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June 1, 2020

**Statement by Mr. Fachada and Ms. Mohammed on Barbados  
(Preliminary)  
Executive Board Meeting  
June 3, 2020**

We thank staff for the report and Ms. Levonian and Mr. Weil for their insightful statement. Prior to the Covid-19 pandemic, Barbados economy was making notable progress in restoring macroeconomic stability and resilience under the authorities' home-grown program. This notwithstanding, the promising macroeconomic outlook has dulled as the Covid-19 outbreak has halted tourist arrivals, lowered foreign direct investment and inhibited domestic economic activity.

**Against this backdrop, we support the completion of the third review under the Extended Fund Facility (EFF) and the augmentation of access of 70 percent of quota for budget support, as well as the modification of performance criteria.** We premise our support on the authorities' robust policy commitment to their economic program and the fact that they have met all quantitative performance criteria for this review, including the primary surplus target of 6 percent of GDP for FY2019/20. We positively note that, according to staff, Barbados capacity to repay the Fund remains adequate.

**We welcome the timely and appropriate counter-cyclical policies adopted by the authorities to protect the lives and livelihoods of its' citizens.** We trust that the IMF support would help finance additional spending related to the crisis, shore-up international reserves, as well as catalyze support from other international financial institutions to fill the residual financing gap. We note that despite targeting a lower primary balance for FY2020/21 of 1 percent of GDP, public debt is still projected to reach the long-term anchor of 60 percent of GDP by FY2033/34, but with notably higher primary surpluses in the outer years and higher risks. This underscores the need to return to fiscal prudence once the pandemic abates by improving expenditure control and strengthening customs and revenue administration. The adoption of a fiscal rule by mid-2021 to support the planned reduction of

the public debt to GDP ratio is encouraging. Restructuring of the state-owned enterprises operations and enhancing structural reforms to increase Barbados' growth potential are also fundamental to support the recovery and ensure the planned downward trajectory of the public debt ratio.

**We commend the Central Bank of Barbados' (CBB) efforts on providing liquidity to the financial system.** However, the CBB should enhance supervision and regulatory standards to detect early signs of distress, including regarding the financial institutions with regulatory forbearance. In parallel, improving the CBB's governance framework should be accelerated to strengthen its mandate, autonomy, and decision-making structure. Given Barbados recent inclusion on the Financial Action Task Force (FATF) "grey list", we encourage the authorities to forcefully strengthen the effectiveness of the AML/CFT framework and address the identified deficiencies.

**Risks to the outlook are high and tilted to the downside, including the threat of natural disasters.** Given Barbados' high dependence on tourism and the uncertainty of the duration and the impact of the crisis, especially on its key tourist source markets, we encourage staff and the authorities to develop a concrete contingency plan in case the shock is more severe and prolonged than anticipated. In this regard, further augmentation of the current EFF should not be ruled out.