

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

**PROGRAMME TO STRENGTHEN PUBLIC POLICY AND FISCAL MANAGEMENT
IN RESPONSE TO THE HEALTH AND ECONOMIC CRISIS CAUSED BY
COVID-19 IN BARBADOS II**

(BA-L1056)

LOAN PROPOSAL

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ABBREVIATIONS	
BERT	Barbados Economic Recovery and Transformation Plan
BRA	Barbados Revenue Authority
CAF	Development Bank of Latin America
CBA	Cost-Benefit Analysis
CEA	Cost-Effectiveness Analysis
CPCP	Prevention and Control Programme
CRF	Corporate Results Framework
ECG	Evaluation Cooperation Group
EFF	Extended Fund Facility
ESPF	Environmental and Social Policy Framework
EV	Electrical Vehicle
FY	Fiscal Year
GDP	Gross Domestic Product
HOPE	Home Ownership Providing Energy
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MDB	Multilateral Development Bank
MFEI	Ministry of Finance, Economic Affairs, and Investment
MH	Ministry of Health and Wellness
MSE	Micro and Small-Sized Enterprise
MSME	Micro, Small, and Medium Sized Enterprises
NDC	Nationally Determined Contribution
NIS	National Insurance Scheme
OECD	Organization for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
PBP	Programmatic Policy-Based Loan
PCR	Programme Completion Report
PIT	Personal Income Tax
PV	Photovoltaic System
RST	Resilience and Sustainability Trust
SDL	Special Development Lending
SME	Small and Medium Sized Enterprises
TC	Technical Cooperation
VAT	Value-Added Tax
WHO	World Health Organization

PROJECT SUMMARY
BARBADOS
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HEALTH AND ECONOMIC CRISIS CAUSED BY COVID-19 IN BARBADOS II
(BA-L1056)

Financial Terms and Conditions				
Borrower			Flexible Financing Facility ^(a)	
Government of Barbados			Amortization Period:	20 years
Executing Agency			Disbursement Period:	12 months
Ministry of Finance, Economic Affairs, and Investment (MFEI)			Grace Period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR based
IDB (Ordinary Capital):	100,000,000	100	Credit Fee:	(c)
			Inspection and supervision fee:	(c)
Total:	100,000,000	100	Weighted Average Life (WAL):	12.75 years
			Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<p>Project objective/description: The general development objective is to strengthen the efficiency and effectiveness of public policy and fiscal management in Barbados in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific development objectives are to: (i) promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.</p> <p>This operation is the second in a Programmatic Policy-Based (PBP) series consisting of two contractually independent but technically connected loans.</p>				
<p>Special contractual conditions prior to the first and sole disbursement: The first and sole disbursement of the Bank’s loan proceeds will be contingent on fulfillment of the policy reform commitments described in the Policy Matrix (Annex II), the Policy Letter, as well as fulfillment of the conditions set forth in the Loan Contract (¶3.4).</p>				
<p>Exceptions to Bank Policies: None.</p>				
Strategic Alignment				
Challenges ^(d) :	SI <input checked="" type="checkbox"/>		PI <input type="checkbox"/>	EI <input type="checkbox"/>
Cross-Cutting Issues ^(e) :	GE <input type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. In considering such requests, the Bank will consider operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and justification

- 1.1 This is the second and last operation of the Programmatic Policy-Based Loan (PBP) framework. The first one, approved by the Bank in December, 2020 ([5168/OC-BA](#) for US\$120 million), supported Barbados's immediate response to the health emergency and economic crisis, which consisted of a complete, well-timed package aligned with International Monetary Fund (IMF) Extended Fund Facility (EFF) and the government's emergency actions that included health, social, fiscal and financial stimulus measures.¹ The unprecedented economic impact of the health crisis required a flexible approach in the setting of fiscal policy and reform priorities. On balance, the pandemic response prompted the government to lower its primary balance target to -1% of Gross Domestic Product (GDP) in Fiscal Year (FY) 2020/2021 (compared to a surplus of 6% of GDP envisaged prior to the pandemic). The FY2021/2022 budget targeted a primary surplus of about 0.25% of GDP reflecting still weak economic conditions and ongoing expenditure needs as the fallout from the COVID-19 shock persisted.
- 1.2 The current operation continues to support the Government of Barbados to ensure the availability and timely execution of resources to contain new waves of the COVID-19 pandemic and promote economic and fiscal recovery in the medium term by implementing policies that foster growth with equity and fiscal sustainability.

1. Macroeconomic context²

- 1.3 Since 2008, growth in Barbados has been sluggish, with an annual average real GDP rate of -0.5% (2008-2019). Recurrent fiscal deficits and high rising debt levels (from 61.3% in FY2000/2001 to 158.3% in FY2017/2018), lead to an unsustainable fiscal path. International reserves dropped to US\$205.7 million (5 weeks of import coverage).³ Against this backdrop, the government launched in 2018 the Barbados Economic Recovery and Transformation Plan (BERT) to restore fiscal and debt sustainability (through debt restructuring),⁴ increase international reserves, and promote sustained economic growth. The BERT was the anchor for an IMF EFF four-year programme, approved in October 2018.⁵

¹ These measures included spending on medical supplies, purchase of medicines, the Value-Added Tax (VAT) Loan Fund, the Small Business Wage Fund, the Small Hotel Investment Fund the Barbados Economic and Sustainable Transformation Programme, the Agriculture Development Fund, the Household Survival Programme, the Business Interruption Benefit, the Home Ownership Providing Energy (HOPE), the creative industries stimulus and the COVID-19 Relief Programme.

² Macroeconomic data is obtained from the IMF World Economic Outlook October 2022, unless otherwise noted.

³ FY in Barbados runs from April 1 to March 31.

⁴ See: "Barbados' 2018-19 Sovereign Debt Restructuring—Sea Change?", [IMF Working Paper No. 20/34](#).

⁵ The programme ended on September 30, 2022, and total disbursements amounted to US\$435 million. The Bank assisted the government in its efforts to regain fiscal sustainability and economic growth by providing budget support to strengthen macro-fiscal stabilization policies through the approval of a US\$100 million Special Development Lending (SDL) operation ([4656/OC-BA](#) of November 2018) and a PBP of US\$80 million ([4987/OC-BA](#) of March 2020).

- 1.4 Early in the pandemic, the economy halted due to the restrictions on mobility starting in early 2020. Real GDP fell 13.7% that year, while unemployment rate peaked at 25%. Public expenditure increased to protect the most vulnerable while revenues dropped due to the COVID-19 restrictions, reversing the primary fiscal balance to a 1% GDP deficit from a 6.2% surplus the previous year (see Table 1). debt-to-GDP rebounded quickly to 147% from 123.2% in FY2019/2020. Progress under the EFF was on track until the onset of COVID-19; from thereon quantitative targets were adjusted, and structural benchmarks were delayed.
- 1.5 The economy is rebounding with a growth forecast of 10.5% by the end of 2022. Far from pre-COVID-19 levels, tourism arrivals have been increasing and in the first half of 2022 reached 43% of the 2019 level. Fiscal performance is expected to further improve and, according to the FY2022/2023 budget, the primary fiscal balance is anticipated at 1% of GDP with the debt-to-GDP ratio steadily decreasing (see Table 1).⁶ Excluding short term debt, financing needs for FY2022/2023 amount to US\$414.6 million, equivalent to 7.1% of GDP.⁷
- 1.6 Although the EFF is considered successful, some reforms were not achieved due to the countercyclical measures forced by the pandemic.⁸ The Government of Barbados and the IMF are negotiating a new agreement to engage in a subsequent three-year programme, which will build on the former one and will include a strong focus on adaptation to climate change and building resilience.⁹

Table 1. Selected economic indicators

Economic Indicators	Projections				
	2019	2020	2021	2022	2023
Real GDP Growth (% change)	-1.3	-13.7	0.7	10.5	5.0
Unemployment rate (%)	10.1	21.3	14.5	10.8	10.0
Inflation (period average in %)	4.1	2.9	3.0	9.9	8.2
Current account balance (% of GDP)	-3.1	-6.9	-11.5	-10.0	-8.7
FY	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024
Total revenue (% GDP)	30.7	29.9	28.9	29.6	29.1
Tax revenue (% GDP)	28.6	28.0	27.2	27.9	27.4
Total expenditure (% GDP)	26.9	34.7	33.7	32.7	29.9
Current expenditure (% GDP)	25.1	31.6	29.6	28.6	26.4
Fiscal balance (% GDP)	3.7	-4.8	-4.8	-3.2	-0.8
Primary fiscal balance (% GDP)	6.2	-1.0	-0.9	1.0	3.5
Debt (% GDP)	123.2	147.0	135.4	117.9	110.0

Source: IMF World Economic Outlook October 2022.

⁶ Ministry of Finance of Barbados (2022), "[Estimates 2022-2023](#)".

⁷ Out of which US\$175 million correspond to external debt service.

⁸ Particularly reforms to the public pension law, introduction of a fiscal rule law, and deeper state-owned enterprises reform. (IMF, 2022) "Seventh Review Under the Extended Fund Facility Arrangement", IMF Country Report No. 22/176 (June 2022).

⁹ The new EFF programme will be complemented by a Resilience and Sustainability Trust (RST) programme. The RST will provide financing to support the country's climate change adaptation and mitigation efforts, and support Barbados' goal of transitioning to a fully renewable-based economy by 2030 (IMF, 2022), [Press Release No. 22/325](#).

- 1.7 The fiscal policy response during the pandemic focused on supporting the health system and providing lifelines to severely impacted households and businesses. Table 1 reports the big jump in total expenditures between FY2019/2020 to FY2021/2022 with the resumption of external commercial debt service and COVID-19-related spending. The pandemic imposed a significant toll on the public finance stance, reversing the 3.7% fiscal surplus in FY2019/2020 to a 4.8% deficit in FY2021/2022¹⁰. The main challenges faced by Barbados during the pandemic have been: (i) insufficient budgetary and financial resources assigned to the health sector to face the crisis; (ii) safeguarding funds for service delivery units and medical supplies; (iii) ensuring transparency in the use of resources deployed as part of crisis response and reporting; and (iv) problems with business continuity due to staff shortages.¹¹
- 1.8 Although this response has been critical in supporting economic activity, it will make it even more difficult for Barbados to resume its fiscal consolidation process. The main fiscal challenge faced by the government in the post-pandemic era will be to return to a much-needed fiscal stance by ensuring financial resources to the health sector to keep COVID-19 cases under control while strengthening the quality of expenditure by reassessing the policy programs implemented during the pandemic.¹² More importantly, as countries worldwide are trying to reignite growth, Barbados' fiscal policies need to foster economic growth and stability in the short and medium term.
- 1.9 Against this backdrop, the Government of Barbados requested the Bank's financial support to face the pandemic and support the much-needed fiscal sustainability.

2. The pandemic and the health crisis

- 1.10 From the outset of the COVID-19 pandemic, Barbados was very proactive and took measures to tackle the increase in cases and the strain on the health system. First, after declaring a public health emergency in March 2020, the government's response focused on implementing mandatory isolation measures and curfews to stop the spread of the virus, as well as mandatory use of masks, contact tracing, quarantine, encouraging physical distancing, limits on public gatherings, and supplemental medical facilities established.¹³ These measures were followed by a halt to most international flights until late July 2020, leaving the country with minimum international transport services and only focusing on cargo.
- 1.11 The government implemented measures to expedite hospital response capacity by increasing the number of isolation facilities, the testing capacity at Best Dos-Santos Public Health Laboratory, number of staff, health equipment, and medical supplies.¹⁴ These preemptive actions were critical in managing the pandemic. However, as the pandemic evolved, the bed occupancy rates increased

¹⁰ IMF (2022).

¹¹ [Speech from the Throne 2020](#) and Ministry of Finance, Economic Affairs, and Investment (MFEI, 2021).

¹² IMF (2021) and IMF (2022).

¹³ Social distancing and isolation became essential measures in the public health response worldwide, as they were shown to slow COVID-19 transmission and postpone the demand for medical services (Matrajt and Leung, 2020).

¹⁴ Physical, financial and human resources available to hospitals have been shown to be an important determinant of the rate of death for COVID-19 patients (Janke et al. 2021).

beyond capacity. There were several shortages of physicians, nurses, and clinical supplies.

- 1.12 After the last wave of infection with a peak of cases observed in August 2022, Barbados has continuously reduced cases and currently reports the lowest number of daily active cases in the last 12 months.¹⁵ Consequently, the government has shifted its health policy focus from containment to prevention, increasing vaccination, self-testing, and self-care.¹⁶ While vaccination remains one of the main tools to manage the shift from pandemic to endemic, around 57% of the Barbados population have received at least one dose of the COVID-19 vaccine, with high levels among Caribbean countries, but still under the World Health Organization's (WHO) 70% vaccination target.¹⁷ The latest information on COVID-19 reports 103,014 new cases¹⁸ and 560 confirmed deaths.¹⁹

3. Public policy and fiscal management challenges during the pandemic

- 1.13 The first operation of this programmatic series supported the redirection of resources to target the immediate health needs better. This included the implementation of the COVID-19 Prevention and Control Programme (CPCP), which was approved to ensure the availability of medicines and health equipment to confront the health crisis and health personnel at Harrison's Point. The CPCP initially allocated US\$9 million for the FY2021/2022; revised estimates increased the budget to \$31 million to accommodate a higher demand for supplies and materials (up by 335%), operating expenses (up by 516%) and incentive payments to health workers (up by 311%). In addition, the Harrison Point and the Queen Elizabeth hospitals were retrofitted to increase the average occupancy level from 56% to 74%. In addition, Harrison Point's tertiary isolation area was upgraded with two oxygen plants and other critical amenities, allowing a better health care. Overall, the fiscal COVID-19 health-related expenditures was 1% of GDP in FY2020/2021, and 0.8% in FY2021/2022.²⁰
- 1.14 The second operation in the programmatic series focuses on the allocation of budgetary resources to the health sector to:
- (i) **Manage the health consequences of COVID-19.** During the pandemic, the challenge of insufficient reagents impacted the provision of real-time confirmatory PCR test results. The Ministry of Health and Wellness (MH) continues to make funding available to procure reagents to meet testing requirements for this second operation.
 - (ii) **Attain the required level of health services to manage and suppress future COVID-19 cases.** For this second operation, the condition remains; however, as the pandemic's deadly surge is rapidly easing, the MH budget

¹⁵ [Our World in Data](#).

¹⁶ Testing, vaccinations and contact restrictions are complementary interventions that are effective in reducing infection numbers (Gabler et al. 2022).

¹⁷ [World Bank blog \(July 2022\)](#).

¹⁸ [Johns Hopkins Coronavirus Resource Center](#).

¹⁹ [WHO](#), (October 27, 2022).

²⁰ IMF (2021). Barbados: 2021 Article IV Consultation, Sixth Review Under the Extended Arrangement Under the Extended Facility, and Request for Modification of Performance Criteria-Press Release; and Staff Report.

for FY2022/2023 has been reduced and the following policy decisions were taken: (a) close the Quarantine Engagement Unit; (b) discontinue the services for the collection and transportation of rapid antigen positives patients from the Gymnasium Testing Site and the Queens Park Steel Shed Testing Site; and (c) redeployed staff from Harrison Point, and the Quarantine Engagement Unit across the Health Sector to strengthen primary care and hospital services.

- (iii) **Realise any potential changes in health personnel at Harrison's Point to support COVID-19 efforts.** For this second operation, the facility still provides care for patients yet, due a change in health policy, the facility now provides care to only moderately ill and critically ill patients. Mildly ill patients are receiving care through the Home Isolation Programme, reducing therefore, the burden at the St. Lucy facility in terms of additional staff and supplies.

4. The pandemic and its effects on household and business income

- 1.15 Social distancing and other containment measures, necessary during the initial phase of the health crisis to save lives, led to higher unemployment and loss of household income due to the decrease in economic activities in key sectors such as the hospitality sector and the services industry.²¹ Unlike developed countries, which have consolidated social security systems, in Latin America and the Caribbean (LAC), such systems are inadequate and inefficient partly due to the high levels of informal labor (estimated to be 53% of the workforce or some 140 million workers). This high degree of informality is heavily concentrated among poor and low-income- households.²² In Barbados, the pandemic increased the financial hardship of households.²³ During the first months of the pandemic, more than 20% of low- and middle-income households reported having at least one house member losing employment, while 31% indicated having a member looking for a job but unable to find one.²⁴
- 1.16 As part of the first operation, Barbados instituted social protection measures to cushion the impact on vulnerable persons, based on its social protection programmes.^{25,26} The measures have been outlined under a five-part economic plan to provide welfare support, creative industry stimulus,²⁷ and household survival programmes.²⁸ The most important social programmes to protect the income of vulnerable households during the pandemic were:

²¹ Organization for Economic Co-operation and Development (OECD, 2020).

²² J. M. Salazar-Xirinachs and J. Chacaltana (2018).

²³ The household poverty rate in Barbados was 17.5% in 2016 (IDB, 2017), and the individual poverty rate was 19.3% in 2010 (IMF, Article IV, 2021).

²⁴ [IDB \(2021\)](#).

²⁵ Barbados offers universal access to social services through a public health and education system (free at the point of service), the NIS and a broad range of social assistance programmes.

²⁶ Unemployment benefits expansions during the pandemic were effective at offsetting income losses and delivered the most benefit to lower income workers, while work disincentive effects from these measures were estimated to be small (Ganong et al. 2022).

²⁷ The industry plays a key role in the enhancement of the social, cultural, and economic values of Barbados.

²⁸ Barbados Economic Stabilisation Programme. The plan includes (i) support to vulnerable households; (ii) jobs, investment, and business survival programme; (iii) public and private capital works programme; (iv) greater food self-sufficiency; and (v) non-fiscal measures.

- (i) **The Household Survival Programme.** Job loss and income reduction are still prevalent in Barbados, affecting around 55% of the population and 88% of those Barbadians from lowest income groups.²⁹ Disproportionally impacted are households whose income comes from tourism and hospitality, petty trade, informal labor, or external assistance, and younger people. Under the National Insurance Scheme (NIS), formal sector workers are supported by the unemployment benefit fund. A US\$10 million household survival programme was set up in FY2021/2022 to cover a 40% increase in the Welfare Department's programme's rates, that covered households that did not benefit from the NIS unemployment benefits and the government's contribution to Adopt our Families Programme.
- (ii) **Adopt Our Families.** An initial financial investment of US\$6 million was made by the government to the programme. Additionally, Barbadians earning above US\$500,000, and those companies that could afford it, were urged to contribute. This has provided additional finance of over US\$17.2 million. The initial aim of the programme in 2020 was to offer financial relief to 1,500 of the most vulnerable households in Barbados. It supported the basic survival needs of households to purchase food, pay utility bills, and rent, and buy medicine and educational supplies. As of September 2022, 2,700 vulnerable households have been supported under the programme.³⁰
- (iii) **Artists and Athlete's Stimulus Package.** The COVID-19 Creatives Grant Fund is a stimulus programme dedicated to assisting Creative Industries and Sports Practitioners throughout July-October 2020, in the production of training and entertainment-based digital content.³¹ The US\$1 million fund, was announced by Prime Minister Mia Mottley on the floor of Parliament during her wrap-up of the Budget of Expenditure debate in March 2020.³²
- (iv) **Home Ownership Providing Energy (HOPE) Programme.** The programme was incorporated in November 2020 as a State-Owned Enterprise under the Ministry of Housing, Lands,³³ and maintenance, and officially launched in April 2021. For this second operation, the programme is still operational and, budgeted at US\$125 million, it aims at supporting over 1,000 households earning below US\$2,000 a month to construct and own affordable housing. Fostering green growth, the government plans for all homes to be energy efficient and solar-powered.³⁴ The government retains the right to use the roof of the house to install a Photovoltaic System (PV) for 20 years. The resulting electricity is sold to the national grid, and at the end of the 20 years, ownership of the PV system reverts to the homeowner, allowing them another 5 to 10 years of earnings from the system before it is replaced. In June 2022 the first 3 completed homes were reported and,

²⁹ Caribbean COVID-19 Food Security and Livelihoods Impact Survey Report: Barbados May 2021.

³⁰ Source: MFEI, programme's administrative data 2022.

³¹ [National Cultural Foundation Barbados](#).

³² [Barbados Government Information Service \(June 2020\)](#).

³³ [Barbados Government Information Service \(June 2022\)](#).

³⁴ [Speech from the Throne 2020](#).

currently, there are more than 50 homes in progress³⁵ (201 housing solutions will be constructed by the end of the financial year).

- 1.17 Table 2 below, provides a list of the social and business economic programmes implemented by the government during the pandemic, as well as their status.³⁶ As part of the second operation, the government will conduct an evaluation of the programmes to measure the progress and coverage reached to the beneficiaries.

Table 2. Status of the programmes and measures implemented by the Government of Barbados to face the COVID-19 emergency

Measures and programmes	Status	Justification
Household Survival Programme	Continue	The programme was implemented before the pandemic and remains active however, the supplementary budget allocation for COVID-19 was withdrawn.
Adopt Our Families	Continue	Extended due to the current economic conditions.
Artists and athlete's stimulus package	Expired	No additional budget allocation for FY2022/2023.
HOPE	Continue	Currently in implementation.
Business Interruption Benefit Programme	Expired	No additional budget allocation for FY2022/2023.
Small business wage fund for Small and Medium Enterprise (SME)	Expired	No additional budget allocation for FY2022/2023.
Deferment of employers' contributions to the NIS	Expired	No additional budget allocation for FY2022/2023.
Support SMEs to help boost business continuity in an online environment.	Continue	Measure contemplated for the second operation.

Source: MFEI, 2022.

- 1.18 An effective policy protecting household income during crises is to support the businesses where the individuals from those households' work³⁷ as a way of preventing widespread job losses and bankruptcies.³⁸ The sharp fall in sales also creates liquidity problems for businesses, in many cases exacerbated by the destruction of the payment chain. These liquidity problems tend to affect Micro, Small, and Medium Sized Enterprises (MSME) more acutely, given their limited financing access. In LAC, this liquidity problem may be more severe than in developed countries, considering the high rates of informal business, which makes access to financing difficult. The latest available data indicate over 10 million Micro and Small-Sized Enterprise (MSE) (with 50 or fewer employees) in LAC. These businesses employ 47% of the region's workforce.³⁹ In the case of Barbados, it

³⁵ [Hope Inc.](#)

³⁶ As shown in Table 2, some programmes that focused on providing temporary support to households and business during the pandemic have expired after completing their objectives. Nonetheless, the government continues to support vulnerable groups through the regular social programmes available.

³⁷ International Labor Organization (2011). A review of global fiscal stimulus.

³⁸ Job retention schemes were effective at preventing a surge in unemployment, while mitigating financial hardship to businesses (OECD, 2020).

³⁹ Thematic Labor Overview. "Small Enterprises, Large Gaps. Employment and Working Conditions in Micro and Small Enterprises in Latin America and the Caribbean." Regional Office for Latin America and the Caribbean, International Labor Organization (2015).

was estimated that 9,651 formal businesses, employing a labor force of 100,450 employees, existed in 2015. About 96.3% of those businesses were MSME, which employed 60.7% of the labor force.⁴⁰

1.19 In the first operation, the government approved a series of measures to help businesses, including:

(i) **Business Interruption Benefit Programme.** Self-employed persons (registered and compliant with the NIS) impacted by the pandemic claimed US\$750 per month between April and May 2020, reaching a total budgeted of US\$10 million for the programme.⁴¹

(ii) **Small business wage fund for MSE.** The fund, approved in FY2021/2022, provided US\$250 per month per employee, up to five employees, for two months. Grants were approved and disbursed for rental and utility arrears, replacement of perishable and non-perishable stock, renovation of spaces to accommodate social distancing, and the provision of personal protective equipment including the installation of thermometer and sanitizing units. The fund disbursed US\$220,000 to 48 clients.⁴²

(iii) **Deferment of employers' contributions to the NIS.** This programme allowed companies to defer the payment of employer's contributions to the NIS for three months (in 2020), as long as they retained at least 75% of their workers. The relief provision was extended for another three months due to the extension of crisis conditions⁴³. This contributed to decrease the immediate pressure on the companies' cash flow at the point of highest uncertainty during the pandemic.

1.20 While these measures supported households and businesses in the wake of the health and economic crisis caused by the pandemic, additional measures are necessary to effectively support them in the post-pandemic period. In the second operation, the government through the Barbados Agency for Micro Enterprise Development Ltd. (FundAccess) has supported business recovery in the post-pandemic period and continues to work to help the SME sector. The completed activities include: All application for loans and grants have been completely online,⁴⁴ appointments are online, and interviews are conducted using digital platforms, and distribution of COVID-19 relief grants to assist with recovery⁴⁵. In ongoing activities include design and installation of a client on-boarding system so that applicants can track their applications through the process, training in continuity management in the face of natural disasters and training is now being conducted online.

⁴⁰ Lashley and Moore (2016), "The State of Small Business in Barbados", commissioned by the Small Business Authority. In 2015, 3.7% of formal private sector employment was in agriculture, 21% in industry, and 75.2% in services. In terms of the distribution of firms: 5.8% were agricultural firms, 16.6% industrial firms and 77.3% service sector firms.

⁴¹ Source: MFEI, programme's administrative data 2022.

⁴² Source: MFEI, programme's administrative data 2022.

⁴³ Of the twenty-five (25) applications received for the deferral of contribution payments received, twenty-two (22) of the employers deferred their payments for three-month period between March to June 2020. One Employer deferred contribution payments for the months of July and September 2020.

⁴⁴ Businesses are selected on a first-come, first-served basis and eligibility is determined using their financial information.

⁴⁵ To date the sum of US\$0.43 million has been approved and disbursed to forty-eight (48) clients.

- 1.21 In the same way, in the case of households, there is a need to improve the targeting of social programmes, particularly with regards to specific vulnerable groups.⁴⁶ To start addressing this issue, the government has approved a system of digital national identification cards. The system will improve the traceability of the beneficiaries of social programmes, hence, providing key information for better targeting of vulnerable groups.⁴⁷ Additionally, digital technologies are essential to reduce costs, speed-up and facilitate government transactions. In return, this generates benefits in terms of inclusion, efficiency, and innovation.⁴⁸ Red tape is a cost for companies and individuals in terms of reduced productivity and innovation.⁴⁹ According to a recent survey done by Transparency International and the IDB,⁵⁰ a citizen in Barbados spends on average 4.8 hours completing one public transaction. This is higher than the Caribbean average (4.3 hours) and it is the second highest of the Caribbean, after Guyana (5.9 hours).

5. Public finance during post-pandemic recovery

- 1.22 While the global growth outlook is still highly uncertain, the impacts of the COVID-19 pandemic still lingering, the Russian invasion of Ukraine is dragging down growth globally and putting additional upward pressure on prices, above all, for food and energy. Barbados' economy is expected to grow 11.2% by 2022, supported by a recovery in tourism. Risks to the outlook remain high and tilted to the downside. The risk to Barbados is a further lengthening of the pandemic, an intensification of the Russian invasion of Ukraine could further increase global commodity prices, and repeated natural disasters, aggravated by climate change.⁵¹
- 1.23 On the fiscal front, the authorities met the primary balance target for FY2021/2022, (reduce to a 1 percent of GDP deficit). Some taxes such as Personal Income Tax (PIT) and VAT performed better in FY2021/2022 than in FY2020/2021 due to a modest economic recovery, but these gains were tempered by lower corporate tax receipts from the international business sector. Ashfall clean-up after the volcanic eruptions and home building following hurricane Elsa in 2021 amounted to 0.5% of GDP. In comparison, COVID-19 related expenditures remained elevated at around 2% of GDP due to extra staffing and additional testing and vaccination centers.⁵² Despite the economic and fiscal difficulties, the government's fiscal consolidation efforts are progressing, which will make possible to achieve the medium and long-term fiscal objectives (debt target). In December 2021, and as part of the second operation, the authorities approved a procedural fiscal rule, which comprises a debt anchor and would require government debt to decline to a numerical level by a date to be specified in the Fiscal Framework; and a primary balance path consistent with the debt anchor.

⁴⁶ UNDP, UNICEF and UN Women (2020).

⁴⁷ For a discussion on this issue and factors of success based on worldwide evidence, see [McKinsey \(2019\)](#).

⁴⁸ World Bank (2016), "Digital Dividends: World Development Report".

⁴⁹ Ciccone, A. et al. (2007), "Red Tape and Delayed Entry", Journal of the European Economic Association.

⁵⁰ IDB, "Wait No More: Citizens, Red Tape and Digital Government - Caribbean Edition." Forthcoming.

⁵¹ IMF (2022). "Seventh Review Under the Extended Fund Facility Arrangement", IMF Country Report No. 22/176 (June 2022).

⁵² Idem.

- 1.24 The first operation on the programmatic series supported the Government of Barbados in approving the Jobs and Investment Council, which was tasked with underpinning economic and fiscal recovery by reactivating private sector driven growth in multiple strategic sectors and modernizing the economy in a COVID-19 environment, as well as after the pandemic.⁵³ The Council includes committees looking at industrial transformation, digital transformation, retail and services, finance and insurance, and trade and logistics. Over the years, the government has developed multiple services to support MSME in agriculture, tourism, manufacturing, and services. These services will be critical in the post-COVID-19 period. In addition, the Government of Barbados is committed to continuing to make progress in improving the business climate. In the second operation, a progress report of the measures prioritized by the Jobs and Investment Council will be presented, including challenges and next steps.
- 1.25 Regarding climate change, and as part of the second operation, the government implemented the following actions: An excise and VAT holiday on electric vehicles for 24 months commencing April 1st, 2022⁵⁴ and has prepared a Draft Climate Change and Fiscal Plan. The green incentives for Electrical Vehicle (EV) adoption are expected to increase the ratio of electric and hybrid vehicles imported, which will seek to reduce the transport sector's share of emissions (around 30%) and foster the achievement of the main Nationally Determined Contribution (NDC) target which is "to be, by 2030, the first 100% green and fossil-fuel free island-state in the world".⁵⁵ Additionally, the plan designed with the Government of Barbados formalizes current activities developed in partnership and is expected to include a comprehensive climate change budget and enhance the risk management processes, including the introduction of Green Public Financial Management, and the adoption of measures that would incentivize private sector investments in climate resilient infrastructure and renewable energy projects.⁵⁶
- 1.26 **The Bank's experience in the region and lessons learned.** The IDB Group has supported the region through various crises to mitigate their immediate effects and design reforms for the recovery period. From the outset of the pandemic, the Bank has approved 18 operations for US\$3,520 billion between emergency operations and fiscal management and public policy operations. The programmatic series was one of the first to begin Bank support to respond to the pandemic, in the context of the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996). The Bank also supports countries in their reform processes to improve tax policy and administration, public expenditure quality, and the strengthening of fiscal sustainability.⁵⁷ The Bank also has experience in other emergency situations, such as restoring basic service

⁵³ Barbados Government Information Service (2020).

⁵⁴ VAT and purchase tax exemptions have been shown to be an effective tool to incentivize the use of electric vehicles (Hardman et al. 2017).

⁵⁵ [Updated NDC of Barbados, 2021.](#)

⁵⁶ IMF Press release (September 2022).

⁵⁷ PBL programmes include the Program to Deepen Fiscal Reform in Colombia ([4552/OC-CO](#), approved in 2018 for US\$600 million), the Program to Support Fiscal Sustainability in Costa Rica ([4819/OC-CR](#), approved in 2019 for US\$350 million), and the Finances for Sustainable Development Program in Paraguay ([4667/OC-PR](#), approved in 2018 for US\$300 million). This present project continues key reforms begun under the latter operation, such as implementation of electronic invoicing and proposing an impact assessment to strengthen evidence on its effectiveness in terms of collections.

infrastructure in areas hit by earthquakes.⁵⁸ Regarding COVID-19, the lessons learned during the design of the operations are that: (i) the flexibility and simplification of preparation processes, incorporating good practices in the emergency response; (ii) focusing on the response to the crisis caused by the pandemic, providing for reforms to consolidate fiscal sustainability and the economic recovery in the post-pandemic period, including rolling back the temporary income support for households and firms; and (iii) multisector technical support for the design of plans and reforms to promote inclusive growth, based on the best available evidence and in coordination with other international agencies.

- 1.27 **Gaps and pending challenges.** The first and second operations of this programme have supported the response of the government of Barbados to the health and economic crisis caused by the COVID-19 pandemic and set important measures to aid economic and fiscal recovery in the post-pandemic period. However, there are additional challenges that will need to be addressed. In the short and medium-term, Barbados faces three main challenges that can have a negative impact on economic activity and fiscal sustainability. First, economic growth in the post-pandemic period will depend on the full recovery of the tourism sector.⁵⁹ Second, an intensification of the Russian war in Ukraine could further increase global commodity prices and add to inflationary pressures in Barbados, reducing growth and creating pressure to fiscal sustainability.⁶⁰ Finally, the increase in the frequency and intensity of natural disasters due to climate change also represents a risk to the country's economic recovery.⁶¹ Structural reforms and strategic public investment to increase climate resilience can contribute to address these three challenges. The government is also working on the assessment of comprehensive fiscal risks, including those associated to climate change, to mitigate these issues.⁶²
- 1.28 **Bank technical support in the country and lessons learned.** Through Technical Cooperation (TC) ([ATN/OC-16484-BA](#), client support TC, approved in 2017 for US\$170,000 and 100% disbursed), the Bank has supported strengthening the government's revenue policy through a series of studies on the implications of the 2019 revenue reform and the estimation of tax expenditures. It also supported implementing the government's Inter-Ministerial Working Group to improve fiscal projections.
- 1.29 The Bank provided support towards economic diversification and growth to develop an integrated policy framework and strategic action plan to support the growth of private blue economy firms, including women-owned firms ([ATN/CO-17589-BA](#) client support TC, approved in 2019 for US\$300,000 and 61% disbursed). Moreover, through [ATN/CN-17624-RG](#) the Bank is assisting four exporting manufacturing firms and some tourism enterprises to adopt cutting edge

⁵⁸ In 2016, the Bank supported Ecuador in restoring infrastructure and basic services in earthquake-affected areas through various instruments ([EC-X1014](#), approved in 2014 for US\$300 million; [3751/OC-EC](#), approved in 2016 for US\$19.72 million; [3906/OC-EC](#), approved in 2017 for US\$60 million; and [ATN/JF-15752-EC](#) approved in 2016). Other examples include support for Haiti in 2010 and for El Salvador following the 2001 earthquake.

⁵⁹ IMF (2022).

⁶⁰ As the Barbados dollar is pegged to the US dollar, further appreciation of the US dollar can affect Barbados' competitiveness in the tourism sector, limiting economic growth and government revenues (IMF, 2022).

⁶¹ IMF (2022).

⁶² Idem.

technology to foster competitiveness. The main lesson from these interventions is that it is important to complement technical support with an increase in the capacity of the State to devise, formulate and implement policy reforms.

- 1.30 **The Bank's value added.** The support given by the Bank to the government has been relevant during the COVID-19 crisis and has involved financial support (¶1.31) and technical assistance (¶1.27). With regards to the revenue sustainability, the Bank trained personnel on the Ministry of Finance and the Central Bank on techniques on General Equilibrium Models to better assess the impact of tax reforms (see [ATN/OC-16484-BA](#)). In climate change, the Bank has supported a broader reform agenda, including the update of the NDC for Barbados⁶³ ([ATN/MC-17416-RG](#)), and the attainment of one of the NDC targets through the design and approval of a policy based guarantee ([5568/OC-BA](#)) that has helped to reduce borrowing costs for the country as it generated US\$50 million in savings, which were totally allocated to the newly created conservation trust fund, known as the Barbados Environmental Sustainability Fund.
- 1.31 **Complementarity with other Bank operations.** This programme is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (GN-2996), as it forms part of the Bank's support to its borrowing member countries in the adoption of fiscal policies to mitigate the effects of the health crisis and alleviate the economic impacts. To support the government's response this programme will coordinate efforts with funds from a global credit programme for safeguarding the productive fabric and employment that will provide US\$30 million to support immediate and medium-term response to COVID-19 efforts by contributing to the increased productivity of MSMEs. Additionally, the Barbados Public Sector Modernization Programme ([4920/OC-BA](#), approved in 2019 for US\$40 million currently in execution and 18.7% disbursed) is financing the upgrading of government Information Communication Technologies infrastructure, a digital document and records management system, and common services for digital transactions, on which a system of national, digital identification cards included in the second tranche can be launched. This coordination seeks to leverage synergies to increase the impact of the Bank's interventions. The Bank will also provide support through a regional TC ([ATN/OC-18057-RG](#)) to strengthen fiscal management, which was approved in June of 2020. The objective of the TC is to support governments in the Caribbean, both at the national and sub-national levels, in their efforts to strengthen the efficiency, effectiveness and equity of fiscal policy and management to respond to the economic and social emergency caused by COVID-19.
- 1.32 **Financial support to respond to the pandemic.** In terms of international financial assistance to address the financial demands for FY2022/2023, the Government of Barbados is seeking financial support from multilateral institutions for a total amount of US\$175 million. This includes a US\$126 million budget support package from IDB including this operation (US\$100 million) and US\$26 million disbursements from an IDB investment programme, US\$20 million (BA-L1053) additional budget support from the IMF, and US\$1 million from the Caribbean Development Bank. For the part that remains to be financed, additional

⁶³ [Updated NDC of Barbados, 2021.](#)

disbursements are expected from the IMF program and the government is in talks to arrange a loan with the World Bank.

- 1.33 **Coordination with other donors.** During the preparation of this operation, the Bank consulted with the IMF, the Caribbean Development Bank, and the Development Bank of Latin America (CAF) to share information and coordinate actions and activities. The Bank consults on a trimestral basis with the IMF and the Caribbean Development Bank to assess financing needs and progress under the EFF. During the programme's execution, a collaborative process with multilateral and donor entities will be implemented, which will include technical coordination dialogue and coordination. In addition, the next IMF programme will most likely include climate change issues in which the Bank has worked extensively in Barbados. As the government continues to negotiate with the IMF, the Bank's support has strengthened their position to be the first LAC country to access the RST which will continue to build upon our support and build resilience to external shocks and ensure sustainable growth, as Barbados seeks longer-term balance of payments stability.
- 1.34 **Strategic alignment.** The programme is consistent with the Second Update to the Institutional Strategy (AB-3190-2) and is aligned with the development challenge of Social Inclusion and Equality, through measures to ensure essential health services are maintained to overcome the health crisis and through support to maintain minimum levels of income and wellbeing among the population most vulnerable to COVID-19. It is also aligned with the cross-cutting issues corresponding to: (i) Institutional Capacity and Rule of Law since it will strengthen fiscal policy and management to tackle the health, economic, and social crisis, by helping to promote transparency and integrity of the programmes implemented during the pandemic as the evaluation of the programmes implemented to face COVID-19 will allow the government to inform their citizens about the progress results of these programmes; as well as a higher capacity of addressing the population's need through the system of digital national identification cards and the capitalization and tackling of structural issues of the NIS; and (ii) Climate Change by finance climate change mitigation measures within HOPE. According to the [joint Multilateral Development Bank \(MDB\) methodology on climate finance tracking](#), 14.06% of total IDB funding for this operation result in climate change mitigation activities. This contributes to the IDB's climate finance goal of 30% of annual approvals. The operation contributes to the Corporate Results Framework (CRF) 2020-2023 (GN-2727-12) through these indicators: (a) micro/small/medium enterprises financed, (b) countries with strengthened tax and expenditure policy and management; and (c) agencies with strengthened digital technology and managerial capacity.
- 1.35 The programme is also aligned with: (i) Sector Strategy on Institutions for Growth and Social Welfare (GN-2587-2) by strengthening public sector management and tax administration; (ii) Sector Strategy on Institutions for Growth and Social Welfare (GN-2587-2) by strengthening public sector management and tax administration; (iii) Fiscal Policy and Management Sector Framework Document (GN-2831-8), by strengthening the institutional capacity to improve public expenditure quality, fiscal equity, and social inclusion. This includes tax administration improvements to strengthen the BRA and Customs enforcement capabilities, and the new procedural Fiscal Rule; (iv) Integration and Trade Sector Framework

(GN-2715-11) as it will reduce traditional trade costs and associated regulatory costs through the new Customs Act and Fiscal Incentives Bill; (v) Health Sector Framework Document (GN-2735-7), by supporting the challenge of financial and fiscal sustainability in health spending; and (vi) Labor Sector Framework (GN-2741-12), by highlighting the need to create inclusive, equitable, and sustainable social security systems. This operation is also aligned with the IDB Group Country Strategy with Barbados 2019-2023 (GN-2953-1), with the strategic objective of support fiscal consolidation through expenditure curbing and revenue enhancing measures. Finally, the operation is included in the Update of the Annex III of the 2022 Operational Program Report (GN-3087-2).

- 1.36 **Gender considerations.** According to the United Nations, Barbados has achieved some good progress on fostering women's rights and equality (see [OEL#2](#)). More than 83% of legal frameworks, promote, enforce, and monitor gender equality under the SDG indicator. Regarding inclusive development, shared prosperity and decent work, the proportion of female population above statutory pensionable age receiving pension is 61% (male population is 66%), while unemployment rate among females is lower than males (7.3% against 9.5%). Women are currently expected to outlive their male counterparts, with 80 years, while men are expected to live to 78 years. The literacy rate among both groups is the same (99.6%). The proportion of women in managerial positions is higher than males (45.9% vs 43.2%). As such, in the absence of a data gap or evidence from the government on a systemic problem to be addressed and that on the contrary, female participation in the job market and access to decent living conditions prevail, the operation is not including a gender measure as part of the conditions in the policy matrix.

B. Objective, components, and cost

- 1.37 **Objective.** The general development objective is to strengthen the efficiency and effectiveness of public policy and fiscal management in Barbados in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. The specific development objectives are to: (i) promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period.
- 1.38 This is the second operation in a PBP series, made up of two contractually independent but technically related loans. In relation to the original triggers defined in the first operation, this second operation has made the following changes (the [Comparative Matrix](#) provide further details):
- (i) Indicative policy condition under the first operation 2.1 (iii) has been adjusted in line with a change in health policy management. As the COVID-19 critical cases have receded, the Government of Barbados has updated its health policy strategy to attend the new waves of cases.
 - (ii) Indicative policy condition under the first operation 3.2 (i) "Launch of a BDS\$200 million Tourism Refurbishment Facility", has been removed

because the measure was incorporated and executed through the BEST programme, which was approved in 2020;

- (iii) Policy condition 3.2 (ii) (b), has been adjusted to reflect the official name of the bill;
- (iv) Policy condition 4.1 (iii) has been adjusted to reflect the correct policy instrument through which the official changes will be made by the government as part of the presentation of amendments to CAP67B of the Laws of Barbados;
- (v) Indicative policy condition under the first operation 4.1 (iii) (a) namely “Simplify the tariff structure”, has been included as a new condition under 4.1 (iv). The modification is needed given that the governance of the tariff structure falls within the responsibility of the Customs Act and not the CAP67B;
- (vi) Policy condition in 4.1 (iii) (c) has been included to duly report the statutory modifications to the fiscal incentive regulations that will take place as part of the reform to CAP67B;
- (vii) Policy condition 4.1 (v) has been adjusted since Barbados legislation allows the incorporation of the fiscal rule through a procedural process, without processing a law. This change does not affect the goals of the policy. In addition, the Government of Barbados has decided not to incorporate an exception clause in case of natural disasters in the design of the fiscal rule; and
- (viii) Policy conditions 4.1 (vii) and 4.1 (viii) have been included in this operation to strengthen adaptation to climate change.

1.39 The programme is divided into the following components:

1.40 **Component 1. Macroeconomic stability.** The objective of this component is to ensure the maintenance of a macroeconomic context consistent with programme objectives as set forth in the Policy Matrix and sector [Policy Letter](#).

1.41 **Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19.** This operation will focus on ensuring the timely availability of financial resources to respond to the health crisis caused by COVID-19: (i) manage the health consequences of COVID-19; (ii) attain the required level of health services to manage and/or suppress future COVID-19 cases; and (iii) realise any potential increases in health personnel to support COVID-19 efforts.

1.42 **Component 3. Strengthening public policy and fiscal management to respond to the economic crisis.** This component will strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households during the health and economic crisis. It will: (i) complete an evaluation report on the implementation of all the programmes listed in paragraph 3.1 (i) to (iv) of the Policy Matrix for the First

Programmatic Operation to measure their performance and goals achieved⁶⁴; and (ii) approve a system of digital national identification cards. The policies to strengthen the countercyclical effect of public policy through the temporary introduction of measures to increase liquidity for businesses during the health and economic crisis are: (i) evaluate performance of the Business Interruption Benefit; (ii) support economic recovery in the post-pandemic period through: (a) a programme to support SMEs to help boost business continuity in an online environment;⁶⁵ and (b) a Draft of the Sustainable Industrial Development Bill completed and approved by the Cabinet; (iii) develop a plan to address capitalisation and structural issues of the NIS; and (iv) review the need to extend or terminate the deferment of employers' contributions to the NIS in the post-pandemic period.

- 1.43 **Component 4. Economic and fiscal strengthening for the post-pandemic period.** This component coordinates fiscal sustainability measures, improves collection, and strengthens public investment management, in line with the component's objective of promoting economic and fiscal recovery in the post-pandemic period. This second operation in the programmatic series will support implementation of the following measures: (i) present a progress report of the measures prioritized by the Jobs and Investment Council; (ii) Draft Customs Bill approved; (iii) presentation of amendments to CAP67B of the Laws of Barbados⁶⁶ to take measures to: (a) strengthen tax revenue take; and (b) reduce tax expenditures; and (c) update fiscal incentive regulations; (iv) simplify the tariff structure under the Customs Act by Order; (v) strengthen macro-fiscal management by developing a procedural fiscal rule; (vi) undertake comprehensive tax administration improvements to strengthen the BRA and Customs enforcement capabilities; (vii) approval of an Excise and VAT holiday on electric vehicles for twenty-four (24) months commencing April 1st, 2022; and (viii) approval of a Draft Climate Change and Fiscal Work Plan.

C. Key results indicators

- 1.44 The expected programme results are included in the Results Matrix (Annex III). The results indicators are: (i) budget allocated to the health sector; (ii) firms benefited from a SMEs programme to help boost business continuity in an online environment; and (iii) actions prioritized by the government from the recommendations issued by the Jobs and Investment Council that have been implemented.

⁶⁴ The referred programs are Household Survival Programme, Adopt Our Families, Artists and athlete's stimulus package, and HOPE Programme.

⁶⁵ Evidence from business surveys worldwide suggest that up to 70% of SMEs have intensified their use of digital technologies due to COVID-19. However, given the context in which this change has happened, many businesses have not had adequate support to plan this transition well, including how to select the right digital systems and develop the right protections and security that ensure business continuity ([OECD, 2021](#)).

⁶⁶ DUTIES, TAXES AND OTHER PAYMENTS (EXEMPTION) of the laws of Barbados - An Act to make certain provisions respecting the exemption from the payment of taxes and duties and other moneys by persons, businesses or undertakings (Chapter 67B).

- 1.45 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects⁶⁷ and on the findings of the review of evaluation practices and standards for PBPs conducted by the Evaluation Cooperation Group (ECG), which comprises the independent evaluation offices of the multilateral development banks,⁶⁸ as provided for in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary,⁶⁹ it was determined that an economic analysis would not be performed for this type of loan, as reported to the Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and no such analysis is considered for purposes of measuring the evaluability score in the programme's Development Effectiveness Matrix.
- 1.46 **Beneficiaries.** The direct beneficiaries of the second operation in the programmatic series are the citizens of Barbados, particularly those in the most vulnerable sectors, due to the positive social effects of the policy measures intended to increase available resources for responding to the health crisis will support the delivery of better public health services. Additionally, the protection of household income and business liquidity, as well as the measures to reactivate the economy will help reduce the impact of the crisis on the well-being of the country's citizens, particularly low-income individuals. Finally, the Government of Barbados will also benefit from this operation, as it will have more resources available to implement public policies to mitigate the impact of the health and economic crisis.

II. FINANCING STRUCTURE AND MAIN RISKS

A Financing instruments

- 2.1 **Dimensioning.** This is the second operation in a programmatic series consisting of two contractually independent but technically linked loans, in line with the provisions of "Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-2). The programmatic modality was chosen because: (i) it promotes ongoing policy dialogue between the Bank and the Government of Barbados with the aim of providing continuous support during the pandemic and in the post-pandemic period; (ii) it facilitates adaptation based on lessons learned and findings from executing the first operation at a time of high uncertainty due to the pandemic; and (iii) it facilitates the development, fine-tuning, and implementation of fiscal and economic recovery plans, with a view to resuming growth with equity and fiscal sustainability in the post-pandemic period.

⁶⁷ Document RE-397-1: Currently, the economic analysis section is computed as the maximum between the Cost-Benefit Analysis (CBA) and the Cost-Effectiveness Analysis (CEA). Yet neither a CBA nor a CEA is applicable to PBPs.

⁶⁸ Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition (February 2012).

⁶⁹ According to the ECG, PBPs should be evaluated for relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a PBP is related to a country's financing gap, independent of the project's benefits.

- 2.2 **Disbursement programme.** This operation will be for US\$100 million, financed from the Bank's Ordinary Capital. All proceeds will be released in a single disbursement. This amount is justified by the public sector's financial needs and has no direct relationship to the cost of the program's reforms, which is consistent with document CS-3633-2 (paragraph 3.27 (b)). This operation represents approximately 24% of the Government of Barbados's financing needs for FY2022/2023.

B Environmental and social safeguard risks

- 2.3 This PBP operation is not expected to generate significant and direct negative effects on the environment and natural resources of the country; therefore, PBP is excluded from the scope of the IDB's Environmental and Social Policy Framework (ESPF) (GN-2965-23), in accordance with the provisions of paragraph 4.7 of the ESPF.
- 2.4 The programme will support the strengthening the efficiency and effectiveness of public policy and fiscal management by policy conditions. According to the Bank's Socioenvironmental Services Unit, an environmental and social assessment will not be required, but safeguards monitoring will be.

C. Other risks and key issues

- 2.5 **Economic and financial (medium-high).** If negative external shocks persist, due to the emergence of a new COVID-19 variant, climate disasters, and/or global economic uncertainty from the invasion of Russia on Ukraine, it could become necessary to maintain the emergency spending, which would affect the measures aimed at containing spending, reducing special outlays, and promoting fiscal recovery. In addition, the adverse scenario could jeopardize the government's efforts to carry out or reverse the necessary reforms which will have a negative impact on their fiscal sustainability. The new EFF programme that is being agreed between the IMF and the government will help anchor the reforms proposed in this second operation and in addition will allow the government to continue its climate change agenda which is fully supported by the Bank (§1.30). In addition, the Bank will continue its dialogue with the government and other international organizations (§1.33), to identify additional measures to contribute to fiscal and economic recovery in Barbados.
- 2.6 **Institutional (medium-high).** A second related to the uncertain length of the pandemic is the ability of the government to fully withdraw the temporary social protection measures supported in the first operation. The Government of Barbados has taken measures aimed at mitigating this risk, as it has downsized, capped, or withdrew some of the temporary benefits. However, the extensions of some of the programmes will be a challenge for the public finance stance. While this risk cannot be mitigated within the programme, the Bank will maintain a constant dialogue with the government to monitor this issue and provide technical support and advice as needed. In addition, and as part of the new IMF agreement, the Government of Barbados is continuing its communication strategy with the population, informing of all reform measures taking place.
- 2.7 **Sustainability.** The majority of the conditions listed in this operation have been fulfilled. The Bank, together with the government will follow on those conditions

that are in the process of being sent to Parliament for consideration and approval. The sustainability of these conditions will be fortified by the recent staff-level agreement reached between the Government of Barbados and the IMF to a new EFF program. The EFF aims to maintain and strengthen macroeconomic stability in a more shock-prone environment by enhancing fiscal sustainability and continuing and broadening the implementation of the structural reform agenda.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower.** The borrower will be Barbados, which will execute the programme through the MFEI.
- 3.2 **Executing agency.** The executing agency will be the MFEI, which will have technical responsibility for programme execution and agrees to: (i) act, on its own or by means of a designee, as the official liaison with the Bank and submit reports and evidence of fulfilment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; (ii) promote actions to achieve the policy objectives defined in the programme; and (iii) collect, record, and submit to the Bank all data, indicators, and metrics that will help the Government of Barbados and the Bank monitor, measure, and evaluate the programme's results.
- 3.3 **Coordination mechanism.** The MFEI will maintain an ongoing dialogue with the WH, NIS, BRA and Customs, as well as other relevant government agencies implementing the programmes supported by the first and second operations of this programme, in order to ensure the adequate availability of resources and facilitate administrative procedures. The Bank will coordinate online follow up meetings to provide technical support to the country if needed and to monitor the compliance of the policy measures that were included as part of this operation.
- 3.4 **Special contractual conditions prior to the first and sole disbursement. The first and sole disbursement of the Bank's loan proceeds will be contingent on fulfillment of the policy reform commitments described in the Policy Matrix (Annex II), the [Policy Letter](#), as well as fulfillment of the other conditions set forth in the Loan Contract.**

B. Summary of arrangements for monitoring results

- 3.5 **Monitoring.** Programme monitoring consists of verification of the agreed policy measures ([Monitoring and Evaluation Plan](#)). The executing agency and the Bank will meet regularly to monitor the operation's results and anticipate and resolve technical difficulties related to the operation's execution. The executing agency will submit to the Bank all information required for measuring the fulfilment of programme targets and will provide timely information on progress toward those targets.
- 3.6 **Evaluation.** The evaluation strategy will consist of: (i) a "before and after" analysis of the outcome and impact indicators performance included in the Results Matrix; (ii) a review of the intervention's theory of change; (iii) a literature review of

evidence on the effectiveness of similar interventions in comparable contexts; and (iv) a qualitative evaluation that provides complementary information on how the achieved results can be attributed to the programme. The evaluation's main questions will address whether the policies implemented helped to achieve the programme objectives ([Monitoring and Evaluation Plan](#)). Additionally, a programme completion report will be prepared. Both the ex-post evaluation and the Programme Completion Report (PCR) will be conducted at the end of execution of this second operation.

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the country government's commitment to the objectives and actions envisaged in the programme. Additionally, the Bank and the Government of Barbados agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		BA-L1056
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Micro / small / medium enterprises financed (#) -Countries with strengthened tax and expenditure policy and management (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2953-1	Support fiscal consolidation through expenditure curbing and revenue enhancing measures
Country Program Results Matrix	GN-3087-2	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.4
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		1.6
3.3 Results Matrix Quality		3.3
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		8.3
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		4.3
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		N.A.
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Treasury.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Evaluability Assessment Note:

The general objective of the proposal is to strengthen the efficiency and effectiveness of public policy and fiscal management in Barbados in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures. To achieve this goal, it proposes to work in three areas: (i) the availability and timely execution of public resources to respond to the health crisis; (ii) the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period. The project is the second policy based loan following a first loan approved in 2020.

The diagnosis estimates a fiscal balance of -5% (FML2022). Excluding short term debt, financing needs for the following year amounts to 7% of GDP (IMF, 2022). The determinants of the problem are identified by MFEI (2021) y IMF (2022). The need to respond to the health crisis is illustrated by the fact only 57% of the Barbados population have received at least one dose of the COVID-19 vaccine, which is less than 70% of WHO's recommendation (World Bank, 2022). The need for the need to increase the liquidity of businesses is needed as 55% of the population faced job loss or income reduction (Impact survey report, 2021). Regarding the need of the government support for growth, it is expected the economy will grow 11% by 2022 (IMF, 2022).

Monitoring relies on administrative data and verification by the Ministry of Finance, Economic Affairs, and Investment (MFEI). No primary sources for verification are listed and thus points are deducted. The evaluation methodology for the indicators associated with the specific objectives is a before-after methodology. This methodology may not be appropriate given the context and points are deducted.

The proposal identifies three risks, two of which have a medium-high risk classification and one has a medium-low risk classification. The two medium-high risks are related to the global context (such as the war in Ukraine) or the duration of the pandemic that would make it necessary to maintain emergency spending levels, which would jeopardize reforms to promote fiscal and economic sustainability. Mitigation measures include a continuous dialogue with the government, other international organizations, and the population.

POLICY MATRIX

Objective: The specific development objectives are: (i) promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period. The achievement of these objectives will contribute to the general development objective of strengthen the efficiency and effectiveness of public policy and fiscal management in Barbados in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions for Programmatic Loan II	Status of Fulfilment, Conditions for Programmatic Loan II ¹
Component 1. Macroeconomic stability			
Ensure the maintenance of a macroeconomic context consistent with programme objectives as set forth in the policy matrix and sector policy letter.	1.1 The Government of Barbados ensures and maintains an economic framework consistent with the objectives set forth in the Policy Matrix and the sector Policy Letter.	1.1. The Government of Barbados ensures and maintains an economic framework consistent with the objectives set forth in the Policy Matrix and the sector Policy Letter.	i. Fulfilled.
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19			
Ensure the timely availability of financial resources to respond to the health crisis caused by COVID-19.	2.1 The Government of Barbados allocates budgetary resources to the health sector in order to implement the following measures: i Approve the increase in the stock of medicines to six months of supplies equivalent to BDS\$7.8 million; ii. Commit BDS\$7.5 million to purchase additional health equipment; and iii. Ensure the completion of adequate isolation facilities at Harrison's Point.	2.1 The Government of Barbados allocates budgetary resources to the health sector in order to: i Manage the health consequences of COVID-19; ii. Attain the required level of health services to manage and/or suppress future COVID-19 cases; and iii. Realise any potential increases in health personnel to support COVID-19 efforts.	i. Fulfilled (II quarter, 2022). ii. Fulfilled (II quarter, 2022). iii. Fulfilled (II quarter, 2022).

¹ This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy- Based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement conditions, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower makes the corresponding disbursement request and will be reflected in a timely manner in the disbursement eligibility memorandum.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions for Programmatic Loan II	Status of Fulfilment, Conditions for Programmatic Loan II ¹
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis			
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to protect the income of vulnerable households during the health and economic crisis.	<p>3.1 The Government of Barbados implements the following measures:</p> <ul style="list-style-type: none"> i. Approval of Bds\$20 million household survival programme, which supports a 40% increase in cash transfer benefits in the Welfare Department and expands the number of persons receiving a government transfer; ii. Set up “Adopt Our Families” fund, of private donations combined with public funds to provide cash transfers to vulnerable households; iii. Approval of a creative art stimulus package of Bds\$1 million to support artists and athletes during the pandemic; and iv. Approval of the “Home Ownership Providing Energy” (HOPE) programme to provide credit for households with income of up to Bds\$4,000 per month to build or buy a home. 	<p>3.1 The Government of Barbados implements the following measures:</p> <ul style="list-style-type: none"> i. Complete an evaluation report on the implementation of all the programmes listed in 3.1 (i) to (iv)² of the First Programmatic Operation to measure their performance and goals achieved; and ii. Approve a system of digital national identification cards. 	<ul style="list-style-type: none"> i. Pending (IV quarter, 2022). ii. Fulfilled (IV quarter, 2022).
Strengthen the countercyclical effect of public policy through the temporary introduction of measures to increase liquidity for businesses during the health and economic crisis.	<p>3.2 The Government of Barbados implements the following measures:</p> <ul style="list-style-type: none"> i. Approval of a Business Interruption Benefit for self-employed persons who are registered and compliant with the NIS and impacted by the declaration of the public health emergency; ii. Approval of a Bds\$20 million small business wage fund for SMEs, providing Bds\$500 per month per employee, up to five employees, for two months; and 	<p>3.2 The Government of Barbados implements the following measures:</p> <ul style="list-style-type: none"> i. Evaluate performance of the Business Interruption Benefit; ii. Support economic recovery in the post-pandemic period through: <ul style="list-style-type: none"> a. A programme to support SMEs to help boost business continuity in an online environment; and 	<ul style="list-style-type: none"> i. Pending (IV quarter, 2022). ii. a. Fulfilled (III quarter, 2022).

² The referred programs are Household Survival Programme, Adopt Our Families, Artists and athlete’s stimulus package, and Home Ownership Providing Energy (HOPE) Programme.

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions for Programmatic Loan II	Status of Fulfilment, Conditions for Programmatic Loan II ¹
	iii. Approval of a deferment of employers' contributions to the NIS for three months for companies that retain 75% of their workers.	b. A Draft of the Sustainable Industrial Development Bill completed and approved by the Cabinet. iii. Develop a plan to address capitalisation and structural issues of the NIS; and iv. Review the need to extend or terminate the deferment of employer's contributions to the NIS in the post-pandemic period.	ii. b. Pending (IV quarter, 2022). iii. Fulfilled (III quarter, 2022). iv. Fulfilled (III quarter, 2022).
Component 4. Economic and fiscal strengthening for the post-pandemic period			
Promoting economic and fiscal recovery in the post-pandemic period.	4.1 The Government of Barbados implements the following measures: <ul style="list-style-type: none"> i. Appointment of a Jobs and Investment Council to contribute to policy response during and after COVID-19. This will include members of the government, the private sector and the third sector; ii. Companies (Amendment) (No. 2) Act 2019-51, passed; iii. Draft Customs Bill prepared; and iv. Set up a Committee on Doing Business to execute short- and medium-term action to improve doing business performance. 	4.1 The Government of Barbados implements the following measures: <ul style="list-style-type: none"> i. Present a progress report of the measures prioritized by the Jobs and Investment Council. ii. Draft Customs Bill approved; iii. Presentation of amendments to CAP67B of the Laws of Barbados³ to take measures to: <ul style="list-style-type: none"> a. Strengthen tax revenue take. b. Reduce tax expenditures. c. Update fiscal incentive regulations. iv. Simplify the tariff structure under the Customs Act by Order; v. Strengthen macro-fiscal management by developing a procedural fiscal rule; vi. Undertake comprehensive tax administration improvements to strengthen the Barbados Revenue Authority (BRA) and Customs enforcement capabilities; 	<ul style="list-style-type: none"> i. Pending (IV quarter, 2022). ii. Fulfilled (IV quarter, 2021). iii. Pending (IV quarter 2022). iv. Pending (IV quarter 2022). v. Fulfilled (IV quarter, 2021). vi. Fulfilled (IV quarter, 2022).

³ DUTIES, TAXES AND OTHER PAYMENTS (EXEMPTION) of the laws of Barbados - An Act to make certain provisions respecting the exemption from the payment of taxes and duties and other moneys by persons, businesses or undertakings (Chapter 67B).

Components / Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions for Programmatic Loan II	Status of Fulfilment, Conditions for Programmatic Loan II ¹
		<ul style="list-style-type: none"> vii. Approval of an Excise and VAT holiday on electric vehicles for twenty-four (24) months commencing April 1st, 2022; and viii. Approval of a Draft Climate Change and Fiscal Work Plan. 	<ul style="list-style-type: none"> vii. Pending (IV quarter, 2022). viii. Pending (IV quarter, 2022).

RESULTS MATRIX

Programme objective:	The specific development objectives are: (i) promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19; (ii) strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis; and (iii) promote economic and fiscal recovery during the post-pandemic period. The achievement of these objectives will contribute to the general development objective of strengthen the efficiency and effectiveness of public policy and fiscal management in Barbados in response to the health and economic crisis caused by COVID-19, through the design and implementation of effective and fiscally responsible policy measures.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of Measurement	Baseline Value	Baseline year	Expected Year for Achievement	Target	Means of Verification	Comments
Population fully vaccinated (% of total population)	Percentage	51%	2021	2022	70%	WHO COVID-19 Barbados dashboard	Population who has completed their full vaccination as a percentage of the total population. <u>Baseline (31 Dec 2021)</u> <ul style="list-style-type: none"> Population fully vaccinated: 143,677 Total population: 281,204
Government primary balance	Percentage	-0.9	FY2021/2022	FY2022/2023	1%	World Economic Outlook Database, IMF	Primary fiscal balance as a percentage of GDP. <u>Baseline (FY2021/2022)</u> <ul style="list-style-type: none"> Primary balance: 492 (BDS\$ millions) GDP: 10,173 (BDS\$ millions)

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of Measurement	Baseline Value	Baseline year	Target (2022)	Means of verification	Comments
Specific objective 1. Promote the availability and timely execution of public resources to respond to the health crisis caused by COVID-19						
Budget allocated to the health sector	Percentage of GDP	3.3%	Approved Estimates FY2021/2022	4% (Revised Estimates FY2021/2022)	Revised health sector budget estimates for FY2021/2022, MFEI	Formula: (Approved health sector budget) / (GDP) <u>Baseline (FY2021/2022)</u> <ul style="list-style-type: none"> Approved estimate: 336.4 (BDS\$ millions) GDP: 10,173 (BDS\$ millions)
Specific objective 2. Strengthen the countercyclical effect of fiscal policy through the temporary introduction of measures to protect the income of vulnerable households and increase liquidity for businesses during the health and economic crisis						
Firms benefited from a SMEs programme to help boost business continuity in an online environment	Percentage	0	2021	90%	Programme administrative data, MFEI	Formula: (Benefited firms) / (Targeted firms) <u>Baseline (2021)</u> Benefited firms: 0 Targeted firms: 50
Specific objective 3. Promote economic and fiscal recovery during the post-pandemic period						
Actions prioritised by the government from the recommendations issued by the Jobs and Investment Council that have been implemented	Percentage	0%	2020	70%	Official plan for policy response and implementation letter, MFEI / PMO	Percentage of all actions prioritised in the plan for policy response that have been implemented. Formula: (Actions implemented) / (Total number of actions prioritised in the plan for policy response) Final target year: 2022

OUTPUTS

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Final Target (2022)	Means of verification
Component 2. Strengthening public policy and fiscal management to respond to the health crisis caused by COVID-19					
Document for the Budget allocation for the health sector in FY2021/2022, approved ¹	Document	0	2021	1	Official letter from the MFEI to the Bank documenting the approval of the budget allocation for the health sector in FY2021/2022
Report with the current progress in the implementation of the vaccination and testing programmes, approved ²	Report	0	2021	1	Official approval letter, MFEI
Report with information regarding the increase in health personnel in support COVID-19 efforts, approved ³	Report	0	2021	1	Official approval letter, MFEI
Component 3. Strengthening public policy and fiscal management to respond to the economic crisis					
Evaluation report on the implementation of all the programmes listed in 3.1 (i) to (iv) and 3.2 (i) of the First Programmatic Operation and the determination of which measures, if any, are still necessary, approved ⁴	Report	0	2021	1	Official approval letter, MFEI
Document for the System of digital national identification cards approved	Document	0	2021	1	Official approval letter, MFEI
Document for the Programme to support SMEs to help boost business continuity in an online environment, approved	Document	0	2021	1	Official approval letter, MFEI
Draft of the Sustainable Industrial Development Bill, approved	Draft Bill	0	2021	1	Official approval letter, MFEI
Document for the Plan to address capitalisation and structural issues of the NIS, submitted	Document	0	2021	1	Official submission letter, MFEI

¹ This output indicator measures the availability of budgetary resources to manage the health consequences of COVID-19.

² This output indicator provides an indication of the availability of health services required to manage and/or suppress future COVID-19 cases.

³ This output indicator measures the government's actions to increase personnel to manage the COVID-19 health crisis.

⁴ The programmes included are: (i) Household Survival Programme; (ii) Adopt Our Families; (iii) Artists and athlete's stimulus package; (iv) HOPE; and (v) Business Interruption Benefit.

Indicators	Unit of Measurement	Baseline Value	Baseline Year	Final Target (2022)	Means of verification
Report for the Policy review regarding the extension or termination of the deferment of employer's contributions to the NIS in the post-pandemic period approved	Report	0	2021	1	Official approval letter, MFEI
Component 4. Economic and fiscal strengthening for the post-pandemic period					
Progress report of the measures prioritized by the Jobs and Investment Council, completed	Report	0	2021	1	Official completion letter, MFEI
Draft Customs Bill, approved	Draft	0	2021	1	Official cabinet approval letter, MFEI
Amendments to CAP67B of the Laws of Barbados ⁵ to take measures to: (a) strengthen tax revenue take; (b) reduce tax expenditures; and (c) update fiscal incentive regulations, approved	Draft	0	2021	1	Official approval letter, MFEI
Document for the simplification of the tariff structure under the Customs Act, approved	Document	0	2021	1	Copy of the new tariff structure under the Customs Act
Document for the motion of the Procedural fiscal rule, tabled	Document	0	2021	1	Official letter, MFEI /PMO
Document of the implementation report of the Plan to undertake comprehensive tax administration improvements to strengthen the Barbados Revenue Authority (BRA) and Customs enforcement capabilities approved	Document	0	2021	1	Official approval letter, MFEI
Bill on Excise and VAT holiday on electric vehicles for twenty-four (24) months commencing April 1 st , 2022, approved	Bill	0	2021	1	Official approval, MFEI
Document of the Draft Climate Change and Fiscal Work Plan, submitted	Document	0	2021	1	Official submission letter, MFEI

⁵ DUTIES, TAXES AND OTHER PAYMENTS (EXEMPTION) of the laws of Barbados - An Act to make certain provisions respecting the exemption from the payment of taxes and duties and other moneys by persons, businesses or undertakings (Chapter 67B).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/22

Barbados. Loan ____/OC-BA to the Government of Barbados. Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Barbados II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of Barbados, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Barbados II. Such financing will be for the amount of up to US\$100,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)