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June 2, 2020

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

1. We thank staff for the comprehensive report and Ms. Levonian and Mr. Weil for the useful buff statement. We concur with the staff appraisal and recommendations and provide remarks for emphasis only.
2. Barbados is currently under a Fund financed EFF program, for which the third review is under consideration. However, the COVID-19 crisis is expected to severely impact the Barbadian economy with adverse consequences for growth, which is expected to significantly contract in 2020, and additional financing needs for the external and fiscal sectors. In response, the authorities have requested a program augmentation of 70 percent of the quota to allow an adequate policy response to the pandemic. We note that the program remains on track and the authorities have met all performance criteria and two out of the three structural benchmarks for the third review. **We support the completion of the third review under the EFF arrangement and the authorities' request for an augmentation of the program.**
3. We commend the authorities for the swift and strong response to the COVID-19 shock, including the preparation of the National Preparedness Plan (NPP) to help contain the virus spread. We endorse the focus on the health sector and income support to vulnerable segments of the population during the pandemic period. We also welcome steps taken by the Central Bank to ease liquidity conditions and maintain the smooth functioning of markets and note positively the timebound credit relief measures extended by financial institutions.
4. The BERT program has helped Barbados in restoring fiscal and debt sustainability while rebuilding reserves. We welcome the completion of debt restructuring which has helped reduce uncertainty and placed debt on a downward trajectory. While we endorse the reduced primary surplus in FY2020/21 to accommodate lower revenues and higher expenditure outlays related to the pandemic, we urge the authorities to adhere to the long-term debt anchor of 60 percent of GDP, which will require higher primary surpluses going

forward. We take positive note of steps taken in this direction with the adoption of better expenditure control measures and strengthening of revenue administration, particularly in terms of efficiency improvements to processes at revenue collecting agencies. Going forward, the authorities should continue with its reform agenda for SOEs as this would reduce fiscal risks and increase fiscal space for essential expenditures. We fully support the introduction of a fiscal rule in 2021 as it would help the country in its planned debt reduction to reach the debt target by FY 2033/34.

5. We welcome the new CBB law under preparation but remain concerned about the delay in meeting this structural benchmark in the third review. We urge the authorities to adhere to this reform action as strengthening CBB governance through enhancing its mandate, autonomy and transparency is crucial to improving the monetary policy process. We call upon the authorities to strengthen its AML/CFT framework and complete action plans within the agreed timeframes to bring the country out of the grey list. *Can the staff share with us the authorities' plans to address the shortcomings in the AML/CFT framework?*

6. During the post-pandemic period, we urge the authorities to continue its structural reform agenda aimed at achieving sustained inclusive growth in the medium term.

7. With these remarks, we wish the authorities success in all their future endeavours.