



Extended Country Program Evaluation

Barbados 2015-2023



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Inter-American Development Bank, 2024

Office of Evaluation and Oversight
1350 New York Avenue, N.W.
Washington, D.C. 20577
www.iadb.org/evaluation

**RE-586-1
March 2024**

**Extended Country Program
Evaluation**

**Barbados
2015-2023**

Office of Evaluation and Oversight



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Acknowledgements

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Acronyms and Abbreviations

ADV	Advisory services
AMS	Asset Management System
BERT	Barbados Economic Recovery and Transformation
C&D	C and D countries
CBB	Central Bank of Barbados
CCB	Country Department Caribbean
CCF	Contingent credit facility
CDB	Caribbean Development Bank
CEF	Cargo Examination Facility
CP	Country Program
CPD	Country Program Document
CPE	Country Program Evaluation
CS	Country Strategy
EE	Energy efficiency
EFF	Extended Fund Facility
EO	Expected outcome
ESW	Electronic single window
GDP	Gross domestic product

GoB	Government of Barbados
GO	Group of objectives
IBP	Identification, Stabilization, Enablement and Empowerment Bridge Program
ICZM	Integrated coastal zone management
IDB	Inter-American Development Bank
IGR	Investment grant
IMF	International Monetary Fund
INV	Investment loan
ISEE Bridge	Identification, Stabilization, Enablement, and Empowerment Bridge
LAC	Latin America and the Caribbean
MIS	Management Information System
MSMEs	Micro, small, and medium-sized enterprises
NCRIPP	National Coastal Risk Information and Planning Platform
NR	Non-Reimbursable
NSG	Non-sovereign guaranteed
OECD	Organisation for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
PBG	Policy-based guarantee
PBL	Policy-based loan
PBP	Programmatic policy-based loan
PEU	Project executing unit
PSMP	Public Sector Modernization Program
PSSE	Public Sector Smart Energy
PV	Photovoltaic
R2RP	Roofs to Reefs Program
RE	Renewable energy
RSF	Resilience and Sustainability Facility
SDL	Special development loan
SEFB	Sustainable Energy Framework for Barbados
SG	Sovereign guaranteed
SMEs	Small and medium-sized enterprises
SO	Strategic objective
STC	Special Tenders Committee
TC	Technical cooperation
UN	United Nations
XCPE	Extended Country Program Evaluation

Executive Summary

Context. Barbados' small, high-income economy has high levels of social and economic development, but it depends heavily on tourism and imports and suffers from a lack of economic diversification, leaving it very vulnerable to external shocks. The country has experienced a sluggish economic performance since 2008, with the pandemic worsening the situation. With low growth, Barbados has faced persistent fiscal and current account deficits, leading to a substantial increase in the debt-to-gross domestic product (GDP) ratio. In 2018, the new government launched a reform plan supported by an agreement with the International Monetary Fund (IMF) and multilateral financing. The plan had as its cornerstone a debt-restructuring agreement with a strong front-loaded fiscal adjustment focused on boosting revenues, controlling public expenditure, and enhancing growth measures while protecting a minimum level of social and infrastructure spending. Although the macroeconomic situation started to improve, Covid-19 and natural disasters had a severely adverse impact on Barbados's economy. As a result, real GDP per capita in 2022 was below that of 2008. Since 2023, Barbados has been experiencing a strong economic recovery amid a rebound in tourism. The country faces significant climate change challenges, including natural hazards, coastal erosion, and water scarcity, and the government is devoted to building climate resilience infrastructure and has committed to ambitious mitigation and adaptation targets. Still, the medium-term economic outlook is vulnerable to potential global shocks and natural disasters.

Objectives and cross-cutting themes. From 2015 to 2023, the Inter-American Development Bank Group (IDB Group) formulated two Country Strategies (CSs). The first CS (2015–2018) established four strategic objectives (SOs) and 10 expected outcomes (EOs) focused on promoting greater private sector competitiveness in tourism, energy, transportation and logistics, and resilience in coastal zone management. The second CS (2019–2023) raised the number of SOs to nine and EO_s to 14, emphasizing fiscal sustainability and a more

efficient public sector, protecting social outcomes, and promoting higher productivity and competitiveness to enhance the country's growth potential. The Office of Evaluation and Oversight (OVE) has consolidated the 13 objectives of both CSs, identifying nine groups of objectives (GOs) under a generic umbrella of three priority areas: the productivity and competitiveness area, the fiscal area, and the social area. Additionally, the CSs include two cross-cutting issues: gender and diversity and climate change and natural disasters.

Relevance of the CS objectives and design. There was a shift in focus between the first and second CS. The objectives of the first CS were consistent with some of Barbados' development challenges and the government of Barbados' (GoB's) priorities at that time, but excluded the pressing challenge of fiscal sustainability, which had deteriorated since 2008. Fiscal consolidation was added to the second CS as a priority area; this aligned with the new national priorities and OVE's recommendations from previous Country Program Evaluations (CPEs). The second CS also incorporated social outcomes as a priority area and three SOs related to business, climate, and private sector engagement. Despite the country's vulnerability to climate change and the GoB's focus on climate adaptation, the objective of climate resilience was discontinued in the CS2. However, climate change was incorporated as a cross-cutting theme to be mainstreamed into the program. The SO on energy was the only one present in both CSs. The relevance of the CSs was affected by issues related to their strategic selectivity and design quality. Some SOs were wide-ranging, and it was a challenge to ascertain how the Country Program (CP) would meaningfully contribute to their attainment. Moreover, the CSs did not provide elements to determine whether the indicative lending framework would deliver a sufficient program to achieve the proposed objectives within the established timelines. Finally, both CSs exhibited weaknesses in the vertical logic and had indicators whose values could not be regularly updated to monitor progress. The indicators were generally specific and relevant, but less than half of them were able to be monitored.

Country Program. Barbados' CP included 97 operations totaling US\$1.155 billion, as well as one contingent credit facility (CCF) for US\$80 million. It involved 23 legacy operations with undisbursed balances (US\$124 million) as of June 2015 (the start of the period under review). In addition, the CP encompassed all approvals that took place over the two CSs: 21 operations for US\$192 million approved for the first CS; 52 operations for US\$839 million and the CCF approved in the second CS. Most of the CP corresponds to sovereign-guaranteed (SG) operations (90%), with only 10% as non-sovereign-guaranteed (NSG) operations.

Program alignment. OVE found strong alignment for 10 SOs (corresponding to six GOs) and weak alignment for the remaining three SOs (corresponding to three GOs). The weaknesses in alignment affected the CP's feasibility to contribute to these SOs. In all cases, alignment was hindered by problems in the vertical logic between the EO and the SO, as well as a limited program compared with the scope of the SO. Moreover, there were gaps in the integration of the cross-cutting themes of gender and diversity and climate change and natural disasters into the CP.

Use of instruments. The lending instrument mix shifted between the two CSs, in line with changes in the CSs' focus. The portfolio transitioned from being predominantly composed of investment loans (INVs) to one focused on budgetary support aligned with GoB priorities, including innovative financial solutions. During most of the first CS, the Bank only approved INVs for less than half of the indicative financial envelope of US\$200 million. For the second CS, budgetary support was prevalent mainly in response to the country's fiscal challenges and the impact of the pandemic, highly exceeding the indicative financial envelope of US\$300 million. An arrangement with the IMF in 2018 unlocked the possibility of accessing policy-based loans (PBLs) from the IDB. This feasibility was paired with the GoB's renewed impetus for reforms. Furthermore, the country faced significant financial constraints that increased the GoB's preference for liquidity and fostered the use of PBLs, which had much shorter disbursement times. As a result of this financing, the IDB is Barbados' largest external creditor. The use of PBLs has been aligned with the instrument's dual objective of providing liquidity and supporting the implementation of reform agendas. PBLs supported the GOs related to social protection, fiscal sustainability, and business climate. Two PBLs focused on environmental issues, but the second CS did not include a related SO.

The private sector. Despite an increased focus on the importance of the private sector, critical barriers to building an NSG portfolio remained, such as macroeconomic uncertainty, excess liquidity from commercial banks, and lack of appetite for serving local micro, small, and medium-sized enterprises, similar to the challenges IDB Invest has encountered in other small and island countries. However, the SG window supported the private sector by incorporating three SOs for promoting private sector development in the second CS. During the evaluation period, the SG window approved 13 operations associated with the private sector. On the IDB Invest side, despite the approval of two senior loans and eight advisory services, as well as stationing an investment officer in the country, clients' perception of the institution's slow and cumbersome processes are an obstacle for developing investment opportunities. OVE found insufficient articulation between public and private sector windows, especially considering the scope proposed in the CS for these objectives.

Implementation of the program. Preparation times are still longer than regional comparators and the Bank's average. Time from approval to first disbursement decreased in the second period and is now in line with comparators. Conversely, the total disbursement time increased compared with past periods and regional and IDB averages. Preparation and execution expenses for INV operations in Barbados are nearly double the IDB average. This is primarily attributed to prolonged project execution times and extensions beyond original expectations. Execution challenges for the INV program included procurement delays, weak execution unit capacity, and interagency coordination issues. Persistent delays arise from bureaucratic procedures and legal frameworks. All INV operations reported at least one implementation problem during the period. Project designs were sometimes overly ambitious and did not always match country's realities. A third of the operations also suffered from changes in priorities. Additionally, unforeseen challenges arose due to the pandemic and climate shocks, which caused temporary delays in the implementation and continuity of programs. Finally, all three recommendations made in the previous CPE remain relevant.

Country Program contribution. The IDB Group made varying contributions to the SOs. Out of the 13 SOs, seven had low contributions and four had medium contributions. The CP demonstrated more effectiveness in areas with long-term support and robust execution. The sustainability of results improved with institutional capacity support and government commitment.

In the productivity area. The IDB Group had a low contribution to *increasing tourism receipts*, as the main INV approved has had significant delays. The contribution was also low regarding *improving the logistics sector* due to implementation inefficiencies and delays. On the other hand, the CP had a medium contribution toward *increasing the share of renewable energy in the energy matrix and reducing the dependence on imported fossil fuels*. The sustainability of the results is high, given the GoB's commitment to these objectives. Still, further investments are necessary to achieve the goal of becoming fossil fuel free. The CP made low contributions to *strengthening the capacity for ecosystem-based integrated coastal zone management and increasing coastal resilience; promoting private sector engagement that encourages greater productivity and resilient infrastructure investments; and strengthening the regulatory environment for a more open and better business climate*. For those objectives, the factors that explain a low contribution included delays in implementation and evaluability issues that hampered the measurement of results, the too-broad scope of objectives, and a lack of measurable effects. Finally, the contribution was high toward *facilitating access to finance for the private sector* through the establishment and capitalization of a guarantee fund,

with the results likely to remain sustainable over time due to the GoB's commitment toward this objective. However, there are no reported results on increasing access for women-led businesses.

In the fiscal area. The CP made a high contribution to supporting *fiscal consolidation through expenditure-curbing and revenue-enhancing measures and a low contribution to strengthening the institutional framework and promoting greater digitization*. For the first SO, the IDB helped the country reduce its debt levels and provided crucial budget support to preserve macroeconomic stability in close coordination with the IMF and supported policy measures to strengthen tax revenue and reduce tax expenditures. The sustainability of the results is high due to post-reform support and the continuation of the IMF's program, minimizing the risk of interruption. The low contribution towards the other two SOs is explained by the CP's narrow focus compared with the scope of the SOs and a lack of progress in the CP.

In the social area. The CP had a medium contribution to the two SOs in this area. Regarding the SO of *strengthening the performance of social programs*, the medium contribution is explained by the deployment of operations that supported the targeting, expansion, and delivery of the Identification, Stabilization, Enablement, and Empowerment Bridge Program, the launch of the One Family Program, and relevant social assistance provided during the pandemic. Sustainability in this area will be realized to the extent that the uptake of targeting tools continues, and the management information systems developed with support of the CP are adopted across social sector institutions. The CP also supported the increase of technical and vocational qualifications and educational and life skills training that contributed to the SO on *better aligning workers' skills to the market's needs*. A key aspect of sustaining these results is maintaining collaboration between the technical and vocational education institutions and the private sector.

Based on the findings from the evaluation of the IDB Group's strategies and program over an extended period, OVE has formulated the following recommendations:

- 1. Continue to support key areas that address long-term development challenges and in which the IDB Group has proven to be a key partner.** The IDB Group is well positioned to continue supporting sectors like energy and climate resilience, where it has brought expertise and supported the country in the regulatory framework and institutional strengthening of the sectors. Furthermore, given the IDB's key role in advancing climate change resilience and environmental sustainability

in Barbados, the next Country Strategy would benefit from including a related, specific objective to set specific lines of action and serve as a guide for the Bank's work in the sector.

- 2. Continue working with the GoB to improve project execution of IDB Group-financed operations.** This recommendation has been included in OVE's last two CPEs, and it remains highly relevant. Operations continue to be affected by procurement issues and administrative bottlenecks, insufficient capacity of the project executing units, and problems with interagency coordination. Moreover, project designs are considered very ambitious and not in line with the country's realities. In this context, OVE recommends the following: (i) develop a joint study between the IDB and the government to identify main bottlenecks in execution and to establish a monitorable action plan to address them; (ii) continue supporting the modernization of the procurement system through technical assistance, develop a plan that delineates the requirements of the system to be recognized and used for IDB's projects, and execute the 2021 plan with the Special Tender Committee with goals that can be monitored; and (iii) adjust the project design to be in line with country realities (e.g., implementation periods, complexity of design, coordination efforts).
- 3. Strengthen coordination between the IDB and IDB Invest to better address constraints to private sector investments.** The previous CPE recommendation to support Barbados in attracting private investment and better integrating private sector operations into the CP remains relevant. In this context, OVE recommends (i) strengthening the inclusion of IDB Invest in policy dialogue so that its role is articulated with the country's needs and conditions, and (ii) clarifying in the next Country Strategy areas where both the IDB and IDB Invest can find synergies, with specific lines of actions.

01

Country Context:
2015-2023

1.1 Barbados is a small, high-income service economy. The country has a total surface area of 431 square kilometers and, as of 2022, was home to approximately 267,800 inhabitants.¹ After gaining independence in 1966, the country transitioned in 2021 from a parliamentary constitutional monarchy to a parliamentary republic within the Commonwealth of Nations with an elected president as head of state. Barbados is classified as a high-income economy, with a gross domestic product (GDP) per capita of about US\$20,000 in 2022 and a relatively high standard of living compared with some of its Caribbean counterparts. Notwithstanding this, Barbados' economy is highly vulnerable to external shocks as it relies heavily on tourism and suffers from a lack of economic diversification and a strong import dependency.

A. Macroeconomic situation

- 1.2 The country's economic performance has been sluggish since the 2008 global financial crisis, culminating in selective default in 2018. Its real GDP experienced an average annual decline of 0.5% between 2008 and 2019. As a result, the economy in 2019 was 5% smaller than in 2007 (IMF, 2023d). In addition, Barbados has grappled with persistent fiscal and current account deficits, resulting in a substantial increase in its debt-to-GDP ratio, which peaked at 157% in 2017—the highest level recorded in Latin America and the Caribbean (LAC) (Figure 1.1).² Growing debt led to reduced support from external creditors and commercial banks, which, in turn, created financing challenges that intensified following multiple credit downgrades and selective default in June 2018. This situation affected the external sector as a result of declining tourism receipts³ and a heavy dependence on imports.⁴ The current account deficit averaged a negative 7.5% of GDP from 2008 through 2017.
- 1.3 Government efforts to spur an economic recovery showed early promise. In response to its distressed fiscal and external liquidity position, the government of Barbados (GoB) launched the Barbados Economic Recovery and Transformation (BERT) plan in August 2018. The BERT plan aimed to reduce the debt-to-GDP

1 For comparison, Barbados is approximately 50 times smaller in terms of land area than El Salvador and has a population that is 25 times smaller. The country has the fewest inhabitants among those borrowing countries.

2 The debt-to-GDP ratio in Barbados grew from 61.3% in 2000 to 157.3% in 2017. In 2000, 68.8% of general government debt was domestic, as compared to 82% in 2017.

3 Immediately after the 2008 financial crisis, stay-over tourist arrivals decreased by 9%, the most critical reduction since 1982 (Barbados Statistical Service 2023).

4 The country's dependence on imports of food, oil, and intermediate inputs makes it vulnerable to adjustments in terms of trade and fluctuations in commodity prices.

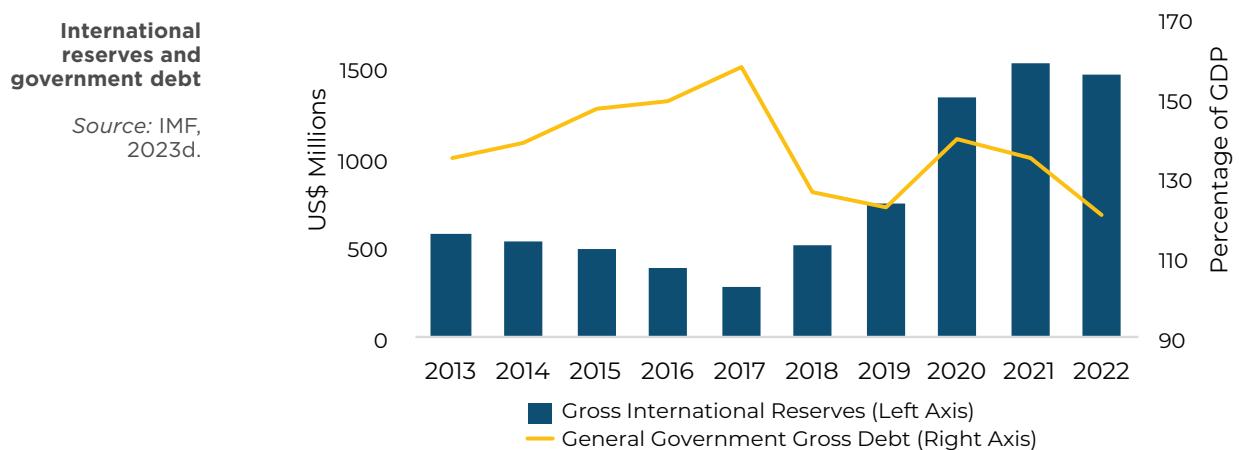
ratio to 60% by fiscal year (FY) 2033/34 through a combination of debt restructuring, fiscal consolidation, and measures to boost growth while protecting social spending. The plan was supported by the International Monetary Fund (IMF) via a US\$290 million, four-year Extended Fund Facility (EFF),⁵ which included a debt restructuring (IMF 2022). Initially, fiscal performance improved under the original IMF program: Barbados' primary fiscal balance increased from 3.3% of GDP in FY 2017/18 to 6.3% of GDP in FY 2019/20, and, after completing a debt exchange program with domestic and external creditors, its debt-to-GDP ratio fell to 126.3% in FY 2019/20.

- 1.4 However, the Covid-19 pandemic and natural disasters dealt a blow to Barbados' still struggling economy. Following the onset of the pandemic in 2020, mobility restrictions imposed by the GoB and internationally substantially affected tourist flows,⁶ leading to a decline in tourism receipts that affected the external sector. In 2021, economic recovery was further disrupted by two natural disasters: ashfall from the eruption of the La Soufrière volcano in neighboring Saint Vincent and Hurricane Elsa, both damaging public and private infrastructure. By 2022, the cumulative effect of a decade of negative growth coupled with additional expenditures, subdued revenues of the previous two years, and persistent import dependence resulted in a real GDP per capita that was 13% lower than in 2008 (World Bank 2023).
- 1.5 Coming out of the pandemic, Barbados has experienced a strong economic recovery amid a tourism rebound but remains vulnerable to external shocks. In 2022, the IMF program was renewed, featuring a three-year EFF in the amount of US\$113 million, complemented by a Resilience and Sustainability Facility (RSF) for US\$189 million.⁷ By 2023, most macroeconomic indicators had returned to or were close to returning to pre-pandemic levels. Still, the medium-term economic outlook remains vulnerable to potential global economic and financial shocks and natural disasters (IMF 2023a).

5 The EFF is a lending arrangement that provides longer program engagement—to help countries implement medium-term structural reforms—including policies needed to correct structural imbalances over an extended period.

6 Tourist arrivals halted from April 2020 through the rest of the year and in 2022 represented only half of pre-pandemic levels (Barbados Statistical Service 2023).

7 The RSF complements the existing IMF lending tool kit by helping low-income, small states (population under 1.5 million) and vulnerable middle-income countries address longer-term challenges, including those related to climate change and pandemic preparedness.

Figure 1.1

B. Productive development and environment

- 1.6 Productivity and economic growth over the evaluation period were constrained by the country's limited economic diversification and small market size. The tourism sector plays a key role in the national economy, accounting for 21% of GDP and employing more than 33% of the labor force in 2022 (WTTC 2023).⁸ Tourism has been historically dependent on U.S., U.K., and Canadian visitors, who accounted for 80% of the total long-stay arrivals in 2022. The Covid-19 pandemic severely affected tourism arrivals, with a 63% reduction in stay-over tourists from 2019 to 2020 (Barbados Statistical Service 2023).⁹ The country's reliance on commodities with high price volatility, such as oil, makes it vulnerable to external shocks. Over the past decade, imports have averaged 46% of GDP, 24% of which is accounted for by fuel imports. Export market concentration is also high (the main markets for exports include the United States, the United Kingdom, and other Caribbean countries), which increases economic vulnerability and influences economic growth.
- 1.7 The business climate continues to present numerous challenges, despite modest improvements in the last five years. The business climate is characterized by the prevalence of red tape, government bureaucracy, and regulatory burden, especially in customs and trade regulation, and difficulties in registering property. Moreover, access to finance for innovative and productive activities, particularly for small and medium-sized enterprises (SMEs), is constrained. Most SMEs identify access and cost of finance as major constraints, and only 12% of SMEs report having a bank loan (IDB 2023b). There has been a positive shift in the business climate in recent years, marked

8 The tourism sector's economic contribution has experienced a notable decline during the period. In 2014 it accounted for 36% of GDP, 29% in 2019, and 21% in 2022.

9 Stay-over tourists are those who stay on the island for more than 24 hours.

by enhanced financial accessibility for small businesses and increased digitization. The IMF EFF program has contributed to this improvement through initiatives such as trade facilitation, improved financial access for small enterprises, and the implementation of more reliable payment and digital identity systems (IDB 2023b).

- 1.8 Barbados' infrastructure performance ranks as medium to low. The country ranks 97th out of 141 economies on the 2019 infrastructure index of the Global Competitiveness Index, below most of its Caribbean peers (World Economic Forum 2019). Despite having one of the highest road densities in LAC, the road infrastructure needs maintenance, rehabilitation, or upgrading with all investments targeting resilience to climate change. The country relies on robust infrastructure, including ports, airports, and highways, crucial for trade facilitation and sustaining the tourism industry, particularly high-end tourism. The water and sanitation sector faces challenges such as scarce renewable freshwater resources, aging pipe infrastructure, and low wastewater collection.
- 1.9 The country's energy matrix is very dependent on imported fossil fuels, which translates into high and volatile electricity and production costs. Barbados is a net importer of oil, with about half of the imported fuel used for power generation (IDB 2018). High energy prices adversely affect competitiveness, jeopardize economic progress, and inhibit the private sector's expansion (IDB 2023d). In response to these issues, the GoB has committed to achieving a fossil fuel-free economy and minimizing greenhouse gas emissions across all sectors to close to zero by 2030. Renewable energy consumption as a share of total electricity consumption increased from less than 1% in 2014 to 8% in 2021, with the bulk stemming from the deployment of rooftop solar photovoltaic (PV) systems and their integration into the national grid. Despite this increase, the country remains heavily reliant on fossil fuels (Ritchie, Rosado, and Roser 2022). To facilitate a complete shift from fossil fuels to renewable energy, the GoB developed a national climate change strategy, the Barbados National Energy Policy 2019-2030, in 2017. However, there is still a need to upgrade the grid's capacity to absorb and store the offtake from renewable sources, as well as to foster investments by addressing challenges in the licensing and approval processes for renewable energy (IMF 2023b).
- 1.10 Barbados faces significant climate change challenges, including climate-related natural disasters, coastal erosion, and water scarcity. Despite contributing little to global climate change, the country is

highly sensitive¹⁰ to its effects, as it is situated along the hurricane belt, making it prone to frequent hurricanes and tropical storms. With 70% of its coastal population and vital infrastructure at risk from rising sea levels, the island is highly vulnerable to extreme weather events (IDB 2018).¹¹ Moreover, as one of the top 20 water-stressed countries, Barbados experiences a reduction in annual average water supply, which poses threats to key sectors such as agriculture, tourism, and fisheries (FAO 2020).¹² Efforts to address these challenges are outlined in the 2021 update of Barbados' Nationally Determined Contribution (NDC) and operationalized through initiatives like the Roofs to Reefs Programme (R2RP), the national climate change adaptation strategy enacted in 2019. The R2RP, a comprehensive national public investment program rooted in principles of sustainable development and climate change resilience, aims to enhance resilience by fortifying low and middle-income homes, improving water management, reducing emissions, mitigating coastal erosion, and restoring vulnerable coral reef ecosystems. However, it faces challenges in securing necessary investments, navigating regulatory frameworks, and mobilizing public and private financing to achieve its objectives (UNFCCC 2021; IMF 2023c).

C. Social development

1.11 Barbados has high social and economic development levels but faced setbacks during the 2020 pandemic. The country was ranked 70th out of 191 countries in the most recent United Nations Development Programme's Human Development Index (UNDP 2021)¹³ and is among the best-performing countries in LAC. Barbados has a long-life expectancy, high levels of school enrollment, and an extensive system of public social services. In 2021, mortality under five years of age was 12 per 1,000 births versus the LAC average of 16 per 1,000, and life expectancy at birth was 78 years, which is six more years than

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- 10 According to the ND-GAIN index, which assesses a country's vulnerability to climate change and its readiness to adapt, Barbados exhibits a relatively high adaptive capacity, ranking 43rd out of 176 countries. However, it demonstrates high sensitivity to climate-related hazards, ranking 118th, indicating greater vulnerability (University of Notre Dame 2022).
 - 11 The concentration of population and infrastructure within the low-elevation coastal zone multiplies the vulnerability of the economy to climate change and its impacts. Flooding is a major risk for persons living in Barbados' coastal zone—it impacts the health and safety of the population, as well as the security of freshwater supplies (Cashman, Nurse, and Charley 2010), buildings, and infrastructure (IDB 2023b).
 - 12 From 2014 to 2020, the country experienced a 0.9% reduction in its annual average water supply, reaching only 278.38 cubic meters of freshwater resources per capita in 2020. This measurement is similar to the levels found in desert nations in the Middle East (FAO 2020).
 - 13 The Human Development Index combines indicators of health (life expectancy at birth), education (expected and mean years of schooling), and standard of living (gross national income per capita).

the average for the region (UNICEF 2021). In terms of education outcomes, Barbados has 15.7 expected years of schooling and an elevated secondary education gross enrollment ratio (World Bank 2022b).¹⁴ To preserve social cohesion, one of the broad goals defined in the BERT plan is enhancing and safeguarding provisions for social development. Nevertheless, the Covid-19 pandemic in 2020 and Hurricane Elsa in 2021 increased household vulnerability, stressing pension and unemployment funds. The percentage of households reporting income below the minimum wage increased approximately threefold between January and April 2020 (Barbados, Ministry of People Empowerment and Elder Affairs 2022). Despite the high expenditure on social policies, there are still challenges related to administrative inefficiencies as well as limitations in the regulatory framework that hinder the coverage of vulnerable groups such as people with disabilities, older people, and families in poverty, which could limit the sustainability of the social security system in the long run.

- 1.12 The social security system is comprehensive but faces financial challenges due to fiscal constraints. The provision of public services, including education and health, is free in Barbados. The expenditure on these services, measured as a percentage of GDP, is on par with the levels observed in Organization for Economic Co-operation and Development (OECD) countries (IDB 2019).¹⁵ The fiscal consolidation that the government pursued from 2015 to 2023 to address macroeconomic imbalances, especially since the agreement with the IMF, has challenged the delivery of social services by imposing constraints on social expenditure. Beyond fiscal constraints, Barbados is in the advanced stage of demographic transition, ranking among the top 50 countries with the largest proportion of older people in its population (IDB 2023b). In 2020, people experiencing care dependence made up 17.4% of the population over 65, which is projected to rise to 19.8% by 2050 (Barbados, Ministry of People Empowerment and Elder Affairs 2022). Also, social programs face coordination and duplication problems, including targeting issues and overlapping objectives across agencies.

14 The secondary education gross enrollment ratio in 2022 was 106 (World Bank 2022b). Gross enrollment could exceed 100% due to the inclusion of students of all ages, including repeaters, late enrollees, and those outside the official age group for a given level of education.

15 Public spending on health stood at 7.5% of GDP at the end of 2015, which is on par with the average for LAC (7.4% of GDP). Public spending on education was comparable to many OECD states' levels of spending on education, reaching 5.1% of GDP between 2012 and 2017.

1.13 The unemployment rate was affected by the pandemic but has shown a modest recovery. During 2016–2019, the unemployment rate was situated around 10%, but it quickly grew to 18% in the third quarter of 2020 due to the temporary closure of the tourism industry. The situation has improved over the last two years, with the unemployment rate decreasing to 8.4% in 2022, below pre-pandemic levels. Furthermore, youth unemployment remains three times higher than that of the adult population. Finally, employment rates are negatively affected by a mismatch between the supply and demand for workers' skills, as the workforce lacks the practical experience and training demanded by firms (IDB 2023b).

02

The IDB Group
in Barbados:
2015-2023

A. IDB Group Country Strategy—Barbados

- 2.1 For the 2015–2023 period, the IDB Group formulated two Country Strategies (CSs) that set 13 strategic objectives (SOs) and 24 expected outcomes (EOs) in three priority areas: productivity, fiscal, and social. The first Country Strategy (CS1) for 2015–2018 established four SOs and 10 EOs, with an emphasis on promoting greater private sector competitiveness in tourism, energy, transportation and logistics, and resilience in coastal zone management. The second Country Strategy (CS2) for 2019–2023 increased the number of SOs to nine and EOs to 14, grouped into three priority areas: the productivity area, the fiscal area, and the social area.
- 2.2 Considering the challenges they aimed to address, the Office of Evaluation and Oversight (OVE) classified the CS objectives into nine groups of objectives (GOs). The GOs shown in Table 2.1 (see Annex I, Section II) will be used to present the analysis in this Extended Country Program Evaluation.¹⁶ Apart from SOs and EOs (hereafter referred to as the “CS objectives”), the CSs set two cross-cutting issues: (i) gender and diversity, and (ii) climate change and natural disasters.¹⁷

Table 2.1. Strategic objectives by group of objectives, 2015–2023

Strategic objectives CS1 2015–2018	Strategic objectives CS2 2019–2023	Group of objectives 2015–2023
Priority area I (Productivity): Promoting higher productivity		
1. Tourism growth and reinvigoration		Tourism
2. Improving the logistics sector		Transportation and logistics
3. Increase the percentage of renewable energy in the energy matrix and increase energy efficiency	6. Reduce the country’s dependence on imported fossil fuel	Energy
	5. Promote private sector engagement that encourages greater productivity, as well as in resilient infrastructure investments	Business climate and private sector engagement
	7. Strengthen the regulatory environment for a more open and better business climate, promoting innovation and a greater use of technologies	
	8. Facilitate access to finance for the private sector	

¹⁶ The SOs falling under each GO remain formulated exactly as they were in their respective CS, and linked to the EOs and the follow-up indicators as defined in their respective CS.

¹⁷ Additionally, the CSs identified the following dialogue areas—public sector modernization, social protection and labor markets, urban management, and health—where work was expected but was not included as CS objectives.

Strategic objectives CS1 2015–2018	Strategic objectives CS2 2019–2023	Group of objectives 2015–2023
4. Strengthen capacity for ecosystem-based Integrated Coastal Zone Management (ICZM) and increase coastal resilience		Climate resilience
Priority area II (Fiscal): Fostering fiscal sustainability and a more efficient public sector		
	9. Support fiscal consolidation through expenditure curbing and revenue-enhancing measures	Fiscal sustainability
	10. Strengthen the institutional framework by supporting public sector management and public financial management systems	Public sector efficiency
	11. Promote a greater digitization of government	
Priority area III (Social): Safeguarding social outcomes		
	12. Strengthen the performance of social programs	Social protection
	13. Better align workers' skills to the needs of the market	Human capital

Source: Prepared by OVE, based on the 2015–2018 CS (document [GN-2812](#)) and the 2019–2023 CS (document [GN-2953-1](#)).

2.3 There was a shift in focus between the first and second Country Strategies, consistent with the GoB's priorities. Overall, the objectives set by both CSs were aligned with the GoB's medium-term priorities outlined in the country's development plans and the development challenges identified in IDB documents (see Annex I, Section I). CS1 focused on promoting private sector competitiveness in sectors like tourism, logistics, energy, and coastal resilience. Given the deteriorating fiscal situation and pressing challenges to fiscal sustainability since the 2008 economic crisis, CS1 aimed to contribute to macroeconomic stability by removing constraints to growth in the tradable sectors. In contrast, CS2 included fiscal consolidation as one of its three priority areas. That inclusion aligned with the BERT plan, the GoB's goal to achieve fiscal sustainability, and OVE's recommendations from the Country Program Evaluation (CPE) 2015–2018. Furthermore, it added social¹⁸ as a priority area and gave partial continuity to the productivity area by including energy as an SO and adding new SOs related to business climate and private sector engagement (including EOs in tourism and logistics from the previous CS). Despite the country's vulnerability to climate change and the GoB's focus on climate adaptation, the objective of climate resilience was discontinued in the CS2. However, climate change was incorporated as a cross-cutting theme to be mainstreamed into the program.

¹⁸ The inclusion of the social priority area in terms of safeguarding social outcomes is linked to the challenge of fiscal sustainability and the need to reduce public expenditures and increase efficiency (document [GN-391-1](#) PP 3.10).

- 2.4 Despite its consistency with the country's challenges and national priorities, the CSs' relevance was affected by issues in its selectivity and design. First, some SOs, especially in CS2, were outlined in broad terms, making it difficult for them to serve as a guide for the Country Program (CP). For instance, SO5 entails multifaceted issues, numerous stakeholders, and interconnected challenges. Similarly, SO7 encompasses several related but distinct policy and regulatory arenas. Second, the CSs also exhibited weaknesses in their vertical logic. The vertical logic of a CS defines its expected theory of change: the progress of its EOs is expected to contribute to the SOs, and the progress of the SOs is expected to contribute to the higher-level priority areas. The 13 SOs and 24 EOs set in the CSs for both periods presented flaws in their vertical logic. Nine EOs were defined at a higher level than their SO, and three EOs were expressed at the same level as their corresponding SO. These issues were more pronounced in CS2 for the SOs related to *business climate and private sector engagement and public sector efficiency*. Furthermore, the CSs did not provide elements to determine whether the indicative lending framework (US\$500 million for the two strategy periods) would provide a sufficient program to contribute to the proposed objectives in the established timelines, especially given the addition of two new priority areas under CS2.
- 2.5 The CSs exhibited evaluability weaknesses. The proposed progress indicators of both CSs were mostly specific and relevant. However, nine indicators had unknown periodicity for calculation,¹⁹ which points to problems at the outset to monitor results. From the 14 proposed progress indicators for CS1, only 4 (28%) could be updated to 2019. And for CS2, 7 out of 17 (41%) indicators could be updated to 2022. The lack of data to update was due to the discontinuation of indicators or surveys not being repeated. The deficiency of monitorable indicators was more prevalent in CS1, with a lack of data to update more than 70% of its proposed indicators (see Annex I, Section II).
- 2.6 Both CSs foresaw coordination with development partners in *fiscal consolidation, energy, and private sector development*. CS1 highlighted investment support collaborations with the European Union (EU) and the Japan International Cooperation Agency in energy programs; partnerships with the Department for International Development of the United Kingdom, the Department of Foreign Affairs, Trade and Development of Canada, and the Caribbean Development Bank (CDB) on the Compete Caribbean Initiative in private sector development; and partnership with the EU's Caribbean Investment Facility in

¹⁹ These include: the IDB Risk Management Index, the IDB PET-PRODEV tool, the IDB Civil Service Development Index, the Barbados Survey of Living Conditions and the PROTEqIN 2014 Enterprise Survey.

infrastructure. The second strategy emphasized budget support coordination, aligning with the IMF for fiscal consolidation. It also reaffirmed collaboration with the EU on energy and highlighted projects cofinanced with the China Co-financing Fund for Latin America and the Caribbean. Additionally, the second strategy mentioned expected collaboration with the Caribbean Climate-Smart Accelerator.

- 2.7 The CSs identified country- and program-related risks that could hinder the IDB Group's contribution to the SOs. The country-related risks included the macroeconomic environment, the capacity to secure donor resources, and the vulnerability to natural disasters. The first CS identified risks particular to SOs, such as changes in international oil prices and in tourism demand. Operation execution risks included a lack of flexible institutional arrangements to respond to execution needs and the increasing workload of the Public Investment Unit. Mitigating measures involved providing technical assistance in coordination with other development agencies and exploring contingent credit lines for emergencies. To mitigate operation execution risks, CS1 proposed to address the slow-disbursing portfolio by providing continuous support to improve project management capacities at general and sector-specific levels and mapping both IDB and GoB project life cycles and procurement processes to better support design and efficiency during implementation. CS2 aimed to support the Public Investment Unit and the project executing units (PEUs) by strengthening their project management and fiduciary capacities as well as supporting innovative execution systems and procedures for execution.

B. The IDB Group program with Barbados: 2015–2023

- 2.8 The IDB Country Program (CP) in Barbados consisted of 97 operations totaling US\$1.155 billion. In accordance with the Country Product Protocol (document RE-348-8), the program included 23 legacy operations with an undisbursed balance of US\$124 million as of June 11, 2015 (the start of the review period). In addition, it included all approvals that took place over the period:²⁰ 21 operations for US\$192 million approved between 2015 and 2018 (CS1), and 52 operations for US\$839 million and one contingent credit facility (CCF) for US\$80 million approved

²⁰ The review period runs from June 11, 2015 (the approval date for CS1) to December 30, 2023 (the end of CS2's validity). CS2 will remain in effect from its approval date until April 30, 2023, and will be valid throughout the final year. This evaluation will include all operations approved and/or in implementation during the review period.

between 2019 and 2023 (CS2).²¹ Most of the operations were sovereign-guaranteed (SG) operations (90%); while only 10% were non-sovereign-guaranteed (NSG) operations.

2.9 The CP covered all GOs, with strong alignment in seven and weak alignment in two. The CP was strongly aligned with seven GOs corresponding to 10 SOs (marked in green in Table 2.2) but showed weak alignment with two GOs that included three SOs (marked in yellow) affecting the feasibility of contributing to those objectives. In *business climate and private sector engagement*, the program was insufficient to cover objectives that were too broad in scope (SO5 and SO7). In *public sector efficiency*, the program incorporated adequate operations to support disaster risk management but was scarce on those directed to public financial management processes, systems, and institutions (SO10) as designed in the CS. Finally, the CP included 22 operations not aligned with the CS objectives, which mainly include legacy operations in water and sanitation, public sector reform and modernization of the state, an emergency operation, and technical cooperation (TC) in climate change (aligned to the cross-cutting theme but no SO).²²

Table 2.2. IDB Group Program, 2015–2023: Alignment with strategic objectives by GO

Group of objectives (GO)	Strategic objective (SO)	Legacy portfolio		Country Strategy 2015-2018		Country Strategy 2019-2023			Total ^a
		SG	NR ^b	SG	NR	SG	NSG	NR	
Productivity and competitiveness area									
Tourism	SO1	#		3	1				4
		US\$M		0.3	20.0				20.3
Transportation and logistics	SO2	#	1		1	1			4
		US\$M	8.4		25.0	0.2			33.7
Energy	SO3	#	2	3	1	1			7
		US\$M	23.1	8.2	34.0	0.2			65.5
	SO6	#				1	2	6	15
		US\$M				0.2	130.0	50.3	18.4
Business climate and private sector engagement	SO5	#				4	2	6	12
		US\$M				0.4		90.0	1.5
	SO7	#				1	2		1
		US\$M				0.1	220.0		0.2
	SO8	#	1	1			2	1	6
		US\$M	35.0	0.2			60.0	0.2	15.5
									110.7

21 Amounts approved in the first CS account for 95% of the proposed indicative financial envelope. In contrast, the amounts approved during the second CS more than double the projected indicative lending framework of US\$300 million. The excess is explained by policy-based lending approved mostly as a response to the fiscal situation and the pandemic.

22 The unaligned program includes nine legacy operations (three INV loans and six TCs) and 13 operations from the review period (1 TC, 3 ADV, 1 SDL and 8 Action Plans for C&D countries) for US\$165 million.

Group of objectives (GO)	Strategic objective (SO)	Legacy portfolio		2015–2018 CS		2019–2023 CS			Total ^a	
		SG	NR ^b	SG	NR	SG	NSG	NR		
Productivity and competitiveness area (Cont.)										
Climate resilience	SO4	#	1	1					2	
		US\$M	16.3	0.4					16.7	
Fiscal sustainability and public sector efficiency area										
Fiscal sustainability	SO9	#	1		1		5		1	
		US\$M	17.0		34.0		420.0		0.8	
Public sector efficiency	SO10	#	2	1		1	6		16	
		US\$M	33.1	7.2		0.0	520.0		5.2	
	SO11	#			1		3		9	
		US\$M			10.0		160.0		6.6	
Social protection area										
Social protection	SO12	#			1	3	4		2	
		US\$M			10.0	0.6	340.0		0.2	
Human capital	SO13	#	1		1	1	1		3	
		US\$M	16.1		10.0	0.6	20.0		0.7	
Total^b		9	14	5	16	10	10	32	96^c	
Total^b		120,8	3,2	189	2.8	720	90,4	28,6	1,155	

Source: OVE, based on Enterprise, Data Warehouse, Analitika, and Maestro.

Note: green = strong alignment; yellow = weak alignment; CS = Country Strategy; SG = sovereign guaranteed; NR = non-reimbursable; NSG = non-sovereign guaranteed; US\$M = US\$ millions.

^aThe table assigns operations' total financing amount to the objectives and expected outcomes (EOs) to which they are aligned; for the operations aligned with more than one objective or EO, their total amount is reported under each one of them.

^bThe subtotal of each group of objectives does not correspond to the total sum amounts in each of the columns as the financing amount of some operations was reported more than once.

^cThe total amount of operations does not include the Contingent Credit Facility since containers are uncommitted until disbursement..

2.10 The mix of SG lending instruments changed substantially between the two CSs, transitioning from a portfolio predominantly composed of investment loans to one focused on budgetary support, including innovative financial instruments. During CS1, the Bank approved four investment (INV) loans for US\$89 million and one special development loan (SDL)²³ for US\$100 million to help preserve macroeconomic stability and fiscal sustainability in the context of the BERT Plan and IMF agreement. Between 2019 and 2023, the Bank responded to the GoB's increasing funding demands to support the BERT plan and the pandemic response. Three Programmatic Policy-Based loan series (PBP) were approved, totaling US\$500 million, for sustainability, social policy strengthening, and the Covid response. The Bank also used an innovative financial instrument to address biodiversity and climate change with a US\$100 million policy-based guarantee (PBG). The instrument sought to reduce

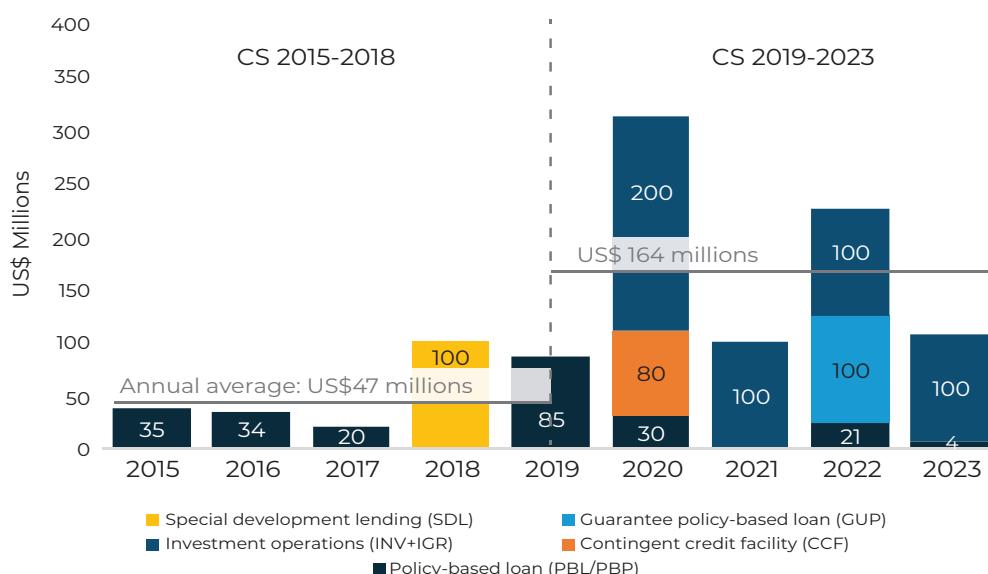
23 In 2018 the Bank approved the special development lending category of financing as an emergency lending instrument designed to address macroeconomic crises and protect social and economic progress. Barbados was the first country approved for an SDL among borrowing countries.

borrowing costs for the country in order to facilitate raising funds for conservation activities. Budgetary support totaled 86% of the approvals and resulted in 72% of the disbursements. Additionally, the Bank approved seven INV loans and investment grants (IGRs) for \$141 million (three were for secondary phases of projects in energy and education), and one CCF for \$80 million (Figure 2.1).

Figure 2.1

Approval of sovereign-guaranteed operations for the 2015-2023 period, by type of instrument

Source: OVE, with data from the IDB, 2023.



Note: Technical cooperations were not included.

2.11 Budgetary support prevailed primarily in response to the country's dual crisis, encompassing both fiscal challenges and the impact of the pandemic (see Annex IV). During the first CS, the macroeconomic situation was not conducive for policy-based lending, given the country's fiscal tensions and the need to reduce debt levels.²⁴ Once the country agreed on a program with the IMF, it returned to a sustainability path that unlocked the possibility of accessing policy-based loans (PBLs). This feasibility was paired with a renewed impetus for reforms in the context of the BERT plan. At this juncture, the government had a strong liquidity preference that fostered the use of budget-support instruments (i.e., policy-based lending) to the detriment of investment loans that have longer execution and disbursement times, a characteristic that is exacerbated in Barbados. The PBP series provided financial support in the context of Covid-19 (see Box 2.1) and was concentrated in the areas *social protection, fiscal, and business climate*, as well as the cross-cutting issue of climate change.

24 PBLs could not be approved until 2018 due to the lack of a valid Independent Analysis of Macroeconomic Conditions, which is a prerequisite for the Board's approval of policy-based lending. The country faced significant financial constraints that limited its absorption capacity for investment programs during the period.

Box 2.1. IDB Group response to the Covid-19 pandemic

The Bank's program in response to the Covid-19 pandemic focused on supporting fiscal management and economic productivity and employment, with financing amounting to \$250 million. This financing represented 30% of the total program of the second CS. The response was aligned with the 2019–2023 CS in the three priority areas: fiscal, productivity, and social. The IDB approved two operations consisting of a PBP loan series for US\$220 million and one INV for US\$30 million, consistent with the proposal for the IDB Group's governance response to the pandemic (document [GN-2996](#)). The first operation (BA-L1050/2020) was approved for US\$120 million and focused on promoting the availability and efficient execution of resources during the emergency, supporting household income and business liquidity, as well as defining an economic and fiscal plan for the recovery phase. The subsequent operation in the series (BA-L1056/2022) for US\$100 million promoted economic and fiscal recovery in the medium term by implementing policies to foster a return to growth and ensure fiscal sustainability in the post-pandemic period. Through an INV (BA-L1051/2020), the Bank also provided access to short-term and production-oriented financing for micro-, small, and medium-sized enterprises affected by the crisis to overcome temporary liquidity problems and continue operating. In 2021, a PBL (BA-L1052/2021) supporting the sustainable development policy program was approved and identified as part of the Covid-19 response, given that the need for liquidity support during that year was partially to respond to the pandemic. Nevertheless, its conditions did not introduce any specific Covid-related measures.

As part of its “protect and alleviate” and “reactivate” strategy, IDB Invest approved one long-term loan totaling \$50 million in 2020. The operation financed the modernization of waste management systems in a port in Barbados, enabling it to source more of its energy needs from renewable sources. Likewise, it financed the construction of additional facilities in the port, aiming to strengthen tourism activity in the post-pandemic recovery phase.

Source: Covid-19 Program Dashboard ([link](#)), loan proposals, and interviews.

- 2.12 Of the six policy-based operations, three were strongly aligned with the *fiscal*, *business climate*, and *social* GOs; the rest were only weakly aligned. Three of the six policy-based operations approved between 2020 and 2023 pursued objectives to strengthen environmental sustainability—which was not included as SOs under the CS2 but as the cross-cutting theme of climate change. However, these operations were weakly aligned with the SOs of *business climate* and *public sector efficiency*. In terms of the depth of all six policy conditions, on average a slight majority of them had medium (37%) or high (17%) depth, a necessity to be able to contribute to ambitious objectives such as supporting fiscal consolidation or strengthening the performance of social programs (see Annex I, Section V).

Box 2.2. IDB support for climate change adaptation

The focus on climate change adaptation shifted between the CSs, transitioning from being a SO to being part of the broader cross-cutting theme of climate change. Despite its importance, particularly for the GoB, climate change adaptation was not set explicitly as an objective in CS2, following the removal of the objective of *increasing coastal resilience* (SO4). Instead, it was incorporated within the cross-cutting theme of climate change, encompassing both adaptation and mitigation activities, whose integration was expected in operations pursuing other objectives.

During the evaluation period, the IDB continued supporting climate change adaptation efforts, aligned with the country's needs and the priorities outlined by the GoB. The CP included 15 operations (1 INV, 3 PBLs, 1 CCF, 8 TCs, and 2 ADV) with objectives related to climate change adaptation. All operations were aligned with the cross-cutting theme of climate change and two of them were also aligned with SO4.^a The CP supported efforts to strengthen the institutional and regulatory framework for climate resilience in spatial planning, natural resource management, and disaster risk management; financed diagnostic studies in urban housing and the natural environment; and financed the construction of resilient infrastructure in the coastal zone. These adaptation activities were aligned with the country's needs (paragraph 1.9) and the R2RP, which serves as the national strategy to build resilience to climate change.

The IDB positioned itself as a key partner for strengthening the institutional and regulatory framework for environmental sustainability, risk management, and resilience. The IDB's involvement in supporting coastal zone management to mitigate erosion started in the 1990s and continued during the period analyzed (see paragraph 3.9 for an SO4 contribution analysis). Moreover, the IDB backed essential reforms to address the climate change adaptation agenda. The Sustainable Development PBP Program (BA-L1048/2020 and BA-L1052/2021) supported reforms associated with long-term policies that the country continued to implement, including the R2RP. Notably, it supported the approval of the Planning and Development Act and its regulations in 2021, paving the way for sustainable land development with climate change considerations. The impact of this reform is expected to deepen with the approval of the Physical Development Plan (supported by the third and final operation of the series approved in 2024). The PBP series supported reforms related to water and coastal management, alongside reforms to increase and strengthen disaster risk management with the approval of a CCF line against climate-related shocks (BA-O0004/2020). Furthermore, the PBP leveraged the development of a risk information platform (NCRIPP) under BA-L1014/2009. The PBP included a policy condition to integrate NCRIPP into the government processes of development planning, hazard management and national budgeting. The IDB also supported an innovative debt-for-nature conversion in 2020 to improve Barbados' debt profile and help marine conservation (BA-U0001/2022). As a result, the GoB redirected debt conversion savings toward establishing the Barbados Environmental Sustainability Fund, which will finance blue and sustainable projects, although it has yet to commence operations. During the period, the IDB also supported the development of adaptation plans and diagnostic studies (see Annex III).

Source: OVE, based on information from the IDB. ^a This was because these operations did not specifically target coastal management, which was the only SO addressing climate resilience (SO4), and due to the removal of SO4 in CS2.

2.13 Private sector development has been mainly supported by the SG window with IDB Invest facing challenges to finance operations in the country. The 2015–2018 CS incorporated priority sectors based on their transformative impact on private sector competitiveness.²⁵ Specific objectives for promoting private sector development were only incorporated in the 2019–2023 CS (SO7, SO8, and SO5). During the evaluation period, the SG window approved 13 operations associated with the private sector. The CP was strongly aligned with SOs in energy (SO3 and SO6), promoting business investments in renewable energy (RE) and energy efficiency (EE) and *facilitating access to finance* (SO8), particularly for micro, small, and medium-sized enterprises (MSMEs). However, it had low feasibility in contributing to *promoting private sector engagement* (SO5) and *strengthening the regulatory environment* (SO7), given the amplitude of the objectives. Private sector development was also supported through the Compete Caribbean Partnership Facility²⁶ with four TCs. In contrast, issues in the macro and fiscal environment, a banking system with high liquidity levels in the corporate segment, and a lack of appetite from international financial institutions for serving local MSMEs have made it difficult for IDB Invest to find investment opportunities. During CS2, IDB Invest approved two senior loans supporting the SO *promoting private sector engagement*. Eight advisory services (ADVs) mainly supported project preparation in energy and *climate resilience* but only two translated into operations. OVE found that there is low articulation between public and private sector windows, especially considering the scope proposed in the CS for these objectives (see Box 2.3).

Box 2.3. IDB Invest's challenges to doing business in Barbados

Local market conditions remain a significant obstacle to establishing an NSG portfolio. An uncertain macro and fiscal environment coupled with high liquidity levels in the corporate segment plus credit institutions' lack of appetite for serving local MSMEs remained critical barriers to building an NSG portfolio. Potential IDB Invest clients in the corporate segment are, in general, financed by commercial banks. Financial intermediaries in the country are mainly subsidiaries of international banks^a with restrictive

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- 25 In response to OVE's 2014 CPE, which found that there had been no coherent IDBG strategy vis-à-vis the private sector and recommended to "strengthen the relevance and development effectiveness of the Bank's program in Barbados through a greater engagement with the private sector."
- 26 This private sector development program provides innovative solutions aimed at stimulating economic growth, improving productivity, and fostering innovation and competitiveness across 13 countries in the Caribbean. The program is coordinated from Barbados.

international regulations and a low appetite to serve local MSMEs. These institutions have shown a preference for programs with government support (e.g., the Central Bank guarantees programs).

IDB Invest has found similar challenges within the small and island (S&I) countries. As a result, IDB Invest developed the S&I action plan in 2017 (document [CII/GN-354](#)) and its revised version in 2020 (document [CII/GN-354-2](#)) to bolster its regional operation. The plan aimed to approve at least 10% of its total approved amount in the nine S&I countries.^b Other actions included having a local presence, a further delegation from the Board of directors to originate smaller transactions, and the strategic use of ADV to support project preparation and build upstream capacity. It also sought to expand both the product base and key partnerships, such as those with the Multilateral Investment Fund (IDB Lab), development finance institutions, and the IDB, with a focus on concessional support.

Despite the implementation of the S&I plan, challenges persist in generating portfolios. IDB Invest stationed an investment officer in Barbados in 2017. Since then, there have been efforts to originate 14 projects, out of which only 2 came to fruition. The others did not translate into operations because of a lack of appetite, cumbersome requirements, and better conditions offered by private financiers. Clients perceive timelines and processes as slow and inadequate for the country's context and business sophistication, representing higher costs to the detriment of new operations. ADVs have mainly supported project preparation: two helped prepare the senior loans for the Bridgetown port; one supported the green bond certification process of a company that raised the funds in the private markets without IDB Invest's guarantee, and four haven't yet translated into transactions. One supported marine conservation market-level studies. Other regional ADVs have generated knowledge regarding the blue economy, climate resilience and adaption, and reverse factoring.

Furthermore, coordination within the IDB Group is still an opportunity area to address constraints to private sector investments. Both CSs anticipated that coordination efforts between the IDB and IDB Invest would promote greater productivity and competitiveness. CS2 incorporated nonspecific coordination efforts between both windows, including "joint implementation of the strategy, maximization of operational synergies, and joint knowledge products relevant for operational dialogue with clients." However, OVE did not find evidence of coordination in the CS's areas or synergies to maximize the IDB Group's resources and sectorial expertise. The adequate articulation of public and private windows was important, considering the broad scope of the SOs within the priority area of productivity and competitiveness. In practice, the IDB Group's discussions of collaboration opportunities have not resulted in a concrete strategy or plan for using the different tools of the IDB Group with an upstream perspective.

Source: OVE, based on information from the IDB. ^a In Barbados, large, regionally active commercial banks and credit unions dominate the domestic financial sector. Commercial banks held 53% of total financial assets in 2017, compared to 15% held by insurance companies and less than 10% (each) held by credit unions, trust companies, mutual funds, and private pension schemes. Three of the five banks hold 75% of total bank assets, while the largest seven of 33 credit unions hold 92% of the segment's asset base.^b S&I countries: Bahamas, Barbados, Belize, Dominican Republic, Guyana, Haiti, Jamaica, T&T, and Suriname. In 2020, 8.3% of the IDB Invest approvals were to S&I countries, below the 10% goal. In 2023, the percentage increased to 15.9%, although the Dominican Republic concentrated 67% of the approvals.

- 2.14 The technical cooperation portfolio was composed mainly of client support operations that, in most cases, prepared the groundwork for new operations. Of the 45 TCs approved (US\$10.3 million) between 2015 and 2023, 35 (78%) were for client support, nine (20%) were for operational support, and one (2%) was for research and dissemination. Client support operations (not linked to a loan operation) increased from 49% during the first CS to 52% of the approvals for the second CS period. These operations mainly supported *private sector engagement* (SO5), *advancing government digitization* (SO11), and energy (SO3 and SO6), as well as preparing the country's regulatory framework for its transition to RE. Additionally, 18% of the resources were part of the C&D action plans used to accelerate execution or support PEUs. Operational TCs (linked to a loan operation) decreased from 42% of the total in the first period to 40% in the second and were used to support both execution (preinvestment studies, capacity building for execution units, and accelerate procurement processes) and speeding up the disbursement process (operational management). Furthermore, TCs played a key role in the preparation and implementation of reforms as part of the PBP series on fiscal consolidation and sustainability.
- 2.15 Coordination with partners has focused on supporting the country's *fiscal consolidation* process and the climate agenda. Throughout the preparation of the EFF, the IDB collaborated closely with the IMF to synchronize the timing and design of emergency programs. That coordination was anticipated in the CS. Coordination efforts with the IMF extended to initiatives such as debt swaps, blue bond issuance, climate change adaptation, sustainable procurement, climate budget tagging, and public-private partnerships for road infrastructure enhancement. While the IMF mainly led the policy discussions in the fiscal area, the IDB was considered a key partner in the design and implementation of sustainability-related reforms as part of the RSF. The IDB's long-term support of climate resilience in the country and expertise in the region contributed to the dialogue. Interactions with partners like the CDB and the European Commission aimed to avoid duplication and enhance overall financial assistance (see Annex I, Section VII). Regarding the definition of policy reforms, coordination was not as effective. Both the IDB and the World Bank approved PBLs in the area of sustainability, but there was little coordination over the contents of the policy matrices among these institutions. There is no evidence of coordination in the preparation or implementation of investment operations. Even though the number of financial

partners in the country has increased over the years, the Bank continues to be Barbados' largest development partner (see Annex I, Section VII).²⁷

2.16 There were gaps in the integration of the cross-cutting themes of gender and diversity, and climate change and natural disasters²⁸ into the CP, covering only 33% of operations (see Annex I, Section IX).²⁹ Gender was integrated into 17% of operations, while only two operations (BA-L1053/2022 and BA-L1060/2023) incorporated a diversity approach. The CS outlined areas for mainstreaming gender and diversity, emphasizing social protection, employment, and private sector programs. However, only 40% of operations aligned with SO8 (*social protection*) and 43% with SO9 (*human capital*) incorporated a *gender and diversity* perspective. Among the five that did, actions included disseminating gender good practices in the *productivity and competitiveness* area and curriculum with gender considerations in the social area, although the latter was not developed.³⁰ In contrast, the climate change theme was more widely integrated into all GOs included in the CS2, with 60% of the operations incorporating the theme. Operations in *transportation and logistics* (approved under CS1), where the integration of the theme would have been relevant, did not include it in their design. Thirty-five percent of the SG portfolio emphasized mitigation measures,³¹ including activities for methane emissions reduction, improved climate change governance, and initiatives enhancing EE and RE. Additionally, adaptation measures³² constituted 35% of operations, focusing on technical studies, guidelines, and

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- 27 In FY 2022/23, the IDB represented 25.2% of Barbados' external debt, a larger share than the IMF (15%), the CDB (11.5%), or the World Bank (7.4%).
 - 28 CS1 incorporated *gender* as the sole cross-cutting theme. CS2 encompassed both *gender and diversity* and *climate change and natural disasters*. The analysis for the *climate change* theme only includes operations approved during the 2019-2023 period, as the cross-cutting theme was introduced in this period.
 - 29 A cross-cutting theme is considered incorporated into an operation if the elements of the theme are included in the following aspects of project design: (i) diagnostic, (ii) general or specific objectives, (iii) component(s) and/or activities, or (iv) indicators (outputs or results) in the results matrix. Percentages do not include regional operations or action plans.
 - 30 The INV Strengthening Human and Social Development in Barbados (BA-L1032/2015) included the development of youth technical courses for gender equity in its design. However, the final project evaluation revealed a deficiency in the implementation of a formalized gender equity approach.
 - 31 Mitigation measures refer to policies that help reduce emissions of greenhouse gases, such as a carbon tax, reduction in subsidies, feebates, emissions trading systems, sectoral mitigation policies, and cost-effective nature-based solutions.
 - 32 Adaptation measures pertain to efforts to adapt to the effects of climate change and minimize damages from climate-related natural disasters. The remaining 30% of the SG operation aligned with the cross-cutting issue of climate change and natural disasters encompassed both adaptation and mitigation efforts in green building standards (BA-L1053/2022), ecosystem restoration (BA-T1059/2019), and climate change governance interventions (BA-L1056/2022, BA-L1048/2020, BA-T1103/2023, BA-T1096/2023, and BA-T1063/2019).

plans, including projects such as the Sustainable Development Series. In the NSG portfolio, one senior loan and three ADVs (out of the seven) incorporated climate change, with a focus on mitigation measures such as an energy management plan and the construction of solar plants.

C. Program implementation

- 2.17 The projection of annual programming was in line with that observed by OVE in other countries. Between 2015 and 2023, 71% of SG operations initially anticipated in the annual Country Program Document (CPD) were subsequently approved, aligning with OVE-reported rates in other countries (between 60% and 80%).³³ Programming remained similar between both periods, even despite the pandemic. Within SG operations, INVs and PBLs demonstrated higher predictability, with 78% and 75% (respectively) of the planned operations receiving approval.³⁴ Given the unexpected nature of the pandemic, three unforeseen approvals were triggered by the Covid-19 emergency response: two PBLs that focused on enhancing public policy and fiscal management and one INV facilitating short-term financial access to Barbados' MSMEs. However, annual programming exercises displayed limited predictability for TCs and nonrefundable financed operations, with only 69% of the anticipated 35 operations securing approval. In addition, around 54% of the approved TCs and nonrefundable operations during the period were not planned. These unexpected approvals were primarily client support TCs that assisted in human resources development, digital transformation, and initiatives related to climate change and sustainability in the urban planning, energy, and tourism sectors.³⁵ The causes of the CP's low predictability included the adaptation of IDB Group support in response to the pandemic and the government's fiscal constraints (see Annex I, Section VIII.E).
- 2.18 INV preparation times have shortened, but execution times have increased. Preparation times (registration to Board approval) took 19 months on average for projects approved during the second CS, which is four months less than during the 2015–2018 period and 13 months less than in the 2009–

33 In accordance with current guidelines, the IDB Group prepares a CPD every November to anticipate the operations to be approved in the upcoming calendar year.

34 Based on the CPDs, the IDB Group aimed to approve nine INVs and four PBLs during the 2015–2023 period. Despite some delays in the approvals, with the INVs and PBLs being part of different CPDs, only two initially planned INVs related to coastal zone management (BA-L1055 and BA-L1059), and one PBL in the energy sector (BA-L1052) did not receive approval.

35 79% of the unexpected TC approvals were client support, while the remaining 21% corresponded to operational support.

2014 period. However, those times are still higher than those of comparators (the Country Department Caribbean group, or CCB group,³⁶ and the IDB; see Annex I, Section VIII.A). The time from Board approval to first disbursement took 14 months on average during the CS2 period—a 30% reduction from the CS1 period and in line with the time taken for projects in the CCB and the IDB. Conversely, the total disbursement time (from first to full disbursement) of projects that achieved full disbursement in the period increased in relation to past periods and comparators, averaging seven years.³⁷ Unexpected events such as the Covid-19 pandemic and natural disasters affected execution. Projects in energy and *climate resilience* experienced the longest execution times among the CP. Regarding preparation and execution time for PBLs, those are shorter than those of comparators, taking one and a half months on average from Board approval to full disbursement (2019–2023) compared to eight months for CCB countries and 11 months for the whole of IDB lending. The program presents slow disbursements during the first part of the period. There was a notable increase in disbursements starting in 2020, primarily attributed to the approval of PBLs. The total extension (the extra time it took for projects to become fully disbursed compared to the original expiration date) took 38 months in the most recent period and 27 months in the 2015–2018 period.

2.19 Preparation and execution expenses for INV operations in Barbados were generally higher than those of the comparators. Preparation expenses per million dollars approved were higher than those of the CCB and the IDB during CS1 but improved for CS2 due to the combination of an increase in the average size of INV loans in Barbados and a 58% reduction on average in the preparation expenses (in line with the reduction in times). However, execution expenses per million dollars disbursed have consistently been higher than those of comparators, nearly double the IDB average from 2009 to 2023, primarily attributed to prolonged project execution times (see Annex I, Section VIII.B).

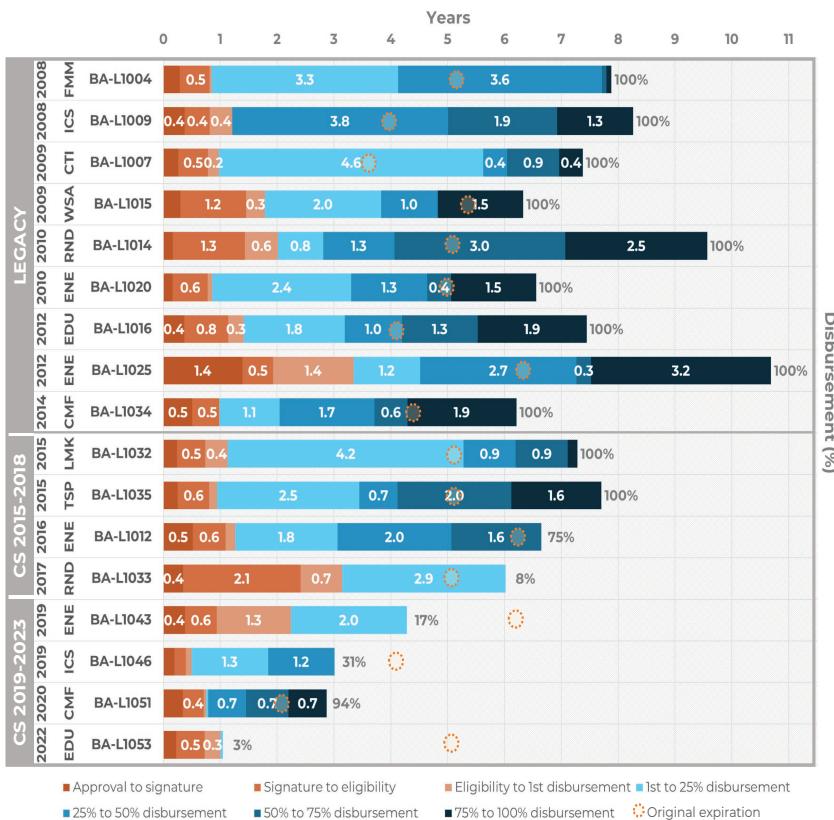
³⁶ The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago.

³⁷ Four and 14 months longer than during 2015–2018 and 2009–2014, respectively. During the 2019–2023 period, the time from first to full disbursement was six years on average for CCB countries and a similar time for the IDB.

Figure 2.2

Investment loan timeline in years and current disbursement (%)

Source: OVE, with data from the IDB, 2023.



2.20 Execution challenges for the SG INV program included procurement delays, weak execution unit capacity, and interagency coordination issues (see Annex I, Section VIII.E). All of the IDB's INV operations reported at least one implementation problem during the period. Half of the operations continue to be affected by issues of procurement and red tape, institutional capacity of the PEUs, and interagency coordination, as noted in the previous CPE. Procurement issues have significantly delayed the execution of projects within the *tourism, logistics, climate resilience, energy, and social GOs*. Contributing factors include a double application of procurement rules from the IDB and the GoB, deficiencies in the preparation of bidding documents, and delays in the review process (see Box 2.4). Capacity issues in PEUs relate to expertise, staff rotation, insufficient personnel, and delays in the formation of PEUs because of public sector hiring practices (*logistics and tourism*).³⁸ Additionally, project designs were, in some cases, overly ambitious (especially for legacy operations) and involved the coordination of multiple agencies or ministries (*social and business climate*). Interviewed

38 The Barbados Public Service Commission, under the Ministry of Civil Service, is charged with hiring PEU staff. The formation of PEUs is usually delayed up to two years for projects under government ministries. Only PEUs under a statutory agency (such as the National Petroleum Corporation or the Central Bank of Barbados) can hire staff without going through the personnel administration department, which speeds up the formation of the units.

counterparts also said that project designs either did not match the country's realities or needed modifications due to delays during the early implementation stages (12%). A third of the operations also suffered from changes in government priorities, which affected the initial design of operations, and changes in management or administrative processes (i.e., the merging or closing of ministries). Moreover, unforeseen challenges also arose from the pandemic (35%) and climate shocks, such as Hurricane Elsa (12%), causing temporary delays in the implementation and continuity of programs, particularly in the GOs energy, *public sector efficiency, and human capital*. On the NSG side, during interviews, clients pointed to challenges with the IDB Group's administrative requirements, which they found burdensome.

2.21 As for the three recommendations made in the previous CPE (2015–2018), all of those remain relevant (see Annex I, Section X). The CPE called for supporting the fiscal consolidation process (Recommendation 1). The Bank's approval of CS2, in coherence with fiscal sustainability, included measures to support fiscal consolidation reforms, enhance government capacity, and develop public financial management systems. During the period, the Bank supported fiscal consolidation through budgetary support and policy reforms with the approval of one SDL and three series of PBPs. However, fiscal consolidation is ongoing, and the recommendation remains relevant. The CPE also called for addressing the weak legal and institutional framework to improve project execution (Recommendation 2), a recommendation from CPE 2010–2013. The Bank has provided technical assistance to the Public Investment Unit and the PEUs.³⁹ However, project execution continues to pose a challenge, suffering from issues like those identified in the previous CPE (see paragraph 2.20 and Box 2.4). In 2023, the COF developed a three-year capacity-building plan aimed at providing training to PEUs to assist in closing implementation gaps.⁴⁰ However, it's too early to observe results since the plan is expected to be implemented starting in 2024. OVE found that the need for a clear, monitorable strategy for private sector investment also remains relevant (Recommendation 3). CS2 proposed interventions focused on facilitating private sector-driven investment that supports greater productivity, competitiveness, and growth but did not incorporate a clear strategy on how the IDB Group institutions would work together to address constraints to private sector investment and reduce red tape. During the evaluation period, both windows supported the sector but without evidence of

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- 39 The Bank also actively used resources from the TC C&D to provide consultants, strengthen fiduciary capacities, and provide PEUs with staff, thus accelerating execution.
- 40 The Plan is built on five pillars: personal development, leadership, technology development, technical development, and professional certification.

synergies or collaboration. CS2 lacked a strategy to coordinate efforts between IDB institutions, and a need to further develop a strategy for the private sector remains relevant.

2.22 Modest improvements were observed in the use of national systems—in areas like external controls, accounting, and reporting subsystems—in Bank-financed projects to close gaps with international standards. From 2015 to 2022, the use of national systems increased from 44% to 54%—this included full achievement of the accounting and reporting subsystem goals (SmartStream). However, there was a decrease in the use of external control services in Bank-financed projects. (see Annex I, Section III.A). Moreover, the Bank supported initiatives to strengthen the Barbados' National Procurement System. The project faced challenges due to a lack of ownership by the government, and its products could not be used because the public procurement bill was never enacted during the implementation of the program. The new GoB revived the initiative, adopting a new e-procurement system which the IDB has deemed acceptable to use. Since October 2023, a new public procurement law has been in effect, but it faces regulatory obstacles, as well as shortages of guides and standard bidding documents (Box 2.4).

Box 2.4. Challenges to and support for public procurement strengthening

Barbados faces prolonged procurement timelines—with an excessive number of steps and approval windows—that surpass IDB benchmarks. In 2021, an IDB internal analysis revealed that procurement activities in Barbados took an average of 563 days to complete (463 days attributed to the GoB and 100 due to the IDB), far exceeding the IDB's 180-day benchmark. The main challenges found were deficiencies in the preparation of bidding documents, lengthy review processes that delay the further preparation of bidding documents and the evaluation stage, the lack of standard rules for submitting documentation to the IDB, extensive contract reviews, and numerous ex-ante review processes. Current legislation requires a Special Tenders Committee (STC) for procurement processes financed with resources from international financial institutions whose functions include verifying compliance with government regulations, policies, and guidelines, as well as issuing approvals at certain critical moments of the procurement process. Furthermore, procurement rules necessitate the approval of other government agencies, such as the Solicitor General and the Cabinet or Ministry, for contracts exceeding a specific value. This parallel application of both IDB and GoB procurement rules generates significant delays that affect disbursements and contract performance.

The IDB has consistently supported the government, employing a mix of instruments with gradual progress. Initiatives include dialogue and support for new procurement legislation, training for government

agencies,^a studies on international best practices, and providing technical assistance and resources to enhance procurement processes. In 2008, the IDB approved an INV for the modernization of the Barbados national procurement system (BA-L1004), which finished disbursing during the evaluation period and aimed to enhance the efficiency of public procurement by addressing issues such as the lack of a legal framework, deficient procurement operations and marketplace, limited institutional capacity, and inadequate technological infrastructure.^b The project modernized technological infrastructure (e.g., purchase of e-procurement software), provided training in and advanced the drafting of procurement regulations, new procedures, and standard bidding documents. However, the design of the project did not consider that project deliverables needed the approval of a new procurement law to be fully implemented, thus affecting the results and its sustainability (the INV closed in 2016 and the new procurement law was approved only in 2023). In 2023, the Bank approved two technical cooperations to support the development of a sustainable public procurement policy (RG-T4326) and implementation of a new procurement law with a sustainability focus (BA-T1096). The Bank also collaborated with the country and other multilateral development banks in drafting the new law. As a result of the 2021 internal analysis, the IDB elaborated an action plan that included agreements with the STC to define timelines for bidding and evaluation and with the Solicitor General on a joint contract template, the constant monitoring of delays, regular training, and a review of criteria for processes requiring ex-ante supervision.

Source: OVE, based on interviews, project documents, and the internal study "Analysis of the Impact of National Procurement Rules in IDB-Financed Procurement Activities."

^a In 2016, the IDB collaborated with the GoB on several initiatives—among them, the training of 90 procurement officers and the hosting of a Caribbean public procurement conference within the framework of the Inter-American Network on Government Procurement to enhance capacity and garner political support for procurement modernization. Additionally, a pilot program for e-government procurement in Bank-financed projects was initiated.

^b Government procurement in Barbados at the time was organized based on a centralized model with the Central Purchasing Department at the core of the system. It was conducted under two subsystems, the central government and statutory bodies, and several rules and regulations. Additionally, there were several tenders Committees and an STC.

03

IDB Group
Program
Outcomes:
2015-2023

- 3.1 This chapter sets out the IDB Group program's contribution to its strategic objectives and examines the sustainability of outcomes. This section analyzes the contribution (through the CP and support beyond operations) to the strategies' objectives. Except for the PBP, SDL, and NSG operations, the program's execution corresponds to legacy operations, and those approved during the first CS period. Therefore, the reported contribution and sustainability mainly reflect these more advanced operations. Operations approved under the second strategy report progress only at the output level. The rest of the operations (such as technical assistance) are also considered to the extent that they have shown progress toward outcomes. The analysis is based on the triangulation of internal and external sources, including database analysis, document review, interviews, and field visits (see detailed information in Annexes II and III). OVE conducted in-person and remote interviews with counterparts, authorities, IDB Group specialists, and country sector experts, covering all loan operations, as well as larger and/or more relevant IGRs and TCs. Progress in the outcome indicators set in the CS was also considered, and information from complementary indicators was collected (see Annex I, Section III).
- 3.2 The IDB Group made a high or medium contribution to six of the 13 SOs, by providing long-term support, providing a program commensurate with the respective SO, and contributing in furtherance of government priorities (Table 3.1). In *energy*, the Bank made a medium contribution to increasing the percentage of RE in the energy matrix and to increasing EE. Such support was sustained by the combination of a strong program aligned with the country's commitment to reduce its dependence on imported fossil fuels and long-time support in the sector that included knowledge generation and strengthening of the regulatory framework. In *access to finance*, the SG program was commensurate to the scope of the SO. It increased access to finance for SMEs through the design and implementation of a guarantee fund. Such support was relevant to promoting growth and productivity in a segment that was at risk. A strong statutory agency executing the guarantee facilitated the execution and contribution. In *fiscal*, the IDB, in close collaboration with the GoB and other partners, supported the country with relevant reforms and fast and timely budget support that allowed Barbados to reduce its debt levels. In *social protection and human capital*, operations contributed to safeguarding social outcomes by supporting coverage, implementation of information management systems, and development of targeting instruments for social interventions. The Bank contributed to an

increase in workers' market-relevant skills through operations that fostered strong collaboration between private sector stakeholders and technical and vocational institutions.

- 3.3 Factors associated with a low contribution include implementation issues that hindered the achievement of results, operations being in early stages, evaluability issues, and a lack of coverage. The following contributed to the CP making a low contribution: (i) a program that was mature enough to show progress but had severe implementation issues preventing it from achieving results (tourism, competitiveness); (ii) associated operations were in the early stages of execution (public sector efficiency, business climate) or were concluded, but only showed progress at the output level with evidence of achieved results still pending (transportation); (iii) operations had evaluability issues in their results matrix that prevented them from reporting evidence of results (coastal resilience, climate change, social); and (iv) there was no program to cover an overly broad objective (business climate).
- 3.4 Results are likely to be sustained with the GoB's commitment and the Bank's complementary support in institutional capacity. In most cases, the government's commitment to the continuation of development results has played a key role in the sustainability of project outcomes. In *fiscal*, the IDB provided follow-up support after the approval of reforms, reducing the risk of interruption. In *energy*, the Bank's long-term support in strengthening the regulatory framework for RE contributed to the continuation of results; however, further investments are necessary. In *social*, the performance of social services is likely to be sustained if uptake continues across social sector institutions. And in *human capital*, sustainability depends on further coordination between the public and private sectors. The IDB has provided technical assistance and support to strengthen institutional capacities in the government.

Table 3.1. Country Program contribution to strategic objectives

Priority areas and objectives of the country strategies		Contribution	Expected outcome ^a
Priority area I: Productivity and competitiveness			
GO1. Tourism	SO1. Tourism growth and reinvigoration (CS1)	Low	●
GO2. Transportation and logistics	SO2. Improving the logistics sector (CS1)	Low	● ●
GO3. Energy	SO3. Increase the percentage of renewable energy in the energy matrix and increase energy efficiency (CS1)	Medium	● ● ●
	SO6. Reduce the country's dependence on imported fossil fuel (CS2)	Medium	●
GO4. Climate resilience	SO4. Strengthen capacity for ecosystem-based ICZM and increase coastal resilience (CS1)	Low	● ● ● ●
GO5. Business climate and private sector	SO5. Promote private sector engagement that encourages greater productivity, as well as resilient infrastructure investments (CS2)	Low	● ●
	SO7. Strengthen the regulatory environment for a more open and better business climate, promoting innovation and greater use of technologies (CS2)	Low	● ● ●
	SO8. Facilitate access to finance for the private sector (CS2)	High	●
Priority area II: Fiscal sustainability and public sector efficiency			
GO6. Fiscal sustainability	SO9. Support fiscal consolidation through expenditure-curbing and revenue-enhancing measures (CS2)	High	● ●
GO7. Public sector efficiency	SO10. Strengthen the institutional framework by supporting public sector management and public financial management systems (CS2)	Low	● ●
	SO11. Promote a greater digitization of government (CS2)	Low	●
Priority area III: Social			
GO8. Social protection	SO12. Strengthen the performance of social programs (CS2)	Medium	●
GO9. Human capital	SO13. Better align workers' skills to the needs of the market (CS2)	Medium	●

Source: OVE.

Note: ^aThe dots in this column correspond to the expected outcomes for each strategic objective (see Annex II).

A. Productivity and competitiveness area

1. Group of objectives I: Tourism (SO1)

- 3.5 The IDB Group had a low contribution to *increasing tourism receipts* because the principal INV suffered significant delays. The Bank's engagement in tourism originated from three TCs approved in 2014 that financed study tours to Brazil and Chile to learn about heritage tourism projects and feasibility studies. Those TCs led to the National Tourism Program (BA-

L1033/2017)⁴¹ with initiatives to develop new, diverse tourism products, reinforce digital marketing strategies, and improve airlift. Despite the Bank's efforts to accelerate execution,⁴² the program has only disbursed 8% of the approved amount and has encountered significant delays (a 24-month extension) due to changes in GoB priorities, insufficient capacity of the PEU, procurement challenges, and effects of the Covid-19 pandemic. In terms of country-level results, a general decrease of 3% in travel receipts in U.S. dollars, of 8% in stay-over visitors, and of 57% in in-transit visitors between 2015 and 2022 is reported, influenced by the effects of the pandemic.

2. Group of objectives 2: Transportation and logistics (SO2)

- 3.6 Regarding the objective of *improving the logistics sector*,⁴³ the CP's contribution was low due to implementation inefficiencies and delays. To *improve export logistics*, the competitiveness program (BA-L1007/2009)⁴⁴ developed an online system to simplify cross-border trading (an electronic single window, or ESW), conducted a study for a cargo examination facility (CEF), and developed a public-private partnership (PPP) methodology. However, these outputs were not utilized. Although private sector companies were eager to see the ESW implemented, interagency disputes and changes in government priorities stopped it from happening.⁴⁵ The CEF construction, which fell beyond the project's scope, never took place. Finally, the PPP methodology has not been implemented, and Barbados still lacks the policy and institutional framework for PPPs. As part of the CP's support to *improving the road network*, one INV (BA-L1035/2015) financed the rehabilitation of 37 km of the primary road network and the design of an asset management system (AMS) intended to support the allocation of resources to prioritize road investments. However, such a system has yet to be procured, facing delays in the ministry's approval process.⁴⁶ Due to substantial delays in the program, there is no information available yet on results regarding travel times and costs.

41 Approved three years after entering the Bank's operational pipeline. The delay was attributed to long negotiations for the design, bureaucratic procedures in the government, and changes on both sides.

42 Including provision of consultants in procurement, flexibility in the procurement process, trainings, and flexibility to adjust the project's components.

43 The SO includes two EO:s: (i) improved performance of export logistics infrastructure and service, and (ii) improved condition of the road network.

44 It faced significant delays (33 months) due to a complex design, staffing issues within the PEU, lengthy government procurement processes, weak interagency collaboration, and a change in government priorities.

45 Despite the Bank's efforts to promote the implementation of the ESW through workshops and technical assistance, the GoB opted for an alternative platform provided by the United Nations.

46 The Bank assisted with an open web system, which is currently being used to identify physical deficiencies, gather visual data about defects, and create road priority lists.

Moreover, there is a notable risk of inadequate maintenance of road infrastructure upon project completion. This is attributed to (i) underfunding of the Ministry of Transportation and Works due to fiscal constraints and (ii) a lack of maintenance planning (since the AMS has not been procured). At the country level, the paved road network in regular or poor condition increased from 30% to 60% between 2013 and 2020, and there is no evidence of improvements in trade logistics.

3. Group of objectives 3: Energy (SO3 and SO6)

- 3.7 The CP had a medium contribution to *increasing the share of renewable energy (RE) in the country's energy matrix and energy efficiency (EE)*,⁴⁷ adding around 20% of RE capacity in the country. Over a decade, the IDB supported the government's energy transition efforts, financing TCs and analytical work to define the sector's plan and policies, leading to the Sustainable Energy Framework for Barbados (SEFB)⁴⁸ in 2009. Three TCs in the CP continued supporting the SEFB through studies for the design of the new National Energy Policy 2019–2030, the National Electromobility Strategy, and national guidelines for the development of the wind sector. In total, 22 operations focused on increasing the percentage of RE and EE, adding approximately 10 megawatts (MW) of solar capacity (20% of the RE capacity in 2020) and achieving energy savings of 18,000 megawatt-hours (MWh). Projects demonstrating a contribution were approved during the first CS or before (legacy), given the typical long execution times in the country.⁴⁹ The Public Sector Smart Energy Program (PSSE, BA-L1025/2012 and BA-X1003/2012) has generated 3.8 MW of RE capacity (doubling its target) by installing PV systems in public buildings. The Smart Fund I (BA-L1020/2010) also surpassed its target by adding 1.9 MW of new RE, and a project executed by the National Petroleum Corporation (BA-L1012/2016) facilitated the construction of RE facilities (including two solar parks) adding 4.1 MW of RE capacity. In terms of *reducing electricity consumption*, while the Smart Fund I surpassed its targets and achieved energy savings of 3,105 MWh through equipment substitution and acquisition in businesses, the PSSE fell short

47 Both CSs included energy as an SO. CS1 aimed to increase the percentage of RE in the energy matrix and increase EE (SO3) through a decrease in the electricity tariff (EO3.1), an increase in the percentage of energy from RE in the country energy matrix (EO3.2), and a reduction in electricity consumption (EO3.2). CS2 aimed to reduce the country's dependence on imported fossil fuel (SO6) by increasing the contribution of clean energy sources. The level of contribution to SO3 was assessed as medium, reflecting the diverse range of contributions to associated EOs (see table 3.1).

48 The program was designed to establish areas of technical assistance and support for sustainable energy programs in Barbados (Barbados National Energy Policy, 2019–2030).

49 Implementation challenges in these projects include lengthy procurement processes, staffing, limited capacity of the execution unit, and pandemic-related delays.

of the expected targets and generated 15,227 MWh savings per year in public buildings. Finally, the CP's ability to contribute to the *decrease in electricity tariffs* was low because of a change in the design of the main INV.⁵⁰

- 3.8 The sustainability of the results is high given the government's commitment, but further investments are necessary to achieve the country's goal of becoming fossil fuel free. The GoB is committed to achieving 100% RE by 2030. However, the infrastructure's capacity might not match the pace of this expansion. The country's electric grid is currently saturated, and the insufficient energy storage capacity (batteries) has prompted the GoB to temporarily limit new RE connections, thereby discouraging new projects. Potential clients of Smart Fund II (a continuation of Smart Fund I) are hesitant to participate due to that issue and a lack of awareness of the financial benefits of the PV systems. The program, which is expected to install more PV systems in public buildings, is also reallocating resources from that purpose to purchase electric public buses instead.

4. Group of objectives 4: Climate resilience (SO4)

- 3.9 The CP made a low contribution to *increasing coastal resilience*⁵¹ (SO4) because of evaluability issues that thwarted the measurement of results. One legacy INV and one TC supported this objective.⁵² The Coastal Risk Assessment and Management Program (BA-L1014/2010) faced execution challenges,⁵³ resulting in a four-year extension. Despite challenges, the INV achieved the construction of 2 km of hazard-resilient shoreline in Holetown, along with the creation of the National Coastal Risk Information and Planning Platform (NCRIPP), which became operational in 2023 (after the project's closure). NCRIPP aims to enhance infrastructure resilience through a vulnerability and hazard assessment of hurricanes, flooding, landslides, shoreline erosion, and tsunamis. However, project outcomes related to the use of the platform couldn't be measured given that indicators fell outside

50 The National Petroleum Corporation project initially aimed to construct a natural gas plant that was supposed to significantly increase supply and impact prices but was modified from its design to solar parks (adding lower capacity), affecting its ability to contribute to the expected result.

51 SO4 included four EO: (i) improved understanding of the value of coastal and marine ecosystems; (ii) coastal protection infrastructure expanded; (iii) coastal resilience mainstreamed in sector policies; and (iv) enhanced tourism private sector investment in sustainable coastal management. However, the CP left two of the EO without coverage due to evaluability issues (EO3) and lack of coverage in the CP operations (EO4). This limited the CP's feasibility of contributing to the SO.

52 Other operations approved under CS2, including two PBLs, one PBG, and a TC, also incorporated related objectives. However, with the interruption of the SO in the CS2, these initiatives were aligned with the cross-cutting theme of climate change.

53 Such challenges included an overly ambitious project design, staffing complexities, and fiduciary management issues.

the scope of the project.⁵⁴ The TC (BA-T1025/2013) supported the implementation of the INV through a spatial analysis tool for mapping and valuing ecosystem services. However, the CP did not include operations that involved the private sector in sustainable coastal management, as was expected in CS1. The recently approved coastal resilience operation (BA-L1059/2024), in line with key government initiatives like the R2RP, ensures program continuity, aiming to integrate NCRIPP's risk information for public access.⁵⁵ However, the effective functioning of the NCRIPP will require increased technical capacities from the Coastal Zone Management Unit. The Bank is actively supporting these efforts through TC resources.

5. Group of objectives 5: Business climate (SO5, SO7, and SO8)

- 3.10 The contribution to *promoting private sector engagement* (SO5) was low due to the CP's early operations and the SO's broad scope. SO5 had two EOs: improving tourism sector productivity and increasing investments in resilient infrastructure. Two NSG senior loans financed the construction of additional facilities and a cargo berth at the Bridgetown port, which are still under construction. In terms of resilient infrastructure, two PBPs and one PBG laid the groundwork to promote private sector investments in the sector, but it is too early to assess their contributions. Other TCs helped to close knowledge gaps and to prepare the environment for the private sector. They financed studies and strategies to increase the private sector's access to arbitration and mediation services and encouraged knowledge exchanges for the agribusiness sector and life sciences industry in the country.
- 3.11 The IDB's contribution to *strengthening the regulatory environment for a more open and better business climate* (SO7) was low because of a lack of measurable effects and the SO's broad scope. The CP's main contribution to this SO was through the two Covid response PBLs, which led to the introduction of legislation to streamline companies' registration processes and reform filing requirements, legislative amendments, and the establishment of a doing-business committee to execute short- and medium-term actions to improve business performance. Conditionalities for increased economic openness included drafting a customs bill, enhancing enforcement

54 Project outcomes relied on cabinet approval of the integrated coastal zone management (ICZM) plan, developed with the support of the INV, which was not obtained during the life cycle of the project. The ICZM plan was later approved as part of PBL BA-L1052/2021.

55 Conducting a risk assessment for new building development is not currently mandatory, though interviews suggest it is something the government is considering for the future.

capabilities, simplifying the tariff structure, and undertaking tax administration improvements. Moreover, two PBLs in sustainable development contributed by strengthening the regulatory framework for land use planning and development control, which are expected to reduce uncertainty and transaction costs while fostering investment. Although these reforms were relevant to improving the business climate, it's still early to assess their implementation and results.

- 3.12 The IDB made a high contribution in *facilitating access to finance for the private sector* (SO8) through the establishment and capitalization of a guarantee fund. The Enhanced Access to Credit project (BA-L1034/2014) addressed SMEs' lack of collateral, creating a guarantee fund administered by the Central Bank of Barbados (CBB). The program was supported by a TC (BA-T1032/2015) that strengthened the CBB and implemented an online system to administer the guarantees, significantly expediting processing. The guaranteed loan portfolio reached US\$52.5 million, exceeding the goal by 50%, and mobilizing significant private resources for SME financing. New investments for SMEs totaled US\$148.5 million, 172% higher than expected. However, the operation did not report results on increasing access to finance for women-led businesses as the CS anticipated. A continuation of the fund (BA-L1051/2020) has disbursed 94% and financed more than 60 MSMEs (with 46% of resources received by women-led MSMEs), with an emphasis on production guarantees and working capital. On the NSG side, one ADV supported the structuring of a green bond for solar rooftops. Despite IDB Invest's interest in guaranteeing the bond issuance, the client opted to do so on its own.⁵⁶
- 3.13 There are no indications of risks regarding the sustainability and permanence of the guarantee fund results. The GoB is committed to continuing and expanding the guarantee scheme, as reflected in its request and approval for the follow-up operation (BA-L1051/2020). Conditions for eligibility to access fund resources were revised based on lessons learned—they take into account the current financial needs, and there is a new registering and reporting system for more fluid processing, which facilitates the granting of guarantees. As for the fund's sustainability, guarantee claims have been very limited, and benefits from the project have vastly surpassed losses from claims. Furthermore, the information infrastructure set up by this operation will serve as the backbone for managing subsequent expansion of the fund. In terms of sustainability for the final beneficiary SMEs, the

⁵⁶ The client raised the funds needed under good conditions through a fully subscribed bond issue without the guarantee.

low rate of guarantee claims through the final life of the project indicates some positive expectations on the final beneficiaries' health and sustainability over time.

B. Fiscal area

1. Group of objectives 6: Fiscal sustainability (SO9)

- 3.14 The IDB made a high contribution to *supporting fiscal consolidation* mainly through relevant reforms and budget support that allowed the country to reduce its debt levels and reach targets with the IMF. The Bank, collaborating closely with the IMF, provided crucial budget support helping preserve the country's macroeconomic stability and fiscal sustainability. In 2018, the IDB approved (under CS1) an SDL (BA-L1045) complementing the IMF's EFF program to aid Barbados in achieving macroeconomic stability. While its direct contribution to the SO cannot be measured given its nature, this front-loaded financing addressed severe short-term challenges presented by financial service commitments in the absence of other funding sources while the necessary reforms were being implemented as a part of the IMF program. Subsequently, as part of the IDB's support for post-pandemic recovery, one PBP (BA-L1056/2022) included policy measures to strengthen tax revenues, reduce tax expenditures, update fiscal incentive regulations, and strengthen macro fiscal management by developing a procedural fiscal rule. Effective technical dialogue was promoted with the executive and legislative branches of the government, and non-reimbursable financing was used for the preparation (mainly a regional TC) and support of reform implementation. Additionally, the approval of the PBG (BA-U0001/2022) facilitated savings, completing a US\$150 million debt conversion for nature that created long-term sustainable financing for marine conservancy through the savings generated by lower interest rates.
- 3.15 In terms of sustainability, support for post-reform implementation and continuation of the country's commitment to the IMF program reduces the risk of the reforms' interruption. Once conditions were met and the programmatic loan was disbursed in full, the Bank continued to provide non-reimbursable support to ensure the implementation of reforms. In particular, BA-T1098/2023 (currently under way) supports the Barbados Revenue Authority in strengthening its institutional capacity to effectively implement efficient tax measures in the digital economy.

2. Group of objectives 7: Public sector efficiency (SO10 and SO11)

- 3.16 The contribution to *strengthening the institutional framework by supporting public sector management and public financial management (PFM) systems* (SO10) was low due to the CP's narrow focus compared with the objective's broad scope. To advance on the EO of *improving public financial management structures*, the IDB focused on supporting the country's financial management of natural disasters with the approval of a CCF (which was not used despite the occurrence of several natural disasters)⁵⁷ and policy reforms that included the approval of the Barbados Comprehensive Disaster Management Country Work Program 2019–2023 and employing NCRIPP for reviewing physical planning based on risk assessments to mitigate fiscal shocks from natural hazards.⁵⁸ However, the CP did not attend to other dimensions of public financial management performance.⁵⁹ In terms of advancing the EO of a *more efficient civil service*, the Bank sought to help the country establish a more modern and efficient public sector through the approval of the Public Sector Modernization Program (PSMP, BA-L1046/2019).⁶⁰ However, that program is in its early stages of implementation.
- 3.17 The CP does not report a contribution to *promoting government digitization* (SO11) as the main INV is in the early stages. The main component of the PSMP sought to update the national digital strategy and the implementation of online services for businesses and individuals. The program reports progress only at the output level with the design of a cybersecurity strategy and three public services operations on the online platform. An IGR in 2023 extended the PSMP to include support for the digital transformation of Queen Elizabeth Hospital, with results still pending. Other INVs in energy, education, and social protection provided institutional strengthening through training and management systems implementation. For example, the Skills for the Future program (BA-L1016/2012) enhanced the labor

57 The CCF is at the disposal of the government to finance extraordinary public expenditures incurred during emergencies subject to meeting eligibility. Natural disasters during the period (Hurricane Elsa and the eruption of Saint Vincent's La Soufrière) did not meet the requirement to resort to this instrument.

58 As of 2023, NCRIPP is fully operational and can be used in the development planning for both public and private projects. However, conducting a risk assessment on new building development is not currently mandatory, though interviews suggest it is something the Coastal Zone Management Unit is considering for the future.

59 Upstream (strategic planning, medium-term expenditure frameworks, annual budgeting) and downstream (revenue management, budget execution, control, accounting, reporting, monitoring and evaluation, audit, and oversight).

60 One of that program's components includes enhancing human resources management in the public sector through workforce planning, assessing training needs, and enhancing the government competencies framework for public sector employees with a focus on the requirements of a digital government and its implementation.

market information system, and a social protection program (BA-L1032/2015) designed a management information system (MIS) that connects programs executed by different ministries and institutions—that system is partially implemented and has not been fully integrated across all involved ministries. Additionally, a PBP (BA-L1052/2022) supported the expansion of the E-Planning system to receive applications for planning permission and electronic payment and the implementation plan for integration of a risk platform within the development planning of the GoB. Although these reforms were relevant to promoting government digitalization, it's still early to assess their implementation and results.

C. Social area

1. Group of objectives 8: Social protection (SO12)

3.18 The CP made a medium contribution to *strengthening the performance of social programs* (SO12) by deploying operations that supported the delivery of social services and providing relevant assistance during the pandemic. BA-L1032/2015 served to expand the Identification, Stabilization, Enablement, and Empowerment Bridge (ISEE Bridge) program,⁶¹ benefiting 340 households in extreme poverty⁶² that received psychosocial support and social assistance. The delivery of services was strengthened through the redesign and institutionalization of the ISEE Bridge program's targeting tool as well as the development of an inter-institutional management information system (MIS). Two TCs (BA-T1054/2012 and BA-T1038/2015) supported the ISEE Bridge program (IBP) through the design of a geo-referencing mapping tool to direct beneficiaries to the nearest social service providers. Additionally, the two Covid-19 response PBPs served to protect the income of vulnerable households and the survival of small businesses to keep jobs safe during the pandemic as part of the Barbados Economic Stabilization Program.⁶³ The first PBL series reports that 6,600 households benefited as a part of the Household Survival program, 2,700 families as part of the setup of the Adopt Our Families fund, and 1,496 self-employed persons as part of the Business Interruption Benefit, of which 52% were women. Furthermore, in 2023, the IDB approved the first operation of a PBP (BA-L1060/2023) that builds on the

⁶¹ The IBP targets the extreme poor who may be excluded from available programs and provides a more intensive assistance including psychosocial support and program intermediation.

⁶² Out of the country's estimated 2,500 households living in extreme poverty in 2016.

⁶³ The Barbados Economic Stabilization Program included (i) support to vulnerable households; (ii) jobs, investment, and business survival programming; (iii) a public and private capital works program; and (iv) greater food self-sufficiency.

Bank's support to strengthen social policies. It includes the increase in coverage of the ISEE Bridge program to more than twice its current size, and a framework for poverty reduction with the launching of the One Family Program (October 2023). This program has prompted budget allocation for the hiring of 45 social workers and the assessment of at least 1,600 households.

- 3.19 Enhanced performance of social services (better targeting and coverage) is likely to be sustained to the extent to which uptake continues across social sector institutions. This requires the strengthening of the technical working groups for adequate interagency coordination. Systematic and continuous capacity building for social workers and technical personnel across the social sector agencies will be key to diminishing resistance to change and turnover challenges. Furthermore, the recently launched One Family Program in 2023 and the forthcoming increase in coverage of the ISEE Bridge program, supported by BA-L1060/2023, will give continuity to the achievements with the implementation of tools developed with previous operations, particularly the improved targeting mechanism and the MIS.

2. Group of objectives 9: Human capital (SO13)

- 3.20 The CP made a medium contribution to *better aligning workers' skills to the needs of the market* (SO13) with operations that increased technical and vocational skills. The CP supported the increase of technical and vocational qualifications as well as core (educational) and life skills training. The Skills for the Future project (BA-L1016/2012, BA-T1018/2011, and BA-X1004/2015)⁶⁴ helped to implement an employer-driven training system that trained and certified close to 6% of the unskilled workers in the country (2,866).⁶⁵ Additionally, the number of secondary school students trained increased in A Ganar, a core and life skills program. The project also reported improvements in the pass rates in the Caribbean Secondary Education Certification examinations in English and mathematics, as well as the percentage of secondary education students who passed the Caribbean Certificate of Secondary Level Competence. Despite the positive results in increasing skills and qualifications, the project could not assess labor market outcomes for participants due to serious challenges with data collection.⁶⁶

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- 64 The project was extended by two years because of procurement issues and the PEU's lack of experience in the Bank's policies and procedures.
- 65 The Competency-Based Training Fund was awarded on a competitive basis to finance private sector-driven training initiatives. Five out of seven employer-driven training systems in public schools were approved, addressing such topics as animation, business, automobile assembly, and training laboratories for engineering of electric automobiles (with the support of BA-L1025/2012).
- 66 OVE's validation of Project Completion Report BA-L1016 found issues with tracing program graduates and collecting their current contact information. Also, OVE rated the project as partially successful and partly unsatisfactory in terms of effectiveness.

3.21 A key aspect of the sustainability of results attained so far relies on the continued collaboration between the Technical and Vocational Education and Training Council and the private sector. Sustaining vocational qualifications and educational and life skills training that match market needs relies on close collaboration with the private sector, which has been possible through the creation of close partnerships fostered by technical and vocational institutions. Some challenges for sustainability include (i) the low participation of women in technical and vocational training and activities; (ii) the need for appropriate and sustainable infrastructure; and (iii) a lack of quality data collection to demonstrate the interventions' effectiveness on labor market outcomes and not only on matching skills to market demand.

04

Conclusions and Recommendations

- 4.1 The two Country Strategies that guided the IDB Group's work with Barbados during the 2015–2023 period set objectives consistent with national challenges and GoB priorities. The objectives in the CSs addressed important country challenges, including a deteriorated fiscal situation, low economic growth and productivity, poor infrastructure, high dependency on imported fuels, climate change, and social vulnerability. However, there was a marked shift in focus and scope between CS1 and CS2. Whereas CS1 focused on promoting private sector competitiveness, CS2 incorporated two additional priority areas in fiscal sustainability and public sector efficiency and social outcomes. It also added objectives to promote the business climate and private sector engagement and discontinued the objective of climate resilience from CS1.
- 4.2 The CSs' relevance was affected by weaknesses in its selectivity and design. First, some SOs in CS2 were defined with a broader scope, aiming to align with national development goals that, in some instances, covered a range of policy areas. This broad approach compromised the selectivity of CS2 making it difficult for them to serve as a guide for the CP. Second, the CSs' vertical logic exhibited deficiencies—such as the duplication and incorrect sequencing of SOs and EOs. Third, monitoring progress, particularly for CS1, fell short due to changes in data sources or surveys that were no longer implemented to measure OE indicators. These issues underscore the need for more focused and measurable SOs to effectively address the country's development challenges.
- 4.3 The CP demonstrated strong alignment with most GOs. The CP was composed of 97 operations, of which 75 (77%) were aligned to one or more GOs. Those operations represented 86% of total CP financing. Alignment was stronger for SOs that were more specific and had fewer shortcomings in evaluability. The two GOs for which the CP showed weak alignment comprised three SOs that were broadly defined or lacked coverage (i.e., *promote private sector engagement, strengthen the regulatory environment, and public sector efficiency*). Additionally, due to the elimination of climate resilience as an objective in CS2, some operations addressing climate change adaptation were not aligned with the CS, affecting its feasibility to contribute to SOs.
- 4.4 The mix of SG lending instruments changed substantially between the two CSs, transitioning from a portfolio predominantly composed of investment loans to one focused on budgetary support. Budgetary support totaled 86% of the approvals and resulted in 72% of the disbursements. The prevalence of budgetary support in CS2 was primarily in response to the country's dual crises, which encompassed both

fiscal challenges and the impact of the pandemic. The Bank responded to the GoB's increasing funding demands to support the BERT plan and the response to the pandemic, approving three PBP series: one in response to the pandemic, one in sustainability, and one to strengthen social policies. Additionally, the Bank used an innovative financial instrument—a PBG—to address biodiversity and climate change. Budget support totaled 86% of the approvals and resulted in 72% of the disbursements.

- 4.5 Of the six policy-based operations, three were in strong alignment with the GOs of *fiscal*, *business climate*, and *social*—the rest were only weakly aligned. Three out of six policy-based operations approved between 2020 and 2023 pursued objectives to strengthen environmental sustainability, which was not included as an SO under CS2 but as the cross-cutting theme of climate change. However, those operations were weakly aligned with the SOs of *business climate* and *public sector efficiency*. In terms of the depth of all six policy conditions, on average, a slight majority of them had medium (37%) or high (17%) depth, which is necessary to be able to contribute to ambitious objectives such as supporting fiscal consolidation or strengthening the performance of social programs.
- 4.6 Despite the CSs' increased focus on the private sector, IDB Invest faced challenges to expanding its portfolio, stemming from macroeconomic uncertainty and business competitiveness issues. Although the 2015–2018 CS emphasized private sector competitiveness, specific development objectives for promoting private sector engagement were only incorporated in the 2019–2023 CS. IDB Invest faced obstacles during CS1 and had no approvals. During CS2, however, it approved two senior loans. Issues in the macro and fiscal environment, a banking system with high liquidity in the corporate segment, and a lack of appetite from IFIs for serving local MSMEs have made it difficult for IDB Invest to find investment opportunities. In contrast, the SG window played a crucial role in supporting private sector development. Thirteen operations associated with the private sector were approved, addressing *energy* and *business climate* objectives. OVE found that coordination among IDB windows for private sector development lacks a clear strategy. The recommendation from the previous CPE advocating for a clear strategy for private sector investment remains pertinent, emphasizing the ongoing need to enhance coordination and engagement strategies among the IDB group to foster private sector development in Barbados.
- 4.7 Project execution is a persistent challenge in Barbados, with prolonged durations compared to benchmarks and other countries. Despite shortened INV preparation times during

the period, execution delays increased, as it took an average of eight years for total disbursement. Contributing factors include procurement holdups, excessive red tape, weak execution unit capacity, and coordination challenges among government agencies. Despite mitigation efforts through technical assistance, consultant hiring, and project scope adjustments, the persistence of such issues highlights the need for continued attention. The recommendations from the previous evaluation to address the weak legal and institutional framework for project execution remain relevant, emphasizing the importance of aligning project implementation periods with the country context to enhance their effectiveness.

- 4.8 The CP contribution was higher in areas with sustained government prioritization, the IDB was able to partner and deploy a program commensurate with the scope of the SOs. In *energy*, the Bank contributed to increasing the share of RE in the country's energy matrix, adding around 20% of RE capacity. This support was sustained by a strong program aligned with the country's commitment to reduce its dependence on imported fossil fuels and longtime support in the sector that included knowledge generation and strengthening of the regulatory framework. In *access to finance*, the SG program was commensurate with the scope of the SO. It increased access to finance for SMEs and mobilized significant private resources for SME financing. This support was relevant to promote growth and productivity in a segment that was at risk. A strong statutory agency executing the guarantee facilitated the execution and contribution. In *fiscal*, the IDB, in close collaboration with the GoB and other partners, contributed to the country's fiscal challenges with relevant reforms and fast and timely budget support that allowed the country to reduce its debt levels, helping preserve its macroeconomic stability. In *social protection* and *human capital*, operations contributed to safeguarding social outcomes by supporting coverage, implementing information management systems, and developing targeting instruments for social interventions as well as by fostering continuous collaboration between the private sector and technical and vocational institutions to increase workers' market-relevant skills.
- 4.9 Factors associated with lower contributions include implementation problems that hampered results, operations being in their early stages, evaluability issues, and a lack of coverage. Factors include: (i) some programs were mature enough to show progress but had severe implementation issues—such as procurement delays, weak PEU capacity, and poor interagency coordination—that hindered the realization of outcomes (tourism, competitiveness); (ii) associated operations

that were in the early stages of execution (public sector efficiency, business climate) or were completed but only showed progress at the output level with evidence of achieved results still pending (transportation); (iii) some operations had monitoring issues in their results matrixes that prevented them from reporting evidence on results (coastal resilience, social); and (iv) insufficient program to cover an objective that was defined overly broadly (business climate).

- 4.10 The sustainability of results depends on both the GoB's commitment to sustainability and the IDB's complementary support in institutional capacity. In most cases, the government's commitment to the continuation of development results has played a key role in the sustainability of project outcomes. In the *fiscal area*, the IDB provided follow-up support after the approval of reforms, reducing the risk of interruption. In *energy*, the Bank's long-term support in strengthening the regulatory framework for RE contributed to the continuation of results. However, further investments are necessary. In the *social area*, the performance of social services is likely to be sustained if uptake continues across social sector institutions. And in *human capital*, sustainability depends on further coordination between the public and private sectors. The IDB has provided technical assistance and support to strengthen institutional capacities in the government.
- 4.11 Based on the findings resulting from this Extended Country Program Evaluation for the 2015–2023 period, OVE has formulated the following recommendations:

- 1. Continue to support key areas that address long-term development challenges and in which the IDB Group has proven to be a key partner.** The IDB Group is well positioned to continue supporting sectors such as energy and climate resilience, where it has brought expertise and supported the country in the regulatory framework and institutional strengthening of the sectors. Furthermore, given the IDB's key role in advancing climate change resilience and environmental sustainability in Barbados, the next Country Strategy would benefit from including a related, specific objective to set specific lines of action and serve as a guide for the Bank's work in the sector.
- 2. Continue working with the GoB to improve project execution of IDB Group-financed operations.** OVE has included this recommendation in its last two CPEs, and it remains highly relevant. Operations continue to be hindered by issues of procurement and administrative bottlenecks, insufficient capacity of the PEUs, and breakdowns in

interagency coordination. Moreover, project designs are considered very ambitious and not in line with the country's realities. In this context, OVE recommends (i) developing a joint IDB–GoB study to identify main bottlenecks to execution and establish a monitorable action plan to address them; (ii) continuing to support the modernization of the procurement system through technical assistance, developing a plan that delineates the requirements of the system to be recognized and used for IDB projects, and executing the 2021 plan with the Special Tenders Committee with goals that can be monitored; and (iii) adjusting project design to country realities (implementation periods, complexity of design, coordination efforts).

- 3. Strengthen coordination between the IDB and IDB Invest to better address constraints to private sector investments.** The previous CPE recommendation to support Barbados in attracting private investment and better integrating private sector operations into the CP remains relevant. In this context, OVE recommends (i) strengthening the inclusion of IDB Invest in policy dialogue so that its role is articulated with the country's needs and conditions, and (ii) clarifying in the next Country Strategy areas where both the IDB and IDB Invest can find synergies, with specific lines of actions.

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