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BARBADOS

June 2025

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

In the context of the Fifth 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 June 20, 2025 following discussions that ended on May 8, 2025, with the officials of Barbados on economic developments and policies underpinning the extended IMF arrangement under the Extended Fund Facility and the arrangement under the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on June 6, 2025.
- A **World Bank Assessment Letter** for the Resilience and Sustainability Facility.
- 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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PRESS RELEASE

PR25/210

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

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded the fifth and final reviews under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements with Barbados, allowing an immediate disbursement of about US$19 million under the EFF arrangement and about US$39 million under the RSF arrangement.*

- *Implementation of the home-grown Barbados Economic Recovery and Transformation (BERT 2022) plan has remained strong and the broad objectives of the EFF and RSF arrangements have been achieved. Macroeconomic stability has been reinforced, and reforms have been implemented to boost fiscal sustainability, enhance growth, and build resilience.*

- *Barbados' economy has continued to perform well. Growth has been robust, inflation has moderated, the fiscal and external positions have improved, and the public debt-to-GDP ratio has continued to decline. The outlook is stable but subject to downside risks, given heightened global uncertainty and vulnerabilities to external shocks and natural disasters.*

Washington, DC – June 20, 2025: The Executive Board of the International Monetary Fund (IMF) today concluded the fifth and final reviews of the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements with Barbados. The completion of the reviews allows the authorities to draw the equivalent of SDR 14.175 million (about US$19 million) under the EFF arrangement and SDR 28.35 million (about US$39 million) under the RSF arrangement, bringing total disbursements under the EFF arrangement to SDR 85.05 million (about US$116 million) and SDR 141.75 million (about US$193 million) under the RSF arrangement. The authorities have consented to the publication of the staff report prepared for these reviews.[1]

Economic activity in 2024 remained robust, with growth estimated at 4 percent, driven by tourism, construction, and business services. Inflation moderated to an average of 1.4 percent due to easing global commodity prices and prices of domestic goods and services. The external position strengthened further, with the current account deficit narrowing to 4.5 percent of GDP, supported by tourism receipts, declining import prices, and one-off current transfers. Gross international reserves reached US$1.6 billion at end-2024, equivalent to over 7 months of import cover, providing continued strong support to the exchange rate peg.

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[1] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires member consent. The staff report will be published shortly on the www.imf.org/Barbados page.

The near-term outlook is stable. Growth is expected to reach 2.7 percent in 2025, supported by construction of tourism-related projects and government investment. Inflation is expected to pick up in 2025 due to the rising cost of non-fuel imports and some domestic agricultural products. Nevertheless, risks to the outlook are tilted to the downside, amidst the highly uncertain external economic environment and Barbados' continued vulnerability to global shocks and natural disasters.

Program performance has remained strong. All quantitative performance criteria and indicative targets were met. The authorities exceeded the primary fiscal surplus target for FY2024/25 and are targeting 4.4 percent of GDP for FY2025/26. Public debt has fallen below 105 percent of GDP, and the authorities remain committed to bringing it down to 60 percent of GDP by FY2035/36. The authorities met the EFF structural benchmarks for the review, including completing the assessment of human resource needs at the Barbados Customs and Excise Department, preparing a public-private partnership (PPP) framework, and developing a daily liquidity forecasting framework. Both reform measures for the RSF fifth review were also implemented. Key elements to strengthen the integration of climate concerns into public financial management have been completed, including the development of project appraisal guidelines, the deepening of fiscal risk analysis, and the preparation of the PPP framework. The Central Bank of Barbados has also included physical climate risk analysis in its bank stress testing.

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 program has remained strong, supported by the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. The completion of the fifth and final reviews marks the successful conclusion of the Fund arrangements.

"While the outlook is stable, risks remain tilted to the downside, given the highly uncertain external economic environment and Barbados' vulnerability to shocks and natural disasters. The authorities remain strongly committed to ensuring macroeconomic stability and implementing structural reforms to boost potential growth and build resilience.

"Maintaining strong fiscal surpluses will be necessary to achieve the public debt target of 60 percent of GDP by FY2035/36. The authorities' focus on strengthening revenue mobilization and improving public financial management is appropriate. These measures will be key to preserving fiscal sustainability and creating space for public investment. Finalizing ambitious reforms of state-owned enterprises is a priority. The authorities are taking the necessary steps to mobilize external financing.

"The exchange rate peg remains a critical anchor for macroeconomic stability, supported by ample international reserves. Measures have been taken to strengthen the monetary policy framework and financial safety nets. Efforts to enhance the local payments market and infrastructure are advancing, with the goal of moving to a digital payments system in 2026.

"Reforms to improve the business environment and boost growth potential are key. Important measures include advancing the digitalization of government services and investing in skills and education. The authorities focus on boosting macroeconomic resilience to natural disasters and facilitating the transition to renewable energy is welcome."

INTERNATIONAL MONETARY FUND

BARBADOS

June 6, 2025

FIFTH 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 ambitious climate agenda has remained strong, supported by the IMF's Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. Economic activity was robust in 2024, driven by tourism, construction, and business services. Inflation moderated further due to the easing of global commodity prices and prices of domestic goods and services. The external position continued to improve, with the current account strengthening further and international reserves remaining ample at US$1.6 billion (equivalent to over 7 months of import cover), supporting the exchange rate peg. While the near-term outlook remains stable, risks are tilted to the downside, given the highly uncertain external economic environment and Barbados' vulnerability to external shocks and natural disasters.

Program Implementation. With strong ownership, the authorities have delivered the broad objectives of the EFF and RSF arrangements. Macroeconomic stability has been further reinforced, through a sustained increase in primary fiscal surpluses and the continued decline in public debt, the improvement in the external position, and initial steps to enhance the monetary policy framework and strengthen financial safety nets. Meanwhile, structural reforms have been implemented to boost fiscal sustainability, enhance growth and competitiveness, build resilience and bolster balance of payments stability. The completion of the fifth and final reviews marks the successful conclusion of the arrangements, making available the remaining disbursements of SDR 14.175 million under the EFF and SDR 28.35 million under the RSF.

- **EFF.** All quantitative performance criteria (QPCs) for the fifth review have been met. The primary balance recorded a surplus of 4.3 percent of GDP in FY2024/25, exceeding the program target. Public debt also declined below 105 percent of GDP at end-FY2024/25 from 111.5 percent of GDP at end-FY2023/24. The FY2025/26 budget targets a primary surplus of 4.4 percent of GDP, and updated medium-term projections remain consistent with the authorities' commitments to bring public

debt down to 60 percent of GDP by FY2035/36. All three structural benchmarks (SBs) for this review were met. The assessment of human resource needs at the Barbados Customs and Excise Department has been completed (SB #5), while a draft public-private partnership (PPP) framework has been prepared (SB#13). The Central Bank of Barbados (CBB) has also developed a daily liquidity forecasting framework (SB#18).

- **RSF.** The authorities have completed both reform measures (RMs) for the fifth RSF review, with support from IMF technical assistance. Key elements to strengthen the integration of climate concerns into public financial management (RM#5) have been delivered, including the development of project appraisal guidelines, deepening of fiscal risk analysis, and preparation of a PPP framework. The CBB has also included physical climate risk analysis in its bank stress testing exercise (RM#10).

Approved By
Ana Corbacho (WHD) and Stefania Fabrizio (SPR)

A mission team visited Bridgetown, Barbados during May 2-8, 2025. The team comprised Michael Perks (head), Daniel Jenya, Camila Perez (all WHD), Patrick Blagrave (Resident Representative), Simeng Zeng (SPR), William Oman (MCM; virtual), 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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TABLES

ANNEXES

APPENDIX

Glossary

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ARA	Assessment of Reserve Adequacy (IMF)
ASYCUDA	Automated System for Customs Data
BAMC	Barbados Agricultural Management Corporation
BCED	Barbados Customs and Excise Department
BERT	Barbados Economic Recovery and Transformation Plan
BESS	Battery Energy Storage System
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
FSC	Financial Services Commission
FTC`	Fair Trading Commission
FY	Fiscal Year
GCF	Green Climate Fund
G20	Group of Twenty
GDP	Gross Domestic Product
GIR	Gross International Reserves
GFN	Gross Financing Needs
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
NPL	Non-performing loan
OECD	Organization for Economic Cooperation and Development
PC	Performance Criterion
PFM	Public Finance Management
PIMA	Public Investment Management Assessment
PFA	Post-Financing Assessment
PPA	Power Purchase Agreement
PPP	Public-Private Partnership
QPC	Quantitative Performance Criteria
RDC	Rural Development Commission
RE	Renewable Energy
RM	Reform Measure
RRF	Resilience and Regeneration Fund
SB	Structural Benchmark
SCWR	South Coast Water Reclamation Project
SDR	Special Drawing Right
SOE	State-Owned Enterprise
SOFR	Secured Overnight Financing Rate
SRDSF	Sovereign Risk and Debt Sustainability Framework
SUT	Supply and Use Table
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
UDC	Urban Development Commission
US$	US Dollar
VAT	Value Added Tax
WTO	World Trade Organization
YoY	Year-on-Year

CONTEXT

1. **Over the last three years, Barbados has made good progress implementing its home-grown economic reform and transformation plan (BERT 2022), supported by the EFF and RSF arrangements.** The BERT 2022 plan aimed to achieve more inclusive and sustainable growth and increase resilience to climate change, while strengthening fiscal and debt sustainability and building social cohesion. With strong ownership of the BERT 2022 plan and the supporting Fund arrangements, all program reviews have been successfully completed in a timely manner. The authorities met all EFF quantitative targets and completed all structural benchmarks (some with delay) and RSF reform measures. Economic growth has rebounded, unemployment has fallen, and inflation has moderated. Meanwhile, fiscal balances have strengthened, public debt has declined, and the external position has improved, with a reduction in the current account deficit and rising international reserves. On the structural front, a wide range of reform measures have focused on strengthening fiscal sustainability, promoting investment, accelerating the transition to renewables, boosting growth potential, and enhancing competitiveness (Box 1; Annex V).

2. **The government recently announced the next phase of its home-grown BERT reform plan.** The authorities are currently developing BERT 3.0, which they plan to discuss with social partners in the coming months. The government also intends to maintain its close relationship with the Fund and consider the specific form of future Fund engagement, once BERT 3.0 has been finalized.

Box 1. Achievements Under the EFF / RSF Programs

Barbados' 36-month arrangements under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility were approved in December 2022. The EFF and RSF were approved in the amounts of SDR 85.05 million and SDR 141.75 (90 and 150 percent of the quota, respectively) and were designed to support the authorities' updated home-grown economic reform and transformation plan (BERT 2022).

EFF

The 2022 EFF aimed to build on the success of Barbados' 2018-22 EFF, under which the authorities successfully restored macroeconomic stability and weathered numerous shocks, including the COVID-19 pandemic. The focus was to maintain and strengthen the hard-won macroeconomic stability and continue the unfinished structural reform agenda. With strong program ownership and commitment to sound macroeconomic policies and reforms, the authorities have:

- *Achieved a gradual and sustained increase in primary fiscal surpluses.* The primary surplus increased by 2 percentage points of GDP, underpinned by efforts to: (i) increase domestic revenue mobilization, such as corporate income tax reform and the overhaul of the tax exemption framework; and (ii) improve the composition of public spending through a rationalization of current expenditures, protection of critical social spending and efforts to boost capital investment. Improvement in the fiscal accounts, together with the economic recovery, helped bring public debt down below 105 percent of GDP at end-FY2024/25.

Box 1. Achievements Under the EFF / RSF Programs (concluded)

- *Delivered important fiscal structural reforms* to: (i) strengthen tax and customs administration; (ii) improve public financial management (PFM), (iii) implement major parametric pension reforms; (iv) rationalize key State-Owned Enterprises (SOEs), including the Barbados Agricultural Management Company, the Urban and Rural Development Commissions, and the National Housing Corporation; and (iv) implement growth-enhancing measures, including steps to improve the business environment, particularly progress with digitalization efforts.
- *Implemented initial reforms to enhance the monetary policy framework and strengthen financial safety nets*. The authorities have sustained ample international reserves to support the exchange rate peg—a key macroeconomic anchor. In addition, they have: (i) taken initial steps to strengthen the monetary policy framework, based on a review of the CBB balance sheet capacity and monetary toolkit, with the help of Fund TA, including establishing a daily liquidity forecasting framework; and (ii) bolstered the financial safety net, including completion of the Emergency Liquidity Assistance framework.

RSF

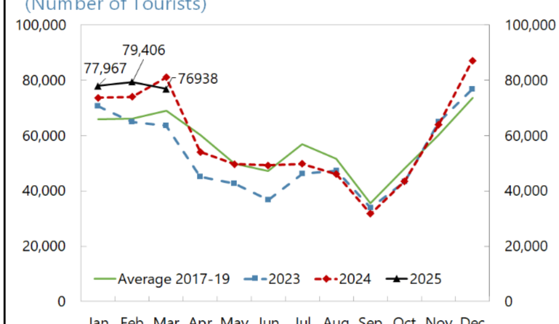
The RSF arrangement aimed to support Barbados' ambitious climate policy agenda, including providing financing to bolster macroeconomic resilience and support the country's adaptation and mitigation efforts, and its goal of transitioning to a fully renewable-based economy. With strong leadership and commitment to this agenda, Barbados' has made significant achievements (Annex III) under the RSF, leveraging TA from the Fund, CARTAC and other IFIs, including:

- *Completion of all 10 policy reform measures (RMs)*, covering: (i) the mainstreaming of climate change in the budget; (ii) the introduction of 'green PFM', including in procurement; and (iii) measures to incentivize private and official sector investments in resilient infrastructure and renewable energy projects. Over time, these RMs are expected to contribute to Barbados' balance of payment stability and create an enabling environment that mobilizes private sector resources for climate-related projects.
- *Mobilization of significant climate financing from the official and private sector,* including: (i) establishment of a Blue Green Bank to support climate projects of up to US$250 million across the region; and (ii) the world's first debt-for-climate conversion, with the support of IFI guarantees and grants, to finance upfront climate investment.

RECENT DEVELOPMENTS AND OUTLOOK

A. Recent Developments

Long-Stay Tourist Arrivals
(Number of Tourists)



Source: Barbados Statistical Service.

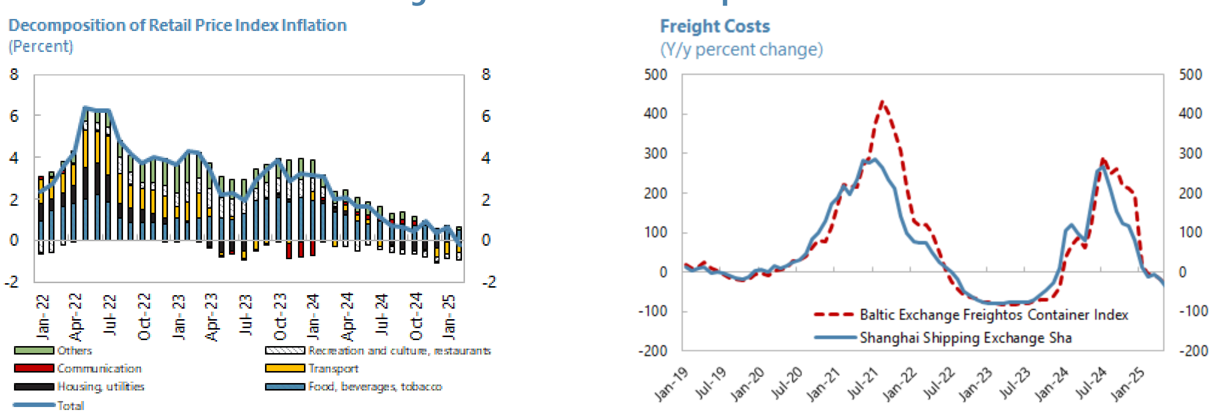
3. **Economic activity remains robust**. Real GDP expanded by an estimated 4 percent in 2024 driven by tourism, construction, and business services. Long-stay tourist arrivals grew by 11 percent due to increased airlift and the International Cricket Council Men's T20 World Cup. Construction growth reached 7 percent, driven by hotels and public sector infrastructure projects, while business and other services expanded by 4.6 percent,

reflecting higher demand for financial and recreational services. In Q1 2025, growth reached an estimated 2.6 percent, supported by further expansion in construction and tourism. While long-stay arrivals grew by 2.4 percent, cruise arrivals rose by 37 percent (YoY) to reach historic levels.

4. The labor market strengthened further in 2024. The unemployment rate declined to 7.1 percent through Q3 2024 from 8.3 percent in Q3 2023, supported by the continued recovery in economic activity. Labor force participation rose to 65.8 percent, up 4 percentage points relative to Q3 2023. Unemployment claims fell by 19 percent in 2024 but rose slightly in Q1 2025 (3.1 percent), reflecting temporary layoffs in March linked to hotel renovations.

5. Meanwhile, inflation continued to moderate. Inflation slowed to an estimated 1.4 percent (12-month average) at end-2024, and further to 0.9 percent at end-February 2025, due to an easing of global commodity prices and prices of domestic goods and services. Lower cereal prices offset higher prices of some local agricultural products affected by unfavorable weather conditions. International freight costs also declined in H2 2024 from the previously elevated levels.

Figure 1. Inflation Developments

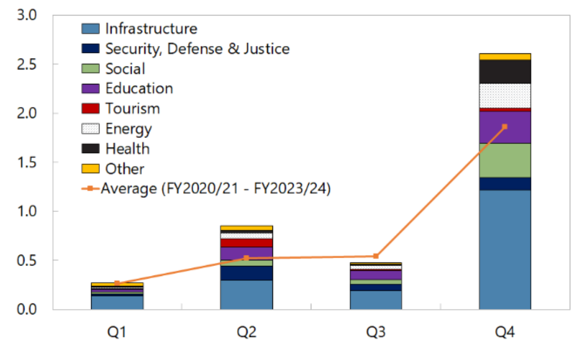


Sources: Barbados Statistical Service, Bloomberg, Haver Analytics, and IMF staff calculations.

6. Overall financial sector conditions continued to improve. Credit to the non-financial private sector grew by around 5 percent in 2024 and a further 1.4 percent during Q1 2025, led by hotels and restaurants, real estate, and professional services. In the banking system, non-performing loans (NPLs) continued to decline while capital, liquidity, and provisioning remain well above required levels. Deposits grew significantly, driven by a 20 percent increase in foreign currency deposits, on the back of a surge in inflows to the tourism and construction sectors. Financial soundness indicators for finance companies and credit unions also improved, with NPLs declining to 9 percent and 10.8 percent, respectively, while the capital-to-asset ratios remained stable. The authorities have announced measures to increase access to mortgage financing for low- and middle-income households, notably by expanding the Mortgage Indemnity Insurance Act to cover all qualified lenders.

7. Fiscal performance remained strong. The FY2024/25 primary surplus reached B$621 million (4.3 percent of GDP), comfortably exceeding the program target, while the overall fiscal balance recorded a deficit of 0.9 percent of GDP. Revenues significantly overperformed budget projections (2.8 percent of GDP), due to higher corporation income tax (CIT) receipts, resulting from a combination of higher tax rates, new International Financial Reporting Standards for insurance companies (IFRS 17), and higher profitability of multinational enterprises. Conservatively, around one third of this overperformance is expected to be permanent (see Box 2). In addition to locking in a higher surplus, the authorities raised public investment in Q4 to around 2.5 percent of GDP (1 percentage point above the Q4 average in recent years), consistent with program objectives to boost infrastructure and resilience. Notably, the authorities accelerated capital transfers for existing projects, including road works, garbage truck acquisitions, medical facility upgrades, a new innovation hub, and coastal resilience infrastructure (see chart). The government also pre-financed a one-off "solidarity" allowance of B$300 for all citizens and legal residents over 18 years of age (0.4 percent of GDP).[1] As in recent years, current transfers to SOEs also increased in Q4, covering one-off costs associated with restructurings (¶16; Box 3), as well as salaries for hospital employees and operating costs for the new GovTech entity. Total public debt—including government guaranteed state-owned enterprise (SOE) debt—declined below 105 percent of GDP at end-March, down from around 111 percent of GDP at end-FY2023/24.[2]

Capital Expenditure
(Percent of GDP)



Sources: National authorities and IMF staff calculations.

Box 2. Factors Behind Revenue Overperformance

Total revenues significantly overperformed budget projections in FY2024/25. The main driver of the overperformance was corporate income tax (CIT) collections, while collection of other direct and indirect taxes came in broadly in line with expectations.

The overperformance of CIT (B$411 million) is explained by recent policy changes, including reforms in November 2023 to align with Pillar II of the OECD/G20 Inclusive Framework. Key factors include:

- an increase in the CIT rate to 9 percent for most companies (from the previous sliding scale of 1 to 5.5 percent);
- early realization of profits by some firms to avoid a higher CIT rate; and
- the implementation of the IFRS17 accounting framework for insurance companies, which rendered some assets no longer deductible for tax purposes.

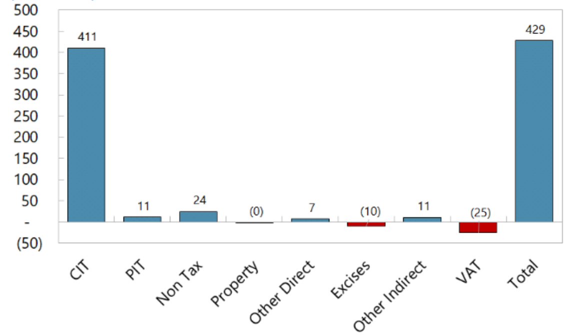
[1] Transfers are automatic for: (i) contributory or non-contributory pensioners; (ii) those who made national insurance contributions in the last 12 months; and (iii) those claiming invalidity benefit, special needs grants or welfare benefits. Persons falling outside these categories must register by July 31 to receive the transfer.

[2] At end-March, the authorities paid down Series B and D debt by B$38 million.

Box 2. Factors Behind Revenue Overperformance (concluded)

The authorities estimate that around one third of the overperformance could be permanent. While around two-thirds (1.8 percent of GDP) of the overperformance is expected to be temporary, one third of the additional revenue is attributed to the increased CIT rate and is therefore expected to remain permanent. Risks to CIT revenue collection are considered to be broadly balanced. The impact of the domestic minimum top-up-tax (DMTT), which brings the effective tax rate up to 15 percent for multinational enterprises, has not been incorporated into revenue projections, and thus presents some upside. However, changes to the adoption of Pillar II in some jurisdictions also presents important downside risks.

Revenue Performance Compared to Budget
(FY 2024/25)



Sources: National authorities and IMF staff calculations.

8. The external position continued to strengthen. The current account deficit narrowed to 4.5 percent of GDP from 8.8 percent in 2023, supported by tourism receipts, declining import prices, and one-off current transfers.[3] Gross international reserves rose slightly to US$1.6 billion at end-2024, and to US$1.7 billion at end-March 2025, equivalent to over 7 months of imports of goods and services, underpinned by the improvement in the current account, in particular, robust tourism activity and higher tax receipts. The current account deficit widened slightly in Q1 2025 (YoY) by 0.3 percent of GDP, driven by higher good imports, including construction-related machinery.

9. Market sentiment remains broadly unchanged, although sovereign spreads have risen reflecting global financial conditions. Following upgrades by S&P and Fitch in late 2024, Barbados was upgraded by Moody's in April 2025, reflecting the sustained strengthening of the public finances and declining public debt. At end-April, Barbados was rated as B with a positive outlook by S&P, B2 with a stable outlook by Moody's and B+ with a stable outlook by Fitch. Sovereign debt spreads have increased to the 450-500 basis points range, continuing to track movements in the Emerging Markets Bond Index Global (EMBIG).

B. Outlook and Risks

10. The near-term outlook remains stable. Economic growth for 2025 is projected to reach 2.7 percent (versus 3 percent at the fourth review), supported mainly by construction, especially for tourism-related projects and government investment. The modest downgrade reflects the worsening global growth outlook and expected weakening of tourism demand (-2 percent). In the medium term, growth is expected to stabilize around 2 percent as the ongoing tourism-related projects are completed and the authorities' efforts to expand airlift continue to bear fruit. Inflation is

[3] Current transfers in 2024 of around 1.5 percent of GDP relate to the new IFRS 17 for the insurance sector. Offshore insurance companies are treated as non-residents, with tax payments recorded as current transfers in the balance of payments. Most of the transfers are expected to be one-off and do not affect future projections or the staff assessment of the external position.

expected to pick up to around 2.6 percent (12-month average) by end-2025, due to the rising cost of non-fuel imports and some agricultural products, and stabilize at the long-term historical average of 2½ percent in the medium term. The current account deficit is projected to widen to around 6.4 percent of GDP in 2025, as current transfers normalize from very high 2024 levels, and lower exports receipts and higher construction imports are only partially offset by declining energy import prices. Over the medium term, the current account deficit is expected to converge to around 5 percent of GDP, in line with the fourth review. Foreign direct investment (FDI) is projected to reach around 6 percent of GDP (broadly in line with the 20-year historical average), sufficient to finance the current account and government debt service to official creditors. Gross international reserves are expected to remain at US$1.6 billion over the medium term (around 175 percent of the Fund's ARA metric).

11. Nevertheless, risks to the outlook are tilted to the downside. The outlook remains subject to significant risks, amidst the highly uncertain external economic environment, and given Barbados' continued vulnerability to global shocks and natural disasters:

- *External.* Additional trade policy and investment shocks could reduce growth and tourism demand in key source countries (US, UK, Canada), disrupt FDI needed for hotel construction and renovations, and impact global supply chains. Tighter global financial conditions and systemic instability, could also increase financing costs, dampen growth, and reduce FDI. Similarly, geoeconomic fragmentation, regional conflicts and commodity price volatility could disrupt supply chains, raising inflation and increasing external and fiscal pressures.

- *Domestic.* Natural disasters could impact growth, increase the fiscal deficit and public debt, reduce foreign exchange reserves, and pose financial stability risks through rising delinquencies. A deceleration of reform momentum could also undermine efforts to maintain fiscal surpluses, continue reducing public debt, and boost potential growth. However, risks to reform momentum are mitigated by the authorities' excellent track record under the IMF program, their continued strong commitment to the reform agenda, and broad public support for economic stability and reforms.

POLICY DISCUSSIONS

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

12. The FY2025/26 budget envisages a strong fiscal primary surplus, consistent with program projections. The budget targets a primary fiscal surplus of 4.4 percent of GDP, in line with program commitments. CIT revenues are expected to moderate from FY2024/25, stabilizing around 1 percent of GDP higher than anticipated at the fourth review. This is expected to facilitate additional current spending targeted on education, healthcare, and police services (public sector wages and goods and services). Capital investment is projected to reach 2.8 percent of GDP, broadly unchanged from the fourth review, with a focus on supporting tourism, tackling supply-side constraints, and boosting macroeconomic resilience to natural disasters. The budget also incorporates a real increase in critical social spending of 5 percent.[4] The overall fiscal balance is projected to improve to – 0.3 percent of GDP.

Fiscal Accounts (Percent of GDP)

	2023/24	2024/25	2025/26
Total revenue	26.6	29.1	27.0
Tax Revenue	25.4	27.6	25.6
CIT	4.1	7.1	5.2
o/w One-off	-	1.8	-
Total expenditure	28.3	30.0	27.3
Current expenditure	25.6	25.6	24.5
Of which:			
Wages and Salaries	6.2	6.1	6.0
Goods and Services	3.8	4.1	4.7
Transfers	10.4	10.2	9.0
Interest Payments	5.2	5.2	4.7
Capital expenditure	2.7	4.4	2.8
Fiscal balance	-1.7	-0.9	-0.3
Primary balance	3.5	4.3	4.4

Sources: National authorities and IMF staff calculations.

13. The medium-term fiscal path is underpinned by large and sustained primary surpluses to maintain debt sustainability, and secure resilient and inclusive growth. Fiscal policy should continue striking an appropriate balance between debt sustainability and investment needs. The primary balance is projected to remain at the steady state of 4.4 percent of GDP (slightly above the fourth review level), consistent with achieving the 60 percent debt target by FY2035/36. Fiscal projections are underpinned by the higher CIT collections, along with commitments to maintain prudent expenditure management. In line with previous reviews, the composition of public spending is projected to continue improving over the medium term, with a further rationalization of current spending (including transfers to SOEs). At the same time, additional CIT revenues create space to boost capital spending by roughly 1 percent of GDP per year, relative to the fourth review. Any additional revenue windfalls from the CIT reform should be used for critical capital spending, or to further rebuild fiscal buffers in the event of capital spending constraints. Enhanced social support could also be considered but further untargeted transfers should be avoided, with additional support focused on the most vulnerable. Maintaining strong fiscal surpluses will be critical to continue rebuilding fiscal space, while increasing public spending efficiency and the scale of social and infrastructure investment will help secure more inclusive and resilient growth.

[4] The increase includes an additional B$8 million for elderly care, human and social development programs, and the youth entrepreneurship scheme.

14. Contingency planning will remain essential, especially given the significant risks to the outlook. Downside risks to revenues could stem from a roll-back of the adoption of Pillar II of the OECD/G20 Inclusive Framework in some jurisdictions, affecting multinational enterprises operating in Barbados, or more generally from global shocks that result in a significant decline in tourist demand. On the expenditure front, a large natural disaster could have a major impact on public spending. While the authorities' revenue projections are conservative and cash buffers remain sizable (4 percent of GDP at end-March 2025, equivalent to about 2 months of expenditures), they also stand ready to consider contingency policies in the event of a shock. A range of additional policy measures could be considered, including: (i) broadening the tax base, for example through revamping the VAT regime for the tourism sector and introducing corrective excise taxes; (ii) reforming the property tax regime; and (iii) further streamlining current expenditures, to create space for critical social and capital expenditure.

15. Reform efforts are being sustained to strengthen revenue collection and public financial management (PFM).

- *Compliance efforts.* It is critical that the Barbados Customs and Excise Department (BCED) has sufficient human resources. This means addressing the current high vacancy rate and challenges caused by expected retirements in the coming years. A study to assess the current workload and staffing of BCED was completed in March, including identification of obstacles to filling critical vacancies, and a roadmap to fill such vacancies *(**end-March 2025 SB**)* and the authorities are now advancing work to begin its implementation. The authorities are also developing a framework to implement review and appeal procedures set out in the Customs Act, supported by Fund TA. This will help enhance compliance and increase transparency, consistent with World Trade Organization (WTO) obligations.

- *Tax waivers and exemptions.* The authorities are implementing the updated governance framework for tax concessions, which involves a time-bound transition for all pre-existing tax and customs waivers to seek requalification. With support from Fund TA, the authorities are now creating a comprehensive tax expenditure inventory, comprising both direct and indirect tax concessions, and taking steps to develop and implement a methodology to improve the costing of all tax expenditures.

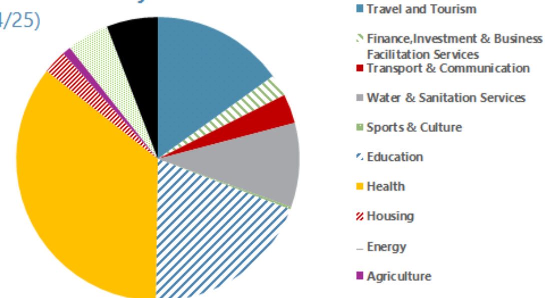
- *Developing a tax arrears strategy*. The stock of tax arrears has been rising, with a substantial portion deemed uncollectible due to outdated records and ineffective debt management practices. Barbados Revenue Authority (BRA) is developing a robust tax arrears management strategy to enhance the efficiency and effectiveness of its tax debt collection processes, with the support of Fund TA. This initiative is crucial as it directly impacts the government's ability to mobilize revenue, which is essential for funding public services and achieving fiscal sustainability.

- *Mobilizing private resources for investment projects.* The authorities have prepared a public-private partnership (PPP) framework *(**end-March 2025 SB**)*, with Fund TA support. This framework was adopted by Cabinet in May and complements the legal framework for PPPs included in the 2023 Public Procurement Act. Alongside the high-level procurement process presented in the Act, the new PPP framework provides detailed guidance to government agencies and prospective investors on how PPPs will be handled.

- *Strengthening PFM.* In March, the authorities completed the development of project appraisal guidelines, with FAD assistance. The guidelines will be rolled out during this fiscal year for all new government projects. Next steps will include the development of a rigorous appraisal methodology and prioritization/selection process. The authorities have also continued to deepen fiscal risk analysis, quantification, and reporting. With the support of a Fund TA workshop in December, the authorities produced a fiscal risk register and heatmap, covering macroeconomic, fiscal, climate, and other risks, to inform the fiscal risk statement (FRS), presented alongside the FY2025/26 budget.

16. **The authorities continue to advance SOE reforms, with the goal of completion by end-2025.** Since 2018, the government has undertaken a suite of initiatives under both BERT programs, geared towards rationalizing the SOE sector. These include the commercialization of operations, the introduction of user fees, staff headcount reductions, and privatization. The pursuit of operational efficiency across the board has also been a central tenet, underpinning the authorities' commitment to fiscal discipline, with several entities being amalgamated and operations in others being rationalized (Box 3). Meanwhile, transfers to TMU SOEs in FY2024/25 were below the program ceiling.

TMU SOE Transfers by Sector
(FY2024/25)

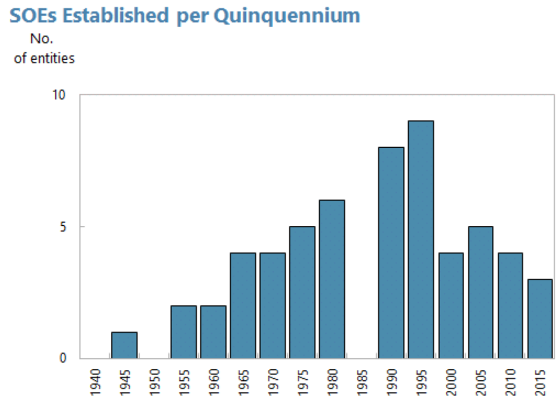


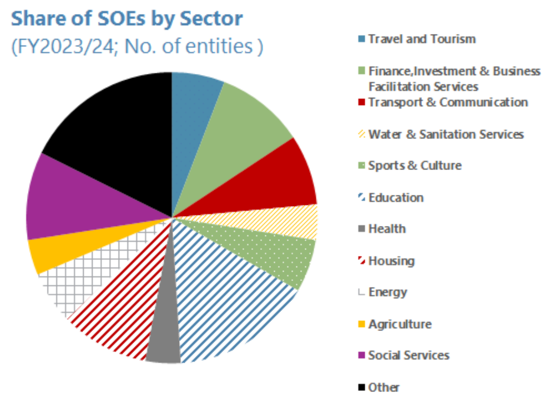
Sources: National authorities and IMF staff estimates.
Note: Includes earmarked revenues from Airline Travel and Development Fee, Health Service Contribution, and Garbage & Sewage Contribution Levy.

Box 3. State-Owned Enterprises: Update of Reform Progress

State-owned enterprises (SOEs) have historically played a significant role in Barbados, as in other Caribbean economies. SOEs exist across a wide range of sectors in the Caribbean including energy, transport, housing, and utilities.[1] In Barbados, state-led economic activity expanded the footprint of SOEs in the 1990s through the provision of public goods and services in areas such as transport, water and sanitation services, and housing. In many cases, SOEs emerged to encourage private development or to fill vacuums created by lack of private sector interest.[2] Historically, quasi-commercial SOEs like Caribbean Airways, Arawak Cement, the National Housing Corporation and the Transport Board, have necessitated government support, generating fiscal pressures. By 2019, the number of SOEs in Barbados had reached 58, with annual government transfers of around 5.9 percent of GDP, giving rise to the need for rationalization and reform.

Box 3. State-Owned Enterprises: Update of Reform Progress (concluded)





Sources: National authorities, Reyes-Tagle, et al. (2022) – p. 266, and IMF staff estimates.

Barbados has made significant progress in reforming SOEs since 2019 to achieve efficiency and profitability. Under the Barbados Economic Reform and Transformation (BERT 2018) plan, cost-reduction measures included reduction in staff headcount, mergers, closures, and the renegotiation of expensive supplier contracts, while revenue enhancing measures included tariff adjustments for public transport and water, and new levies on sanitation, health, and tourism services. The government also strengthened the oversight framework supported by the passage of the Public Finance Management Act 2019, under which all SOE borrowing must be approved by the Minister of Finance. Additionally, the development of a financial health dashboard for SOEs under the 2018 EFF (*end-March 2021 SB*), provided the authorities with a mechanism to analyze the performance of priority SOEs and is mandated by law.

Maintaining momentum with the reform agenda will be critical to lock in gains for fiscal sustainability, productivity and service delivery. The authorities have focused the next phase of reform on completing the restructuring of the Transport Board and the National Housing Corporation, as well as the amalgamation of the operations of the Rural Development Commission and the Urban Development Commission. Meanwhile, the National Petroleum Corporation, Barbados National Oil Company Ltd., and the Barbados National Terminal Company Ltd. are being merged at the beginning of FY2025/26. The amalgamation of the Child Care Board, National Assistance Board, Welfare Department, and the National Disabilities Unit, into the Social Empowerment Agency is also underway. Looking ahead, cementing these reform efforts will require a continued commitment to improved SOE monitoring and an adherence to ex ante rules and procedures. Strong governance practices will also be critical to facilitate the transition of SOEs away from quasi-fiscal practices, while promoting the efficient delivery of public services.

1/ See Reyes-Tagle, Gerardo, Aldo Musacchio, Roger Hosein, Rodriogo Wagner, Carolina Pan, Fernando Yu, Yery Park, et al. 2022. *Smoldering Embers: Do State-Owned Enterprises Threaten Fiscal Stability in the Caribbean.* Inter-American Development Bank. doi:10.18235/0004001.

2/ See Howard, Michael. 1992. *Public Finance in Small Open Economies: The Caribbean Experience.* 1st. Bloomsbury Publishing. https://www.bloomsbury.com/us/public-finance-in-small-open-economies-9780313067334/#.

17. **Public debt continues to be assessed as sustainable.** Public debt continued to decline to 104.8 percent of GDP at end-FY2024/25, from 111.5 percent of GDP at end-FY2023/24, driven by robust growth and strong fiscal performance. Under the program baseline, public debt is expected to continue declining, achieving the 60 percent of GDP debt target by FY2035/36, supported by sustained

primary surpluses and nominal GDP growth. Gross financing needs are expected to remain manageable due to high and sustained primary surpluses, sizable cash buffers, a favorable maturity profile after the 2018-19 restructuring, and the expected further development of domestic capital markets. 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 II). The fanchart tool indicates moderate risk, an improvement from the fourth review, although 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 maintaining large primary surpluses persist but have fallen somewhat, given the consistent strong fiscal performance. Nevertheless, external risks to the baseline remain high, including from trade policy and investment shocks, tighter financial conditions, deepening geoeconomic fragmentation, and natural disasters. Barbados' strong track record of reform implementation and favorable debt service schedule continue to be important mitigating factors. Policy reforms and investments in adaptation, supported by the RSF, will also be essential to increase macroeconomic resilience and mitigate risks to debt sustainability.

18. The authorities remain focused on mobilizing external financing, including re-accessing international capital markets in FY2025/26. Under its medium-term debt strategy (MTDS), the authorities have continued to rely on multilateral financing, including from the IMF. Disbursements from other IFIs reached around US$155 million in FY2024/25 in the form of policy and project loans and on average are expected to remain at this level through FY2026/27, slightly below fourth review projections. Total loans and grants are projected to reach around US$200 million, reflecting grants associated with the South Coast Water Reclamation project. With around US$45 million (0.6 percent of GDP) of 2029 Eurobonds maturing in April 2025, the authorities have stepped up preparations to re-access international capital markets in H2 2025, though this remains contingent on evolving global financial conditions.

19. With domestic debt issuances continuing to increase, a gradual lengthening of maturities will help to smooth gross financing needs. Improved economic stability under the EFF and RSF enabled the government to successfully launch the Barbados Optional Savings Scheme (BOSS) Plus program in 2022 and restart 90-day and 180-day Treasury bill issuances in 2023. In FY2024/25, net financing from commercial banks reached 4.7 percent of GDP, higher than projected at the fourth review, reflecting the completion of the debt-for-climate conversion. The authorities also issued a B$250 million 20-year debenture, with B$245 million of subscriptions largely coming from the National Insurance and Social Security Service (NISSS) and to a lesser extent from private pension funds. Meanwhile, the stock of T-Bills remained stable at about B$800 million, mainly held by commercial banks and the central bank. Domestic interest rates remain low, ranging from 2 percent on short tenor maturities, to 4.5 percent on BOSS bonds, and 7.75 percent for the debenture. The FY2025/26 budget envisages net domestic issuances of around 0.8 percent of GDP. Over the medium term, the authorities aim to continue increasing issuances, while gradually extending maturities to smooth financing needs and mitigate refinancing risks.

B. Enhancing the Monetary Policy Framework and Protecting Financial Stability

20. The exchange rate peg continues to be a critical anchor for macroeconomic stability. The exchange rate peg has been in place since 1975 and continues to enjoy broad support. The authorities remain strongly committed to implementing the policies needed to sustain the exchange rate peg. In this regard, the CBB maintains ample gross international reserves (205 percent of the Fund's reserve adequacy metric at end-2024). Furthermore, the revised Central Bank Act of 2020 has strengthened the monetary policy framework by enhancing the autonomy of the Central Bank of Barbados (CBB), improving its governance, and limiting monetary financing. Barbados maintains the 2 percent foreign exchange fee that was introduced in 2017, despite the substantial improvement in macroeconomic conditions and the protection against capital outflows provided by the longstanding capital controls.[5] The authorities should consider removing the fee to reduce market distortions and help to support trade and investment in the long run. Since the fee currently raises around 0.7 percent of GDP in revenue, it will be important to identify alternative revenue sources to mitigate the fiscal impact of its removal.

21. Efforts to enhance the CBB's monetary policy framework are ongoing. The authorities continue to work on enhancing the monetary policy framework, in a context where inflation is largely imported from Barbados' main trading partners. In the context of persistent structural excess liquidity in the banking system, the CBB has developed a daily liquidity forecasting framework (***end-March 2025 SB***). The CBB has also conducted the first stages of internal research exploring the case for establishment of a benchmark monetary policy rate. The authorities intend to recapitalize the CBB in line with the plan established in 2021. In the long run, the key elements of a modernized monetary policy framework would include: (i) using 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 these elements would need to be gradual, ensuring regular consultations with the bankers' association. Meanwhile, in collaboration with the World Bank, the CBB has launched a payments modernization project to enhance the local payments market and infrastructure. The aim is to transition to a digital payments system by March 2026.

22. The authorities are continuing to work on strengthening the financial safety net. The 2020 CBB Act provides a legal basis for the CBB to provide emergency liquidity assistance (ELA) to reduce the likelihood of financial distress and prevent a full-blown crisis. Given the CBB's 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). In line with

[5] The fee has been assessed as a capital flow management measure (CFM) on outflows under the Fund's Institutional View on the Liberalization and Management of Capital Flows.

recommendations from IMF TA, the authorities have established an ELA framework to anticipate needs through proactive liquidity and collateral scanning, in-depth testing of funding plans, and periodic simulations to ensure that ELA is institutionalized effectively. The CBB has completed a review of the collateral policy and plans to implement updates to differentiate collateral used for monetary policy and ELA, as well as refinements to valuation methods. 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. Following technical assistance from the US Treasury, work to strengthen the Barbados Deposit Insurance Scheme is also continuing, with the aim of delivering revised legislation over the next few years, including expansion of coverage to credit unions.

23. The enhanced AML/CFT framework is helping to safeguard the integrity of the financial sector. Following the government's efforts to significantly strengthen its AML/CFT framework, Barbados was removed from the Financial Action Task Force (FATF) "grey list" in February 2024. Barbados has continued to improve its AML/CFT systems, notably by improving the regime for monitoring non-profit organizations, implementing requirements regarding tipping off when reporting suspicious transactions and confidentiality of information provided to the authorities, as well as implementing improvements to the asset recovery regime (such as confiscation in the event of flight and the enforcement of external orders for asset recovery). Having strengthened its legal framework, the authorities should continue their efforts at effective implementation and particularly enforcement in the areas of supervision, law enforcement and asset recovery.

C. Boosting Barbados' Growth Potential

24. Under the BERT 2022 plan, the authorities have implemented a multi-faceted growth-enhancing agenda. Barbados continues to face significant structural challenges that weigh on growth prospects, reflecting a history of low investment in physical capital, the continued reliance on the tourism sector, demographic headwinds from population aging and migration, and risks of natural disasters. The BERT 2022 Plan targets growth potential of 3-5 percent, through a strategy that aims to: (i) increase climate resiliency and facilitate the transition to renewable energy sources (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 is supporting the implementation of policies to achieve these objectives, including the *Barbados Population Policy*, laid in Parliament in July 2024, and the *Barbados 2035-Plan for Investment in Prosperity and Resilience*.[6]

[6] For more information, see [Barbados: Fourth Reviews Under the Extended Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility-Press Release; Staff Report; and Statement by the Alternate Executive Director for Barbados]

25. Importantly, the authorities have continued to push ahead with efforts to improve the business environment, particularly through the digitalization agenda. The Government has embarked on a transformational plan to upgrade the nation's digital infrastructure, focusing on: (i) the deployment of 5G Communications Technology in partnership with the private sector; (ii) the establishment of a data center with local and global partners that will serve as a critical hub for data storage, processing, global digital services, and disaster recovery; (iii) launch of a new e-conveyancing property transfer platform designed to eliminate inefficiencies, reduce costs, and speed up the process of securing land ownership records; and (iv) the creation of a Cyber Security Operations Center to enhance Barbados' ability to protect its digital infrastructure, safeguard data privacy, and respond effectively to cyber incidents. In parallel, a new Cybercrime Bill is proceeding through Parliament, which aims to modernize the legal framework to address evolving digital crimes, strengthening cybersecurity and the protection of citizens. The government has also announced a strategic plan to transition from import-dependent manufacturing to a dynamic, export-oriented economy, with a focus on producing world-class, high-value products and services for global markets, with particular emphasis on life sciences and digital services. With regards the trade facilitation agenda, the government announced it will move to ASYCUDA 5, the system designed for the automation of customs procedures and processes, with a targeted launch date of early 2026. This system is expected to result in faster access to imported goods and services and improved facilitation for exporters. Relatedly, the installation of two new cranes at Bridgetown Port, and the planned construction of the new Berth 6, should substantially increase capacity and efficiency in cargo handling, addressing a key bottleneck.

26. Most recently, the government has renewed its focus on addressing the skills gap. With the support of IDB TA, the government is studying Barbados' key skills gaps. The government has also announced that it will embark on a national program to prepare the population on areas such as artificial intelligence, process automation, data analytics, and emerging digital technologies. In addition, the government plans to design and implement a proactive Talent Attraction and Retention Strategy. This strategy will include programs such as Fast-Track Work and Residency for high-skilled professionals in science and technology, Global Talent Visas and Incentives to position Barbados as a hub for remote and hybrid knowledge workers, and the Diaspora Engagement and Return Program.

D. Building Macroeconomic Resilience to Shocks and Natural Disasters

27. With support from the RSF arrangement, Barbados has continued to advance its ambitious climate policy agenda (Annex III). 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. Accelerating reforms to increase resilience will be key to help strengthen growth and the external position, in turn mitigating risks to debt sustainability and reducing prospective risks to Barbados' balance of payments stability. Over time, the reform measures are expected to create an enabling environment that mobilizes private sector resources for climate related projects.

28. Barbados is making progress towards its 2035 renewable energy goals.[7] The government continues to expand the capacity of renewable electricity generation. The joint project with the IFC to develop the country's first utility-scale onshore wind farm will be doubled to 60 megawatts (MW), reaching over 15 percent of the current total installed electricity capacity. The new Electricity Supply Act, (RM#8) introduced a regulatory structure allowing for competitive procurement of renewable energy production and storage solutions. In February, the government completed Barbados' first "grid characterization study" that fully maps the electricity transmission and distribution network, identifying ideal locations for energy storage integration. The authorities also announced they will conduct a feasibility study for micro-grids in the coming months. These studies will support decision making, enabling more strategic development of renewable projects, while ensuring grid stability. Altogether, the government is aiming to reach 125 MW of battery storage in the near term. The FY2025/26 budget includes about 0.4 percent of GDP for battery storage and expansion of the grid. The government is planning to launch the first procurement project for Battery Energy Storage Systems (BESS), with a request for proposals expected in mid-2025, following the request for information, which closed in November 2024. The Fair Trading Commission (FTC) has also completed its public consultation on the launch of an energy storage tariff regime that will allow persons who have solar PV to apply for their own energy storage systems. In addition, the government announced that the Energy Smart Fund will offer a Loan Refinancing Facility for small and medium enterprises to refinance their stalled RE projects at an interest rate of 3.75 percent.

29. The authorities have taken further steps to integrate climate concerns into PFM, supporting broader efforts to increase resilience and sustainability. Building on the 2023 C-PIMA diagnostic evaluation, the authorities have improved the integration of climate into several aspects of the budget cycle, including budget preparation, budget execution (notably procurement), fiscal risk analysis, as well as oversight and auditing. Since the fourth review, the authorities have completed work to further integrate climate concerns into PFM processes (RM#5) with Fund TA support (see ¶15). This includes:

- *development of project appraisal guidelines* that integrate climate considerations into project planning and design, including through the environmental impact assessment.
- *deepening fiscal risk analysis*, quantification and reporting, including coverage of environmental risks and natural disasters, which fed into the fiscal risk statement for the FY2025/26 budget.
- *preparation of a PPP framework* that promotes environment sustainability and climate resilience in the development of all new infrastructure, particularly in the energy and transport sectors.

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

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. **Implemented**
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. **Implemented**

30. **Further steps are being taken to strengthen disaster risk management, including the repurposing of the Catastrophe Fund into a Resilience and Regeneration Fund (RRF).** While an important element in the government's disaster risk management approach, the Catastrophe Fund has a narrow revenue base, only contemplates post-disaster expenditures, and is not adequately equipped to respond to frequent shocks. Given these limitations, the fund will be repurposed with an expanded role to provide: (i) financial aid to eligible persons and qualifying businesses, following a catastrophe; (ii) mitigation against or remedies to the adverse effects of a catastrophe; (iii) financing for resilience-building activities, including addressing deficiencies in the housing stock; and (iv) financing for regeneration activities. The RRF will also have several funding sources. Starting in April 2025, the government increased contribution rates from 0.1 percent to 0.25 percent for employees and the self-employed, with a matching contribution by employers. The government also

intends to set aside 0.25 per cent of the previous year's GDP annually into the RRF, while also utilizing up to 50 percent of unclaimed (idle) assets in dormant accounts of commercial banks, credit unions and other deposit-taking institutions.[8] Finally, other agencies and organizations will be able to provide grants and donations to the RRF and it has the potential to finance its activities through issuance of securities, subject to permission from MFEI. Maintaining strong governance, oversight and reporting of the RRF will be key, given its expanded role. More generally, in April the authorities secured a US$30 million World Bank Disaster Risk Management Development Policy Loan to boost disaster preparedness, including a fast-access credit line in the event of an emergency.[9]

31. **Meanwhile, Barbados is continuing to mobilize climate financing.** Attracting investment for adaptation and adoption of renewable energy sources remains a policy priority. Building on the successful issuance of the Blue Bond in 2022, the authorities have:

- Completed an innovative *debt-for-climate conversion* in December 2024, with the support of guarantees from the IDB and European Investment Bank. The savings from the swap will be used to service new IDB and Green Climate Fund (GCF) loans, which along with US$40 million of GCF grants, will finance the South Coast Water Reclamation Project. The project aims to enhance water supply resilience and reliability, with a focus on environmental sustainability and food security. The design and procurement phases of the project have been completed and construction is expected to begin in late-2025.
- Established the *Blue Green Bank* to support investment projects across the region up to US$250 million, with an initial focus on resilient housing and renewable energy. Following approval of legislation in June 2024 and a funding agreement with the GCF, the government will make its capital contribution of US$15 million in the coming months, and contributions from CAF and other bilateral partners are expected soon thereafter. The process of appointing the Board of Directors is underway and the bank is expected to become operational in H2 2025.

E. Data Issues

32. **The authorities remain committed to improving the quality and timeliness of economic data, supported by IMF TA.** Following the rebasing of GDP statistics to 2016 last year, the Barbados Statistical Service (BSS) is in the process of developing a supply and use table (SUT) for 2023, with IMF support. An updated SUT will provide a comprehensive benchmark for the national accounts, facilitating expanded coverage and scope of Barbados' GDP estimates, and aligning them with current international standards. 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. More broadly, BSS continues to face challenges with data

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[8] After 10 years unclaimed assets are deposited into the Central Bank of Barbados, where they are held for approximately three years. If they remain unclaimed, those assets come under the control of the Accountant General. At any point during this period of time, persons are entitled to claim the assets, and they will be paid back.

[9] To access to the Catastrophe Deferred Drawdown Option (Cat DDO), Barbados will implement reforms focused on enhancing financial resilience and strengthening physical planning and livelihoods.

quality and the timeliness of some data publication, reflecting limited capacity as well as recent issues created by a cyberattack in late 2024.

PROGRAM PERFORMANCE AND MODALITIES

33. All quantitative performance criteria (QPCs) and indicative targets (ITs) for end-March were met (Appendix I, Attachment I, Table 3). End-March 2025 fiscal QPCs on the central government primary balance, external debt arrears, transfers to public institutions, and public debt were all met. The authorities also met the monetary QPCs on net domestic assets (NDA) and net international reserves (NIR) with considerable margin. In addition, the authorities also met ITs on central government domestic arrears, social spending, and arrears of public institutions. All end-December 2024 program (indicative targets) ITs were also met.

34. Structural performance also remained strong, with the timely implementation of all SBs for the fifth review (Appendix I, Attachment I, Table 1). The assessment of human resource needs at the BCED has been completed (SB #5). With Fund TA support, a draft PPP framework has been finalized and adopted (SB#13). The CBB has also developed a daily liquidity forecasting framework (SB#18).

35. Reform measures for the fifth review have also been implemented (Appendix I, Attachment I, Table 2)**.** Key elements to strengthen the integration of climate concerns into PFM (RM#5) have been completed with Fund TA support, including the development of project appraisal guidelines, deepening of fiscal risk analysis, and preparation of a PPP framework (¶15). The CBB has also included physical climate risk analysis in its bank stress testing exercise (RM#10) (¶30).

36. The authorities have requested the full purchase under the EFF (SDR 14.175 million) and the RSF disbursements related to RM#5 and RM#10 (SDR 28.35 million) for the fifth 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 continuing to gradually increase market financing. 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$180 million of financial support through policy loans in 2025-2026, ensuring that the program is fully financed.

37. 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 beginning to decline but remaining close to the peak of around 500 percent of quota (345 percent of quota excluding the RSF) or about 8.3 percent of GDP in 2025. Obligations to the Fund would peak at 3.8 percent of exports of goods and services in 2026 and 6.9 percent of projected reserves in 2028. Risks to the capacity to repay stem from the significant risks to the outlook (see ¶11), which continue to be mitigated by the authorities' excellent track record of repayment, their commitment to reforms and economic stability, sustained fiscal adjustment and structural reforms, and the ample international reserves that are expected to remain well above 100 percent of the Fund's reserve adequacy metric throughout the projection period.

38. The CBB has implemented all but one of the recommendations of the 2023 safeguards assessment. The central bank has maintained a strong safeguards framework that was further enhanced with the adoption of an ELA framework. An updated collateral policy has been developed and a new guideline on the treatment of systemically important financial institutions was also finalized (¶22).[10] Implementation of the outstanding recommendation is at an advanced stage.

39. Risks to the outlook remain tilted to the downside. The external economic environment remains highly uncertain and Barbados continues to be vulnerable to global shocks and natural disasters. Growth, inflation, FDI and borrowing costs, could all be negatively impacted by trade policy and investment shocks, deepening geopolitical fragmentation, tightening global financial conditions, and systemic instability. On the domestic front, sustaining high primary surpluses could be a challenge, although this risk is mitigated by the authorities' excellent track record under the IMF program, their continued strong commitment to the reform agenda, and broad public support for economic stability and reforms.

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40. With strong ownership, Barbados has made commendable progress implementing its home-grown BERT plan, supported by the Fund EFF and RSF. Since 2022, growth has rebounded, unemployment has fallen, and inflation has moderated. The external position has strengthened, while fiscal balances have improved, and public debt has declined. The authorities have also advanced structural reforms aimed at increasing fiscal sustainability, boosting investment and delivering more inclusive and resilient growth.

41. Program performance continues to be strong. As at previous reviews, the authorities have met all QPCs and ITs for the fifth review. The authorities met the three EFF SBs for the fifth review, while also implementing the two remaining RSF RMs. Based on the authorities' policy commitments, staff assesses that there are good prospects of continued strong macroeconomic performance and sustained reform momentum beyond the current Fund arrangements.

42. The near-term economic outlook remains stable, but risks are tilted to the downside, **amidst a highly uncertain external environment**. On the external front, Barbados remains vulnerable to trade and investment shocks, deepening geoeconomic fragmentation, tighter global financial conditions, systemic instability, and natural disasters. On the domestic front, efforts to maintain fiscal sustainability, reduce public debt, and boost potential growth could be undermined by a loss of reform momentum, but this risk is mitigated by Barbados' excellent policy track record

[10] See Gazette January 30, 2025 Part B VOL. CLX No. 9 | Gazette Subscriptions

and continued strong commitment to reform. The authorities also stand ready to take additional fiscal measures, if needed, to meet their budget targets and broader policy objectives.

43. **Maintaining strong fiscal surpluses will be essential for debt sustainability and to secure more inclusive and resilient growth**. Fiscal policy should continue striking an appropriate balance between debt sustainability and investment needs. The FY2025/26 budget targets a primary surplus of 4.4 percent of GDP, underpinned by higher CIT collections and prudent expenditure management. Additional revenue windfalls should be used for critical capital spending, or to further rebuild fiscal buffers in the event of capital execution constraints. Further social support enhancements should be targeted to support the most vulnerable. The authorities are committed to maintaining a primary surplus of 4.4 percent of GDP over the medium term, consistent with achieving the 60 percent debt target by FY2035/36. Staff assesses public debt to be sustainable, with moderate overall risks of sovereign stress. On the financing front, it will be critical to continue mobilizing official financing, while gradually increasing the scale and maturity of domestic financing and restoring access to international capital markets.

44. **Achieving fiscal sustainability and investment objectives also depends on steadfast implementation of structural fiscal reforms.** Continued efforts to strengthen revenue administration, implement the new tax exemptions framework, and develop a tax arrears strategy, will be key to mobilize revenues over the medium term. Further reforms to PFM and public investment management, including the rollout of the PPP framework and project appraisal guidelines, and efforts to deepen fiscal risk analysis and strengthen the budget process, will be essential to improve the efficiency of public spending. Finalizing the ambitious SOE reform agenda also remains a priority and follow-up efforts to improve SOE monitoring and financial reporting will be critical to reduce fiscal risks and ensure sustained improvements in the delivery of public services.

45. **The exchange rate peg continues to be a critical anchor for macroeconomic stability.** The authorities remain strongly committed to implementing the policies needed to sustain the exchange rate peg. In the context of persistent structural excess liquidity, the CBB has taken initial steps to strengthen its monetary policy framework, including by developing a daily liquidity forecasting framework. Meanwhile, efforts to enhance the local payments market and infrastructure are advancing, with the aim of moving to a digital payments system by early 2026.

46. **The financial sector remains stable and efforts to strengthen the financial safety net have advanced.** In the banking system, capital, liquidity, and provisioning are well above regulatory requirements, while NPLs have continued to decline. Financial soundness indicators for finance companies and credit unions also remain steady. On the policy front, an ELA framework has been established and efforts to strengthen the deposit insurance scheme are progressing. Looking ahead, further work is needed to enhance bank supervision and develop a resolution framework for financial institutions. It will also be essential to maintain momentum with efforts to strengthen the AML/CFT framework, especially increased focus on enforcement, ahead of the updated National Risk Assessment, due in 2027.

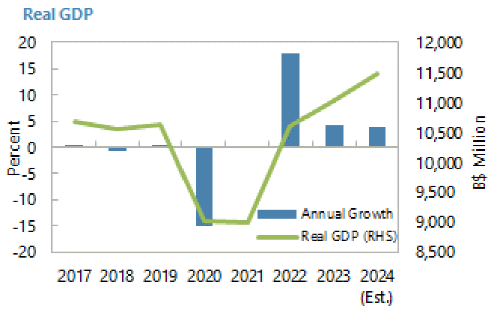
47. Wide-ranging reforms to boost growth potential are ongoing. The government is continuing to focus its efforts on improving the business environment, facilitating trade and investment, and gradually diversifying the economy in the long run. The Growth Council and the newly established Business Barbados should play a key role in achieving these objectives. Maintaining progress with the digitalization of government services will be critical, including the deployment of 5G communications technology, establishment of a data center as a critical digital hub, launch of an e-conveyancing property transfer platform, and creation of a cyber security operations center. Investment in skills and education also remains essential, with the authorities recently announcing a new national Talent Attraction and Retention Strategy.

48. Increasing resilience to natural disasters and supporting the transition to renewable energy remains a priority, including to bolster long-term balance of payments stability. Critical reform measures set for the fifth RSF review have been implemented, including: (i) reforms to strengthen the integration of climate concerns into the PFM process; and (ii) inclusion of climate change risks into the CBB's bank stress testing exercise. Under the RSF arrangement, policy reforms have facilitated financing from development partners and created an environment conducive to mobilizing private sector financing for investment projects. More generally, the Resilience and Regeneration Fund, with its expanded role and financing, aims to improve Barbados' disaster response, preparedness, and mitigation.

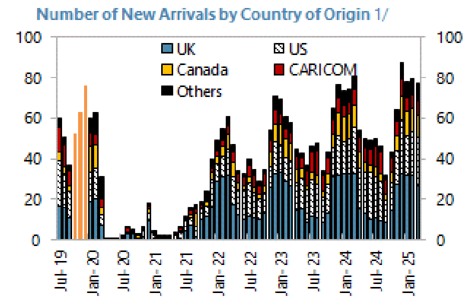
49. Staff recommends the completion of the fifth review under the EFF and RSF arrangements. Staff assess that RM5 and RM10 under the RSF have been implemented. The authorities remain committed to implementing program objectives and implementing their ambitious reform agenda. It is proposed that Barbados' Article IV consultation cycle be shortened back to 12 months. The next Article IV consultation is expected to be held by December 2025. The authorities have expressed interest in a follow-up program. In the absence of a successor arrangement within six months, staff will reconsider the case for a Post-Financing Assessment (PFA), as Barbados' outstanding credit to the Fund exceeds the 200 percent of quota threshold.

Figure 2. Barbados: Real Sector Developments

Economic growth remained robust in 2024...

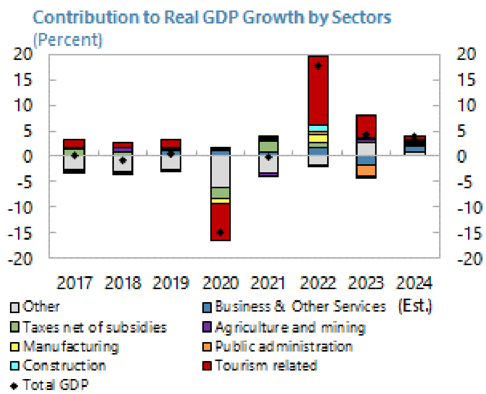


...driven by a continued rebound in tourist arrivals...

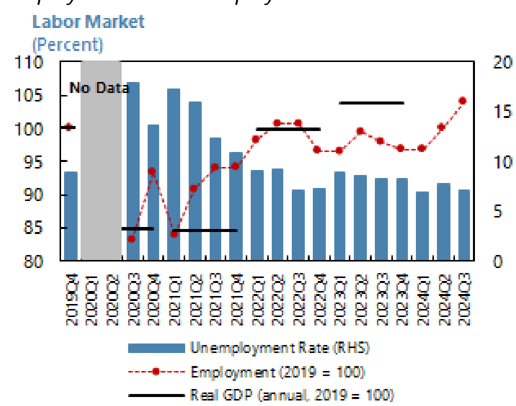


1/ For October-December 2019, only the total number of new arrivals is available.

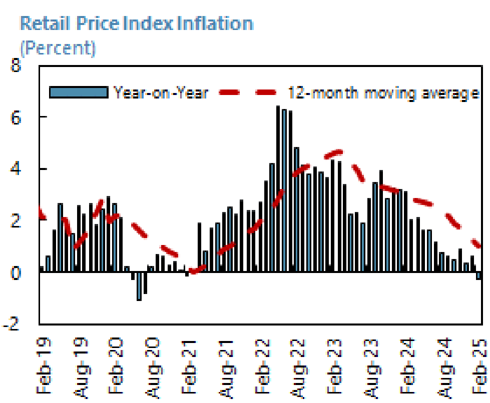
...and other related activities.



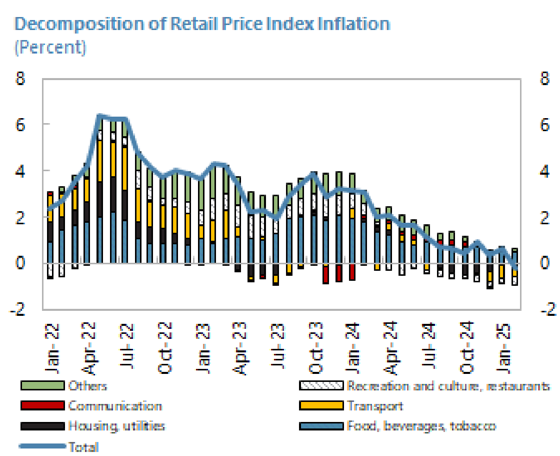
The labor market remained strong, with rising employment and unemployment at historic lows.



Inflation continued to moderate...



...driven by easing prices of energy, food, and hospitality.

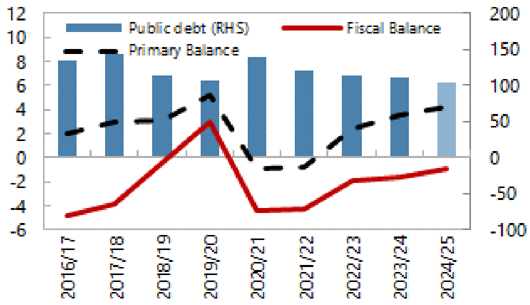


Sources: Barbados Statistical Service, Central Bank of Barbados, and IMF staff calculations.

Figure 3. Barbados: Fiscal Sector Developments

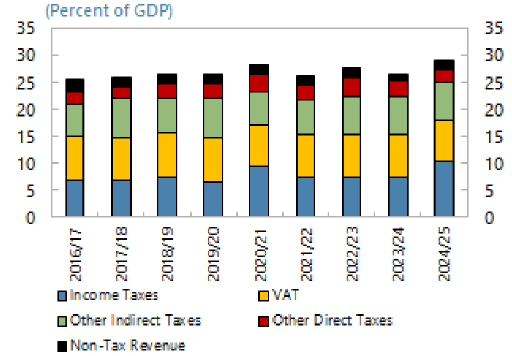
Barbados' primary surplus improved considerably in FY2024/25…

Fiscal Balances and Public Debt
(Percent of GDP)



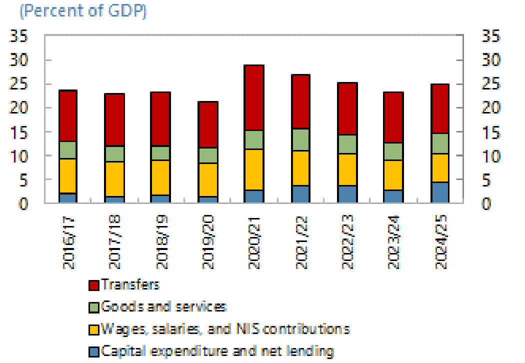
…owing to a surge in collection of CIT…

Government Revenue Composition
(Percent of GDP)



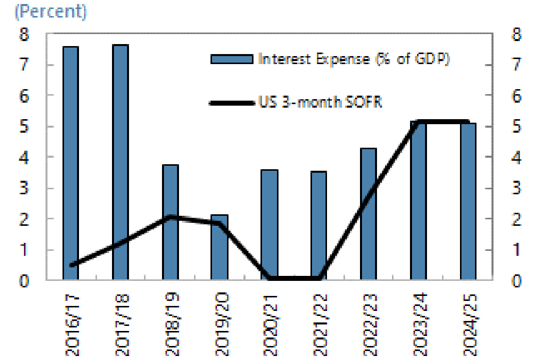
…outpacing the increase in expenditures, which was driven largely by capital spending.

Government Primary Expenditure Composition
(Percent of GDP)



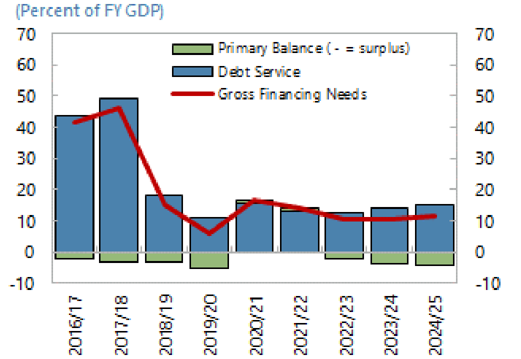
The interest bill remained elevated, due to higher costs of variable-rate external debt and step-up coupons.

Central Government Interest Expense and US Fed Fund Rate
(Percent)



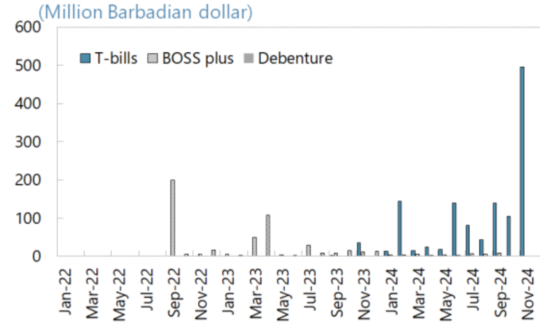
Gross financing needs also edged up slightly, reflecting higher debt service…

Gross Financing Needs
(Percent of FY GDP)



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

Issuance of BOSS plus and T-bills 1/
(Million Barbadian dollar)



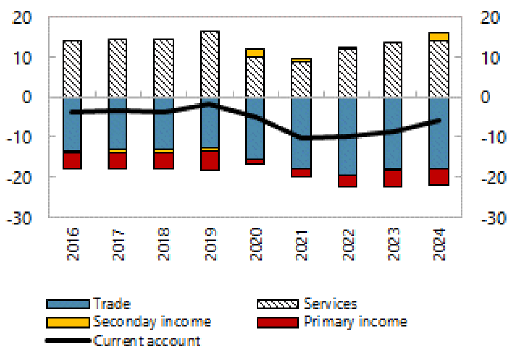
1/ T-bills include 3-month T-bills and 6-month T-bills.

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

Figure 4. Barbados: External Sector Developments

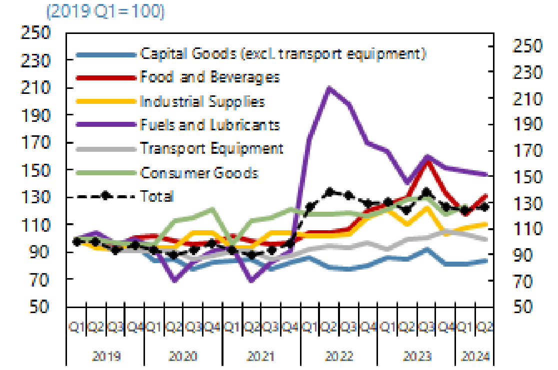
The current account strengthened substantially due to rising tourism receipts and one-off current transfers...

Current Account Balance
(Percent of GDP)



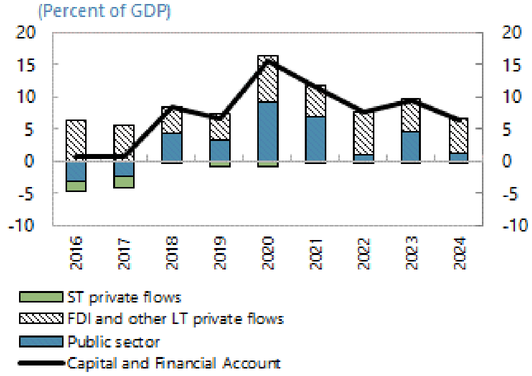
...as well as savings from reduced fuel and food import prices.

Goods Import Price
(2019 Q1=100)



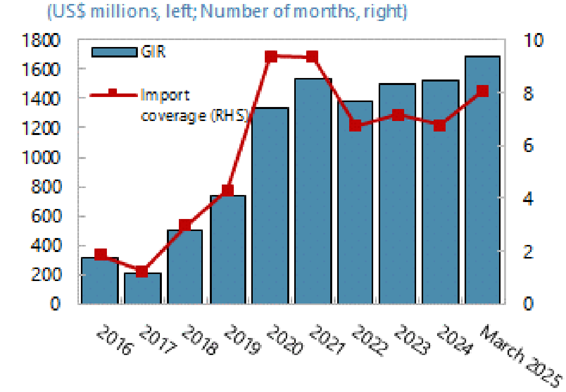
Financial inflows remain relatively strong, driven by sustained private flows.

Capital and Financial Account Balances
(Percent of GDP)



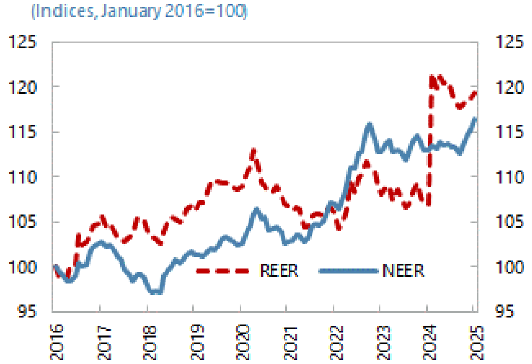
FX reserves rose slightly to US$1.6 billion, with import coverage at over 7 months.

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



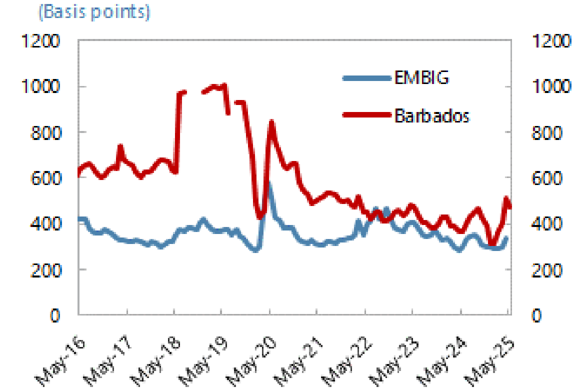
The REER and NEER appreciated during the course of 2024.

Nominal and Real Effective Exchange Rates
(Indices, January 2016=100)



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

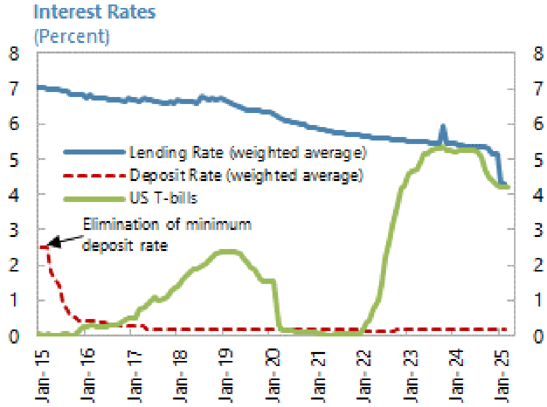
Sovereign Spread
(Basis points)



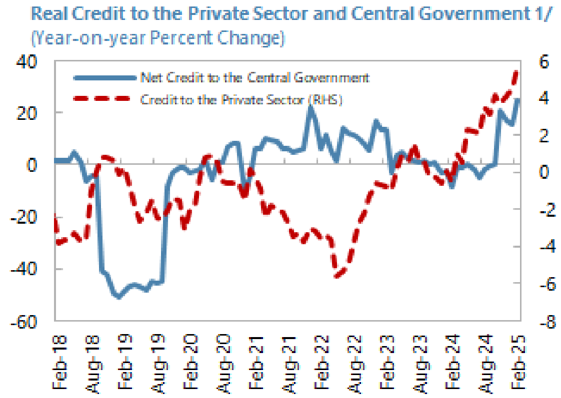
Sources: Bloomberg, Central Bank of Barbados, Barbados Statistical Service, Caribbean Tourism Organization, and IMF staff calculations.

Figure 5. Barbados: Monetary and Financial Sector Developments

Barbados' lending rates continued to decline.

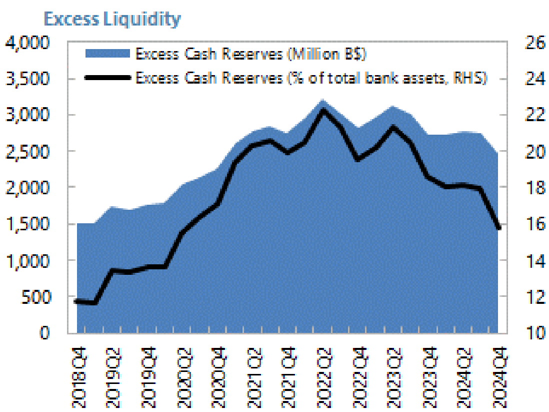


Real credit to the private and public sectors rose in 2024, with the latter reflecting the debt-for-climate swap...

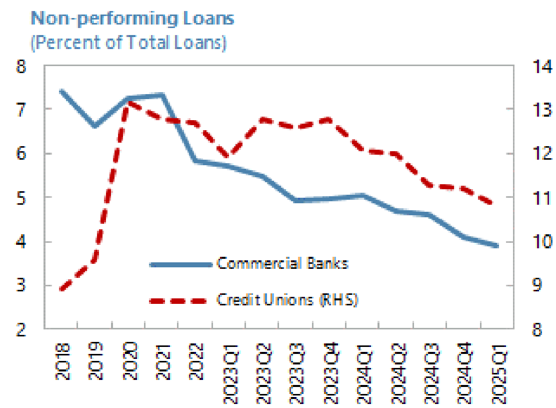


1/ Deflated with retail price index.

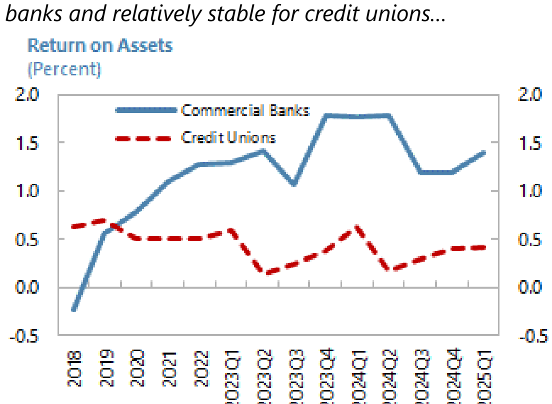
Excess cash liquidity in the banking system remained sizable, despite recent moderation.



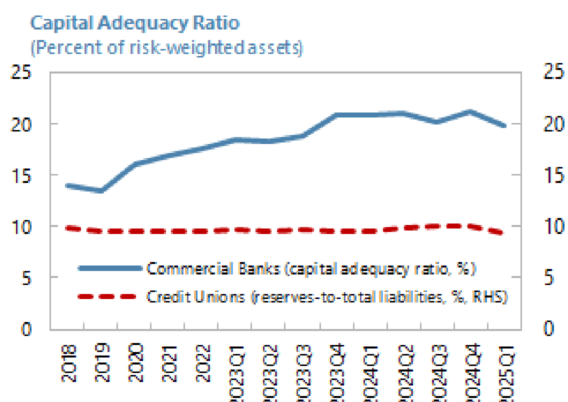
NPL ratios continued to decline, likely reflecting the favorable economic conditions...



... 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

					Projections			
	2020	**2021**	**2022**	**2023**	**2024**		**2025**	
					CR/24/368		CR/24/368	
	(Annual percentage change, unless otherwise indicated)							
Output, prices, and employment								
CY Real GDP	-15.1	-0.3	17.8	4.1	3.8	4.0	3.0	2.7
CPI inflation (average)	0.6	1.5	4.4	3.2	2.3	1.4	2.4	2.6
CPI inflation (end of period)	0.4	2.4	3.8	3.2	2.9	0.4	2.4	3.7
External sector								
Exports of goods and services	-38.0	4.4	34.8	11.2	10.6	10.4	10.8	1.3
Imports of goods and services	-17.8	15.1	25.9	2.5	7.6	4.9	6.2	3.6
Real effective exchange rate (index, average)	131.5	127.7	124.4	123.9	…	122.7	…	…
Money and credit								
Net domestic assets	1.7	4.8	8.8	0.8	5.7	7.5	4.0	3.5
of which: Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	3.4	4.6	3.2	3.0
Broad money	7.2	6.0	5.3	1.0	5.4	7.5	3.7	3.5
CG Public finances (fiscal year) 2/	(In percent of FY GDP)							
Revenue and grants	28.1	26.0	27.5	26.6	26.6	28.9	26.0	27.0
Expenditure	32.6	30.4	29.4	28.3	28.2	29.8	26.2	27.3
Fiscal Balance	-4.5	-4.3	-1.9	-1.7	-1.6	-0.9	-0.2	-0.3
Interest Expenditure	3.6	3.5	4.3	5.2	5.4	5.2	4.5	4.7
Primary Balance	-0.9	-0.8	2.4	3.5	3.8	4.3	4.3	4.4
Public Debt (fiscal year) 2/								
Public sector debt 3/	138.2	121.6	113.7	111.5	102.8	104.8	97.4	99.5
External	45.8	43.5	42.9	43.9	41.6	42.0	37.9	39.2
Domestic	92.4	78.1	70.8	67.6	61.2	62.8	59.5	60.3
Balance of payments (calendar year)	(In percent of CY GDP)							
Current account balance	-5.0	-10.3	-9.9	-8.8	-5.9	-4.5	-5.8	-6.4
Capital and financial account balance	15.6	11.5	7.4	9.4	6.3	5.8	5.9	6.7
Public Sector	9.1	7.0	0.8	4.5	1.3	1.3	-0.2	0.5
o/w IMF disbursement	4.5	0.9	0.7	1.7	1.6	1.6	0.7	0.7
Private Sector (including FDI)	6.6	4.5	6.5	5.0	5.0	4.5	6.1	6.2
Net Errors and Omissions	0.8	2.6	0.2	1.1	0.0	-0.1	0.0	0.0
Overall balance	11.4	3.8	-2.3	1.7	0.4	1.3	0.0	0.3
Memorandum items:								
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	2.0	2.0	…	…
Gross international reserves (US$ million)	1,330	1,529	1,385	1,500	1,528	1,592	1,528.4	1,616
In months of imports of G&S	9.4	9.4	6.7	7.1	6.8	7.2	6.4	7.1
In percent of ARA	258	288	215	214	202.9	205	186.4	198
Nominal GDP, CY (BDS$ millions)	10,337	10,550	12,515	13,441	14,330	14,337	15,220	15,112
Nominal GDP, FY (BDS$ millions)	9,605	11,295	12,873	13,678	14,585	14,542	15,371	15,313

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 2024.

2/ Fiscal year is from April to March.

3/ 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, 2020/2021–2030/2031 1/ 2/

(In millions of Barbados dollars)

	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30	2030/31
					Projections								
					CR/24/368		CR/24/368						
Total revenue	**2,702**	**2,941**	**3,543**	**3,643**	**3,878**	**4,199**	**3,997**	**4,138**	**4,367**	**4,589**	**4,802**	**5,041**	**5,283**
Current revenue	2,702	2,935	3,523	3,642	3,870	4,199	3,988	4,129	4,358	4,580	4,792	5,030	5,273
Tax revenue	2,527	2,763	3,334	3,471	3,664	3,978	3,770	3,918	4,136	4,328	4,527	4,752	4,981
Income and profits	921	835	942	1,007	1,183	1,493	1,146	1,281	1,342	1,409	1,479	1,552	1,627
Taxes on property	182	205	217	219	224	223	236	235	237	249	262	275	288
VAT	706	885	1,023	1,095	1,103	1,132	1,169	1,172	1,245	1,307	1,372	1,440	1,510
Excise	154	212	247	229	241	241	254	248	271	284	298	313	328
Import taxes	192	221	242	257	276	280	301	295	320	336	352	370	388
Other taxes	372	405	663	664	638	609	663	687	721	742	764	801	840
Nontax revenue	175	172	189	172	206	221	219	211	221	253	265	278	292
Capital revenue and grants	0	6	20	1	8	0	8	8	9	9	10	10	11
Total expenditure	**3,132**	**3,431**	**3,788**	**3,874**	**4,108**	**4,328**	**4,025**	**4,186**	**4,353**	**4,544**	**4,750**	**4,957**	**5,192**
Current expenditure	2,856	3,006	3,312	3,504	3,611	3,685	3,591	3,753	3,790	3,830	3,987	4,154	4,325
Wages, salaries and SSC	808	835	855	852	858	885	862	921	926	931	977	1,026	1,059
Goods and services	400	493	529	522	647	599	667	726	746	753	776	814	853
Interest	343	399	549	707	788	750	693	722	695	697	729	734	757
Transfers	1,305	1,279	1,379	1,422	1,318	1,451	1,369	1,384	1,422	1,449	1,506	1,581	1,655
o/w Subsidies	161	190	213	159	141	212	149	157	164	178	187	197	204
o/w Grants to public institutions	796	749	805	927	822	894	846	881	894	889	918	963	1,010
o/w Retirement benefits	348	340	362	336	354	345	374	346	364	382	401	421	441
Capital expenditure and net lending	276	425	476	370	497	643	434	433	563	713	762	802	867
CG Fiscal balance	**-430**	**-491**	**-245**	**-231**	**-230**	**-129**	**-29**	**-48**	**13**	**46**	**53**	**84**	**92**
CG Primary balance	**-87**	**-92**	**304**	**477**	**558**	**621**	**665**	**673**	**709**	**743**	**781**	**818**	**848**
Repayment of domestic arrears (net)	74	57	-96	24	40	49	40	40	40	40	40	25	0
CG Fiscal balance (net of arrears)	**-503**	**-548**	**-149**	**-255**	**-270**	**-178**	**-69**	**-88**	**-27**	**6**	**13**	**59**	**92**
CG Primary balance (net of arrears)	**-161**	**-149**	**400**	**453**	**518**	**572**	**625**	**633**	**669**	**703**	**741**	**793**	**848**
Financing	**503**	**548**	**149**	**255**	**270**	**178**	**69**	**88**	**27**	**-6**	**-13**	**-59**	**-92**
Net Financing - External	846	540	376	529	154	157	-180	-36	-56	-236	-149	-128	-52
Capital Markets	0	0	0	0	0	0	100	100	125	150	250	283	187
Project Funds	82	207	95	113	146	112	145	260	145	135	125	115	95
Policy Loans	600	400	400	400	200	200	0	0	200	40	40	40	40
o/w IDB	400	200	200	400	200	200	0	0	160	0	0	0	0
o/w CDB	0	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	0
o/w WB	0	200	200	0	0	0	0	0	40	40	40	40	40
IMF	352	97	83	227	226	225	114	113	0	0	0	0	0
o/w EFF	352	97	83	76	75	75	38	38	0	0	0	0	0
o/w IMF RSF 3/	0	0	0	151	151	150	76	76	0	0	0	0	0
Others 4/	0	0	0	0	-80	-47	0	0	0	0	0	0	0
Amortization	188	163	202	211	338	333	539	509	526	561	564	567	375
Net Financing - Domestic	-343	8	-227	-275	116	21	249	124	83	230	136	69	-39
Central bank 5/	-67	332	-133	-175	429	311	-85	-85	-85	-42	0	0	0
Commercial banks	106	-25	100	131	113	680	100	100	150	200	125	50	0
National Insurance Scheme	-208	15	-60	-83	-92	-439	-70	-70	-50	-30	0	0	0
Private non-bank and others 6/ 7/	-175	-314	-134	-148	-333	-531	304	179	68	103	11	19	-39
Memorandum items:													
Public debt 8/	13,271	13,735	14,634	15,248	14,993	15,240	14,974	15,234	15,170	15,073	14,970	14,862	14,770
Nominal GDP, FY (BDS$ millions)	9,605	11,295	12,873	13,678	14,585	14,542	15,371	15,313	16,057	16,852	17,679	18,546	19,439

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 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.

Table 2b. Barbados: Central Government Operations, 2020/2021–2030/2031 1/ 2/

(In percent of FY-GDP, unless otherwise indicated)

					Projections								
	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30	2030/31
					CR/24/368		CR/24/368						
Total revenue	**28.1**	**26.0**	**27.5**	**26.6**	**26.6**	**28.9**	**26.0**	**27.0**	**27.2**	**27.2**	**27.2**	**27.2**	**27.2**
Current revenue	28.1	26.0	27.4	26.6	26.5	28.9	25.9	27.0	27.1	27.2	27.1	27.1	27.1
Tax revenue	26.3	24.5	25.9	25.4	25.1	27.4	24.5	25.6	25.8	25.7	25.6	25.6	25.6
Income and profits	9.6	7.4	7.3	7.4	8.1	10.3	7.5	8.4	8.4	8.4	8.4	8.4	8.4
Taxes on property	1.9	1.8	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
VAT	7.4	7.8	7.9	8.0	7.6	7.8	7.6	7.7	7.8	7.8	7.8	7.8	7.8
Excise	1.6	1.9	1.9	1.7	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.7	1.7
Import taxes	2.0	2.0	1.9	1.9	1.9	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.0
Other taxes	3.9	3.6	5.2	4.9	4.4	4.2	4.3	4.5	4.5	4.4	4.3	4.3	4.3
Nontax revenue	1.8	1.5	1.5	1.3	1.4	1.5	1.4	1.4	1.4	1.5	1.5	1.5	1.5
Capital revenue and grants	0.0	0.1	0.2	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure	**32.6**	**30.4**	**29.4**	**28.3**	**28.2**	**29.8**	**26.2**	**27.3**	**27.1**	**27.0**	**26.9**	**26.7**	**26.7**
Current expenditure	29.7	26.6	25.7	25.6	24.8	25.3	23.4	24.5	23.6	22.7	22.6	22.4	22.2
Wages, salaries and SSC	8.4	7.4	6.6	6.2	5.9	6.1	5.6	6.0	5.8	5.5	5.5	5.5	5.5
Goods and services	4.2	4.4	4.1	3.8	4.4	4.1	4.3	4.7	4.6	4.5	4.4	4.4	4.4
Interest	3.6	3.5	4.3	5.2	5.4	5.2	4.5	4.7	4.3	4.1	4.1	4.0	3.9
Transfers	13.6	11.3	10.7	10.4	9.0	10.0	8.9	9.0	8.9	8.6	8.5	8.5	8.5
o/w Subsidies	1.7	1.7	1.7	1.2	1.0	1.5	1.0	1.0	1.0	1.1	1.1	1.1	1.1
o/w Grants to public institutions	8.3	6.6	6.3	6.8	5.6	6.1	5.5	5.8	5.6	5.3	5.2	5.2	5.2
o/w Retirement benefits	3.6	3.0	2.8	2.5	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3
Capital expenditure and net lending	2.9	3.8	3.7	2.7	3.4	4.4	2.8	2.8	3.5	4.2	4.3	4.3	4.5
CG Fiscal balance	**-4.5**	**-4.3**	**-1.9**	**-1.7**	**-1.6**	**-0.9**	**-0.2**	**-0.3**	**0.1**	**0.3**	**0.3**	**0.5**	**0.5**
CG Primary balance	**-0.9**	**-0.8**	**2.4**	**3.5**	**3.8**	**4.3**	**4.3**	**4.4**	**4.4**	**4.4**	**4.4**	**4.4**	**4.4**
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	0.1	0.0
CG Fiscal balance (net of arrears)	**-5.2**	**-4.8**	**-1.2**	**-1.9**	**-1.9**	**-1.2**	**-0.4**	**-0.6**	**-0.2**	**0.0**	**0.1**	**0.3**	**0.5**
CG Primary balance (net of arrears)	**-1.7**	**-1.3**	**3.1**	**3.3**	**3.6**	**3.9**	**4.1**	**4.1**	**4.2**	**4.2**	**4.2**	**4.3**	**4.4**
Financing	**5.2**	**4.8**	**1.2**	**1.9**	**1.9**	**1.2**	**0.4**	**0.6**	**0.2**	**0.0**	**-0.1**	**-0.3**	**-0.5**
Net Financing - External	8.8	4.8	2.9	3.9	1.1	1.1	-1.2	-0.2	-0.4	-1.4	-0.8	-0.7	-0.3
Capital Markets	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.7	0.8	0.9	1.4	1.5	1.0
Project Funds	0.8	1.8	0.7	0.8	1.0	0.8	0.9	1.7	0.9	0.8	0.7	0.6	0.5
Policy Loans	6.2	3.5	3.1	2.9	1.4	1.4	0.0	0.0	1.2	0.2	0.2	0.2	0.2
o/w IDB	4.2	1.8	1.6	2.9	1.4	1.4	0.0	0.0	1.0	0.0	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	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	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	0.2
IMF	3.7	0.9	0.6	1.7	1.6	1.5	0.7	0.7	0.0	0.0	0.0	0.0	0.0
o/w EFF	3.7	0.9	0.6	0.6	0.5	0.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0
o/w IMF RSF 3/	0.0	0.0	0.0	1.1	1.0	1.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Others 4/	0.0	0.0	0.0	0.0	-0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	2.0	1.4	1.6	1.5	2.3	2.3	3.5	3.3	3.3	3.3	3.2	3.1	1.9
Net Financing - Domestic	-3.6	0.1	-1.8	-2.0	0.8	0.1	1.6	0.8	0.5	1.4	0.8	0.4	-0.2
Central bank 5/	-0.7	2.9	-1.0	-1.3	2.9	2.1	-0.6	-0.6	-0.5	-0.3	0.0	0.0	0.0
Commercial banks	1.1	-0.2	0.8	1.0	0.8	4.7	0.7	0.7	0.9	1.2	0.7	0.3	0.0
National Insurance Scheme	-2.2	0.1	-0.5	-0.6	-0.6	-3.0	-0.5	-0.5	-0.3	-0.2	0.0	0.0	0.0
Private non-bank and others 6/ 7/	-1.8	-2.8	-1.0	-1.1	-2.3	-3.7	2.0	1.2	0.4	0.6	0.1	0.1	-0.2
Memorandum items:													
Public debt 8/	138.2	121.6	113.7	111.5	102.8	104.8	97.4	99.5	94.5	89.4	84.7	80.1	76.0
Nominal GDP, FY (BDS$ millions)	9,605	11,295	12,873	13,678	14,585	14,542	15,371	15,313	16,057	16,852	17,679	18,546	19,439

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 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.

Table 3. Barbados: Public Debt, 2020/2021–2030/2031 1/ 2/ 3/

					Projections								
	2020/21	2021/22	2022/23	2023/24	2024/25		2025/26		2026/27	2027/28	2028/29	2029/30	2030/31
					CR/24/368		CR/24/368						
	(In millions of Barbados dollars)												
Central government debt	**12,822**	**13,302**	**14,222**	**14,873**	**14,630**	**14,884**	**14,674**	**14,947**	**14,949**	**14,918**	**14,881**	**14,812**	**14,720**
Domestic	**8,873**	**8,824**	**9,118**	**9,250**	**8,929**	**9,135**	**9,153**	**9,233**	**9,291**	**9,497**	**9,608**	**9,668**	**9,628**
Short Term	708	710	662	823	600	913	600	600	600	600	600	600	600
Long term	8,085	8,091	8,198	8,194	8,136	8,037	8,399	8,489	8,587	8,832	8,983	9,068	9,028
Arrears 2/	79	23	257	233	193	185	153	145	105	65	25	0	0
External 3/	**3,949**	**4,477**	**5,104**	**5,623**	**5,701**	**5,749**	**5,521**	**5,714**	**5,657**	**5,421**	**5,272**	**5,144**	**5,092**
Short Term	0	0	0	0	0	0	0	0	0	0	0	0	0
Long term	3,949	4,477	5,104	5,623	5,701	5,749	5,521	5,714	5,657	5,421	5,272	5,144	5,092
Arrears	0	0	0	0	0	0	0	0	0	0	0	0	0
Government-guaranteed SOE debt	52	46	36	26	74	70	72	61	56	53	50	50	50
Domestic	0	0	0	0	0	0	0	0	0	0	0	0	0
External	52	46	36	26	74	70	72	61	56	53	50	50	50
Public sector debt	12,874	13,348	14,258	14,899	14,704	14,953	14,746	15,008	15,005	14,971	14,931	14,862	14,770
IMF (BOP support) 4/	397	387	377	349	289	286	228	226	165	102	39	0	0
Public sector debt + IMF (BOP support)	**13,271**	**13,735**	**14,634**	**15,248**	**14,993**	**15,240**	**14,974**	**15,234**	**15,170**	**15,073**	**14,970**	**14,862**	**14,770**
	(In percent of FY GDP)												
Central government debt	**133.5**	**117.8**	**110.5**	**108.7**	**100.3**	**102.4**	**95.5**	**97.6**	**93.1**	**88.5**	**84.2**	**79.9**	**75.7**
Domestic	**92.4**	**78.1**	**70.8**	**67.6**	**61.2**	**62.8**	**59.5**	**60.3**	**57.9**	**56.4**	**54.3**	**52.1**	**49.5**
Short Term	7.4	6.3	5.1	6.0	4.1	6.3	3.9	3.9	3.7	3.6	3.4	3.2	3.1
Long term	84.2	71.6	63.7	59.9	55.8	55.3	54.6	55.4	53.5	52.4	50.8	48.9	46.4
Arrears 2/	0.8	0.2	2.0	1.7	1.3	1.3	1.0	0.9	0.7	0.4	0.1	0.0	0.0
External 3/	**41.1**	**39.6**	**39.6**	**41.1**	**39.1**	**39.5**	**35.9**	**37.3**	**35.2**	**32.2**	**29.8**	**27.7**	**26.2**
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	0.0
Long term	41.1	39.6	39.6	41.1	39.1	39.5	35.9	37.3	35.2	32.2	29.8	27.7	26.2
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	0.0
Government-guaranteed SOE debt	**0.5**	**0.4**	**0.3**	**0.2**	**0.5**	**0.5**	**0.5**	**0.4**	**0.3**	**0.3**	**0.3**	**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	0.0
External	0.5	0.4	0.3	0.2	0.5	0.5	0.5	0.4	0.3	0.3	0.3	0.3	0.3
Public sector debt	**134.0**	**118.2**	**110.8**	**108.9**	**100.8**	**102.8**	**95.9**	**98.0**	**93.4**	**88.8**	**84.5**	**80.1**	**76.0**
IMF (BOP support) 4/	4.1	3.4	2.9	2.6	2.0	2.0	1.5	1.5	1.0	0.6	0.2	0.0	0.0
Public sector debt + IMF (BOP support)	**138.2**	**121.6**	**113.7**	**111.5**	**102.8**	**104.8**	**97.4**	**99.5**	**94.5**	**89.4**	**84.7**	**80.1**	**76.0**
Memorandum items:													
Nominal GDP, FY (BDS$ millions)	9,605	11,295	12,873	13,678	14,585	14,542	15,371	15,313	16,057	16,852	17,679	18,546	19,439

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, 2020–2030 1/

(In millions of U.S. dollars)

	2020	2021	2022	2023	2024		Projections 2025		2026	2027	2028	2029	2030
					CR/24/368	Est.	CR/24/368						
Current account balance	**-258**	**-541**	**-619**	**-590**	**-421**	**-320**	**-445**	**-480**	**-443**	**-453**	**-465**	**-467**	**-480**
o/w Exports of goods and services	1,419	1,482	1,999	2,223	2,457	2,453	2,722	2,486	2,600	2,777	2,948	3,124	3,291
o/w Imports of goods and services	1,703	1,960	2,467	2,529	2,706	2,653	2,873	2,747	2,811	2,991	3,164	3,342	3,510
Trade balance	-808	-950	-1,228	-1,225	-1,267	-1,253	-1,297	-1,357	-1,346	-1,429	-1,502	-1,574	-1,649
Exports of goods	619	639	811	793	815	790	936	777	821	880	940	1,003	1,059
o/w Re-exports	120	119	247	220	235	219	259	204	214	231	243	257	279
Imports of goods	1,427	1,589	2,039	2,017	2,082	2,042	2,233	2,134	2,168	2,309	2,442	2,578	2,708
o/w Oil	260	343	561	505	494	476	443	402	375	377	382	387	390
Services balance	524	472	759	919	1,018	1,053	1,147	1,096	1,135	1,215	1,285	1,357	1,430
Credit	800	843	1,187	1,430	1,642	1,663	1,786	1,709	1,779	1,897	2,007	2,121	2,232
o/w Travel (credit)	602	623	935	1,157	1,354	1,366	1,482	1,402	1,458	1,559	1,653	1,749	1,842
Debit	277	372	428	511	623	610	639	613	644	682	722	764	802
Primary income balance	-67	-96	-166	-279	-294	-287	-295	-290	-298	-303	-316	-321	-334
Credit	169	206	230	248	258	254	282	267	276	290	304	319	333
Debit	237	302	396	528	552	541	577	558	574	593	621	640	667
Secondary income balance	93	33	16	-4	122	166	0	71	67	65	68	72	72
Credit	198	142	138	127	265	310	152	224	227	238	250	263	276
Debit	105	109	122	131	143	144	152	153	160	173	182	191	203
Capital and financial account (without RSF)	**578**	**556**	**422**	**593**	**412**	**381**	**426**	**485**	**421**	**398**	**433**	**491**	**566**
Capital and financial account (with RSF)	**578**	**556**	**422**	**518**	**336**	**306**	**388**	**447**	**421**	**398**	**433**	**491**	**566**
Financial Account Balance	811	604	456	633	449	417	445	502	423	400	437	494	566
Public sector	238	319	9	186	-20	-21	-75	-20	-71	-127	-117	-86	-36
o/w CG and CBB Inflows	333	377	110	415	244	258	248	287	221	181	196	216	176
SDR allocation	0	130	0	0	0	0	0	0	0	0	0	0	0
IFIs and others (including RSF)	333	248	110	340	169	183	210	249	221	181	196	216	176
o/w CG and CBB Outflows	95	58	101	143	184	174	276	263	292	307	313	302	211
Private sector	342	236	406	334	356	326	464	465	494	527	553	580	602
FDI and long-term debt (net)	380	259	419	352	373	355	472	468	499	527	553	580	602
Short-term debt (net)	-38	-22	-14	-18	-16	-29	-8	-3	-5	0	0	0	0
Capital Account Balance	-2	0	7	-2	0	2	0	2	-2	-2	-4	-3	0
Net errors and omissions	**39**	**136**	**11**	**74**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (deficit -)	**359**	**151**	**-186**	**77**	**-10**	**60**	**-19**	**5**	**-22**	**-55**	**-32**	**24**	**85**
Use of Fund credit: EFF	231	48	41	38	38	37	19	19	0	0	0	0	0
Change in reserves (-=increase, without RSF)	**-590**	**-199**	**144**	**-115**	**-28**	**-92**	**0**	**-24**	**22**	**55**	**32**	**-24**	**-85**
Use of Fund credit: RSF	0	0	0	76	75	75	38	38	0	0	0	0	0
Change in reserves (-=increase, with RSF) 2/	**-590**	**-199**	**144**	**-115**	**-28**	**-92**	**0**	**-24**	**22**	**55**	**32**	**-24**	**-85**
Memorandum items:													
Oil Price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	79.2	72.8	66.9	62.4	62.7	63.6	64.3	64.9
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,330	1,529	1,385	1,500	1,528	1,592	1,528	1,616	1,594	1,539	1,506	1,531	1,616
GIR (months of imports of G&S)	9.4	9.4	6.7	7.1	6.8	7.2	6.4	7.1	6.8	6.2	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	258	288	215	214	203	205	186	198	190	178	168	165	174

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 2024.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

Table 4b. Barbados: Balance of Payments, 2020–2030 1/

(In percent of CY-GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
							Projections						
					CR/24/368	Est.	CR/24/368						
Current account balance	**-5.0**	**-10.3**	**-9.9**	**-8.8**	**-5.9**	**-4.5**	**-5.8**	**-6.4**	**-5.6**	**-5.4**	**-5.3**	**-5.1**	**-5.0**
o/w Exports of goods and services	27.5	28.1	31.9	33.1	34.3	34.2	35.8	32.9	32.8	33.4	33.7	34.1	34.2
o/w Imports of goods and services	33.0	37.2	39.4	37.6	37.8	37.0	37.7	36.4	35.5	35.9	36.2	36.4	36.5
Trade balance	-15.6	-18.0	-19.6	-18.2	-17.7	-17.5	-17.0	-18.0	-17.0	-17.2	-17.2	-17.2	-17.1
Exports of goods	12.0	12.1	13.0	11.8	11.4	11.0	12.3	10.3	10.4	10.6	10.8	10.9	11.0
o/w Re-exports	2.3	2.3	3.9	3.3	3.3	3.1	3.4	2.7	2.7	2.8	2.8	2.8	2.9
Imports of goods	27.6	30.1	32.6	30.0	29.1	28.5	29.3	28.2	27.4	27.7	28.0	28.1	28.1
o/w Oil	5.0	6.5	9.0	7.5	6.9	6.6	5.8	5.3	4.7	4.5	4.4	4.2	4.1
Services balance	10.1	8.9	12.1	13.7	14.2	14.7	15.1	14.5	14.3	14.6	14.7	14.8	14.9
Credit	15.5	16.0	19.0	21.3	22.9	23.2	23.5	22.6	22.4	22.8	23.0	23.1	23.2
o/w Travel (credit)	11.6	11.8	14.9	17.2	18.9	19.1	19.5	18.6	18.4	18.7	18.9	19.1	19.1
Debit	5.4	7.0	6.8	7.6	8.7	8.5	8.4	8.1	8.1	8.2	8.3	8.3	8.3
Primary income balance	-1.3	-1.8	-2.6	-4.2	-4.1	-4.0	-3.9	-3.8	-3.8	-3.6	-3.6	-3.5	-3.5
Credit	3.3	3.9	3.7	3.7	3.6	3.5	3.7	3.5	3.5	3.5	3.5	3.5	3.5
Debit	4.6	5.7	6.3	7.9	7.7	7.5	7.6	7.4	7.2	7.1	7.1	7.0	6.9
Secondary income balance	1.8	0.6	0.3	-0.1	1.7	2.3	0.0	0.9	0.8	0.8	0.8	0.8	0.8
Credit	3.8	2.7	2.2	1.9	3.7	4.3	2.0	3.0	2.9	2.9	2.9	2.9	2.9
Debit	2.0	2.1	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
Capital and financial account (without RSF)	**11.2**	**10.5**	**6.8**	**8.8**	**5.7**	**5.3**	**5.6**	**6.4**	**5.3**	**4.8**	**5.0**	**5.4**	**5.9**
Capital and financial account (with RSF)	**11.2**	**10.5**	**6.8**	**7.7**	**4.7**	**4.3**	**5.1**	**5.9**	**5.3**	**4.8**	**5.0**	**5.4**	**5.9**
Financial Account Balance	15.7	11.4	7.3	9.4	6.3	5.8	5.9	6.6	5.3	4.8	5.0	5.4	5.9
Public sector	4.6	6.0	0.2	4.0	0.8	0.7	-0.5	0.2	-0.9	-1.5	-1.3	-0.9	-0.4
o/w CG and CBB Inflows	6.4	7.1	1.8	6.2	3.4	3.6	3.3	3.8	2.8	2.2	2.2	2.2	1.8
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	0.0
IFIs and others (including RSF)	6.4	4.7	1.8	5.1	2.4	2.6	2.8	3.3	2.8	2.2	2.2	2.4	1.8
o/w CG and CBB Outflows	1.8	1.1	1.6	2.1	2.6	2.4	3.6	3.5	3.7	3.7	3.6	3.3	2.2
Private sector	6.6	4.5	6.5	5.0	5.0	4.5	6.1	6.2	6.2	6.3	6.3	6.3	6.3
FDI and long-term debt (net)	7.4	4.9	6.7	5.2	5.2	5.0	6.2	6.2	6.3	6.3	6.3	6.3	6.3
Short-term debt (net)	-0.7	-0.4	-0.2	-0.3	-0.2	-0.4	-0.1	0.0	-0.1	0.0	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	0.0
Net errors and omissions	**0.8**	**2.6**	**0.2**	**1.1**	**0.0**	**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**	**0.8**	**-0.2**	**0.1**	**-0.3**	**-0.7**	**-0.4**	**0.3**	**0.9**
Use of Fund credit: EFF	4.5	0.9	0.7	0.6	0.5	0.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Change in reserves (-=increase, without RSF)	**-11.4**	**-3.8**	**2.3**	**-1.7**	**-0.4**	**-1.3**	**0.0**	**-0.3**	**0.3**	**0.7**	**0.4**	**-0.3**	**-0.9**
Use of Fund credit: RSF	0	0	0	1.1	1.1	1.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Change in reserves (-=increase, with RSF) 2/	**-11.4**	**-3.8**	**2.3**	**-1.7**	**-0.4**	**-1.3**	**0.0**	**-0.3**	**0.3**	**0.7**	**0.4**	**-0.3**	**-0.9**
Memorandum items:													
Oil Price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	79.2	72.8	66.9	62.4	62.7	63.6	64.3	64.9
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,330	1,529	1,385	1,500	1,528	1,592	1,528	1,616	1,594	1,539	1,506	1,531	1,616
In months of imports of G&S	9.4	9.4	6.7	7.1	6.8	7.2	6.4	7.1	6.8	6.2	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	258	288	215	214	203	205	186	198	190	178	168	165	174

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 2024.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

Table 5. Barbados: Monetary Survey, 2020–2030 1/

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
							Projections						
					CR/24/368	Prel.	CR/24/368						
					(In millions of Barbados dollars)								
Central Bank of Barbados													
Net International Reserves	2,195	2,595	1,851	1,839	1,955	2,067	2,017	2,175	2,193	2,145	2,143	2,231	2,402
Assets	2,661	3,059	2,770	2,999	3,056	3,184	3,057	3,231	3,188	3,077	3,012	3,061	3,232
Liabilities	-466	-464	-919	-1,161	-1,102	-1,117	-1,040	-1,056	-995	-932	-869	-830	-830
Gross International Reserves 2/	2,661	3,059	2,770	2,999	3,056	3,184	3,057	3,231	3,188	3,077	3,012	3,061	3,232
Net domestic assets 3/	1,296	1,479	1,978	1,739	1,585	1,383	1,693	1,217	1,217	1,217	1,217	1,217	1,217
Of which: Claims on Central government	769	821	1,058	1,057	1,057	822	972	737	652	610	610	610	610
Monetary base	3,552	4,133	4,389	4,401	3,540	4,282	3,710	3,392	3,409	3,362	3,360	3,448	3,619
Commercial banks													
Net foreign assets	633	827	877	760	760	737	760	737	737	737	737	737	737
Net domestic assets	11,609	12,117	12,713	12,943	12,752	14,036	13,266	13,943	14,413	14,904	15,474	16,108	16,888
Liabilities to the nonfinancial private sector	12,242	12,944	13,590	13,704	13,513	14,773	14,027	14,680	15,150	15,641	16,211	16,845	17,625
Monetary survey													
Net foreign assets	2,340	2,599	2,363	2,412	2,504	2,595	2,567	2,690	2,707	2,660	2,657	2,745	2,916
Net domestic assets	10,161	10,650	11,591	11,686	12,355	12,565	12,848	13,002	13,459	13,985	14,557	15,125	15,779
Net credit to the public sector	2,087	2,653	3,193	3,183	3,558	3,702	3,765	3,869	4,019	4,219	4,344	4,394	4,394
Central government	2,002	2,509	3,036	3,040	3,415	3,565	3,623	3,732	3,882	4,082	4,207	4,257	4,257
Rest of public sector	85	145	157	143	143	137	143	137	137	137	137	137	137
Credit to the private sector	8,206	8,149	8,410	8,629	8,923	9,021	9,208	9,291	9,597	9,924	10,370	10,889	11,542
of which Credit to the non financial private sector	8,154	8,097	8,351	8,568	8,859	8,959	9,142	9,228	9,532	9,856	10,300	10,815	11,464
Credit to rest of financial system	271	256	311	316	316	332	316	332	332	332	332	332	332
Other items (net)	-403	-408	-323	-442	-442	-489	-442	-489	-489	-489	-489	-489	-489
Broad money (M2, liabilities to the private sector)	12,501	13,249	13,954	14,098	14,859	15,160	15,414	15,692	16,166	16,645	17,214	17,871	18,695
					(In percentage change)								
Monetary survey													
Net foreign assets	40.6	11.1	-9.1	2.1	3.8	7.6	2.5	3.7	0.7	-1.8	-0.1	3.3	6.2
Net domestic assets	1.7	4.8	8.8	0.8	5.7	7.5	4.0	3.5	3.5	3.9	4.1	3.9	4.3
Of which:													
Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	3.4	4.6	3.2	3.0	3.3	3.4	4.5	5.0	6.0
Net credit to the public sector	-8.9	27.1	20.4	-0.3	11.8	16.3	5.8	4.5	3.9	5.0	3.0	1.2	0.0
Broad money	7.2	6.0	5.3	1.0	5.4	7.5	3.7	3.5	3.0	3.0	3.4	3.8	4.6

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 2024.
2/ Calculated at program exchange rates.
3/ TMU definition.

Table 6. Barbados: Medium-Term Macroeconomic Framework, 2020–2030 1/

(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
					Projections								
					CR/24/368		CR/24/368						
					(Annual percentage change, unless otherwise indicated)								
National accounts and prices (calendar year)													
CY Real GDP 2/	-15.1	-0.3	17.8	4.1	3.8	4.0	3.0	2.7	2.0	2.0	2.0	2.0	2.0
Nominal GDP 2/	-10.7	2.1	18.6	7.4	6.6	6.7	6.2	5.4	4.9	5.0	5.0	5.0	5.0
CPI inflation (average)	0.6	1.5	4.4	3.2	2.3	1.4	2.4	2.6	2.4	2.4	2.4	2.4	2.4
CPI inflation (end of period)	0.4	2.4	3.8	3.2	2.9	0.4	2.4	3.7	2.4	2.4	2.4	2.4	2.4
External sector (calendar year)													
Exports of goods and services, value	-38.0	4.4	34.8	11.2	10.6	10.4	10.8	1.3	4.6	6.8	6.1	6.0	5.3
Imports of goods and services, value	-17.8	15.1	25.9	2.5	7.6	4.9	6.2	3.6	2.3	6.4	5.8	5.6	5.0
Real effective exchange rate (index, average)	131.5	127.7	124.4	123.9	…	122.7	…	…	…	…	…	…	…
Terms of trade	7.5	-13.9	-5.8	4.7	2.7	4.2	2.0	3.6	0.3	-0.2	0.0	0.2	1.1
Money and credit (calendar year, end of period)													
Net domestic assets	1.7	4.8	8.8	0.8	5.7	7.5	4.0	3.5	3.5	3.9	4.1	3.9	4.3
Of which: Credit to the non financial private sector	-1.2	-0.7	3.1	2.6	3.4	4.6	3.2	3.0	3.3	3.4	4.5	5.0	6.0
Broad money	7.2	6.0	5.3	1.0	5.4	7.5	3.7	3.5	3.0	3.0	3.4	3.8	4.6
Velocity (GDP relative to broad money)	0.8	0.8	0.9	1.0	0.9	0.9	0.9	1.0	1.0	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	26.6	28.9	26.0	27.0	27.2	27.2	27.2	27.2	27.2
Expenditure	32.6	30.4	29.4	28.3	28.2	29.8	26.2	27.3	27.1	27.0	26.9	26.7	26.7
Fiscal balance	-4.5	-4.3	-1.9	-1.7	-1.6	-0.9	-0.2	-0.3	0.1	0.3	0.3	0.5	0.5
Interest Expenditure	3.6	3.5	4.3	5.2	5.4	5.2	4.5	4.7	4.3	4.1	4.1	4.0	3.9
Primary balance	-0.9	-0.8	2.4	3.5	3.8	4.3	4.3	4.4	4.4	4.4	4.4	4.4	4.4
Public debt (fiscal year) 2/													
Public sector debt 4/	138.2	121.6	113.7	111.5	102.8	104.8	97.4	99.5	94.5	89.4	84.7	80.1	76.0
External	45.8	43.5	42.9	43.9	41.6	42.0	37.9	39.2	36.6	33.1	30.3	28.0	26.5
Domestic	92.4	78.1	70.8	67.6	61.2	62.8	59.5	60.3	57.9	56.4	54.3	52.1	49.5
Savings and investment (calendar year) 2/													
Gross domestic investment	16.4	16.8	16.8	16.0	16.3	17.0	16.0	16.2	16.4	17.1	17.3	17.3	17.4
Public	2.7	3.9	3.9	3.2	3.5	4.2	3.2	3.4	3.6	4.3	4.5	4.6	4.7
Private 3/	13.7	12.9	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8
National savings	11.4	6.5	6.9	7.2	10.4	12.6	10.1	9.9	10.8	11.6	12.0	12.2	12.4
Public	-2.7	-2.6	0.0	1.0	1.4	2.1	2.2	2.1	3.4	3.0	3.1	3.8	4.0
Private	14.1	9.1	6.9	6.3	9.0	10.5	7.9	7.8	7.4	8.7	8.9	8.4	8.4
External savings	-5.0	-10.3	-9.9	-8.8	-5.9	-4.5	-5.8	-6.4	-5.6	-5.4	-5.3	-5.1	-5.0
Balance of payments (calendar year) 2/													
Current account	-5.0	-10.3	-9.9	-8.8	-5.9	-4.5	-5.8	-6.4	-5.6	-5.4	-5.3	-5.1	-5.0
Capital and financial account	15.6	11.5	7.4	9.4	6.3	5.8	5.9	6.7	5.3	4.8	5.0	5.4	5.9
Official capital (net)	9.1	7.0	0.8	4.5	1.3	1.3	-0.2	0.5	-0.9	-1.5	-1.3	-0.9	-0.4
Private capital (net)	6.6	4.5	6.5	5.0	5.0	4.5	6.1	6.2	6.2	6.3	6.3	6.3	6.3
Of which: Long-term flows	7.4	4.9	6.7	5.2	5.2	5.0	6.2	6.2	6.3	6.3	6.3	6.3	6.3
Net errors and omissions	0.8	2.6	0.2	1.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	11.4	3.8	-2.3	1.7	0.4	1.3	0.0	0.3	-0.3	-0.7	-0.4	0.3	0.9
Memorandum items:													
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	…	2.0	…	…	…	…	…	…	…
Oil price (WTI, US$ per barrel)	41.8	69.2	96.4	80.6	81.3	79.2	72.8	66.9	62.4	62.7	63.6	64.3	64.9
Gross international reserves (US$ millions)	1,330	1,529	1,385	1,500	1,528	1,592	1,528	1,616	1,594	1,539	1,506	1,531	1,616
In months of imports	9.4	9.4	6.7	7.1	6.8	7.2	6.4	7.1	6.8	6.2	5.7	5.5	5.5
In percent of ARA	257.9	288.5	215.2	213.5	202.9	205.1	186.4	198.2	189.7	177.7	168.3	165.5	174.3
Nominal CY GDP (BDS$ millions) 2/	10,337	10,550	12,515	13,441	14,330	14,337	15,220	15,112	15,850	16,646	17,473	18,340	19,249

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 2024.

2/ Fiscal year is from April to March.

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, 2018–2025

(Percent)

	2018	2019	2020	2021	2022	2023				2024				2025
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
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	20.2	21.2	19.5
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	54.2	57.0	55.8
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	59.7	60.7	61.7
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	28.1	23.7	24.8
Credit Risk Indicators														
Loans and advances (yoy growth rate)	0.7	-0.5	-2.1	-2.1	6.2	6.7	6.8	5.9	2.8	2.8	4.4	3.1	14.2	15.4
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	4.6	4.1	3.9
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	46.3	46.5	46.7
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	9.7	9.6	11.1
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	1.2	1.2	1.4
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	10.1	10.1	9.4
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	73.7	74.1	73.1
Credit Risk Indicators														
Total assets, annual growth rate 2/	9.5	7.5	7.3	5.3	4.0	…	…	…	2.9	…	…	…	3.6	…
Loans, annual growth rate 2/	4.2	3.5	0.8	4.4	6.0	…	…	…	2.8	…	…	…	3.6	…
Nonperforming loans ratio	8.9	9.6	13.2	12.8	12.7	12.0	12.8	12.6	12.8	12.1	12.0	11.3	11.2	10.8
Arrears 3-6 months/Total Loans	1.9	1.9	2.2	1.5	1.7	1.3	2.1	1.9	1.9	1.2	1.3	1.2	1.1	0.9
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	1.2	1.2	1.0
Arrears over 12 months/Total Loans	5.5	6.1	7.3	8.8	9.1	8.9	9.0	8.9	9.0	9.2	9.2	8.9	8.9	8.8
Provisions to Total loans	2.6	2.8	2.9	3.9	4.1	4.0	3.7	3.7	3.6	3.3	3.2	3.3	3.2	3.1
Profitability Indicator														
Return on Assets (ROA)	0.7	0.7	0.5	0.5	0.5	0.6	0.1	0.2	0.4	0.6	0.2	0.3	0.4	0.4

Sources: Central Bank of Barbados and Financial Services Commission.

1/ Includes foreign components.

2/ Quarterly data are not available.

Table 8. Barbados: External Financing Requirements and Sources, 2020–2030 1/

(In millions of US$, unless otherwise indicated)

	2020	2021	2022	2023	2024		Projections 2025		2026	2027	2028	2029	2030
					CR/24/368	Est.	CR/24/368						
					(in US$ millions, unless otherwise indicated)								
Gross Financing Requirements	**353**	**599**	**720**	**733**	**605**	**495**	**721**	**744**	**735**	**760**	**778**	**769**	**692**
Current Account Balance	258	541	619	590	421	320	445	480	443	453	465	467	480
CG Debt Amortization	95	58	101	143	184	174	276	263	292	307	313	302	211
Sources of Financing	**353**	**599**	**720**	**743**	**568**	**463**	**702**	**725**	**735**	**760**	**778**	**769**	**692**
Public Sector	564	425	152	453	239	228	238	281	221	181	196	216	176
o/w: World Bank 2/	0	100	0	100	0	0	0	0	0	20	20	20	20
o/w IDB 2/	200	100	0	200	100	100	100	100	80	0	0	0	0
o/w IMF SDR allocation	0	130	0	0	0	0	0	0	0	0	0	0	0
o/w IMF EFF 3/	231	48	41	38	…	37	…	…	…	…	…	…	…
o/w IMF RSF	0	0	0	76	…	75	…	…	…	…	…	…	…
FDI and long-term debt (net)	380	259	419	352	373	355	472	468	499	527	553	580	602
Short-term debt (net)	-38	-22	-14	-18	-16	-29	-8	-3	-5	0	0	0	0
Capital Account Balance	-2	0	7	-2	0	2	0	2	-2	-2	-4	-3	0
Net errors and omissions	39	136	11	74	0	0	0	0	0	0	0	0	0
Change in Reserves (- = increase) (without RSF)	-590	-199	144	-115	-28	-92	0	-24	22	55	32	-24	-85
Financing Gap	**0**	**0**	**0**	**0**	**38**	**0**	**19**	**19**	**0**	**0**	**0**	**0**	**0**
Financing Gap	…	…	…	…	38	…	19	19	0	0	0	0	0
Prospective Financing	**…**	**…**	**…**	**…**	**38**	**…**	**19**	**19**	**0**	**0**	**0**	**0**	**0**
IMF EFF disbursement 4/	…	…	…	…	38	…	19	19	0	0	0	0	0
IMF RSF disbursement 5/	**…**	**…**	**…**	**…**	**75**	**…**	**38**	**38**	**0**	**0**	**0**	**0**	**0**
Change in Reserves (- = increase) (with RSF)	-590	-199	144	-115	-28	-92	0	-24	22	55	32	-24	-85
Memo items:													
Gross international reserves (with RSF) 5/	1,330	1,529	1,385	1,500	1,528	1,592	1,528	1,616	1,594	1,539	1,506	1,531	1,616
Months of imports of G&S	9.4	9.4	6.7	7.1	6.8	7.2	6.4	7.1	6.8	6.2	5.7	5.5	5.5
In percent of ARA (with RSF)	258	288	215	214	203	205	186	198	190	178	168	165	174
Gross Financing Sources (GFS) composition (without RSF)	353	599	720	743	568	463	702	725	735	760	778	769	692
Other financing	353	599	720	743	568	463	702	725	735	760	778	769	692
RSF disbursement	0	0	0	0	0	0	0	0	0	0	0	0	0
GFS composition (with RSF)	353	599	720	743	568	463	702	725	735	760	778	769	692
Other financing	353	599	720	743	492	463	664	687	735	760	778	769	692
RSF disbursement	…	…	…	…	75	…	38	38	0	0	0	0	0

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

1/ CR/24/368 refers to the staff report for the fourth review of the EFF/RSF arrangement in December 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)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	204
Existing and prospective Fund credit (SDR million)																				
Disbursements	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
EFF	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
RSF	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
Stock of existing and prospective Fund credit	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
EFF	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
RSF	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
Obligations	68.4	74.1	76.3	77.7	72.7	54.7	32.7	27.5	20.3	22.5	23.2	22.9	22.3	23.2	19.8	20.6	20.1	19.5	18.2	12.8
Principal (repayments/repurchases)	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
EFF	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
RSF	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
Charges and interest 1/	21.8	21.9	19.1	17.0	14.8	12.8	11.4	10.7	10.1	9.7	9.2	8.7	8.1	7.6	7.0	6.5	5.9	5.3	4.8	4.3
Of which:																				
GRA Basic charges	13.1	11.4	9.5	7.4	5.3	3.2	1.9	1.1	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surcharges	1.9	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	0.0	0.0	0.0	0.0	0.0
Of which: Level-based	1.4	0.7	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
Time-based	0.5	0.3	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
Fund obligations (repurchases and charges) in percent of:																				
Quota	72.4	78.4	80.7	82.3	76.9	57.9	34.6	29.1	21.5	23.8	24.5	24.2	23.6	24.5	20.9	21.8	21.2	20.6	19.3	13.5
o/w: RSF	3.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	6.7	11.8	19.0	20.0	19.4	20.3	16.7	17.6	17.0	16.4	15.1	9.3
GDP	1.2	1.3	1.2	1.2	1.1	0.8	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Exports of goods and services	3.7	3.8	3.7	3.5	3.1	2.2	1.3	1.0	0.7	0.8	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.4	0.3
Gross international reserves	5.6	6.2	6.6	6.9	6.3	4.5	2.8	2.4	1.7	1.9	1.9	1.6	1.3	1.2	0.9	0.8	0.7	0.6	0.5	0.3
Government revenue	4.4	4.5	4.4	4.3	3.9	2.8	1.6	1.3	0.9	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.3
External debt service, public and publicly guaranteed (PPG)	20.7	22.5	22.4	23.0	22.2	22.7	13.4	10.5	7.2	7.2	6.8	6.9	7.2	7.5	6.5	7.1	7.0	6.3	5.5	3.8
Fund credit outstanding in percent of:																				
Quota	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
o/w: RSF	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
GDP	8.3	7.0	5.8	4.6	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
Exports of goods and services	25.1	21.4	17.2	13.5	10.2	8.0	6.8	5.9	5.3	4.6	3.9	3.3	2.8	2.2	1.8	1.3	0.9	0.5	0.2	0.0
Gross international reserves	38.6	34.8	31.1	26.4	20.9	16.3	15.0	13.8	12.8	11.5	9.9	7.7	5.7	4.1	2.9	2.0	1.2	0.7	0.3	0.0
Government revenue	30.2	25.4	20.9	16.6	12.7	10.0	8.5	7.4	6.6	5.8	5.0	4.2	3.5	2.8	2.2	1.7	1.2	0.7	0.3	0.0
External debt, PPG	20.8	18.9	17.2	14.8	12.3	10.3	9.3	8.7	8.4	8.0	7.5	6.5	5.5	4.6	3.8	2.9	2.1	1.3	0.5	0.1
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
Gross domestic product (USD million)	7,556	7,925	8,323	8,736	9,170	9,624	10,069	10,531	11,009	11,514	12,042	12,593	13,170	13,772	14,402	15,051	15,737	16,445	17,146	17,908
Exports of goods and services (USD million)	2,486	2,600	2,777	2,948	3,124	3,291	3,444	3,612	3,786	3,968	4,156	4,353	4,559	4,775	5,001	5,235	5,483	5,740	5,995	6,273
Gross international reserves (USD million)	1,616	1,594	1,539	1,506	1,531	1,616	1,567	1,546	1,557	1,594	1,658	1,890	2,210	2,580	3,004	3,484	4,025	4,631	5,301	6,043
Government revenue (USD million)	2,069	2,183	2,295	2,401	2,520	2,642	2,762	2,887	3,017	3,156	3,300	3,451	3,609	3,773	3,945	4,123	4,309	4,500	4,694	4,901
External debt service, PPG (USD million)	438	439	455	452	438	322	326	351	375	414	454	444	415	412	407	391	382	413	442	455
Total external debt, PPG (USD million)	3,000	2,939	2,788	2,681	2,597	2,571	2,523	2,463	2,390	2,296	2,181	2,228	2,276	2,298	2,346	2,393	2,441	2,488	2,536	2,583

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 3.589 percent (as of 05/15/2025), and RST rate of interest of 3.989 percent (as of 05/15/2025) as Barbados belongs to the RST interest Group C.

2/ SDR/USD exchange rate = 0.741 (as of 05/15/2025) and quota SDR = 94.5 million.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	High	• Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food production and other goods supply. • If risk materializes, reprioritize government spending to provide targeted support to the most vulnerable.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	Medium	• Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food production and other goods supply; and maintain fiscal and external sustainability. • Continue efforts to improve the business environment, with a key focus on advancing digitalization efforts.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	Medium	• Monitor financial system and stand ready to provide liquidity assistance if needed to maintain financial stability. • Utilize some of the ample fiscal cash buffers and increase domestic financing, in the event that global conditions delay a return to international capital markets. • 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.
Regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	Medium	• Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food production and other goods supply. • Continue with efforts to strengthen the fiscal position backed by structural reforms to enhance fiscal sustainability and improve the business / regulatory environment, thereby increasing investors' confidence.

[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
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.	Medium	Medium	• Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food production 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 acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	Low	Medium	• Continue prudent fiscal policy backed by structural reforms to maintain fiscal sustainability, 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 to sustain high primary surpluses and facilitate the 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).
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.	Medium	High	• Monitor and evaluate the scope of cyber security vulnerabilities, guided by the recently enhanced cyber risk supervisory frameworks and leveraging the new Cyber Security Operations Center.

Annex II. Debt Sustainability Analysis

Barbados' public debt is assessed to be sustainable, and the 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). The fanchart tool indicates moderate risk, an improvement from the fourth review. While Barbados has a history of high macroeconomic volatility, public debt has been on a clear downward trend, due to the authorities' strong commitment to maintain large fiscal surpluses. The Gross Financing Needs (GFN) financeability tool indicates moderate risk due to relatively low financing needs, which are projected to decline steadily over the projection horizon. 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. While domestic risks related to maintaining high primary surpluses over an extended period persist, they have declined with the authorities' sustained strong fiscal performance. Nevertheless, risks arising from external shocks and natural disasters remain. These risks are mitigated by Barbados' strong track record under the EFF-supported programs and a favorable debt service schedule, including savings from the recent debt-for-climate conversion.

1. **Barbados' public debt-to-GDP ratio remains on a declining path following the increase experienced during the COVID-19 pandemic**.[1] Public debt continued to decline to 104.8 percent of GDP at end FY2024/25, from 111.5 percent of GDP at end-FY2023/24 and the peak of 138.2 percent in FY2020/21, driven by the economic recovery, progress in strengthening the fiscal position, and the recent retirement of US$77.6 m (1.1 percent of GDP) of Eurobonds in FY2024/25. Public debt is 2 percentage points higher than projected at the fourth review, mostly reflecting a larger-than-anticipated issuance of short-term debt and a correspondingly smaller-than-projected drawdown of cash buffers, which remain sizable at around 4 percent of GDP at end-FY204/25. Valuation effects from the weaker-than-expected US dollar against the SDR also had an impact on foreign debt levels.

2. **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 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 2.7 percent in 2025—driven mainly by construction, especially for ongoing tourism-related projects and government investment—before moderating to the steady state of 2 percent in 2026. Over the medium term, growth is supported by an expansion of tourism-related capacity (e.g., airlift, hotels), investment in resilient infrastructure, and ongoing structural

[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 3.2 percent of GDP at end-FY2024/25 and is not included in the analysis.

reforms. Average inflation is projected to increase from 1.4 percent at end-2024 to 2.6 percent in 2025, and to remain at the long-run average of around 2½ percent from 2026 onwards.

- **Fiscal assumptions.** The primary surplus is expected to increase slightly from 4.3 percent of GDP in FY2024/25 to a steady state of 4.4 percent of GDP in FY2025/26, consistent with achieving the 60 percent of GDP long-term debt target. The three-year fiscal adjustment under the baseline scenario is modest in a cross-country comparison and compared to Barbados' own experience.

3. Gross financing needs are expected to be met with IFI loans, increased domestic borrowing, and a gradual return to international capital markets. 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 and the recent debt-for-climate conversion, long-term borrowing from IFIs during the pandemic years, higher cash buffers,[2] the expected development of domestic capital markets, and planned gradual return to international capital markets. Short-term debt held by commercial banks is assumed to be automatically rolled over, based on the 2018-19 agreement, with remaining near-term financing needs met through IFI financing, domestic borrowing, modest issuances in international capital markets, and some 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$785 million (5.4 percent of GDP) by end-March 2025. In addition, the government issued a 20-year debenture for B$250 million (1.8 percent of GDP) with a subscription of B$245.2 million by end-March 2025. Following upgrades by S&P and Fitch in late 2024, Barbados was upgraded by Moody's in April 2025, reflecting the sustained strengthening of the public finances and declining public debt. At end-April, Barbados was rated as B with a positive outlook by S&P, B2 with a stable outlook by Moody's and B+ with a stable outlook by Fitch. Sovereign debt spreads have risen to the 450-500 basis points, continuing to track movements in the Emerging Markets Bond Index Global (EMBIG). The authorities are preparing to re-access international capital markets in H2 2025, contingent on evolving global financial conditions.

4. 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 moderate risk, an improvement relative to the last review, due to a stronger institutions index score. Despite the high historical volatility of key economic indicators, which increases the width of the fanchart, the baseline debt trajectory and the fanchart are on a clear downward trend, and the probability of debt not stabilizing is assessed to be rather limited (around 6 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. The *GFN financeability index also* points to a moderate risk with a declining path.

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[2] The stock of government deposits stood at 4 percent of GDP at end-March 2025, reflecting accumulation in FY2023/24 and moderate drawdown in FY2024/25.

- **Long term:** The large debt amortizations module shows a gradual decline in GFN and debt relative to GDP under the baseline based on the 10-year historical debt drivers. 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[3], 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.

5. On balance, Barbados' debt is assessed as sustainable. Public debt is on 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, in the context of the authorities' sustained strong fiscal performance. External risks to the baseline projections continue to include spillovers from trade policy and investment shocks, deepening geoeconomic fragmentation, a tightening of global financial conditions and systemic instability, as well as shocks from natural disasters. These risks are mitigated somewhat 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 and recent debt-for-climate conversion.

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

Annex II. 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	Medium-term risks are assessed as moderate consistent with a mechanical moderate signal predicated on the projected primary balance path.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Nat. Disast.	...	
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 strong macroeconomic policies, 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 strong 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 II. Table 2. Barbados: Decomposition of Public Debt and Debt Service by Creditor, FY2024/25–FY2027/28[1]

	Debt Stock (end of period) FY2024/25			Debt Service					
				FY2025/26	FY2026/27	FY2027/28	FY2025/26	FY2026/27	FY2027/28
	(In US$ million)	*(Percent total debt)*	*(Percent of GDP)*	*(In US$)*			*(Percent of GDP)*		
Total	7,618.3	100.0	104.8	1312.4	798.0	846.3	17.1	9.9	10.0
External	3,052.6	40.1	42.0	400.7	394.9	397.6	5.2	4.9	4.7
Multilateral creditors[2]	2,255.1	29.6	31.0	220.8	220.3	231.0	2.9	2.7	2.7
IMF	622.1	8.2	8.6						
World Bank	218.6	2.9	3.0						
IADB	994.4	13.1	13.7						
Other Multilaterals	420.0	5.5	5.8						
o/w: CDB	189.5	2.5	2.6						
Bilateral Creditors	193.8	2.5	2.7	23.4	22.7	21.1	0.3	0.3	0.3
Paris Club	17.7	0.2	0.2	8.1	7.7	3.7	0.1	0.1	0.0
Non-Paris Club	176.1	2.3	2.4	15.3	15.1	17.5	0.2	0.2	0.2
Bonds	465.3	6.1	6.4	125.8	119.5	113.2	1.6	1.5	1.3
Commercial creditors[3]	138.3	1.8	1.9	30.6	32.5	32.3	0.4	0.4	0.4
Domestic	4,565.7	59.9	62.8	911.7	403.1	448.7	11.9	5.0	5.3
Held by residents, total	n/a	n/a	n/a						
Held by non-residents, total	n/a	n/a	n/a						
Short-term debt (incl. T-Bills)	454.7	6.0	6.3	456.9	-	-	6.0	-	-
Held by: central bank	167.1	2.2	2.3						
local banks	284.4	3.7	3.9						
local non-banks	3.3	0.0	0.0						
Long-term debt (incl. Bonds)	4,111.0	54.0	56.5	454.7	403.1	448.7	5.9	5.0	5.3
Held by: central bank	295.3	3.9	4.1						
local banks	1,336.9	17.5	18.4						
local non-banks	2,478.8	32.5	34.1						
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	1.2						
o/w: Public guarantees	181.6	2.4	1.2						
o/w: Other explicit contingent liabilities[5]	n/a	n/a	n/a						
Nominal GDP	7,271.1			7,654.3	8,026.2	8,423.4			

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 FY2024/25. The amount of nonresidents' holdings of domestic debt is

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 II. 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:						

Coverage		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not consolidated; on-lent funds included in CG
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	Not consolidated; guaranted debt included
CPS / NFPS / GG: expected	4	State governments	No	No state government
CPS / NFPS / GG: expected	5	Local governments	No	No local government
CPS / NFPS	6	Public nonfinancial corporations	No	CG-guaranteed SoE debt included
CPS	7	Central bank (CB)	Yes	Not consolidated; CB's debt (BoP support) to IMF is added.
CPS	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

Chosen coverage: CG; Yes (1a); Yes (Budgetary central government); Yes (Central bank); Currency & deposits; Loans; Debt securities; Oth acct. payable 2/; Cash basis; Face value 6/; Non-consolidated. Missing from recommended coverage: No (Extra budgetary funds, Social security funds, State governments, Local governments); IPSGSs 3/. Not applicable: No (Public nonfinancial corporations, Other public financial corporations).

Reporting on Intra-Government Debt Holdings

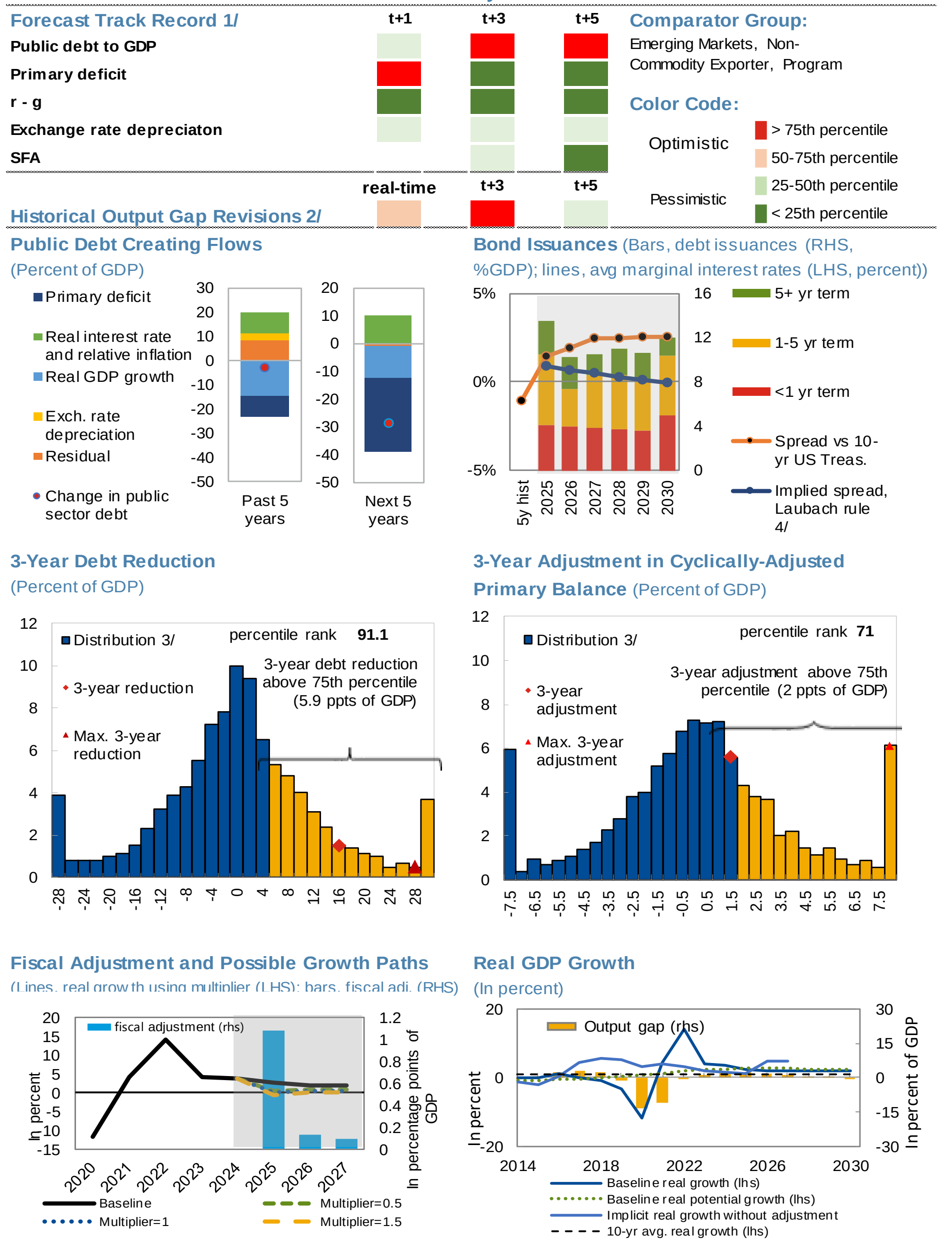
Coverage		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	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 amounting to 2.5 percent of GDP 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. The central government's expenditure arrears amounting to 1.3 percent of GDP, most of which were recognized in 2022, are included. Non-guaranteed SOE debt amounting to 3.2 percent of GDP is not included.

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

(Fiscal year)



Commentary: Stronger primary surpluses compared to the past are expected to continue driving debt down in the next five years but the decline will be mitigated by rising interest rates on external debt coupled with slowing growth as it returns to its long run steady state. 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.

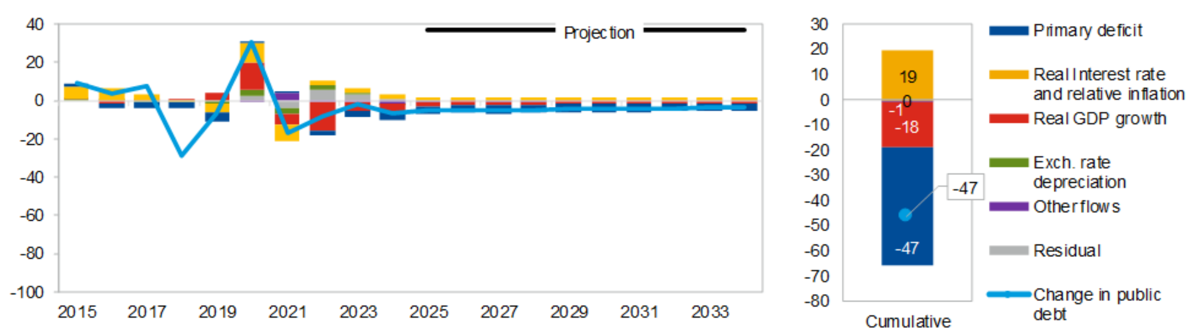
Annex II. Figure 3. Barbados: Baseline Scenario

(Percent of GDP unless indicated otherwise, fiscal year)

	Actual	Medium-term projection						Extended projection						
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Public debt	104.8	99.5	94.5	89.4	84.7	80.1	76.0	72.0	68.1	64.9	61.6	58.2	55.7	53.3
Change in public debt	-6.7	-5.3	-5.0	-5.0	-4.8	-4.5	-4.2	-3.9	-3.9	-3.2	-3.3	-3.3	-2.5	-2.5
Contribution of identified flows	-7.4	-5.2	-5.1	-4.8	-4.6	-4.6	-4.2	-4.0	-3.9	-3.3	-3.3	-3.3	-2.4	-2.5
Primary deficit	-4.3	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-4.4	-3.9	-3.9	-3.9	-3.0	-3.0
Noninterest revenues	28.9	27.0	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2
Noninterest expenditures	24.6	22.6	22.8	22.8	22.7	22.8	22.8	22.8	22.8	23.3	23.3	23.3	24.2	24.3
Automatic debt dynamics	-1.5	-0.5	-0.6	-0.3	-0.1	-0.1	0.1	0.4	0.4	0.6	0.6	0.6	0.5	0.5
Real interest rate and relative inflation	2.5	2.0	1.4	1.6	1.7	1.6	1.7	1.9	1.9	2.0	1.8	1.8	1.7	1.6
Real interest rate	2.5	2.0	1.1	1.2	1.4	1.3	1.4	1.7	1.7	1.8	1.7	1.7	1.6	1.5
Relative inflation	0.1	0.0	0.2	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Real growth rate	-3.9	-2.6	-2.0	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.3	-1.3	-1.2	-1.1	-1.1
Real exchange rate	-0.1	…	…	…	…	…	… .	…	…	…	…	…	…	…
Other identified flows	-1.7	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-1.7	-0.3	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.7	-0.1	0.1	-0.2	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	11.0	13.3	9.4	9.9	10.2	11.7	8.4	8.5	8.4	9.7	9.6	9.2	9.5	8.8
of which: debt service	15.3	17.7	13.8	14.3	14.6	16.2	12.8	12.9	12.8	13.6	13.5	13.1	12.5	11.7
Local currency	10.7	12.5	9.0	9.5	10.0	11.8	9.6	9.7	9.5	10.2	9.9	9.4	9.0	8.7
Foreign currency	4.6	5.2	4.8	4.8	4.6	4.4	3.2	3.1	3.2	3.3	3.5	3.7	3.5	3.1
Memo:														
Real GDP growth (percent)	3.7	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	2.6	2.7	2.8	2.9	2.9	2.8	2.8	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	6.3	5.3	4.9	4.9	4.9	4.9	4.8	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Effective interest rate (percent)	4.9	4.7	4.0	4.3	4.5	4.5	4.7	4.9	5.0	5.3	5.2	5.3	5.3	5.2

Contribution to Change in Public Debt

(Percent of GDP)

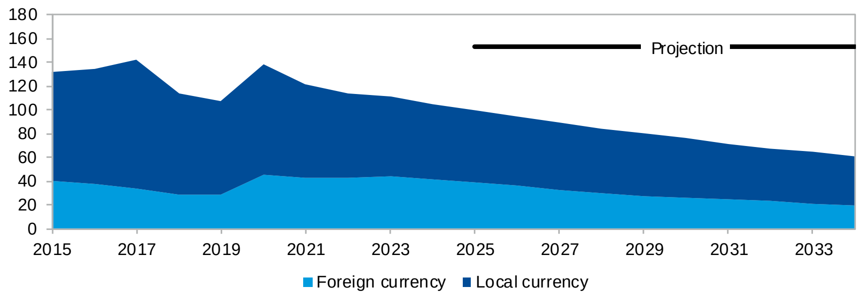


Staff commentary: Public debt has been put on a downward debt trajectory after a temporary increase during the COVID-19 pandemic. It is projected to continue declining to meet the long-term target of 60 percent of GDP by FY2035/36, thanks to the recent revisions to GDP statistics and driven by prudent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

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

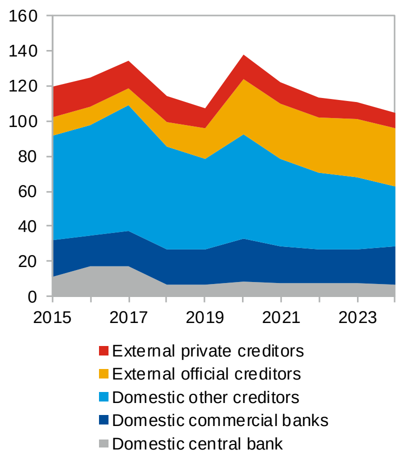
(Fiscal year)

Debt by Currency (Percent of GDP)



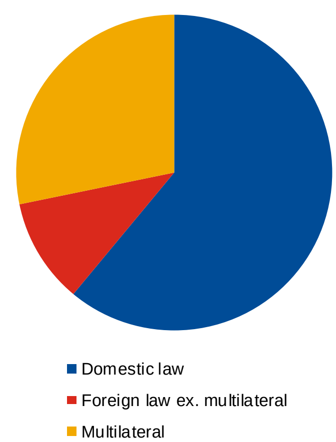
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



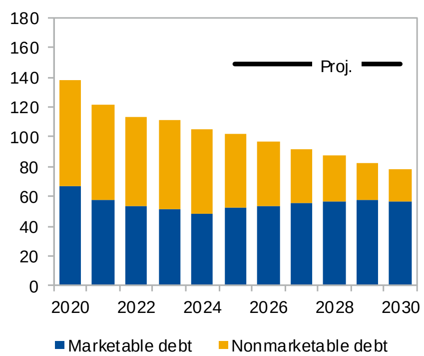
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (Percent)



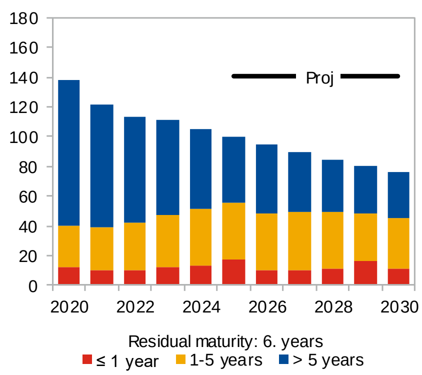
Note: The perimeter shown is central government.

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 II. Figure 5. Barbados: Medium-Term Risk Analysis

(Fiscal year)

Debt Fanchart and GFN Financeability Indexes

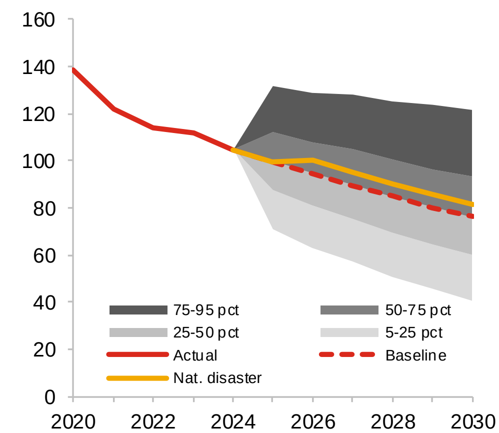
(Percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal
Debt fanchart module	Fanchart width	80.4	1.2	…
	Probability of debt not stabilizing (pct)	6.3	0.1	…
	Terminal debt level x institutions index	36.3	0.8	…
	Debt fanchart index	**…**	**2.0**	**Moderate**
GFN finance-ability module	Average GFN in baseline	10.5	3.6	…
	Bank claims on government (pct bank assets)	14.0	4.5	…
	Chg. in claims on govt. in stress (pct bank assets)	1.3	0.4	…
	GFN financeability index	**…**	**8.6**	**Moderate**

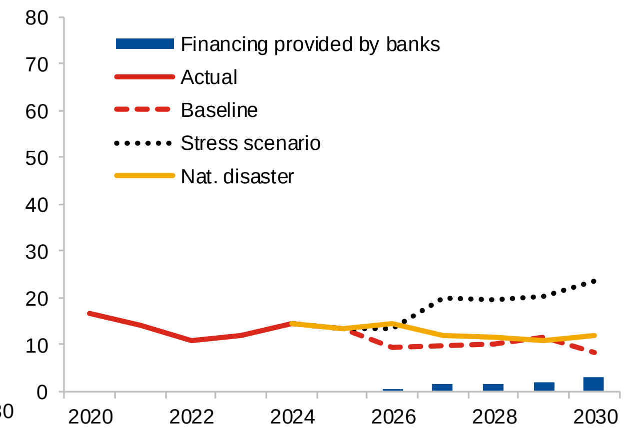
Em. Econ., Non-Com. Exp, Program: 0 25 50 75 100

Legend: Interquartile range Barbados

Final Fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)

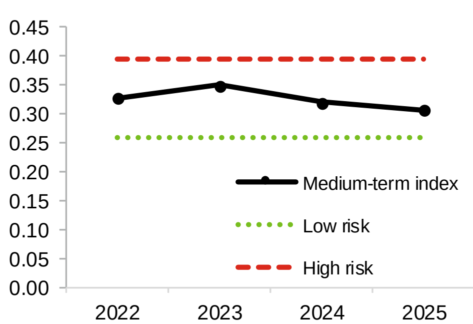


Triggered stress tests (stress tests not activated in gray)

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	0.4
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, 2025-2030 (if stress not predicted): 18.2 pct.

Prob. of false alarm, 2025-2030 (if stress predicted): 26.1 pct.

Commentary: The overall mechanical signal for the medium-term risk analysis is moderate due to moderate risk ratings on both the debt fanchart and the GFN financeability indices. The debt fanchart is moderate becasue of the large width of fanchart, reflecting Barbados' history of high macroeconomic volatility. With a GFN Financeability index of 8.6, the GFN financeability module is moderate, reflecting manageable GFNs over the medium term. The triggered stress test suggests even with a natural disaster shock the medium-term index would remain within the moderate risk threshold.

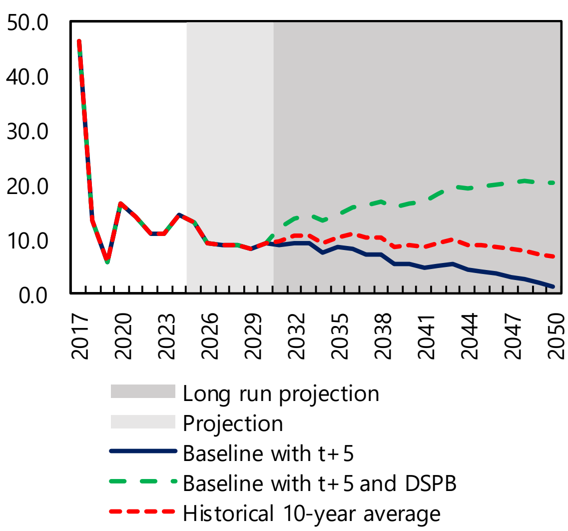
Annex II. Figure 6. Barbados: Long-Term Risk Analysis

(Fiscal year)

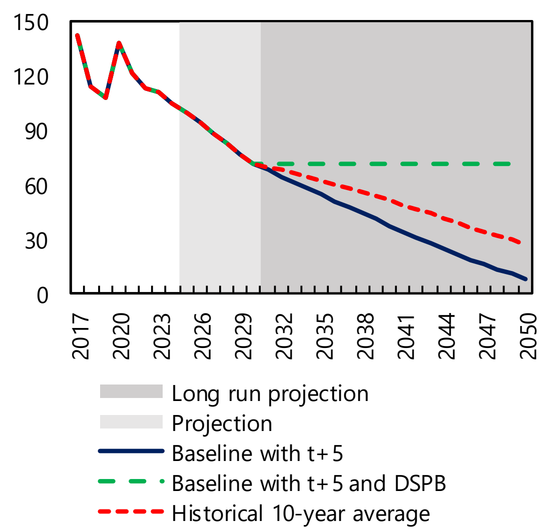
Barbados: Long-Term Risk Assessment: Large Amortization

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		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio

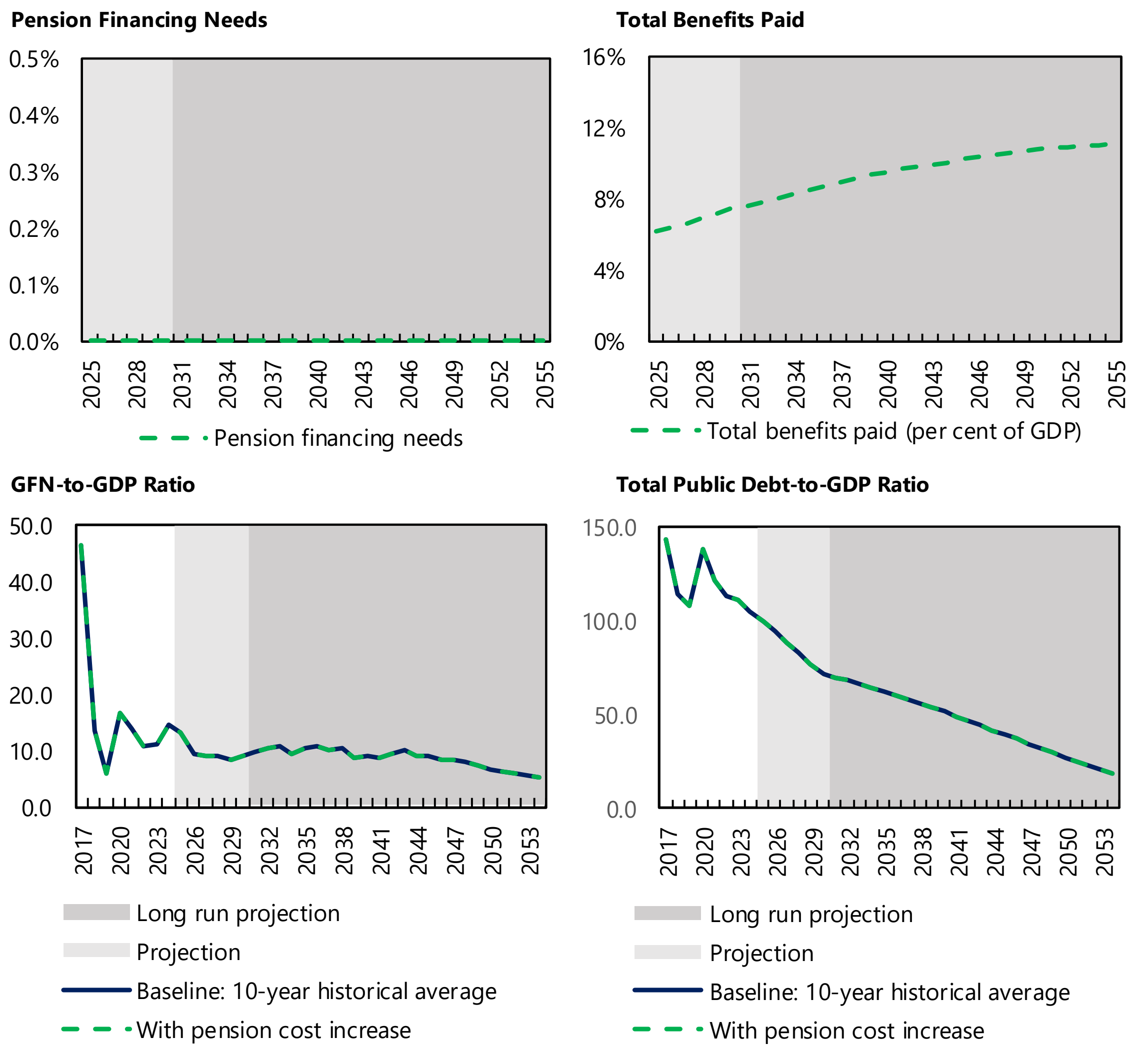


Commentary: The analysis shows gradual declines in GFN and debt relative to GDP both under the baseline and custom scenarios.

Annex II. 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%	0.4%	0.6%



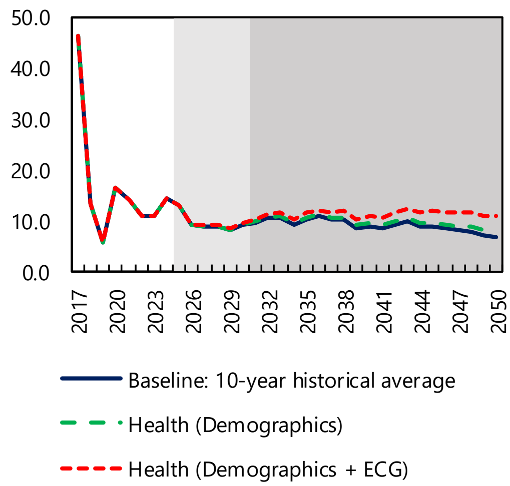
Commentary: The recent pension reforms are expected to make the National Insurance Scheme financially sustainable for 25-30 years. The recent parametric changes between 2022 and 2023 boosted contibutions while slowing the growth of pension benefits. As a result, the pension Fund is expected to deplete its assets by 2063.

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

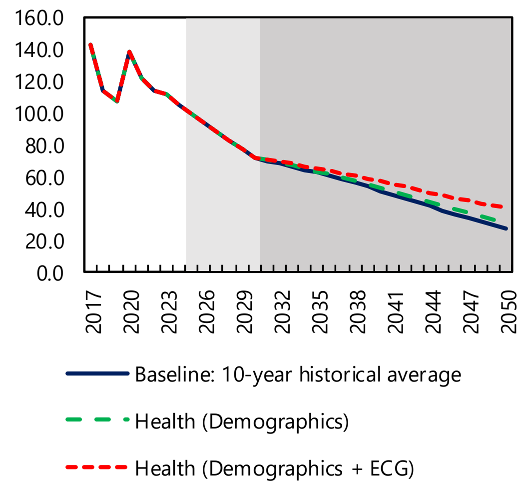
(Fiscal year)

Demographics: Health

GFN-to-GDP Ratio



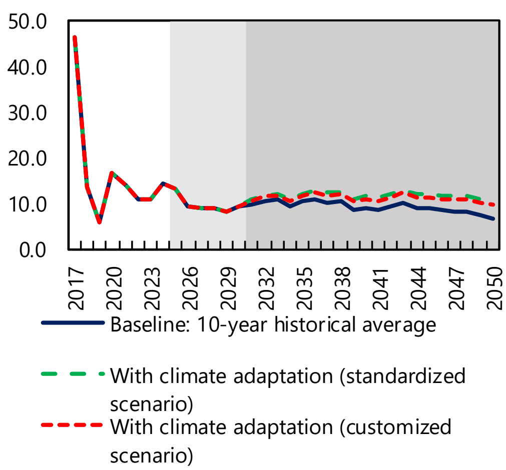
Total Public Debt-to-GDP Ratio



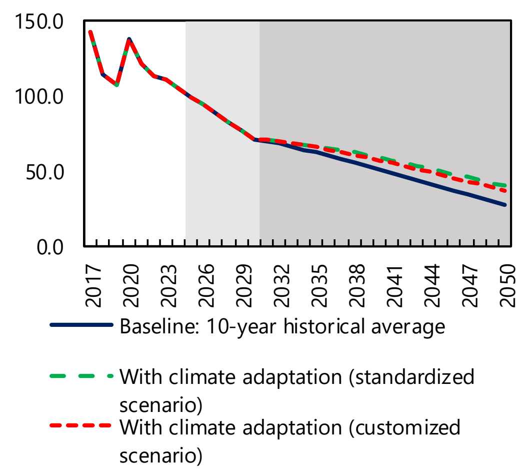
Commentary: The current healthcare expenditure policies would not significantly impact GFNs or the long-term debt path as population aging over the next 25 years is expected to be gradual.

Climate Change: Adaptation

GFN-to-GDP Ratio



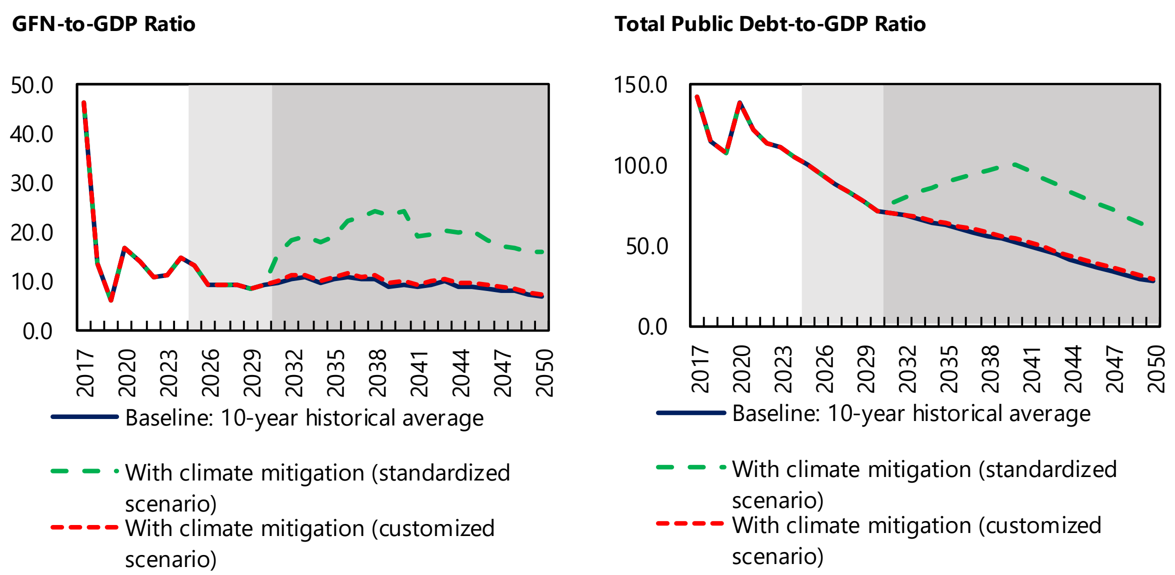
Total Public Debt-to-GDP Ratio



Commentary: Adaption expenditures would not significantly impact GFNs and the long-term debt path. Adaptaion expenditure is expected to be financed within the budget and, with the creation of the Resilience and Regeneration Fund, through additional revenue measures.

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

Climate Change: Mitigation



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

Annex III. Reform Measures Supported by the RSF Arrangement

Reform Area	Reform Measure	Expected Outcome	Implementation Status	Prospective BoP Risk Reduction
Pillar 1: 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.	(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	**Implemented.** Parliament approved the Planning and Development Act in March 2023, including changes to mandate that all new road construction should enhance drainage capabilities and physical resiliency. A new Water Re-use Bill was tabled in Parliament in March 2023 and approved in May 2023, implementing the new water re-use policy to address water scarcity. The authorities fully operationalized a national environmental and conservation trust, the Barbados Environmental Sustainability Fund (BESF), which started receiving savings arising from a debt-for-nature swap conducted in September 2022. The BESF will support projects enhancing marine protection and protecting Barbados' natural assets	***Improved external, financial, and fiscal resilience to natural disasters.*** ***Strengthened fiscal and external sustainability.*** Reduced ex-ante exposure to disaster risks, limiting potential financial losses while supporting investor confidence and attracting new investments (including FDI). Contained impact of natural disasters, including by reducing damages, reconstruction needs and associated import demand, limiting fiscal costs, and facilitating rapid recovery of growth and net exports.
	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	(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	**Implemented**. A fiscal risk statement discussing climate change risks was included in the FY2023/24 budget, highlighting that the increased frequency of climate-related events can weaken Barbados' fiscal position and debt dynamics by undermining economic growth, eroding the public revenue base, and leading to higher expenditure for disaster relief and reconstruction. Following support from IDB and World Bank TA, in September 2023 Cabinet approved the new Procurement Act regulations, the sustainable/green procurement framework and guidelines for climate/green budget tagging.	

Reform Area	Reform Measure	Expected Outcome	Implementation Status	Prospective BoP Risk Reduction
	sustainable/green procurement, in line with international best practice; (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.	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.		Reduced external and fiscal financing needs, following materialization of a climate-related risk.
	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.	(i) 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. (ii) Increase the number of ministries and agencies that have an Operations Continuity Plan.	**Implemented.** The authorities tabled the DRM policy by September 2023. Implementation of the policy began in FY2024/25. The policy articulates: (i) the need to build a robust and well-resourced governance system that supports accountability and achievement of results at all levels; (ii) a disaster mitigation and risk reduction strategy based on data and analysis; (iii) the integration and mainstreaming of the policy in key sectors; and (iv) ensuring operational readiness at all levels of society and building of community resilience. Notably, key ministries, departments and agencies (MDAs) with emergency management functions are required to submit continuity plans to Cabinet each year. MDAs are also requested to submit financing requirements to the budget planning process to facilitate disaster risk management programming.	
	RM 4. Government to table an amended Prevention of Floods Act in Parliament,	Reduce the impact of floodings and increase overall water resilience.	**Implemented.** A new Stormwater Management Plan was tabled in Parliament in March 2024 and approved by the House in April 2025. It promotes public works to prevent flooding and	

Reform Area	Reform Measure	Expected Outcome	Implementation Status	Prospective BoP Risk Reduction
	incorporating the new Stormwater Management Plan		mitigate the negative impacts on health, property damage, and disruption to travel and logistics. The new act requires storm drainage/planning, prohibits stormwater disposal and establishes tougher penalties and remediation for non-compliance.	
	RM 5. Implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.	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	**Implemented.** The authorities have completed work to integrate climate concerns into public financial management with Fund TA support. More specifically, by end-March 2025, the authorities: developed public investment project appraisal guidelines; deepened fiscal risk analysis to inform the fiscal risk statement presented alongside the FY2025/26 budget; and prepared a PPP framework to provide detailed guidance to government agencies and prospective investors on how PPPs will be handled.	
Pillar 2: Climate mitigation reform measures	**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.	Promote private investment to support and accelerate the transition to renewable energy sources	**Implemented.** The excise and value added tax holiday for electric vehicles was extended, first to April 2024, and then again to March 2026. In September 2023, the authorities updated the tariffs for renewable energy and provided a regulatory framework for energy storage. The authorities also established a licensing system and a guidance note on the licensing and approval process for investors. Licensed RE generators are compensated for each unit of energy provided to the grid.	***Strengthened fiscal and external sustainability.*** Reduced long-term reliance on expensive fossil fuel imports and external financing needs. Reduced fiscal costs by promoting energy efficiency and conservation in the public sector.
	RM 7. Cabinet approval for the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government	Improve energy efficiency and conservation in the public sector.	**Implemented.** Cabinet approved the new framework in March 2024, which includes the implementation of energy saving measures such as: mandatory periodic audits for building consuming 50.000 k/w or more; assigning the responsibility for the execution of the policy to	***Investment Promotion***

Reform Area	Reform Measure	Expected Outcome	Implementation Status	Prospective BoP Risk Reduction
	agencies and develop efficient public lighting.		the Energy Conservation and Renewable Energy Unit of the Ministry of Energy and Business and appointing Local Energy Managers to streamline energy management efforts. An important first step is to establish a systematic approach to gathering information on energy usage across government-owned facilities. Enhanced data collection will help the government identify possible areas for future improvements and provide information to track the impact of energy efficiency policies and initiatives in the public sector.	Support for investor confidence and attraction of new investments (including FDI).
	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.	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.	**Implemented.** The bill was tabled in September 2024 and approved by Parliament in February 2025. The bill establishes an overarching framework for renewable energy investment, regulating the generation, storage, transmission, distribution, dispatch, and sale of electricity. It 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. In February 2025, the government completed a "grid characterization study", fully mapping the electricity transmission and distribution network to identify ideal locations for energy storage integration. A feasibility study for micro-grids	

Reform Area	Reform Measure	Expected Outcome	Implementation Status	Prospective BoP Risk Reduction
			will be conducted in the coming months to support decision making and enable strategic development of renewable projects, while ensuring grid stability.	
Pillar 3: Mitigate transition risks	**RM 9**. The CBB to adopt a strategy with timebound 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	Refine the assessment of financial sector risks arising from climate change.	**Implemented.** In September 2024, the CBB adopted a strategy to: (i) ensure its 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.	***Improved financial sector resilience.*** Reduced financial sector losses when climate risks materialize, lowering recapitalization needs for banks. ***Investment Promotion*** Clarification of climate-related exposures attracts investments by reducing uncertainty.
	RM 10. The CBB to include climate change risk in their bank stress testing exercise.	Refine the stress testing methodologies to include climate related risks.	**Implemented.** The CBB finalized its first climate risk assessment exercise in December 2024, following IMF TA support. An updated stress testing exercise is expected to be included in the 2024 Financial Stability Report. The CBB is now in the early stages of upgrading its information management system and modernizing its data collection to continue strengthening its climate risk analysis and working to extend the analysis to transition risks. The CBB has also adopted NGFS short-term transition risk scenarios. Meanwhile, the FSC has collected localized damage data in collaboration with the Coastal Zone Management Unit and is conducting climate risk analysis for the insurance sector.	

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

Barbados' capacity development (CD) efforts were aligned with the home-grown BERT reform plan, and objectives of the supporting the Fund arrangements. CD priorities were diversified, including developing institutional and analytical capacity, enhancing tax and customs administration, improving public financial management (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 technical assistance (TA) providers remain critical.

Context

1. **Three-year arrangements under the Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) were approved by the IMF Executive Board in December 2022.** Building on the successful completion of the 2018-22 EFF, the new EFF/ RSF arrangements aimed to support the authorities' efforts to strengthen hard-won macroeconomic stability, including efforts to improve fiscal and debt sustainability, continue the structural reform agenda, and increase resilience to natural disasters. CD has continued to play a critical role in supporting the authorities to advance with the implementation of reforms and deliver program objectives.

Collaboration

2. **Fund's CD Engagement with Barbados.** Historically, Barbados has received extensive CD from the Fund and has a good implementation record, with effective communication from the government and the CBB, supporting critical public buy-in to the reform agenda. More recently, during the course of the 2022 EFF / RSF arrangements, IMF TA has focused on: (i) fiscal issues, including tax and customs reform and PFM (FAD / CARTAC); (ii) central bank operations, the monetary policy toolkit, liquidity assistance and risk-based financial sector supervision (MCM / CARTAC); (iii) statistical capacity, including strengthening the national accounts and price statistics (STA / CARTAC). Table 1 shows CD missions that took place since 2022 and tentatively planned missions for 2025/26, highlighting that Barbados will remain a heavy user of CD going forward, calling for continued close integration between CD and Fund's surveillance and program engagement.

3. **Integration of CD in Fund surveillance and program engagement.** During the EFF and RSF arrangements, CD delivery has been fully aligned with the authorities' reform objectives, with

[1] This country strategy note and the attached table matrices illustrate the integration of capacity development and program objectives guided by key recommendations in the IMF Board Paper *2018 Review of the Fund's Capacity Development Strategy*.

the country team and IMF's resident representative office helping to coordinate activities with CD providers to ensure that CD is consistently integrated in the authorities' reform priorities, Fund program objectives, and Article IV consultations. Appropriate sequencing of CD across reform streams, in consultation with the authorities and CD providers, has been critical for success, especially given the diverse reform agenda and significant implementation capacity constraints.

4. **Collaboration with other international partners remains strong**. The Fund has continued to engage closely with multilateral and bilateral donors—including: (i) the World Bank on debt management, disaster risk financing, climate change adaptation, and the business climate; (ii) the IDB on debt swap initiatives, climate adaptation, sustainable/green procurement, climate budget tagging, and public-private partnerships. Regular engagement with other CD partners is conducted through joint meetings to ensure consistency of policy advice and exploit synergies in supporting the program objectives.

CD Priorities 2022-2025

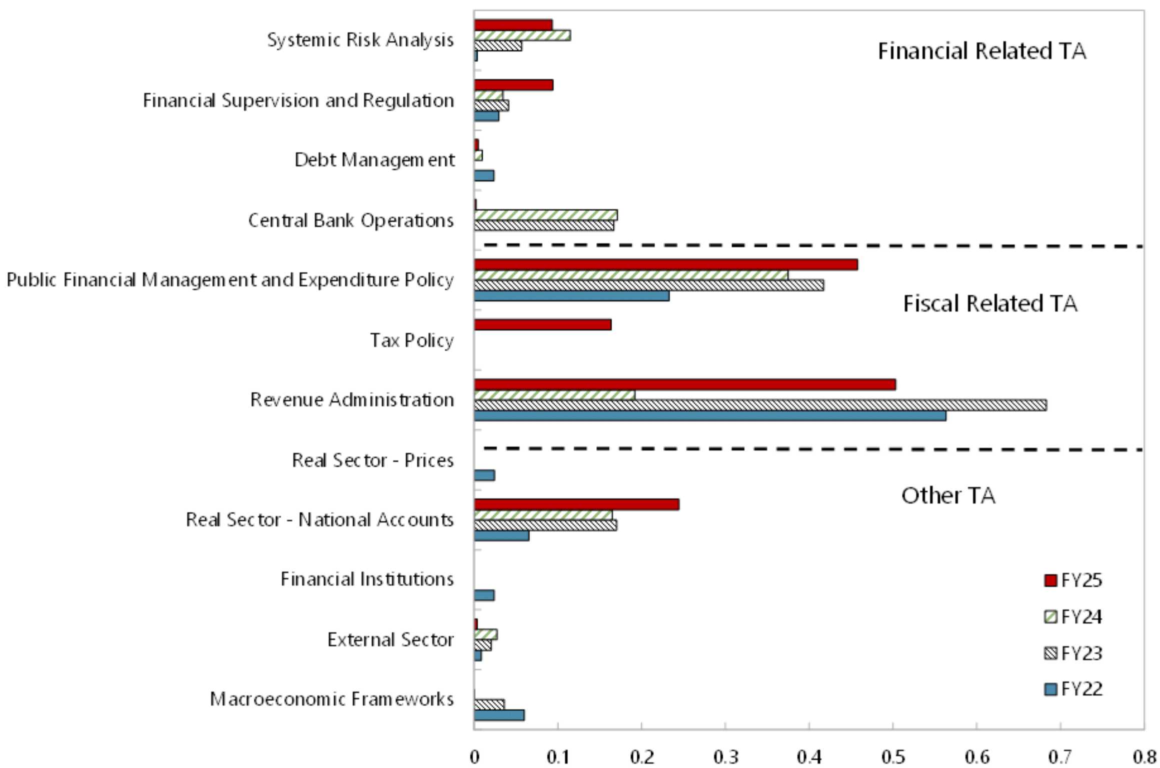
5. **The main CD objectives for Barbados have focused on consolidating previous achievements and making further progress on macro-critical reform areas.** During the approval of the EFF and RSF programs in 2022, the authorities outlined a set of priority actions focused on strengthening institutions to guard against policy reversals. These priorities included operationalizing PFM and tax and custom reforms, reviewing the corporate income tax framework, strengthening macro-fiscal analytical and forecasting capacity, maintaining a stable financial sector with improved risk-based supervision (including financial stress testing for climate-related risks), strengthening monetary policy operations, improving national accounts and macroeconomic statistics, and increasing the effectiveness of the AML/CFT regime. The key areas of focus for Fund CD under the programs are listed below and Table 1 includes CD missions undertaken since 2022 and those tentatively planned for the coming months.

- *Revenue and customs administration:* In line with reform and program objectives, revenue and customs administration has been a TA priority and the area where most CD has been provided in the past four years. Specific areas of TA provision include strengthening compliance and risk management, improving and modernizing the duty and tax exemptions framework, reducing tax arrears, and assessing the human resources needs at the BCED. These efforts are helping to sustain strong revenue collection and support the authorities' fiscal and debt sustainability objectives. Looking ahead, the authorities plan to continue implementing changes in this area with Fund TA support, including developing a robust tax arrears management strategy at the BRA, advancing work to implement the roadmap for filling critical vacancies at the BCED, and establishing a risk management exemptions control framework to improve compliance, especially in the fuel sector.
- *Public Financial Management (PFM):* Barbados continued to receive CD support in PFM areas, including fiscal risks, cash management, and budget preparation. A PIMA/C-PIMA mission also took place in 2023, providing support for the subsequent integration of climate into aspects of the budget cycle, fiscal reporting, as well as oversight and auditing. In this regard, additional

support was provided for developing a PPP framework and preparing project appraisal guidelines, in line with the structural benchmarks envisaged in the EFF.

- *Tax policy*. Recent CD on tax policy has advised the authorities on rationalizing tax expenditures. Further CD will support the authorities in creating a comprehensive tax expenditure inventory, including direct and indirect tax concessions, and taking steps to develop and implement a methodology to improve the costing of all tax expenditures.
- *Systemic risk analysis.* The CBB received CD to help develop a strategy with time-bound guideposts to build capacity for monitoring and assessing climate change risks, including data collection mechanisms and joining the Network for Greening the Financial System. CD included support in developing stress testing models and for enhancing capacity to produce the Financial Stability Report together with the FSC. Further Fund CD is planned to support the extension of analysis to transition risks.

Composition of CD Delivery by Workstream
(Millions of USD)



Sources: CDMAP and IMF staff calculations.

- *Financial supervision and regulation.* To strengthen the supervisory capacity of the CBB, TA was provided on the reorganization of the Supervision Department. A review of the FSC organization structure was also provided. To strengthen risk-based supervision, CD on cybersecurity risks in financial institutions, climate risk supervision, and on supervision of cyber risks in Fintech firms was also provided to the CBB.

- *Central Bank Operations.* CD was provided to support the modernization of the CBB monetary policy toolkit, including an assessment of the central bank's balance sheet. Subsequently, the CBB has developed a daily liquidity forecasting framework and conducted the first stages of internal research exploring the case for establishment of a benchmark monetary policy rate. In addition, CBB also received TA on Emergency Liquidity Assistance (ELA) and in line with TA recommendations, the authorities have established a framework to anticipate ELA needs.
- *Real and external sector statistics.* To improve macroeconomic statistics, the Barbados Statistical Service (BSS) received TA to support the updating of the CPI and improve the data collection methods. TA was also delivered for the re-launch of the Producer Price Index and the Index of Industrial Production. In 2023, CD was provided for rebasing GDP, including efforts to better measure informal activity in the national accounts. Support was also given to BSS staff on developing source data, improving compilation methods, and enhancing dissemination practices. Further CD support is currently underway to help rebase GDP statistics to 2023. CARTAC and STA have also provided TA to improve external debt statistics, and the timeliness of BOP and IIP data.
- *Macroeconomic frameworks.* The Fund provided support for building capacity in medium-term macro-fiscal frameworks, including by training of the relevant staff.

CD Priorities Going Forward

6. In the near term, Fund CD will continue to support the Barbadian authorities in strengthening their capacity in several of the previously addressed areas. CD support to the BRA will continue to focus on improving compliance and reducing tax arrears. At BCED, CD support will focus on implementing the roadmap to address human resource challenges and establishing the exemptions control framework based on risk management. Tax and expenditure policy CD will aim to continue improving the monitoring and costing of tax expenditures. The CBB will receive follow-up CD on risk-based supervision to the financial sector and support in climate stress testing, including the extension of analysis to transition risks. Statistical assistance to the BSS will also continue, supporting the rebasing of GDP to 2023 and the improvement in BOP and IIP data quality and timeliness.

Table 1. Barbados: IMF Capacity Development Missions Since 2022

TA/Training Mission	Provider	Mission Date (Completed/Planned) [1]
Implementing Fiscal Reforms to Ensure Debt Sustainability		
Customs Administration		
Fuel Exemptions Control/Risk Management based	CARTAC	Mar-Apr 25
Workload Assessment, Resource Deployment Review	CARTAC	Jun-24
Developing a Single 'Omnibus' Guarantee for Suspended Regime Management	CARTAC	Mar-24
Belize Assistance in Risk Scoring	FAD	Jun 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
Tax Administration		
Tax Arrears Strategy	CARTAC	Jan-25
Enhancing Compliance Programs	CARTAC	Jan- Feb-23
Organizational Arrangements - Compliance Risk Management Unit	CARTAC	Jun-22
Tax Policy		
Tax Expenditure Rationalization	FAD	Dec-24
Public Financial Management		
Developing a regulatory framework for Public-Private Partnerships	CARTAC	Feb-25
Project Appraisal	CARTAC	Dec-24
Fiscal Risks analysis, quantification and reporting	CARTAC	Dec-24
Budget Preparation	CARTAC	Oct-24
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 FY25.

Table 1. Barbados: IMF Capacity Development Missions Since 2022 (continued)		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)** [1]
Implementing Fiscal Reforms to Ensure Debt Sustainability		
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
Review of Cashflow Model and Training FY23	CARTAC	Oct-20, May-22
Maintaining Monetary and Financial Stability		
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
Financial Sector Supervision & Regulations		
Regional Seminar: Incorporating Climate Related Financial Risks in Risk Based Banking Supervision	MCM and CARTAC	Jun-25
Reorganization of the Supervision Department	CARTAC	Dec-24
Climate Risk Analysis	MCM	Jul-24
Stress Testing	CARTAC	Jun-24
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
Financial Stability Strategy		
BRB CARTAC 2023 FSR	CARTAC	Sep-22
Caribbean Financial Access Roundtable 2022	LEG	Apr-22

[1] Refers to missions planned end of FY25.

Table 1. Barbados: IMF Capacity Development Missions Since 2022 (concluded)		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned) [1]**
Maintaining Monetary and Financial Stability		
Strengthening Risk Management	CARTAC	Mar-22
Insurance Supervision		
Review of the FSC Organization Structure	CARTAC	Mar-22
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
Reginal Macroeconomics Webinar Series	WHD	May-22
Building Capacity in Macro Modeling	CARTAC	Feb-22
Improving Macroeconomic Statistics		
GDP Rebasing	CARTAC	Mar-Apr-25
GDP revision	STA	Jun-24
External Sector Statistics	CARTAC	Mar-24
GDP-Review of Administrative Data	STA	Feb-24
Report on the Measurement of the Informal Economy	STA/CARTAC	May-23
GDP rebasing and measurement of informal activity	STA/CARTAC	Mar-23
GDP - Improving GDP FY23	STA/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	Mar-22
Training - Introduction to GDP	CARTAC/STA	Mar-22
TA - GDP - Improving GDP	STA/CARTAC	Mar-22
TA-HQ-GDP-Rebase	STA/CARTAC	Jan-22

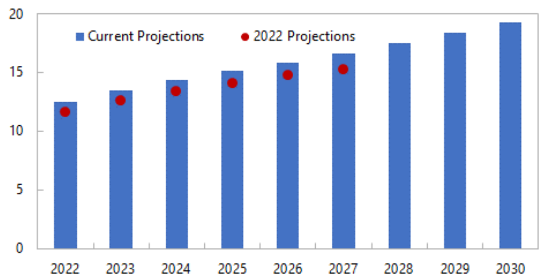
[1] Refers to missions planned end of FY25.

Annex V. Achievements Under the EFF Program

Annex V. Figure 1. Achievements Under the EFF Program

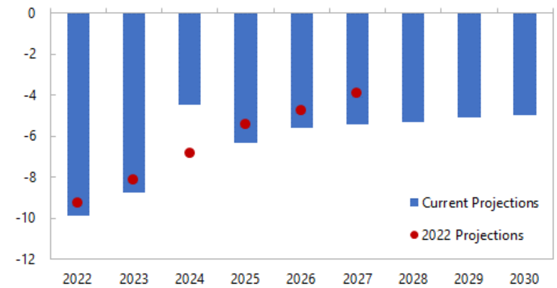
Nominal GDP has expanded faster than anticipated, due to strong real GDP growth and upward GDP revisions.

Nominal GDP
(Bds$ Billions)



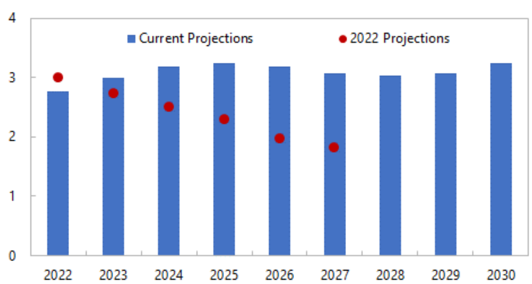
The current account has strengthened, supported by tourism, lower import prices and one-off transfers in 2024.

Current Account Balance
(Percent of GDP)



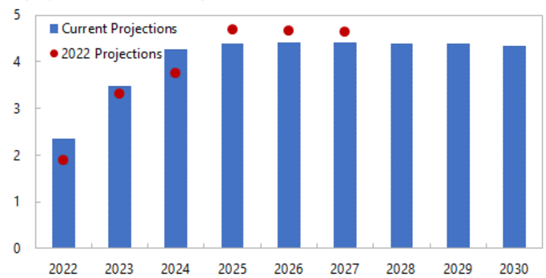
…helping to raise international reserves above original projections….

Reserves
(Bds$ Billions)



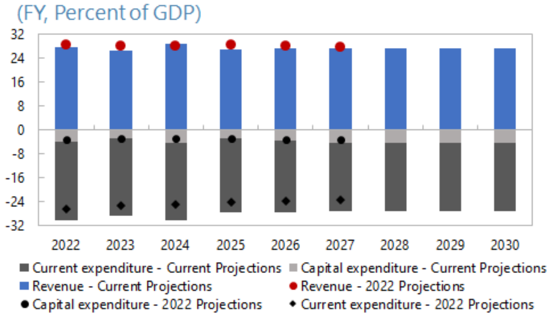
The primary balance has improved in line with projections…

Primary Balance
(FY, Percent of GDP)



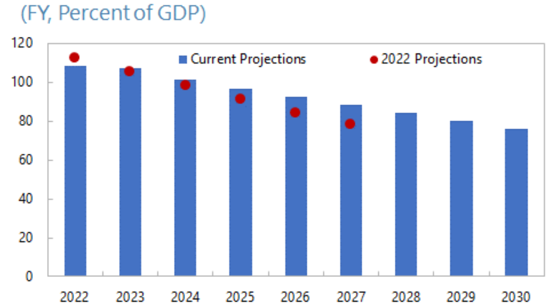
, supported by sustained revenue mobilization, and prudent controls on government expenditures…

Government Accounts
(FY, Percent of GDP)



Public debt has continued to decline, consistent with program objectives.

Central Government Debt
(FY, Percent of GDP)



Source: WEO database.

Note: The GDP denominator used to construct the figures reflects the current IMF projections.

Appendix I. Letter of Intent

Bridgetown, Barbados
May 29, 2025

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. With these being the fifth and final reviews under those arrangements, I wish to underscore some of our successes. Our macroeconomic performance has been strong, with economic activity surpassing pre-pandemic levels, unemployment declining and inflation continuing to moderate. The external and fiscal positions have also strengthened significantly, and public debt-to-GDP has fallen rapidly. Meanwhile, we have continued to advance reforms to safeguard fiscal sustainability, bolster inclusive and sustainable growth, and respond to the challenges posed by the evolving climate crisis. Nevertheless, challenges arising from the highly uncertain external economic environment persist, including the risks of shocks to trade and investment, global financial conditions, and international commodity prices. In addition, the country's experience with Hurricane Beryl in July 2024 underscores the immediate importance of building resilience to natural disasters. 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-December 2024 and end-March 2025 were met. The robust performance of fiscal revenues in FY2024/25 supported a primary surplus of 4.3 percent of GDP—well above the 3.8 percent targeted under the EFF arrangement. This facilitated additional capital and social spending, the continued reduction in our public debt-to-GDP ratio, and further accumulation of cash-buffers, consistent with our efforts to build resilience.
Under the FY2025/26 budget, we are targeting a primary surplus of 4.4 percent of GDP, and our medium-term fiscal projections remain consistent with our commitment to gradually bring public debt down to 60 percent of GDP by FY2035/36. Alongside our strong fiscal performance, the structural reform agenda has

continued to progress with: (i) the completion of an assessment of human resource needs at the Barbados Customs and Excise Department to address capacity and operational needs; (ii) the preparation of a Public Private Partnerships (PPPs) framework by the Ministry of Finance, Economic Affairs, and Investment supported by CARTAC technical assistance; and (iii) the Central Bank of Barbados setting up an active daily liquidity forecasting framework, with support from Fund TA. More broadly, we are accelerating reforms to state-owned enterprises to increase efficiency, safeguard fiscal sustainability, and improve the provision of public services.

RSF: Both measures targeted for the current review have been completed. To strengthen the integration of climate concerns into the public financial management process we have implemented further reforms, including the development of the PPP framework, preparation of public investment appraisal guidelines, and the deepening of fiscal risk analysis. In addition, to enhance its bank stress testing analysis, the Central Bank of Barbados has incorporated physical climate change risk into its stress testing toolkit, with technical support from the IMF.

The Government believes that the policies described in the attached MEFP have been pivotal in the successful achievement of the objectives of the EFF and RSF arrangements. For the remaining programme period, the Government will maintain a close policy dialogue with Fund staff and stands ready to take any additional measures, as necessary, to ensure that we continue to meet the EFF and RSF objectives. The Government will also continue to share with the Fund staff all the relevant information required to complete the fifth and final programme reviews.

The Government continues to 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 fifth and final 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 fifth and final review of the RSF arrangement and the disbursement of SDR 28.35 million to be made available. The RSF continues to 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.

The sustained partnership between the IMF and the Government and people of Barbados has been invaluable in our efforts to revitalize our economy to achieve a sustainable, equitable, and resilient growth path for the transformation of our nation.

Looking ahead, we will maintain our strong relationship with the Fund and intend to decide on the specific form of future engagement, once we have developed the third phase of our home-grown BERT plan.

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, key public debt metrics were 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 has also 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$1.7 billion at end-March 2025, from a low of US$220 million in 2018.

3. **The GOB has preserved the hard-won macroeconomic gains and further advanced 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—have been 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 has promoted 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 has continued 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 have included, 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 remains fully committed to the policies outlined in our BERT 2.0 plan and Memorandum of Economic and Financial Policies (MEFP). Structural benchmarks, reform measures, and performance on 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 3.5 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

[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.

emergency-support programs, and continued prudent expenditure management. The FY2024/25 fiscal performance remained strong, with a primary surplus of 4.3 percent of GDP. Strong revenue performance relative to the end-March program target facilitated additional capital and social spending, a reduction in debt, and further accumulation of cash-buffers, consistent with our efforts to build resilience.

7. **Continued strong fiscal performance over the medium term will support projected reductions in the 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.

8. **The GOB remains committed to its reform agenda, and we intend to remain closely engaged with the Fund.** The nature of this engagement will be defined in the coming months.

III. FISCAL STRATEGY AND POLICY PRIORITIES

9. **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 ongoing shocks to 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

10. **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*).

11. 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 collaboration between the BCED, NISSS and the BRA culminated in the successful launch of the single identifier project which entails a single identifier for both current and new taxpayers. The initiative involved the cleaning of historical data to ultimately facilitate compliance-risk-management reviews.

- A new single-registry process was developed, with CARTAC assistance, to allow new companies or individuals to complete the tax, NISSS and customs registration process in a single sitting. The portal has been launched, testing has been completed, and this went live for new taxpayers in May 2025. The portal is housed on the Government of Barbados and agency websites, with use of the assigned single identifier across the agencies supporting cross-institution data matching. The marketing around this initiative is currently being developed.

- The implementation of the BRA's Business Intelligence tool is complete. Phase 2 of this project includes compliance risk management aspects, which facilitates 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.

12. **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 $187.5 million at the end of March 2025, while that of SOEs declined from $755 million to $19 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. With the support of Fund TA, the BRA is now developing a robust tax arrears management strategy to enhance the efficiency and effectiveness of its tax collection processes.

13. **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. An assessment of human resource needs for the next several years has been completed (*structural benchmark for end-March 2025*), with the assistance of the Caribbean Customs Law Enforcement Council. The assessment recommended a retooling exercise of current staff and the targeting of recruits with requisite skills, including data analytics, accounting and risk management. In this regard, the report acknowledges the need to implement additional units to support business facilitation, security, and compliance with international trade agreements and conventions. It is envisaged that existing vacancies can be utilized to implement these units.

14. **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.

15. **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 oversaw the 2020-2023 Strategic Plan. A new plan is being conceptualized. 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 a new 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 been completed with the assistance of CARTAC, and those deemed high-risk have been identified for field audits.

- Implement an appeals mechanism and advance rulings as required by the Customs Act and a Policy and Planning unit to assist with the forward planning of the organization. CARTAC has provided technical support for implementing the appeals mechanism and advance rulings.

- 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.

- Establish an exemptions control framework based on risk management, with special emphasis on the fuel sector to improve compliance, supported by CARTAC. A complete review and overhaul of petroleum concessions is ongoing. CARTAC conducted workshops with the department and a final report discussed is expected shortly.

Tax and Customs Exemption Regime

16. 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 7,000, with a significant cost in foregone revenues of 5.8 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 recertification process will commence in 2025. With Fund TA support, the government is also developing a comprehensive tax expenditure inventory, including direct and indirect tax concessions, while developing a methodology to improve costing estimates of tax expenditures.

Public Financial Management (PFM) and the Budget Process

17. 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 strengthening 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 has concluded his fact-finding assessment and is mobilizing resources to complete the audits.

- **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 (*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 risked 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. The unit will continue to 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,

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

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 of the current work streams within the department. Processes are currently being re-engineered to enhance the timeliness and accuracy of cash reporting.

- **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 support of IMF TA in December 2024, we have developed public investment project appraisal guidelines for application with all new public investment. A circular is expected to be issued to SOEs and MDAs to ensure that the guidelines are applied to all new projects. As a next step, we will develop an appraisal methodology and prioritization/selection process. 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 implemented correctly, 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 prepared a 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 has been adopted by Cabinet and applies to all PPP projects under consideration to allow for fair, competitive, and transparent procurement of PPPs, and covers four central aspects of PPPs, namely:

  - The objectives underpinning the use of PPPs which include supplementing public funds for infrastructural development, improved project planning and selection, improved project management efficiency, and supporting ongoing maintenance of infrastructure.

  - The focus of PPPs in the following areas: tourism, agriculture, renewable energy, including energy expansion, efficiency and transport electrification, the blue economy and seaports, the aviation sector, as well as the land use, housing and social sectors.

  - The guiding principles for effective PPP implementation, including value for money, affordability, risk allocation, transparency, competition, local content requirements and conservation of the ecosystem.

  - The institutional arrangements required to provide oversight of PPPs, where several public sector institutions led by the MFEI have been identified, including but not limited to the Public Investment Unit, the Debt Management Unit, the Fiscal Risk Unit and the Management Accounting Unit.

Detailed regulations and guidelines will be published in due course to expand on the PPP framework. Training of a group of MFEI staff regarding PPPs was completed in November with the IDB and February 2025 through CARTAC technical assistance, 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

18. 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.

19. 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

20. 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.

21. 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 2026-27 Medium Term Debt Management Strategy (MTDS) was approved by Cabinet and 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. The Debt Management Unit will also implement measures to strengthen its structure, including building out an investor-relations function. These activities are slated to commence in FY 2025/26. 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 2024, 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). Due to the success of the first reverse auction a subsequent tender for the repurchase of Series B and additional Series D bonds was issued on November 11, 2024. Separately, the government successfully issued a 20-year debenture for $250 million, with $245.2 million of subscriptions largely from the NISSS, and other private pension funds. These operations are all 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.

22. 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 $236.9 million as of March 2025. 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 receive 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

23. 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 were implemented 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 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 has revitalized 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 (6.1 percent of GDP in FY2024/25).[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.

  - Cabinet approved in mid-to-late 2023 steps to: (i) amalgamate the operations of the Rural and Urban Development Commissions (RDC and UDC) and reform the National Housing Corporation (NHC); and (ii) reform the Barbados Agriculture Management Corporation (BAMC) and shift its operations away from subsidizing the traditional sugar industry (*both structural benchmarks for end-December 2023*). The government is closely monitoring the successor entities.

  - More recently, on April 1, 2025, the Barbados National Oil Company Limited (BNOCL) and Barbados National Terminal Company Limited (BNTCL) have transitioned to the new entity 'Barbados National Energy Company Limited (BNECL)'. The National Petroleum Corporation (NPC) will be merged with the new entity in the near future after the completion of the legislative work. In addition, the Caribbean Broadcasting Corporation (CBC) has undergone restructuring, including a substantial transformation of its labor force and business model. Finally, the Social Empowerment Agency will soon be launched, amalgamating the Child Care Board, National Disabilities Unit, National Assistance Board, and the Welfare Department.

  - There are further plans to reform the publicly owned transport sector. The Transport Authority is expected to be restructured into the Barbados Mass Transit Authority (BMTA) whose mandate includes the planning, monitoring and regulation of the public transport system in Barbados. The current Transport Board will be converted into a special purpose vehicle (SPV) that allows for the off boarding of the current public sector bus fleet to private drivers through a lease system where all operational costs are borne by the lessees.

- ***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

[3] SOE transfers were 4.5 percent of GDP in FY2024/25, 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

(continued)

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) identifying further efficiencies.

IV. MONETARY AND FINANCIAL SECTOR POLICIES

24. 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 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

of the overall sector as well as more broadly enforce the expectation that commercial entities must be viable on commercial terms without Government subsidies.

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.

25. 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 approved an Emergency Lending Assistance framework in 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.

26. 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 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.

27. 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

[5] The recapitalization of the CBB will initially grow capital through profit retention, with the aim of transitioning to a gradual predetermined payment plan until authorized capital is fully paid up.

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 set 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 has completed an internal research paper exploring the case for the introduction of a benchmark monetary policy rate, reflecting Barbados' exchange rate peg and target reserve adequacy levels, and new liquidity management instruments anchored to the policy rate. Recent CBB research has concluded that, in the absence of an active secondary market, fiscal policy remains the primary tool for economic adjustment. Notably, while the CBB recommended a fixed spread relative to the US discount rate to disincentive capital flight, pervasive excess liquidity renders benchmark policy rate changes largely ineffective. The CBB also possesses the power to implement macroprudential measures by using tools to assess, contain and mitigate systemic risk. The CBB has enhanced its current stress testing framework with satellite models that link the macroeconomy to the banking sector and has conducted preliminary climate risk analysis, focusing on physical risks. 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.

28. Work to introduce a National Digital Payments System is progressing. The Central Bank of Barbados, in collaboration with the World Bank, officially launched Barbados' Payments System Modernisation Project in October 2024. The Central Bank of Barbados aims to procure and operationalise a modern instant payments system application to foster more efficient, effective, interoperable, and consumer-friendly payments. This engagement covers five broad areas, namely: legal and regulatory support; payments oversight development; instant payments system (IPS) and interoperability operationalisation; payments system usage, and; digital financial literacy. Currently, the national payments system act regulations are being refined to enhance the legal and regulatory framework governing digital financial services. A new payments oversight framework is also being implemented, consistent with international best practices for both payment system operators and payment service providers. Overall, these efforts are being supported by the development of a comprehensive digital financial literacy campaign and communication plan. The new IPS platform is slated to go live by March 31, 2026

29. 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

30. 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 is 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.

31. 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 end-2025 to enhance intermediation between the business community and government agencies. These and other priorities are being advanced by the Growth Council. In February 2025, Government approved the appointment of the first Board of Directors of Business Barbados, a newly formed state-owned enterprise, 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. The operations of CAIPO were subsumed into the operations of Business Barbados with the view of improving efficiency and service delivery.

32. 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 further facilitate access to credit to small businesses which would otherwise be limited in

[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.

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. A new cargo berth is currently under construction. Expected to be operational towards mid-2025, it will boost our attractiveness as a maritime logistics hub and ease congestion by separating cargo and cruise ship operations. The Port is also planning construction of an aggregate berth, to ease congestion at the bulk facility of construction and building materials. 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 2027. 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 and encourage direct flights from European markets. 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, such as the development of a cultural heritage niche tourism product, including development of the Richard Stoute Amphitheatre which will house large international cultural events. Vital infrastructure investments such as sewerage, sanitation and road repairs that will also have a substantial positive effect on the tourist experience will also continue.

- 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 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

33. **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.

34. Government has been proactive in mitigating against the fallout from a climate crisis event from several perspectives, including:

- Insuring 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.

- Securing 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).

- Providing incentives to individuals and corporates to invest in renewable energy, water conservation, and build resilience.

- Adopting 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).

- Transforming the existing Catastrophe Fund into the Resilience and Regeneration Fund to: (i) provide greater financial and social protection to individuals and entities by proactively enhancing natural-disaster resilience of existing housing structures; (ii) provide financial aid to eligible persons and businesses in the event of a disaster; (iii) provide funding to remedy any adverse effects of a possible disaster. The Fund's activities will be financed by an expansion of the contributor pool and contribution rates, as well as an allocation of up to 50 percent of unclaimed assets (bank accounts unclaimed after 10 years which have been transferred to the Central Bank). A Catastrophe Claims Committee will be responsible for the assessment and granting of financial aid.

35. 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:

[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 a 30 percent share in the benefits of the 30MW wind project through newly established financial instruments. Furthermore, we will provide an

(continued)

- 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. In November 2024, the Ministry of Energy launched the Request for information (RFI) for the supply of up to 60MW of energy storage. The exercise garnered important considerations for future engagement and included a number of companies submitting prospective projects, well in excess of the 60MW target.

- The Electricity Supply Bill was proclaimed in February 2025. It provides for a modern system of regulation of the generation, storage, transmission, distribution, supply, dispatch and sale of electricity; facilitates the efficient, effective, and sustainable development and operation of the electricity system; promotes energy security, energy efficiency and the use of renewable energy sources; and ensures 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 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 public electric bus fleet in the region of 89 electric buses (62 percent of available bus fleet, as at March 2025) and we plan to complete the transition to a fully electric public bus fleet by end-2025.

36. 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

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.

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.

37. 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:

- 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);
- Tabled 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

[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.

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.

38. 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 latest successor being published for FY2025/26 in March 2025. 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 completed a diagnostic evaluation in 2023—through a C-PIMA—and has completed 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 risks to financial stability. Regulators are carefully examining the impact of climate change on financial sector stability to ensure system-wide resilience. The CBB is progressing with work to integrate climate risks into its financial stability assessments—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 work will continue to be supported by ongoing CARTAC/IMF TA. The FSC will publish climate stress tests for the local insurance industry in its upcoming Financial Stability Report. To safeguard macro-financial stability, the CBB conducted its preliminary climate risk analysis exercise—starting from climate physical risks—for commercial banks with support from MDBs including through relevant capacity development. Subsequently, the CBB refined this analysis and finalized the exercise in December (*reform measure for end-March 2025*). The CBB will continue to strengthen its operational and technical capacities relating to climate risk analysis, reflecting the significance of these risks for ensuring the resilience of the financial system. This work notably includes extending climate risk analysis to transition risks.

39. Program Monitoring. Program implementation was monitored through quantitative performance criteria and indicative targets, structural benchmarks, and reform measures. As with the previous four reviews, the fifth review is on track to be successfully completed in a timely manner. The government has met all EFF quantitative targets and completed all structural benchmarks (some with delay) and all RSF 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).

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	Met	
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	Met	
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	Met	
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	Met
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	Met

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

(In millions of Barbados dollars otherwise indicated)

	Target End June 2024	Actual End June 2024	Status End June 2024	Target End September 2024	Actual End September 2024	Status End September 2024	Target End December 2024	Actual End December 2024	Status End December 2024	Target End March 2025	Actual End March 2025	Status End March 2025
	CR/24/196			CR/24/196								
Fiscal Targets												
Performance Criteria												
Floor on the CG Primary Balance 4/	122	517	...	210	581	...	418	776	...	558	621	...
Floor on the CG Primary Balance (adjusted) 4/	122	517	Met	210	581	Met	418	776	Met	550	621	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/	119	89	Met	244	194	Met	365	324	Met	425	417	Met
Ceiling on Public Debt 5/	15,044	14,673	...	15,101	14,894	...	15,101	14,750	...	15,173	14,924	...
Ceiling on Public Debt (adjusted) 5/	15,044	14,673	Met	15,101	14,894	Met	15,101	14,750	Met	15,173	14,924	Met
Indicative Targets												
Ceiling on CG Domestic Arrears 5/ 8/	231	229	Met	221	218	Met	211	190	Met	201	187	Met
Floor on Social Spending 4/ 9/	27	28	Met	59	61	Met	89	94	Met	119	127	Met
Ceiling on Public Institutions Arrears 5/	23	19	Met	23	20	Met	23	21	Met	20	19	Met
Monetary Targets												
Performance Criteria												
Ceiling on Net Domestic Assets of the CBB 5/	2,350	1,529	Met	2,350	1,577	Met	2,350	1,384	Met	2,350	1,549	Met
Floor on Net International Reserves 5/	1,200	2,106	...	1,200	2,021	...	1,200	2,067	...	1,200	2,241	...
Floor on Net International Reserves (adjusted) 5/	1,200	2,106	Met	1,200	2,021	Met	1,200	2,067	Met	1,200	2,241	Met
Items feeding into Debt, and NIR adjustors												
IDB budget support 4/	0	0	...	0	0	...	0	0	...	200	200	
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	...	0	0	...	0	0	...	8	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.

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.

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[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

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.

***F.* 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.

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

G. **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.

H. 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.

I. **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.

- 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.

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

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

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.

K. 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
    - Return on assets
    - Return on equity
    - Interest margin

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

- 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

L. **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

June 18, 2025

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

This update to the RSF Assessment Letter for Barbados, dated June 17, 2025, includes relevant changes and updates under each section that have occurred since the issuance of the previous Assessment Letter on December 5, 2024.[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. Last year, 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. In July 2024, Hurricane Beryl, a Category 3 hurricane, 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, displacing many in affected fishing communities and many in tourism sector. 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.

[1] Staff Report for the Fourth Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility.

There is already a predicted increase in storm intensity and frequency of Category 4 and 5 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 completed an innovative debt-for-climate operation, with the support of the Inter-American Development Bank and the European Investment Bank guarantees totaling US$300 million to help finance 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 have incorporated climate risks into financial stability assessments and integrated climate considerations into the public financial management process. To enhance protection against climate-induced disasters, the Government of Barbados has approved several key policies. The Disaster Risk Financing (DRF) policy, approved by the Cabinet in February 2025, integrates scalable social protection mechanisms to ensure timely and targeted support to vulnerable populations during and after disasters. Additionally, an amendment to the Catastrophe Fund Act has been approved by the Cabinet in February 2025 to expand coverage and introduce more flexible disbursement mechanisms, thereby supporting low-income households in coping with disasters. This amendment repurposes the Catastrophe Fund into a Resilience and Regeneration Fund by modifying its sources of financing, utilization, and management, ensuring a more robust financial response to emergencies. Further strengthening the country's resilience, the Cabinet has approved in March 2025 the Integrated Coastal and Marine Management Bill, which establishes a comprehensive framework for the sustainable use and management of coastal resources. To secure the long-term sustainability of the fisheries sector, Parliament has passed in March 2025 the Sustainable Fisheries Management and Development Bill, which enforces sustainable practices through a comprehensive legislative framework. Additionally, Parliament has passed in April 2025 the Stormwater Management Bill, which outlines structured stormwater management, delineates responsibilities of public entities, and implements regulations to protect people and property from flooding.

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. 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. The Barbados Environmental Sustainability Fund (BESF) and the climate budget tagging methodology, which were supported by IBRD's Barbados Green and Resilient Recovery Development Policy Loan, continue to remain available as a long-term source of financing for conservation and climate change and as a tool for strategic resource allocation for a sustainable and resilient future, respectively.

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 was discussed by the IBRD Board of Executive Directors on January 23, 2025. The Barbados Beryl Emergency Response and

Recovery Project, approved on November 21, 2024, will help to restore targeted, disaster-affected sectors, enhance climate-resilient infrastructure, and strengthen emergency preparedness and response capacities. Furthermore, the Barbados Disaster Risk Management Development Policy Loan with Catastrophe Deferred Drawdown Option (CAT DDO), approved on April 10, 2025, helped to improve the country's disaster risk management and financing framework. It provides a fast-access line of credit to support timely and effective responses once an emergency is declared, thereby also enhancing the country's financial resilience against disasters. 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 and is similar to clauses that have been embedded in the commercial papers issued by Barbados domestically and externally.

Statement by Ms. Gina Fitzgerald, Alternate Executive Director for Barbados and Ms. Ann Marie Wickham, Senior Advisor to Executive Director
June 20, 2025

I. Introduction and Context

Our Barbadian authorities would like to thank the Executive Board, Management and staff for their steadfast support throughout the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements. **The authorities broadly share staff's analysis and recommendations.**

Barbados has successfully achieved the objectives of the EFF and RSF, driven by strong national ownership and decisive leadership. Despite the inherent constraints of a small island developing state, our authorities delivered a solid performance. Their disciplined and proactive approach, anchored in sound macroeconomic management and a commitment to national resilience, has guided implementation of the homegrown Barbados Economic Recovery and Transformation (BERT) program, supported by the Fund since 2018.

The reform program began against the backdrop of a severe economic crisis and was designed to restore stability and rebuild resilience. At the outset of the reform process, public debt had soared to over 170 percent of GDP, international reserves had fallen to less than three weeks of import cover, arrears had accumulated, and macroeconomic institutions were under considerable strain. In response, the authorities launched BERT 2018, supported by the 2018 EFF, to restore fiscal discipline, reduce debt, clear arrears, and preserve the exchange rate anchor. The program achieved significant early success, stabilizing the economy and rebuilding institutional credibility. Amid the challenges of COVID-19 and escalating climate risks, the Government introduced BERT 2022, supported by the 2022 EFF and RSF arrangements. This second phase focused on consolidating earlier gains while fostering more inclusive, resilient, and sustainable growth and strengthening climate adaptation and mitigation efforts.

The program was underpinned by a wide-ranging and ambitious reform agenda, implemented with discipline and strong ownership. Across the two successive Fund-supported programs, the Government implemented seventy (70) structural benchmarks and reform measures spanning revenue and customs administration, public financial management (PFM), state-owned enterprise (SOE) reform, central bank modernization. In parallel, the authorities advanced a comprehensive agenda for climate resilience, mitigation, and energy transition. These achievements reflect not only strong political will and sustained policy ownership at the highest levels but also continued implementation commitment at the technical level. While many of the long-term benefits are still to be realized, the foundations laid through these reforms are already supporting macroeconomic stability, sustainable growth, and climate resilience.

The authorities are preparing BERT 2025 as the next phase of their national reform strategy, building on the foundations laid under the EFF and RSF. As the third-generation reform strategy, BERT 2025 will consolidate the hard-won gains of the past six years while advancing a forward-looking agenda focused on resilience, competitiveness, and inclusive growth. The new strategy will deepen structural reforms across key areas, including PFM, tax administration, SOE reform, and digital transformation. BERT 2025 will also scale up investment in climate adaptation, strengthen fiscal sustainability, and support a modernized monetary policy framework and digital financial ecosystem. Anchored in the Barbados 2035 Vision, this next phase reflects the authorities' continued commitment to delivering sustainable development and economic opportunities for all Barbadians.

II. Program Performance and Recent Economic Developments

Program performance under both the current EFF and RSF remained strong, with all end-March 2025 quantitative performance criteria and indicative targets met. The primary balance recorded a surplus of 4.3 percent of GDP in FY2024/25, surpassing the program target. All three structural benchmarks under the EFF were achieved, including the completion of a human resource needs assessment at the Barbados Customs and Excise Department, preparation of a draft public-private partnership (PPP) framework, and development of a daily liquidity forecasting framework by the Central Bank of Barbados (CBB). The RSF reform measures were also met, including the integration of climate considerations into PFM—via new project appraisal guidelines, strengthened fiscal risk analysis, and the PPP framework—as well as incorporating physical climate risk into the CBB's stress tests.

The broader economy also performed strongly. Real GDP grew by 4 percent in 2024, the third straight year of expansion, driven by tourism, construction, and business services. Inflation declined to 1.4 percent at end-2024 and further to 0.9 percent by February 2025. Unemployment improved to 7.1 percent by Q3 2024. Gross international reserves hit a record US$1.7 billion (31.2 weeks of import cover) by end-March 2025, supported by tourism and global business inflows. The primary fiscal surplus and prudent expenditure management helped reduce the debt-to-GDP ratio to 104.8 percent by end-FY2024/25. The financial sector remained stable, with declining non-performing loans, strong capital buffers, and ample liquidity. Following upgrades by S&P and Fitch in late 2024, Barbados was upgraded by Moody's in April 2025, reflecting the sustained strengthening of the public finances and declining public debt.

The outlook remains positive, with growth projected at 2.7 percent in 2025. Inflation is expected to remain contained, and the debt ratio is on track to fall below 100 percent by

2026. However, downside risks persist from global economic headwinds, tourism volatility, and climate shocks.

III. Fiscal Policy and Debt Sustainability

Barbados continues to demonstrate a strong commitment to fiscal sustainability and economic resilience through disciplined policies and institutional reforms. For FY2025/26, the government is targeting a primary fiscal surplus of 4.4 percent of GDP, aligning with the debt target of 60 percent of GDP by FY2035/36. This is supported by improved revenue performance, particularly from corporate income tax (CIT) reforms, along with commitments to maintain prudent expenditure management. The budget strikes a careful balance, prioritizing essential services such as education, healthcare, and security, while maintaining strong capital investment to support economic diversification, tourism, and climate-resilient infrastructure.

Our authorities are integrating climate risk into fiscal planning, supported by new project appraisal guidelines and fiscal risk analysis tools. The recently adopted PPP framework provides clear procedures to attract private investment into priority infrastructure, particularly in climate adaptation and service delivery. Revenues from CIT reform are being channeled into capital projects and rebuilding fiscal buffers, while preserving social spending.

Our authorities remain firmly committed to fiscal and debt sustainability and have now successfully re-entered international capital markets. Barbados stays on course to reach its public debt target of 60 percent of GDP by FY2035/36. Debt has already fallen from 138 percent of GDP during COVID to below 104.8 percent of GDP at end-March 2025 with projections indicating a drop below 100 percent of GDP by 2026. The Sovereign Risk and Debt Sustainability Framework (SRDSF) continues to confirm that public debt is sustainable. On June 13, 2025, the Government launched a voluntary tender offer for its 6.5 percent Eurobonds due 2029, marking the first step in its strategic return to the international market. The offer will run until June 20 and is conditioned on the successful issuance of new longer-dated notes, as outlined in the government's global debt strategy. This operation is designed to smooth debt maturities, extend yield curve benchmarks, and enhance market liquidity in line with guidance from the recent non-deal Road Show, where investor demand was strong for a coordinated issuance and liability-management package. In tandem, the government continues expanding domestic bond market depth by introducing longer-tenor instruments, including a 20-year bond, and resuming Treasury bill issuances. These measures collectively support Barbados' long-term financing framework, which targets a mix of domestic development and benchmark foreign-market re-engagement.

Our authorities are also pressing ahead with institutional reforms. PFM is being strengthened through a new fiscal risk register and the rollout of investment appraisal and prioritization tools. Revenue administration is being modernized, with efforts to address staffing gaps in customs, improve oversight of tax concessions, and implement a tax arrears recovery strategy. SOE reform continues, focused on increasing efficiency, reducing transfers, and improving service delivery.

IV. Monetary Policy and Financial Stability

Barbados has continued to strengthen its monetary and financial policy architecture to safeguard macroeconomic stability. The exchange rate peg remains the anchor of Barbados' monetary policy framework and is firmly supported by robust international reserves standing at 205 percent of the IMF's adequacy metric as of end-2024. The 2020 amendments to the CBB Act have reinforced the CBB's operational independence, enhanced its governance structure, and introduced binding limits on monetary financing, collectively boosting policy credibility and institutional effectiveness.

Monetary policy modernization is progressing steadily. To better manage structural excess liquidity and mitigate imported inflation pressures, the CBB has implemented a daily liquidity forecasting framework and is undertaking research to establish a benchmark policy rate. Over the medium term, the CBB plans to transition toward a more modernized monetary policy framework, including a formal policy rate, interest rate corridor, standing facilities, and open market operations. In partnership with the World Bank, the CBB has launched a modernization project aimed at achieving a fully digital payments ecosystem by March 2026, which will significantly improve transaction efficiency, financial inclusion, and the resilience of the payment infrastructure.

Significant progress has been made in strengthening the financial safety net. The introduction of a robust emergency liquidity assistance (ELA) framework is now in place, enabling the CBB to respond swiftly to liquidity needs of systemically important institutions. The CBB has also reviewed its collateral policy and is preparing refinements to strengthen risk management practices. Concurrently, the authorities are advancing work on a resolution framework for financial institutions, which will complement ongoing reforms to the Barbados Deposit Insurance Scheme, including plans to extend coverage to credit unions.

Financial system integrity has also been strengthened. The recent removal of Barbados from both the FATF grey list and the EU blacklist marks an important milestone in the enhancement of its AML/CFT framework. This achievement reflects the Government's strong commitment to international standards, effective enforcement, and sound financial supervision. Ongoing efforts in AML/CFT compliance, asset recovery, and regulatory oversight continue to bolster confidence and resilience across the financial sector, reinforcing Barbados' standing as a transparent and trusted jurisdiction.

V. Structural Reforms

Barbados is advancing a comprehensive, forward-looking agenda to unlock stronger, more resilient growth under the BERT 2022 Plan. Targeting medium-term growth of 3–5 percent, the strategy focuses on diversifying the economy, enhancing climate resilience, and strengthening human capital. Key priorities include transitioning to renewable energy, promoting digital innovation, improving the business environment, and investing in trade and logistics infrastructure. The Barbados 2035 Plan and the newly introduced Population Policy support this transformation, alongside active oversight from the Growth Council.

Major progress has been made in digitalization, with investments in 5G infrastructure, a new national data center, e-conveyancing for property transfers, and a Cyber Security Operations Center. A Cybercrime Bill is being advanced to modernize legal protections.

Efforts to close the skills gap are also ramping up, with training in AI, data analytics, and emerging technologies, supported by a Talent Attraction and Retention Strategy targeting global professionals and the diaspora. Trade facilitation reforms—including the launch of ASYCUDA 5 by 2026, new port infrastructure, and an export-oriented manufacturing strategy—aim to enhance competitiveness and position Barbados as a regional logistics and digital services hub.

VI. Building Resilience to Climate Change

With strong support from the RSF, Barbados has implemented an ambitious reform agenda to build resilience, accelerate the green transition, and strengthen disaster preparedness. All RSF reform milestones have been completed, spanning flood and stormwater management, environmental legislation, green public procurement, and climate risk integration into financial sector supervision. These achievements position Barbados as a model for small island developing states pursuing climate resilience and sustainable development.

The Government is making steady progress toward its 2035 renewable energy targets. Key initiatives include the expansion of the country's first utility-scale wind farm, development of 125 MW in battery storage, and regulatory enhancements such as the new Electricity Supply Act, which enables competitive procurement and supports energy storage integration. Grid readiness is being strengthened through grid mapping and micro-grid feasibility studies, while the Energy Smart Fund is helping SMEs relaunch renewable energy projects.

Barbados is also integrating climate risk into PFM. The authorities have introduced climate-focused project appraisal guidelines, improved fiscal risk analysis, and developed a PPP framework aligned with environmental sustainability. Climate considerations now inform all stages of the budget cycle, procurement, and infrastructure planning. Additionally, the Catastrophe Fund[1] is being transformed into a Resilience and Regeneration Fund (RRF)—with an expanded mandate and sustainable financing sources, including payroll contributions, budget allocations, and access to dormant assets. In April 2025, the authorities secured a US$30 million World Bank Disaster Risk Management Development Policy Loan to boost disaster preparedness, including access to the Catastrophe Deferred Drawdown Option (Cat DDO).

Barbados is also a pioneer in innovative climate finance, executing a second debt-for-climate swap in late 2024 and launching the Blue Green Bank, which will invest up to US$250 million in resilient infrastructure and clean energy across the region.

VII. Concluding Remarks

Barbados has made remarkable progress since the onset of their BERT program, underpinned by Fund-supported programs. The ambitious and sustained implementation of reforms by the authorities under challenging circumstances reaffirms the strong national

[1] The Barbados Catastrophe Fund is a government initiative designed to provide financial aid to citizens and businesses affected by natural disasters or other catastrophes. It was initially established under the Catastrophe Fund Act, 2020 and is managed by the National Insurance and Social Security (NISS).

ownership and leadership that have underpinned Barbados' engagement with the Fund. **Looking ahead, our authorities intend to maintain a close and constructive relationship with the Fund recognizing its vital role as a trusted policy partner in an increasingly uncertain global environment**.