

SU/20/170

December 10, 2020

**The Acting Chair's Summing Up
Barbados—Fourth Review Under the Extended Arrangement, Requests for
Augmentation of Access and Modification of Performance Criteria
Executive Board Meeting 20/117
December 9, 2020**

Executive Directors welcomed the continued progress in implementing Barbados' ambitious and homegrown economic reform program, despite major challenges owing to the global pandemic. They commended the authorities' swift policy response to the coronavirus shock but noted that the period ahead will continue to be challenging. Directors stressed that the authorities' strong commitment to program implementation will remain crucial.

Directors agreed that the further reduction in the primary balance expected for the current fiscal year is warranted given the worse-than-anticipated impact of the pandemic. At the same time, they noted that the current accommodation will need to be compensated by higher primary surpluses in following years to achieve the long-term debt target. Medium-term consolidation should be supported with continued reform and stronger oversight of state-owned enterprises to reduce transfers. Directors also stressed the need to support fiscal sustainability through pension reform, introduction of a fiscal rule, and containment of discretionary spending.

Directors welcomed the authorities' plans to safeguard fiscal and debt sustainability with a new central bank law aimed at strengthening the central bank's mandate, autonomy, and decision-making structures, and limiting government financing. They looked forward to its ratification. Directors underscored the importance of repairing the central bank's balance sheet to ensure effective liquidity management, and of continued prudent monitoring of banks. They also recommended further strengthening the AML/CFT framework in close cooperation with the FATF.

Directors emphasized that a solid recovery from the global pandemic will hinge on structural reforms to boost growth, including by improving the business climate and diversifying the economy. Strengthening resilience to natural disasters and climate change will be key to long-term sustained economic growth. Technical assistance will remain important.