INTERNATIONAL MONETARY FUND

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BARBADOS

June 2024

THIRD REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

In the context of the Staff Report for the Third Reviews Under the Arrangement Under the Extended Fund Facility, Arrangement Under the Resilience and Sustainability Facility, and Request for Modification of Performance Criteria, the following documents have been released and are included in this package:

- **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on May 21, 2024, with the officials of Barbados on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 12, 2024.

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

PR 24/254

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

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded the third reviews under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF), allowing for an immediate disbursement of SDR 14.175 million (about US$19 million) under the EFF and SDR 28.35 million (about US$37 million) under the RSF.*
- *Barbados' economy has recovered to pre-pandemic levels and the external position has improved. GDP growth is expected to remain strong in 2024, driven by dynamism in tourism and related sectors.*
- *Implementation of the home-grown Barbados Economic Recovery and Transformation (BERT 2022) plan and the ambitious climate policy agenda continues to be strong.*

Washington, DC – **June 28, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded the Third Reviews of the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) arrangements with Barbados on a lapse-of-time basis.[1] The conclusion of the reviews allows the authorities to draw the equivalent of SDR 14.175 million (about US$19 million) under the EFF and SDR 28.35 million (about US$37 million) under the RSF. This brings total disbursements under the EFF to SDR 56.7 million (about US$75 million) and SDR 85.05 million (about US$112 million) under the RSF.

In 2023, the Barbadian economy grew by an estimated 4.4 percent, driven by a rebound in tourism and related sectors. Inflation moderated gradually with the easing of international commodity prices but remained somewhat elevated due to higher prices of certain domestic crops, reflecting adverse weather conditions and stronger demand for tourism-related services. The external position strengthened, with the current account deficit narrowing to 9 percent of GDP and ample international reserves (US$1.5 billion at end-2023; equivalent to over 7 months of imports) continuing to support the exchange rate peg.

GDP growth is expected to remain strong in 2024, driven by further growth in tourist arrivals. Inflation is projected to moderate to 3.1 percent by end-2024, in line with global commodity price trends and the recovery in domestic agricultural production. The current account deficit is expected to narrow further to 7.4 percent of GDP. Nevertheless, risks to the outlook remain elevated, with Barbados remaining vulnerable to potential global economic and financial shocks and natural disasters. These risks are mitigated by the authorities' excellent track record of implementation and strong commitment to reform.

[1] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

Program performance remains strong. All quantitative performance criteria and indicative targets for the third review of the EFF were met. The authorities exceeded the primary surplus target for FY 2023/24 and are targeting 4 percent of GDP for FY 2024/25. Public debt has fallen back to pre-pandemic levels and the authorities remain committed to bringing it down to 60 percent of GDP by FY 2035/36. The authorities met key structural benchmarks, including reforms to state-owned enterprises, the public pension scheme, the tax and customs exemption regimes, public procurement processes, and public financial management. The two RSF reform measures set for the third review were also implemented, supporting the government's ambitious climate-policy agenda. A new Stormwater Management Act to improve flood resilience was tabled in Parliament and an Energy Efficiency and Conservation Policy Framework for government agencies and public lighting was approved by Cabinet.

INTERNATIONAL MONETARY FUND

BARBADOS

June 12, 2024

THIRD REVIEWS UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. The authorities' implementation of the home-grown Economic Recovery and Transformation (BERT 2022) plan and their ambitious climate policy agenda remain strong, supported by the IMF's Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF). In 2023, the economy completed its recovery from the pandemic, growing by an estimated 4.4 percent, driven by a rebound in tourism and related sectors. Inflation moderated gradually with the easing of global commodity prices but remained somewhat elevated due to adverse weather conditions that affected some domestic crops, and stronger demand for tourism-related services. The external position also strengthened, with the current account deficit narrowing to 9 percent of GDP and ample international reserves (US$1.5 billion at end-2023) continuing to support the exchange rate peg. The authorities remain committed to maintaining fiscal consolidation and debt sustainability, while advancing structural reforms to achieve more inclusive and sustainable growth and increase resilience to climate change.

Program implementation.

EFF. All quantitative performance criteria for this review have been met. The primary balance recorded a surplus of 3.7 percent of GDP in FY2023/24, over-performing the program target. The budget for FY2024/25 aims for a primary surplus of 4 percent of GDP, in line with program targets. Public debt also declined to 116.5 percent of GDP at end-FY2023/24, in line with pre-pandemic levels. The authorities remain committed to bringing public debt down to 60 percent of GDP by FY2035/36. Key structural benchmarks (SBs) have also been completed, including those to: (i) implement a formal and time-bound process for requalification of tax exemptions and waivers under the modernized framework (SB#3); (ii) establish a Cash Management Unit in the Treasury Department (SB#10); (iii) develop standard contracts for routine government procurement (SB#12); and (v) approve of plans for the reform of key state-owned enterprises (SB#14 and SB#15). Two end-March SBs were not met. The National

Insurance and Social Security Service (NISSS) has submitted historical financial statements for 2010-16 for audit by the Auditor General, with the remaining outstanding statements to be submitted in the coming months (SB#9). Efforts to launch a central online platform for government services and monitoring of public investment are also progressing, albeit with some technical delays (SB#21). Modifications to the June and September primary balance targets are proposed to accommodate a modest frontloading of critical capital expenditure ahead of the rainy season.

RSF. The authorities have completed both reform measures for this RSF review. In March, the government tabled a Stormwater Management Act, replacing the existing Prevention of Floods Act (reform measure #4). Meanwhile, Cabinet approved the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government agencies and develop efficient public lighting (reform measure #7). The authorities are also advancing important work on: (i) a new Electricity Supply Bill to enhance competition and promote local participation in renewable energy investment (reform measure #8); (ii) integration of climate risks into financial stability assessments (reform measures #9 and #10); and (iii) integration of climate concerns into the public financial management (PFM) process (reform measure #5).

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

A mission team visited Bridgetown during May 13–21, 2024. The team comprised Michael Perks (head), Aiko Mineshima, Camila Perez (all WHD), Patrick Blagrave (Resident Representative), Yong Sarah Zhou (SPR), Eduardo Camero Godinez (FAD), and Peter Mugisa (MCM). 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) and Alternate Executive Director Gina Fitzgerald joined some of the meetings.

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Glossary

ARA	Assessment of Reserve Adequacy (IMF)
BAMC	Barbados Agricultural Management Corporation
BCED	Barbados Customs and Excise Department
BEPS	Base Erosion and Profit Shifting
BERT	Barbados Economic Recovery and Transformation Plan
BLPC	Barbados Light and Power Company
B$	Barbados Dollar
BOP	Balance of Payments
BRA	Barbados Revenue Authority
BSS	Barbados Statistical Service
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
FAD	Fiscal Affairs Department (IMF)
FDI	Foreign Direct Investment
FMA	Financial Management and Audit
FY	Fiscal Year
GCF	Green Climate Fund
GDP	Gross Domestic Product
GIR	Gross International Reserves
GFN	Gross Financing Needs
KPIs	Key Performance Indicators
kWh	Kilowatt-hour
IDB	Inter-American Development Bank
IFI	International Financial Institution
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
MW	Megawatt
NDC	National Development Corporation
NGFS	Network for Greening the Financial System
NHC	National Housing Corporation
NISSS	National Insurance and Social Security Service
NIF	National Insurance Fund
PC	Performance Criterion
PFM	Public Finance Management
PIMA	Public Investment Management Assessment
PPA	Power Purchase Agreement
RDC	Rural Development Corporation
RE	Renewable Energy
RM	Reform Measure
SB	Structural Benchmark
SDR	Special Drawing Right
SOE	State-Owned Enterprise
SOFR	Secured Overnight Financing Rate
TA	Technical Assistance
TMU	Technical Memorandum of Understanding
UDC	Urban Development Corporation
US$	US Dollar
VAT	Value Added Tax
YoY	Year-on-Year

CONTEXT

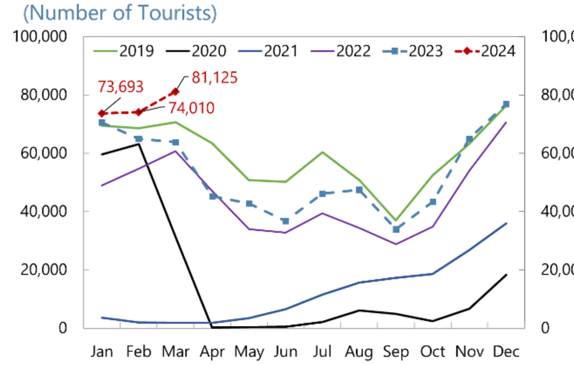
1. **Barbados continues to make very good progress in implementing its ambitious economic reform plan, supported by the EFF and RSF arrangements.** The Barbados Economic Reform and Transformation (BERT 2022) plan aims to achieve more inclusive and sustainable growth and increase resilience to climate change, while strengthening fiscal and debt sustainability and building social cohesion. The plan builds on the achievements of the BERT 2018 plan and the successful completion of the 2018-2022 EFF arrangement, under which the authorities restored macroeconomic stability, while successfully weathering the shocks of recent years. The 2022 plan places renewed focus on structural reforms, aimed at promoting investment to accelerate the green transition, boost growth potential, and enhance competitiveness.

RECENT DEVELOPMENTS AND OUTLOOK

A. Recent Developments

2. **Barbados' real GDP recovered to pre-pandemic levels in 2023.** Following a 14 percent decline in 2020-21, real GDP expanded by 13.8 percent and 4.4 percent in 2022 and 2023, respectively. The recovery was driven by a rebound in tourism and related activities from COVID lows, albeit partially offset by adverse climate conditions that affected agricultural production. The economy continued to grow in Q1 2024, posting a 4.1 percent expansion from the same quarter in 2023, led by record high tourist arrivals and construction activities. Tourist arrivals in 2023 increased by around 18 percent from 2022, with monthly arrivals at end-2023 surpassing pre-pandemic levels, and continued to grow by 14.8 percent y/y in Q1 2024, driven by expanded airlift capacity and marketing initiatives. In turn, resurgent tourism boosted hotel demand and stimulated other related sectors such as wholesale and retail trade, entertainment, construction, and manufacturing. Construction activity grew by 5 percent y/y in Q1 2024, led by ongoing projects in the tourism sector as well as public sector investments, including the rehabilitation of water and road infrastructure.

Long-Stay Tourist Arrivals
(Number of Tourists)



Source: Barbados Statistical Service.

3. **The labor market remained relatively strong.** While employment contracted slightly in 2023, the unemployment rate declined to 7.9 percent from 8.4 percent in 2022, well below the 8.9 percent pre-pandemic level. Unemployment claims temporarily increased within the year, due to the severance of workers under the national clean-up program and the restructuring of the Arawak Cement Plant, but have recently declined, with claims in Q1 2024 falling 8 percent below Q1 2023 levels.

4. Inflationary pressures moderated but are still somewhat elevated. Y/y retail price inflation fell to 4.8 percent at end-2023, from 5.7 percent at end-2022. In 2024, inflation rates continued to slow, reaching 4.2 percent in February y/y, down from 6.5 percent y/y in February 2023. This gradual decline was driven by the easing of global commodity prices (e.g., food and oil imports), but offset by higher prices of certain domestic crops, resulting from weather-driven supply shortages, as well as higher domestic demand (especially for services), and rising freight costs.[1]

5. Financial system conditions continued to improve. In 2023, credit growth to the non-financial private sector picked up to 2.7 percent, driven by higher lending to businesses and households. In Q1 2024, new lending to the non-financial private sector continued to be relatively strong, up 36 percent from Q1 2023. The banking system remains resilient as shown by the ample capital and liquidity buffers. The banking system capital adequacy ratio rose to 20.9 percent at end-March 2024, from 17.6 at end-2022, well above the 8 percent prudential requirement. This was due to an increase in bank profits over the period mainly from higher interest earnings on deposits held abroad, lower interest payments on local deposits,[2] and reduced provisioning costs. Asset quality also improved, with non-performing loans (NPLs) to total loans ratio declining to 5 percent at end-March 2024, versus 5.9 percent at end 2022. Meanwhile, provisioning remains well above required levels. Financial soundness indicators for finance companies and credit unions remained stable, with NPLs between 12-13 percent of total loans and capital adequacy ratios of 21 and 11 percent, respectively, at end-2023.

6. Fiscal performance remained strong. Barbados met its fiscal targets for FY2023/24, with the primary surplus reaching B$477 million (3.7 percent of GDP), overperforming the program target of B$446 million (3.4 percent of GDP). At the same time, public debt—including government guaranteed state-owned enterprise (SOE) debt—continued to decline from 119.6 percent of GDP at end-FY2022/23 to 116.5 percent of GDP at end-FY2023/24.[3] Revenues fell slightly short of projections at the time of the second review (0.5 percent of GDP), reflecting a faster-than-anticipated removal of the pandemic levy, as well as lower-than-projected collections of import VAT and excises, driven in part by a faster shift to tax-exempt electric vehicles. However, the revenue shortfall was more than compensated by prudent current expenditure management, especially with regards to wages, goods and services, and transfers. Meanwhile, the authorities maintained a high level of social spending, overperforming the program floor by 20 percent. Interest expenses increased due to both the step-up in coupons on restructured domestic bonds and higher interest on floating-rate external debt, reflecting rising global interest rates. As a result, the overall balance was broadly in line with second review projections, despite the better-than-envisaged primary balance.

[1] Higher freight costs are related to rerouting expenses due to Panama Canal congestion caused by drought conditions, and geopolitical conflicts in the Middle East.

[2] High liquidity levels, coupled with long-standing capital controls, kept domestic interest rates low and stable.

[3] The end FY2023/24 public debt ratio was around 1.8 percentage points of GDP higher than projected at the second review, reflecting higher-than-expected government issuance of domestic securities, which resulted in an increase in government deposits with the CBB and strengthening of cash buffers.

7. The external position strengthened further. The current account deficit narrowed further in 2023 to 9.1 percent of GDP, from 10.9 percent of GDP in 2022, with the rebound in tourism and savings from reduced global food and fuel prices more than offsetting increased outflows due to higher interest payments. Gross international reserves reached US$1.5 billion as of end-December 2023, and rose to US$1.6 billion at end-March 2024, equivalent to over 7 months of imports of goods and services, supported by the improvement in the current account and disbursements from international financial institutions (IFIs).

8. Market sentiment remains stable. Sovereign debt spreads declined below 400 basis points in 2023—the lowest level since the 2018-19 debt restructuring—mainly driven by easing global financial conditions. Following upgrades in rating and ratings' outlooks in the second half of 2023, Barbados' credit ratings remain unchanged since the second review. As of May 2024, Barbados is rated at B- (Positive) by Standard & Poor's, B (Positive) by Fitch, and B3 (Stable) by Moody's.

B. Outlook and Risks

9. The economy is expected to continue expanding in 2024, with a further moderation in inflation. Real GDP growth is projected to reach 3.9 percent in 2024, supported by a further growth in tourism, including a boost from the International Cricket Council (ICC) T20 World Cup in June. Inflation is projected to moderate to 3.1 percent by end-2024, consistent with global trends and a recovery in domestic agricultural production, assuming a return to normal weather conditions. Over the medium term, growth and inflation are expected to converge to their long-term historical averages of about 2 and 2.4 percent, respectively, unchanged from the second review. As tourism and commodity prices fully normalize, the current account deficit is expected to continue narrowing to 7.4 percent of GDP in 2024 and about 5 percent of GDP by 2028, in line with the second review.

10. Risks to the outlook remain elevated (Annex I). The medium-term growth outlook remains vulnerable to potential global economic and financial shocks and natural disasters. An abrupt global slowdown or recession in key source markets (US, UK, and Canada) could impact tourism and weaken growth. An intensification of regional conflicts could also increase global commodity prices and inflation, reducing real incomes in both source markets and Barbados. An abrupt adjustment in global financial markets could also see a rise in global risk aversion and a further increase in the cost of external financing, affecting the fiscal and external accounts. The economy remains highly vulnerable to climate change risks and natural disasters, which could have an adverse impact on economic activity, increase the fiscal deficit and public debt, and pose financial stability risks. On the domestic front, deceleration of reform momentum could generate concerns about the fiscal consolidation and debt sustainability. However, these risks are mitigated by the authorities' excellent track record under the IMF program, their strong commitment to the reform agenda, and broad public support for economic stabilization and reforms. Moreover, the authorities stand ready to take additional fiscal measures if needed to meet program fiscal targets (see ¶13). Meanwhile, relatively conservative assumptions on the impact of the ICC T20 World Cup in June and planned expansion in airlift capacity, provide some upside to the near-term growth outlook.

POLICY DISCUSSIONS

A. Strengthening Fiscal Institutions and Safeguarding Fiscal Sustainability

11. The FY2024/25 budget envisages an increase in the primary surplus to 4 percent of GDP, consistent with program targets. Notably, revenue projections are more conservative than at the time of the second review, reflecting lower collections in FY2023/24 but mostly higher uncertainty about the revenue gains from the recent corporate income tax (CIT) reform, given delayed adoption of the OECD/G20 framework in key partner jurisdictions (see Box 1). As a result, consolidation is expected to be more expenditure-driven, including through additional restraint on wages and transfers, as well as lower-than-previously envisaged capital spending. Nevertheless, the baseline incorporates a further increase in critical social spending to maintain the value of support in real terms, consistent with the program floor, and a rise in capital spending to over 3 percent of GDP. The overall balance is projected to improve, albeit less than envisaged at the time of the second review due to the faster-than-expected passthrough of rising global rates to interest payments on variable rate external debt.

Box 1. Barbados: Reform to Corporate Income Taxation

Following a multi-decade "race to the bottom" in international corporate income taxation (CIT), the OECD and G20 developed a framework to overhaul the international tax system. The new framework, known as BEPS 2.0 (Base Erosion and Profit Shifting 2.0), comprises:

- *Pillar 1* focusing on reallocation of taxing rights especially for highly digitalized businesses to reflect where companies generate value; and
- *Pillar 2* aiming to ensure a minimum level of taxation of multinational enterprises (MNEs), regardless of where profits are booked. MNEs with annual global revenues of at least EUR750 million are deemed "in-scope" and subject to an effective minimum tax rate of 15 percent in all jurisdictions of operation.

In late-November 2023, Barbados announced reforms to its own CIT system, in line with its Pillar II commitments. Before the reforms, Barbados had a sliding-scale CIT rate of 1-5.5 percent based on corporate income, which was regressive in nature. Starting in January 2024, the general CIT rate increased to 9 percent, except for small businesses with revenues of less than B$2 million, and insurance and shipping companies, which are subject to different sliding-scale rates. In addition, the reform introduces a domestic minimum top-up tax (DMTT), to bring the effective tax rate up to 15 percent for subsidiaries of in-scope MNEs that would otherwise be subject to an Income Inclusion Rule or Undertaxed Profits Rule applied by a foreign jurisdiction (although as it is a conditional DMTT, it still has to be deemed as a qualified DMTT – a QDMTT - under OECD procedures). Subsidiaries of in-scope MNEs in jurisdictions that have not yet applied Pillar II measures will continue to pay according to the existing rate schedule. Other key changes include a gradual shift to monthly prepayments of CIT and additional group relief.

Barbados: Corporate Income Tax

Amount of Corporate Income	Rate pre-2024	Rate post-2024
0 - $1 million	5.5 percent	5.5 percent
Between $1 million and $2 million	3.0 percent	5.5 percent
Between $2 million and $20 million	3.0 percent	9 percent
Between $20 million and $30 million	2.5 percent	9 percent
Above $30 million	1.0 percent	9 percent

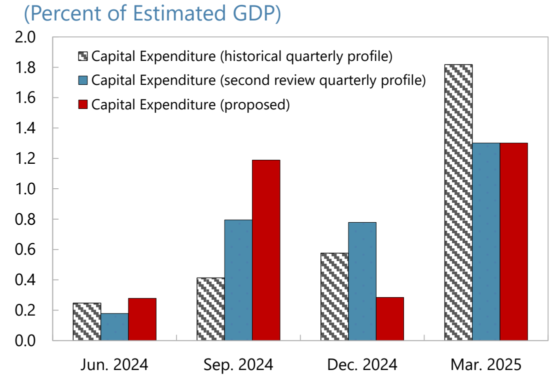
Source: The Barbados Ministry of Finance, Economic Affairs and Investment.

Box 1. Barbados: Reform to Corporate Income Taxation (Concluded)

The revenue effect of these reforms will depend, among other things, on the behavioral response of firms and, in particular, MNEs. The average CIT rate applied in Barbados was around 2 percent, with annual collection of around 4.4 percent of GDP during FY2018/19-2023/24. The authorities are using a conservative assumption to estimate the effects of the reforms. For the FY2024/25 Budget, additional revenues of B$44 million (0.3 percent of GDP) are assumed, about one-fifth of the effect estimated at the second review when the measures were announced. This is a prudent assumption given the considerable uncertainty about when other relevant partner jurisdictions will enact Pillar II measures.

12. **Importantly, the authorities envisage a modest frontloading of critical capital expenditure projects within the year, ahead of the rainy season.** The program baseline has been adjusted, relative to the second review, to accommodate a modest frontloading of around 0.5 percent of GDP of capital expenditure through September, to take advantage of the dry season that could be extended this year given ongoing drought conditions. The expenditure will focus on: (i) road maintenance, with around B$65 million of highway maintenance budgeted in FY2024/25 alone; (ii) water infrastructure, where around 3000 km of water main replacement is required over the medium term, at an estimated total cost of B$2.6 billion; and (iii) public housing, including for low-income families, with B$600-800 million planned over a multi-year period. Adjusting the quarterly profile of capital spending will help facilitate better planning and management of public investment. Meanwhile, the authorities will continue to monitor fiscal performance closely and maintain tight controls on current spending to achieve the annual 4 percent of GDP primary balance target in FY2024/25.

Capital Expenditure
(Percent of Estimated GDP)



Sources: Ministry of Finance and IMF staff calculations.

13. **Looking ahead, further increases in the primary surplus, while safeguarding social and capital investment, will improve debt sustainability and secure stronger, more inclusive, and resilient growth.** The primary surplus is programmed to increase to 4.5 percent of GDP in FY 2025/26 and remain at this level over the medium term, supported by savings from SOE reforms and prudent expenditure management. Any additional revenue gains from the CIT reform should be used for critical social and capital spending. Other policy measures could also be considered, to increase fiscal space for critical/priority investment, or as contingencies in the event downside risks materialize, including: (i) broadening the tax base, including through revamping the VAT regime for the tourism sector, (ii) reforming the property tax regime, and/or (iii) further streamlining current expenditures. Maintaining a strong fiscal position, while ensuring more efficient public spending and raising social and investment spending, will help promote a virtuous cycle of declining debt and sovereign risk, and stronger, more inclusive, and resilient growth.

14. On the structural front, the authorities are taking important steps to strengthen revenue collection.

- *Tax waivers and exemptions*. The authorities have implemented a formal and time-bound transition process requiring all pre-existing tax and customs waivers to requalify under the modernized duty and tax exemptions framework (see Box 2) (***end-March 2024 structural benchmark; met***). The new framework clarifies conditions needed for firms to qualify for exemptions (e.g., investment thresholds, foreign exchange earnings, and job creation) and requires duty-free shops to re-register every three years. To support the process, the authorities announced the establishment of an Exemptions Enforcement Monitoring Unit within the Ministry of Finance, Economic Affairs and Investment (MFEI) to audit all existing tax concessions and verify the compliance of beneficiaries with tax, labor, and other laws required for maintaining benefits. Going forward, it will be important that exemptions be regularly reviewed in terms of their efficacy, efficiency, and transparency. With the fiscal cost of waivers and exemptions estimated at 6 percent of GDP in FY2023/24, implementation of this process would facilitate important savings over the medium term.

Box 2. Barbados: Recertification Process for Existing Tax Concessions

The process to apply for recertification of concessions will be gradual and begin in 2025. From January 1, 2025, beneficiaries of concessions granted prior to 2005 will have to reapply to the Ministry of Finance for a new concession under the updated framework. Beneficiaries of concessions granted between 2005 and 2010 will be required to reapply beginning in January 2027, and concessions granted after 2010 will need to reapply when the concession expires. The new framework also places limits on the total duration of tax concessions and the maximum benefit they can claim, according to the following table:

Barbados: New Framework for Tax Concessions

Capital expenditure	More than B$200 million	Between B$100 million and B$200 million	Between B$50 million and B$100 million	Between B$25 million and B$50 million
Duration of concession	20 years	15 years	10 years	5 years
Cap on annual aggregate benefit	B$1 million	B$0.75 million	B$0.5 million	B$0.25 million

Source: The Barbados Budgetary Proposals and Financial Statement 2024 (March 18, 2024).

- *Tax compliance.* The Barbados Revenue Authority (BRA) and Barbados Customs and Excise Department (BCED) are updating information systems (with a central registry expected to be operational in June 2024) to ensure the mandatory use of the tax identification number (TIN) as the unique identifier of importers and exporters for any transactions at the border (***end-September 2024 structural benchmark***). In addition, the BRA, BCED, and National Insurance and Social Security Service (NISSS) have completed a joint compliance risk dashboard, which provides a risk rating for each taxpayer. Looking further ahead, the authorities are continuing with efforts to strengthen the BRA and BCED, supported by IMF technical assistance (TA), including a planned assessment of human resource needs at the BCED to address capacity and operational needs, identify obstacles to filling critical vacancies, and establish a roadmap to fill such vacancies (***end-March 2025 structural benchmark***).

15. Efforts to enhance public financial management (PFM) are also advancing.

- The authorities are working to improve *public investment management*, in the context of ongoing capacity constraints and challenges in raising capital spending execution. Drawing on the 2023 Public Investment Management Assessment (PIMA) recommendations, the government intends to develop guidelines for public investment project appraisal, with the support of IMF TA, for application with all new public investment projects.

- A *Cash Management Unit* has been created and staffed under the Treasury Department (***end-March 2024 structural benchmark; met***). The unit will take charge of the day-to-day management of the consolidated account, managing the government's suite of bank accounts, preparing a monthly cash plan, addressing bank reconciliation issues, and monitoring the spending execution of ministries, departments, agencies, and SOEs.

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

- A *Public-Private Partnerships (PPPs) framework* is being prepared—through amendments to the procurement law—to guide decision-making (***end-March 2025 structural benchmark***), with support from the IDB.

- *Implementation of the 2019 PFM Act* is ongoing, including efforts to strengthen the budget formulation process, upgrading budget documentation, and establishing monitoring processes to enhance fiscal reporting and oversight, with an emphasis on implementation and improvement of processes already adopted.[4]

- The newly established *Fiscal Council* is expected to promote sound fiscal management by ensuring accountability and transparency as the Government moves forward with the implementation of its fiscal strategy. Although the operationalization of the Council has been delayed, discussions surrounding its terms of reference and work plans are advancing.

16. In parallel, the authorities are implementing SOE reforms to reduce budget costs and fiscal risks (see Box 3). In 2023, the authorities continued streamlining expenditures and reforming SOEs, with the successful completion of key ***end-December 2023 structural benchmarks,*** notably:

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

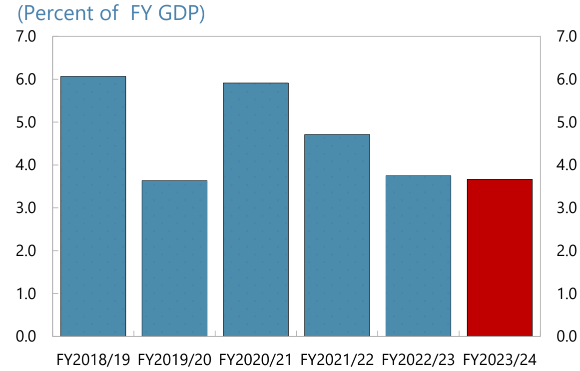
(i) the divestment of the Barbados Agriculture Management Company (BAMC), which should reduce transfers by about 0.3 percent of GDP per year; and (ii) Cabinet approval of plans for the amalgamation of the Urban and Rural Development Corporations, as well as the restructuring of the National Housing Corporation, with potential additional fiscal savings once fully implemented. The authorities remain committed to continue modernizing SOEs to promote efficiencies, reduce public subsidies, and improve service delivery.

Box 3. Barbados: Budget Transfers to State-Owned Enterprises (SOEs)

Transfers to TMU SOEs continued to decline in FY2023/24. Under the 2018 EFF arrangement, fiscal discipline and measures to promote efficiency initially helped reduce TMU SOE transfers by 2.5 percent of GDP (FY2019/20). However, during the pandemic, pressures linked to public health and social spending caused TMU SOE transfers to spike as high as 5.9 percent of GDP (FY2020/21). With these transitory pressures having subsided, transfers for TMU SOEs have declined to 3.7 percent of GDP in FY2023/24. A further reduction in SOE transfers is programmed for FY2024/25.

Further strengthening the MFEI's financial oversight of SOEs will help to support the authorities' ambitious SOE reform agenda. The authorities remain focused on delivering the BERT 2022 objectives by: i) shifting SOE commercial activities to the private sector; ii) ensuring adequate and modern user-fee structures; iii) providing enfranchisement opportunities in the delivery of public services; and iv) eliminating inefficiencies through mergers and rationalizations where possible. In this context, active monitoring of SOE expenditures will be needed to continue reducing fiscal pressures and improve SOE efficiency. In particular, it will be important to ensure timely and comprehensive reporting of financial statements, for example in an annual consolidated report including quantifying SOE quasi-fiscal activities, in line with international best practice.

Transfers to TMU SOEs
(Percent of FY GDP)



Sources: Ministry of Finance and IMF staff calculations.

17. **Reforms to enhance the sustainability of the pension system are progressing well.** The recently approved amendments to the public pension law came into effect at the beginning of 2024, introducing employee contributions for new public employees and modifying the parameters for calculating pension benefits ***(end-March 2024 structural benchmark***). Meanwhile, Parliament approved parametric reforms in late-2023 to shore up the financial position of the NISSS, in the context of rising pressures on the pay-as-you-go old-age pension scheme, especially from demographic developments (population decline, ageing, and increasing life expectancy) and weak contributions during the pandemic. The reforms to increase the retirement age and the contribution rate, including for the self-employed, have taken full effect, while measures to reduce benefits under early retirement are expected to be implemented soon.[5] Relatedly, to improve the transparency and

[5] The reforms include, among others, increasing the pensionable age from 67 to 67.5 in 2028 then to 68 in 2034, the minimum weeks' contributions from 500 to 750, with no effect on those 60 years or older as of January 1, 2024. The

(Continued)

scrutiny of its balance sheet, the NISSS has made significant progress in clearing its backlog of financial statements, while undertaking organizational restructuring and assuming additional responsibilities (e.g., administration of unemployment benefits). The authorities have submitted financial statements for 2010-2016 for audit by the Auditor General, and the remaining statements will be submitted in the coming months, albeit with some short delays (***end-March 2024 structural benchmark; not met***).

18. Public debt continues to be assessed as sustainable, although uncertainties remain high. Under the program baseline, the debt target of 60 percent of GDP is expected to be achieved by FY2035/36, unchanged from the second review. Gross financing needs are also projected to remain manageable, on account of an improving primary balance, the favorable debt service schedule obtained from the 2018-19 comprehensive debt restructuring, and the expected 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). However, the wide fanchart (i.e., possible debt path) indicates a high degree of uncertainty, reflecting Barbados' history of macroeconomic volatility. The main risks to the baseline include weaker-than-expected economic growth, a delay in the economic and fiscal reforms needed to generate primary fiscal surpluses, and natural disasters. Such risks are mitigated by Barbados' strong track record of reform implementation and a favorable debt service schedule. In addition, climate policy reforms and investments in climate adaptation, supported by the RSF arrangement, will be essential to increase resilience to natural disasters and mitigate risks to debt sustainability.

19. The authorities are continuing to mobilize external financing. The authorities are implementing their medium-term debt strategy (MTDS), with continued near-term reliance on multilateral financing, including from the Fund. Notably, in addition to its important catalytic role, RSF disbursements are also substituting for more expensive sources of financing, with cumulative projected savings in debt service of about 0.3 percent of GDP through 2029, relative to commercial external debt, thereby increasing fiscal space for climate policies. Financing from other IFIs is expected to reach US$200 million in FY2024/25 in the form of project loans, unchanged from the second review. A debt-for-climate swap is also expected to reduce the debt service burden once implemented (see ¶36). The authorities also remain focused on restoring access to international capital markets, contingent on the projected easing in global financial conditions.

20. Meanwhile, the authorities are gradually increasing domestic debt issuance. Since the onset of the Barbados Optional Savings Scheme (BOSS) Plus program in 2022, households, financial institutions, and pension schemes have all participated in the program, with around B$300 million in subscriptions to date. The government also restarted the issuance of 90-day and 180-day Treasury bills in September 2023, with the stock of new issuances reaching around B$170 million at end-March 2024. In addition, a reverse auction program was introduced in March 2024 to kickstart the secondary

authorities estimate that these reforms will preserve the National Insurance Fund's pension assets for at least the next 30 years. Please see Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility Box 3 for more details.

market, with debt buybacks of B$2 million, from investors wishing to generate liquidity or invest in alternative assets. For FY2024/25, domestic financing is projected to reach 0.9 percent of GDP, through a combination of the drawdown of cash buffers accumulated in FY2023/24[6], and modest net financing from domestic capital markets. Furthermore, the authorities plan on restarting the issuance of savings bonds and introducing a bonds-on-demand facility to enhance the liquidity and accessibility of government bonds.[7] Publishing auction results of government securities issuances could foster domestic capital market through improving transparency, enhancing market information, and offering benchmarking.

B. Enhancing the Monetary Policy Framework and Protecting Financial Stability

21. Barbados' exchange rate peg continues to provide an anchor for macroeconomic stability. The authorities remain strongly committed to implementing the policies needed to sustain the exchange rate peg, which has been in place since 1975 and continues to enjoy broad support. In this regard, gross international reserves remain at ample levels, reaching almost 220 percent of the Fund's reserve adequacy metric at end-2023. Underpinning the exchange rate peg, the revised Central Bank Act of 2020 has also served to strengthen the policy framework by enhancing the autonomy of the Central Bank of Barbados (CBB), improving its governance, and limiting monetary financing. As at the time of the second review and 2023 Article IV consultation, staff continues to assess Barbados' external position to be broadly in line with the level consistent with medium-term fundamentals and desirable policies. With longstanding capital controls continuing to provide protection against capital outflows, and a substantial improvement in macroeconomic conditions in recent years, the authorities should consider removing the foreign exchange fee introduced in 2017.[8]

22. In the context of loose monetary conditions, the CBB is making progress with efforts to enhance the monetary policy framework, supported by IMF TA. The CBB continues to maintain the overnight lending discount rate at 2 percent—unchanged since April 2020—with longstanding capital controls effectively delinking local interest rates from global interest rates. However, the excess liquidity in the banking system has reduced the effectiveness of the discount rate as a monetary policy instrument.[9] The monetary policy transmission also remains weak due to the weakened CBB balance sheet, following the sovereign debt restructuring. In this context, the CBB is developing liquidity management instruments to gradually enhance its capacity to tighten monetary policy and strengthen the policy transmission, while maintaining adequate international reserves to support the exchange rate peg. As a first step, the CBB has created a liquidity forecasting unit, and is further enhancing its analytical

[6] The government deposit accumulated in FY2023/24 is assumed to be almost fully drawn down in FY2024/25.

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

[8] The foreign exchange fee was assessed as a capital flow management measure (CFM) on outflows under the Fund's Institutional View for the Liberalization and Management of Capital Flows.

[9] The average bank lending rate of 5.5 percent and the coupon on government BOSS bonds of 4.5 percent are more relevant references for evaluating credit conditions.

capacity by sourcing external expertise. Building on these efforts, the CBB now plans to set up an active daily liquidity forecasting framework, with support from IMF TA, to monitor changes in reserve supply and estimate banks' demands for precautionary reserves (***proposed end-March 2025 structural benchmark***). In parallel, the CBB is continuing its work to establish a benchmark monetary policy rate, consistent with Barbados' exchange rate peg and target reserves level. Going forward, an enhanced liquidity management framework would include: (i) reserve requirements on domestic currency deposits to mop up structural excess liquidity; (ii) a mid-rate interest rate corridor, with a policy rate to signal the policy stance; (iii) standing deposit and lending facilities anchored to the policy rate; and (iv) open market operations (OMOs) to anchor short-term interbank rates around the policy rate. Gradual implementation of the framework will involve regular consultation with the bankers association. Meanwhile, the authorities remain committed to recapitalize the CBB in line with the plan established in 2021.[10]

23. Efforts are ongoing to strengthen the financial sector safety net. The emergency liquidity assistance (ELA) framework is a key pillar of the financial safety net that can help to reduce the likelihood of financial distress and prevent a full-blown crisis. The new CBB Act provides a sufficient legal basis for the CBB to perform such a function, given its secondary financial stability objective and its role as a lender of last resort. To this end, the authorities are establishing a framework, with IMF technical assistance, to anticipate ELA needs through proactive liquidity and collateral scanning, in-depth testing of funding plans, and periodic simulations to ensure that ELA is institutionalized effectively. The authorities are also strengthening the operations of the Barbados Deposit Insurance Scheme, supported by technical assistance from the US Treasury. Looking ahead, as the designated resolution authority for Barbados, the CBB should also begin work on developing a resolution framework for financial institutions.

24. Steadfast efforts to strengthen the AML/CFT framework led to the removal of Barbados from the Financial Action Task Force (FATF) "grey list" in February 2024. Over a period of years, Barbados has significantly strengthened its AML/CFT framework by implementing its commitments under the Action Plan agreed with the FATF. These actions included enhancing financial sector supervision, transparency of beneficial owners, use of financial intelligence, money laundering prosecutions, and asset recovery (Box 4).[11] Going forward, Barbados can maintain its positive momentum by enhancing the risk-based supervision of the non-bank financial sector, completing the risk-rating of the entire designated non-financial businesses and professions (DNFBP) sector, and ensuring all reporting entities are registered on the online platform ("CaseKonnect").

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

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

Box 4. Barbados: Key Actions Taken to Meet FATF Action Plan Commitments

Financial Sector Supervision. Key supervisory agencies (including the Financial Services Commission (FSC), the CBB, the International Business Unit (IBU), and Anti-Money Laundering Authorities (AMLA) Compliance Unit) were able to demonstrate that they were conducting their supervisory activities based on their detailed assessments of the money laundering (ML) and terrorist financing (TF) risks identified in their supervisory sectors.

Transparency of Beneficial Owners (BO). The authorities have improved their understanding of risks posed by legal persons and arrangements by conducting a special assessment. They also amended the Companies Law and related regulations, ensuring that BO information is up-to-date and accurate, removing the option to maintain the information at a place other than the registered office, and increasing penalties for non-compliance. Furthermore, the authorities established a risk-based monitoring program for checking compliance with BO obligations.

Use of Financial Intelligence (FIU). The human and technical resources of the FIU were enhanced over the period of the Action Plan, including the doubling of staff and acquisition of case analysis software systems. The FIU was able to demonstrate improvements in the quality of its intelligence packages. Processes for feedback and outreach to reporting entities were also implemented.

Money Laundering Prosecutions. The Barbados Police Service has incorporated the prioritization of ML/TF cases in its Management of Investigative Plan policies. The authorities were able to demonstrate increased investigations for ML and predicate offences assisted by an increase in the number of financial crimes investigators. The Director of Public Prosecutions (DPP) has completed 26 prosecutions during the Action Plan period. Barbados has demonstrated that proportionate and dissuasive sanctions are applied in the event of a successful conviction.

Asset Recovery. The authorities have been actively using the new legislative powers and investigative measures under the Proceeds and Instrumentalities of Crime Act (PIOCA) in pursuing confiscation. A range of methods have been employed for confiscation, such as civil forfeiture, cash forfeiture, and post-conviction confiscation. Coordination between the police, DPP, and the Office of the Solicitor General has been enhanced in using a risk-based approach to confiscation. The authorities have also successfully repatriated assets seized and forfeited in Barbados, sharing these with the jurisdiction where the criminal activity took place.

25. **Implementation of the 2014 FSAP recommendations is advancing (Annex IV).** The authorities have taken actions to: (i) strengthen *banking supervision*, including amending the CBB Act to further empower the CBB; and (ii) enhance *insurance supervision*, through increased use of supervisory colleges and by addressing limitations in information sharing. In other areas, where progress has been more limited, the authorities are working to advance efforts in 2024. With regards the insurance sector, work is underway to develop crisis contingency plans and procedures, build capacity to ensure robust valuation standards, and implement risk-based capital adequacy requirements. For credit unions, work is ongoing to improve onsite supervision and issue guidelines for the classification, reporting and monitoring of NPLs, restructured loans and write-offs.

C. Boosting Barbados' Growth Potential

26. **The authorities are taking a multifaceted strategy to lift Barbados' growth potential.** The BERT 2022 plan targets an ambitious increase in growth potential to 3-5 percent per year. To achieve this goal, the authorities have adopted a wide-ranging strategy to: (i) increase climate

resiliency and green the economy (see section D); (ii) invest in skills training and education; (iii) improve the business environment to support trade and investment; (iv) mobilize domestic savings; (v) promote digital technologies; (vi) establish Barbados as a logistics hub; and (vii) diversify the economy through new, niche activities centered around a knowledge-based economy. Achieving the BERT growth target will require a substantial increase in investment to around 29 percent of GDP per year, from an average of 19 percent of GDP in 2017-22. The Growth Council, which was established in May 2023, is supporting the advancement of the priorities established by the BERT Plan, with a focus on making the government an enabler to enhance productivity, competitiveness, and service.

27. To foster investment, the authorities are taking steps to improve the business environment, with a key focus on advancing digitalization efforts. The authorities' deployment of a comprehensive national digitalization strategy, covering digital operations and cybersecurity, and involving investments in digital infrastructure promises significant growth benefits, stemming from enhanced credit accessibility, increased efficiency, and higher human capital.[12] Meanwhile, progressing the digitalization of government services and reducing administrative red tape can enhance investment and improve the efficiency of delivering public services. Key measures include the modernization of the BCED, adoption of a modern platform to facilitate trade (e.g., the Trusted Trader program and the Automated Systems for Customs Data (ASYCUDA)), and establishment of more reliable payments and digital identity systems. The authorities also established the GovTech agency in September 2023, with an E-Services platform to facilitate access to government services. While technical challenges have caused some delays, work is also continuing to develop central digital platforms for government services and the monitoring and execution of the Public Sector Investment Program, leveraging recommendations from the IMF C-PIMA TA (***end-March 2024 structural benchmark***; **not met; proposed reset to end-September 2024**). Once implemented, this platform should help provide more accurate information on capital projects, improve coordination across government entities, and inform the budget process. In addition, the government is in the process of creating Business Barbados, which will take charge of the corporate and intellectual property registry and offer business and advisory services and modernized processes, with the goal of facilitating business growth and development for local and international businesses in Barbados.

D. Building Resilience to Climate Change and Natural Disasters

28. Barbados is moving forwards with implementation of its ambitious climate policy agenda, supported by the RSF arrangement. Given high vulnerability to climate change, the authorities are making strong efforts to increase climate resilience and secure a sustainable and prosperous future, including by making Barbados a green and fossil fuel-free country by 2035.[13]

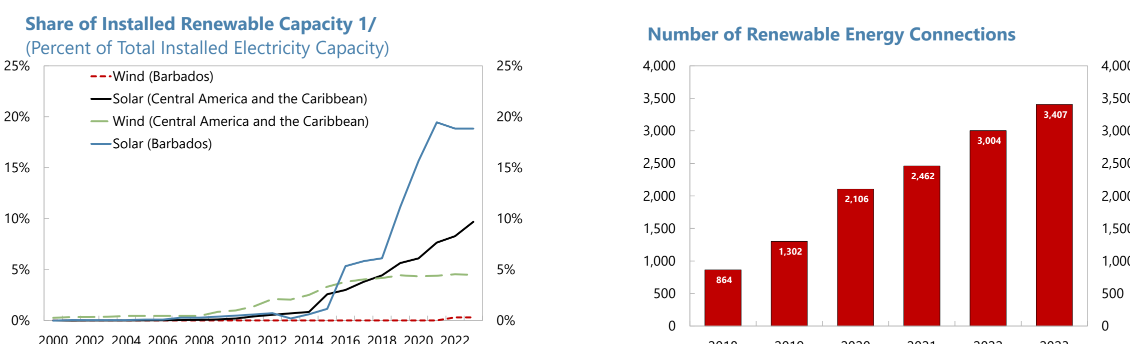
[12] See Staff Report for the 2023 Article IV Consultation and Second Reviews under the Extended Fund Facility and the Resilience and Sustainability Facility Annex V.

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

Achieving this goal involves implementing a broad set of policies and making investments to adapt to climate change and adopt renewable energy (RE) sources. These efforts are supported by the Fund, including through the RSF arrangement, and other development partners (see Table 8).[14] The RSF arrangement is supporting the authorities' efforts to build resilience to climate change, through its policy reform measures, by increasing policy space for investment through its long-term financing, and catalyzing financing for investment in resilient infrastructure and the envisaged transition to RE sources. Climate investments will also strengthen growth and the external position and mitigate risks to debt sustainability.

29. The authorities are pushing ahead with renewable energy projects. Barbados has made considerable progress in expanding the capacity of renewable electricity generation. The share of solar power capacity reached about 20 percent of total installed electricity capacity in 2023, well above the share of solar power in Central America and the Caribbean (Figure 1). The number of RE connections also continued to increase in 2023. Meanwhile, the government and IFC have signed an agreement to develop the country's first utility-scale onshore wind farm of 30-50 megawatts (MW) (8-14 percent of the current total installed electricity capacity) in the northeastern part of the island, which will be majority-owned and controlled by a private sector sponsor to be selected through a competitive tender process. In addition, with support from IDB financing, Renewstable Barbados Inc.—a special purpose vehicle—is working to develop a solar power production facility with capacity of 13MW, to be fully contracted through a 25-year Power Purchase Agreement ("PPA") with the national grid operator—Barbados Light and Power Company ("BLPC").

Figure 1. Barbados: Development of Renewable Energy



Source: International Renewable Energy Agency.
1/ Includes solar and wind.

Sources: Clean Energy Dashboard and Ministry of Energy and Business.

30. An expansion of energy storage is crucial to integrate renewable energy sources, balance supply and demand, and ensure a stable supply of electricity. With the national grid currently only able to absorb around 100MW of electricity, efforts to increase the provision of RE to the grid and facilitate the transition to renewable sources, depends on adding energy storage to the

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

system. Following the recent establishment of a new framework in September 2023, to increase investments in energy storage (RM#6), a four-year pilot project to gather data on the functioning of energy storage systems in Barbados is now underway. In parallel, the authorities are exploring competitive procurement methods, including auctions and direct negotiations with international storage system providers to gather information on the availability and affordability of storage solutions for potential investors in Barbados. The authorities' goal is to have the first licenses for energy storage in place by end-2024. Meanwhile in May, the Fair Trading Commission delivered its decision on the BLPC utility's application for pre-approval of investments and cost recovery through the Clean Energy Transition Rider, granting approval for 15 MW of the 90 MW of battery storage originally applied for. The BLPC is conducting a full assessment of the implications of the decision for the market on storage investments by the utility company.

31. The authorities have tabled reforms to strengthen legislation aimed at preventing floods (RM#4). Barbados receives high levels of seasonal rainfall, often resulting in widespread flooding, yet it remains one of the most water-scarce countries in the world. In March, a Stormwater Management Act was tabled in Parliament, replacing the existing Prevention of Floods Act, with the goal of improving flood resilience on the island. The bill is expected to be passed in the next several months. The Act promotes public works to prevent flooding and mitigate the negative impacts on persons' health, property damage, and disruptions to travel and logistics. Compared with the existing Prevention of Floods Act, the new act requires storm drainage/planning (with sound estimates of water run-off from 1 in 50-year storms), prohibits stormwater disposal, and establishes tougher penalties and remediation for non-compliance.

32. The authorities are also advancing efforts to improve energy efficiency and conservation (RM#7). The Energy Efficiency and Conservation Policy Framework was approved by Cabinet in March and aims to systematically improve energy management practices across public buildings and reduce energy consumption, thereby promoting sustainability. The assessment of Barbados' energy management practices undertaken by an external consultant highlights a lack of standardized protocols overseen centrally. Therefore, an important first step is to establish a systematic approach to gathering information on energy usage across government-owned facilities. The 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. More specifically, the framework contemplates the implementation of energy saving measures including: mandatory and periodic energy audits for buildings consuming more than 50,000 kilowatt-hours (kWh) per month; assigning the responsibility for the execution of the energy efficiency policy in Public Buildings to the Energy Conservation and Renewable Energy Unit (ECREU) of the Ministry of Energy and Business and appointing Local Energy Managers to streamline energy management effort.

33. Work is underway to table a New Electricity Supply Bill in Parliament by September 2024 (RM#8). The objective of the new bill is to establish an overarching framework for renewable energy investment, enhancing competition in the electricity market and promoting local participation in RE investment. The draft bill that has been approved by Cabinet is currently under a public consultation process.

34. The authorities are advancing reforms to strengthen the integration of climate concerns into the PFM process (RM#5). Building on a diagnostic evaluation through C-PIMA, the authorities aim to improve the integration of climate into all aspects of the budget cycle, including budget preparation, budget execution (including procurement), fiscal reporting, as well as oversight and auditing. As part of the reforms, the authorities are engaging with the IDB on a sustainable procurement mechanism and have requested IMF TA on preparing guidance on project appraisal and maintenance (see ¶15).

35. Efforts to integrate climate risks into financial stability assessments are also progressing (RM#9 and RM#10). The CBB has joined the Network for Greening the Financial System (NGFS) and is working to develop a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including a data collection mechanism by end-September 2024. With TA from the Caribbean Regional Technical Assistance Centre (CARTAC), the authorities are also aiming to incorporate climate risk, starting with physical risks, which are more imminent for Barbados, into their stress testing framework by end-March 2025.

Barbados: Reform Measures Supported by the RSF Arrangement

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

36. Mobilizing climate financing remains critical to delivering the climate agenda. Barbados needs to attract resources for investment in climate adaptation and the adoption of greener energy sources. Current climate investment plans, based on the authorities' program, amount to around US$1 billion. Building on the successful issuance of the Blue Bond in 2022,[15] the authorities are in ongoing negotiations to secure additional financing:

- A *debt-for-climate swap* aims to reduce the interest burden by swapping US$300 million of existing high-interest debt with low-interest debt guaranteed by the IDB and EIB. Savings from the swap will be used to finance upfront green investment, through new IDB and Green Climate Fund (GCF) loans to upgrade the Barbados South Coast Sewage Treatment Plant.[16] This project will improve wastewater management systems, protect the environment and the tourism sector, and reduce water shortages.

- Legislation to establish a *Blue Green Bank* is being finalized, paving the way for the government to make its capital contribution of US$15 million. Pledged contributions from the CAF, GCF, USAID, and bilateral partners are expected to be made as soon as the legislation has been passed, with the bank expected to become operational in early 2025. The new bank is expected to support climate investment projects of more than US$250 million, with an initial focus on resilient housing and RE projects.

E. Data Issues

37. The authorities are continuing to gradually improve their economic data. With the support of IMF TA, the Barbados Statistical Service (BSS) has reviewed quarterly estimates of activity-based GDP and developed a framework for estimating expenditure-based GDP aligned to the benchmark Supply and Use estimates of 2016. The revised GDP series is expected to be published in the second half of 2024. The authorities also received IMF TA for improving external sector statistics, including the estimation of BPM6-based balance of payments for 2018-2021 and IIP statistics for 2017-2021. Publication is anticipated by September 2024.

PROGRAM PERFORMANCE AND MODALITIES

38. All quantitative performance criteria (QPCs) and indicative targets (ITs) set for end-March 2024 were met (Appendix I, Attachment I, Table 3). End-March fiscal QPCs on the central government primary balance, external debt arrears, and public debt were all comfortably met. The QPC on transfers to public institutions was also met, albeit with little margin, largely due to the one-off transfers related to SOE reforms. The monetary QPCs on net domestic assets (NDA) and net

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

[16] The amount of savings will depend on which existing government debt is repurchased and the terms of guaranteed sustainability-linked bonds/loans, which are yet to be decided.

international reserves (NIR) were also met with considerable margin. Meanwhile, the authorities met ITs on central government domestic arrears, social spending, and arrears of public institutions.

39. Structural performance also remained strong, with the timely implementation of the majority of structural benchmarks (SBs) (Appendix I, Attachment I, Table 1). Four of the remaining six SBs for the third review were implemented.[17] In December 2023, the Cabinet approved plans for (i) the amalgamation of the operations of the Rural Development Corporation and Urban Development Corporation, (ii) the reform of the National Housing Corporation, and (iii) the plans for the reform of the Barbados Agricultural Management Corporation operation (SB#14 and SB#15). In March 2024, the government also implemented 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 (SB#3), and established a Cash Management Unit in the Treasury Department (SB#10). The government has also developed standard contracts for routine procurements to minimize delays in awarding contracts to successful bidder ahead of schedule (SB#12). Two end-March SBs were not met. The NISSS has recently submitted financial statements for 2010-16 for audit by the Auditor General, with the remaining statements to be submitted in the coming months (SB#9)). Work on developing a central online platform for government services and the monitoring of public investment is progressing, but given technical delays the end-March SB is proposed to be reset to end-September, 2024 (SB#21).

40. The RMs set for the third review have been implemented (Appendix I, Attachment I, Table 2). The government tabled a Stormwater Management Act to Parliament replacing the existing Prevention of Floods Act, set under RM#4 and Cabinet approved the Energy Efficiency and Conservation Policy Framework set under RM#7.

41. Modified primary balance QPCs are proposed for FY2024/25, along with new QPCs/ITs for March 2025, reflecting minor updates to the macroeconomic framework and the budget:

- **QPCs.** The proposed primary balance target for end-March 2025—cumulative for the whole year of FY2024/25—reflects an increase in the primary surplus by 0.3 percent of GDP, consistent with the 4 percent surplus targeted in the budget and the second review. At the same time, a new quarterly path for the primary balance is proposed, lowering the floor for the first and second quarter of FY2024/25 to allow a modest frontloading of critical investment projects ahead of the rainy season and improved planning and management of capital spending through the fiscal year. The annual primary balance target is unchanged, ensuring that public debt path remains on track to reach the target of 60 percent of GDP by FY2035/36. In parallel, efforts to improve PFM (see ¶15) will be essential to address ongoing capacity constraints and raise capital spending execution. The government is expected to continue the non-accumulation of external

[17] The approval of the public pension law, originally set for end-March 2024, was implemented ahead of the second review.

debt arrears, while transfers to public institutions are programmed to decline from the FY2023/24 level. The ceiling on NDA of the CBB and the floor on NIR remain unchanged.

- **ITs.** Following the authorities' success in reducing arrears, the ceilings on central government domestic arrears and public institutions arrears have both been reduced further for end-March 2025, consistent with program objectives. After a large increase in FY2023/24, the end-March 2025 floor on social spending has also been increased further to maintain the value of social support in real terms.

42. The authorities have requested the full purchase under the EFF (SDR 14.175 million) and the RSF disbursements related to RM#4 and RM#7 (SDR 28.35 million) for the third review to be available in the form of budget support. Staff support the authorities' request for the continued use of Fund resources for budget support, while gradually increasing market financing following the comprehensive debt restructuring in 2018-19. Given the intended use for budget support, the authorities have completed a Memorandum of Understanding that lays out the respective roles and responsibilities between the CBB and the MFEI for servicing financial obligations to the Fund arising from both the EFF and RSF arrangements. With commitments of US$200 million of financial support from other IFIs in 2024-2025, the EFF program is fully financed over the next 12 months and with good prospects for the remainder of the program period (Table 8).

43. 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 credit outstanding reaching around 500 percent of quota (380 percent of quota excluding the RSF[18]) or about 9 percent of GDP in 2024. Obligations to the Fund would peak at 4 percent of exports of goods and services in 2025 and 7.6 percent of projected reserves in 2027. Risks to the capacity to repay stem from the elevated program risks (see ¶45), which are mitigated by the authorities' excellent track record of repayment, their commitment to reforms and economic stability, the ongoing fiscal adjustment supported by structural reforms under the Fund program, and international reserves expected to remain well above 100 percent of the Fund's reserve adequacy metric throughout the projection period.

44. The CBB continues to implement the recommendations of the 2023 safeguards assessment. The CBB is strengthening its safeguards framework in a range of areas. In particular, the CBB is working to establish an ELA framework, with support of IMF TA (¶23) and to enhance its resilience to cybersecurity risks. Enhancing internal audit planning and execution remains a priority for the CBB, as indicated through adoption of a multi-year audit plan. Notably, the CBB also revamped its performance assessment methodology to include key performance indicators (KPIs) for resolving audit findings.

45. Risks to the program remain elevated. Risks could arise from exogenous factors, such as: (i) an intensification of regional conflicts leading to higher and more volatile commodity prices; (ii)

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

an economic slowdown in the main source countries for tourism (UK, US, and Canada); (iii) further increases in global interest rates; and (iv) more frequent and intensified natural disasters. On the domestic front, maintaining reform momentum to generate primary surpluses on a sustained basis is a key challenge. These risks, however, are mitigated by the authorities' excellent track record under the IMF program, their strong commitment to the reform agenda, and broad public support for economic stabilization and reforms. The authorities stand ready to take additional fiscal measures if needed to meet program fiscal targets. These measures could include broadening the tax base through revamping the VAT regime and/or raising the VAT rate, reforming the property tax regime, and/or cutting current expenditure and prioritizing capital expenditure.

STAFF APPRAISAL

46. **The authorities' implementation of the home-grown BERT Plan and climate policy agenda remains strong.** All QPCs and ITs for the third review of the Fund-supported EFF were successfully met. The authorities met most structural benchmarks for the third review, and one for the fourth review. While two structural benchmarks have been delayed, significant progress has been made recently and full implementation is expected ahead of the fourth review. In addition, the two RSF reform measures set for the third review have been implemented, maintaining critical momentum behind the climate policy agenda. Staff assesses that there are good prospects of continued strong performance under both the EFF and RSF.

47. **Fiscal consolidation is continuing to advance.** The authorities exceeded their primary surplus target of 3.4 percent of GDP for FY2023/24 and are targeting a primary surplus of 4 percent of GDP in FY2024/25. In the context of conservative revenue estimates, fiscal consolidation plans are underpinned by tight controls on current spending, including wages and transfers, to create space for real increases in social spending and critical public investment. Any revenue overperformance, including from the CIT reform, will be primarily used to increase public investment. On the financing front, the authorities are continuing to mobilize external official financing, while gradually increasing financing from domestic capital markets. Public debt has fallen back to pre-pandemic levels and is projected to continue declining over the medium term. Maintaining strong primary surpluses will be essential to reduce public debt to the long-term target of 60 percent of GDP by FY2035/36. Staff assesses Barbados' public debt to be sustainable, with moderate overall risks of sovereign stress, although uncertainties remain high.

48. **Steadfast implementation of structural reforms will be essential to achieve both fiscal consolidation and the public investment goals, in line with ambitious targets in the BERT Plan.** The authorities are continuing to implement measures to strengthen revenue administration and modernize the tax exemptions framework, which will be essential to mobilize additional revenues over the medium term. On the public expenditure front, the authorities have successfully implemented reforms to enhance the sustainability of the pension system and SOEs. Further efforts to enhance PFM, including public investment management, supported by IMF TA, will be critical to improve spending efficiency and maximize the impact of investment. Operationalizing the Fiscal

Council will also be important to strengthen the budget formulation process, upgrade budget documentation, and enhance fiscal reporting and oversight.

49. Modernizing monetary policy operations will help to improve the management of domestic liquidity conditions, supporting macroeconomic stability. The exchange rate peg, supported by ample reserves, continues to provide an important anchor for macroeconomic stability. In the context of loose monetary conditions, it will be important to advance efforts to enhance the liquidity management framework and make progress with work to establish a benchmark monetary policy rate and gradually introduce monetary policy instruments anchored to the policy rate.

50. Alongside recent improvements in financial system conditions, advancing the implementation of 2014 FSAP recommendations will help further enhance financial stability. Banking system resilience has improved, with rising capital and liquidity buffers, declining NPLs, and provisioning well above required levels. Meanwhile, financial soundness indicators for finance companies and credit unions remain stable. More generally, staff welcomes actions to implement the 2014 FSAP recommendations, including to strengthen banking and insurance supervision. Further work is still needed to develop crisis contingency plans for the insurance sector and improve onsite supervision for credit unions. Meanwhile, staff applauds the authorities' steadfast efforts to strengthen the AML/CFT framework, which led to Barbados' removal from the FATF grey list and will help support the business environment and boost much-needed foreign investment.

51. Improving the business environment remains central to the authorities' multi-faceted strategy to boost Barbados' growth potential. Enhancing the business environment is key to mobilizing domestic savings and catalyzing trade and investment, which in turn will be essential to unlock Barbados' growth potential. Under the supervision of the Growth Council, it will be important to advance efforts to enhance trade and business facilitation, including through the digitalization of government services, as well as investment in skills and education.

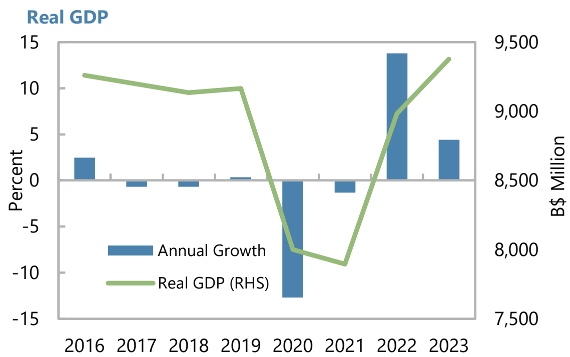
52. It remains critical to advance the climate policy agenda, to increase resilience to climate shocks and support greener and more inclusive growth. The authorities remain strongly committed to building resilience and greening the economy through a gradual transition to a fully renewable energy-based economy. In this regard, important reform measures set for the third RSF review have been implemented, including (i) submission of the Stormwater Management Plan to Parliament, which will help prevent and mitigate the impact of flooding; and (ii) Cabinet approval of a new Energy Efficiency and Conservation Policy Framework to improve energy management, reduce consumption and promote sustainability. Climate policy reforms, supported by the RSF arrangement, are expected to create an enabling environment that mobilizes private sector resources for climate-related projects. Efforts to mobilize and scale up climate financing are advancing, supported by development partners.

53. Despite a positive near-term economic outlook, medium-term risks remain elevated, highlighting the need for contingency planning. Barbados continues to be vulnerable to potential global economic and financial shocks and natural disasters, including an abrupt global slowdown or recession in key tourism source markets, an increase in global commodity prices and inflation, a further increase in the cost of external financing, and/or natural disasters. On the domestic front, deceleration of reform momentum could generate concerns about fiscal consolidation and debt sustainability. However, these risks are mitigated by the authorities' excellent track record of implementation, and strong commitment to reform. In particular, the authorities stand ready to take additional fiscal measures, if needed, to meet program fiscal targets.

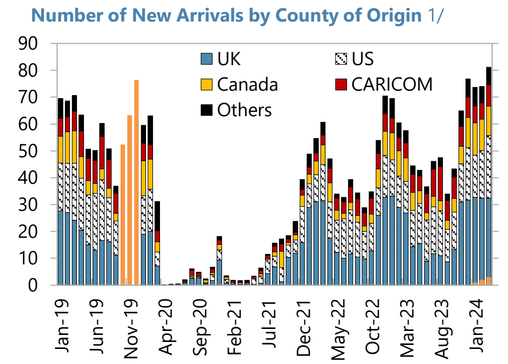
54. Staff recommends the completion of the third reviews of the extended arrangement under the EFF and the third review under the RSF arrangement. Staff assess that RM#4 and RM#7 under the RSF have been implemented. Staff also supports the modification of the end-June and end-September primary balance targets and SBs under the extended arrangement under the EFF. The authorities are committed to achieving program objectives and implementing their ambitious reform and climate agenda.

Figure 2. Barbados: Real Sector Developments

The economy recorded another year of strong growth in 2023…

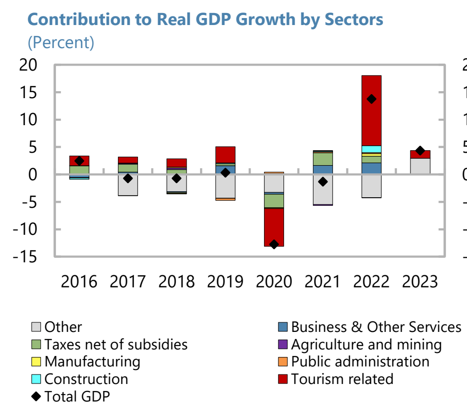


…driven by a rebound in tourist arrivals…

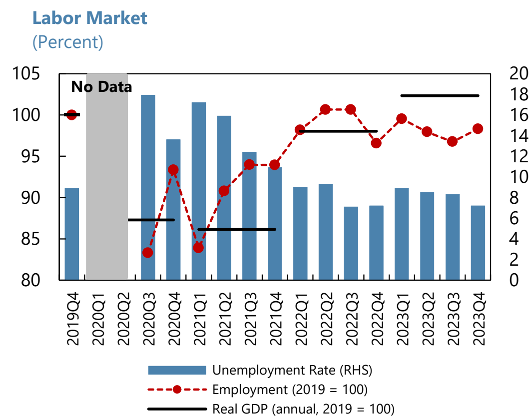


1/ For October-December 2019, only the total number of new arrivals is available.

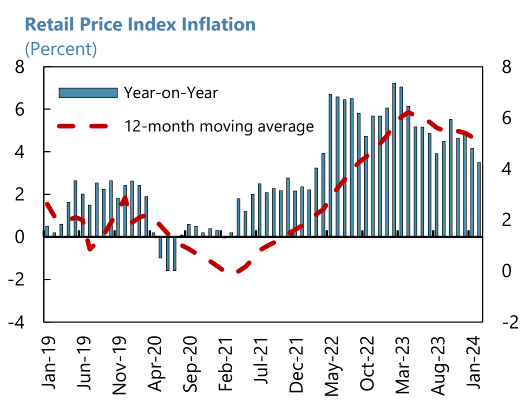
…and related activities.



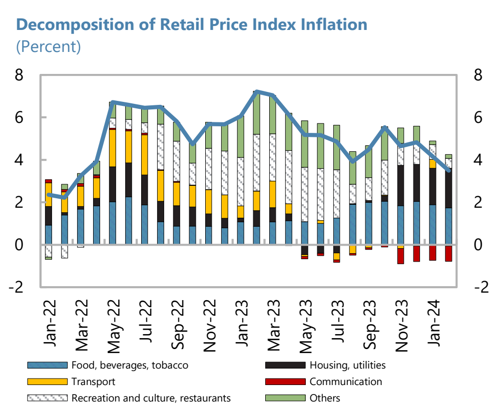
The labor market strengthened, with unemployment declining below pre-pandemic levels.



Inflation began to gradually decline in 2023…



…driven by lower communication and fuel imports prices but offset by higher food and housing-related costs.

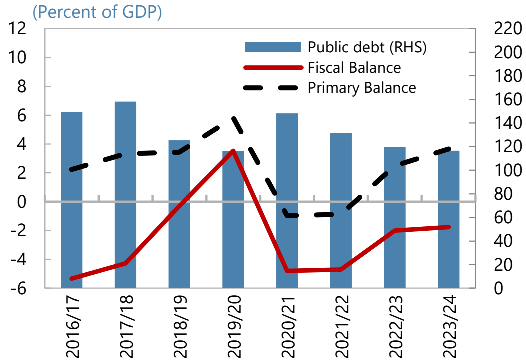


Sources: Barbados Statistical Service, Central Bank of Barbados, and IMF staff calculations.

Figure 3. Barbados: Fiscal Sector Developments

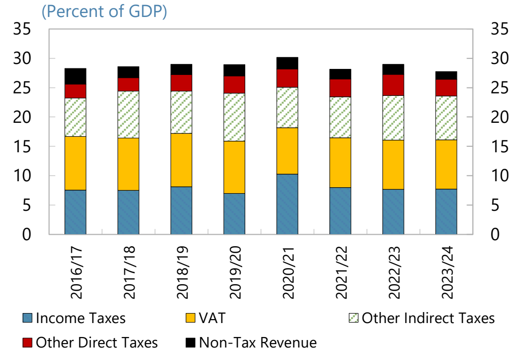
Barbados' primary surplus continued to increase in FY2023/24...

Fiscal Balances and Public Debt
(Percent of GDP)



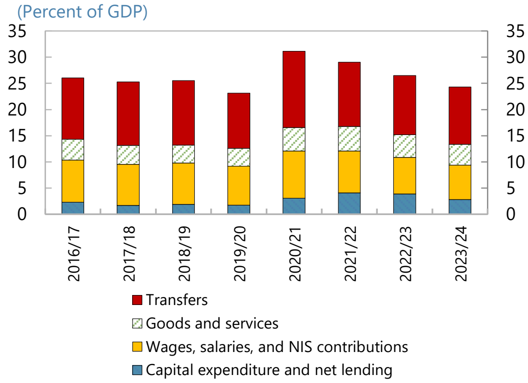
...with a modest decline in revenues as a share of GDP, largely due to one-off factors...

Government Revenue Composition
(Percent of GDP)



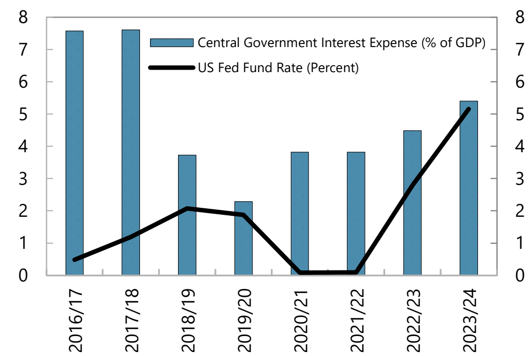
...more than offset by a reduction in transfers and under-execution of capital spending.

Government Primary Expenditure Composition
(Percent of GDP)



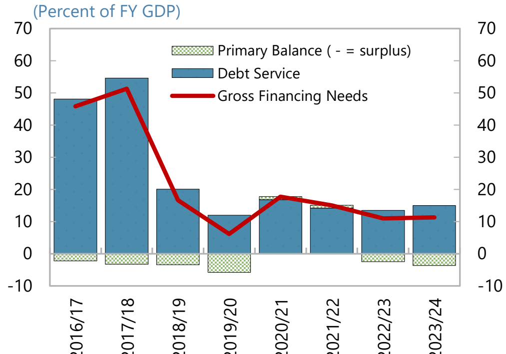
The interest bill rose, reflecting rising costs of variable-rate external debt and step-up coupons on restructured debt.

Central Government Interest Expense and US Fed Fund Rate



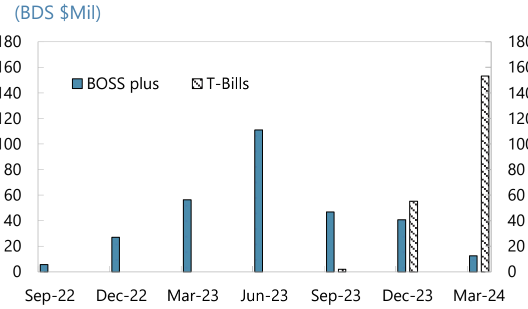
Gross financing needs remained stable, edging up slightly due to higher debt service...

Gross Financing Needs
(Percent of FY GDP)



Meanwhile, the government has restarted domestic debt issuances, including BOSS bonds and T bills.

Issuances of BOSS Plus and T-Bills 1/
(BDS $Mil)



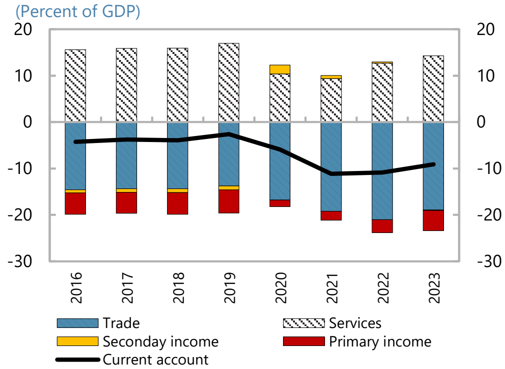
1/ T-bills include 3-month and 6-month T-bills.

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

Figure 4. Barbados: External Sector Developments

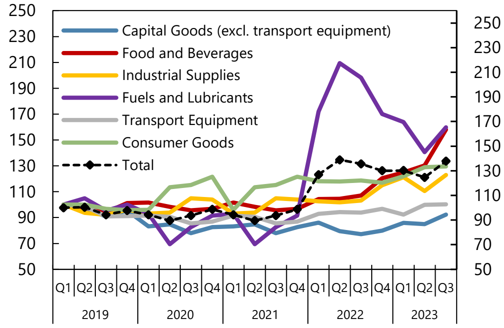
The current account deficit narrowed again in 2023 due to a rebound in tourism services...

Current Account Balance
(Percent of GDP)



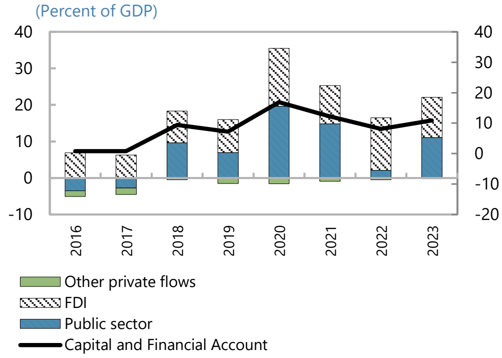
...and savings from reduced import fuel prices.

Goods Import Price
(2019 Q1=100)



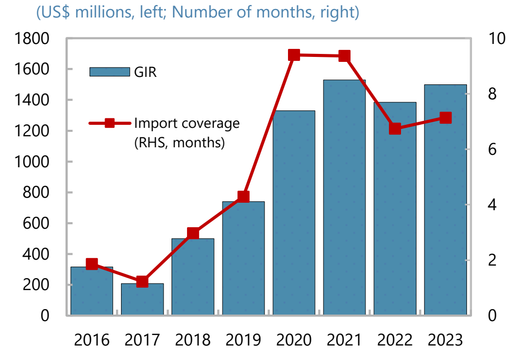
Financial inflows increased due to larger loan disbursements from official development partners...

Capital and Financial Account Balances
(Percent of GDP)



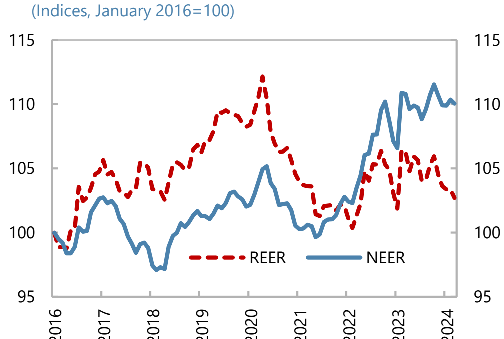
...helping to support a rise in gross international reserves.

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



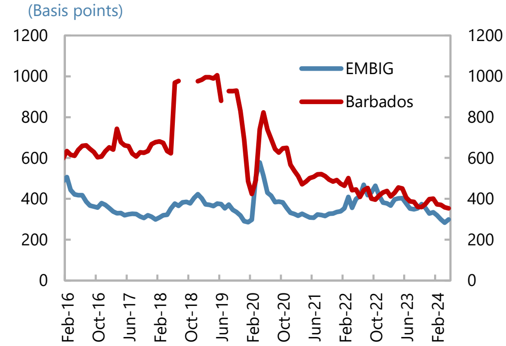
The effective exchange rates were broadly stable in 2023...

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



...and external bond spreads have declined, reflecting an easing in global financial conditions.

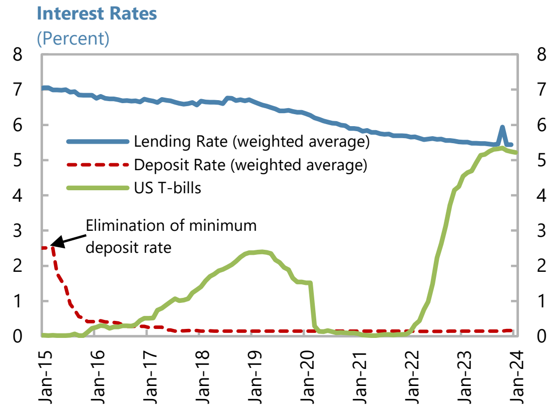
Sovereign Spread
(Basis points)



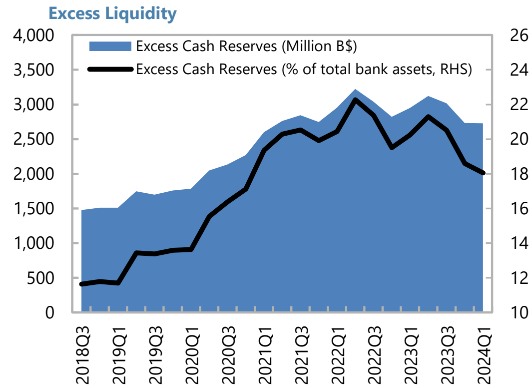
Sources: Bloomberg, Central Bank of Barbados, Barbados Statistical Service, Caribbean Tourism Organization, and IMF staff calculations.

Figure 5. Barbados: Monetary and Financial Sector Developments

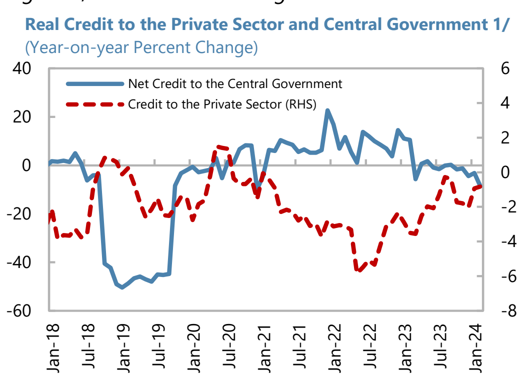
Despite rising US interest rates, Barbados' lending rates continued to decline gradually in 2023...



...amid continued high excess liquidity in the banking system and reflecting the presence of capital controls.

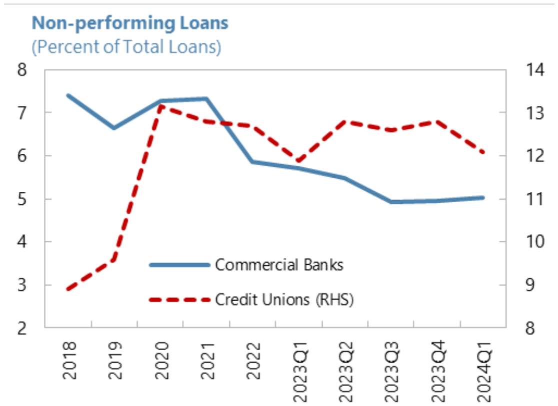


Real private sector credit growth recovered but remained negative, while credit to the government was stable.

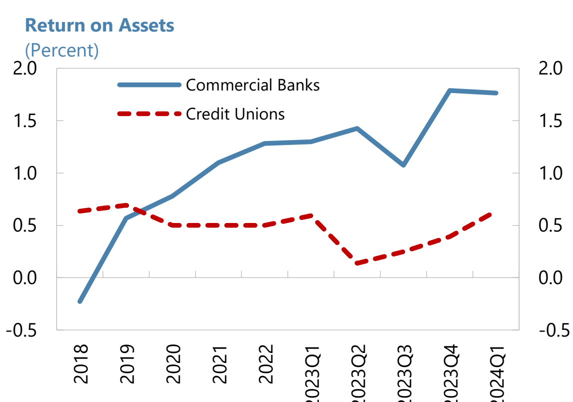


1/ Deflated with retail price index.

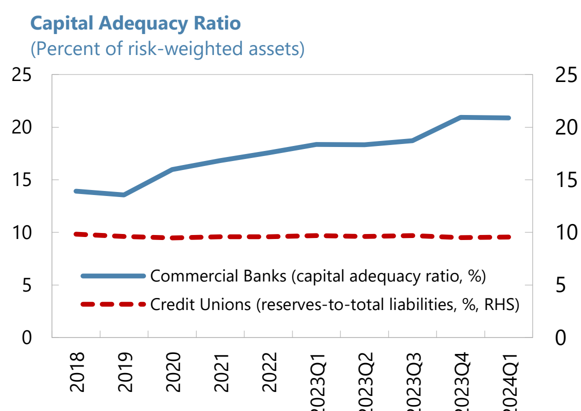
Reflecting the favorable economic conditions, NPL ratios continued to decline...



... profitability increased for commercial banks, while declining somewhat for credit unions...



... and capital buffers remained strong.



Sources: Central Bank of Barbados and IMF staff calculations.

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

I. Social and Demographic Indicators (most recent year)

Population (2022 est., thousand)	289.4	Adult literacy rate (2014)	99.6
Per capita GDP (2022 est., US$ thousand)	20.2	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	
	2019	2020	2021	2022	2023		2024	
					CR/23/436		CR/23/436	
	(Annual percentage change, unless otherwise indicated)							
Output, prices, and employment								
CY Real GDP	0.3	-12.7	-1.3	13.8	4.5	4.4	3.7	3.9
CPI inflation (average) 2/	1.7	0.5	1.6	4.9	5.0	5.0	3.7	4.0
CPI inflation (end of period) 2/	2.3	0.4	2.2	5.7	4.4	4.8	2.8	3.1
External sector								
Exports of goods and services	6.9	-38.0	5.9	34.4	13.5	12.3	8.9	14.4
Imports of goods and services	2.6	-18.0	15.4	25.8	1.8	2.3	5.9	9.1
Real effective exchange rate (index, average)	127.6	131.5	127.6	125.2	…	126.8	…	…
Money and credit								
Net domestic assets	0.0	5.0	3.6	8.1	2.1	1.0	4.0	4.1
of which: Credit to the non financial private sector	0.9	-1.2	-1.2	3.6	2.4	2.7	3.1	2.3
Broad money	3.0	7.3	6.0	5.3	5.3	1.0	4.1	5.3
CG Public finances (fiscal year) 3/								
Revenue and grants	28.9	30.2	28.2	29.0	28.5	28.0	30.2	27.3
Expenditure	25.4	35.0	32.9	31.0	30.4	29.7	31.4	29.0
Fiscal Balance	3.5	-4.8	-4.7	-2.0	-1.8	-1.8	-1.2	-1.7
Interest Expenditure	2.3	3.8	3.8	4.5	5.2	5.4	5.2	5.7
Primary Balance	5.8	-1.0	-0.9	2.5	3.4	3.7	4.0	4.0
Public Debt (fiscal year) 3/								
Public sector debt 4/	116.2	148.1	131.5	119.1	114.7	116.5	106.9	107.9
External	31.6	49.1	47.0	45.1	46.8	46.0	44.2	43.7
Domestic	84.6	99.0	84.5	74.0	67.9	70.5	62.6	64.2
Balance of payments (calendar year)	(In percent of CY GDP)							
Current account balance	-2.6	-5.9	-11.1	-10.9	-8.1	-9.1	-7.2	-7.4
Capital and financial account balance	7.2	16.9	12.2	8.1	11.0	10.9	7.7	7.9
Public Sector	3.5	9.8	7.4	1.1	6.0	5.5	2.2	2.4
o/w IMF disbursement	1.9	4.8	1.0	0.7	1.8	1.8	1.7	1.6
Private Sector (including FDI)	3.8	7.2	4.8	6.9	5.0	5.4	5.5	5.5
Net Errors and Omissions	-0.1	1.3	2.8	0.5	0.0	0.0	0.0	0.0
Overall balance	4.5	12.3	3.9	-2.3	2.8	1.8	0.5	0.5
Memorandum items:								
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	…	2.0	…	…
Gross international reserves (US$ million)	741	1,330	1,524	1,390	1,565	1,505	1,601	1,538
In months of imports of G&S	4.3	9.4	9.3	6.8	7.5	7.2	7.2	6.7
In percent of ARA	143	259	289	216	247	214	241	204
Nominal GDP, CY (BDS$ millions)	10,734	9,560	9,891	11,681	12,772	12,773	13,725	13,759
Nominal GDP, FY (BDS$ millions)	10,902	8,960	10,443	12,228	13,025	13,034	13,937	13,964

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

1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.

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

3/ Fiscal year is from April to March.

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

Table 2a. Barbados: Central Government Operations, 2019/2020–2029/2030 1/ 2/

(In millions of Barbados dollars)

	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25		2025/26	2026/27	2027/28	2028/29	2029/30
					CR/23/436		CR/23/436		Projections				
Total revenue	**3,156**	**2,702**	**2,941**	**3,543**	**3,718**	**3,643**	**4,206**	**3,812**	**4,021**	**4,217**	**4,412**	**4,617**	**4,846**
Current revenue	3,144	2,702	2,935	3,523	3,710	3,642	4,197	3,804	4,013	4,208	4,402	4,607	4,836
Tax revenue	2,943	2,527	2,763	3,334	3,516	3,471	3,990	3,615	3,814	4,000	4,183	4,377	4,595
Income and profits	764	921	835	942	956	1,007	1,227	1,071	1,131	1,192	1,251	1,314	1,379
Taxes on property	215	182	205	217	213	219	228	224	236	238	250	263	276
VAT	967	706	885	1,023	1,123	1,095	1,212	1,157	1,219	1,280	1,344	1,411	1,482
Excise	251	154	212	247	276	229	295	251	265	278	292	307	322
Import taxes	232	192	221	242	279	257	299	276	291	305	320	337	353
Other taxes	515	372	405	663	669	664	729	637	672	706	725	746	783
Nontax revenue	201	175	172	189	194	172	207	188	199	208	219	230	241
Capital revenue and grants	12	0	6	20	8	1	9	8	8	9	9	10	10
Total expenditure	**2,772**	**3,132**	**3,431**	**3,788**	**3,955**	**3,874**	**4,372**	**4,044**	**4,074**	**4,207**	**4,362**	**4,534**	**4,731**
Current expenditure	2,580	2,856	3,006	3,312	3,635	3,504	3,828	3,618	3,611	3,643	3,763	3,912	4,081
Wages, salaries and SSC	807	808	835	855	891	852	932	858	862	867	910	955	1,003
Goods and services	375	400	493	529	572	522	613	647	667	684	704	739	776
Interest	250	343	399	549	683	707	724	790	709	678	672	683	691
Transfers	1,147	1,305	1,279	1,379	1,489	1,422	1,560	1,322	1,373	1,414	1,477	1,535	1,611
o/w Subsidies	100	161	190	213	241	159	250	143	148	158	173	181	189
o/w Grants to public institutions	689	796	749	805	851	927	886	826	852	864	893	922	967
o/w Retirement benefits	358	348	340	362	397	336	425	354	373	391	411	432	454
Capital expenditure and net lending	192	276	425	476	320	370	544	426	463	564	599	621	650
CG Fiscal balance	**385**	**-430**	**-491**	**-245**	**-237**	**-231**	**-166**	**-233**	**-53**	**10**	**50**	**83**	**115**
CG Primary balance	**634**	**-87**	**-92**	**304**	**446**	**477**	**557**	**558**	**656**	**688**	**722**	**766**	**806**
Repayment of domestic arrears (net)	140	74	57	-96	20	24	40	40	40	40	40	7	0
CG Fiscal balance (net of arrears)	**244**	**-503**	**-548**	**-149**	**-257**	**-255**	**-206**	**-273**	**-93**	**-30**	**10**	**76**	**115**
CG Primary balance (net of arrears)	**494**	**-161**	**-149**	**400**	**426**	**453**	**517**	**518**	**616**	**648**	**682**	**759**	**806**
Financing	**-244**	**503**	**548**	**149**	**257**	**255**	**206**	**273**	**93**	**30**	**-10**	**-76**	**-115**
Net Financing - External	109	846	540	376	756	529	288	153	25	-123	-289	-187	-153
Capital Markets (after refinancing)	0	0	0	0	0	0	0	0	100	125	150	250	278
Project Funds	72	82	207	95	190	113	150	215	125	125	125	125	125
Policy Loans	150	600	400	400	400	400	0	0	200	160	0	0	0
o/w IDB	0	400	200	200	400	400	0	0	200	160	0	0	0
o/w CDB	150	0	0	0	0	0	0	0	0	0	0	0	0
o/w CAF	0	200	0	0	0	0	0	0	0	0	0	0	0
o/w WB	0	0	200	200	0	0	0	0	0	0	0	0	0
IMF	0	352	97	83	228	227	228	225	113	0	0	0	0
o/w IMF RSF 3/	0	0	0	0	152	151	152	150	75	0	0	0	0
Amortization	112	188	163	202	214	211	242	287	513	533	564	562	556
Net Financing - Domestic	-353	-343	8	-227	-347	-273	71	120	68	153	279	110	38
Central bank 4/	165	-67	332	-133	20	-175	110	290	15	-25	8	0	0
Commercial banks	-58	106	-25	100	50	131	100	80	100	150	200	125	50
National Insurance Scheme	-85	-208	15	-60	-70	-83	-70	-70	-70	-50	-30	0	0
Private non-bank and others 5/ 6/	-375	-175	-314	-134	-347	-147	-69	-180	23	78	101	-15	-12
Memorandum items:													
Public debt 7/	12,673	13,271	13,735	14,568	14,938	15,181	14,895	15,068	14,985	14,888	14,781	14,660	14,533
Nominal GDP, FY (BDS$ millions)	10,902	8,960	10,443	12,228	13,025	13,034	13,937	13,964	14,727	15,460	16,212	16,996	17,807

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

1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.

2/ Fiscal year is from April to March.

3/ The RSF replaces other external financing.

4/ Positive net financing in 2024/25 and onwards reflects expected withdrawal of government deposits with the CBB.

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

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

7/ 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, 2019/2020–2029/2030 1/ 2/

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

							Projections						
	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25		2025/26	2026/27	2027/28	2028/29	2029/30
					CR/23/436		CR/23/436						
Total revenue	**28.9**	**30.2**	**28.2**	**29.0**	**28.5**	**28.0**	**30.2**	**27.3**	**27.3**	**27.3**	**27.2**	**27.2**	**27.2**
Current revenue	28.8	30.2	28.1	28.8	28.5	27.9	30.1	27.2	27.2	27.2	27.2	27.1	27.2
Tax revenue	27.0	28.2	26.5	27.3	27.0	26.6	28.6	25.9	25.9	25.9	25.8	25.8	25.8
Income and profits	7.0	10.3	8.0	7.7	7.3	7.7	8.8	7.7	7.7	7.7	7.7	7.7	7.7
Taxes on property	2.0	2.0	2.0	1.8	1.6	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5
VAT	8.9	7.9	8.5	8.4	8.6	8.4	8.7	8.3	8.3	8.3	8.3	8.3	8.3
Excise	2.3	1.7	2.0	2.0	2.1	1.8	2.1	1.8	1.8	1.8	1.8	1.8	1.8
Import taxes	2.1	2.1	2.1	2.0	2.1	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Other taxes	4.7	4.1	3.9	5.4	5.1	5.1	5.2	4.6	4.6	4.6	4.5	4.4	4.4
Nontax revenue	1.8	2.0	1.6	1.5	1.5	1.3	1.5	1.3	1.3	1.3	1.3	1.4	1.4
Capital revenue and grants	0.1	0.0	0.1	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure	**25.4**	**35.0**	**32.9**	**31.0**	**30.4**	**29.7**	**31.4**	**29.0**	**27.7**	**27.2**	**26.9**	**26.7**	**26.6**
Current expenditure	23.7	31.9	28.8	27.1	27.9	26.9	27.5	25.9	24.5	23.6	23.2	23.0	22.9
Wages, salaries and SSC	7.4	9.0	8.0	7.0	6.8	6.5	6.7	6.1	5.9	5.6	5.6	5.6	5.6
Goods and services	3.4	4.5	4.7	4.3	4.4	4.0	4.4	4.6	4.5	4.4	4.3	4.3	4.4
Interest	2.3	3.8	3.8	4.5	5.2	5.4	5.2	5.7	4.8	4.4	4.1	4.0	3.9
Transfers	10.5	14.6	12.2	11.3	11.4	10.9	11.2	9.5	9.3	9.1	9.1	9.0	9.0
o/w Subsidies	0.9	1.8	1.8	1.7	1.8	1.2	1.8	1.0	1.0	1.0	1.1	1.1	1.1
o/w Grants to public institutions	6.3	8.9	7.2	6.6	6.5	7.1	6.4	5.9	5.8	5.6	5.5	5.4	5.4
o/w Retirement benefits	3.3	3.9	3.3	3.0	3.0	2.6	3.0	2.5	2.5	2.5	2.5	2.5	2.6
Capital expenditure and net lending	1.8	3.1	4.1	3.9	2.5	2.8	3.9	3.1	3.1	3.6	3.7	3.7	3.6
CG Fiscal balance	**3.5**	**-4.8**	**-4.7**	**-2.0**	**-1.8**	**-1.8**	**-1.2**	**-1.7**	**-0.4**	**0.1**	**0.3**	**0.5**	**0.6**
CG Primary balance	**5.8**	**-1.0**	**-0.9**	**2.5**	**3.4**	**3.7**	**4.0**	**4.0**	**4.5**	**4.5**	**4.5**	**4.5**	**4.5**
Repayment of domestic arrears (net)	1.3	0.8	0.5	-0.8	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.0	0.0
CG Fiscal balance (net of arrears)	**2.2**	**-5.6**	**-5.2**	**-1.2**	**-2.0**	**-2.0**	**-1.5**	**-2.0**	**-0.6**	**-0.2**	**0.1**	**0.5**	**0.6**
CG Primary balance (net of arrears)	**4.5**	**-1.8**	**-1.4**	**3.3**	**3.3**	**3.5**	**3.7**	**3.7**	**4.2**	**4.2**	**4.2**	**4.5**	**4.5**
Financing	**-2.2**	**5.6**	**5.2**	**1.2**	**2.0**	**2.0**	**1.5**	**2.0**	**0.6**	**0.2**	**-0.1**	**-0.5**	**-0.6**
Net Financing - External	1.0	9.4	5.2	3.1	5.8	4.1	2.1	1.1	0.2	-0.8	-1.8	-1.1	-0.9
Capital Markets (after refinancing)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.8	0.9	1.5	1.6
Project Funds	0.7	0.9	2.0	0.8	1.5	0.9	1.1	1.5	0.9	0.8	0.8	0.7	0.7
Policy Loans	1.4	6.7	3.8	3.3	3.1	3.1	0.0	0.0	1.4	1.0	0.0	0.0	0.0
o/w IDB	0.0	4.5	1.9	1.6	3.1	3.1	0.0	0.0	1.4	1.0	0.0	0.0	0.0
o/w CDB	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w CAF	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w WB	0.0	0.0	1.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF	0.0	3.9	0.9	0.7	0.6	0.6	0.5	0.5	0.3	0.0	0.0	0.0	0.0
o/w IMF RSF 3/	0.0	0.0	0.0	0.0	1.2	1.2	1.1	1.1	0.5	0.0	0.0	0.0	0.0
Amortization	1.0	2.1	1.6	1.6	1.6	1.6	1.7	2.1	3.5	3.4	3.5	3.3	3.1
Net Financing - Domestic	-3.2	-3.8	0.1	-1.9	-2.7	-2.1	0.5	0.9	0.5	1.0	1.7	0.6	0.2
Central bank 4/	1.5	-0.7	3.2	-1.1	0.2	-1.3	0.8	2.1	0.1	-0.2	0.1	0.0	0.0
Commercial banks	-0.5	1.2	-0.2	0.8	0.4	1.0	0.7	0.6	0.7	1.0	1.2	0.7	0.3
National Insurance Scheme	-0.8	-2.3	0.1	-0.5	-0.5	-0.6	-0.5	-0.5	-0.5	-0.3	-0.2	0.0	0.0
Private non-bank and others 5/ 6/	-3.4	-1.9	-3.0	-1.1	-2.7	-1.1	-0.5	-1.3	0.2	0.5	0.6	-0.1	-0.1
Memorandum items:													
Public debt 7/	116.2	148.1	131.5	119.1	114.7	116.5	106.9	107.9	101.8	96.3	91.2	86.3	81.6
Nominal GDP, FY (BDS$ millions)	10,902	8,960	10,443	12,228	13,025	13,034	13,937	13,964	14,727	15,460	16,212	16,996	17,807

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.
2/ Fiscal year is from April to March.
3/ The RSF replaces other external financing.
4/ Positive net financing in 2024/25 and onwards reflects expected withdrawal of government deposits with the CBB.
5/ Insurance companies and other non bank private sector; BOSS programs are also included here.
6/ Including government's equity investment into crisis-affected companies in the tourism sector.
7/ 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, 2019/2020–2029/2030 1/ 2/ 3/

									Projections				
	2019/20	2020/21	2021/22	2022/23	2023/24		2024/25		2025/26	2026/27	2027/28	2028/29	2029/30
					CR/23/436		CR/23/436						
	(In millions of Barbados dollars)												
Central government debt	**12,329**	**12,822**	**13,302**	**14,155**	**14,556**	**14,806**	**14,572**	**14,740**	**14,725**	**14,696**	**14,658**	**14,607**	**14,523**
Domestic	**9,226**	**8,873**	**8,824**	**9,051**	**8,848**	**9,183**	**8,729**	**8,964**	**8,924**	**9,018**	**9,269**	**9,404**	**9,473**
Short Term	697	708	710	662	600	823	600	600	600	600	600	600	600
Long term	8,376	8,085	8,091	8,198	8,011	8,194	7,931	8,238	8,238	8,372	8,662	8,804	8,873
Arrears 2/	153	79	23	191	238	167	198	127	87	47	7	0	0
External 3/	**3,103**	**3,949**	**4,477**	**5,104**	**5,708**	**5,623**	**5,843**	**5,776**	**5,801**	**5,678**	**5,390**	**5,203**	**5,050**
Short Term	0	0	0	0	0	0	0	0	0	0	0	0	0
Long term	3,049	3,949	4,477	5,104	5,708	5,623	5,843	5,776	5,801	5,678	5,390	5,203	5,050
Arrears	54	0	0	0	0	0	0	0	0	0	0	0	0
Government-guaranteed SOE debt	58	52	46	36	31	26	24	42	35	28	21	14	10
Domestic	0	0	0	0	0	0	0	0	0	0	0	0	0
External	58	52	46	36	31	26	24	42	35	28	21	14	10
Public sector debt	12,387	12,874	13,348	14,191	14,587	14,832	14,596	14,782	14,760	14,725	14,680	14,621	14,533
IMF (BOP support) 4/	287	397	387	377	351	349	298	286	225	163	101	39	0
Public sector debt + IMF (BOP support)	**12,673**	**13,271**	**13,735**	**14,568**	**14,938**	**15,181**	**14,895**	**15,068**	**14,985**	**14,888**	**14,781**	**14,660**	**14,533**
	(In percent of FY GDP)												
Central government debt	**113.1**	**143.1**	**127.4**	**115.8**	**111.8**	**113.6**	**104.6**	**105.6**	**100.0**	**95.1**	**90.4**	**85.9**	**81.6**
Domestic	**84.6**	**99.0**	**84.5**	**74.0**	**67.9**	**70.5**	**62.6**	**64.2**	**60.6**	**58.3**	**57.2**	**55.3**	**53.2**
Short Term	6.4	7.9	6.8	5.4	4.6	6.3	4.3	4.3	4.1	3.9	3.7	3.5	3.4
Long term	76.8	90.2	77.5	67.0	61.5	62.9	56.9	59.0	55.9	54.2	53.4	51.8	49.8
Arrears 2/	1.4	0.9	0.2	1.6	1.8	1.3	1.4	0.9	0.6	0.3	0.0	0.0	0.0
External 3/	**28.5**	**44.1**	**42.9**	**41.7**	**43.8**	**43.1**	**41.9**	**41.4**	**39.4**	**36.7**	**33.2**	**30.6**	**28.4**
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	28.0	44.1	42.9	41.7	43.8	43.1	41.9	41.4	39.4	36.7	33.2	30.6	28.4
Arrears	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government-guaranteed SOE debt	**0.5**	**0.6**	**0.4**	**0.3**	**0.2**	**0.2**	**0.2**	**0.3**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**
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	0.6	0.4	0.3	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.1	0.1
Public sector debt	**113.6**	**143.7**	**127.8**	**116.1**	**112.0**	**113.8**	**104.7**	**105.9**	**100.2**	**95.2**	**90.5**	**86.0**	**81.6**
IMF (BOP support) 4/	2.6	4.4	3.7	3.1	2.7	2.7	2.1	2.0	1.5	1.1	0.6	0.2	0.0
Public sector debt + IMF (BOP support)	**116.2**	**148.1**	**131.5**	**119.1**	**114.7**	**116.5**	**106.9**	**107.9**	**101.8**	**96.3**	**91.2**	**86.3**	**81.6**
Memorandum items:													
Nominal GDP, FY (BDS$ millions)	10,902	8,960	10,443	12,228	13,025	13,034	13,937	13,964	14,727	15,460	16,212	16,996	17,807

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/ Includes legacy arrears formally recognized by the authorities in FY2022/23.
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, 2019–2029 1/

(In millions of US dollars)

	2019	2020	2021	2022	2023		2024		Projections 2025	2026	2027	2028	2029
					CR/23/436		CR/23/436						
Current account balance	**-142**	**-282**	**-551**	**-636**	**-520**	**-584**	**-491**	**-512**	**-452**	**-433**	**-444**	**-432**	**-439**
o/w Exports of goods and services	2,242	1,390	1,473	1,979	2,260	2,222	2,461	2,541	2,705	2,840	2,973	3,118	3,266
o/w Imports of goods and services	2,071	1,699	1,960	2,465	2,510	2,521	2,659	2,750	2,848	2,976	3,121	3,249	3,397
Trade balance	-739	-803	-950	-1,228	-1,187	-1,212	-1,231	-1,306	-1,318	-1,383	-1,455	-1,500	-1,565
Exports of goods	763	619	639	811	845	792	902	867	918	950	991	1,041	1,089
o/w Re-exports	190	120	119	247	238	220	265	254	269	276	294	308	322
Imports of goods	1,502	1,422	1,589	2,039	2,032	2,004	2,133	2,172	2,236	2,333	2,446	2,541	2,654
o/w Oil	364	255	343	561	519	505	531	530	498	475	459	447	439
Services balance	910	495	462	742	937	913	1,034	1,097	1,175	1,247	1,306	1,369	1,434
Credit	1,479	771	834	1,168	1,415	1,430	1,559	1,675	1,787	1,890	1,981	2,077	2,176
o/w Travel (credit)	1,250	573	614	917	1,143	1,155	1,268	1,380	1,477	1,565	1,642	1,723	1,806
Debit	569	277	372	426	478	517	526	578	612	643	675	708	742
Primary income balance	-267	-67	-96	-166	-267	-280	-291	-301	-306	-294	-292	-297	-305
Credit	283	169	206	229	251	252	269	270	286	301	315	331	347
Debit	550	237	302	395	518	532	561	571	592	595	608	628	651
Secondary income balance	-46	93	33	16	-2	-4	-3	-3	-3	-3	-3	-3	-3
Credit	55	198	142	137	131	128	141	141	149	157	165	173	181
Debit	101	105	109	122	133	133	143	144	152	160	168	176	184
Capital and financial account (without RSF)	**284**	**578**	**556**	**434**	**662**	**660**	**488**	**508**	**445**	**414**	**403**	**441**	**505**
Capital and financial account (with RSF)	**284**	**578**	**556**	**434**	**586**	**584**	**412**	**433**	**408**	**414**	**403**	**441**	**505**
Financial Account Balance	388	811	604	467	586	697	412	546	464	414	403	441	505
Public sector	85	238	319	20	267	239	35	55	-48	-88	-155	-137	-100
o/w CG and CBB Inflows	151	333	377	122	459	430	256	270	249	207	155	175	198
SDR allocation	0	0	130	0	0	0	0	0	0	0	0	0	0
IFIs and others (including RSF)	151	333	248	122	383	354	180	195	211	207	155	175	198
o/w CG and CBB Outflows	66	95	58	101	116	115	145	165	259	295	309	312	298
Private sector	202	342	236	406	319	345	377	378	456	502	558	578	605
FDI and long-term debt (net)	244	380	259	419	319	353	377	378	456	502	558	578	605
Short-term debt (net)	-42	-38	-22	-14	0	-8	0	0	0	0	0	0	0
Capital Account Balance	-3	-2	0	7	0	0	0	0	0	0	0	0	0
Net errors and omissions	**-3**	**64**	**140**	**27**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (deficit -)	**139**	**359**	**145**	**-175**	**142**	**77**	**-3**	**-4**	**-7**	**-20**	**-40**	**10**	**67**
Use of Fund credit: EFF	101	231	48	41	38	38	38	38	19	0	0	0	0
Change in reserves (-=increase, without RSF)	**-241**	**-590**	**-194**	**134**	**-180**	**-115**	**-35**	**-34**	**-12**	**20**	**40**	**-10**	**-67**
Use of Fund credit: RSF	0	0	0	0	76	76	76	75	38	0	0	0	0
Change in reserves (-=increase, with RSF) 2/	**-241**	**-590**	**-194**	**134**	**-180**	**-115**	**-35**	**-34**	**-12**	**20**	**40**	**-10**	**-67**
Memorandum items:													
Oil Price (WTI, US$ per barrel)	61.4	41.8	69.2	96.4	80.5	80.6	79.9	81.3	76.4	72.9	70.4	68.6	67.4
Gross International Reserves (GIR, US$ million) (with RSF) 3/	741	1,330	1,524	1,390	1,565	1,505	1,600	1,538	1,550	1,531	1,490	1,500	1,566
GIR (months of imports of G&S)	4.3	9.4	9.3	6.8	7.5	7.2	7.2	6.7	6.5	6.2	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	143	259	289	216	247	214	241	204	191	181	172	168	171

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

1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

Table 4b. Barbados: Balance of Payments, 2019–2029 1/

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

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
							Projections						
					CR/23/436		CR/23/436						
Current account balance	**-2.6**	**-5.9**	**-11.1**	**-10.9**	**-8.1**	**-9.1**	**-7.2**	**-7.4**	**-6.2**	**-5.7**	**-5.5**	**-5.1**	**-5.0**
o/w Exports of goods and services	41.8	29.1	29.8	33.9	35.4	34.8	35.9	36.9	37.1	37.1	37.0	37.0	37.0
o/w Imports of goods and services	38.6	35.5	39.6	42.2	39.3	39.5	38.7	40.0	39.1	38.9	38.8	38.5	38.4
Trade balance	-13.8	-16.8	-19.2	-21.0	-18.6	-19.0	-17.9	-19.0	-18.1	-18.1	-18.1	-17.8	-17.7
Exports of goods	14.2	13.0	12.9	13.9	13.2	12.4	13.1	12.6	12.6	12.4	12.3	12.3	12.3
o/w Re-exports	3.5	2.5	2.4	4.2	3.7	3.4	3.9	3.7	3.7	3.6	3.7	3.7	3.6
Imports of goods	28.0	29.7	32.1	34.9	31.8	31.4	31.1	31.6	30.7	30.5	30.4	30.1	30.0
o/w Oil	6.8	5.3	6.9	9.6	8.1	7.9	7.7	7.7	6.8	6.2	5.7	5.3	5.0
Services balance	17.0	10.3	9.4	12.7	14.7	14.3	15.1	15.9	16.1	16.3	16.3	16.2	16.2
Credit	27.6	16.1	16.9	20.0	22.2	22.4	22.7	24.3	24.5	24.7	24.7	24.6	24.6
o/w Travel (credit)	23.3	12.0	12.4	15.7	17.9	18.1	18.5	20.1	20.3	20.4	20.4	20.4	20.4
Debit	10.6	5.8	7.5	7.3	7.5	8.1	7.7	8.4	8.4	8.4	8.4	8.4	8.4
Primary income balance	-5.0	-1.4	-1.9	-2.8	-4.2	-4.4	-4.2	-4.4	-4.2	-3.8	-3.6	-3.5	-3.4
Credit	5.3	3.5	4.2	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Debit	10.2	5.0	6.1	6.8	8.1	8.3	8.2	8.3	8.1	7.8	7.6	7.5	7.4
Secondary income balance	-0.9	2.0	0.7	0.3	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit	1.0	4.1	2.9	2.4	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.0
Debit	1.9	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Capital and financial account (without RSF)	**5.3**	**12.1**	**11.2**	**7.4**	**10.4**	**10.3**	**7.1**	**7.4**	**6.1**	**5.4**	**5.0**	**5.2**	**5.7**
Capital and financial account (with RSF)	**5.3**	**12.1**	**11.2**	**7.4**	**9.2**	**9.1**	**6.0**	**6.3**	**5.6**	**5.4**	**5.0**	**5.2**	**5.7**
Financial Account Balance	7.2	17.0	12.2	8.0	10.4	10.9	7.8	7.9	6.4	5.4	5.0	5.2	5.7
Public sector	1.6	5.0	6.5	0.4	5.4	4.9	1.6	1.9	-0.1	-1.1	-1.9	-1.6	-1.1
o/w CG and CBB Inflows	2.8	7.0	7.6	2.1	7.2	6.7	3.7	3.9	3.4	2.7	1.9	2.1	2.3
SDR allocation	0.0	0.0	2.6	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)	2.8	7.0	5.0	2.1	6.0	5.5	2.6	2.8	2.9	2.7	1.9	2.1	2.2
o/w CG and CBB Outflows	1.2	2.0	1.2	1.7	1.8	1.8	2.1	2.4	3.6	3.9	3.8	3.7	3.4
Private sector	3.8	7.2	4.8	6.9	5.0	5.4	5.5	5.5	6.3	6.6	6.9	6.9	6.8
FDI and long-term debt (net)	4.5	8.0	5.2	7.2	5.0	5.5	5.5	5.5	6.3	6.6	6.9	6.9	6.8
Short-term debt (net)	-0.8	-0.8	-0.4	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Account Balance	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net errors and omissions	**-0.1**	**1.3**	**2.8**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (deficit -)	**2.6**	**7.5**	**2.9**	**-3.0**	**2.2**	**1.2**	**0.0**	**-0.1**	**-0.1**	**-0.3**	**-0.5**	**0.1**	**0.8**
Use of Fund credit: EFF	1.9	4.8	1.0	0.7	0.6	0.6	0.6	0.5	0.3	0.0	0.0	0.0	0.0
Change in reserves (-=increase, without RSF)	**-4.5**	**-12.3**	**-3.9**	**2.3**	**-2.8**	**-1.8**	**-0.5**	**-0.5**	**-0.2**	**0.3**	**0.5**	**-0.1**	**0.0**
Use of Fund credit: RSF	0	0	0	0	1.2	1.2	1.1	1.1	0.5	0.0	0.0	0.0	0.0
Change in reserves (-=increase, with RSF) 2/	**-4.5**	**-12.3**	**-3.9**	**2.3**	**-2.8**	**-1.8**	**-0.5**	**-0.5**	**-0.2**	**0.3**	**0.5**	**-0.1**	**0.0**
Memorandum items:													
Oil Price (WTI, US$ per barrel)	61.4	41.8	69.2	96.4	80.5	80.6	79.9	81.3	76.4	72.9	70.4	68.6	67.4
Gross International Reserves (GIR, US$ million) (with RSF) 3/	741	1,330	1,524	1,390	1,565	1,505	1,600	1,538	1,550	1,531	1,490	1,500	1,566
In months of imports of G&S	4.3	9.4	9.3	6.8	7.5	7.2	7.2	6.7	6.5	6.2	5.7	5.5	5.5
GIR (percent of ARA) (with RSF)	143	259	289	216	247	214	241	204	191	181	172	168	171

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

1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

Table 5. Barbados: Monetary Survey, 2019–2029 1/

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
					CR/23/436		CR/23/436		Projections				
	(In millions of Barbados dollars)												
Central Bank of Barbados													
Net International Reserves	1,130	2,195	2,595	1,851	2,740	1,839	2,864	1,969	2,053	2,076	2,057	2,139	2,311
Assets	1,478	2,661	3,059	2,770	3,131	3,000	3,201	3,077	3,100	3,061	2,980	2,999	3,133
Liabilities	-348	-466	-464	-919	-390	-1,161	-337	-1,108	-1,047	-985	-923	-861	-822
Gross International Reserves 2/	1,481	2,661	3,059	2,770	3,131	3,000	3,201	3,077	3,100	3,061	2,980	2,999	3,133
Net domestic assets 3/	1,762	1,296	1,479	1,978	2,076	1,739	2,193	1,781	1,939	2,001	2,029	2,034	2,034
Of which: Claims on Central government	829	773	826	1,069	1,069	1,073	1,029	1,033	948	872	861	861	861
Monetary base	2,955	3,566	4,154	4,414	4,816	4,386	5,057	3,750	3,992	4,077	4,086	4,172	4,344
Commercial banks													
Net foreign assets	661	633	827	877	877	753	877	753	753	753	753	753	753
Net domestic assets	10,685	11,609	12,092	12,713	13,387	12,950	13,938	12,801	13,367	13,883	14,410	14,941	15,484
Liabilities to the nonfinancial private sector	11,346	12,242	12,918	13,590	14,265	13,704	14,815	13,554	14,121	14,636	15,163	15,694	16,238
Monetary survey													
Net foreign assets	1,679	2,029	2,399	2,223	2,725	2,251	2,848	2,521	2,605	2,628	2,609	2,691	2,863
Net domestic assets	9,976	10,472	10,850	11,731	11,973	11,847	12,458	12,329	12,870	13,383	13,931	14,402	14,814
Net credit to the public sector	2,277	2,087	2,653	3,193	3,233	3,183	3,451	3,466	3,723	3,936	4,163	4,293	4,343
Central government	2,212	2,002	2,509	3,036	3,076	3,040	3,293	3,323	3,581	3,793	4,021	4,151	4,201
Rest of public sector	65	85	145	157	157	143	157	143	143	143	143	143	143
Credit to the private sector	8,303	8,206	8,149	8,410	8,612	8,636	8,879	8,835	9,118	9,419	9,739	10,080	10,443
of which Credit to the non financial private sector	8,255	8,154	8,058	8,351	8,551.5	8,575	8,817	8,772	9,053	9,352	9,670	10,008	10,368
Credit to rest of financial system	263	271	256	311	311	316	311	316	316	316	316	316	316
Other items (net)	-867	-92	-208	-184	-184	-288	-184	-288	-288	-288	-288	-288	-288
Broad money (M2, liabilities to the private sector)	11,655	12,501	13,249	13,954	14,698	14,098	15,306	14,850	15,475	16,011	16,540	17,092	17,677
	(In percentage change)												
Monetary survey													
Net foreign assets	25.4	20.8	18.3	-7.4	22.6	1.3	4.5	12.0	3.4	0.9	-0.7	3.1	6.4
Net domestic assets	0.0	5.0	3.6	8.1	2.1	1.0	4.0	4.1	4.4	4.0	4.1	3.4	2.9
Of which:													
Credit to the non financial private sector	0.9	-1.2	-1.2	3.6	2.4	2.7	3.1	2.3	3.2	3.3	3.4	3.5	3.6
Net credit to the public sector	-1.5	-8.3	27.1	20.4	1.3	-0.3	6.7	8.9	7.4	5.7	5.8	3.1	1.2
Broad money	3.0	7.3	6.0	5.3	5.3	1.0	4.1	5.3	4.2	3.5	3.3	3.3	3.4

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

1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.

2/ Calculated at program exchange rates.

3/ TMU definition

Table 6. Barbados: Medium-Term Macroeconomic Framework, 2019–2029 1/
(In percent of GDP, unless otherwise indicated)

							Projections						
	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
					CR/23/436		CR/23/436						
	(Annual percentage change, unless otherwise indicated)												
National accounts and prices (calendar year)													
CY Real GDP	0.3	-12.7	-1.3	13.8	4.5	4.4	3.7	3.9	2.8	2.3	2.0	2.0	2.0
Nominal GDP	5.3	-10.9	3.5	18.1	9.3	9.3	7.5	7.7	5.9	5.1	4.9	4.9	4.8
CPI inflation (average)	1.7	0.5	1.6	4.9	5.0	5.0	3.7	4.0	2.9	2.4	2.4	2.4	2.4
CPI inflation (end of period)	2.3	0.4	2.2	5.7	4.4	4.8	2.8	3.1	2.8	2.4	2.4	2.4	2.4
External sector (calendar year)													
Exports of goods and services, value	6.9	-38.0	5.9	34.4	13.5	12.3	8.9	14.4	6.4	5.0	4.7	4.9	4.7
Imports of goods and services, value	2.6	-18.0	15.4	25.8	1.8	2.3	5.9	9.1	3.6	4.5	4.9	4.1	4.5
Real effective exchange rate (index, average)	127.6	131.5	127.6	125.2	...	126.8	...	...	...	...	...	...	...
Terms of trade	2.4	6.7	-13.3	-5.5	4.6	4.4	2.8	2.7	2.0	1.4	0.9	0.9	1.4
Money and credit (calendar year, end of period)													
Net domestic assets	0.0	5.0	3.6	8.1	2.1	1.0	4.0	4.1	4.4	4.0	4.1	3.4	2.9
Of which: Credit to the non financial private sector	0.9	-1.2	-1.2	3.6	2.4	2.7	3.1	2.3	3.2	3.3	3.4	3.5	3.6
Broad money	3.0	7.3	6.0	5.3	5.3	1.0	4.1	5.3	4.2	3.5	3.3	3.3	3.4
Velocity (GDP relative to broad money)	0.9	0.9	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0
	(In percent of FY GDP, unless otherwise indicated)												
Public finances (fiscal year) 2/													
Central government													
Revenue and grants	28.9	30.2	28.2	29.0	28.5	28.0	30.2	27.3	27.3	27.3	27.2	27.2	27.2
Expenditure	25.4	35.0	32.9	31.0	30.4	29.7	31.4	29.0	27.7	27.2	26.9	26.7	26.6
Fiscal balance	3.5	-4.8	-4.7	-2.0	-1.8	-1.8	-1.2	-1.7	-0.4	0.1	0.3	0.5	0.6
Interest Expenditure	2.3	3.8	3.8	4.5	5.2	5.4	5.2	5.7	4.8	4.4	4.1	4.0	3.9
Primary balance	5.8	-1.0	-0.9	2.5	3.4	3.7	4.0	4.0	4.5	4.5	4.5	4.5	4.5
Public debt (fiscal year)													
Public sector debt 2/	116.2	148.1	131.5	119.1	114.7	116.5	106.9	107.9	101.8	96.3	91.2	86.3	81.6
External	31.6	49.1	47.0	45.1	46.8	46.0	44.2	43.7	41.2	38.0	34.0	30.9	28.4
Domestic	84.6	99.0	84.5	74.0	67.9	70.5	62.6	64.2	60.6	58.3	57.2	55.3	53.2
Savings and investment (calendar year)													
Gross domestic investment	14.4	17.8	17.9	17.9	16.7	17.0	17.5	16.9	17.0	17.4	17.6	17.5	17.5
Public	2.0	2.9	4.1	4.2	3.0	3.3	3.8	3.2	3.3	3.8	3.9	3.9	3.9
Private 3/	12.3	14.9	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.7	13.6
National savings	11.7	11.9	6.8	7.0	8.6	7.9	10.3	9.5	10.8	11.8	12.0	12.4	12.6
Public	5.2	-2.9	-2.8	0.0	-1.9	1.0	1.1	1.4	2.1	2.6	2.9	3.4	3.7
Private	6.5	14.7	9.6	7.0	10.5	6.9	9.2	8.1	8.7	9.2	9.1	9.0	8.9
External savings	-2.6	-5.9	-11.1	-10.9	-8.1	-9.1	-7.2	-7.4	-6.2	-5.7	-5.5	-5.1	-5.0
Balance of payments (calendar year)													
Current account	-2.6	-5.9	-11.1	-10.9	-8.1	-9.1	-7.2	-7.4	-6.2	-5.7	-5.5	-5.1	-5.0
Capital and financial account	7.2	16.9	12.2	8.1	11.0	10.9	7.7	7.9	6.4	5.4	5.0	5.2	5.7
Official capital (net)	3.5	9.8	7.4	1.1	6.0	5.5	2.2	2.4	0.1	-1.1	-1.9	-1.6	-1.1
Private capital (net)	3.8	7.2	4.8	6.9	5.0	5.4	5.5	5.5	6.3	6.6	6.9	6.9	6.8
Of which: Long-term flows	4.5	8.0	5.2	7.2	5.0	5.5	5.5	5.5	6.3	6.6	6.9	6.9	6.8
Net errors and omissions	-0.1	1.3	2.8	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	4.5	12.3	3.9	-2.3	2.8	1.8	0.5	0.5	0.2	-0.3	-0.5	0.1	0.8
Memorandum items:													
Exchange rate (BDS$/US$)	2.0	2.0	2.0	2.0	...	2.0	...	...	...	...	...	...	...
Oil price (WTI, US$ per barrel)	61.4	41.8	69.2	96.4	80.5	80.6	79.9	81.3	76.4	72.9	70.4	68.6	67.4
Gross international reserves (US$ millions)	741	1,330	1,524	1,390	1,565	1,505	1,600	1,538	1,550	1,531	1,490	1,500	1,566
In months of imports	4.3	9.4	9.3	6.8	7.5	7.2	7.2	6.7	6.5	6.2	5.7	5.5	5.5
In percent of ARA	142.8	259.3	288.5	216.3	246.7	213.9	240.7	203.9	190.6	181.3	172.0	168.2	171.0
Nominal CY GDP (BDS$ millions)	10,734	9,560	9,891	11,681	12,772	12,773	13,725	13,759	14,578	15,319	16,072	16,862	17,675

Sources: Barbados authorities; and Fund staff estimates and projections.
1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.
2/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF. Fiscal year is from April to March;
3/ Inlcuding inventories.

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

(Percent)

	2018	2019	2020	2021	2022	2023				2024
						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	21.3
Liquidity Indicators 1/										
Loan to deposit ratio	63.0	61.8	57.1	53.0	53.1	52.2	52.3	53.7	54.3	53.0
Domestic demand deposits to total domestic deposits	41.8	45.3	46.9	47.4	48.9	49.0	49.2	49.3	58.0	58.3
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
Credit Risk Indicators										
Loans and advances (yoy growth rate) 2/	0.7	-0.5	-2.1	-2.1	6.2	6.7	6.8	5.9	2.8	2.8
Non-performing loans ratio	7.4	6.6	7.3	7.3	5.9	5.7	5.5	4.9	5.0	5.0
Provisions to non-performing loans	67.3	59.4	62.0	60.3	50.8	51.2	49.3	50.6	50.3	48.8
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
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
Credit Unions										
Solvency Indicator										
Reserves to Total Liabilities	9.8	9.6	9.5	9.6	9.6	9.7	9.6	9.7	9.5	9.5
Liquidity Indicators										
Loan to deposit ratio	81.9	78.3	73.4	73.2	74.6	74.1	73.3	73.9	74.6	73.8
Credit Risk Indicators										
Total assets, annual growth rate 3/	9.6	7.5	7.3	5.3	4.0	...	...	...	2.9	...
Loans, annual growth rate 3/	4.2	3.5	0.9	4.4	6.0	...	...	...	2.8	...
Nonperforming loans ratio	8.9	9.6	13.2	12.8	12.7	11.9	12.8	12.6	12.8	12.1
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
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
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
Provisions to Total loans	2.6	2.8	3.1	4.0	4.0	3.7	3.7	3.6	3.3	3.2
Profitability Indicator										
Return on Assets (ROA)	0.6	0.7	0.5	0.5	0.5	0.6	0.1	0.2	0.4	0.6

Source: Central Bank of Barbados, Financial Services Commission.

1/ Includes foreign components unless otherwise stated.

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

3/ Quarterly data are not available.

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

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
					CR/23/436		CR/23/436		Projections				
	(in US$ millions, unless otherwise indicated)												
Gross Financing Requirements	**208**	**377**	**609**	**738**	**636**	**699**	**636**	**677**	**712**	**728**	**753**	**744**	**737**
Current Account Balance	142	282	551	636	520	584	491	512	452	433	444	432	439
CG Debt Amortization	66	95	58	101	116	115	145	165	259	295	309	312	298
Sources of Financing	**208**	**377**	**609**	**738**	**598**	**699**	**598**	**639**	**693**	**728**	**753**	**744**	**737**
Public Sector	252	564	425	163	459	468	256	295	249	207	155	175	198
o/w: World Bank 2/	0	0	100	0	100	100	0	0	0	0	0	0	0
o/w IDB 2/	0	200	100	0	200	200	100	100	100	80	0	0	0
o/w IMF SDR allocation	0	0	130	0	0	0	0	0	0	0	0	0	0
o/w IMF EFF 3/	101	231	48	41	…	38	…	…	…	…	…	…	…
o/w IMF RSF	0	0	0	0	…	76	…	…	…	…	…	…	…
FDI and long-term debt (net)	244	380	259	419	319	353	377	378	456	502	558	578	605
Short-term debt (net)	-42	-38	-22	-14	0	-8	0	0	0	0	0	0	0
Capital Account Balance	-3	-2	0	7	0	0	0	0	0	0	0	0	0
Net errors and omissions	-3	64	140	27	0	1	0	0	0	0	0	0	0
Change in Reserves (- = increase) (without RSF)	-241	-590	-194	134	-180	-115	-35	-34	-12	20	40	-10	-67
Financing Gap	**0**	**0**	**0**	**0**	**38**	**0**	**38**	**38**	**19**	**0**	**0**	**0**	**0**
Prospective Financing	**…**	**…**	**…**	**…**	**38**	**…**	**38**	**38**	**19**	**0**	**0**	**0**	**0**
IMF EFF disbursement 4/	…	…	…	…	38	…	38	38	19	0	0	0	0
IMF RSF disbursement 5/	**…**	**…**	**…**	**…**	**76**	**…**	**76**	**75**	**38**	**0**	**0**	**0**	**0**
Change in Reserves (- = increase) (with RSF)	-241	-590	-194	134	-180	-115	-35	-34	-12	20	40	-10	-67
Memo items:													
Gross international reserves (with RSF) 5/	741	1,330	1,524	1,390	1,565	1,505	1,600	1,538	1,550	1,531	1,490	1,500	1,566
Months of imports of G&S	4.3	9.4	9.3	6.8	7.5	7.2	7.2	6.7	6.5	6.2	5.7	5.5	5.5
In percent of ARA (with RSF)	143	259	289	216	247	214	241	204	191	181	172	168	171
Gross Financing Sources (GFS) composition (without RSF)	208	377	609	738	598	699	598	639	693	728	753	744	737
Other financing	208	377	609	738	598	699	598	639	693	728	753	744	737
RSF disbursement	0	0	0	0	0	0	0	0	0	0	0	0	0
GFS composition (with RSF)	208	377	609	738	598	699	598	639	693	728	753	744	737
Other financing	208	377	609	738	522	699	522	564	655	728	753	744	737
RSF disbursement	…	…	…	…	76	…	76	75	38	0	0	0	0

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/23/436 refers to the staff report for the second review of the EFF/RSF arrangement in December 2023.
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: Fund staff.

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

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

Source: Fund staff.

1/ Rephased from May 15, 2023

Table 11. Barbados: Program Monitoring – Indicators of Fund Credit Under the EFF and RSF

(In millions of SDR unless otherwise indicated)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Existing and prospective Fund credit (SDR million)																						
Disbursements	85.1	42.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EFF	28.4	14.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	56.7	28.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	471.6	467.6	415.3	358.1	296.2	238.2	196.3	175.1	159.5	148.1	135.1	121.2	107.0	92.8	78.7	64.5	50.3	36.1	22.0	8.5	1.4	0.0
EFF	358.2	325.8	273.6	216.3	154.4	96.5	54.6	33.3	17.7	7.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	113.4	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.0	134.0	121.2	107.0	92.8	78.7	64.5	50.3	36.1	22.0	8.5	1.4	0.0
Obligations	54.4	81.0	84.2	84.8	84.9	76.9	58.0	35.4	28.7	23.7	24.7	25.0	24.6	23.8	23.1	22.4	21.7	21.0	20.2	18.8	11.8	5.8
Principal (repayments/repurchases)	25.9	46.6	52.3	57.2	61.9	57.9	41.9	21.3	15.6	11.3	13.0	13.9	14.2	14.2	14.2	14.2	14.2	14.2	14.2	13.5	7.1	1.4
EFF	25.9	46.6	52.3	57.2	61.9	57.9	41.9	21.3	15.6	10.6	5.9	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	7.1	12.8	14.2	14.2	14.2	14.2	14.2	14.2	14.2	13.5	7.1	1.4
Charges and interest 1/	28.5	34.4	31.9	27.6	23.0	19.0	16.1	14.2	13.1	12.3	11.7	11.1	10.4	9.6	8.9	8.2	7.5	6.8	6.1	5.4	4.7	4.4
Fund obligations (repurchases and charges) in percent of:																						
Quota	57.6	85.7	89.1	89.8	89.8	81.4	61.4	37.5	30.4	25.0	26.2	26.5	26.0	25.2	24.5	23.7	22.9	22.2	21.4	19.9	12.5	6.2
o/w: RSF	2.3	6.9	7.6	7.6	7.6	7.6	7.6	7.6	7.6	8.3	15.0	20.6	21.4	20.6	19.8	19.1	18.3	17.6	16.8	15.3	7.9	1.5
GDP	1.0	1.5	1.5	1.4	1.3	1.2	0.8	0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0
Exports of goods and services	2.8	4.0	3.9	3.8	3.6	3.1	2.3	1.3	1.0	0.8	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.2	0.1
Gross international reserves	4.7	6.9	7.3	7.6	7.5	6.5	5.0	3.0	2.3	1.8	1.7	1.5	1.3	1.0	0.8	0.7	0.6	0.5	0.4	0.3	0.2	0.1
Government revenue	3.8	5.4	5.3	5.1	4.9	4.2	3.0	1.8	1.4	1.1	1.1	1.1	1.0	0.9	0.9	0.8	0.7	0.7	0.6	0.6	0.3	0.2
External debt service, public and publicly guaranteed (PPG)	20.4	24.4	25.8	25.5	26.4	24.7	24.3	13.7	10.5	8.3	7.9	7.8	8.0	8.1	7.8	7.6	7.6	7.5	6.8	6.0	3.6	1.7
Fund credit outstanding in percent of:																						
Quota	499.1	494.8	439.5	378.9	313.4	252.1	207.7	185.2	168.8	156.8	143.0	128.2	113.2	98.2	83.2	68.2	53.2	38.2	23.2	9.0	1.5	0.0
o/w: RSF	120.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.2	141.8	128.2	113.2	98.2	83.2	68.2	53.2	38.2	23.2	9.0	1.5	0.0
GDP	9.1	8.5	7.2	5.9	4.7	3.6	2.8	2.4	2.1	1.9	1.6	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0
Exports of goods and services	24.6	23.0	19.5	16.0	12.6	9.7	7.6	6.5	5.7	5.0	4.4	3.7	3.2	2.6	2.1	1.7	1.2	0.8	0.5	0.2	0.0	0.0
Gross international reserves	40.6	40.1	36.1	32.0	26.3	20.3	16.9	14.8	12.9	11.2	9.3	7.5	5.6	4.0	2.9	2.0	1.3	0.8	0.4	0.1	0.0	0.0
Government revenue	32.8	30.9	26.2	21.6	17.1	13.1	10.3	8.8	7.7	6.8	5.9	5.1	4.3	3.6	2.9	2.3	1.7	1.2	0.7	0.3	0.0	0.0
External debt, PPG	20.5	20.5	18.8	17.3	15.0	12.5	10.5	9.6	9.0	8.6	8.2	7.7	6.6	5.6	4.6	3.7	2.8	2.0	1.2	0.4	0.1	0.0
Memorandum items: 2/																						
Quota (SDR million)	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5
Gross domestic product (USD million)	6,880	7,289	7,659	8,036	8,431	8,838	9,266	9,686	10,126	10,587	11,068	11,572	12,101	12,655	13,234	13,839	14,475	15,127	15,814	16,452	17,204	17,991
Exports of goods and services (USD million)	2,541	2,705	2,840	2,973	3,118	3,266	3,423	3,586	3,757	3,937	4,126	4,320	4,524	4,739	4,963	5,199	5,446	5,702	5,971	6,222	6,519	6,830
Gross international reserves (USD million)	1,538	1,550	1,531	1,490	1,500	1,566	1,550	1,579	1,646	1,766	1,934	2,154	2,554	3,058	3,631	4,276	4,999	5,800	6,687	7,650	8,708	9,855
Government revenue (USD million)	1,906	2,011	2,108	2,206	2,308	2,423	2,537	2,651	2,770	2,895	3,027	3,165	3,309	3,461	3,619	3,784	3,956	4,135	4,317	4,496	4,701	4,915
External debt service, PPG (USD million)	354	442	434	443	428	414	317	344	362	380	415	428	411	390	393	392	380	371	395	420	431	449
Total external debt, PPG (USD million)	3,052	3,030	2,935	2,756	2,628	2,530	2,479	2,427	2,364	2,292	2,202	2,103	2,155	2,208	2,260	2,312	2,365	2,418	2,470	2,523	2,576	2,271

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 5.102 percent (as of 5/30/2024), and RST rate of interest of 5.052 percent (as of 5/30/2024) as Barbados belongs to the RST interest Group C.

2/ SDR/USD exchange rate = 0.756 (as of 5/30/2024) and quota SDR = 94.5 million.

Annex I. Risk Assessment Matrix [1]

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Intensification of regional conflict(s). Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	High	Medium	Continue with fiscal consolidation backed by structural reforms to enhance fiscal sustainability and improve the business / regulatory environment, thereby increasing investors' confidence.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation triggering sudden stops in EMDEs.	Medium	High	Implement structural measures to improve competitiveness of the tourism sector; diversify tourist source countries beyond the UK, Canada, and the US; diversify the economy to reduce dependence on the tourism sector; and steadily execute climate-resilient investment to support domestic demand.
U.S.: Amid tight labor markets, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing, and commercial real estate market correction.	Medium	High	
Europe: Intensifying fallout from Russia's war in Ukraine, supply disruptions, tight financial conditions, and real estate market corrections exacerbate economic downturn.	Medium	High	
China: Sharper-than-expected contraction in the property sector weighs on private demand, further amplifies local government fiscal strains, and results in disinflationary pressures and adverse macro-financial feedback loops.	Medium	High	
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	High	Medium	Move ahead with transition to a fully renewable economy to reduce reliance on fuel imports; raise domestic capacity for food and other goods supply; and maintain fiscal and external sustainability.

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

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Monetary policy miscalibration. Amid high economic uncertainty, major central banks loosen policy stance prematurely, hindering disinflation, or keep it tight for longer than warranted, causing abrupt adjustments in financial markets and weakening the credibility of central banks.	Medium	Medium	Continue with fiscal consolidation backed by structural reforms to increase fiscal sustainability, thereby increasing investors' confidence; enhance monetary policy framework by introducing appropriate monetary policy tools; and increase domestic capacity to supply renewal energy-based electricity and basic food.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	Medium	Medium	Monitor financial system and be ready to provide liquidity assistance if needed to maintain financial stability; and continue with fiscal consolidation backed by structural reforms to increase fiscal sustainability and improve business / regulatory environment, thereby increasing investors' confidence.
Disorderly energy transition. A disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	Medium	Medium	Continue building capacity to monitor and assess climate change risks, including building a data collection mechanism, and conducting climate stress test of the banking system.
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 fiscal consolidation strategy under the program to generate high primary surpluses on a sustained basis and facilitate the programmed reduction in public debt to 60 percent of GDP by 2035/36.
Loss of tourism competitiveness. Failure to maintain the upgrading of tourism assets and infrastructure leads to loss of attractiveness as a tourist destination and a decline in tourism revenue and FX earnings.	Medium	High	Implement structural measures to increase competitiveness and boost private investment into the tourism sector.
Extreme climate events. Extreme climate events cause damage to infrastructure and loss of human lives and livelihoods.	Medium	High	Accelerate investment into climate resilient infrastructure that could mitigate disaster risk; and continue seeking financial arrangements to safeguard from natural disaster shocks (e.g., hurricane clauses in government debt and insurance, such as CCRIF).

Annex II. Debt Sustainability Analysis

Barbados' public debt is assessed to be sustainable, and overall risk of sovereign stress are assessed to be moderate, consistent with the medium-term mechanical signals of the Fund's Sovereign Risk and Debt Sustainability Framework (SRDSF). While the fanchart tool indicates high-risk, due to Barbados' history of high macroeconomic volatility, public debt is on a clear downward trend and the Gross Financing Needs (GFN) financeability tool indicates moderate risk. Under the current baseline, with a further improvement in primary surpluses and medium-term annual growth of 2 percent, supported by structural reforms, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36. Risks to the projections arise from slower-than-expected growth, for example, in the event of external and climate-related shocks, and the authorities' ability to maintain high primary surpluses over an extended period. These risks are mitigated by Barbados' strong track record under the recently completed EFF-supported program and a favorable debt service schedule.

1. **Barbados' public debt has been on a declining path following the increase experienced during the COVID-19 pandemic.**[1] Public debt continued to decline in FY2023/24 to 116.5 percent of GDP, from 119.7 percent of GDP in FY2022/23 and the recent peak of 148.1 percent in FY2020/21, driven by the economic recovery and progress in fiscal consolidation.[2]

2. **Public debt is projected to continue on a downward path, reaching 60 percent of GDP by FY2035/36, based on relatively conservative macroeconomic projections and reasonably ambitious fiscal consolidation (Figure 4).** After a 13.8 percent recovery in 2022, real GDP continued to grow by 4.4 percent in 2023, driven by a rebound in tourism and related activities. Over the medium term, growth is expected to return to the steady-state level of around 2 percent, supported by an expansion of tourism-related capacity (e.g., airlift, hotels), investment in resilient infrastructure, and ongoing structural reforms. Average inflation is projected to gradually return to its long-run average of just below 2½ percent, after rising to nearly 6 percent in 2022. The fiscal primary surplus is expected to increase to 4.5 percent of GDP in FY2025/26, from 4 percent of GDP in FY2024/25, and stay at that level before falling gradually from FY2033/34 to accommodate long-term investment needs, consistent with the 60 percent of GDP long-term debt target.

3. **Gross financing needs are expected to be met with loans from international financial institutions (IFIs) and increased domestic borrowing in the near term.** The short-term profile of the public debt service poses limited risks (Table 2), reflecting the favorable repayment schedule resulting from the 2018-19 debt restructuring, long-term borrowing from IFIs during the pandemic years, and higher cash buffers following the accumulation of government deposits of around 1.5 percent of GDP in

[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 3.5 percent of GDP at March-2024 and is not included in the analysis.

[2] The end FY2023/24 public debt ratio was around 1.8 percentage points of GDP higher than projected at the second review, reflecting higher-than-expected government issuance of domestic securities, which resulted in an increase in government deposits with the CBB and strengthening of cash buffers.

FY2023/24. Short-term debt held by commercial banks is automatically rolled over based on the 2018-19 agreement, with remaining near term financing needs met through IFI financing and domestic borrowing. Local banks and other domestic investors have 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$172 million (1.3 percent of GDP) at March 2024. The recent improvement in market sovereign credit risk ratings (Barbados is currently rated as B- by S&P, B by Fitch, and B3 by Moody's) bodes well for the authorities to be able to roll over the restructured commercial external debt coming due in 2025, at favorable borrowing costs.

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 high risk due to the large historical volatility of key economic indicators, which increases the width of the fanchart. However, the *GFN financeability index* points to a moderate risk with a declining path. The baseline debt trajectory and the fanchart are on a downward trend, and the probability of debt not stabilizing is assessed to be rather limited (around 14 percent). Under a natural disaster stress test, which captures country-specific vulnerabilities using a default shock of 4.5 percent of GDP, the debt path remains below the 75th percentile, consistent with the "moderate" mechanical signal.

- **Long term:** The large debt amortizations module shows a gradual decline in GFN and debt relative to GDP both under the baseline described in ¶2 and a custom scenario (where the steady-state primary surplus is reduced somewhat to 3 percent of GDP from FY2030/31 onwards. Climate-related expenditure remains manageable and would not significantly affect debt sustainability in the long run, even under the customized scenario where expenditure is assumed to be 1 percent of GDP higher than the baseline, to cover preliminary estimates of adaptation and mitigation investment needs. The current healthcare expenditure policies would also not pose significant sustainability concerns. Moreover, the 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 but subject to risks and uncertainty. Public debt has been brought back onto a sustainable downward trajectory, consistent with reaching the long-term debt target of 60 percent of GDP by FY2035/36. Risks to the baseline projections include spillovers from the intensification of regional conflicts onto the global economy, difficulties in maintaining high primary balances over a prolonged period, and climate-related shocks. These risks are mitigated by Barbados' strong track record under the Fund-supported programs, steadfast commitment to fiscal consolidation and structural reforms, and the favorable debt service schedule.

Table 1. Barbados: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	Barbados' overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium- and long-term horizons.
Near term 1/	n.a.	n.a.	Not applicable
Medium term	Moderate	Moderate	Medium-term risks are assessed as moderate consistent with a mechanical moderate signal predicated on the projected primary balance path.
Fanchart	High	…	
GFN	Moderate	…	
Stress test	…	…	
Long term	…	Moderate	Long-term risks arising from debt refinancing needs and climate change are moderate. The implementation of the authorities' pension reforms is expected to make the National Insurance Scheme financially sustainable for 25-30 years with no additional financing needs from the budget.
Sustainability assessment 2/	…	Sustainable	Under the baseline scenario with consistent implementation of the EFF and sustaining macroeconomic prudence, the debt path is expected to remain on a downward trajectory and GFNs will remain at manageable levels. Barbados' public debt continues to be assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Barbados' overall risk of sovereign stress is assessed to be moderate. This is consistent with the moderate medium- and long-term final risk assessments, which confirm mechanical signals. Barbados' public debt is assessed to be sustainable in the baseline scenario underpinned by steadfast implementation of the proposed EFF policies measures and reforms, and the favorable debt service schedule. Under the current baseline, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36 with envisaged primary surpluses backed by 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.

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

	Debt Stock (end of period) FY2023/24			Debt Service					
				FY2023/24	FY2024/25	FY2025/26	FY2023/24	FY2024/25	FY2025/26
	(In US$ million)	*(Percent total debt)*	*(Percent of GDP)*	*(In US$)*			*(Percent of GDP)*		
Total	7,601.8	100.0	116.7	1112.9	1018.2	726.0	17.1	14.6	9.9
External	3,010.3	39.6	46.2	275.0	262.7	460.7	4.2	3.8	6.3
Multilateral creditors[2]	2,117.6	27.9	32.5	192.5	227.8	311.6	3.0	3.3	4.2
IMF	559.5	7.4	8.6						
World Bank	220.0	2.9	3.4						
IADB	924.6	12.2	14.2						
Other Multilaterals	413.5	5.4	6.3						
o/w: CDB	220.8	2.9	3.4						
Bilateral Creditors	192.5	2.5	3.0	23.9	18.3	18.3	0.4	0.3	0.2
Paris Club	24.8	0.3	0.4	9.1	7.1	7.1	0.1	0.1	0.1
Non-Paris Club	167.7	2.2	2.6	14.8	11.2	11.2	0.2	0.2	0.2
Bonds	546.6	7.2	8.4	38.3	1.3	111.8	0.6	0.0	1.5
Commercial creditors[3]	153.6	2.0	2.4	20.3	15.3	19.0	0.3	0.2	0.3
Domestic	4,591.5	60.4	70.5	837.9	755.5	265.2	12.9	10.8	3.6
Held by residents, total	n/a	n/a	n/a						
Held by non-residents, total	n/a	n/a	n/a						
Short-term debt (incl. T-Bills)	411.5	5.4	6.3	331.1	411.5	-	5.1	5.9	-
Held by: central bank	181.2	2.4	2.8						
local banks	216.5	2.8	3.3						
local non-banks	13.8	0.2	0.2						
Long-term debt (incl. Bonds)	4,180.1	55.0	64.2	506.8	344.0	265.2	7.8	4.9	3.6
Held by: central bank	313.4	4.1	4.8						
local banks	1,104.0	14.5	17.0						
local non-banks	2,762.7	36.3	42.4						
Memo Items:									
Collateralized debt[4]	0.0	0.0	0.0						
o/w: Related	0.0	0.0	0.0						
o/w: Unrelated	0.0	0.0	0.0						
Contingent liabilities	206.4	2.7	1.6						
o/w: Public guarantees	206.4	2.7	1.6						
o/w: Other explicit contingent liabilities[5]	n/a	n/a	n/a						
Nominal GDP	6,511.5			6,511.5	6,982.2	7,363.4			

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 FY2023/24. The amount of nonresidents' holdings of domestic debt is negligible.

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

3/ Including two commercial facilities in which multiple creditors participate.

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

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

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	
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	No	
CPS / NFPS / GG: expected	5	Local governments	No	
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/

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

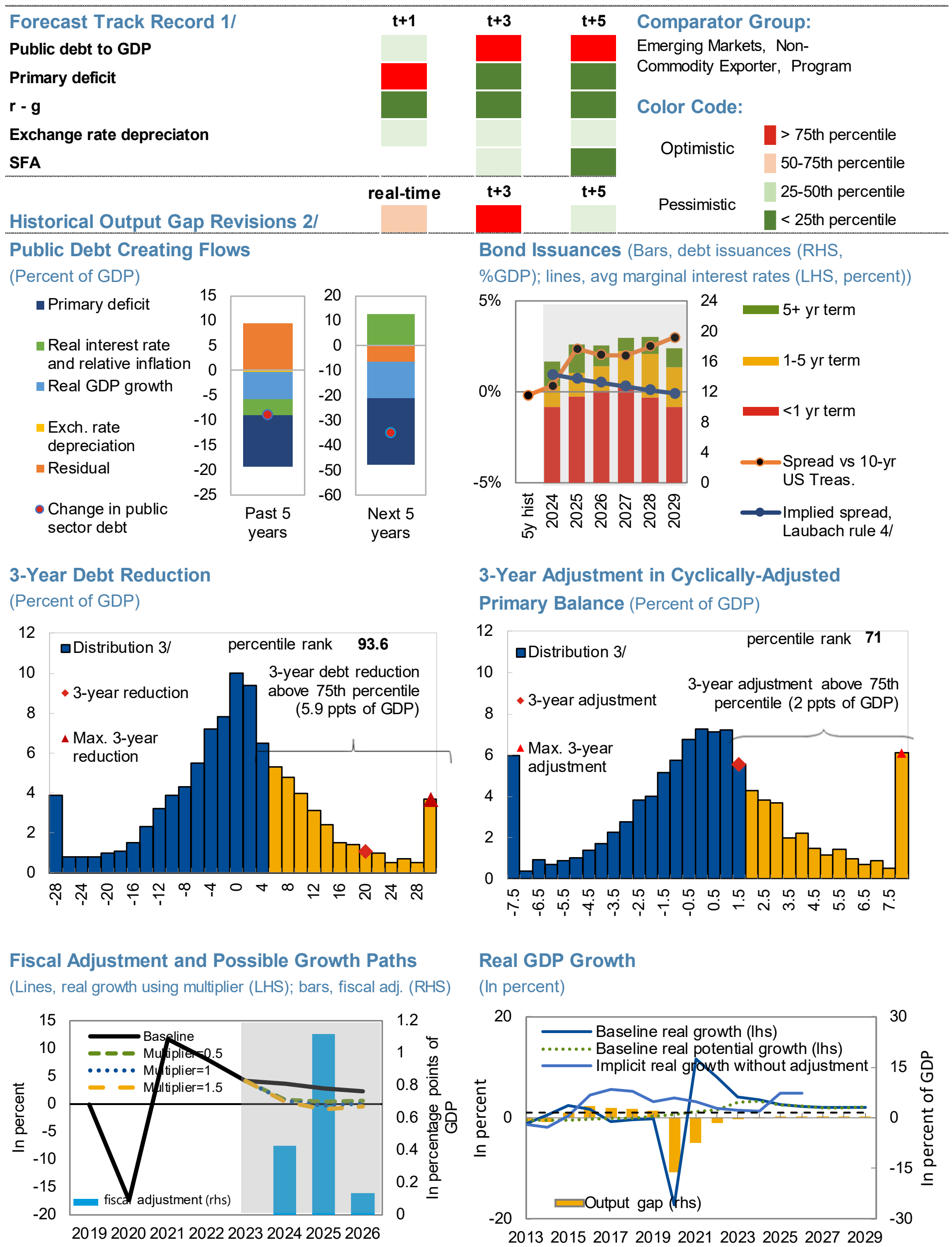
Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1 Budget. central govt									0
2 Extra-budget. funds									0
3 Social security funds									0
4 State govt.									0
5 Local govt.									0
6 Nonfin pub. corp.									0
7 Central bank									0
8 Oth. pub. fin. corp									0
Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSA comprises the central government given that Barbados has no state or local governments. State-Owned Enterprise debt guaranteed by the central government and the Central Bank of Barbados' debt to the Fund are added to the central government's debt in this analysis.

Figure 2. Barbados: Realism of Baseline Assumptions

(Fiscal year)



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

Source : IMF Staff.

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

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

3/ Data cover annual 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.

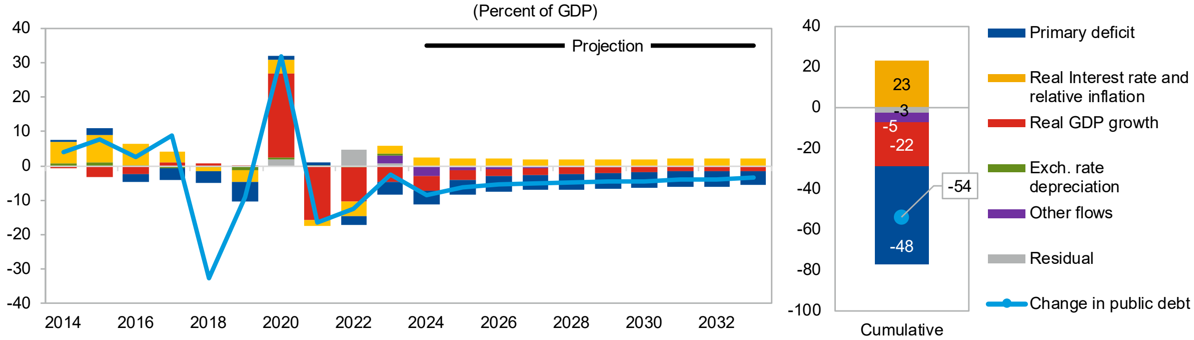
Figure 3. Barbados: Baseline Scenario

(Percent of GDP unless indicated otherwise; fiscal year)

	Actual	Medium-term projection						Extended projection						
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Public debt	116.5	107.9	101.8	96.3	91.2	86.3	81.6	77.2	73.2	69.3	65.9	62.5	59.0	56.5
Change in public debt	-2.7	-8.6	-6.2	-5.5	-5.1	-4.9	-4.6	-4.4	-4.0	-4.0	-3.3	-3.4	-3.5	-2.5
Contribution of identified flows	-3.3	-8.3	-5.9	-5.2	-4.8	-4.4	-4.3	-4.1	-3.8	-3.8	-3.2	-3.3	-3.4	-2.4
Primary deficit	-3.7	-4.0	-4.5	-4.5	-4.5	-4.5	-4.5	-4.5	-4.5	-4.5	-4.0	-4.0	-4.0	-3.0
Noninterest revenues	28.0	27.3	27.3	27.3	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.2	27.3
Noninterest expenditures	24.3	23.3	22.9	22.8	22.8	22.7	22.7	22.7	22.7	22.7	23.2	23.2	23.2	24.2
Automatic debt dynamics	-1.9	-1.7	-0.5	-0.1	0.0	0.1	0.2	0.4	0.7	0.7	0.8	0.7	0.7	0.6
Real interest rate and relative inflation	2.3	2.6	2.3	2.1	1.9	1.9	1.9	2.0	2.2	2.1	2.2	2.0	1.9	1.8
Real interest rate	2.8	2.2	2.0	1.8	1.6	1.6	1.6	1.8	2.1	2.0	2.1	1.9	1.8	1.7
Relative inflation	-0.5	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Real growth rate	-4.8	-4.3	-2.8	-2.2	-1.9	-1.8	-1.7	-1.6	-1.5	-1.4	-1.4	-1.3	-1.2	-1.2
Real exchange rate	0.5	…	…	…	…	…	… .	…	…	…	…	…	…	…
Other identified flows	2.3	-2.6	-1.0	-0.6	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	1.4	-2.6	-1.0	-0.6	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	0.6	-0.2	-0.3	-0.3	-0.3	-0.5	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Gross financing needs	12.5	13.4	11.8	10.5	10.6	12.3	10.3	9.4	9.3	10.1	11.5	9.8	9.3	9.8
of which: debt service	15.3	17.4	16.2	14.9	15.1	16.8	14.8	13.9	13.9	14.6	15.5	13.8	13.4	12.8
Local currency	11.3	12.9	10.8	9.8	10.1	12.2	10.4	10.6	10.3	11.1	12.0	10.1	9.6	9.3
Foreign currency	4.0	4.5	5.4	5.1	5.0	4.6	4.4	3.4	3.5	3.6	3.6	3.7	3.7	3.4
Memo:														
Real GDP growth (percent)	4.2	3.8	2.6	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	2.3	3.2	2.8	2.7	2.8	2.8	2.7	2.7	2.4	2.4	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	6.6	7.1	5.5	5.0	4.9	4.8	4.8	4.7	4.5	4.5	4.5	4.5	4.5	4.5
Effective interest rate (percent)	4.9	5.2	4.7	4.5	4.5	4.6	4.7	4.9	5.2	5.3	5.6	5.5	5.4	5.4

Contribution to Change in Public Debt

(Percent of GDP)

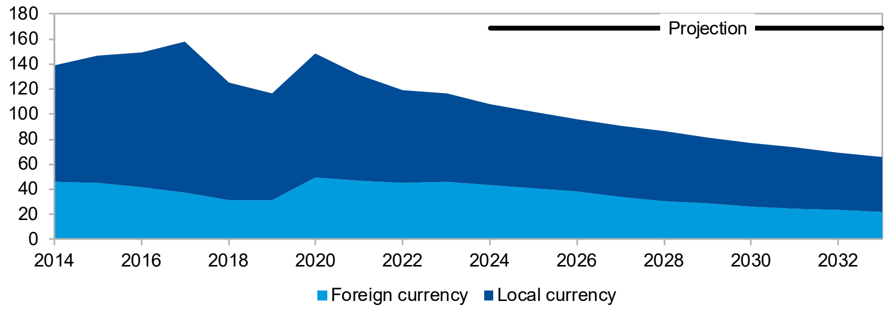


Staff commentary: Public debt has been put on a downward debt trajectory after a temporary increase during the COVID-19 pandemic. It is projected to continue declining to meet the long-term target of 60 percent of GDP by FY2035/36, driven by prudent fiscal policies and steady economic growth.

Figure 4. Barbados: Public Debt Structure Indicators

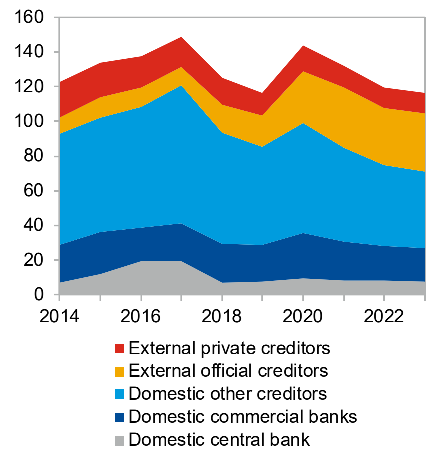
(Fiscal year)

Debt by Currency (Percent of GDP)



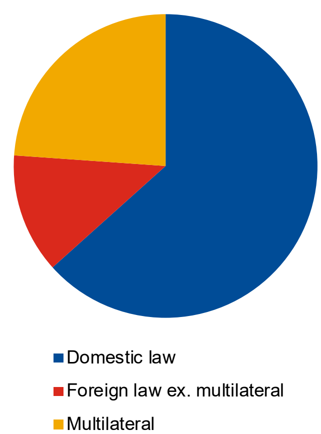
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



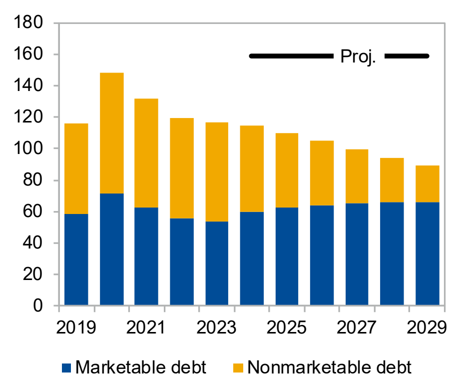
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2023 (Percent)



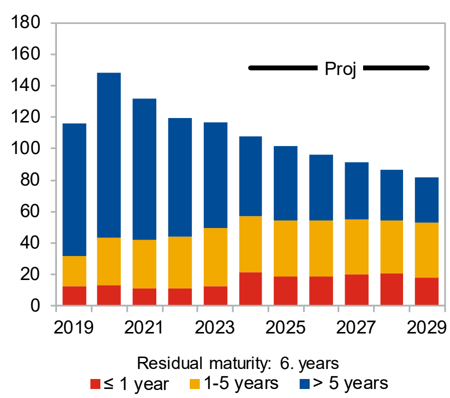
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

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

Figure 5. Barbados: Medium-Term Risk Analysis

(Fiscal year)

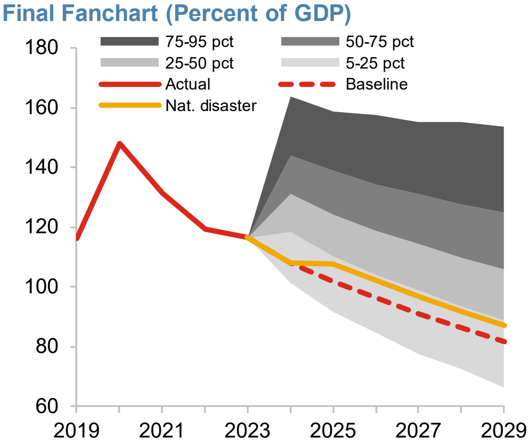
Debt Fanchart and GFN Financeability Indexes

(Percent of GDP unless otherwise indicated)

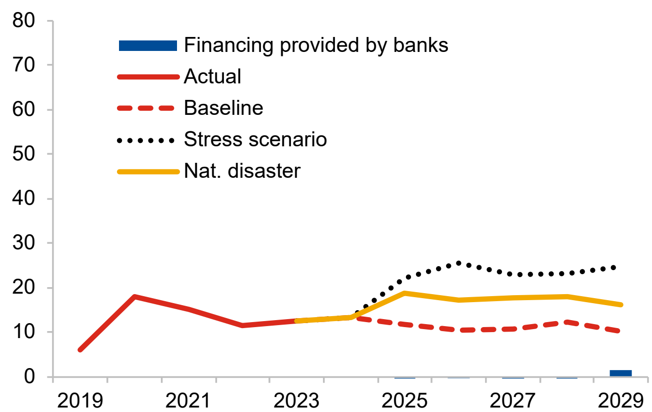
Module	Indicator	Value	Risk index	Risk signal	Em. Econ., Non-Com. Exp, Program (0 25 50 75 100)
Debt fanchart module	Fanchart width	87.1	1.3	…	
	Probability of debt not stabilizing (pct)	13.5	0.1	…	
	Terminal debt level x institutions index	47.7	1.0	…	
	Debt fanchart index	**…**	**2.4**	**High**	
GFN finance-ability module	Average GFN in baseline	11.5	3.9	…	
	Bank claims on government (pct bank assets)	13.0	4.2	…	
	Chg. in claims on govt. in stress (pct bank assets)	3.4	1.1	…	
	GFN financeability index	**…**	**9.3**	**Moderate**	

Legend: Interquartile range; Barbados

Final Fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)

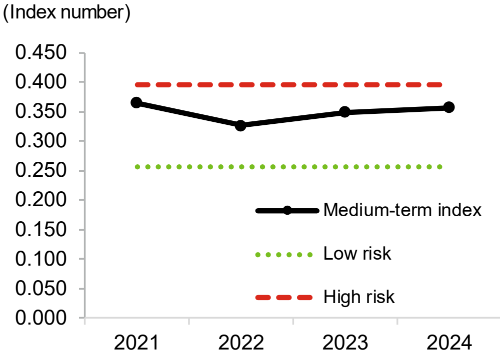


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index

(Index number)



Medium-Term Risk Analysis

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

Prob. of missed crisis, 2024-2029 (if stress not predicted): 27.3 pct.

Prob. of false alarm, 2024-2029 (if stress predicted): 20.5 pct.

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

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

Large Amortization Trigger

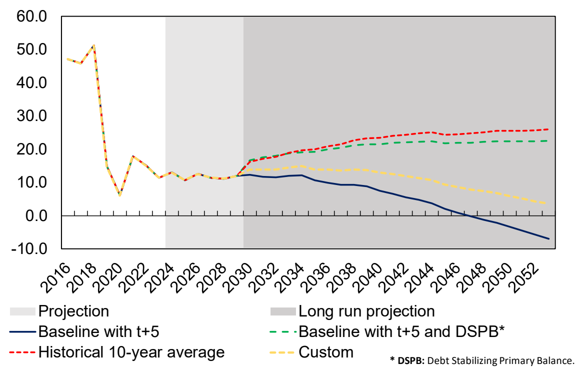
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	

Overall Risk Indication	

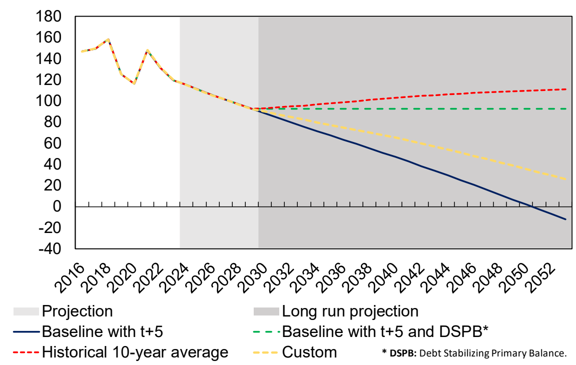
Alternative Baseline Long-Term Projections (Including custom scenario)

	Baseline extension of fifth projection year	Custom baseline
Real GDP growth	2.0%	2.0%
Primary Balance-to-GDP	4.5%	3.0%
Real depreciation	-2.6%	-2.5%
Inflation (GDP deflator)	2.7%	2.6%

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



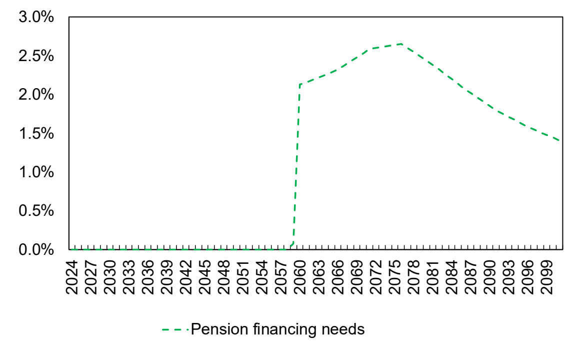
Commentary: The analysis shows gradual declines in GFN and debt relative to GDP both under the baseline and custom scenarios.

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

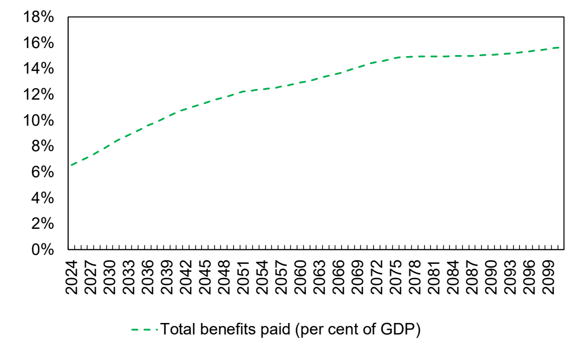
Demographics: Pension

Permanent adjustment needed in the pension system (pp of GDP per year)	To keep pension assets positive for:		
	30 years	50 years	Until 2100
	0.00%	0.57%	1.01%

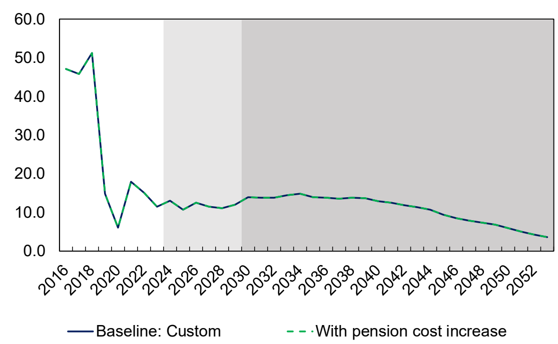
Pension Financing Needs



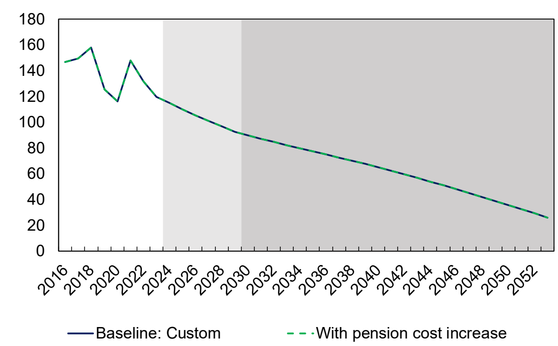
Total Benefits Paid



GFN-to-GDP Ratio



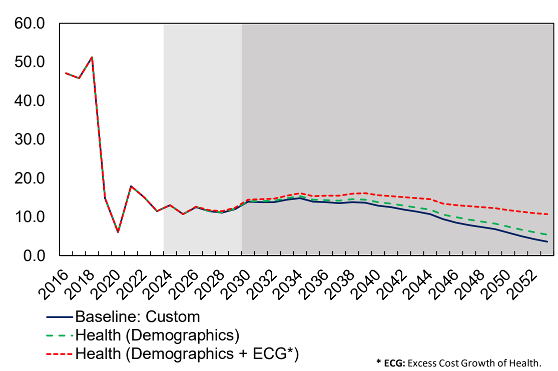
Total Public Debt-to-GDP Ratio



Commentary: This analysis reflects the implementation of the authorities' pension reforms, which are expected to make the National Insurance Scheme financially sustainable for 25-30 years.

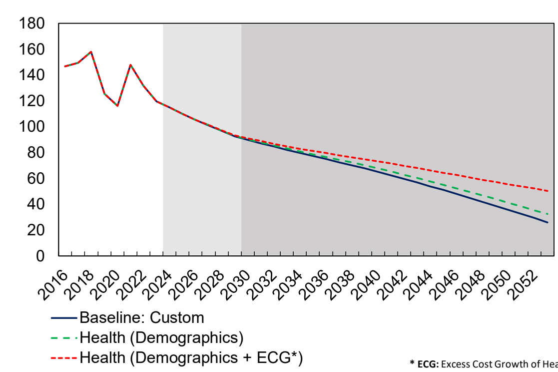
Demographics: Health

GFN-to-GDP Ratio



* **ECG:** Excess Cost Growth of Health.

Total Public Debt-to-GDP Ratio



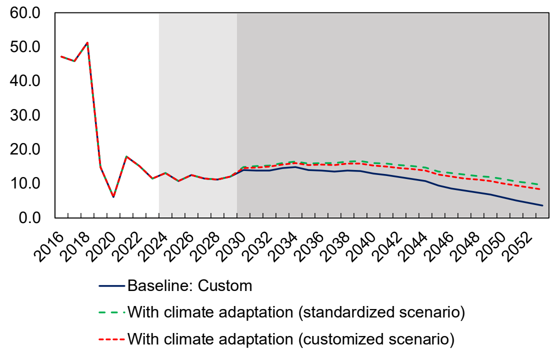
* **ECG:** Excess Cost Growth of Health.

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

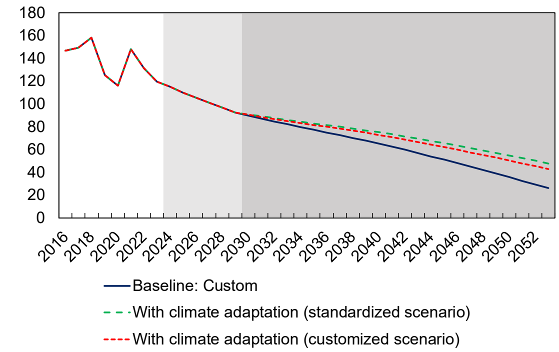
Figure 6. Barbados: Long-Term Risk Analysis (Concluded)
(Fiscal year)

Climate Change: Adaptation

GFN-to-GDP Ratio



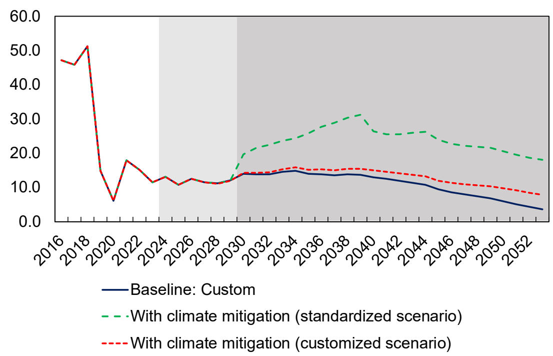
Total Public Debt-to-GDP Ratio



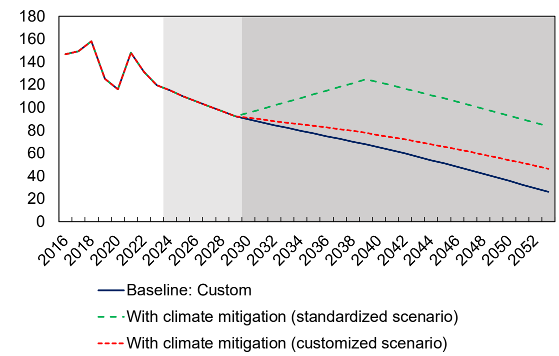
Commentary: Adaptation expenditures would not significantly impact debt sustainability in the long run.

Climate Change: Mitigation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



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

Annex III. Reform Measures Supported by the RSF Arrangement

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
Build Resilience to Natural Disasters and Climate Change	RM1. (i) Approve the Planning and Development Act to improve the climate resilience of roads through improved drainage and other interventions. (ii) Table in Parliament the Water Re-use Bill, incorporating the new water re-use policy. (iii) Fully operationalize the National Environmental and Conservation Trust.	March 2023		(i) Incorporate climate adaptation priorities into road infrastructure planning and construction. (ii) Enhance the use of rainwater and treated wastewater, reducing the country's dependence on groundwater supplies, negatively affected by climate change. (iii) Support projects enhancing marine protection and protect Barbados' natural assets.	World Bank Green and Resilient Recovery Development Policy Loan.
	RM 2. (i) Include a fiscal risk statement focusing on climate change risks in the budget for FY2023/24; (ii) Cabinet to approve Procurement Act regulations to enhance efficiency and effectiveness of public expenditure and support green procurement; (iii) Cabinet to approve a sustainable/green public procurement framework providing	September 2023		(i) Achieve greater coverage and comprehensiveness in the identification and quantification of fiscal risks related to climate events, improving the government's capacity for managing those risks. (ii) Enhance the efficiency and effectiveness of public procurement.	IDB TA support on procurement, and the development of a sustainable/green procurement framework and guidelines for climate/green budget tagging. World Bank Green and Resilient Recovery Development Policy Loan, and World Bank TA on climate/green budget tagging.

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
	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.			Allow procurement agencies to consider the most advantageous bids from a green/ sustainability perspective, paving the way for the implementation of green/sustainable procurement. (iii) Provide valuable information to formulate and assess the impact of climate policies and facilitate the mobilization of climate finance.	
Build Resilience to Natural Disasters and Climate Change	RM 3. Government to table the National Comprehensive Disaster Risk Management Policy to support mainstreaming of comprehensive DRM principles into ministry and agency budget planning, ensuring resilience in government and business continuity after a disaster event.	September 2023		Strengthen community readiness and improve knowledge base to enhance preparedness and increase resilience to natural disasters, minimizing disruptions and enhancing protection of the most vulnerable citizens and coastal infrastructure. Increase the number of ministries and agencies that have an Operations Continuity Plan.	World Bank Green and Resilient Recovery Development Policy Loan.
	RM 4. Government to table an amended	March 2024		Reduce the impact of floodings and	

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
	Prevention of Floods Act in Parliament, *incorpora*ting the new Stormwater Management Plan.			increase overall water resilience.	
	RM 5**.** Implement reforms to strengthen integration of climate concerns into the PFM process, based on a comprehensive diagnostic evaluation.	March 2025	PIMA/C-PIMA assessment.	Improve the integration of climate into all aspects of the budget cycle, including budget preparation, budget execution, fiscal reporting as well as oversight and auditing.	
Reduce Green House Gas Emissions	RM 6. Government to (i) extend the tax holiday on electric vehicles; (ii) close remaining regulatory gaps in licensing policy/approvals framework to increase investments into battery storage technologies to meet energy demand.	September 2023		Promote private investment to support and accelerate the transition to renewable energy sources.	
	RM 7. Cabinet approval for the Energy Efficiency and Conservation Policy Framework to reduce energy use of all government agencies and develop efficient public lighting.	March 2024		Improve energy efficiency and conservation in the public sector.	
	RM 8. Table in Parliament the New Electricity Supply Bill to (i) enhance competition in the electricity market	September 2024		Regulate the generation, storage, transmission, distribution, dispatch, supply and	World Bank Green and Resilient Recovery Development Policy Loan.

Key Challenge	Reform Measure	Tentative Date	IMF CD Input	RM Expected Outcome	Development Partner Role
	and (ii) introduce local participation in renewable energy investment.			sale of electricity and promote local participation, competition and the adoption of energy practices and technologies in the electricity sector that are sustainable.	
Mitigate Transition Risks	RM 9. The CBB to adopt a strategy with time-bound guideposts for building capacity to monitor and assess climate change risks, including building data collection mechanism and joining the Network for Greening the Financial System.	September 2024	Fund to provide TA support, including through CARTAC.	Refine the assessment of financial sector risks arising from climate change.	
	RM 10. The CBB to include climate change risk in their bank stress testing exercise.	March 2025	Fund to provide TA support, including through CARTAC.	Refine the stress testing methodologies to include climate related risks.	

Annex IV. Implementation of 2014 FSSA Recommendations

Number	Recommendation	Status
		Banking Supervision and Regulation
1	Review and update/adopt homogenous loan classification approach; substandard definition in the classification regulation; and provisioning requirements.	• This project is a work in progress. The Financial Institutions (Asset Classification and Provisioning) Regulations, 1998 are still in force. • With the implementation of International Financial Reporting Standards (IFRS) 9, the CBB issued a Guideline on Credit Risk and Accounting for Expected Credit Losses in 2019, which supports the overall regulatory framework for adequate provisions.
2	Include in the CBB Act a provision stipulating conditions under which the Governor can be removed. Revise provisions that allow Ministry of Finance (MoF) to overrule CBB's corrective measures.	• Section 25 (2) of the revised CBB act stipulates the conditions under which a governor may be removed: a. is unfit or otherwise incapable of carrying out his duties; b. is guilty of serious misconduct in relation to his duties or approved policies of the Board; c. has contravened section 27(1), 27(3) or 27(4), i.e. has a conflict of interest d. has acted contrary to the objectives and functions of the Bank
3	Amend the Financial Institutions Act (FIA) and the CBB Act to further empower the CBB.	The FIA was amended in 2018 to address: • Certain delegated authority to the CBB including approval of changes in significant shareholding in financial institutions (FIs), alterations in structure and organisation of FIs, power to make regulations • CBB power to make guidelines • CBB power to impose penalties • Expanded definition of control • Definition of related parties • Updated rules for large exposure limits, including introduction of an aggregate exposure limit
4	Increase the number of on-site examinations of onshore banks. Perform on-site examinations of offshore banks that have not been subject to visits in the past five years.	• Onsite examinations and desktop reviews continue to be conducted on a risk basis. The authorities also conduct thematic reviews of the sector, including most recently, a review of suspicious transaction monitoring and reporting at licensees. • Additionally, AML/CFT reviews of the sector, including the "offshore banks", have increased, with about 24 conducted over the past 3 years.
		Insurance Supervision
5	Enhance the supervisory colleges and maintain active engagement, particularly for systemic entities and entities where Barbados is a host supervisor. Improve crisis management coordination.	• The FSC regularly engages key regulators regarding entities and issues of mutual interest. They have sought to increase the use of supervisory colleges and the ability to share information with fellow regulators as means of enhancing co-ordination and active engagement. This remains a work in progress, but they will work with the key stakeholders and the Ministry of Finance towards the development and funding/funding model for a guarantee scheme as part of the crisis management framework.

Number	Recommendation	Status
6	Amend the limitation of FSC Act regarding information sharing.	• Initial amendments were made to the FSC Act to address limitations in the information sharing provisions. These amendments enabled the FSC to sign the Caribbean Association of Insurance Regulators (CAIR) MoU in October 2021. • Further changes to the FSC Act are being drafted which should enable the FSC to become a full signatory to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMoU) and a signatory to the International Association of Insurance Supervisors (IAIS) MMoU.
7	Develop internal procedure manual for a financial crisis and require insurers with cross border activities to establish contingency plans and procedures.	• The internal procedure manual is in development. • In 2023 the FSC issued guidelines for consultation which will require SIFIs to have contingency funding plans and business recovery plans in place. This guideline along with a business continuity guideline for all non-bank financial institutions are expected to be issued and released for consultation respectively by Q2 2024.
8	Establish robust and enforceable valuation standards for technical provisions.	• In the short-term the FSC will be engaging external resources to assist with this exercise. However, the FSC, with the assistance of external resources intends to develop a set of standardized procedures to review the provisions from time to time. • The FSC is currently undergoing a restructuring exercise and we will be developing and building capacity in these areas. This will be addressed in 2024.
9	Accelerate the implementation of risk-based capital adequacy requirements covering all insurers and insurance groups and promote ERM frameworks.	• The FSC will be engaging external resources to assist with this exercise. However, the FSC has finalised policy recommendations for legislative amendments to the Insurance Act to enable the FSC to implement risk-based capital and solvency requirements. The proposed amendments will be submitted to the Ministry of Finance. • Risk Management and Internal Control related guidelines have been drafted and are expected to be released for consultation.
	Access to Finance and Credit Unions	
10	Consolidate the current risk-based dual approach to on-site credit union supervision based on well-specified criteria and improve data collection.	• Reference to a dual approach to onsite supervision is erroneous resulting from a misunderstanding of the Commission's engagement with the Barbados Co-operative & Credit Union League Ltd., the industry representative body. The FSC is solely responsible for the supervision and regulation of the sector. There is therefore no need for a resolution in this regard. • Enhancements were made to onsite requirement to further incorporate a risk-based approach, additional updates are currently ongoing. • Constant improvements have been made to quality of data collection, a comprehensive update of reporting requirements was completed and should be implemented after industry consultation and testing.
11	Issue guidelines for classification, monitoring, and reporting of non-performing and restructured loans, and write-offs for the credit union sector.	• The Commission expects the update and issuance of relevant guideline to be completed by Q2, 2024.
12	Establish a level playing field for qualifying credit	• The Financial Services Commission has made advances in establishing appropriate prudential supervision of credit unions.

Number	Recommendation	Status
	unions by lifting product restrictions, removing corporate tax exemption, and establishing appropriate prudential supervision.	
13	Improve credit enforcement through a more effective bankruptcy system and effective mortgage foreclosure procedures.	• There have been no policy changes in this area.
14	Establish a credit information function, develop a real estate price index, and introduce a collateral registry for movable assets.	• The Credit Reference Bureau has been set up which allows for sharing of information among banks. The collateral registry for movable assets is yet to be set up.
	Safety Net and Crisis Management	
15	Establish a national crisis management plan for insurance sector.	• As highlighted in (5) above this is an action point that will be developed as part of the Financial Oversight Management Committee
16	Enter into agreements for back-up funding for safety net entities.	• Barbados Deposit Insurance Corporation (BDIC) has no formal backup funding arrangement with either CBB or MoF. However, this has been included as an initiative for the BDIC Workplan for 2025.
17	Continue to improve cooperation with other supervisors for crisis management, particularly in the insurance sector.	• The Commission has increased its engagement with key regulators for entities operating within the region, signed the Caribbean Association of Insurance Regulators (CAIR) MMoU and regularly responds to requests for information from CAIR members pursuant to the MMoU. • In addition, the Commission has participated in the CARTAC-initiated Regional Consolidated Supervision Working Group which was established to deepen cooperation and enhance supervision of entities subject to consolidated supervision.
18	Develop a Strategic Plan, target ratio, and test payout procedures for Barbados Deposit Insurance Corporation (BDIC).	• BDIC does not have an approved strategic plan, but the 2025-2027 plan is scheduled for completion by Q4 2024. • No target ratio has been formally sanctioned. • Payout procedures are yet to be tested given the limited staffing at BDIC.
18	Amend various Acts to ensure consistency and bring resolution powers and process more in line with international good practices and standards.	• The Commission's primary legislation, the Financial Services Commission Act has been amended in 2019, 2020 and 2022 to expand the Commission's powers and supervisory capability and address other necessary amendments. • Further changes to the FSC Act and the specified enactments are to be pursued as part of a larger legislative review exercise, this will include powers related to resolution of entities.
	Macroprudential Policy	
19	Develop a real estate price index.	• The CBB has developed a median price real estate index as part of its research effort covering up to 2020. The Bank will make further efforts to update the index and allow for its publication on a regular basis.

Number	Recommendation	Status
		once it receives the required data from the Barbados Revenue Authority.
20	Clarify mandate and tools of the Financial Oversight Management Committee (FOMC)	• The role, composition and limitations of the FOMC are outlined in its Memorandum of Understanding of August 29, 2013 signed between the Central Bank of Barbados and the Financial Services Commission.

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

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

Context

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

Collaboration

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

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[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 acronyms in the note refer to the following IMF and other CD providers: Caribbean Regional Technical Assistance Centre (CARTAC); Fiscal Affairs Department (FAD), Finance Department (FIN), Institute for Capacity Development (ICD); Legal Department (LEG), Monetary and Capital Markets Department (MCM); Statistics Department (STA); Inter-American Development Bank (IDB); Organization of Economic Cooperation and Development (OECD); World Bank (WB); and United Nations (UN).

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

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

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

CD Priorities

5. **The main CD objectives for Barbados focus on consolidating the achievements to date and making further progress on macro-critical reform areas.** Priorities include operationalizing public financial management and custom reforms, strengthening macro-fiscal analytical and forecasting capacity, maintaining a stable financial sector with improved risk-based supervision, including financial stress testing for climate related risks, strengthening monetary policy operations, and improving national accounts and macroeconomic statistics. Table 1 presents a summary of key CD objectives and Table 2 lists DC missions since 2018 and tentatively planned for the coming months.

Table 1. Barbados: Capacity Development Integration Matrix

Implementing Fiscal Reforms to Ensure Debt Sustainability

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

Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
Revenue Administration	Improved customs administration core functions.	FAD.	Modernized legislative framework in line with international requirements. A Trusted Trader Program has been established to give defined benefits to significant importers based on assessed risk. Customs has an improved system for airport merchandise in baggage that expedites clearance and reduces wait times. Creation of a 2021-25 Strategic Plan, compliance units and programs.	Audit and anti-smuggling programs more effectively ensure enforcement of customs laws. Customs control during the clearance process more effectively ensures accuracy of declarations. Foreign trade operators better comply with their reporting and payment obligations. Trade facilitation and service initiatives better support voluntary compliance.
	Strengthened core tax administration functions.	FAD.	The Large Taxpayer Unit (LTU) continued to operationalize its compliance improvement plan, stepped up its audit program, with emphasis on the largest taxpayers, and made increasing use of third-party data to improve the accuracy of the taxpayer base.	Audit and other verification programs more effectively ensure accuracy of reporting. The integrity of the taxpayer base and ledger is strengthened. A larger proportion of taxpayers meet their payment obligations as required by law.
	Strengthened core tax administration functions (SDG 17.1) – TAD.	FAD.		A larger proportion of taxpayers meet their filing obligations as required by law.

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

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

Table 1. Barbados: Capacity Development Integration Matrix (continued)				
Implementing Fiscal Reforms to Ensure Debt Sustainability				
Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcome**	**Future CD and Program Outcomes**
			Detailed TA (guidance and support) provided to Cash Management/Cashflow/Treasury Function, results Partially achieved, but further work required to implement detailed recommendations.	A more credible medium-term macro-fiscal framework that supports budget preparation.
	Improved asset and liability management – ALM.	FAD.	Partially achieved. Support provided to SOEs, monitoring improved and detailed training provided on responsibilities in line with the Act. Still number of outstanding Financial Statements to be signed off by Auditors or not produced by the SOEs. TA is being provided to support the preparation of consolidated IPSAS financial statements	Disclosure and management of state assets is improved. Annual financial statements that are compliant with IPSAS are submitted timely and disclosure requirements and audited are in line with legislation.
	Improved budget execution and control.	FAD.	Consideration for PIMA / C-PIMA to support efforts. IA functions are established, moving towards central IA unit, paper with Cabinet for approval. Partially achieved. The IAC has been established and will meet formally from April 2023. TA was provided to the IAC members.	Appraisal, selection, and implementation of public investments is improved. Risk-based internal audit functions are established in central government agencies.

Table 1. Barbados: Capacity Development Integration Matrix (continued)				
Implementing Fiscal Reforms to Ensure Debt Sustainability				
Ensuring debt sustainability by improving tax collections, fiscal institutions, and analytical capacity, while strengthening social protection				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcome**	**Future CD and Program Outcomes**
	Improved laws and effective PFM institutions.	FAD.	Support provided to the New Public Finance Management Act, which was implemented in 2019, after being passed by Parliament. The authorities have put in place an action plan for public financial management reform to implement the new PFMA Act.	A more comprehensive legal framework covering all stages of the public financial management cycle is enacted. The capacity of ministry of finance to plan, implement and sustain PFM reforms is enhanced.
	Improved public investment management – PIM.	FAD.	Work planned for FY24 on PPP support.	Implementation of public investment projects is improved to deliver productive and durable public assets.
	Strengthened identification, monitoring, and management of fiscal risks – FRK.	FAD.	The government introduced a fiscal risk assessment on the FY 2023/24 budget, discussing climate change-related risks.	Analysis, disclosure, and management of other specific fiscal risks are more comprehensive.
Debt Management	Formulate and implement a medium-term debt management strategy (MTDS) – MTD.	MCM.	The Ministry of Finance identifies cost, risk, and other vulnerabilities in the debt portfolio through quantitative and qualitative analysis and uses this information to inform preparation of the debt management strategy.	Enhanced capacity in MTDS formulation and implementation.

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

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

Table 1. Barbados: Capacity Development Integration Matrix (continued)				
Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcome**	**Future CD and Program Outcomes**
Financial Supervision and Regulation				The level of banks' capital reflects well their risk profile, their business strategy and their risk acceptance levels.
	Develop/strengthen cybersecurity regulations and supervisory frameworks – CRS.	MCM.		Supervisors have sufficient capacity to effectively supervise cybersecurity risk.
	Develop/strengthen fintech regulation and supervision – FTK.	MCM.		Legal, regulatory, and supervisory frameworks for fintech are developed/strengthened.
	Develop/strengthen non-bank credit institutions' regulation and supervision frameworks – NBC.	MCM.		Institutional structure and operational procedures for RBS enhanced/developed.
	Enhance capacity on latest developments in international standards and best practice in financial supervision and regulation – BPF.	MCM.		Participants exchange/acquire knowledge and skills on financial supervision and regulation.
	To implement a risk-based supervision (RBS) system and upgrade other supervisory processes.	MCM.		Strengthened institutional structure and operational and procedures for RBS implementation.

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

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

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

Specific Area	Objectives	TA/Training Engagement	Achieved Outcome	Future CD and Program Outcomes
Maintaining Monetary and Financial Stability				
Strengthening the central bank's autonomy and governance, and supervisory and crisis management framework, while addressing structural financial vulnerabilities				
Macroeconomic Programming and Analysis	Stronger analytical skills and better macroeconomic forecasting and policy analysis at the Ministry / central bank / or other governmental agency(ies) feeds into the economic policymaking process – ANS.	CARTAC.	Medium-term macroeconomic framework tool (MFT) has been fully developed (subject to minor refinements) and performance is judged to be adequate for usage in policy analysis.	Sound medium-term macroeconomic framework (inclusive of GDP and inflation, commodity prices, the external and monetary sectors, and fiscal aggregates). Strong institutional structures for macroeconomic policymaking.
Improving Economic Statistics				
Enhancing economic data to support policy design and implementation				
Real Sector - National Accounts	Strengthen compilation and dissemination of macroeconomic and financial statistics for decision making according to internationally accepted statistical standards, including developing statistical infrastructure, source data, serviceability and/or metadata.	STA.	The key objective of benchmarking Barbados' national accounts to a more recent base year (moving from 2010 to 2016) to increase the policy relevance of these statistics was completed. New Supply Use Tables (SUT) and expenditure-based GDP series were estimated for the 2016 benchmark year. in line with the 2008 System of National Accounts.	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.

Table 1. Barbados: Capacity Development Integration Matrix (continued)				
Improving Economic Statistics				
Enhancing economic data to support policy design and implementation				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcome**	**Future CD and Program Outcomes**
	Strengthen compilation and dissemination of real sector statistics- national accounts – NAC.	STA.	The authorities implemented the e-GDDS in 2021 and launched the National summary data page and adopted a machine-readable (SDMX) technology.	Data are compiled and disseminated using the coverage and scope of the latest manual/guide. Higher frequency data has been compiled and disseminated internally and/or to the public. Metadata released internally and to the public have been strengthened consistent with the dataset to enhance interpretation and analysis. Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination. A new data set has been compiled and disseminated internally and/or to the public.
Real Sector - Prices	Strengthen compilation and dissemination of macroeconomic and financial statistics for	STA.	The authorities implemented the e-GDDS in 2021 and launched the National summary data page and adopted a machine-readable (SDMX) technology.	Data are compiled and disseminated using the concepts and definitions of the latest manual/guide. Staff capacity increased through training, especially

Table 1. Barbados: Capacity Development Integration Matrix (concluded)				
Improving Economic Statistics				
Enhancing economic data to support policy design and implementation				
Specific Area	**Objectives**	**TA/Training Engagement**	**Achieved Outcome**	**Future CD and Program Outcomes**
	decision making according to internationally accepted statistical standards, including developing statistical infrastructure, source data, serviceability and/or metadata.			on developing source data, compilation of methods, and dissemination.
Balance of Payments	Strengthen compilation and dissemination of balance of payments data.	STA.		Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs. Improved timeliness of data made available internally and/or disseminated to the public (shorter delays).
Financial Institutions	Strengthen compilation and dissemination of financial soundness indicators - FSI	STA. Technical assistance provided to support the compilation of core and encouraged FSIs.	STA. Compilation of core and encouraged FSIs.	Improved periodicity, timeliness, and consistency of data.

Table 2. Barbados: IMF Capacity Development Missions Since 2018		
Implementing Fiscal Reforms to Ensure Debt Sustainability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Customs Administration		
Workload assessment – Human Resources needs	FAD	Apr – May-24
Belize Assistance to Barbados in Risk Scoring	FAD	Jun-23 and Sep-23
Customs Modernization	FAD	Apr- 23
Strengthening Risk Management Capacity/Strengthening the Trusted Trader Program 2	CARTAC	Feb-23 and Nov-22
Customs - Valuation Administrative Policy Suite and Valuation Audit	CARTAC	Oct-22
Exemption Control Follow Up Mission	FAD and CARTAC	Sep-Oct-22
Customs Cargo Clearance and Traceability	CARTAC	Jun-22
Guidance on Audit	FAD	Jun-22
Valuation Workshop for Customs to Post-Clearance Audit	FAD	Jun-22
Development of the Exemption Control Capacity	FAD	Mar-22
Strengthening Management of Goods in Bond or Suspensive Regimes	CARTAC	Mar-22
Trade Policies and Compliance: Strengthening PCA	FAD	Nov-21
Mapping and Modelling Core Cargo Clearance Processes	CARTAC	Jun-21
FAD Led Diagnostic Mission	FAD	May-21
Customs Administration	FAD	Apr-21
TAX and Customs Follow up Diagnostic Mission	CARTAC	Apr-21
Regional Seminar on Performance Management in Customs	CARTAC	Apr-21
Reviewing the Customs Legislation	CARTAC	Mar-21
Customs Administration	FAD	Mar-21, Feb-19, Mar-19
TA to Map Core Cargo Clearance Processes in Customs	CARTAC	Mar-21
Strengthening Risk Management Capacity in Customs	CARTAC	Jan-20, Oct-20, Jan-21, Nov-21
TA in Risk Management and Post Clearance Audit (PCA)	CARTAC	Nov-20
To Design and Deliver Training to Middle Managers Customs (Remote)	CARTAC	Aug-20
Strengthening Resilience (Management Capacity)	CARTAC	Jun-20
Strategic Risk Management Training	CARTAC	Jun-20

[1] Refers to missions planned end of FY24.

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)		
Implementing Fiscal Reforms to Ensure Debt Sustainability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Strengthening Post Clearance Audit Capacity	CARTAC	Mar-19, Jan-20
Installation Mission	CARTAC	Jan-20
Debt Management		
Debt Portfolio Analysis (mission)	CARTAC	Oct-21
Tax Administration		
Enhancing Compliance Programs	CARTAC	Jan- Feb-23
Organizational Arrangements - Compliance Risk Management Unit	CARTAC	Jun-22
Developing a Data Warehouse	CARTAC	Oct-21
Strengthening HQ Functions - Data Analytics	CARTAC	Aug-21
Strengthening HQ Functions - Performance Management	CARTAC	Jul-21
Tax and Customs Follow Up	FAD	Apr-21
CARTAC:(Remote TA) Tax Administration Follow-Up Mission (FAD Lead)	CARTAC/FAD	Mar-21
Tax Administration Follow Up	FAD	Mar-21
COVID-19-CARTAC: Strengthening Strategy, Planning and Performance Measuring [WFH]	CARTAC	Apr-20
CARTAC: Strengthening Strategy, Planning and Measuring Performance (WFH)	CARTAC	Mar-20
Follow-up on the Establish Large Taxpayer Operation and Building Headquarters Function	FAD	Sep-18
ISORA Workshop	FAD	May-18
Tax Policy		
TA in Tax Procedures	LEG	Apr-20
Maintaining Monetary and Financial Stability		
Revenue Mobilization	FAD	Jan-19
Public Financial Management		
Supporting the Transition to a Modern Treasury	FAD	Nov-23
PIMA/C-PIMA	FAD	Sep-Oct-23
Mission LTX/STX – Follow-up assistance with IA FY23	CARTAC	Jan-23
Mission LTX/STX Treasury Function Reform FY23	CARTAC	Nov-22
Reassessment of Fiscal Risks	FAD	Oct-22
Mission LTX/STX Review of Budget Process and Procedures FY23	CARTAC	Sep-22

[1] Refers to missions planned end of FY24.

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)		
Maintaining Monetary and Financial Stability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Mission LTX/STX Development of Fiscal Framework FY23	CARTAC	Jun-22
Mission LTX/STX Review of Cashflow Model and Training FY23	CARTAC	May-22
Mission LTX/STX Review of Treasury to Include Establishing the Cash Management Unit FY23	CARTAC	May-22
Review of Treasury to Include Establishing the Cash Management Unit FY23	CARTAC	May-22
Public Financial Management Internal Audit Regional Conference/Workshops (PFM) FY22 FY23	CARTAC/FAD	Apr-22
Follow-up Assistance on Management of SoEs FY22	CARTAC	Feb-22
Public Financial Management: Treasury Operations Regional Conference/Workshops (PFM) FY22 FY24	CARTAC/FAD	Feb-22
Procedural Rules FY22	CARTAC	Dec-21
Review of the Organizational Capability and Capacity of MFEI FY22	CARTAC	Sep-21
Review of the Organizational Capability and Capacity of MFEI FY22	CARTAC	Sep-21
Follow up on Fiscal Rules and MTFF	FAD	Apr-21
Training: Establishing a Central Internal Audit Unit (WFH)	CARTAC	Mar-21
(Remote TA) Fiscal Rules and MTFF (HQ Lead)	CARTAC	Feb-21
Fiscal Rules and MTFF	FAD	Feb-21
PFM LTX	FAD	Jan-21
(Remote TA) SOE Cabinet Dashboard	CARTAC	Nov-20
Review of Cashflow Model and Training FY23	CARTAC	Oct-20, May-22
CARTAC: SOE Unit Support (Training)	CARTAC	Dec-19
CARTAC: SOE Reporting (Training)	CARTAC	Nov-19
CARTAC: SOE Oversight - Support MAU to Oversee Public Corporations	CARTAC	Mar-19
CARTAC: Revisions to Barbados Draft PFM Legislation (WAH)	CARTAC	Nov-18
Central Bank Operations		
Systemic Liquidity Management and ELA	MCM	Sep-24
Refinancing Operations and ELA Framework	MCM	Feb-24
Monetary Policy Toolkit and CBB Balance Sheet Assessment	CARTAC	Apr-23
Systemic Liquidity Management and ELA On-Site	MCM	Feb-23
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)		
Maintaining Monetary and Financial Stability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Accounting and Auditing		
Virtual (COVID): Central Bank Recapitalization	MCM	Nov-20
Virtual TA (COVID) Capital Adequacy of the Central Bank	MCM	Sep-20
WAH: Capital Adequacy of the Central Bank	MCM	Mar-20
Financial Sector Supervision & Regulations		
Bank supervision and regulation	MCM	Sep-24
Enhancing the Joint Financial Stability Report (FSR) of the CBB and FSC.	MCM	Sep-23
Strengthening Cyber Security in Financial Institutions	MCM	Nov-22, Dec-22-Feb-23, Nov-23
Workshop on Sup Framework for Cyber Risk and Fintech Firms -STX	CARTAC	Nov-22, Mar-23
Workshop on Climate Risk Supervision – STX	CARTAC	Nov-22
Workshop - Supervisory Review of Cyber Risk Management at FIs -STX	CARTAC	Nov-22
Workshop on Supervision of Climate Risk	CARTAC	Oct-22
TA on the Supervision of Credit Bureau -STX	CARTAC	Sep-22
Regional - IFRS 17 Implementation	CARTAC	Feb-22
VIRTUAL (COVID): CARTAC: Development of Risk-Based Capital Reporting Template and Necessary Guidelines	CARTAC	Dec-20
CARTAC: WAH Implementation of Risk-Based Capital Framework & ORSA for Life & General In	CARTAC	Sep-20
CARTAC: Virtual TA (COVID) - RBS Workshop	CARTAC	Jun-20
Bank Reconciliations FY22	CARTAC	Nov-21
Implement Basel II - Pillar 2	MCM	May-18
Basel II Implementation - Pillar 2	MCM	May-18
Financial Stability Strategy		
BRB CARTAC 2023 FSR	CARTAC	Sep-22
Caribbean Financial Access Roundtable 2022	LEG	Apr-22
Strengthening Risk Management	CARTAC	Mar-22
Finalization Report for BRB March 2021	CARTAC	May-21
VIRTUAL (COVID): CARTAC: Macro Stress Testing	MCM	Feb-21
CARTAC Financial Stability - CARTAC/WHD Annual Meetings	MCM	Dec-20
Integrated Asset-Liability Management		
CARTAC: WAH Implementation of Risk-Based Capital Framework & ORSA for Life & General In	CARTAC	Sep-20
Liability Management		
VIRTUAL (COVID): CARTAC Debt Reporting	CARTAC	Apr-21
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (continued)		
Maintaining Monetary and Financial Stability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
Payments and Settlements		
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Mar-21
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL TA (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
VIRTUAL (COVID): Payments Systems/RTGs/Settlements	MCM	Nov-20
Insurance Supervision		
Review of the FSC Organization Structure	CARTAC	Mar-22
CARTAC: Insurance Regulation & Supervision	CARTAC	Apr-19
Central Bank Operations		
Assisting the CBB to Prepare Amendments to the Central Bank Law	LEG	May, November 2019
Macroeconomic Forecasting and Policy		
Building Capacity in Medium Term Macroeconomic Framework	CARTAC	Sep-22
Building capacity in Medium Term Macro-Fiscal Frameworks	CARTAC	May-22
Regional Macroeconomics Webinar Series	WHD	May-22
Building Capacity in Macro Modeling	CARTAC	Feb-22
Building Capacity in Macro Modeling	CARTAC	Jun-21
Improving Macroeconomic Statistics		
Barbados-External Sector Statistics (follow up)	CARTAC	Mar-25
Barbados-External Sector Statistics	CARTAC	Mar-24
Barbados –TA-GDP- Review of Administrative Data	STA	Feb-24
Barbados-TA- GDP Rebasing and measurement of informal activity	STA	Mar-23
Barbados - TA - GDP - Improving GDP FY23	CARTAC	Feb-23
TA – CPIS/CDIS – Improve Timeliness	CARTAC	Oct-22
TA - CPI - Updating CPI FY22	CARTAC	Apr-22
Training - External Debt Statistics	CARTAC/STA	Apr-22
Training - Introduction to GDP	CARTAC/STA	Mar-22
TA - GDP - Improving GDP	CARTAC	Mar-22
TA-HQ-GDP-Rebase	CARTAC	Jan-22
TA – BOP/IIP – Improve Timeliness	CARTAC	Sep-21
Barbados - TA - FSI - Improve FSIs compilation	STA	Sep-21
TA-HQ-GDP-Benchmark Supply and Use	CARTAC	May-21
Balance of Payments	STA	May-21
(Remote TA) CARTAC: Enhance BOP and IIP Source Data	CARTAC	Mar-21
[1] Refers to missions planned end of FY24.		

Table 2. Barbados: IMF Capacity Development Missions Since 2018 (concluded)		
Improving Macroeconomic Statistics		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
(Remote TA) National Accounts (Canada and CARTAC)	CARTAC	Nov-20
(Remote TA) e-GDDS	STA	Sep-20
(Remote TA) National Accounts (Canada Funded)	STA	Jul-20
Monetary Data Reported in SRF	CARTAC	Apr-19
Maintaining Monetary and Financial Stability		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)[1]**
CARTAC: Measurement of the Informal Economy	CARTAC	May-23
CARTAC: Balance of Payments Statistics	CARTAC	Mar-19
CARTAC: National Accounts - Improve GDP-P estimates	CARTAC	Feb-19
CARTAC: Consumer Price Index - Finalizing the Rebased Series for Dissemination	CARTAC	Oct-18
National Accounts	CARTAC	May-18
[1] Refers to missions planned end of FY24.		

Appendix I. Letter of Intent

Bridgetown, Barbados
June 11, 2024

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

Dear Managing Director Georgieva,

When my Government came to office in 2018, we were confronted with fiscal and external imbalances that threatened public sector sustainability and the viability of the currency peg. Since then, Barbados has restored macroeconomic stability with the successful execution of our ambitious Economic Recovery and Transformation (BERT) Plan, supported by the 2018-22 Extended Fund Facility (EFF) arrangement. Under the BERT Fund-supported arrangement, public debt has been brought back onto a downward trajectory, international reserves have been strengthened to support the exchange rate peg, and transformational structural reforms have been initiated, despite unprecedented external shocks.

I am writing to extend my sincere appreciation to the Fund for its ongoing support of our updated BERT 2022 strategy within the context of a joint 36-month arrangement under the EFF and the Resilience and Sustainability Facility (RSF) approved on December 7, 2022. The underlying objectives of these arrangements are to preserve hard-won macroeconomic gains achieved under the 2018-22 EFF arrangement and further advance reforms to safeguard fiscal sustainability, bolster inclusive and sustainable growth, and respond to the challenges posed by the evolving climate crisis. The ongoing EFF-RSF arrangement is unfolding in the context of a difficult external environment that complicates policymaking. Barbados' economy has recovered to pre-pandemic levels, but challenges arising from higher global interest rates, geopolitical conflicts, and volatile food and fuel prices persist. Notwithstanding these headwinds, 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 2023 and end-March 2024 were met. The further increase in the primary balance allowed a continued reduction of the public debt-to-GDP ratio. In FY2024/25, we intend to frontload some critical capital spending during our dry season (focusing on roads, water provision systems, and housing), and are therefore requesting a modest adjustment in the program's quarterly primary balance targets. In parallel, we will continue to maintain prudent controls over current spending, consistent with our annual primary surplus target of 4 percent of GDP. The structural reform agenda has advanced further with: (i) the implementation of a formal process for requalification of tax exemptions and waivers; (ii) establishment of a cash-management unit within Treasury; (iii) approval of the new public pension law; (iv) adoption of standard contracts for routine public procurement; and (v) reforms to state-owned enterprises to achieve greater operating efficiencies. The National Insurance and Social Security Service has also made admirable progress in submitting financial statements for years 2010-16 to the Auditor General, even while pursuing important institutional reforms, and statements for the remaining years will follow in the coming months.

RSF: All measures targeted for the current review have been completed. To improve flood resilience, we have tabled in Parliament a new Stormwater Management Act, intended to mitigate the negative impacts on persons' health, property damage, and disruptions to travel and logistics associated with flooding. To further enhance our climate-friendly public sector, Cabinet has approved an Energy Efficiency and Conservation Policy Framework, covering all government agencies and public lighting. A critical first step in this process has been the assessment of the current situation across Government regarding energy usage.

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

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

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

On the above basis, I am requesting the completion of the third 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 third review of the RSF arrangement and the disbursement of SDR 28.35 million to be made available. The RSF will support our efforts to build resilience to climate change by increasing our policy space to invest in resilient infrastructure and the transition to renewable energy sources, as envisaged in our climate policy agenda.

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

Yours sincerely,

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

Attachment I. Supplementary Memorandum of Economic and Financial Policies

I. PROGRAMME OBJECTIVES AND ECONOMIC STRATEGY

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

2. **Significant progress implementing BERT 2018 was achieved prior to the onset of the COVID-19 pandemic in March 2020.** Macroeconomic stability was restored with a combination of comprehensive sovereign debt restructuring, fiscal consolidation, and structural reforms to reduce fiscal dominance and enhance growth. While fiscal consolidation was interrupted by the COVID-19 pandemic, public debt was put back on a downward path starting in FY2021/22. These achievements prior to the pandemic created essential fiscal space that empowered the Government with flexibility to appropriately respond to the COVID-19 shock. Enhanced IMF support in response to the pandemic and other external shocks was also critical in minimizing economic fallout. Barbados' strong performance under the 2018 EFF paved the way for augmentations under the arrangement totaling SDR 114 million to further support the GOB's efforts in dealing with the COVID pandemic. The IMF's policy endorsement also has been followed by nearly US$1 billion in support, in the form of policy-based loans, and about US $300 million in the form of project-based loans from other international development institutions (Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), World Bank (WB) and Development Bank of Latin America (CAF)). Together, this has allowed international reserves to rise to US$1.6 billion at end-March 2024, from a low of US$220 million in 2018.

3. **The GOB intends to preserve the hard-won macroeconomic gains and further advance reforms to enhance growth and resilience under a revamped BERT Plan**. While the pandemic and other external shocks disrupted elements of the structural reform agenda, Barbados intends to revitalize policy efforts in the period ahead as shocks dissipate. BERT 2022 is the successor to BERT 2018 and focuses on achieving inclusive and sustainable growth, while both maintaining fiscal and debt sustainability and building resilience through climate adaptation and mitigation efforts. Central elements of the program include: (i) a fiscal strategy that ensures Government balances and finances are consistent with the debt anchor by streamlining expenditure and reforming the public sector, particularly the State-Owned Enterprises (SOEs); (ii) a debt management strategy that actively manages the debt portfolio to minimize costs; and (iii) a growth strategy that enhances the business

environment and enables private-sector led growth, improves labour market flexibility, and builds resilience through climate adaptation and mitigation spending. It is expected that steadfast implementation of this Plan will continue to help mobilize external financing and facilitate the restoration of access to international capital markets.

4. **The successor Extended Fund Facility (EFF) and new Resilience and Sustainability Facility (RSF) arrangements—approved by the Fund's Executive Board on December 7, 2022—are critical to support the BERT 2022 strategy.** Maintaining and strengthening macroeconomic stability is a central program objective, with primary surpluses gradually increasing over the program period. The EFF/RSF arrangement promotes structural reforms to secure fiscal sustainability, build capacity for macroeconomic policy implementation, bolster capacity to address climate-crisis challenges and mitigate risks to external stability, and unleash Barbados' growth potential. The RSF will support our efforts to build resilience to climate change by increasing our policy space to invest in resilient infrastructure and the transition to renewable energy sources, as envisaged in our climate policy agenda. Our efforts will include, among other things, establishing a new Blue Green Bank, supported by the fiscal space provided by the RSF, to help finance green investments in affordable homes, hurricane-resilient roofs, the electrification of public and private transport, and other Paris-aligned investments. The engagement under the RSF has coincided with green finance initiatives by other International Financial Institutions, including plans for a debt-for-climate swap/transaction (led by the IDB and EIB with support from the GCF), with proceeds supporting climate-resilient improvements to the South Coast sewage treatment plant.

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

II. MEDIUM-TERM MACROECONOMIC FRAMEWORK

6. **The BERT 2022 Plan continues to be anchored by a debt-to-GDP path that converges to 60 percent by FY2035/36.** This requires a sustained strengthening of primary balances over the medium term while also accommodating adequate capital expenditure to boost growth prospects. In line with this strategy, the GOB achieved the targeted primary surplus of 2 percent of GDP for FY2022/23—up from 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 3.7 percent of GDP, supported by a continued economic expansion as well as reforms to reduce transfers to SOEs, the further unwinding of exceptional spending on COVID and Hurricane Elsa emergency-support programs, and continued prudent expenditure management. Looking ahead, the FY2024/25 budget aims for a primary surplus of 4 percent, enabled by continued prudent expenditure management and revenue gains including from buoyant economic activity and from

the recent corporate income tax (CIT) reforms. Importantly, our budget assumes an increase in public investment to 3.1 percent of GDP, up from 2.8 percent of GDP executed in FY2023/24.

7. Primary surpluses are targeted to strengthen further over the medium term consistent with projected debt path. The GOB is committed to advancing fiscal and structural reforms to support underlying BERT 2022 objectives, which include strengthening tax administration, further reform of SOEs to structurally reduce Central Government (CG) subventions, measures to bolster public financial management (PFM)—including already-enacted reforms to strengthen the long-term sustainability of the public pension and social security system, and public sector investment—and policies to enhance the enabling environment for growth and resilience to the climate crisis.

III. FISCAL STRATEGY AND POLICY PRIORITIES

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

Revenue Policy and Administration

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

- A Memorandum of Understanding between the BRA and BCED to enhance information sharing was established in March 2021 to ensure these agencies are maximizing their revenue mobilization, compliance, and enforcement potential.

- A data-matching project was undertaken with participation from the BRA and BCED to meaningfully improve compliance and risk management (*structural benchmark for end-March 2023*). The project highlighted numerous identifiers present within BCED's AYSCUDA system, indicating possible duplicating of taxpayers. The exercise is largely completed, however 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 commenced the development of a compliance risk management dashboard integrating the data from the BRA, CED and NISSS and to provide a risk rating in respect of each taxpayer. This project was completed and the dashboard in use.

- 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 with continue.

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

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

- The single identifier project has been launched. In this initiative, the BCED, NISSS and the BRA will initially work to create a single identifier for both current and new taxpayers. Work is ongoing with the developers to facilitate this initiative, which will result in the cleaning of historical data, facilitating compliance-risk-management reviews.

- A new single-registry process is being developed, with CARTAC assistance, to allow any new companies or individuals to complete the tax, NISSS and customs registration process in a single sitting. This will guarantee cross-institution data matching and will be launched on June 15, 2024. The marketing around this initiative is currently being worked on and the infrastructure requirements (servers) are currently being put in place.

- The implementation of the BRA's Business Intelligence tool is completed. Phase 2 of this project will include compliance risk management aspects, which will facilitate data searches by the relevant stakeholders including the BCED. This will result in: i) the availability of a review platform to facilitate compliance risk management reviews; ii) the provision of data to various stakeholders; and iii) The provision of combined data to provide an improved view of the government's fiscal affairs. Final demonstrations will be made to stakeholders in May 2024 and work has begun with the Fiscal Risk Unit to analyze related data.

11. The BRA is updating its IT systems and processes to ensure the timely processing and issuance of tax refunds and to retire the stock of legacy arrears. The stock of central government arrears fell from $1.2 billion at end of June 2018 to $235million at the end of March 2024, while that of SOEs declined from $755 million to $14.3 million over the same period. The BRA completed the verification of a stock of legacy tax refund arrears discovered in its pre-TAMIS IT systems during the last half of 2021 and confirmed that the total arrears outstanding (inclusive of the legacy arrears) to taxpayers were estimated at $296.9 million at the end of April 2022. BRA has vetted the stock of taxpayer arrears owed to Government, estimated at more than 10 percent of GDP and notifications have been sent to those identified as non-compliant.

12. Customs (BCED) administration is being reformed to facilitate trade, improve risk management and stakeholders' engagement, and strengthen revenue collection. In the area of governance and management: i) the organizational structure was overhauled and a Strategic Plan covering 2020-2023 developed; ii) the Internal Audit Division was strengthened with the creation and implementation of terms of reference, and a risk-based work plan; iii) key Performance Indicators (KPIs) were developed for all units and are progressively being used; iv) operational dashboards have been developed for the Trade Operations and the Compliance and Enforcement Directorates and are being used for management decision making. Efforts will continue in the years ahead, with an assessment of human resource needs (by competency and position) at the BCED being conducted, and used to address capacity and operational needs, including an assessment of the obstacles to fill critical vacancies and a roadmap to fill these vacancies (*structural benchmark for end-March 2025*). The assessment of human resource need has commenced with the assistance of CARTAC.

13. Trade facilitation continues to be enhanced. ASYCUDA World was upgraded, and new modules are being implemented. A modernized Customs Act was passed in November 2021 and the regulations are being finalized, inclusive of an administrative approach document that seeks to streamline the application of fines for non-compliant stakeholders. The Harmonized Commodity Description and Coding System was implemented, and the new 2022 version is now operational. Eleven Compliance plans have been developed to enhance compliance and augment revenue collection. A new unit has been established to manage exemptions and a policy is being built out to streamline its management. The Trusted Trader Program, introduced in 2020, continues to be expanded and is enhancing facilitation.

14. Measures have also been implemented to improve cargo processing and compliance. A holistic risk management, standardized cargo processing system in all modes (sea, air, and post), and post-clearance audit procedures were introduced. Controls were improved with the creation and staffing of compliance units to monitor commercial activities through transactional reviews and audits, as well as exemption, and bonded warehouse monitoring. A new oversight mechanism was created via a Steering Committee that has the responsibility to oversee implementation of the 2020-2023 Strategic Plan. An introduction of Taxpayer Identification Numbers has commenced, in collaboration with the BRA, and electronic forms are increasingly being used to facilitate a complete paperless process. The GOB remains committed to carrying forward with the Customs

Modernization program prepared with technical assistance (TA) from the IMF, with the following reforms regarded as key near- and medium-term priorities:

- New initiatives to follow through on principles and services enunciated in the new Customs Act and Regulations. This includes the now-operational Exemption Management Program in the Customs and Excise department, the development of an outreach program and educational products, and improvements to governance and professional standard and internal controls.
- Pursue the BCED reform and modernization program, most notably by implementing the strategic plan, compliance framework, integrated risk management strategy and an enforcement manual.
- Complete overhaul of the warehousing and duty-free shop system to prevent revenue leakage. Risk classification for all warehouses has begun, and those deemed high-risk will be prioritized for overhaul. This is currently ongoing with CARTAC assistance.
- Implement an appeals mechanism as required by the Customs Act and a Policy and Planning unit to assist with the forward planning of the organization. CARTAC support is being provided, with implementation expected by June 2024.
- Operationalize a compliance action plan for the import of vehicles and auto parts. Duties on vehicle-related imports are a large source of revenues; systematic undervaluation or misclassifications can result in significant revenue leakage. Drawing on IMF capacity development (CD) in this area, BCED finalized an action plan to minimize non-compliance risks, and put the strengthened regime into practice.

Tax and Customs Exemption Regime

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

- The first phase involves new legislative and regulatory provisions to strengthen and modernize procedures for granting and managing all duty and tax exemptions consistent with technical recommendations received from international partners (*structural benchmark for end-December 2022*). This legislation has been adopted by the cabinet and tabled in Parliament and requires that exemptions: i) be "in the public interest"; ii) receive the approval of the Minister of Finance and/or an independent deliberating committee for classes of cases/decisions above a sensible threshold; and iii) be revoked if recipients breach the laws of Barbados. Preparations to operationalize these updated procedures once approved are already underway. BCED established an Exemptions Monitor 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 six-point plan for this aspect of the reform has been prepared, with data being accumulated by BCED and MFEI.

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

Public Financial Management (PFM) and the Budget Process

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

- **Strengthen the strategic phase of the budget formulation process**. This involves: (i) annual updates of the Government's fiscal strategy, based on backward-looking expenditure and revenue reviews and forward-looking targets on revenue, expenditure and debt in line with the Government's clearly articulated current and medium-term priorities (see procedural fiscal rule); (ii) the setting of multi-year expenditure ceilings in accordance with the updated fiscal strategy, as a guide to the allocation process; and (iii) the provision of clear instructions by Cabinet for budget submissions based on a comprehensive discussion of the needs and priorities of each Ministry and program, including binding spending ceilings. The Government is seeking to strengthen the budget formulation process further by ensuring that: i) the budget calendar is aligned to the requirements of the new PFM Act; and ii) the budget circular is issued soon after the fiscal framework has been tabled in Parliament. The budget circular will be accompanied by expenditure ceilings approved by Cabinet for each financial year covered by the medium-term budget planning horizon.

- **Upgrade budget documentation to include policy-oriented information to decision makers and enable transparent budget execution**. The traditional Annual Budget Documentation (Budget Estimates) provides a comprehensive narrative describing public finances. A mid-year budget review report is tabled in Parliament by October 15th of every year to report outturns against the annual budget, signal likely deviations from fiscal objectives, and identify remedial actions to ensure compliance with the fiscal framework. From the FY2023/24 budget onwards, the Annual Budget Document also includes an assessment of the alignment between the budget and fiscal objectives established by the annual fiscal framework, and a comprehensive description of all revenue and expenditure measures taken.

- **Enhancing fiscal risk management**. Compliance with the new PFM Act involves establishing required reporting and analytical frameworks. Ministries, SOEs and Agencies are now to produce annual and quarterly reports. A health dashboard that analyzes the financial performance of SOEs monitored by the MFEI has been developed and provides a mechanism to assess risks and further elaborate targeted reform measures to enhance SOEs' performance and reduce Government dependence. The Government is:

    - Strengthening risk management capacity within the MFEI further by creating 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 quarterly 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 IMF TA, the MFEI intends 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 is clearing its backlog of financial statements as a matter of urgency and has submitted financial statements covering the period 2010 to 2016 for audit by the Auditor General with the remaining statements to be completed and submitted in the coming months (*structural benchmark for end-March 2024*).

- **The Government is working to increase the efficiency and quality of the public procurement process**. The effectiveness of the Public Accounts Committee has been strengthened to allow the public to monitor in real time its oversight role, thereby ensuring full transparency. A new procurement law was approved by Parliament in December 2021 to promote integrity, fairness, transparency, and value for money in public procurement and ensure that outlays—including those related to COVID-19—are efficiently allocated.[1] The GOB is committed to the implementation of enhanced public procurement practices, including from a sustainable-green perspective. To that end, Cabinet 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

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

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.** An absence of dedicated cash management functions in Central Government complicates the adequate management of daily cash balances and risks a buildup of payment arrears. 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 MDAs' and SOEs' cash plans. Once fully operational, the unit will also define and lead on the key policies, procedures, and processes to facilitate cash management functions across Government. To enhance financial reporting and improved accountability with respect to the utilization of government resources, the government, in collaboration with the University of the West Indies and White Oak, conducted comprehensive training for all the financial controllers in the central government and SOEs. Next steps include the completion of an assessment program.

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

- **We are reviewing our legal and regulatory framework for engaging in Public-Private Partnerships (PPPs).** When done right, PPPs can play an important role in sustaining and increasing potential growth. This includes establishing a clear definition of PPPs, fully integrating them into the overall investment strategy and the medium-term fiscal framework, safeguarding public finances against fiscal costs and mitigating risks from PPPs, ensuring transparent mechanisms for competitive processes, and designing transparent reporting and auditing procedures in line with international standards. The MFEI has begun preparing a PPP framework to guide PPP decision-making (*structural benchmark for end-March 2025*), with technical support from the IDB. This framework will apply to all PPP projects under consideration to allow for fair, competitive, and transparent procurement of PPPs. Training of a group of MFEI staff regarding PPPs will begin in 2024, including in the areas of writing and assessing climate-related project proposals, and aligning the Government's PPP decisions with strategic priorities, including relating to climate change.

Fiscal Rule

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

18. **A Fiscal Council was established at end-May 2023 to promote sound fiscal management.** There has been some delay in the Council beginning regular operations. However, discussions surrounding terms of reference and work plans are advancing. Once fully active, 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, including the scaling back of unusual and temporary measures initiated as a pandemic response.

Debt Management

19. **The target date for bringing the debt-to-GDP ratio below 60 percent is FY2035/36.** The updated medium- and long-term macroeconomic framework is consistent with achieving this target, and we remain committed to generating the needed primary surpluses to ensure the target is met.

20. The GOB is focused on strengthening public debt management with technical support from international partners. Efforts to strengthen debt management operations continue. The 2023-24 to 2025-26 Medium Term Debt Management Strategy (MTDS) was approved by Cabinet and subsequently laid in Parliament. The Debt Working Group updated the MTDS for 2024-25 to 2026-27, expected to be published in June 2024. The MTDS is underpinned by a debt management objective to meet the Government's financing needs at the lowest possible cost over the medium- to long-term, consistent with a prudent degree of risk. In addition, we will undertake a review of debt management practices—including an assessment of the effectiveness of the auction mechanism for long-term debt—and debt legislation, with a view towards pursuing a comprehensive debt law. Progress has been made in re-engaging the domestic capital market, including the regular issuance of Treasury Bills featuring the introduction of an optional non-competitive window for individual investors. This mechanism allows individuals to specify the desired amount and tenor and be allocated the amount tendered at a rate that is the average of the successful competitive bidders. In addition, in February the Government successfully launched a reverse action of its Series D bonds. The first of its kind, the auction was successfully concluded on March 8, 2024 having received a high degree of interest from bondholders, with approximately 12% of the outstanding bonds offered for repurchase. Auction pricing was highly competitive with the Government accepting the lowest priced offers of up to $2 million (consistent with the amount pre-approved by Cabinet). This auction was aligned with the Government's goals to aid with the reduction of debt, assist with the creation of a yield curve for new medium-to-long term securities, and support the gradual extension of maturities under the Government's debt management program. Other measures are planned to further strengthen its investor relations program, including enhancing transparency in this regard.

21. Domestic arrears have been largely resolved, and we commit not to run new expenditure arrears. Total public sector domestic arrears stood at $1.9 billion at the beginning of the BERT 2018 program and they have been reduced to approximately $235 million as of March 2024. Of this total, Central Government trade payables (non-tax arrears) have to a large extent been settled, with a residual amount of $0.2 million to be cleared. We have developed a system for monitoring the arrears of SOEs on an ongoing basis. We have introduced legislation so that all borrowing by SOEs receives the approval of the Minister of Finance. Currently only commercial SOEs are allowed to borrow with the pre-approval of Central Government.

Public Sector Reform

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

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

Recapitalization and Reform of the NISSS: The NISSS is a partially funded scheme. From 2008 to 2019, Barbados experienced a significant decline in population, nine years of negative economic growth, declining employment levels, and negative real wage growth, which all led to a decline in the number of persons making NISSS contributions. During this period, as the then-Government found it harder to finance large deficits, it sold more Government bonds to the NISSS and its Funds, whose portfolios were by 2018 overly concentrated in Government bonds. Consequently, the 2018 debt restructuring exercise, though stabilizing government finances, resulted in the National Insurance and Severance Funds incurring investment losses. At its peak, the COVID-19 pandemic led to an estimated 40 percent unemployment rate, alongside high levels of severance and out-of-business employers, placing critical and unusual strains on the Fund. While these shocks have now dissipated, they laid bare the importance of combined recapitalization and reform measures to safeguard NISSS operations over the medium term. These are proceeding in two phases:

i. The initial focus was to restore the Unemployment Benefit Account through an infusion of $143 million from the Consolidated Fund over a three to five-year period. This exercise was completed ahead of schedule with the full disbursement of resources at end-March 2023.

ii. The GOB has completed the second phase whereby Cabinet endorsed a reform plan at end-2022 that restores and safeguards the viability of the National Insurance Fund. In December 2023, Parliament approved necessary reforms from the NIS Revitalization Plan, including gradual increases in the pensionable age (from 67 presently to 68) and minimum contribution period for eligibility (from approximately 10 years presently to approximately 15 years), to be phased in over the next decade. An important additional reform also eases the ability of self-employed persons to participate.

SOE Reform: Reducing Government subventions to public entities is essential to sustain medium-term fiscal viability and boost growth potential by redirecting scarce public resources into critical productive and climate resilient investments. Subventions to public entities are relatively high. Indeed, Barbados' SOE sector is relatively large and provides an array of public services—predominantly commercial—the vast majority of which are loss-making. This suggests significant inefficiencies in operations that entail substantial opportunity costs to growth and constitute a material risk to Barbados' public finances. Against this backdrop, the GOB is revitalizing its SOE reform agenda which was deliberately paused during the COVID period and subsequent challenging natural disaster/climate events. Specifically:

- ***Unwind transitory support:*** The GOB has successfully unwound temporary support extended to SOEs and Ministries and Agencies, including via the cessation of programs identified as emergency programs to support impaired sectors and commercial public enterprises. After peaking at 8.9 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 (7.1 percent of GDP in FY2023/24).

- ***Mergers and Rationalizations:*** As announced in consecutive Annual Budgets, the GOB has exploited scope to reduce overlap and achieve greater financial and operating efficiencies. Immediate steps in this regard, Cabinet approved in mid-to-late 2023: i) amalgamate the operations of the Rural and Urban Development Commissions (RDC and UDC) and reform the National Housing Corporation (NHC); and ii) reform the Barbados Agriculture Management Corporation (BAMC) and shift its operations away from subsidizing the traditional sugar industry (*both structural benchmarks for end-December 2023*). The government will closely monitor the successor entities.

- ***Risk Assessments and Targeted Reforms***: A health dashboard that analyzes the financial performance of public entities developed by the MFEI (with IMF assistance) provides a mechanism to identify key risks and elaborate targeted reform measures to enhance SOE performance and reduce Government dependence. [2] To anchor the forward-looking reform agenda, a comprehensive stocktaking of the financial performance of the SOE sector was undertaken (*structural benchmark for end-June 2023).* The reports compiled showed improvement in the financial position of SOEs relative to recent years, while also indicating that most entities are structurally unprofitable. The reports will help inform the reform of key SOEs.

- **Modernization Principles:** While the agenda of SOE reform is evolving, the GOB continues to be guided by the following key modernization principles: i) shifting commercial activities to the private sector; ii) ensuring adequate and modern user-fee structures; iii) providing enfranchisement opportunities in the delivery of public services; and iv) eliminating inefficiencies through mergers and rationalizations where possible.

IV. MONETARY AND FINANCIAL SECTOR POLICIES

23. The GOB continues to prioritize reforms to enhance the CBB's operational capacity to execute monetary policy and safeguard financial sector soundness. Barbados' exchange rate peg to the US dollar has provided a key anchor for macroeconomic stability since 1975 and remains a central policy objective. There is strong commitment among all Social Partners and stakeholders to maintain the exchange rate peg. Consequently, we will implement the fiscal and structural policies necessary to support the peg and sustain adequate international reserves balances. The amended Central Bank Law (passed in December 2020) to enhance the CBB's autonomy, mandate, and decision-making-structures is noteworthy here, as it limits CBB financing to the Government in line 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

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

securities (to 3 percent of GDP) on the primary market to the case of a declared national emergency, also significantly reduced the risk that Central Bank financing will place pressures on foreign exchange reserves. In addition, measures have been taken to:

- **Gradually relax exchange controls**. Our approach is both gradual and targeted and aimed at increasing investors' confidence without jeopardizing reserve accumulation. Effective August 1st, 2019, we have allowed all Barbadians to open foreign-currency denominated accounts. We have allowed foreign-currency proceeds from the sale of assets to be repatriated in foreign currency or kept locally in a foreign-currency account. Effective August 1st, 2019, we have eliminated the surrender requirement of 70 percent of foreign exchange brought into Barbados. Finally, we have increased select foreign-exchange limits such as the limit on personal travel facilities. We have increased delegation of authority to foreign-exchange dealers to approve foreign-exchange transactions, without these needing to be referred to the Central Bank.

- **Develop and initiate a CBB recapitalization plan.** Given the magnitude of the capital shortfall, a gradual approach was preferred that carefully balances available fiscal space with the elimination of the capital deficiency.[3] The recapitalization should provide the Central Bank with balance sheet space to engage in operations to help sterilize excess liquidity, thereby mitigating any potential source of vulnerability to the fixed exchange rate regime.

24. The CBB has strengthened its safeguards framework. A diagnostic review of the CBB's governance and control framework is a standard IMF procedure for all countries using Fund's resources. The 2023 Safeguards Assessment mission was completed in March 2023 with findings highlighting a strong safeguards framework at the CBB. Having implemented all previous recommendations identified during the 2018-2022 EFF arrangement, the CBB has significantly strengthened its safeguards framework, including its legal framework, governance arrangements, and financial reporting practices. The CBB is committed to addressing gaps identified in internal audit and internal controls including cyber security and risk management and is looking to establish an Emergency Lending Assistance framework, with the support of IMF TA. In addition, the MFEI and CBB have prepared an updated Memorandum of Understanding that clarifies their respective responsibilities for servicing financial obligations to the Fund under the EFF/RSF arrangements.

25. Efforts are ongoing to enhance financial sector monitoring. The amended Central Bank Law establishes the promotion of financial stability as a secondary objective for the CBB. It also attributes formal macroprudential powers to the CBB, to monitor financial stability and manage risks to the financial system. The oversight of the financial system is shared by the CBB, the Financial Services Commission (FSC), and the Barbados Deposit Insurance Corporation. These authorities participate in the Financial Oversight Management Committee (FOMC), which manages the 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,

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

financial statements are prepared according to IFRS, The CBB designs the reporting forms and schedules for banks and Part III companies (trust and finance companies and merchant banks). Monitoring of insurance corporations, pension funds, mutual funds, and credit unions fall into the purview of the FSC, which has been working on revising reporting forms and increasing reporting frequency to enhance financial sector surveillance. The CBB in collaboration with the FSC releases a Financial Stability Report and health-check reports for sub-sectors of the financial system annually. Finally, the CBB has strengthened monitoring capacity to include the successful compilation and dissemination of quarterly core financial stability indicators (FSIs) for deposit takers (excluding credit unions) in line with the guidance provided by the IMF TA in 2019. On balance, Barbados' financial system remains well capitalized, with stress tests conducted by the CBB and FSC indicating a low risk of a systemic crisis. Commercial banks, which represent the largest component of the system, have a systemwide capital-adequacy ratio that is more than twice the regulatory minimum.

26. The CBB is working to enhance its toolkit for conducting monetary policy and promoting macro prudential stability. The Central Bank of Barbados Act establishes the primary objective of the Bank as maintaining the value of the currency. Historically, monetary policy was largely based on direct controls, including securities reserve requirements on financial institutions. With the change in the policy rubric, the CBB reviewed its balance sheet capacity and monetary toolkit, with the support of IMF TA (*structural benchmark for end-November 2023*). The CBB has established a liquidity-forecasting unit and enhancements are being made to the forecasting framework, including the analysis of daily data. The CBB is further enhancing its forecasting capacity by sourcing external expertise and will set up an active daily liquidity forecasting framework, with support from IMF technical assistance, to monitor changes in reserve supply and estimate banks' demands for precautionary reserves (*proposed end-March 2025 structural benchmark*). In parallel, the CBB is continuing to explore the introduction of a benchmark monetary policy rate, reflecting Barbados' exchange rate peg and target reserves level, and new liquidity management instruments anchored to the policy rate. The CBB also possesses the power to implement macroprudential measures as it sees fit to manage risk in the financial system by using tools to assess, contain and mitigate systemic risk. Barbados' current toolkit consists of some lagged and early warning indicators including stress testing of the banking sector. CBB is looking to enhance its current stress testing framework with satellite models that link the macroeconomy to the banking sector as well as the development of climate stress tests. As the financial system continues to evolve in terms of size and complexity, the CBB has begun to collect new data to construct indicators such as real estate price indices, the credit-to-GDP gap, and borrower-based metrics to strengthen the assessment of systemic risks.

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

V. GROWTH ENHANCING REFORMS

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

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

29. Completing the reform program to further enhance business and investment conditions is a top near-term priority. The Government will continue to pursue measures aimed at providing the requisite business environment to support trade and investment in the economy. A Doing Business Sub-Committee of Cabinet and Private Sector Committee was established in 2018 to execute and monitor policy measures identified by stakeholders to improve Barbados' overall business and investment climate. A stocktaking of the execution of policy reforms overseen by these Committees (*structural benchmark for end-March 2023)* was undertaken to inform the forward-looking reform agenda by identifying the unfinished reforms and prioritizing next steps. It highlighted the need to i) finalize the second phase of CAIPO reform to merge registration, payment, and information exchange processes within a single window; ii) broaden the Trusted Trader program for vetted companies; and iii) fully operationalize the Barbados Electronic Single Window (ESAW) by 2025 to enhance intermediation between the business community and government agencies. These and other priorities are being advanced by the Growth Council. The most tangible reform is the establishment of Business Barbados, an entity which will begin operations in FY2024/25, whose objective is to champion a customer-first business model with modernized processes, enabled by digital and innovation technology and realigned, re-tooled and retrained staff. Business Barbados will be led by a new management team, operating as a State-Owned Enterprise.

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

- 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.

- Building an affordable, green, and climate resilient housing stock is a priority for the GOB. Our housing agenda is to build 10,000 houses in five years, with the Government contribution financed through renewable energy technology (the HOPE housing project), that allows the homeowner to generate an income from a roof-top solar system.

- As part of the investing in *skills training and education initiative*, the Government introduced the National First Jobs Initiative and Apprenticeship Scheme and facilitated the return to free tertiary education at vocational, technical, and undergraduate levels. The GOB intends to reform the education system to better suit the demands of the economy, including by introducing a new Education Act aimed to modernize teaching and system management; replacing the 11-plus secondary school entrance examination; and promoting the teaching of STEAM (science, technology, engineering, arts, and mathematics) subjects. Government will also prioritize its Youth Advance Corps programme (which was introduced in 2019 but had to be slowed down during the COVID-19 pandemic) aimed at providing training and opportunities for young people to address the skills gap across communities. Similarly, we will continue the National Transformation Initiative, which is a community-based training program providing citizens with a plethora of training opportunities and access to more than 15 000 courses globally, as part of Government's commitment to make Barbados world-class within seven (7) years.

- Programmes to *improve the service delivery and effectiveness of the public service*. Chief among these is to complete the rollout of digitization of Government services[4], 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 (*proposed reset to end-September 2024 structural benchmark*). This platform will leverage 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 end-2024—by ensuring greater coordination between regulators to reduce the logistical costs and bureaucracy.

- Establish a collateral registry, a factoring program, and micro-leasing agencies to *enhance access to finance*, particularly for small- and medium-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 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

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

activity anchored by the Grantley Adams International Airport, while work is underway to facilitate the establishment of a new Maintenance and Repair Operation, and to expand flight training capability. Government will also construct a new cargo berth which will boost our attractiveness as a maritime logistics hub. New trading lanes are being developed and new sister Port Agreements have been signed between Barbados and ports in Africa, Latin America, and the Middle East.

- Government is collaborating with the private sector locally and regionally to establish a Food Terminal in Barbados in cooperation with Guyana and Suriname, to address food security and to help in reducing the regional food import bill by 25 percent by 2025. This collaboration will result in Barbados becoming the hub where local production will combine with goods being shipped in from Guyana and in this instance northern Brazil to meet the requirements of the cruise lines. In a new commercial thrust, this initiative forms part of the establishment of a Barbados based Destination Management Cooperative and a Florida US based Destination Management Company. Using the Cooperative as the base, the Ministry of Tourism is creating a single purchasing platform for all goods, services and experiences from Destination Barbados and supporting growth of the domestic economy. The United Nations World Food program has also established a regional hub in Barbados at the Grantley Adams International Airport and CDEMA has already established a hub in Bridgetown to preposition food and other supplies to be better able to respond to any natural disaster in the region.

- Government will also reform the civil aviation legislative framework to create expanded opportunities for the development of new air routes and significantly expand airlift, particularly from the US market. We are also working to establish direct airlift between Barbados and the African continent. The reform of the Maritime legislative framework as well as critical investments in the port infrastructure, including the launch of the digital port community system, will facilitate greater opportunities for Maritime travel and movement of cargo. To address the capacity deficiency in regional travel, Government will encourage the establishment of a regional ferry service to enable goods and people to move around the region in a cheaper and more timely manner.

- Tourism was one of the hardest hit sectors by the pandemic, and in response, the Government provided assistance to the sector through the Barbados Employment and Sustainable Transformation (BEST) Plan to alleviate short-term cashflow challenges and maintain employment. This programme also facilitated the training of personnel in various areas, and investments in greening through renewable energy installations including photovoltaic systems, water conservation and increased use of technology and process digitization to upgrade outdated business processes. It was also premised on strengthening the linkages. Government intends to build upon the BEST Program and the recognition that Barbados has a mature tourism product and therefore requires significant investment if it is to be refurbished into a modern tourism brand.

- GOB will support measures that maintain the *competitiveness of the domestic tourism sector.* This includes initiatives to promote the training and upskilling of workers in the sector and the diversification of the product offerings within the domestic industry, inclusive of the establishment of community villages. Additionally, the Government will continue to pursue other initiatives or investments such as sewerage, sanitation and road repairs that will also have a substantial positive effect on the tourist experience.

- The current *Companies Act* will be reviewed and updated to ensure consistency with international best practices. Additionally, the GOB will sustain the initiative to improve the efficiency of the Corporate Affairs and Intellectual Property Office (CAIPO) in the registration and incorporation of businesses and related services, through the development of a digital strategy and the utilization of ICT platforms. Government will also put systems in place to support change management and continuous training of staff to further improve the delivery of services.

VI. SUSTAINABILITY AND RESILIENCY TO CLIMATE CRISIS

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

32. **Government has been proactive in mitigating against the fallout from a climate crisis event from several perspectives.** We insure against natural disaster risks through the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and have introduced natural disaster clauses into domestic and external bonds. These clauses allow for the capitalization of interest and deferral of scheduled amortization falling due over a two-year period following the occurrence of a major natural disaster. We have secured an IDB contingent credit facility that would allow Barbados to borrow up to US$80 million in case of a natural disaster. We are working on improving structural and post-disaster resilience (e.g., 'roof-to-reef' program and strengthened public procurement). We provide incentives to individuals and corporates to invest in renewable energy, water conservation, and build resilience. The GOB recently tabled the National Comprehensive Disaster Risk Management (DRM) Policy to mainstream comprehensive DRM principles into ministry and agency budget planning and ensure resilience in Government and business continuity after a disaster event (*reform measure for end-September 2023*). The GOB intends to seek Parliamentary approval of this policy in the coming months.

33. **Higher fuel import bills and inflation following the Russia-invasion of Ukraine highlight the need to expeditiously transition to renewable energy.** Barbados remains committed to reaching its 100 percent renewable energy target by 2035. To that end, the independent Fair Trade Commission (FTC) has published Feed-in Tariffs (FITs) for independent power producers (IPPs) for a range of renewable energy technologies. The GOB 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.[5] To that end:

- The Government is working to close 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—including feed-in tariffs, auctions, and direct negotiations—seek to increase investments into battery storage technologies to support the envisioned expansion and integration of renewable energy production.

- The New Electricity Supply Bill will be tabled in Parliament to (i) enhance competition in the electricity market; and (ii) introduce local participation in renewable energy investment with an entitlement for households of roughly 30 percent of the 60 percent investment space, leaving the remainder for FDI (*reform measure for end-September 2024).*

Additionally, we are committed to greening the transport sector by shifting toward electric vehicles and providing fiscal incentives to further reduce import duties, excise taxes and VAT on electric vehicles (*reform measure for end-September 2023*). A two-year excise and value added tax holiday was introduced for electric vehicles from April 1, 2022. The tax holiday has since been extended for an additional two years with an end date of March 2026. There has also been a reduction in the tariff rates for alternative energy vehicles. We have the largest electric bus fleet in the region of 59 electric buses (65 percent of available bus fleet) and we plan to increase the share of electric vehicles in public transportation to about 85 percent by end-2025.

34. Building an affordable, green, and climate resilient housing stock is a priority. The Government's housing agenda is to build 10,000 houses in five years, financed in part through renewable energy technology (revenues from rooftop solar panels). We will work with the private sector, along with regional and international partners, to boost housing stock and build structural resilience against climate crises. Government intends to place solar PV panels on the roofs of small homes to facilitate a basic income for all owner-occupied houses. Under one model, we will provide the land and large local contractors will construct the houses and infrastructure. Under another model, we will provide the infrastructure and small- and medium-sized local contractors would

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

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 can't participate in any of the HOPE schemes because their income levels are too low, the NHC is constructing new housing units for rent-to-own. Work has already started to meet this demand.

35. The Roof to Reef (R2R) initiative is a national roadmap towards the resilient development of Barbados. The programme presents an island-wide integrated public and private investment program founded on principles of sustainable development and climate crisis resilience. This initiative also includes a rapid roof replacement programme to assist over time in supporting homeowners' replacement of non-hurricane resistant roofs, replacement and maintenance of water mains, reservoirs and other climate-resilient water and sanitation sector infrastructure, and enhanced efforts to protect the coral reefs and marine environment.[6] 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 is moving forward with the passage of the Water Re-use Bill in Parliament in May 2023, incorporating the new water re-use policy (*reform measure for end-March 2023*);

- The operationalization of the Barbados Environmental Sustainability Fund (BESF), which has commenced receiving funds from the debt-to-nature swap as of end-FY2022/23 (*reform measure for end-March 2023*);

- Tabling 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

[6] 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.

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

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

- The GOB is committed to include a fiscal risk statement in the regular budget process including a dedicated section on climate crisis risks (e.g., the extent to which existing infrastructure will become increasingly at risk from changing weather patterns and likely implications for the fiscal and budgeting to strengthen such infrastructure). The inaugural fiscal risk statement was included in the FY2023/24 budget (*reform measure for end-September 2023*), with its successor published for FY2024/25 in March 2024. The GOB is committed to sustaining this fiscal risk analysis in forthcoming budgets.

- Cabinet approved a sustainable/green public procurement framework that provides operational parameters, criteria, and guidelines to implement sustainable/green procurement across government agencies, in line with international best practice, with TA support from the Fund and IDB (*reform measure for end-September 2023*). This framework will help Ministries and agencies acquire goods and services that achieve green and sustainable objectives. We will continue to seek technical assistance from the IMF, IDB, and other development partners on green procurement.

- Cabinet approved guidelines for climate/green budget tagging, developed in line with international best practice, with TA support from the Fund and the IDB, select Ministries/government agencies for a pilot climate/budget tagging exercise, and mandate that the results of budget tagging be published in an annex in the annual budget (*reform measure for end-September 2023*). For the FY2024/25 budget, the compilation of information has been completed, with publication expected in the coming months alongside the final budget estimates.

- The GOB will Include climate adaptation and mitigation priorities in the annual fiscal strategy report (released annually in August) that; i) identify programs to enhance climate resilience in the fiscal framework and ii) discuss climate crisis related risks in a fiscal risk statement. IMF TA will be required to support this work and ensure that outputs are in line with international best practice.

- The GOB recently completed a diagnostic evaluation—through a C-PIMA—and will undertake reforms to strengthen integration of climate concerns into the PFM process (*reform measure for end-March 2025)*.

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

37. Program Monitoring. Program implementation will be monitored through quantitative performance criteria and indicative targets, structural benchmarks, and reform measures. These are detailed in Tables 1, 2 and 3, with definitions and data requirements provided in the attached Technical Memorandum of Understanding (TMU). The joint EFF-RSF arrangement with the Fund will be subject to semi-annual reviews, with the fourth and fifth reviews occurring on or after November 15, 2024, and May 15, 2025, respectively.

Table 1. Barbados: Structural Benchmarks Under the EFF				
Structural Benchmark (SB)	**Timing**	**EFF Review**	**Assessed**	**Comments**
Revenue Policy and Administration				
1) Government to adopt new legislative and regulatory provisions to strengthen and modernize procedures for granting and managing all duty and tax exemptions consistent with recommendations outlined in recent IMF technical assistance	End-December 2022	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		
5) Government to complete an assessment of human resource needs (by competency and position) at the BCED to address capacity and operational needs, including an assessment of the obstacles to fill critical vacancies and a roadmap to fill critical vacancies.	End-March 2025	5th EFF Review		
Public Sector Reform				
6) Government to develop a NIF recapitalization and reform plan that restores and safeguards sustainability of the Fund.	End-December 2022	1st EFF Review	Met	
7) Government to table a revised public pension law to enhance the sustainability of the public sector pension scheme, as discussed in MEFP.	End-March 2023	1st EFF Review	Not Met	Implemented with delay
8) Government to set up a fiscal risk unit.	End-June 2023	2nd EFF review	Not Met	Implemented with delay
9) The NIS to submit all outstanding financial statements for audit by the Auditor General.	End-March 2024	3rd EFF Review	Not Met	
10) Government to establish a Cash Management Unit.	End-March 2024	3rd EFF Review	Met	
11) Parliament to approve the public pension law (SB7).	End-March 2024	3rd EFF Review	Met	

Table 1. Barbados: Structural Benchmarks Under the EFF (Concluded)				
Structural Benchmark (SB)	**Timing**	**EFF Review**	**Assessed**	**Comments**
12) Government to develop standard contracts for routine procurements to minimize delays in awarding contracts to successful bidders.	End-September 2024	4th EFF Review	Met	
13) MFEI to prepare a Public Private Partnerships (PPPs) framework.	End-March 2025	5th EFF Review		
SOE Reform				
14) Cabinet to approve plans for the (i) amalgamation of the operations of the Rural Development Corp. (RDC), and Urban Development Corp (UDC) and (ii) the reform of the National Housing Corporation (NHC) to reduce overlap and achieve greater financial and operating efficiencies.	End-December 2023	3rd EFF Review	Met	
15) Cabinet to approve plans for the reform of the BAMC and shift BAMC's operations away from subsidizing the traditional sugar industry.	End-December 2023	3rd EFF Review	Met	
16) Ministry of Finance to prepare a comprehensive stocktaking of the financial performance of the SOE sector.	End-June 2023	2nd EFF Review	Met	
Central Bank Monetary Policy				
17) The CBB to review its balance sheet capacity and monetary toolkit, with the support of IMF technical assistance.	End-November 2023	2nd EFF Review	Met	
18) The CBB to set up an active daily liquidity forecasting framework, with support from Fund TA	End-March 2025	5th EFF Review		Proposed
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-March 2024	3rd EFF review	Not met	Proposed to be reset to end-September 2024

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

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

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

(In millions of Barbados dollars otherwise indicated)

	Target End December 2023	Actual End December 2023	Status End December 2023	Target End March 2024	Actual End March 2024	Status End March 2024
	CR/23/436			CR/23/436		
Fiscal Targets						
Performance Criteria						
Floor on the CG Primary Balance 4/	378	495	...	446	477	...
Floor on the CG Primary Balance (adjusted) 4/	378	495	Met	439	477	Met
Non-accumulation of CG external debt arrears 4/ 6/	0	0	Met	0	0	Met
Ceiling on CG Transfers and Grants to Public Institutions 4/ 7/	357	303	Met	477	477	Met
Ceiling on Public Debt 5/	15,016	14,726	...	15,026	14,875	...
Ceiling on Public Debt (adjusted) 5/	15,016	14,726	Met	15,026	14,875	Met
Indicative Targets						
Ceiling on CG Domestic Arrears 5/ 8/	246	241	Met	241	235	Met
Floor on Social Spending 4/ 9/	70	86	Met	95	114	Met
Ceiling on Public Institutions Arrears 5/	26	25	Met	23	14	Met
Monetary Targets						
Performance Criteria						
Ceiling on Net Domestic Assets of the CBB 5/	2,350	1,739	Met	2,350	1,458	Met
Floor on Net International Reserves 5/	1,200	1,839	...	1,200	2,089	...
Floor on Net International Reserves (adjusted) 5/	1,200	1,839	Met	1,200	2,089	Met
Items feeding into Debt, and NIR adjustors						
IDB budget support 4/	200	200	...	400	400	...
CDB budget support 4/	0	0	...	0	0	...
CAF budget support 4/	0	0	...	0	0	...
WB budget support 4/	0	0	...	0	0	...
Grants 4/	0	0	...	8	1	...

Sources: Fund staff estimates.

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

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

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

4/ Flow (cumulative over the fiscal year);

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

6/ Continuous performance criterion;

7/ This ceiling excludes earmarked transfers;

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

9/This floor excludes operational expenses of social programs.

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

(In millions of Barbados dollars otherwise indicated)

	Target End June 2024 CR/23/436	Proposed Target End June 2024	Target End September 2024 CR/23/436	Proposed Target End September 2024	Target End December 2024 CR/23/436	Proposed Target End March 2025
Fiscal Targets						
Performance Criteria						
Floor on the CG Primary Balance 4/	136	122	279	210	418	558
Floor on the CG Primary Balance (adjusted) 4/	...	...	...	...	...	...
Non-accumulation of CG external debt arrears 4/ 6/	0	0	0	0	0	0
Ceiling on CG Transfers and Grants to Public Institutions 4/ 7/	119	119	244	244	365	425
Ceiling on Public Debt 5/	15,044	15,044	15,101	15,101	15,101	15,173
Ceiling on Public Debt (adjusted) 5/	...	...	...	...	...	...
Indicative Targets						
Ceiling on CG Domestic Arrears 5/ 8/	231	231	221	221	211	201
Floor on Social Spending 4/ 9/	27	27	59	59	89	119
Ceiling on Public Institutions Arrears 5/	23	23	23	23	23	20
Monetary Targets						
Performance Criteria						
Ceiling on Net Domestic Assets of the CBB 5/	2,350	2,350	2,350	2,350	2,350	2,350
Floor on Net International Reserves 5/	1,200	1,200	1,200	1,200	1,200	1,200
Floor on Net International Reserves (adjusted) 5/	...	...	...	...	...	...
Items feeding into Debt, and NIR adjustors						
IDB budget support 4/	0	0	0	0	0	0
CDB budget support 4/	0	0	0	0	0	0
CAF budget support 4/	0	0	0	0	0	0
WB budget support 4/	0	0	0	0	0	0
Grants 4/	0	0	0	0	0	8

Sources: Fund staff estimates.

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

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

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

4/ Flow (cumulative over the fiscal year);

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

6/ Continuous performance criterion;

7/ This ceiling excludes earmarked transfers;

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

9/This floor excludes operational expenses of social programs.

Attachment II. Technical Memorandum of Understanding

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

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

3. **Definitions for the purpose of the program:**

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

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

[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".

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.

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

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

D. Non-Accumulation of CG External Debt Arrears

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

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

E. Ceiling on CG Transfers and Grants to Public Institutions

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

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

F. Ceiling on the Stock of Public Debt

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

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

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

II. INDICATIVE TARGETS

A. Ceiling on the Stock of Domestic CG Expenditure Arrears

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

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

B. Floor on CG Social Spending

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

- Welfare Department spending including cash transfers and assistance for house rents, utilities, food, and education to the poor and vulnerable;
- Child Care Board spending on protection of vulnerable children;
- Youth Entrepreneurship Scheme assisting jobless youth to start own businesses;
- Strengthening Human and Social Development programme targeting the unemployed and vulnerable families and youth;
- Alternative Care for the Elderly programme targeting the elderly transferred to private care;
- Provision of medication to HIV patients.

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

C. Ceiling on the Stock of Public Institutions Expenditure Arrears

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

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

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

III. PROGRAM REPORTING REQUIREMENTS

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

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

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

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

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

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

Financial Sector

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

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

Real Sector

- RPI index, its components, and weights.

Fiscal Sector

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

External Sector

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

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

Financial Sector

Other Depository Corporations (ODC) survey showing the gross items for NFA, claims on the CBB, net claims on the CG (NCCG), COSE, OIN, deposits included in broad money (BM), deposits excluded from BM, and liabilities to the CBB.

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

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

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

Real Sector

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

Fiscal Sector

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

Financial Sector

- CBB Balance sheet

External Sector

- Balance of Payments accounts.

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

Financial Sector

- The following financial stability indicators by bank and by sector:
    - Regulatory capital
    - Regulatory Tier 1 capital
    - Risk-weighted assets
    - Total assets
    - Total liabilities
    - Nonperforming loans in BRB$ millions
    - Non-performing loans net of provisions
    - Gross loans
    - Sectoral distribution of loans to total loans

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

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

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

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