6.0	-1.0	-0.9	2.0	2.5	3.5	3.5	4.0	5.0	5.0	5.0	4.5
Repayment of domestic arrears (net)	1.3	0.8	0.6	-0.8	-0.8	0.4	0.2	0.3	0.3	0.3	0.3	0.2
CG Fiscal balance (net of arrears)	2.3	-5.6	-5.4	-1.4	-1.2	-1.3	-1.8	-1.5	-0.2	0.1	0.3	-0.2
CG Primary balance (net of arrears)	4.6	-1.8	-1.5	2.8	3.3	3.1	3.3	3.7	4.7	4.7	4.7	4.3
Financing	-2.3	5.6	5.4	1.4	1.2	1.3	1.8	1.5	0.2	-0.1	-0.3	0.2
Net Financing - External	1.0	9.5	5.3	4.3	3.1	3.3	2.6	2.2	-0.1	-1.0	-2.0	-1.2
Capital Markets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.8	0.9	1.5
Project Funds	0.7	0.9	2.0	1.8	0.8	1.5	0.9	0.9	0.8	0.8	0.8	0.7
Policy Loans	1.4	6.7	3.9	3.4	3.3	1.6	1.6	1.5	1.4	1.1	0.0	0.0
o/w IDB	0.0	4.5	2.0	1.7	1.7	1.6	1.6	1.5	1.4	1.1	0.0	0.0
o/w CDB	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w CAF	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w WB	0.0	0.0	2.0	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF EFF budget support	0.0	3.9	0.9	0.7	0.7	1.8	1.8	1.7	0.8	0.0	0.0	0.0
ow: RSF financing		0.0	0.0	0.0	0.0	1.2	1.2	1.1	0.5	0.0	0.0	0.0
Amortization	1.1	2.1	1.6	1.7	1.7	1.6	1.6	1.8	3.8	3.7	3.7	3.5
Net Financing - Domestic	-3.3	-3.8	0.1	-2.8	-1.9	-1.9	-0.8	-0.7	0.2	0.9	1.7	1.4
Central bank	1.5	-0.7	3.3	-0.7	-1.1	0.4	1.2	0.8	0.0	-0.5	-0.1	0.0
Commercial banks	-0.5	1.2	-0.2	0.0	0.8	0.0	0.8	0.7	1.0	1.0	1.3	1.2
National Insurance Scheme	-0.8	-2.3	0.1	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private non-bank and others 3/ 4/	-3.5	-2.0	-3.1	-2.2	-1.1	-2.3	-2.8	-2.3	-0.8	0.5	0.5	0.2
Memorandum items:												
CG gross debt 5/	120.0	148.7	135.0	122.5	122.5	114.6	115.0	107.5	100.5	94.8	89.4	85.0
Nominal GDP, FY (BDS\$ millions)	10,654	8,921	10,166	11,817	11,943	12,672	12,754	13,599	14,371	15,117	15,847	16,575

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ Fiscal year is from April to March.

3/ Insurance companies and other non bank private sector; BOSS programs are also included here.

4/ Including government's equity investment into crisis-affected companies in the tourism sector.

5/ Including: Central Government debt, Central Government expenditure and debt arrears (if any), and SOE debt guaranteed by the Central Government including IMF loan to the CBB; it excludes debt directly serviced by SOEs and not guaranteed by the CG.

Table 3. Barbados: Public Debt, 2019/2020–2028/2029 1/ 2/ 3/

	2019/20	2020/21	2021/22	2022/23	2022/23	Projections						
						2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
				CRJ/22/377	CRJ/22/377							
	(In millions of Barbados dollars)											
Public Debt	12,786	13,264	13,721	14,473	14,628	14,529	14,664	14,619	14,447	14,326	14,170	14,090
External	3,560	4,391	4,897	5,446	5,507	5,851	5,814	6,058	5,982	5,759	5,375	5,103
Short Term	54	0	0	0	0	0	0	0	0	0	0	0
Long term	3,507	4,391	4,897	5,446	5,507	5,851	5,814	6,058	5,982	5,759	5,375	5,103
Domestic	9,226	8,873	8,824	9,027	9,121	8,678	8,850	8,560	8,465	8,568	8,796	8,987
Short Term	850	787	733	962	923	910	941	901	861	821	781	741
Long term	8,376	8,085	8,091	8,065	8,198	7,768	7,909	7,659	7,604	7,747	8,015	8,246
Arrears 5/	207	79	23	262	261	210	241	201	161	121	81	41
External	54	0	0	0	0	0	0	0	0	0	0	0
Domestic	153	79	23	262	261	210	241	201	161	121	81	41
CBB & SOE Guaranteed Debt 6/	458	439	419	445	409	435	379	319	252	184	116	49
External 4/	458	439	419	445	409	435	379	319	252	184	116	49
Domestic	0	0	0	0	0	0	0	0	0	0	0	0
CG Debt	12,122	12,745	13,279	13,766	13,959	13,884	14,044	14,098	14,034	14,022	13,973	14,000
External 4/ 7/	3,049	3,952	4,478	5,001	5,098	5,416	5,435	5,739	5,730	5,575	5,258	5,054
Domestic	9,073	8,793	8,801	8,765	8,860	8,468	8,609	8,359	8,304	8,447	8,715	8,946
Short Term	697	708	710	700	662	700	700	700	700	700	700	700
Long term	8,376	8,085	8,091	8,065	8,198	7,768	7,909	7,659	7,604	7,747	8,015	8,246
	(In percent of FY GDP)											
Public Debt	120.0	148.7	135.0	122.5	122.5	114.6	115.0	107.5	100.5	94.8	89.4	85.0
External	33.4	49.2	48.2	46.1	46.1	46.2	45.6	44.6	41.6	38.1	33.9	30.8
Short Term	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term	32.9	49.2	48.2	46.1	46.1	46.2	45.6	44.6	41.6	38.1	33.9	30.8
Domestic	86.6	99.5	86.8	76.4	76.4	68.5	69.4	62.9	58.9	56.7	55.5	54.2
Short Term	8.0	8.8	7.2	8.1	7.7	7.2	7.4	6.6	6.0	5.4	4.9	4.5
Long term	78.6	90.6	79.6	68.2	68.6	61.3	62.0	56.3	52.9	51.2	50.6	49.8
Arrears 5/	1.9	0.9	0.2	2.2	2.2	1.7	1.9	1.5	1.1	0.8	0.5	0.2
External	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	1.4	0.9	0.2	2.2	2.2	1.7	1.9	1.5	1.1	0.8	0.5	0.2
CBB & SOE Guaranteed Debt 6/	4.3	4.9	4.1	3.8	3.4	3.4	3.0	2.3	1.8	1.2	0.7	0.3
External 4/	4.3	4.9	4.1	3.8	3.4	3.4	3.0	2.3	1.8	1.2	0.7	0.3
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CG Debt	113.8	142.9	130.6	116.5	116.9	109.6	110.1	103.7	97.7	92.8	88.2	84.5
External 4/ 7/	28.6	44.3	44.0	42.3	42.7	42.7	42.6	42.2	39.9	36.9	33.2	30.5
Domestic	85.2	98.6	86.6	74.2	74.2	66.8	67.5	61.5	57.8	55.9	55.0	54.0
Short Term	6.5	7.9	7.0	5.9	5.5	5.5	5.5	5.1	4.9	4.6	4.4	4.2
Long term	78.6	90.6	79.6	68.2	68.6	61.3	62.0	56.3	52.9	51.2	50.6	49.8
Memorandum items:												
Nominal GDP, FY (BDS\$ millions)	10,654	8,921	10,166	11,817	11,943	12,672	12,754	13,599	14,371	15,117	15,847	16,575

Sources: Ministry of Finance; Central Bank of Barbados; and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ Fiscal year (April–March). Ratios are expressed relative to fiscal-year GDP.

3/ Central Government debt, Central Government expenditure and debt arrears (if any), and SOE debt guaranteed by the Central Government including IMF loan to the CBB; it excludes debt directly serviced by SOEs and not guaranteed by the CG.

4/ All medium- and long-term.

5/ Including legacy arrears formally recognized by the authorities in FY2022/23.

6/ Including IMF loan to the CBB under the 2018 EFF.

7/ Including IMF loan directly lent to the government under the 2018 EFF and 2022 EFF/RSF.

Table 4a. Barbados: Balance of Payments, 2019–2028 1/

	2019	2020	2021	2022	Projections							
					2022	2023	2023	2024	2025	2026	2027	2028
					CR/22/377	CR/22/377						
Current account balance	-147	-278	-542	-582	-629	-558	-476	-458	-426	-412	-392	-369
o/w Exports of goods and services	2,242	1,395	1,481	1,878	1,983	2,101	2,293	2,443	2,588	2,709	2,835	2,967
o/w Imports of goods and services	2,076	1,699	1,960	2,357	2,463	2,485	2,534	2,645	2,742	2,846	2,952	3,065
Trade balance	-739	-803	-942	-1,146	-1,217	-1,213	-1,195	-1,227	-1,257	-1,287	-1,327	-1,361
Exports of goods	763	619	647	757	822	779	882	936	980	1,021	1,064	1,110
o/w Re-exports	190	120	119	171	247	182	267	293	302	313	324	336
Imports of goods	1,502	1,422	1,589	1,903	2,039	1,992	2,078	2,163	2,237	2,308	2,391	2,471
o/w Oil	364	255	343	502	561	453	431	420	407	387	369	362
Services balance	905	499	462	668	738	829	954	1,025	1,103	1,150	1,210	1,263
Credit	1,479	776	834	1,122	1,161	1,323	1,410	1,507	1,608	1,688	1,771	1,857
o/w Travel (credit)	1,250	577	614	860	912	1,040	1,139	1,219	1,305	1,370	1,438	1,510
Debit	574	277	372	454	423	493	456	482	505	538	561	594
Primary income balance	-267	-67	-96	-115	-165	-186	-252	-275	-292	-296	-296	-294
Credit	283	169	206	245	228	264	249	267	282	298	312	327
Debit	550	237	302	360	393	450	501	542	574	593	608	621
Secondary income balance	-46	93	33	12	15	12	17	18	19	20	21	22
Credit	55	198	142	174	136	187	149	160	169	178	187	196
Debit	101	105	109	162	121	175	132	142	150	158	166	174
Capital and financial account	386	831	615	479	419	642	724	491	372	306	259	357
Financial Account Balance	388	833	618	479	411	642	724	491	372	306	259	357
Public sector	186	492	381	151	6	299	351	125	-16	-110	-174	-152
o/w CG and CBB Inflows	340	571	465	248	103	411	470	273	254	204	152	173
IMF financing	101	231	48	42	41	113	113	113	57	0	0	0
o/w RSF	0	0	0	0	0	75	76	76	38	0	0	0
SDR allocation	0	0	130	0	0	0	0	0	0	0	0	0
Other IFIs and commercial	239	340	287	206	61	298	357	160	197	204	152	173
o/w CG and CBB Outflows	67	86	84	94	94	112	115	144	265	309	321	320
o/w IMF	0	0	0	0	0	12	12	35	62	70	77	83
Private sector	202	342	236	327	406	344	373	366	388	416	433	509
FDI and long-term debt (net)	244	380	259	327	419	344	373	366	388	416	433	509
Short-term debt (net)	-42	-38	-22	0	-14	0	0	0	0	0	0	0
Capital Account Balance	-3	-2	-3	0	7	0	0	0	0	0	0	0
Net errors and omissions	2	35	149	0	175	0	0	0	0	0	0	0
Overall balance (deficit -)	241	589	221	-103	-35	85	248	33	-55	-107	-133	-12
Memorandum items:												
Oil Price (WTI, US\$ per barrel)	56.9	39.4	68.0	96.8	94.8	83.5	69.9	66.0	64.0	62.2	60.5	60.5
Gross International Reserves (GIR, US\$ million)	740	1,330	1,529	1,426	1,385	1,511	1,633	1,666	1,611	1,505	1,372	1,360
GIR (months of imports of G&S)	4.3	9.4	9.4	7.3	6.7	7.3	7.7	7.6	7.1	6.3	5.6	5.3
GIR (percent of ARA)	142.8	259.1	288.9	244.3	234.0	246.6	250.3	246.1	218.4	196.8	176.4	170.6

Sources: Central Bank of Barbados and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

Table 4b. Barbados: Balance of Payments, 2019–2028 1/
(In percent of CY-GDP, unless otherwise indicated)

	2019	2020	2021	2022	2022	Projections						
						2023	2023	2024	2025	2026	2027	2028
				CR/22/377		CR/22/377						
Current account balance	-2.8	-5.9	-11.2	-10.1	-11.1	-8.9	-7.7	-6.9	-6.1	-5.6	-5.0	-4.5
o/w Exports of goods and services	42.1	29.9	30.6	32.4	34.9	33.7	36.9	36.7	36.7	36.5	36.4	36.4
o/w Imports of goods and services	39.0	36.4	40.5	40.7	43.3	39.9	40.7	39.7	38.9	38.3	37.9	37.6
Trade balance	-13.9	-17.2	-19.4	-19.8	-21.4	-19.5	-19.2	-18.4	-17.8	-17.3	-17.0	-16.7
Exports of goods	14.3	13.3	13.4	13.1	14.5	12.5	14.2	14.1	13.9	13.7	13.7	13.6
o/w Re-exports	3.6	2.6	2.5	3.0	4.3	2.9	4.3	4.4	4.3	4.2	4.2	4.1
Imports of goods	28.2	30.4	32.8	32.9	35.9	32.0	33.4	32.5	31.7	31.1	30.7	30.3
o/w Oil	6.8	5.5	7.1	8.7	9.9	7.3	6.9	6.3	5.8	5.2	4.7	4.4
Services balance	17.0	10.7	9.5	11.5	13.0	13.3	15.3	15.4	15.6	15.5	15.5	15.5
Credit	27.8	16.6	17.2	19.4	20.4	21.2	22.7	22.6	22.8	22.7	22.7	22.8
o/w Travel (credit)	23.5	12.4	12.7	14.8	16.0	16.7	18.3	18.3	18.5	18.4	18.5	18.5
Debit	10.8	5.9	7.7	7.8	7.4	7.9	7.3	7.2	7.2	7.2	7.2	7.3
Primary income balance	-5.0	-1.4	-2.0	-2.0	-2.9	-3.0	-4.1	-4.1	-4.1	-4.0	-3.8	-3.6
Credit	5.3	3.6	4.3	4.2	4.0	4.2	4.0	4.0	4.0	4.0	4.0	4.0
Debit	10.3	5.1	6.2	6.2	6.9	7.2	8.1	8.1	8.1	8.0	7.8	7.6
Secondary income balance	-0.9	2.0	0.7	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Credit	1.0	4.2	2.9	3.0	2.4	3.0	2.4	2.4	2.4	2.4	2.4	2.4
Debit	1.9	2.2	2.3	2.8	2.1	2.8	2.1	2.1	2.1	2.1	2.1	2.1
Capital and financial account	7.2	17.8	12.7	8.3	7.4	10.3	11.6	7.4	5.3	4.1	3.3	4.4
Financial Account Balance	7.3	17.8	12.8	8.3	7.2	10.3	11.6	7.4	5.3	4.1	3.3	4.4
Public sector	3.5	10.5	7.9	2.6	0.1	4.8	5.6	1.9	-0.2	-1.5	-2.2	-1.9
o/w CG and CBB Inflows	6.4	12.2	9.6	4.3	1.8	6.6	7.6	4.1	3.6	2.8	1.9	2.1
IMF financing	1.9	4.9	1.0	0.7	0.7	1.8	1.8	1.7	0.8	0.0	0.0	0.0
o/w RSF		0.0	0.0	0.0	0.0	1.2	1.2	1.1	0.5	0.0	0.0	0.0
SDR allocation	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other IFIs and commercial	4.5	7.3	5.9	3.6	1.1	4.8	5.7	2.4	2.8	2.8	1.9	2.1
o/w CG and CBB Outflows	1.3	1.9	1.7	1.6	1.6	1.8	1.8	2.2	3.8	4.2	4.1	3.9
o/w IMF	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.5	0.9	0.9	1.0	1.0
Private sector	3.8	7.3	4.9	5.7	7.1	5.5	6.0	5.5	5.5	5.6	5.6	6.2
FDI and long-term debt (net)	4.6	8.1	5.3	5.7	7.4	5.5	6.0	5.5	5.5	5.6	5.6	6.2
Short-term debt (net)	-0.8	-0.8	-0.5	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Account Balance	0.0	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	0.0	0.8	3.1	0.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (deficit -)	4.5	12.6	4.6	-1.8	-0.6	1.4	4.0	0.5	-0.8	-1.4	-1.7	-0.2
Memorandum items:												
Oil Price (WTI, US\$ per barrel)	56.9	39.4	68.0	96.8	94.8	83.5	69.9	66.0	64.0	62.2	60.5	60.5
Gross International Reserves (GIR, US\$ million)	740.5	1,330.3	1,529.4	1,426.2	1,385.1	1,510.7	1,632.8	1,665.9	1,611.3	1,504.7	1,372.0	1,359.7
GIR (months of imports of G&S)	4.3	9.4	9.4	7.3	6.7	7.3	7.7	7.6	7.1	6.3	5.6	5.3
GIR (percent of ARA)	142.8	259.1	288.9	244.3	234.0	246.6	250.3	246.1	218.4	196.8	176.4	170.6

Sources: Central Bank of Barbados and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

Table 5. Barbados: Monetary Survey, 2019–2028 1/

	2019	2020	2021	2022	2022	Projections						
						2023	2023	2024	2025	2026	2027	2028
						CR/22/377		CR/22/377				
(In millions of Barbados dollars)												
Central Bank of Barbados												
Net International Reserves	1,130	2,195	2,595	2,403	2,355	2,594	2,873	2,993	2,945	2,793	2,591	2,629
Assets	1,478	2,661	3,059	2,852	2,770	3,021	3,266	3,332	3,223	3,009	2,744	2,719
Liabilities	-348	-466	-464	-449	-416	-428	-393	-339	-278	-216	-153	-90
Gross International Reserves	1,481	2,661	3,059	2,852	2,770	3,021	3,266	3,332	3,223	3,009	2,744	2,719
Net domestic assets	1,762	1,296	1,479	2,089	1,978	2,076	2,173	2,323	2,428	2,451	2,451	2,451
Of which: Claims on Central government	829	773	826	946	1,069	946	1,029	944	868	857	857	857
Monetary base	2,939	3,552	4,133	4,492	4,389	4,670	5,046	5,316	5,373	5,244	5,041	5,080
Commercial banks												
Net foreign assets	661	633	827	827	877	827	877	877	877	877	877	877
Net domestic assets	10,685	11,609	12,092	12,621	12,713	12,801	13,546	14,020	14,349	14,554	14,723	15,096
Liabilities to the nonfinancial private sector	11,346	12,242	12,918	13,448	13,590	13,628	14,424	14,897	15,226	15,431	15,600	15,973
Monetary survey												
Net foreign assets	1,679	2,029	2,405	2,972	2,223	3,163	2,858	2,977	2,929	2,778	2,575	2,614
Net domestic assets	9,976	10,472	10,801	11,141	11,731	11,292	12,054	12,472	12,863	13,189	13,512	13,856
Net credit to the public sector	2,277	2,087	2,649	2,924	3,193	2,911	3,281	3,431	3,536	3,558	3,558	3,558
Central government	2,212	2,002	2,504	2,779	3,036	2,767	3,123	3,273	3,378	3,401	3,401	3,401
Rest of public sector	65	85	145	145	157	145	157	157	157	157	157	157
Credit to the private sector	8,303	8,206	8,109	8,173	8,410	8,337	8,646	8,914	9,199	9,502	9,825	10,169
Credit to rest of financial system	263	271	256	256	264	256	264	264	264	264	264	264
Other items (net)	-867	-92	-212	-212	-136	-212	-136	-136	-136	-136	-136	-136
Broad money (M2, liabilities to the private sector)	11,655	12,501	13,206	14,113	13,954	14,454	14,912	15,450	15,792	15,966	16,087	16,469
(In percentage change)												
Monetary survey												
Net foreign assets	25.4	20.8	18.5	23.6	-7.6	6.4	28.6	4.2	-1.6	-5.2	-7.3	1.5
Net domestic assets	0.0	5.0	3.1	3.1	8.6	1.4	2.8	3.5	3.1	2.5	2.4	2.5
Of which:												
Private sector credit	1.0	-1.2	-1.2	0.8	3.7	2.0	3.0	3.1	3.2	3.3	3.4	3.5
Public sector credit	-1.5	-8.3	26.9	10.4	20.6	-0.4	2.7	4.6	3.1	0.6	0.0	0.0
Broad money	3.0	7.3	5.6	6.9	5.7	2.4	6.9	3.6	2.2	1.1	0.8	2.4

Sources: Central Bank of Barbados and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

Table 6. Barbados: Medium-Term Macroeconomic Framework, 2019–2028 1/
(In percent of GDP, unless otherwise indicated)

	2019	2020	2021	2022	2022	Projections						
						2023	2023	2024	2025	2026	2027	2028
				CR/22/377	CR/22/377							
	(Annual percentage change)											
National accounts and prices (calendar year)												
CY Real GDP	-0.5	-13.3	-0.2	10.0	9.8	4.8	4.5	3.9	2.8	2.3	2.0	2.0
Nominal GDP	4.5	-12.3	3.7	18.9	17.4	7.7	9.4	7.0	5.9	5.4	5.0	4.6
CPI inflation (average)	2.3	0.5	1.5	9.4	5.0	5.8	5.2	3.1	2.8	2.6	2.4	2.4
CPI inflation (end of period)	3.0	0.4	2.2	8.4	5.7	4.3	5.0	3.6	2.8	2.4	2.4	2.4
External sector (calendar year)												
Exports of goods and services, value	6.9	-37.8	6.2	25.6	33.9	11.9	15.6	6.6	5.9	4.7	4.7	4.7
Imports of goods and services, value	2.8	-18.2	15.4	20.2	25.6	5.4	2.9	4.4	3.7	3.8	3.7	3.8
Real effective exchange rate (average)	126.9	131.2	131.7	...	132.1	...	...	...	...	...	...	...
Terms of trade	2.3	6.2	-12.5	-5.0	-5.2	4.6	6.5	2.8	1.5	1.0	0.5	2.0
Money and credit (calendar year, end of period)												
Net domestic assets	0.0	5.0	3.1	3.1	8.6	1.4	2.8	3.5	3.1	2.5	2.4	2.5
Of which: Private sector credit	1.0	-1.2	-1.2	1.0	3.7	2.0	3.0	3.1	3.2	3.3	3.4	3.5
Broad money	3.0	7.3	5.6	6.9	5.7	2.4	6.9	3.6	2.2	1.1	0.8	2.4
Velocity (GDP relative to broad money)	0.9	0.9	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
	(In percent of FY GDP, unless otherwise indicated)											
Public finances (fiscal year) 2/												
Central government												
Revenue and grants	29.6	30.3	28.9	29.3	29.7	28.9	29.1	29.2	29.4	29.4	29.4	29.4
Expenditure	26.0	35.1	33.8	31.5	31.7	29.8	30.8	30.4	29.3	29.0	28.8	29.3
Fiscal balance	3.6	-4.8	-4.8	-2.2	-2.1	-0.9	-1.7	-1.2	0.1	0.3	0.6	0.1
Interest Expenditure	2.3	3.8	3.9	4.2	4.6	4.4	5.2	5.2	4.9	4.7	4.4	4.4
Primary balance	6.0	-1.0	-0.9	2.0	2.5	3.5	3.5	4.0	5.0	5.0	5.0	4.5
Debt (fiscal year) 2/												
Central government gross debt	120.0	148.7	135.0	122.5	122.5	114.6	115.0	107.5	100.5	94.8	89.4	85.0
External	33.4	49.2	48.2	46.1	46.1	46.2	45.6	44.6	41.6	38.1	33.9	30.8
Domestic	86.6	99.5	86.8	76.4	76.4	68.5	69.4	62.9	58.9	56.7	55.5	54.2
Savings and investment (calendar year)												
Gross domestic investment	14.5	18.2	18.3	17.6	18.3	17.2	17.3	17.0	17.0	17.2	17.3	17.6
Public	2.0	3.0	4.2	3.7	4.3	3.3	3.3	3.0	3.0	3.2	3.3	3.7
Private 3/	12.5	15.2	14.0	13.9	14.0	13.9	14.0	14.0	14.0	14.0	14.0	13.9
National savings	11.7	12.2	7.1	7.6	7.2	8.2	9.6	10.1	10.9	11.6	12.3	13.1
Public	-2.6	1.7	5.5	-2.5	-2.7	-2.0	-2.0	1.1	0.8	1.1	2.5	2.9
Private	14.3	10.6	1.5	10.1	10.0	10.2	11.6	9.0	10.1	10.5	9.8	10.2
External savings	-2.8	-5.9	-11.2	-10.1	-11.1	-8.9	-7.7	-6.9	-6.1	-5.6	-5.0	-4.5
Balance of payments (calendar year)												
Current account	-2.8	-5.9	-11.2	-10.1	-11.1	-8.9	-7.7	-6.9	-6.1	-5.6	-5.0	-4.5
Capital and financial account	7.2	17.8	12.7	8.3	7.4	10.3	11.6	7.4	5.3	4.1	3.3	4.4
Official capital (net)	3.5	10.5	7.9	2.6	0.1	4.8	5.6	1.9	-0.2	-1.5	-2.2	-1.9
Private capital (net)	3.8	7.3	4.9	5.7	7.1	5.5	6.0	5.5	5.5	5.6	5.6	6.2
Net errors and omissions	0.0	0.8	3.1	0.0	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.5	12.6	4.6	-1.8	-0.6	1.4	4.0	0.5	-0.8	-1.4	-1.7	-0.2
Memorandum items:												
Exchange rate (BDS\$/US\$)	2.0	2.0	2.0	...	2.0	...	...	...	...	...	...	...
Oil price (WTI, US\$ per barrel)	56.9	39.4	68.0	96.8	94.8	83.5	69.9	66.0	64.0	62.2	60.5	60.5
Gross international reserves (US\$ millions)	740	1,330	1,529	1,426	1,385	1,511	1,633	1,666	1,611	1,505	1,372	1,360
In months of imports	4.3	9.4	9.4	7.3	6.7	7.3	7.7	7.6	7.1	6.3	5.6	5.3
In percent of ARA	142.8	259.1	288.9	244.3	234.0	246.6	250.3	246.1	218.4	196.8	176.4	170.6
Nominal CY GDP (BDS\$ millions)	10,649	9,344	9,688	11,578	11,371	12,465	12,441	13,314	14,098	14,852	15,590	16,315

Sources: Barbados authorities; and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ Debt as defined in Table 3. Fiscal year is from April to March;

3/ Including inventories.

Table 7. Barbados: Financial Sector Indicators, 2016–2022
(Percent)

	2016	2017	2018	2019	2020	2021	2022
Commercial Banks							
Solvency Indicator							
Capital Adequacy Ratio (CAR)	17.0	17.0	13.9	13.5	16.0	16.8	17.6
Liquidity Indicators 1/							
Loan to deposit ratio	62.3	63.3	63.0	61.8	57.1	53.0	53.1
Domestic demand deposits to total domestic deposits	40.3	41.6	41.8	45.3	46.9	47.4	48.9
Liquid assets, in percent of total assets	27.4	26.7	21.1	22.9	25.1	28.3	28.1
Credit Risk Indicators							
Loans and advances (yoy growth rate) 2/	-0.5	2.0	0.7	-0.5	-2.1	-2.1	6.2
Non-performing loans ratio	8.9	7.9	7.4	6.6	7.3	7.3	5.9
Provisions to non-performing loans	63.2	69.6	67.3	60.2	62.0	60.2	50.8
Foreign Exchange Risk Indicators							
Deposits in Foreign Exchange (in percent of total deposits)	8.6	8.8	10.5	6.7	6.6	7.8	9.0
Profitability Indicators							
Return on Assets (ROA)	1.0	1.3	-0.2	0.6	0.8	1.1	1.3
Credit Unions							
Solvency Indicator							
Reserves to Total Liabilities	12.4	12.5	11.9	11.4	9.5	9.6	9.6
Liquidity Indicators							
Loan to deposit ratio	103.2	100.6	94.3	89.6	73.5	73.2	74.5
Credit risk Indicators							
Total assets, annual growth rate	8.3	8.7	9.5	7.5	7.3	5.3	4.0
Loans, annual growth rate	7.3	6.3	4.2	3.5	0.9	4.4	6.0
Nonperforming loans ratio	7.6	7.8	8.9	9.6	13.1	12.8	12.7
Arrears 3-6 months/Total Loans	1.3	1.3	1.9	1.9	2.2	1.5	1.8
Arrears 6 – 12 months/Total Loans	1.2	1.4	1.4	1.6	3.6	2.4	1.8
Arrears over 12 months/Total Loans	5.1	5.0	5.5	6.1	7.3	8.8	9.1
Provisions to Total loans	2.5	2.4	2.6	2.8	3.1	4.0	4.0
Profitability Indicator							
Return on Assets (ROA)	0.8	0.9	0.7	0.7	0.5	0.5	0.5

Source: Central Bank of Barbados, Financial Services Commission.

1/ Includes foreign components unless otherwise stated.

2/ Private credit growth in 2018 reflects the financial consolidation of a financial and trust company with its parent bank.

Table 8. Barbados: Program Monitoring – External Financing Requirements and Sources 1/
(In millions of US\$ unless otherwise indicated)

	2019	2020	2021	2022	Projections							
					2023	2023	2024	2025	2026	2027	2028	
				CR/22/377	CR/22/377							
	(in US\$ millions, unless otherwise indicated)											
Gross Financing Requirements	214	364	626	679	726	670	596	606	697	727	718	694
Current Account Balance	147	278	542	582	629	558	476	458	426	412	392	369
CG Debt Amortization	67	86	84	97	97	113	119	148	270	314	326	325
Sources of Financing	214	364	626	637	726	633	558	569	678	727	718	694
Public sector	253	578	465	206	103	374	432	236	235	204	152	173
o/w: World Bank 2/	0	0	100	0	0	100	100	0	0	0	0	0
IDB 2/	0	200	100	100	0	100	200	150	100	80	0	0
IMF	0	0	130	0	0	75	76	76	38	0	0	0
SDR allocation	0	0	130	0	0	0	0	0	0	0	0	0
RSF financing 2/	0	0	0	0	0	75	76	76	38	0	0	0
FDI and long-term debt (net)	244	380	259	327	419	344	373	366	388	416	433	509
Short-term debt (net)	-42	-38	-22	0	-14	0	0	0	0	0	0	0
Capital Account Balance	-3	-2	-3	0	7	0	0	0	0	0	0	0
Net errors and omissions	2	35	149	0	175	0	0	0	0	0	0	0
Change in Reserve (- = increase)	-241	-589	-221	103	35	-85	-248	-33	55	107	133	12
Financing Gap	0	0	0	42	0	38	38	38	19	0	0	0
Prospective Financing				42		38	38	38	19	0	0	0
IMF EFF disbursement 3/				42		38	38	38	19	0	0	0
Memo items:												
Gross international reserves												
Months of imports of G&S	4.3	9.4	9.4	7.3	6.7	7.3	7.7	7.6	7.1	6.3	5.6	5.3
In percent of ARA (incl. RSF)	143	259	289	244	234	247	250	246	218	197	176	171
In percent of ARA (excl. RSF)	-	-	-	-	-	-	239	224	193	172	152	147

Sources: Central Bank of Barbados and Fund staff estimates and projections.

1/ CR/22/377 refers to the staff report for the request of the EFF/RSF arrangement in December 2022.

2/ Policy loan

3/ Including IMF disbursements associated with future reviews.

Table 9. Barbados: Schedule of Purchases Under the EFF-Supported Program
(In millions of SDR)

Availability Date	Conditions for disbursement	EFF Purchases	
		SDR million	Percent of Quota
December 7, 2022	Approval of 3-year Arrangement under the EFF	14.175	15.0
May 15, 2023	1st Review and continuous and end March 2023 performance criteria	14.175	15.0
November 15, 2023	2nd Review and continuous and end September 2023 performance criteria	14.175	15.0
May 15, 2024	3rd Review and continuous and end March 2024 performance criteria	14.175	15.0
November 15, 2024	4th Review and continuous and end September 2024 performance criteria	14.175	15.0
May 15, 2025	5th Review and continuous and end March 2025 performance criteria	14.175	15.0
Total Access		85.050	90

Source: Fund staff.

Table 10. Barbados: Proposed Schedule of Disbursements Under the RSF Arrangement
(In millions of SDR)

Availability Date	Millions of SDR	Percent of Quota	Conditions
May 15, 2023	14.175	15.0	Completion of RSF review of reform measures 1 implementation
November 15, 2023 1/	14.175	15.0	Completion of RSF review of reform measures 2 implementation
November 15, 2023	14.175	15.0	Completion of RSF review of reform measures 3 implementation
November 15, 2023	14.175	15.0	Completion of RSF review of reform measures 6 implementation
May 15, 2024	14.175	15.0	Completion of RSF review of reform measures 4 implementation
May 15, 2024	14.175	15.0	Completion of RSF review of reform measures 7 implementation
November 15, 2024	14.175	15.0	Completion of RSF review of reform measures 8 implementation
November 15, 2024	14.175	15.0	Completion of RSF review of reform measures 9 implementation
May 15, 2025	14.175	15.0	Completion of RSF review of reform measures 5 implementation
May 15, 2025	14.175	15.0	Completion of RSF review of reform measures 10 implementation
<i>Memorandum item:</i>			
Quota	94.5		
Total Access	141.75	150	

Source: Fund staff.

1/ Rephased from May 15, 2023

**Table 11. Barbados: Program Monitoring – Indicators of Fund Credit
Under the EFF and RSF**
(In millions of SDR unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	
Existing and prospective Fund credit (SDR million)																								
Disbursements	56.7	56.7	28.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EFF	28.4	28.4	14.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	28.4	28.4	14.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	412.5	471.6	467.6	415.3	358.1	296.2	238.2	196.3	175.1	159.5	148.1	135.1	121.2	107.0	92.9	78.7	64.5	50.3	36.2	22.0	8.5	1.4	0.0	0.0
EFF	355.8	358.2	325.8	273.6	216.3	154.4	96.5	54.6	33.3	17.7	7.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	56.7	113.4	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.8	134.0	121.2	107.0	92.9	78.7	64.5	50.3	36.2	22.0	8.5	1.4	0.0	0.0
Obligations	17.9	53.6	78.1	81.3	82.2	82.4	74.6	55.9	33.4	26.8	21.8	22.9	23.2	22.8	22.1	21.5	20.8	20.1	19.4	18.8	17.4	10.4	4.5	
Principal (repayments/repurchases)	5.8	25.9	46.6	52.3	57.2	61.9	57.9	41.9	21.3	15.6	11.3	13.0	13.9	14.2	14.2	14.2	14.2	14.2	14.2	14.2	13.5	7.1	1.4	
EFF	5.8	25.9	46.6	52.3	57.2	61.9	57.9	41.9	21.3	15.6	10.6	5.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	7.1	12.8	14.2	14.2	14.2	14.2	14.2	14.2	14.2	13.5	7.1	1.4	
Charges and interest 1/	12.1	27.7	31.5	29.1	25.0	20.5	16.7	14.0	12.2	11.2	10.5	9.9	9.3	8.6	7.9	7.3	6.6	5.9	5.3	4.6	3.9	3.3	3.1	
Fund obligations (repurchases and charges) in percent of:																								
Quota	19.0	56.7	82.7	86.1	87.0	87.2	78.9	59.2	35.4	28.3	23.1	24.2	24.6	24.1	23.4	22.7	22.0	21.3	20.6	19.9	18.4	11.0	4.7	
o/w: RSF	0.6	3.7	6.4	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.8	14.5	20.1	20.9	20.2	19.5	18.8	18.1	17.4	16.7	15.2	7.8	1.5	
GDP	0.4	1.1	1.5	1.5	1.4	1.4	1.2	0.8	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0	
Exports of goods and services	1.0	2.9	4.0	4.0	3.9	3.7	3.2	2.3	1.3	1.0	0.8	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.4	0.3	0.1	
Gross international reserves	1.5	4.3	6.5	7.3	8.0	8.1	7.6	5.5	3.0	2.3	1.7	1.6	1.5	1.2	1.0	0.8	0.7	0.6	0.5	0.4	0.4	0.2	0.1	
Government revenue	1.3	3.6	5.0	4.9	4.7	4.5	3.9	2.8	1.6	1.2	1.0	1.0	0.9	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.3	0.1		
External debt service, public and publicly guaranteed (PPG)	8.9	23.2	22.6	23.4	23.3	24.3	21.8	20.9	12.4	9.5	7.4	7.8	7.9	8.0	8.1	7.7	7.4	7.5	7.5	6.8	5.9	3.4	1.4	
Fund credit outstanding in percent of:																								
Quota	436.5	499.1	494.8	439.5	378.9	313.4	252.1	207.7	185.2	168.8	156.8	143.0	128.3	113.2	98.3	83.2	68.3	53.2	38.3	23.2	9.0	1.5	0.0	
o/w: RSF	60.0	120.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.2	141.7	128.3	113.2	98.3	83.2	68.3	53.2	38.3	23.2	9.0	1.5	0.0	0.0	
GDP	8.8	9.5	8.9	7.5	6.2	4.9	3.8	3.0	2.5	2.2	2.0	1.7	1.5	1.2	1.0	0.8	0.7	0.5	0.3	0.2	0.1	0.0	0.0	
Exports of goods and services	24.0	25.8	24.2	20.6	17.0	13.4	10.4	8.2	7.0	6.2	5.6	4.9	4.2	3.6	3.0	2.4	1.9	1.4	1.0	0.6	0.2	0.0	0.0	
Gross international reserves	33.7	37.8	38.9	37.1	35.1	29.3	24.4	19.4	15.9	13.6	11.7	9.7	7.8	5.8	4.3	3.1	2.2	1.5	0.9	0.5	0.2	0.0	0.0	
Government revenue	29.7	31.7	29.7	25.2	20.7	16.4	12.5	9.9	8.4	7.3	6.5	5.7	4.9	4.1	3.4	2.8	2.2	1.6	1.1	0.7	0.2	0.0	0.0	
External debt, PPG	18.9	20.8	21.0	19.4	17.9	15.6	13.2	11.2	10.3	9.7	9.4	8.9	8.4	7.2	6.1	5.1	4.1	3.1	2.2	1.3	0.5	0.1	0.0	
Memorandum items: 2/																								
Quota (SDR million)	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5
Gross domestic product (USD million)	6,220.4	6,656.8	7,048.8	7,426.0	7,795.1	8,157.5	8,534.6	8,921.9	9,326.6	9,749.8	10,192.1	10,654.5	11,137.9	11,643.3	12,164.3	12,708.7	13,277.4	13,871.1	14,511.8	15,140.3	15,817.9	16,525.7	17,265.3	
Exports of goods and services (USD million)	2,292.7	2,443.4	2,587.8	2,709.0	2,835.1	2,967.0	3,090.1	3,218.1	3,360.6	3,448.8	3,585.5	3,728.4	3,873.4	4,024.6	4,182.1	4,346.4	4,518.0	4,697.2	4,885.6	5,079.9	5,284.2	5,497.8	5,746.3	
Gross international reserves (USD million)	1,632.8	1,665.9	1,611.3	1,504.7	1,372.0	1,359.7	1,316.0	1,361.7	1,483.1	1,574.0	1,701.5	1,874.5	2,092.4	2,467.1	2,922.1	3,421.7	3,967.9	4,562.5	5,206.9	5,903.7	6,654.9	7,463.0	8,337.5	
Government revenue (USD million)	1,853.6	1,986.4	2,111.7	2,221.3	2,328.6	2,435.5	2,556.3	2,681.0	2,801.4	2,927.1	3,058.4	3,197.1	3,342.1	3,493.1	3,649.2	3,812.2	3,982.4	4,161.5	4,350.2	4,539.6	4,742.1	4,953.5	5,174.3	
External debt service, PPG (USD million)	270.3	307.9	463.0	467.3	473.2	456.6	460.2	359.7	361.0	378.5	395.6	394.9	397.3	382.0	365.2	372.0	375.3	362.7	350.6	372.6	394.7	414.2	432.8	
Total external debt, PPG (USD million)	2,906.8	3,029.2	2,991.0	2,879.3	2,687.3	2,551.3	2,425.0	2,357.0	2,288.4	2,210.1	2,121.9	2,032.2	1,939.4	1,989.4	2,039.4	2,089.4	2,139.4	2,189.4	2,239.4	2,289.4	2,339.4	2,389.4	2,097.6	

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 4.775 percent (as of May 18, 2023), and RST rate of interest of 4.725 percent (as of May 18, 2023) as Barbados belongs to the RST interest Group C.

2/ Using SDR/USD exchange rate = 0.748 (as of May 18, 2023) and quota SDR = 94.5 million.

Annex I. Risk Assessment Matrix ¹

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	High	Medium	Continue with fiscal consolidation backed by structural reforms to enhance fiscal sustainability and improve business / regulatory environment, thereby increasing investors' confidence.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation. U.S.: Amid tight labor markets, supply disruptions and/or commodity price shocks, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in dollar strengthening, a more abrupt financial and housing market correction, and "hard landing". Europe: Intensifying fallout from the war in Ukraine, worsening energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns and housing market corrections.	Medium	High	Implement structural measures to improve competitiveness of the tourism sector; diversify tourist source countries beyond the UK, Canada, and the US; diversify the economy to reduce dependence on the tourism sector; and steadily execute climate-resilient investment to support domestic demand.
	Medium	High	
	High	High	
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Medium	Medium	Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food and other goods supply; and maintain fiscal and external sustainability.
Monetary policy miscalibration. Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely, de-anchoring inflation expectations and triggering a wage-price spiral in tight labor markets.	Medium	Medium	Continue with fiscal consolidation backed by structural reforms to increase fiscal sustainability, thereby increasing investors' confidence; and enhance monetary policy framework by introducing appropriate monetary policy tools; increase domestic capacity of supplying renewal energy-based electricity and basic food.

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" indicates a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Source of Risks	Livelihood	Impact	Policy response
Global Risks			
Systemic financial instability. Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or nonbank financial institutions, causing markets dislocations and adverse cross-border spillovers.	Medium	Medium	Monitor financial system and be ready to provide liquidity assistance if needed to maintain financial stability. Continue with fiscal consolidation backed by structural reforms to increase fiscal sustainability and improve business / regulatory environment, thereby increasing investors' confidence.
Country-Specific Risks			
Deceleration of reform momentum, Delays in fiscal reforms generate market concerns about fiscal sustainability and undermine private sector confidence necessary for investment.	Medium	High	Adhere to fiscal consolidation strategy under the program to generate high primary surpluses on a sustained basis.
Loss of tourism competitiveness. Failure to maintain the upgrading of tourism assets and infrastructure leads to loss of attractiveness as a tourist destination and a decline in tourism revenue and FX earnings.	Medium	High	Implement structural measures to increase competitiveness and boost private investment into the tourism sector.
Extreme climate events. Extreme climate events cause damage to infrastructure and loss of human lives and livelihoods.	Medium	High	Accelerate investment into climate resilient infrastructure that could mitigate disaster risk; continue seeking financial arrangements to safeguard from natural disaster shocks (e.g., hurricane clauses in government debt; and insurance, such as CCRIF).

Annex II. Debt Sustainability Analysis

Table 1. Barbados: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Moderate	Barbados' overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium- and long-term horizons.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate consistent with a mechanical moderate signal predicated on the projected primary balance path.
Fanchart	High	...	
GFN	Moderate	...	
Stress test	...	...
Long term	...	Moderate	Long-term risks are moderate arising from the expected need to refinance debt in the long-term and increase climate change-related investment. Pension expenditure is projected to increase pressure onto GFN and debt in the long term, which confirms the need to hasten to approve and implement the forthcoming pension reforms.
Sustainability assessment 2/	...	Sustainable	The projected debt path is expected to stabilize and GFNs will remain at manageable levels under the baseline projections. Barbados debt is assessed as sustainable. The uncertainty over the recovery of the tourism sector and sustained fiscal adjustment constitute risks.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: Barbados' overall risk of sovereign stress is assessed to be moderate. This is consistent with the moderate medium- and long-term final risk assessments, which confirm mechanical signals. Barbados' public debt is assessed to be sustainable. Under the current baseline, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36 with envisaged primary surpluses backed by an economic recovery and structural reforms. Risks include a slower-than-expected tourism recovery, and the authorities' ability to maintain high primary surpluses over an extended period.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Barbados: Decomposition of Public Debt and Debt Service by Creditor, FY2022/23–FY2024/25¹

	Debt Stock (end of period)			Debt Service					
	FY2022/23			FY2022/23	FY2023/24	FY2024/25	FY2022/23	FY2023/24	FY2024/25
	(In US\$ million)	(Percent total debt)	(Percent of GDP)	(In US\$)			(Percent of GDP)		
Total	7,314.2	100.0	122.5	829.5	1113.0	726.9	13.9	17.5	10.7
External	2,753.5	37.6	46.1	175.0	275.1	299.1	2.9	4.3	4.4
Multilateral creditors ²	1,847.8	25.3	30.9	99.6	192.5	217.4	1.7	3.0	3.2
IMF	447.5	6.1	7.5						
World Bank	221.4	3.0	3.7						
IADB	749.8	10.3	12.6						
Other Multilaterals	650.5	8.9	10.9						
<i>o/w: CDB</i>	238.6	3.3	4.0						
Bilateral Creditors	188.2	2.6	3.2	18.5	23.9	23.1	0.3	0.4	0.3
Paris Club	31.9	0.4	0.5	7.8	9.1	8.7	0.1	0.1	0.1
Non-Paris Club	156.2	2.1	2.6	10.7	14.8	14.5	0.2	0.2	0.2
Bonds	549.3	7.5	9.2	38.5	38.3	38.2	0.6	0.6	0.6
Commercial creditors ³	168.3	2.3	2.8	18.3	20.3	20.3	0.3	0.3	0.3
Domestic	4,560.7	62.4	76.4	654.5	837.9	427.8	11.0	13.1	6.3
Held by residents, total	n/a	n/a	n/a						
Held by non-residents, total	n/a	n/a	n/a						
Short-term debt (incl. T-Bills)	331.1	4.5	5.5	355.9	331.1	-	6.0	5.2	-
<i>Held by:</i> central bank	187.2	2.6	3.1						
local banks	142.6	1.9	2.4						
local non-banks	1.4	0.0	0.0						
Long-term debt (incl. Bonds)	4,229.6	57.8	70.8	298.6	506.8	427.8	5.0	7.9	6.3
<i>Held by:</i> central bank	313.4	4.3	5.2						
local banks	1,090.4	14.9	18.3						
local non-banks	2,825.8	38.6	47.3						
Memo items:									
Collateralized debt ⁴	0.0	0.0	0.0						
<i>o/w: Related</i>	0.0	0.0	0.0						
<i>o/w: Unrelated</i>	0.0	0.0	0.0						
Contingent liabilities	220.6	3.0	1.8						
<i>o/w: Public guarantees</i>	220.6	3.0	1.8						
<i>o/w: Other explicit contingent liabilities⁵</i>	n/a	n/a	n/a						
Nominal GDP	5,971.6			5,971.6	6,377.0	6,799.5			

Sources: Ministry of Finance

1/As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA. Future debt services are associated with existing debt stock as of end of FY2022/23. The amount of nonresidents' holdings of domestic debt is negligible.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

3/There is one commercial lease project in which multiple creditors participate.

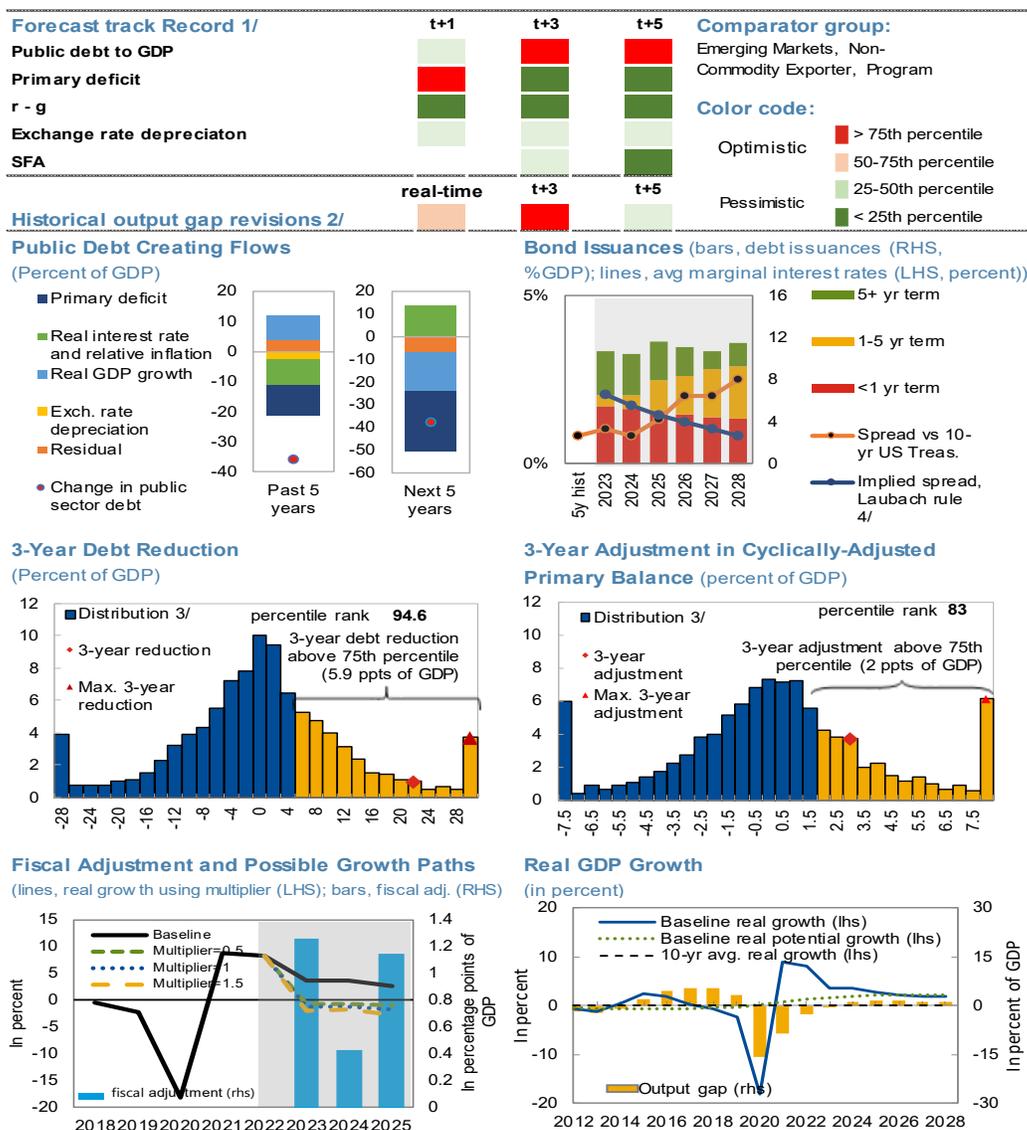
4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements). Those data are not readily available.

Figure 1. Barbados: Debt Coverage and Disclosure

										Comments									
1. Debt coverage in the DSA: 1/										CG	GG	NFPS	CPS	Other					
1a. If central government, are non-central government entities insignificant?										Yes									
2. Subsectors included in the chosen coverage in (1) above:																			
Subsectors captured in the baseline										Inclusion									
CPS	NFPS	CG: expected	CG	1	Budgetary central government						Yes								
				2	Extra budgetary funds (EBFs)						No								
				3	Social security funds (SSFs)						No								
				4	State governments						No								
				5	Local governments						No								
				6	Public nonfinancial corporations						No	CG-guaranteed SoE debt included							
				7	Central bank						Yes	Not consolidated; CB's debt (BoP support) to IMF is added.							
				8	Other public financial corporations						No								
3. Instrument coverage:										Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IFSGSs 3/					
4. Accounting principles:										Basis of recording		Valuation of debt stock							
										Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
5. Debt consolidation across sectors:										Consolidated		Non-consolidated							
Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable																			
Reporting on intra-government debt holdings																			
Issuer										Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	CG: expected	CG	1	Budget. central govt						0								
				2	Extra-budget. funds						0								
				3	Social security funds						0								
				4	State govt.						0								
				5	Local govt.						0								
				6	Nonfin pub. corp.						0								
				7	Central bank						0								
				8	Oth. pub. fin. corp						0								
Total										0	0	0	0	0	0	0	0	0	
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.																			
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.																			
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.																			
4/ Includes accrual recording, commitment basis, due for payment, etc.																			
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).																			
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.																			
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.																			
Commentary: The coverage in this SRDSA is for the central government given there is no state and local government. SoEs' debt guaranteed by the central government, including CBB's debt to the Fund, is added onto the central government's debt in this analysis.																			

Figure 2. Barbados: Realism of Baseline Assumptions
(Fiscal year)



Commentary: Negative impacts on growth of the projected fiscal adjustments should be smaller than indicated by the realism tool given Barbados' near-term economic recovery will be driven by a gradual recovery in tourist arrivals. While the realism tools suggest that the projected debt reduction and 3-year fiscal adjustment are ambitious, this is feasible given the authorities' strong commitment to fiscal adjustment and gradual recovery in the tourism sector.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

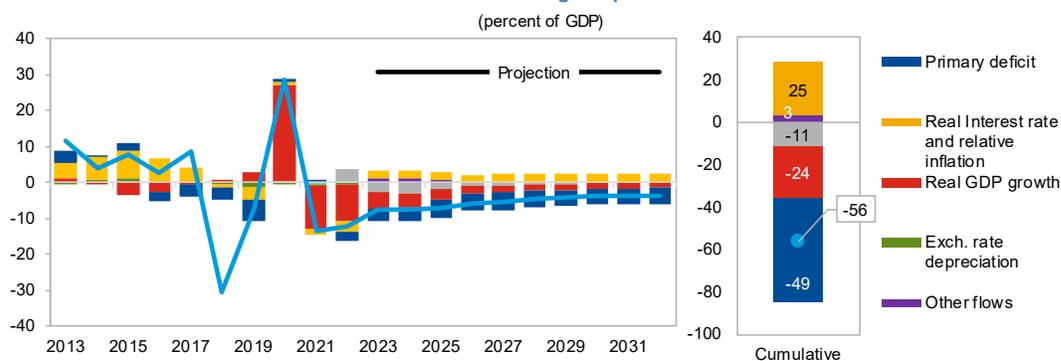
3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 3. Barbados: Baseline Scenario
(Percent of GDP unless indicated otherwise; fiscal year)

	Actual	Medium-term projection						Extended projection						
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	122.5	115.0	107.5	100.5	94.8	89.4	85.0	80.8	76.9	73.1	69.3	66.2	63.0	59.7
Change in public debt	-12.5	-7.5	-7.5	-7.0	-5.8	-5.4	-4.4	-4.2	-3.9	-3.8	-3.8	-3.1	-3.2	-3.2
Contribution of identified flows	-16.3	-4.6	-4.6	-4.9	-5.0	-4.6	-3.8	-3.8	-3.7	-3.7	-3.7	-3.0	-3.1	-3.1
Primary deficit	-2.5	-3.5	-4.0	-5.0	-5.0	-5.0	-4.5	-4.5	-4.5	-4.5	-4.5	-4.0	-4.0	-4.0
Noninterest revenues	29.7	29.1	29.2	29.4	29.4	29.4	29.4	29.5	29.6	29.6	29.6	29.6	29.6	29.6
Noninterest expenditures	27.1	25.6	25.2	24.4	24.4	24.4	24.9	25.0	25.1	25.1	25.1	25.6	25.6	25.6
Automatic debt dynamics	-13.8	-2.3	-1.7	-0.6	0.0	0.4	0.7	0.7	0.8	0.8	0.8	1.0	0.9	0.9
Real interest rate and relative inflation	-2.9	2.0	2.3	2.2	2.2	2.3	2.5	2.4	2.4	2.3	2.3	2.4	2.2	2.1
Real interest rate	-5.3	1.7	2.1	1.9	1.9	1.9	2.3	2.2	2.3	2.2	2.1	2.2	2.1	2.0
Relative inflation	2.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Real growth rate	-10.2	-4.3	-4.0	-2.8	-2.2	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.4	-1.3	-1.2
Real exchange rate	-0.6	...	...	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	1.2	1.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	1.2	1.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	3.9	-2.9	-2.9	-2.0	-0.8	-0.8	-0.6	-0.4	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Gross financing needs	11.7	11.9	11.6	12.3	11.1	10.7	11.5	10.9	10.5	10.7	11.1	11.8	9.7	9.6
of which: debt service	14.3	15.4	15.6	17.3	16.1	15.7	16.0	15.4	15.0	15.2	15.6	15.8	13.7	13.6
Local currency	11.0	11.6	11.6	11.4	10.4	10.2	10.9	10.3	11.0	11.4	11.8	11.9	10.1	10.1
Foreign currency	3.3	3.9	4.0	5.9	5.7	5.5	5.1	5.1	3.9	3.8	3.8	3.8	3.7	3.5
Memo:														
Real GDP growth (percent)	8.2	3.6	3.6	2.7	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	8.6	3.0	2.9	2.9	2.9	2.8	2.5	2.5	2.4	2.4	2.4	2.4	2.4	2.4
Nominal GDP growth (percent)	17.5	6.8	6.6	5.7	5.2	4.8	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Effective interest rate (percent)	4.0	4.5	4.8	4.8	4.9	4.9	5.2	5.2	5.4	5.4	5.5	5.8	5.8	5.7

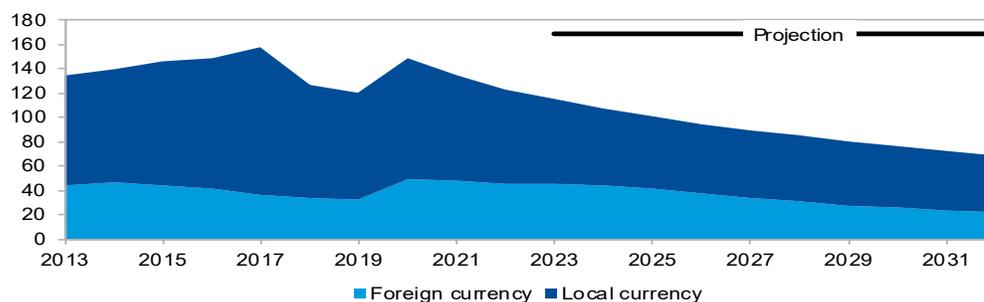
Contribution to change in public debt



Staff commentary: Public debt has been put on a downward debt trajectory in FY2022/23 after a temporary increase during the pandemic. A debt reduction is projected to continue to meet the long-term debt target of 60 percent of GDP by FY2035/36, mainly driven by a long-term improvement in primary balance and steady economic growth.

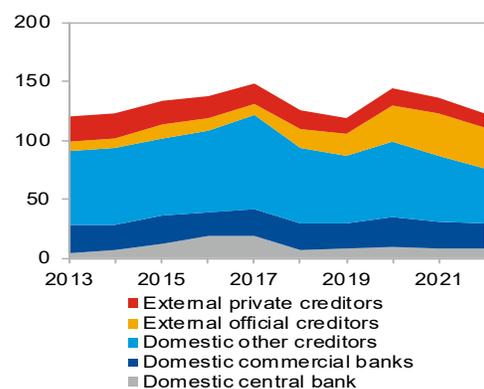
Figure 4. Barbados: Public Debt Structure Indicators
(Fiscal year)

Debt by currency (percent of GDP)



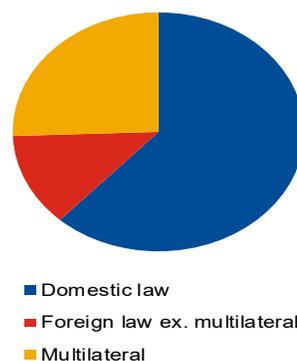
Note: The perimeter shown is central government.

Public debt by holder (percent of GDP)



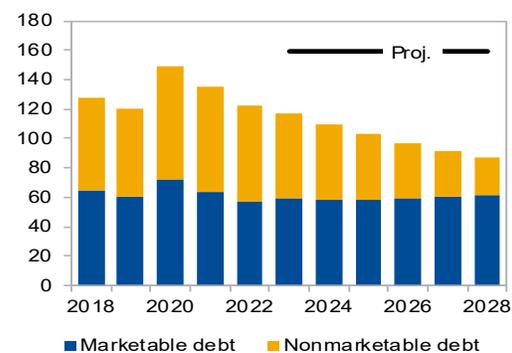
Note: The perimeter shown is central government.

Public debt by governing law, 2022 (percent)



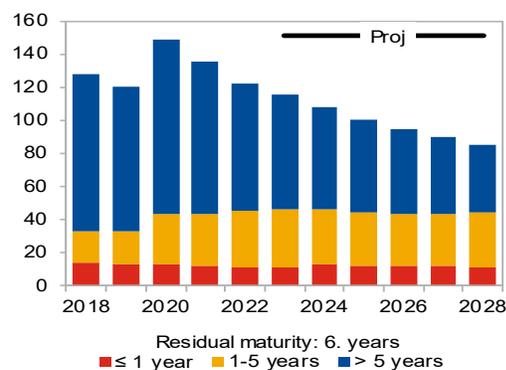
Note: The perimeter shown is central government.

Debt by instruments (percent of GDP)



Note: The perimeter shown is central government.

Public debt by maturity (percent of GDP)



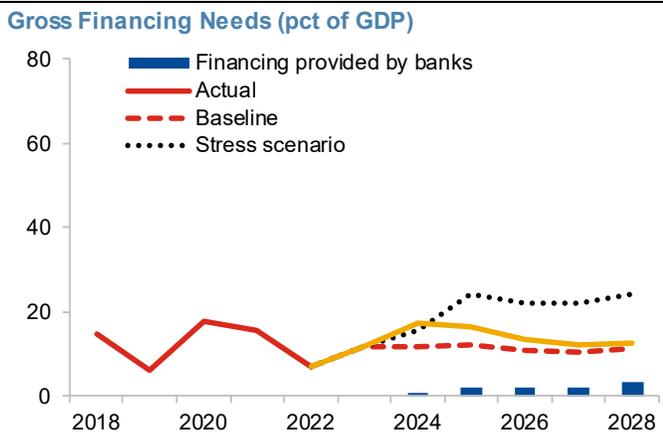
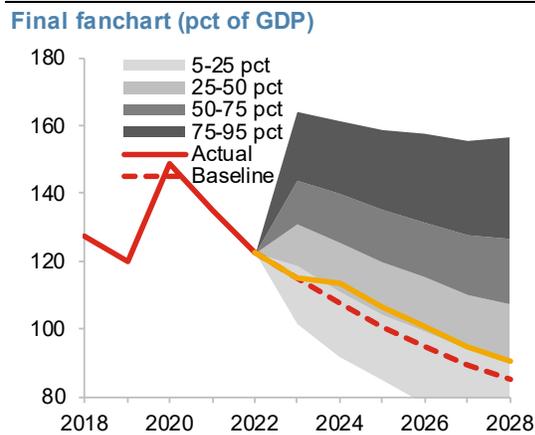
Note: The perimeter shown is central government.

Commentary: The composition of debt remains roughly the same over the projection period. Over the medium and long-term market financing both from domestic and external financial markets will increase as confidence in government fiscal and debt management policies increases.

Figure 5. Barbados: Medium-Term Risk Analysis
(Fiscal year)

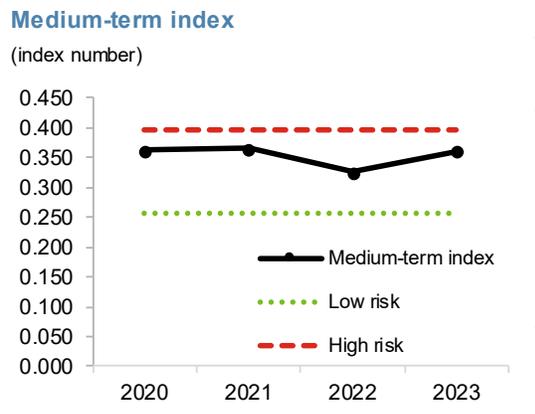
Module	Indicator	Value	Risk index	Risk signal	Em. Econ., Non-Com. Exp. Program				
					0	25	50	75	100
Debt fanchart module	Fanchart width	88.6	1.3	...	[Bar chart showing interquartile range and Barbados position]				
	Probability of debt not stabilizing (pct)	17.2	0.1	...	[Bar chart showing interquartile range and Barbados position]				
	Terminal debt level x institutions index	48.4	1.1	...	[Bar chart showing interquartile range and Barbados position]				
	Debt fanchart index	...	2.5	High					
GFN financeability module	Average GFN in baseline	11.5	3.9	...	[Bar chart showing interquartile range and Barbados position]				
	Bank claims on government (pct bank assets)	13.3	4.3	...	[Bar chart showing interquartile range and Barbados position]				
	Chg. in claims on govt. in stress (pct bank assets)	1.7	0.6	...	[Bar chart showing interquartile range and Barbados position]				
	GFN financeability index	...	8.8	Moderate					

Legend: [Grey bar] Interquartile range [Red bar] Barbados



Triggered stress tests (stress tests not activated in gray)

Banking crisis Commodity prices Exchange rate Contingent liab. Natural disaster



Medium-term risk analysis

	Low risk threshold	High risk threshold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.6
GFN financeability index	7.6	17.9	0.5	0.2
Medium-term index (MTI)	0.3	0.4	...	0.4, Moderate

Prob. of missed crisis, 2023-2028 (if stress not predicted): 27.3 pct.
Prob. of false alarm, 2023-2028 (if stress predicted): 19.3 pct.

Commentary: Overall mechanical signal for the medium-term risk analysis is moderate. Of the two medium-term tools, the Debt Fanchart Module is pointing to high level of risk, while the GFN Financeability Module suggests lower, but still moderate, level of risk. The triggered stress test suggest that natural disasters would not pose large enough shocks that warrant a change in the overall assessment.

Figure 6. Barbados: Long-Term Risk Analysis
(Fiscal year)

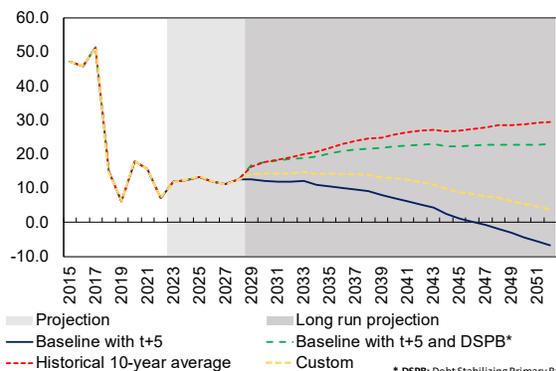
Large Amortization Trigger

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	High
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio	High
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	High
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		High

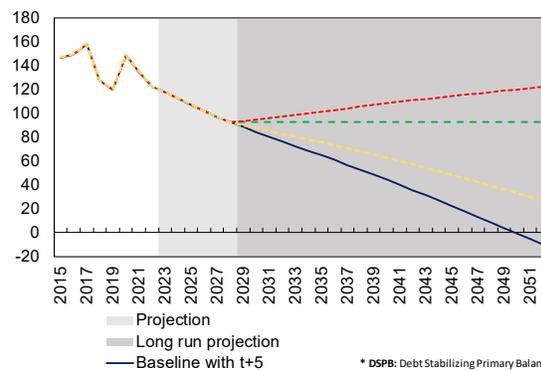
Alternative Baseline Long-term Projections (including Custom scenario)

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	2.0%	2.0%
Primary Balance-to-GDP	4.5%	3.0%
Real depreciation	-2.5%	-2.4%
Inflation (GDP deflator)	2.5%	2.5%

GFN-to-GDP ratio



Total public debt-to-GDP ratio



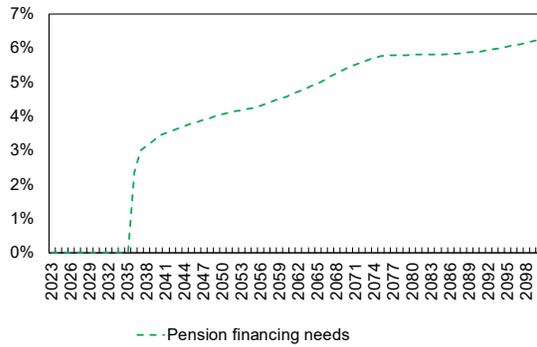
Commentary: The large debt amortizations module shows gradual declines in GFN and debt relative to GDP both under the baseline and custom scenarios.

Figure 6. Barbados: Long-Term Risk Analysis (Continued)
(Fiscal year)

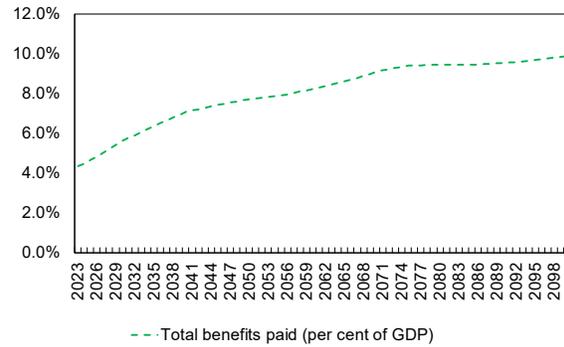
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	1.94%	2.95%	3.77%

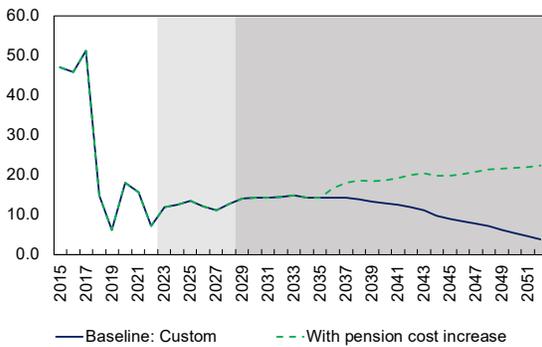
Pension Financing Needs



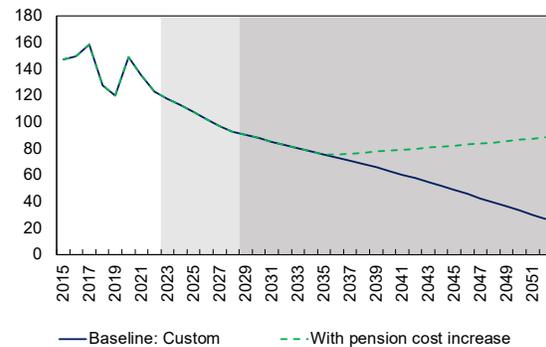
Total benefits paid



GFN-to-GDP ratio



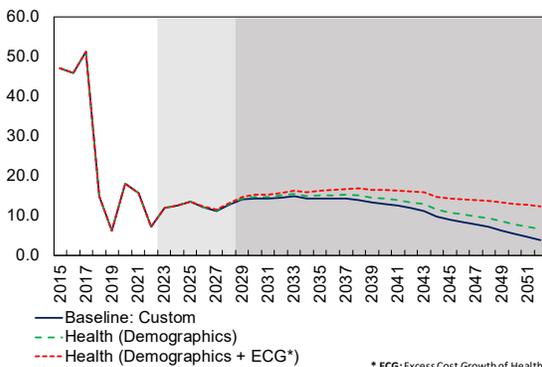
Total public debt-to-GDP ratio



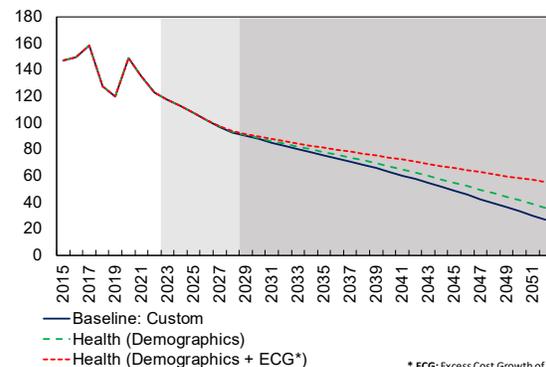
Commentary: While the current pension expenditure would not pose significant sustainability concerns in the medium-term, continued pension expenditure under the current system would lead to larger GFNs and an upwards debt trajectory in the long run. This confirms the need to reform the current public pension system to maintain long-term sustainability.

Demographics: Health

GFN-to-GDP ratio



Total public debt-to-GDP ratio



* ECG: Excess Cost Growth of Health.

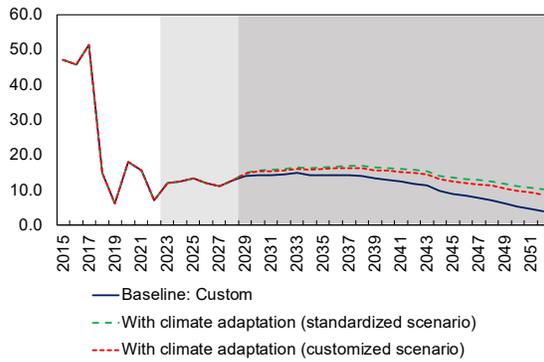
* ECG: Excess Cost Growth of Health.

Commentary: The current healthcare expenditure policies would not pose significant sustainability concerns.

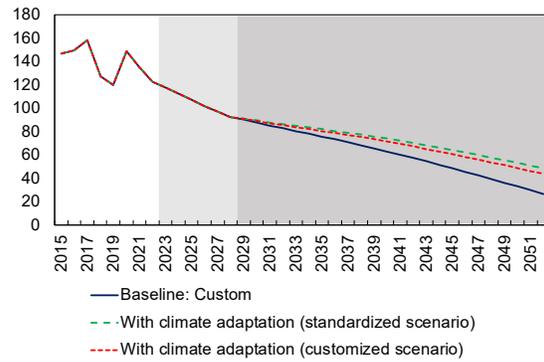
Figure 6. Barbados: Long-Term Risk Analysis (Concluded)
(Fiscal year)

Climate Change: Adaptation

GFN-to-GDP ratio



Total public debt-to-GDP ratio



Commentary: Adaptation expenditures are manageable and would not significantly impact debt sustainability in the long run with additional costs of 1 percent of GDP, which are preliminarily estimated to cover both adaptation and mitigation investment needs.

Annex III. Capacity Development Strategy: Updated Country Strategy Note¹

Barbados' capacity development (CD) efforts are aligned with the reform agenda under the Fund-supported program. CD priorities are very diversified, including developing institutional and analytical capacity, strengthening the governance framework, notably in AML/CFT, supporting the implementation of Barbados' fiscal rules, enhancing tax administration and public financial management, and strengthening the central bank's market operations framework and financial sector supervision and regulation. The authorities' engagement and ownership on these issues remain strong. Given Barbados' extensive use of CD from the Fund and other partners, close integration between CD activities and program priorities as well as coordination with other technical assistance providers remain critical.

Context

1. A three-year Extended Fund Facility (EFF) arrangement along with Resilience and Sustainability Facility (RSF) were approved by the Executive Board in December 2022. Building on the successful completion of the 2018-22 EFF, these arrangements seek to support the authorities' efforts to strengthen fiscal sustainability, support the structural reform agenda, and increase resilience to climate change. As was the case during the 2018-22 EFF arrangement, CD will continue to play a key role in the Fund's engagement with the authorities to advance the implementation of priority reforms.

Collaboration

2. Fund's CD Engagement with Barbados. Historically, Barbados has received extensive CD, with generally a good implementation record and critical public buy in for reforms supported by effective communication from the government and the CBB. IMF technical assistance covered fiscal issues, including tax and customs reform, public financial management (PFM) legislation, fiscal rule frameworks, enhancing SOE performance and oversight, restructuring of the Ministry of Finance, and pension reform. LEG and MCM have provided technical advice in terms of Central Bank Law Reform, Debt Management, Modernization of the National Payment System. STA (with CARTAC assistance) has an ongoing TA portfolio to strengthen capacity in national accounts and price statistics. Table 2 shows CD missions that took place since 2018 and tentatively planned missions for 2023/24, highlighting how Barbados will remain a heavy user of CD going forward, calling for close integration between CD and Fund's surveillance and program engagement. The IMF's resident

¹This country strategy note and the attached table matrices illustrate the integration of capacity development and program objectives guided by key recommendations in the IMF Board Paper [2018 Review of the Fund's Capacity Development Strategy](#). The acronyms in the note refer to the following IMF and other CD providers: Caribbean Regional Technical Assistance Centre (CARTAC); Fiscal Affairs Department (FAD), Finance Department (FIN), Institute for Capacity Development (ICD); Legal Department (LEG), Monetary and Capital Markets Department (MCM); Statistics Department (STA); Inter-American Development Bank (IDB); Organization of Economic Cooperation and Development (OECD); World Bank (WB); and United Nations (UN).

representative office will remain a key channel of engagement on CD going forward, in close coordination with CARTAC and CD providers at headquarters.

3. Integration of CD in Fund surveillance and program engagement. During the 2018-22 EFF arrangement period, CD delivery was fully aligned with the authorities' reform objectives, with the country team coordinating activities. This will continue under the current EFF and RSF arrangements. The country team and CD providers will continue to work closely together, including through mission participation, to ensure CD is consistently integrated in the authorities' reform priorities and Article IV consultations. Appropriate sequencing of CD across reform streams will be coordinated by the country team, in consultation with the authorities and CD providers, including CARTAC, as necessary. The Fund's resident representative office also plays a key role in these efforts.

4. Collaboration with other partners remains strong, especially in the areas of debt management and disaster risk financing where efforts with the World Bank have been coordinated closely. To support the authorities' goal of improving public spending efficiency and transparency as well as fostering an inclusive and green recovery, staff continues to engage with multilateral and bilateral donors—including the WB on climate change adaptation and business climate; the IDB on Debt Swap Initiatives and blue bond issuance, climate change adaptation, sustainable/green procurement, climate budget tagging, and enhancement of road infrastructure through public-private partnership; the OECD to support the authorities' goal of strengthening their AML/CFT framework. Staff is engaging with other CD partners on a regular basis through joint meetings to ensure consistency of policy advice and synergies in supporting the program's objectives.

CD Priorities

5. The main CD objectives for Barbados focus on consolidating the achievements to date and making further progress on macro-critical reform areas. During the seventh and final Review of the 2018-22 EFF in May 2022, the authorities outlined a set of priority actions focused on strengthening institutions to guard against policy reversals. These forward-looking priorities, which are fully supported by the country team, include operationalizing public financial management and custom reforms, reviewing the corporate income tax framework, strengthening macro-fiscal analytical and forecasting capacity, maintaining a stable financial sector with improved risk-based supervision, including financial stress testing for climate related risks, strengthening monetary policy operations, improving national accounts and macroeconomic statistics, and increasing the effectiveness of the AML/CFT regime. Table 1 presents a summary of key CD objectives and Table 2 lists DC missions since 2018 and tentatively planned for the coming months.

Table 1. Barbados: Capacity Development Integration Matrix

Implementing Fiscal Reforms to Ensure Debt Sustainability

Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection

Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
Revenue Administration	Improved customs administration core functions.	FAD.	<p>Modernized legislative framework in line with international requirements.</p> <p>A Trusted Trader Program has been established to give defined benefits to significant importers based on assessed risk. Customs has an improved system for airport merchandise in baggage that expedites clearance and reduces wait times.</p> <p>Creation of a 2020-2024 Strategic Plan, compliance units and programs.</p>	<p>Audit and anti-smuggling programs more effectively ensure enforcement of customs laws.</p> <p>Customs control during the clearance process more effectively ensures accuracy of declarations.</p> <p>Foreign trade operators better comply with their reporting and payment obligations.</p> <p>Trade facilitation and service initiatives better support voluntary compliance.</p>
	Strengthened core tax administration functions.	FAD.		<p>Audit and other verification programs more effectively ensure accuracy of reporting. The integrity of the taxpayer base and ledger is strengthened.</p> <p>A larger proportion of taxpayers meet their payment obligations as required by law.</p>
	Strengthened core tax administration functions (SDG 17.1) – TAD.	FAD.		<p>A larger proportion of taxpayers meet their filing obligations as required by law.</p>

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Implementing Fiscal Reforms to Ensure Debt Sustainability				
<i>Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
	Strengthened revenue administration management and governance arrangements.	FAD.	Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized.	<p>Transparency and accountability are more effectively supported by independent external oversight and internal controls.</p> <p>Corporate priorities are better managed through effective risk management.</p> <p>Organizational arrangements enable more effective delivery of strategy and reforms.</p> <p>Support functions enable more effective delivery of strategy and reforms.</p> <p>Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols.</p>
Public Financial Management	Comprehensive, credible, and policy-based budget preparation – BPR.	FAD.	Partially achieved, changes in successive budget forecast are explained and reconciled in the Fiscal Strategy, but further work is required to improve the budget process and reporting. Further TA (review the current practices and give advice on best practice) is planned in this area.	A more credible medium-term budget framework is integrated with the annual budget process.

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Implementing Fiscal Reforms to Ensure Debt Sustainability				
<i>Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
			Detailed TA (guidance and support) provided to Cash Management/Cashflow/Treasury Function, results Partially achieved, but further work required to implement detailed recommendations.	A more credible medium-term macro-fiscal framework that supports budget preparation.
	Improved asset and liability management – ALM.	FAD.	Partially achieved. Support provided to SOEs, monitoring improved and detailed training provided on responsibilities in line with the Act. Still number of outstanding Financial Statements to be signed off by Auditors or not produced by the SOEs. TA is being provided to support the preparation of consolidated IPSAS financial statements	Disclosure and management of state assets is improved. Annual financial statements that are compliant with IPSAS are submitted timely and disclosure requirements and audited are in line with legislation.
	Improved budget execution and control.	FAD.	Consideration for PIMA / C-PIMA to support efforts. IA functions are established, moving towards central IA unit, paper with Cabinet for approval. Partially achieved. The IAC has been established and will meet formally from April 2023. TA was provided to the IAC members.	Appraisal, selection, and implementation of public investments is improved. Risk-based internal audit functions are established in central government agencies.

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Implementing Fiscal Reforms to Ensure Debt Sustainability				
<i>Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
	Improved laws and effective PFM institutions.	FAD.	Support provided to the New Public Finance Management Act, which was implemented in 2019, after being passed by Parliament. Further revision is now required. Partially achieved.	A more comprehensive legal framework covering all stages of the public financial management cycle is enacted. The capacity of ministry of finance to plan, implement and sustain PFM reforms is enhanced.
	Improved public investment management – PIM.	FAD.	Work planned for FY24 on PPP support.	Implementation of public investment projects is improved to deliver productive and durable public assets.
	Strengthened identification, monitoring, and management of fiscal risks – FRK.	FAD.	The government introduced a fiscal risk assessment on the FY 2023/24 budget, discussing climate change-related risks.	Analysis, disclosure, and management of other specific fiscal risks are more comprehensive.
Debt Management	Formulate and implement a medium-term debt management strategy (MTDS) – MTD.	MCM.	The Ministry of Finance identifies cost, risk, and other vulnerabilities in the debt portfolio through quantitative and qualitative analysis and uses this information to inform preparation of the debt management strategy.	Enhanced capacity in MTDS formulation and implementation.

Table 1. Barbados: Capacity Development Integration Matrix (continued)				
Maintaining Monetary and Financial Stability				
<i>Strengthening the central bank’s autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
Central Bank Operations	Develop/strengthen the central bank capacity to provide Lender of Last Resort (LOLR) – LOL.	MCM.	The CBB received TA for actively sterilizing excess liquidity within the context of the exchange rate peg monetary framework, including the reconfiguration of the reserve requirement instrument. The CBB will set an implementation plan.	Clearly defined LOLR-related organizational arrangements.
	Strengthen the central banks’ monetary policy toolkit and balance sheet.	MCM.		The central bank’s monetary policy toolkit is effective in promoting financial and price stability.
Financial Supervision and Regulation	Banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability.	MCM.		Banking legislation and regulations are aligned with Basel II/III requirements. Banks have adequate capital adequacy made up of high quality capital instruments that is in line with issued regulations on Basel II/III. Supervisors have the competencies to drive the implementation process of Basel II/III and to monitor bank’s compliance with the new requirements.

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Maintaining Monetary and Financial Stability				
<i>Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
				The level of banks' capital reflects well their risk profile, their business strategy and their risk acceptance levels.
	Develop/strengthen cybersecurity regulations and supervisory frameworks – CRS.	MCM.		Supervisors have sufficient capacity to effectively supervise cybersecurity risk.
	Develop/strengthen fintech regulation and supervision – FTK.	MCM.		Legal, regulatory, and supervisory frameworks for fintech are developed/strengthened.
	Develop/strengthen non-bank credit institutions' regulation and supervision frameworks – NBC.	MCM.		Institutional structure and operational procedures for RBS enhanced/developed.
	Enhance capacity on latest developments in international standards and best practice in financial supervision and regulation – BPF.	MCM.		Participants exchange/acquire knowledge and skills on financial supervision and regulation.
	To implement a risk-based supervision (RBS) system and upgrade other supervisory processes.	MCM.		Strengthened institutional structure and operational and procedures for RBS implementation.

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Maintaining Monetary and Financial Stability				
<i>Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
				Supervisors have sufficient capacity to effectively implement risk-based supervision and other supervisory processes.
Systemic Risk Analysis	To strengthen the regulator's ability to analyze and assess financial risks so as to create a basis on which effective financial sector decisions are made and to enhance preparedness to manage financial sector crises.	MCM.	An effective organizational and inter-organizational structure for the FSU is established for financial risk.	<p>A systemic risk monitoring framework is implemented.</p> <p>Effective Stress Testing Model(s) are in place and being used for their intended purpose (s).</p> <p>Staff capacity is enhanced in the production of the first Financial Stability Report (FSR).</p> <p>The quality of data and integrity of information are ensured for financial stability analysis.</p>

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Maintaining Monetary and Financial Stability				
<i>Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
Macroeconomic Programming and Analysis	Stronger analytical skills and better macroeconomic forecasting and policy analysis at the Ministry / central bank / or other governmental agency(ies) feeds into the economic policymaking process – ANS.	CARTAC.	Medium-term macroeconomic framework tool (MFT) has been fully developed (subject to minor refinements) and performance is judged to be adequate for usage in policy analysis.	Sound medium-term macroeconomic framework (inclusive of GDP and inflation, commodity prices, the external and monetary sectors, and fiscal aggregates). Strong institutional structures for macroeconomic policymaking.
Improving Economic Statistics				
<i>Enhancing economic data to support policy design and implementation</i>				
Real Sector - National Accounts	Strengthen compilation and dissemination of macroeconomic and financial statistics for decision making according to internationally accepted statistical standards, including developing statistical infrastructure, source data, serviceability and/or metadata.	STA.	The key objective of benchmarking Barbados' national accounts to a more recent base year to increase the policy relevance of these statistics was completed. Support continued improving data coverage and further aligning Barbados' national accounts compilation program with the 2008 System of National Accounts.	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.

Table 1. Barbados: Capacity Development Integration Matrix (continued)

Improving Economic Statistics				
<i>Enhancing economic data to support policy design and implementation</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
	Strengthen compilation and dissemination of real sector statistics- national accounts – NAC.	STA.	Staff capacity increased.	<p>Data are compiled and disseminated using the coverage and scope of the latest manual/guide.</p> <p>Higher frequency data has been compiled and disseminated internally and/or to the public. Metadata released internally and to the public have been strengthened consistent with the dataset to enhance interpretation and analysis.</p> <p>Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.</p> <p>A new data set has been compiled and disseminated internally and/or to the public.</p>
Real Sector - Prices	Strengthen compilation and dissemination of macroeconomic and financial statistics for	STA.	Staff capacity increased.	<p>Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.</p> <p>Staff capacity increased through training, especially</p>

Table 1. Barbados: Capacity Development Integration Matrix (concluded)

Improving Economic Statistics				
<i>Enhancing economic data to support policy design and implementation</i>				
Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
	decision making according to internationally accepted			on developing source data, compilation of methods, and dissemination.
Balance of Payments	statistical standards, including developing statistical infrastructure, source data, serviceability and/or metadata. Strengthen compilation and dissemination of balance of payments data.	STA.		Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs. Improved timeliness of data made available internally and/or disseminated to the public (shorter delays).
Financial Institutions	Strengthen compilation and dissemination of financial soundness indicators - FSI	STA. Technical assistance provided to support the compilation of core and encouraged FSIs.	STA. Compilation of core and encouraged FSIs.	Improved periodicity, timeliness, and consistency of data.

Table 2. Barbados: IMF Capacity Development Missions Since 2018

Implementing Fiscal Reforms to Ensure Debt Sustainability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
Customs Administration		
Customs Modernization	FAD	Apr- 23
Strengthening Risk Management Capacity/Strengthening the Trusted Trader Program 2	CARTAC	Feb-23 and Nov-22
Customs - Valuation Administrative Policy Suite and Valuation Audit	CARTAC	Oct-22
Exemption Control Follow Up Mission	FAD and CARTAC	Sep-Oct-22
Customs Cargo Clearance and Traceability	CARTAC	Jun-22
Guidance on Audit	FAD	Jun-22
Valuation Workshop for Customs to Post-Clearance Audit	FAD	Jun-22
Development of the Exemption Control Capacity	FAD	Mar-22
Strengthening Management of Goods in Bond or Suspensive Regimes	CARTAC	Mar-22
Trade Policies and Compliance: Strengthening PCA	FAD	Nov-21
Mapping and Modelling Core Cargo Clearance Processes	CARTAC	Jun-21
FAD Led Diagnostic Mission	FAD	May-21
Customs Administration	FAD	Apr-21
TAX and Customs Follow up Diagnostic Mission	CARTAC	Apr-21
Regional Seminar on Performance Management in Customs	CARTAC	Apr-21
Reviewing the Customs Legislation	CARTAC	Mar-21
Customs Administration	FAD	Mar-21, Feb-19, Mar-19
TA to Map Core Cargo Clearance Processes in Customs	CARTAC	Mar-21
Strengthening Risk Management Capacity in Customs	CARTAC	Jan-20, Oct-20, Jan-21, Nov-21
TA in Risk Management and Post Clearance Audit (PCA)	CARTAC	Nov-20
To Design and Deliver Training to Middle Managers Customs [Remote]	CARTAC	Aug-20
Strengthening Resilience (Management Capacity)	CARTAC	Jun-20
Strategic Risk Management Training	CARTAC	Jun-20
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)

Implementing Fiscal Reforms to Ensure Debt Sustainability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
Strengthening Post Clearance Audit Capacity	CARTAC	Mar-19, Jan-20
Installation Mission	CARTAC	Jan-20
Debt Management		
Debt Portfolio Analysis (mission)	CARTAC	Oct-21
Tax Administration		
Enhancing Compliance Programs	CARTAC	Jan- Feb-23
Organizational Arrangements - Compliance Risk Management Unit	CARTAC	Jun-22
Developing a Data Warehouse	CARTAC	Oct-21
Strengthening HQ Functions - Data Analytics	CARTAC	Aug-21
Strengthening HQ Functions - Performance Management	CARTAC	Jul-21
Tax and Customs Follow Up	FAD	Apr-21
CARTAC:(Remote TA) Tax Administration Follow-Up Mission (FAD Lead)	CARTAC/FAD	Mar-21
Tax Administration Follow Up	FAD	Mar-21
COVID-19-CARTAC: Strengthening Strategy, Planning and Performance Measuring [WFH]	CARTAC	Apr-20
CARTAC: Strengthening Strategy, Planning and Measuring Performance (WFH)	CARTAC	Mar-20
Follow-up on the Establish Large Taxpayer Operation and Building Headquarters Function	FAD	Sep-18
ISORA Workshop	FAD	May-18
Tax Policy		
TA in Tax Procedures	LEG	Apr-20
Maintaining Monetary and Financial Stability		
Follow-up: VAT on Real Property [Subject to Funding Availability]	FAD	
Revenue Mobilization	FAD	Jan-19
Public Financial Management		
Mission LTX/STX – Follow-up assistance with IA FY23	CARTAC	Jan-23
Mission LTX/STX Treasury Function Reform FY23	CARTAC	Nov-22
Reassessment of Fiscal Risks	FAD	Oct-22
Mission LTX/STX Review of Budget Process and Procedures FY23	CARTAC	Sep-22
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)

Maintaining Monetary and Financial Stability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
Mission LTX/STX Development of Fiscal Framework FY23	CARTAC	Jun-22
Mission LTX/STX Review of Cashflow Model and Training FY23	CARTAC	May-22
Mission LTX/STX Review of Treasury to Include Establishing the Cash Management Unit FY23	CARTAC	May-22
Review of Treasury to Include Establishing the Cash Management Unit FY23	CARTAC	May-22
Public Financial Management Internal Audit Regional Conference/Workshops (PFM) FY22 FY23	CARTAC/FAD	Apr-22
Follow-up Assistance on Management of SoEs FY22	CARTAC	Feb-22
Public Financial Management: Treasury Operations Regional Conference/Workshops (PFM) FY22 FY24	CARTAC/FAD	Feb-22
Procedural Rules FY22	CARTAC	Dec-21
Review of the Organizational Capability and Capacity of MFEI FY22	CARTAC	Sep-21
Review of the Organizational Capability and Capacity of MFEI FY22	CARTAC	Sep-21
Follow up on Fiscal Rules and MTFE	FAD	Apr-21
Training: Establishing a Central Internal Audit Unit (WFH)	CARTAC	Mar-21
(Remote TA) Fiscal Rules and MTFE (HQ Lead)	CARTAC	Feb-21
Fiscal Rules and MTFE	FAD	Feb-21
PFM LTX	FAD	Jan-21
(Remote TA) SOE Cabinet Dashboard	CARTAC	Nov-20
Review of Cashflow Model and Training FY23	CARTAC	Oct-20, May-22
CARTAC: SOE Unit Support (Training)	CARTAC	Dec-19
CARTAC: SOE Reporting (Training)	CARTAC	Nov-19
CARTAC: SOE Oversight - Support MAU to Oversee Public Corporations	CARTAC	Mar-19
CARTAC: Revisions to Barbados Draft PFM Legislation (WAH)	CARTAC	Nov-18
Central Bank Operations		
Monetary Policy Toolkit and CBB Balance Sheet Assessment	CARTAC	Apr-23
Systemic Liquidity Management and ELA On-Site	MCM	Feb-23
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)

Maintaining Monetary and Financial Stability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
Accounting and Auditing		
Virtual (COVID): Central Bank Recapitalization	MCM	Nov-20
Virtual TA (COVID) Capital Adequacy of the Central Bank	MCM	Sep-20
WAH: Capital Adequacy of the Central Bank	MCM	Mar-20
Financial Sector Supervision & Regulations		
Workshop on Sup Framework for Cyber Risk and Fintech Firms -STX	CARTAC	Nov-22, Mar-23
Workshop on Climate Risk Supervision – STX	CARTAC	Nov-22
Workshop - Supervisory Review of Cyber Risk Management at FIs -STX	CARTAC	Nov-22
Workshop on Supervision of Climate Risk	CARTAC	Oct-22
TA on the Supervision of Credit Bureau -STX	CARTAC	Sep-22
Regional - IFRS 17 Implementation	CARTAC	Feb-22
VIRTUAL (COVID): CARTAC: Development of Risk-Based Capital Reporting Template and Necessary Guidelines	CARTAC	Dec-20
CARTAC: WAH Implementation of Risk-Based Capital Framework & ORSA for Life & General In	CARTAC	Sep-20
CARTAC: Virtual TA (COVID) - RBS Workshop	CARTAC	Jun-20
Bank Reconciliations FY22	CARTAC	Nov-21
Implement Basel II - Pillar 2	MCM	May-18
Basel II Implementation - Pillar 2	MCM	May-18
Financial Stability Strategy		
BRB CARTAC 2023 FSR	CARTAC	Sep-22
Caribbean Financial Access Roundtable 2022	LEG	Apr-22
Strengthening Risk Management	CARTAC	Mar-22
Finalization Report for BRB March 2021	CARTAC	May-21
VIRTUAL (COVID): CARTAC: Macro Stress Testing	MCM	Feb-21
CARTAC Financial Stability - CARTAC/WHD Annual Meetings	MCM	Dec-20
Integrated Asset-Liability Management		
CARTAC: WAH Implementation of Risk-Based Capital Framework & ORSA for Life & General In	CARTAC	Sep-20
Liability Management		
VIRTUAL (COVID): CARTAC Debt Reporting	CARTAC	Apr-21
Payments and Settlements		
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)

Maintaining Monetary and Financial Stability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
Insurance Supervision		
Review of the FSC Organization Structure	CARTAC	Mar-22
CARTAC: Insurance Regulation & Supervision	CARTAC	Apr-19
Central Bank Operations		
Assisting the CBB to Prepare Amendments to the Central Bank Law	LEG	May, November 2019
Macroeconomic Forecasting and Policy		
Building Capacity in Medium Term Macroeconomic Framework	CARTAC	Sep-22
Building capacity in Medium Term Macro-Fiscal Frameworks	CARTAC	May-22
Regional Macroeconomics Webinar Series	WHD	May-22
Building Capacity in Macro Modeling	CARTAC	Feb-22
Building Capacity in Macro Modeling	CARTAC	Jun-21
Macroeconomic and Financial Statistics and Data Dissemination		
Barbados-TA- GDP rebasing and measurement of informal activity	STA	Mar-23
Barbados - TA - GDP - Improving GDP FY23	CARTAC	Feb-23
TA – CPIS/CDIS – Improve Timeliness	CARTAC	Oct-22
TA - CPI - Updating CPI FY22	CARTAC	Apr-22
Training - External Debt Statistics	CARTAC/STA	Apr-22
Training - Introduction to GDP	CARTAC/STA	Mar-22
TA - GDP - Improving GDP	CARTAC	Mar-22
TA-HQ-GDP-Rebase	CARTAC	Jan-22
TA – BOP/IIP – Improve Timeliness	CARTAC	Sep-21
Barbados - TA - FSI - Improve FSIs compilation	STA	Sep-21
TA-HQ-GDP-Benchmark Supply and Use	CARTAC	May-21
Balance of Payments	STA	May-21
(Remote TA) CARTAC: Enhance BOP and IIP Source Data	CARTAC	Mar-21
(Remote TA) National Accounts (Canada and CARTAC)	CARTAC	Nov-20
(Remote TA) e-GDDS	STA	Sep-20
(Remote TA) National Accounts (Canada Funded)	STA	Jul-20
Monetary Data Reported in SRF	CARTAC	Apr-19
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (concluded)

Maintaining Monetary and Financial Stability		
TA/Training Mission	Provider	Mission Date (Completed/Planned)[1]
CARTAC: Measurement of the Informal Economy	CARTAC	May-23
CARTAC: Balance of Payments Statistics	CARTAC	Mar-19
CARTAC: National Accounts - Improve GDP-P estimates	CARTAC	Feb-19
CARTAC: Consumer Price Index - Finalizing the Rebased Series for Dissemination	CARTAC	Oct-18
National Accounts	CARTAC	May-18
[1] Refers to missions planned end of FY24.		

Appendix I. Letter of Intent

Bridgetown, Barbados
June 6, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Georgieva,

The Barbadian economy has until recently been mired in a cycle of low growth and increasing debt. When my Government came to office in 2018, we confronted fiscal and external imbalances that threatened public sector sustainability and the viability of the currency peg. Barbados was able to restore macroeconomic stability with the execution of its ambitious Economic Recovery and Transformation (BERT) plan, supported by the 2018-22 Extended Fund Facility (EFF) arrangement. Under the BERT Fund-supported arrangement, public debt was brought back onto a downward trajectory, international reserves were strengthened to support the exchange rate peg, and transformational structural reforms were initiated despite unprecedented external shocks.

I am writing to extend my sincere appreciation to the Fund for its ongoing support of our updated BERT 2022 strategy within the context of a joint 36-month arrangement under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) approved on December 7, 2022. The underlying objectives of these arrangements are to preserve hard-won macroeconomic gains achieved under the 2018-22 Extended Fund Facility (EFF) arrangement and further advance reforms to safeguard fiscal sustainability, bolster inclusive and sustainable growth, and respond to the challenges posed by the evolving climate crisis.

The new EFF-RSF arrangement has unfolded in the context of a fragile economic recovery and difficult external environment that complicates policymaking. Indeed, though the Barbados' economy has rebounded to pre-pandemic levels, challenges occasioned by the elevated global food and fuel prices persist. Notwithstanding these headwinds, I am pleased to report that performance under the joint BERT 2022 EFF-RSF arrangement has been strong. Specifically:

EFF: All quantitative program targets for end-December 2022 and end-March 2023 were achieved. The increase in the primary balance allowed to reduce the public debt to GDP ratio. The structural reform agenda has advanced with: (i) the adoption of legislative provisions to modernize the process for granting and managing tax and duty exemptions; (ii) the undertaking of a data matching project between our Revenue and Customs agencies; and (iii) the development of reform plan to enhance the sustainability of the National Insurance Fund. A revised pension law applicable to civil

servants has been tabled in May following the recommendations of a Working Group of a Sub Committee of the Social Partners. Finally, a stocktaking of reform priorities to enhance the business environment was completed in February 2023 and will help inform the forward-looking agenda to enhance Barbados' growth potential.

RSF: Several measures targeted for the current review as part of reform measure #1 have been completed. This involved the amendment of the Planning and Development Act to enhance climate resilience of roads, the Parliamentary approval of the Water Re-Use bill to address water scarcity, and the operationalization of the Barbados Environmental and Sustainability Fund (BESF) to enhance marine protection. In addition, the Government has: (i) included a fiscal risk statement focusing on climate change risks in the FY2023/24 budget; and (ii) approved Procurement Act Regulations to enhance the efficiency and effectiveness of public expenditure and support green procurement.

The Government believes that the policies described in the attached MEFP are adequate to achieve the objectives underpinning these dual programmes. If necessary, the Government stands ready to take any additional measures that may be required to meet the objectives of BERT 2022 Programme and the program objectives. The Government will consult with the Fund on the adoption of these measures and in advance of any substantive revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultation. The Government will also work with the Fund's staff and provide them with the relevant information required to complete the programme reviews and for them collectively to monitor performance on a timely basis.

The Government will observe the standard performance criteria against the imposing or intensifying of foreign exchange currency restrictions and the introducing or modifying of multiple currency practices. Equally, we will not conclude bilateral payment agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, nor will we impose or intensify import restrictions for balance of payments reasons.

As part of our communication policy and our full commitment of transparency, we intend to publish this letter on the websites of the Ministry of Finance, Economic Affairs and Investment and the Central Bank of Barbados to keep Barbadians and international agents informed about our policy actions and intentions. We also authorize the Fund to publish this letter, together with the Staff Report and its attachments.

On the above basis, I am requesting the completion of the first review of the arrangement under the EFF, with the full purchase of SDR 14.175 million to be made available as budget support. We also request the modification of some quantitative performance criteria and indicative targets reflecting updates to the macro framework and the resetting of five structural benchmarks: one to be completed ahead of time and the other four to allow more time for wider public consultation, in accordance with our Social Partnership.

Finally, I am requesting the completion of the first review of the RSF arrangement and the disbursement of SDR 14.175 million to be made available and also revisions to certain reform measures as detailed in the Memorandum of Economic and Financial Policies. For example, as the

provision on beneficial ownership under reform measure #2 would face legal impediments, this will be replaced with two new policy reforms: the approval of a sustainable/green public procurement framework and guidelines to introduce climate/green budget tagging. Both of these policy reforms are in line with the program objectives of the RSF.

We thank you for your support and willingness to sustain a partnership with the Government and people of Barbados as we carry forward our efforts to revitalize our economy to achieve a sustainable, equitable, and resilient growth path for the transformation of our nation.

Very truly yours,

/s/

The Hon. Mia Amor Mottley Q.C., M.P.
Prime Minister and Minister of Finance, Economic Affairs, and Investment
Barbados

Attachment I. Supplementary Memorandum of Economic and Financial Policies

I. PROGRAMME OBJECTIVES AND ECONOMIC STRATEGY

1. Barbados has embarked on a comprehensive economic transformation to restore macroeconomic stability and put the economy on a path to sustainable and inclusive growth.

Upon taking office in May 2018, the Government of Barbados (GOB) moved expeditiously to address serious fiscal and external imbalances that threatened public sector sustainability and the viability of the currency peg. A Barbados Economic Reform and Transformation (BERT 2018) plan was prepared that included fiscal adjustment via the restructuring and modernization of the public sector, in conjunction with a comprehensive debt restructuring as central reform pillars. The GOB also requested that BERT (2018) be supported by a four-year IMF arrangement under the Extended Fund Facility (EFF), which was approved on October 1, 2018, and provided 341 percent of quota in the amount of SDR 322 million.

2. Significant progress implementing BERT (2018) was achieved prior to the onset of the COVID pandemic in March 2020.

Macroeconomic stability was restored with a combination of comprehensive sovereign debt restructuring, fiscal consolidation, and structural reforms to reduce fiscal dominance and enhance growth. While fiscal consolidation was interrupted by the COVID-19 pandemic, public debt was put back on a downward path starting in FY2021/22. These achievements prior to the pandemic created essential fiscal space that empowered the Government with flexibility to appropriately respond to the pandemic. Enhanced IMF support in response to the pandemic and other external shocks was also critical in minimizing economic fallout. Barbados' strong performance under the 2018 EFF paved the way for augmentations under the arrangement totaling SDR 114 million to further support the GOB's efforts in dealing with the COVID pandemic. The IMF's policy endorsement also served as a catalyst for over US\$1.5 billion in support (in the form of policy-based loans) from other international development institutions (CDB, IDB, WB and CAF), which allowed international reserves to rise to US\$1.6 billion at end-March 2023, from a low of US\$220 million in 2018.

3. The GOB intends to preserve the hard-won macroeconomic gains and further advance reforms to enhance growth and resilience under a revamped BERT framework.

While the pandemic and other external shocks disrupted elements of the structural reform agenda, Barbados intends to revitalize policy efforts in the period ahead as shocks dissipate. BERT 2022 is the successor to BERT 2018 and focuses on achieving inclusive and sustainable growth, while both maintaining fiscal and debt sustainability and building resilience through climate adaptation and mitigation efforts. Central elements of the program include: (i) a fiscal strategy that ensures Government balances and finances are consistent with the debt anchor by streamlining expenditure and reforming the public sector, particularly the State-Owned Enterprises (SOEs); (ii) a debt management strategy that actively manages the debt portfolio to minimize costs; and (iii) a growth strategy that enhances the business environment and enables private-sector led growth, improves labour market flexibility, and builds resilience through climate adaptation and mitigation spending.

It is expected that steadfast implementation of this program will help mobilize external financing and facilitate the restoration of access to international capital markets.

4. The successor Extended Fund Facility (EFF) and new Resilience and Sustainability Facility (RSF) arrangements—approved by the Fund’s Executive Board on December 7, 2022—are critical to support the BERT 2022 strategy. Maintaining and strengthening macroeconomic stability is a central program objective, with primary surpluses gradually increasing over the program period as tourism returns to normal levels. The new arrangement would promote structural reforms to secure fiscal sustainability, build capacity for macroeconomic policy implementation, bolster capacity to address climate crisis challenges and mitigate risks to external stability, and unleash Barbados’ growth potential.

5. The Government is committed to the policies outlined in our Memorandum of Economic and Financial Policies (MEFP). The quantitative targets that serve as performance criteria and indicative targets are proposed to be updated to reflect the latest economic developments. Structural benchmarks (SBs), reform measures (RMs), and updated quantitative targets established under the EFF and RSF arrangements are presented in Tables 1-3 respectively.

II. MEDIUM-TERM MACROECONOMIC FRAMEWORK

6. The BERT 2022 programme continues to be anchored by a debt-to-GDP path that converges to 60 percent by FY2035/36. This requires a sustained strengthening of primary balances over the medium term while also accommodating adequate capital expenditure to boost growth prospects. In line with this strategy, the GOB achieved the targeted primary surplus of 2 percent of GDP for FY2022/23—up from minus 1 percent of GDP recorded in FY2021/22 and FY2020/21—with a margin of a further 0.5 percent of GDP dedicated to early repayment of public debt. This improved fiscal performance was supported by the improved revenue collections reflecting mainly higher economic activity, along with careful expenditure management and the ongoing phasing-out of COVID-related expenditures. The FY2023/24 Budget targets a further strengthening of the primary surplus to 3.5 percent of GDP, supported by reforms to reduce transfers to SOEs, the further unwinding of exceptional spending on COVID and Hurricane Elsa emergency-support programs, and continued prudent expenditure management. These efforts, alongside the cyclical recovery in revenues, are expected to more than offset the recently negotiated prudent public service wage increases and the temporary extension of targeted VAT relief programs given the persistence of elevated global food and fuel prices.

7. Primary surpluses are targeted to strengthen gradually over the medium-term to 5 percent of GDP in FY2025/26. This amounts to a cumulative fiscal adjustment of 6 percent of GDP under the joint-EFF/RSF program, underpinned by the normalization of the global economic outlook, the recovery of tourist arrivals to the pre-pandemic norms, and ambitious fiscal structural reforms. The GOB is committed to advance fiscal and structural reforms to support underlying BERT objectives, which include strengthening tax administration, further reform of SOEs to structurally reduce Central Government (CG) subventions, measures to bolster public financial management (PFM)—including reforms to strengthen the long-term sustainability of the public pension and social

security system—and policies to enhance the enabling environment for growth and resilience to the climate crisis.

III. FISCAL STRATEGY AND POLICY PRIORITIES

8. The fiscal strategy embedded in the BERT (2022) framework is two-pronged and focuses on i) strengthening customs and tax administration and ii) streamlining and enhancing the efficiency of expenditures. The GOB is committed to balancing fiscal and debt sustainability goals with growth and resilience objectives. Important progress has been made to enhance revenue and expenditure efficiencies. Under BERT 2018, taxes on income were reduced while consumption taxes were widened. Corporate income taxes (CIT) were also reduced; however, the CIT framework will evolve further as Barbados complies with the OECD’s principles. Looking forward, the GOB remains open to further broaden the revenue base as needed, including by i) reforming the tax and duty exemption regime, and ii) allowing temporary tax and price accommodations to the spike in global food and fuel price to expire as the supply shock dissipates. On the expenditure side, the GOB will build on recent progress to improve the performance of SOEs to reduce CG transfers and adopt measures as need to provide space for much-needed productive capital investments. A detailed discussion of key fiscal policy priorities follows below.

Revenue Policy and Administration

9. The Barbados Revenue Authority (BRA) is working to modernize tax administration systems and increase audit capacity to boost compliance and minimize leakage. The development and implementation of its Large Taxpayer Unit’s compliance improvement plan, scaling up of audit activity, and increased capacity for electronic filing and digital payments have yielded results with improved ‘on-time’ filing and payments compliance rates. BRA is also making greater use of third-party data to increase the accuracy of the taxpayer base. The GOB prioritizes ongoing efforts to enhance compliance, risk management, and audit capacities within its core revenue agencies, notably the BRA and Barbados Customs and Excise Department (BCED). To these ends:

- A Memorandum of Understanding between the BRA and BCED to enhance information sharing was established in March 2021 to ensure these agencies are maximizing their revenue mobilization, compliance, and enforcement potential.
- A data matching project was undertaken with participation from the BRA and BCED to meaningfully improve compliance and risk management (*structural benchmark for end-March 2023*). The BRA currently has an 83 percent match rate with BCED.
- The project highlighted the numerous identifiers which are present within the BCED’s ASYCUDA system such as: prior Company Numbers, current taxpayer identification numbers (TINs), national registration numbers and temporary keys created by the BCED, which may be duplicating taxpayers in ASYCUDA.

- The BRA also conducted a data matching exercise to match the trusted traders within the BCED's ASYCUDA system. This data had a 23 percent match rate and work is ongoing to align these accounts. BCED will provide the BRA with access to the ASYCUDA system in May 2023 to conduct new data matching tests and to commence a data clean-up exercise.

10. A variety of interconnected initiatives are ongoing to further facilitate compliance risk management. These include:

- The single identifier project has been launched. In this initiative, the BCED, NIS and the BRA will, in the first instance, work to create a single identifier for both current and new taxpayers. Work is ongoing with the developers to facilitate this initiative, which will result in the cleansing of historical data and will enable the review platform to facilitate compliance risk management reviews
- A new registration process is being developed. This will allow any new companies/individuals to complete the tax, NIS and customs registration process in a single sitting. This means that ongoing data matching will be guaranteed. The single registry project is being built out with the assistance of CARTAC.
- The implementation of the BRA's Business intelligence tool is 90 percent completed. Phase 2 of this project will include compliance risk management aspects, which will facilitate data searches by the relevant stakeholders including the BCED. This will result in: i) the availability of a review platform to facilitate compliance risk management reviews; ii) the provision of data to various stakeholders; and iii) The provision of combined data to provide an improved view of the government's fiscal affairs.

11. The BRA is updating its IT systems and processes to ensure the timely processing and issuance of tax refunds and to retire the stock of legacy arrears. The stock of CG arrears fell from \$1.2 billion at end of June 2018 to \$261 million (inclusive recently discovered legacy arrears) at the end of March 2023, while that of SOEs declined from \$755 million to \$33 million over the same period. The BRA has completed the verification of a stock of legacy tax refund arrears discovered in its pre-Tamis IT systems during the last half of 2021 and has confirmed that the total arrears outstanding (inclusive of the legacy arrears) to taxpayers were estimated at \$296.9 million at the end of April 2022. A commission has been set up to develop a program to retire these legacy claims in accordance with available fiscal space. BRA is currently in the process of vetting the stock of taxpayer arrears owed to Government, estimated at more than 10 percent of GDP. BRA completed the vetting process as of March 2023 and is now engaged in the offsetting of its net tax payable and receivable stocks. The GOB remains committed to settling outstanding arrears over the coming years, in accordance with its fiscal space, and continues to settle approved refunds within six months of the filing date.

12. Customs (BCED) administration was reformed to facilitate trade, improve risk management and stakeholders' engagement, and strengthen revenue collection. In the area of governance and management: i) the organizational structure was overhauled and a Strategic Plan

covering 2020-2023 developed; ii) the Internal Audit Division was strengthened with the creation and implementation of terms of reference, and a risk-based work plan; iii) key Performance Indicators (KPIs) were developed for all units and are progressively being used; iv) operational dashboards have been developed for the Trade Operations and the Compliance and Enforcement Directorates and are being used for management decision making.

13. Trade facilitation continues to be enhanced. ASYCUDA World was upgraded, and new modules are being implemented. A modernized Customs Act was passed in November 2021 and the regulations are being finalized, inclusive of an administrative approach document that seeks to streamline the application of fines for non-compliant stakeholders. The Harmonized Commodity Description and Coding System (2017 Edition) was implemented and is now being replaced with the 2022 version which will be in operation by June 2023. Eleven Compliance plans have been developed to enhance compliance and augment revenue collection. A new unit has been established to manage exemptions and a policy is being built out to streamline its management.

14. Measures have also been implemented to improve cargo processing and compliance. A holistic risk management, standardized cargo processing system in all modes (sea, air and post), and post-clearance audit procedures were introduced. Controls were improved with the creation and staffing of compliance units to monitor commercial activities through transactional reviews and audits, as well as exemption, and bonded warehouse monitoring. A new oversight mechanism was created via a Steering Committee that has the responsibility to oversee implementation of the 2020-2023 Strategic Plan. An introduction of Taxpayer Identification Numbers has commenced, in collaboration with the BRA, and electronic forms are increasingly being used to facilitate a complete paperless process. Trade facilitation has been further enhanced with the introduction of a Trusted Trader Program in 2020, which currently involves 23 large importers who report satisfaction with program benefits, including faster customs clearance; an additional 18 will shortly be added to the program. The GOB remains committed to carry forward with the Customs Modernization program prepared with technical assistance (TA) from the IMF, with the following reforms regarded as key near- and medium-term priorities:

- Undertake new initiatives to follow through on principles and services enunciated in the new Customs Act and Regulations by end-September 2023. This would include the implementation of the Exemption Management Program in the Customs and Excise department, developing an outreach program and educational products, improving governance and professional standard and internal controls.
- Pursue the Customs and Excise Department reform and modernization program, most notably by implementing the strategic plan, the compliance framework, integrated risk management strategy and an enforcement manual.
- Complete overhaul of the warehousing and duty free shop system to prevent revenue leakage by December 2023,

- Implement an appeals mechanism as required by the Customs Act and a Policy and Planning unit to assist with the forward planning of the organization by November 2023,
- Operationalize a compliance action plan for the import of vehicles and auto parts. Duties on vehicle-related imports are a large source of revenues where systematic undervaluation or misclassifications can result in significant revenue leakage. Drawing on IMF capacity development (CD) in this area, the BCED intends to finalize an action plan to minimize non-compliance risks by September 2023 with a view to put the strengthened regime into practice by October 2023.

Tax and Customs Exemption Regime

15. The GOB seeks to modernize its waiver regime to eliminate detrimental revenue leakage and ensure that desired economic dividends are achieved in practice. While exemption regimes are a common feature in the Caribbean, they are prone to abuse and misallocations of public resources that can compromise the quality of public services and a country's growth potential. A centralized, transparent, and rules-based approvals framework—where waivers are conditional on rigorous cost-benefit analyses, monitored, and subject to sunset provisions (or regular re-certifications)—is essential to yield economic dividends. The GOB intends to strengthen its tax and customs waiver regime in two phases.

- The first phase of this reform involves new legislative and regulatory provisions to strengthen and modernize procedures for granting and managing all duty and tax exemptions consistent with technical recommendations received from international partners (*structural benchmark for end-December 2022*). This legislation has been adopted by the cabinet and tabled in Parliament and requires that exemptions: i) be "in the public interest"; ii) receive the approval of the Minister of Finance and/or an independent deliberating committee for classes of cases/decisions above a sensible threshold; and iii) be revoked if recipients breach the laws of Barbados. Preparations to operationalize these updated procedures once approved are already underway. This includes establishing an Exemptions Monitor Unit within BCED that will regularly prepare and submit a report to the MEFI detailing the entities receiving the exemption for the year, the quantum of the exemption, and the purpose for which it was granted.
- The second phase involves a recertification process whereby all pre-existing/legacy tax and customs waivers are reviewed to ensure they qualify under the enhanced waiver framework (*structural benchmark for end-March 2024*). The workplan for this aspect of the reform is being prepared.

Currently the stock of approved waivers exceeds 6,000, with a significant cost in foregone revenues. It is thus essential that the GOB minimize inefficiencies and ensure value for money within the waiver regime and the enactment of the above reforms are deemed critical in this regard.

Public Financial Management (PFM) and the Budget Process

16. Prudent and efficient management of public finances remains a centerpiece of Barbados' fiscal strategy. The introduction of a modernized Public Financial Management and Audit (PFMA) Act in 2019 strengthened oversight and reporting mechanisms, notably for SOEs where Government pre-approval for borrowing is now required and reporting requirements have been tightened, with sanctions for non-compliance. Moreover, the GOB has adopted an action plan for public financial management reform to implement the new FMA Act. In this context, we are taking steps to:

- **Strengthen the strategic phase of the budget formulation process.** This involves: (i) annual updates of the Government's fiscal strategy, based on backward-looking expenditure and revenue reviews and forward-looking targets on revenue, expenditure and debt in line with the Government's clearly articulated current and medium-term priorities (see procedural fiscal rule); (ii) the setting of multi-year expenditure ceilings in accordance with the updated fiscal strategy, as a guide to the allocation process; and (iii) the provision of clear instructions by Cabinet for budget submissions based on a comprehensive discussion of the needs and priorities of each Ministry and program, including binding spending ceilings. The Government is seeking to strengthen the budget formulation process further by ensuring that: i) the budget calendar is aligned to the requirements of the new FMA Act; and ii) the budget circular is issued soon after the fiscal framework has been tabled in Parliament. The budget circular will be accompanied by expenditure ceilings approved by Cabinet for each financial year covered by the medium-term budget planning horizon.
- **Upgrade budget documentation to include policy-oriented information to decision makers and enable transparent budget execution.** The traditional Annual Budget Documentation (Budget Estimates) provides a comprehensive narrative describing public finances. A mid-year budget review report is tabled in Parliament by October 15th of every year to report outturns against the annual budget, signal likely deviations from fiscal objectives, and identify remedial actions to ensure compliance with the fiscal framework. From the FY2023/24 budget onwards, the Annual Budget Document will also include an assessment of the alignment between the budget and fiscal objectives established by the annual fiscal framework, and a comprehensive description of all revenue and expenditure measures taken.
- **Enhancing fiscal risk management.** Compliance with the new FMA Act involves establishing required reporting and analytical frameworks. Ministries, SOEs and Agencies are now to produce annual and quarterly reports. A health dashboard that analyzes the financial performance of SOEs monitored by the Ministry of Finance, Economic Affairs & Investment (MFEI) has been developed and provides a mechanism to assess risks and further elaborate targeted reform measures to enhance SOEs' performance and reduce Government dependence. The Government intends to:

- Strengthen risk management capacity within the MFEI further by creating a dedicated Fiscal Risk Unit (*structural benchmark for end-June 2023*). The Unit would contribute to budget formulation and planning by identifying and proposing options to contain macroeconomic risks (including contingent liabilities) through the preparation of quarterly fiscal risk reports. It will also play a lead role in the preparation of annual fiscal risk statements, including an assessment on climate change risks that are to be included in budget documents from FY2023/24.
- Clarifying fiscal vulnerabilities emanating from the National Insurance Scheme (NIS) is a key priority. The NIS is committed to clear its backlog of financial statements as a matter of urgency, with a view to submit all outstanding financial statements (2010 to 2021) for audit by the Auditor General (*structural benchmark for end-March 2024*).
- **The Government is working to increase the efficiency and quality of the public procurement process.** The effectiveness of the Public Accounts Committee has been strengthened to allow the public to monitor in real time its oversight role, thereby ensuring full transparency. A new procurement law was approved by Parliament in December 2021 to promote integrity, fairness, transparency, and value for money in public procurement and ensure that outlays—including those related to COVID-19—are efficiently allocated.¹ The GOB is committed to the implementation of enhanced public procurement practices, including from a sustainable-green perspective. To that end, Cabinet will approve Procurement Regulations to help operationalize the 2021 Procurement Act and support ‘green procurement’ processes (proposed *reformulated reform measure for end-September 2023*).
- **Enhancing governance frameworks is an overarching priority.** The 2021 Procurement Act includes several innovations to enhance governance, such as by charging the Chief Procurement Officer with the responsibility to i) conduct procurement audits and ii) establish and maintain a register for all suppliers. It also requires the publication of all procurement contracts awarded in the year as well as reports on supplier performance. The publication of beneficial ownership information of companies bidding for public procurement would face legal impediments relating to data privacy. As a result, we propose to remove this element originally contemplated under reform measure #2 under the RSF and reformulate this reform measure incorporating new climate-related policy actions (see paragraph 37). In addition to the procurement reforms, we have reintroduced into Parliament a revised Integrity in Public Life Bill, which seeks to mitigate scope for acts of corruption by persons in public life. This initiative builds further on the GOB’s previous efforts to fight against corruption. Specifically, the Government laid two key pieces of legislation in Parliament in September 2021: (i) a revised Prevention of Corruption Act to provide for the prevention, investigation, and prosecution of acts of corruption (passed both Houses of Parliament in

¹ This Act provides a framework to facilitate the audit of crisis expenditures and publication of contracts and names of successful bidders.

October 2021); and (ii) a Deferred Prosecutions Act to empower the Director of Public Prosecutions to meet with and construct agreements concerning criminal liability (passed both Houses in December 2021). Cabinet also approved a Whistle-blower Protection bill in October 2021 that was passed by Parliament in December 2021.

- **Strengthened cash management.** An absence of dedicated cash management functions in Central Government complicates the adequate management of daily cash balances and risks a buildup of payment arrears. We intend to establish a cash management unit within the Treasury by end March 2024 (*structural benchmark*). The functions of the unit would include the day-to-day management of the Consolidated Account, managing Government's suite of bank accounts, preparing a monthly cash plan, addressing bank reconciliation issues, and monitoring the execution of MDAs' and SOEs' cash plans. The unit would also define and lead on the key policies, procedures, and processes to facilitate cash management functions across Government. To enhance financial reporting and improved accountability with respect to the utilization of government resources, the government, in collaboration with the University of the West Indies and Whiteoak, will conduct a comprehensive training and assessment program for all the financial controllers in the central government and state-owned enterprises.
- **We are reviewing our legal and regulatory framework for engaging in Public-Private Partnerships (PPPs).** When done right, PPPs can play an important role in sustaining and increasing potential growth. This includes establishing a clear definition of PPPs, fully integrating them into the overall investment strategy and the medium-term fiscal framework, safeguarding public finance against fiscal costs and risks from PPPs, ensuring transparent mechanisms for competitive processes, and designing transparent reporting and auditing procedures in line with international standards.

Fiscal Rule

17. The Government has introduced a fiscal rule to enhance fiscal transparency and lock in the gains of fiscal consolidation. The transparency and automaticity of fiscal adjustment will be enhanced by an explicit, time-bound adjustment path to sustainability. A *procedural* fiscal rule was approved by Parliament in December 2021. Under this fiscal rule—which is aligned with IMF TA recommendations—the Government commits to: i) annually prepare a monitorable fiscal strategy/framework over the medium term; ii) regularly publish outcomes against this strategy; and iii) take remedial action when required. To these ends, the Minister of Finance: i) tables in Parliament a fiscal framework annually in August that includes projections for revenue, expenditure, and debt for the current and forthcoming three fiscal years; and ii) an annual mid-year review report in October that details the half-year outturn against the fiscal framework established for current fiscal year and, iii) takes remedial action when required. Deliberations over a *numerical* fiscal rule are expected to resume once uncertainties surrounding the pandemic have resolved and supporting PFM systems have been sufficiently strengthened.

18. A Fiscal Council has just been established at the end of May 2023 to promote sound fiscal management. The Fiscal Council will ensure the accountability and transparency of the Government with respect to the implementation of the fiscal strategy, which focuses on: i) the slimming of public expenditure through the continued assessment of its scale and size with specific emphasis on SOE reform; and ii) maintaining fiscal discipline and sustainability by institutionalizing the Medium-Term Fiscal Strategy, thus signaling the Government's commitment to the long-term debt path as well as its growth objectives. The Fiscal Council will also ensure that the Government focuses on its fiscal reform in terms of: i) the realignment of government spending so that it is more effective and efficient; and ii) the streamlining of its expenditure, including the scaling back of unusual and temporary measures initiated as a pandemic response.

Debt Management

19. The target date for bringing the debt-to-GDP ratio below 60 percent is FY2035/36. The updated medium- and long-term macroeconomic framework suggests that Barbados will reach its target of 60 percent of GDP by FY2035/36. We remain committed to generate needed primary surpluses to achieve the debt target of 60 percent of GDP as envisioned.

20. The GOB is focused on strengthening debt management with technical support from international partners. Efforts to strengthen debt management operations are underway. The 2022-23 to 2024-25 Medium Term Debt Management Strategy (MTDS) was approved by the Cabinet on June 2, 2022. The annual update to the strategy by the Debt Working Group is currently underway. The MTDS will be underpinned by a debt management objective to meet the Government's financing needs at the lowest possible cost over the medium- to long-term, consistent with a prudent degree of risk. We will publish our MTDS and borrowing plan by end-June 2023. In addition, we will undertake a review of debt management practices—including an assessment of the effectiveness of the auction mechanism for long-term debt—and debt legislation, with a view towards pursuing a comprehensive debt law. Progress has been made to re-engage the domestic capital market, including under the BOSS program where a commercial bank recently purchased \$100 million in government bonds. Other measures are in train to further stimulate the market, including reverse options and on-demand bonds.

21. Domestic arrears have been largely resolved, and we commit not to run new expenditure arrears. Total public sector domestic arrears stood at \$1.9 billion at the beginning of the BERT program and its stock has substantially been reduced to approximately \$302 million as of March 2023, inclusive of the recently discovered \$296.9 million legacy arrears. Of this total, Central Government trade payables (non-tax arrears) have to a large extent been settled, with a residual amount of \$2 million to be cleared. We have developed a system for monitoring the arrears of SOEs on an ongoing basis. We have introduced legislation so that all borrowing by SOEs receives the approval of the Minister of Finance. Currently only commercial SOEs are allowed to borrow with the pre-approval of Central Government.

Public Sector Reform

22. The GOB is prioritizing planned structural reforms disrupted by the global pandemic, notably reforms to i) safeguard the sustainability of the public pension scheme and wider national insurance and social security system and ii) reenergize the transformation of the SOE sector.

Public Pension Reform: Civil service pension reform aimed at ensuring long-term sustainability of the system is a key priority. We have outlined key pillars of the reform, which include: the introduction of employee contributions for new public sector employees; parametric reforms on the calculation of pension benefits; and, allowing for the administration of pension arrangements by the National Insurance Department from January 1, 2024. Following extensive consultations with key stakeholders, the GOB tabled public pension reform legislation in May 2023 (*structural benchmark for end-March 2023*). The GOB will seek the Parliamentary approval of this legislation (*proposed new structural benchmark for end-March 2024*).

Recapitalization and Reform of the NIS: The NIS is a partially funded scheme. From 2008 to 2019, Barbados experienced a significant decline in population, nine years of negative economic growth, declining employment levels, and negative real wage growth, which all led to a decline in the number of persons making NIS contributions. During this period, as the then Government found it harder to finance large deficits, it sold more Government bonds to the NIS and its Funds, which by 2018 was overly concentrated in Government bonds. Consequently, the 2018 debt restructuring exercise, though stabilizing the public finances, resulted in the National Insurance and Severance Funds incurring investment losses. The COVID-19 pandemic led at one point to an estimated 40 percent unemployment and high levels of severance and bust employers, placing additional and unusual strain on the Fund. The NIS may have managed one or two of these fundamental shocks, but not all of them simultaneously. Combined recapitalization and reform measures are essential to safeguard its operations over the medium term. These are proceeding in two phases:

- i. The initial focus was to restore the Unemployment Benefit Account through an infusion of \$143 million from the Consolidated Fund over a three to five-year period. This exercise was completed ahead of schedule with the full disbursement of resources at end-March 2023.
- ii. The GOB is in the midst of the second phase whereby Cabinet endorsed a reform plan at end-2022 that restores and safeguards the viability of the National Insurance Fund (*structural benchmark by end-December 2022*). The details of the revitalization plan will be made public before the end of June.

SOE Reform: Reducing Government subventions to public entities is essential to sustain medium-term fiscal viability and boost growth potential by redirecting scarce public resources into critical productive investments. Subventions to public entities are relatively high at 6 percent of GDP. Indeed, Barbados' SOE sector is relatively large and provides an array of public services—predominantly commercial—the vast majority of which are loss-making. This suggests significant inefficiencies in operations that entail substantial opportunity costs to growth and constitute a material risk to Barbados' balance sheet. Against this backdrop, the GOB intends to revitalize its SOE

reform agenda which was deliberately paused during the COVID period and the three natural disaster/climate events all within 90 days (namely the eruption of La Soufriere and the Freak Storm and Hurricane Elsa. Specifically:

- **Unwind transitory support:** Measures introduced under BERT 2018—including mergers and closures, the renegotiation of costly supplier contracts, tariff adjustments (bus fares and water rates), new levies, and enhance SOE PFM—helped reduced GOB transfers by 1 percent of GDP in FY2019/20. These early gains were offset in FY2020/21, however, by unanticipated transfer needs among large SOEs at the forefront of the COVID-19 response strategy, such as the Queen Elizabeth Hospital and the National Assistance Board. The GOB has begun the process of unwinding this temporary support extended to other SOEs and Ministries and Agencies, including the cessation of programs that were identified as emergency programs to support impaired sectors and commercial public enterprises.
- **Mergers and Rationalizations:** As announced in the consecutive Budgets, the GOB intends to exploit scope to reduce overlap and achieve greater financial and operating efficiencies. Immediate steps in this regard include Cabinet approval to: i) amalgamate the operations of the Rural and Urban Development Commissions (RDC and UDC) and reform the National Housing Corporation (NHC); and ii) reform the Barbados Agriculture Management Corporation (BAMC) and shift its operations away from subsidizing the traditional sugar industry (*both structural benchmarks for end-June 2023; proposed to be reset to end-December 2023*).
- **Risk Assessments and Targeted Reforms:** A health dashboard that analyzes the financial performance of public entities developed by the MFEI (with IMF assistance) provides a mechanism to identify key risks and elaborate targeted reform measures to enhance SOE performance and reduce Government dependence. To anchor the forward-looking reform agenda, a comprehensive stocktaking of the financial performance of the SOE sector will be prepared (*structural benchmark for end-June 2023*).²
- **Modernization Principles:** While the agenda of SOE reform is evolving, the GOB will be guided by the following key modernization principles: i) shifting commercial activities to the private sector; ii) ensuring adequate and modern user fee structures; iii) providing enfranchisement opportunities in the delivery of public services; and iv) eliminating inefficiencies through mergers and rationalizations where possible.

² Priorities in this context include a further rationalization of SOEs as well as adjustments to cost structures and revenue frameworks to enhance financial outturns. Policies should target the largest SOEs that drive the performance of the overall sector as well as more broadly enforce the expectation that commercial entities must be viable on commercial terms without Government subsidies.

IV. MONETARY AND FINANCIAL SECTOR POLICIES

23. The GOB continues to prioritize reforms to enhance the CBB's operational capacity to execute monetary policy and safeguard financial sector soundness. Barbados' exchange rate peg to the US dollar has provided a key anchor for macroeconomic stability since 1975 and remains a central policy objective. There is strong commitment among all Social Partners and stakeholders to maintain the exchange peg. Consequently, we will implement the fiscal and structural policies necessary to support the peg and sustain adequate international reserves balances. The amended Central Bank Law (passed in December 2020) to enhance the CBB's autonomy, mandate, and decision-making-structures is noteworthy here, as it limits CBB financing to the Government in line with international best practice. Reducing the limit on the Ways and Means account to 7.5 percent of CG revenues (from 10 percent at end-2017) and restricting the purchases of Government securities (to 3 percent of GDP) on the primary market to the case of a declared national emergency, also significantly reduced the risk that Central Bank financing will place pressures on foreign exchange reserves. In addition, measures have been taken to:

- **Gradually relax exchange controls.** Our approach is both gradual and targeted and aimed at increasing investors' confidence without jeopardizing reserve accumulation. Effective August 1st, 2019, we have allowed all Barbadians to open foreign currency denominated accounts. We have allowed foreign currency proceeds from the sale of assets to be repatriated in foreign currency or kept locally in a foreign currency account. Effective August 1st, 2019, we have eliminated the surrender requirement of 70 percent of foreign exchange brought into Barbados. Finally, we have increased select foreign exchange limits such as the limit on personal travel facilities. We have increased delegated authority to foreign exchange dealers to approve foreign exchange transactions without reference to the Central Bank.
- **Develop and initiate a CBB recapitalization plan.** Given the magnitude of the capital shortfall, a gradual approach was preferred that carefully balances available fiscal space with the elimination of the capital deficiency.³ The recapitalization should provide the Central Bank with balance sheet space to engage in operations to help sterilize excess liquidity, thereby mitigating any potential source of vulnerability to the fixed exchange rate regime.

24. The CBB has strengthened its safeguards framework. A diagnostic review of the CBB's governance and control framework is a standard IMF procedure for all countries using the Fund's resources. The 2023 Safeguards Assessment mission was completed in March 2023 with findings highlighting a strong safeguards framework at the CBB. Having implemented all previous recommendations identified during the 2018–2022 EFF arrangement, the CBB has significantly strengthened its safeguards framework, including its legal framework, governance arrangements, and financial reporting practices. The CBB is committed to addressing gaps identified in internal audit and cyber security and is looking to establish an Emergency Lending Assistance framework,

³ The recapitalization of the CBB will initially grow capital through profit retention with the aim to transition (in approximately seven years) to a gradual predetermined payment plan until authorized capital is fully paid-up.

with the support of Fund technical assistance. In addition, the Ministry of Finance and CBB have prepared an updated Memorandum of Understanding that clarifies their respective responsibilities for servicing financial obligations to the Fund under the new EFF and RSF arrangements.

25. Efforts are ongoing to enhance financial sector monitoring. The amended Central Bank Law establishes the promotion of financial stability as a secondary objective for the CBB. It also attributes formal macroprudential powers to the CBB, to monitor financial stability and to manage risks to the financial system. The oversight of the financial system is shared by the CBB, the Financial Services Commission, and the Barbados Deposit Insurance Corporation. These authorities participate in the Financial Oversight Management Committee (FOMC), which manages the production of the annual Financial Stability Report and collaborate in the monitoring of the financial system. The effective banking regulatory framework in Barbados is Basel II, under which banks follow standardized approaches in the calculation of risk-weighted assets and prepare their financial statements according to IFRS 9. The CBB designs the reporting forms and schedules for banks and Part III companies (trust and finance companies and merchant banks). Monitoring of insurance corporations, pension funds, mutual funds, and credit unions fall into the purview of the FSC, which has been working on revising reporting forms and increasing reporting frequency to enhance financial sector surveillance. The CBB in collaboration with the FSC releases a Financial Stability Report and health check reports for sub-sectors of the financial system annually. Finally, the CBB has strengthened monitoring capacity to include the successful compilation and dissemination of quarterly core financial stability indicators (FSIs) for deposit takers (excluding credit unions) in line with the guidance provided by the IMF TA in 2019. On balance, Barbados' financial system remains well capitalized, with stress tests conducted by the CBB and FSC indicating a low risk of a systemic crisis. Commercial banks, which represent the largest component of the system, have a system wide capital adequacy ratio that is more than twice the regulatory minimum.

26. The CBB is working to enhance its toolkit for conducting monetary policy and promoting macro prudential stability. The Central Bank of Barbados Act establishes the primary objective of the Bank as maintaining the value of the currency. Historically, monetary policy was largely based on direct controls, including securities reserve requirements on financial institutions. With the change in the policy rubric, the CBB reviewed its balance sheet capacity and monetary toolkit, with the support of IMF TA (*structural benchmark for end-December 2023; proposed to be reset to end-November 2023*). The CBB will progress with developing an operating strategy to incorporate some of the key recommendation, inclusive of establishing a liquidity forecasting framework. The CBB also possesses the power to implement macroprudential measures as it sees fit to manage risk in the financial system by using tools to assess, contain and mitigate against systemic risk. Barbados' current toolkit consists of some lagged and basic early warning indicators and, as the financial system continues to evolve in terms of size and complexity, the CBB may need to identify new measures based on the characteristics of Barbados' financial system.

27. The central bank and commercial banks introduced measures to support the credit market in March 2020 in response to the COVID crisis. Key measures included a reduction of the overnight lending discount rate from 7 to 2 percent and a reduction of the minimum statutory

holding requirement for Government securities from 17.5 to 5 percent of deposits. The securities reserve requirement was discontinued under the new Central Bank of Barbados Act adopted in December 2020. Six-month moratoriums on loan repayment introduced by commercial banks in response to the pandemic have expired, with extensions and/or restructurings granted while respecting regulatory standards on loan classification and provisioning. The CBB has maintained its credit support measures and temporary regulatory guidance on loan classification was phased out at end-2022.⁴ Going forward, priorities include unwinding support measures after a careful evaluation of economic and financial developments.

28. We also commit to continuing our efforts to strengthen our AML/CFT framework in keeping with our action plan agreed with the FATF to promptly exit the FATF's International Review Group process.

V. GROWTH ENHANCING REFORMS

29. The growth strategy embedded in our BERT 2022 framework seeks to lift the country's productive potential to between 3.0 to 5.0 percent per annum. Binding constraints on fiscal space, however, implies that reforms will focus mainly on providing the regulatory and legislative environment to improve business and investment conditions, climate resilience and empowerment, and the requisite resource capacity for development of various sectors of the economy. The BERT 2022 growth strategy will be underpinned by the following pillars:

- a. incentivizing an acceleration of small-scale private sector investment in the green transition;
- b. Incentivizing low- and middle-income housing;
- c. investing in skills training and education towards enhancing the human resource capacity of the population;
- d. preserving financial stability and mobilizing domestic savings for local investment to facilitate investment opportunities for as many Barbadians as possible;
- e. making Government an enabler to enhance productivity, competitiveness, and service excellence, towards achieving higher local and foreign direct investment;
- f. establishing Barbados as a logistics hub by developing and strengthening both regional and international economic linkages, particularly with the African continent to enhance exports and export capacity;
- g. targeted public investments to achieve sectoral integration and to develop climate resilient infrastructure;

⁴ The temporary guidance included allowing banks not to classify moratoria loans as nonperforming, provided that loans were previously in good standing and borrowers were impacted by the pandemic.

- h. promoting a new, high-skilled, knowledge-based economy that is tech-heavy, carbon neutral and marine-conscious; and,
- i. Adopting open labour market policies to support stronger, resilient growth together with Expanding the population base and improving productivity and competitiveness.

30. Completing the reform program to further enhance business and investment conditions is a top near-term priority.

The Government will continue to pursue measures aimed at providing the requisite business environment to support trade and investment in the economy. A Doing Business Sub-Committee of Cabinet and Private Sector Committee was established in 2018 to execute and monitor policy measures identified by stakeholders to improve Barbados' overall business and investment climate. A stocktaking of the execution of policy reforms overseen by these Committees (*structural benchmark for end-March 2023*) was undertaken to inform the forward-looking reform agenda by identifying the unfinished reforms and prioritizing next steps. The stocktaking report—completed in February 2023—highlighted the need to i) finalize the second phase of CAIPO reform to merge registration, payment, and information exchange processes within a single window; ii) broaden the Trusted Trader program for vetted companies; and iii) fully operationalize the Barbados Electronic Single Window (ESAW) by 2025 to enhance intermediation between the business community and government agencies. These and other priorities will be supported by a newly established Growth Council with a mandate to sustain reform momentum and accountability. We have requested assistance from international partners to help flesh out an updated trade and business facilitation strategy.

31. Additional growth-enhancing reforms to be undertaken in the near- and medium-term include:

- We remain committed to reaching the 100 percent renewable energy target by 2030. To this end, we will incentivize an acceleration of small-scale private sector investment in the green transition, especially in the energy generation, transport, tourism, and agricultural sectors through attractive but temporary feed-in-tariffs and temporary tax reductions.
- Building an affordable, green, and climate resilient housing stock is a priority for the GOB. Our housing agenda is to build 10,000 houses in five years, with the Government contribution financed through renewable energy technology (the HOPE housing project), that allows the homeowner to generate an income from a roof-top solar system.
- As part of the investing in *skills training and education initiative*, the Government introduced the National First Jobs Initiative and Apprenticeship Scheme and facilitated the return to free tertiary education at vocational, technical, and undergraduate levels. The GOB intends to reform the education system to better suit the demands of the economy, including by introducing a new Education Act aimed to modernize teaching and system management; replacing the 11-plus secondary school entrance examination; and promoting the teaching of STEAM (science, technology, engineering, arts, and mathematics) subjects. Government will also prioritize its Youth Advance Corps programme (which was introduced in 2019 but

had to be slowed down during the COVID-19 pandemic) aimed at providing training and opportunities for young people to address the skills gap across communities. Similarly, we will continue the National Transformation Initiative, which is a community-based training program providing citizens with a plethora of training opportunities and access to more than 15 000 courses globally, as part of Government's commitment to make Barbados world class within seven (7) years.

- Programmes to *improve the service delivery and effectiveness of the public service*. Chief among these is to complete the rollout of digitization of Government services⁵, where we intend to develop a GovTech-type agency that is resourced, mandated, and empowered to advance this initiative (*structural benchmark*). This project will be financed and the framework is being developed, but we *propose a reset of the structural benchmark to end-September 2023* to ensure adequate time to identify and hire qualified staff. The Government has established a digitization center and has commenced the digitization of its records. Efforts to enhance the delivery of public services also involve establishing an E-Services platform to facilitate access to Government services on a central online platform and developing a digital platform to improve the monitoring and execution of the Public Sector Investment Programme. The roll-out of the latter platform was originally targeted for June 2023 but will be moved to end-March 2024 (*proposed reset of structural benchmark*) to benefit from the Climate Public Investment Management Assessment Fund technical assistance planned for the third quarter of 2023.
- Enhanced competitiveness of Barbados' economy via improved *operations at the Barbados Port Inc.* Times associated with the processing and releasing of goods and commodities have been reduced under BERT 2018. Further gains are anticipated with the launching of an electronic single window for trade—which should be fully operational by end-2024—by ensuring greater coordination between regulators to reduce the logistical costs and bureaucracy.
- Establish a collateral registry, a factoring program, and micro-leasing agencies to *enhance access to finance*, particularly for small and medium size businesses. A web-based collateral registry of movable assets will be created for entrepreneurs and/or small businesses which can be used as security when applying for loans from commercial banks and other lending institutions. Establishing a credit collateral registry and broadening the types of eligible collateral, would further facilitate access to credit to small businesses which would otherwise be limited in their access. In a factoring program, small firms can be paid in a timely manner, for goods and or services provided to Government, by selling at a discountable rate. Micro-

⁵ The government intends to transform Barbados into a digitally enhanced and digitally secure country. Progress to digitize government operations and service delivery has been made in terms of the provision of drivers' licenses, renewal of professional licenses, applying for passports, liquor licenses, police certificates of character, planning and development applications, the clearing of goods through Customs, and most recently the new digital Trident ID Card. In addition, the Barbados National Payments system went live in October 2022, and we have also set up the National Payments Council as an advisory body the roll out of the new payments' ecosystem

leases allow them to lease equipment for short periods and complete orders rather than having to put a down payment on a purchase or long lease. These complement the Fair Credit Reporting (FCR) Act, which was proclaimed in May 2022, to enhance the functioning of the credit market by promoting accuracy, fairness, and privacy of personal information assembled by credit reporting agencies. Collectively, the FCR Act, the recently launched Financial Literacy Bureau, the National Payments Systems Act and the creation of a digital payments ecosystem will significantly enhance the business environment by finally addressing issues related to access to finance which has stymied the development of the small and medium-sized enterprise sector for far too long.

- The Government will seek to establish Barbados as a southern hub for all aviation commercial activity to advance trade and facilitate increased direct investment in key sectors including agriculture and food security. When finalized, the Aviation Strategy will support new commercial activity anchored by the Grantley Adams International Airport, while work is underway to facilitate the establishment of a new Maintenance and Repair Operation within the first quarter of 2023, and to expand flight training capability. Government will also construct a new cargo berth which will boost our attractiveness as a maritime logistics hub. New trading lanes are being developed and new sister Port Agreements have been signed between Barbados and ports in Africa, Latin America, and the Middle East.
- Government is collaborating with the private sector locally and regionally to establish a Food Terminal in Barbados in cooperation with Guyana and Surinam, to address food security and to help in reducing the regional food import bill by 25 percent by 2025. This collaboration is expected to commence by early 2024 (still in the cruise season) where Barbados will be the hub where local production will combine with goods being shipped in from Guyana and in this instance northern Brazil to meet the requirements of the cruise lines. In a new commercial thrust, this initiative forms part of the establishment of a Barbados based Destination Management Cooperative and a Florida US based Destination Management Company. Using the Cooperative as the base, the Ministry of Tourism is creating a single purchasing platform for all goods, services and experiences from Destination Barbados and supporting growth of the domestic economy. The United Nations World Food program has also established a regional hub in Barbados at the Grantley Adams International Airport and CDEMA has already established a hub in the Bridgetown to preposition food and other supplies to be better able to respond to any natural disaster in the region.
- Government will also reform the civil aviation legislative framework to create expanded opportunities for the development of new air routes and significantly expand airlift, particularly from the US market. We are also working to establish direct airlift between Barbados and the African continent. The reform of the Maritime legislative framework as well as critical investments in the port infrastructure, including the launch of the digital port community system, will facilitate greater opportunities for Maritime travel and movement of cargo. To address the capacity deficiency in regional travel, Government will encourage the

establishment of a regional ferry service to enable goods and people to move around the region in a cheaper and more timely manner.

- Tourism was one of the hardest hit sectors by the pandemic, and in response, the Government provided assistance to the sector through the Barbados Employment and Sustainable Transformation (BEST) Plan to alleviate short term cash flow challenges and maintain employment. This programme also facilitated the training of personnel in various areas, and investments in greening through renewable energy installations including photovoltaic systems, water conservation and increased use of technology and process digitization to upgrade outdated business processes. It was also premised on strengthening the linkages. Government intends to build upon the BEST Program and the recognition that Barbados has a mature tourism product and therefore requires significant investment if it is to be refurbished into a modern tourism brand.
- GOB will support measures that maintain the *competitiveness of the domestic tourism sector*. This includes initiatives to promote the training and upskilling of workers in the sector and the diversification of the product offerings within the domestic industry, inclusive of the establishment of community villages. Additionally, the Government will continue to pursue other initiatives or investments such as sewerage, sanitation and road repairs that will also have a substantial positive effect on the tourist experience.
- The current *Companies Act* will be reviewed and updated to ensure consistency with international best practices. Additionally, the GOB will sustain the initiative to improve the efficiency of the Corporate Affairs and Intellectual Property Office (CAIPO) in the registration and incorporation of businesses and related services, through the development of a digital strategy and the utilization of ICT platforms. Government will also put systems in place to support change management and continuous training of staff to further improve the delivery of services.

VI. SUSTAINABILITY AND RESILIENCY TO CLIMATE CRISIS

32. Improving resilience to natural disasters and climate crisis vulnerabilities is an essential plank in our growth and macroeconomic stabilization strategy. Reform measures to be pursued under the RSF have been identified in close collaboration with the World Bank and the IDB to address long-term structural climate resiliency and adaptation challenges and meaningfully strengthen macroeconomic stability, including by sharply reducing balance of payments pressures as the economy fully transitions to renewable energy. Reform measures under the RSF can be grouped into the following three pillars: i) addressing immediate adaptation needs and resiliency priorities; ii) reducing greenhouse gas emissions; and iii) mitigating transition risks. Details regarding specific reform measures are clarified in Table 2 and elaborated below.

33. Government has been proactive in mitigating against the fallout from a climate crisis event from several perspectives. We insure natural disaster risks through the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and have introduced natural disaster clauses into

domestic and external bonds. These clauses allow for the capitalization of interest and deferral of scheduled amortization falling due over a two-year period following the occurrence of a major natural disaster. We have secured an IDB contingent credit facility that would allow Barbados to borrow up to almost 2 percent of GDP (or US\$80 million) in case of a natural disaster. We are working on improving structural and post-disaster resilience (e.g., ‘roof to reef’ program and strengthened public procurement). We provide incentives to individuals and corporates to invest in renewable energy, water conservation, and build resilience. Looking ahead, the GOB intends to table the National Comprehensive Disaster Risk Management (DRM) Policy to mainstream comprehensive DRM principles into ministry and agency budget planning and ensure resilience in Government and business continuity after a disaster event (*reform measure for end-September 2023*). The GOB intends to seek Parliamentary approval of this policy by March 2024.

34. Higher fuel import bills and inflation following the Russia-invasion of Ukraine highlight the need to expeditiously transition to renewable energy. Barbados remains committed to reaching its 100 percent renewable energy target by 2030. To that end, the independent Fair Trade Commission (FTC) has published Feed-in Tariffs (FITs) for independent power producers (IPPs) for a range of renewable energy technologies. The GOB has established a licensing system for IPP renewable energy projects accompanied by a guidance note on the licensing and approval process for investors in March 2022. Now that the licensing process is clarified, it is important for Barbados to expeditiously implement the process as envisaged and accelerate private sector investments into renewable energy projects.⁶ To that end:

- Government is committed to close remaining regulatory gaps in the FITs mechanism to promote renewable energy storage technologies and a corresponding licensing policy/approvals framework, thereby increasing investments into battery storage technologies to meet energy demand (*reform measure for end-September 2023*).
- The New Electricity Supply Bill will be tabled in Parliament to (i) enhance competition in the electricity market; and (ii) introduce local participation in renewable energy investment with an entitlement for households of roughly 30 percent of the 60 percent investment space, leaving the remainder for FDI (*reform measure for end-September 2024*).

Additionally, we are committed to greening the transport sector by shifting toward electric vehicles and providing fiscal incentives to further reduce import duties, excise taxes and VAT on electric vehicles (*reform measure for end-September 2023*). A two-year excise and value added tax holiday

⁶ Additional initiatives include a collaboration with the BL&P to develop a minimum of 30 megawatts (MW) of wind energy investment, allowing for Barbadians to participate in and to own a minimum of 30 percent share in the benefits of the 30MW wind project through newly established financial instruments. Furthermore, we will provide an opportunity for Barbadians to participate in a 30 percent requirement for all major energy investment projects and we will also reserve another 30 percent for SOEs. The Government continues to work with its development partners in MDBs to develop competitive tendering processes for more extensive projects, which would facilitate an expansion of supply into technologies that have greater economies of scale, such as wind power, bringing the benefits of lower costs and diversification.

was introduced for electric vehicles from April 1, 2022. The tax holiday has since been extended for an additional two years with an end date of March 2026. There has also been a reduction in the tariff rates for alternative energy vehicles. We have the largest electric bus fleet in the region of 49 electric buses (65 percent of available bus fleet) and we plan to increase the share of electric vehicles in public transportation to about 85 percent by end-2025.

35. Building an affordable, green, and climate resilient housing stock is a priority. The Government's housing agenda is to build 10,000 houses in five years, financed in part through renewable energy technology. We will work with the private sector, along with regional and international partners, to boost housing stock and build structural resilience against climate crisis. Government intends to place solar PV panels on the roofs of small homes to facilitate a basic income for all owner-occupied houses. Under one model, we will provide the land and large local contractors will construct the houses and infrastructure. Under another model, we will provide the infrastructure and small- and medium-sized local contractors would construct the houses. In a third model, first-time homeowners would be provided with affordable climate-resilient and energy-efficient housing solutions to low- and middle-income earners by making use of renewable energy technology. And for those who can't participate in any of the HOPE schemes because their income levels are too low, the NHC is constructing new housing units for rent-to-own. Work has already started to meet this demand.

36. The Roof to Reef (R2R) initiative is a national roadmap towards the resilient development of Barbados. The programme presents an island-wide integrated public and private investment program founded on principles of sustainable development and climate crisis resilience. This initiative also includes a rapid roof replacement programme to assist over time in supporting homeowners' replacement of non-hurricane resistant roofs, replacement and maintenance of water mains, reservoirs and other climate-resilient water and sanitation sector infrastructure, and enhanced efforts to protect the coral reefs and marine environment.⁷ The program also seeks to provide protection against pollution of the water table with initiatives such as the conversion of remaining outdoor toilets into indoor water efficient toilets. The Government will also commence the systematic re-siting over ground utility infrastructure underground, develop a national storage capacity of generators, water, food, and medicine to last for seven days, and upgrade hurricane shelters, among other measures. In support of these objectives, the GOB approved amendments to the Planning and Development Act to improve the climate resilience of roads through improved drainage and other interventions (*reform measure for end-March 2023*). Additional priorities and measures to bolster resilient development include:

⁷ The Barbados Water Authority (BWA) will utilise grant funding, provided by the Green Climate Fund, to provide 1,500 tanks as well as rainwater harvesting systems at homes, educational and health facilities, and community centres across the island. Moreover, through the Strap-It programme, we will retrofit as many roofs as possible across vulnerable and susceptible communities to secure the housing stock against hurricanes.

- Advancing the water re-use agenda, which is moving forward with the passage of the Water Re-use Bill in Parliament in May 2023, incorporating the new water re-use policy (*reform measure for end-March 2023*);
- The operationalization of the Barbados Environmental Sustainability Fund (BESF), which has commenced receiving funds from the debt-to-nature swap as of end-FY2022/23 (*reform measure for end-March 2023*);
- Tabling an amended Prevention of Floods Act in Parliament, incorporating the new Stormwater Management Plan (*reform measure for end-March 2024*); and,
- Cabinet approval for the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government agencies and develop efficient public lighting (*reform measure for end-March 2024*).

37. Our holistic approach to resilience and sustainability includes measures to strengthen the budget process and financial system from a climate standpoint. These include:

Adopting *green PFM practices* to support the inclusion of climate priorities in all aspects of the budget cycle, including budget preparation, budget execution, fiscal reporting as well as oversight and auditing. Enhanced green PFM requires risk assessments that quantify the macroeconomic and fiscal impact of climate crisis to help identify green PFM reform priorities to enhance structural, financial, and post-disaster resilience. Consequently:

- The GOB is committed to include a fiscal risk statement in the regular budget process including a dedicated section on climate crisis risks (e.g., the extent to which existing infrastructure will become increasingly at risk from changing weather patterns and likely implications for the fiscal and budgeting to strengthen such infrastructure). The inaugural fiscal risk statement included in the FY2023/24 budget (*proposed reformulated reform measure*) and the GOB is committed to sustaining this fiscal risk analysis in forthcoming budgets.
- Cabinet will approve a sustainable/green public procurement framework that provides operational parameters, criteria, and guidelines to implement sustainable/green procurement across government agencies, in line with international best practice, with TA support from the Fund and the Inter-American Development Bank (IDB) (*proposed reformulated reform measure*). This framework will help Ministries and agencies acquire goods and services that achieve green and sustainable objectives. We will seek technical assistance from the IMF, IDB, and other development partners.
- Cabinet will approve guidelines for climate/green budget tagging, developed in line with international best practice, with TA support from the Fund and the IDB, select Ministries/government agencies for a pilot climate/budget tagging exercise, and mandate

that the results of budget tagging be published in an annex in the annual budget (*proposed reformulated reform measure*).

- The GOB will include climate adaptation and mitigation priorities in the annual fiscal strategy report (released annually in August) that; i) identify programs to enhance climate resilience in the fiscal framework and ii) discuss climate crisis related risks in a fiscal risk statement. IMF TA will be required to support this work and ensure that outputs are in line with international best practice.
- The GOB will complete a diagnostic evaluation—through a Climate Public Investment Management Assessment (C-PIMA)—and undertake reforms to strengthen integration of climate concerns into the PFM process (*reform measure for end-March 2025*).

Building assessment capacity to gauge climate crisis risks to financial sector stability. Regulators are carefully examining the impact of climate crisis on financial sector stability to ensure system-wide resilience. The CBB seeks to integrate climate crisis risks into its financial stability assessments—including stress testing based on potential scenarios. In particular, the CBB intends to adopt a strategy with time-bound guideposts for building capacity to monitor and assess climate crisis risks, including building data collection mechanism and joining the Network for Greening the Financial System (*reform measure for end-September 2024*). The FSC has developed climate stress tests for the local insurance industry. To safeguard financial stability, the CBB intends to conduct a first climate crisis stress testing exercise for commercial banks with support from MDBs including through relevant capacity development (*reform measure for end-March 2025*).

38. Program Monitoring. Program implementation will be monitored through quantitative performance criteria and indicative targets, structural benchmarks, and reform measures. These are detailed in Tables 1, 2 and 3, with definitions and data requirements provided in the attached Technical Memorandum of Understanding (TMU). The joint EFF-RSF arrangement with the Fund will be subject to semi-annual reviews, with the first, second, and third reviews occurring on or after May 15, 2023, November 15, 2023, and May 15, 2024, respectively.

Table 1. Barbados: Structural Benchmarks Under the EFF

Structural Benchmark (SB)	Timing	EFF Review	Assessed	Comments
Revenue Policy and Administration				
1) Government to adopt new legislative and regulatory provisions to strengthen and modernize procedures for granting and managing all duty and tax exemptions consistent with recommendations outlined in recent IMF technical assistance	End-December 2022	1 st EFF Review	Met	
2) Undertake a data matching project with participation from the BRA and BCED to improve compliance and risk management	End-March 2023	1 st EFF Review	Met	
3) Government to implement a formal and time-bound transition process requiring all pre-existing exemptions or waivers to requalify under the modernized duty and tax exemptions approvals framework.	End-March 2024	3 rd EFF Review		
Public Sector Reform				
4) Government to develop a NIF recapitalization and reform plan that restores and safeguards sustainability of the Fund.	End-December 2022	1 st EFF Review	Met	
5) Government to table a revised public pension law to enhance the sustainability of the public sector pension scheme, as discussed in MEFP.	End-March 2023	1 st EFF Review	Not Met	Implemented with delay
6) Government to set up a fiscal risk unit.	End-June 2023	2 nd EFF review		
7) The NIS to submit all outstanding financial statements for audit by the Auditor General.	End-March 2024	3 rd EFF Review		
8) Government to establish a Cash Management Unit.	End-March 2024	3 rd EFF Review		
9) Parliament to approve the public pension law (SB5).	End-March 2024	3 rd EFF Review		Proposed new SB
SOE Reform				
10) Cabinet to approve plans for the (i) amalgamation of the operations of the Rural Development Corp. (RDC), and Urban Development Corp (UDC) and (ii) the reform of the National Housing Corporation (NHC) to reduce overlap and achieve greater financial and operating efficiencies.	End-December 2023	3 rd EFF Review		Reset from end-June 2023

Table 1. Barbados: Structural Benchmarks Under the EFF (concluded)

Structural Benchmark (SB)	Timing	EFF Review	Assessed	Comments
SOE Reform				
11) Cabinet to approve plans for the reform of the BAMC and shift BAMC's operations away from subsidizing the traditional sugar industry.	End-December 2023	3 rd EFF Review		Reset from end-June 2023
12) Ministry of Finance to prepare a comprehensive stocktaking of the financial performance of the SOE sector.	End-June 2023	2 nd EFF Review		
Central Bank Monetary Policy				
13) The CBB to review its balance sheet capacity and monetary toolkit, with the support of IMF technical assistance.	End-November 2023	2 nd EFF Review		Ongoing; reset from end-December 2023
Growth and Business Environment				
14) Government to undertake a comprehensive stocktaking of Barbados' business environment and the execution of policy reforms overseen by the Doing Business Sub-Committee of Cabinet and Private Sector Committee under the BERT framework.	End-March 2023	1 st EFF Review	Met	
15) Government to establish a GovTech agency resourced, mandated, and empowered to advance the digitization initiative to improve the delivery of public services.	End-September 2023	2 nd EFF review		Reset from end-June 2023
16) Government to establish a central online platform for government services and develop a digital platform to improve the monitoring and execution of the Public Sector Investment Programme.	End-March 2024	3 rd EFF review		Reset from end-June 2023

Table 2. Barbados: Proposed Reform Measures Under the RSF

Reform Area	Reform Measure (RM)	Timing	Expected Corresponding Review Under the EFF Arrangement	Assessed
Pillar 1: Reform measures to build resilience to natural disasters and climate change	1) Adopt a set of measures consisting of: (i) Government to approve the Planning and Development Act to improve the climate resilience of roads through improved drainage and other interventions; (ii) Government to table in parliament the Water Re-use Bill, incorporating the new water re-use policy; (iii) Government to fully operationalize the National Environmental and Conservation Trust.	End-March 2023	1 st EFF Review	Met
	2) The Government to implement the following set of actions: (i) include a fiscal risk statement focusing on climate change risks in the budget for FY2023/24; (ii) Cabinet to approve Procurement Act Regulations to enhance efficiency and effectiveness of public expenditure and to support 'green procurement'; (iii) Cabinet to approve a sustainable/green public procurement framework providing operational guidelines to implement sustainable/green procurement, in line with international best practice; and (iv) Cabinet to approve guidelines for climate/green budget tagging, in line with international best practice, and mandate that the results of the budget tagging be published in an annex in the annual budget.	End-September 2023	2 nd EFF Review	Proposed revision
	3) Government to table the National Comprehensive Disaster Risk Management Policy to support mainstreaming of comprehensive DRM principles into ministry and agency budget planning, ensuring resilience in government and business continuity after a disaster event.	End-September 2023	2 nd EFF Review	Proposed revision
	4) Government to table an amended Prevention of Floods Act in Parliament, incorporating the new Stormwater Management Plan.	End-March 2024	3 rd EFF Review	

Table 2. Barbados: Proposed Reform Measures Under the RSF (concluded)

Reform Area	Reform Measure (RM)	Timing	Expected Corresponding Review Under the EFF Arrangement	Assessed
	5) Government to implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.	End-March 2025	5 th EFF Review	
Pillar 2: Climate mitigation reform measures (reduction of GHG emissions)	6) (i) Government to extend the tax holiday on electric vehicles; (ii) Government to close remaining regulatory gaps in licensing policy/approvals framework to increase investments into battery storage technologies to meet energy demand.	End-September 2023	2 nd EFF Review	Proposed revision
	7) Cabinet approval for the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government agencies and develop efficient public lighting.	End-March 2024	3 rd EFF Review	
	8) Government to table in Parliament the New Electricity Supply Bill to (i) enhance competition in the electricity market and (ii) introduce local participation in renewable energy investment.	End-September 2024	4 th EFF Review	Proposed revision
Pillar 3: Reform measures to mitigate transition risks	9) The CBB to adopt a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including building data collection mechanism and joining the Network for Greening the Financial System.	End-September 2024	4 th EFF Review	
	10) The CBB to include climate change risk in their bank stress testing exercise with support from MDBs including through relevant Capacity Development.	End-March 2025	5 th EFF Review	

Table 3. Barbados: Proposed Quantitative Performance Criteria under the EFF Supported Program 1/ 2/ 3/

(In millions of Barbados dollars otherwise indicated)

	Target End December 2022	Actual End December 2022	Status End December 2022	Target End March 2023	Actual End March 2023	Status End March 2023	Target End June 2023	Proposed Target End June 2023	Target End September 2023	Proposed Target End September 2023	Target End December 2023	Proposed Target End December 2023	Target End March 2024	Proposed Target End March 2024	Target End June 2024
Fiscal Targets															
Performance Criteria															
Floor on the CG Primary Balance 4/	177	...	...	236	...	...	111	104	222	218	333	378	444	446	136
Floor on the CG Primary Balance (adjusted) 4/	177	434	Met	230	304	Met	...	...	...	...	...	...	...	...	...
Non-accumulation of CG external debt arrears 4/ 6/	0	0	Met	0	0	Met	0	0	0	0	0	0	0	0	0
Ceiling on CG Transfers and Grants to Public Institutions 4/ 7/	339	308	Met	465	459	Met	119	119	238	238	357	357	477	477	119
Ceiling on Public Debt 5/	14,765	...	...	14,787	...	...	14,797	14,797	14,806	14,806	14,816	15,016	14,826	15,026	15,044
Ceiling on Public Debt (adjusted) 5/	14,765	13,943	Met	14,787	14,167	Met	...	...	...	...	...	...	...	...	...
Indicative Targets															
Ceiling on CG Domestic Arrears 5/ 8/	277	272	Met	267	261	Met	262	256	257	251	252	246	247	241	231
Floor on Social Spending 4/ 9/	68	89	Met	90	119	Met	23	30	45	50	68	70	90	95	27
Ceiling on Public Institutions Arrears 5/	53	37	Met	48	33	Met	46	31	43	29	41	26	38	23	23
Monetary Targets															
Performance Criteria															
Ceiling on Net Domestic Assets of the CBB 5/	2,350	1,978	Met	2,350	1,633	Met	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350	2,350
Floor on Net International Reserves 5/	1,200	...	...	1,200	...	...	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Floor on Net International Reserves (adjusted) 5/	900	1,839	Met	1,194	2,285	Met	...	...	...	...	...	...	...	...	...
Items feeding into PB, Debt, and NIR adjustors															
IDB budget support 4/	200	0	...	200	200	...	0	0	0	0	0	0	200	200	0
CDB budget support 4/	0	0	...	0	0	...	0	0	0	0	0	0	0	0	0
CAF budget support 4/	0	0	...	0	0	...	0	0	0	0	0	0	0	0	0
WB budget support 4/	200	0	...	200	200	...	0	0	0	0	0	0	0	0	0
Grants 4/	20	20	...	26	20	...	0	0	0	0	0	0	8	8	0

Sources: Fund staff estimates.

1/ Test dates for periodic Program Criteria (PC) will be end-March and end-September of each calendar year. There will be Indicative Targets (IT) at end-June and end-December. PCs and ITs are further defined in the Technical Memorandum of Understanding (TMU);

2/ Based on program exchange rates defined in TMU;

3/ This table assumes Board approval on December 7, 2022;

4/ Flow (cumulative over the fiscal year);

5/ Stock; adjusted targets reflect the amount of deviations of program loans from multilateral institutions relative to the baseline projections.

6/ Continuous performance criterion;

7/ This ceiling excludes earmarked transfers;

8/ Including pre-TAMIS legacy arrears formally recognized in FY2022/23;

9/This floor excludes operational expenses of social programs.

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understanding between the Barbados authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the program supported by the arrangement under the Extended Fund Facility (EFF). It also describes the modalities for assessing performance under the program and the information requirements for monitoring this performance.

2. The quantitative performance criteria (PCs) and indicative targets (ITs) are shown in Table 2 of the MEFP. Structural benchmarks are listed in Table 1 of the MEFP.

3. Definitions for the purpose of the program:

- All foreign currency-related assets, liabilities and flows will be evaluated at “program exchange rates” as defined below, with the exception of items affecting Government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on 10/31/2022. Accordingly, the exchange rates for the purposes of the program are show in Table 1.

Barbadian dollar to the US dollar	2.00000
Barbadian dollar to the SDR	0.3896225
Barbadian dollar to the euro	2.03052
Barbadian dollar to the Canadian dollar	1.49308
Barbadian dollar to the British pound	2.36763
Barbadian dollar to the East Caribbean dollar	0.74445
Barbadian dollar to the Belizean dollar	1.00000
1/ Average daily selling rates as reported by the CBB.	

- The Central Government (CG) consists of the set of institutions currently covered under the state budget including transfers to SOEs.
- CG revenues and expenditures will cover all items included in the CG budget as approved by Parliament.
- The fiscal year starts on April 1 in each calendar year and it ends on March 31 of the following year.
- For program purposes, the definition of debt is set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements (Decision No. 16919-(20/103), October 28, 2020. The term “debt” will be understood to mean a current; i.e., not contingent, liability, created under a

contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

- i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
 - ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
 - iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this paragraph, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.
- Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.
 - External CG debt is defined as debt contracted or guaranteed by the CG in foreign currency, while domestic CG debt is defined as debt contracted or guaranteed by the CG in Barbados dollars. The guarantee of a debt by the CG arises from any explicit legal or contractual obligation of the CG to service a debt owed by a third-party debtor (involving payments in cash or in kind).
 - CG debt is considered contracted when it is authorized by Barbadian law or approved by Parliament and signed or accepted by the relevant authority.
 - Public Institutions covered under Section I include:
 - Queen Elizabeth Hospital
 - University of the West Indies
 - Barbados Tourism Marketing Inc.
 - Sanitation Service Authority

Barbados Agricultural Management Corporation
 Barbados Community College
 National Conservation Commission
 Transport Board
 Child Care Board
 Barbados Water Authority
 National Assistance Board
 Barbados Investment and Development Corporation
 Invest Barbados
 National Housing Corporation
 Barbados Tourism Product Inc.
 Student Revolving Loan Fund
 Urban Development Commission
 Barbados Agricultural Development and Marketing Corporation
 Barbados Tourism Investment Inc.
 Rural Development Commission
 Caves of Barbados Limited
 Barbados Conferences Services
 Kensington Management Oval Inc.
 National Accreditation Board
 Southern Meats
 Caribbean Broadcasting Corporation

I. QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on the CG Primary Balance

4. The CG primary balance is defined as total revenues and grants minus primary expenditure and covers non-interest Government activities as specified in the budget. The CG primary balance will be measured as cumulative over the fiscal year and it will be monitored from above the line.

- Revenues are recorded when the funds are transferred to a Government revenue account. Tax revenues are recorded as net of tax refunds. Tax refunds are recorded when the funds for repayment are transferred to the BRA from the Barbados Treasury Department. Revenues will also include grants. Capital revenues will not include any revenues from non-financial asset sales proceeding from divestment operations.
- Central Government primary expenditure is recorded on a cash basis and includes recurrent expenditures and capital spending. Primary expenditure also includes transfers to State-Owned Enterprises (SOEs). All primary expenditures directly settled with bonds or any other form of non-cash liability will be treated as one-off adjustments and recorded as spending above-the-line, financed with debt issuance, and will therefore affect the primary balance.

5. Adjustors: The primary balance target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of grants relative to the baseline projection.

6. For the purpose of monitoring, data will be provided to the Fund on a monthly basis with a lag of no more than four weeks from the end-of-period (Section C, Table 2).

B. Ceiling on Stock of Net Domestic Assets of the Central Bank of Barbados

7. Net Domestic Assets (NDA) of the CBB are defined in the CBB survey as the difference between the monetary base and the sum of the NIR (as defined below, excluding EFF/RSF disbursements used for budget support) and commercial banks' and Part III companies' foreign currency deposits at the CBB. The monetary base includes currency in the hands of the non-bank public plus vault cash held in the banking system, statutory cash reserve requirements, and the current account of commercial banks and non-bank financial institutions (Part III companies) comprising of credit balances held at the Central Bank.

8. For the purpose of monitoring, the data will be reported on a monthly basis, with a lag of no more than two weeks from the end-of-period (Section B, Table 2).

C. Floor on Net International Reserves

9. Net International Reserves (NIR) are defined as the difference between reserve assets and reserve liabilities with a maturity of less than one year.

10. Reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies. They include the CBB's holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are sinking funds' assets¹ and any assets that are pledged, collateralized, or otherwise encumbered,² claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, options et cetera), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

11. Reserve liabilities are: (1) all foreign exchange liabilities to residents and nonresidents with maturity of less than one year, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, options, et cetera); (2) all liabilities outstanding to the IMF including EFF/RSF disbursements used for budget support.

¹ These funds are held on behalf of the Government to service the central Government debt falling due. The assets are thus earmarked for such purpose and are not assets of the CBB.

² These assets include the CBB staff pension plan's assets that are also excluded, as their use is restricted to the specific purposes of the pension scheme and not "freely/readily available".

12. Adjustors: The NIR target will be adjusted upward (downward) by 75 percent of the amount of the surplus (shortfall) in program loan disbursements from multilateral institutions (i.e., Caribbean Development Bank (CDB), the Interamerican Development Bank (IDB), the Development Bank of Latin America (CAF), and the International Bank for Reconstruction and Development (IBRD)) relative to the baseline projection. Program loan disbursements are defined as external loan disbursements from official creditors that are usable for the financing of the CG. The NIR target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection.

13. For the purpose of monitoring, the data will be reported by the Central Bank on a daily basis, with a lag of no more than one week from the end-of-period (Section A, Table 2).

D. Non-Accumulation of CG External Debt Arrears

14. The CG will not incur new arrears in the payments of its external debt obligations at any time during the program. External arrears are defined as a delay in the payment of contractual obligations beyond the grace period set in the respective loan or debt contracts. Arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or for which the Government or the institution with Government guaranteed debt is pursuing a debt restructuring are excluded from this definition. The performance criterion will be applied on a continuous basis under the program.

15. For the purpose of monitoring, data on external arrears by creditors will be reported immediately.

E. Ceiling on CG Transfers and Grants to Public Institutions

16. CG Transfers and Grants to Public Institutions will include cash transfers and grants to entities listed in paragraph 3 above.

17. For the purpose of monitoring, the data will be measured as cumulative over the fiscal year and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period (Section C, Table 2).

F. Ceiling on the Stock of Public Debt

18. Public debt is defined as domestic and external CG debt, SOEs debt guaranteed by the CG, and domestic CG expenditure arrears. Interest and penalties arrears resulting from non-payment of debt service on external commercial debt subject to debt restructuring are excluded from the definition of public debt. For program purposes, the stock of CG and CG guaranteed debt is measured under the disbursement basis excluding valuation effects. Program FX rates defined in Table 1 will be used to value debt in FX.

19. Adjustors: The ceiling on stock of public debt will be adjusted upwards by the full amount of the surplus in disbursements from multilateral institutions (i.e., Caribbean Development Bank (CDB), the Interamerican Development Bank (IDB), the Development Bank of Latin America (CAF), and the International Bank for Reconstruction and Development (IBRD)) relative to the baseline projection. The ceiling on stock of public debt will be adjusted downward by the amount of nominal debt forgiveness in the case of debt restructuring.

20. For the purpose of monitoring, the CG debt and CG guaranteed debt data by issuer, creditor, maturity, and currency will be reported to the Fund on a quarterly basis, with a lag of no more than four weeks from the end-of-period (Section D, Table 2). Data on external and domestic arrears will be reported to the Fund as set forth elsewhere in this TMU.

II. INDICATIVE TARGETS

A. Ceiling on the Stock of Domestic CG Expenditure Arrears

21. The stock of domestic expenditure arrears of the CG is defined as the sum of: (a) any invoice that has been received by a spending agency from a supplier of goods, services, and capital goods delivered and verified, and for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period), or in the absence of a grace period, within 60 days after the due date; (b) non-contributory pension transfers (by CG only), wages and pensions contributions to the NIS for which payment has been pending for longer than 60 days; (c) rent and loan payments to the NIS pending for longer than 60 days; and (d) arrears on refunds of Personal Income Tax (PIT), Reverse Tax Credit (RTC), Corporate Income Tax (CIT), and Value Added Tax (VAT). Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid six months after the filing date.

22. For the purpose of monitoring, the data on CG expenditure arrears and its components by creditors will be measured as stock observed as at test date and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period. (Section C, Table 2).

B. Floor on CG Social Spending

23. The indicative floor on social spending of the CG will apply only to expenditures incurred by the CG on the following plans and programs, excluding operating expenditure, that are intended to have a positive impact on education, health, social protection, housing and community services and recreational activities:

- Welfare Department spending including cash transfers and assistance for house rents, utilities, food, and education to the poor and vulnerable;
- Child Care Board spending on protection of vulnerable children;

- Youth Entrepreneurship Scheme assisting jobless youth to start own businesses;
- Strengthening Human and Social Development programme targeting the unemployed and vulnerable families and youth;
- Alternative Care for the Elderly programme targeting the elderly transferred to private care;
- Provision of medication to HIV patients.

24. For the purpose of monitoring, the data will be measured as cumulative over the fiscal year and it will be reported on a quarterly basis, with a lag of no more than four weeks from the end-of-period (Section D, Table 2).

C. Ceiling on the Stock of Public Institutions Expenditure Arrears

25. The stock of public institutions expenditure arrears is defined as the sum of: (a) any invoice that has been received by a spending agency from a supplier of goods, services, and capital goods delivered and verified, and for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period), or in the absence of a grace period, within 60 days after the due date; (b) wages and pensions contributions to the NIS for which payment has been pending for longer than 60 days; (c) arrears on Tax obligations defined as obligations on taxes in accordance with tax legislation.

26. The list of public institutions covered by this indicative target is listed in paragraph 3 excluding University of West Indies (UWI).

27. For the purpose of monitoring, the data on SOE expenditure arrears and its components by creditors will be measured as stock observed as at the test date and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period. (Section D, Table 2).

III. PROGRAM REPORTING REQUIREMENTS

28. Performance under the program will be monitored from data supplied to the IMF as outlined in Table 2. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the arrangement under the EFF.

Table 2. Barbados: Summary of Data to be Reported to the IMF

In what follows Financial Sector and External sector data is to be provided by the CBB, Real and Fiscal sector data by the MOF, in consultation with relevant agencies unless otherwise noted.

Reporting on a daily basis, with a lag of no more than one week of the end-of-period

- CBB NIR, as defined in section I.
- CBB GIR.

Reporting on a monthly basis, with a lag of no more than two weeks of the end-of-period

Financial Sector

- CBB NDA, as defined in section I.
- CBB survey showing the detailed composition of net foreign assets (NFA), net claims on the central Government (NCCG), claims on other depository corporations (CODC), claims on other sectors of the economy (COSE), other items net (OIN), and monetary base (MB).
- CBB purchases and sales of foreign exchange
- Amounts offered, demanded and placed in Government auctions and primary issues; including minimum maximum and average bid rates.
- Statement of use and outstanding balance of the CG deposit in the CBB.

Reporting on a monthly basis, with a lag of no more than four weeks of the end-of-period

Real Sector

- RPI index, its components, and weights.

Fiscal Sector

- CG budgetary accounts.
- Net Domestic Financing and its components.
- Net External Financing and its components.
- Grants and transfers to public institutions listed in paragraph 3 as defined in Section I.
- Stock of CG external arrears (interest, principal, and penalty amounts separately) by creditor and its components as defined in Section I. This will be reported immediately.
- Program loan disbursements from multilateral institutions, including the CDB, the IDB, the CAF, and the IBRD as defined in section I.
- Budget support grants as defined in section I.
- Liabilities of public-private partnerships (PPPs) (if any).
- Stock of CG expenditure arrears by creditor and its components as defined in Section II.
- Stock of expenditure arrears of public institutions listed in paragraph 3 by creditor and its components as defined in Section II.

External Sector

- BOP trade balance data.
- CBB's Cashflow Table deriving GIR and NIR.

Reporting on a monthly basis, with a lag of no more than six weeks of the end-of-period

Financial Sector

Other Depository Corporations (ODC) survey showing the gross items for NFA, claims on the CBB, net claims

Table 2. Barbados: Summary of Data to be Reported to the IMF (continued)

on the CG (NCCG), COSE, OIN, deposits included in broad money (BM), deposits excluded from BM, and liabilities to the CBB.

- Depository Corporations (DC) survey as the consolidation of CBB and ODC surveys showing the gross items for CBB NFA, ODC NFA, ODC NCCG, COSE, OIN, and BM.

Reporting on a quarterly basis, with a lag of no more than four weeks of the end-of-period

Real Sector

- Nominal and real GDP
- Tourism and other real sector high frequency indicators.

Fiscal Sector

- Social expenditure and its components as defined in Section II.
- Financial position of public institutions listed in paragraph 3 including non-audited income statement, balance sheet and profit and loss accounts.
- CG domestic debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- CG external debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- CG domestic guaranteed debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- CG external guaranteed debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- SOE domestic non CG guaranteed debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- SOE external non CG guaranteed debt stock data by creditor/holder and by maturity (ST \leq 1 year, and LT $>$ 1 year maturity).
- Quarterly LT and ST debt amortization and interest projections separate for CG domestic, CG external, CG guaranteed domestic and CG guaranteed external debt.
- Copies of loan agreements for any new loan contracted, including financing involving the issue of Government paper, and of any renegotiated agreement on existing loans.
- Stock of Tax Refunds and its components as defined in Section II.

Financial Sector

- CBB Balance sheet

External Sector

- Balance of Payments accounts.

Reporting on a quarterly basis, with a lag of no more than six weeks of the end-of-period

Financial Sector

- The following financial stability indicators by bank and by sector:
 - Regulatory capital
 - Regulatory Tier 1 capital
 - Risk-weighted assets
 - Total assets

Table 2. Barbados: Summary of Data to be Reported to the IMF (concluded)

- Total liabilities
- Nonperforming loans in BRB\$ millions
- Non-performing loans net of provisions
- Gross loans
- Sectoral distribution of loans to total loans
- Return on assets
- Return on equity
- Interest margin
- Gross income
- Noninterest expenses
- Liquid assets
- Short-term liabilities
- Net open position in foreign exchange
- Large exposures to capital
- Gross asset position in financial derivatives
- Gross liability position in financial derivatives
- Total income
- Personnel expenses
- Noninterest expenses
- Spread between reference lending and deposit rates (base points)
- Highest interbank rate
- Lowest interbank rate
- Customer deposits
- Total (non-interbank) loans
- Foreign-currency-denominated loans
- Foreign-currency-denominated liabilities
- Net open position in equities
- Net profits of the banking sector

Reporting on an annual basis, within 6 weeks of the end-of-period

- Nominal and real GDP and its components from the demand and supply side (provided by the MOF).
- Audited financial statements of Public Institutions listed in Paragraph 2 within 12 weeks of the end-of-period.
- Summary of legislative changes pertaining to economic matters.
- Notification of establishment of new Public Institutions.
- Notification of change in juridical status of existing Public Institutions.
- Audited financial statements of Commercial Banks.

**Statement by Philip Jennings, Executive Director for Barbados, Feargal O'Brolchain,
Alternate Executive Director, and Ann Marie Wickham, Senior Advisor to Executive Director
June 22, 2023**

Our Barbadian authorities appreciate the Fund's continued support and wish to thank staff for their engagement and policy discussions to conclude the first reviews under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF). Additionally, the government welcomes the Fund's capacity development engagement which has always played a vital role in strengthening the institutional and technical capabilities in Barbados. Our authorities are also grateful to the IMF and its Climate Finance Task Force in facilitating a roundtable with other IFIs/development partners in scaling up climate financing to supporting Barbados' climate agenda. Our authorities broadly share staff's analysis and recommendations which emphasize the importance of maintaining fiscal sustainability, implementing structural reforms, and increasing resilience to climate change and natural disasters.

I. Overview of Program Performance

Barbados has consistently demonstrated a strong track record under the previous EFF program, primarily attributed to their unwavering dedication to the reform priorities, strong support from IFIs, and robust public support of their home-grown BERT plan. **Barbados continues to perform strongly for the first review under the joint EFF-RSF arrangements.**

Under the EFF, all quantitative performance criteria and indicative targets were successfully achieved with the primary balance target, and the floor on social spending surpassing program targets. Fiscal targets on external debt arrears and public debt were also achieved. In addition, the targets on net international reserves and net domestic assets of the Central Bank of Barbados (CBB) were met by wide margins. Further, all five structural benchmarks were implemented, albeit one with delay. Our authorities finalized the adoption of legislative provisions to modernize tax and duty exemptions, undertook a data matching project between the Revenue and Customs agencies, developed a reform plan to enhance the sustainability of the National Insurance Fund, conducted a stocktaking exercise of reform priorities to enhance the business environment, and developed a revised pension law applicable to civil servants. Looking ahead, our authorities have requested the modification of some future quantitative performance criteria and indicative targets reflecting updates to the macro framework and the resetting of five structural benchmarks—one to be completed ahead of time and the other four to allow for more time for wider public consultation, in accordance with the Social Partnership.

The package of reform measures (RM) for the first review under the RSF has been successfully implemented. RM#1 comprised of three extensive reform efforts: Cabinet approved amendments to the Planning and Development Act to strengthen the climate resilience of roads; Parliament approved the Water Re-use Bill, adopting an updated water re-use policy to address water scarcity; and government fully operationalized the Barbados Environmental Sustainability Fund. RM#2 also included two substantial climate related measures as well as one reform measure on beneficial ownership. The two climate related measures—to include a fiscal risk statement focusing on climate change risks in the FY2023/24 budget and cabinet to approve Procurement Act Regulations to support green procurement—were successfully completed, however the

measure related to the provision on beneficial ownership was reformulated due to legal impediments related to data privacy. Both staff and the authorities agreed to replace the measure with two additional strong climate-related policy reforms that bolster the already ambitious climate reform agendas under the RSF: Cabinet to approve a green public procurement framework providing operational parameters to implement green procurement; and Cabinet to approve guidelines for climate/green budget tagging to be published in an annex in the annual budget. RM#2 will be rephased to the second review. These two additional policy reforms are in line with the program objectives of the RSF and will help to reinforce accountability while achieving the country's ambitious reform and climate agenda.

II. Fiscal and Debt Sustainability

Barbados continues to make notable progress in enhancing fiscal performance and safeguarding fiscal sustainability. In FY2022/23, the fiscal position improved significantly as evidenced by the 2½ percent of GDP primary surplus from a deficit of 1 percent of GDP in the previous year. This was attributed to the reduction in COVID-related expenditure, effective management of expenditures, and higher revenue collection. This improvement allowed the authorities to meet the fiscal target and accelerate debt reduction. The FY2023/24 budget envisages an increase in the primary surplus to 3½ percent of GDP, in line with program targets, supported by advancing fiscal consolidation. Primary surpluses are targeted to strengthen to 5 percent of GDP in FY2025/26 supported by the economic recovery and structural reforms.

Our authorities are making good progress in strengthening fiscal institutions. The Government has introduced a fiscal rule to enhance fiscal transparency and lock in the gains of fiscal consolidation. Under the procedural fiscal rule, the government commits to preparing an annual monitorable fiscal strategy, to regularly publish outcomes against this strategy and to take remedial action when required. Moreover, the government has established a Fiscal Council to promote sound fiscal management ensure the accountability and transparency of the Government with respect to the implementation of the fiscal strategy.

Our authorities are working on additional reforms to bolster the public financial management framework and rationalize state-owned enterprises (SOEs). Reducing government subventions to public entities is essential to sustain medium-term fiscal viability and boost growth potential by redirecting scarce public resources into critical productive investments. The government intends to revitalize its SOE reform agenda which was temporarily halted during the pandemic. The objective is to unwind transitory support provided to SOEs, reduce overlap, and achieve improved financial and operational efficiencies. This will be accomplished through mergers, rationalizations, and the implementation of targeted reform initiatives to enhance the performance of SOEs and reduce government dependence.

Our authorities remain committed to generating the primary balances needed to achieve the debt anchor of 60 percent by FY 2035/36. Public debt declined to 122½ percent of GDP as of end-FY2022/23 compared to 135 percent of GDP at end-FY2021/22. Barbados' public debt

remains sustainable and overall risk of sovereign stress is moderate. Significant progress has been made in resolving domestic arrears, and the authorities are firmly committed to avoiding the accumulation of new arrears. The government is focused on strengthening debt management and are committed to publishing the 2022-23 to 2024-25 Medium Term Debt Management Strategy (MTDS) and borrowing plan. Progress has been made to re-engage the domestic capital market, including the issuance of bonds under the Barbados Optional Savings Scheme. Other measures are being taken to further stimulate the market, including reverse options and on-demand bonds.

III. Enhancing Monetary and Financial Sector Policies

Inflationary pressures remain a concern and as of February 2023, the inflation rate increased to nearly 7 percent from the 2.2 percent recorded in February 2022. Recognizing the social impact of imported inflation, the government took temporary measures including by temporarily reducing VAT on fuel, electricity, and some consumption goods. Given the high reliance on imports, inflation is expected to moderate to 5 percent by year-end 2023, driven by a projected decline in US inflation and the easing in global oil prices. Barbados' exchange rate peg to the US dollar has provided a key anchor for macroeconomic stability since 1975 and the authorities continues to implement policies to support the peg and sustain adequate international reserves balances. International reserves reached US\$1.6 billion at end-March 2023—from a low of US\$220 million prior to the 2018 EFF—covering over 7 months of imports (about 250 percent of the Fund's reserve adequacy metric).

Our authorities remain committed to prioritizing reforms aimed at bolstering the operational capacity of the CBB to effectively execute monetary policy and ensure the stability of the financial sector. Building upon the successful implementation of all recommendations of the 2018 Safeguards Assessment, the 2023 Assessment found that the CBB has established strong safeguards including comprehensive enhancements to its legal framework, governance structures, and financial reporting practices. The CBB is working to enhance its toolkit for conducting monetary policy and promoting macro prudential stability and efforts are ongoing to enhance financial sector monitoring through the recently modernized Central Bank Law.

The banking system is adequately capitalized and the asset quality of both banks and credit unions are improving. Liquidity remains stable and the credit quality of banks and credit unions' have improved. Due to the high level of excess liquidity in the banking system, the rise in global interest rates has not had a significant impact on lending rates in Barbados. Non-performing loans continue to decline for both banks and credit unions and the CBB temporary regulatory guidance on NPLs introduced in 2020 was phased out. Credit to the private sector experienced a notable growth of nearly 4 percent, marking a significant departure from the downward trend observed since 2019.

IV. Enhancing Governance

Barbados has made significant progress in addressing key items on the Financial Action Task Force (FATF) Action Plan with 33 of the 40 recommendations implemented—with a rating of compliant or largely compliant. Our authorities are fully committed to strengthening the AML/CFT framework in accordance with the agreed-upon action plan to promptly exit the FATF’s International Review Group process. To address concerns related to beneficial ownership transparency, our authorities have implemented a number of measures including inspections, risk rating exercises, and the enforcement of sanctions on companies. To address low reporting levels, the Financial Intelligence Unit has issued guidance and conducted training. These efforts aim to enhance transparency and accountability by ensuring that information about beneficial ownership is accurately reported and available to relevant authorities.

Enhancing transparency, and promoting good governance are overarching priorities for the government of Barbados. In December 2021, a new procurement law was approved by Parliament to promote integrity, fairness, transparency, and value for money in public procurement and to ensure that outlays—including those related to COVID-19—are efficiently allocated. The Act also requires the publication of all procurement contracts awarded in the year as well as reports on supplier performance and includes several innovations to enhance governance. Further, to help operationalize the Procurement Act and support ‘green procurement’ processes, our authorities have committed to approving the Procurement Regulations by end-September 2023.

In line with efforts to combat corruption and promote good governance, our authorities in the past 2 years have taken several important steps to strengthen the legal framework. These include the reintroduction of a revised Integrity in Public Life Bill, the passing of the Prevention of Corruption Act and a Deferred Prosecutions Act, and the approval of a Whistle-blower Protection bill. Additionally, Barbados has established an Anti-Corruption and Anti-Terrorism Agency to investigate acts of corruption and terrorism.

V. Growth-Enhancing Reforms

Enhancing the country’s growth potential remains a priority under the growth strategy of the BERT plan. Several key priorities have been identified to improve business competitiveness and to provide the regulatory and legislative environment to foster investment opportunities and climate resilience. In February 2023, the Doing Business Sub-Committee of Cabinet and Private Sector Committee conducted a comprehensive stocktaking exercise to evaluate the progress and to inform the forward-looking reform agenda by identifying the unfinished reforms and prioritizing next steps. Moreover, the authorities have recently established a Growth Council with a mandate to sustain the reform momentum.

Our authorities have identified additional growth-enhancing reforms to be undertaken in the near-to-medium-term including the acceleration of small-scale private sector investment in the green transition, advancement of the housing agenda through climate resilient housing, investing in skills training and education initiative, improvements in service delivery and effectiveness of the public service, enhancing competitiveness at ports of entry, address food

security and reduce food import bill, maintaining the competitiveness of the domestic tourism sector and update the Companies Act to ensure consistency with international best practices.

VI. Building Resilience to Climate Change

Barbados is fully committed to building resilience against natural disasters and vulnerabilities arising from the climate crisis. While Barbados contributes little to global climate change, it is increasingly vulnerable to climate change impacts. Barbados has committed to ambitious mitigation and adaptation targets in their most recent nationally determined contributions (NDC). Our authorities have implemented several policies to build structural resilience and to fully transition away from fossil fuels towards renewable energy. These include the development of a national climate resilient strategy—Roofs to Reefs Initiative—which presents an island-wide integrated public and private investment program founded on principles of sustainable development and climate crisis resilience. Building an affordable, green, and climate resilient housing stock—Home Ownership Providing Energy program—to construct 10,000 energy efficient and solar powered houses in five years. To incentivize the acceleration of small-scale private sector investment in the green transition, in energy generation, transport, tourism, and agricultural sectors, the government has provided attractive but temporary feed-in-tariffs and has further reduced duties and taxes on electric vehicles. To support the inclusion of climate priorities in the budget process and financial system, the government intends to adopt green PFM practices including budget preparation, budget execution, fiscal reporting as well as oversight and auditing.

Our authorities are working to mobilize financing to support the climate agenda. The implementation of these reforms, supported by the RSF arrangement, will require significant investments, most notably in the water, renewable energy, and housing sectors. Current climate investment plans, based on the climate programs to build resilience and support the energy transition, amount to about US\$1 billion, to be undertaken through 2030. In January 2023, the World Bank approved a US\$100 million Green and Resilient Recovery Development Policy Loan. The IDB and other development partners have also expressed interest in supporting Barbados' climate-related projects. The IMF Climate Finance Task Force is working with the authorities and other development partners to scale up climate finance in Barbados. In April 2023, the African Export-Import Bank approved the establishment of a Afreximbank-CARICOM Office to be headquartered in Barbados. The office will support the implementation of the Partnership Agreement with CARICOM—US\$1.5 billion in credit with a commitment to increase to US\$3 billion—to boost enhanced trade and investment between Africa and the Caribbean as well as green projects.

Looking ahead, the authorities intend to establish a Blue-Green Investment Corporation, with the support of USAID and the Green Climate Fund, to create a financing vehicle to support climate related projects such as resilient housing, renewable energy, green transportation, and water conservation. Further, our authorities intend to table the National Comprehensive Disaster Risk Management (DRM) Policy to mainstream comprehensive DRM principles into ministry and agency budget planning and ensure resilience in Government and business continuity after a disaster event. With the assistance of the fund, the Government will include climate adaptation and mitigation priorities in the annual fiscal strategy report which will help to identify programs to enhance climate resilience in the fiscal framework and discuss climate crisis related risks in a fiscal risk statement. Further, the authorities intend to complete the Climate Public Investment

Management Assessment (C-PIMA) and undertake reforms to strengthen integration of climate concerns into the PFM process.

VII. Concluding Remarks

Barbados has made remarkable progress since the inception of their home-grown BERT Plan and will continue to do so with the support and partnership of the Fund through the EFF and RSF arrangements. The reform agenda is ambitious, but our authorities are committed to achieving a sustainable, equitable, and resilient growth path for the transformation of Barbados. The authorities look forward to continuing their close engagement with the Fund.