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June 2, 2020

**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Barbados  
(Preliminary)  
Executive Board Meeting 20/66  
June 3, 2020**

We thank staff for their well-written report and Ms. Levonian and Mr. Weil for their insightful Buff statement. Barbados' program implementation throughout the course of the Extended Fund Facility (EFF) has been successful. However, notwithstanding the progress achieved on fiscal and debt sustainability, on rebuilding market confidence and the advancement of the structural reform agenda under the Economic Recovery and Transformation plan (BERT), the ongoing COVID19 pandemic poses a substantial risk to the short and medium-term outlook. As in other countries in the region, the pandemic has affected tourism and foreign direct investment which will in turn sharply deteriorate the balance of payments. **Against this backdrop, we support the completion of the third review of the extended arrangement under the EFF, the program augmentation of USD90 million (70 percent of quota) for budget support and the authorities' request to modify five performance criteria.**

**The pandemic response justifies the relaxation of the fiscal stance, but firm commitment to higher primary surpluses in the medium term will be required to ensure public debt continues a downward trajectory.** We welcome that the authorities have enacted a comprehensive plan to contain the pandemic, enhance health spending, and protect jobs and the most vulnerable households. In this regard, a lower-than-expected primary surplus target for FY2020/21 will be needed to accommodate revenue loss and the additional crisis-related expenditures. In order to preserve debt sustainability, a higher surplus will be required in the medium term. *Staff comments are welcome if contingency plans were discussed with the authorities in case a more prolonged adverse economic scenario would materialize.* We look forward to the introduction of a fiscal rule by mid-2021 and welcome

that authorities have requested TA from the Fund to advise on its design, which envisages the inclusion of an escape clause to accommodate the impact of natural disasters.

**Decisively enhancing the governance framework and autonomy of the Central Bank of Barbados (CBB) is crucial to secure progress achieved to date.** We take note that a new central bank law is being developed in consultation with IMF staff and welcome its focus on strengthening CBB's mandate, autonomy and governance structure. *Can staff comment on the exceptional situations where financing the government will be allowed?* We look forward to the recapitalization plan of the central bank and note the TA mission has been postponed.

**We welcome the authorities' commitment to transparency and accountability in the effective use of funds and the establishment of an MoU between the Ministry of Finance and the CBB.** The authorities' commitment to strengthen public procurement, including by audits to crisis expenditures, is important to safeguard the use of Fund resources. We take note that implementation of the CBB safeguard recommendations is ongoing and encourage authorities to complete it without further delay.

**Going forward, and as the pandemic abates, it will be important to refocus efforts on the medium-term objectives under the BERT plan.** While program performance has been commendable, significant challenges remain in the medium-term. To successfully address said challenges, secure the recovery and help boost growth, we encourage the authorities to continue to restore macroeconomic stability, and the steadfast implementation of the structural reform agenda. We rest assured by the authorities' commitment to stand ready to take any additional measures to ensure success under the BERT plan.

**We welcome the authorities' efforts to build resilience to climate-related shocks and share their view that further support from the Fund and other IFIs is crucial for vulnerable countries to cope with natural disasters and climate change.** As mentioned in the Buff statement, the start of the hurricane season underscores the need to address climate change and the importance to continue enhancing resilience to natural disasters with multilateral institutions support.

**While we acknowledge the complexities posed by the pandemic, we call on staff to continue backing authorities with technical assistance and capacity development using innovative ways to engage during the crisis.** As stated in the Buff, we agree with the authorities that in light of four structural benchmarks needing to be reset due to delays in the required technical assistance missions, the Fund's CD business model could benefit from

novel avenues of engagement to adequately serve the membership during these trying times. We underscore the importance of the Fund to remain closely engaged with the authorities by providing timely policy advice and technical assistance to support their policy goals.