

SU/20/114

June 3, 2020

**The Acting Chair's Summing Up
Barbados—Third Review Under the Extended Arrangement, Requests for
Augmentation of Access and Modification of Performance Criteria
Executive Board Meeting 20/66
June 3, 2020**

Executive Directors welcomed the continued good progress under the authorities' Fund-supported economic program. They noted, however, that the coronavirus pandemic and the related shocks, especially to tourism, are posing significant challenges to economic outlook. Directors agreed that adjustments to the program would help with the current crisis. In addition, Barbados faces acute climate-related vulnerabilities which need to be tackled.

Directors noted that the reduced primary surplus target for fiscal year 2020/21, financed by lending by international financial institutions, is an appropriate policy response to the coronavirus shock. They agreed that the accommodation in fiscal year 2020/21 will need to be compensated by higher primary surpluses in the medium term once the pandemic recedes to ensure that the debt anchor of 60 percent of GDP in fiscal year 2033/34 is reached.

Directors emphasized that state-owned enterprise (SOE) reforms remain an essential part of the economic program. They supported the authorities' plans to reduce transfers to SOEs after the global pandemic by a combination of stronger oversight of SOEs, cost reduction, revenue enhancement, and mergers and divestment. This would secure fiscal space for investment in physical and human capital.

Directors supported the authorities' plans to safeguard fiscal and debt sustainability achievements by adopting a new Central Bank Law. They emphasized that the central bank's mandate, autonomy, and decision-making structures need to be strengthened, and its financing of the Government limited to short-term advances. Directors also recommended that the central bank should enhance monitoring of banks to ensure regulatory standards are maintained. They encouraged the authorities to address the identified deficiencies and strengthen the effectiveness of the AML/CFT framework.

Directors emphasized that growth-enhancing structural reforms will be key to ensuring a strong recovery after the crisis and to creating sustainable and inclusive growth. Priority should be given to diversifying the economy, improving the business climate, and creating jobs. Efforts should also be strengthened to build resilience to climate change.