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MINISTER IN THE MINISTRY OF ECONOMIC AFFAIRS AND INVESTMENT
MINISTRY OF FINANCE, ECONOMIC AFFAIRS AND INVESTMENT

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Mr. Mauricio Claver-Carone
Inter-American Development Bank
1300 New York Avenue, N. W.
Washington, D.C. 205771
United States of America

Dear President Claver-Carone,

The emergence of the COVID-19 pandemic has led to an unprecedented health and economic crisis around the world. The Caribbean region recorded its first cases in mid-March and has since experienced a significant worsening in its economic outlook.

As the pandemic unfolded, the Government of Barbados acted swiftly to limit the spread of the virus in our country. The implementation of the National Preparedness Plan started on March 17th, 2020 and a state of emergency was declared effective March 28th, 2020. The Government also decided on April 3rd, 2020 to limit activity at its borders, enforce a 24-hour stay-at-home order, and close all non-essential businesses. On April 29th, 2020, Barbados entered into Phase 1 of the country's four-phased reopening plan. By May 18th, 2020, Phase 3 of the re-opening plan commenced for non-essential businesses and trades but with social distancing requirements, temperature testing and contact tracing protocols, and limited admittance to retail spaces. On July 12th, 2020, commercial air travel officially commenced with health and safety protocols in place. The stringent containment measures have flattened the epidemiological curve and contained the cases, which reached 222 total as of October 18th, 2020, including 203 recoveries and 7 deaths.

Moreover, the pandemic is having a serious effect on the Barbadian economy with the latest estimates pointing to an economic contraction of 11.6 percent for this year. Tourism and tourism-related sectors (hotels, restaurants, bars, and entertainment) have been the most affected. The economic and social implications of the strict, but necessary, containment measures are also affecting other sectors (i.e. agriculture, construction, manufacturing). Additionally, there have been negative

impacts on the labour force, with almost 32,000 unemployment claims submitted to the National Insurance social security system since March 2020. Finally, the COVID-19 crisis will also have a negative impact on vulnerable households, potentially leading to an increase in poverty and inequality.

Prior to this global pandemic, Barbados had continued to make good progress in implementing its Economic Recovery and Transformation (BERT) plan, launched in 2018 to restore fiscal and debt sustainability, rebuild reserves and increase growth. The BERT plan has been supported by an IMF Extended Fund Facility (EFF) of US\$290 million, and two loans from the Inter-American Development Bank (IDB) –a Special Development Lending (SDL) operation of US\$100 million and a policy-based loan of US\$80 million. In June 2020, Barbados passed its third review under the EFF program. However, despite the progress made in increasing the primary balance and reducing the public debt during the last two years, the current health and economic crisis will substantially limit a fiscal consolidation approach in the short-term. In fact, the fiscal accounts are expected to deteriorate due to negative impact on revenues and the increasing expenditure needs resulting from the pandemic.

All these consequences have created a major challenge for the Government to address the social, economic, and fiscal impacts of the pandemic. The policy response has included additional health measures such as increased budgetary resources, the renovation of healthcare facilities, procurement of personal protective equipment, and the completion of a new isolation centre. Several economic support measures have also been put in place to strengthen and introduce social programmes targeting vulnerable households and businesses, including the “Adopt Our Families” programme, which appeals to households and companies which could afford it to make contributions to provide vulnerable families with monthly support; the “Household Survival Program”, which supports an increase in cash transfer benefits in the Welfare Department; and the “Home Ownership Providing Energy” programme, which provides credit for the construction of affordable, energy-efficient and solar-powered homes; among other relief programmes. Furthermore, a Jobs and Investment Council has been appointed to help the Government with the prioritisation of investments and employment creation initiatives in a COVID-19 environment, as well as in the post-pandemic period.

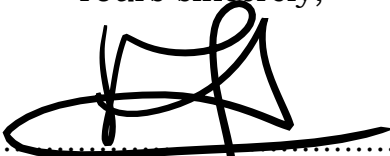
To ensure that the measures previously stated have the financial resources needed for their implementation, the Government recognizes and appreciates the support of the IDB through the provision of budgetary support under the “Programme to Strengthen Fiscal Policy and Management in Response to the Health and Economic Crisis caused by COVID-19 in Barbados”. The programme’s components, objectives, and policy measures are as follows:

- **Component I: Macroeconomic stability.** The main policy objective of this component is to ensure and maintain a stable macroeconomic framework.
- **Component II: Strengthening public policy and fiscal management to respond to the health crisis caused by COVID 19.** Its policy objective is to ensure the timely availability of financial resources to respond to the health crisis caused by COVID 19. For this purpose, the Government of Barbados will implement the following measures:
 - (i) Approve the increase in the stock of medicines to 6 months of supplies equivalent to Bds\$7.8 million.
 - (ii) Commit Bds\$7.5 million to purchase additional health equipment.
 - (iii) Ensure the completion of adequate isolation facilities at Harrison's Point.
- **Component III: Strengthening public policy and fiscal management to respond to the economic crisis.** The policy objective of this component is to 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. In order to achieve this goal, the Government of Barbados will implement the following measures:
 - (i) Approval of a Bds\$20 million Household Survival Program, which supports a 40% increase in cash transfer benefit in the Welfare Department and expands the number of persons receiving a government transfer.
 - (ii) Set up an "Adopt Our Families" fund, of private donations which combine with public 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.
 - (iv) Approve 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.
 - (v) 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.

- (vi) Approval of a Bds\$20 million small business wage fund for SMEs, providing Bds\$500 per month per employee, up to 5 employees, for 2 months.
- (vii) Approval of a deferment of employer's contributions to the NIS for three months for companies that retain 75% of their workers.
- **Component IV: Economic and fiscal strengthening for the post-pandemic period.** This components' policy objective is to promote economic and fiscal recovery in the post pandemic period. With this in mind, the Government of Barbados has committed to the following:
 - (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) Act, passed.
 - (iii) Draft Customs Bill prepared.
 - (iv) Set up a Committee on Doing Business to execute short- and medium-term action to improve doing business performance.

The Government of Barbados hereby reiterates its commitment to address the social, economic, and fiscal impacts caused by the COVID-19 pandemic and welcomes the support of the IDB through its approval of the loan programme under consideration.

Yours sincerely,


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The Hon. Marsha K. Caddle M.P.
Minister