

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BARBADOS**

**SUSTAINABLE DEVELOPMENT POLICY PROGRAM**

**(BA-L1048)**

**PROJECT PROFILE**

This document was prepared by the project team consisting of: Robin Rajack (HUD/CBA), Team Leader; Gerard Alleng (CSD/CCS), Alternate Team Leader; Yuri Chakalall (RND/CJA), Alternate Team Leader; Gregory Watson and Camilo Santa Pena (CSD/CSD); Daniela Zuloaga (VPS/ESG); Juan Durante (IFD/CMF); Sandra Tovar and Gloria Visconti (CSD/CCS); Onil Banerjee (CSD/RND); Veronica Rodrigues do Prado (ENE/CBA); Gilroy Lewis (WSA/CTT); Laura Giles Alvarez, Janette Archer-Headley, and Kimberly Waithe (CCB/CBA); Mario Vinicio Rodriguez (FMP/CBA); Leonardo Corral (SPD/SDV); Louis-Francois Chrétien (LEG/SGO); Gilberto Chona and Beatriz Gonzalez

Under the Access to Information Policy, this document is subject to Public Disclosure.

## PROJECT PROFILE

### BARBADOS

#### I. BASIC DATA

<b>Project Name:</b>	Sustainable Development Policy Program		
<b>Project Number:</b>	BA-L1048		
<b>Project Team:</b>	Robin Rajack (HUD/CBA), Team Leader; Gerard Alleng (CSD/CCS), Alternate Team Leader; Yuri Chakalall (RND/CJA), Alternate Team Leader; Gregory Watson and Camilo Santa Pena (CSD/CSD); Daniela Zuloaga (VPS/ESG); Juan Durante (IFD/CMF); Sandra Tovar and Gloria Visconti (CSD/CCS); Onil Banerjee (CSD/RND); Veronica Rodrigues do Prado (ENE/CBA); Gilroy Lewis (WSA/CTT); Laura Giles Alvarez, Janette Archer-Headley, and Kimberly Waithe (CCB/CBA); Mario Vinicio Rodriguez (FMP/CBA); Leonardo Corral (SPD/SDV); Louis-Francois Chrétien (LEG/SGO); Gilberto Chona and Beatriz Gonzalez (CSD/HUD).		
<b>Borrower:</b>	Government of Barbados		
<b>Executing Agency:</b>	Ministry of Finance, Economic Affairs and Investment		
<b>Financial Plan:</b>	IDB – Ordinary Capital (OC):	US\$80,000,000	
	Total:	US\$80,000,000	
<b>Safeguards:</b>	Policies triggered:	B.13	
	Classification:	Not required	

#### II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 As part of its commitment to sustainable development, the Government of Barbados has requested the Bank's support to implement policy reforms to improve the country's overall governance in the areas of spatial planning and development control, resilience and climate change adaptation, and natural asset management and enabling growth of economic activity related to the oceans and coastline – the blue economy. In response, this loan operation is the first in a programmatic series of three consecutive, single-tranche operations that are technically related but financed independently under the programmatic Policy-Based Loan (PBP) modality. The concept of sustainability as applied in this operation includes adequately factoring in medium-term and long-term economic and financial, environmental (including climate resilience), social and institutional impacts and viability when planning, designing, constructing, operating, and decommissioning systems and investments in the areas identified above.<sup>1</sup>

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<sup>1</sup> This conceptualization is adapted from the definition of sustainable infrastructure as stated in IDB, 2018 Technical Note No IDB-TN-1388: A Framework to Guide Sustainability Across the Project Cycle.

- 2.2 **Background and macroeconomic context.** Barbados has been facing severe macroeconomic challenges, which have led to an ambitious fiscal reform program. Slowing economic growth, which declined from an average of 1.4% (2000–2009) to -0.1 percent (2010–2018), coupled with recurring fiscal deficits, resulted in a quick escalation of debt. By the first semester of 2018, the debt-to-Gross Domestic Product (GDP) ratio reached 158.3% of GDP including arrears and SOE-guaranteed debt. In response, the Barbados Economic Recovery and Transformation Program (BERT) was launched in August 2018. BERT sets a debt-to-GDP target ratio of 60% of GDP by 2033 and became the underlying framework for a US\$290 million four-year International Monetary Fund (IMF) Extended Fund Facility (EFF) program, signed in October 2018. Following the domestic debt restructuring in November 2018 and the external debt restructuring in December 2019, the debt-to-GDP ratio is estimated at 115.9% of GDP in FY 2019/20<sup>2</sup>. The fiscal balance has improved from -4.3% of GDP in FY2017/18 to -0.3% of GDP in FY2018/19, whereas the primary fiscal balance increased from 3.3% to 3.5% of GDP during the same period.<sup>3</sup>
- 2.3 **The importance of a sustainable development strategy.** Regeneration of the visitor economy including the tourism sector, as well as new investment in the agriculture and food security and renewable energy sectors are key parts of the country's growth strategy. The direct contribution of Travel and Tourism to GDP was 13.0% of total GDP in 2017, 40.6% when considering indirect effects, and most of the industry's assets are located near the coast<sup>4</sup>. Given the economy's strong reliance on the travel and tourism sector and increasing emphasis on value-added agriculture and renewable energy, ensuring the resilience and sustainability of spatial development patterns and the use of the natural and built environments is of strategic importance. This effort becomes even more important in the context of the BERT program, which hinges on much needed growth-promoting policies to achieve its results.
- 2.4 **The Government is intent on transitioning the economy to a more sustainable path.** This transition is to be operationalized through the Roofs to Reefs Program (R2RP), which includes as key elements: (i) a shift to 100% renewable energy and carbon neutrality by 2030— an agenda that is being actively supported by the Bank outside of this PBP;<sup>5</sup> and (ii) investments in increasing resilience and sustainability in the built environment and coastal zone, water resource management, and other natural capital systems, and measures to improve the country's ability to recover quickly post-disaster. The regulatory reforms included in this PBP are expected to support investments to increase resilience and thereby contribute to advancing the R2RP Agenda.
- 2.5 **Spatial planning and development control requirements.** A dated regulatory framework for spatial planning and development control has hindered the

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<sup>2</sup> IMF Country Report No. 19/370, December 2019.

<sup>3</sup> IMF, Country Report No. 19/182, June 2019.

<sup>4</sup> United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC), 2011. An Assessment of The Economic Impact of Climate Change on the Tourism Sector in Barbados.

<sup>5</sup> BA-L1012; 3843/OC-BA, BA-L1025; 2748/OC-BA, BA-X100; ATN/EX-13316-BA, BA-L1043; 4865/OC-BA and BA-G1002; GRT/ER-17578-BA.

efficiency and sustainability of built development<sup>6</sup> and investment. It is for this reason that a new Planning and Development Act was passed in January 2019, focused on improving the efficiency, transparency and predictability of the planning and development process and its impact on growth and investment. Between 1983 and 2011, inefficient spatial expansion saw the density of Barbados' Urban Corridor decrease by 22%.<sup>7</sup> This trend is associated with a hollowing-out of the Greater Bridgetown Area (GBA) - 11% of dwelling units in St. Michael (the parish which contains Bridgetown) were vacant in 2011, compared to 7% in 2000.<sup>8</sup> In 2013, the per capita emissions balance (emissions minus removals) in the GBA was 5.5 tons of CO<sub>2</sub>e - relatively high by Latin America and the Caribbean (LAC) standards.<sup>9</sup> The transportation sector contributed 33% of greenhouses gases (GHG) emissions due in part to the high reliance on personal vehicles – another feature of the inefficient spatial expansion. Under fiscal pressure, average infrastructure investment (gross fixed capital formation) declined from 18.4% of GDP (2005-2011) to 15.9% (2012 -2018),<sup>10</sup> contributing to an aging infrastructure stock that can hamper economic growth.

- 2.6 Compared to a trend-scenario, a smart-growth scenario associated with better spatial planning, densification of existing built-up areas, and more strategic development control, can cut total emissions of the GBA by 40%<sup>11</sup> by 2050 and result in three times less per capita expenditure on infrastructure<sup>12</sup> – a significant saving that could contribute to fiscal balance targets under the BERT. The Planning and Development Act 2019 that replaced the 53-yr old Town and Country Planning Act begins to improve the regulatory framework towards one that is more facilitating of investments that could bolster economic growth, however, the enabling environment for its implementation requires significant strengthening. This is partly evidenced by Barbados' ranking of 154<sup>th</sup> out of 190 countries for Dealing with Construction Permitting,<sup>13</sup> largely on account of the slowness of the approval process. A reformed regulatory framework for built development, can incentivize sustainable investments such as urban revitalization, medium-density urban living, and blue economy activities. Desired reforms include improving the efficiency and transparency of the review process for applications for planning permission; clarifying the level of environmental impact screening required for particular categories of development; and updating of the Physical Development Plan to reflect sustainable development priorities. In addition, the E-Planning System introduced in February 2019 as part of the Planning and Development Act reforms to facilitate more efficient consultation with regulatory stakeholders, is to be expanded to allow for online submission of

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<sup>6</sup> Commonly understood to include the construction of man-made features such as buildings, infrastructure, and public facilities that provide the setting for human activity.

<sup>7</sup> Idom and IDB, 2016. Emerging and Sustainable Cities Program (ESCI): Urban Growth Study for the Greater Bridgetown Area.

<sup>8</sup> Barbados Statistical Service, 2010 Population and Housing Census; CARICOM Capacity Development Project, National Census Report Barbados, 2000 Round of Population and Housing Census Sub-Project.

<sup>9</sup> See Idom and IDB, 2016. ESCI: Climate Change Study for Greater Bridgetown Area; Figure 18. The level was much higher than in cities such as Sao Paulo (1.4); Joao Pessoa (1.7); Valledupar (1.3); Port of Spain (3.5) etc.

<sup>10</sup> IMF World Economic Outlook, October 2019.

<sup>11</sup> Idom and IDB, 2016. Climate Change Study for Greater Bridgetown Area.

<sup>12</sup> Idom and IDB, 2016. ESCI: Urban Growth Study for the Greater Bridgetown Area.

<sup>13</sup> World Bank. 2019. Doing Business 2019. Training for Reform.

applications for planning permission. Such reforms are anticipated to reduce uncertainty and transaction costs associated with an application for planning permission and enhance the sustainability of investment outcomes.

- 2.7 Impacts of built development and other land use practices on ground water quality are inadequately regulated. The Barbados Water Authority (BWA) extracts water from aquifers through 22 wells, eight boreholes and two springs across the island; however, regulation to divert developmental pressures from sensitive water protection zones that are critical to the recharge of those aquifers remains weak. This challenge is exacerbated with heavy rainfall events that regularly lead to flash flooding. Contamination is a growing concern given the country's potable water scarcity, which may deteriorate since Caribbean climate change models have projected that mean annual precipitation could decrease by a maximum of 39% and mean annual air temperature could increase between 1.4 to 3.2 degrees Celsius<sup>14</sup>. These factors emphasize the need for stronger regulation on ground water zoning and storm water management.<sup>15</sup> An urgent need for greater adoption of green technologies related to energy use and storage for water pumping and distribution stations is also hampered by dated legislation. In the medium term, stronger regulation on water reuse, rainwater harvesting, and solid waste management are also needed.
- 2.8 **Natural assets management and enhancing the blue economy.** Environmental sustainability is further compromised by regulatory gaps pertaining to the use of natural assets, especially in the coastal and marine environments. In the coastal and marine space, an ongoing assessment<sup>16</sup> finds inadequate regulatory screening of new investment proposals and deficient management of new threats: e.g. coastal inundation by excessive Sargassum blooms.<sup>17</sup> Barring more investment in coastal resilience, 14% of the GBA is vulnerable to inundation in a 1 in 100-year flood,<sup>18</sup> An improved regulatory framework could mainstream such investments that have been found to boost medium-term economic growth.<sup>19</sup>
- 2.9 The sustainability and growth of many aspects of the blue economy, such as the fishing and sea-food industry, waterfront retail and service activities, yachting and watersports, and marine life and reef exploration, would all benefit from better coastal zone management (CZM) regulation, including formulation of a policy in the short term, and adoption of a CZM Plan and passage of a CZM Act in the medium term. Additionally, while single use plastics were the subject of a recent

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<sup>14</sup> See Christensen, et al, 2007. Regional Climate Projections in The Physical Science Basis. Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change [Solomon, S., D. Qin, M. Manning, Z. Chen, M. Marquis, K.B. Averyt, M. Tignor and H.L. Miller (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

<sup>15</sup> Stormwater in the Barbados context is rainwater that runs off streets, lawns and other sites.

<sup>16</sup> See draft Institute for governance of private and public organizations (iGOPP). [Report developed by the IDB](#) which measures whether a country has adequate legal, institutional, and budgetary conditions to implement a public DRM policy.

<sup>17</sup> See: [Executive Summary of the Disaster and Climate Risk Assessment Methodology for IDB project.](#)

<sup>18</sup> Idom and IDB, 2016. ESCI: Probabilistic Hazard and Vulnerability Assessment.

<sup>19</sup> See Corral L. and Schling M. 2017. The impact of shoreline stabilization on economic growth in small island developing states. *Journal of Environmental Economics and Management* 86 (2017) 210–228. Note that the authors drew no conclusion about long-term economic growth impacts in the absence of such data at the time.

ban, litter continues to pollute the nation's waterways, drains, beaches and oceans. A December 2019 amendment to the Returnable Containers Act is intended to help ameliorate this situation. More generally, these regulatory gaps speak to the need for natural capital to be appropriately valued and incorporated into national accounts – medium-term goals that are expected to be consolidated under this PBP with supporting Technical Cooperation (TC).

- 2.10 **Resiliency and climate change adaptation.** Fiscal shocks from losses and contingent liabilities associated with natural hazards and climate change could undermine the BERT reforms. These costs include providing emergency assistance to affected populations; support for repair or reconstruction of affected homes and institutional buildings, many of which were not built to withstand the current threats; early restoration of lifeline infrastructure; rehabilitation, replacement and reconstruction of public assets; and the general loss of tax revenue – tasks that are pending proper definition and programming. Approval of a Comprehensive Disaster Management multi-year Work Program (CDMP) will help to begin addressing these and other gaps. Barbados has a fund for disaster shocks, as well as catastrophe insurance for hurricanes and earthquakes, however, an effective disaster risk financing strategy requires additional financial options including contingent debt instruments, and risk-transfer instruments. In the short term, a financial protection mechanism for contingent liabilities from natural hazard-induced disaster shocks is needed. The CDMP is a key ingredient of the due diligence for such a mechanism and provides the benchmarks for periodically assessing compliance.
- 2.11 Information from the National Coastal Risk Information Planning Platform (NCRIPP) developed under BA-L1014; 2463/OC-BA is currently being utilized in risk assessment but this technological innovation needs to be mainstreamed in development planning. It has the applied systemic value of improving risk appraisals of private and public development investments nationally. Through the NCRIPP, probable losses from 100-year return period wind and coastal storm surge events are estimated at US\$0.5 billion and US\$325 million respectively for the residential housing sector alone. Regional projections also suggest that climate change is exacerbating this situation by increasing the frequency and severity of existing coastal hazards as well as generating new types of hazards such as sea level rise<sup>20</sup>.
- 2.12 **Objectives and expected results.** The objective of this program is to improve the country's governance for sustainability through the strengthening and modernization of the regulatory framework. The specific objectives are to advance the ongoing regulatory reform efforts to: (i) improve the efficiency and sustainability of spatial planning and development control; (ii) improve natural asset management and support the blue economy; and (iii) promote greater resilience and climate change adaptation. To meet this objective, the assistance is structured as a PBP consisting of three technically-related but financially independent single-tranche operations. The PBP series will benefit the entire

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<sup>20</sup> Under a high carbon emissions scenario, the median 21st-century sea-level-rise projection ranges from 0.74-0.83 m across 12 tide gauges in the Caribbean Basin according to Strauss B. and Kulp S. 2018. Sea-Level Rise Threats in the Caribbean. Data, tools, and analysis for a more resilient future. Climate Central, Princeton, NJ.

population of Barbados of approximately 285,000 people. The program will have four components, and the reforms under the first operation are as follows:

- 2.13 **Component 1. Macroeconomic stability.** The objective of this component is to maintain a stable macroeconomic environment consistent with the program's objectives.
- 2.14 **Component 2. Spatial Planning and Development Control.** Support the reform of the regulatory framework for spatial planning, development control, and water resource management, including: (i) Modernization of the legislation governing planning and development to improve efficiency and transparency and to clarify the application of environmental impact screening; (ii) Updating and formal recognition of the National Physical Development Plan; (iii) Updating and approval of the policy that demarcates the zonation of ground water resources in the island; and (iv) Enhancement of stormwater management through the revision of the National Plan for the mitigation of flood events and attenuation of impacts of stormwater, incorporating the cumulative impacts of development and climate change considerations.
- 2.15 **Component 3. Natural Asset Management and Enhancing the Blue Economy.** Support the development of the regulatory framework for CZM, and pollution, including: (i) Modernization of the national Integrated Coastal Zone Management Policy to address and integrate resilience to climate change and disaster risks; and (ii) Adjustment to the Returnable Containers Act that will expand coverage to non-beverage containers and facilitate recycling, thereby reducing the level of contamination of land and coastal resources.
- 2.16 **Component 4. Resilience and Climate Change Adaptation.** Support governance reforms to enhance disaster risk management and resilience, including: (i) Modernization of the planning and operational approach to implementing disaster risk management to pursue an all hazards, programmatic, multi-year, cross-sectoral approach, for all phases (prevention, mitigation, preparedness, response, recovery and rehabilitation) of the DRM cycle; consistent with and guided by the vision and goals of the CARICOM Comprehensive Disaster Risk Management Strategy 2014-2024; (ii) National recognition and approval of the utilization of the newly developed National Coastal Risk Information Planning Platform (beyond coastal zone management) in applied risk assessment for new investments and operations across multiple sectors; and (iii) Development and approval of an inter-disciplinary Conceptual and Governance Framework for: increasing resilience and sustainability in the built environment and coastal zone, water resource management, and other natural capital systems; enhancing the ability to recover quickly post-disaster; and transitioning to renewable energy and carbon neutrality.
- 2.17 These reforms directly address many of the above-discussed deficiencies in the regulatory system, and in Components 2 through 4, there is an anticipated progression of reforms across the three operations of the PBP. As indicated in the Policy Matrix, several reforms (e.g. ICZM, Natural Capital Valuation, Waste Management, R2RP) start with a Policy Paper, White Paper or Concept Note, and progress to either a new or amended law or to a detailed Plan. In some instances, approval of a new law is to be followed by approval of associated

regulations or guidelines (e.g. reforms related to planning and development). In the case of Water Resource Management, the progression also includes a lateral dimension whereby the reforms start with Storm Water Management and progress to cover Water Reuse and Rainwater Harvesting. In the case of DRM, the progression includes a transition from programming, to financial and institutional strengthening within the public sector, and eventually, to protocols for the role of the private sector.

- 2.18 **Strategic Alignment.** The operation aligns with the IDB Group's Country Strategy with Barbados 2019-2023 (GN-2953-1), specifically relating to the cross-cutting theme of promoting climate resilience. It is also aligned with the third priority area of the Strategy: promoting greater productivity and competitiveness, as it will promote investment and contribute to a stronger private sector climate. The program is consistent with the Update to the Institutional Strategy – UIS (AB-3190-2) and is expected to contribute to the Corporate Results Framework 2016-2019 - CRF (GN-2727-6) through the development challenge of: (i) Social Inclusion and Equality, by promoting reforms that will reduce the vulnerability of the poor to natural disaster and climate change losses; and (ii) Productivity and Innovation by strengthening the resilience of the assets that underly the country's finances, and by expanding the opportunities for their sustainable use in the context of the blue economy. It also aligns to the cross-cutting themes of: (i) Climate Change and Environmental Sustainability, through initiatives related to natural asset management, disaster risk management, and climate change adaptation; and (ii) Institutional Capacity and the Rule of Law through its substantive regulatory reform agenda. It also contributes to the Corporate Results Framework's 2016-2019 (GN-2727-6) output indicators relating to new or upgraded access to drinking water and sanitation for households. The project aligns with the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (GN-2609-1), the Bahamas Resolution of 2016 (AG-6/16 & CII/AG-2/16), the Climate Change Action Plan (GN-2848-4), the Climate Change Sector Framework Document (GN-2835-8) and the Disaster Risk Management Policy (GN-2354-5), by promoting resilience and sustainability to climate risks through the strengthening of disaster and climate change policies. It is consistent with the Urban Development and Housing Sector Framework's (GN-2732-6) objectives of promoting access to quality urban infrastructure and the mitigation and adaption to climate change in urban development. It also aligns with the Agriculture and Natural Resource Management Sector Framework (GN-2709-5) and the Environment and Biodiversity Sector Framework (GN-2827-8) through its objective of enhancing and protecting of the marine and land environment. Finally, the project contributes to the Water and Sanitation Sector Framework's (GN-2781-8) objectives of fostering sustainable water resource management.

### III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 **Technical Issues.** The PBP is the appropriate policy-based loan instrument for this program as it will effectively and flexibly support complex reforms in Barbados that require sequenced actions for implementation. Since most of the unsustainable outcomes which are currently occurring are the result of a mismatch between broader national development goals and the incentives



driving private investment, an operation that focuses on changing incentives through regulatory reform, is the most appropriate instrument for effecting change. This first operation of the PBP series for US\$80 million from IDB-Ordinary Capital (OC), is to be disbursed upon fulfillment of the conditions of the Policy Matrix agreed with the government. The tentative timing of the approval of the second and third operations is January 2021 and January 2022, respectively. The IDB Group is coordinating with the Caribbean Development Bank and the IMF through donor coordination meetings that take place once a quarter.

- 3.2 **Sector knowledge.** The design of this PBP is being supported by various TC exercises: the ESCI Initiative (ATN/OC-14528-BA; and ATN/OC-14529-BA), which diagnosed the unsustainability of built development trends and proposes corrective measures; the Index of Governance and Public Policy in Disaster Risk Management - iGOPP (ATN/MD-15712-RG), which is identifying the areas of DRM that are in need of strengthening; an assessment of sustainability within the context of the blue economy, circular economy and climate resilience (ATN/MC-16236-RG); the design of a strategic roadmap for the Blue Economy in Barbados (ATN/CO-17589-BA); and a quantification of the value of natural capital assets with a view to their prospective inclusion in national accounts (ATN/OC-17333-RG). Another study focuses on the macroeconomic impacts of disaster risk reduction investments (ATN/OC-17270-RG and ATN/MD-17269-RG). The Coastal Risk Assessment and Management Program Loan (BA-L1014; 2463/OC-BA) is supporting the ICZM reform agenda, and the Tourism Program (BA-L1033; 4342/OC-BA) is financing some investments in better urban management.
- 3.3 The executing agency for this PBP will be the Ministry of Finance, Economic Affairs and Investment (MFEAI) through its Public Investment Unit (PIU), which will coordinate with the Prime Minister's Office (PMO), the CZMU, Ministry of Energy and Water Resources (MEWR); Ministry of Environment and National Beautification (MENB), Ministry of Maritime Affairs and the Blue Economy (MMABE), and the Department of Emergency Management (DEM). Capacity building of some of these agencies is being facilitated by the above referenced TCs and lending operations.

#### **IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1 According to Directive B.13 of the Environmental and Safeguards Compliance Policy (GN-2208-20 and OP-703) this operation does not require any type of environmental or social classification. The operation will not finance any type of infrastructure works and the policy changes contemplated in this operation will have no negative environmental or social impacts.
- 4.2 The program risks include: (i) inadequate institutional capacity in the MFEAI for program coordination leading to un-timely client country responsiveness; (ii) inadequate coordination across the various sectoral ministries and agencies that have important roles in achieving the regulatory reforms referenced in the Policy Matrix; (iii) the reforms in the first operation in the series not being satisfactorily achieved in time or to the level of quality required to trigger

CONFIDENTIAL

<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.



## Safeguard Policy Filter Report

### Operation Information

Operation		
BA-L1048 Sustainable Development Policy Program		
Environmental and Social Impact Category	High Risk Rating	
B13		
Country	Executing Agency	
BARBADOS	BA-MFEA - MINISTRY OF FINANCE	
Organizational Unit	IDB Sector/Subsector	
Housing & Urban Development	ENVIRONMENT AND NATURAL DISASTERS	
Team Leader	ESG Primary Team Member	
ROBIN MICHAEL RAJACK	DANIELA ZULOAGA ROMERO	
Type of Operation	Original IDB Amount	% Disbursed
Loan Operation	\$80,000,000	0.000 %
Assessment Date	Author	
15 Nov 2019	BEATRIZGO Project Assistant	
Operation Cycle Stage	Completion Date	
ERM (Estimated)	27 Nov 2019	
QRR (Estimated)	22 Jan 2020	
Board Approval (Estimated)	11 Mar 2020	
Safeguard Performance Rating		
Rationale		



## Safeguard Policy Filter Report

### Safeguard Policy Items Identified

#### B.1 Bank Policies (Access to Information Policy– OP-102)

The Bank will make the relevant project documents available to the public.

#### B.1 Bank Policies (Disaster Risk Management Policy– OP-704)

The operation includes activities related to climate change adaptation, but these are not the primary objective of the operation.

#### B.2 Country Laws and Regulations

The operation is expected to be in compliance with laws and regulations of the country regarding specific women's rights, the environment, gender and indigenous peoples (including national obligations established under ratified multilateral environmental agreements).

#### B.3 Screening and Classification

The operation (including [associated facilities](#)) is screened and classified according to its potential environmental impacts.

#### B.7 Supervision and Compliance

The Bank is expected to monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.

#### B.13. Noninvestment Lending and Flexible Lending Instruments

Ex-ante impact classification may not be feasible for this type of operation. This includes: policy-based loans, Financial Intermediaries (FIs) or loans that are based on performance criteria, sector-based approaches, and conditional credit lines for investment operations.

#### B.16. In-country Systems

In-country systems will be used based on results from equivalency and acceptability analyses.

#### B.17. Procurement

Suitable safeguard provisions for the procurement of goods and services in Bank financed operations may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.

### Potential Safeguard Policy Items

#### B.6 Consultations

Consultations with affected parties will be performed equitably and inclusively with the views of all stakeholders taken into account, including in particular: (a) equal participation by women and men, (b) socio-culturally appropriate participation of indigenous peoples and (c) mechanisms for equitable participation by vulnerable groups.

### Recommended Actions



## Safeguard Policy Filter Report

Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s).  
Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent)  
and Safeguard Screening Form to ESR.

### Additional Comments

In relation to environmental issues, in accordance with the criteria of the Bank's Sustainable Finance Toolkit, it was found that, based on Policy B.13, the project does not require classification (Annex II). This is consistent with the evaluation of the project team because this is a policy-based operation. Directive B.13 of the Environmental and Safeguards Compliance Policy (OP-703) is applicable, for which no classification is necessary. The policy changes contemplated in this operation will have no negative environmental impacts and integrates environmental sustainability as an intrinsic requirement of the program.

## **ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY (ESS)**

The objective of this program is to improve the country's governance for sustainability through the strengthening and modernization of the regulatory framework. The specific objectives are to advance the ongoing regulatory reform efforts to: (i) improve the efficiency and sustainability of spatial planning and development control; (ii) improve natural asset management and support the blue economy; and (iii) promote greater resilience and climate change adaptation.

In accordance with Directive B.13 of Environment and Safeguards Compliance Policy (GN-2208-20 and OP-703), this operation does not require any type of environmental or social classification. The operation will not finance any type of infrastructure works and the policy changes contemplated in this operation will have no negative environmental or social impacts. This evaluation is also consistent with the evaluation of the project team.

## INDEX OF SECTOR STUDIES

No.	Topic	Name of the Document	Type of document	Author	Year
1	Climate Change	<a href="#">Barbados INDC Final Submission</a>	Report	Government of Barbados	2015
2	Climate Change	<a href="#">Barbados Second National Communication Under the United Nations Framework Convention on Climate Change</a>	Report	Government of Barbados	2018
3	Climate Change	<a href="#">Adaptation to Climate Change: The Coastal Zone of Barbados</a>	Technical Article	Mycoo, M. & Chadwick, A.	2012
4	Climate Change	<a href="#">Emerging and Sustainable Cities Initiative: Climate Change Study for Greater Bridgetown Area, Barbados</a>	Report	Idom and IDB	2016
5	Climate Change	Technical Consultancy to Conduct the CC and DRM Module for the Public Expenditure Review in Barbados	Report	IDB	Expected Jan 2020
6	Green Economy	<a href="#">Barbados Green Economy Scoping Study</a>	Report	Moore et al.	2014
7	Blue Economy	<a href="#">Toward a Blue Economy: A promise for the Sustainable Growth in the Caribbean</a>	Report	Patil, P.G., Virdin, J., Diez, S.M., Roberts, J., Singh, A.	2016
8	Blue Economy	<a href="#">Financing the Blue Economy: A Caribbean Development Opportunity</a>	Report	Caribbean Development Bank	2018
9	Blue Economy	Strategic Roadmap for the Blue Economy in Barbados	Plan	IDB	Expected Nov 2020
10	Macroeconomics	<a href="#">Barbados: First Review under the Extended Arrangement and Request for the Completion of the Financing Assurances Review and Modification of Performance Criteria - Press Release; Staff Report; and Statement by the Executive Director for Barbados</a>	Report	International Monetary Fund	2019

No.	Topic	Name of the Document	Type of document	Author	Year
11	Macroeconomics	<a href="#">Central Bank of Barbados Review of the Economy: January to June 2019</a>	Report	Central Bank of Barbados	2019
12	Urban Resilience	<a href="#">A Blue Urban Agenda: Adapting to Climate Change in the Coastal Cities of Caribbean and Pacific Small Island Developing States</a>	Book	Donovan M. G. and Mycoo M.	2017
13	Disaster Risk Management	iGOPP: Index of Governance and Public Policy in Disaster Risk Management: Barbados	Report	IDB	Expected Jan 2020
14	Disaster Risk Management	<a href="#">Emerging and Sustainable Cities Initiative: Barbados, Bridgetown Probabilistic Hazard and Vulnerability Assessment</a>	Report	Idom and IDB	2016
15	Disaster Risk Management	Macroeconomic Impacts of Disaster risk Reduction	Report	IDB	TBC
16	Spatial Planning	<a href="#">Emerging and Sustainable Cities Initiative: Urban Growth Study for the Greater Bridgetown Area, Barbados</a>	Report	Idom and IDB	2016
17	Sustainable Development	Sustainability within the context of the blue economy, circular economy and climate resilience	Report	IDB	Expected Jul 2020
18	Natural Capital Accounting	How Natural Capital Accounting for Biodiversity contributes to better economic, social and environmental policies	Report	United Nations (IDB is on the Editorial Board)	Expected Jun 2020
19	Natural Capital Accounting	<a href="#">Integrated Economic-Environmental Modelling (IEEM): A New Natural Capital-Based Decision Making Platform</a>	Report	IDB	2017
20	Natural Capital Accounting	<a href="#">System of Environmental-Economic Accounting 2012. Central Framework</a>	Report	United Nations	2014



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<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.