



**The World Bank**

Barbados Green and Resilient Recovery DPL (P179112)

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# Program Information Document (PID)

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Appraisal Stage | Date Prepared/Updated: 06-Dec-2022 | Report No: PIDA35093



## BASIC INFORMATION

### A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Barbados	P179112	Barbados Green and Resilient Recovery DPL (P179112)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
LATIN AMERICA AND CARIBBEAN	10-Jan-2023	Environment, Natural Resources & the Blue Economy	Development Policy Financing
Borrower(s)	Implementing Agency		
Barbados	Ministry of Finance, Economic Affairs and Investment		

### Proposed Development Objective(s)

The Development Objective of this operation is to support the Government of Barbados's strategic reforms to promote low carbon economic development and resilience to the deepening global crises, including climate change.

### Financing (in US\$, Millions)

#### SUMMARY

Total Financing	100.00
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#### DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

#### Decision

The review did authorize the team to appraise and negotiate

### B. Introduction and Context

#### Country Context

1. This program document proposes a Green and Resilient Recovery Development Policy Loan (DPL) in the amount of US\$100 million. The Development Objective of this operation is to support the Government of Barbados' strategic reforms to promote low carbon economic development and resilience to the deepening global crises, including climate



change. This stand-alone DPL is designed to support the country's transition onto a climate resilient and low-carbon pathway. The DPL's objective will be achieved through adoption of a comprehensive package of strategic policy reforms that address Barbados' significant climate and environmental sustainability challenges. The DPL is structured in two core pillars reflective of Government's priorities for resilient recovery, specifically: (i) Pillar A: Green and Blue Resilient Recovery; and (ii) Pillar B: Low Carbon and Resilient Infrastructure.

2. **Since graduating from the International Bank for Reconstruction and Development (IBRD) in 1994, Barbados has received exceptional IBRD financing three times and is currently requesting a second Development Policy Loan (DPL).** In FY21, a US\$100 million DPL was approved to help the Government of Barbados (GoB) meet its financing needs resulting from the immediate impact of the COVID-19 pandemic and to support subsequent economic recovery. The Board approved a waiver<sup>1</sup> of the graduation policy for this loan as it had on two previous occasions<sup>2</sup>. Given the lingering impact of the pandemic, compounded by multiple external shocks, including natural disasters, the GoB has now requested a stand-alone green and resilient DPL in the amount of US\$100 million focused on (i) scaling up resilient recovery efforts with a dedicated focus on climate adaptation and mitigation; (ii) promoting low carbon economic development; and (iii) strengthening climate and disaster resilience.
3. **In recent years, Barbados has implemented a series of important economic reforms addressing growth-constraining structural weaknesses.** Since 2018, Barbados has been proactively working with international partners, including the International Monetary Fund (IMF), to improve its fiscal position, developing and implementing a fiscal program that includes restructuring of domestic and external public debt, and enhancing debt transparency and overall debt sustainability. Despite the challenges posed by the pandemic, the Government has continued with strong implementation of the comprehensive Barbados Economic Recovery and Transformation (BERT) Plan, launched in 2018. The onset of the pandemic led to a steep decline in economic activity. Per capita gross national income (GNI, Atlas method) declined from \$17,380 in 2019 to \$14,350 in 2020 as the economy contracted by 13.7 percent in 2020. Growth in 2021 remained sluggish at 0.7 percent in 2021, dragged down by two natural disasters: volcanic ashfall from neighboring St. Vincent and the Grenadines in April 2021 and the Category 1 Hurricane Elsa in July 2021. Yet, government took decisive action putting public debt on a downward trajectory and advanced implementation of reforms, along with support from International Financial Institutions (IFIs) to boost growth and resilience. At this juncture, the main risks to the economy remain prolongation of the COVID-19 crisis coupled with the emerging global crises, including climate change, continued rising global inflation pressures (due to high food, fuel, and fertilizer prices), and tightening global financial conditions, increasing interest rates in the United States, the energy crisis in Europe, and the subdued economic growth in China.

#### Relationship to CPF

4. **As an IBRD graduate, Barbados does not have a Country Partnership Framework (CPF) with the World Bank.** However, this DPL will support Government's commitment to strengthen the country's economic recovery and longer-term economic and climate resilience in line with the World Bank's COVID-19 crisis response and GRID approach<sup>3</sup>. The Prior Actions (PA) of this operation also link directly to the GCRF as follows: PA A5 aligns with Pillar 1 and attends to a

<sup>1</sup> After the advent of the Policies and Procedures Framework, an "exception" means a deviation from the policy's requirements that is provided for in the policy itself. There is no such provision made in the graduation policy for continued lending to graduates after graduation. Therefore, any departure from the policy requires a waiver which is what motivated the 2021 waiver request.

<sup>2</sup> Two loans were approved for Barbados to finance HIV/AIDS (multi-country) investment projects in FY2001 and FY2009. These loans were processed as exceptions to the graduation policy.

<sup>3</sup> "Saving Lives, Scaling-up Impact and Getting Back on Track: World Bank Group COVID-19 Crisis Response Approach Paper" (June 2020).

<http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf>



critical gender gap, PAs A1, A2, A3 and B1 align with Pillar 3, and PAs A4,B2 and B3 align with Pillar 4. The operation is closely aligned with the Bank's climate change policy commitments and functions to strengthen Barbados' overall resilience to climate, health, and economic shocks. The operation is also designed to support Government's efforts to tackle poverty exacerbated by the multiple system shocks and crises and promote shared prosperity and inclusion during and following the recovery process.

### C. Proposed Development Objective(s)

The Development Objective of this operation is to support the Government of Barbados's strategic reforms to promote low carbon economic development and resilience to the deepening global crises, including climate change.

#### Key Results

5. The DPL is designed to support Barbados's transition onto a more climate resilient pathway. The DPL's objective will be achieved with adoption of a series of policy reforms that address Barbados' significant climate and environmental sustainability challenges.

### D. Project Description

6. **The Green and Resilient Recovery Development Policy Loan (DPL) in the amount of US\$100 million** is designed to support the country's transition onto a climate resilient and low-carbon pathway. The DPL is structured in two pillars emphasizing Government's priorities for resilient recovery, specifically: (i) Pillar A: Green and Blue Resilient Recovery; and, (ii) Pillar B: Low Carbon and Resilient Infrastructure.
7. **Specifically, this DPL is comprised of two pillars emphasizing Government's priority of ensuring resilient recovery, as follows:**
  - **Pillar A: Green and Blue Resilient Recovery**, policy areas include:
    - Support Climate Resilient Water Resources Management, Groundwater Protection and Climate Smart Agriculture
    - Advancing Marine Pollution Control for Environmental and Tourism Resilience
    - Support improved Environmental Conservation and Climate Change Management and Finance
  - **Pillar B: Low Carbon and Resilient Infrastructure**, policy areas include:
    - Support Comprehensive Disaster Risk Management
    - Low Carbon Transition with Scaling-up of Renewable Energy
    - Introduction of Climate Budget Tagging

### E. Implementation

#### Institutional and Implementation Arrangements

8. **The Ministry of Finance, Economic Affairs and Investment is responsible for collecting and monitoring information**



**related to program implementation and progress toward the achievement of results for this DPL.** This Ministry is also responsible for coordinating with all other ministries and agencies involved in the reform program supported by this DPL. The Ministry of Finance, Economic Affairs and Investment has recent experience collecting and monitoring information in the context of DPLs. Monitoring and evaluation of the operation will also be carried out through ongoing policy dialogue.

#### **F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects**

##### Poverty and Social Impacts

9. The prior actions supported by the operation are expected to have mostly neutral poverty, social or distributional effects, with some having potential positive higher-order effects, and one requiring careful consideration of potential regressive distributional effects. Prior actions under A are expected to have neutral effects with potential for positive higher-order effects including strengthened food security and livelihoods in rural areas, and protection of income from fishing and tourism. Prior actions under B are expected to have neutral to unclear poverty, social, or distributive effects.

##### Environmental, Forests, and Other Natural Resource Aspects

10. The Prior Actions supported through the Barbados Green and Resilient Recovery DPL are likely to result in positive impacts for Barbados' environment and natural resources. Pillar A: Green and Blue Resilient Recovery is primarily focused on promoting robust and resilient green recovery. Prior Actions under this Pillar are expected to generate highly positive environmental impacts (Prior Action A1, 2, 3, 4 and 5). Pillar B: Low Carbon and Resilient Infrastructure. The environmental analysis found that Prior Actions B1, B2 and B3 may generate positive effects on Barbados' environment, forests, and natural resources base. Prior Actions that may generate adverse environmental impacts are A1, A2, B1 and B2, however the national legal framework incorporates the necessary mitigation measures for their adequate management.

#### **G. Risks and Mitigation**

11. The overall risk to achieving the PDO of this operation is deemed to be Substantial. The risk categories for Sector Strategies and Policies, Macroeconomics and Technical Design are rated as Substantial.

#### **CONTACT POINT**

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**APPROVAL**

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**Approved By**

Country Director:	Federico E. Baechli	02-Nov-2022
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