

**RESOLUTION NO.**

**PARLIAMENT**

**WHEREAS** the Government of Barbados has determined that there should be a Barbados Economic Recovery and Transformation (BERT) Plan 2022: FY2022/23 – FY2026/27 (BERT 2022).

**AND WHEREAS** BERT (2022) is the successor to Barbados Economic Recovery and Transformation 2018 (BERT 2018) and lays out the Government of Barbados' economic and financial program for the next four years, which is focused on achieving inclusive and sustainable growth, while maintaining fiscal and debt sustainability.

**AND WHEREAS** the general strategy of the BERT Plan 2022 is to preserve the gains achieved under BERT (2018), and advance the reforms which were delayed because of the COVID-19 global pandemic. This will be done with refocused priorities on policies aimed at generating sustainable and inclusive growth while building resilience through climate adaptation and mitigation.

**AND WHEREAS** the Government of Barbados will advance a growth strategy within the context of limited fiscal space and maintaining fiscal stability that includes structural reforms to promote economic diversification, strengthen competitiveness and achieve a higher sustainable rate of economic growth that is private sector led and that will result in the enhancement of the economic well-being of every citizen.

**AND WHEREAS** the growth strategy having as its eight pillars:

Pillar 1: Incentivising the green transition and building climate resilient infrastructure;

Pillar 2: Incentivising low and middle income housing;

Pillar 3: Investing in skills training and education;

Pillar 4: Preserving financial stability and mobilising domestic savings for local investment;

Pillar 5: Making Government an enabler to improving productivity, boosting competitiveness and exports, and enhancing service excellence;

Pillar 6: Establishing Barbados as a logistics hub;

Pillar 7: Promoting diversification through new niche economic activities centred around a new, high-skilled, knowledge-based economy that is more technologically advanced and carbon neutral and marine-conscious; and

Pillar 8: Adopting Open Labour Market Policies to Support Stronger, Resilient Growth Together With Expanding The Population Base and Improving Productivity And Competitiveness.

**BE IT RESOLVED** that Parliament take note of and approve the Barbados Economic Recovery and Transformation (BERT) Plan 2022: FY2022/23 – FY2026/27.

Approved by the House of Assembly this            day of                            2022.

**SPEAKER**

Approved by the Senate this            day of                            2022.

**PRESIDENT**



GOVERNMENT  
OF BARBADOS

# Barbados Economic Recovery and Transformation (BERT)

## Plan 2022

FY2022/23 – FY2026/27

“Achieving Inclusive and Sustainable  
Growth While Maintaining Fiscal and  
Debt Sustainability”

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# Abbreviations And Acronyms

ASYCUDA	-	Automated System for Customs Data
BADMC	-	Barbados Agricultural Development and Marketing Corporation
BAMC	-	Barbados Agricultural Management Company Ltd
BDS\$	-	Barbados Dollars
BERT	-	Barbados Economic Recovery and Transformation Plan
BEST	-	Barbados Employment and Sustainable Transformation
BRA	-	Barbados Revenue Authority
BVI	-	British Virgin Islands
BWA	-	Barbados Water Authority
CAF	-	Development Bank of Latin America
CAIPO	-	Corporate Affairs and Intellectual Property Office
CBB	-	Central Bank Of Barbados
CDB	-	Caribbean Development Bank
CED	-	Customs and Excise Department
CG	-	Central Government
CIT	-	Corporate Income Tax
COVID	-	Coronavirus Disease
EFF	-	Extended Fund Facility
EU	-	European Union
FATF	-	Financial Action Task Force
FMA	-	Financial Management Act
FSC	-	Financial Services Commission
FY	-	Fiscal Year
GDP	-	Gross Domestic Product
GOB	-	Government of Barbados
GSC	-	Garbage and Sewage Contribution
ICT	-	Information and Communications Technology
IDB	-	Inter-American Development Bank
IFI	-	International Financial Institutions

IMF	-	International Monetary Fund
IT	-	Information Technology
KOMI	-	Kensington Oval Management Inc.
KPI	-	Key Performance Indicators
MTDS	-	Medium Term Development Strategy
NHC	-	National Housing Corporation
NIS	-	National Insurance Scheme
NISE	-	National Initiative for Service Excellence
NPC	-	National Petroleum Corporation
OECD	-	Organisation for Economic Co-operation and Development
PB	-	Primary Balance
PFM	-	Public Financial Management
PFMA	-	Public Financial Management Act
PIT	-	Personal Income Tax
PPP	-	Public-Private Partnership
RDC	-	Rural Development Commission
RST	-	Resilience and Sustainability Trust
SDG	-	Sustainable Development Goals
SDR	-	Special Drawing Rights
SOE	-	State-Owned Enterprises
SSA	-	Sanitation Service Authority
STEAM	-	Science, Technology, Engineering, the Arts and Mathematics
TAP	-	Transport Augmentation Programme
UDC	-	Urban Development Commission
UNFCCC	-	United Nations Framework Convention on Climate Change
UWI	-	University of the West Indies
VAT	-	Value Added Tax
WB	-	World Bank

# Barbados Economic Recovery And Transformation (BERT) Plan Executive Summary

The period from 2008 to 2018 will be recorded in Barbados' history as a lost decade for economic development and social progress in Barbados.

The decade was characterised by an absence of economic growth, widened fiscal deficits, increased debt to unsustainable levels, institutional decay, reduced national and international reputation and overall, the erosion of good governance and public confidence. Barbados lost access to international capital markets following 23 downgrades by rating agencies, international reserves dwindled from BDS\$2.247 billion at the beginning of 2008 to approximately BDS\$420 million or 4 weeks of import cover by May 2018; well below what is known to be the adequate and traditional levels of 12 weeks import cover or over \$1 billion. Moreover, during this decade of negative to low economic growth, declined contributions to education, health, public safety and social welfare left deep scars on Barbados' renowned social capital. Prior to this period, Barbados was characterised by low levels of poverty, inequality and crime, and high levels of social cohesion.

On taking office at the end of May 2018, the Government finalised and immediately implemented the Barbados Economic Reform and Transformation (BERT 2018) plan aimed at restoring macroeconomic stability and putting the economy on a path of sustainable and inclusive growth. Protecting the most vulnerable in society while restructuring and modernising the public sector, in conjunction with a comprehensive debt restructuring were the central pillars of BERT (2018).

BERT (2018) was supported by a four-year IMF arrangement under the Extended Fund Facility (EFF) approved on October 1, 2018, which provided 220 percent of quota in the amount of 208 million Special Drawing Rights (SDRs) (about US\$290 million). This financial support was augmented twice to a cumulative SDRs 332 million (about US\$465 million) to further support the GOB's efforts in dealing with the COVID pandemic. The IMF endorsement served as a catalyst for over \$1.5 billion in budget support (mainly in the form of policy-based loans) from other international development institutions (CDB, IDB, WB and CAF).

The GOB made significant progress in implementing BERT (2018) prior to the onset of the COVID pandemic in Barbados in March 2020, which then slowed the work under the programme, particularly the reforms effort. By March 2020 fiscal and debt sustainability had been restored, gross foreign reserves increased to \$1,481 million or 18.6 weeks of import cover thus protecting the exchange rate peg, while public debt was reduced to 117.4 percent of GDP in FY2019/20 from 176.3 percent in FY2017/18. At the same time, free tertiary education was

restored, the minimum pension and welfare payments were increased, critical investments were made to the public hospital and polyclinics, public transport and sanitation and sewage. These achievements prior to the pandemic created the fiscal and debt space and the financing and built up public health and welfare to a point that allowed Government the flexibility to appropriately respond to the pandemic, particularly by the provision of substantial additional social protection measures.

**BERT (2022) is the successor to BERT (2018) and lays out the GoB's economic and financial program for the next four years, which is focus on achieving inclusive and sustainable growth, while maintaining fiscal and debt sustainability.**

**The central elements of the BERT (2022) are:**

- (i)** a growth strategy that incentivises the private sector, boosts competitiveness of existing sectors, diversifies the economy, improves the-doing-business environment and modernises public infrastructure
- (ii)** a fiscal strategy that ensures that the fiscal position and Government finances are consistent with the debt anchor through streamlining of expenditure and reforming of the public sector, particularly the State-Owned Enterprises (SOEs);
- (iii)** a debt management strategy that actively manages the debt portfolio to minimize costs.
- (iv)** maintaining social cohesion through investment in public education, health, social development and poverty eradication.

## **Emphasis on Increased Investment**

Under BERT (2022) builds on the gains of BERT 2018 particularly in the area of debt and fiscal sustainability, in that regard BERT 2022 embodies a primary balance path for government finances that allow for a rapid expansion in gross investment, recognizing that investment is what is needed to drive growth.

The Government targets the significant increase of public, local private and foreign direct investment to GDP ratio. Specific targets include a public-investment-to-GDP ratio of 4.2 percent of GDP in FY2022/23 and 5 percent over the medium-term, which amounts to an average of Bds\$500 million per year. The private sector is expected to raise its investment ratio from the current 8.5 percent of GDP (approximately Bd\$975 million) to 15 percent of GDP (an annual average of \$1.9 billion by 2027). Foreign direct investment is targeted to increase from the 4.2 percent of GDP (approximately Bds\$482 million) to 9 percent (approximately Bds\$1.14 billion) over the medium term.

## **Emphasis on Private Sector Expansion**

This significant increase in investment in the economy is

expected to lead to a higher growth over the medium term of approximately 5 percent. In order to translate the increased investment to growth, the Government will incentivise investment in climate resilient infrastructure and in the green transition; incentivise investment in low and middle-income housing; invest in enhanced skills training and education; mobilise domestic savings for local investment for Barbadians; establish Barbados as a logistics hub; develop new niche sectors in a high-skilled, knowledge-based economy; improve productivity; and adopt more open and flexible labour market policies.

## **Emphasis on Implementation**

To achieve BERT 2022's stated targets, emphasis must be on implementation. The Government will create a public-private sector Delivery Task Force and a public-private sector Growth Council to promote and support the implementation and co-ordination of the growth strategy.

## **Emphasis on Monitoring**

It is a truism that what gets measured gets done, for this reason the Government will establish an Independent Fiscal Council, a Data Analytics Authority and National Statistics System, a Government Economic Service and a Government Accounting Services.

Additionally, to monitor the implementation of measures and attainment of objectives under the program, the Government will continue to rely on the BERT Monitoring Committee (BERT-MC), which is a sub-committee of the Social Partnership.

## Financing BERT (2022) Programme

The implementation of BERT 2022 programme, over the next four years, is expected to be facilitated largely through external financing.

At least Bds\$1 billion in multilateral financing has been identified for direct budget support (not project focused),

inclusive of the Resilience and Sustainability Trust (about bds\$366 million) and Extended Fund Facility (about Bds\$220 million) provided by the International Monetary Fund, \$300 million from the InterAmerican Development Bank (IDB), and Bds\$200 million from the World Bank. Another Bds\$1 billion is expected as project-specific funding over the course of the programme, facilitated through other development partners including the IDB, CAF, CDB, and the Export-Import Bank of China. The remaining financing is expected to be met through domestic sources. This includes the continued issuance of Barbados Optional Savings Scheme (BOSS) Plus Bonds with an annual cap of Bds\$200 million.

# Background And Recent Developments BERT (2018): Achievements And Challenges

# Synopsis of BERT (2018)

- 1. BERT (2018) was approved in August 2018 to address the economic crisis of the lost decade of 2008-2017.**

This decade saw economic performance averaging -0.5 percent, large fiscal deficits averaging 7 percent of GDP, debt skyrocketing to an unsustainable 176.3 percent of GDP (3rd highest ratio in the world) including about \$1.9 billion in arrears, and international reserves falling to \$420 million (an import cover of just 4 weeks).

- 2. In addition, Barbados had lost access to international capital markets following 23 downgrades by rating agencies.**

Given the fiscal situation, investments and support for education and healthcare were crippled. There was also a widening infrastructural deficit with a significant deterioration in roads, buildings, water and sewage systems and garbage collection.

- 3. The objective of BERT (2018) was to put the fiscal position and debt on a sustainable footing while making mission-critical investments**

(mainly in education, healthcare, public transport, water, sewage and garbage collection), rebuilding reserves, and laying the foundation for positive growth and development.

**Central elements of the BERT (2018) program included:**

- a. an ambitious program to fix the GOB's fiscal position (featuring a cumulative fiscal adjustment of 4 percent of GDP relative to fiscal year 2017/18 to reach a primary surplus of 6 percent of GDP in fiscal year 2019/20, and maintain this 6 percent primary for the following 5-6 years);**
- b. returning to free tertiary education, investing in better services at the hospital and polyclinics, protecting vulnerable groups through strengthened social safety nets;**
- c. increased room for capital spending;**
- d. undertaking a comprehensive debt restructuring exercise to address the debt overhang; implementing growth enhancing reforms (e.g. - digitisation and removing impediments to doing business);**
- e. rebuilding reserves to adequate levels, inclusive of a**

- buffer for natural disaster;
  - f. regaining access to the capital markets;
  - g. reducing the cost of financing; and,
  - h. tilting investments towards a knowledge-based, creative, high-value service economy.
- 4. BERT was supported by a four-year IMF arrangement under the Extended Fund Facility (EFF) approved on October 1, 2018 which provided 220 percent of quota in the amount of 208 million in Special Drawing Rights (SDRs) (about US\$290 million).**

This provision was augmented on two occasions to provide 332 million in SDRs (about US\$465 million) to further support the GOBs efforts in dealing with the COVID pandemic. The GOB has successfully completed 7 reviews under the EFF, with the final one completed during June 2022. The IMF endorsement of the BERT (2018) plan has served to catalyse over \$1.5 billion in support (mainly in the form of policy based loans) from international development institutions (CDB, IDB, WB and CAF).

**5. (2018) were met PRIOR to the pandemic.**

The mission-critical investments were made; fiscal and debt sustainability restored;

GROSS FOREIGN RESERVES INCREASING TO

- **\$1,481 Million**  
OR 18.6 WEEKS OF IMPORT COVER  
Protecting the exchange rate peg

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PUBLIC DEBT WAS REDUCED TO

- **117.4% of GDP**  
in FY2019/20  
FROM 176.3 PERCENT IN FY2017/18
- 

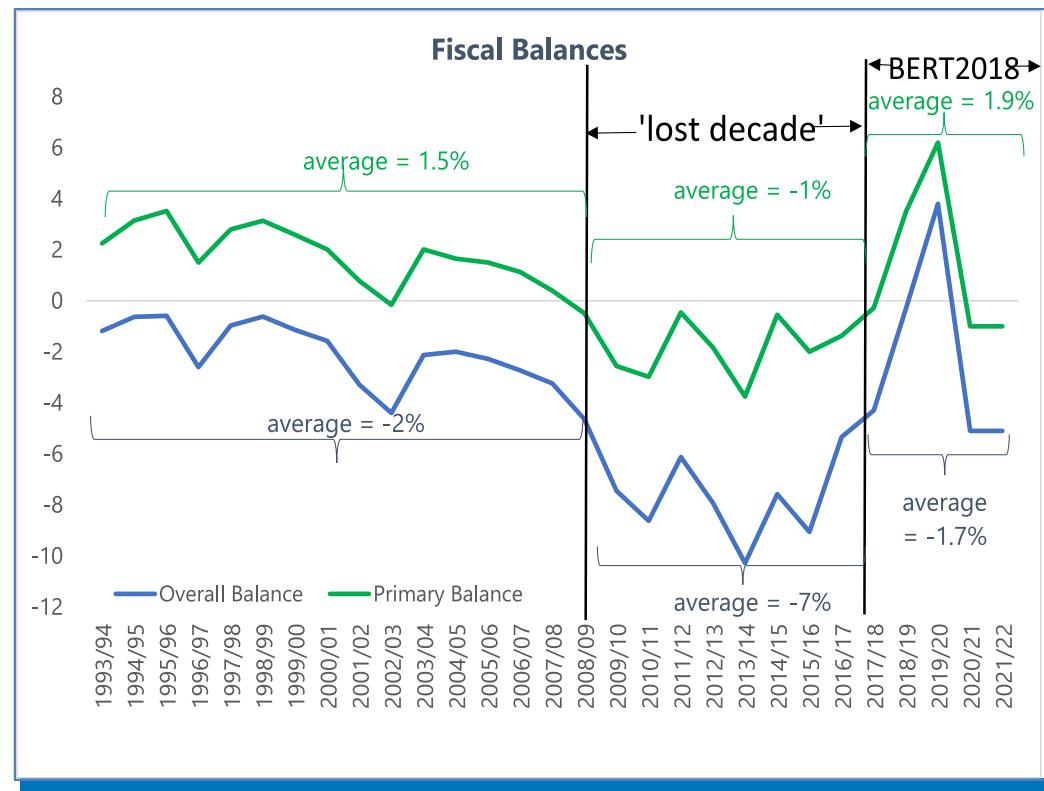
IN ADDITION, AN UNPRECEDENTED PRIMARY SURPLUS OF

- **6.0% of GDP**  
WAS ACHIEVED AT THE END OF FY2019/2020

# Key Achievements Under BERT (2018)

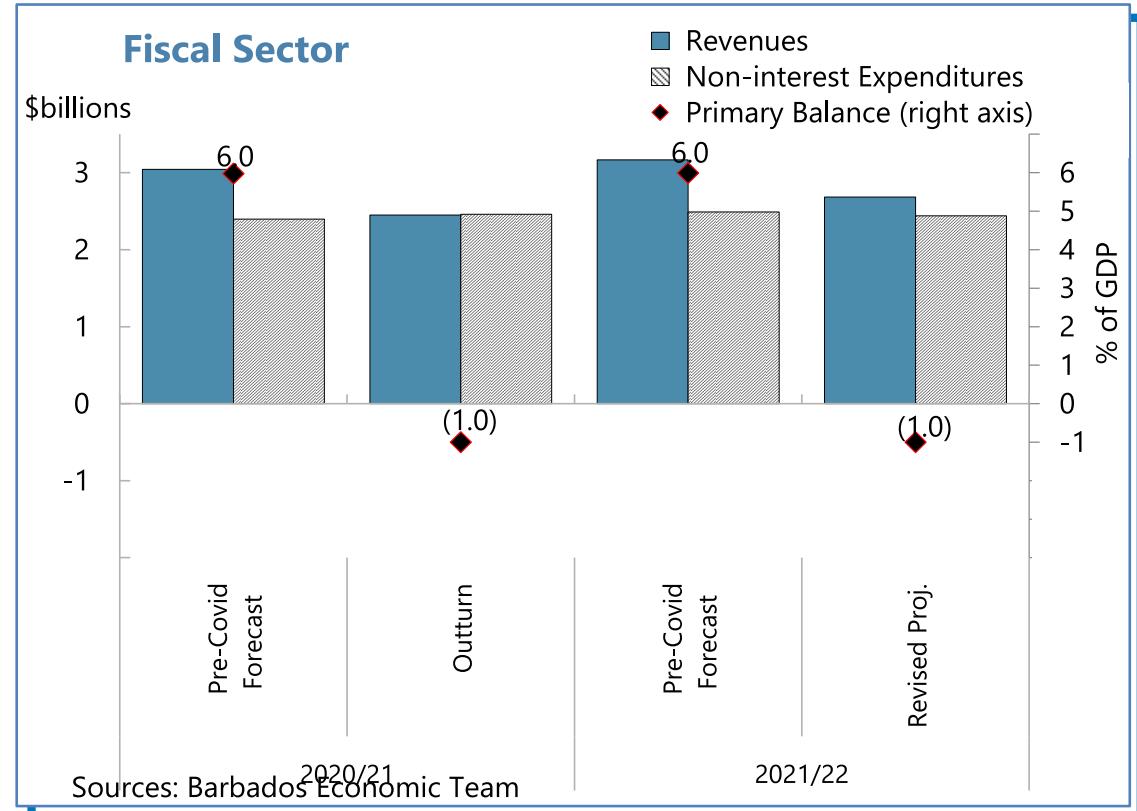
## 6. Fiscal sustainability has been restored under BERT (2018).

Prior to the onset of COVID, the Government's fiscal operations recorded a primary surplus of 3.5 percent of GDP in FY2018/19 (the first surplus in 10 years), then a primary surplus of 6 percent of GDP for FY2019/20. This was done primarily by containing grants to public institutions and introducing additional levies to directly finance the operations of key SOEs. The GOB had planned to maintain the primary balance (PB) at 6 percent of GDP until FY2023/24, and to gradually reduce it thereafter. However, COVID decimated the Government's revenues, with a loss of over \$600million in FY2020/21, while the Government had to increase expenditures by close to \$300m in response to COVID. The combined impact of loss of revenue and increased expenditure was almost \$1 billion.



**7. The policy response to the pandemic was focused mainly on protecting lives and livelihood through supporting the health system and providing lifelines to severely impacted households and businesses.**

While the biggest source of income support was administered via the Unemployment Benefits Fund operated by the National Insurance Scheme (NIS), the Central Government also provided direct support to vulnerable households through augmented welfare programs, which included cash transfers to vulnerable families. Cash transfers and Business Interruption Benefits were also provided to small vendors and self-employed persons affected by public health restrictions. As the crisis deepened, the Government implemented a programme to support crisis-hit businesses in the tourism sector to re-engage and train workers through a combination of grants and equity



investments in the BEST programme. SOEs in the tourism and transport sector received additional transfers to cope with drastically reduced revenues.

<sup>1</sup> If the arrears are included in the primary balances during the 'lost decade' then only primary deficits are recorded during that period.

**8. Consequently, the Government registered a small primary deficit of 1 percent in FY2020/21.**

In FY2021/22, revenues continued to be impacted by the pandemic, while expenditures remained elevated, not only due to the effects of COVID, but also due to the AshFall clean-up following the eruption of La Soufrière Volcano in St Vincent and the Grenadines (in April 2021) and the rebuilding and repairs following the twin events of the Freak Storm (in June 2021) and the first hurricane in 66 years, Hurricane Elsa (July 2021). Government also commenced the recapitalisation of the Unemployment Fund in August 2021 and was forced to make provision to deal with the Delta-variant surge (August/September 2021). Government's fiscal operations also recorded a 1 percent primary deficit for FY2021/22.

Estimates of Covid-related expenditures in FY20/21 and FY21/22 (In percent of GDP)		
	FY20/21	FY21/22
<b>Covid-related expenditure</b>	<b>2.5</b>	<b>3.0</b>
Health related	1.0	0.8
Support to households	0.5	0.4
Support to businesses	0.3	0.4
Transfers to SOEs	0.5	0.7
Education	0.1	0.0
Other <sup>1</sup>	0.0	0.6

<sup>1</sup> Other COVID spending includes the recapitalization of the Unemployment Benefit Fund

**9. In less than 2 years, the GOB also cleared 87 percent of the \$1.9 billion in arrears (\$1.2 billion for Central Government and \$755 million for SOEs) accumulated during the 'lost decade'.**

The stock of central Government arrears fell from \$1.2 billion to \$137 million at the end of March 2020, as the Government settled much of the arrears accumulated over the previous 10 years, including on VAT, PIT, and CIT. SOEs' arrears fell from around \$755 million to \$61 million at March 2020, following the rollout of reform and restructuring at a number of SOEs.

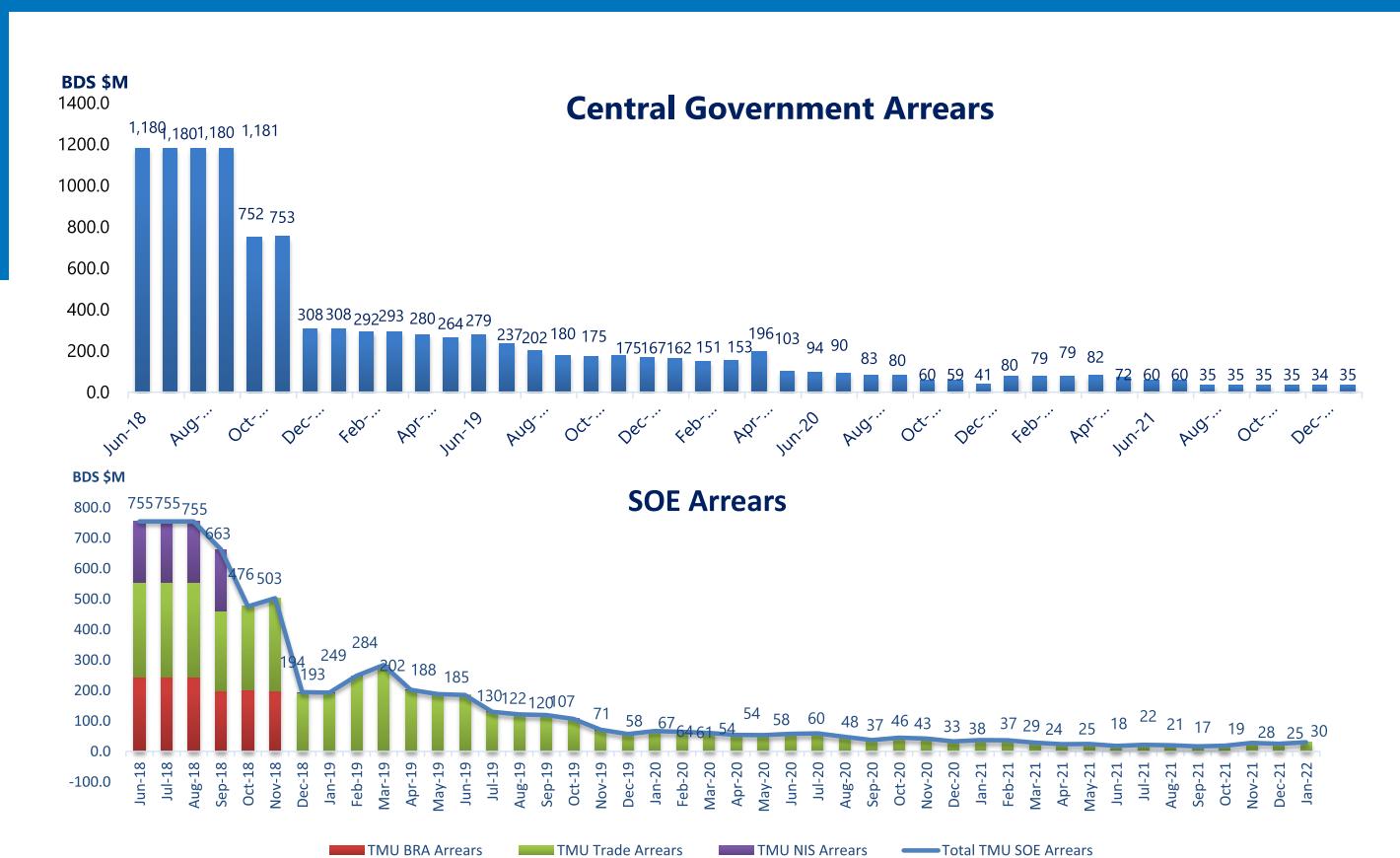
**10. The Government continued to pay down arrears accumulated during the "lost decade" even throughout the pandemic period, to the extent that by the end of January 2022, the balances outstanding were \$35 million for Central Government and \$30 million for SOEs.**

Outside of tax arrears and trade payables, there were also arrears related to land acquisitions and associated costs that occurred prior to BERT (2018). Government used the Series F Bonds to settle these outstanding arrears as agreements were reached. With the Series F Bonds coming to an end on September 30, 2022, the GOB passed legislation to replace those with the Series J Bonds.

## 11. Debt sustainability has been restored and the debt-to-GDP ratio is on a trajectory to 60 percent by 2035/36<sup>2</sup>.

Public debt fell from 176.3 percent of GDP at end 2017/18 to 117.4 percent by end March 2020, just at the start of the pandemic. This was achieved primarily through a combination of domestic and external debt restructuring.

The domestic debt restructuring achieved an upfront debt reduction of 30 percentage points of GDP through a combination of nominal haircuts and lifting of guarantees on SOEs' guaranteed debt. In addition, the debt profile was improved by a combination of longer maturities on the new debt instruments, and a reduction of debt service flows through longer grace periods on amortisation and lower interest rates.



<sup>2</sup> The debt-to-GDP anchor has been pushed out for two years to 2035/36 to accommodate the temporary departure from its trajectory during 2020 and 2021 which was occasioned by the pandemic.

## **12. The external debt restructuring further reduced economic uncertainty.**

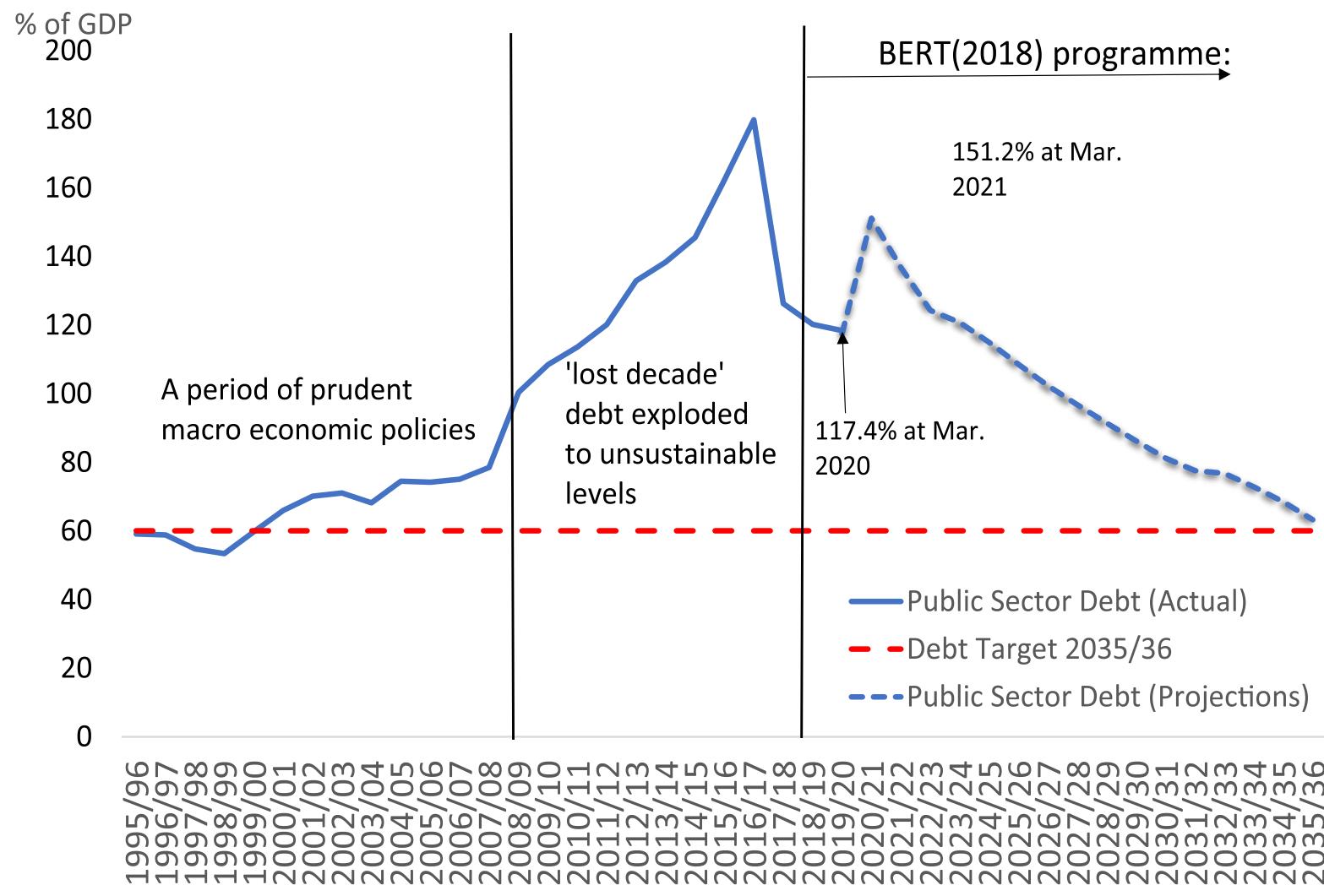
The agreed terms with creditors have put public debt on a clear downward trajectory. The agreement also includes a Natural Disaster clause for the new instruments. Debt service on these instruments may be suspended for two years in the event of a natural disaster occurring, with the suspended amounts spread out later with interest, so that the Government gets a substantial injection of liquidity when it needs it. The new instruments have a 10-year maturity, 5-year grace period, a coupon of 6.5 percent, a 25 percent haircut on principal (and a 35 percent haircut on accrued interests and penalties), and an \$80 million payment in the first two years. The restructured debt began trading close to par on the secondary market and has since remained in that region, which demonstrates the market's confidence in the programme, in the Government and in the instruments.

service fell sharply to 22 cents out of every tax dollar as opposed to 68 cents in 2018. However, COVID impacted the debt statistics, with the debt-to-GDP ratio increasing over the pandemic period to 151.2 percent by the end of FY2020/21. Of that increase of 33.8 percentage points, only 5 percentage points was as a result of new debt, while the remaining 28.8 percentage points was because of an economic decline of 14 percent in that fiscal year. Debt service also rose to 30 cents on the dollar during the COVID period. At the end of July 2022, the public debt stock had improved to 125 percent of GDP. It is expected that with the lifting of the public health restrictions the debt ratios will continue to decrease, as the economy recovers and grows and as the temporary fiscal measures are gradually removed.

## **13. With the restructured instruments, the Government has saved approximately \$1 billion per year in debt service payments over the 4-year grace period.**

Interest payments have been reduced from around 8 percent of GDP to just under 4 percent prior to COVID. Total debt

## Public Sector Debt as a percent of GDP



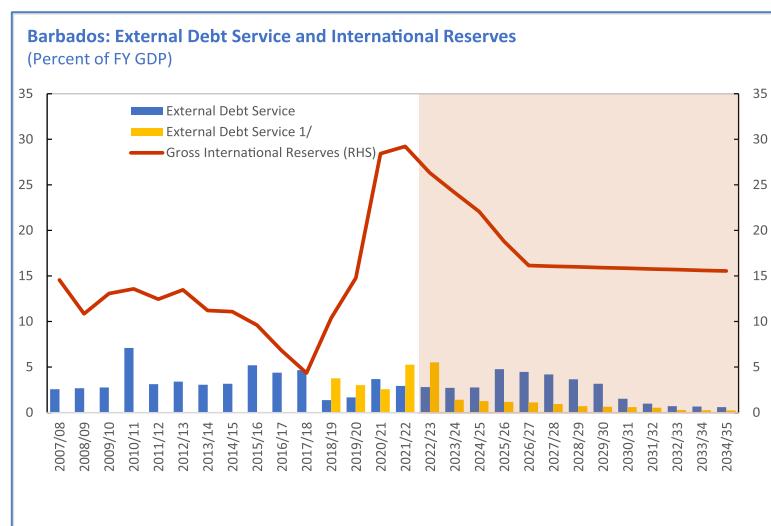
#### **14. Reserves have been restored to adequate levels and the exchange rate peg protected. This resulted from mainly multilateral support, reduced debt service and Government surpluses.**

Since the approval of the arrangement supported under the EFF, gross international reserves have increased to over \$1.6 billion at the end March 2020, which is about 21 weeks of goods and services import coverage. Since January 2022, reserves averaged just over \$3 billion, an historic 38 weeks of import cover. With the Balance of Payments strengthening, and the Government on track to reach its long-term target of 60 percent of GDP by FY2035/36, foreign reserves continue to be well in excess of projected external debt service

#### **15. Investors' confidence has been restored under BERT (2018). After 23 downgrades during the 'lost decade', Barbados was upgraded twice in 2019 based on strong, solid policies to fix the fiscal and debt positions.**

The first was by Moody's on July 3 2019 from Caa3 to Caa1, which is two notches up on their rating scale, and then by S&P on December 11 2019 from "Selective Default" to B-, six (6) notches up. Barbados is now just 6 notches away from investment grade on S&P's scale. Barbados had lost its investment grade ten years ago; first by S&P on July 17, 2012 and then by Moody's on December 12, 2012. From then, the country's ratings continued to slide deeper into Junk status. It

is worthy of note that in January 2022, both S&P and CariCris reaffirmed Barbados' ratings and stable outlook despite the COVID pandemic where other countries are being downgraded. More recently, on September 23, 2022, S&P reaffirmed Barbados' rating and its stable outlook following the innovative issuance of Blue Bonds by Barbados.



#### **16. Under BERT (2018), the Government has implemented thirty-five (35) different structural reforms aimed at reinforcing fiscal sustainability, strengthening oversight, building capacity to monitor the financial performance of SOEs by identifying key fiscal risks and reform priorities, and improving the business climate and competitiveness to support economic growth.**

**17. Customs administration is being reformed with a focus on facilitating trade and enhancing competitiveness, improving risk management and stakeholders' engagement, while strengthening revenue collection.**

In the area of governance and management: the organisational structure was overhauled and a Strategic Plan covering 2020-2023 developed; the Internal Audit Division was strengthened with the creation and implementation of terms of reference, a service and integrity charter, and a risk-based work plan. Key Performance Indicators (KPIs) were developed for all units and are progressively being used; ASYCUDA World was upgraded; a modernised Customs Act was passed; and the Harmonised Commodity Description and Coding System (2017 Edition) was implemented.

**18. As it relates to cargo processing and compliance, a holistic risk management, standardised cargo processing system and post-clearance audit procedures were introduced.**

Controls were improved with the creation and staffing of Compliance Units to monitor commercial activities through transactional reviews and audits, as well as exemption, concession, and bonded warehouse monitoring. A new

oversight mechanism was created via a Steering Committee that has the responsibility to oversee implementation of the 2020-2023 Strategic Plan. An introduction of Taxpayer Identification Numbers has commenced, in collaboration with the Barbados Revenue Authority (BRA), and electronic forms are increasingly being used to facilitate a complete paperless process. Trade facilitation has been further enhanced with the introduction of a Trusted Trader Program in 2020, which currently involves 23 large importers. Satisfaction has been reported with the programme's benefits, which include faster and more efficient customs clearance.

**19. The BRA strengthened its tax administration with the development and operationalisation of the Large Taxpayer Unit's compliance improvement plan and the scaling up of audit activity.**

As a result, 'on-time' filing and payments compliance rates have improved. BRA is also making greater use of third-party data to increase the accuracy of the taxpayer base and has established facilities for electronic filing and the payment of taxes.

**20. A number of structural reforms to transform SOEs were implemented under BERT (2018).**

However, the economic fallout from the pandemic has slowed progress. Prior to the pandemic, Government undertook cost reduction measures and revenue enhancement initiatives that were effective in delivering a structural decrease in transfers to public entities. These measures included mergers and closures, the renegotiation of costly supplier contracts, tariff adjustments (bus fares and water rates), and new levies on sanitation, health, and tourism services. These were supplemented by measures to strengthen oversight frameworks intended to improve performance and alleviate transfer needs of the SOEs over the medium-term.

## **21. Under the modernised Public Financial Management Act 2019, Central Government must approve all SOEs' borrowing.**

It can sanction SOEs for noncompliance with enhanced reporting requirements. The legislation also requires the Government and Parliament to receive regular financial reports on SOEs' performance. These combined efforts were successful in reducing SOEs transfers by 1 percent of GDP in FY2019/20, and SOEs arrears by close to 7 percent of GDP. However, these early gains have been temporarily offset in FY2020/21 by unanticipated transfer needs among large SOEs at the forefront of the COVID response strategy, namely the Queen Elizabeth Hospital, the National Insurance

Board and the National Assistance Board.

## **22. While the transitory COVID pressures will gradually unwind, the majority of SOEs exhibit weak financial metrics that reflect longstanding inefficiencies, which have been exacerbated by the COVID pandemic.**

A financial health dashboard that analyses the financial performance of public entities monitored by the MFEI was developed under the BERT (2018) plan. The dashboard provides the Ministry with a mechanism to assess risks and further elaborate targeted reform measures to enhance SOEs' performance and reduce Government dependence. This supports Government's fiscal sustainability efforts. Priorities in this context include a further rationalisation of SOEs as well as adjustments to cost structures and revenue performance to enhance financial out-turns. Policies targeted the largest SOEs. It was recognised that commercial entities must become viable on commercial terms without Government subsidies.

## **23. In August 2021, Government tabled in Parliament a three-year fiscal framework covering the FY2022/23-FY2024/25 period.**

This contained medium-term fiscal projections and a

discussion of fiscal policy objectives, including reaching the debt anchor of 60 percent of GDP by FY2035/36. This framework served as a precursor to the adoption of a procedural fiscal rule (completed in December 2021) which further enhanced transparency and accountability in fiscal policy making while maintaining sufficient flexibility to respond to the pandemic.

**24. In December 2020, the Parliament adopted a new Central Bank Act aimed at strengthening the autonomy of the Bank.**

It limited Central Bank financing to short-term advances that need to be repaid within any single fiscal year. The new Central Bank of Barbados (CBB) Act allows for CBB financing of up to 3 percent of GDP with a maximum 5-year maturity under a public emergency like the COVID pandemic or in the event of a natural disaster. Government recently issued a pandemic bond under the emergency clause in this legislation. However, while gross central Government debt increases, net debt is unchanged because of the increased level of Government deposits at the CBB (supported by the increase in SDRs allocation for COVID-related expenditure). The primary balance is therefore unaffected by this bond issuance.

**25. Reforms have also been implemented to unlock the nation's growth potential.**

These include: providing collateral and support for low income households to access construction mortgages and build and own their own homes, incentivising opening the energy sector to independent power producers; introducing a more reliable payment and digital identity system; and working towards enhanced financial access for small businesses as work proceeds on a web-based credit collateral registry. Provision was made for the digitalisation of the corporate registry: allowing for the electronic incorporation of new businesses; online registration of business names; eliminating the requirement to use a company seal; conducting online payment of fees; and, the development of an electronic database to search company records.

**26. The introduction of the innovative Trust Loan programme funded by Central Government for persons seeking to engage in nano and micro businesses has helped support business activity at the community level while enabling beneficiaries to develop the very critical needed credit history if they are to transition to the formal financial and banking sector eventually.**

Without this opportunity, many working class Barbadians will be denied the ability to make a living.

**II**

## **BERT (2022) Programme Objectives, Anchor And Strategies**

**27. It is against the background set out above that the Government has developed the Barbados Economic Recovery and Transformation (BERT (2022) Plan.**

The general strategy is to preserve the gains achieved under BERT (2018), and advance the reforms which were delayed because of the pandemic. This will be done with refocused priorities on policies aimed at generating sustainable and inclusive growth while building resilience through climate adaptation and mitigation.

**28. The pandemic and natural disasters dealt a devastating blow to the economy between 2020 and 2022.**

This laid bare Barbados' heavy reliance on tourism and its vulnerability to external shocks, including the climate crisis. The pandemic in particular, not only presented a public health crisis, but has had far-reaching social and economic implications. At one point in April/May 2020, unemployment was estimated to have reached 40 percent. The pandemic narrowed again the available fiscal space, exacerbated Barbados' long-term structural vulnerabilities, and slowed the reforms which started under BERT (2018).

**29. The disruption of the supply chains started with**

**the COVID Pandemic and was exacerbated by the war in the Ukraine which has lent to significant increases in the cost of living especially for food and fuel.**

**30. Given these triple crises facing the global economy and the very real risk of a debt crisis affecting emerging markets and Developing countries, the Government has recommitted to completing the structural reforms to better position the country for macroeconomic stability and medium-term growth.**

**The central elements of BERT (2022) are:**

- a growth strategy that incentivises the public and private sectors to invest in the green transition in energy, tourism, transport and agriculture; boost competitiveness of existing sectors; diversify the economy with the fostering of new niches and improve the doing business environment, while modernising the public infrastructure to adapt to the new realities of a climate crisis;
- a fiscal strategy that ensures that the fiscal position and Government finances are consistent with the debt anchor through the streamlining of expenditure and reforming the public sector, particularly SOEs.

<sup>2</sup> The debt-to-GDP anchor has been pushed out for two years to 2035/36 to accommodate the temporary departure from its trajectory during 2020 and 2021 which was occasioned by the pandemic.

Steadfast implementation of this program will help mobilise external financing and facilitate Barbados' capacity to better regain access to international capital markets;

- a debt management strategy that actively manages the debt portfolio to minimise costs;
- maintaining social cohesion through investment in public education, health, social development and poverty eradication.

## Growth Strategy

- 31. The Government of Barbados will advance a growth strategy within the context of limited fiscal space and maintaining fiscal stability that includes structural reforms to promote economic diversification, strengthen competitiveness and achieve a higher sustainable rate of economic growth that is private sector led and that will result in the enhancement of the economic well-being of every citizen**

The State will continue to play a strategic entrepreneurial role given the limited capacity of the size of the local private sector.

**32. A new Public-Private Sector Growth Council will be established by the end of 2022.**

- Growth over the medium term will be predominantly private sector driven and export-led, and supported through:
- Incentivising private sector and public investment in climate resilient infrastructure and in the green transition.
- Incentivising private sector and public investment in low and middle-income housing;
- Investing in skills training and education (including via online methods), towards enhancing the human resource capacity of the population;
- Preserving financial stability and mobilising domestic savings for local investment to facilitate investment opportunities for as many Barbadians as possible;
- Making Government an enabler to enhance productivity, competitiveness and service excellence, towards achieving higher local and foreign direct investment in traditional economic sectors;
- Establishing Barbados as a logistics hub by developing and strengthening both regional and international economic linkages, particularly with the African continent to enhance exports and export capacity;
- Targeted public investments to achieve sectoral integration and to develop climate resilient infrastructure;

- Promoting economic diversification through developing new niche sectors in a high-skilled, knowledge-based economy that is tech-heavy, carbon neutral, marine-conscious; and fuelled by innovation and creativity; and
- Improve productivity and adopt open labour market policies to support stronger equitable resilient growth.

## ii. Fiscal Strategy: Continued Reform of the Public Sector

### **33. BERT (2022) recognises the risks to fiscal and debt sustainability caused by the international supply disruptions from Covid and compounded by the higher imported inflation caused by the Russian-Ukraine war.**

It proposes the realignment of Government spending so that it is more effective and efficient. It focuses on the Government repositioning itself as a facilitator of growth in a post pandemic era. This includes i) slimming public expenditure through continued assessment of its scale and size, with specific emphasis on SOE reform, and ii)

maintaining fiscal discipline and sustainability by institutionalising the Medium-Term Fiscal Strategy. This signals the Government's commitment to the long-term debt path as well as its growth objectives.

### **34. The Government has a strong legacy of providing a wide range of services to the Barbadian public.**

This is commensurate with ensuring an equitable standard of living for its citizens where the average citizen has very little room for manoeuvring and relies heavily on the State.

However, over the years, services have expanded without adequate review of their effectiveness. Leakages caused by outdated procurement policies, as well as a lack of review of the effectiveness of expenditure on Government programs have reduced the efficacy of social spending.

The scale of this spending was expanded during the COVID Pandemic due to the heavy reliance on Government to support the economy, individuals, companies and households. Continued fiscal reform will focus on effectiveness, streamlining expenditure, including the scaling back of unusual and temporary measures which were initiated as a pandemic response. This will be achieved by once again accelerating the program for Retraining and Empowering, Retooling and Enfranchisement (RE-RE). The requirement for digitisation of a number of services during the pandemic provided a means of improving effectiveness and reach lower costs.

The plans for digitisation will continue.

### **35. The effectiveness of the provision of services will also hinge on continued SOE reform.**

The onset of the pandemic halted comprehensive restructuring as the revenues of many SOE were hard hit. The foreseeable end of this crisis provides the opportunity to resume the modernisation of SOEs, on a case by case basis, depending on the respective SOE to i) divest purely commercial activities to the private sector and labour, thereby further stimulating economic activity; ii) reduce, where appropriate, public subsidies through user fees; iii) improve public service delivery through worker enfranchisement; iv) reduce subsidies, where appropriate, to the private sector; and v) achieve efficiency gains within the public sector without a reduction in service.

### **36. Lastly, accountability was assured through multiple modalities.**

These included the monthly monitoring which was done separately by the Joint Economic Group and the BERT Monitoring Committee, the annual submission of the fiscal framework to Parliament and the recently adopted procedural fiscal rule. These were all in addition to the renewed role of the Social Partnership since 2018. BERT (2022) builds on these tenets which were already

established in its earlier version, with: the introduction of a Fiscal Council; a public/private sector Delivery Task Force; the establishment of a Public Private sector Growth Council; the establishment of a Government Economic Service and a Government Accounting Service; and the creation of an independent National Statistics and Data Analytics Authority.

### **37. These policies are key to ensuring that the fiscal position remains on the sustainable path which is pivotal to attaining the planned debt targets as well as sustained growth in the long term.**

Confidence will be further supported through the establishment of these independent entities.

### **iii. Debt Management Strategy: Actively Manage Debt Portfolio**

**38. The primary objective of the debt management strategy is meeting the Government's financing needs at the lowest possible cost over the medium to long-term, consistent with a prudent degree of risk.**

The Government will publish a Medium-Term Debt Management Strategy (MTDS) and borrowing plans to further outline this strategy.

**39. As discussed in previous sections of this document, Barbados' foreign reserves are well positioned to cover external debt service over the medium term.**

Barbados is currently rated as B- by S&P, with external bonds trading around par and Caa1 by Moody's. All new external debt incurred in 2020 were IFIs loans with favourable terms, which pose very little risk to the future debt service schedule and debt sustainability. The Government's medium and

long-term debt management strategy balances the use of domestic financing sources and puts the share of external debt on a gradual downward trajectory. This will allow for the maintenance of adequate reserve coverage, while avoiding excessive reliance on expensive financing from capital markets much beyond rolling-over needs. It is also consistent with the Government's overall strategy of stimulating and rebuilding the domestic market. Consequently, by end-FY2035/36, external debt is expected to fall below 5 percent of GDP, while foreign reserves are expected to stay above 15 percent of GDP throughout the projection period, well in excess of projected external debt service which had been significantly back loaded through the 2019 debt restructuring.

**40. Government will continue to capitalise on opportunities to assess the responsiveness of the market to new domestic issuance and of new instruments that may appeal to new market segments and reduce the cost of borrowing or may free up resources such as the recent debt-for nature conversion and Blue Bond.**

## **iv. Maintaining Social Cohesion Through Investment In Social Development And Poverty Eradication**

- 41.** At the core of Barbados' development has been a deep commitment to social cohesion. Central to this or any Plan succeeding is the commitment to eradicate poverty and to reduce inequality, protect vulnerable communities and address the disruptive issues of crime and discrimination.

These all require a whole of Government approach and the continuous investment in the building of capacity and the creation of opportunities for all Barbadians.

- 42.** Active citizenship is also an essential part of the strategy and the Government believes it is a critical way to engage all citizens, to play a greater role in achieving economic growth and preserving social stability.

- 43.** The Government will place a high priority on high quality, effective universal education and healthcare provision, a substantial expansion of housing for low-income households and a reform of Barbados' social welfare programs so that they become more effective.

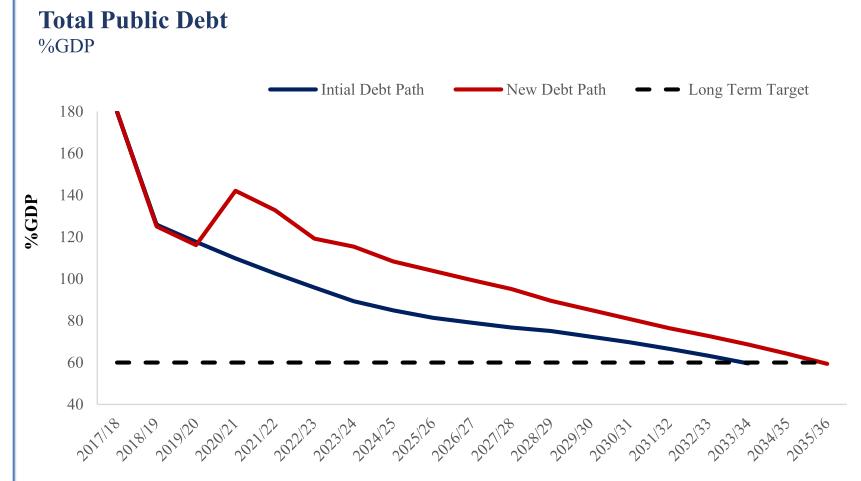
The Home Ownership Powered by renewal Energy Program has the potential of being a credible source of basic income for households, benefiting in particular low and middle income households. Digitisation is intended to improve the effectiveness of programmes and reduce the level of bureaucracy and the costs for the delivery of services.

**III**

# Medium-term Macroeconomic Framework

**44. The BERT (2022) programme continues to be anchored by a debt-to-GDP path that converges to 60 percent by 2035/36.**

The target under BERT (2018) was to achieve 60 percent by 2033/34. The extension of the target by two years reflects the major disruptions to economic activity caused by the COVID pandemic and the fallout from the freak storm and Hurricane Elsa which from beginning to end would last longer than two years. The successful completion of the debt restructuring in December 2019 was critical in moving debt to a sustainable position. This debt restructuring saw institutional creditors accepting a range of options for a bond exchange which shifted the debt to more sustainable levels. Also critical to maintaining debt sustainability is the ambition to continue on a path of fiscal sustainability, to maintain primary surpluses over the medium-term and to reduce the debt levels to the target by 2035/36 (See chart above). BERT (2022) proposes a steady increase in primary surpluses as the additional and one-off social and economic programmes initiated during the pandemic are phased down as the economy recovers. A primary surplus of 2 percent is targeted for FY2022/23 and 3.5 percent for FY2023/24. Thereafter, it is intended that 4 to 4.5 percent will be maintained for three years, before the fiscal effort is moderated as debt levels reduce.



**45. This path for the primary balance is built on the principle that it is investment that drives growth.**

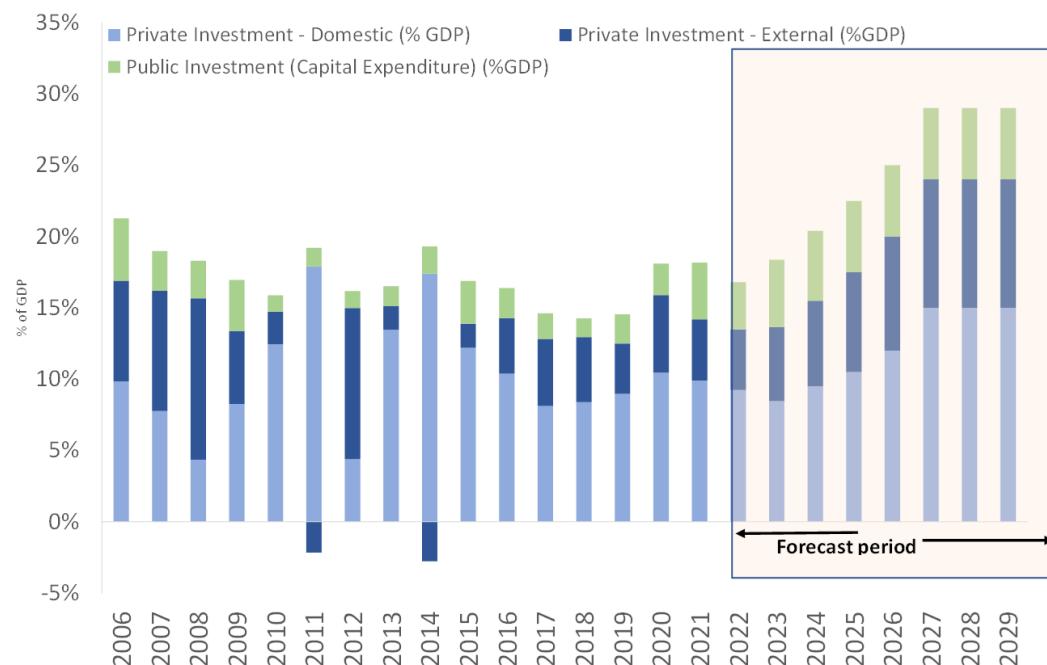
This therefore allows for a sufficient level of public capital expenditure to support the required level of public investment that underpins the growth strategy. In 2006, a total investment to GDP ratio of just about 21 percent (public investment of 4.4 percent; foreign direct investment of 7.1 percent; domestic private 9.8 percent) supported an economic growth rate of 3.8 percent; one of the strongest growth rates on record for Barbados. The investment ratios have fallen continuously since then where, by the end of 2018, total investment as a ratio of GDP was down to approximately 14 percent (public investment of 1.3 percent; foreign direct investment of 4.6 percent; domestic private 8.4 percent). The economy stagnated then.

**46. BERT (2022) targets a public investment to GDP ratio of 4.2 percent of GDP in FY2022/23 and 5 percent over the medium-term, which amounts to an average of \$500 million per year, highest on record.**

The Government needs the private sector to raise its investment ratio from the current 8.5 percent of GDP

(approximately 975 million to date) to 15 percent of GDP (an annual average of \$1.9 billion by 2027), in support of the targeted growth. Similarly, foreign direct investment today stands at 4.2 per cent of GDP (approximately \$482 million) and is projected to move to 9.0 per cent (approximately \$1.14 billion 5% over the medium term of 2023-2027). This ranges from an average of \$550 to 630 million in the relevant period.

Investment Ratios and Economic Growth



**47. The fiscal effort necessary to achieve the debt-to-GDP anchor is premised on conservative growth assumptions.**

In 2020, real economic activity declined by an estimated 14.1 percent due to the COVID pandemic and the actions taken to contain the spread of the virus. With 2021 being plagued with the continuation of the pandemic, the effects of the freak storm, Hurricane Elsa (with damages to over 2000 houses of which over 90 percent was owned by persons below the poverty line; 95 per cent of whom had no insurance), and the loss in activity due to the ash fall from the La Soufrière volcanic eruption in St. Vincent and the Grenadines, the economy grew only by an estimated 1.4 percent. The economy is expected to show a strong recovery in 2022 of around 10 percent, predicated on a rebound in tourism and a suite of large private and public sector construction projects. Annual growth is expected to average 4.5 percent for the next 2 years. Thereafter it is expected that investments in the green transition, housing, climate adaptation and a more knowledge-based economy will push growth to the 5 percent target.

**48. The fiscal and debt measures will be supported**

**by growth-enhancing structural reforms in order to generate sustainable, inclusive growth.**

These growth-enhancing reforms include measures to improve the supply of skilled labour and risk capital, and to improve the speed, cost, predictability and transparency of Government licensing. This work has already started with a significant revamp of CAIPO, which was geared towards making the registration of businesses easier and more efficient. Additionally, though the COVID pandemic seriously impacted the tourism industry, the Government responded through the rollout of the BEST programme. This not only allowed for higher levels of employment to be maintained in the industry, but it also facilitated training programmes to improve the skillsets of tourism sector workers; provided capital for refurbishments and investments in greening through renewable energy installations (including photovoltaic systems and water conservation); and increased the use of digital technologies to upgrade outdated business processes. In addition to all this, the deepening of linkages with agriculture, manufacturing and the cultural industries was a critical requirement for entities relying on the BEST programme.

**49. As the Government continues to make progress on its improving business initiative, it is expected that doing business in Barbados will become easier, cheaper and more attractive.**

These measures will be conducive to realising the full potential of planned investment and supporting the Government's ability to sustain real economic growth of around 3 percent (nominal economic growth of 5 percent) in the long-term.

**50. The Government understands that the timing of recovery is uncertain.**

Structural reforms can take a while to design, implement and bear fruit as supply-side improvements have long and variable lags. While the Government has a focus on boosting the potential growth rate of the Barbadian economy, the strategy to reach a debt-to-GDP ratio of 60 percent by 2035/36, does not depend on unrealistic forecasts for economic growth, but on fiscal prudence and primary surpluses. This conservative approach has the benefit of mitigating the effects of any variation from the growth forecast that may be due to unachieved reforms, given that the growth rate is closer to the growth trend of the economy. Therefore, the Government would

not have to respond immediately to falling fiscal revenues with growth-sapping retrenchment to maintain a sustainable debt-anchored fiscal position.

**51. A large reserve buffer can protect against a significant drain of foreign reserves from unanticipated shocks.**

This reality justifies that it is necessary for small economies like Barbados that are susceptible to external shocks, including natural disasters. Recent experience of the damages and losses inflicted by hurricanes in 2019 in Dominica, Antigua and Barbuda, St. Maarten, Puerto Rico and BVI shows that a direct hit from intense hurricanes can cause a significant drain on foreign reserves, justifying the inclusion of natural disaster clauses in all of Barbados' debt as well as holding a larger reserve buffer than the international benchmark of 2.8 months of import cover. Accordingly, the Government remains committed to maintaining at least six (6) months of import cover. This level of reserves will better provide the macroeconomic resilience required by Small Island Developing States (SIDS) such as Barbados.

**IV**

## **Macroeconomic Policies For 2022/23 And 2023/24**

## **a. Maintaining Fiscal Sustainability**

### *i. Adjustment to 2 Percent Primary Balance*

- 52.** The fiscal effort for FY2022/23 is focused on facilitating public investment and supporting important social programs for the most vulnerable, as expenditures ramped up during the crisis period are gradually reduced with the waning of the pandemic.
- 53.** Of the expected fiscal adjustment, approximately 2 percentage points of GDP is directly a result of reduced Government transfers, particularly those designated to SOEs.

The lower amount of subventions to SOEs is hinged on the improvement of earmarked revenues, that is, those revenues that go directly to support key SOEs such as the health levy. These were significantly impacted by the

economic downturn during the pandemic. In particular, these were negatively impacted by the scaling back of programs that were established as temporary vehicles to support impaired sectors and commercial public enterprises which experienced significant declines in revenues during the pandemic. This is expected to result in Central Government subventions, as a ratio of GDP, falling to levels comparable to that of FY 2019/20 when the reform program was well underway.

- 54.** The recapitalization of the National Insurance Scheme as well as an expansion in the health sector investment necessitated by the pandemic has resulted in a 4.2 percent capital budget in FY2021/22.

BERT (2022) allows for the continued elevated level of capital spending of 4.2 percent in FY2022/23 and an average of 5.0 percent of GDP over the medium-term in order to accommodate a ramped up public investment program required to generate higher levels of economic growth.

### *ii. Adjustment to 3.5 and 4 Percent Primary Balance*

**55. Greater fiscal effort is required in FY2023/24 if the targeted primary balance of 3.5 percent is to be achieved.**

It should be noted that revenues are expected to rebound as the tourism sector recovers.

**56. Implementation of SOEs reform, which was stalled during the COVID pandemic, will also be a critical feature of the revised program.**

These critical interventions will determine the achievement of fiscal targets during FY2023/24 and FY2024/25. The unfinished reform agenda from BERT (2018) includes:

- a) ensuring that there are adequate and modern user fees or other efficiencies that reduce or eliminate public subsidies for valuable services that are still best carried out by a public body, such as the Land Registry Department, and the Corporate Registry;
- b) establishing public-private partnerships (PPPs) or enfranchisement opportunities to deliver public services, such as:
  - i. the transition of the Transport Board into a Mass Transit Authority;

- ii. the Caribbean Broadcasting Corporation transformed to a more commercial focused digital media company fit for the 21st century;
  - iii. restructuring of the relationship of Kensington Oval Management Inc. to leverage Barbados' strong cricketing legacy;
- c) achieving financial and operating efficiencies without reducing the level of public service; such as by merging the Rural and Urban Development Commissions and reforming the National Housing Corporation;
  - d) transitioning of the Queen Elizabeth Hospital into a Trust, which is intended to provide greater autonomy in the operation of the island's lone tertiary care institution aimed at delivering improved services to the public;
  - e) transitioning of the National Insurance Scheme into a full statutory body in order to improve the governance structure, particularly in relation to its human resources and other operational matters and its overall levels of efficiency;
  - f) upgrade the operational and management systems of the Barbados Water Authority making it a fit

for a public utility operating in the 21st century in a climate crisis;

g) reducing and better aligning a public subsidy, where the same public purpose or more can be achieved with less expense, such as switching the price support provided by the Barbados Agricultural Management Company (BAMC) in the sugar industry to the provision of licenses for renewable energy that will provide a more modest subsidy for a feed-in tariff that promotes, amongst other things, the co-generation of electricity using sugar cane and biomass.

## b. Maintaining Debt Sustainability

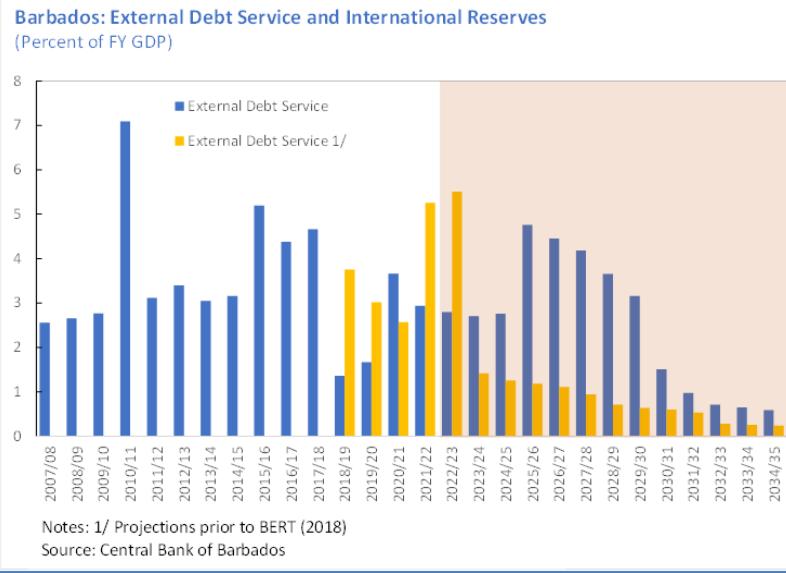
**57. Risks to debt sustainability are significant but mitigated by (i) the Government's strong commitment to achieving the targets set under the EFF-supported BERT program, (ii) more manageable debt service terms, which resulted from the comprehensive debt restructuring exercise and (iii) a strong commitment to long-term fiscal adjustment.**

**58. In seeking to mitigate the impact of the COVID pandemic and other natural disasters, the Government was compelled to increase its borrowing.**

This COVID-related borrowing, coupled more significantly with an approximate 14 percent decline in GDP in 2020, resulted in an increase in the previously declining debt-to-GDP ratio.

**59. To continue towards the path of debt sustainability, revisions were made to primary balances to accommodate increased Government spending related to COVID and the natural disasters. Specifically, the original target of a 6 percent primary surplus in 2021/22 was revised to a deficit of 1 percent.**

Thereafter, there has been a commitment to a gradual return to higher primary surpluses of 2 percent and 3.5 percent in 2022/2023 and 2023/2024, respectively, and an average primary balance of approximately 4 percent of GDP over the medium- to long-term. This coupled with ongoing economic recovery and planned structural reforms will facilitate a steady reduction of the debt-to-GDP ratio over the medium to long-term, allowing Barbados to achieve a target of 60 percent by 2035/36.



### i. *Debt Arrears*

- 60.** As discussed in previous sections, the stock of central Government arrears fell from \$1.2 billion to \$35 million at the end of January 2022.

At the same time that of SOEs declined from \$755 million to \$30 million. The plan is to clear these remaining balances as fiscal space becomes available , while those arrears related to land acquisitions will be dealt with via

the series J Bonds as agreements are reached with property owners.

- 61. BRA completed the vetting of a stock of old tax refund arrears amounting to \$173.7 million that was discovered in the latter months of 2021 in its legacy IT system.**

At the same time, there is a large stock of taxpayer arrears owed to the Government (more than 10 percent of GDP). BRA is committed to completing an analysis of the net refund versus payable position. Once this vetting work is completed by the committee that has been set up to do this work, a programme will be developed to address these legacy claims over a two-year period and in accordance with available fiscal space.

- 62. The Office of the Attorney General (OAG) continues to negotiate and settle the backlog of legal claims against the State that were brought before the Courts prior to October 1, 2018.**

Under BERT (2018) a number for these claims were initially settled using Series F Bonds until April 2022, when the Government commenced the issuance of Series J Bonds. Whilst it is not possible to estimate what the negotiated settlements will be, the plan is for

Government to continue settling these arrears through the issuance of Series J Bonds.

**63. The Ministry of Housing, Lands and Maintenance has also completed a reconciliation exercise related to monies due and owing prior to October 1, 2018, to persons whose properties were acquired by compulsory acquisition.**

Preliminary estimates put these contingent liabilities at around \$300 million. A negotiating team will be put in place to address these legacy claims over the next 3 years through the issuance of Series J Bonds similar to the approach taken by OAG.

## c. Financial Sector Policies

**64. The maintenance of the currency peg remains at the heart of macroeconomic stability in Barbados.**

As such, the accumulation of approximately 38 weeks of foreign exchange import reserve cover has buttressed

general confidence among individuals and businesses that currency value will remain stable over time. The Government's 2018 amendments to both the Central Bank Act and the Public Financial Management and Audit Act (FMA) have strengthened the limitation on CBB financing of the Government. Reducing the limit on the Ways and Means account to 7.5 percent (of CG revenues) from 10 percent and introducing a 10 percent (CG expenditures) annual limit on Central Bank purchases of securities in the primary market, have significantly reduced the probability of foreign reserves being depleted by excessive Central Bank financing. These amendments with respect to the ways and means limit were repeated in the Central Bank Act of 2020. In the instance of primary securities, there was a further modification to restrict Central Bank purchases of securities in the primary market to support Government during times of natural disaster or pandemic.

**65. The Government has developed a plan for the gradual recapitalisation of the Central Bank which, given the magnitude of the capital shortfall, carefully balances available fiscal space with the gradual elimination of the capital deficiency.**

It is anticipated that the recapitalisation should provide the Central Bank with balance sheet space to engage in

operations to help sterilise excess liquidity, thereby mitigating a potential source of vulnerability to the fixed exchange rate regime. To address the new environment, the CBB is developing a revamped framework for monetary and macro prudential stability.

**66. The Barbados financial system remains well capitalised. Extensive stress testing by the Central Bank of Barbados and the Financial Services Commission continues to indicate a low risk of a systemic crisis.**

Commercial banks, which represent the largest and most crucial component of the system, possess an aggregate capital level that is over twice the regulatory minimum. In addition, loans which fell under the commercial banks' moratoria program due to the pandemic were less than two percent of private sector credit due to a combination of both loan restructuring and increased regulatory flexibility.

**67. Regulators are also carefully examining the issue of the impact of the climate crisis on financial sector stability, with the Central Bank seeking to incorporate climate shocks into its evaluation of the system while its sister regulator, the FSC, has developed climate**

**stress tests for the local insurance industry.**

These two regulators also work closely together on the new Financial Oversight Monitoring Committee to introduce the benefits of Fintech while protecting consumers and the integrity of the financial system.

**68. Barbados has continued to make progress on its anti-money laundering and counter terrorism financing framework, a key consideration of any modern financial system.**

Barbados was removed from the EU list of non-cooperative jurisdictions for tax purposes in February 2021 and remains on the Annex 2 (grey list). However, efforts continue to address shortfalls which should permit Barbados' removal from the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring.

## d. Structural Reforms

### i. Reforms to the Budget Process

- 69. The BERT (2018) program identified a number of structural reforms that would “strengthen the strategic phase of the budget formulation process”.**

This included setting budget ceilings consistent with the BERT macro forecasting process, the provision of clear instructions to Ministries for their budget submissions, and the cessation of incremental budgeting. Mid-year reviews were established and presented in Parliament.

- 70. There was consideration given to the adoption of a numerical fiscal rule, with plans “to enhance fiscal transparency and lock in the gains of fiscal consolidation”.**

However, fiscal rigidity during this period of international and domestic uncertainty made the implementation of a numerical rule ill timed. Hence a procedural fiscal rule was introduced, formalising the structure under which fiscal policy should be executed.

- 71. A number of other reforms have been slated for the medium term with a focus on gleanning efficiency gains, particularly within the revenue collection agencies.**

Some of the ground work has commenced with the modernisation of tax administration systems as well as increased auditing to slow revenue leakages. Increased capacity for electronic filing and digital payments have simplified processing and has scope for improving compliance rates.

- 72. In addition, an IMF TA mission fully reviewed the exemption process under which tax waivers are issued, as the management of the process was identified as inefficient and insufficiently monitored.**

Restructuring the waiver approval process is expected to reduce the value of tax expenditures (currently estimated at about \$600 million) and at the same time, increase receipts without implementing further tax measures.

Reforms have also focused on reducing expenditure leakages by ensuring the modernisation of the public procurement system. A new procurement Bill has been passed with the aim of ‘creating value for money’. This is

particularly important given the Government's commitment to retaining core services while pursuing a strong consolidation effort. The proclamation of the new legislation will take place by 2023/24 after a programme of sensitisation and public education is completed.

#### **Reforms of State-Owned Enterprises, State Agencies and Authorities**

**73. Five (5) different approaches have been adopted to achieve modernisation of selected entities.**

*a. Shifting purely commercial activities to the private sector and Labour*

**74. Caves of Barbados has been leased to a private operator, while the space managed by Barbados Conference Services Limited is now utilised by Ross University.**

Caves of Barbados has had to be provided with limited initial funding as a result of the impact of the COVID pandemic. It is not expected that these entities will require an annual subvention in the future. Kensington Oval Management Inc. has been identified for restructuring. Negotiations with the Barbados Cricket

Association are ongoing for a suitable commercial agreement that will reduce the annual subvention to KOMI. The Caribbean Broadcasting Corporation (CBC) will be transitioned to a digital media company fit to operate in the 21st century. The CBC is currently engaged in negotiations with prospective investors.

*b. Reducing public subsidies where appropriate through user fees for public services*

**75. The Financial Services Commission, the non-bank regulator, has now moved to full cost recovery and is already self-sufficient.**

Three other entities provide an essential public service for which the private sector beneficiaries have a capacity to pay and where they do so in many other countries. These entities are the vital statistics of the Registration Department, the Land Registry, and the Corporate Affairs and Intellectual Property Office (CAIPO).

**76. The Government is seeking greater efficiencies through the digitalisation of CAIPO (which is almost completed) and the other Registries.**

Government will also accelerate the modernisation of the other registries in order to improve business facilitation.

c. *Improving Public service delivery through enfranchisement*

**77. The Government will continue its strong push to enfranchise ordinary Barbadians where possible through strategic divestment opportunities and private placements towards targeted stakeholders.**

Facilitating the creation of greater responsibility and an ownership culture through the economic enfranchisement of workers will ultimately produce substantial savings for the public purse. It will also unlock domestic financial resources that will be used to generate substantive economic activity. Through these activities the Government could focus more on regulatory functions and the creation of an enabling environment such that there would be reduced costs to the public purse, improved services and better corporate governance and the provision of transformational opportunities for workers.

**78. Revenue to the Transport Board was enhanced by an increase in bus fares in 2019.**

The Transport Augmentation Programme (TAP) was also introduced in 2019 under which former drivers of the Transport Board were contracted to service specific

routes. The Government facilitated access to financing through Fund Access to the former Transport Board workers to allow them to purchase the buses to participate in the programme. At present, 156 buses operate under this arrangement. The Board itself has reduced maintenance and other costs by replacing some of its fleet with electric buses (currently 49 buses with an ongoing commitment to purchase another 10 by 2023). The Board also intends to move its passengers to a cashless payment system also by 2023.

In the short term, Government intends to transition the Transport Board into a mass transit authority and with the commitment to procure new electric buses. The Government is also committed to incentivising the old diesel buses to electric. This will allow for the country to complete the electrification of the fleet much faster.

**79. Efforts to support a greater diversification of capital will be complementary to the Government's efforts to achieve greater value for money.**

The Government plans, through providing access to finance and financial literacy training, to support the drivers and their teams such that they may own their buses. Others will be encouraged to participate in the provision of services in the public transport system.

**80. The single largest amount of savings will come from the Barbados Water Authority (BWA).**

The Barbados Water Authority has realised significant savings through organisational restructuring, including voluntary and involuntary separation. Further savings are anticipated to come from the BWA with the completion of a performance management system and a 24-hour work day. A Garbage and Sewage Contribution (GSC) fee was introduced in August 2018, and is levied on consumers via their water bill. The proceeds are split between the BWA and the Sanitation Service Authority (SSA). This measure has removed the need to provide operating subventions to the SSA. Any support from Government to both entities is limited to capital formation. The agreement between the SSA and the proposed Green Energy Park will see the subvention from Central Government to Sustainable Barbados Recycling Centre (SBRC) being removed in exchange for SSA's participation in that entity. Both of these entities are critical to Sustainable Development Goal (SDG) #6 and therefore Government will continue to monitor their performance as the provision of clean water and sanitation to citizens remains vital.

*d. Reducing subsidies to the private sector where appropriate*

**81. Following consultations, the Government determined that it could achieve the same public purpose for which the Barbados Agricultural Management Corporation (BAMC) was established by scaling back the subsidies and services to that institution and creating strategic alliances with the private sector.**

**82. The BAMC currently provides price floors for specific agricultural products, especially sugar.**

The Government will transfer the factory operations to the private sector with a minority shareholding being retained in the company. This will anchor the sustainability of the industry with the cogeneration of electricity from sugar cane and biomass. The industry will therefore require less direct subsidy from central government. It will also enable the conversion of part of the crop. into specialty sugars and fancy molasses that will not require a subsidy. The Government believes that this approach will provide more sustainable support for rural communities, raise agricultural productivity, and generate Government savings.

**In relation to bringing the significant acreages of fallow lands back into production to boost food security, the Government will work with commercial farmers as well as enfranchising**

**83. and empowering existing workers of BAMC who already have the technical expertise in farm management and are desirous of transitioning into operating and farming lands on a commercial basis.**

As with the case with the TAP program, Government will seek to facilitate access to financing to support this new entrepreneurial activity.

**e. *Efficiency gains within the public sector without a reduction in service quality***

**84. The Government remains resolute in its plan to bring higher efficiency to its public finances through better financial and expenditure management.**

Thus each Ministry, Department and Agency must undergo an efficiency and technology audit by the end of 2023/24. The Government will set targets as a primary objective in the delivery of all its public sector programmes, as set out in its Commitment for Results Frameworks. All Ministries, Departments and Agencies will be required to improve their levels of efficiency. Government will also promote the sharing of resources, equipment, processes, and procedures among SOEs,

especially amongst like-natured entities.

**Outdated methods and technologies and restrictive practices have caused the public sector to be a generally inefficient provider of public services.**

**85.** The reforms to have all taxes and several licenses and other fees being paid by direct wire transfer or online via credit card or direct bank debit has been a major improvement in the ease of doing business. For greater efficiencies, all Ministries, Departments and Agencies will be required to redesign their processes with a customer-centric focus and move to a point where all revenues can be collected electronically. Customers need to be able access the various services for the required transaction from a single service point.

Though the University of the West Indies (UWI) is not a SOE, the cost to the Government is approximately \$124 million per academic year (2022/23). The Government currently structures this amount as a cost reimbursement for Barbadian students studying at UWI. The Government believes it can get more value for money in an arrangement with the University that will modestly reduce this amount without restricting access to tertiary education. The arrangement would see UWI sharing with CARICOM institutions revenues from Barbados' RE

sector. 5 percent of Barbados' renewable energy capacity will be assigned to these regional bodies to help offset pressure for direct support from the consolidated fund.

## e. Reforms to Debt Management

### 86. The Government will seek to strengthen its debt management.

It will request specific technical assistance for this purpose from international development partners. The Government will develop and implement a medium-term debt management strategy (MTDS). The MTDS will be underpinned by a debt management objective to meet the Government's financing needs at the lowest possible cost over the medium to long-term, consistent with a prudent degree of risk. The Government will publish its medium-term debt strategy and borrowing plans with the annual Financial Statement and Budgetary Proposals. In addition, the Government is committed to undertaking a review of debt management practices, including an assessment of the effectiveness of the auction mechanism for long-term debt. In addition, the

Government will undertake a review of debt legislation, with a view towards pursuing a comprehensive debt law.

## f. Growth Reforms

### 87. Over the last two decades Barbados' average growth rate has been around 2 percent.

This is insufficient to achieve stronger, inclusive and equitable growth while simultaneously bringing down the island's debt-to-GDP ratio. Therefore, Government is committed to a more ambitious growth target. The Government of Barbados will advance a growth strategy within its limited fiscal space. It will maintain fiscal stability as it implements structural reforms to promote economic diversification and strengthen the country's competitiveness. The State will continue to play a strategic entrepreneurial role, leading the way in areas where there is limited appetite or capacity in the private sector. A new Public-Private sector Growth Council will be established in October 2022. Growth over the medium term will be predominantly private sector driven and export-led,

**88. The growth strategy will be underpinned by the following pillars:**

*Pillar 1: Incentivising the green transition and building climate resilient infrastructure*

**89. The Government will incentivise an acceleration of public and private sector investment in the green transition, especially in the energy generation, transport, tourism, housing and agricultural sectors through attractive but temporary feed-in-tariffs and temporary tax reductions.**

**90. The Government remains committed to reaching the 100 percent renewable energy target by 2030 (about 10 percent as of end-FY2021/22).**

To that end, the Fair Trade Commission (FTC) has published Feed-in Tariffs (FITs) for independent power producers (IPPs) for a range of renewable energy technologies. The Government has established a licensing system for IPP renewable energy projects accompanied by a guidance note on the licensing and approval process for investors in March 2022. Now that the licensing process is clarified, the Government intends to expeditiously implement the process as envisaged and accelerate

private sector investments into renewable energy projects. To that end:

Government is committed to close remaining regulatory gaps in the FIT mechanism to promote renewable energy storage technologies and a corresponding licensing policy/approvals framework, thereby increasing investments into battery storage technologies to meet energy demand.

- b. The tariff system intentionally favours smaller projects.
- c. Government intends to amend the FIT mechanism to cover renewable energy from 1MW to 10MW to further accelerate the execution of renewable energy projects.
- d. Parliament will adopt the New Electricity Supply Act to (i) enhance competition in the electricity market; (ii) ensure that the local population is enfranchised and can benefit from the alternative energy dividend.

**91. The Government is committed to greening the transport sector by continuing the shift toward electric vehicles and any new alternatives to fossil fuels. Fiscal Incentives were announced to reduce import duties, excise taxes and VAT on electric vehicles.**

Barbados has the largest electric bus fleet in the region of 49 electric buses (about 70 percent of available bus fleet) with another 10 being ordered. The Government plans to continue to increase the share of electric vehicles in public transportation. Wind Power will also be pursued – limited onshore, but also recognition of offshore wind. There will also be the development of green and blue hydrogen.

**92. Government will boost its capital works program to 4.2 percent of GDP in FY2022/23 and stabilize at around 5 percent over the medium-term in order to support a higher growth trajectory whilst address critical infrastructure needs.**

**93. The Roof to Reef (R2R) initiative is a holistic, integrated national initiative for the resilient development of Barbados.**

The programme presents an integrated public and private investment framework founded on principles of sustainable development and climate change resilience. This initiative also includes support for roof strengthening and roof replacement programmes where there is vulnerability to wind damage; maintenance and replacement of aged water mains and augmenting access to water; provision of sanitary facilities for households; and enhanced efforts to protect the coral reefs and marine environment. Among other measures, the Government will undertake a phased approach to the resiting underground, the existing above-ground utility infrastructure. Priority will also be given to the upgrading of hurricane shelters and developing a national storage capacity of generators, water, food and medicine to last for seven days. The Government will review and restate all designs and standards for public infrastructure, roads and drains to ensure that they can become more climate-resilient.

**94. Given the absolute necessity to both mitigate and adapt to the climate crisis, the Government will move with despatch to establish a sandbox facility to address the regulatory and innovative climate-resilient manufacturing.**

The Government will also work urgently to encourage innovation domestically to assist us in adapting to this existential crisis that is already taking its toll on the island's land and marine environment.

## **95. Work has commenced on the Scotland District Roads Rehabilitation project.**

This involves the reconstruction and development of the roads, bridges and drainage networks for one-seventh of the landmass of the country. It will be executed over the next 3 years. This project will unlock new commercial and tourism developments in the Scotland District area when completed. Residents and prospective investors in the area will have their concerns regarding land slippage and improve safety for road users., .

## **96. The Government will upgrade the South Coast and Bridgetown wastewater treatment plants to tertiary levels so that the treated wastewater/reclaimed water can be used for water supply through groundwater recharge and irrigation for agricultural purposes or other non-potable uses.**

This work will also include the construction of sludge treatment facilities and odour treatment facilities, and the replacement of old equipment in the existing enhanced

preliminary treatment facility as necessary.

## ***Pillar 2: Incentivising low and middle income housing***

## **97. Building an affordable, green, and climate resilient housing stock is a priority.**

The Government's housing agenda is to build at least 10,000 houses in five years. The Government will use its policy frameworks for renewable energy technology to make the cost of housing more affordable and to make it easier for Barbadians to qualify for mortgages. The initiative is called HOPE: Home Ownership Powered by Renewable Energy (HOPE). There are different levels of HOPE for different income categories. The Company will undertake the development of the public housing programme to meet the pent up demand for low and middle income housing. The Government has ensured that this housing is affordable to public servants and members of the protective services. It is addressing the cost of land (using Planning Gains and public lands where possible) while managing carefully the cost of services and construction.

## **98. HOPE will become the developer of public housing for the Government of Barbados while**

**the NHC will continue to work with the allocation of housing units and with the management and maintenance of its estates.**

And for those who are unable to participate in any of the HOPE schemes because their income levels are too low or too irregular, the NHC will purchase from HOPE new houses and housing units for a 30-year rent-to-own programme. These will range from individual units to duplexes, quads, and multi-stories to meet this demand. The Housing Credit Fund will be used to finance this silent housing revolution.

**99. Separately, for those who already own their own homes, the Government has announced that all owner-occupied houses will have access to renewable energy (PV and wind) as a right.**

This will give ordinary Barbadians the right to participate in this new sector as a form of economic enfranchisement. A simplified process has been designed to avoid a lengthy bureaucratic process. In support of expanding the number of Barbadian property owners the Government will continue the revolutionary programme of Plantation and NonPlantation Tenancy Transfers.

***Pillar 3: Investing in skills training and education***

**100. As part of the implementation of BERT (2018), the Government facilitated the return to free tertiary education at vocational, technical and undergraduate levels.**

In the medium term, the Government will continue its plans to integrate the Barbados Community College, Samuel Jackman Prescod Institute of Technology and the Erdiston Teacher's Training College into the University College of Barbados to focus on Applied Arts and Science Training.

**101. Additionally, the Government will reform the education system to close the achievement gap and better position the skillset of students for the 21st century society and economy.**

This will include the introduction of a new Education Act aimed at modernising the approach to teaching and management of the education system; replacing the 11-plus secondary school entrance examination with a new transfer system that seeks to ensure that each child is educated to the maximum of his or her ability; and promoting the teaching of STEAM (science, technology, engineering, arts and mathematics) subjects.

**102. During the pandemic, the Government also introduced coding and robotics programme across the primary and secondary school system with the aim of exposing students to the rudiments of programming which is a fundamental skillset for the modern economy.**

Plans are in place to accelerate its implementation. In addition, electronic teaching aids, i.e. laptops and tablets were distributed to all students to facilitate online learning during the lockdown. This, along with the conversion of the Textbook Loan Scheme to incorporate Digital Materials and Competency Based Software (to aid in reading and numeracy), will make it easier to extend teaching to new areas such as animation and web apps development.

**103. The Government launched the Barbados Youth Advance Corps programme in 2019 with the aim of providing training and opportunities for 1,000 young people per year for 2 years in order to address the skills gap across communities in the country.**

The programme was severely disrupted by the COVID pandemic and was unable to achieve the objectives outlined at the outset. Under BERT (2022), the Government will prioritise this programme as a critical

pillar of its social spending. The construction of dormitory and training facilities will soon be completed. This complements the National First Jobs Initiative Job Start Plus. The programme seeks to empower persons aged 16 to 24 who have no work experience, by providing them with world of work training and other developmental support. Participants also benefit from job placements, of no less than three months, with participating companies.

**104. A Construction Gateway Training Programme has been designed to meet the increase in demand for construction related jobs.**

This growth programme is expected to see a significant increase in the construction sector fuelled by the investments in the public and private sectors.

**105. The Government will seek to forge international partnerships to boost domestic post-secondary and training institutions.**

One such example will be the Jean and Norma Holder Hospitality Institute, forging new partnerships internationally to expand its institutional capacity and range of offerings. It will also seek to partner with the BCC Language Lab to deliver functional competence in different languages for those working in the tourism and hospitality sector.

**106. The National Transformation Initiative (NTI) will continue to provide opportunities for training of Barbadians.**

Whilst much of the training and acquisition of skills had to be done online during the pandemic, the NTI has begun going through community by community in recent months in order to expose more citizens to the plethora of training opportunities that are available. It's partnership with COURSERA has opened up 15,000 courses to Barbadians. The Student Revolving Loan Fund will partner with the NTI to undertake a programme of Cyber Security Training to meet the global shortage of this expertise. These activities in collaboration with other institutions will form part of the Government's commitment to make Barbados world class within seven (7) years. These investments in skills and training development will allow Barbadians to take advantage of any global opportunity.

*Pillar 4: Preserving financial stability and mobilising domestic savings for local investment*

**107. Over the course of BERT 2018, the Government made significant progress in improving the country's financial stability.**

This was achieved through the completion of a comprehensive domestic and external debt restructuring programme, streamlining public sector operations, expenditure and revenue tax reforms, and improving the regulation and financial accountability of SOEs.

**108. Additionally, in November 2018 the Barbados Trust Fund Limited was established, which has provided seed funding of up to \$5,000 at the first instance to micro entrepreneurs and up to \$10,000 for the 2nd loan upon the satisfactory repayment of the first loan.**

However, the ease of access to financing for businesses and local entrepreneurs remains a concern. To address this concern, the Government will continue to support the development of access to finance for small- and medium-size companies, through:

1. encouraging the emerging crowd-financing platforms and facilitating the use of block chain technology;
2. attracting new low-cost providers of money transfers, payments and electronic wallets to offer new financial services;
3. establishing a collateral registry. A web-based

collateral registry of movable assets will be created for entrepreneurs and/or small businesses which can be used as security when applying for loans from commercial banks and other lending institutions. Establishing a credit collateral registry and broadening the types of eligible collateral, would further facilitate access to credit.

4. establishing an appropriately structured niche factoring program, and micro-leasing agencies to enhance access to finance, particularly for small businesses. In a factoring program, small firms can be paid in a timely manner, for goods and or services provided to Government, by selling at a discounted rate. Micro-leases will allow them to lease equipment for short periods and complete orders rather than having to put a down payment on a purchase or long lease.
5. Encouraging small business to be listed on the Junior Stock Exchange. This is designed to give small businesses another financing option. The Caribbean Development Bank has agreed to work with Barbados in getting to the first phase with the listing of some 20 small companies on a Junior Stock Exchange as a way of encouraging others.

**109. These complement the Fair Credit Reporting Act, which was proclaimed in May 2022, to enhance the functioning of the credit market by promoting accuracy, fairness, and privacy of personal information assembled by credit reporting agencies.**

**110. The launch of the Financial Literacy Bureau (FLB) is a critical step in the thrust to mobilise domestic financial resources.**

The FLB, which operates under the Ministry of Energy and Business, together with the passage of the Fair Credit Reporting Act, the National Payments Systems Act and the creation of a digital payments ecosystem will significantly enhance the business environment by finally addressing issues related to access to finance which has stymied the development of the small and medium-sized enterprise sector for far too long.

**111. The Government will continue to consider options to strengthen the non-bank financial system, including temporary regulatory forbearance as firms build back their capital, or the establishment of a resolution trust that will provide equity capital to institutions that need it.**

In addition, the Government will work with the credit union sector to develop a deposit insurance framework for its members.

**112. In an age of digital technologies, the Government will work with the financial sector to address issues related to financial inclusion.**

The launch of the new digital identification Trident Card will address some of the longstanding issues but the Government will also actively seek out strategic partnerships with the Post Office for the provision of a range of financial services both digitally and in the geographic location aimed specifically at those who would not normally be facilitated in the normal course of doing business.

**113. To address consumer-related issues, Government will introduce a consumer financial protection bureau which will aim to bring a more customer-centric focused approach to market conduct by providers of financial services.**

**114. Barbados has a reputation as a strong regulator. The financial sector is well**

**capitalised and exhibits reasonable leverage.**

The failure of firms in the financial industry has been low. And where there have been failures, there have been systems of compensation. The Government will take a principles-based approach as opposed to a rules-based approach in the regulation of Barbados' financial sector, but in particular in the rapidly emerging area of FINTECH. The Government will follow three main principles, and from time to time, shall guide the marketplace on how to apply these principles.

**115. First, the incidence of regulation lies not with what technology promoters are using or what they call their new instruments but what the instrument is used for and how buyers, sellers and owners treat it.**

Second, the Government is focused on protecting vulnerable consumers, not everyone. The Government distinguishes between retail investors on one side and sophisticated investors, professional intermediaries and wealthy investors on the other side who should be able to take risks with investments and securities. They should be the vanguards of innovation, not ordinary savers and pensioners. Third, the most common source of loss in the history of finance, including in recent months in the

cryptomarkets, has been conflicts of interest. Consequently, especially for retail investors in the securities markets, the Government require independent intermediaries and fiduciaries, strict separation of client money, transparency, and disclosures.

**116. The Government will work with the CARICOM Development Fund and other regional entities to find innovative instruments to attract savings from within the region to help finance development in Barbados and the wider CARICOM in disadvantaged sectors, regions and countries.**

*Pillar 5: Making Government an enabler to improving productivity, boosting competitiveness and exports, and enhancing service excellence*

**117. The Government will continue to pursue measures aimed at providing the requisite business environment to support trade and investment in the economy, and to increase Barbados' exports.**

To date, the Government has made significant headway in

improving the operations at the Barbados Port Inc., a major component in boosting the island's competitiveness. This has resulted in a reduction of the time associated with the processing and releasing of goods and commodities. The Government will build further on these results through the launch of an electronic single window for trade and by encouraging greater coordination between regulators to reduce the logistical costs and bureaucracy associated with trade.

**118. In order to improve speed in payment processing, Customs will begin accepting digital payments from commercial users and brokers during the last quarter of 2022, meeting a critical efficiency target to aid in business facilitation.**

The already successful pilot of the Trusted Trader program will be expanded to more companies to further facilitate trade and investment.

**119. The Government will also continue to advance plans for the establishment of a Legacy Fund, as a means of supporting economic empowerment.**

The Government will vest idle assets into the Legacy Fund which will be used to engage the private sector, the labour

movement and households in the generation of financial returns that will boost growth.

**120. The Government will continue to pursue programmes aimed at improving the business environment via enhanced service delivery in the public service and private sector.**

These programmes will be executed through initiatives to: digitise Government records; establish an E-Services platform to facilitate access to Government services on a central online platform; develop a digital platform to improve the monitoring and execution of the Public Sector Investment Programme. At the same time, the National Transformation Initiative, will partner with education and training providers to strengthen both core skills and competencies, and attitudes and values. Change management training will continue to be provided where necessary.

**121. Given that tourism was one of the hardest hit sectors by the pandemic, with long-stay visitors contracting by close to 90 percent and cruise arrivals ceasing.**

In this post-pandemic period, the Government will work with the private sector to properly integrate the traditional

mainstays (tourism and international business) with the rest of the economy to strengthen economic linkages, particularly with manufacturing, agriculture and cultural industries. The Government will build on the BEST program to expand access to affordable capital to upgrade and enhance an ageing and maturing tourism product so that the country may become more competitive and profitable in its tourism offerings. This will be an essential compliment to the efforts to expand airlift and tourism revenues. Turning BTMI into a PPP so that it can be more agile in the marketing of Barbados for the tourism sector is critical.

**122. The agriculture sector continues to a key driver of growth and food security.**

As part of its support for the sector, Government launched the Farmers' Empowerment and Enfranchisement Drive (FEED) Programme, aimed at reducing agricultural imports by increasing commercial scale farming across the island. FEED provided an avenue for new farmers to establish agricultural enterprises in a variety of farming systems ranging from traditional open field crop farming to apiculture and aquaponics. Similar, the Government established the Community Agricultural Response and Empowerment Project (Project CARE), where small garden

sized plots of less than one acre are being allocated to vulnerable groups in the society such as the unemployed, persons living below or bordering the poverty line and women in society. Emphasis is also being placed on the development and enhancement of the agro-processing function within the agricultural sector.

**123. The Ministry of Agriculture, Food & Nutritional Security will implement sanitary and phytosanitary legislation before the end of fiscal year 2022/2023 with a view to enhancing Barbados' exports capacity, particularly of poultry and fish-based products.**

Emphasis will also be placed on the development of agro-processing capacity to move higher along the value chain. The agro-processing industry will source product both locally and regionally in order to generate the scale for competitiveness. The partnership with Guyana, Suriname and Northern Brazil will be leveraged to strengthen the competitiveness of this industry.

**124. Barbados is an internationally competitive jurisdiction for captive insurers - the self-insurance subsidiaries of conglomerates.**

This is the result of a strong treaty network of double

taxation, bilateral investment treaties, and specialised and appropriate regulation and taxation for an insurance line with no third-party customers. The Government will use the captive insurance model of specialised and appropriate regulatory and tax treatment to build these sectors, recognising the local jobs and new product offerings for local consumers it will create.

**125. As a means of supporting the development of the international business sector, the current Companies Act and related legislation will be reviewed and updated to ensure consistency with international best practices.**

A renewed emphasis will be undertaken to expand the range of product offerings in a more nimble manner and the reach of the island's treaty network. Additionally, the Government will continue the current initiatives to improve the efficiency of the Corporate Affairs and Intellectual Property Office (CAIPO) in the registration and incorporation of businesses and related services, through the development of a digital strategy and the utilisation of ICT platforms.

**126. The development of Economic and Free Zones to facilitate high value exports and attract new research and development firms to build better**

**distribution channels and supply chains,  
especially cold chain supply.**

The special economic zone will generate new digital capabilities and new supply chain management core competences across the export ecosystem. A key area of growth will be just-in-case capacity, positioning Barbados as a key business sustainability logistics hub. This infrastructure investment will foster collaboration between the ports and customs department to facilitate the ease of doing business.

**127. The Government will continue to develop its ocean infrastructure.**

Special space to be allocated in the ocean for blue economy related industry activities such as mariculture, marine biotechnology, and marine innovation. This is anticipated to significantly facilitate growth. This along with provision services for offshore oil and gas activities and the production of blue hydrogen requires significant investment in the short and medium. Furthermore, the Government is in the research development phase of developing a 5 MW wave energy park on the east coast in conjunction with a leading European company.

**128. Government will complete the reform of**

**Barbados Investment and Development Corporation by fully transforming it into Export Barbados and Barbados EXIM Bank.**

By completing the transitioning of the Industry Unit and the government's sole export and industrial development agency from the International Business portfolio to the Innovation, Science and technology portfolio, greater strategic emphasis will be focused on export-oriented industrialisation.

**129. Government is also advancing the objective of expanding investment in innovative rapid expansion tensile structures that seek to expand manufacturing capacity in Barbados by 50%.**

A targeted 75 acres of innovative export industrial infrastructure has been set aside for new international manufactures to leverage Barbados as a near-shoring hub for strategic industries and Research and Development. These parks will be fully integrating renewable energy into the production system of the overall industry ecosystem.

**130. Government through partnership and support to the BMA as a "think tank" has worked to develop business ideas and pass them to the private sector for development.**

Through its support to the BMA, Government is placing stronger emphasis on standards and quality. For example, through closer consultations with the industry players, the Government has identified sectors that can benefit from the development of standards to enhance both product quality and training quality for individuals or training institutions delivering programmes to teach manufacturers how to make certain products. This will certainly increase manufacturers competitiveness in the local and international market. This will also improve customer satisfaction.

*Pillar 6: Establishing Barbados as a logistics hub*

- 131. The Government will seek to establish Barbados as a logistics hub in order to advance trade and facilitate increased direct investment in key sectors including agriculture and food security.**
- 132. Work has been completed on a draft Aviation Strategy that is being designed to build clusters of new commercial activity, anchored by the Grantley Adams International Airport.**

Work is underway to establish a new Maintenance and Repair Operation (MRO) within the first quarter of 2023

and talks are underway to expand flight training capability as examples on ongoing work. The expectation is that over a five year period, Barbados will become a southern hub for all aviation commercial activity and with it the expansion of the island's trading footprint for transhipment using the logistics infrastructure.

**133. In the Bridgetown Port, work is expected to begin before year end on a new cargo berth which will service the maritime logistics hub.**

New trading lanes are being developed and new sister Port Agreements have been signed between Barbados and Port of Tema in Accra Ghana, Port of Mombasa in Nairobi, Kenya and negotiations have been completed on the signature of an additional agreement with the Port of Abu Dhabi, specifically the Port of Khalid's. It is anticipated that the Port of Bridgetown and the Port of Khalifa would be positioned as hubs for trade in their respective regions, recognising the strategic positioning of the Port of Bridgetown in the Southern Caribbean and as a gateway into Latin America and that of the Port of Khalifa, as the gateway to the Middle East. The connections to the Middle East, Africa through Barbados as the hub onwards to the Caribbean and Latin America will significantly expand the growth trajectory for Barbados and establish its place as a Southern Logistics hub connected both by air and sea.

**134. Barbados' small size and distant from key source markets for food, has been a major contributor to high food prices.**

One way in which the Government intends to address this is to make Barbados a regional transport hub by leveraging the existing framework for connectivity and the emerging source of demand from Guyana, Suriname and northern Brazil. Work has already commenced with the ministry of Agriculture and Food Security, collaborating with counterparts in Guyana and Suriname to establish a Food Terminal in Barbados as a PPP. This project will support regional efforts to address food security issues and also to reduce the regional food import bill by 25 percent by 2025. The terminal will enable the consolidation, storage and processing of crops produced both locally and regionally; the processing and packaging of shrimp and fresh water prawns; as well as the processing of locally produced meats at a state-of-the-art slaughtering facility. This will result in locally produced, high value products that target the tourism sector as well as the local and export markets. In a new commercial thrust, the Government will also be seeking to provide as much locally and regionally grown food to the hotel and food sector.

**135. The United Nations World Food program has also established a regional hub in Barbados at**

**the Grantley Adams International Airport and CDEMA has already established a hub in the Bridgetown in order to preposition food and other supplies to be better able to respond to any natural disaster in the region.**

**136. There will be further expansion and improvements at the Grantley Adams International Airport through PPP (while retaining national ownership of the airport) to boost its competitiveness as a major hub of choice for air travel and the movement of cargo in the southern cone of the world; once again taking advantage of Barbados' natural benefits that accrues from the geographic location.**

**137. Reform of the civil aviation legislative framework will create expanded opportunities for the development of new air routes.**

New legislation has been drafted establishing a Civil Aviation Authority, an Accident Investigation Unit and an Air Navigation Services Unit as part of contemporary aviation policy in line with ICAO standards. This new legislative framework and the attainment of ICAO standards will lead Barbados on a path to Category 1 status and with it the attraction of new carriers. This will

significantly expand airlift with the US market and in turn onwards to the Caribbean region and the African continent with Barbados as the southern travel hub.

**138. The Government is seeking to move beyond its traditional north-Atlantic routes.**

To this extent, Government is working with partners including the African EXIM Bank to unlock access to direct airlift between Barbados and the African continent, and Barbados and the Gulf States.

**139. The reform of the Maritime legislative framework as well as critical investments in the port infrastructure, including the launch of the digital port community system, will facilitate greater opportunities for Maritime travel and movement of cargo. In order to address the capacity deficiency in regional travel, Government will encourage the establishment of a regional ferry service to enable goods and people to move around the region in a cheaper and more timely manner.**

It is anticipated that a whole new class of travellers will be unlock with this development.

*Pillar 7: Promoting diversification through new niche economic activities centred around a new, high-skilled, knowledge-based economy that is more technologically advanced and carbon neutral and marine-conscious.*

**140. To advance the urgent diversification of the economy and accelerate areas of potential growth, the Government will continue to pursue the following initiatives:**

- a. The introduction of special Economic and Free Zones to attract foreign investment in high-tech and new blue and green activities and revitalise areas of the economy where activity has declined.
- b. The creation of new marine conservation parks linked to the sustainable development of the fishing and marine tourism industries. Funding for this will be provided through the savings from the recently concluded debt-for-nature swap which resulted in approximately US\$50 million in interest savings becoming available exactly for this purpose.
- c. The development of the legal and fiscal framework that will support private development of new offshore islands and peninsulas.
- d. Leasing operating space to small businesspersons such as mechanics and auto body repair technicians,

and support micro, small and medium sized enterprises.

The development of a micro, small and medium sized enterprises policy as a major plank for growth, and facilitate the measurement of the contribution of the sector to the wider economy.

**141. The Government intends to diversify its international business sector further, especially in the fields of international education and health tourism, the development of an international and a local film industry and headquarters to global firms.**

Particular attention will be given to leveraging the country's expertise in the provision of educational and health services to build additional economic sectors as well as to take advantage of its strong capacity within science to create a vibrant Life Sciences Hub in Barbados and to further expand the bio-economy. The investment in biotechnology and medical technology support systems will foster industrial linkages with health care and cater to specialised areas in the life sciences market space.

Currently an international agency is doing an in-depth economic development plan. It must be noted that 75

percent of all products export from Barbados are primarily Bio-based and biological derived products. The intent is to build on the core competency and leverage Barbados' comparative advantage moving from low value added in the life science value chain to high value added in the life science value chain.

**142. Additionally, the Government will pursue initiatives that support the development of the creative industry and take advantage of Barbados' unique culture and heritage.**

To fully leverage the approximately 80 Million paper records held by the Barbados Archives Department and build the heritage sector as a substantial pillar of the national economy, the Government will develop the Reclaiming Our Atlantic Destiny (ROAD) project. The project will see the development of a state-of-the-art digitisation centre where the records will be digitised; the development of an Ancestral Memorial at Newton Enslaved Burial Ground; the Development a state-of-the-art Museum of Trans-Atlantic Slavery and Forced Migration and a fully articulated Heritage District.

*Pillar 8: Adopting Open Labour Market Policies to Support Stronger, Resilient Growth Together With*

## *Expanding The Population Base and Improving Productivity And Competitiveness*

### **143. One of the critical challenges facing this country is population size and demographic trends.**

Barbados has not replaced its population since 1980, which is one of the critical findings by the Population Commission set up in 2018. Barbados' workforce has already started to decline. Further, the Economic Commission for Latin America and the Caribbean (ECLAC) has estimated that by the year 2050, one in every two (2) Barbadians will be over the age of sixty-five (65) years old. This population deficit is undermining economic growth and will destabilise national development. This is a major concern because the island's social and economic systems rely on a contributing workforce and a growing economy. Indeed, the social security system has suffered in recent years from a decline in the number of contributors to the National Insurance Scheme; some 30 000 less than what was anticipated at this time. A programme of action has been suggested by the National Population Commission to remedy this population deficit by 2050.

### **144. The reform of the National Insurance system has already been undertaken as a priority by this government.**

It is anticipated that those reforms will be shortly announced to ensure the future viability of the National Insurance Fund.

## **g. Social Development, Social Security and Poverty Eradication**

### **145. The passage of COVID along with the other climate-related shocks have increased the proportion of the population below the poverty line; even for those above the poverty line, vulnerabilities have risen and many households are still under pressure financially.**

Additionally, the war in the Ukraine has led to sharp rises in inflation in both commodity, food and energy prices. In the short to medium term, Government will continue to monitor global inflation and make the necessary adjustments as required to deliver targeted relief to the most vulnerable in order to maintain social stability.

### **146. The Government is firmly committed to reducing**

**poverty and inequality and enhancing human and social development. As such, a main feature of the Government's policy has focused on improving the wellbeing of the most vulnerable in society, and the promotion of social justice and inclusive development across the entire society.**

This includes the introduction of the pit toilets elimination programme; the return to free tertiary level education; establishing a minimum wage; raising the minimum non-contributory pension; increasing the expenditure allocation of key agencies with responsibility for social services (the National Assistance Board and the Child Care Board and Welfare Department) and streamlining the services offered by these institutions; and promoting the principles of the decent work.

**In this post-pandemic period, Government will**

**147. continue to advance a people-centred development agenda, through initiative which focus on:**

- a. Improving the efficiency and relevancy of the social services delivered to the public, through the reform of the Welfare system and establishment a Family Services Authority aimed at bringing all public social services under one directorate.
- b. Expanding of the availability of affordable housing

through joint ventures with the private sector to increase the affordable housing stock by 10,000 within the next five years and increase the use of energy saving technologies.

- c. Facilitating access to and the availability of Wi-Fi and broadband nationwide, especially in housing estates and rural areas.
- d. Continuing the implementation of the Pit Toilet Elimination Programme and the provision of piped water and sanitary facilities in The Belle, Bellevue, Bailey's Alley and the environs of Murphy Pasture and Chapman Lane.
- e. The development of an affordable housing programme to reduce density in public housing estates and facilitate upgrades to the electrical and plumbing infrastructure of those units.
- f. Develop a policy on reverse mortgages, particularly for senior citizens.
- g. Expanding opportunities for labour market participation.

**148. Reform of the public pension is high priority for the Government.**

The aim is to reform the civil service pension towards ensuring long-term sustainability of the system. The 2020 actuarial review outlined options for consideration, which include a lengthening of service for new public servants and required contributions for earnings above established NIS

ceilings. The Government has embarked on a comprehensive public consultation program involving discussions with key stakeholders, in order to chart the way forward.

**149. Related to the above is the recapitalisation of the NIS. From 2008 to 2019, Barbados continues to experience a significant decline in population, nine years of negative economic growth, declining employment levels, and negative real wage growth, which all led to a decline in the number of persons making NIS contributions.**

During this period, as the then Government found it harder to finance large deficits, it sold more Government bonds to the NIS, which by 2018 was overly concentrated in Government bonds. Consequently, the 2018 debt restructuring exercise, though stabilising the public finances, resulted in the National Insurance and Severance Funds incurring investment losses. The COVID-19 pandemic led at one point to an estimated 40 percent unemployment and high levels of severance and bust employers, placing additional and unusual strain on the Fund. The Fund may have managed one or two of these fundamental shocks, but not all of them simultaneously. Combined recapitalisation and reform measures are essential to safeguard its operations over the medium

term. The Government's initial focus has been on restoring the Unemployment Benefit Account through an infusion of B\$143 million from the Consolidated Fund over a three to five-year period; thus far \$60 million has been disbursed and depending on the fiscal space, may be able to disburse the full amount ahead of schedule

## **h. Climate Financing**

**150. Barbados has already made strong commitments – both through national policies and international agreements - towards fighting climate crisis and adapting to its impacts, restoring and conserving Marine Biodiversity and enhancing Barbados' Blue Economy.**

Climate policy is a priority of the Government and requires ensuring mainstreaming in the consideration of actions to minimise impacts to, and/or improving the stock of, biodiversity across all socio-economic sectors.

**151. In 2021, the Government submitted its updated Nationally Determined Contributions to the UNFCCC and set the aspirational goal to achieve**

**a fossil-fuel-free economy and to reduce GHG emissions across all sectors to as close to zero as possible by 2030, specifically aiming for a 70 percent reduction in GHG emissions, economy-wide, by 2030.**

This reflected a more ambitious agenda to address the effects of climate change on Barbados than was originally set in 2015. As for adaptation and resilience, the NDC presents a programmatic approach set by its Roofs to Reefs Program (R2RP), which is a holistic, integrated public investment program founded on principles of sustainable development and climate crisis resilience. This work also relies on the development to be done on their Third National Communication, and National Adaptation Plan.

**152. The GOB ensured there was an alignment of the climate change and development objectives. For this purpose the NDC process relied on the inputs of different national and sectoral strategies.**

Therefore, there is full alignment to the Roofs 2 Reefs Programme, which at the same time operationalises the Physical Development Plan of the country and ensures further alignment with between its policies concerning the

Sendai Framework on Disaster Risk Reduction, and the 2030 SDGs.

**153. To achieve the goals set by 2030, the GOB recognises that a more aggressive approach is required to address climate adaptation.**

The Government is also conscious that the need to adapt to the climate crisis could potentially crowd out the fiscal space required to achieve the SDGs given current high debt ratios and the need to accelerate climate adaptation. The Government has therefore argued that instead of Barbados' development partners rushing with temporary access to concessionary finance when Barbados is hit by a climate disaster, they should provide limited access to concessionary finance for climate adaptation investments that will likely save significant costs if a climate event hits. This is a live issue, but there is a growing recognition of the legitimacy of the case.

**154. The Government also developed a Framework for Blue Sovereign Sustainability-Linked Bonds and Loans (BSSL).**

The framework has been established in accordance with the 2020 Sustainability-Linked Bond Principles (SLBP) of the International Capital Market Association (ICMA) and

the 2019 Sustainability Linked Loans principles from the Loan Market Association (LMA). The Principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking environmental, social, and governance (ESG) outcomes and promote integrity in the development of the Sustainability-Linked Bond and Loan markets. The Government launched a Debt for Nature swap in September 2022, which is the first instrument to be issued under the BSSL and is guaranteed by the Inter-American Development Bank (IDB) and The Nature Conservancy (TNC). Over the next 15 years, funds would be diverted from the Consolidated Fund into the Barbados Environmental Sustainability Fund (BESF), a local trust set up with partners being TNC, University of the West Indies and the Government, to pursue marine conservation and environmental commitment under the agreements. The critical fiscal space that has been unlocked by this transaction will fast track some of the work to help achieve the 2030 targets and will serve as a catalyst for crowding in additional resources from philanthropic and international donors. This first issuance in September 2022 supported a US\$150million buyback operation directed to retire more expensive sovereign outstanding bonds. This liability exercise generated approximately US\$50million over the life of the new instrument for the BESF. Government.

**155. The Government will continue its global advocacy for the international financial community to provide financing for adaptation and mitigation, and will work with entities like the Green Climate Fund and other multilateral institutions in order to access concessional financing.**

The IMF is the first multilateral institution to respond by launching the Resilience and Sustainability Trust (RST) for climate vulnerable countries like Barbados. The RST aims to enhance economic resilience and sustainability of eligible members by (i) supporting policy reforms that reduce macro-critical risks associated with select longer-term structural challenges, and (ii) augmenting policy space and financial buffers to mitigate the risks arising from such longer-term structural challenges

## i. Budget Policy Priorities

**156. Contingent on the six pillars upon which BERT (2022) is anchored, over the next 3 fiscal years as a matter of policy the Government will support the following budget priorities and thereby create value for money for the citizens of Barbados.**

- a. reducing poverty and inequality through the protection of the vulnerable;
- b. increasing the long-term competitiveness of the tourism sector;
- c. reducing unemployment by training staff and investing in renewable energy and through strategies that target job creation;
- d. strengthening resilience to natural disasters and climate change;
- e. review of tax system to broaden tax base and lower rates;
- f. reduction of tax expenditures
- g. reform and transformation of the SOEs;
- h. pension reform and a comprehensive procurement framework;
- i. upkeep and renewal of the capital stock and expansion of the infrastructure necessary for investment;
- j. transforming the public sector through fiscal and debt consolidation;
- k. financial support and the facilitation of innovation and entrepreneurship;
- l. providing expenditure to facilitate the movement to “go green”;
- m. enhance food production and food security;
- n. building resilience in the housing market in conjunction with renewable energy to drive sustainable capital formation and provide housing to large numbers of persons waiting on housing solutions;
- o. boost export capacity of traditional and non-traditional goods and services;
- p. develop a Life Sciences park as a part of critical thrust to build out the bio-economy;
- q. establish a Heritage District as a boon to development of the heritage economy; and
- r. creating a balance sheet of under-utilized assets in a soon to be created Barbados Legacy Fund

V

# Financing Of The Programme

- 157. The comprehensive debt restructuring announced in June 2018 had as a feature a 4-year grace period which ends on September 30, 2022.**

New borrowings during this period were mainly sourced from international financial institutions (IMF, IDB, CDB, World Bank, CAF) and bilateral arrangements.

- 158. During the pandemic, the Government developed the innovative and successfully implemented Barbados Optional Savings Scheme (BOSS).**

Over a period of 18 months, under this arrangement bonds were issued to public servants who could opt out of the scheme and sell their bonds to members of the public through a financial intermediary. In 2021 and early 2022, the Government made available to the public two tranches of treasury notes, familiarly known as “pandemic bonds”. Recently, Government also launched the BOSS Plus programme which has most of the BOSS features but which is open to the public at large.

- 159. BERT (2022) requires primary surpluses, which excludes interest expenses, averaging 4 percent of GDP over the next five years consistent with achieving the debt anchor of a 60 percent**

**debt-to-GDP ratio by FY2035/36. After interest expenses are considered, overall deficits should average \$164.8 million for the first three years of the program before tightening to a small cumulative surplus in the last two years.**

In addition, the comprehensive debt restructuring announced in June 2018 had as a feature a 4-year grace period which ends on September 30, 2022, thus increasing Central Government overall financing needs.

- 160. Programme implementation and debt service provision over the next 4 years are expected to be facilitated largely through external financing.**

At least \$1 billion in multilateral financing has been identified for direct budget support (not project focused), inclusive of the Resilience and Sustainability Trust (about \$366 million) and Extended Fund Facility (about \$220 million) provided by the International Monetary Fund, \$300 million from the InterAmerican Development Bank (IDB), and \$200 million from the World Bank. Another \$1 billion is expected as project-specific funding over the course of the programme, facilitated through other development partners including the IDB, CAF, CDB, and the Export-Import Bank of China.

**161. The remaining financing is expected to be met through domestic sources.**

This includes the continued issuance of Barbados Optional Savings Scheme (BOSS) Plus Bonds with an annual cap of \$200 million.

**162. Government anticipates that as the economy grows and Barbados' credit ratings improves it**

**will also regain access to the international capital markets.**

Given the current volatility in the markets created by sharply rising inflation, the ongoing war in Ukraine and the lingering effects of the COVID-19 on the global logistics and supply chain, Government will continue to monitor developments to determine the best timing to reengage the market.

VI

# Monitoring And Implementation Of The Programme

**163. To monitor the implementation of measures and attainment of objectives under the program, the Government will continue to rely on the BERT Monitoring Committee (BERT-MC), which is a sub-committee of the Social Partnership and was established in 2018 to monitor and report to the public on the BERT (2018) program.**

The Committee will maintain regular communication with the broader Social Partnership group and the general public. In addition, to the BERT Monitoring Committee, the Government will also create three specialised independent bodies: an independent Fiscal Council to assess the sustainability of fiscal decisions, a public/private sector Delivery Task Force and a public/private sector Growth Council to promote and support the implementation and co-ordination of the growth strategy.

**164. The Government will use the BERT (2022) plan to transform the Barbados economy and ensure that it becomes more vibrant, resilient and entrepreneurial while promoting greater fairness, opportunity, and well-being.**

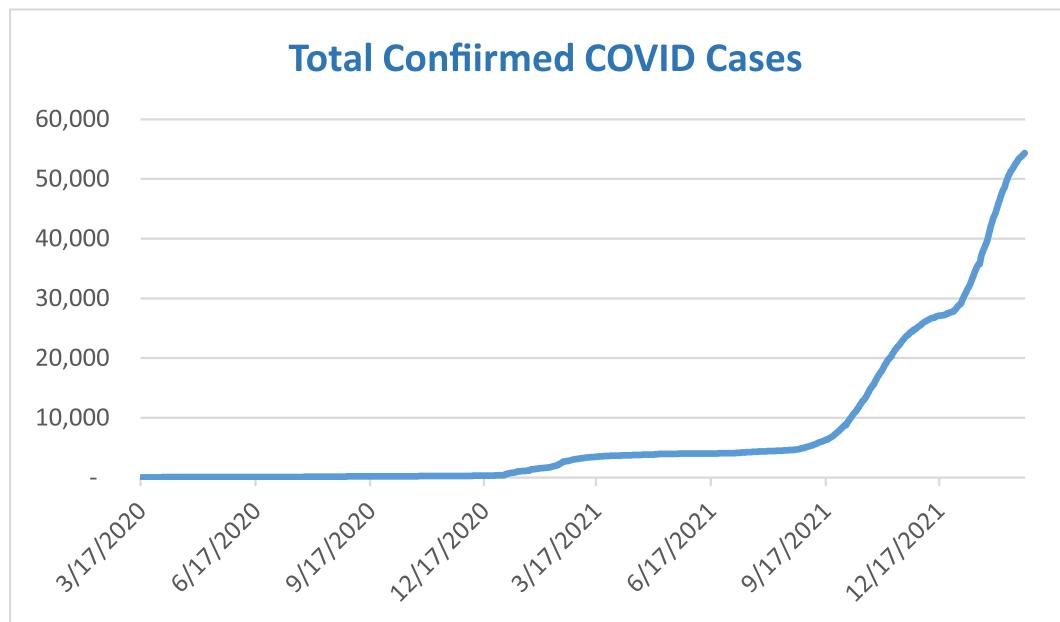
The Plan will be monitored through semi-annual reviews on the basis of performance criteria (targets on the primary balance, transfers to SOEs, issuance of new debt, and no new arrears), and structural benchmarks designed to transform the public sector and the economy will be developed. The Government will adopt any new financial or structural measures which may be necessary for the success of the program.

# **Appendix 1: Impact of the COVID Pandemic and Natural Disasters on the Fiscal, Debt and Real Economy**

## Coronavirus Disease (COVID-19)

On March 17, 2020, Barbados recorded its first two confirmed cases of the coronavirus disease, commonly known as COVID-19. The Government of Barbados quickly implemented a plan of action to combat the pandemic, including national restrictions on movement, and the closure of the ports of entry and non-essential businesses. A suite of measures designed to save lives and preserve livelihoods was also introduced, including construction of isolation facilities, enhanced social safety nets, procurement of essential medical supplies, and stimulus programmes.

Global restrictions on international travel to curb the spread of the coronavirus severely disrupted the local tourism and related services sector in 2020. The emergence of more contagious variants continued to upend Barbados' economic recovery in 2021, with tourist arrivals declining by 80 percent in comparison to 2019. An estimated 1.4 percent economic growth was recorded for 2021, due primarily to improved performance in the tourism sector in the fourth quarter as a result of a relaxation in global travel restrictions, reduced health protocols and higher demand.



## b. Natural Disasters

**Three natural disasters in 2021 further exacerbated the challenges posed by the pandemic.**

An eruption of ash from the La Soufrière volcano in St. Vincent and the Grenadines in April, 2021 disrupted economic activities and dampened Barbados' economic growth for 2021 by between 0.5 percent to 1 percent. Based on a loss and damage assessment conducted by the Ministry of Finance, Economic Affairs and Investment, the initial cost of the ash fall was approximately \$87.1 million, but could rise as high as \$329.1 million. The construction, wholesale and retail, accommodation and food services, and transportation and storage sectors bore the brunt of the fallout, with economic losses estimated at \$8.6 million, \$7.5 million, \$7.4 million and \$6.4 million, respectively. The total loss of nominal GDP was estimated at \$56.3 million.

On July 2, 2021, the first hurricane since 1955 hit Barbados, causing widespread destruction to public infrastructure, residential and commercial buildings, telecommunications networks and the national grid. The Government imported 150 pre-fabricated houses from China at an estimated cost of \$29 million for residents who were displaced due to

Sector	Share of GDP*	Inactive Period (Days)	Economic Loss (BBD\$M)
Accommodation & Food Services	14	2.1	7.4
Agriculture & Fisheries	1.3	7	2.4
Business Services	7.6	0.7	1.3
Construction	4.9	7	8.6
Electricity, Gas & Water Supply	2.2	0	0
Financial & Insurance	8.6	0.7	1.5
Information & Communications	4.1	0.7	0.7
Manufacturing	4.7	2	2.4
Mining & Quarrying	0.3	0	0
Personal & Other Services	5.2	3.5	4.6
Public Admin, Defence & Social Security	4.2	0.7	0.7
Public Education	2.7	0.7	0.5
Public Health	0.9	0.7	0.2
Real Estate	10.3	2	5.2
Transportation & Storage	7.3	3.5	6.4
Wholesale & Retail Trade	8.5	3.5	7.5
<b>Loss to GDP at current prices before adjustments.</b>			<b>49.6</b>
<b>Less adjustments**</b>			<b>6.7</b>
<b>Loss to GDP at current prices</b>			<b>56.3</b>

\*Latest sector shares for 2019 assumed. \*\*Adjustments (include FISIM and taxes less subsidies) are estimated from the weighted average number of inactive days and its share of GDP.

Source: Ministry of Finance, Economic Affairs and Investment

Hurricane Elsa and a freak storm the previous month. An additional \$20.3 million was allocated to cover the cost of repairs, reconstruction and temporary accommodation for hundreds of displaced households.

## c. Impact on Fiscal, Debt and Real Economy

### i. Fiscal Operations

The pandemic and natural disasters had a deleterious effect on public finances. Overall, public expenditure, which had decreased by 14 percent the previous year, increased by 15.1 percent or \$393.1 million to \$2,992.8 in FY 2020/2021 due in large part to pandemic-related stimulus measures, social protection programmes, enhanced public healthcare, and debt service payments. Public spending on goods and services, transfers and subsidies, and capital expenditure increased by \$24.3 million, \$191.0 million, and \$93.2 million, respectively, in comparison to the previous year.

Total revenue decreased from \$2,984.2 million to \$2,563.3 million or \$421.1 million over the period mainly due to restrictions on business activities and the collapse of the tourism and related services sector. Corporate tax revenues increased by 98.4 percent to \$612.9 million primarily as a result of receipts from the international business sector. However, this was insufficient to offset declines in VAT, personal income tax, and excise tax of \$260.6 million, \$146.6 million and \$96.8 million, respectively.

Key Financial Measures Geared Towards Covid-19 Recovery and Response (in Bd\$ million)	
\$300.00	Barbados Employment and Sustainable Transformation (BEST) programme to support transformation, minimise unemployment, and mitigate the impact of COVID-19 on the tourism sector.
\$275.00	Capital works programme to enhance job-led, public infrastructure expansion.
\$216.00	Jobs, Investment and Business Survival programme.
\$200.00	Tourism Fund Facility to provide working capital and investment loans for hotel upgrades.
\$48.80	Administration of the national COVID-19 programme, including the procurement of vaccines.
\$40.00	VAT Loan Fund to assist companies whose cash flows were disrupted by measures to contain the pandemic with avoiding insolvency, bankruptcy and further dislocation.
\$23.80	Enhancement of Transport Board's operating costs due to reductions in ridership arising from national restrictions on movement and the implementation of strict social distancing protocols on public service vehicles.
\$20.00	Small Business Wage Fund to assist businesses which were ineligible for the payment of VAT or VAT refunds to cope with challenges related to the pandemic.
\$10.70	Shoring up of QEHS operations.
\$10.00	Additional grants to clients receiving assistance from the Welfare Department.
\$10.00	Household Survival Programme to assist displaced workers and vulnerable families.
\$10.00	Adopt-Our-Families Programme to provide cash transfers to vulnerable families affected by the economic fallout.
\$10.00	Provision of tablets and laptops through the Ministry of Education, Technological and Vocational Training for online classes.
\$3.50	Establishment of an elderly care programme through the National Assistance Board.
\$3.50	Provision of financial relief to vendors, operators of small shops and stalls, and other small and medium-sized businesses impacted by national lockdowns.

Source: Ministry of Finance, Economic Affairs and Investment

## *ii. Debt and Financing*

COVID-19 and the natural disasters reversed years of social and economic progress, particularly in relation to poverty, decent work, education, and gender equality. As a consequence, strategic measures were implemented to build economic recovery, climate resilience, and address structural vulnerabilities by:

- Strengthening public healthcare systems to address pandemic-related hospitalization and treatment, and the national vaccination programme.
- Enhancing social protection programmes such as targeted cash transfers and care packages to vulnerable households.
- Providing business support to assist with pandemic-related disruptions.
- Addressing inadequate access to electronic devices, deficiencies in remote learning and inconsistent schooling.
- Improving regulatory reforms and digital transformation to increase efficiency and competitiveness.

- Implementing climate mitigation and adaptation measures to build climate resilience and disaster preparedness.
- Implementing re-skilling and up-skilling programmes to provide displaced workers with the tools to adjust to rapidly changing labour markets, become globally competitive and take up new opportunities for re-employment and re-deployment.

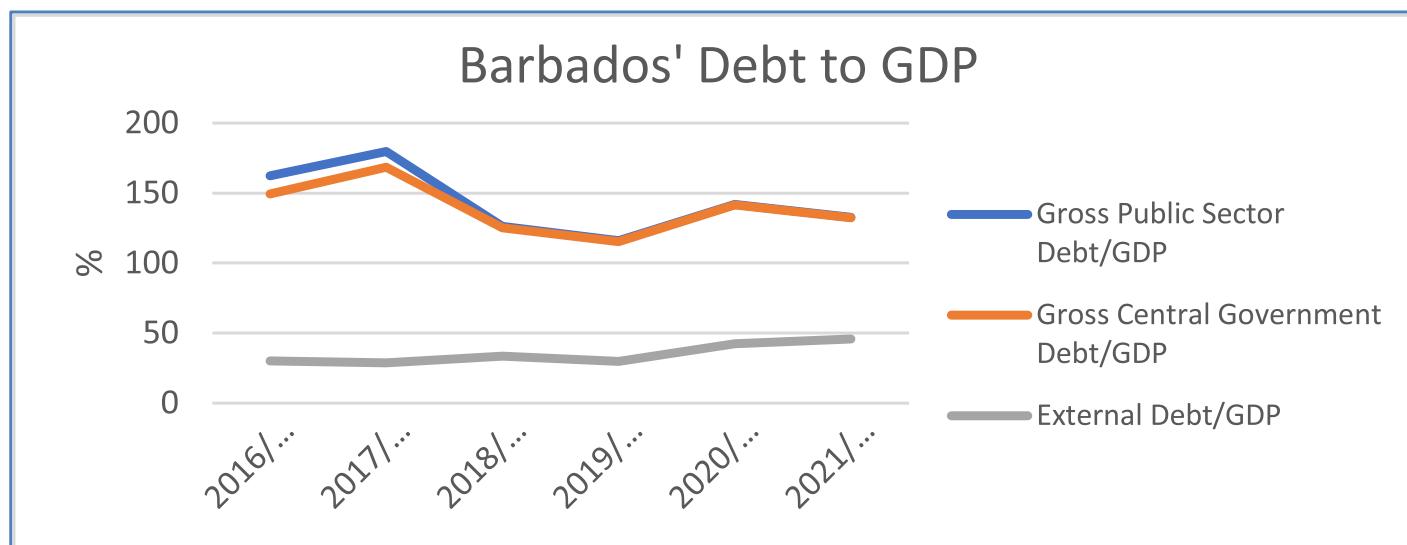
The Government relied heavily on support from international lending institutions to offset the financing shortfalls created by lower revenues and higher expenditures. In 2020, \$2,407.80 million was secured from international lending institutions, and a further \$2,904.70 million in 2021. The financing support was also used to bolster the gross international reserves which increased by \$398 million to \$3,058.80 million, or 40 weeks of import cover.

A primary balance of 6.0 percent of GDP was achieved in FY 2019/2020. However, there was a primary deficit of 1 percent the end of FY 2020/21 due to depleting sources of public revenues and rising expenditures as the Government embarked on response, recovery and resilience measures.

The fiscal balance moved from a surplus of \$384.50 million to a deficit of \$429.60 million over the same period.

The stock of gross public debt, which had declined from 176.3 percent of GDP at the end of FY2017/18 to 117.4 percent in at end FY2029/202018, rose sharply to 136.3

percent in FY2021/22, primarily as a result of a 14 percent contraction in economic activities the previous year. The Government remains committed to reducing the debt to 60 percent of GDP over the medium term, and extended the timeline for its achievement by two years to FY 2035/36 under BERT (2022).



## *ii. Debt and iii. Real Economy*

The performance of key sectors was severely impacted by a massive decline in long-stay visitors, the temporary cessation of international cruise travel, restrictions on business activities and movement, high levels of unemployment, and the cancellation of tourism-related activities, including the Crop Over Festival. Overall, the tourism sector's output declined by 70.36 percent to \$279.8 million in 2020, while hotel occupancy rates fell to 45.6 percent and employment in the sector declined to 10.6 thousand or 32.1 percent compared to the previous year.

The performance of the accommodation and food services sector slumped in 2020, with its output declining by \$822.9 million to \$556.9 million in 2020. Transportation and storage also declined by \$89.3 million to \$376.2 million. Agriculture and fishing, manufacturing, wholesale and retail trade, and financial and insurance slumped by \$6.6 million, \$32.1 million, \$39.6 million and \$78.5 million, respectively. However, the real estate and construction sectors' real value increased by \$10.0 million and \$4.9

million, respectively, due to higher demand from Welcome Stamp residents and the ongoing construction of residential and tourist accommodation over the same period.

Economic growth for 2021 was projected at 4.1 percent. However, the emergence of new COVID variants and associated travel restrictions and health protocols continued to weigh heavily on Barbados' economic performance. The economy grew by 1.4 percent in comparison to a decline of 14.0 percent the previous year following a strong performance from the tourism sector in the last quarter.

The manufacturing sector recorded a 4.0 percent increase in real value in 2021 due to higher exports. Conversely, the agriculture and fishing sector continued to face strong headwinds, recording a decline of 4.0 percent or \$4.4 million over the same period as a result of higher input costs, natural disasters and weak demand from the tourism sector.

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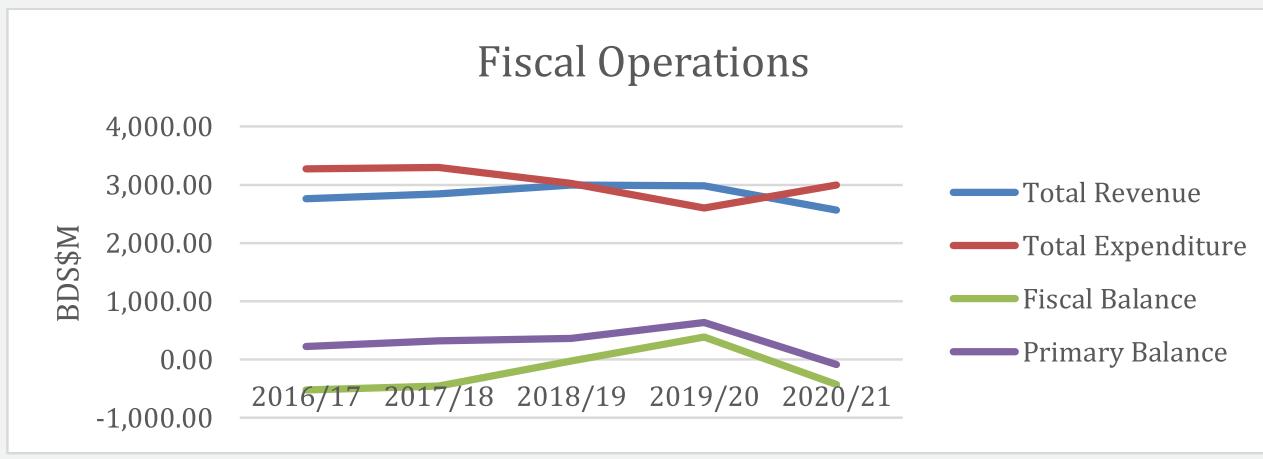
## d. Challenges Presented by Developments

The pandemic and natural disasters dealt a devastating blow to the economy, and once again underscored Barbados' over-reliance on tourism and vulnerability to external shocks, including climate change. The pandemic in particular, not only presented a public health crisis, but had far-reaching social and economic implications in that it slowed economic recovery, limited fiscal space, exacerbated Barbados' long-term structural vulnerabilities, and slowed the implementation of the 2018 BERT programme.

Prior to these events, the economy was beginning to show promising signs of recovery following the implementation

of the BERT Plan which was developed to facilitate economic recovery and resilience, restructure and reduce public debt to 60 percent of GDP by 2033/2034, restore fiscal and debt sustainability, and shore up international reserves.

Many of the short-term targets under the BERT plan were met prior to the pandemic, with gross foreign reserves increasing to \$1,481 million or 18.6 weeks of import cover, while public debt was reduced to 118.0 percent of GDP in 2019 from 148.4 percent in 2017. In addition, an unprecedented primary surplus of 6.0 percent of GDP was achieved at the end of FY 2019/2020.



With the onset of the global pandemic, the primary balance target was revised to 1 percent of GDP for 2020/21 to accommodate significant declines in public revenues and support recovery programmes. The primary balance target for 2020/21 was further revised to minus 1 percent of GDP to accommodate worse than anticipated revenue declines and continued expenditure on recovery and resilience programmes. The current account deficit widened in 2021 by 344.60 percent to \$1,305.7 million compared to 2019 primarily as a result of lower tourism receipts and exports.

The pandemic in particular had a deleterious impact on employment. The National Insurance Scheme (NIS) paid \$155 million in unemployment insurance benefits to 37,000 claimants between March, 2020 and December, 2020, exceeding the total combined claims of the previous three years. There was a slight improvement in the labour market in 2021, with the rate 2021 at 12.4 percent for September 2020 as employees returned to work due to recovery within the tourism sector and exhausted unemployment benefits. However, employment is still well below pre-pandemic levels.



## **Appendix 2: BERT (2022) Key Structural Reform Measures**

Structural Benchmarks				
Actions	Rationale			Target Date
New regulations to manage tax expenditures	Strengthen Management	Public	Financial	end-December 2022
Develop a recapitalization plan for the NIF	Strengthen Management	Public	Financial	end-December 2022
Establish a framework for BRA/BCED and NIS to improve compliance and risk management	Strengthen Management	Public	Financial	end-March 2023
Adopt legislation to govern public pensions	Public Sector Reform			end-March 2023
Introduction of new regulations governing public procurement	Strengthen Management	Public	Financial	end-March 2023
Adopt a Fiscal Risk/Policy Analyse Unit	Strengthen Management	Public	Financial	end-June 2023
Completion of outstanding financial statement by the NIS	SOE Reform			end-March 2024
Transition NIS to independent SOE	SOE Reform			end-March 2023
Complete Phase 3 SOE reforms paused by the COVID-19 pandemic	SOE Reform			end-March 2023
Comprehensive review of SOE financial performance	SOE Reform			end-June 2023
Adoption of a strategy to assess climate change risk	Monetary Policy			end-March 2024
Conduct of climate change stress testing exercise	Monetary Policy			end-September 2024
Comprehensive assessment of the business environment	Growth enhancing reforms			end-March 2023
Establishment of a govtech agency	Growth enhancing reforms			end-December 2023
Implementation of the digitalization strategy	Growth enhancing reforms			end-June 2023
Modernization of the Companies Act	Growth enhancing reforms			end-June 2023
Establish new Data Analytics Authority and a National Statistics System	Growth enhancing reforms			end-September 2023
Establish a Government Economic Service	Public Sector Reform			end-September 2023
Establish a Government Accounting Service	Public Sector Reform			end-September 2023
Adopt a new National Comprehensive Disaster Risk Management Policy	Climate Adaptation and Mitigation			end-September 2023
Adopt legislation to improve climate resilience of road and drainage infrastructure	Climate Adaptation and Mitigation			end-March 2023
Regulations to scale up RE project	Climate Adaptons and Mitigation			end-March 2023
Inclusion of fiscal risk statement on climate risk in the budget	Climate Financing			end-March 2023
Tax incentives for the electrification of the fleet	Climate Adaptation and Mitigation			end-March 2023
Completion of Public Investment Management Assessment in Climate	Climate Financing			end-September 2024
Establishment of a Dedicated Cash Management Unit at Treasury	Strengthen Management	Public	Financial	end-March 2024
New legislation governing the electricity supply	Climate Adaptation and Mitigation			end-March 2024