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June 2, 2020

**Statement by Mr. El Qorchi and Mr. Alavi on Barbados
(Preliminary)
Executive Board Meeting 20/66
June 3, 2020**

We thank staff for the well-written report and Ms. Levonian and Mr. Weil for their helpful Buff statement. We are in broad agreement with staff appraisal and offer the following for emphasis.

Barbados has made important progress towards macroeconomic stability guided by their Economic Recovery and Transformation (BERT) plan and supported by a four-year Extended Arrangement. The authorities have remained committed to the program objectives demonstrating a satisfactory program performance. However, the Covid-19 pandemic shock has adversely impacted macroeconomic performance, including growth, fiscal and external balances, and employment. Against this backdrop and given a track record of strong repayment history to the Fund, we support the authorities' request for the completion of the third review of the Extended Arrangement under the Extended Fund Facility, as well as the request for augmentation of access to address the financing needs due to the pandemic.

We commend the authorities for their advanced planning and pre-emptive actions under a four stage National Preparedness Plan, which have contributed to an effective containment of the virus. Despite the success in minimizing the health impact of Covid-19, the economic fallout from the pandemic has been substantial, mainly due to the collapse of tourism activity—a key source of income and employment for the country.

We support the temporary fiscal loosening to accommodate the higher health-related spending and take good note of the authorities' commitment to an efficient and transparent use of funds allocated to Covid-19-related outlays. Going forward, a strong commitment to achieving higher primary surpluses will be key to put debt on a sound and sustainable footing. The recent completion of debt restructuring is a welcome step in this direction. We are encouraged by the authorities' intention to reform the state-owned enterprises (SOE), and

urge them to phase out the temporary transfers to these SOEs as soon as the shock recedes. In the meantime, given the significant impact of the shock on fiscal revenues, we note the recent implementation of key structural benchmarks aimed at improving processes in Barbados Revenue Authority and Customs Department.

We support the authorities' monetary and financial sector measures to mitigate the economic impact of the Covid-19 pandemic, including the central bank efforts to support the credit market. Preserving and enhancing the financial sector's integrity amid the pandemic remain important and requires further strengthening of the effectiveness of the Barbados' AML/CFT framework to address the identified deficiencies. Additionally, we welcome the efforts to improve the governance framework of the Central Bank of Barbados (CBB) aimed at strengthening its mandate and autonomy.

Finally, we are encouraged by the authorities' determination to implement well-targeted structural reforms to unlock Barbados's growth potential. The reforms should include measures to improve the business climate, which will support post-pandemic economic recovery. Strengthening disaster-resilience and enhancing competitiveness would also help increase Barbados' growth prospects over the medium term.

With this, we wish the authorities continued success.