

EBS/82/171

CONFIDENTIAL

September 3, 1982

To: Members of the Executive Board

From: The Secretary

Subject: Barbados - Use of Fund Resources - Compensatory Financing  
Facility

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Attached for consideration by the Executive Directors is a paper on a request expected to be received from Barbados for a purchase equivalent to SDR 12.6 million under the compensatory financing facility. A draft decision appears on page 13.

This subject, together with the request from Barbados for a stand-by arrangement (EBS/82/153, 8/31/82 and Correction 1, 9/2/82), has been tentatively scheduled for discussion on Friday, October 1, 1982.

Att: (1)



CONFIDENTIAL

INTERNATIONAL MONETARY FUND

BARBADOS

Use of Fund Resources--Compensatory Financing Facility

Prepared by the Research and Western Hemisphere Departments

(In consultation with the Exchange and Trade Relations,  
Legal, and Treasurer's Departments)

Approved by Wm. C. Hood and C.E. Sanson

September 2, 1982

The Managing Director has been informed that the Barbadian authorities will shortly request a purchase of SDR 12.6 million (49.4 per cent of quota) under the compensatory financing decision. Barbados currently has no outstanding purchases under the facility. The request is being made with respect to a shortfall in aggregate earnings from merchandise exports and from travel for the year ended June 1982. A request for use of Fund resources under a 20-month stand-by arrangement in an amount equivalent to SDR 31.875 million (125 per cent of quota) is expected to be considered by the Executive Board concurrently with the present CF request. If the two requests are approved and the resources are fully used, the Fund's holdings of Barbados dollars would be raised from 100.0 per cent to 274.4 per cent of quota. A waiver of the limitation in Article V, Section 3(b)(iii) of the Fund's Articles of Agreement would be required and is being proposed.

This paper, which is being circulated in advance of the formal request from Barbados, is presented in five sections and an annex. The sections deal with: (1) the balance of payments position; (2) estimation of the shortfall; (3) causes of the shortfall and earnings prospects; (4) repurchase; and (5) staff appraisal and proposed decision. The relations of Barbados with the Fund are summarized in the annex.

1. Balance of payments position

During 1978-80, Barbados' balance of payments position was in surplus. Rapidly rising earnings from exports and travel were instrumental in maintaining the current account deficits at relatively modest levels; at the same time, the capital account was in surplus as a result of large foreign borrowings to finance budgetary operations. Official net foreign reserves in this period rose by SDR 41 million; gross reserves were kept at the equivalent of about two and one half months of merchandise imports.

Table 1. Barbados: Summary Balance of Payments, 1978-1982

	1978	1979	1980	1981	Proj. 1982
- - - - - (In millions of SDRs) - - - - -					
A. Current account	-14.1	-16.7	-3.6	-68.7	-88.3
Merchandise	-170.6	-207.0	-248.5	-331.2	-333.3
Domestic exports	(74.5)	(90.2)	(129.8)	(125.9)	(142.7)
Retained imports	(-225.7)	(-290.2)	(-341.1)	(-429.9)	(-445.2)
Re-exports and imports of bunker oil (net)	(-19.4)	(-7.0)	(-37.2)	(-27.2)	(-30.8)
Services (net)	156.5	190.3	244.9	262.5	245.0
of which:					
Travel (net)	(118.5)	(150.9)	(180.2)	(205.2)	(194.6)
Private transfers	(13.0)	(14.7)	(18.4)	(22.9)	(25.0)
B. Capital account	32.4	23.0	17.7	46.6	60.7
Public sector	14.5	8.0	20.4	38.5	18.0
Private sector <u>1/</u>	17.9	15.0	-2.7	8.1	42.7
C. SDR allocations and exchange profits and losses	-0.5	1.2	1.2	1.3	--
D. Overall balance (A+B+C)	<u>17.8</u>	<u>7.5</u>	<u>15.3</u>	<u>-20.8</u>	<u>-27.6</u>
E. Change in net official inter- national reserves (increase -)	<u>-17.8</u>	<u>-7.5</u>	<u>-15.3</u>	<u>20.8</u>	<u>27.6</u> <u>2/</u>
<u>Memorandum items:</u>					
Gross reserves					
In millions of SDRs	46.1	51.5	62.7	89.3	63.7 <u>3/</u>
In months of imports	2.5	2.2	2.2	2.5	1.4 <u>3/</u>
- - - - - (In per cent of GDP) - - - - -					
Current account deficit	-3.2	-3.2	-0.6	-8.7	-9.9
Overall surplus or deficit (-)	4.0	1.4	2.4	-2.6	-3.2

1/ Including errors and omissions.

2/ Includes use of Fund resources under the tranche policies and the compensatory financing facility.

3/ As of end-June 1982.

Recession in the industrial countries has had a serious adverse impact on the Barbadian economy. Earnings from merchandise exports and tourism declined in 1981 and early 1982, while imports continued to rise strongly, owing to an ongoing construction boom in the private sector and to expansionary fiscal and credit policies. A temporary decline in local oil production (which normally satisfies 20 to 25 per cent of the country's crude oil requirements) and some stockpiling of oil also contributed to the rise in imports in 1981. As a result, the balance of payments current account deficit rose from SDR 3.6 million (0.6 per cent of GDP) in 1980 to SDR 68.7 million (9 per cent of GDP) in 1981 (Table 1).

The deficit was financed by foreign borrowing, as a result of which the outstanding external public and publicly guaranteed debt rose from SDR 75.3 million (12 per cent of GDP) in 1980 to SDR 125.4 million (16 per cent of GDP) at the end of 1981. In addition, the Central Bank borrowed SDR 38.7 million from foreign commercial banks.

With the downturn in domestic activity and the progressive implementation of domestic adjustment measures, the growth of imports has slackened, and in the first quarter of 1982 retained imports were only 4 per cent higher than in the corresponding period of the previous year. The growth was attributable to higher imports of capital goods related to two large power and cement projects, both of which have prearranged long-term foreign financing. Imports of consumer goods, intermediate goods, and fuels were almost 20 per cent below the corresponding period of 1981. Even so, because of the poor performance of exports and tourism, the current account deficit is expected to widen to SDR 88 million or 10 per cent of GDP, and an overall balance of payments deficit of SDR 28 million is anticipated, which Barbados expects to cover in part by use of Fund resources under a stand-by arrangement. A more detailed description of the balance of payments developments and prospects is contained in the paper on the stand-by arrangement (EBS/82/153, 8/31/82).

## 2. Estimation of the export shortfall

The Barbadian authorities have requested that the 12-month period ended June 1982 be treated as the shortfall year and that the calculation of the shortfall be based on data covering receipts from travel as well as merchandise exports. Actual earnings from merchandise exports are available through March 1982 and from travel through December 1981; the staff, in cooperation with the authorities, has estimated earnings for the remaining months of the shortfall year. <sup>1/</sup> Data on workers' remittances are not

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<sup>1/</sup> Export earnings for April-June 1982 have been estimated at a monthly rate of SDR 13 million compared with SDR 10 million per month in the first nine months of the shortfall year and with SDR 15 million per month in the second quarter of 1981; receipts from travel for January-June 1982 have been estimated at a monthly rate of SDR 18 million compared with SDR 17 million per month in the first six months of the shortfall year and with SDR 20 million per month in January-June 1981. On this basis, earnings from merchandise exports and travel for the second half of the shortfall year are estimated at SDR 30 million a month; the shortfall will be zero if realized earnings during the six-month period are SDR 33 million a month.

considered sufficiently complete or reliable to enable them to be included in the calculation, but the staff is satisfied that the data on travel are sufficiently reliable for the purposes of the 1979 CF decision to be so included. Under the terms of that decision, any CF request by Barbados during the next five years would also have to include travel receipts in the calculation of the shortfall.

The aggregate value of receipts from merchandise exports and travel advanced strongly in the pre-shortfall period, registering an average annual rate of growth of 27 per cent. Earnings in the 12-month period ended June 1982, however, are estimated to remain virtually unchanged compared with the previous year and amount to SDR 343.5 million. This stagnation in earnings is considered to be temporary, as earnings are projected to recover at an average annual rate of 13 per cent over the two post-shortfall years. On the basis of these movements, the export shortfall for the year ended June 1982 is estimated at SDR 12.6 million, which is the amount of the proposed purchase (Table 2). <sup>1/</sup>

Table 2. Barbados: Estimation of the Shortfall

(In millions of SDRs)

	Years Ending June				
	1980	1981	1982	Projected <sup>1/</sup>	
				1983	1984
Total earnings from exports and travel	284.9	346.3	343.5	381.2	443.3
Shortfall			12.6		
Proposed purchase			12.6		

<sup>1/</sup> Based on judgmental forecast of earnings given in Table 3.

<sup>1/</sup> Barbados has made two previous purchases under the compensatory financing facility; the first of SDR 3.5 million in January 1977 and the second of SDR 3.0 million in October 1977. Both of the drawings have been fully repurchased.

### 3. Causes of the shortfall and earnings prospects

More than half (53 per cent) of the shortfall of SDR 12.6 million in aggregate earnings from merchandise exports and travel is accounted for by a shortfall of SDR 6.7 million estimated for merchandise exports; the rest is accounted for by a shortfall of SDR 5.8 million estimated for earnings from travel.

#### a. Merchandise exports

The shortfall in merchandise exports reflects shortfalls in earnings from sugar and molasses (SDR 8.2 million) and "other" exports (SDR 0.3 million), only partly offset by export excesses registered for clothing (SDR 0.3 million) and electronic components (SDR 3.4 million). Export receipts rose sharply--32 per cent per annum on average--in the two pre-shortfall years, reflecting higher prices and volumes of sugar exports and strong growth in trade in manufactured goods as new production capacity came on stream. Total merchandise export earnings in the 12-month period ended June 1982 are estimated to decline by 7 per cent, because of a reduced volume of sugar exports due to low production caused by labor disputes and falling prices. In the post-shortfall period, earnings are projected to recover, increasing by 13 per cent per year on average as sugar production increases toward traditional levels and prices improve slightly.

##### (1) Sugar and molasses

Earnings from the exports of sugar and molasses, <sup>1/</sup> Barbados' main cash crop, are estimated to account for 18 per cent of total merchandise exports in the shortfall year and to contribute SDR 8.2 million to the overall shortfall.

The volume of Barbados' sugar exports has fluctuated between 80 thousand and 100 thousand tons in recent years. Most of Barbados' sugar is shipped to the EEC at guaranteed prices negotiated under the Lome Convention; the annual agreed export volume is 56,500 tons of raw sugar. The remainder is sold on the free market in accordance with provisions of the International Sugar Agreement. Barbados, as a small exporter, is entitled to a nonadjustable quota of 70 thousand tons and is not obligated to constitute special stocks. <sup>2/</sup> The principal outlet for this sugar has been the United States where, because of preferential tariff treatment, the realized export price was somewhat higher than the quoted free market price.

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<sup>1/</sup> The molasses which Barbados exports is inverted cane syrup (syrup that has been prevented from crystallizing), which receives a premium over the price of raw sugar.

<sup>2/</sup> Barbados does not normally hold stocks of sugar; however, since the end of the shortfall year coincides with the end of harvesting and with the middle of the peak six-month export period, some sugar may be accumulated waiting shipment. Such "pipeline" stocks amounted to 35 thousand tons as of the end of June 1982, in comparison with an average of 43 thousand tons during the two pre-shortfall periods.

Table 3. Barbados: Export Earnings and Shortfalls by Major Commodities

	Years Ending June							Shortfall	
	1977	1978	1979	1980	1981	1982	1983	1984	Geometric Arithmetic
-- (In millions of SDRs) --									
<u>Total receipts</u>	144.0	169.4	216.9	284.9	346.3	343.5	381.2	443.3	12.6 16.3
Merchandise exports	58.8	65.1	80.2	106.9	139.9	129.9	144.6	169.2	6.7 8.2
Sugar and molasses	21.5	19.3	24.0	30.3	48.4	23.2	26.2	34.0	8.2 9.2
Clothing	14.7	17.0	16.4	19.2	19.5	22.4	24.2	26.1	-0.3 -0.1
Electronic components	5.3	10.0	16.0	20.8	28.2	37.0	41.2	48.1	-3.4 -1.9
Others	17.3	18.8	23.8	36.6	43.8	47.3	53.0	61.0	0.3 1.0
Travel	85.2	104.3	136.7	178.0	206.4	213.6	236.6	274.1	5.8 8.1
-- (Percentage changes) --									
<u>Total receipts</u>	18	28	31	31	22	-1	11	16	
Merchandise exports	11	23	33	33	31	-7	11	17	
Sugar and molasses	-10	24	26	26	60	-52	13	30	
Clothing	16	-4	17	17	2	15	8	8	
Electronic components	89	60	30	30	36	31	11	17	
Others	9	27	54	54	20	8	12	15	
Travel	22	31	30	30	16	4	11	16	



Table 4. Barbados: Value, Volume and Unit Value by Major Commodities

(1982=100; In terms of SDRs)

	Value Share in Total Exports in 1982 (In Per Cent)	Years Ending June							Shortfall in Per Cent of Level in Shortfall Year	
		1977	1978	1979	1980	1981	1982	1983		1984
<u>Value</u>	63.6	50	56	68	85	116	100	111	131	7.5
Sugar and molasses	17.9	93	83	103	131	209	100	113	147	35.4
Clothing	17.2	66	76	73	86	87	108	108	117	-1.1 (excess)
Electronic components	28.5	14	27	43	56	76	100	111	130	-9.3 (excess)
<u>Volume</u>		77	83	92	98	115	100	107	118	7.3
Sugar and molasses		136	125	142	147	193	100	114	134	34.1
Clothing		100	106	92	97	93	100	102	104	-0.9 (excess)
Electronic components		26	43	60	67	80	100	106	117	-7.8 (excess)
<u>Unit value</u>		65	67	74	87	101	100	104	111	0.3
Sugar and molasses		68	66	73	89	108	100	99	109	0.7
Clothing		66	72	80	88	94	100	106	112	-0.4 (excess)
Electronic components		55	63	72	84	95	100	105	111	-1.4 (excess)

Sugar export receipts in the two pre-shortfall years rose sharply--averaging an annual rate of growth of 36 per cent--as an increase in sugar export volumes was reinforced by prevailing high free market prices. Annual sugar output, most of which is available for export in the second and third quarters of the year, has fluctuated between 95 thousand and 115 thousand tons in the recent past. In 1980 favorable weather conditions and an expansion of acreage planted to cane raised production to a peak of 134 thousand tons. Exports, therefore, increased from 96 thousand tons in the year ended June 1980 to 126 thousand tons in the year ended June 1981. This larger volume of exports, however, meant that a higher proportion was sold on the free market at prices lower than those received for shipments to the EEC. Nonetheless, Barbados' realized export price rose by 22 per cent annually on average in the pre-shortfall period as world market prices peaked at 41 US cents per pound in October 1980.

Export receipts from sugar in the shortfall year ended June 1982 are estimated to drop by over 50 per cent to SDR 23 million. The volume of exports is estimated to decline precipitously, reflecting both a smaller share of the 1981 crop which was shipped in the second half of 1981 and a continued drop in production in 1982. The delay in harvesting the 1981 crop, due to labor disputes, shortened the 1982 growing season, and lowered the sucrose content of the cane. Moreover, free market prices continued to decline, averaging less than 7 US cents per pound in June 1982 and causing a decline in the export unit values. The lower export tonnage, however, has moderated the effect of the deterioration of free market prices on Barbados' average realized price as a greater proportion is being shipped to the EEC at prices slightly higher than were received the year before, and realized export prices are estimated to drop by only 7 per cent in the shortfall year.

Export receipts are projected to recover, increasing by 13 per cent in the 12-month period ending June 1983 and by 30 per cent in the second post-shortfall year. The volume is projected to increase by 15 per cent per year on average from the sharply reduced level of the shortfall year as the sucrose content of the cane recovers, but to remain substantially below the pre-shortfall average as the area harvested only gradually increases. Average export prices are projected to rise in the post-shortfall period by 3 per cent a year, reflecting adjustments to guaranteed prices under the Lome Convention, which have been raised by 9.5 per cent for 1982/83. On the other hand, a higher proportion of sugar is projected to be sold on the free market, thus reducing the increase in the average unit value. The recent imposition of sugar import quotas by the United States is projected to hold Barbados' exports to that market to 21 thousand tons tons annually, substantially less than that sold in the pre-shortfall period, but additional amounts are expected to be sold to other lower-priced markets. Free market sugar prices are projected to remain low in the post-shortfall period, reflecting the existence of large world stocks.

(2) Clothing

Exports of clothing account for 17 per cent of total merchandise export receipts in the shortfall year and are estimated to contribute an export excess of SDR 0.3 million.

Clothing manufacturing in Barbados is undertaken by two distinct groups: domestically-owned firms producing for the local and regional, Caribbean Community (CARICOM), markets; and foreign-owned firms assembling imported dry goods for export, primarily to the United States. Since 1975, exports of clothing to the CARICOM area have suffered a secular decline, reflecting the weakened economic circumstances of neighboring countries and limitations on imports by those countries. Offsetting this, and giving rise to a pattern of sporadic growth in this sector, has been the emergence of new production capacity by foreign-owned companies. Export receipts in the pre-shortfall period rose by 12 per cent per year on average, reflecting mainly higher unit prices as export composition shifted to the higher-priced goods produced by foreign companies. In the shortfall year, export receipts grew by 15 per cent as exports to the United States continued to expand and as installed capacity was utilized more intensively. In the post-shortfall period, export growth is projected to moderate to 8 per cent per year, reflecting mainly higher prices, since large additions to existing capacity are not envisioned for the immediate future.

(3) Electronic components

Exports of electronic components have expanded rapidly since 1975 and account for almost 30 per cent of total export earnings in the shortfall year ended June 1982.

All production of electronic components from imported subunits is for export primarily to the North American market. With the establishment of new factories, in particular, one producing computer chips, export receipts in the pre-shortfall period increased strongly, averaging an annual rate of growth of 32 per cent, and continued to exhibit strong growth in the shortfall year. Additional capacity expansion is now being undertaken by a major foreign-owned producer which accounts for about one quarter of total output, but that capacity is only expected to come on stream fully by the end of 1983. Thus, growth of earnings in the post-shortfall period is projected to decelerate--averaging 13 per cent per year. Exports of electronic components are calculated to have contributed an excess of SDR 3.4 million.

(4) Other exports

"Other exports" include a diverse range of agricultural and manufactured products, including rum, lard and margarine, chemicals and sports equipment. Earnings from these products are estimated to account for 36 per cent of total export earnings in the shortfall year ended June 1982 and to contribute SDR 0.3 million to the overall shortfall.

Earnings in the pre-shortfall period increased by 37 per cent per year on average, reflecting the strong growth of manufactured exports, in particular, that of petrochemicals. Rum exports during this period remained virtually stagnant because of marketing difficulties. Receipts continued to advance in the shortfall year, but at a much slower rate, mainly because prices of petroleum derivatives softened and because margarine and lard exports to CARICOM countries fell off. Moderate recovery in the rate of growth is projected for the post-shortfall period, mainly in response to a projected strengthening in economic activity in Barbados' main trading partners.

b. Travel receipts

In the 12-month period ended June 1982, receipts from travel are estimated to account for about three fifths of the aggregate earnings from merchandise exports and travel. The growth of travel receipts is estimated to have slowed considerably in the shortfall year ended June 1982, increasing by only 4 per cent compared with an average annual rate of growth of 25 per cent in the two pre-shortfall years. The weakening of economic activity in Barbados' major sources of tourists--Canada, the United States and the United Kingdom--resulted in declining numbers of tourists and reductions in their average length of stay in the 1980 winter season; however, rising expenditure per tourist, reflecting mainly higher hotel costs, more than offset the decline in the number of tourists in the year ended June 1981. The impact of the cyclical business downturn on tourism was compounded further during the shortfall year because of the collapse of a major Canadian tour company and of Laker Airways, which leased aircraft to Caribbean Airways for charter flights from Europe. However, many hotels did not raise their rates during the peak winter months and this inducement, combined with aggressive advertising, is estimated to stabilize earnings at SDR 214 million in the shortfall year.

Moderate recovery in travel receipts, averaging 13 per cent per annum, is projected for the post-shortfall period. While alternative transportation and tour arrangements are to be in place for the 1982 winter season, the slowness of recovery in economic activity in industrial countries is projected to hold the total number of tourists and their average length of stay to levels below those realized in the pre-shortfall period. Per diem expenditure is projected to increase by 7 per cent per year on average. The shortfall on account of travel is calculated at SDR 5.8 million.

4. Repurchase

In accordance with paragraph 7 of the compensatory financing decision, the Barbadian authorities are expected to represent that they will make a prompt repurchase in respect of any outstanding part of this purchase if the amount purchased on the basis of the estimated data (i.e., estimates for the three-month period April-June 1982 for merchandise exports and for the six-month period January-June 1982 for travel) exceeds the amount that could have been purchased on the basis of actual data for the entire

Table 5. Barbados: Travel Statistics

	Years Ending June				
	1980	1981	1982	1983	1984
Total travel receipts (SDR millions)	178.0	206.4	213.6	236.6	274.1
Total number of visitors ( '000)	514	511	455	472	503
Tourist arrivals	(380)	(359)	(338)	(347)	(370)
Cruise ship passengers	(134)	(152)	(117)	(125)	(133)
Total tourist days <u>1/</u> ( '000)	4,113	3,532	3,277	3,400	3,650
Average length of stay <u>2/</u> (days)	10.4	9.5	9.5	9.6	9.6
Average daily expenditure per visitor <u>2/</u> (SDR)	45	61	68	72	78

1/ Includes cruise ship passengers who stay for one day.

2/ Excludes cruise ship passengers.

shortfall year. The amount to be repurchased would be equivalent to the excess amount purchased by using partly estimated, rather than actual, data for the entire shortfall year.

5. Staff appraisal and proposed decision

Barbados is expected to request a purchase equivalent to SDR 12.6 million under the compensatory financing facility in respect of a shortfall for the year ended June 1982. The calculation of the shortfall supporting the CFF purchase is based on data covering receipts from travel as well as merchandise exports. The staff is satisfied that the data on travel are sufficiently reliable to be included in the calculation of the shortfall. The shortfall is based on estimated data for earnings from merchandise exports for the last three months of the shortfall year (April-June 1982) and estimated earnings from travel for the last six months (January-June 1982), and, in accordance with paragraph 7 of the 1979 CF decision (No. 6224-(79/135), the request for a purchase is expected to include a representation that Barbados will make a prompt repurchase of the amount, if any, by which the proposed purchase exceeds the amount that could have been purchased on the basis of actual, rather than estimated, receipts for the entire shortfall period.

Over the past two years, Barbados has experienced severe balance of payments difficulties. The current account deficit increased from SDR 3.6 million in 1980 to SDR 68.7 million in 1981; because of the poor performance of exports and travel, as well as a continued rise in imports, the deficit is expected to widen to SDR 88 million (or the equivalent of 10 per cent of GDP) in 1982. The overall balance of payments deficit, which reached SDR 21 million in 1981, is estimated at SDR 28 million for 1982. Gross official international reserves are currently equivalent to only about one-and-one-half months of imports. In view of these developments, the staff considers that the balance of payments need of Barbados justifies the proposed purchase under the compensatory financing facility.

The aggregate value of merchandise exports and travel receipts, after registering an average annual rate of growth of 27 per cent in the two pre-shortfall years, is estimated to stagnate in the shortfall year ended June 1982, and is projected to increase by 13 per cent per year on average in the two post-shortfall years. The overall shortfall in earnings is estimated at SDR 12.6 million, of which SDR 6.7 million is on account of a shortfall in merchandise export earnings and SDR 5.8 million on account of a shortfall in travel receipts. By far the largest export shortfall is estimated for sugar (SDR 8.2 million), reflecting reduced volumes due to low production of sugar caused by labor unrest and falling international prices; a much smaller shortfall (SDR 0.3 million) is estimated for "other exports" as foreign demand for these products weakened; and export excesses are estimated for clothing (SDR 0.3 million) and for electronic components (SDR 3.4 million). The sharp deceleration in the growth of travel receipts in the shortfall year paralleled the slowdown in economic activity in the major source countries of tourists to Barbados, resulting in a drop in the number of tourists. Moreover, disruptions in traditional air services to

Barbados curtailed travel to the country. Both merchandise exports and travel are projected to register modest recoveries in the post-shortfall period, as the gradual recovery of economic activity in Barbados' main trading partners leads to increased demand for Barbados' manufactured goods exports and for travel to Barbados. In addition, a return to normal levels of sugar production and some strengthening of international sugar prices in the second post-shortfall year is projected to raise sugar export receipts.

The staff believes that in view of the disruption in domestic production and falling world prices of sugar and weak external demand for major exports, the shortfall in aggregate earnings from exports and travel is largely attributable to circumstances beyond the member's control, and in the light of the projected recovery, that it is temporary in character. The request for a compensatory financing purchase is expected to include a statement that Barbados will cooperate with the Fund in efforts to find, where required, appropriate solutions for its balance of payments difficulties.

The staff considers that the request by Barbados under the compensatory financing decision will meet all the requirements set forth in that decision. Accordingly, the following draft decision is proposed for adoption by the Executive Board, after a duly authenticated request has been received:

1. The Fund has received a request by the Government of Barbados for a purchase of the equivalent of SDR 12.6 million under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 6224-(79/135), adopted August 2, 1979).
2. The Fund notes the representation of Barbados and approves the purchase in accordance with the request.
3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Fund Relations with Barbados  
(On July 31, 1982)

Date of membership: December 29, 1970.

Status: Article XIV.

Quota: SDR 25.5 million.

Fund holdings of Barbados dollars:	<u>Millions of SDRs</u>	<u>Per cent of quota</u>
Total	26.27	100.0
Oil facility	(--)	(--)
Compensatory financing facility	(--)	(--)
General account	(25.50)	(100.0)

SDR Department:	<u>Millions of SDRs</u>	<u>Per cent of net cumulative allocation</u>
Net cumulative allocation	8.04	100.0
Holdings	0.2	0.3

Trust Fund loan disbursements:	First and second periods.	--	--
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Direct distribution of  
profits of gold sales: US\$2.09 million.

Gold distribution  
(four distributions): 11,125.930 fine ounces.

Exchange rate: BDS\$2.00 per U.S. dollar.

Exchange restrictions: On December 7, 1981, the Executive Board extended the approval for the retention by Barbados of an exchange restriction resulting in a multiple currency practice until December 31, 1982. Barbados does not maintain unapproved exchange restrictions.

Recent contacts: The last Article IV consultation discussions were held September 8-18, 1981. The consultation was concluded by the Executive Board on December 7, 1981. Staff missions visited Barbados during March 1-11 and July 6-16, 1982.