INTERNATIONAL MONETARY FUND

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BARBADOS

December 2024

FOURTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR BARBADOS

In the context of the Fourth Reviews Under the Extended Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 18, 2024 following discussions that ended on November 6, 2024 with the officials of Barbados on economic developments and policies underpinning the IMF arrangement under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on December 3, 2024.
- A **World Bank Assessment Letter** for the Resilience and Sustainability Facility.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Alternate 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.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes the Fourth Reviews Under the Extended Fund Facility and the Resilience and Sustainability Facility with Barbados

FOR IMMEDIATE RELEASE

- *The IMF Executive Board today concluded the fourth reviews under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) with Barbados, allowing for an immediate disbursement equivalent to about US$19 million under the EFF and about US$37 million under the RSF.*

- *Barbados' economic growth has remained robust in 2024 driven by strong tourism, business services, and construction. Inflation has moderated and the external position has continued to strengthen, while the public debt-to-GDP ratio has continued to decline.*

- *Implementation of the home-grown Barbados Economic Recovery and Transformation (BERT 2022) plan and the ambitious climate policy agenda continues to be strong.*

Washington, DC – **December 18, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded today the Fourth Reviews of the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements with Barbados. The conclusion of the reviews allows the authorities to draw the equivalent of SDR 14.175 million (about US$19 million) under the EFF and SDR 28.35 million (about US$37 million) under the RSF. This brings total disbursements under the EFF to SDR 70.875 million (about US$93 million) and SDR 113.4 million (about US$149 million) under the RSF.

The government is continuing to implement its home-grown Barbados Economic Recovery and Transformation (BERT 2022) plan and ambitious climate policy agenda, supported by the IMF under the EFF and RSF arrangements. The BERT 2022 plan aims to achieve more inclusive and sustainable growth, while maintaining fiscal and debt sustainability and building resilience to climate change. The plan places renewed focus on structural reforms, aimed at promoting investment to accelerate the green transition, boost inclusive growth, and enhance competitiveness.

The Barbadian economy expanded by 3.9 percent year-on-year between January and September 2024, driven by tourism, business services and construction. In this context, labor market conditions improved, with unemployment in the first half of the year falling to its lowest level since 2008. Inflation continued moderating due to easing global commodity prices and lower domestic service prices. The external position strengthened further, with the current account deficit narrowing to 5 percent of GDP through September 2024 and international reserves reaching US$1.6 billion (equivalent to over 7 months of imports), continuing to support the exchange rate peg. While Hurricane Beryl caused significant damage to the fishing sector and some coastal infrastructure, the macroeconomic impact is expected to be relatively moderate, in part due to its occurrence during the off-peak tourist season.

All quantitative performance criteria and indicative targets set for the fourth review of the EFF were met. The authorities comfortably met the primary fiscal surplus target for the first half of FY2024/25 and are on course to meet the end-year target of 3.8 percent of revised GDP. Public debt declined to around 105 percent of GDP at end-September 2024 and the authorities remain committed to meeting the debt target of 60 percent of GDP by 2035/36. All structural benchmarks for the fourth review were met and the two RSF reform measures were implemented, supporting the government's climate policy agenda.

Following the Executive Board discussion on Barbados, Mr. Bo Li, Deputy Managing Director and Acting Chair, issued the following statement:

The implementation of Barbados' homegrown Economic Recovery and Transformation (BERT) program and its ambitious climate policy agenda remains strong, supported by the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangement.

The Barbadian economy has grown robustly, driven by tourism and related activities, and construction. Unemployment has fallen and inflation has moderated due to easing global commodity prices and lower domestic service prices. The external position has strengthened, with the narrowing current account deficit and rising international reserves. Fiscal performance has been strong and, although still high, public debt continues to decline. While the outlook is positive, Barbados remains vulnerable to global shocks, climate change, and natural disasters, as demonstrated by Hurricane Beryl.

Important progress is being made on fiscal reforms, including to strengthen revenue administration, improve public financial management, and enhance public investment and procurement. These measures are critical to preserve fiscal sustainability and create space for public investment. Efforts are also ongoing to achieve more inclusive and sustainable growth, with a focus on strengthening the business environment, mobilizing domestic savings, and investing in skills and education.

The exchange rate peg remains a key anchor for macroeconomic stability, supported by ample international reserves. The authorities are working to enhance the monetary policy framework and strengthen financial resilience. Following Barbados' removal from the FATF grey list, maintaining momentum to further strengthen the AML/CFT framework, remains important.

The authorities are advancing their ambitious climate policy agenda. A new Electricity Supply Bill has been tabled to enhance competition in the electricity market and encourage local participation in renewable energy investment. In addition, the Central Bank of Barbados has adopted a strategy for building its capacity to monitor and assess climate change risks, to help safeguard financial stability and economic resilience.

The authorities are successfully mobilizing climate financing, supported by international development partners. The recent debt-for-climate conversion is an important innovation, which will generate savings for upfront green investment to enhance Barbados' water supply and resilience, support environmental sustainability, and boost food security.

INTERNATIONAL MONETARY FUND

BARBADOS

December 3, 2024

FOURTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. The authorities' implementation of the home-grown Economic Recovery and Transformation (BERT 2022) plan and their ambitious climate policy agenda remain strong, supported by the IMF's Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF). Economic growth in 2024 has been robust and inflation has continued to moderate, on the back of easing global commodity prices and lower domestic service prices. The external position continued to strengthen, and international reserves rose further to US$1.6 billion at end-September 2024, supporting the exchange rate peg. The near-term outlook remains positive. While Hurricane Beryl caused significant damage to the fishing sector and some coastal infrastructure, the macroeconomic impact is expected to be relatively moderate, in part reflecting its occurrence during the off-peak tourist season. Nevertheless, the shock once again demonstrated Barbados' vulnerability to climate change and natural disasters. In this regard, the authorities remain committed to improving the fiscal position and maintaining debt sustainability, while creating fiscal space to increase needed investment, including to boost climate resilience. At the same time, the government is continuing to advance structural reforms to achieve more inclusive, sustainable growth.

Program Implementation

EFF. All quantitative performance criteria (QPCs) for this review have been met. The primary balance recorded a surplus of 4 percent of GDP during the first half of FY2024/25, overperforming the program target due mainly to stronger-than-expected tax collection. Public debt declined to around 105 percent of GDP at end-September 2024, a decline of 6 percent of GDP from end-March 2024. All three structural benchmarks (SBs) have also been completed, namely: (i) establishment of the tax identification number (TIN) as the unique identifier for importers and exporters and as a requirement to conduct any border transactions (SB#4); (ii) establishment of a central online platform for government services and development of a digital platform to improve the monitoring and execution of the Public Sector Investment Programme

(SB#21); and (iii) development of standard contracts for routine procurements (SB#12, met at the third review, ahead of time). At the same time, the National Insurance and Social Security Service (NISSS) has submitted all remaining outstanding financial statements (2017–2023) for audit by the Auditor General (SB#9, implemented with delay). The authorities are also advancing work on SBs for the fifth review. Program targets remain consistent with the authorities' commitment to bring public debt down to 60 percent of GDP by FY2035/36.

RSF. The authorities have completed both reform measures (RMs) for this RSF review. In September, the government tabled in Parliament a new Electricity Supply Bill to enhance competition in the electricity market and introduce local participation in renewable energy investment (RM #8). The CBB also adopted a strategy for building capacity to monitor and assess climate change risks, including building a data collection mechanism and joining the Network for Greening the Financial System (RM#9). Meanwhile, the authorities are progressing work for the fifth RSF review to: (i) integrate climate risks into financial stability assessments (RM#10); and (iii) integrate climate concerns in the public financial management (PFM) process (RM#5), both with support from IMF technical assistance (TA).

Approved By
Ana Corbacho (WHD) and Peter Dohlman (SPR)

A mission team visited Bridgetown, Barbados during October 31–November 6, 2024. The team comprised Michael Perks (head), Daniel Jenya, Aiko Mineshima, Camila Perez (all WHD), Patrick Blagrave (Resident Representative), Yong Sarah Zhou (SPR), and Eduardo Camero Godinez (FAD). Laron Alleyne and Amy Carrington (IMF Local Office) assisted the mission. The mission met with Prime and Finance Minister Mia Mottley, Central Bank of Barbados Governor Kevin Greenidge, Minister in the Ministry of Finance Ryan Straughn, other senior government officials, trade unions, banks, the private sector, and development partners.
Ann Marie Wickham (OED) joined some of the meetings.

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Glossary

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ARA	Assessment of Reserve Adequacy (IMF)
BAMC	Barbados Agricultural Management Corporation
BCED	Barbados Customs and Excise Department
BERT	Barbados Economic Recovery and Transformation Plan
BLPC	Barbados Light and Power Company
BOSS	Barbados Optional Savings Scheme
B$	Barbados Dollar
BOP	Balance of Payments
BRA	Barbados Revenue Authority
BSS	Barbados Statistical Service
CAF	Development Bank of Latin America and the Caribbean
CAIPO	Corporate Affairs and Intellectual Property Office
CARTAC	Caribbean Regional Technical Assistance Center
CBB	Central Bank of Barbados
CDB	Caribbean Development Bank
CG	Central Government
CIT	Corporate Income Tax
CPI	Consumer Price Index
C-PIMA	Climate Public Investment Management Assessment
CY	Calendar Year
EFF	Extended Fund Facility
ELA	Emergency Liquidity Assistance
EMBIG	Emerging Markets Bond Index Global
FAD	Fiscal Affairs Department (IMF)
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FMA	Financial Management and Audit
FSC	Financial Services Commission
FY	Fiscal Year
GCF	Green Climate Fund
GDP	Gross Domestic Product
GIR	Gross International Reserves
GFN	Gross Financing Needs
KPIs	Key Performance Indicators
ICC	International Cricket Council
IDB	Inter-American Development Bank
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IIP	International Investment Position
IT	Indicative Target
LT	Long Term
LTU	Large Taxpayer Unit
MAU	Management Accounting Unit
MFEI	Ministry of Finance, Economic Affairs, and Investment
MEFP	Memorandum of Economic and Financial Policies
MTDS	Medium-Term Debt Strategy
MW	Megawatt
NDC	National Development Corporation
NGFS	Network for Greening the Financial System
NHC	National Housing Corporation
NISSS	National Insurance and Social Security Service
NIF	National Insurance Fund
PC	Performance Criterion
PFM	Public Finance Management
PIMA	Public Investment Management Assessment
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
QPC	Quantitative Performance Criteria
RDC	Rural Development Corporation
RE	Renewable Energy

RM	Reform Measure
SB	Structural Benchmark
SCWR	South Coast Water Reclamation Project
SDR	Special Drawing Right
SOE	State-Owned Enterprise
SOFR	Secured Overnight Financing Rate
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
UDC	Urban Development Corporation
USAID	United States Agency for International Development
US$	US Dollar
VAT	Value Added Tax
YoY	Year-on-Year

CONTEXT

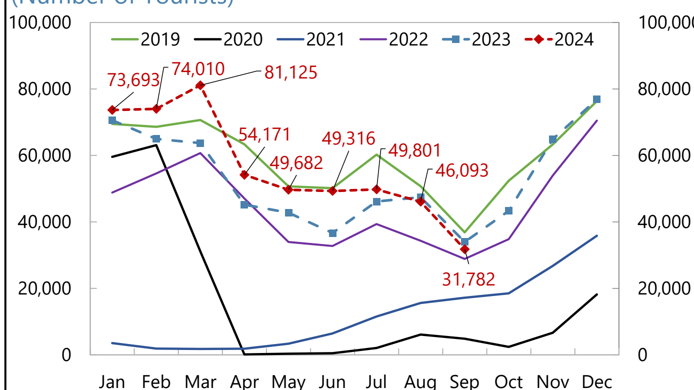
1. **Barbados is making good progress with the implementation of its ambitious economic reform plan, supported by the EFF and RSF arrangements.** The authorities' BERT 2022 plan aims to achieve more inclusive and sustainable growth, while maintaining fiscal and debt sustainability and building resilience to climate change. To this end, the plan places renewed focus on structural reforms, aimed at promoting investment to accelerate the green transition, boost growth potential, and enhance competitiveness. The current plan builds on the achievements of the BERT 2018 plan and the 2018-2022 EFF arrangement, under which the authorities restored macroeconomic stability and successfully weathered a series of severe economic shocks.

RECENT DEVELOPMENTS AND OUTLOOK

A. Recent Developments

2. **Barbados' economic growth has remained robust in 2024.** The economy posted a 3.9 percent y/y expansion from January to September 2024, driven by tourism, business services and construction.[1] Tourist arrivals through September 2024 rose by around 13 percent from the same period in 2023, driven mainly by those from the US, Canada, and CARICOM, and aided by the T20 Cricket World Cup in June and expanded airlift capacity. Robust tourism in turn supported hotel demand and stimulated other related sectors such as wholesale and retail trade, entertainment, construction, and manufacturing (e.g., food and beverages). Notably, construction activity grew by 7.2 percent y/y through September 2024, led by ongoing projects in the tourism sector as well as public sector investments, including the rehabilitation of water and road infrastructure. On July 1, Hurricane Beryl passed the south coast of Barbados resulting in storm-force winds and large waves that caused significant damage to the fishing sector and some coastal infrastructure. The macroeconomic impact is expected to be relatively moderate, with an estimated impact on GDP growth of around 0.15 percent in 2024, in part reflecting its occurrence during the off-peak tourist season (Box 1).

Long-Stay Tourist Arrivals
(Number of Tourists)



Source: Barbados Statistical Service.

[1] Based on new GDP statistics published by the Barbados Statistical Service (BSS) in July 2024. The new GDP statistics are based on reference year 2016, rebased from 2010. See Box 2 for key changes.

Box 1. The Economic Impact of Hurricane Beryl

Hurricane Beryl passed south of Barbados as a Category 3 hurricane early on July 1, 2024. It was the earliest a storm of this strength has ever developed in the Atlantic hurricane season. Sustained storm-force winds resulted in large waves, impacting the southern and western coasts of Barbados. Much of the damage occurred to coastal infrastructure and the environs. A third of the Bridgetown Fishing Harbour's breakwater was destroyed, with damage to 241 fishing vessels and destruction of another 64 vessels. The island's hotel capacity was also affected, with businesses closing temporarily or operating on a limited basis. Around five percent of properties partially or fully closed over a period of 1–12 weeks, impacting an estimated 200 tourism sector workers. While damage to water and energy utilities was minimal, limiting service disruptions, a temporary offshore sewage outfall pipe was severed and anchor blocks were displaced, prompting a temporary closure of the nearby breach, while repairs were undertaken.

Initial estimates suggest that the total cost of Hurricane Beryl could reach around 1.4 percent of GDP. In August, the Economic Commission for Latin America and the Caribbean (ECLAC) damage and loss assessment, estimated total damages, losses, and additional costs (including for hurricane preparation, clean-up, and operational disruption) at B$193 million (1.4 percent of 2024 GDP). Damages and losses were concentrated in the fisheries and tourism sectors, but also impacted transport infrastructure, agriculture, housing, and the environment.

The overall macroeconomic impact of Hurricane Beryl is expected to be moderate. The absence of adequate insurance coverage, particularly in the fishing sector, slowed the recovery and necessitated government intervention (see below). There were also minor damages to around 35 acres of banana crops. Nevertheless, the impact on GDP growth is estimated to be contained at 0.15 percent. Ultimately, the timing of Beryl's passage on the tail-end of Barbados' hosting of the International Cricket Council (ICC) T20 World Cup and in the off-peak tourist season, was an important mitigating factor. The impact on inflation has been small, with the constrained supply of fish having little impact on food prices in July-August, in the context of the ongoing decline in international food prices.

The fiscal cost of Beryl has also been relatively contained, with support largely targeted on the fishing industry. The government has provided grants of up to 25 percent of the cost of repairs or purchase of boats, at an estimated budget cost of B$2 million. Moreover, a 30-year revolving fund is being established in collaboration with financial institutions, to help finance the purchase of new boats. A benevolent fund for fisherfolk was also established, financed by a total of B$2.6 million in donations from the Development Bank of Latin America and the Caribbean (CAF), the African Export-Import Bank, Dominica, the Cayman Islands, and Rwanda. As of mid-November, 56 boat owners had received financial assistance totaling B$0.6 million. More than 500 persons across the fishing and tourism sectors who experienced job losses and employment interruptions have also been able to access the National Insurance and Social Security System (NISSS)'s Business Interruption Benefit, albeit outside the central government budget. More generally, in November, the World Bank approved a US$54 million Beryl Emergency Response and Recovery project loan to support the recovery efforts, enhance disaster preparedness, and boost resilience to future shocks.

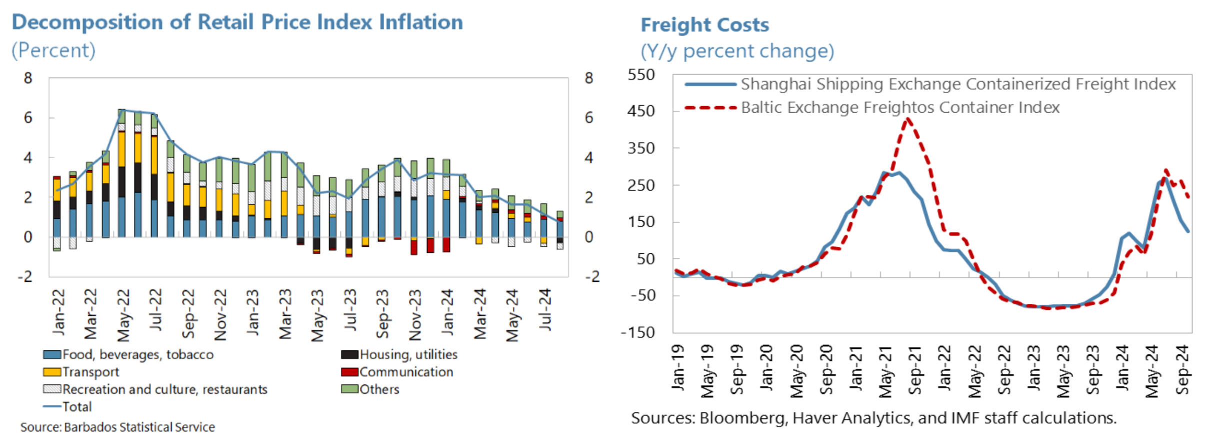
The government is taking steps to strengthen its strategy to enhance resilience. A new unit will be established, charged with coastal protection and beach maintenance, to support resilience-building and protective coastal infrastructure. In addition, the government is undertaking a re-evaluation of its new investment plan (¶24) to prioritize repairs to the harbors and the Bridgetown port breakwater.

3. **The labor market continued to strengthen.** The unemployment rate declined from an average of 8.7 percent in H1 2023 to 7.3 percent in H1 2024, the lowest level since 2008. Unemployment claims remained below 7,500 for the first nine months of the year, around 12 percent lower than the 2017-2019 average. After a slight decline in Q1 2024, labor force

participation also increased in Q2 2024 to 63.5 percent, reflecting strong economic activities, especially in tourism, construction, manufacturing, wholesale and retail, and business services. Notably, both youth and female unemployment also showed significant improvement in H1 2024, compared to H1 2023, declining from 22 percent to 19.5 percent and from 9.8 percent to 6.8 percent, respectively.

4. **Inflationary pressures continued to moderate, reflecting the easing of global commodity prices.** Y/y retail price inflation fell to 0.7 percent in August, from 2.9 percent a year earlier. 12-month average inflation also declined from 3.4 percent to 2.4 percent. The decline was driven by the easing of global commodity prices (e.g., food and oil imports) and prices of durable goods and hospitality services, offsetting higher prices of certain domestic agricultural products, resulting from drought-related supply shortages, as well as higher freight costs.[2]

Figure 1. Barbados: Inflation Developments



5. **The overall financial system remains resilient, with risks to stability contained.** Through September 2024, credit to the non-financial private sector picked up by 2.9 percent, driven mainly by higher lending to real estate and households. New lending to the non-financial private sector in January to September continued to be relatively strong, up around 20 percent from the same period in 2023. The banking system remains resilient, with the capital adequacy ratio at over 20 percent at end-September 2024, well above the 8 percent prudential requirement. Banks' profitability measured by the return on assets (ROA) fell back to 1.2 percent, close to historical levels, due to a smaller reduction in loan loss provisions. The ratio of non-performing loans (NPLs) to total loans declined further to 4.6 percent at end-September 2024, from 5.0 percent at end-2023. Meanwhile, provisioning remains well above required levels. Financial soundness indicators for finance companies and credit unions remained stable, with NPLs between 10-11 percent of total loans and capital to assets ratios of 21 and 11 percent, respectively, at end-September 2024.

6. **Fiscal performance continued to be strong with Barbados meeting program targets.** The primary surplus for the first half of FY2024/25 reached B$581 million (4 percent of GDP),

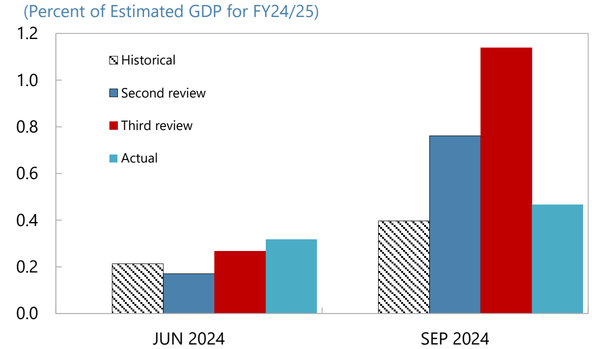
[2] Freight costs continued to rise in H1 2024 because of rerouting expenses resulting from congestion at the Panama Canal caused by drought conditions, as well as geopolitical conflicts in the Middle East.

comfortably overperforming the program target of B$210 million (1.5 percent of GDP). This in turn led to a stronger-than-anticipated overall balance during the first half of FY2024/25. As a result of this overperformance and the rebasing of GDP, overall public debt—including government guaranteed state-owned enterprise (SOE) debt—declined to around 105 percent of GDP at end-September, down from around 111 percent of GDP at end-FY2023/24.[3]

- *Revenues* overperformed projections, driven by stronger-than-expected collections of corporate income tax (CIT), property tax, and value-added tax (VAT). Strong CIT collection reflected the implementation of a new accounting framework (i.e., International Financial Reporting Standards (IFRS)17) for the insurance sector as well as the CIT reform implemented in November 2023, which increased the tax rate for some companies and shifted them from semi-annual to monthly tax pre-payments.[4] Robust economic activities underpinned strong VAT collections. Meanwhile, early issuance of land tax bills led to higher property tax collection, which is expected to unwind in the second half of the fiscal year.

- *Expenditure* was broadly in line with the budget during the first half of the fiscal year. Notably, government outlays following Hurricane Beryl have thus far been relatively contained, with targeted support to ensure the recovery of affected sectors (see Box 1). At the same time, the authorities maintained a high level of social spending, comfortably meeting the program floor. Capital spending exceeded typical seasonal patterns but fell short of the levels targeted at the third review, reflecting both the early onset of the hurricane season, with Hurricane Beryl arriving in early July, and ongoing execution constraints.[5] Interest expenses increased, as expected, due to both the step-up in coupons on restructured domestic bonds and higher interest on floating-rate external debt, reflecting rising global interest rates.

Capital Expenditure
(Percent of Estimated GDP for FY24/25)



Sources: Ministries of Finance and IMF staff calculations.

7. The external position strengthened further. The current account deficit narrowed considerably to 5 percent of GDP through September, down from 9.5 percent of GDP in the same period in 2023, supported by strong tourism, savings from reduced global food and fuel prices, and higher current transfers related to the introduction of the new IFRS 17 accounting standards to the insurance sector.[6] Gross international reserves reached US$1.6 billion at end-September 2024,

[3] See Box 2 for the details of the rebasing of GDP statistics and its implications on fiscal ratios.

[4] See Staff Report for the Third Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility, Box 1 for more details.

[5] At the third review, a frontloading of capital spending was envisaged in the areas of road maintenance, water infrastructure, and public housing, including for low-income families.

[6] In Barbados' BoP statistics, offshore financial institutions are treated as non-residents, thus their tax payments to the Barbadian government are recorded as current transfers (inflows).

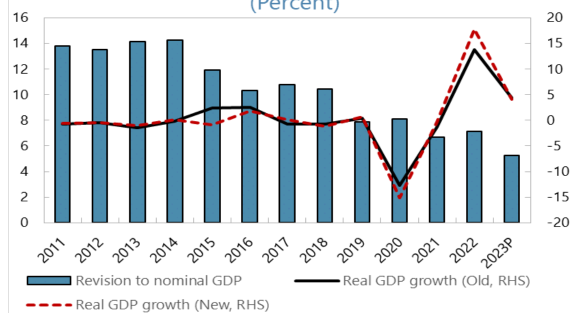
equivalent to around 7 months of imports of goods and services, underpinned by the improvement in the current account, FDI inflows, and disbursements from international financial institutions (IFIs).

Box 2. Barbados' New GDP Statistics

In late July, the authorities published rebased GDP statistics (production side) for 2010-2023. The new GDP statistics are based on an updated Supply and Use Table (SUT) for 2016, replacing the previous 2010 SUT. The new estimates of domestic economic activity are based on information from the tax system, augmented by survey data, financial statements, and other sources. The new statistics also incorporate more comprehensive information on agricultural food crops than the previous GDP statistics.

The rebasing led to an upward revision to nominal GDP. Use of the 2016 SUT led to a broad-based increase in nominal GDP across sectors, with the exception of accommodation and food services and personal and other services. While the new GDP statistics did not materially alter historical real GDP growth, GDP deflator growth was revised downward from 2019 onwards, narrowing the upward revision to the level of nominal GDP to 5 percent by 2023, from 10 percent in the reference year 2016.

GDP Revisions
(Percent)

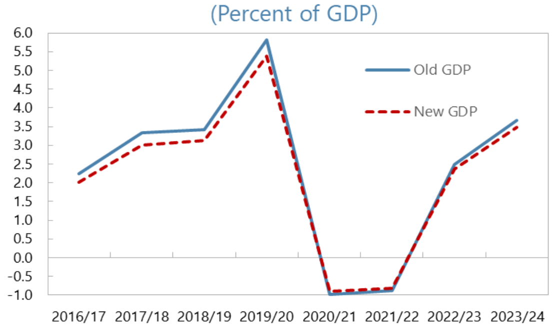


Sources: Barbados Statistical Service and IMF staff calculations.

The upward revision to nominal GDP reduced the public debt-to-GDP ratio, while leaving underlying debt-carrying capacity unchanged. With revised GDP, the debt ratio as of end-FY2023/24 was 111 percent of GDP, down 5.5 percentage points. However, the increase in GDP also reduced the revenue-to-GDP, primary surplus-to-GDP, and exports-to-GDP ratios. Importantly, Barbados' capacity to repay—proxied by the debt service-to-revenue ratio or debt service-to-exports ratio—remains unaltered.

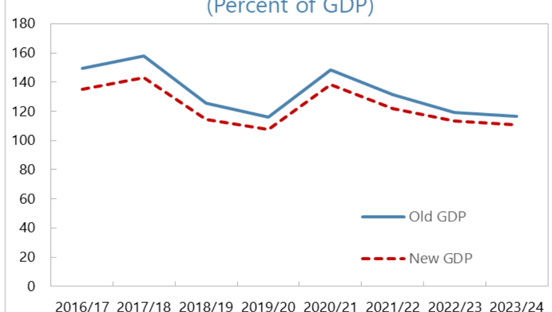
Impact of GDP Revisions on Fiscal Ratios

Primary Balance
(Percent of GDP)



Sources: Barbados Statistical Services, Central Bank of Barbados, and IMF staff calculations.

Public Debt
(Percent of GDP)



Sources: Barbados Statistical Services, Central Bank of Barbados, and IMF staff calculations.

8. **Market sentiment remains stable.** Since the last review, sovereign debt spreads have remained contained around the 350-450 basis points range, a relatively low level from a historical perspective, broadly tracking moves in the Emerging Markets Bond Index Global (EMBIG). Following upgrades in rating and ratings' outlooks in the second half of 2023, Barbados' credit ratings were upgraded again in October and November 2024 to B+ (Stable) by Fitch, and to B (Positive) by Standard & Poor's, reflecting Barbados' progress in strengthening the public sector finances,

including achieving large primary surpluses and lowering the high public debt-to-GDP ratio. Moody's credit rating for Barbados remains unchanged at B3 (Stable).

B. Outlook and Risks

9. The near-term economic outlook remains positive. The economy is expected to expand by nearly 4 percent in 2024, while inflation is projected to pick up somewhat in the second half of 2024. The relatively moderate economic impact of Hurricane Beryl is expected to be largely offset by the strong H1 expansion and continued solid growth in tourism, aided by expanded airlift capacity, and new construction projects (e.g., hotel, housing, and marina projects). As a result, real GDP growth is projected at 3.8 percent in 2024, broadly unchanged from the third review. Inflation is projected to pick up in H2, reflecting the delayed passthrough from rising freight costs, leaving 12-month moving average inflation at around 2.3 percent at end-2024. Over the medium term, growth and inflation are expected to stabilize at their long-term historical averages of about 2 and 2.4 percent, respectively, unchanged from the third review. The current account deficit is expected to continue narrowing to 5.9 percent of GDP in 2024 and to about 5 percent of GDP by 2028, as tourism and commodity prices fully normalize.

10. Nevertheless, risks to the outlook remain high and tilted to the downside (Annex I). The medium-term economic outlook is vulnerable to potential global economic and financial shocks and natural disasters:

- *External*. Any growth slowdowns in key source markets (US, UK, and Canada) could impact tourism and weaken growth. Intensification of regional conflicts could also disrupt trade flows and trigger broader supply challenges, while global commodity price volatility could increase external and fiscal pressures. On the upside, positive global growth surprises could increase global demand and ease global financing constraints, which could in turn increase tourism and reduce global borrowing costs, ahead of Barbados' return to international markets.

- *Domestic*. Barbados continues to be highly vulnerable to climate change risks and natural disasters, which could have an adverse impact on economic activity, increase the fiscal deficit and public debt, reduce foreign exchange reserves, and pose financial stability risks. Downside risks also include a deceleration of reform momentum, which could generate concerns about fiscal discipline and debt sustainability. However, downside risks are mitigated by the authorities' excellent track record under the IMF program, their strong commitment to the reform agenda, and broad public support for economic stability and reforms. In addition, the authorities stand ready to take additional fiscal measures if needed to meet program fiscal targets (see ¶12).

POLICY DISCUSSIONS

A. Safeguarding Fiscal Sustainability, Scaling-up Climate Resilient Investment, and Strengthening Fiscal Institutions

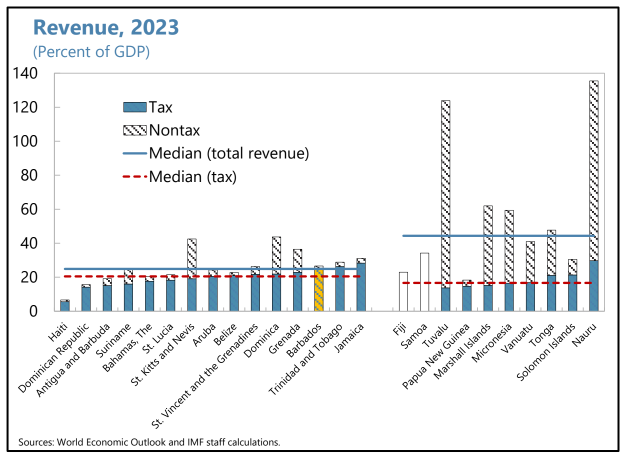
11. The primary surplus is expected to reach 3.8 percent of revised GDP for FY2024/25, in line with the third review. Overall revenues are projected to be considerably higher than at the third review. While the overperformance from the shift in timing of property tax and CIT payments is expected to unwind in the second half of the fiscal year, unanticipated one-off revenue gains associated with the 2023 CIT reform and adoption of IFRS17 are expected to persist, increasing FY2024/25 revenues by about B$100 million (0.3 percent of GDP). The additional revenues will provide space for additional programmed capital spending on critical infrastructure projects, including repairs to the capital stock damaged by Hurricane Beryl and infrastructure improvements to boost resilience to future natural disasters. Meanwhile, current expenditure is envisaged to be broadly in line with the budget, with the fiscal costs of policy measures to cushion the impact of Hurricane Beryl expected to be absorbed by budget reallocation.

12. The medium-term fiscal path envisages further increases in the primary surplus to maintain debt sustainability and secure stronger, more resilient growth. The primary balance is expected to rise in FY2025/26 to a steady state of 4.3 percent of revised GDP, in line with the third review and consistent with achieving the 60 percent debt target by FY2035/36 (see ¶17). Capital spending is expected to decline slightly in FY2025/26, before rising to a steady-state of around 3.4 percent of GDP over the medium term. Importantly, the capital spending envelope remains sufficient to accommodate expected expenditures on the South Coast Water Reclamation Project (SCWR) (see Box 4) and other critical capital or social spending. The fiscal effort in FY2025/26 will continue to be driven by further savings from SOE reforms and tight current expenditure management, in line with the third review. On the revenue front, baseline projections remain conservative, assuming the unwinding of one-off revenues from FY2024/25. Any additional windfalls from the CIT reform could be used either for critical social and capital spending, given large investment needs (see ¶24), or to further rebuild fiscal space if capital spending constraints persist.[7] Moreover, a range of additional fiscal policy measures could be considered to create additional fiscal space for investment, or as contingencies in the event of downside risks. Potential measures include: (i) broadening the tax base, including through revamping the VAT regime for the tourism sector, (ii) reforming the property tax regime, and/or (iii) further streamlining current expenditures and prioritizing capital expenditure. Maintaining strong fiscal surpluses and rebuilding fiscal space, while increasing the efficiency of public spending and the scale of social and infrastructure investment, will help to lay the foundations for stronger, more resilient growth.

[7] There continues to be upside potential from CIT collection as the minimum alternative tax (part of the 2023 CIT reform) is implemented, with additional jurisdictions beginning to apply reforms to implement their commitments under Pillar II of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting.

13. On the structural front, the authorities are sustaining strong reform momentum to strengthen revenue collection. While Barbados' revenue collection remains broadly in line with regional peers (text chart), the government remains focused on reforms to support further improvements in the fiscal position and help finance investment.

- *Tax compliance efforts*. The Barbados Revenue Authority (BRA) and Barbados Customs and Excise Department (BCED) have completed the work to ensure the mandatory use of the tax identification number (TIN) as the unique identifier of importers and exporters and as a requirement to conduct any border transaction (***end-September 2024 structural benchmark (SB); met***). Effective implementation of the TIN and improved data sharing between BRA and BCED will be essential to enhance tax compliance. Looking ahead, ensuring an adequate quality and quantity of human resources at the BCED is critical, especially given the high vacancy rate and further challenges caused by expected retirements in the coming years. An initial study to assess the current workload and staffing of the BCED was completed in May, with CARTAC support. Building on this study, the authorities are advancing work on assessing human resource needs at the BCED to address capacity and operational needs, identify obstacles to filling critical vacancies, and establish a roadmap to fill such vacancies (***end-March 2025 SB***).



- *Tax waivers and exemptions*. Sizable revenues are foregone due to tax waivers and exemptions (around 6 percent of GDP in FY2023/24). The authorities have already implemented a formal and time-bound transition process requiring all pre-existing tax and customs waivers to requalify under the modernized duty and tax exemptions framework (***end-March 2024 SB; met at third review***). The previously announced Exemptions Enforcement Monitoring Unit has now been established in the Ministry of Finance, Economic Affairs and Investment (MFEI) to audit existing tax concessions and verify the compliance of beneficiaries with tax, labor, and other laws required for maintaining benefits. The process for recertification of concessions is scheduled to begin in 2025. Moreover, in December, Fund TA will review the coverage of tax expenditure reporting and provide more granular policy recommendations, including on further rationalizing the tax exemptions regime.

14. Efforts to enhance public financial management (PFM) are also ongoing.

- The authorities are working to improve *public investment management*, in the context of ongoing capacity constraints and challenges in raising capital spending execution. Drawing on the 2023 Public Investment Management Assessment (PIMA/C-PIMA) recommendations, the government is developing guidelines for public investment project appraisal by March 2025, with the support of IMF TA, for application with all new public investment projects. These efforts will be critical to improve spending efficiency and maximize the impact of public capital investment. Strengthening the integration of climate concerns in the project appraisal process, will also be important for boosting climate resilience (¶31).

- The *Cash Management Unit* was created and staffed under the Treasury Department (***end-March 2024 SB; met at third review***). The unit's functions include the day-to-day management of the consolidated account, managing the government's suite of bank accounts, preparing a monthly cash plan, addressing bank reconciliation issues, and monitoring the spending execution of ministries, departments, agencies, and SOEs.

- *Standard procurement contracts* were developed, following Inter-American Development Bank (IDB) technical support, and are now being used for routine procurement to minimize delays in awarding contracts (***end-September 2024 SB; met ahead of time at third review***).

- *Public-Private Partnerships (PPPs)*. A new framework is being developed to guide decision-making on PPPs, with training and TA support from the IDB and IMF. The authorities expect the framework to be introduced through amendments to the existing procurement law (***end-March 2025 SB***). In parallel, MFEI staff will begin PPP training, including on assessing climate-related project proposals and aligning PPP decisions with strategic priorities.

- *Implementation of the 2019 PFM Act* is ongoing, including efforts to strengthen the budget formulation process, upgrade budget documentation, and establish monitoring processes to enhance fiscal reporting and oversight, with an emphasis on implementation and improvement of processes already adopted.[8] Despite delays due to capacity constraints, the government has tabled an updated medium-term fiscal framework and mid-year fiscal report in Parliament. In parallel, the authorities are working to deepen fiscal risk analysis, including quantification, reporting, and mitigation, with support from Fund TA in December. Analysis will focus on risks related to SOEs, the macroeconomy, the environment, and climate, as an input to the next Fiscal Risk Statement, which will be published alongside the FY2025/26 budget.

- The new *Fiscal Council* aims to promote sound fiscal management by ensuring accountability and transparency as the Government moves forward with the implementation of its fiscal strategy. Following some delay in operationalization, the Council met in October to discuss its terms of reference and workplan, ahead of the FY2025/26 budget cycle.

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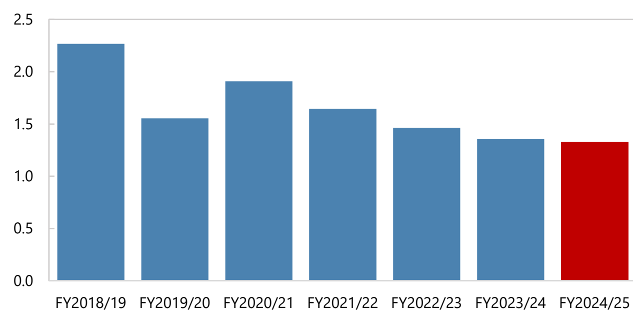
[8] For more details, see Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility, Box 1.

15. The authorities are continuing to make progress on SOE reforms to reduce the impact on the budget and improve both efficiency and service delivery. The government demonstrated a commitment to streamlining expenditures and reforming SOEs, most notably through the divestment of the Barbados Agriculture Management Company (BAMC) (***end-December 2023 SB***). This reform is expected to reduce budget transfers by about 0.3 percent of GDP over the medium term, though a transitional fiscal cost is expected in FY2024/25. Additional efficiency gains are envisaged through the amalgamation of the Urban Development Commission and Rural Development Commission and the restructuring of the National Housing Corporation, plans for which have been approved by Cabinet (***end-December 2023 SB***). During the first half of FY2024/25, TMU SOE transfers were below last year's levels, consistent with the program quantitative performance criterion (QPC).

Cumulative Transfers to TMU SOEs as at September
(Percent of FY GDP)



Sources: Ministry of Finance and IMF staff calculations.

16. Recent reforms have improved the independence, oversight, and sustainability of the national pension system. The transition of the NISSS to an independent statutory corporation in late-2023 has increased its autonomy from the central government budget and improved its operational flexibility. Additionally, to increase transparency and oversight, the NISSS has submitted all its financial statements up to 2023 for audit by the Auditor General (***end-March 2024 SB; not met during third review, implemented with delay in July***), who has now commenced a fact-finding assessment. In recent years, NISSS' financial position has stabilized, reflecting the economic recovery from the COVID-19 pandemic, which reduced benefit spending pressures and boosted collections (see Box 3). At the same time, the recent amendments to the public pension law to raise the retirement age and increase contributions will reduce the pressures from population decline and ageing on the NISSS financial position.[9]

[9] The authorities estimate that the reforms to increase the pensionable age and increase the minimum contributions will preserve the National Insurance Fund's pension assets for at least 30 years. See Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility Box 3 for more details.

Box 3. The Barbados National Insurance and Social Security Service

The National Insurance and Social Security Service (NISSS) provides social security benefits to Barbadians, drawing from four funds. The National Insurance Fund (NIF) is by far the largest (B$3.6 billion as of end-2023), covering pension and employment-injury benefits. Unemployment and severance payments are covered by the Unemployment Fund and Severance Fund, respectively (B$57.5 million and B$98.8 million, respectively, as of end-2023). In addition, the Catastrophe Fund (B$27.6 million as of end-2023) provides financial aid to persons and qualifying businesses in need of assistance due to catastrophes, including natural disasters, pandemics, cybersecurity breaches, and acts of terrorism. These funds are financed by contributions, which are raised through levies on employment earnings up to a ceiling and are paid by employers, employees, and self-employed persons. Levies and contributions are made up by National Insurance and Non-Contributory deductions, with contributions and levies totaling 23.9 percent of insurable earnings for private sector employees.

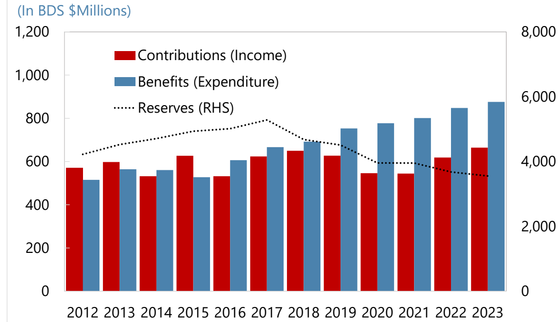
NISSS Funds and Levies for Private Sector Employees - %

	Employee	Employer	Total
National Insurance	6.8	6.8	13.5
Non-Contributory	2	2	4
Unemployment	0.8	0.8	1.5
Employment Injury	0	0.8	0.8
Severance	0	0.5	0.5
Training Levy	0.5	0.5	1
Catastrophe Fund	0.1	0	0.1
Health Service Contribution	1	1.5	2.5
Total	**11.1**	**12.8**	**23.9**

Source: National Insurance and Social Security Service

NIF's investment portfolio shrank significantly between 2018-21 but has since stabilized. The 2018/19 sovereign debt restructuring included a B$1.3 billion haircut for the NISSS on holdings of government debt (about 26 percent of its reserves). The surge in pandemic-related unemployment insurance claims to over50,000 in 2020 (from an average of 12,000 in 2018/19), created significant unemployment and severance payment pressures. As a result, NISSS borrowed funds from the NIF and received government liquidity support, through a buy-back of B$169 million of debt. Subsequently, a three-year recapitalization plan was adopted for the Unemployment Fund, equivalent to B$143 million (completed end-March 2023). Overall, NISSS portfolio holdings fell from a peak of B$4.9 billion (end-2017) to B$3.7 billion (end-2023) but have since recovered to B$4 billion by June 2024. In 2022 and 2023, NISSS operated without drawing down reserves.

National Insurance Fund (NIF) Details
(In BDS $Millions)

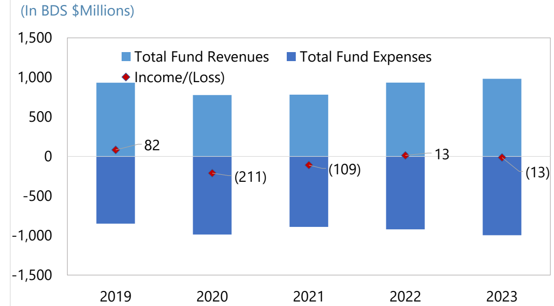


Sources: National Insurance and Social Security Service and IMF staff estimates.

Important structural reforms have bolstered the independence, oversight, and sustainability of the system.

- During 2023, the NISSS transitioned to an independent statutory corporation to enhance operational flexibility and separate the service from the central government budget.
- Parliament approved a revised public pension law, increasing: (i) the pension age by one year to 68 to be phased in by 2034, and (ii) the required weeks of qualifying contributions from 500 to 750.
- Concerted efforts have also been made to increase transparency and oversight, with submission of all NISSS outstanding financial statements to the Auditor General.

NISSS Overall Fund Income/(Loss)
(In BDS $Millions)



Sources: National Insurance and Social Security Service and IMF staff estimates.

17. Public debt continues to be assessed as sustainable, although uncertainties remain high. In the context of recent strong fiscal performance and macroeconomic recovery, Barbados' public debt has declined from 138.2 percent of GDP in FY2020/21 to around 105 percent of GDP at end-September 2024. Under the program baseline, the debt target of 60 percent of GDP is projected to be achieved by FY2035/36, with somewhat larger buffers than at the third review, mainly reflecting the recent GDP revisions, as well as the recent retirement of Eurobonds.[10] Gross financing needs are also projected to remain manageable, on account of an improving primary surplus, the favorable debt service schedule from the 2018-19 comprehensive debt restructuring, long-term borrowing from IFIs during the pandemic years, drawdown in the near term of currently high cash buffers,[11] and the expected development of domestic capital markets. Moreover, once finalized, the debt-for-climate conversion (see Box 4) will provide further improvements to the debt service schedule, relative to the current baseline. The Sovereign Risk and Debt Sustainability Framework (SRDSF) suggests that Barbados' overall risk of sovereign stress remains moderate and confirms that public debt is sustainable (Annex III). However, the wide fan chart (i.e., possible debt path) continues to indicate a high degree of uncertainty, reflecting Barbados' history of macroeconomic volatility. Domestic risks related to maintaining large primary surpluses persist but have fallen somewhat, given the authorities' sustained strong fiscal performance. However, important external risks to the baseline remain, including weaker-than-expected economic growth, and natural disasters. Nevertheless, Barbados' strong track record of reform implementation and the favorable debt service schedule are important mitigating factors. Moreover, climate policy reforms and investments in climate adaptation, supported by the RSF arrangement, will be essential to increase resilience and mitigate risks to debt sustainability.

18. Mobilizing external financing remains essential. The authorities are implementing their medium-term debt strategy (MTDS), continuing to rely on multilateral financing, including from the IMF, while also stepping up preparations to re-access international markets. Importantly, RSF disbursements are increasing fiscal space for climate policies by substituting for more expensive sources of financing, with projected debt service savings of about 0.3 percent of GDP through 2029, relative to commercial external debt. Notably, the recent reform of Fund charges and surcharges in October 2024 is expected to reduce Barbados' payments to the Fund by around SDR 15 million (US$20 million) between 2025-2030, creating additional fiscal space. Disbursements from other IFIs are expected to reach around US$175 million in FY2024/25 in the form of policy and project loans. Although this represents a slight downward revision for FY2024/25 from around US$200 million at the third review, total external loans and grants through FY2025/26 are now projected to be higher at around US$250 million, reflecting the SCWR project (see Box 4). With the redemption of restructured Eurobonds beginning in June 2025, the authorities remain focused on restoring access to international capital markets, contingent on the projected easing in global financial conditions.

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[10] In November, the government retired US$77.6 million (1.1 percent of GDP) of Eurobonds from its balance sheet. The government had repurchased the Eurobonds as part of the 2022 debt-for-nature swap, with proceeds from the issuance of a Blue Bond guaranteed by The Nature Conservancy and IDB.

[11] Resulting from the accumulation of government deposits of around 1.5 percent of GDP in FY2023/24.

19. Meanwhile, domestic debt issuances are increasing gradually. Since the launch of the Barbados Optional Savings Scheme (BOSS) Plus program in 2022, the authorities have seen over B$300 million in subscriptions by households, financial institutions, and pension schemes. The government also restarted issuance of 90-day and 180-day Treasury bills (T-bills) in September 2023. From April-September 2024, net domestic financing reached around B$130 million, with the majority coming through T-bills, reflecting commercial banks' preference for shorter maturity assets. Domestic financing is projected to reach around B$120 million (0.8 percent of GDP) in FY2024/25, in line with the third review, through a combination of the drawdown of cash buffers accumulated in FY2023/24,[12] and modest financing from domestic capital markets. Looking ahead, the authorities still plan to restart the issuance of savings bonds and introduce a bonds-on-demand facility to enhance the liquidity and accessibility of government bonds.[13] In October 2024, the authorities published results of the auction of government securities, as an important step in fostering domestic capital markets, helping to improve transparency, enhance market information, and offer benchmarking.

B. Enhancing the Monetary Policy Framework and Protecting Financial Stability

20. Barbados' exchange rate peg remains a critical anchor for macroeconomic stability. The authorities remain strongly committed to implementing the policies needed to sustain the exchange rate peg, which has been in place since 1975 and continues to enjoy broad support. In this regard, gross international reserves remain at ample levels, reaching 209 percent of the Fund's reserve adequacy metric at end-September. Moreover, the revised Central Bank Act of 2020 has also served to strengthen the monetary policy framework by enhancing the autonomy of the Central Bank of Barbados (CBB), improving its governance, and limiting monetary financing. Staff continues to assess Barbados' external position to be broadly in line with the level implied by medium-term fundamentals and desirable policies (see Annex II). Given the substantial improvement in macroeconomic conditions in recent years, including the fiscal position, and the protection against capital outflows provided by the longstanding capital controls, the authorities should consider removing the foreign exchange fee introduced in 2017.[14]

21. The CBB remains focused on gradually enhancing its monetary policy framework. Structural excess liquidity in the banking system limits the effectiveness of the monetary policy transmission and the CBB lacks the instruments to absorb this liquidity. In this context, the CBB is advancing work to develop an effective monetary policy framework that absorbs the structural excess liquidity and enables the central bank to influence monetary conditions. In particular, the CBB is continuing its work to explore establishing a benchmark monetary policy rate, consistent with Barbados' exchange rate peg and target reserves level, with an internal research paper planned for early next

[12] The government deposits accumulated in FY2023/24 are assumed to be almost fully drawn down in FY2024/25.

[13] The bonds-on-demand facility will provide an option for the general public to purchase government bonds from commercial banks, credit unions, and other financial institutions.

[14] See Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility Informational Annex for more details of such measures. The foreign exchange fee is assessed to be a capital flow management measure (CFM) on outflows under the Fund's Institutional View for the Liberalization and Management of Capital Flows.

year. In parallel, the newly established liquidity forecasting unit within the CBB is currently testing a prototype daily liquidity forecasting framework, with the aim of submitting a refined version to the Executive Committee by end-2024 (***end-March 2025 SB***). Looking ahead, the key elements of a modernized monetary policy framework would include: (i) reserve requirements on domestic currency deposits to mop up structural excess liquidity; (ii) a mid-rate interest rate corridor, with a policy rate to signal the policy stance; (iii) standing deposit and lending facilities anchored to the policy rate; and (iv) open market operations (OMOs) to anchor short-term interbank rates around the policy rate. Implementation of the new monetary policy framework would need to be gradual, ensuring regular consultations with the bankers' association. Meanwhile, the authorities also remain committed to recapitalize the CBB in line with the plan established in 2021.[15]

22. Efforts are ongoing to strengthen the financial sector safety net by establishing an emergency liquidity assistance (ELA) framework and bolstering the deposit insurance scheme. An ELA framework to reduce the likelihood of financial distress and prevent a full-blown crisis is a key pillar of the financial safety net. The new CBB Act provides a sufficient legal basis for the CBB to perform such a function, given its secondary financial stability objective and its role as a lender of last resort. The Act authorizes the CBB to provide ELA to systemically-important banks (SIBs) as well as to systemically-important non-bank financial institutions (SIFIs) supervised by the Financial Services Commission (FSC). Therefore, in line with recommendations from IMF TA, the authorities are working to establish a framework, to anticipate ELA needs through proactive liquidity and collateral scanning, in-depth testing of funding plans, and periodic simulations to ensure that ELA is institutionalized effectively. To enhance compatibility with the ELA framework, the CBB is also updating its Collateral Policy, including to differentiate collateral used for monetary policy purposes from those used for ELA, and refining its valuation methods. The authorities are also strengthening the operations of the Barbados Deposit Insurance Scheme, supported by technical assistance from the US Treasury. Looking ahead, as the designated resolution authority for financial institutions in Barbados, as defined in the Financial Institutions Act, the CBB should also begin work on developing a resolution framework for financial institutions.

23. The authorities continue efforts to further enhance the AML/CFT framework to safeguard the integrity of the financial sector and broader economy. Barbados was removed from the Financial Action Task Force (FATF) "grey list" in February 2024, following the government's efforts to significantly strengthen its AML/CFT framework over a period of years by implementing its commitments under the Action Plan agreed with FATF. These actions included enhancing financial sector supervision, transparency of beneficial owners, use of financial intelligence, money laundering prosecutions, and asset recovery.[16] Most recently, the authorities have made further progress with reforms to improve the transparency of companies and trusts by making the beneficial ownership information available and accessible to law enforcement authorities via expedited court processes. Designated non-financial businesses and professions such as lawyers and accountants are also now subject to more stringent

[15] In 2021, the CBB and the MFEI reached an agreement for restoring capital, initially through profit retention, transitioning to a gradual predetermined payment plan after a 7-year period.

[16] See FATF's Public Statement on the issue of delisting.

requirements with respect to their internal audit functions and their transactions with higher risk jurisdictions. Finally, Barbados has now fully implemented the Merida Convention by implementing the Prevention of Corruption Act, in keeping with its FATF commitments. Looking ahead, the updating of the National AML/CFT Risk Assessment by 2027 will be an important component in mapping out strategic AML/CFT reforms tailored to the main risks identified.

C. Boosting Barbados' Growth Potential

24. The authorities are taking further steps to implement their multi-faceted growth strategy. Significant structural challenges continue to weigh on Barbados' growth prospects, reflecting a history of low investment in physical and human capital, the continued reliance on the tourism sector, demographic headwinds from population aging and migration, and climate change. Raising growth potential to 3-5 percent per year, as targeted in the BERT 2022 Plan, requires an increase in labor productivity and expansion of the labor force, while enhancing the economy's resilience to climate change. To this end, the authorities have adopted a strategy aiming to: (i) increase climate resiliency and green the economy (see section D); (ii) invest in skills training and education; (iii) improve the business environment to support trade and investment; (iv) mobilize domestic savings; (v) promote digital technologies; (vi) establish Barbados as a logistics hub; and (vii) diversify the economy through new, niche activities centered around a knowledge-based economy. The Growth Council established in May 2023 is supporting the implementation of policies to achieve these objectives. Recent steps include:

- In July 2024, the government laid a new *Barbados Population Policy 2023* in Parliament, which aims, amongst other things, to ensure that the size of population remains sufficient to support adequate levels of social care. In this context, the government is developing detailed plans to (i) promote the return of the Barbadian diaspora and immigration of skilled workers; and (ii) support family wellbeing in reproductive decision making.

- In July, Cabinet approved an ambitious 10-year investment plan "*Barbados 2035—A Plan for Investment in Prosperity and Resilience*" as a guide to deliver the government's vision for prosperity and resilience. This plan identifies 12 priorities, including to elevate Barbados into a tourism hub, enhance blue economy industries and sustainable fisheries, accelerate renewable energy generation, ensure access to safe water, increase climate resilient housing, upgrade infrastructure including Bridgetown Port, and deliver world-class healthcare and education. The plan envisages a total cost of up to US$11.6 billion spread over 10 years, of which up to US$5 billion could come from the public sector, contingent on fiscal space and financing availability.

25. Progress is being made on improving the business environment, with a key focus on advancing digitalization efforts. The digitalization of government services aims to improve the efficiency of delivering public services, reduce administrative red tape and enhance investment. Since the last review, the government has completed work 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-September 2024 SB; met***). The latter will provide more accurate information on capital projects, improve coordination across government entities, and inform the budget process. The authorities also launched the Single Registration Portal in September, which issues a single TIN for the BCED, NISSS, and BRA to a new taxpayer (see ¶13). In addition, the government has established Business Barbados, which is expected to begin operations before end-FY2024/25, to facilitate the growth and development of local and international businesses in Barbados. The new agency will take charge of the corporate and intellectual property registry and offer business and advisory services and modernized processes. In August 2024, a digital clearing system was also launched, aiming to reduce the time banks take to process checks to one day, from the current three to five days.

D. Building Resilience to Climate Change and Natural Disasters

26. The authorities are continuing to implement Barbados' ambitious climate policy agenda, supported by the RSF arrangement. Hurricane Beryl demonstrated the need to accelerate reforms to increase climate resilience and secure a sustainable and prosperous future. Achieving this goal will require implementing a broad set of policies and making investments to adapt to climate change and adopt renewable energy sources. These efforts are supported by the Fund, including through the RSF arrangement, and other development partners (see Table 8).[17] The RSF continues to support the authorities' efforts through its embedded policy reform measures (RMs), by providing long-term financing that generates fiscal policy space for investment and catalyzing investment in resilient infrastructure and the transition to renewable energy sources. Importantly, investments in climate resilience will also help strengthen growth and the external position, in turn mitigating risks to debt sustainability.

27. Work is advancing to further expand renewable energy capacity, consistent with the objective of making Barbados a green and fossil fuel-free country by 2035.[18] In recent years, Barbados has made significant progress in expanding the capacity of renewable electricity generation. Notably, the share of installed solar power capacity in Barbados is now well above the share in Central America and the Caribbean, reaching 19 percent of total installed electricity capacity in 2023. Renewable capacity is expected to expand further. Feasibility studies are ongoing on the joint project between the government and IFC to develop the country's first utility-scale onshore wind farm of 30-50 megawatts (MW) (8-14 percent of the current total installed electricity capacity) in the northeastern part of the island. In addition, with the support of IDB financing, Renewstable Barbados Inc.—a special purpose vehicle—is working to develop a solar power production facility with capacity of 13MW, and an energy storage system using hydrogen technologies. The project cost is expected to be around US$165 million. Once complete, energy capacity is expected to be fully contracted through a 25-year Power Purchase Agreement (PPA) with the national grid operator—Barbados Light and Power Company (BLPC). More generally, the enactment of the new Electricity Supply Act (¶29) is also expected to promote local participation in renewable energy generation.

[17] See Barbados – Request for an Arrangement under the Extended Fund Facility and Request for an Arrangement under the Resilience and Sustainability Facility Staff Report.

[18] The authorities initially set an ambitious aspirational target to achieve a fully renewable energy-based economy by 2030. While the transition is progressing, current estimates suggest that this goal is more likely to be met by 2035.

28. Integrating renewable energy, balancing supply and demand, and ensuring a stable supply of electricity will hinge on building energy storage capacity. Increasing the provision of renewable energy-sourced electricity to the grid, which currently can only absorb around 100MW of electricity, depends on adding energy storage to the system. To this end, a new framework was established in September 2023 to increase investment in energy storage (RM#6) and a four-year pilot is underway to gather data on the functioning of energy storage systems in Barbados. In parallel, the authorities are working to enhance competitive procurement methods, including feed-in tariffs, auctions, and direct negotiations with international storage system providers to gather information on the availability and affordability of storage solutions for potential investors in Barbados. The authorities' goal is to have the first licenses for energy storage in place by the end of 2024. Meanwhile, BLPC is continuing to press for full cost recovery of investments in battery storage, up to its initially requested amount of 90MW through the Clean Energy Transition Rider.[19] In the meantime, BLPC is also conducting a full assessment of investments in battery storage that have already been approved.

29. The authorities have tabled in Parliament the new Electricity Supply Bill (RM#8).[20] The bill would establish an overarching framework for renewable energy investment, regulating the generation, storage, transmission, distribution, dispatch, and sale of electricity. The bill aims to enhance competition in the electricity market and promote local participation by domestic investors and businesses in renewable energy investment. More specifically, the bill includes provisions for: (i) the creation of microgrids to enable more decentralized energy systems; (ii) the underground placement of power lines to enhance grid resilience in the event of climate-related disasters; and (iii) a requirement for BLPC to notify the Ministry of Energy in the event of major system failures – an obligation not present in the existing legislation; and (iv) enhanced regulatory oversight to balance corporate interests with consumer needs. The tabling of the draft bill follows the culmination of a process that began in 2019, with open public consultation during 2022-2023.

30. Efforts to integrate climate risks into financial stability assessments are also progressing (RM#9 and RM#10). The CBB has joined the Network for Greening the Financial System (NGFS) and adopted a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including a data collection mechanism, building on IMF TA on climate risk analysis (RM#9). In particular, the strategy aims to: (i) ensure CBB staff have the capacity to understand and utilize datasets and tools for climate analysis; (ii) deepen the understanding of climate hazards, exposures, and vulnerabilities; and (iii) strengthen linkages between damages and the CBB's macro-framework, leveraging location-specific damage estimates (e.g., to tourism buildings) from the Coastal Zone Management Unit. The strategy establishes key milestones in each area, with the goal of achieving a fully integrated climate risk framework by 2026. The authorities are also on track to incorporate climate risks, starting with the more imminent physical risks, into their bank stress testing framework by end-March

[19] A Clean Energy Transition Rider is a charge added to the electricity bills of consumers by utility companies to help fund and support the transition to renewables. The Fair Trade Commission approved cost recovery for only 15 MW of the 90 MW of battery storage applied by the BLPC.

[20] See new Electricity Supply Bill.

2025, with IMF TA (RM#10). Having conducted a preliminary exercise, CBB will continue to improve and refine its analysis, with a view to finalizing their first exercise in the coming months.

31. The authorities are advancing reforms to strengthen the integration of climate concerns into the PFM process (RM#5). Building on a diagnostic evaluation through C-PIMA, the authorities aim to improve the integration of climate into all aspects of the budget cycle, including budget preparation, budget execution (including procurement), fiscal reporting, as well as oversight and auditing. More specifically, the authorities are incorporating climate concerns as a critical element of ongoing efforts to develop a PPP framework, deepen fiscal risk analysis, and prepare guidelines on public investment project appraisal and maintenance (see ¶14).

Text Table 1. Reform Measures Supported by the RSF Arrangement

3-year EFF and RSF approval	1st Review EFF and RSF	2nd Review EFF and RSF	3rd Review EFF and RSF	4th Review EFF and RSF	5th Review EFF and RSF
Pillar 1: **Reform measures to build resilience to natural disasters and climate change**	**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.**	**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. **Implemented.** **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. **Implemented**	**RM 4.** Government to table an amended Prevention of Floods Act in Parliament, incorporating the new Stormwater Management Plan. **Implemented**		**RM 5.** Implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.
Pillar 2: **Climate mitigation reform measures (reduction of GHG emissions)**		**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. **Implemented**	**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. **Implemented**	**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. **Implemented**	
Pillar 3: **Reform measures to mitigate transition risks**				**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. **Implemented**	**RM 10.** The CBB to include climate change risk in their bank stress testing exercise.

32. Mobilizing climate financing remains critical to delivering the climate agenda. Barbados needs to attract resources for investment in climate adaptation and the adoption of greener energy sources. Current climate investment plans, based on the authorities' programs, amount to around US$1 billion. Building on the successful issuance of the Blue Bond in 2022,[21] the authorities have advanced efforts to secure additional financing:

- The soon-to-be-completed *debt-for-climate conversion* will reduce the interest burden by swapping existing high-interest debt with low-interest debt guaranteed by the IDB and European Investment Bank (EIB). Savings from the conversion will be used to service new IDB and Green Climate Fund (GCF) loans to fund the SCWR Project, which aims to enhance Barbados' water supply resilience and reliability with a focus on climate action, environmental sustainability, and food security (see Box 4).
- Legislation establishing a *Blue Green Bank* was approved by Parliament in June and the government plans to make its capital contribution of US$15 million by the end of the fiscal year, while a funding agreement has been signed with the GCF. Pledged contributions from the CAF, United States Agency for International Development (USAID), and other bilateral partners are expected to be made soon, with the bank becoming operational in early 2025. The new bank will support climate investment projects across the region of more than US$250 million, with an initial focus on resilient housing and renewable energy projects.

E. Data Issues

33. The authorities remain committed to improving economic data, supported by IMF and external TA. In July 2024, the Barbados Statistical Service (BSS) released quarterly estimates of activity-based GDP aligned to the benchmark Supply and Use estimates of 2016, benefitting from IMF TA support. Looking ahead, the authorities have requested further Fund TA support to strengthen the national accounts and GDP statistics, including prices. The authorities also continue to work on improving external sector statistics, including the estimation of BPM6-based balance of payments for 2018-2021 and IIP statistics for 2017-2021, following IMF TA.

PROGRAM PERFORMANCE AND MODALITIES

34. All quantitative performance criteria (QPCs) and indicative targets (ITs) set for end-September 2024 were met (Appendix I, Attachment I, Table 3). End-September fiscal QPCs on the central government primary balance, external debt arrears, transfers to public institutions, and public debt were all comfortably met. The monetary QPCs on net domestic assets (NDA) and net international reserves (NIR) were also met with considerable margin. Meanwhile, the authorities met ITs on central government domestic arrears, social spending, and arrears of public institutions. All end-June 2024 program ITs were also met. Program ITs/QPCs for December 2024 and March 2025 are unchanged from the third review.

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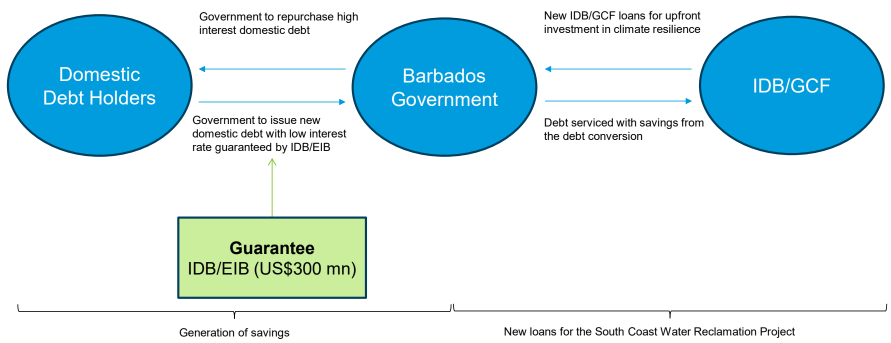
[21] With the support of the IDB and The Nature Conservancy, the Blue Bond is estimated to have generated about US$50 million of savings for marine conservation projects.

Box 4. Barbados' Debt-for-Climate Conversion

The debt-for-climate conversion generates savings by exchanging existing high interest debt with newly issued low interest debt, thereby creating fiscal room for new loans for critical climate change-related investment.

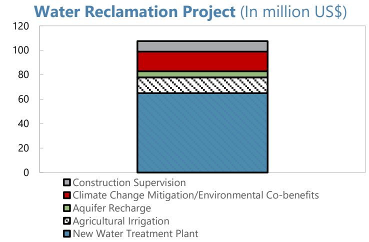
- **Debt conversions.** The government plans to issue around US$295 million (4.1 percent of FY2024/25 GDP) of new domestic Barbadian dollar-denominated debt to domestic banks. With the backing of an IDB/EIB guarantee (AAA rating), the debt will be issued at a low interest rate (still to be determined), with the proceeds from the issuances then used to repurchase other higher interest domestic bonds (with coupon rates of up to 8 percent) from the NISSS and the private sector. While the conversion is generally neutral to the stock of public debt, the interest savings are expected to be significant at up to US$130 million (1.8 percent of FY2024/25 GDP), over the next 15-20 years, not accounting for the time value of money. In addition, the authorities are considering a private sector guarantee of up to US$75m that could take the overall deal up to US$375m (4.5 percent of FY2024/25 GDP).

Scheme of a Debt-for-Climate Conversion



- **New IDB/GCF loans to fund the South Coast Water Reclamation Project (SCWR) Project.** The total cost of the new SCWR project is estimated by the IDB to be around US$110 million (1.5 percent of FY2024/25 GDP). The project will include the construction of a new water treatment plant to improve water management and associated facilities to ensure water quality is suitable for agricultural irrigation and aquifer recharge. To frontload the project, the government has taken new loans from the IDB (US$40 million) and the GCF (US$30 million), which will be serviced with the savings from the debt conversion. These loans, together with an additional US$40 million of grants from the GCF, will fund the cost of the entire project.

Preliminary Estimated Cost of South Coast Water Reclamation Project (In million US$)



35. **Structural performance also remained strong, with the timely implementation of all SBs for the fourth review** (Appendix I, Attachment I, Table 1). All three SBs for the fourth review were implemented. By end-September, BCED established, in coordination with BRA, mandatory use of the TIN as the unique identification of importers and exporters and tax exemptions approvals framework (SB#4). Meanwhile, the government established a central online platform for government services and developed a digital platform to improve the monitoring and execution of the Public Sector Investment Programme (SB#21). The government also developed standard contracts for routine procurements to minimize delays in awarding contracts to successful bidder (SB#12, met ahead of schedule at the third review). Additionally, the NISSS submitted its remaining outstanding

financial statements through 2023 for audit by the Auditor General (SB#9, *end-March SB; not met during third review, implemented with delay in July)*. Work is well advanced on the three SBs for the fifth review, with technical support from CARTAC, the Caribbean Customs Law Enforcement Council, IMF, and IDB.

36. The RMs set for the fourth review have been implemented (Appendix I, Attachment I, Table 2). The government has tabled the new Electricity Supply Bill, which aims to: (i) enhance competition in the electricity market; and (ii) introduce local participation in renewable energy investment (RM#8). At the same time, with inputs from IMF TA, the CBB has adopted a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including building a data collection mechanism and joining the NGFS (RM#9). Meanwhile, the authorities are also making good progress on the two RMs for the fifth review, with support from CARTAC and the IMF.

37. The authorities have requested the full purchase under the EFF (SDR 14.175 million) and the RSF disbursements related to RM#8 and RM#9 (SDR 28.35 million) for the fourth review to be available in the form of budget support. Staff support the authorities' request for the continued use of Fund resources for budget support, while gradually increasing market financing following the comprehensive debt restructuring in 2018-19. Given the intended use for budget support, the authorities have completed a Memorandum of Understanding that lays out the respective roles and responsibilities between the CBB and the MFEI for servicing financial obligations to the Fund arising from both the EFF and RSF arrangements. Other IFIs have committed US$200 million of financial support through policy loans in 2024-2025, broadly in line with the third review, ensuring that the EFF program is fully financed over the next 12 months and with good prospects for the remainder of the program period (Table 8).

38. Barbados' capacity to repay the Fund remains adequate (Table 11). Debt outstanding and debt service to the IMF are projected to stay relatively high in the near term, with total Fund credit outstanding reaching around 500 percent of quota (380 percent of quota excluding the RSF)[22] or about 9 percent of GDP in 2024. Obligations to the Fund would peak at 3.5 percent of exports of goods and services in 2025 and 7 percent of projected reserves in 2027. The reform of Fund charges and surcharges is projected to reduce Barbados' payments to the Fund by almost US$20 million over the medium term, creating fiscal space and improving capacity to repay. Risks to the capacity to repay stem from the elevated program risks (see ¶10), which continue to be mitigated by the authorities' excellent track record of repayment, their commitment to reforms and economic stability, the ongoing fiscal adjustment supported by structural reforms under the Fund program, and the ample international reserves expected to remain well above 100 percent of the Fund's reserve adequacy metric throughout the projection period.

39. The CBB continues to implement the recommendations of the 2023 safeguards assessment. Establishment of an ELA framework is expected imminently by end-2024 (¶22). Progress has also been made to strengthen implementation of internal audit recommendations and

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

internal reporting on information security and risk incidents. In addition, the CBB is progressing with updating its Business Continuity Plan to reflect the higher risks of natural disasters and cybersecurity issues.

40. Risks to the program remain elevated. Risks could arise from exogenous factors, such as: (i) an economic slowdown in the main source countries for tourism (UK, US, and Canada); (ii) an intensification of regional conflicts that disrupts trade flows and trigger broader supply challenges; and (iii) more volatile commodity prices that increases external and fiscal pressures; and (iv) more frequent and intensified natural disasters. On the domestic front, maintaining reform momentum to sustain high primary surpluses will also be challenging. Nevertheless, these risks are mitigated by the authorities' excellent track record under the IMF program, their strong commitment to the reform agenda, and broad public support for economic stability and reforms. The authorities also stand ready to take additional fiscal measures if needed to meet program fiscal targets. Such measures could include broadening the tax base through revamping the VAT regime and/or raising the VAT rate, reforming the property tax regime, and/or cutting current expenditure and prioritizing capital expenditure (¶12).

STAFF APPRAISAL

41. The economic outlook is positive and while risks remain high, they are mitigated by the authorities' excellent track record of sound policies and reform implementation. On the external front, Barbados remains vulnerable to shocks, including a global slowdown or recession in key tourism source markets, international commodity price volatility and rising inflation, further increases in the cost of financing, and natural disasters. On the domestic front, a deceleration of reform momentum could raise concerns about fiscal discipline and debt sustainability. However, these risks are mitigated by the authorities' excellent track record of implementation of sound policies, and strong commitment to reforms. In particular, the authorities stand ready to take additional fiscal measures, if needed, to meet program fiscal targets.

42. Implementation of the home-grown BERT Plan and climate policy agenda continues to be strong. All QPCs and ITs for the fourth review of the Fund-supported EFF were met. The authorities met all SBs for the fourth review and completed those delayed from the third review. The authorities have also implemented the two RSF RMs set for the fourth review, maintaining momentum toward the climate policy agenda. Staff assesses that there are good prospects of continued strong performance under both the EFF and RSF.

43. Efforts to improve the fiscal position remain on track. The authorities continued to over-perform program fiscal targets in the first half of the fiscal year, ensuring that they remain well placed to achieve the primary surplus of 3.8 percent of GDP for the fiscal year, as a whole. In the near-term, strong revenue performance is expected to create space for higher capital spending on critical infrastructure, including to boost climate resilience. Looking ahead, plans to further increase the primary surplus are underpinned by sustained tight controls on current spending, including SOE transfers. In the context of conservative revenue projections, any overperformance from the CIT reform could be used either for critical social and capital spending, given large investment needs, or to further rebuild fiscal space if capital spending constraints persist. The authorities are continuing to mobilize external official financing, while gradually increasing financing from domestic capital markets. The authorities also remain committed to restoring access to international capital markets, ahead of the redemption of Eurobonds, beginning in mid-2025. Public debt has now fallen to around 105 percent of GDP—below pre-pandemic levels—and is projected to decline to the target of 60 percent of GDP by FY2035/36, contingent on maintaining strong primary surpluses. Staff continues to assess Barbados' public debt to be sustainable, with moderate overall risks of sovereign stress, although uncertainties remain high.

44. Implementation of structural fiscal reforms will be essential to maintain fiscal sustainability, while accelerating public investment. Mobilizing additional revenues over the medium term remains a priority and will depend on further efforts to strengthen tax and customs revenue administration and modernize the tax exemptions framework. Building on the significant progress implementing reforms of SOEs and the pension system, measures to enhance PFM and public investment management also remain critical to improve spending efficiency and maximize the impact of public investment. The recently operationalized Fiscal Council will play an important role in strengthening the budget process, upgrading documentation, and enhancing fiscal reporting and oversight.

45. The exchange rate peg continues to provide a critical anchor for macroeconomic stability and efforts to gradually enhance the monetary policy framework are advancing. Structural excess liquidity in the banking system continues to limit the effectiveness of the monetary policy transmission and the CBB lacks the instruments to absorb this liquidity. In this context, the CBB is focused on developing an effective monetary policy framework that can absorb excess liquidity and increase its influence on monetary conditions. To this end, work is progressing towards exploring establishing a benchmark monetary policy rate to anchor future monetary policy instruments and developing a daily liquidity forecasting framework.

46. Financial conditions remain stable. In the banking system, capital and liquidity buffers continue to increase, while NPLs are declining and provisioning remains well above required levels. At the same time, financial soundness indicators for finance companies and credit unions remain stable. Building on recent efforts to strengthen banking and insurance supervision, further work is still needed to develop resolution regimes. Maintaining momentum behind efforts to strengthen the AML/CFT framework, following Barbados' removal from the FATF grey list, can help support the business environment and boost foreign investment.

47. Improving the business environment is vital to help boost Barbados' growth potential. The authorities are advancing reforms aimed at enhancing the business environment, mobilizing domestic savings, and stimulating trade and investment. To support these efforts, the Growth Council is focusing on efforts to enhance trade and business facilitation, including through the establishment of Business Barbados, the digitalization of government services, and investment in skills and education.

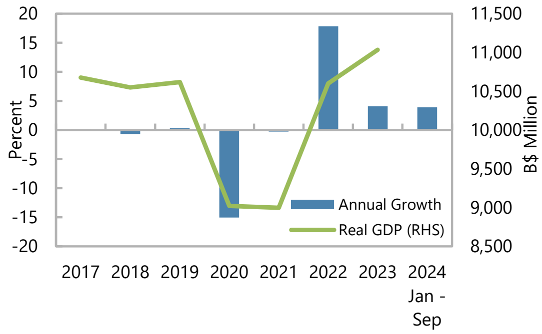
48. Advancing the ambitious climate policy agenda will increase resilience to climate shocks and support greener, more inclusive growth. The authorities remain focused on building resilience and greening the economy, including by transitioning to a fully renewable energy-based economy. Critical reform measures set for the fourth RSF review have been implemented, including (i) tabling a new Electricity Supply Bill in Parliament to enhance competition in the electricity market and encourage local participation in renewable energy investment; (ii) adopting a strategy for building capacity to monitor and assess climate change risks to help safeguard macro-financial stability. Under the RSF arrangement, climate policy reforms are facilitating climate financing from development partners and creating the environment to mobilize private sector financing for climate-related projects.

49. Staff recommends the completion of the fourth review of the extended arrangement under the EFF and the fourth review under the RSF arrangement. Staff assess that RM8 and RM9 under the RSF have been implemented. The authorities remain committed to achieving program objectives and implementing their ambitious reform and climate agenda.

Figure 2. Barbados: Real Sector Developments

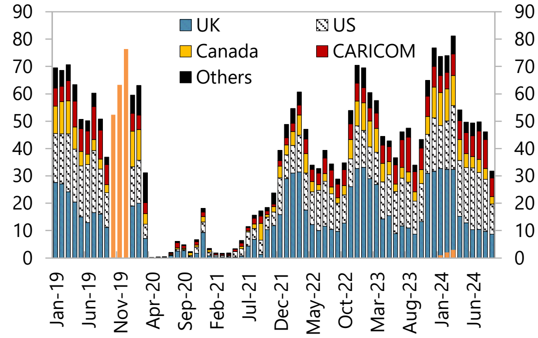
Economic growth remained robust through September...

Real GDP



...driven by a rebound in tourist arrivals...

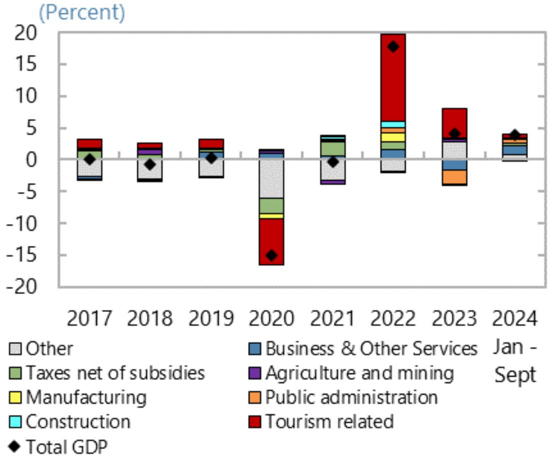
Number of New Arrivals by Country of Origin 1/



1/ For October-December 2019, only the total number of new arrivals is available.

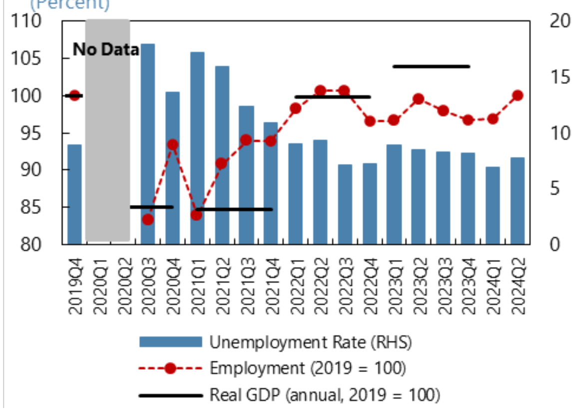
...and other related activities.

Contribution to Real GDP Growth by Sectors
(Percent)



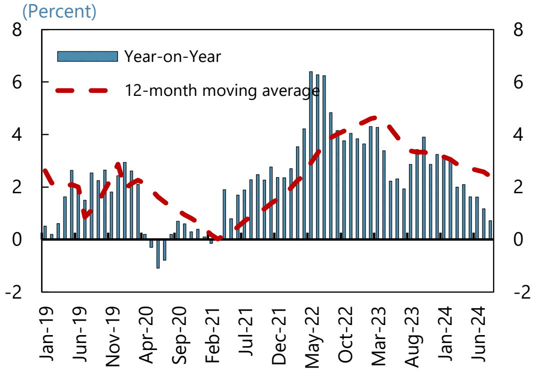
The labor market also remained strong, with rising employment and unemployment at historic lows.

Labor Market
(Percent)



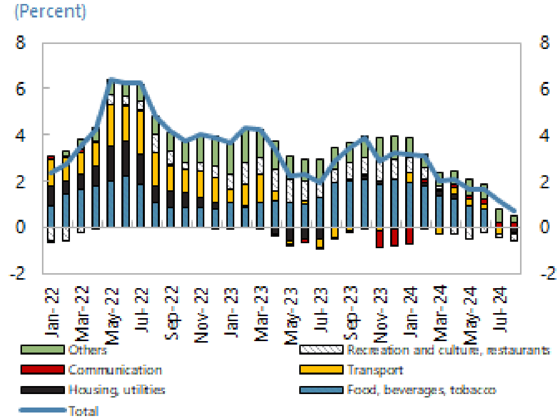
Inflation continued to decline...

Retail Price Index Inflation
(Percent)



...driven by slowing food inflation and declining prices in the hospitality sector.

Decomposition of Retail Price Index Inflation
(Percent)

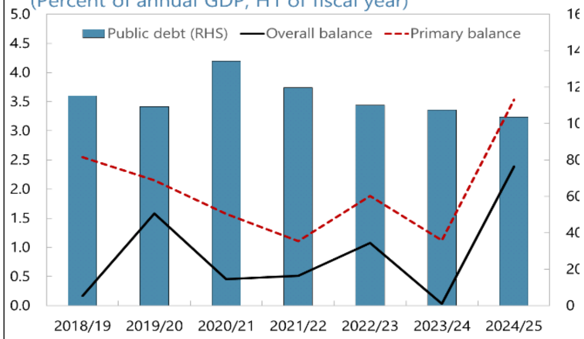


Sources: Barbados Statistical Service, Central Bank of Barbados, and IMF staff calculations.

Figure 3. Barbados: Fiscal Sector Developments

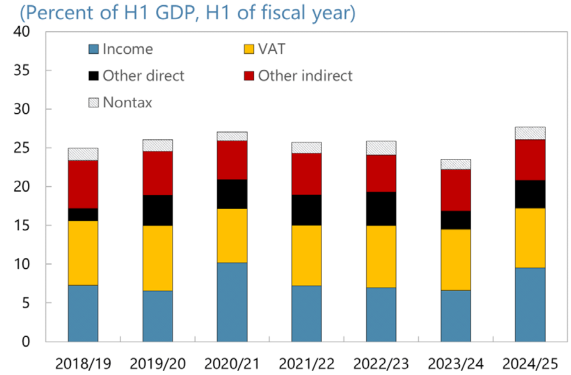
Barbados' primary surplus improved considerably in H1 FY2024/25…

Government Balances and Public Debt
(Percent of annual GDP, H1 of fiscal year)



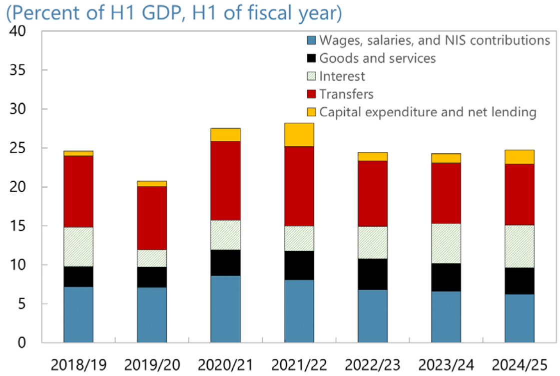
…owing to a surge in collection of CIT and property tax…

Government Revenue Composition
(Percent of H1 GDP, H1 of fiscal year)



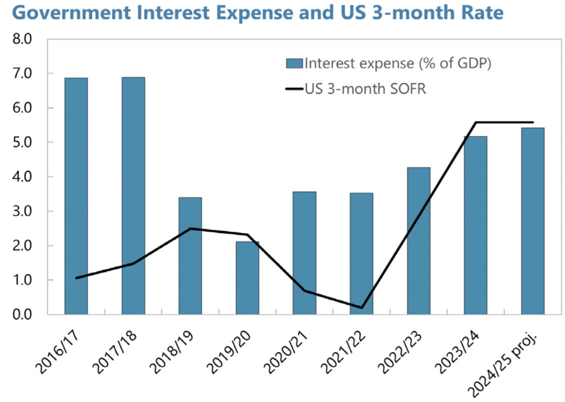
…while expenditure remained broadly unchanged from H1 in FY2023/24.

Government Expenditure Composition
(Percent of H1 GDP, H1 of fiscal year)



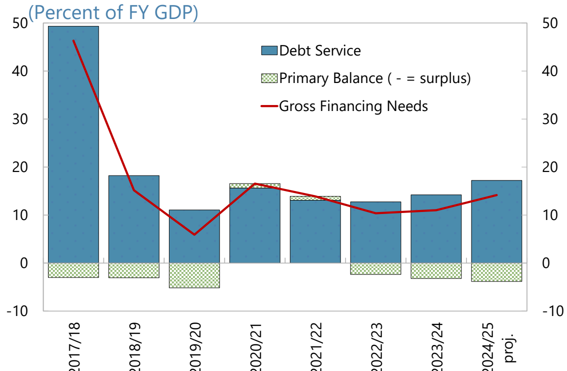
The interest bill is expected to rise further, due to higher costs of variable-rate external debt and step-up coupons on restructured domestic debt.

Government Interest Expense and US 3-month Rate



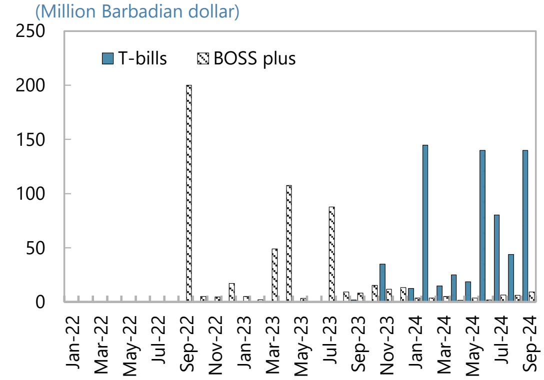
Gross financing needs are also projected to edge up slightly, reflecting higher debt service…

Gross Financing Needs
(Percent of FY GDP)



…and in part the increased and regularized issuance of T-bills.

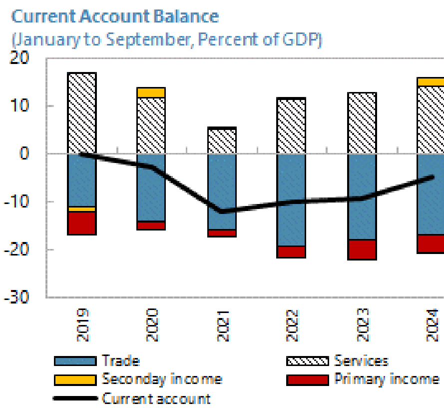
Issuance of BOSS plus and T-bills
(Million Barbadian dollar)



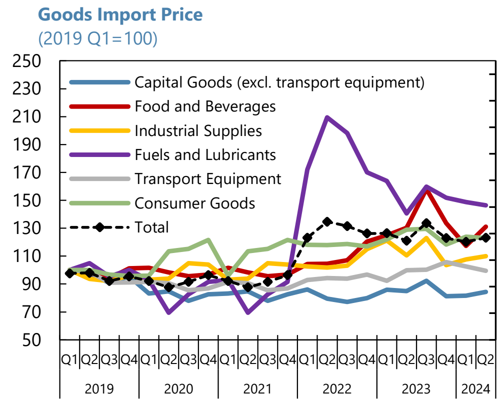
Sources: Central Bank of Barbados, Ministry of Finance, Economic Affairs and Investment, and IMF staff calculations.

Figure 4. Barbados: External Sector Developments

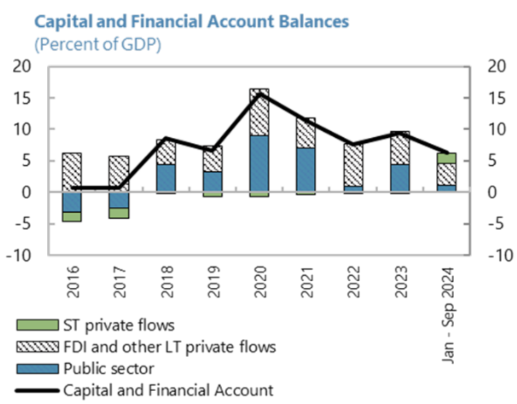
The current account deficit narrowed substantially due to rising tourism receipts and current transfers…



…and sustained savings from reduced import fuel and food prices.

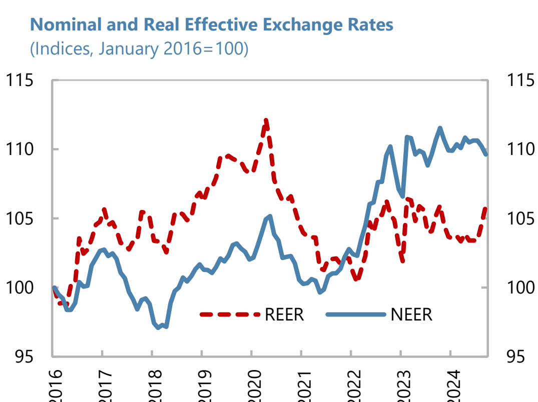


Financial inflows remain relatively strong, driven by private flows.

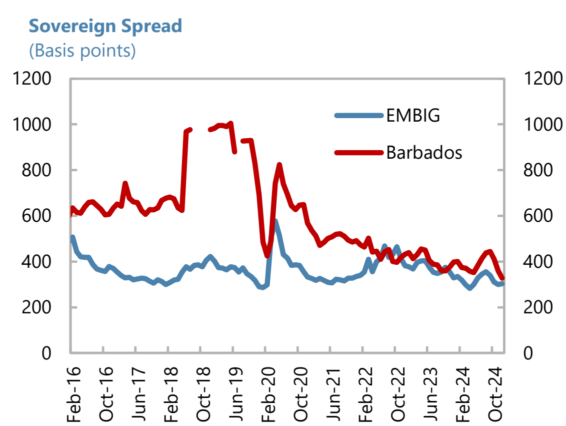


FX reserves continued to rise to US$1.6 billion at end-September 2024, with import coverage around 7 months.

The REER and NEER have been broadly stable through September 2024.



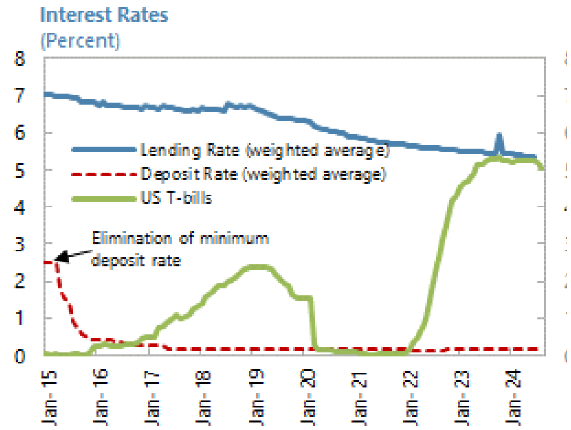
Sovereign spreads continue to track the EMBIG and remain relatively contained from a historical perspective.



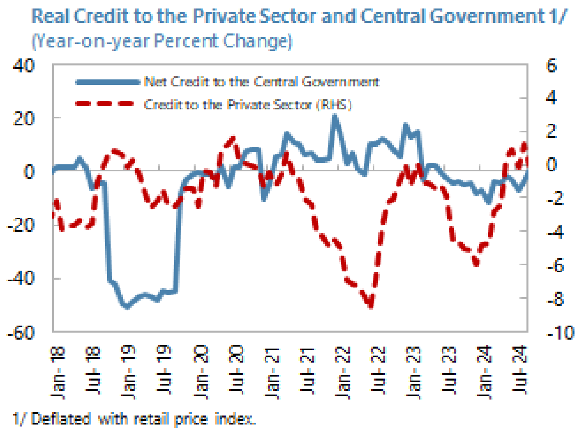
Sources: Bloomberg, Central Bank of Barbados, Barbados Statistical Service, Caribbean Tourism Organization, and IMF staff calculations.

Figure 5. Barbados: Monetary and Financial Sector Developments

Barbados' lending rates continued to decline gradually...

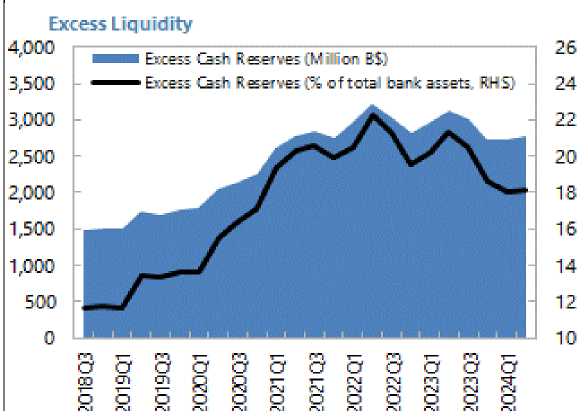


...while credit to the private sector increased in real terms...

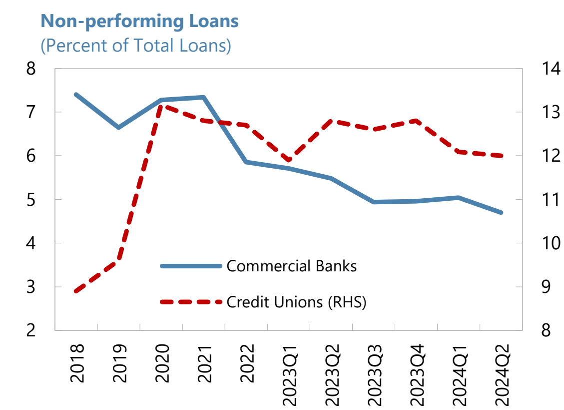


1/ Deflated with retail price index.

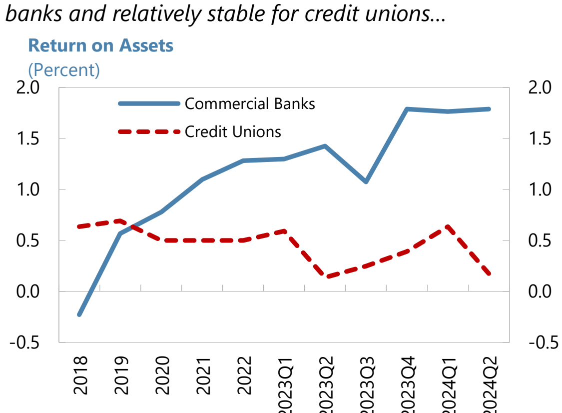
... and excess cash liquidity in the banking system remained sizable.



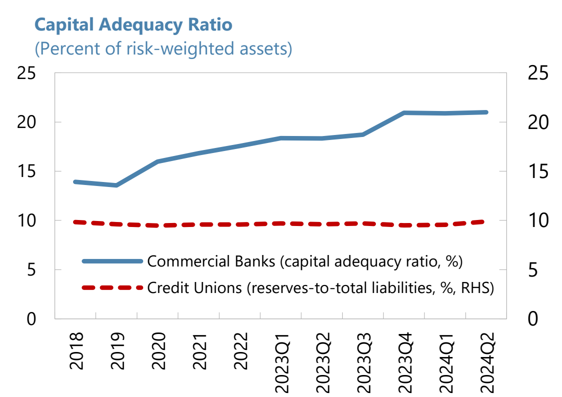
NPL ratios continued to decline, likely reflecting the favorable economic conditions...



... while profitability remained high for commercial banks and relatively stable for credit unions...



... and capital buffers remained strong.



Sources: Central Bank of Barbados and IMF staff calculations.

Table 1. Barbados: Selected Economic Indicators, 2020–2025 1/

I. Social and Demographic Indicators (most recent year)

Population (2022 est., thousand)	267.8	Adult literacy rate (2014)	99.6
Per capita GDP (2022 est., US$ thousand)	23.4	Poverty rate (individual, 2010)	19.3
Life expectancy at birth in years (2022)	77.7	Gini coefficient (2010)	47.0
Rank in UNDP Development Index (2022)	62	Unemployment rate (2023)	7.9
Main products, services and exports: tourism, financial services, rum, sugar, and chemicals.			

II. Economic Indicators

	2020	2021	2022	2023	Projections 2024			2025		
					CR/24/196			CR/24/196		
					Old GDP	Revised GDP		Old GDP	Revised GDP	
	(Annual percentage change, unless otherwise indicated)									
Output, prices, and employment										
CY Real GDP 2/	-15.1	-0.3	17.8	4.1	3.9	...	3.8	2.8	...	3.0
CPI inflation (average)	0.6	1.4	4.5	3.2	4.0	...	2.3	2.9	...	2.4
CPI inflation (end of period)	0.4	2.4	3.8	3.2	3.1	...	2.9	2.8	...	2.4
External sector										
Exports of goods and services	-38.1	4.4	34.8	11.1	14.4	...	10.6	6.4	...	10.8
Imports of goods and services	-18.0	15.4	25.9	1.9	9.1	...	7.6	3.6	...	6.2
Real effective exchange rate (index, average)	131.5	127.5	124.5	123.9	...	...	...	...	...	...
Money and credit										
Net domestic assets	1.7	4.8	8.8	0.8	4.1	...	5.7	4.4	...	4.0
of which: Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	2.3	...	3.4	3.2	...	3.2
Broad money	7.2	6.0	5.3	1.0	5.3	...	5.4	4.2	...	3.7
CG Public finances (fiscal year) 2/ 3/					(In percent of FY GDP)					
Revenue and grants	28.1	26.0	27.5	26.6	27.3	26.0	26.6	27.3	26.2	26.0
Expenditure	32.6	30.4	29.4	28.3	29.0	27.6	28.2	27.7	26.5	26.2
Fiscal Balance	-4.5	-4.3	-1.9	-1.7	-1.7	-1.6	-1.6	-0.4	-0.3	-0.2
Interest Expenditure	3.6	3.5	4.3	5.2	5.7	5.4	5.4	4.8	4.6	4.5
Primary Balance	-0.9	-0.8	2.4	3.5	4.0	3.8	3.8	4.5	4.3	4.3
Public Debt (fiscal year) 2/ 3/										
Public sector debt 4/	138.2	121.6	113.7	111.4	107.9	103.3	102.8	101.8	97.5	97.4
External	45.8	43.5	42.9	43.8	43.7	41.9	41.6	41.2	39.4	37.9
Domestic	92.4	78.1	70.8	67.6	64.2	61.5	61.2	60.6	58.1	59.5
Balance of payments (calendar year) 2/					(In percent of CY GDP)					
Current account balance	-4.9	-10.3	-9.9	-8.6	-7.4	-7.1	-5.9	-6.2	-5.9	-5.8
Capital and financial account balance	15.6	11.5	7.6	9.4	7.9	7.6	6.3	6.4	6.1	5.9
Public Sector	9.1	7.0	1.0	4.5	2.4	2.3	1.3	0.1	0.1	-0.2
o/w IMF disbursement	4.5	0.9	0.7	1.7	1.6	1.6	1.6	0.8	0.7	0.7
Private Sector (including FDI)	6.6	4.5	6.5	5.0	5.5	5.3	5.0	6.3	6.0	6.1
Net Errors and Omissions	0.7	2.6	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	11.4	3.8	-2.3	1.7	0.5	0.5	0.4	0.2	0.2	0.0
Memorandum items:										
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	...	...	...	...	...	...
Gross international reserves (US$ million)	1,330	1,529	1,385	1,500	1,538	...	1,528	1,550	...	1,528
In months of imports of G&S	9.4	9.4	6.7	7.2	6.7	...	6.8	6.5	...	6.4
In percent of ARA	258	288	215	214	204	...	203	191	...	186
Nominal GDP, CY (BDS$ millions) 2/	10,337	10,550	12,515	13,441	13,759	14,330	14,330	14,578	15,220	15,220
Nominal GDP, FY (BDS$ millions) 2/	9,605	11,295	12,873	13,688	13,964	14,585	14,585	14,727	15,371	15,371

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

1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.

2/ Data in the CR/24/196 "Old GDP" column are based on GDP with the 2010 reference year, while GDP ratios in the CR/24/196 "Revised GDP" column and data in other columns are based on revised GDP with the 2016 reference year.

3/ Fiscal year is from April to March.

4/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 2a. Barbados: Central Government Operations, 2020/2021–2029/2030 1/ 2/
(In millions of Barbados dollars)

	2020/21	2021/22	2022/23	2023/24	Projections 2024/25 CR/24/196	2024/25	2025/26 CR/24/196	2025/26	2026/27	2027/28	2028/29	2029/30
Total revenue	**2,702**	**2,941**	**3,543**	**3,643**	**3,812**	**3,878**	**4,021**	**3,997**	**4,189**	**4,385**	**4,604**	**4,833**
Current revenue	2,702	2,935	3,523	3,642	3,804	3,870	4,013	3,988	4,180	4,375	4,594	4,823
Tax revenue	2,527	2,763	3,334	3,471	3,615	3,664	3,814	3,770	3,951	4,134	4,341	4,557
Income and profits	921	835	942	1,007	1,071	1,183	1,131	1,146	1,204	1,264	1,327	1,394
Taxes on property	182	205	217	219	224	224	236	236	238	250	263	276
VAT	706	885	1,023	1,095	1,157	1,103	1,219	1,169	1,230	1,291	1,357	1,425
Excise	154	212	247	229	251	241	265	254	267	280	294	309
Import taxes	192	221	242	257	276	276	291	301	316	332	349	366
Other taxes	372	405	663	664	637	638	672	663	697	716	751	787
Nontax revenue	175	172	189	172	188	206	199	219	230	241	253	266
Capital revenue and grants	0	6	20	1	8	8	8	8	9	9	10	10
Total expenditure	**3,132**	**3,431**	**3,788**	**3,874**	**4,044**	**4,108**	**4,074**	**4,025**	**4,155**	**4,317**	**4,523**	**4,718**
Current expenditure	2,856	3,006	3,312	3,504	3,618	3,611	3,611	3,591	3,623	3,748	3,910	4,078
Wages, salaries and SSC	808	835	855	852	858	858	862	862	867	910	956	1,003
Goods and services	400	493	529	522	647	647	667	667	683	703	738	776
Interest	343	399	549	707	790	788	709	693	666	667	688	695
Transfers	1,305	1,279	1,379	1,422	1,322	1,318	1,373	1,369	1,407	1,469	1,528	1,604
o/w Subsidies	161	190	213	159	143	141	148	149	157	170	179	187
o/w Grants to public institutions	796	749	805	927	826	822	852	846	859	887	916	962
o/w Retirement benefits	348	340	362	336	354	354	373	374	392	412	433	455
Capital expenditure and net lending	276	425	476	370	426	497	463	434	532	568	612	640
CG Fiscal balance	**-430**	**-491**	**-245**	**-231**	**-233**	**-230**	**-53**	**-29**	**34**	**68**	**82**	**115**
CG Primary balance	**-87**	**-92**	**304**	**477**	**558**	**558**	**656**	**665**	**700**	**734**	**770**	**810**
Repayment of domestic arrears (net)	74	57	-96	24	40	40	40	40	40	40	40	33
CG Fiscal balance (net of arrears)	**-503**	**-548**	**-149**	**-255**	**-273**	**-270**	**-93**	**-69**	**-6**	**28**	**42**	**82**
CG Primary balance (net of arrears)	**-161**	**-149**	**400**	**453**	**518**	**518**	**616**	**625**	**660**	**694**	**730**	**777**
Financing	**503**	**548**	**149**	**255**	**273**	**270**	**93**	**69**	**6**	**-28**	**-42**	**-82**
Net Financing - External	846	540	376	529	153	154	25	-180	-86	-264	-175	-138
Capital Markets (after refinancing)	0	0	0	0	0	0	100	100	125	150	250	293
Project Funds	82	207	95	113	215	146	125	145	145	135	125	115
Policy Loans	600	400	400	400	0	200	200	0	200	40	40	40
o/w IDB	400	200	200	400	0	200	200	0	160	0	0	0
o/w CDB	0	0	0	0	0	0	0	0	0	0	0	0
o/w CAF	200	0	0	0	0	0	0	0	0	0	0	0
o/w WB	0	200	200	0	0	0	0	0	40	40	40	40
IMF	352	97	83	227	225	226	113	114	0	0	0	0
o/w EFF	352	97	83	76	75	75	38	38	0	0	0	
o/w IMF RSF 3/	0	0	0	151	150	151	75	76	0	0	0	0
Others 4/	0	0	0	0	0	-80	0	0	0	0	0	0
Amortization	188	163	202	211	287	338	513	539	556	589	590	585
Net Financing - Domestic	-343	8	-227	-275	120	116	68	249	92	236	133	56
Central bank 5/	-67	332	-133	-175	290	429	15	-85	-85	-42	0	0
Commercial banks	106	-25	100	131	80	113	100	100	150	200	125	50
National Insurance Scheme	-208	15	-60	-83	-70	-92	-70	-70	-50	-30	0	0
Private non-bank and others 6/ 7/	-175	-314	-134	-148	-180	-333	23	304	77	109	8	6
Memorandum items:												
Public debt 8/	13,271	13,735	14,634	15,248	15,068	14,993	14,985	14,974	14,886	14,766	14,631	14,492
Nominal GDP, FY (BDS$ millions) 9/	9,605	11,295	12,873	13,688	13,964	14,585	14,727	15,371	16,151	16,954	17,790	18,647

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.
2/ Fiscal year is from April to March.
3/ The RSF replaces other external financing.
4/ Acquisition of additional CAF shares and contribution to the CDF.
5/ Positive net financing in 2024/25 and onwards reflects expected withdrawal of government deposits with the CBB.
6/ Insurance companies and other non bank private sector; BOSS programs are also included here.
7/ Including government's equity investment into crisis-affected companies in the tourism sector.
8/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.
9/ Data from the third review (CR/24/196) is based on the 2010 reference year, while other data are based on the 2016 reference year.

Table 2b. Barbados: Central Government Operations, 2020/2021–2029/2030 1/ 2/
(In percent of FY-GDP, unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30
					Projections							
					CR/24/196		CR/24/196					
Total revenue	**28.1**	**26.0**	**27.5**	**26.6**	**27.3**	**26.6**	**27.3**	**26.0**	**25.9**	**25.9**	**25.9**	**25.9**
Current revenue	28.1	26.0	27.4	26.6	27.2	26.5	27.2	25.9	25.9	25.8	25.8	25.9
Tax revenue	26.3	24.5	25.9	25.4	25.9	25.1	25.9	24.5	24.5	24.4	24.4	24.4
Income and profits	9.6	7.4	7.3	7.4	7.7	8.1	7.7	7.5	7.5	7.5	7.5	7.5
Taxes on property	1.9	1.8	1.7	1.6	1.6	1.5	1.6	1.5	1.5	1.5	1.5	1.5
VAT	7.4	7.8	7.9	8.0	8.3	7.6	8.3	7.6	7.6	7.6	7.6	7.6
Excise	1.6	1.9	1.9	1.7	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.7
Import taxes	2.0	2.0	1.9	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.0
Other taxes	3.9	3.6	5.2	4.9	4.6	4.4	4.6	4.3	4.3	4.2	4.2	4.2
Nontax revenue	1.8	1.5	1.5	1.3	1.3	1.4	1.3	1.4	1.4	1.4	1.4	1.4
Capital revenue and grants	0.0	0.1	0.2	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure	**32.6**	**30.4**	**29.4**	**28.3**	**29.0**	**28.2**	**27.7**	**26.2**	**25.7**	**25.5**	**25.4**	**25.3**
Current expenditure	29.7	26.6	25.7	25.6	25.9	24.8	24.5	23.4	22.4	22.1	22.0	21.9
Wages, salaries and SSC	8.4	7.4	6.6	6.2	6.1	5.9	5.9	5.6	5.4	5.4	5.4	5.4
Goods and services	4.2	4.4	4.1	3.8	4.6	4.4	4.5	4.3	4.2	4.1	4.2	4.2
Interest	3.6	3.5	4.3	5.2	5.7	5.4	4.8	4.5	4.1	3.9	3.9	3.7
Transfers	13.6	11.3	10.7	10.4	9.5	9.0	9.3	8.9	8.7	8.7	8.6	8.6
o/w Subsidies	1.7	1.7	1.7	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
o/w Grants to public institutions	8.3	6.6	6.3	6.8	5.9	5.6	5.8	5.5	5.3	5.2	5.2	5.2
o/w Retirement benefits	3.6	3.0	2.8	2.5	2.5	2.4	2.5	2.4	2.4	2.4	2.4	2.4
Capital expenditure and net lending	2.9	3.8	3.7	2.7	3.1	3.4	3.1	2.8	3.3	3.4	3.4	3.4
CG Fiscal balance	**-4.5**	**-4.3**	**-1.9**	**-1.7**	**-1.7**	**-1.6**	**-0.4**	**-0.2**	**0.2**	**0.4**	**0.5**	**0.6**
CG Primary balance	**-0.9**	**-0.8**	**2.4**	**3.5**	**4.0**	**3.8**	**4.5**	**4.3**	**4.3**	**4.3**	**4.3**	**4.3**
Repayment of domestic arrears (net)	0.8	0.5	-0.7	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
CG Fiscal balance (net of arrears)	**-5.2**	**-4.8**	**-1.2**	**-1.9**	**-2.0**	**-1.9**	**-0.6**	**-0.4**	**0.0**	**0.2**	**0.2**	**0.4**
CG Primary balance (net of arrears)	**-1.7**	**-1.3**	**3.1**	**3.3**	**3.7**	**3.6**	**4.2**	**4.1**	**4.1**	**4.1**	**4.1**	**4.2**
Financing	**5.2**	**4.8**	**1.2**	**1.9**	**2.0**	**1.9**	**0.6**	**0.4**	**0.0**	**-0.2**	**-0.2**	**-0.4**
Net Financing - External	8.8	4.8	2.9	3.9	1.1	1.1	0.2	-1.2	-0.5	-1.6	-1.0	-0.7
Capital Markets (after refinancing)	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.8	0.9	1.4	1.6
Project Funds	0.8	1.8	0.7	0.8	1.5	1.0	0.9	0.9	0.9	0.8	0.7	0.6
Policy Loans	6.2	3.5	3.1	2.9	0.0	1.4	1.4	0.0	1.2	0.2	0.2	0.2
o/w IDB	4.2	1.8	1.6	2.9	0.0	1.4	1.4	0.0	1.0	0.0	0.0	0.0
o/w CDB	0.0	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	2.1	0.0	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	1.8	1.6	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2
IMF	3.7	0.9	0.6	1.7	1.6	1.6	0.8	0.7	0.0	0.0	0.0	0.0
o/w EFF	3.7	0.9	0.6	0.6	0.5	0.5	0.3	0.2	0.0	0.0	0.0	0.0
o/w IMF RSF 3/	0.0	0.0	0.0	1.1	1.1	1.0	0.5	0.5	0.0	0.0	0.0	0.0
Others 4/	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	2.0	1.4	1.6	1.5	2.1	2.3	3.5	3.5	3.4	3.5	3.3	3.1
Net Financing - Domestic	-3.6	0.1	-1.8	-2.0	0.9	0.8	0.5	1.6	0.6	1.4	0.8	0.3
Central bank 5/	-0.7	2.9	-1.0	-1.3	2.1	2.9	0.1	-0.6	-0.5	-0.3	0.0	0.0
Commercial banks	1.1	-0.2	0.8	1.0	0.6	0.8	0.7	0.7	0.9	1.2	0.7	0.3
National Insurance Scheme	-2.2	0.1	-0.5	-0.6	-0.5	-0.6	-0.5	-0.5	-0.3	-0.2	0.0	0.0
Private non-bank and others 6/ 7/	-1.8	-2.8	-1.0	-1.1	-1.3	-2.3	0.2	2.0	0.5	0.6	0.0	0.0
Memorandum items:												
Public debt 8/	138.2	121.6	113.7	111.4	107.9	102.8	101.8	97.4	92.2	87.1	82.2	77.7
Nominal GDP, FY (BDS$ millions) 9/	9,605	11,295	12,873	13,688	13,964	14,585	14,727	15,371	16,151	16,954	17,790	18,647

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.
2/ Fiscal year is from April to March.
3/ The RSF replaces other external financing.
4/ Acquisition of additional CAF shares and contribution to the CDF.
5/ Positive net financing in 2024/25 and onwards reflects expected withdrawal of government deposits with the CBB.
6/ Insurance companies and other non bank private sector; BOSS programs are also included here.
7/ Including government's equity investment into crisis-affected companies in the tourism sector.
8/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.
9/ Data from the third review (CR/24/196) is based on the 2010 reference year, while other data are based on the 2016 reference year.

Table 3. Barbados: Public Debt, 2020/2021–2029/2030 1/ 2/ 3/

	2020/21	2021/22	2022/23	2023/24	2024/25 (Projections)		2025/26 (Projections)		2026/27 (Projections)	2027/28 (Projections)	2028/29 (Projections)	2029/30 (Projections)
					CR/24/196		CR/24/196					
					(In millions of Barbados dollars)							
Central government debt	**12,822**	**13,302**	**14,222**	**14,873**	**14,740**	**14,630**	**14,725**	**14,674**	**14,655**	**14,602**	**14,535**	**14,435**
Domestic	**8,873**	**8,824**	**9,118**	**9,250**	**8,964**	**8,929**	**8,924**	**9,153**	**9,220**	**9,431**	**9,540**	**9,577**
Short Term	708	710	662	823	600	600	600	600	600	600	600	600
Long term	8,085	8,091	8,198	8,194	8,238	8,136	8,238	8,399	8,507	8,758	8,906	8,977
Arrears 2/	79	23	257	233	127	193	87	153	113	73	33	0
External 3/	**3,949**	**4,477**	**5,104**	**5,623**	**5,776**	**5,701**	**5,801**	**5,521**	**5,435**	**5,171**	**4,996**	**4,858**
Short Term	0	0	0	0	0	0	0	0	0	0	0	0
Long term	3,949	4,477	5,104	5,623	5,776	5,701	5,801	5,521	5,435	5,171	4,996	4,858
Arrears	0	0	0	0	0	0	0	0	0	0	0	0
Government-guaranteed SOE debt	52	46	36	26	42	74	35	72	66	62	57	57
Domestic	0	0	0	0	0	0	0	0	0	0	0	0
External	52	46	36	26	42	74	35	72	66	62	57	57
Public sector debt	12,874	13,348	14,258	14,899	14,782	14,704	14,760	14,746	14,721	14,663	14,592	14,492
IMF (BOP support) 4/	397	387	377	349	286	289	225	228	165	102	39	0
Public sector debt + IMF (BOP support)	**13,271**	**13,735**	**14,634**	**15,248**	**15,068**	**14,993**	**14,985**	**14,974**	**14,886**	**14,766**	**14,631**	**14,492**
					(In percent of FY GDP)							
Central government debt	**133.5**	**117.8**	**110.5**	**108.7**	**105.6**	**100.3**	**100.0**	**95.5**	**90.7**	**86.1**	**81.7**	**77.4**
Domestic	**92.4**	**78.1**	**70.8**	**67.6**	**64.2**	**61.2**	**60.6**	**59.5**	**57.1**	**55.6**	**53.6**	**51.4**
Short Term	7.4	6.3	5.1	6.0	4.3	4.1	4.1	3.9	3.7	3.5	3.4	3.2
Long term	84.2	71.6	63.7	59.9	59.0	55.8	55.9	54.6	52.7	51.7	50.1	48.1
Arrears 2/	0.8	0.2	2.0	1.7	0.9	1.3	0.6	1.0	0.7	0.4	0.2	0.0
External 3/	**41.1**	**39.6**	**39.6**	**41.1**	**41.4**	**39.1**	**39.4**	**35.9**	**33.6**	**30.5**	**28.1**	**26.1**
Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term	41.1	39.6	39.6	41.1	41.4	39.1	39.4	35.9	33.6	30.5	28.1	26.1
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government-guaranteed SOE debt	**0.5**	**0.4**	**0.3**	**0.2**	**0.3**	**0.5**	**0.2**	**0.5**	**0.4**	**0.4**	**0.3**	**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
External	0.5	0.4	0.3	0.2	0.3	0.5	0.2	0.5	0.4	0.4	0.3	0.3
Public sector debt	**134.0**	**118.2**	**110.8**	**108.8**	**105.9**	**100.8**	**100.2**	**95.9**	**91.1**	**86.5**	**82.0**	**77.7**
IMF (BOP support) 4/	4.1	3.4	2.9	2.5	2.0	2.0	1.5	1.5	1.0	0.6	0.2	0.0
Public sector debt + IMF (BOP support)	**138.2**	**121.6**	**113.7**	**111.4**	**107.9**	**102.8**	**101.8**	**97.4**	**92.2**	**87.1**	**82.2**	**77.7**
Memorandum items:												
Nominal GDP, FY (BDS$ millions)	9,605	11,295	12,873	13,688	13,964	14,585	14,727	15,371	16,151	16,954	17,790	18,647

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

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

2/ Including legacy arrears formally recognized by the authorities in FY2022/23. Starting from the fourth reviews of the 2022EFF/RSF, the clearance of an extra-governmental entity's legacy arrears with the central government in FY2022/23 is reflected. This does not alter central government arrears reported in the context of the quantitative performance criteria.

3/ Includes IMF budget support loans directly lent to the government under the 2018 EFF and 2022 EFF/RSF.

4/ IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 4a. Barbados: Balance of Payments, 2020–2029 1/

(In millions of U.S. dollars)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
					Projections							
					CR/24/196		CR/24/196					
Current account balance	**-253**	**-541**	**-619**	**-578**	**-512**	**-421**	**-452**	**-445**	**-419**	**-438**	**-447**	**-459**
o/w Exports of goods and services	1,419	1,482	1,998	2,221	2,541	2,457	2,705	2,722	2,866	3,012	3,161	3,316
o/w Imports of goods and services	1,699	1,960	2,467	2,515	2,750	2,706	2,848	2,873	3,006	3,160	3,328	3,483
Trade balance	-803	-950	-1,228	-1,212	-1,306	-1,267	-1,318	-1,297	-1,357	-1,440	-1,522	-1,580
Exports of goods	619	639	811	792	867	815	918	936	976	1,014	1,073	1,125
o/w Re-exports	120	119	247	220	254	235	269	259	272	286	300	315
Imports of goods	1,422	1,589	2,039	2,004	2,172	2,082	2,236	2,233	2,334	2,454	2,595	2,705
o/w Oil	255	343	561	505	530	494	498	443	427	417	411	407
Services balance	524	472	759	917	1,097	1,018	1,175	1,147	1,217	1,292	1,356	1,413
Credit	800	843	1,187	1,429	1,675	1,642	1,787	1,786	1,890	1,999	2,089	2,192
o/w Travel (credit)	602	623	935	1,157	1,380	1,354	1,477	1,482	1,571	1,665	1,740	1,827
Debit	277	372	428	511	578	623	612	639	672	706	733	778
Primary income balance	-67	-96	-166	-279	-301	-294	-306	-295	-279	-291	-281	-292
Credit	169	206	230	248	270	258	286	282	296	311	327	343
Debit	237	302	396	528	571	552	592	577	575	602	607	635
Secondary income balance	93	33	16	-4	-3	122	-3	0	0	0	0	0
Credit	198	142	138	127	141	265	149	152	160	168	177	185
Debit	105	109	122	131	144	143	152	152	160	168	177	185
Capital and financial account (without RSF)	**578**	**556**	**434**	**597**	**508**	**412**	**445**	**426**	**392**	**431**	**471**	**537**
Capital and financial account (with RSF)	**578**	**556**	**434**	**521**	**433**	**336**	**408**	**388**	**392**	**431**	**471**	**537**
Financial Account Balance	811	604	467	635	546	449	464	445	392	431	471	537
Public sector	238	319	20	186	55	-20	-48	-75	-100	-141	-130	-93
o/w CG and CBB Inflows	333	377	122	415	270	244	249	248	207	181	196	220
SDR allocation	0	130	0	0	0	0	0	0	0	0	0	0
IFIs and others (including RSF)	333	248	122	340	195	169	211	210	207	181	196	220
o/w CG and CBB Outflows	95	58	101	143	165	184	259	276	307	322	326	313
Private sector	342	236	406	335	378	356	456	464	492	572	600	630
FDI and long-term debt (net)	380	259	419	353	378	373	456	472	500	572	600	630
Short-term debt (net)	-38	-22	-14	-18	0	-16	0	-8	-8	0	0	0
Capital Account Balance	-2	0	7	0	0	0	0	0	0	0	0	0
Net errors and omissions	**35**	**137**	**0**	**58**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (deficit -)	**359**	**151**	**-186**	**77**	**-4**	**-10**	**-7**	**-19**	**-27**	**-8**	**24**	**78**
Use of Fund credit: EFF	231	48	41	38	38	38	19	19	0	0	0	0
Change in reserves (-=increase, without RSF)	**-590**	**-199**	**144**	**-115**	**-34**	**-28**	**-12**	**0**	**27**	**8**	**-24**	**-78**
Use of Fund credit: RSF	0	0	0	76	75	75	38	38	0	0	0	0
Change in reserves (-=increase, with RSF) 2/	**-590**	**-199**	**144**	**-115**	**-34**	**-28**	**-12**	**0**	**27**	**8**	**-24**	**-78**
Memorandum items:												
Oil Price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	81.3	76.4	72.8	70.2	68.6	67.6	67.0
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,330	1,529	1,385	1,500	1,538	1,528	1,550	1,528	1,502	1,494	1,518	1,596
GIR (months of imports of G&S)	9.4	9.4	6.7	7.2	6.7	6.8	6.5	6.4	6.0	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	258	288	215	214	204	203	191	186	177	171	168	172

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

1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

Table 4b. Barbados: Balance of Payments, 2020–2029 1/
(In percent of CY-GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
					Projections							
					CR/24/196		CR/24/196					
Current account balance	**-4.9**	**-10.3**	**-9.9**	**-8.6**	**-7.4**	**-5.9**	**-6.2**	**-5.8**	**-5.2**	**-5.2**	**-5.1**	**-5.0**
o/w Exports of goods and services	27.5	28.1	31.9	33.0	36.9	34.3	37.1	35.8	35.8	35.8	35.8	35.8
o/w Imports of goods and services	32.9	37.2	39.4	37.4	40.0	37.8	39.1	37.7	37.6	37.6	37.7	37.6
Trade balance	-15.5	-18.0	-19.6	-18.0	-19.0	-17.7	-18.1	-17.0	-17.0	-17.1	-17.2	-17.1
Exports of goods	12.0	12.1	13.0	11.8	12.6	11.4	12.6	12.3	12.2	12.1	12.2	12.1
o/w Re-exports	2.3	2.3	3.9	3.3	3.7	3.3	3.7	3.4	3.4	3.4	3.4	3.4
Imports of goods	27.5	30.1	32.6	29.8	31.6	29.1	30.7	29.3	29.2	29.2	29.4	29.2
o/w Oil	4.9	6.5	9.0	7.5	7.7	6.9	6.8	5.8	5.3	5.0	4.7	4.4
Services balance	10.1	8.9	12.1	13.7	15.9	14.2	16.1	15.1	15.2	15.4	15.4	15.3
Credit	15.5	16.0	19.0	21.3	24.3	22.9	24.5	23.5	23.6	23.8	23.7	23.7
o/w Travel (credit)	11.6	11.8	14.9	17.2	20.1	18.9	20.3	19.5	19.6	19.8	19.7	19.7
Debit	5.4	7.0	6.8	7.6	8.4	8.7	8.4	8.4	8.4	8.4	8.3	8.4
Primary income balance	-1.3	-1.8	-2.6	-4.2	-4.4	-4.1	-4.2	-3.9	-3.5	-3.5	-3.2	-3.2
Credit	3.3	3.9	3.7	3.7	3.9	3.6	3.9	3.7	3.7	3.7	3.7	3.7
Debit	4.6	5.7	6.3	7.9	8.3	7.7	8.1	7.6	7.2	7.2	6.9	6.9
Secondary income balance	1.8	0.6	0.3	-0.1	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Credit	3.8	2.7	2.2	1.9	2.1	3.7	2.1	2.0	2.0	2.0	2.0	2.0
Debit	2.0	2.1	2.0	1.9	2.1	2.0	2.1	2.0	2.0	2.0	2.0	2.0
Capital and financial account (without RSF)	**11.2**	**10.5**	**6.9**	**8.9**	**7.4**	**5.7**	**6.1**	**5.6**	**4.9**	**5.1**	**5.3**	**5.8**
Capital and financial account (with RSF)	**11.2**	**10.5**	**6.9**	**7.8**	**6.3**	**4.7**	**5.6**	**5.1**	**4.9**	**5.1**	**5.3**	**5.8**
Financial Account Balance	15.7	11.4	7.5	9.4	7.9	6.3	6.4	5.9	4.9	5.1	5.3	5.8
Public sector	4.6	6.0	0.3	4.0	1.9	0.8	-0.1	-0.5	-1.3	-1.7	-1.5	-1.0
o/w CG and CBB Inflows	6.4	7.1	1.9	6.2	3.9	3.4	3.4	3.3	2.6	2.1	2.2	2.2
SDR allocation	0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFIs and others (including RSF)	6.4	4.7	1.9	5.1	2.8	2.4	2.9	2.8	2.6	2.1	2.2	2.4
o/w CG and CBB Outflows	1.8	1.1	1.6	2.1	2.4	2.6	3.6	3.6	3.8	3.8	3.7	3.4
Private sector	6.6	4.5	6.5	5.0	5.5	5.0	6.3	6.1	6.2	6.8	6.8	6.8
FDI and long-term debt (net)	7.4	4.9	6.7	5.3	5.5	5.2	6.3	6.2	6.2	6.8	6.8	6.8
Short-term debt (net)	-0.7	-0.4	-0.2	-0.3	0.0	-0.2	0.0	-0.1	-0.1	0.0	0.0	0.0
Capital Account Balance	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	**0.7**	**2.6**	**0.0**	**0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (deficit -)	**6.9**	**2.9**	**-3.0**	**1.1**	**-0.1**	**-0.1**	**-0.1**	**-0.2**	**-0.3**	**-0.1**	**0.3**	**0.8**
Use of Fund credit: EFF	4.5	0.9	0.7	0.6	0.5	0.5	0.3	0.2	0.0	0.0	0.0	0.0
Change in reserves (-=increase, without RSF)	**-11.4**	**-3.8**	**2.3**	**-1.7**	**-0.5**	**-0.4**	**-0.2**	**0.0**	**0.3**	**0.1**	**-0.3**	**0.0**
Use of Fund credit: RSF	0	0	0	1.1	1.1	1.1	0.5	0.5	0.0	0.0	0.0	0.0
Change in reserves (-=increase, with RSF) 2/	**-11.4**	**-3.8**	**2.3**	**-1.7**	**-0.5**	**-0.4**	**-0.2**	**0.0**	**0.3**	**0.1**	**-0.3**	**0.0**
Memorandum items:												
Oil Price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	81.3	76.4	72.8	70.2	68.6	67.6	67.0
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,330	1,529	1,385	1,500	1,538	1,528	1,550	1,528	1,502	1,494	1,518	1,596
In months of imports of G&S	9.4	9.4	6.7	7.2	6.7	6.8	6.5	6.4	6.0	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	258	288	215	214	204	203	191	186	177	171	168	172

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024. GDP ratios for the third review (CR24/196) are calculated with GDP based on the 2010 reference year.
2/ The RSF replaces part of other financing.
3/ GIR remains the same with or without RSF.

Table 5. Barbados: Monetary Survey, 2020–2029 1/

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
					Projections							
					CR/24/196		CR/24/196					
	(In millions of Barbados dollars)											
Central Bank of Barbados												
Net International Reserves	2,195	2,595	1,851	1,839	1,969	1,955	2,053	2,017	2,026	2,074	2,185	2,380
Assets	2,661	3,059	2,770	3,000	3,077	3,056	3,100	3,057	3,004	2,989	3,037	3,192
Liabilities	-466	-464	-919	-1,161	-1,108	-1,102	-1,047	-1,040	-978	-915	-852	-812
Gross International Reserves 2/	2,661	3,059	2,770	3,000	3,077	3,056	3,100	3,057	3,004	2,989	3,037	3,192
Net domestic assets 3/	1,296	1,479	1,978	1,739	1,781	1,585	1,939	1,693	1,693	1,693	1,693	1,693
Of which: Claims on Central government	769	821	1,058	1,057	1,033	1,057	948	972	887	845	845	845
Monetary base	3,552	4,133	4,389	4,401	3,750	3,540	3,992	3,710	3,719	3,767	3,878	4,073
Commercial banks												
Net foreign assets	633	827	877	760	753	760	753	760	760	760	760	760
Net domestic assets	11,609	12,117	12,713	12,943	12,801	12,752	13,367	13,266	13,727	14,287	14,938	15,649
Liabilities to the nonfinancial private sector	12,242	12,944	13,590	13,704	13,554	13,513	14,121	14,027	14,488	15,047	15,698	16,410
Monetary survey												
Net foreign assets	2,340	2,599	2,363	2,412	2,521	2,504	2,605	2,567	2,576	2,624	2,735	2,930
Net domestic assets	10,161	10,650	11,591	11,686	12,329	12,355	12,870	12,848	13,302	13,825	14,393	14,956
Net credit to the public sector	2,087	2,653	3,193	3,183	3,466	3,558	3,723	3,765	3,915	4,115	4,240	4,290
Central government	2,002	2,509	3,036	3,040	3,323	3,415	3,581	3,623	3,773	3,973	4,098	4,148
Rest of public sector	85	145	157	143	143	143	143	143	143	143	143	143
Credit to the private sector	8,206	8,149	8,410	8,629	8,835	8,923	9,118	9,208	9,512	9,835	10,278	10,792
of which Credit to the non financial private sector	8,154	8,097	8,351	8,568	8,772	8,859	9,053	9,142	9,444	9,765	10,205	10,715
Credit to rest of financial system	271	256	311	316	316	316	316	316	316	316	316	316
Other items (net)	-403	-408	-323	-442	-288	-442	-288	-442	-442	-442	-442	-442
Broad money (M2, liabilities to the private sector)	12,501	13,249	13,954	14,098	14,850	14,859	15,475	15,414	15,877	16,449	17,127	17,886
	(In percentage change)											
Monetary survey												
Net foreign assets	40.6	11.1	-9.1	2.1	12.0	3.8	3.4	2.5	0.4	1.9	4.2	7.1
Net domestic assets	1.7	4.8	8.8	0.8	4.1	5.7	4.4	4.0	3.5	3.9	4.1	3.9
Of which:												
Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	2.3	3.4	3.2	3.2	3.3	3.4	4.5	5.0
Net credit to the public sector	-8.9	27.1	20.4	-0.3	8.9	11.8	7.4	5.8	4.0	5.1	3.0	1.2
Broad money	7.2	6.0	5.3	1.0	5.3	5.4	4.2	3.7	3.0	3.6	4.1	4.4

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.
2/ Calculated at program exchange rates.
3/ TMU definition.

Table 6. Barbados: Medium-Term Macroeconomic Framework, 2020–2029 1/
(In percent of GDP, unless otherwise indicated)

					Projections									
	2020	2021	2022	2023	2024			2025			2026	2027	2028	2029
					CR/24/196			CR/24/196						
					Old GDP	Revised GDP		Old GDP	Revised GDP					
					(Annual percentage change, unless otherwise indicated)									
National accounts and prices (calendar year)														
CY Real GDP 2/	-15.1	-0.3	17.8	4.1	3.9	...	3.8	2.8	...	3.0	2.3	2.0	2.0	2.0
Nominal GDP 2/	-10.7	2.1	18.6	7.4	7.7	...	6.6	5.9	...	6.2	5.2	5.0	5.0	5.0
CPI inflation (average)	0.6	1.4	4.5	3.2	4.0	...	2.3	2.9	...	2.4	2.4	2.4	2.4	2.4
CPI inflation (end of period)	0.4	2.4	3.8	3.2	3.1	...	2.9	2.8	...	2.4	2.4	2.4	2.4	2.4
External sector (calendar year)														
Exports of goods and services, value	-38.1	4.4	34.8	11.1	14.4	...	10.6	6.4	...	10.8	5.3	5.1	4.9	4.9
Imports of goods and services, value	-18.0	15.4	25.9	1.9	9.1	...	7.6	3.6	...	6.2	4.6	5.1	5.3	4.7
Real effective exchange rate (index, average)	131.5	127.5	124.5	123.9	...	...	...	...	...	...	...	...	...	...
Terms of trade	6.7	-13.3	-5.5	4.4	2.7	...	2.7	2.0	...	2.0	1.4	0.9	0.9	1.4
Money and credit (calendar year, end of period)														
Net domestic assets	1.7	4.8	8.8	0.8	4.1	...	5.7	4.4	...	4.0	3.5	3.9	4.1	3.9
Of which: Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	2.3	...	3.4	3.2	...	3.2	3.3	3.4	4.5	5.0
Broad money	7.2	6.0	5.3	1.0	5.3	...	5.4	4.2	...	3.7	3.0	3.6	4.1	4.4
Velocity (GDP relative to broad money)	0.8	0.8	0.9	1.0	0.9	...	0.9	0.9	...	0.9	1.0	1.0	1.0	1.0
					(In percent of FY GDP, unless otherwise indicated)									
Public finances (fiscal year) 2/ 3/														
Central government														
Revenue and grants	28.1	26.0	27.5	26.6	27.3	26.1	26.6	27.3	26.2	26.0	25.9	25.9	25.9	25.9
Expenditure	32.6	30.4	29.4	28.3	29.0	27.7	28.2	27.7	26.5	26.2	25.7	25.5	25.4	25.3
Fiscal balance	-4.5	-4.3	-1.9	-1.7	-1.7	-1.6	-1.6	-0.4	-0.3	-0.2	0.2	0.4	0.5	0.6
Interest Expenditure	3.6	3.5	4.3	5.2	5.7	5.4	5.4	4.8	4.6	4.5	4.1	3.9	3.9	3.7
Primary balance	-0.9	-0.8	2.4	3.5	4.0	3.8	3.8	4.5	4.3	4.3	4.3	4.3	4.3	4.3
Public debt (fiscal year) 2/														
Public sector debt 4/	138.2	121.6	113.7	111.4	107.9	103.3	102.8	101.8	97.5	97.4	92.2	87.1	82.2	77.7
External	45.8	43.5	42.9	43.8	43.7	41.9	41.6	41.2	39.4	37.9	35.1	31.5	28.6	26.4
Domestic	92.4	78.1	70.8	67.6	64.2	61.5	61.2	60.6	58.1	59.5	57.1	55.6	53.6	51.4
Savings and investment (calendar year) 2/														
Gross domestic investment	16.4	16.8	16.8	16.0	16.9	16.2	16.3	17.0	16.3	16.0	16.2	16.3	16.4	16.4
Public	2.7	3.9	3.9	3.2	3.2	3.1	3.5	3.3	3.2	3.2	3.4	3.6	3.6	3.7
Private 3/	13.7	12.9	12.8	12.8	13.7	13.1	12.8	13.7	13.1	12.8	12.8	12.8	12.8	12.8
National savings	11.5	6.5	6.9	7.4	9.5	9.1	10.4	10.8	10.4	10.1	11.0	11.1	11.4	11.5
Public	-2.7	-2.6	0.0	1.0	1.4	1.3	1.4	2.1	2.1	2.2	2.9	2.9	3.1	3.4
Private	14.2	9.1	6.9	6.4	8.1	7.8	9.0	8.7	8.3	7.9	8.1	8.3	8.3	8.1
External savings	-4.9	-10.3	-9.9	-8.6	-7.4	-7.1	-5.9	-6.2	-5.9	-5.8	-5.2	-5.2	-5.1	-5.0
Balance of payments (calendar year) 2/														
Current account	-4.9	-10.3	-9.9	-8.6	-7.4	-7.1	-5.9	-6.2	-5.9	-5.8	-5.2	-5.2	-5.1	-5.0
Capital and financial account	15.6	11.5	7.6	9.4	7.9	7.6	6.3	6.4	6.1	5.9	4.9	5.1	5.3	5.8
Official capital (net)	9.1	7.0	1.0	4.5	2.4	2.3	1.3	0.1	0.1	-0.2	-1.3	-1.7	-1.5	-1.0
Private capital (net)	6.6	4.5	6.5	5.0	5.5	5.3	5.0	6.3	6.0	6.1	6.2	6.8	6.8	6.8
Of which: Long-term flows	7.4	4.9	6.7	5.3	5.5	5.3	5.2	6.3	6.0	6.2	6.2	6.8	6.8	6.8
Net errors and omissions	0.7	2.6	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	11.4	3.8	-2.3	1.7	0.5	0.5	0.4	0.2	0.2	0.0	-0.3	-0.1	0.3	0.8
Memorandum items:														
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	...	...	...	...	...	...	...	...	...	...
Oil price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	...	81.3	76.4	...	72.8	70.2	68.6	67.6	67.0
Gross international reserves (US$ millions)	1,330	1,529	1,385	1,500	1,538	...	1,528	1,550	...	1,528	1,502	1,494	1,518	1,596
In months of imports	9.4	9.4	6.7	7.2	6.7	...	6.8	6.5	...	6.4	6.0	5.7	5.5	5.5
In percent of ARA	257.9	288.5	215.2	213.6	203.9	...	202.9	190.6	...	186.4	177.0	171.2	168.5	171.8
Nominal CY GDP (BDS$ millions) 2/	10,337	10,550	12,515	13,441	13,759	14,330	14,330	14,578	15,220	15,220	16,008	16,815	17,655	18,532

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

1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.

2/ Data in the CR/24/196 "Old GDP" column are based on GDP with the 2010 reference year, while GDP ratios in the CR/24/196 "Revised GDP" column and data in other columns are based on revised GDP with the 2016 reference year.

3/ Fiscal year is from April to March.

4/Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 7. Barbados: Financial Sector Indicators, 2018–2024
(Percent)

	2018	2019	2020	2021	2022	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Commercial Banks											
Solvency Indicator											
Capital Adequacy Ratio (CAR)	13.9	13.5	16.0	16.8	17.6	18.4	18.3	18.7	20.9	20.9	21.0
Liquidity Indicators 1/											
Loan to deposit ratio	63.0	61.7	57.1	53.0	53.1	52.2	52.2	53.7	54.3	52.9	53.6
Domestic demand deposits to total domestic deposits	42.8	46.0	47.4	48.0	49.7	49.8	50.2	50.1	58.7	59.0	58.7
Liquid assets, in percent of total assets	21.1	22.9	25.1	28.3	28.1	28.9	29.1	28.6	27.2	28.4	28.9
Credit Risk Indicators											
Loans and advances (yoy growth rate) 2/	0.7	-0.5	-2.1	-2.1	6.2	6.7	6.8	5.9	2.8	2.8	4.4
Non-performing loans ratio	7.4	6.6	7.3	7.3	5.9	5.7	5.5	4.9	5.0	5.0	4.7
Provisions to non-performing loans	67.3	60.2	62.0	60.2	50.8	51.2	49.3	50.6	50.3	48.8	50.2
Foreign Exchange Risk Indicators											
Deposits in Foreign Exchange (in percent of total deposits)	6.8	6.7	6.6	7.8	9.0	9.8	9.1	9.2	8.8	9.5	9.3
Profitability Indicators											
Return on Assets (ROA)	-0.2	0.6	0.8	1.1	1.3	1.3	1.4	1.1	1.8	1.8	1.8
Credit Unions											
Solvency Indicator											
Reserves to Total Liabilities	11.9	11.4	9.5	9.6	9.6	9.7	9.6	9.7	9.5	9.5	9.9
Liquidity Indicators											
Loan to deposit ratio	94.3	89.6	73.4	73.2	74.6	74.1	73.3	73.9	74.6	73.7	73.5
Credit Risk Indicators											
Total assets, annual growth rate 3/	9.5	7.5	7.3	5.3	4.0	…	…	…	2.9	…	…
Loans, annual growth rate 3/	4.2	3.5	0.9	4.4	6.0	…	…	…	2.8	…	…
Nonperforming loans ratio	8.9	9.6	13.1	12.8	12.7	11.9	12.8	12.6	12.8	12.1	12.0
Arrears 3-6 months/Total Loans	1.9	1.9	2.2	1.5	1.8	1.2	2.1	1.9	1.9	1.2	1.3
Arrears 6 – 12 months/Total Loans	1.4	1.6	3.6	2.4	1.8	1.7	1.7	1.8	1.9	1.7	1.5
Arrears over 12 months/Total Loans	5.5	6.1	7.3	8.8	9.1	9.0	9.0	8.9	9.0	9.2	9.2
Provisions to Total loans	2.6	2.8	3.1	4.0	4.1	4.0	3.7	3.7	3.6	3.3	3.2
Profitability Indicator											
Return on Assets (ROA)	0.7	0.7	0.5	0.5	0.5	0.5	0.1	0.2	0.4	0.6	0.2

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.
3/ Quarterly data are not available.

Table 8. Barbados: External Financing Requirements and Sources, 2020–2029 1/
(In millions of US$, unless otherwise indicated)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029
					Projections							
					CR/24/196		CR/24/196					
					(in US$ millions, unless otherwise indicated)							
Gross Financing Requirements	**348**	**599**	**720**	**721**	**636**	**605**	**712**	**721**	**726**	**760**	**773**	**772**
Current Account Balance	253	541	619	578	491	421	452	445	419	438	447	459
CG Debt Amortization	95	58	101	143	145	184	259	276	307	322	326	313
Sources of Financing	**348**	**599**	**720**	**731**	**598**	**568**	**693**	**702**	**726**	**760**	**773**	**772**
Public Sector	564	425	163	453	256	239	249	238	207	181	196	220
o/w: World Bank 2/	0	100	0	100	0	0	0	0	0	20	20	20
o/w IDB 2/	200	100	0	200	100	100	100	100	80	0	0	0
o/w IMF SDR allocation	0	130	0	0	0	0	0	0	0	0	0	0
o/w IMF EFF 3/	231	48	41	38	…	…	…	…	…	…	…	…
o/w IMF RSF	0	0	0	76	…	…	…	…	…	…	…	…
FDI and long-term debt (net)	380	259	419	353	377	373	456	472	500	572	600	630
Short-term debt (net)	-38	-22	-14	-18	0	-16	0	-8	-8	0	0	0
Capital Account Balance	-2	0	7	0	0	0	0	0	0	0	0	0
Net errors and omissions	35	137	0	58	0	0	0	0	0	0	0	0
Change in Reserves (- = increase) (without RSF)	-590	-199	144	-115	-35	-28	-12	0	27	8	-24	-78
Financing Gap	**0**	**0**	**0**	**0**	**38**	**38**	**19**	**19**	**0**	**0**	**0**	**0**
Prospective Financing	**…**	**…**	**…**	**…**	**38**	**38**	**19**	**19**	**0**	**0**	**0**	**0**
IMF EFF disbursement 4/	…	…	…	…	38	38	19	19	0	0	0	0
IMF RSF disbursement 5/	**…**	**…**	**…**	**…**	**76**	**75**	**38**	**38**	**0**	**0**	**0**	**0**
Change in Reserves (- = increase) (with RSF)	-590	-199	144	-115	-35	-28	-12	0	27	8	-24	-78
Memo items:												
Gross international reserves (with RSF) 5/	1,330	1,529	1,385	1,500	1,600	1,528	1,550	1,528	1,502	1,494	1,518	1,596
Months of imports of G&S	9.4	9.4	6.7	7.2	7.2	6.8	6.5	6.4	6.0	5.7	5.5	5.5
In percent of ARA (with RSF)	258	288	215	214	241	203	191	186	177	171	168	172
Gross Financing Sources (GFS) composition (without RSF)	348	599	720	731	598	568	693	702	726	760	773	772
Other financing	348	599	720	731	598	568	693	702	726	760	773	772
RSF disbursement	0	0	0	0	0	0	0	0	0	0	0	0
GFS composition (with RSF)	348	599	720	731	598	568	693	702	726	760	773	772
Other financing	348	599	720	731	522	492	655	664	726	760	773	772
RSF disbursement	…	…	…	…	76	75	38	38	0	0	0	0

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/24/196 refers to the staff report for the third review of the EFF/RSF arrangement in June 2024.
2/ Policy loan.
3/ EFF for 2022 comprises a disbursement of US$22 million under the 2018 EFF arrangement and US$19 million under the current arrangement.
4/ Including IMF disbursements associated with future reviews.
5/ RSF replaces part of other financing.

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: IMF staff.

Table 10. Barbados: 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
Memorandum item:			
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)

	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	85.1	42.5	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	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
RSF	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
Stock of existing and prospective Fund credit	471.6	467.6	415.3	358.1	297.3	239.4	197.5	176.2	159.5	149.3	136.6	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
EFF	358.2	325.8	273.6	216.3	155.6	97.7	55.8	34.5	17.7	8.3	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	113.4	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.0	135.4	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
Obligations	51.9	72.5	76.3	78.2	79.4	74.1	55.9	33.7	28.4	21.1	23.3	23.9	23.5	22.9	23.7	20.2	21.1	20.4	19.8	18.5	13.0	5.6
Principal (repayments/repurchases)	25.9	46.6	52.3	57.2	60.8	57.9	41.9	21.3	16.8	10.2	12.8	13.9	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
EFF	25.9	46.6	52.3	57.2	60.8	57.9	41.9	21.3	16.8	9.5	7.1	1.2	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	0.7	5.7	12.8	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
Charges and interest 1/	25.9	25.9	24.0	21.0	18.6	16.2	13.9	12.4	11.6	11.0	10.5	10.0	9.4	8.7	8.1	7.5	6.9	6.3	5.6	5.0	4.5	4.2
Fund obligations (repurchases and charges) in percent of:																						
Quota	54.9	76.7	80.7	82.8	84.0	78.4	59.1	35.6	30.0	22.4	24.6	25.3	24.9	24.2	25.1	21.4	22.3	21.6	21.0	19.6	13.7	5.9
o/w: RSF	0.2	5.8	6.6	6.6	6.6	6.5	6.6	6.6	6.6	7.3	12.5	19.6	20.5	19.9	20.7	17.1	17.9	17.2	16.6	15.2	9.4	1.5
GDP	1.0	1.3	1.3	1.3	1.2	1.1	0.8	0.4	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	2.8	3.5	3.5	3.5	3.3	3.0	2.1	1.2	1.0	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.1
Gross international reserves	4.5	6.3	6.8	7.0	7.0	6.2	4.7	2.7	2.2	1.5	1.5	1.4	1.2	1.0	0.8	0.6	0.5	0.5	0.4	0.3	0.2	0.1
Government revenue	3.5	4.8	4.8	4.7	4.6	4.1	2.9	1.7	1.4	1.0	1.0	1.0	0.9	0.9	0.9	0.7	0.7	0.7	0.6	0.5	0.4	0.2
External debt service, public and publicly guaranteed (PPG)	18.3	20.4	22.7	21.6	22.2	21.6	20.7	12.8	10.1	7.1	7.1	7.2	7.1	7.4	7.7	6.7	7.2	7.2	6.5	5.7	3.9	1.6
Fund credit outstanding in percent of:																						
Quota	499.1	494.8	439.5	378.9	314.6	253.4	209.0	186.5	168.8	158.0	144.5	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
o/w: RSF	120.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.2	143.2	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
GDP	8.8	8.3	7.0	5.7	4.5	3.5	2.7	2.3	2.0	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0
Exports of goods and services	25.7	23.1	19.5	16.0	12.6	9.7	7.7	6.5	5.6	5.0	4.4	3.8	3.2	2.6	2.1	1.7	1.3	0.9	0.5	0.2	0.0	0.0
Gross international reserves	41.4	41.1	37.2	32.2	26.3	20.2	16.7	14.5	12.4	10.8	9.0	7.2	5.4	4.0	2.8	2.0	1.3	0.8	0.5	0.2	0.0	0.0
Government revenue	32.6	31.4	26.7	22.0	17.4	13.3	10.5	9.0	7.8	7.0	6.1	5.2	4.4	3.7	2.9	2.3	1.8	1.2	0.7	0.3	0.0	0.0
External debt, PPG	20.8	21.6	19.7	18.1	15.7	13.1	11.1	10.1	9.4	9.2	8.8	8.3	7.2	6.1	5.1	4.1	3.2	2.3	1.4	0.6	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
Gross domestic product (USD million)	7,165	7,610	8,004	8,407	8,827	9,266	9,691	10,136	10,601	11,087	11,595	12,127	12,682	13,262	13,893	14,528	15,193	15,884	16,615	17,375	18,170	19,001
Exports of goods and services (USD million)	2,457	2,722	2,866	3,012	3,161	3,316	3,465	3,633	3,808	3,991	4,185	4,383	4,590	4,807	5,043	5,283	5,533	5,795	6,072	6,361	6,664	6,982
Gross international reserves (USD million)	1,528	1,528	1,502	1,494	1,518	1,596	1,588	1,637	1,729	1,866	2,045	2,278	2,690	3,205	3,789	4,444	5,174	5,981	6,873	7,853	8,926	10,088
Government revenue (USD million)	1,939	1,998	2,095	2,192	2,302	2,417	2,526	2,641	2,761	2,886	3,018	3,157	3,301	3,453	3,616	3,781	3,953	4,133	4,322	4,519	4,725	4,940
External debt service, PPG (USD million)	376	471	447	483	476	456	359	349	375	398	437	441	441	412	409	404	387	376	406	432	442	458
Total external debt, PPG (USD million)	3,032	2,910	2,833	2,667	2,546	2,458	2,397	2,340	2,271	2,188	2,086	1,979	2,026	2,074	2,092	2,140	2,187	2,235	2,282	2,330	2,377	2,065

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 4.018 percent (as of 11/14/2024), and RST rate of interest of 4.368 percent (as of 11/14/2024) as Barbados belongs to the RST interest Group C.

2/ SDR/USD exchange rate = 0.762 (as of 11/14/2024) 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 or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	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 diversify import sources. • Continue with efforts to strengthen the fiscal position, backed by structural reforms to maintain fiscal sustainability and improve the business / regulatory environment, thereby increasing investors' confidence.
Commodity price volatility. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity in EMDEs, cross-border spillovers, and social and economic instability.	High	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. • If risk materializes, reprioritize government spending to provide targeted support to the most vulnerable.
Global growth surprises:			
• **Slowdown.** Growth slowdown in major economies, including due to supply disruptions, tight monetary policy, rising corporate bankruptcies, or a deeper-than-envisaged real estate sector contraction, with adverse spillovers through trade and financial channels, triggering sudden stops in some EMDEs.	Medium	High	**Slowdown.** 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.
• **Acceleration.** Positive supply-side surprises, monetary easing, productivity gains from AI, and/or stronger EMDE performance raise global demand and trade, and ease global financing conditions.	Low	Medium	**Acceleration.** Continue prudent fiscal policy backed by structural reforms to maintain fiscal sustainability, thereby increasing investors' confidence; and enhance monetary policy framework by introducing appropriate monetary policy tools.
Monetary policy calibration. Amid high uncertainty and data surprises, major central banks' stances turn out to be too loose, hindering disinflation, or too tight for longer than warranted, which stifles growth and triggers increased capital-flow and exchange-rate volatility in EMDEs.	Medium	Medium	Continue with efforts to strengthen the fiscal position backed by structural reforms to maintain fiscal sustainability, thereby increasing investors' confidence; and enhance monetary policy framework by introducing appropriate monetary policy tools.

[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	Likelihood	Impact	Policy Response
Global Risks			
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and elevated policy uncertainty (including from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	Medium	Monitor financial system and stand ready to provide liquidity assistance if needed to maintain financial stability; and continue with efforts to strengthen the fiscal position backed by structural reforms to maintain 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 the fiscal consolidation and debt sustainability, undermining the private sector confidence necessary for investment.	Medium	High	Adhere to the fiscal strategy under the program to generate high primary surpluses on a sustained basis and facilitate the programmed reduction in public debt to 60 percent of GDP by 2035/36. Sustain the planned increase in investment and implement structural reforms to boost resilience and enhance growth prospects. Maintain social spending measures to protect the vulnerable and maintain the consensus for reform.
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; and continue seeking financial arrangements to safeguard from natural disaster shocks (e.g., hurricane clauses in government debt and insurance, such as CCRIF).

Annex II. External Sector Assessment

Overall Assessment: *Barbados' external position in 2023 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The current account deficit is expected to decline in 2024 and over the medium term driven by the tourism recovery, fiscal surpluses, and the transition to renewable energy. Reserve coverage remains ample, at around 7 months of imports of goods and services, as of September 2024, supporting the exchange rate peg.*

Potential Policy Responses: *Policies to maintain the external position in line with fundamentals include (i) maintaining fiscal efforts to safeguard public debt sustainability, while continuing to ensure adequate social and capital spending, (ii) investing in climate adaptation and supporting the green transition to build resilience to climate change, and (iii) implementing reforms to facilitate private investment, boost competitiveness, and unlock potential growth.*

Foreign Assets and Liabilities: Position and Trajectory[1]

Background. Barbados' external debt obligations are largely public. Total public and publicly guaranteed external debt stood at about 46.2 percent of GDP as of end FY2023/24, accounting for 39.6 percent of total public debt. Outstanding debt to all multilateral creditors stood at about 32.5 percent of GDP, or about 70 percent of the total external debt stock (see the DSA Annex).

Assessment. External borrowing is expected to continue in FY2024/25 and gradually decrease over the medium term driven by higher primary surpluses. The recent credit rating agency upgrades and improved sovereign credit risk perceptions, evidenced by a compression in debt spreads, bode well for the authorities' plan to regain access to international capital markets at favorable borrowing costs (see the DSA Annex).

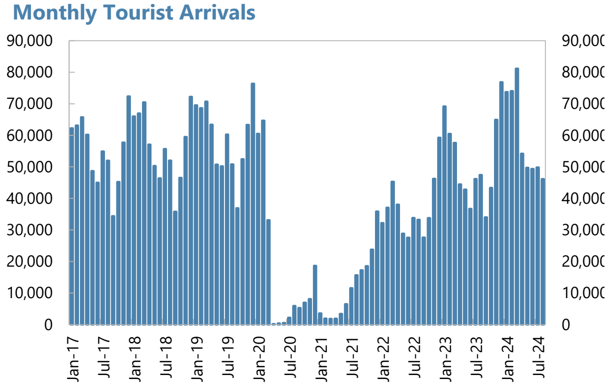
Current Account

Background. The current account (CA) deficit, which averaged around 4.2 percent of GDP during 2015–19, widened to around 10 percent of GDP in 2021-22 due to the impact of the pandemic on tourism and the surge in global commodity prices and freight costs. The CA deficit narrowed to 8.6 percent in 2023, a 1.3 percent improvement from 2022, mostly driven by larger travel credits and lower commodity prices. Despite a strong rebound, tourism arrivals in 2023 were still 15 percent below pre-pandemic levels, mostly due to the sluggish recovery in the UK market and slow cruise arrivals. Tourism arrivals since late-2023 and in the first 9 months of 2024 have been persistently strong, supported by an increase in airlift capacity, particularly from the US and Canadian markets, as well as the International Cricket Council Men's T20 World Cup in June.

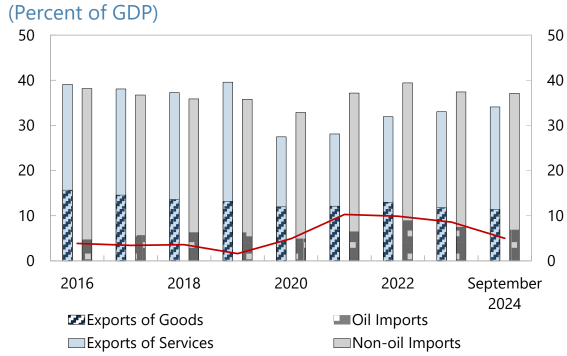
The CA deficit is projected to further fall to 5.9 percent of GDP in 2024 supported by the full recovery in tourism, which also implies further improvement in the current account over the medium term.

[1] Data limitations do not allow an analysis of the net foreign asset position (with the latest IIP as of 2010). The assessment in this section is based on the DSA.

Tourist Arrivals and Current Account Developments



Source: Barbados Statistical Service.



Sources: Central Bank of Barbados and IMF staff calculations.

Assessment. Staff's analysis based on the EBA-lite CA model suggests that the external position in 2023 was broadly in line with the level implied by medium-term fundamentals and desirable policies. The cyclically adjusted CA balance, adjusted for the effects of the pandemic on tourism, is estimated at -6.6 percent of GDP in 2023, compared to a multilaterally consistent estimated cyclically adjusted CA norm of -5.7 percent of GDP. This leads to a CA gap of -0.9 percent of GDP, which is within +/- 1 percent of GDP, broadly in line with the assessment range. Moreover, the projected -5.9 percent of GDP CA deficit for 2024 is very close to the CA norm. As tourist arrivals normalize fully, the authorities maintain large fiscal surpluses, and the transition towards renewable energy advances, the CA balance is expected to converge towards the norm over the medium term.

EBA-lite Model Results, 2023

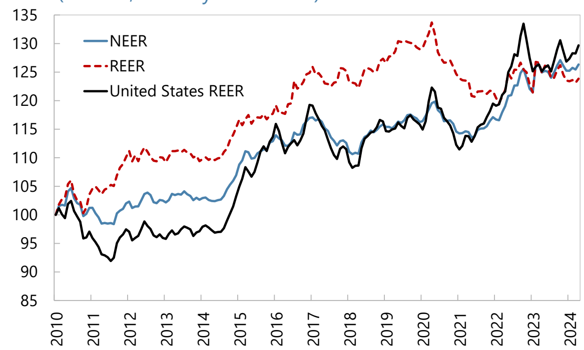
	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-8.6**	
Cyclical contributions (from model) (-)	-0.2	
Additional temporary/statistical factors (-) 2/	-1.7	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**-6.6**	
CA Norm (from model) 3/	**-5.7**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-5.7**	
CA Gap	**-0.9**	**-3.2**
o/w Relative policy gap	1.9	
Elasticity	-0.3	
REER Gap (in percent)	**3.7**	**12.5**

1/ Based on the EBA-lite 3.0 methodology.
2/ Additional adjustment to account for the temporary impact of tourism sector of 1.7 percent of GDP.
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Given its peg to the US dollar, Barbados' real exchange rate broadly mirrored the evolution of the US dollar. After depreciating by 5.1 percent in 2021, Barbados' real effective exchange rate (REER) appreciated around by 1.2 percent in 2022-23. The increase in the REER was driven by an appreciation in the nominal effective exchange rate (NEER) vis-à-vis Barbados' main trading partners, as the US dollar appreciated against most currencies in 2022-23.

Nominal and Real Effective Exchange Rates
(Indices, January 2010=100)



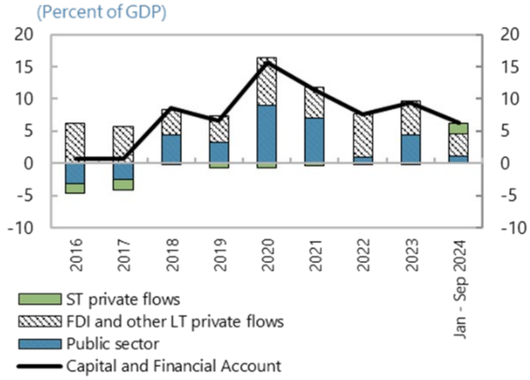
Sources: INS, and IMF staff calculations.

Assessment. The CA gap estimated under the CA EBA-Lite model implies a small REER gap of 3.7 percent, applying an estimated elasticity of -0.3. The EBA-Lite REER model points to a larger gap of 12.5 percent. Given that the CA model better captures the evolving nature of Barbados' external position, staff assesses the REER gap to be of around 3.7 percent, in line with the result of the CA model.

Capital and Financial Accounts: Flows and Policy Measures

Background. Barbados relies primarily on official inflows and foreign direct investment (FDI) (which together averaged 9 percent of GDP between 2019 and 2022) to finance the current account deficit. In 2023, total public inflows and FDI reached 7.8 percent of GDP. It is projected that FDI and private inflows will increase in the coming years (following the recovery of tourism), offsetting the moderation in official flows.

Capital and Financial Account Balances
(Percent of GDP)



Assessment. Ongoing efforts to enhance the business environment, attract private investment, and mobilize climate finance should help increase the share of the private sector in the external financing mix in the coming years. The authorities should consider removing the 2 percent foreign exchange fee (a capital flow management measure introduced in 2017) as the fiscal position further strengthens.

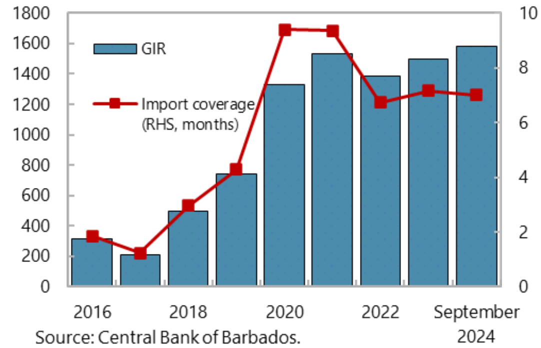
FX Intervention and Reserves Level

Background. Barbados' pegged exchange rate (to USD) continues to provide a key anchor for macroeconomic stability. Foreign exchange controls have been gradually relaxed since 2019. International reserves increased in recent years, reaching US$1.6 billion as of end-September 2024, equivalent to around

7 months of imports of goods and services, 22.3 percent of GDP, and about 209 percent of the Fund's reserve adequacy metric.

Assessment. Reserve coverage remains ample, providing strong support to the exchange rate peg. Given uncertainties surrounding the global economy and intensifying climate change-related risks, Barbados needs to maintain adequate foreign exchange buffers. Reserves are projected to remain ample, above 5 months of imports and over the 100 to 150 adequacy range of the Fund's reserve adequacy metric during the projection period.

Gross International Reserves
(US$ millions, left; Number of months, right)



Source: Central Bank of Barbados.

Annex III. Debt Sustainability Analysis

Barbados' public debt is assessed to be sustainable, and overall risk of sovereign stress is assessed to be moderate, consistent with the medium-term mechanical signals of the Fund's Sovereign Risk and Debt Sustainability Framework (SRDSF). While the fanchart tool indicates high risk, due to Barbados' history of high macroeconomic volatility, public debt is on a clear downward trend, reflecting the authorities' strong commitment to maintain large fiscal surpluses, and the Gross Financing Needs (GFN) financeability tool indicates moderate risk. Under the current baseline, with a further improvement in primary surpluses and medium-term annual real GDP growth of 2 percent, supported by structural reforms, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36, with increased buffers relative to the third review, due to the recent upward revisions to GDP statistics and the retirement of Eurobonds that the government repurchased in 2022. Domestic risks related to maintaining high primary surpluses over an extended period persist but have declined somewhat, given the authorities' sustained strong fiscal performance. Nevertheless, risks arising from slower-than-expected growth, for example, in the event of external and climate-related shocks remain. These risks are mitigated by Barbados' strong track record under the EFF-supported programs and a favorable debt service schedule. Moreover, the debt-for-climate conversion, once implemented, is expected to generate additional debt service savings, further improving the debt path.

1. **The rebasing of GDP statistics in July 2024 led to an upward revision in nominal GDP, reducing the public debt-to-GDP ratio, although underlying debt-carrying capacity remains unchanged.** Nominal GDP for FY2023/24 was revised upward by about 5 percent, leading to a reduction in the public debt-to-GDP ratio for end-FY2023/24 by around 6 percentage points of GDP to around 111 percent of GDP. The increase in GDP, however, also reduced the revenue-to-GDP ratio, primary-surplus-to-GDP ratio, and exports-to-GDP ratio. Importantly, Barbados' capacity to repay—measured by the debt service-to-revenue ratio or debt service-to-exports ratio—is unaltered.

2. **Barbados' public debt-to-GDP ratio has been on a decisively declining path following the increase experienced during the COVID-19 pandemic.[11]** Public debt continued to decline in FY2024/25 to below 105 percent of GDP at end Q2 FY2024/25, from 111 percent of GDP at end-FY2023/24 and the peak of 138.2 percent in FY2020/21, driven by the economic recovery and progress in strengthening the fiscal position.

3. **With the GDP revisions and retirement of Eurobonds repurchased in 2022, public debt is projected to decline below 60 percent of GDP by FY2035/36.** The projected five-year debt reduction under the baseline scenario is relatively ambitious by a cross-country comparison. However, the

[1] This DSA covers the central government's debt, expenditure arrears, debt of state-owned enterprises (SOE) guaranteed by the central government, and IMF BOP support loans provided to the CBB. There is no local government debt. SOE debt not guaranteed by the central government is small at 3.3 percent of GDP at end-September 2024 and is not included in the analysis.

reduction is less ambitious than Barbados' own experience and considered feasible given the authorities' strong commitment to fiscal discipline and structural reforms.

- **Macroeconomic assumptions.** The baseline macroeconomic projections are relatively conservative. Real GDP is expected to grow by around 4 percent in 2024—driven by strong construction, tourism, and related activities—before moderating to 3 percent in 2025. Over the medium term, growth is expected to return to the steady state level of around 2 percent, supported by an expansion of tourism-related capacity (e.g., airlift, hotels), investment in resilient infrastructure, and ongoing structural reforms. Average inflation is projected to decline from 3.2 percent at end-2023 to its long-run average of just below 2½ percent in 2024 and remain at this level over the medium term.

- **Fiscal assumptions.** The primary surplus is expected to increase from 3.8 percent of GDP in FY2024/25 to a steady state of 4.3 percent of GDP in FY2025/26, before falling gradually from FY2033/34 to accommodate long-term investment needs, consistent with the 60 percent of GDP long-term debt target. The three-year deficit reduction under the baseline scenario is modest in a cross-country comparison and compared to Barbados' own experience. The baseline scenario also reflects the retirement of US$77.6 m (1.1 percent of GDP) of Eurobonds in FY2024/25 (shown as a negative residual) that the government repurchased in 2022 as part of the debt-for-nature swap.[2]

4. Gross financing needs are expected to be met with loans from IFIs and increased domestic borrowing in the near term. The short-term profile of the public debt service poses limited risks (Table 2), reflecting an improving primary balance, the favorable repayment schedule resulting from the 2018-19 debt restructuring, long-term borrowing from IFIs during the pandemic years, higher cash buffers[3], and the expected development of domestic capital markets. Short-term debt held by commercial banks is automatically rolled over based on the 2018-19 agreement, with remaining near-term financing needs met through IFI financing, domestic borrowing, and drawdown of government deposits. Local banks and other domestic investors have gradually increased their purchases under the BOSS programs, and the government has restarted issuance of T-Bills, with the stock of issuances since September 2023 standing at about B$184 million (1.3 percent of GDP) by end-September 2024. Following upgrades in rating and ratings' outlooks in the second half of 2023, Barbados' credit ratings were upgraded again in October and November to B (Positive) by Standard & Poor's and B+ (Stable) by Fitch, reflecting Barbados' progress in strengthening the public sector finances, including achieving large primary surpluses and lowering the high debt-to-GDP ratio. Moody's credit rating for Barbados remains unchanged at B3 (Stable).

5. Barbados' overall risk of sovereign debt stress is assessed to be moderate. Both the medium- and long-term risk analyses point to moderate risks (Figure 5-7)**.**

- **Medium term:** The *debt fanchart index* indicates a high risk due to the high historical volatility of key economic indicators, which increases the width of the fanchart. The *GFN financeability index* points to a moderate risk with a declining path. The baseline debt trajectory and the

[2] Most of the small negative residuals over the medium-term reflect the repayment of the BoP support portion of the 2018 IMF EFF by CBB, which is covered within public and publicly guaranteed debt.

[3] Resulting from the accumulation of government deposits of around 1.5 percent of GDP in FY2023/24.

fanchart are on a downward trend, and the probability of debt not stabilizing is assessed to be rather limited (around 8 percent). Under a natural disaster stress test, which captures country-specific vulnerabilities using a default shock of 4.5 percent of GDP, the debt path remains below the 75th percentile, consistent with the "moderate" mechanical signal.

- **Long term:** The large debt amortizations module shows a gradual decline in GFN and debt relative to GDP both under the baseline described in ¶3 and a custom scenario (where the steady-state primary surplus is reduced somewhat to 3 percent of GDP from FY2030/31 onwards. Climate-related expenditure remains manageable and would not significantly affect debt sustainability in the long run, even under the customized scenario where expenditure is assumed to be 1 percent of GDP higher than the baseline[4], to cover preliminary estimates of adaptation and mitigation investment needs. The current healthcare expenditure policies would also not pose significant sustainability concerns. Moreover, the recent implementation of the pension reforms is expected to make the National Insurance Scheme financially sustainable for 25-30 years, mitigating any risks of additional financing needs from the budget.

6. On balance, Barbados' debt is assessed as sustainable, although uncertainties remain high. Public debt has been brought back onto a sustainable downward trajectory, consistent with reaching the long-term debt target of 60 percent of GDP by FY2035/36. Domestic risks related to maintaining high primary balances over a prolonged period remain but have declined somewhat, in the context of the authorities' sustained strong fiscal performance. External risks to the baseline projections continue to include spillovers from the intensification of regional conflicts onto the global economy, as well as climate-related shocks. These risks are mitigated by Barbados' strong track record under the Fund-supported programs, steadfast commitment to improving the fiscal position and structural reforms, and the favorable debt service schedule obtained from the 2018-19 debt restructuring. Moreover, the imminent debt-for-climate conversion, will generate debt service savings relative to the current program baseline, thus representing an important upside risk to the debt trajectory.

[4] Based on the authorities' climate programs to build resilience and support the energy transition to be undertaken through 2030.

Annex III. 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 arising from debt refinancing needs and climate change are moderate. The implementation of the authorities' pension reforms is expected to make the National Insurance and Social Security financially sustainable for 25-30 years with no additional financing needs from the budget.
Sustainability assessment 2/		Sustainable	Under the baseline scenario with consistent implementation of the EFF and sustaining macroeconomic prudence, the debt path is expected to remain on a downward trajectory and GFNs will remain at manageable levels. Barbados' public debt continues to be assessed as sustainable.
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. Under the baseline scenario underpinned by steadfast implementation of the proposed EFF policy measures and reforms, and the favorable debt service schedule, Barbados' public debt is assessed as sustainable. Under the current baseline based on the recently-rebased GDP, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36 with envisaged primary surpluses backed by the economic recovery and structural reforms.

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.

Annex III. Table 2. Barbados: Decomposition of Public Debt and Debt Service by Creditor, FY2023/24–FY2025/26[1]

	Debt Stock (end of period) FY2023/24			Debt Service					
				FY2023/24	FY2024/25	FY2025/26	FY2023/24	FY2024/25	FY2025/26
	(In US$ million)	*(Percent total debt)*	*(Percent of GDP)*	*(In US$)*			*(Percent of GDP)*		
Total	7,590.7	100.0	110.9	1112.9	1254.0	953.4	16.3	17.2	12.4
External	2,999.2	39.5	43.8	275.0	295.8	501.6	4.0	4.1	6.5
Multilateral creditors[2]	2,106.4	27.8	30.8	192.5	226.8	305.9	2.8	3.1	4.0
IMF	548.3	7.2	8.0						
World Bank	220.0	2.9	3.2						
IADB	924.6	12.2	13.5						
Other Multilaterals	413.5	5.4	6.0						
o/w: CDB	220.8	2.9	3.2						
Bilateral Creditors	192.5	2.5	2.8	23.9	24.0	23.2	0.3	0.3	0.3
Paris Club	24.8	0.3	0.4	9.1	8.8	8.3	0.1	0.1	0.1
Non-Paris Club	167.7	2.2	2.4	14.8	15.2	14.9	0.2	0.2	0.2
Bonds	546.6	7.2	8.0	38.3	26.5	154.1	0.6	0.4	2.0
Commercial creditors[3]	153.6	2.0	2.2	20.3	18.4	18.4	0.3	0.3	0.2
Domestic	4,591.5	60.5	67.1	837.9	958.2	451.8	12.2	13.1	5.9
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)	411.5	5.4	6.0	331.1	411.5	-	4.8	5.6	-
Held by: central bank	181.2	2.4	2.6						
local banks	216.5	2.9	3.2						
local non-banks	13.8	0.2	0.2						
Long-term debt (incl. Bonds)	4,180.1	55.1	61.1	506.8	546.8	451.8	7.4	7.5	5.9
Held by: central bank	313.4	4.1	4.6						
local banks	1,104.0	14.5	16.1						
local non-banks	2,762.7	36.4	40.4						
Memo Items:									
Collateralized debt[4]	0.0	0.0	0.0						
o/w: Related	0.0	0.0	0.0						
o/w: Unrelated	0.0	0.0	0.0						
Contingent liabilities	181.6	2.4	1.3						
o/w: Public guarantees	181.6	2.4	1.3						
o/w: Other explicit contingent liabilities[5]	n/a	n/a	n/a						
Nominal GDP	6,844.1			6,844.1	7,292.4	7,685.6			

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 FY2023/24. 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/ Including two commercial facilities 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.

Annex III. 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	Comments
CPS	NFPS	GG: 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 (CB)	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/	IPSGSs 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

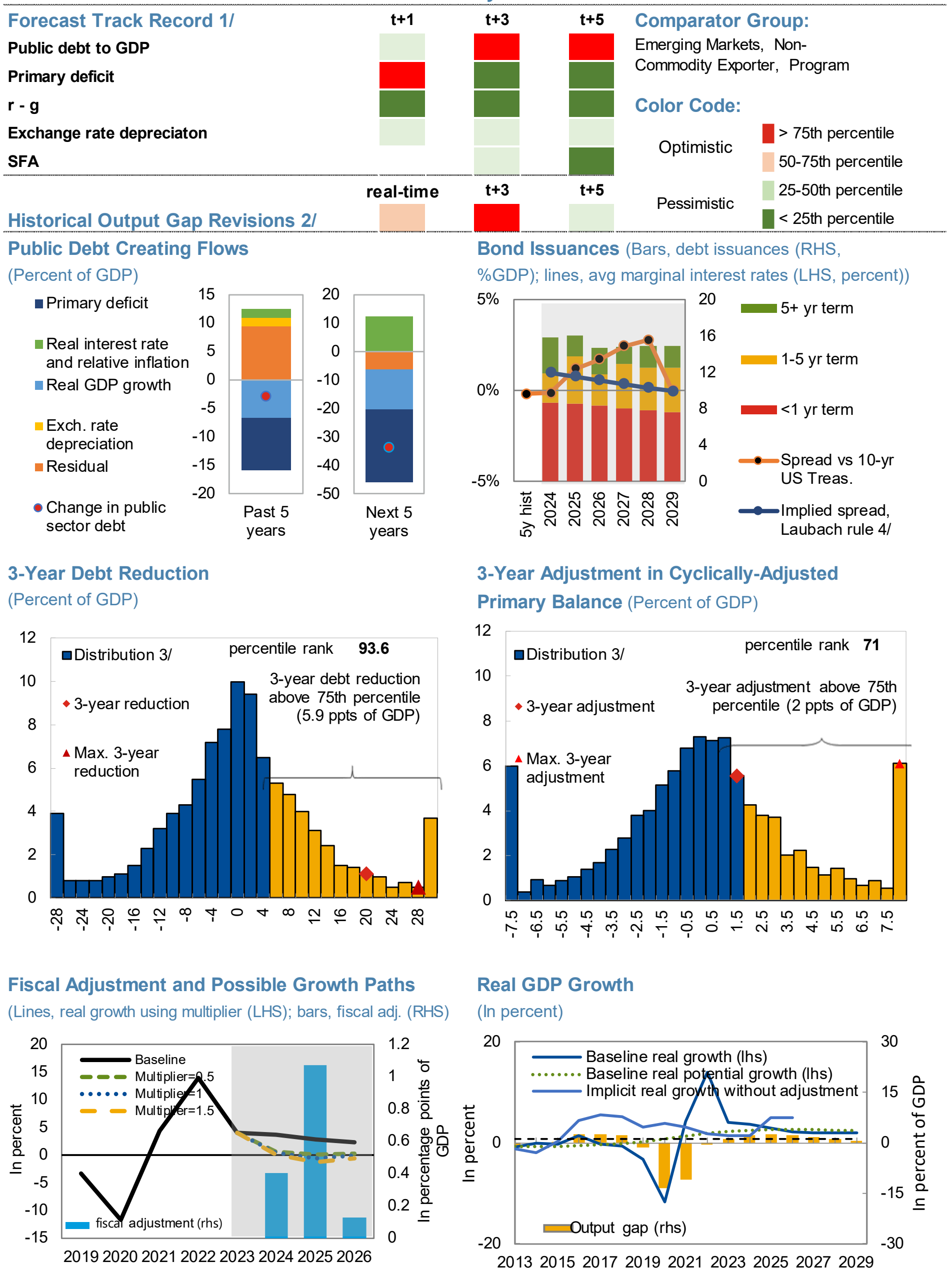
					Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS	NFPS	GG: expected	CG	1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									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 comprises the central government given that Barbados has no state or local governments. State-Owned Enterprise debt guaranteed by the central government and the Central Bank of Barbados' debt to the Fund are added to the central government's debt in this analysis.

Annex III. Figure 2. Barbados: Realism of Baseline Assumptions

(Fiscal year)



Commentary: The degree of a decline in public debt-to-GDP ratio over the past five years has decreased from the third review due to the recent revision to nominal GDP. The composition of public debt-creating flows has also changed, with greater debt-increasing effect from real exchange rate depreciation and real interest rates due to downward revisions to GDP deflator growth. While the realism tools suggest that the projected debt reduction is ambitious, staff see it as feasible given the authorities' strong commitment to fiscal discipline and structural reforms.

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 obervations 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.

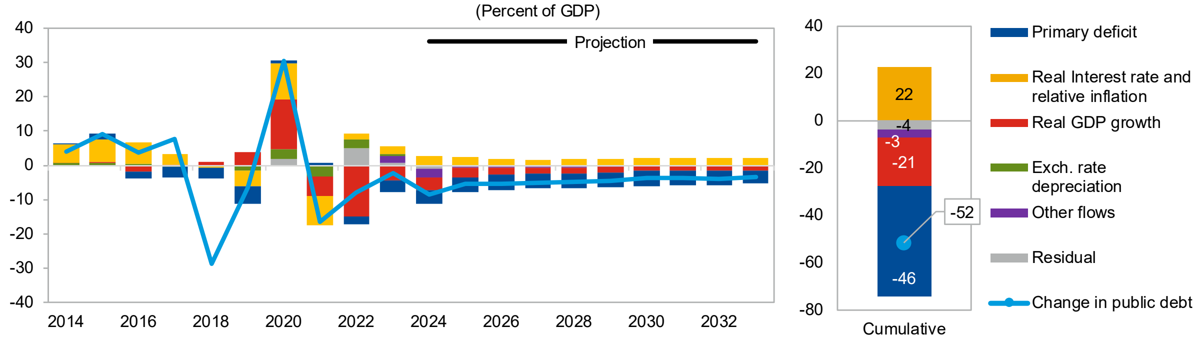
Annex III. Figure 3. Barbados: Baseline Scenario

(Percent of GDP unless indicated otherwise, fiscal year)

	Actual	Medium-term projection						Extended projection						
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Public debt	111.4	102.8	97.4	92.2	87.1	82.2	77.7	73.9	70.1	66.3	63.0	59.6	56.3	53.8
Change in public debt	-2.3	-8.6	-5.4	-5.2	-5.1	-4.8	-4.5	-3.8	-3.8	-3.8	-3.3	-3.3	-3.4	-2.5
Contribution of identified flows	-2.9	-7.5	-5.1	-4.8	-4.6	-4.4	-4.3	-3.7	-3.7	-3.7	-3.1	-3.2	-3.3	-2.4
Primary deficit	-3.5	-3.8	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-4.3	-3.9	-3.9	-3.9	-3.0
Noninterest revenues	26.6	26.6	26.0	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	25.9	26.0
Noninterest expenditures	23.1	22.8	21.7	21.6	21.5	21.6	21.6	21.6	21.6	21.6	22.0	22.0	22.0	22.9
Automatic debt dynamics	-1.6	-1.3	-0.5	-0.3	-0.1	0.1	0.2	0.7	0.7	0.6	0.8	0.7	0.7	0.6
Real interest rate and relative inflation	2.2	2.6	2.4	1.9	1.7	1.8	1.8	2.2	2.1	2.0	2.1	1.9	1.8	1.7
Real interest rate	2.8	2.4	2.1	1.5	1.4	1.5	1.6	2.1	2.0	1.9	2.0	1.8	1.7	1.6
Relative inflation	-0.6	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Real growth rate	-4.4	-3.9	-2.8	-2.1	-1.8	-1.7	-1.6	-1.5	-1.4	-1.4	-1.3	-1.2	-1.2	-1.1
Real exchange rate	0.6	…	…	…	…	…	… .	…	…	…	…	…	…	…
Other identified flows	2.2	-2.5	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.9	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	1.3	-2.5	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.6	-1.0	-0.3	-0.5	-0.5	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	11.9	13.4	11.3	10.0	10.2	12.3	10.1	9.4	8.9	9.7	11.0	9.4	8.9	9.3
of which: debt service	14.6	17.2	15.7	14.4	14.6	16.6	14.5	13.7	13.3	14.1	15.0	13.4	12.8	12.4
Local currency	10.8	12.9	10.0	9.3	9.3	11.7	9.8	10.0	9.8	10.5	11.4	9.6	9.2	8.9
Foreign currency	3.8	4.3	5.6	5.0	5.2	4.9	4.7	3.7	3.4	3.5	3.6	3.8	3.6	3.5
Memo:														
Real GDP growth (percent)	4.0	3.6	2.8	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	2.2	2.8	2.5	2.8	2.9	2.9	2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	6.3	6.6	5.4	5.1	5.0	4.9	4.8	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Effective interest rate (percent)	4.8	5.2	4.6	4.4	4.5	4.7	4.7	5.2	5.3	5.3	5.6	5.5	5.5	5.5

Contribution to Change in Public Debt

(Percent of GDP)

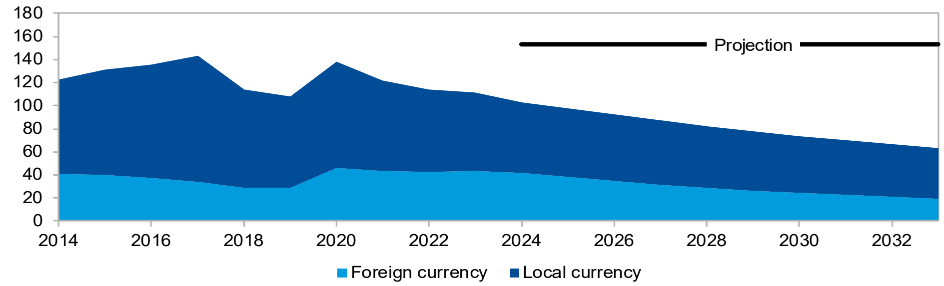


Staff commentary: Public debt has been put on a downward debt trajectory after a temporary increase during the COVID-19 pandemic. It is projected to continue declining to meet the long-term target of 60 percent of GDP by FY2035/36, thanks to the recent revisions to GDP statistics and driven by prudent fiscal policies and steady economic growth.

Annex III. Figure 4. Barbados: Public Debt Structure Indicators

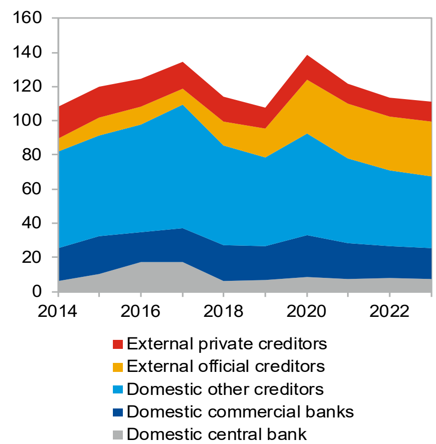
(Fiscal year)

Debt by Currency (Percent of GDP)



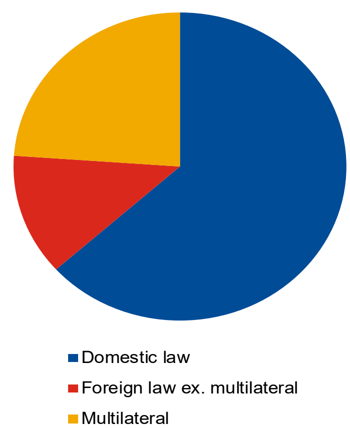
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



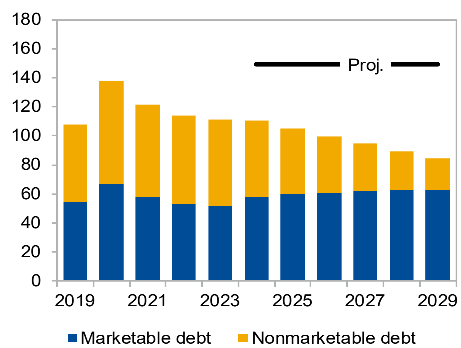
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2023 (Percent)



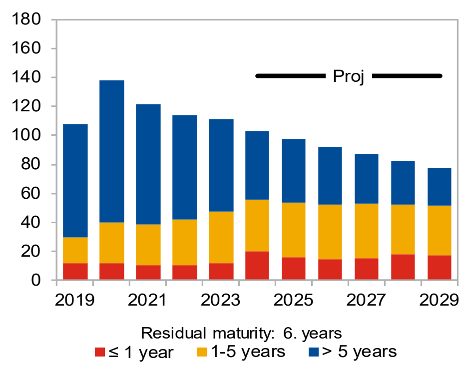
Note: The perimeter shown is central government.

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 the debt remains broadly unchanged over the projection period. Over the medium and long term, financing from domestic and external financial markets is expected to increase.

Annex III. Figure 5. Barbados: Medium-Term Risk Analysis

(Fiscal year)

Debt Fanchart and GFN Financeability Indexes

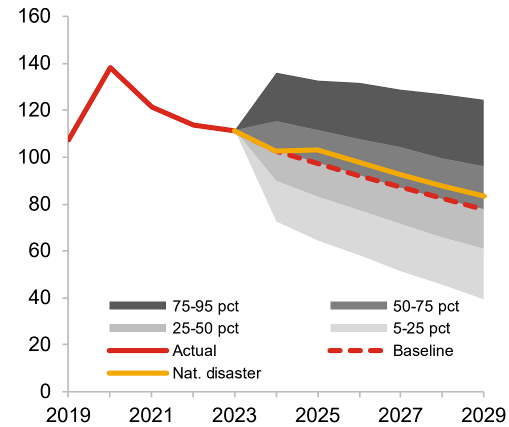
(Percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal
Debt fanchart module	Fanchart width	85.0	1.2	…
	Probability of debt not stabilizing (pct)	8.1	0.1	…
	Terminal debt level x institutions index	36.9	0.8	…
	Debt fanchart index	**…**	**2.1**	**High**
GFN finance-ability module	Average GFN in baseline	11.2	3.8	…
	Bank claims on government (pct bank assets)	13.0	4.2	…
	Chg. in claims on govt. in stress (pct bank assets)	2.5	0.8	…
	GFN financeability index	**…**	**8.9**	**Moderate**

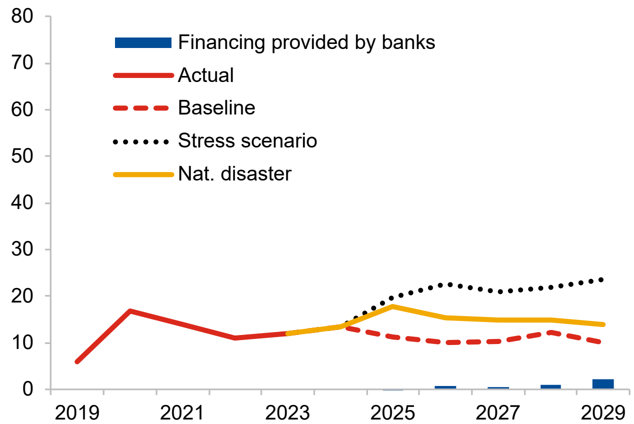
Em. Econ., Non-Com. Exp, Program: 0 25 50 75 100

Legend: Interquartile range; Barbados

Final Fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)

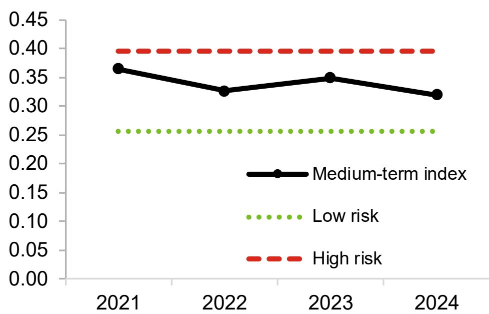


Triggered stress tests (stress tests not activated in gray)

Banking crisis   Commodity prices   Exchange rate   Contingent liab.   Natural disaster

Medium-Term Index

(Index number)



Medium-Term Risk Analysis

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

Prob. of missed crisis, 2024-2029 (if stress not predicted): 18.2 pct.

Prob. of false alarm, 2024-2029 (if stress predicted): 25.0 pct.

Commentary: The overall mechanical signal for the medium-term risk analysis is moderate. Of the two medium-term tools, the large width of fanchart is pointing to a high level of risk, reflecting Barbados' history of high macroeconomic volatility, while the GFN Financeability Module suggests a lower yet still moderate level of risk. The triggered stress test suggests that natural disasters would not pose large enough shocks that warrant a change in the overall assessment.

Annex III. Figure 6. Barbados: Long-Term Risk Analysis

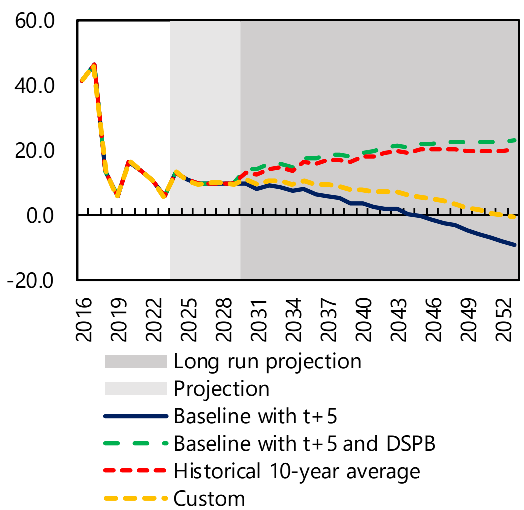
(Fiscal year)

Long-Term Risk Assessment: Large Amortization Incl. Custom Scenario

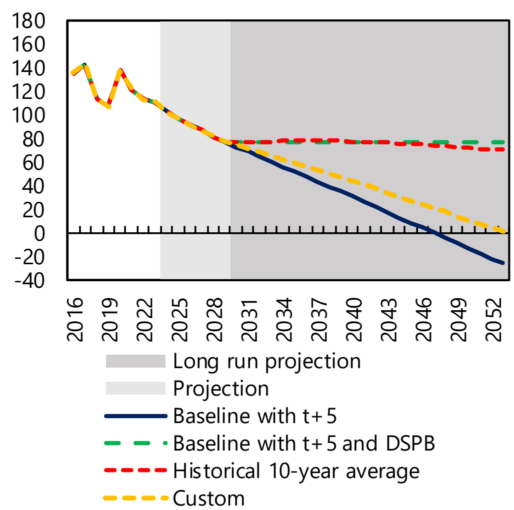
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP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

Variable	2029	2033 to 2037 average	Custom Scenario
Real GDP growth	2.0%	2.0%	2.0%
Primary Balance-to-GDP ratio	4.3%	4.2%	3.3%
Real depreciation	-2.7%	-2.4%	-2.5%
Inflation (GDP deflator)	2.8%	2.5%	2.5%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



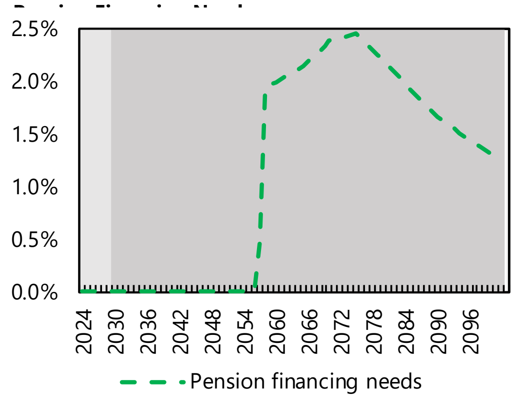
Commentary: The analysis shows gradual declines in GFN and debt relative to GDP both under the baseline and custom scenarios.

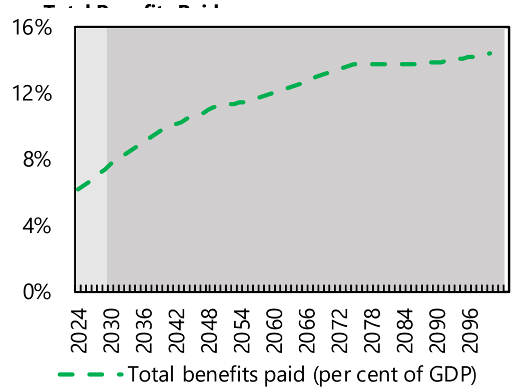
Annex III. Figure 6. Barbados: Long-Term Risk Analysis (Continued)

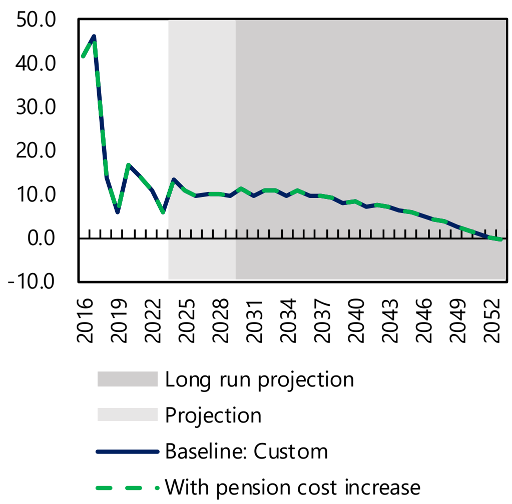
(Fiscal year)

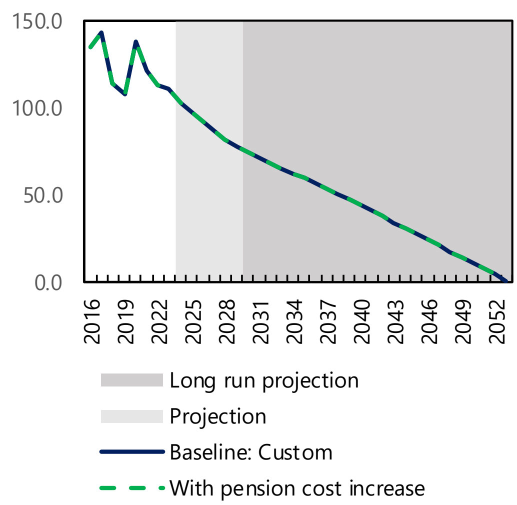
Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	0.0%	0.6%	1.0%







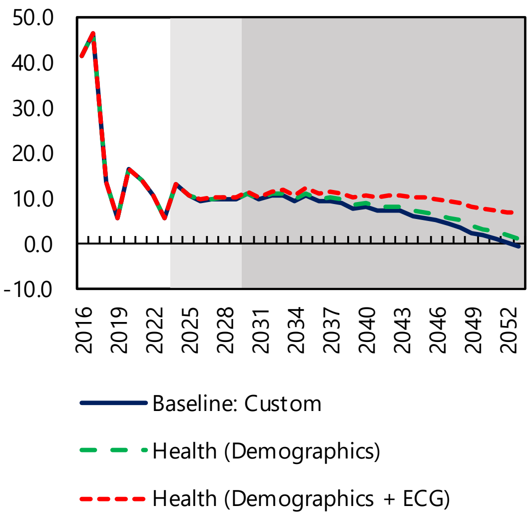


Commentary: The recent pension reforms are expected to make the National Insurance Scheme financially sustainable for 25-30 years.

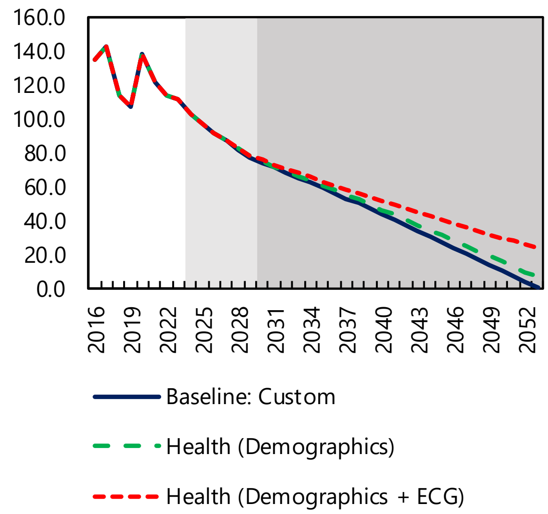
Annex III. Figure 6. Barbados: Long-Term Risk Analysis (Continued)
(Fiscal year)

Demographics: Health

GFN-to-GDP Ratio



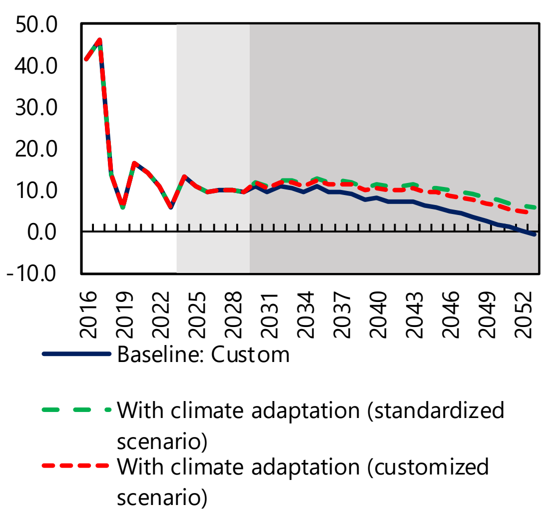
Total Public Debt-to-GDP Ratio



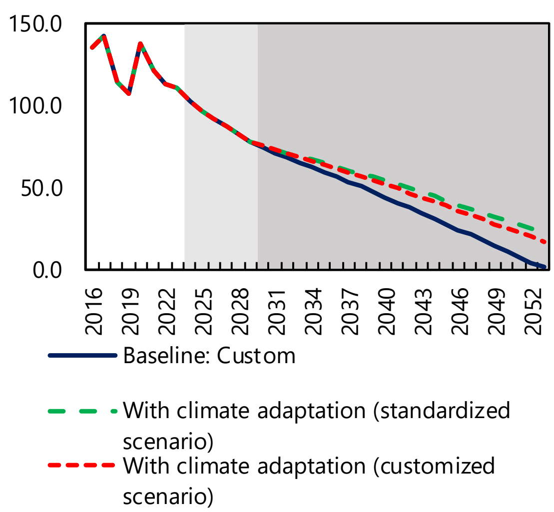
Commentary: The current healthcare expenditure policies would not pose significant sustainability risks.

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

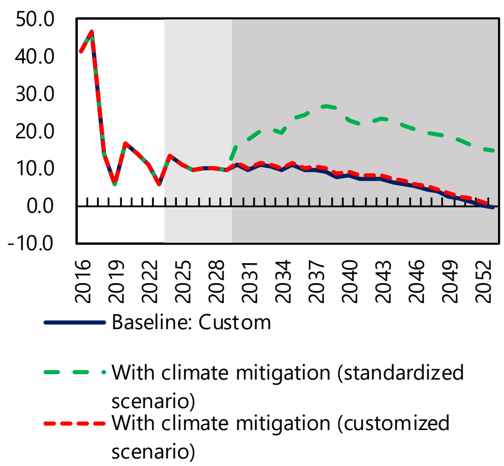


Commentary: Adaption expenditures would not significantly impact debt sustainability in the long run.

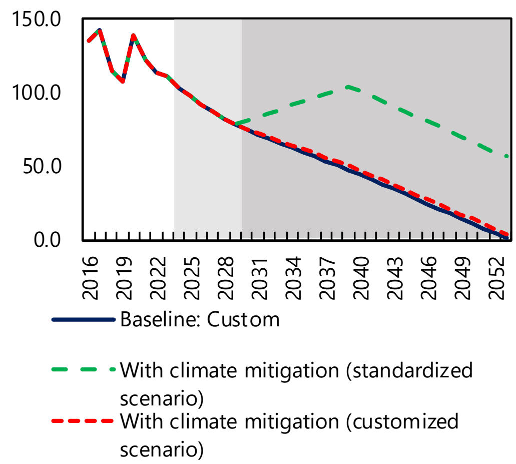
Annex III. Figure 6. Barbados: Long-Term Risk Analysis (Concluded)
(Fiscal year)

Climate Change: Mitigation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Mitigation expenditures would not significantly impact debt sustainability in the long run. While Barbados is not a large GHG emitter, the authorities are working to transition to a fully-renewable based economy.

Annex IV. Reform Measures Supported by the RSF Arrangement

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
Build Resilience to Natural Disasters and Climate Change	RM1. (i) Approve the Planning and Development Act to improve the climate resilience of roads through improved drainage and other interventions. (ii) Table in Parliament the Water Re-use Bill, incorporating the new water re-use policy. (iii) Fully operationalize the National Environmental and Conservation Trust.	March 2023		(i) Incorporate climate adaptation priorities into road infrastructure planning and construction. (ii) Enhance the use of rainwater and treated wastewater, reducing the country's dependence on groundwater supplies, negatively affected by climate change. (iii) Support projects enhancing marine protection and protect Barbados' natural assets.	World Bank Green and Resilient Recovery Development Policy Loan.
	RM 2. (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.	September 2023		(i) Achieve greater coverage and comprehensiveness in the identification and quantification of fiscal risks related to climate events, improving the government's capacity for managing those risks. (ii) Enhance the efficiency and effectiveness of public procurement. Allow procurement agencies to consider the most advantageous bids from a green/ sustainability perspective, paving the way for the implementation of green/sustainable procurement. (iii) Provide valuable information to formulate and assess the impact of climate policies and facilitate the mobilization of climate finance.	IDB TA support on procurement, and the development of a sustainable/green procurement framework and guidelines for climate/green budget tagging. World Bank Green and Resilient Recovery Development Policy Loan, and World Bank TA on climate/green budget tagging.

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
Build Resilience to Natural Disasters and Climate Change	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.	September 2023		Strengthen community readiness and improve knowledge base to enhance preparedness and increase resilience to natural disasters, minimizing disruptions and enhancing protection of the most vulnerable citizens and coastal infrastructure. Increase the number of ministries and agencies that have an Operations Continuity Plan.	World Bank Green and Resilient Recovery Development Policy Loan.
	RM 4. Government to table an amended Prevention of Floods Act in Parliament, *incorpor*ating the new Stormwater Management Plan.	March 2024		Reduce the impact of floodings and increase overall water resilience.	
	RM 5**.** Implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.	March 2025	PIMA/C-PIMA assessment.	Improve the integration of climate into all aspects of the budget cycle, including budget preparation, budget execution, fiscal reporting as well as oversight and auditing.	
Reduce Green House Gas Emissions	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.	September 2023		Promote private investment to support and accelerate the transition to renewable energy sources.	
	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.	March 2024		Improve energy efficiency and conservation in the public sector.	

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
	RM 8. 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.	September 2024		Regulate the generation, storage, transmission, distribution, dispatch, supply, and sale of electricity and promote local participation, competition and the adoption of energy practices and technologies in the electricity sector that are sustainable.	World Bank Green and Resilient Recovery Development Policy Loan.
Mitigate Transition Risks	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.	September 2024	Fund to provide TA support, including through CARTAC.	Refine the assessment of financial sector risks arising from climate change.	
	RM 10. The CBB to include climate change risk in their bank stress testing exercise.	March 2025	Fund to provide TA support, including through CARTAC.	Refine the stress testing methodologies to include climate related risks.	

Annex V. Capacity Development Strategy: Updated Country Strategy Note[1]

Barbados' capacity development (CD) efforts are aligned with the reform agenda under the Fund-supported program. CD priorities are wide-ranging, 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 PFM, 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 TA providers remain critical.

Context

1. A three-year EFF arrangement along with an 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 safeguard 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 TA covered fiscal issues, including tax and customs reform, PFM legislation, fiscal rule frameworks, enhancing SOE performance and oversight, restructuring of the MFEI, and pension reform. LEG and MCM have provided technical advice in Central Bank Law reform, debt management, modernization of the National Payment System, and the CBB's monetary policy toolkit. STA (with CARTAC assistance) has an ongoing TA portfolio to strengthen capacity in national accounts and price statistics and to implement the e-GDDS framework (data dissemination initiative). Table 2 shows CD missions that took place since 2018 and tentatively planned missions for 2023/24, highlighting that 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 representative office will remain a key channel of engagement on CD going forward, in close coordination with CARTAC and CD providers at headquarters.

[1]This country strategy note and the attached table matrices illustrate the integration of CD 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).

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 IMF country team coordinating activities. This continues 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. Collaboration 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; and the OECD on support to 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. Priorities include operationalizing PFM and custom reforms; 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; and improving national accounts and macroeconomic statistics. Table 1 presents a summary of key CD objectives and Table 2 lists DC missions since 2018 and tentatively planned for the coming months.

Annex V. 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.	Modernized legislative framework in line with international requirements.	Audit and anti-smuggling programs more effectively ensure enforcement of customs laws.
			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.	Customs control during the clearance process more effectively ensures accuracy of declarations.
				Foreign trade operators better comply with their reporting and payment obligations.
			Creation of a 2021-25 Strategic Plan, compliance units and programs.	Trade facilitation and service initiatives better support voluntary compliance.
	Strengthened core tax administration functions.	FAD.	The Large Taxpayer Unit (LTU) continued to operationalize its compliance improvement plan, stepped up its audit program, with emphasis on the largest taxpayers, and made increasing use of third-party data to improve the accuracy of the taxpayer base.	Audit and other verification programs more effectively ensure accuracy of reporting. The integrity of the taxpayer base and ledger is strengthened. A larger proportion of taxpayers meet their payment obligations as required by law.
	Strengthened core tax administration functions (SDG 17.1) – TAD.	FAD.		A larger proportion of taxpayers meet their filing obligations as required by law.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)

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
	Strengthened revenue administration management and governance arrangements.	FAD.	Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized.	Transparency and accountability are more effectively supported by independent external oversight and internal controls.
				Corporate priorities are better managed through effective risk management.
				Organizational arrangements enable more effective delivery of strategy and reforms.
				Support functions enable more effective delivery of strategy and reforms.
				Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols.
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.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)

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
			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.	Appraisal, selection, and implementation of public investments is improved.
			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.	Risk-based internal audit functions are established in central government agencies.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)				
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**
	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. The authorities have put in place an action plan for public financial management reform to implement the new PFMA Act.	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.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)

Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
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.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)				
Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
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.
Financial Supervision and Regulation	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.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)				
Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
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.	A systemic risk monitoring framework is implemented.
				Effective Stress Testing Model(s) are in place and being used for their intended purpose (s).
				Staff capacity is enhanced in the production of the first Financial Stability Report (FSR).
				The quality of data and integrity of information are ensured for financial stability analysis.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)				
Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
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				
Enhancing economic data to support policy design and implementation				
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 (moving from 2010 to 2016) to increase the policy relevance of these statistics was completed. New Supply Use Tables (SUT) and expenditure-based GDP series were estimated for the 2016 benchmark year. in line with the 2008 System of National Accounts.	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Continued)				
Improving Economic Statistics				
Enhancing economic data to support policy design and implementation				
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.	The authorities implemented the e-GDDS in 2021 and launched the National summary data page and adopted a machine-readable (SDMX) technology.	Data are compiled and disseminated using the coverage and scope of the latest manual/guide.
				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.
				Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.
				A new data set has been compiled and disseminated internally and/or to the public.
Real Sector - Prices	Strengthen compilation and dissemination of macroeconomic and financial statistics for	STA.	The authorities implemented the e-GDDS in 2021 and launched the National summary data page and adopted a machine-readable (SDMX) technology.	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide. Staff capacity increased through training, especially

Annex V. Table 1. Barbados: Capacity Development Integration Matrix (Concluded)				
Improving Economic Statistics				
Enhancing economic data to support policy design and implementation				
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.

Annex V. 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		
Workload assessment – Human Resources needs	FAD	Apr – May-24
Developing a Single 'Omnibus' Guarantee for Suspended Regime Management	CARTAC	Mar-24
Belize Assistance to Barbados in Risk Scoring	FAD	Jun-23 and Sep-23
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.

Annex V. 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 on Tax Expenditure Rationalization	FAD	Dec-24
TA in Tax Procedures	LEG	Apr-20
Maintaining Monetary and Financial Stability		
Revenue Mobilization	FAD	Jan-19
Public Financial Management		
Fiscal risk analysis	FAD	Dec-24
Budget Preparation	FAD	Oct-24
Supporting the Transition to a Modern Treasury	FAD	Nov-23
PIMA/C-PIMA	FAD	Sep-Oct-23
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.

Annex V. 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 MTFF	FAD	Apr-21
Training: Establishing a Central Internal Audit Unit (WFH)	CARTAC	Mar-21
(Remote TA) Fiscal Rules and MTFF (HQ Lead)	CARTAC	Feb-21
Fiscal Rules and MTFF	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		
Systemic Liquidity Management and ELA	MCM	Sep-24
Refinancing Operations and ELA Framework	MCM	Feb-24
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.		

Annex V. 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		
Banking supervision and regulation	MCM	Nov-24
Climate Risk Analysis	MCM	Jul-24
Stress Testing	CARTAC	Jun-24
Enhancing the Joint Financial Stability Report (FSR) of the CBB and FSC.	MCM	Sep-23
Strengthening Cyber Security in Financial Institutions	MCM	Nov-22, Dec-22-Feb-23, Nov-23
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
[1] Refers to missions planned end of FY24.		

Annex V. Table 2. Barbados: IMF Capacity Development Missions Since 2018 (Continued)

Maintaining Monetary and Financial Stability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Payments and Settlements		
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
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
Improving Macroeconomic Statistics		
Barbados-External Sector Statistics (follow up)	CARTAC	Mar-25
National Statistics-GDP revision	STA	Jun-24
Barbados-External Sector Statistics	CARTAC	Mar-24
Barbados –TA-GDP- Review of Administrative Data	STA	Feb-24
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

[1] Refers to missions planned end of FY24.

Annex V. Table 2. Barbados: IMF Capacity Development Missions Since 2018 (Concluded)		
Improving Macroeconomic Statistics		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
(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
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
December 3, 2024

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

Dear Managing Director Georgieva,

When my Government came to office in 2018, we were confronted with fiscal and external imbalances that threatened public sector sustainability and the viability of the currency peg. Since then, Barbados has restored macroeconomic stability with the successful execution of our 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 EFF and the 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 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 ongoing EFF-RSF arrangement is unfolding in the context of a difficult external environment that complicates policymaking. Barbados' economy has recovered to pre-pandemic levels, and continues to grow at a healthy pace. Nevertheless, challenges arising from high global interest rates, geopolitical conflicts, and volatile food and fuel prices persist. In addition, the country's experience with Hurricane Beryl in July underscores the immediate importance of building resilience to climate change. I am pleased to report that performance under the joint BERT 2022 EFF-RSF arrangement remains strong. Specifically:

EFF: All quantitative program targets for end-June 2024 and end-September 2024 were met. The robust performance of fiscal revenues in the first half of FY2024/25 has supported a strong primary surplus and facilitated the continued gradual reduction of the public debt-to-GDP ratio. In the second half of FY2024/25, our goal is to accelerate capital spending, while maintaining prudent controls over current spending, consistent with meeting this year's primary surplus target of 3.8 percent of GDP, calculated using revised GDP. Alongside our strong fiscal performance, the structural reform agenda has continued to progress with: (i) the implementation of mandatory use of a unique tax identification number for importers and exporters; and (ii) the establishment of an integrated online platform for government services, and a platform for monitoring public sector investment.

RSF: Both measures targeted for the current review have been completed. To enhance competition in the electricity market and promote local participation in renewable energy investment, a new Electricity Supply Bill has been tabled in Parliament. In addition, to safeguard financial stability, the Central Bank has adopted a strategy for building capacity to monitor and assess climate change risks, and joined the Network for Greening the Financial System.

The Government believes that the policies described in the attached MEFP are adequate to achieve the objectives underpinning the EFF and RSF arrangements. If necessary, the Government stands ready to take any additional measures that may be required to meet the objectives of the BERT 2022 Plan and the EFF/RSF 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 Fund staff and provide them with the relevant information required to complete the EFF/RSF 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 to 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 fourth review of the arrangement under the EFF, with the full purchase of SDR 14.175 million to be made available as budget support. I am also requesting the completion of the fourth review of the RSF arrangement and the disbursement of SDR 28.35 million to be made available. The RSF will support our efforts to build resilience to climate change by increasing our policy space to invest in resilient infrastructure and the transition to renewable energy sources, as envisaged in our climate policy agenda.

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.

Yours sincerely,

/s/
The Hon. Mia Amor Mottley S.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-19 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 COVID-19 shock. 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 has been followed by nearly US$1 billion in support, in the form of policy-based loans, and about US $300 million in the form of project-based loans from other international development institutions (Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), World Bank (WB) and Development Bank of Latin America (CAF)). Together, this has allowed international reserves to rise to US$1.6 billion at end-September 2024, 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 Plan.** While the pandemic and other external shocks disrupted elements of the structural reform agenda, Barbados has since revitalized policy efforts. 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's 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 Plan will continue to 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. The EFF/RSF arrangement promotes 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. The RSF continues to support our pursuit of climate resilience by increasing our policy space to invest in resilient infrastructure and the transition to renewable energy sources, as envisaged in our climate policy agenda. Our efforts include, among other things, establishing a new Blue Green Bank, supported by the fiscal space provided by the RSF, to help finance green investments in affordable homes, hurricane-resilient roofs, the electrification of public and private transport, and other Paris-aligned investments. The engagement under the RSF has coincided with green finance initiatives by other International Financial Institutions, including a debt-for-climate swap/operation (led by the IDB and European Investment Bank (EIB) with support from the Green Climate Fund (GCF)), with proceeds supporting climate-resilient improvements to the South Coast sewage treatment plant.

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 and policy developments. Structural benchmarks, reform measures, 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 Plan continues to be anchored by a debt-to-GDP path that converges to 60 percent by FY2035/36. This requires strong primary surpluses over the medium term while also accommodating adequate capital expenditure to boost climate-resilience and growth prospects. In line with this strategy, the GOB achieved a primary surplus of 2.4 percent of revised GDP[1] for FY2022/23—up from a deficit of about 1 percent of GDP 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-19-related expenditures. In FY2023/24, the primary surplus further strengthened to

[1] Based on new GDP statistics published by the Barbados Statistical Service (BSS) in July 2024. The new GDP statistics are based on reference year 2016, rebased from 2010.

3.2 percent of revised GDP, supported by continued economic expansion as well as 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. Looking ahead, the FY2024/25 budget aims for a primary surplus of 3.8 percent of GDP, enabled by continued prudent expenditure management and revenue gains, including from buoyant economic activity and mostly one-off gains from the recent corporate income tax (CIT) reforms and a shift to IFRS17 for the insurance sector. Importantly, our budget assumes an increase in public investment to 3.4 percent of GDP in FY2024/25, up from 2.7 percent of GDP executed in FY2023/24.

7. **Primary surpluses are targeted to strengthen further over the medium term consistent with projected debt path.** The GOB is committed to advancing fiscal and structural reforms to support underlying BERT 2022 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 already-enacted reforms to support the long-term sustainability of the public pension and social security system, and public sector investment—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 BERT 2022 is two-pronged and focuses on (i) strengthening tax and customs 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 has evolved further as Barbados has complied with the Organisation for Economic Co-operation and Development (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 prices to expire as these supply shocks dissipate. 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 needed to provide space for investing in necessary productive capital and infrastructure that makes Barbados more resilient to climate changes. 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 Barbados Revenue Authority (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, BCED, and the National Insurance and Social Security Service (NISSS) to meaningfully improve compliance and risk management (*structural benchmark for end-March 2023*). The project highlighted numerous identifiers present within BCED's AYSCUDA system, indicating possible duplication of taxpayers. The exercise has been completed and we will continue to refine the data matching as time goes on. The single registration process will ensure that the matching takes place going forward.

- The BRA has completed the development of a compliance risk management dashboard integrating the data from the BRA, BCED and NISSS, which can provide a risk rating in respect of each taxpayer.

- The BRA also conducted a data-matching exercise for the trusted traders within the BCED's ASYCUDA system. The alignment of accounts has been completed and the data incorporated into the compliance risk management dashboard. Refinements to the process will continue.

- The BRA and BCED have completed the single registration process which ensures the mandatory use of the tax identification number (TIN) as the unique identifier of importers and exporters and as a requirement to conduct any border transaction (*structural benchmark for end-September 2024*).

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, NISSS and the BRA will initially 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 cleaning of historical data, facilitating compliance-risk-management reviews.

- A new single-registry process is being developed, with CARTAC assistance, to allow any new companies or individuals to complete the tax, NISSS and customs registration process in a single sitting. The portal has been launched, and testing is ongoing for new taxpayers. On completion, the portal will be housed on the Government of Barbados and agency websites, with use of the assigned single identifier across the agencies. This will guarantee cross-institution data matching. The marketing around this initiative is currently being developed.

- The implementation of the BRA's Business Intelligence tool is 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. Final demonstrations were made to stakeholders in May 2024 and work has begun with the Fiscal Risk Unit to analyze related data.

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 central government arrears fell from $1.2 billion at end of June 2018 to $217.8 million at the end of September 2024, while that of SOEs declined from $755 million to $20.4 million over the same period. The BRA 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 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. BRA has vetted the stock of taxpayer arrears owed to Government, estimated at more than 10 percent of GDP and notifications have been sent to those identified as non-compliant.

12. Customs (BCED) administration is in need of reform to facilitate trade, improve risk management and stakeholders' engagement, and strengthen revenue collection. Some progress has been made regarding governance and management: (i) the Internal Audit Division was strengthened with the creation and implementation of terms of reference, and a risk-based work plan; (ii) key Performance Indicators (KPIs) were developed for all units and are progressively being used; (iii) operational dashboards have been developed for the Trade Operations and the Compliance and Enforcement Directorates and are being used for management decision making. Efforts will continue in the years ahead. The assessment of human resource needs for the next several years is well underway, with the assistance of CARTAC and Caribbean Customs Law Enforcement Council. Building on this, we will complete an assessment of the obstacles to fill critical vacancies and a roadmap to fill these vacancies (*structural benchmark for end-March 2025*).

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 was implemented, and the new 2022 version is now operational. 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. The Trusted Trader Program, introduced in 2020, continues to be expanded and is enhancing facilitation.

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. The oversight mechanism that was created via a Steering Committee is continuing to oversee implementation of the 2020-2023 Strategic Plan. The use of Taxpayer Identification Numbers has commenced for all exporters and importers, in collaboration with the BRA, and electronic forms are increasingly being used to facilitate a complete paperless process. The GOB remains committed to carrying 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:

- New initiatives to follow through on principles and services enunciated in the new Customs Act and Regulations. This includes the now-operational Exemption Management Program in the Customs and Excise department, the development of an outreach program and educational products, and improvements to governance and professional standard and internal controls.

- Pursue the BCED reform and modernization program, most notably by implementing the strategic plan, compliance framework, integrated risk management strategy and an enforcement manual.

- Complete overhaul of the warehousing and duty-free shop system to prevent revenue leakage. Risk classification for all warehouses has begun, and those deemed high-risk will be prioritized for overhaul. This is currently ongoing with CARTAC assistance.

- 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. CARTAC support is expected.

- Operationalize a compliance action plan for the import of vehicles and auto parts. Duties on vehicle-related imports are a large source of revenues; systematic undervaluation or misclassifications can result in significant revenue leakage. Drawing on IMF capacity development (CD) in this area, BCED finalized an action plan to minimize non-compliance risks, and put the strengthened regime into practice.

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 realized. 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 is strengthening its tax and customs waiver regime in two phases.

- The first phase 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 approved 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. BCED established an Exemptions Monitoring Unit that regularly prepares and submits monthly reports to the Ministry of Finance, Economic Affairs, and Investment (MFEI) 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 the implementation of a formal and time-bound recertification process whereby all pre-existing/legacy tax and customs waivers are being reviewed to ensure they qualify under the enhanced waiver framework (*structural benchmark for end-March 2024)*. A modernized duty and exemptions framework has been implemented, requiring all pre-existing tax and customs waiver beneficiaries to submit for re-qualification in coming years. Further review of the tax exemptions regime supported by IMF TA will inform consideration of future interventions.

Currently the stock of approved waivers exceeds 6,000, with a significant cost in foregone revenues of 6 percent of GDP per year. The GOB intends to minimize inefficiencies and ensure value for money within the waiver regime. Exemptions are actively being monitored and the next step is to commence the recertification process.

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 Finance Management (PFM) 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 PFM 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 PFM 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 also includes 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 PFM 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 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 is:

    - Strengthening risk management capacity within the MFEI further, having created a dedicated Fiscal Risk Unit (*structural benchmark for end-June 2023*). The Unit contributes to budget formulation and planning by identifying and proposing options to contain macroeconomic risks (including contingent liabilities) through the preparation of fiscal risk reports. It also plays a lead role in the preparation of annual fiscal risk statements, including an assessment on climate change risks that were included in budget documents from FY2023/24 (*reform measure for end-September 2023*). With recent IMF TA, the MFEI is continuing to deepen the expertise of the unit and enhance the quality of risk analyses being produced.

    - Clarifying fiscal vulnerabilities emanating from the National Insurance and Social Security Service (NISSS). The NISSS has cleared its backlog of financial statements and has submitted financial statements covering the period 2010 to 2023 for audit by the Auditor General (*structural benchmark for end-March 2024*). The Auditor General is conducting his fact-finding assessment.

- **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.[2] The GOB is committed to the implementation of enhanced public procurement practices, including from a sustainable-green perspective. To that end, Cabinet has approved Procurement Regulations to help operationalize the 2021 Procurement Act and support 'green procurement' processes

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

(*reform measure for end-September 2023*). Building on recent procurement reforms, the Government has developed standard contracts for routine procurements to minimize delays in awarding contracts to successful bidders (*structural benchmark for end-September 2024*). This reform benefited from IDB technical support.

- **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. In addition to procurement reforms, a revised Integrity in Public Life Bill, which seeks to mitigate scope for acts of corruption by persons in public life, has been passed in Parliament. This initiative builds 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 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.

- **We are strengthening cash management.** Previously, the absence of dedicated cash management functions in Central Government complicated the adequate management of daily cash balances and risks a buildup of payment arrears. Accordingly, a cash management unit was established within the Treasury (*structural benchmark for end-March 2024).* The functions of the unit 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 Ministries/Departments/Agencies (MDAs') and SOEs' cash plans. Once fully operational, the unit will 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 White Oak, conducted comprehensive training for all the financial controllers in the central government and SOEs. Next steps include the completion of an assessment program.

- **We are working to improve public investment management.** Given ongoing challenges in increasing public investment spending, due in large part to capacity constraints, the Government is undertaking measures to strengthen public investment management process, drawing on the 2023 PIMA recommendations. With IMF TA scheduled for December 2024, we intend to enhance public investment project appraisal by developing guideline for application with all new public investment projects by end-March 2025. These efforts will be critical in enabling us to meet our objective of boosting public investment to 5 percent of GDP per year over the medium term.

- **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 finances against fiscal costs and mitigating risks from PPPs, ensuring transparent mechanisms for competitive processes, and designing transparent reporting and auditing procedures in line with international standards. The MFEI will prepare PPP framework to guide PPP decision-making (*structural benchmark for end-March 2025*), with training and technical support from the IDB and IMF. This framework will apply to all PPP projects under consideration to allow for fair, competitive, and transparent procurement of PPPs. Training of a group of MFEI staff regarding PPPs will begin in late 2024, including in the areas of writing and assessing climate-related project proposals, and aligning the Government's PPP decisions with strategic priorities, including relating to climate change.

Fiscal Rule

17. The Government 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 the current fiscal year and, (iii) takes remedial action when required. Deliberations over a numerical fiscal rule are expected to resume once supporting PFM systems have been sufficiently strengthened.

18. A Fiscal Council was established at end-May 2023 to promote sound fiscal management. There has been some delay in the Council beginning regular operations. However, discussions surrounding terms of reference and work plans have advanced. The Council will help promote 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 promote 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.

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 is consistent with achieving this target, and we remain committed to generating the needed primary surpluses to ensure the target is met.

20. The GOB is focused on strengthening public debt management with technical support from international partners. Efforts to strengthen debt management operations continue. The 2024-25 to 2025-26 Medium Term Debt Management Strategy (MTDS) was approved by Cabinet and will be subsequently laid in Parliament. This is 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. 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 in re-engaging the domestic capital market, including the regular issuance of Treasury Bills featuring the introduction of an optional non-competitive window for individual investors. This mechanism allows individuals to specify the desired amount and tenor and be allocated the amount tendered at a rate that is the average of the successful competitive bidders. In addition, in February the Government successfully launched a reverse action of its Series D bonds. The first of its kind, the auction was successfully concluded on March 8, 2024, having received a high degree of interest from bondholders, with approximately 12 percent of the outstanding bonds offered for repurchase. Auction pricing was highly competitive with the Government accepting the lowest priced offers of up to $2 million (consistent with the amount pre-approved by Cabinet). This auction was aligned with the Government's goals to aid with the reduction of debt, assist with the creation of a yield curve for new medium-to-long term securities, and support the gradual extension of maturities under the Government's debt management program. Other measures are planned to further strengthen its investor relations program, including enhancing transparency in this regard.

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 2018 program and they have been reduced to approximately $260.1 million as of September 2024. Of this total, Central Government trade payables (non-tax arrears) have to a large extent been settled, with a residual amount of $0.2 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 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) re-energize the transformation of the SOE sector.

- **Public Pension Reform:** Civil service pension reform aimed at ensuring long-term sustainability of the system has been a key priority. The key pillars of the reform 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 NISSS 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 attained Parliamentary approval of this legislation in August 2023 (*structural benchmark for end-March 2024*)

- **Recapitalization and Reform of the NISSS:** The NISSS 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 NISSS contributions. During this period, as the then-Government found it harder to finance large deficits, it sold more Government bonds to the NISSS and its funds, whose portfolios were by 2018 overly concentrated in Government bonds. Consequently, the 2018 debt restructuring exercise, though stabilizing government finances, resulted in the National Insurance and Severance Funds incurring investment losses. At its peak, the COVID-19 pandemic led to an estimated 40 percent unemployment rate, alongside high levels of severance and out-of-business employers, placing critical and unusual strains on the Fund. While these shocks have now dissipated, they laid bare the importance of combined recapitalization and reform measures to safeguard NISSS 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 has completed the second phase whereby Cabinet endorsed a reform plan at end-2022 that restores and safeguards the viability of the National Insurance Fund. In December 2023, Parliament approved necessary reforms from the National Insurance Scheme (NIS) Revitalization Plan, including gradual increases in the pensionable age (from 67 presently to 68) and minimum contribution period for eligibility (from approximately 10 years presently to approximately 15 years), to be phased in over the next decade. An important additional reform also eases the ability of self-employed persons to participate.

- **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 and climate resilient investments. Subventions to public entities are relatively high. 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' public finances. Against this backdrop, the GOB is revitalizing its SOE reform agenda which was deliberately paused during the COVID period and subsequent challenging natural disaster/climate events. Specifically:

  - ***Unwind transitory support:*** The GOB has successfully unwound temporary support extended to SOEs and Ministries and Agencies, including via the cessation of programs identified as emergency programs to support impaired sectors and commercial public enterprises. After peaking at 8.3 percent of GDP in FY2020/21 due to temporary, urgent transfer needs for large SOEs at the forefront of the COVID-19 pandemic response strategy, transfers have recently returned to near pre-pandemic levels (6.8 percent of GDP in FY2023/24).[3]

- ***Mergers and Rationalizations:*** As announced in consecutive Annual Budgets, the GOB has exploited scope to reduce overlap and achieve greater financial and operating efficiencies. Immediate steps in this regard, Cabinet approved in mid-to-late 2023: (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-December 2023*). The government is closely monitoring the successor entities.

- ***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.[4] To anchor the forward-looking reform agenda, a comprehensive stocktaking of the financial performance of the SOE sector was undertaken (*structural benchmark for end-June 2023).* The reports compiled showed improvement in the financial position of SOEs relative to recent years, while also indicating that most entities are structurally unprofitable. The reports will help inform the reform of key SOEs.

- ***Modernization Principles*:** While the agenda of SOE reform is evolving, the GOB continues to 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.

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 rate 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

[3] SOE transfers were 4.8 percent of GDP in FY2023/24, excluding those related to earmarked revenues.

[4] 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.

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 in 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 delegation of authority to foreign-exchange dealers to approve foreign-exchange transactions, without these needing to be referred 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.[5] 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 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 internal controls including cyber security and risk management and is looking to establish an Emergency Lending Assistance framework by end-2024, with the support of IMF TA. In addition, the MFEI and CBB have prepared an updated Memorandum of Understanding that clarifies their respective responsibilities for servicing financial obligations to the Fund under the EFF/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 manage risks to the financial system. The oversight of the financial system is shared by the CBB, the Financial Services Commission (FSC), and the Barbados Deposit Insurance Corporation. These authorities participate in the Financial Oversight Management Committee (FOMC), which manages the

[5] 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.

production of the annual Financial Stability Report and collaborates in the monitoring of the financial system. The effective banking regulatory framework in Barbados is Basel II, under which licensees follow standardized approaches in the calculation of risk-weighted assets. Additionally, financial statements are prepared according to IFRS. 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 systemwide 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-November 2023*). The CBB has established a liquidity-forecasting unit and enhancements continue to be made to the forecasting framework, including the analysis of daily data. The CBB has enhanced its forecasting capacity by sourcing external expertise and has made significant progress in setting up an active daily liquidity forecasting framework, to monitor changes in reserve supply and estimate banks' demands for precautionary reserves (*end-March 2025 structural benchmark*). In parallel, the CBB is continuing to explore the introduction of a benchmark monetary policy rate, reflecting Barbados' exchange rate peg and target reserves level, and new liquidity management instruments anchored to the policy rate. As a next step, the CBB will produce an internal research paper by end-March 2025. The CBB also possesses the power to implement macroprudential measures by using tools to assess, contain and mitigate systemic risk. CBB has enhanced its current stress testing framework with satellite models that link the macroeconomy to the banking sector and has developed preliminary climate stress tests. As the financial system continues to evolve in terms of size and complexity, the CBB has utilized new data to start constructing indicators such as real estate price indices, and conduct credit-to-GDP gap analysis.

27. We have continued to strengthen our AML/CFT framework, leading to our exit from the FATF's International Review Group process. In February 2024, following an on-site assessment in January 2024, the FATF concluded that the Government had completed its action plan to strengthen the effectiveness of the AML/CFT regime. It was determined that Barbados had made the following key reforms, including: (i) conducting risk-based supervision of financial institutions and applying sanctions as appropriate; (ii) ensuring that accurate and up-to-date beneficial ownership information is available on a timely basis; (iii) improving and enhancing the use of financial intelligence, and (iv) pursuing repatriation and sharing of confiscated assets with other countries. Barbados was therefore removed from the FATF grey list. This development is expected to further enhance Barbados' profile and consequently reduce the enhanced due diligence required by overseas parties, improve the business environment, and boost much-needed foreign investment. Looking forward, we will update our National AML/CFT Risk Assessment by 2027, mapping out strategic reforms to identified risks in the banking sector. At the individual institution level, we will continue to update the risk profiles of each licensee.

V. GROWTH ENHANCING REFORMS

28. The growth strategy embedded in our BERT 2022 framework seeks to increase 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:

- incentivizing an acceleration of small-scale private-sector investment in the green transition;
- incentivizing low- and middle-income housing;
- investing in skills training and education towards enhancing the human resource capacity of the population;
- preserving financial stability and mobilizing domestic savings for local investment to facilitate investment opportunities for as many Barbadians as possible;
- making Government an enabler to enhance productivity, competitiveness, and service excellence, towards achieving higher local and foreign direct investment;
- 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;
- implementing targeted public investments to achieve sectoral integration and develop climate-resilient infrastructure;
- promoting a new, high-skilled, knowledge-based economy that is tech-heavy, carbon-neutral, and marine-conscious; and,
- adopting open labour market policies to support stronger, resilient growth together with expanding the population base and improving productivity and competitiveness.

The Barbados Population Policy 2023–2024, approved in May 2024, aims to promote sustainable development and quality of life while preserving environmental sustainability. It seeks to ensure a population size that supports social care, productivity, and economic growth, along with enhancing labor force skills and access to opportunities.

29. 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. It highlighted the need to (i) finalize the second phase of the Corporate Affairs and Intellectual Property Office (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 are being advanced by the Growth Council. The most tangible reform is the establishment of Business Barbados, an entity which will begin operations in FY2024/25, whose objective is to champion a customer-first business model with modernized processes, enabled by digital and innovation technology and realigned, re-tooled and retrained staff. Business Barbados will be led by a new management team, operating as a State-Owned Enterprise.

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

- The Barbados Investment Plan, as outlined on the Government Information Service website, aims to stimulate economic growth by attracting foreign direct investment, supporting local enterprises, and enhancing infrastructure development to create a more competitive and sustainable economy.

- We remain committed to reaching the 100 percent renewable energy target by 2035. 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. The Electricity Supply Bill (*reform measure for end-September 2024)* will facilitate achievement of these objectives.

- 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 Home Ownership Providing Energy (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 services[6], where we have incorporated a GovTech agency, with a Board of Directors already in place, and staffing efforts ongoing *(end-September 2023 structural benchmark).* 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 (*structural benchmark end-September 2024*). This platform leverages recommendations made by the Climate Public Investment Management Assessment (C-PIMA) Fund technical assistance mission held in September/October 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 were reduced under BERT 2018. Further gains are anticipated with the launching of an electronic single window for trade—which should be fully operational by early 2026—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-sized businesses. A web-based collateral registry of movable assets will be created for entrepreneurs and/or small businesses which can be used as collateral when applying for loans from commercial banks and other lending institutions. Establishing a credit collateral registry and broadening the types of eligible collateral would

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[6] 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 for the roll out of the new payments' ecosystem.

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-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, 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 Suriname, to address food security and to help in reducing the regional food import bill by 25 percent by 2025. This collaboration will result in Barbados becoming 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 the Caribbean Disaster Emergency Management Agency (CDEMA) has already established a hub in 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 cashflow 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 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

31. 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.

32. Government has been proactive in mitigating against the fallout from a climate crisis event from several perspectives. We insure against 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 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. The GOB recently adopted 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*).

33. To safeguard against external shocks to fuel import costs, Barbados remains committed to reaching its 100 percent renewable energy target by 2035. To that end, the independent Fair Trading Commission (FTC) has published Feed-in Tariffs (FITs) for independent power producers (IPPs) for a range of renewable energy technologies. The GOB 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.[7] To that end:

- The Government has closed remaining regulatory gaps in the FITs mechanism to promote renewable energy storage technologies and a corresponding licensing policy/approvals framework (*reform measure for end-September 2023)*. Ongoing efforts to enhance competitive procurement methods— feed-in tariffs, auctions, and direct negotiations—seek to increase investments into battery storage technologies to support the envisioned expansion and integration of renewable energy production.

- The Electricity Supply Bill was tabled in Parliament to (i) provide for a modern system of regulation of the generation, storage, transmission, distribution, supply, dispatch and sale of electricity; (ii) facilitate the efficient, effective, and sustainable development and operation of the electricity system; (iii) promote energy security, energy efficiency and the use of renewable energy sources; and (iv) ensure that the regulation of the electricity sector is transparent and predictable (*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

[7] 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 59 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.

34. 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 (revenues from rooftop solar panels). We will work with the private sector, along with regional and international partners, to boost housing stock and build structural resilience against climate crises. 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, we will provide the infrastructure and small- and medium-sized local contractors would construct the houses. In a third model, first-time homeowners (low- and middle-income earners) would be provided with affordable climate-resilient and energy-efficient housing solutions by making use of renewable energy technology. And for those who cannot 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.

35. 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.[8] 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 of currently overground 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:

[8] 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 has moved 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 began receiving funds from the debt-to-nature swap as of end-FY2022/23 (*reform measure for end-March 2023*);
- Tabling a new Stormwater Management Plan to replace the existing Prevention of Floods Act (*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*).

The Stormwater Management Plan promotes the execution of public works necessary to prevent flooding, thereby mitigating negative impacts on persons' health, property damage, and disruptions to travel and logistics. Additionally, it requires land developers in identified flood areas to submit plans for approval with sound estimates and protocols regarding water runoff. The Plan also includes possible penalties and other remediation measures to be taken if regulations are not adhered to.

The Energy Efficiency and Conservation Policy Framework draws upon extensive recommendations from an external consultant aimed to systematically improve energy management practices across public buildings and reduce energy consumption, thereby promoting sustainability. An important first step was the assessment of the current situation across Government regarding energy usage and identification of possible areas for future improvements.

36. 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 was included in the FY2023/24 budget (*reform measure for end-September 2023*), with its successor published for FY2024/25 in March 2024. The GOB is committed to sustaining this fiscal risk analysis in forthcoming budgets.
- Cabinet approved 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 IDB (*reform measure for end-September 2023*). This framework will help Ministries and agencies

acquire goods and services that achieve green and sustainable objectives. We will continue to seek technical assistance from the IMF, IDB, and other development partners on green procurement.

- Cabinet approved 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 (*reform measure for end-September 2023*). The results from the ministerial level green budget tagging were published in the annex of the approved Estimates for FY2024/25, providing climate change and mitigation budget estimates, with project descriptors. Progress towards a more detailed green budget tagging annex will continue in the years ahead through Government in-reach with ministries, supported by external TA if needed.
- 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 recently completed a diagnostic evaluation—through a C-PIMA—and will undertake reforms to strengthen integration of climate concerns into the PFM process, including the development of a PPP framework, public investment project appraisal guidelines and the deepening of fiscal risk analysis (*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 is progressing with work to integrate climate crisis risks into its financial stability assessements—including stress testing based on potential scenarios. The CBB has adopted a strategy with time-bound guideposts for building capacity to monitor and assess climate change risk *(reform measure for end-September 2024)*, including building a data-collection mechanism and joining the Network for Greening the Financial System. Implementation of this wor kwill continue to be supported by ongoing CARTAC/IMF TA. The FSC has developed climate stress tests for the local insurance industry. To safeguard macro-financial stability, the CBB conducted its preliminary climate crisis stress testing exercise—starting from climate physical risks—for commercial banks with support from MDBs including through relevant capacity development. CBB will continue to improve and refine this analysis, to finalize the exercise in the coming months (*reform measure for end-March 2025*).

37. 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 fifth review occurring on or after May 15, 2025.

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	1st 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	1st 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	3rd EFF Review	Met	
4) BCED to establish, in coordination with BRA, mandatory use of the tax identification number (TIN) as the unique identifier of importers and exporters and as a requirement to conduct any border transaction.	End-September 2024	4th EFF Review	Met	
5) Government to complete an assessment of human resource needs (by competency and position) at the BCED to address capacity and operational needs, including an assessment of the obstacles to fill critical vacancies and a roadmap to fill critical vacancies.	End-March 2025	5th EFF Review		
Public Sector Reform				
6) Government to develop a NIF recapitalization and reform plan that restores and safeguards sustainability of the Fund.	End-December 2022	1st EFF Review	Met	
7) 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	1st EFF Review	Not Met	Implemented with delay
8) Government to set up a fiscal risk unit.	End-June 2023	2nd EFF review	Not Met	Implemented with delay
9) The NIS to submit all outstanding financial statements for audit by the Auditor General.	End-March 2024	3rd EFF Review	Not Met	Implemented with delay
10) Government to establish a Cash Management Unit.	End-March 2024	3rd EFF Review	Met	
11) Parliament to approve the public pension law (SB7).	End-March 2024	3rd EFF Review	Met	

Table 1. Barbados: Structural Benchmarks Under the EFF (Concluded)				
Structural Benchmark (SB)	**Timing**	**EFF Review**	**Assessed**	**Comments**
12) Government to develop standard contracts for routine procurements to minimize delays in awarding contracts to successful bidders.	End-September 2024	4th EFF Review	Met	
13) MFEI to prepare a Public Private Partnerships (PPPs) framework.	End-March 2025	5th EFF Review		
SOE Reform				
14) 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	3rd EFF Review	Met	
15) 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	3rd EFF Review	Met	
16) Ministry of Finance to prepare a comprehensive stocktaking of the financial performance of the SOE sector.	End-June 2023	2nd EFF Review	Met	
Central Bank Monetary Policy				
17) The CBB to review its balance sheet capacity and monetary toolkit, with the support of IMF technical assistance.	End-November 2023	2nd EFF Review	Met	
18) The CBB to set up an active daily liquidity forecasting framework, with support from Fund TA	End-March 2025	5th EFF Review		
Growth and Business Environment				
19) 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	1st EFF Review	Met	
20) 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	2nd EFF review	Met	
21) 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-September 2024	4th EFF review	Met	Rephased from 3rd review

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	1st 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	2nd EFF Review	Met
	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	2nd EFF Review	Met
	4) Government to table an amended Prevention of Floods Act in Parliament, incorporating the new Stormwater Management Plan.	End-March 2024	3rd EFF Review	Met

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	5th 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	2nd EFF Review	Met
	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	3rd EFF Review	Met
	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	4th EFF Review	Met
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	4th EFF Review	Met
	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	5th 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 2023 CR/23/436	Actual End December 2023	Status End December 2023	Target End March 2024 CR/23/436	Actual End March 2024	Status End March 2024	Target End June 2024 CR/24/196	Actual End June 2024	Status End June 2024	Target End September 2024 CR/24/196	Actual End September 2024	Status End September 2024
Fiscal Targets												
Performance Criteria												
Floor on the CG Primary Balance 4/	378	495	...	446	477	...	122	517	...	210	581	...
Floor on the CG Primary Balance (adjusted) 4/	378	495	Met	439	477	Met	122	517	Met	210	581	Met
Non-accumulation of CG external debt arrears 4/ 6/	0	0	Met	0	0	Met	0	0	Met	0	0	Met
Ceiling on CG Transfers and Grants to Public Institutions 4/ 7/	357	303	Met	477	477	Met	119	89	Met	244	194	Met
Ceiling on Public Debt 5/	15,016	14,726	...	15,026	14,875	...	15,044	14,673	...	15,101	14,894	...
Ceiling on Public Debt (adjusted) 5/	15,016	14,726	Met	15,026	14,875	Met	15,044	14,673	Met	15,101	14,894	Met
Indicative Targets												
Ceiling on CG Domestic Arrears 5/ 8/	246	241	Met	241	235	Met	231	229	Met	221	218	Met
Floor on Social Spending 4/ 9/	70	86	Met	95	114	Met	27	28	Met	59	61	Met
Ceiling on Public Institutions Arrears 5/	26	25	Met	23	14	Met	23	19	Met	23	20	Met
Monetary Targets												
Performance Criteria												
Ceiling on Net Domestic Assets of the CBB 5/	2,350	1,739	Met	2,350	1,458	Met	2,350	1,529	Met	2,350	1,577	Met
Floor on Net International Reserves 5/	1,200	1,839	...	1,200	2,089	...	1,200	2,106	...	1,200	2,021	...
Floor on Net International Reserves (adjusted) 5/	1,200	1,839	Met	1,200	2,089	Met	1,200	2,106	Met	1,200	2,021	Met
Items feeding into Debt, and NIR adjustors												
IDB budget support 4/	200	200	...	400	400	...	0	0	...	0	0	...
CDB budget support 4/	0	0	...	0	0	...	0	0	...	0	0	...
CAF budget support 4/	0	0	...	0	0	...	0	0	...	0	0	...
WB budget support 4/	0	0	...	0	0	...	0	0	...	0	0	...
Grants 4/	0	0	...	8	1	...	0	0	...	0	0	...

Sources: Fund staff estimates.

1/ The 3-year EFF program was originally approval by the IMF Executive Board on December 7, 2022;

2/ 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);

3/ Based on program exchange rates defined in TMU where applicable;

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.

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

(In millions of Barbados dollars otherwise indicated)

	Target End December 2024	Target End March 2025
	CR/24/196	CR/24/196
Fiscal Targets		
Performance Criteria		
Floor on the CG Primary Balance 4/	418	558
Floor on the CG Primary Balance (adjusted) 4/	...	...
Non-accumulation of CG external debt arrears 4/ 6/	0	0
Ceiling on CG Transfers and Grants to Public Institutions 4/ 7/	365	425
Ceiling on Public Debt 5/	15,101	15,173
Ceiling on Public Debt (adjusted) 5/	...	...
Indicative Targets		
Ceiling on CG Domestic Arrears 5/ 8/	211	201
Floor on Social Spending 4/ 9/	89	119
Ceiling on Public Institutions Arrears 5/	23	20
Monetary Targets		
Performance Criteria		
Ceiling on Net Domestic Assets of the CBB 5/	2,350	2,350
Floor on Net International Reserves 5/	1,200	1,200
Floor on Net International Reserves (adjusted) 5/	...	...
Items feeding into Debt, and NIR adjustors		
IDB budget support 4/	0	0
CDB budget support 4/	0	0
CAF budget support 4/	0	0
WB budget support 4/	0	0
Grants 4/	0	8

Sources: Fund staff estimates.

1/ The 3-year EFF program was originally approval by the IMF Executive Board on December 7, 2022;

2/ 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);

3/ Based on program exchange rates defined in TMU where applicable;

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 3 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.

Table 1. Barbados: Program Exchange Rates (10/31/2022) 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. Expressed as units of local currency per one unit of foreign currency, unless otherwise indicated. The exchange rate of the Barbadian dollar to the SDR is expressed as units of SRDs per unit of Barbadian dollar.

- 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 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' assets[1] 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 2 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 2 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 2 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 2 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 on the CG (NCCG), COSE, OIN, deposits included in broad money (BM), deposits excluded from BM, and liabilities to the CBB.

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

- 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 2 including non-audited income statement, balance sheet and profit and loss accounts.
- CG domestic debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG external debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG domestic guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG external guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- SOE domestic non CG guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- SOE external non CG guaranteed debt stock data by creditor/holder and by maturity (ST <= 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
    - Total liabilities
    - Nonperforming loans in BRB$ millions
    - Non-performing loans net of provisions
    - Gross loans
    - Sectoral distribution of loans to total loans

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

- 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.

INTERNATIONAL MONETARY FUND

BARBADOS

December 5, 2024

FOURTH REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND THE ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCE AND SUSTAINABILITY FACILITY UPDATE

This update to the RSF Assessment Letter for Barbados, dated November 20, 2024, includes relevant changes and updates under each section that have occurred since the issuance of the previous Assessment Letter on December 4, 2023.[1] *The IMF's RSF program in Barbados provides financing to support the country's climate change adaptation and mitigation efforts, and support Barbados's ambitious goal of transitioning to a fully renewable-based economy.*

A. Country Vulnerability to Climate Change Including Human, Social and Economic Costs

1. Barbados is increasingly vulnerable to climate change related natural disasters. Two recent hurricanes highlighted these increasing vulnerabilities. In June 2024, Barbados faced an even greater threat than in July 2021, when Hurricane Elsa, a Category 1 storm, became the first hurricane to hit the island in over 60 years. This year, Hurricane Beryl, a Category 3 storm, passed just forty miles south of the country. The economic impact of these hurricanes has been substantial, with Hurricane Beryl causing significant damage to the agriculture sector and severely disrupting the fishing and tourism industries. Social costs have also been significant, with thousands of homes damaged or destroyed, displacing many in affected communities. This trend is consistent with the findings of the Fifth Assessment Report of the United Nations Intergovernmental Panel on Climate Change which presented evidence that the combination of several factors will contribute to increased tropical storm activity in the Caribbean by the end of this century. Among them are: (i) projected air temperature rise across the Caribbean by 1–4°C with a tendency towards drier conditions in the wet season; (ii) expected annual precipitation decrease by 12 percent; and (iii) projected surface water temperature increase by up to 3 °C while the mean sea level rise is expected to reach 0.6 m. There is already a predicted increase in storm intensity and frequency of Category 4 and 5

[1] See Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility.

hurricanes across the Caribbean over the next decades. This is of particular concern given that Barbados has a lower preparedness capacity as the World Risk Index considers Barbados as moderately prepared to face disasters. The Notre Dame Global Adaptation Initiative's (ND GAIN) country index, which measures 193 countries' overall climate change readiness and vulnerability, ranks Barbados 30 with a moderate score of 61.1 in 2024. Rising sea temperatures coupled with increasing terrestrial solid and chemical waste pollution adversely impact overall coastal water quality and contribute to increased ocean acidification. In addition, more than 70 percent of the country's coral reefs have suffered significantly from coral bleaching, primarily due to extended marine heat waves.

B. Government Policies and Commitments in Terms of Climate Change Adaption and Priority Areas to Strengthen Resilience

2. Barbados has demonstrated a strong commitment to climate change adaptation and resilience through a series of recently approved strategic policies and initiatives. In 2024, Barbados secured guarantees totaling US$300 million from the Inter-American Development Bank and the European Investment Bank to support an innovative debt-for-climate operation that will help Barbados unlock much-needed resources to invest in critical climate adaptation projects. The Central Bank of Barbados has adopted a strategy aimed at building capacity to monitor and assess climate change risks, which is helping to enhance the resilience of the financial system. Furthermore, the government has launched a comprehensive Plan for Investment in Prosperity and Resilience, serving as an overarching roadmap to achieve its long-term vision for sustainable development and climate resilience. The authorities are also working to incorporate climate risks into financial stability assessments and integrate climate considerations into the public financial management process.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

3. The Government of Barbados has made significant strides in climate change mitigation and reducing greenhouse gas emissions through a series of targeted policies and initiatives. Over the past year, the government is implementing enhanced competitive procurement methods aimed at increasing investments in battery storage technologies and supporting the expansion and integration of renewable energy production. To further promote competition in the electricity market and encourage local participation in renewable energy investments, a New Electricity Supply Bill was passed by the parliament on September 27, 2024. Additionally, the government has reduced taxes on electric vehicles and developed regulations related to green procurement, which not only strengthen the country's climate resilience but also contribute significantly to its mitigation efforts by making government purchasing environmentally friendly. The Cabinet has also approved the Energy Efficiency and Conservation Policy Framework, which aims to reduce energy use across all government agencies and develop efficient public lighting systems. These comprehensive measures underscore Barbados' commitment to mitigating climate change and reducing its carbon footprint.

D. Other Challenges and Opportunities

4. **Barbados faces both challenges and opportunities in its efforts to manage pollution and protect its environment, which are crucial components of its broader climate change strategy.** The implementation of the Pollution Control (Discharge) Regulations and the establishment of a List of Pollutants with their Prohibited Concentration levels mark significant steps forward. The Environmental Protection Department (EPD) is actively finalizing the Marine Pollution Control (Discharge) Regulations, with the goal of having the table of prohibited concentrations signed into law by December 2024. Once enacted, these regulations will empower the EPD to take decisive action against pollution discharges that exceed established standards. This regulatory framework will provide greater certainty to developers, planners, engineers, and architects regarding the requirements for discharges from development projects, thereby ensuring that wastewater treatment meets the necessary standards. These measures will not only address current pollution challenges but also create opportunities for sustainable development and environmental protection in Barbados.

E. World Bank Engagement in Climate Change

5. **Until recently, the World Bank's engagement in Barbados, as an IBRD graduate, was limited, but it is expanding as the country became a regular IBRD borrower again.** The Country Engagement Note which has a strong focus on resilience to climate change is expected to be discussed by IBRD Board of Executive Directors on January 23, 2025. The Barbados Beryl Emergency Response and Recovery Project, expected to be approved on November 21, 2024, will help to restore targeted, disaster-affected sectors, enhance climate-resilient infrastructure, and strengthen emergency preparedness and response capacities. These efforts will pave the way for similar initiatives in other countries in the region. Another means of supporting Barbados in addressing the impact of natural disasters is via the newly established Climate Resilient Debt Clause (CRDC) which would enable deferment of principal and interest payments to the Bank for up to two years in case of a natural disaster.

Statement by the IMF Staff Representative on Barbados
December 18, 2024

The information below has become available following the issuance of the Staff Report. It does not alter the thrust of the staff appraisal.

1. **As envisaged in the staff report, Barbados successfully completed an innovative debt-for-climate conversion in early December.** With the support of guarantees from the Inter-American Development Bank (IDB) and the European Investment Bank (EIB) (US$150 million each), the government secured a local-currency denominated Sovereign Sustainability-Linked Loan (SSLL) from regional banks for around US$300 million. The SSLL was obtained at a low interest rate of 3.25 percent (around 4.1 percent including guarantee fees), with a grace period of 5 years and maturity of 20 years.[1] The proceeds of the loan were used to repurchase existing higher interest government bonds, most with coupons of 8 percent. The authorities estimate that the conversion will generate cumulative nominal interest savings of about US$125 million to maturity.

2. **The savings from the conversion will create fiscal space for upfront investment in climate-resilient projects**. The savings from the debt conversion will be used to service loans from the IDB and Green Climate Fund (GCF) (US$40 million and US$30 million, respectively), which along with a US $40 million grant from the GCF, will finance upgrades to the South Coast Water Reclamation (SCWR) plant and associated facilities, including for agricultural irrigation and aquifer recharge. The projects aim to improve groundwater quality and supply, helping to preserve marine ecosystems that are vital for sustaining tourism; safeguard public health; and boost agricultural production. To this end, the SSLL contains sustainability performance targets related to the volume and quality of water produced by the SCWR plant. Failure to meet the targets could result in financial penalties, which will be paid into a specialized trust for environmental investments (the Barbados Environmental Sustainability Fund).

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[1] Similar to the debt issued under Barbados' 2022 debt-for-nature swap, the SSLL includes a natural disaster and pandemic clause, which allows for the capitalization of interest and deferral of principal payments on the loan by up to two years, following the occurrence of a qualifying event.

Statement by Ms. Gina Fitzgerald, Alternate Executive Director for Barbados,
Ms. Ann Marie Wickham, Senior Advisor to Executive Director on Barbados
December 18, 2024

I. Introduction

Our Barbadian authorities would like to thank the Executive Board, Management and staff for their steadfast support. They also wish to thank Mission Chief Michael Perks and his team for their constructive engagement, policy discussions, and valuable recommendations during the fourth reviews under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF). **The authorities broadly share staff's analysis and recommendations.**

Our authorities were honored to host the Managing Director during the IMF's 2024 High-Level Caribbean Forum in Barbados. Centered on the theme "*Managing the Green Transition*", the forum addressed critical issues of sustainability, scaling up climate finance, and leveraging private climate investment—topics that are both timely and highly relevant for the Caribbean region.

II. Strong Program Performance and Ownership

Barbados exemplifies the importance of strong program ownership, achieving remarkable progress despite a challenging external environment. Our authorities remain deeply committed to implementing their home-grown Economic Recovery and Transformation (BERT 2022) plan and their ambitious climate policy agenda, supported by the EFF and RSF. By meeting all performance criteria, indicative targets, and structural benchmarks for the fourth reviews, Barbados is well-positioned to advance toward the fifth review and to further program objectives.

All quantitative performance criteria, indicative targets, and structural benchmarks under the EFF were met, with some exceeding the target or completed ahead of schedule. Notably, the primary balance exceeded program expectations, driven by stronger-than-expected tax collection. Additionally, all three structural benchmarks were implemented, with one completed ahead of schedule. Key achievements include establishing a tax identification number as the unique identifier for border transactions, launching a central online platform for government services, developing a digital platform for monitoring, executing the Public Sector Investment Programme, and creating standard contracts for routine procurements.

Progress under the RSF has been equally impactful. The government tabled in Parliament a new Electricity Supply Bill to enhance competition in the electricity market and to encourage local participation in renewable energy investment. The Central Bank of Barbados (CBB) also adopted a strategy for building capacity to monitor and assess climate change risks, including building a data collection mechanism and joining the Network for Greening the Financial System.

III. Enhancing Fiscal and Debt Sustainability

Barbados has demonstrated exemplary fiscal discipline, consistently surpassing targets. In the first half of FY2024/25, the country achieved a primary surplus of 4 percent of GDP, far exceeding the program target of 1.5 percent of GDP. This strong performance coupled with GDP rebasing, reduced public debt—including government-guaranteed SOE debt—to 105 percent of GDP by end-September 2024, down from 111 percent at the end of FY2023/24.

The fiscal performance has been marked by strong revenue overperformance, driven by higher-than-expected collections from corporate income tax (CIT), property tax, and value-added tax (VAT). This success reflects the implementation of International Financial Reporting Standards (IFRS17) for the insurance sector and the November 2023 CIT reform, which increased tax rates for certain companies and introduced monthly prepayments. Additionally, the early issuance of land tax bills boosted property tax collection. Despite challenges posed by Hurricane Beryl, expenditures remained within budget, enabling targeted support for affected sectors while maintaining high levels of social spending. The government’s ongoing reforms aim to further enhance revenue collection and fiscal resilience, supporting sustained fiscal improvements and critical investments.

The implementation of key fiscal reforms was also crucial in supporting the country’s strong performance by focusing on strengthening public financial management (PFM) and enhancing investment efficiency. The government is developing public investment appraisal guidelines, supported by the 2023 Public Investment Management Assessment (PIMA/C-PIMA) recommendations, and has established a Cash Management Unit to streamline account management and spending oversight. Standard procurement contracts are now in use, reducing delays, and progress has been made toward a Public-Private Partnership (PPP) framework to guide strategic investments. The authorities have also tabled an updated Medium-Term Fiscal Framework and a Mid-year Fiscal Report in Parliament. The Fiscal Council has been operationalized to ensure accountability, and fiscal risk analysis is being expanded to address climate and other macroeconomic risks. Additionally, significant reforms are being made to bolster the PFM and rationalize SOEs through restructuring and efficiency improvements which have shown positive results.

Barbados is committed to reducing its debt further, aligning with the 60 percent debt-to-GDP target by FY2035/36. Public debt has declined significantly from 138 percent of GDP during the COVID period to roughly 105 percent by end-September 2024. The Sovereign Risk and Debt Sustainability Framework (SRDSF) confirms that public debt is sustainable, with only a moderate risk of sovereign stress. This achievement is underpinned by strong fiscal performance, a favorable debt service schedule, and the successful implementation of reforms. To further bolster debt sustainability, the government has prioritized strengthening debt management practices through its updated Medium-Term Debt Management Strategy (MTDS).

Barbados' fiscal discipline and reforms have earned notable credit rating upgrades in 2024. In October and November 2024, Fitch upgraded Barbados to B+ (Stable) and Standard & Poor's to B (Positive), reflecting the country's progress in achieving large primary surpluses and reducing its public debt-to-GDP ratio. These upgrades follow positive adjustments in ratings and outlooks in 2023, highlighting the effectiveness of Barbados' efforts to strengthen public sector finances. Moody's rating remains at B3 (Stable), underscoring continued stability.

IV. Strengthening Monetary Policy and Advancing Financial Sector Oversight

The CBB has maintained strong reserves to support the country's currency peg, demonstrating a steadfast commitment to monetary stability. As of September 2024, gross international reserves reached to US$1.6 billion equivalent to more than 7 months of imports of goods and services, supported by the improvement in the current account, FDI inflows, and disbursements from international financial institutions.

The CBB is focused on enhancing its monetary policy framework to better manage structural excess liquidity and enhance monetary stability. The CBB is advancing plans for a modernized monetary policy framework, including the development of a benchmark monetary policy rate aligned with Barbados' exchange rate peg and target reserves level. The bank is also testing a daily liquidity forecasting framework and plans to implement key elements of the updated monetary policy framework, such as reserve requirements, a mid-rate interest rate corridor, standing deposit and lending facilities, and open market operations. The authorities have also established a liquidity forecasting unit to enhance its capacity for managing reserve supply and monitoring banks' demand for precautionary reserves.

To bolster financial sector resilience, the CBB is establishing an emergency liquidity assistance (ELA) framework and enhancing the deposit insurance scheme. The new CBB Act provides a legal foundation for ELA to systemically important institutions, with updated policies to manage liquidity and collateral. Additionally, the CBB has implemented a robust safeguards framework, addressing governance, legal, and financial reporting gaps to ensure stronger institutional oversight.

Enhanced monitoring and governance frameworks have bolstered financial stability. Amendments to the Central Bank Act empower the CBB to oversee systemic risks more effectively. The CBB collaborates with the Financial Services Commission and the Barbados

Deposit Insurance Corporation to produce annual Financial Stability Reports and conduct sectoral health checks. Stress testing frameworks have been enhanced with macroeconomic linkages and preliminary climate stress tests.

V. Implementing Growth-Enhancing Reforms

Barbados is pursuing a comprehensive growth strategy aimed at achieving 3 to 5 percent annual growth under the BERT 2022 Plan. Central to this effort is the ambitious Barbados 2035 Investment Plan, which prioritizes key sectors such as tourism, renewable energy, and infrastructure development to drive sustainable growth. Additionally, the Barbados Population Policy 2023, approved in May, addresses demographic challenges by encouraging the return of the diaspora and skilled immigration, ensuring the population remains adequate to support social care and economic development.

Significant progress has been made in improving the business environment through digitalization and targeted reforms. The authorities have launched a central online platform for government services, a digital platform for monitoring public investments, and the Single Registration Portal to streamline tax processes. Additionally, Business Barbados, an entity which will begin operations in FY2024/25, will modernize corporate services and facilitate business growth. Investments in critical infrastructure, such as Bridgetown Port upgrades, expanded air routes, and a regional Food Terminal, further support economic competitiveness and trade. The authorities are also advancing renewable energy initiatives, affordable green housing, and reforms in education to build a skilled workforce, ensuring sustained economic development. The authorities will continue to pursue measures aimed at providing the requisite business environment to support trade and investment. A stocktaking of the execution of stakeholder identified policy reforms overseen by the Doing Business Sub-Committee of Cabinet and Private Sector Committee was undertaken to inform the forward-looking reform agenda and prioritize next steps. Moreover, the newly established Growth Council, with a mandate to sustain reform momentum and accountability, will support these growth initiatives.

VI. Building Resilience to Climate Change and RSF related Reforms

Barbados continues to be recognized on the global stage for taking bold steps in advancing its climate and energy transition agenda, with the RSF playing a pivotal role in strengthening these efforts and mobilizing additional resources. Through initiatives such as the transformative Bridgetown 3.0, becoming the first country to execute a groundbreaking debt-for-climate swap, and implementing forward-thinking reforms, Barbados has set a global example for small states on integrating climate action into macroeconomic frameworks.

Barbados continues to grapple with heightened vulnerability to climate change, underscored by the recent impact of Hurricane Beryl. Such events reflect the increasing frequency and intensity of climate-related shocks and the need for a focused commitment to sustainability and resilience. Strategic initiatives such as the Roofs to Reefs Programme and the Bridgetown Initiative exemplify Barbados' proactive approach. The Roofs to Reefs Programme serves as a comprehensive developmental blueprint for climate resilience, with a strong emphasis on both infrastructure and the preservation of the natural environment. Concurrently, the Bridgetown Initiative, a multifaceted program, seeks to reform International Financial Institutions to address climate challenges by advocating for liquidity support while at the same time restoring debt sustainability. In addition, Barbados has adopted, several climate-adaptation policies including the Water Reuse Policy, the Integrated Coastal Zone Management Plan and the Comprehensive Disaster Risk Management Policy.

Barbados remains committed to reaching the 100 percent renewable energy target by 2035, alongside a firm commitment to ambitious targets for both mitigation and adaptation to address climate change. Our authorities have incentivized 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. The Electricity Supply Bill is a critical step toward modernizing Barbados' electricity sector by establishing a framework for efficient and sustainable regulation of electricity generation, transmission, distribution, and sale. By promoting energy security, energy efficiency, and renewable energy use, the Bill supports Barbados' transition to a sustainable energy future.

Barbados continues to be a prominent advocate for climate financing to support the most vulnerable countries grappling with the challenges of climate change. The implementation of the country's climate agenda, supported by the RSF arrangement, will require significant investments, most notably in the water, renewable energy, and housing sectors. Leveraging the support of the RSF, Barbados remains committed to mobilizing financing for its climate agenda. The IMF Climate Finance Task Force continues to work with the authorities and other development partners to scale up climate finance in Barbados.

Barbados' groundbreaking debt-for-climate swap has generated US$125 million in fiscal savings to fund critical climate adaptation projects, such as upgrading the South Coast sewage treatment plant into a modern water reclamation facility, as well as other water resource management initiatives. Backed by US$300 million in guarantees from the Inter-American Development Bank (IDB) and European Investment Bank (EIB), Barbados secured a long-tenor, local currency loan under favorable terms. This initiative will enhance water and food security, reduce marine and groundwater pollution, and protect ecosystems while setting a global benchmark for sustainable financing.

VII. Concluding Remarks

Barbados has achieved significant progress in its reform agenda to restore macroeconomic stability and will continue to do so with the support and partnership of the Fund through the EFF and RSF arrangements. Considering the remarkable progress and strong commitment to the program objectives, we would appreciate Executive Directors' support for the completion of the fourth reviews under the EFF and RSF arrangements.