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BARBADOS

June 2026

2026 ARTICLE IV CONSULTATION AND REQUEST FOR A STAND-BY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BARBADOS

In the context of the combined Article IV and Request for a Stand-By Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board and summarizing the views of the Executive Board as expressed during its June 22, 2026 consideration of the staff report on issues related to the Article IV Consultation and the IMF arrangement.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 22, 2026, following discussions that ended on May 14, 2026, with the officials of Barbados on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on June 5, 2026.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Barbados.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR26/219

IMF Executive Board Approves 36-month US$257 million Precautionary Stand-By Arrangement for Barbados and Concludes 2026 Article IV Consultation

FOR IMMEDIATE RELEASE

- *The IMF Executive Board approved a new 36-month precautionary Stand-By Arrangement (SBA) for Barbados in the amount of SDR 189 million (equivalent to US$257 million, or 200 percent of quota). The Executive Board's decision allows the authorities immediate access to SDR 47 million (equivalent to US$64 million).*

- *The precautionary SBA will provide critical insurance in the event shocks generate balance of payments needs, while continuing to help anchor macroeconomic stability and support reform implementation under the homegrown Barbados Economic Recovery and Transformation Plan 2026 (BERT 2026).*

- *Having made significant progress in implementing its first two BERT plans, supported by previous Fund arrangements, Barbados enters the new SBA in a stronger macroeconomic position. The outlook remains stable but subject to significant downside risks, amid high global policy uncertainty, elevated commodity prices, and vulnerability to natural disasters.*

Washington, DC – June 22, 2026: The Executive Board of the International Monetary Fund (IMF) approved today a 36-month precautionary Stand-By Arrangement (SBA) for Barbados amounting to SDR 189 million (equivalent to US$257 million,[1] or 200 percent of quota) and concluded the 2026 Article IV Consultation.[2] The Executive Board's decision allows the authorities access to SDR 47 million, equivalent to US$64 million. The Barbadian authorities have indicated that they will treat the SBA as precautionary. The authorities have consented to the publication of the Staff Report prepared for this consultation.[3] The SBA will provide Barbados with insurance, in the event that shocks generate balance of payments needs, while helping preserve macroeconomic stability, and supporting reforms under the BERT 2026 plan.

Key pillars of the SBA include: (i) sustaining strong fiscal accounts, balancing debt sustainability with development needs; (ii) maintaining ample international reserves to support the exchange rate peg; (iii) implementing structural reforms to continue building fiscal policy

[1] US dollar amounts have been calculated using today's exchange rate: (SDR 0.73601/US$)

[2] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[3] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/barbados page.

and institutional credibility and bolster financial stability; and (iv) supporting the authorities' efforts to boost productivity and competitiveness, and build resilience to natural disasters.

Guided by sound macroeconomic policies, economic activity remained robust in 2025, with growth estimated at 2.7 percent. The labor market remained strong and inflation continued to moderate to an average of 0.9 percent. The current account deficit reached 5.7 percent of GDP, while foreign direct investment strengthened significantly, supporting the balance of payments. Gross international reserves remained at about US$1.5 billion at end-2025 (around 6 months of imports), ample to support the exchange rate peg. Fiscal performance continued to be strong, with a primary surplus of 4.2 percent of GDP in FY2025/26, and high corporate income tax revenues supporting expanded public investment in infrastructure and resilience. Financial soundness indicators continued to improve in 2025. Growth is expected to remain stable in 2026. However, risks to the outlook are tilted firmly to the downside, amid an external environment impacted by geopolitical tensions and global policy uncertainty, and Barbados' vulnerability to natural disasters.

Following the Executive Board's discussion, Mr. Nigel Clarke, Deputy Managing Director and Acting Chair of the Board, issued the following statement:

“The authorities' strong implementation of the homegrown Barbados Economic Recovery and Transformation Plan (BERT) 2022, supported by IMF arrangements, has reinforced macroeconomic stability and facilitated structural reforms. Public debt is on a firm downward path, international reserves have been rebuilt, access to capital markets has been restored, and important structural reforms have been completed to help boost growth and strengthen resilience.

“While the economic outlook remains stable, it is subject to downside risks, amidst an external environment impacted by geopolitical tensions and global policy uncertainty. The new precautionary Stand-By Arrangement will provide Barbados with insurance in a shock-prone external environment, while helping preserve macroeconomic stability and supporting reforms under the next phase of the BERT 2026 plan.

“The authorities are committed to maintaining strong fiscal surpluses to keep debt on a declining path and achieve the public debt target of 60 percent of GDP by FY2035/36. Fiscal reforms aim to further build policy credibility and strengthen policy frameworks and institutions. Efforts to support revenue mobilization and improve public financial management remain priorities. Developing domestic debt markets will also be key to reducing rollover risks and mobilizing domestic savings.

“The exchange rate peg remains a critical anchor for macroeconomic stability, supported by ample international reserves. The financial system is stable and the authorities are pursuing important reforms to bolster resilience, including improvements to banking supervision and further enhancements to the AML/CFT framework.

“Reforms to boost productivity, competitiveness, and resilience will be critical to support economic transformation and deliver more sustainable and inclusive growth. Priorities include tackling infrastructure bottlenecks, improving the business environment, and investing in skills and education. Efforts to boost resilience to natural disasters and facilitate the transition to renewable energy will also strengthen long-term balance of payments stability.”

Executive Board Assessment[4]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' latest Barbados Economic Recovery and Transformation plan focused on economic transformation. Directors agreed that while the outlook remains stable, risks are tilted to the downside, amidst an uncertain external environment and vulnerability to natural disasters. In this context, Directors supported the request for a precautionary Stand-by Arrangement to provide insurance against shocks, help anchor macroeconomic stability and support reform implementation, while stressing the importance of contingency planning and agile policymaking.

Directors welcomed the authorities' continued commitment to maintain high primary fiscal surpluses to preserve debt sustainability and achieve the 60 percent debt target by FY2035/36. They concurred that additional revenue windfalls should be used to boost resilience through critical capital spending and the further buildup of fiscal buffers. Any additional measures to cushion further shocks should be temporary and targeted to the most vulnerable. Developing domestic debt markets will also reduce rollover risks and mobilize domestic savings.

Directors supported the authorities' focus on fiscal reforms to continue strengthening policy credibility, policy frameworks, and institutions. They underscored that implementing the new tax exemption framework and deepening revenue administration reforms will be critical to mobilize revenues. Further improvements in public financial management, including improved oversight of state-owned enterprises, and implementation of the new Public-Private Partnership framework, will also mitigate fiscal risks and boost public investment efficiency.

Directors concurred that international reserves remain ample to support the exchange rate peg, which continues to be a critical anchor for macroeconomic stability. They agreed that the authorities should consider removing the foreign exchange fee to reduce market distortions. Directors also encouraged the authorities to continue their long-term efforts to strengthen monetary policy operations.

Directors noted that the financial system remains stable. They welcomed the authorities' focus on reforms to further bolster resilience, including efforts to strengthen banking supervision, develop a resolution framework for financial institutions, operationalize the new deposit insurance scheme, and continue strengthening the AML/CFT framework.

Directors agreed that further structural reforms will be required to boost potential growth over the medium term. Priorities include tackling infrastructure bottlenecks, improving the business environment, and closing skills gaps. They commended the authorities' commitment to build resilience to external shocks and natural disasters and to facilitate the transition to renewable energy.

It is expected that the next Article IV consultation with Barbados will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

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[4] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Barbados: Selected Economic Indicators, 2024-2026 1/

I. Social and Demographic Indicators (most recent year)

Population (2025 est., thousand)	282.7	Adult literacy rate (2014)	99.6
Per capita GDP (2025 est., US$ thousand)	28.7	Poverty rate (individual, 2016)	15.8
Life expectancy at birth in years (2022)	76.8	Gini coefficient (2016)	34.1
Rank in UNDP Development Index (2023)	69.0	Unemployment rate (2025)	6.6

Main products, services and exports: tourism, financial services, rum, sugar, and chemicals.

II. Economic Indicators

			Projection
	2024	**2025**	**2026**
Output, prices, and employment			
CY Real GDP	3.4	2.7	2.2
CPI inflation (average)	1.5	0.9	3.1
CPI inflation (end of period)	0.4	1.6	3.8
External sector			
Exports of goods and services	13.2	4.4	4.5
Imports of goods and services	7.8	8.2	7.6
Money and credit			
Net domestic assets	6.8	2.2	5.8
Of which: Credit to the non financial private sector	4.5	5.8	6.6
Broad money	7.5	3.1	3.5
CG Public finances (fiscal year) 1/			
Revenue and grants	27.2	26.8	28.5
Expenditure	28.1	27.1	29.2
Fiscal Balance	-0.8	-0.2	-0.7
Interest Expenditure	4.9	4.4	4.2
Primary Balance	4.0	4.2	3.5
Public sector debt (fiscal year) 2/			
Public sector debt	98.9	96.0	91.8
External	39.6	38.4	37.1
Domestic	59.3	57.6	54.8
Balance of payments (calendar year)			
Current account balance	-3.7	-5.7	-6.0
Capital and financial account balance	5.0	6.2	3.8
Net Errors and Omissions	-0.1	-1.3	0.0
Overall balance	1.2	-0.9	-2.3
Memorandum items:			
Gross international reserves (US$ million)	1,593	1,523	1,333
Nominal GDP, CY (BDS$ millions)	15,195	15,888	16,646
Nominal GDP, FY (BDS$ millions)	15,413	16,078	16,859

Sources: Barbados authorities; UNDP Human Development Report; Barbados Country Assessment of Living Conditions 2010 (December 2012); and Fund staff estimates and projections.

1/ Fiscal year is from April to March.

2/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

BARBADOS

June 5, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND REQUEST FOR A STAND-BY ARRANGEMENT

EXECUTIVE SUMMARY

Context. The homegrown Barbados Economic Recovery and Transformation (BERT) 2022 Plan and supporting Fund arrangements have reinforced macroeconomic stability and facilitated structural reforms. A sustained improvement in the fiscal accounts has helped put public debt on a firm downward path, while international reserves have been rebuilt to comfortable levels. Barbados has also successfully returned to international capital markets, enabling partial early repayments to the Fund. Important structural fiscal reforms have been completed, alongside steps to strengthen climate resilience. These achievements extend the government's commendable track record of ownership and program implementation.

Outlook and Risks. Growth remained robust in 2025, driven by tourism, construction, and business services, while inflation continued to moderate. Fiscal performance has been strong and gross international reserves remain at about US$1.5 billion (6 months of imports), ample to support the exchange rate peg. While the war in the Middle East weighs on the outlook, growth is projected to remain stable, absent further shocks. However, the near-term economic outlook is subject to significant downside risks, amid heightened global policy uncertainty, elevated global oil and food prices, and Barbados' vulnerability to natural disasters.

BERT 2026 Reform Priorities. The next phase of the BERT plan marks a shift from stabilization and growth toward long-term economic transformation, with a welcome focus on: (i) boosting productivity and competitiveness; (ii) strengthening fiscal sustainability; (iii) deepening financial markets; (iv) developing human capital; and (v) enhancing climate resilience.

Precautionary Stand-By Arrangement (SBA). To support the BERT 2026 plan, Barbados is requesting a new 36-month precautionary SBA. The proposed precautionary SBA will provide critical insurance against potential balance of payments pressures from external shocks, while continuing to help anchor macroeconomic stability and support reform implementation. Key SBA policies include:

- Sustaining high primary fiscal surpluses, while providing space for critical capital and social spending to boost resilience and address development needs. The

medium-term fiscal path will continue to be anchored on achieving the debt-to-GDP target of 60 percent by FY2035/36.

- Implementing fiscal structural reforms to continue building policy and institutional credibility, and economic resilience. Rolling out the new tax exemptions framework and deepening tax and customs administration will support revenue mobilization. Strengthening public financial management (PFM), including the medium-term fiscal framework, oversight of state-owned enterprises (SOEs), and fiscal transparency, to support fiscal discipline and improved public spending efficiency.
- Continuing to mobilize external official financing in the near term, while advancing efforts to develop domestic capital markets to support debt sustainability and better utilize domestic savings for economic transformation.
- Maintaining ample international reserve buffers to support the exchange rate peg, which remains an essential anchor for macroeconomic stability. Monetary policy operations should continue to be strengthened over the long term.
- Advancing reforms to bolster financial stability, including improvements in banking supervision and further enhancements to the AML/CFT framework. Developing a resolution framework and rolling out new deposit insurance legislation also remain priorities.
- Supporting the government's efforts to boost productivity, competitiveness, and resilience to natural disasters, to support more sustainable and inclusive growth.

Program Modalities. The authorities have requested a precautionary 36-month SBA with access equivalent to SDR 189 million (200 percent of quota, or about US$259 million). An initial tranche of about SDR 47 million (50 percent of quota) will become available at program approval. The proposed SBA will have semi-annual reviews.

Approved By
Ana Corbacho (WHD), Cemile Sancak (SPR)

A mission team visited Bridgetown, Barbados from April 30 to May 14, 2026. The team comprised Michael Perks (head), Daniel Jenya, Zamid Aligishiev (all WHD), Jimena Acedo (FAD), Michele Marcaletti (SPR), William Oman (MCM), and Patrick Blagrave (Resident Representative). Laron Alleyne and Amy Carrington (IMF Local Office) assisted the mission. Muneeb Naseem provided research assistance and Sandra Frances provided document management. The mission met with Prime Minister Mia Mottley, Minister of Finance Ryan Straughn, and Central Bank of Barbados Governor Kevin Greenidge, other senior government officials, trade unions, banks, the private sector, and development partners. Ann Marie Wickham (OED) joined some of the meetings and Executive Director Brad Recker joined the concluding meeting.

CONTENTS

TABLES

ANNEXES

APPENDIX

Glossary

AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
ARA	Assessment of Reserve Adequacy (IMF)
BAMC	Barbados Agricultural Management Corporation
BCED	Barbados Customs and Excise Department
BERT	Barbados Economic Recovery and Transformation Plan
BESS	Battery Energy Storage System
BOSS	Barbados Optional Savings Scheme
B$	Barbados Dollar
BOP	Balance of Payments
BRA	Barbados Revenue Authority
BSD	Banking Supervision Department
BSS	Barbados Statistical Service
CA	Current Account
CAF	Development Bank of Latin America and the Caribbean
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Center
CBB	Central Bank of Barbados
CDB	Caribbean Development Bank
CFM	Capital Flow Management Measure
CG	Central Government
CIT	Corporate Income Tax
CPI	Consumer Price Index
C-PIMA	Climate Public Investment Management Assessment
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CY	Calendar Year
EIB	European Investment Bank
EFF	Extended Fund Facility
EMBIG	Emerging Markets Bond Index Global
FAD	Fiscal Affairs Department (IMF)
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FSC	Financial Services Commission
FTC	Fair Trading Commission
FX	Foreign Exchange
FY	Fiscal Year
G20	Group of Twenty
GDP	Gross Domestic Product
GIR	Gross International Reserves
GFN	Gross Financing Needs
GRA	General Resources Account

IDB	Inter-American Development Bank
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IIP	International Investment Position
IPS	Instant Payment System
IT	Indicative Target
JEG	Joint Economic Group
LMO	Liability Management Operation
LT	Long Term
MAU	Management Accounting Unit
MF	Ministry of Finance
MEFP	Memorandum of Economic and Financial Policies
MTDS	Medium-Term Debt Strategy
MTFF	Medium-Term Fiscal Framework
NHC	National Housing Corporation
NISSS	National Insurance and Social Security Service
NPL	Non-Performing Loan
OECD	Organization for Economic Cooperation and Development
PC	Performance Criterion
PFM	Public Finance Management
PPP	Public-Private Partnership
QPC	Quantitative Performance Criteria
RDC	Rural Development Commission
RM	Reform Measure
RRF	Resilience and Regeneration Fund
RSF	Resilience and Sustainability Fund
SB	Structural Benchmark
SBA	Stand-by Arrangement
SDR	Special Drawing Right
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SRDSF	Sovereign Risk and Debt Sustainability Framework
SUT	Supply and Use Table
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TMU	Technical Memorandum of Understanding
UDC	Urban Development Commission
US$	US Dollar
VAT	Value Added Tax
WEO	World Economic Outlook
WTO	World Trade Organization
Y/Y	Year-on-Year

CONTEXT

1. Over the last three years, Barbados' homegrown plan and supporting Fund arrangements have reinforced macroeconomic stability and facilitated structural reforms. The authorities successfully implemented their 2022 Barbados Economic Recovery and Transformation (BERT) plan, which aimed to achieve more inclusive and sustainable growth and increase climate resilience, while strengthening fiscal and debt sustainability and building social cohesion. To support the 2022 BERT plan, Extended Fund Facility (EFF) and Resilience and Sustainability Fund (RSF) arrangements were also approved in December 2022. The successful completion of the EFF and RSF in June 2025 reflects strong ownership and extends the authorities' commendable track record of implementation, building on the 2018 EFF that helped Barbados restore macroeconomic stability and weather multiple shocks.

2. Important achievements under the 2022 BERT plan and Fund-supported EFF/RSF include:

- *A gradual and sustained improvement in the fiscal accounts*. The primary surplus increased by 2 percentage points of GDP to 4.0 percent of revised GDP in FY2024/25,[1] underpinned by: (i) revenue mobilization, notably from corporate income tax (CIT) reform; and (ii) improvements in public spending, including rationalizing current expenditures, protecting critical social spending, and boosting capital investment. Together with the economic recovery, these efforts helped put the public debt-to-GDP ratio on a firm downward path, reaching 96.0 percent of GDP at end-FY2025/26.

- *Implementation of important fiscal structural reforms to:* (i) strengthen tax and customs administration; (ii) improve public financial management (PFM), (iii) strengthen the pension system through major parametric reforms; (iv) rationalize key state-owned enterprises (SOEs); and (v) implement growth-enhancing measures, including steps to improve the business environment.

- *Re-accessing international capital markets and mobilizing external financing*. After 11 years without tapping international capital markets, the authorities successfully issued a US$500 million bond as part of a liability management operation (LMO) in June 2025 (see Box 1 in Annex II). Barbados also completed the world's first debt-for-climate conversion in 2024, supported by guarantees from International Financial Institutions (IFIs) and grants, to finance upfront investment.

- *Measures to enhance the monetary policy framework and strengthen financial safety nets*. The authorities sustained ample international reserves to build buffers and support the exchange rate peg—a key macroeconomic anchor. In addition, they took steps to strengthen monetary

[1] New GDP statistics were published by the Barbados Statistical Service (BSS) in November 2025. The new GDP statistics are based on reference year 2023, rebased from 2016 (see Box 1). Hereafter, all references to GDP refer to revised GDP.

policy, notably by developing a daily liquidity forecasting framework, while also bolstering the financial safety net by establishing an Emergency Liquidity Assistance framework with the help of Fund Technical Assistance (TA).

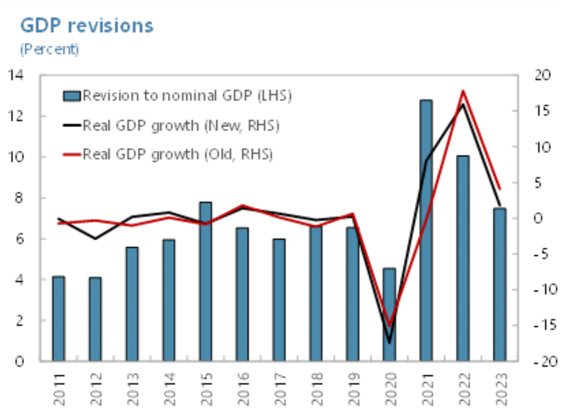
- *Completion of RSF reform measures to build resilience and support long-term balance of payment (BoP) stability*. Key reforms included: (i) enhancing focus on climate in the budget; (ii) introducing 'green PFM', including in procurement; and (iii) implementing measures to incentivize private and public investments in resilient infrastructure and renewable energy.

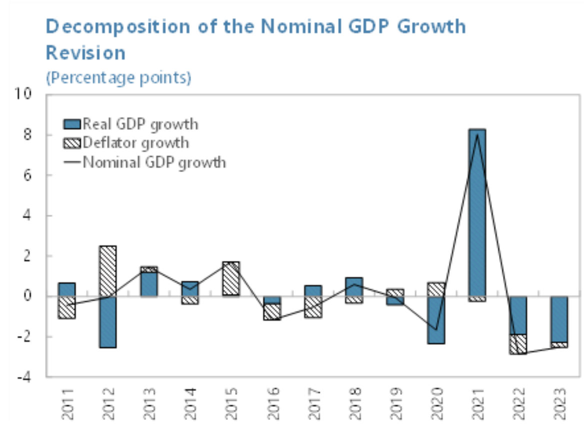
Box 1. Barbados' Revised GDP Statistics

In November 2025, the authorities released rebased production-side GDP statistics for 2010–24. The revised estimates are based on an updated 2023 Supply and Use Table (SUT), replacing the 2016 SUT, and incorporate updated information from corporate income tax records, balance of payments estimates of merchanting activity, financial statements, and other sources. Methodological improvements to the calculation of value added were also implemented, notably in mining and quarrying and public administration and defense.

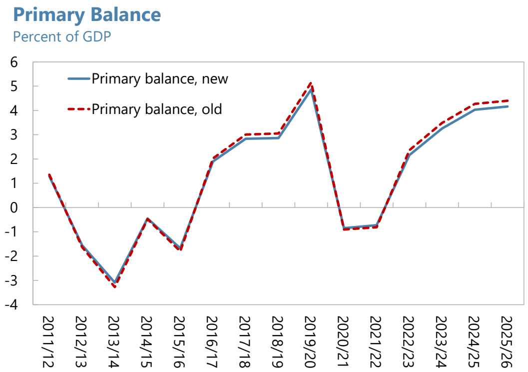
The updates resulted in significant revisions to post-2020 growth rates and raised the nominal GDP level. Nominal GDP growth in 2021 was revised up by about 8 percentage points, reflecting higher estimated real value added in wholesale and retail trade. In contrast, both real GDP growth and deflator growth were revised downward in 2022 and 2023, mainly due to revisions in construction, business and other services, and public administration and defense. The adoption of the 2023 SUT led to a broad-based upward shift in nominal GDP levels across all years, with the level in 2023 revised up by 7.5 percent.

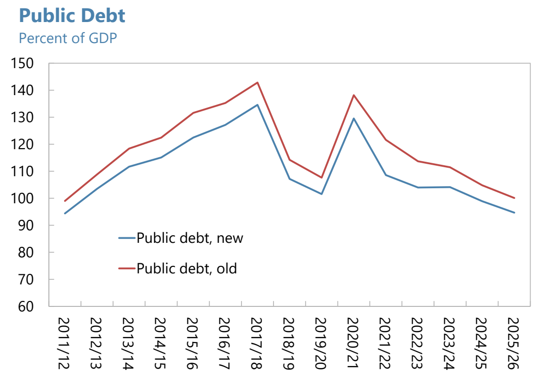
The upward revision to nominal GDP reduced the public debt-to-GDP ratio, while leaving underlying debt-carrying capacity unchanged. Based on the revised GDP series, public debt at end-FY2024/25 stood at 98.9 percent of GDP, down 5.9 percentage points. Meanwhile, the higher GDP level reduced the revenue-to-GDP, primary surplus-to-GDP, and exports-to-GDP ratios. Barbados' capacity to repay the Fund—proxied by debt-service-to-revenue and debt-service-to-exports ratios—is unchanged.





Box 1. Barbados' Revised GDP Statistics (concluded)





Source: Barbados Statistical Service, Central Bank of Barbados, and IMF staff calculations.

3. **The economy still faces significant challenges**. Public debt remains high, requiring continued fiscal effort to meet the 60 percent of GDP target by FY2035/36. Moreover, further steps are needed to fully implement the new tax exemptions framework, enhance the fiscal framework, improve fiscal transparency, and develop domestic capital markets. Structural challenges continue to hold back investment and growth, particularly demographic headwinds, chronic skills gaps and capacity constraints, limited diversification, and low productivity growth. Meanwhile, Barbados remains vulnerable to external shocks and natural disasters (¶14).

4. **In this context, the authorities have developed a new BERT 2026 plan and requested support under a successor Fund-supported precautionary Stand-by Arrangement (SBA)**. After consultation with social partners, the new BERT plan was presented to Cabinet in January 2026 (see Annex X). While the plan maintains significant continuity with BERT 2022, it shifts focus to long-term economic transformation, with key pillars on: (i) boosting productivity and competitiveness; (ii) strengthening fiscal sustainability; (iii) deepening financial markets; (iv) developing human capital; and (v) enhancing climate resilience. To support this plan, a new 36-month SBA would provide access of SDR 189 million (equivalent to 200 percent of quota or US$259 million). The authorities intend to treat the arrangement as precautionary, as insurance against potential BoP shocks, including an escalation of geopolitical tensions, further oil and food price rises, or persistence of global policy uncertainty. In the February general elections, the Barbados Labour Party won all 30 parliamentary seats. As a result, the new government led by Prime Minister Mia Mottley has a strong mandate to push ahead with critical structural reforms.

ECONOMIC DEVELOPMENTS AND OUTLOOK

Recent Developments

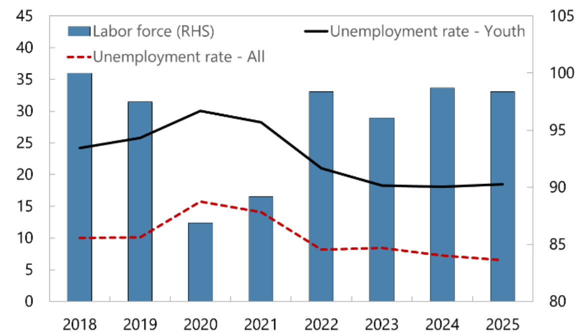
5. **Economic activity in 2025 and early 2026 remained robust**. After strong growth of 3.4 percent in 2024, real GDP is estimated to have expanded by 2.7 percent y/y in 2025, driven by

tourism, business services, construction and trade. Long stay arrivals through December 2025 increased by 3.3 percent y/y, largely due to higher demand from the US, while cruise arrivals surged by 12.9 percent y/y, reaching record levels. Construction output rose by 9.8 percent in 2025, led by ongoing tourism and public sector investment, while business and other services grew by 3.7 percent. Notably, agricultural output grew by 13.3 percent, driven largely by rising food crops. In Q1 2026, growth remained positive at an estimated 1.7 percent, with long-stay arrivals up 1.2 percent and cruise arrivals rising by 30 percent y/y.

6. The labor market continued to strengthen, though youth unemployment remained high. The unemployment rate remained low at 7.2 percent in Q4 2025. The labor force declined by 1.3 percent in Q4 2025, compared to Q1 2025, as more workers retired and school enrollments rose. While unemployment claims increased by 1.3 percent through December 2025, mainly due to hotel renovations, they remained below the historical average. However, youth unemployment remains high at close to 18 percent in 2025, having only fallen gradually from 30 percent in 2020.

Labor Force and Unemployment Rates

(LHS-Percent; RHS-Index, 2018=100)



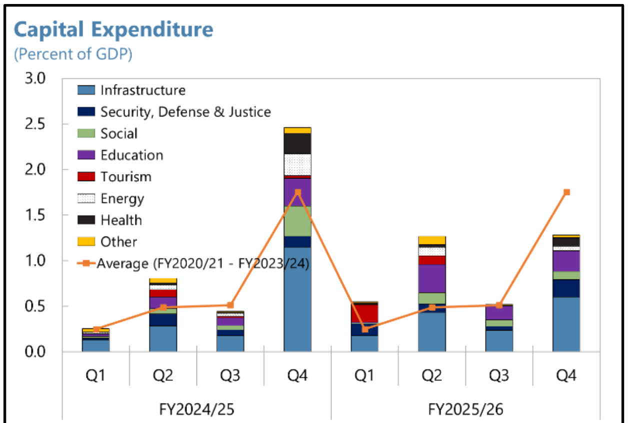
Source: Barbados Statistical Service, World Bank, International Labour Organization, and IMF staff calculations.

7. Inflation moderated, although food prices remained elevated. Headline inflation slowed to an average of 0.9 percent in 2025, from 1.5 percent in 2024, reflecting continued easing of global commodity prices and prices of domestic goods and services for most of the year. Within the year, the easing of energy-sensitive (non-core) prices slowed and rising restaurant and recreational services prices contributed to a pickup in end-of-period inflation from -0.3 percent in February 2025 to 1.3 percent in February 2026. While inflation remained below historical averages, cost of living pressures continued to be a concern, especially for the most vulnerable groups, reflecting the legacy of high food price inflation from 2022-23. Official estimates of poverty and inequality are outdated, though an ongoing social study supported by the Inter-American Development Bank (IDB) is expected to produce updated estimates.[2]

8. Financial sector conditions continued to improve (Table 7). Following robust growth in 2024, credit to the non-financial private sector continued to grow strongly in 2025 (5.2 percent), driven mainly by lending to hotels, restaurants, real estate, and households. In the banking system, non-performing loans (NPLs) continued to decline in 2025, while capital, liquidity, and provisioning remained well above required levels. Deposits grew moderately, driven mainly by foreign currency deposits, related to real estate and other business activities. Financial soundness indicators for finance companies and credit unions also improved somewhat, although credit union NPLs remain elevated.

[2] According to the last official estimates from 2016/17, around 17 percent of the population lived below the basic needs threshold, with 3.4 percent of the population unable to afford a minimum food basket.

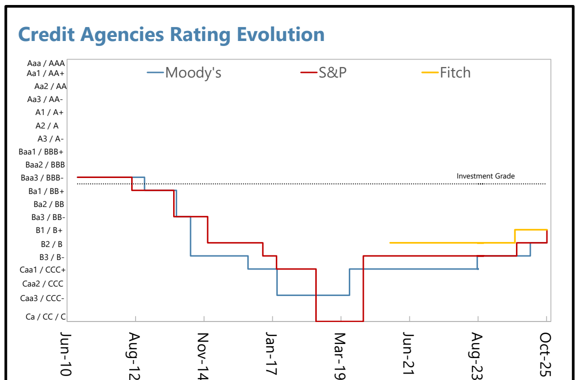
9. Fiscal performance continued to be strong. After achieving a primary fiscal surplus of 4 percent of GDP in FY2024/25, the surplus reached 4.2 percent of GDP in FY2025/26, exceeding the budget target of 4.1 percent. Direct tax revenues overperformed, with strong CIT receipts reflecting a combination of higher profitability and one-off revenues from the asset dissolution of a large corporate group.[3] Indirect tax collection also surpassed expectations due to stronger economic activity in the construction and retail sectors, robust tourism-related services and higher imports. On the expenditure front, capital spending reached 4.1 percent of GDP in FY2025/26, reflecting construction of roads, a geriatric hospital and two senior citizen villages, primary and secondary school infrastructure, as well as investment in skills development and tourism. Meanwhile, public debt fell to 96 percent of GDP at end-FY2025/26.[4]



Sources: National authorities and IMF staff calculations.

10. The external position remained stable and is assessed to be broadly in line with fundamentals. The current account (CA) deficit widened to an estimated 5.7 percent of GDP at end-2025, from 3.7 percent of GDP in 2024, due to higher merchandise imports (including investment- and construction-related inputs), lower re-exports of goods, and the unwinding of one-off CIT transfers.[5] Travel receipts remained strong, underpinned by solid long stay tourism and higher cruise activity, while foreign direct investment (FDI) strengthened significantly, supporting the BoP. Overall, gross international reserves (GIR) decreased slightly to about US$1.5 billion at end-2025 but remained ample to support the exchange rate peg.

11. On the financing front, the authorities successfully regained access to international capital markets, while also securing new official financing. In June 2025, the authorities issued a US$500 million sovereign bond, as part of a debt-neutral LMO. The proceeds were used to roll over the bulk of the 2029 Eurobond and prepay government obligations to the IMF through March 2028. The authorities' program implementation,



Sources: Moody's, S&P, Fitch and IMF staff elaboration

[3] At the fifth EFF/RSF reviews, projections assumed that roughly one third of CIT overperformance in FY24/25 (0.9 percent of GDP) would prove permanent. Based on FY2025/26 CIT collection, staff now estimates that the structural increase could be significantly higher at around 1.8 percent of GDP. Projections have been revised accordingly.

[4] Including IMF Balance of Payments support to the Central Bank of Barbados (CBB) under the 2018 EFF which the authorities exclude from public debt (see ¶1 of the MEFP).

[5] Offshore insurance companies are treated as non-residents, with CIT payments recorded as current transfers credits in the BoP. These transfers reached 1.5 percent of GDP in 2024, related to the introduction of IFRS 17 for the insurance sector.

particularly the sustained strengthening of the public finances, as well as confidence in the government's continued commitment to reform, supported strong take-up by global investors. Following upgrades in late 2024 and early 2025, Barbados received further credit rating upgrades from S&P and Fitch in Q4 2025.[6] Sovereign spreads declined below 350 bps, continuing to track the Emerging Markets Bond Index Global (EMBIG). On the official financing front, the authorities agreed on around US$400 million from non-Paris Club lenders to finance an expansion of the Queen Elizabeth Hospital and improve public health services, and about US$300 million from IFIs for key BERT 2026 projects, including water desalination and energy.

Outlook and Risks

12. The near-term growth outlook is stable (Text Table 1). Economic growth is projected to reach 2.2 percent in 2026, supported mainly by business and recreational services, wholesale and retail trade, construction, and public investment. Medium-term growth is expected to stabilize at 2 percent (estimated potential level) as ongoing tourism-related construction projects are completed and efforts to expand airlift continue to bear fruit. Inflation (12-month average) is expected to pick up to 3.1 percent in 2026 (from 0.9 percent in 2025), driven by higher global commodity prices, and stabilize around the historical average of 2.4 percent over the medium term. The CA deficit is projected to widen to 6 percent of GDP in 2026, reflecting high global commodity prices, before converging to 4.9 percent of GDP over the medium term as the recent increase in commodity prices, and construction- and investment-related imports unwinds. FDI is projected to remain close to 6 percent of GDP (the 20-year historical average), financing the CA deficit. GIR are projected to decline modestly in the near term, reflecting higher commodity prices and ongoing construction- and investment-related imports, but to remain comfortable at over US$1.3 billion (around 150 percent of the Fund's ARA metric) and to gradually increase to US$1.5 billion over the medium term.

Text Table 1. Barbados: Key Macroeconomic Variables (Baseline)

Indicator, percent of GDP unless otherwise stated	2024	2025	2026	2027	2028	2029	2030	2031
	Act.	Prel.			Projections			
Real GDP, percent change	3.4	2.7	2.2	2.3	2.1	2.0	2.0	2.0
CPI inflation, annual average	1.5	0.9	3.1	2.7	2.4	2.4	2.4	2.4
Primary balance 1/	4.0	4.2	3.5	3.5	4.1	4.1	4.1	4.1
Public sector debt 1/	98.9	96.0	91.8	87.5	83.3	79.3	75.5	71.7
Current account	-3.7	-5.7	-6.0	-5.8	-5.3	-5.2	-5.1	-4.9
FDI and long-term debt	4.7	5.7	6.0	6.0	5.9	5.8	5.7	5.7
Gross International Reserves, US$ million	1593.0	1522.6	1333.4	1325.9	1389.9	1426.6	1465.7	1501.7
Gross International Reserves, percent of ARA	194.6	193.8	150.7	152.8	152.4	150.8	148.6	146.3

Source: Barbadian authorities, and IMF Staff calculations
1/ 2025 are estimates.

13. While the war in the Middle East weighs on the outlook, the impact on growth is expected to be partly offset by higher government expenditure, supported by "top-up" CIT

[6] In October 2025, S&P upgraded the economic outlook for Barbados from B with a positive outlook to B+ with a stable outlook, and Fitch revised up from B+ with a stable outlook to B+ with a positive outlook. Moody's rating for Barbados remains at B2 with a stable outlook.

revenues (Text Table 2). The war is expected to undermine growth in major tourist source markets (US, UK, and Canada), slowing tourist arrivals and weighing on Barbados's growth. It is also expected to push up global energy and fertilizer prices, accelerating inflation through higher food, electricity, fuel and transportation costs. A higher energy and food import bill, elevated shipping costs, and weaker travel credits are expected to widen the CA deficit. However, the program baseline envisages a sizable increase in government expenditure, mostly financed by "top-up" CIT revenues. Higher spending largely offsets the war-related drag on growth and contributes to higher inflation, while revenue flows from abroad limit the deterioration in the CA.[7]

Text Table 2. Barbados: Incorporation of Middle East War into Baseline

	2026					
	CR/25/153	Impact from data releases 1/	Pre-conflict baseline	Impact from the oil price shock 2/	Impact from revised fiscal assumptions 3/	Current baseline
Real GDP (percent change)	2.0	+0.5 ppt	2.5	-0.9 ppt	+0.6 ppt	2.2
CPI (end of period, percent change)	2.4	-1.0 ppt	1.4	+2.0 ppt	+0.4 ppt	3.8
Current account balance (percent of GDP)	-5.6	+0.7 ppt	-4.9	-1.7 ppt	+0.6 ppt	-6.0

Source: Barbadian authorities and IMF staff calculations

1/ Recent data releases reflect major revisions to the 2025 BoP, as well as the update of the GDP statistics.

2/ The baseline incorporates the oil price shock based on the May 12, 2026 RES Commodity Newsletter.

3/ Following the FY2027 budget speech, the baseline includes an increase in corporate income tax (CIT) top-up revenues of 2.8 percent of GDP, with 30% of the increase financed through foreign exchange transfers by companies from abroad.

14. However, risks to the outlook are firmly tilted to the downside amid an external environment impacted by geopolitical tensions and global policy uncertainty (see Annex I). The outlook remains subject to significant risks:

- *External*. Barbados is highly vulnerable to global commodity price shocks (see Annex IV) and a worsening of geopolitical tensions and further escalation or extension of the war would raise inflation and add to external and fiscal pressures. Under an illustrative sensitivity analysis, calibrated using the April World Economic Outlook (WEO) severe scenario, GDP growth could be 1.5 ppts lower in 2026, with inflation rising by an additional 0.9 ppts, and the CA deteriorating by a further 1.3 percent of GDP. Escalating trade measures and prolonged policy uncertainty could also reduce growth and tourism demand in key source countries, suppress FDI inflows, and raise inflation due to costlier imports. Rising global public debt and spending pressures could increase risks of global sovereign bond market disruptions and tighten global financial conditions, in turn increasing financing costs, dampening growth, and reducing FDI.

- *Domestic*. Natural disasters continue to present significant risks, with the potential to undermine economic growth, increase the fiscal deficit and public debt, deplete foreign exchange reserves, and create financial stability challenges through increased delinquencies. A deceleration of

[7] Staff projections assume CIT "top-up" revenues of 2.8 percent of GDP, fully allocated to public consumption, capital expenditure. About 30 percent of these revenues are assumed to originate from abroad, strengthening the secondary income balance and supporting the CA.

reform momentum could also undermine efforts to reduce public debt and boost potential growth; however, this risk is mitigated by the authorities' excellent track record under Fund-supported arrangements and the nation's continued strong commitment to the reform agenda.

Authorities' Views

15. The authorities agreed that the outlook remains stable, while assessing risks to be broadly balanced. Construction will support near-term growth and help offset headwinds from an uncertain global environment, while a potential redirection of tourist flows toward the Caribbean could provide an additional buffer. Continued investment in infrastructure, renewable energy, and targeted budget measures is expected to support employment, expand productive capacity, and facilitate a shift toward higher value-added activities. At the same time, the authorities expect inflation to remain contained, the CA to narrow, and the external position to remain strong with ample international reserves. The authorities agreed on downside risks, which are predominantly external, but emphasized the upside from higher global growth, investment in renewable energy and construction, and stronger-than-expected dividends from BERT 2026 reforms.

PROGRAM DESIGN

Program Objectives

16. The precautionary SBA will provide insurance against potential shocks, while continuing to anchor macroeconomic stability and sustain reform efforts. Program objectives include:

- *Insurance against potential external shocks and/or natural disasters,* with potential Fund support providing a critical additional backstop to Barbados.
- *Continued prudent macroeconomic management*, including maintaining fiscal and debt sustainability by sustaining strong primary fiscal balances, to ensure public debt remains on track to reach 60 percent of GDP by FY2035/36.
- *Steadfast implementation of structural reforms* to continue building policy credibility, institutional capacity, and resilience, supporting the BERT 2026 goal of long-term economic transformation.

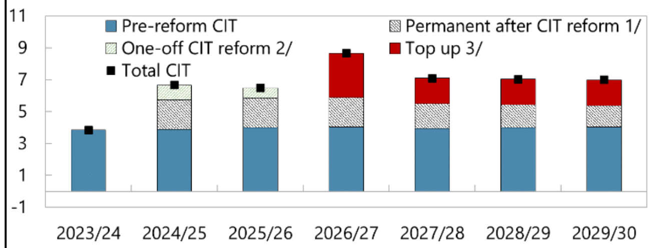
POLICY DISCUSSIONS

A. Maintaining Fiscal Sustainability and Strengthening Fiscal Institutions

17. The SBA targets a primary surplus of 3.5 percent of GDP for FY2026/27. Revenues are projected to increase by around 1.7 percent of GDP, reflecting conservative estimates for "top-up"

CIT revenues (see text chart).[8] These revenues are expected to finance an increase in capital spending, goods and services, retirement benefits, and social spending. This includes a policy package to address the impact of rising global commodity prices and cost of living concerns (Text Table 3). Any further support should be targeted and temporary to reach the most vulnerable and avoid locking in permanent increases in recurrent spending. Conservative revenue assumptions put the SBA on a sound footing. Any revenue overperformance will be used to finance high-priority spending (notably growth/resilience-enhancing investment or social spending), within the SBA surplus target, or to rebuild fiscal buffers if absorptive capacity becomes binding. In the context of persistent capacity constraints and the successful containment of the wage bill (see Annex V), the government should consider targeted regrading and recruitment to fill key vacancies (e.g., in the budget and debt management teams) and support the strengthening of institutions, while maintaining the medium-term wage anchor.

CIT Decomposition: Preliminary Assumptions
(Percent of GDP)



Sources: Barbadian authorities, and preliminary IMF staff projections.
1/ The permanent component of CIT from the 2023 reform is revised up from 0.9 at 5th review of the EFF to 1.8 percent of GDP. It declines gradually over the medium term, reflecting the expected gradual movement of some companies abroad.
2/ One-off revenue in FY2024/25 is linked to move to IFRS17 accounting by insurance companies while in FY2025/26 due to asset disposal.
3/ Top-up revenue in FY2026/27 is expected to be 2.8 percent of GDP compared to 6 percent by the authorities. It reflects expected payment for FY2024/25 and FY2025/26. Top-up payments conservatively projected at 0.6 percent of GDP in the medium term.

Text Table 3. Barbados: Budget Measures to Address Rising Commodity Prices

Budget 2026 Measures	Cost FY2026/27 (% of GDP)	Duration
Cost of living credit for pensioners and the vulnerable (BD$ 100 monthly)	0.45	1 year
VAT - Extension of the reduced rate (7.5%) for electricity for the first 250kWh for residential homes	0.09	1 year
VAT - Cap on fuel (47¢ per litre for gasoline and 37¢ per litre for diesel)	0.13	1 year
Customs Duties/VAT/Excise/PIT - Extension of duty and tax holidays for EVs; PIT deduction for EV battery replacement	0.03	3 years; 5 years
Customs Duties - Exclusion of freight and insurance to calculate duty on essential items; capped for other goods	0.12	1 year
Excise - Reduction of excise tax on gasoline (99.39¢ to 89.39¢ per litre) and diesel (44.03¢ to 34.03¢ per litre)	0.01	3 months
Government absorption of 50% of Fuel Clause Adjustment to electricity prices, above March 2026 levels.	0.04	3 months
Reduction in Electricity Loss-Recovery Fee (BNECL 2022 Losses: 9¢→4¢ per litre)	N/A	N/A
Electricity-generation Heavy Fuel Oil Price Lock by BNECL (US$92 per barrel until June; US$85 per barrel July to September)	N/A	6 months
Total	**0.87**	
Source: The Barbadian authorities, and IMF staff estimates.		

[8] Under the OECD's Pillar II rules, multinational enterprises with an effective tax rate less than 15 percent on a jurisdiction basis must pay top up taxes in that jurisdiction up to 15 percent. Top-up taxes for FY2024/25 and FY2025/26 are expected from June 2026 and March 2027, respectively, though the timing of both filing and collection remain uncertain. Budget projections included a much higher CIT revenue increase of 5.5 percent of GDP, with higher capital spending and increases in goods and services and transfers.

18. Given the heightened uncertainty surrounding the outlook, contingency planning and agile policy making will remain essential. If oil prices are higher than assumed under the current baseline (see April 2026 WEO scenarios), near-term reallocation of non-essential current spending would be needed to support the population while adhering to fiscal prudence. Inefficient temporary measures, including tax relief on fuels and essential imports and caps on electricity fuel surcharges should be allowed to lapse, in favor of targeted transfers to the most vulnerable to address inflation pass-through and the impact on the cost-of-living. A more persistent shock may require reprioritization of capital spending, with deferral of lower priority projects, and consideration of tax policy reform options (see Annex VI), which could help contain imports and bolster revenues, mitigating external and fiscal pressures. Maintaining efforts to accelerate the transition to renewable energy and reduce exposure to volatile fossil fuel prices will remain critical over the medium term.

19. The medium-term fiscal path should continue to be anchored on achieving the debt-to-GDP target of 60 percent by FY2035/36. Fiscal policy will need to continue balancing debt sustainability and investment needs. The objective is to sustain high primary surpluses, while creating fiscal space for higher capital spending over the medium term to boost resilience and address development goals. A primary surplus of 3.5 percent of GDP in FY2026/27 and FY2027/28 will allow the authorities flexibility during this highly uncertain period to provide necessary social support and accelerate resilience-building through investment in key infrastructure, including in health, education, water desalination, and energy. Thereafter, the baseline assumes primary surpluses of 4.1 percent of GDP over the medium term, consistent with meeting the 60 percent of GDP debt target. Staff judges this path to be feasible, given the authorities' strong policy track record and steadfast commitment to meet fiscal targets. Maintaining conservative revenue projections will also serve to mitigate risks and could provide some upside.

20. Sustained structural reforms will support revenue mobilization and build fiscal resilience:

- *Tax policy reforms*. While Barbados' revenues are high relative to Caribbean peers and other EMDCs, further tax policy reforms would support growth and increase resilience. The eventual removal of the distortionary 2 percent FX transaction fee will require offsetting measures of around 0.6 percent of GDP (¶26). Recently announced reductions in the PIT rate, while marginal, will also increase reliance on VAT and CIT.[9] Moreover, although near-term CIT revenues are expected to be strong, the full impact and permanence of the reforms remain uncertain. In this context, the government should develop further revenue-raising measures, which could include base-broadening VAT reforms, as well as reforms to the land tax and fuel excise tax (see Annex VI).

- *Implementing the new tax exemption framework*. Rationalizing tax expenditures remains critical to protect the tax base, mobilize revenues, and improve economic efficiency. The authorities have developed a centralized platform to underpin the recertification process for all tax waivers

[9] The FY2026/27 budget announced a reduction in the main and higher rates for personal income tax, from 12.5 and 28.5 percent to 11.5 and 27.5 percent, respectively, effective April 1, 2026.

and concessions granted prior to 2005 and will table in Parliament a comprehensive tax expenditure inventory, including costings of foregone revenue with support of Fund TA ***(proposed end-June 2027 structural benchmark (SB)).*** Thereafter, annual tax expenditures reports will be published alongside the budget to improve transparency and public accountability. Looking further ahead, monitoring and reporting procedures will also be critical to verify that new exemptions comply with the updated framework and consolidating the underlying tax incentive legislation would further strengthen transparency and governance.

- *Deepening tax administration reforms.* In late-2025, the Barbados Revenue Authority (BRA) undertook an updated Tax Administration Diagnostic Assessment Tool (TADAT) to assess reform progress and inform future plans. Simplifying and enhancing the efficiency of the tax system remains a priority. The government will table a Tax Administration Procedures Bill in Parliament, aimed at modernizing and strengthening the administrative and enforcement powers of the BRA ***(proposed end-December 2026 SB).*** Developing an improved debt management strategy will also be critical. With tax arrears continuing to rise, due to outdated records and ineffective debt management, a full review of accounts receivable is needed to identify uncollectible arrears and facilitate write-down. Adopting mandatory e-payments for all large (and eventually medium) taxpayers, and all taxes, would help improve the efficiency of collection and support compliance. Establishing a single Large Taxpayer Unit would also improve risk-based compliance management, administrative efficiency, and revenue outcomes.

- *Strengthening Barbados Customs and Excise Department (BCED)*. The authorities should continue implementing the HR roadmap to fill the high number of vacancies and guide strategic initiatives, including efforts to boost compliance, integrate digital tools, and facilitate trade. Priority reforms include: (i) publication of regulations to implement the 2022 Customs Act ***(proposed end-September 2026 SB)*** to foster improvements in customs policies; (ii) implementation of advanced rulings and review procedures to align with the WTO Trade Facilitation Agreement; and iii) establishment of a risk-based exemptions control framework for fuel.

- *Improving BRA and BCED coordination.* Mandatory use of the Taxpayer Identification Number (TIN) is now in effect, as the unique identifier for importers and exporters, and as a requirement for border transactions. Electronic information exchange between BRA, BCED, and NISSS will be essential for assessing compliance and supporting delivery of strategic objectives.

21. Further reforms to strengthen PFM will be essential to improve public spending efficiency and continue building policy and institutional credibility:

- *Enhancing the Medium-Term Fiscal Framework (MTFF)*. In 2021, the government adopted a procedural fiscal rule grounded in its 2019 PFM Act and the budget cycle, with a potential plan to adopt a full-fledged numerical fiscal rule after further strengthening PFM systems.[10] Since

[10] Under the procedural fiscal rule the Government commits to: (i) annually prepare a medium-term fiscal strategy/framework; (ii) regularly publish outcomes against this strategy; and (iii) take remedial action when required.

then, the procedural rule has been followed, albeit with occasional delays, reflecting capacity constraints. The SBA will maintain a focus on strengthening the budgetary process, while further developing institutions to build capacity for fiscal policy management, underpin sustained fiscal discipline, and support delivery of the MTFF.[11] Key near-term measures include: (i) the development and tabling in Parliament of PFM rules ***(proposed end-December 2026 SB)*** to support the 2019 PFM Act and strengthen budgetary controls, execution, and oversight; and (ii) the timely publication of quarterly fiscal data, with a one-month lag, to improve fiscal transparency, public understanding and accountability ***(proposed end-September 2026 SB)***. BERT 2026 also prioritizes fully operationalizing the Fiscal Council, which was established in 2023. Looking further ahead, the authorities will prepare a concept note to explore options to augment the MTFF ***(proposed end-December 2027 SB)*** with support from Fund TA, to enhance budgetary discipline and policy credibility.

- *Strengthening SOE oversight and reporting*. The government is continuing to implement SOE reforms to boost operational efficiency (see Annex VII). The latest reforms have focused on the transport, energy, and welfare sectors. The planned transition of Barbados Agricultural Management Company to a new cooperative entity, relied on renewable energy generation, but was hampered by national electricity grid capacity constraints, as well as protracted negotiations around ownership of the successor entities. Nevertheless, the plan remains to finalize the transition, supported by the construction of a new factory, with an integrated battery storage system. With support from Fund TA, the authorities will undertake a comprehensive SOE stock-take, with a renewed focus on enhancing financial monitoring and reporting to support transparency, accountability, and mitigation of fiscal risks ***(proposed end-March 2027 SB)***.

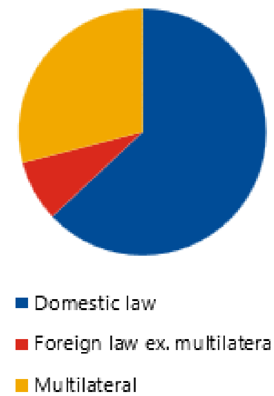
- *Implementing the PPP framework*. A new PPP framework was adopted in March 2025 and a PPP committee has since been established within Ministry of Finance (MF) to evaluate project concepts and feasibility studies. Monitoring and reporting will also be critical, including developing a database of existing and proposed PPP projects, and initiating annual reporting on PPP execution and performance, aligned with requirements of the PFM Act ***(proposed end-June 2027 SB)***. These efforts will help mitigate contingent liabilities and fiscal risks, safeguarding debt sustainability.

- *Improving public investment efficiency*. Boosting the efficiency of public investment will be essential to support more sustainable and resilient growth, particularly given limited fiscal space and significant development needs. The authorities developed project appraisal guidelines in March 2025, with Fund TA. As these guidelines are rolled out, it will be important to develop a rigorous appraisal methodology and prioritization/selection process.

[11] Barbados received CARTAC TA in 2024 aimed at strengthening MF capacity in budget formulation, analysis, and oversight, and improving the analysis and disclosure of risks on the fiscal forecasts and overall sustainability.

22. Public debt continues to be assessed as sustainable. Public debt fell to 96 percent of GDP by end-FY2025/26, reflecting improved fiscal balances and robust GDP growth.[12] Under the baseline, public debt is projected to continue declining below 80 percent by end-FY2029/30 and to achieve the 60 percent of GDP target by FY2035/36, supported by sustained strong primary fiscal balances and moderate GDP growth. Importantly, the June 2025 LMO reduced medium-term gross financing needs and removed a key source of rollover risk. The Sovereign Risk and Debt Sustainability Framework (SRDSF) suggests that Barbados' overall risk of sovereign stress is moderate, and that debt is sustainable (see Annex II). The near-term assessment and the fan-chart tool both indicate moderate risk, although the width of the possible debt path in the latter continues to indicate a high degree of uncertainty, reflecting Barbados' history of economic volatility. Domestic risks related to maintaining strong fiscal balances continue to decline, given the authorities' sustained performance. In contrast, external risks remain high (see ¶14). However, Barbados' strong track record of reform implementation, substantial cash buffers and favorable debt service schedule are important mitigating factors.

Public Debt by Governing Law, 2025 (percent)



Note: The perimeter shown is general government.
Source: The Barbadian authorities.

23. The program envisages continued mobilization of external official financing in the near term. The baseline assumes policy and project loans from IFIs to be the main source of external financing over the next 2 fiscal years, averaging US$141 million per year. For FY2026/27, the authorities now expect a loan of US$50 million from the OPEC Fund for International Development and a US$100 million policy-based loan from IDB. In addition, Barbados is aiming to become the first country to undertake a debt-for-social swap under a new standardized facility with guarantees from IDB, World Bank, the Development Bank of Latin America (CAF) and (European Investment Bank (EIB) likely to be approved before-end 2026, and the swap expected to be finalized shortly thereafter. The swap will create fiscal space for investment in social projects, including the health sector. Moreover, Barbados recently became a full member of CAF, boosting prospects for additional financial support. Moderate capital market issuances are programmed over the medium term, totaling US$300 million.

24. Developing domestic capital markets remains a priority. The authorities continue to mobilize domestic financing. In FY2025/26, net financing from commercial banks reached 0.9 percent of GDP. Following the fully subscribed second issuance of Barbados Optional Savings Scheme (BOSS)+ bonds in April 2025, the government launched a third and fourth round for B$200 million in June and December 2025, respectively. Meanwhile, Treasury bill issuances have grown to 6 percent of GDP, taking the overall share of short-term debt to 10 percent of total domestic debt.

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[12] The end-FY2025/26 debt is slightly above the level projected at the fifth reviews of the EFF and RSF, reflecting the higher-than-expected cash buffers, which stood at 4.2 percent of GDP at end-March 2026.

Issuance of domestic debt is mainly by subscription at pre-announced terms. With restructured domestic debt gradually maturing, further efforts to develop the domestic market are required to lengthen maturities and reduce rollover risks, including the reintroduction of auctions to enable price discovery and develop a yield curve. Fund TA will help support these efforts. Building the capacity of the Debt Management Unit remains critical, including enhancing investor relations and improving publication of debt data.

Authorities' Views

25. The authorities remain committed to maintaining debt sustainability and continuing to advance structural fiscal reforms. The authorities are focused on achieving the public debt target of 60 percent of GDP by FY2035/36, while meeting large infrastructure and development needs. They view the 3.5 percent of GDP primary surplus for FY2026/27-FY2027/28 as appropriate, enabling a response to external shocks and frontloading of investment in critical areas including education, health, water management, and security. They consider revenue projections to be conservative and will use any overperformance to pay down debt, finance priority capital projects, build institutional capacity, and increase cash buffers. The forthcoming public sector job re-grading is important for improving staff retention in key areas (police, healthcare, and education) and boosting public sector competitiveness. Strengthening revenue administration and rationalizing tax expenditures remain top priorities to improve compliance and mobilize revenues. The authorities see tax reform options as potential medium-term measures for further analysis. Any future reforms would need to be assessed against revenue yield, fairness, competitiveness, cost-of-living implications, administrative feasibility, and consistency with BERT 2026 growth and resilience objectives. The authorities remain committed to finalizing the latest phase of SOE reforms, with the planned stock-take an important reference point for further reforms. The Fiscal Council is expected to play a critical role in maintaining fiscal discipline and improving accountability, alongside efforts to strengthen budgetary processes and structures. The authorities agreed that developing domestic capital markets will be essential to mobilize domestic saving and support economic transformation.

B. Enhancing the Monetary Policy Framework and Financial System Resilience

26. The exchange rate peg remains an essential anchor for macroeconomic stability. Barbados has had a fixed exchange rate since 1975, underpinned by capital controls, which continues to enjoy broad public support. Supported by prudent fiscal policy, the authorities have built ample foreign exchange reserves to maintain the peg. The external position at end-2025 was assessed to be broadly in line with the level consistent with medium-term fundamentals and desirable policies (see Annex III). Inflation is largely imported from main trading partners and liquidity conditions are mainly driven by external inflows, fiscal policy, and bank lending. Barbados maintains a 2 percent foreign exchange fee (introduced in 2017 and applied to transactions involving the conversion of domestic currency into foreign exchange), which is assessed under the Institutional View as a capital flow management (CFM) measure, with effects on capital outflows. Given substantial improvements in macroeconomic conditions and the protection against capital outflows provided by longstanding capital controls, the authorities should consider removing the fee to reduce market distortions and support trade and investment. Since the fee raises annual revenues of 0.6 percent of GDP, alternative revenue sources should be identified (¶20).

27. The CBB should continue efforts to strengthen monetary policy operations over the long term. The 2020 Central Bank Law reform enhanced the institutional monetary policy framework by strengthening the CBB's autonomy, mandate, and decision-making structure, while also limiting the monetary financing of budget deficits. The CBB also adopted a plan to gradually recapitalize the central bank.[13] Developing the monetary policy framework remains a long-term objective. While reserve requirements are already in place for domestic currency, the CBB should eventually establish a mid-rate interest rate corridor, with a policy rate to signal the policy stance and anchor standing deposit and lending facilities. Open market operations could also be used to keep short-term interbank rates around the policy rate. During the previous EFF, initial steps were taken by establishing a liquidity forecasting framework and considering the case for a benchmark policy rate. In the near term, CBB could consider raising the reserve requirements ratio to begin addressing excess liquidity in the banking system, while also raising the rate on the overnight lending facility, which has remained unchanged since the pandemic.

28. While the financial system remains stable, further reforms are needed to build resilience. The financial system is strongly capitalized and relatively profitable, with deposit growth supporting liquidity and moderate private credit growth. That said, key policy frameworks need to be strengthened:

- *Improving banking supervision*. CBB is working on plans to reorganize its Bank Supervision Department (BSD) to improve risk management and safeguard financial stability. Efforts are needed to strengthen prudential activity, including: increasing on-site inspections; reducing delays in reporting; ensuring compliance with supervisory plans; and clarifying the timing and methodology for individual institution risks. The strategic plan should focus on clarifying the BSD's mandate, reallocating responsibilities, establishing specialized oversight units, and fostering collaboration with other financial entities ***(proposed end-November 2026 SB)***.

- *Developing a resolution framework for financial institutions*. The absence of a resolution framework represents an important gap in the financial safety net. Currently, for banks, resolution powers reside with the High Court per the Financial Institutions Act.[14] For credit unions, the Financial Services Commission (FSC) has powers to liquidate under specific circumstances, but otherwise needs to apply to the High Court. The authorities should develop a resolution framework for both banks and credit unions in line with international standards that clarifies designated resolution authorities, establishes a non-court-led resolution process, and introduces a broad set of resolution tools.

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[13] The CBB recapitalization plan remains in place. It initially relies on increasing capital through profit retention, with the aim of transitioning to a gradual predetermined payment plan until authorized capital is fully paid up.

[14] The CBB must apply to the High Court to implement a seizure or wind up an institution.

- *Operationalizing the deposit insurance scheme.* Following TA from US Treasury, work to revise the legislative framework for the deposit insurance scheme is ongoing, with plans to submit legislation to Parliament by end-2026. Key changes include expanding the coverage of the scheme to credit unions. The deposit insurance scheme should be underpinned by stringent supervision and an adequate resolution regime. This will be critical for the credit union sector, which suffers from weak credit practices, chronically high NPLs, and low profitability.

- *Enhancing climate risk analysis*. The authorities should continue building capacity, with the primary focus on physical risk analysis, although a Fund TA mission on transition risk and alignment approaches (including taxonomy) is also planned for H2 2026.[15] Identifying channels through which large shocks could materialize will be key, including deepening the analysis of contingent liabilities across the financial system.

29. Efforts to move to a digital payments system infrastructure are progressing (see Annex XI). The Barbados digital payments system (BiMPay) was officially launched in August 2025, with World Bank TA support. Following extensive technical tests, the authorities are aiming to roll out the new system to six commercial banks and the three largest credit unions in June 2026. Cross-country experience suggests that BiMPay has the potential to: i) reduce transaction costs and increase efficiency; ii) improve financial social inclusion and reduce informality; and iii) spur financial development and institutional and regulatory reform. However, the transition can also present challenges to adoption, regulation and supervision, privacy, and governance. In this context, the authorities are monitoring technical, financial and cybersecurity risks as the new system is rolled out.

30. The government should continue enhancing Barbados' AML/CFT framework. Following significant strengthening of its AML/CFT framework, Barbados was removed from the Financial Action Task Force (FATF) grey list and the European Union money laundering blacklist in 2024 and 2025, respectively. The government also recently announced the establishment of a Beneficial Ownership Register for companies with revenues over B$1 million. Building on recent enhancements, the authorities should focus on effective implementation and enforcement in the areas of supervision, investigations, prosecutions, and asset recovery. Ahead of the FATF mutual evaluation scheduled for June 2027, the authorities will table in Parliament a note outlining progress in key areas of AML/CFT ***(proposed end-March 2027 SB*****)**.

Authorities' Views

31. The authorities are committed to rolling out BiMPay and advancing financial stability reforms. A near-term priority is the planned launch of BiMPay in June 2026, including monitoring and mitigating risks. Excess liquidity in the banking system is not considered to pose financial stability risks, given conservative lending practices, and is expected to continue declining with private credit growth. As such, the authorities do not see a need to raise reserve requirements and view the development of the monetary policy toolkit as a long-term endeavor. Instead, focus is on

[15] Transition plans and related disclosures should include concrete, multi-year climate targets, actions, and accountability mechanisms.

reforms to strengthen financial stability, including CBB's reorganization of the BSD. The FSC emphasized that the credit union sector is gradually being consolidated, before being brought within the updated deposit insurance scheme. The authorities agreed on the need for a resolution regime for financial institutions and reiterated a continuing commitment to enhance the AML/CFT framework. They agreed that Barbados' external position is broadly in line with medium-term economic fundamentals and desirable policy settings, and that reserve coverage remains ample to support the exchange rate peg. The positive policy gap reflects sustained fiscal effort under BERT 2018 and BERT 2022.

C. Boosting Growth Prospects

32. While ongoing capital projects are expected to support growth in the near term, Barbados continues to face structural challenges that limit potential output. Barbados has historically enjoyed periods of sustained stronger growth associated with construction and high tourism demand. The current environment, with several large private hotel projects and strong public investment, suggests robust economic activity in coming years (see Annex VIII). However, Barbados' vulnerability to external shocks and natural disasters, paired with the demographic headwinds of an ageing population and emigration continue to weigh on long-term growth prospects.

33. In the medium-to-long term, structural reforms will be needed to boost potential growth. Key reform areas include:

- *Tackling key infrastructure bottlenecks.* The government is undertaking modernization projects at both the maritime port and airport to increase capacity. At the maritime port, Berth 6 was completed in May and equipped with two electric-powered cranes, expanding yard capacity by about 40 percent. However, container clearance delays are likely to persist, reflecting continued inefficiencies in processing. Operationalizing the single electronic window will be an important step to tackle this issue. Meanwhile, a US$150 million expansion of the Grantley Adam International Airport is planned for completion by end-2027, including a new passenger terminal, as well as a runway expansion to support further increases in airlift and hotel-room capacity. Over the longer term, additional upgrades are envisaged to modernize the air traffic control tower and radar systems. Capacity expansion should be complemented by efficiency gains; in particular, through a slot-coordinated approach at the airport to space out passenger arrivals, and the adoption of multi-shift operations at the maritime port.

- *Improving the business environment*. Business Barbados was established in 2024 to improve the ease of doing business and attract FDI. Key workstreams include: the operationalization of a new digital corporate registry by end-2026; improved performance monitoring; enhanced integration with other government digital systems; and a revision of fee structures to better align with international practices. Meanwhile, the broader digitalization agenda is advancing, including deployment of 5G communications technology, establishment of a data center, launch of an e-conveyancing property transfer platform, and creation of a cyber security operations center.

More generally, the World Bank's B-Ready Report (2024) identifies property transfer standards, building and energy standards, and zoning and land use regulations as areas of weakness. The time and cost of obtaining construction and environmental permits also remain excessive. Additionally, public services delivery can be improved in areas such as the operation of credit bureaus and international trade facilitation. The authorities plan to establish a new Competitiveness and Productivity Commission **(proposed *end-December 2026 SB)*** to work alongside the Growth Council and MF to streamline key business processes.

- *Closing the skills gap*. The government has identified the skills shortage as an impediment to long-term growth. A 2025 study by the IDB assessed Barbados' labor skills for the digital economy and identified widespread deficiencies among current workers in intermediate, cross-cutting digital skills needed to use technology effectively. In this context, the government should develop plans to strengthen applied digital skills, while supporting firms to strengthen the use of AI, process automation, data analytics, and emerging digital technologies. More generally, the Immigration Bill and the Barbados Citizenship Bill aim to support the labor force by expanding pathways to permanent residency and citizenship for eligible individuals such as Caribbean Community (CARICOM) nationals and non-national descendants of Barbadians. These efforts should complement the free-movement agreements within the Caribbean Community Single Market and Economy, which enable skilled nationals to live and work across participating member states.[16]

Authorities' Views

34. The authorities expect the expansion of tourism capacity and BERT 2026 reforms to support higher medium-term growth. Sustained construction activity, continued expansion of airlift, and BERT 2026 structural reforms should support medium-term growth. Planned hotel developments are expected to increase room capacity by about 25 percent by 2030, complemented by expanded airlift from the US, Canada, and the UK, and new routes from Africa and Asia. Upgrades to airport and maritime port infrastructure also aim to alleviate capacity constraints. Productivity-enhancing reforms—including the work of Business Barbados, operationalization of the Single Electronic Window, and establishment of the Competitiveness and Productivity Commission—will strengthen the business environment. In this context, they expect medium-term growth to rise toward 3 percent under the conservative program framework, with the full implementation of BERT 2026 raising growth potential further toward 5 percent over the medium to longer term.

D. Building Resilience to Shocks and Natural Disasters

35. Barbados has made progress with its ambitious climate policy agenda, supported by the RSF (see Annex XVI). RSF reforms aimed to strengthen policy frameworks and institutions and catalyze investment in resilience. Measures to address imminent adaptation needs included

[16] Until recently, free movement was limited to specific employment categories (nurses, teachers, and certain business personnel). Since October 1, 2025, a new agreement allows for complete free movement between Barbados, Belize, Dominica, and St. Vincent & the Grenadines.

improving the disaster risk management policy, upgrading infrastructure planning, enhancing stormwater management, and increasing the efficiency of public procurement. Measures to support the transition to renewable energy targeted increases in energy efficiency, enhanced competition in the electricity market, and incentives for investments in renewable energy and battery storage. Lastly, measures also focused on building capacity to monitor and assess natural disaster risks in the financial sector. Annex XVI outlines recent reform progress and future implementation plans.

36. Further steps are needed for Barbados to progress towards its 2035 renewable energy goals. Following the approval of the new Electricity Supply Act in early 2025, Cabinet has approved the Electricity Supply Regulations, paving the way for publication of the request for proposals for 60 megawatts of battery storage—nearly half of the targeted capacity. In addition, a request for qualifications for the long-awaited utility-scale wind farm was launched in November 2025. The project is expected to generate 60 megawatts of electricity, contributing over 15 percent to total installed electricity capacity. The International Finance Corporation is acting as the lead transaction advisor to structure the project into a PPP. Scaling up domestic renewable electricity generation remains essential to strengthen energy security amid volatile global fossil fuel prices. Progress in expanding renewables in Barbados will hinge on modernizing the electricity grid and scaling up battery storage.

37. Barbados continues to develop its comprehensive multi-layered disaster risk financing framework (see Annex XII). The government has built significant cash liquidity buffers that could be used as a first line of defense in the immediate aftermath of a disaster. Barbados also has insurance against natural disaster risks through the CCRIF and state-contingent domestic and external bonds, which provide debt service relief in the event of a natural disaster or pandemic. In addition, Barbados has access to liquidity through contingent credit lines from the World Bank and the IDB, and the proposed Fund-supported SBA would provide additional financing. However, there is scope to deepen private insurance coverage among households, farmers, and fishers. Achieving this will require targeted efforts to strengthen financial literacy and address behavioral biases, particularly among more vulnerable groups. Finally, the Resilience and Regeneration Fund (RRF) (previously the Catastrophe Fund) marks a shift to preemptive resilience-building and proactive disaster risk management, with its expanded mandate and revenue base.[17] The RRF will finance ex-ante investments to strengthen the resilience of critical infrastructure and private dwellings, while also supporting ex-post reconstruction with an emphasis on building back better. This shift could help reduce the economic costs of natural disasters, support potential growth, and generate fiscal savings over time. To ensure transparency, the government will begin tabling in Parliament, annual RRF reports, including a summary of operations and financial statements (***proposed end-March 2027 SB***).

[17] See Barbados: Fifth Reviews Under the Extended Arrangement Under the Extended Fund Facility and the Arrangement Under the Resilience and Sustainability Facility.

Authorities' Views

38. The authorities view natural disasters as an existential threat and reliance on imported fossil fuels as a key macroeconomic vulnerability. They consider their layered disaster risk financing framework broadly adequate to meet immediate liquidity needs arising from moderate and more frequent events, while recognizing a residual protection gap for low-probability, high-severity shocks, which would be met through reserves, the SBA, and ex-post borrowing. The RRF is a public insurance mechanism and a central pillar of the resilience-building strategy, channeling public transfers and private sector contributions into structural resilience investments and post-disaster reconstruction. Private catastrophe insurance coverage remains uneven and insufficient to absorb the impact of a severe event. Closing this insurance gap is a key medium-term objective for the government. Advancing the ambitious renewable energy agenda will help reduce reliance on fuel imports, mitigate exposure to global energy price volatility, and strengthen energy security.

DATA ISSUES

39. Efforts to improve the quality and timeliness of economic data are ongoing, supported by Fund TA. Data provision is broadly adequate for surveillance but has some shortcomings (see Annex XV). Fiscal, financing and debt data are comprehensive and timely but not published on the government's website. Barbados publishes annual GDP by production with a 6-month lag, and GDP by expenditure infrequently, while quarterly GDP data is not published. Updated international Investment Position (IIP) data is shared with staff but not published, while delays and significant data revisions and limitations preclude the evaluation of consistency with BoP data. In this context, the authorities are continuing to upgrade key statistics. For national accounts data, the SUT update from 2016 to 2023, provides a comprehensive benchmark, facilitating expanded coverage and scope of GDP estimates, and aligning Barbados with international best practice. On the external front, the authorities are preparing BPM6-based BoP data for 2018-2025 and IIP statistics for 2010-2024, following Fund TA. More generally, efforts are needed to strengthen the capacity of the Barbados Statistical Service (BSS). A comprehensive review of BSS operations, supported by IMF TA, could help identify key institutional constraints and recommendations to improve data quality and timing of publication.

Authorities' Views

40. The authorities broadly agree with the overall assessment that data are adequate for surveillance, while recognizing that some areas require further strengthening. They welcomed staff's recognition of recent improvements, including GDP rebasing to 2016 and then to 2023, the updated SUT, progress toward expenditure-based GDP estimates, the BPM6-based BoP estimates for 2018-2025, and the IIP statistics for 2010-2024. They are committed to continuing improvements and support the proposal for a comprehensive review of BSS, with IMF TA support, to help address both institutional capacity and the publication agenda.

PROGRAM MODALITIES

Duration, Access and Financing Assurances

41. The precautionary SBA is proposed for 36 months. A 3-year precautionary SBA will provide insurance against potential shocks and/or natural disasters if geopolitical tensions intensify further or global policy uncertainty persists, while providing time to further reduce public debt levels and continue the implementation of the structural reform agenda. It will also send a positive signal of macroeconomic strength and a graduation from previous disbursing Fund arrangements, helping to catalyze financing from IFIs and markets.

42. Support under the SBA is proposed for the amount of 200 percent of quota (SDR 189 million or about US$259 million). Under a plausible adverse scenario involving a large shock to commodity prices, tourism, and FDI inflows, or a natural disaster, GIR could decline by as much as US$700 million to 80 percent of the Fund's ARA metric (see Annex IX). Access of 200 percent of quota (US$259 million) would help maintain reserves close to 110 percent of the ARA metric, supported by sustained fiscal policy implementation. In this scenario, the program envisages that Fund financing would be complemented by additional IFI financing. Staff supports the request for use of Fund resources for budget support, given the potentially limited alternative sources of market financing in an adverse scenario. Program access will be frontloaded, with a quarter available at both the program request and the first review to support reserves and maintain confidence, amid high immediate financing needs under the adverse scenario, and the expected longer lead time for IFI disbursements.

Text Table 4. Barbados: External Financing Requirements and Sources under the Adverse Scenario for the Proposed SBA
(in millions of US$, unless otherwise indicated)

	2025	2026		2027		2028	
	Baseline	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse
Gross Financing Requirements	**1127**	**804**	**1008**	**705**	**891**	**713**	**886**
Sources of Financing	**1,164**	**615**	**473**	**698**	**552**	**777**	**641**
Change in reserves (+ = increase)	**-70**	**-189**	**-405**	**-7**	**-124**	**64**	**-31**
Remaining Financing Needs	**-107**	**0**	**130**	**0**	**215**	**0**	**215**
IMF prospective financing (SBA)	0	0	130	0	65	0	65
Other IFIs	0	0	0	0	150	0	150
Memo items:							
Gross international reserves (with IMF)	1,523	1,333	1,118	1,326	994	1,390	963
In percent of ARA	194	151	130	153	119	152	110
Change in reserves (+ = increase; without IMF)			-535		-189		-96
Gross international reserves (without IMF)			988		799		703
In percent of ARA			115		96		81

43. Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) will be set and monitored under semi-annual reviews, maintaining continuity with previous Fund arrangements (Appendix I, Attachment I, Table 1)**.** Quantitative conditionality under the SBA track the same macroeconomic variables as previous EFFs, consistent with maintaining stability and sustaining key elements of the reform agenda, including debt reduction and SOE reform (see Text Table 5). Targets are calibrated to reflect updated economic conditions. Semi-annual reviews would follow end-March and end-September test dates, reflecting the fiscal year, with ITs for June and December.

Text Table 5. Barbados: Proposed Quantitative Performance Criteria

Performance Criteria (PCs)
Fiscal Targets
Floor on the CG primary balance
Ceiling on the Non-accumulation of CG external debt arrears
Ceiling on the stock of public debt
Monetary targets
Floor on net international reserves
Indicative Targets (ITs)
Fiscal targets
Ceiling on the stock of domestic CG expenditure arrears
Floor on CG social spending
Ceiling on the stock of public institutions expenditure arrears
Ceiling on CG transfers and grants to public institutions
Monetary Targets
Ceiling on stock of net domestic assets of the CBB

Source: IMF Staff

44. **Structural benchmarks (SBs)**. The program envisages SBs (Appendix I, Attachment I, Table 2) targeted in critical fiscal and financial policy areas, including: revenue policy and administration; the budget process and fiscal framework; public investment and PPP management; fiscal transparency; SOE reform; and financial supervision and AML/CFT. These measures aim to support a deepening of ongoing reforms and strengthen key policy-making frameworks and institutions. Other SBs will support reforms to increase productivity and competitiveness and build resilience. The Fund's capacity development strategy (see Annex XIII) is designed to support the implementation of key SBs under the program.

45. **Financing Assurances**. In the baseline, the SBA is fully financed for the first 12 months with IFI loans (see Text Table 6), with good prospects of full financing for the remainder of the arrangement. In the adverse shock scenario, a financing gap would be closed by a combination of drawing down ample reserve buffers, fiscal policy adjustment, and financing from the SBA and other IFIs.

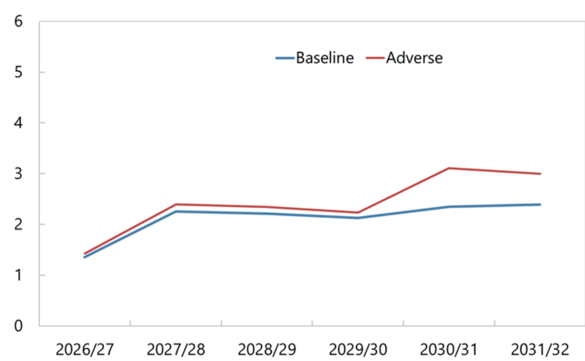
Text Table 6. Barbados: Official External Financing
(US$ million)

	FY2026/27	FY2027/28	FY2028/29
Policy Loans	**150**	**0**	**0**
IDB	100	0	0
OFID	50	0	0
Project Loans	**79.7**	**112.5**	**132.5**

Sources: The Barbadian authorities, and IMF staff projections.

46. **Barbados' capacity to repay the Fund is assessed to be adequate (Tables 10a and 10b), with repayments remaining manageable under the adverse scenario**. General Resources Account (GRA) credit outstanding to the Fund has declined from 370 percent of quota to 249.9 percent of quota, following the government's SDR78 million pre-payment of repurchases falling due through March 2028. This has lowered principal and charges over the next two years, with Fund obligations peaking at 3.2 percent of goods and services exports and 7.3 percent of GIR in 2028. In the adverse shock scenario, where the authorities draw the full access available under the SBA, GRA credit outstanding would rise to 375 percent of quota.

External Amortization: Baseline vs Adverse
Percent of GDP



Sources: Barbadian authorities, and IMF staff projections.

Fund obligations would peak in 2030 at 4.4 percent of goods and services exports and 10.2 percent of GIR, but decline quickly thereafter, broadly in line with these metrics at the approval of the 2022 EFF.[18] Risks to Barbados' capacity to repay stem from the significant risks to the outlook, especially the uncertain external environment (¶14). However, risks are mitigated by the authorities' excellent track record, commitment to reforms, and reserve buffers well above 100 percent of the Fund's ARA metric. Moreover, in the event of a persistent shock, the authorities stand ready to take additional fiscal measures if needed to meet program targets.[19]

47. Enterprise risk assessment. *Business risks* related to program performance are mitigated by the authorities' excellent track record and strong ownership of the program, as well as the careful calibration of conditionality to reflect capacity constraints. *Financial risks* are limited, given Barbados' low likelihood of sovereign debt distress, improved credit ratings, and recent successful return to international capital markets. These risks are also mitigated by program design, including the moderate level and the intention to treat the program as precautionary. There are no risks to *staff safety and well-being* that would jeopardize the ability of the Fund to conduct missions or maintain a Resident Representative presence. The program also does not present any notable *reputational risks,* for example, from a perceived lack of evenhandedness in terms of access or conditionality. However, not proceeding with the program could raise reputational risks, if the Fund fails to provide assistance to a vulnerable small island developing member.

48. A safeguards assessment of the CBB will be completed before the first review of the proposed arrangement. The 2022 assessment recommendations have largely been implemented, with one measure still underway. Given that the SBA is envisaged to provide budget support, an Memorandum of Understanding between the government and the CBB will be required to clarify institutional responsibilities and repayment modalities to the Fund.

STAFF APPRAISAL

49. Building on the strong progress under the BERT 2022 plan and Fund-supported EFF/RSF arrangements, BERT 2026 has a welcome focus on long-term economic transformation. Having put debt on a firm downward path, rebuilt international reserves, and regained access to internal capital markets, Barbados will enter the proposed new Fund arrangement from a position of strengthened macroeconomic fundamentals. However, public debt is still high and the reform agenda needs to advance. Moreover, structural factors continue to hold back growth, including demographic headwinds, chronic skills gaps, capacity constraints, limited

[18] At the time of the 2022 EFF, Fund obligations were projected to peak at 3.8 percent of goods and services exports in 2025/26 and 10.3 percent of GIR in 2028/29.

[19] Measures could include tax policy reforms (¶20) and/or further prioritization of expenditures, while protecting priority social and capital spending.

diversification, and low productivity growth. BERT 2026 seeks to address these challenges and transform Barbados into a high-performing, inclusive, and climate-resilient economy.

50. The near-term economic outlook remains stable, but risks are tilted firmly to the downside, amidst a highly uncertain external environment and vulnerability to natural disasters. On the external front, Barbados remains exposed to deepening geopolitical tensions and a further escalation or extension of the war in the Middle East, which could result in further shocks to global commodity prices, and affect trade and investment. Barbados also remains vulnerable to natural disasters. In this uncertain environment, contingency planning and agile policymaking remain critical. On the domestic front, loss of reform momentum remains a risk, but this is mitigated by the government's strong ownership, commendable track record of implementation, and renewed mandate for reform.

51. The authorities remain committed to maintaining high primary fiscal surpluses over the medium term, **consistent with achieving the 60 percent debt target by FY2035/36.** The proposed program targets a primary surplus of 3.5 percent in FY2026/27 and FY2027/28, underpinned by further increases in CIT revenues and prudent spending increases, focused on critical social and capital projects. The modest relaxation of the near-term fiscal stance is appropriate to help cushion the impact of external shocks and accelerate resilience-building. With fiscal space limited, additional measures to address further shocks should be temporary and targeted on the most vulnerable. On the upside, any additional revenue windfalls should be used to boost resilience, through both critical capital spending and the further buildup of fiscal buffers. Staff continues to assess public debt to be sustainable, with moderate overall risks of sovereign stress. With regards financing, it will be critical to continue developing domestic debt markets to lengthen maturities, reduce rollover risks, and mobilize domestic savings.

52. Staff welcome the authorities' focus on fiscal structural reforms to further build policy credibility and continue strengthening policy frameworks and institutions. Sustained reforms will support revenue mobilization and build fiscal resilience. Further tax policy reform options should be developed to support near-term contingency planning and the eventual removal of the 2 percent foreign exchange fee. Implementing the new tax exemption framework and deepening revenue administration reforms will help protect the tax base, increase compliance, and raise economic efficiency. Further improvements in PFM will also improve public spending efficiency, strengthen the budgetary process and the MTFF, and build institutional capacity. With SOE reforms still ongoing, improved oversight and reporting will be essential to improve transparency, accountability and mitigation of fiscal risks. Implementing the new PPP framework and project appraisal guidelines will mitigate contingent liabilities, boost public investment efficiency, and support sustainable growth.

53. The authorities are committed to implementing the policies needed to support the exchange rate peg, which is a critical anchor for macroeconomic stability. International reserves remain ample to support the exchange rate peg and the external position in 2025 is assessed to be broadly in line with the level consistent with medium-term fundamentals and desirable policies. Given substantial improvements in macroeconomic conditions and the protection against capital outflows provided by longstanding capital controls, the authorities should consider removing the

2 percent foreign exchange fee (a CFM measure) to reduce market distortions and support trade and investment. The CBB is focused on rolling out the new instant payments system (BiMPay). Looking further ahead, CBB should continue its long-term efforts to strengthen monetary policy operations.

54. While the financial system remains stable, the authorities are working on further reforms to build resilience. The financial system is strongly capitalized and profitable, with deposit growth supporting liquidity and moderate private credit growth. Nevertheless, key policy frameworks need strengthening. CBB is reorganizing its Banking Supervision Department (BSD) to strengthen prudential activity, improve risk management, and safeguard financial stability. Other priorities include developing a resolution framework for financial institutions, in line with international standards, and operationalizing the new deposit insurance scheme. Building on past successes, the government is continuing to enhance the AML/CFT framework, including by establishing a new Beneficial Ownership Registry.

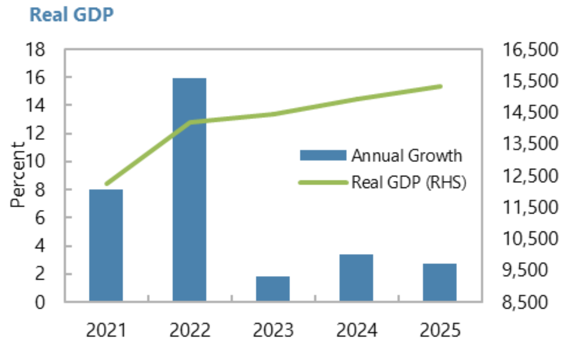
55. Supply-side reforms are needed to boost potential growth. While strong private and public construction activity is expected to anchor growth for the next 2 years, further structural reforms will be required to boost growth over the medium term. Tackling key infrastructure bottlenecks is essential, including through the planned modernization and expansion of both the airport and maritime port. Efforts to improve the business environment should continue, supported by the Growth Council and Business Barbados. Staff welcomes the authorities' efforts to enhance the ease of doing business through digitalization and better integration of government services, facilitating trade, and streamlining key processes such as permitting, customs clearance, construction approvals, company registration, and work permits. Closing skills gaps, particularly with respect to digital skills and AI readiness, will also be critical to improve competitiveness.

56. Barbados should continue to build resilience to external shocks and natural disasters, to help strengthen long-term BoP stability. Maintaining the implementation of RMs completed under the 2022 RSF will help address immediate adaption needs and facilitate the transition to renewable energy sources by 2035. Accelerating the deployment of battery storage and improving the electricity grid remain essential to scale up renewable electricity generation and strengthen energy security, amid volatile global fossil fuel prices. Barbados continues to develop its comprehensive multi-layered disaster risk financing framework, most notably through the expanded role and financing of the RRF to improve disaster response, preparedness, and mitigation. Further risk transfer could also be explored, including measures to promote private disaster insurance.

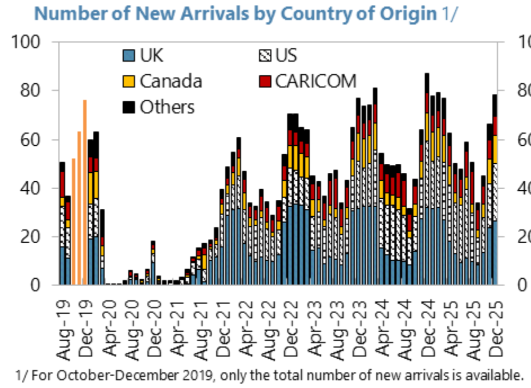
57. In view of Barbados' exposure to external risks and potential BoP needs, staff supports the authorities' request for a precautionary 36-month arrangement under the SBA in the amount of 200 percent of quota. Staff also recommends that Barbados remains on a 24-month cycle for Article IV Consultations (Decision No. 14747 – (10/96)).

Figure 1. Barbados: Real Sector Developments

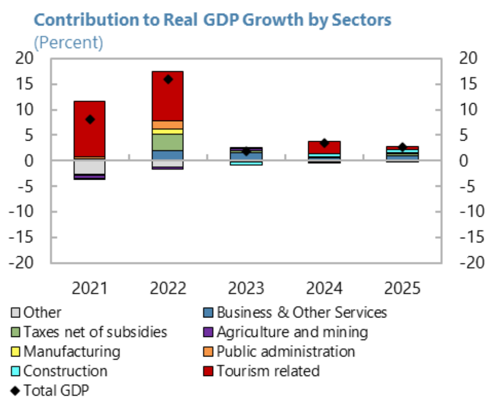
Economic growth remained robust in 2025…



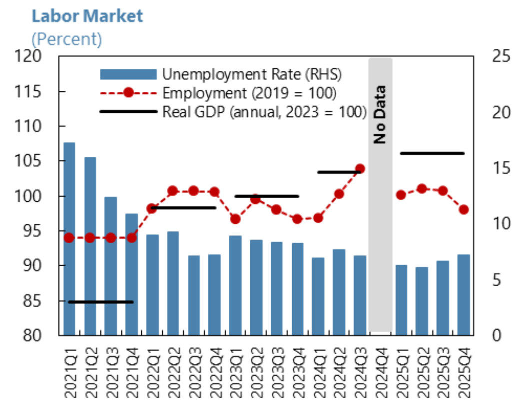
…driven by tourist arrivals…



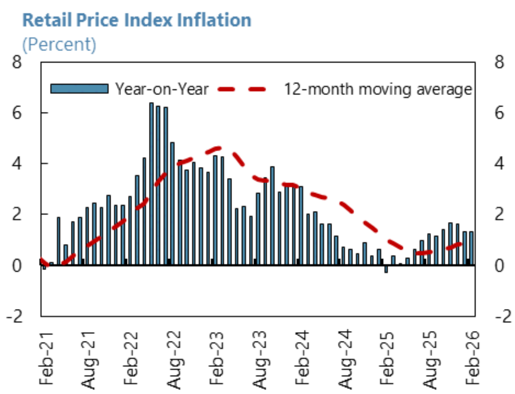
…construction and business and other services.



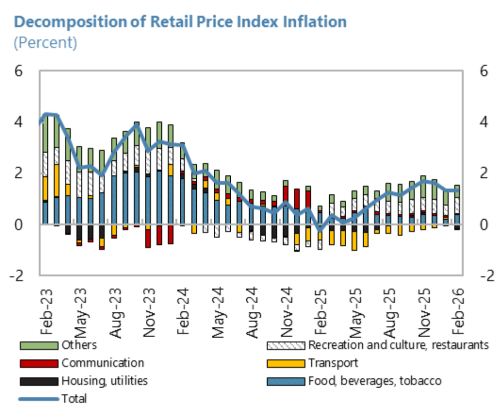
The labor market remained strong, with unemployment at historic lows.



Inflation remained low in 2025…



… although downward pressure from lower energy prices weakened by end-year.

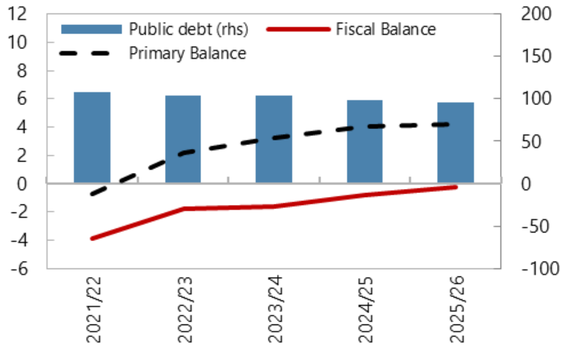


Sources: Barbados Statistical Service, Central Bank of Barbados, and IMF staff calculations.

Figure 2. Barbados: Fiscal Sector Developments

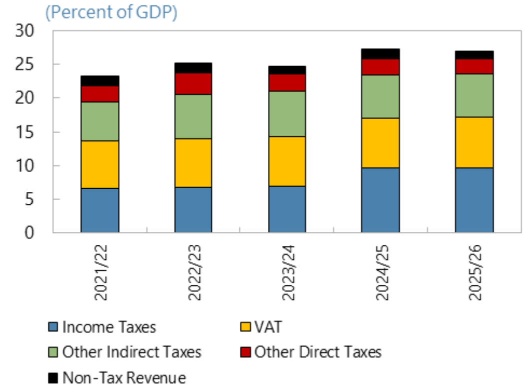
Once again, Barbados recorded a sizable primary surplus in FY2025/26…

Fiscal Balances and Public Debt
(Percent of GDP)



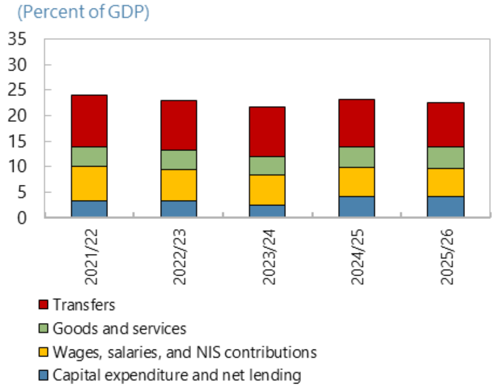
…supported by continued strong revenue collection, particularly CIT and VAT…

Government Revenue Composition
(Percent of GDP)



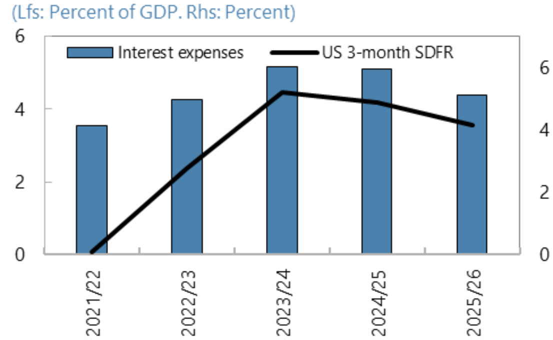
…and stable primary expenditures.

Government Primary Expenditure Composition
(Percent of GDP)



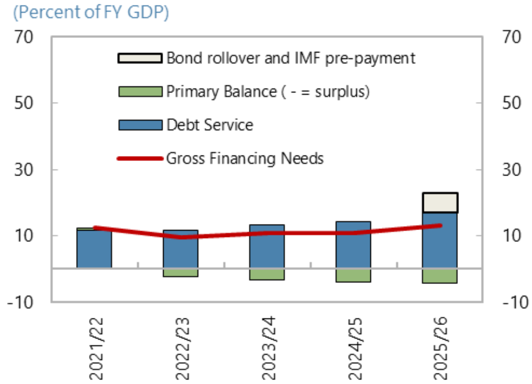
The interest bill declined somewhat, due to lower costs of variable-rate external debts.

Central Government Interest Expense and US Fed Fund Rate
(Lfs: Percent of GDP. Rhs: Percent)



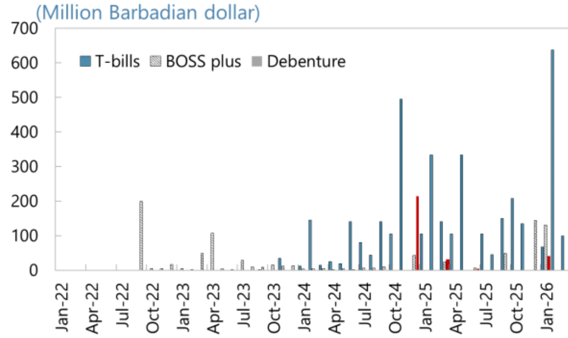
Gross financing needs increased, largely reflecting the liability management operation…

Gross Financing Needs
(Percent of FY GDP)



…and the increased and regularized issuance of T-bills.

Issuance of BOSS plus, Debenture and T-bills 1/
(Million Barbadian dollar)



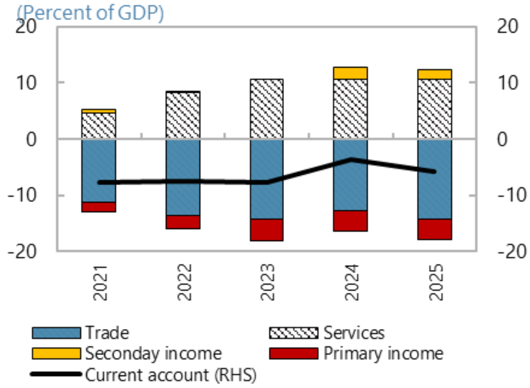
1/ T-bills include 3-month, and 6-month and 1-year T-bills.

Sources: Central Bank of Barbados, Ministry of Finance, Economic Affairs and Investment, and IMF staff calculation.

Figure 3. Barbados: External Sector Developments

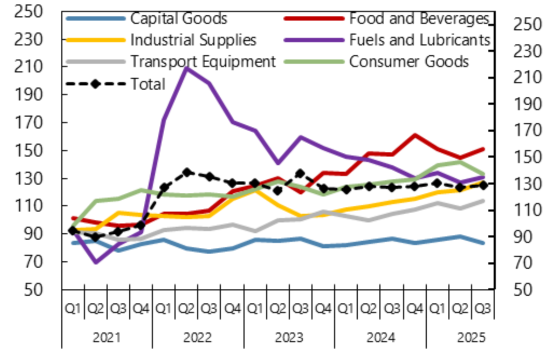
The current account weakened in 2025 due to higher imports related to investment and construction…

Current Account Balance
(Percent of GDP)



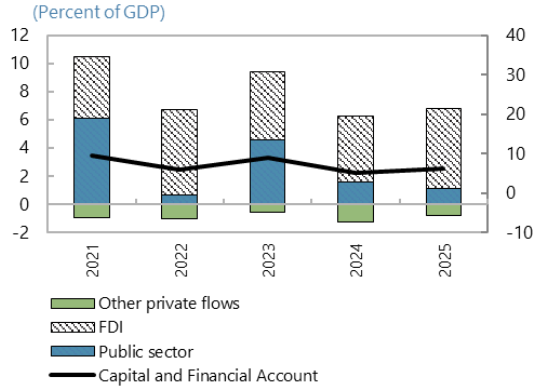
…offsetting savings from declining fuel and food import prices.

Goods Import Price
(2019 Q1=100)



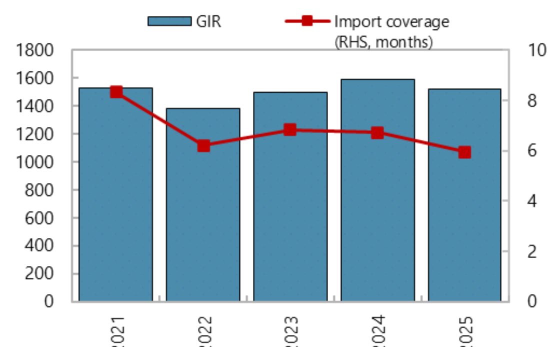
Financial inflows remained strong, driven by increased FDI flows.

Capital and Financial Account Balances
(Percent of GDP)



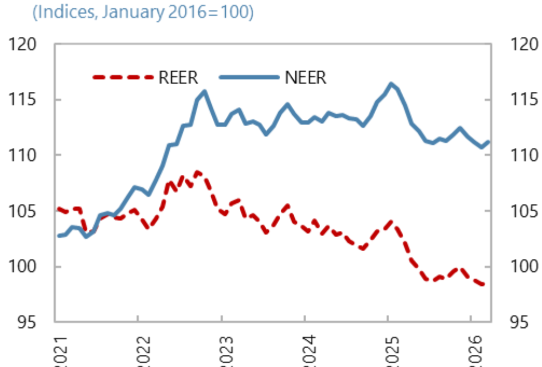
FX reserves fell slightly to US$1.5 billion at end-2025, but import coverage remained ample at 6 months.

Gross International Reserves
(US$ millions, left; Number of months, right)



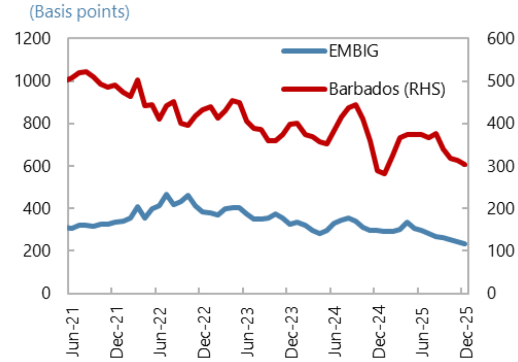
The REER and NEER depreciated through 2025.

Nominal and Real Effective Exchange Rates
(Indices, January 2016=100)



Sovereign spreads continue to track the EMBIG and remain contained from a historical perspective.

Sovereign Spread
(Basis points)

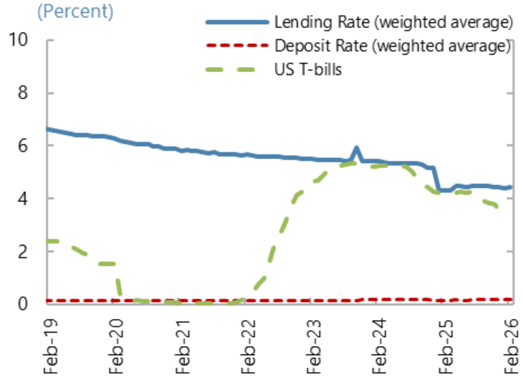


Sources: Bloomberg, Central Bank of Barbados, Barbados Statistical Service, Caribbean Tourism Organization, and IMF staff calculations.

Figure 4. Barbados: Monetary and Financial Sector Developments

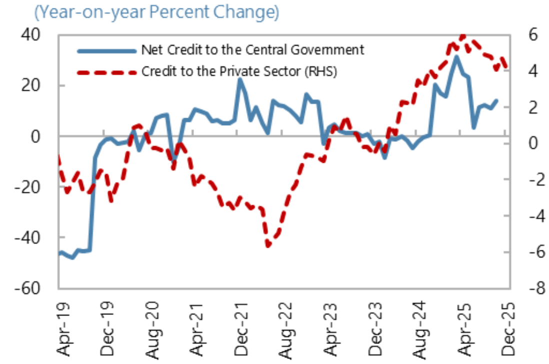
Barbados' lending rates continued to decline.

Interest Rates
(Percent)



Real credit growth to the private and public sectors remained positive.

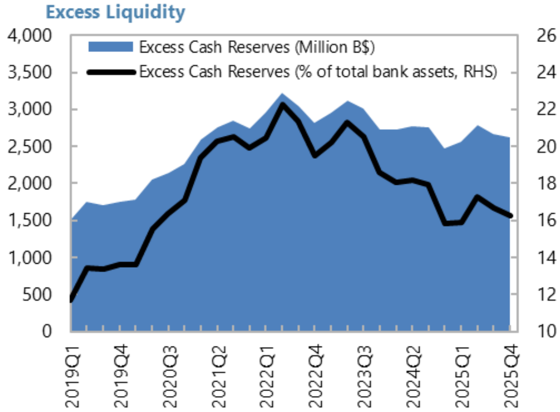
Real Credit to the Private Sector and Central Government 1/
(Year-on-year Percent Change)



1/ Deflated with retail price index.

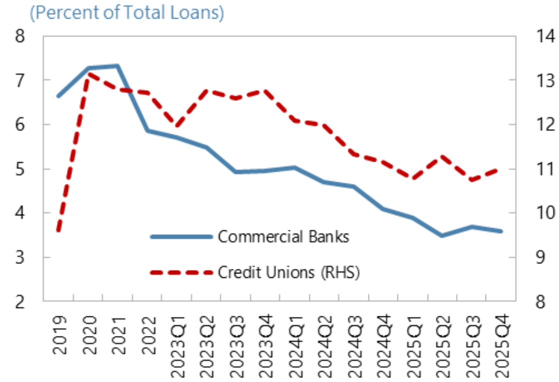
Excess cash liquidity in the banking system declined but remained sizable.

Excess Liquidity



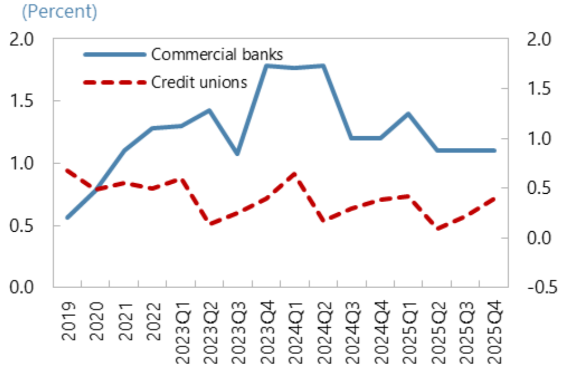
NPL ratios continued to decline, likely reflecting the favorable economic conditions.

Non-performing Loans
(Percent of Total Loans)



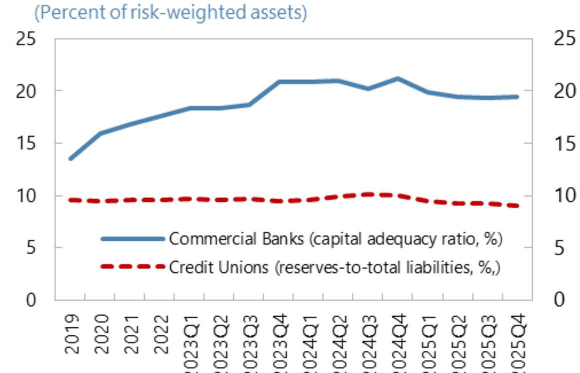
Profitability remained relatively stable for commercial banks and credit unions…

Return on Assets
(Percent)



…while capital buffers remained strong.

Capital Adequacy Ratio
(Percent of risk-weighted assets)



Sources: Central Bank of Barbados and IMF staff calculations.

Table 1. Barbados: Selected Economic Indicators, 2024–2026 1/

I. Social and Demographic Indicators (most recent year)

Population (2025 est., thousand)	282.7	Adult literacy rate (2014)	99.6
Per capita GDP (2025 est., US$ thousand)	28.7	Poverty rate (individual, 2016)	15.8
Life expectancy at birth in years (2022)	76.8	Gini coefficient (2016)	34.1
Rank in UNDP Development Index (2023)	69.0	Unemployment rate (2025)	6.6

II. Economic Indicators

		Projections			
	2024	**2025**			**2026**
		CR/25/153			
		Old GDP	Revised GDP		
	(Annual percentage change, unless otherwise indicated)				
Output, prices, and employment					
CY Real GDP	3.4	2.7	...	2.7	2.2
CPI inflation (average)	1.5	2.6	...	0.9	3.1
CPI inflation (end of period)	0.4	3.7	...	1.6	3.8
External sector					
Exports of goods and services	13.2	1.3	...	4.4	4.5
Imports of goods and services	7.8	3.6	...	8.2	7.6
Real effective exchange rate (index, average)	119.3	...	...	...	...
Money and credit					
Net domestic assets	6.8	3.6	...	2.2	5.8
of which: Credit to the non financial private sector	4.5	3.0	...	5.8	6.6
Broad money	7.5	3.6	...	3.1	3.5
CG Public finances (fiscal year) 2/		(In percent of FY GDP)			
Revenue and grants	27.2	27.0	25.7	26.8	28.5
Expenditure	28.1	27.3	26.0	27.1	29.2
Fiscal Balance	-0.8	-0.3	-0.3	-0.2	-0.7
Interest Expenditure	4.9	4.7	4.5	4.4	4.2
Primary Balance	4.0	4.4	4.2	4.2	3.5
Public Debt (fiscal year) 2/					
Public sector debt 3/	98.9	99.5	94.7	96.0	91.8
External	39.6	39.2	37.3	38.4	37.1
Domestic	59.3	60.3	57.4	57.6	54.8
Balance of payments (calendar year)		(In percent of CY GDP)			
Current account balance	-3.7	-6.4	-6.0	-5.7	-6.0
Capital and financial account balance	5.0	6.7	6.0	6.2	3.8
Public Sector	1.6	0.5	0.5	1.1	-1.9
o/w IMF disbursement	1.5	0.7	0.7	0.7	0.0
Private Sector (including FDI)	3.4	6.2	5.8	4.9	5.7
Net Errors and Omissions	-0.1	0.0	0.0	-1.3	0.0
Overall balance	1.2	0.3	0.3	-0.9	-2.3
Memorandum items:					
Exchange rate (BDS$/US$)	2.0	...	...	2.0	...
Gross international reserves (US$ million)	1,593	1,615	...	1,523	1,333
In months of imports of G&S	6.7	7.1	...	6.0	4.8
In percent of ARA	195	198	...	194	151
Nominal GDP, CY (BDS$ millions)	15,195	15,112	16,033	15,888	16,646
Nominal GDP, FY (BDS$ millions)	15,413	15,313	16,241	16,078	16,859

Sources: Barbados authorities; UNDP Human Development Report; Barbados Country Assessment of Living Conditions 2010 (December 2012); and Fund staff estimates and projections.

1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.

2/ Fiscal year is from April to March.

3/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 2a. Barbados: Central Government Operations, 2023/2024–2031/2032 1/ 2/
(In millions of Barbados dollars)

	2023/24	2024/25	2025/26		2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
			Projections							
			CR/25/153							
Total revenue	**3,643**	**4,199**	**4,138**	**4,312**	**4,812**	**4,718**	**4,916**	**5,135**	**5,355**	**5,583**
Current revenue	3,642	4,199	4,129	4,311	4,803	4,708	4,906	5,125	5,344	5,571
Tax revenue	3,471	3,978	3,918	4,124	4,605	4,501	4,688	4,897	5,106	5,322
Income and profits	1,007	1,493	1,281	1,547	1,908	1,695	1,765	1,836	1,902	1,970
Taxes on property	219	223	235	223	236	248	260	272	285	298
VAT	1,095	1,132	1,172	1,202	1,252	1,307	1,368	1,432	1,499	1,568
Excise	229	241	248	242	254	261	274	286	300	314
Import taxes	257	280	295	290	305	321	337	353	369	386
Other taxes	664	609	687	620	650	669	686	718	751	786
Nontax revenue	172	221	211	188	197	208	218	228	239	250
Capital revenue and grants	1	0	8	0	9	10	10	11	11	12
Total expenditure	**3,874**	**4,328**	**4,186**	**4,351**	**4,930**	**4,815**	**4,913**	**5,106**	**5,295**	**5,491**
Current expenditure	3,504	3,685	3,753	3,688	4,081	3,975	4,134	4,295	4,460	4,631
Wages, salaries and SSC	852	885	921	898	940	978	1,023	1,069	1,120	1,172
Goods and services	522	599	726	660	761	740	750	779	811	843
Interest	707	750	722	713	708	717	764	773	780	787
Transfers	1,422	1,451	1,384	1,416	1,672	1,539	1,598	1,673	1,750	1,829
o/w Subsidies	159	212	157	160	160	175	183	192	200	207
o/w Grants to public institutions	927	894	881	931	1,014	996	1,028	1,077	1,127	1,179
o/w Retirement benefits	336	345	346	326	498	369	386	405	423	443
Capital expenditure and net lending	370	643	433	663	850	840	779	812	835	860
CG Fiscal balance	**-231**	**-129**	**-48**	**-39**	**-118**	**-97**	**3**	**29**	**60**	**92**
CG Primary balance	**477**	**621**	**673**	**674**	**590**	**621**	**767**	**802**	**840**	**879**
Repayment of domestic arrears (net)	24	49	40	7	40	40	40	40	18	0
CG Fiscal balance (net of arrears)	**-255**	**-178**	**-88**	**-46**	**-158**	**-137**	**-37**	**-11**	**42**	**92**
CG Primary balance (net of arrears)	**453**	**572**	**633**	**667**	**550**	**581**	**727**	**762**	**822**	**879**
Financing	**255**	**178**	**88**	**46**	**158**	**137**	**37**	**11**	**-42**	**-92**
Net Financing - External	529	203	-36	159	160	-104	179	109	43	-19
Capital Markets	0	0	100	1,000	0	0	327	282	295	264
Project Funds	113	112	260	267	159	225	265	255	245	245
Policy Loans	400	200	0	0	300	0	0	0	0	0
o/w IDB	400	200	0	0	200	0	0	0	0	0
o/w CDB	0	0	0	0	0	0	0	0	0	0
o/w CAF	0	0	0	0	0	0	0	0	0	0
o/w WB	0	0	0	0	0	0	0	0	0	0
o/w OFID	0	0	0	0	100	0	0	0	0	0
IMF	227	225	113	115	0	0	0	0	0	0
o/w EFF	76	75	38	38	0	0	0	0	0	0
o/w IMF RSF 3/	151	150	76	77	0	0	0	0	0	0
Others 4/	0	0	0	0	0	0	0	0	0	0
Amortization	211	333	509	1,223	299	329	413	428	497	528
Net Financing - Domestic	-274	-26	124	-113	-2	241	-143	-98	-85	-73
Central bank 5/	-175	270	-85	-56	-85	-32	0	0	0	0
Commercial banks	131	679	100	139	150	200	125	50	50	50
National Insurance Scheme	-83	-439	-179	-81	-50	-30	0	0	0	0
Private non-bank and others 6/ 7/	-147	-535	179	-116	-17	103	-268	-148	-135	-123
Memorandum items:										
Public debt 8/	15,248	15,243	15,234	15,433	15,481	15,517	15,463	15,409	15,349	15,257
Nominal GDP, FY (BDS$ millions)	14,645	15,413	15,313	16,078	16,859	17,730	18,565	19,427	20,334	21,275

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.
2/ Fiscal year is from April to March.
3/ The RSF replaces other external financing.
4/ Acquisition of additional CAF shares and contribution to the CDF.
5/ Positive net financing in 2024/25 reflects withdrawal of government deposits from the CBB.
6/ Insurance companies and other non bank private sector; BOSS programs are also included here.
7/ Including government's equity investment into crisis-affected companies in the tourism sector.
8/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 2b. Barbados: Central Government Operations, 2023/2024–2031/2032 1/ 2/
(In percent of FY-GDP, unless otherwise indicated)

	2023/24	2024/25	2025/26		2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
			Projections							
			CR/25/153							
Total revenue	**24.9**	**27.2**	**27.0**	**26.8**	**28.5**	**26.6**	**26.5**	**26.4**	**26.3**	**26.2**
Current revenue	24.9	27.2	27.0	26.8	28.5	26.6	26.4	26.4	26.3	26.2
Tax revenue	23.7	25.8	25.6	25.6	27.3	25.4	25.3	25.2	25.1	25.0
Income and profits	6.9	9.7	8.4	9.6	11.3	9.6	9.5	9.5	9.4	9.3
Taxes on property	1.5	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4
VAT	7.5	7.3	7.7	7.5	7.4	7.4	7.4	7.4	7.4	7.4
Excise	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Import taxes	1.8	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Other taxes	4.5	4.0	4.5	3.9	3.9	3.8	3.7	3.7	3.7	3.7
Nontax revenue	1.2	1.4	1.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Capital revenue and grants	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Total expenditure	**26.5**	**28.1**	**27.3**	**27.1**	**29.2**	**27.2**	**26.5**	**26.3**	**26.0**	**25.8**
Current expenditure	23.9	23.9	24.5	22.9	24.2	22.4	22.3	22.1	21.9	21.8
Wages, salaries and SSC	5.8	5.7	6.0	5.6	5.6	5.5	5.5	5.5	5.5	5.5
Goods and services	3.6	3.9	4.7	4.1	4.5	4.2	4.0	4.0	4.0	4.0
Interest	4.8	4.9	4.7	4.4	4.2	4.0	4.1	4.0	3.8	3.7
Transfers	9.7	9.4	9.0	8.8	9.9	8.7	8.6	8.6	8.6	8.6
o/w Subsidies	1.1	1.4	1.0	1.0	0.9	1.0	1.0	1.0	1.0	1.0
o/w Grants to public institutions	6.3	5.8	5.8	5.8	6.0	5.6	5.5	5.5	5.5	5.5
o/w Retirement benefits	2.3	2.2	2.3	2.0	3.0	2.1	2.1	2.1	2.1	2.1
Capital expenditure and net lending	2.5	4.2	2.8	4.1	5.0	4.7	4.2	4.2	4.1	4.0
CG Fiscal balance	**-1.6**	**-0.8**	**-0.3**	**-0.2**	**-0.7**	**-0.5**	**0.0**	**0.1**	**0.3**	**0.4**
CG Primary balance	**3.3**	**4.0**	**4.4**	**4.2**	**3.5**	**3.5**	**4.1**	**4.1**	**4.1**	**4.1**
Repayment of domestic arrears (net)	0.2	0.3	0.3	0.0	0.2	0.2	0.2	0.2	0.1	0.0
CG Fiscal balance (net of arrears)	**-1.7**	**-1.2**	**-0.6**	**-0.3**	**-0.9**	**-0.8**	**-0.2**	**-0.1**	**0.2**	**0.4**
CG Primary balance (net of arrears)	**3.1**	**3.7**	**4.1**	**4.1**	**3.3**	**3.3**	**3.9**	**3.9**	**4.0**	**4.1**
Financing	**1.7**	**1.2**	**0.6**	**0.3**	**0.9**	**0.8**	**0.2**	**0.1**	**-0.2**	**-0.4**
Net Financing - External	3.6	1.3	-0.2	1.0	0.9	-0.6	1.0	0.6	0.2	-0.1
Capital Markets	0.0	0.0	0.7	6.2	0.0	0.0	1.8	1.5	1.5	1.2
Project Funds	0.8	0.7	1.7	1.7	0.9	1.3	1.4	1.3	1.2	1.2
Policy Loans	2.7	1.3	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0
o/w IDB	2.7	1.3	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0
o/w CDB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w CAF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w WB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w OFID	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
IMF	1.5	1.5	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
o/w EFF	0.5	0.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w IMF RSF 3/	1.0	1.0	-3.9	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Others 4/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	1.4	2.2	3.3	7.6	1.8	1.9	2.2	2.2	2.4	2.5
Net Financing - Domestic	-1.9	-0.2	0.8	-0.7	0.0	1.4	-0.8	-0.5	-0.4	-0.3
Central bank 5/	-1.2	1.8	-0.6	-0.3	-0.5	-0.2	0.0	0.0	0.0	0.0
Commercial banks	0.9	4.4	0.7	0.9	0.9	1.1	0.7	0.3	0.2	0.2
National Insurance Scheme	-0.6	-2.8	-0.5	-0.5	-0.3	-0.2	0.0	0.0	0.0	0.0
Private non-bank and others 6/ 7/	-1.0	-3.5	1.2	-0.7	-0.1	0.6	-1.4	-0.8	-0.7	-0.6
Memorandum items:										
Public debt 8/	104.1	98.9	99.5	96.0	91.8	87.5	83.3	79.3	75.5	71.7
Nominal GDP, FY (BDS$ millions)	14,645	15,413	15,313	16,078	16,859	17,730	18,565	19,427	20,334	21,275

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.
2/ Fiscal year is from April to March.
3/ The RSF replaces other external financing.
4/ Acquisition of additional CAF shares and contribution to the CDF.
5/ Positive net financing in 2024/25 reflects withdrawal of government deposits from the CBB.
6/ Insurance companies and other non bank private sector; BOSS programs are also included here.
7/ Including government's equity investment into crisis-affected companies in the tourism sector.
8/ Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 3. Barbados: Public Debt, 2023/2024–2031/2032 1/ 2/ 3/

			Projections							
	2023/24	2024/25	2025/26		2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
			CR/25/153							
			(In millions of Barbados dollars)							
Central government debt	**14,873**	**14,887**	**14,947**	**15,126**	**15,259**	**15,361**	**15,373**	**15,359**	**15,299**	**15,207**
Domestic	**9,250**	**9,135**	**9,233**	**9,260**	**9,234**	**9,440**	**9,272**	**9,149**	**9,047**	**8,974**
Short Term	823	913	600	1,158	600	600	600	600	600	600
Long term	8,194	8,037	8,489	7,925	8,496	8,742	8,614	8,531	8,447	8,374
Arrears 2/	233	185	145	178	138	98	58	18	0	0
External 3/	**5,623**	**5,753**	**5,714**	**5,866**	**6,026**	**5,922**	**6,101**	**6,210**	**6,253**	**6,234**
Short Term	0	0	0	0	0	0	0	0	0	0
Long term	5,623	5,753	5,714	5,866	6,026	5,922	6,101	6,210	6,253	6,234
Arrears	0	0	0	0	0	0	0	0	0	0
Government-guaranteed SOE debt	26	70	61	70	53	51	50	50	50	50
Domestic	0	0	0	0	0	0	0	0	0	0
External	26	70	61	70	53	51	50	50	50	50
Public sector debt	14,899	14,957	15,008	15,196	15,312	15,412	15,423	15,409	15,349	15,257
IMF (BOP support) 4/	349	287	226	237	170	105	41	0	0	0
Public sector debt + IMF (BOP support)	**15,248**	**15,243**	**15,234**	**15,433**	**15,481**	**15,517**	**15,463**	**15,409**	**15,349**	**15,257**
			(In percent of FY GDP)							
Central government debt	**101.6**	**96.6**	**97.6**	**94.1**	**90.5**	**86.6**	**82.8**	**79.1**	**75.2**	**71.5**
Domestic	**63.2**	**59.3**	**60.3**	**57.6**	**54.8**	**53.2**	**49.9**	**47.1**	**44.5**	**42.2**
Short Term	5.6	5.9	3.9	7.2	3.6	3.4	3.2	3.1	3.0	2.8
Long term	55.9	52.1	55.4	49.3	50.4	49.3	46.4	43.9	41.5	39.4
Arrears 2/	1.6	1.2	0.9	1.1	0.8	0.6	0.3	0.1	0.0	0.0
External 3/	**38.4**	**37.3**	**37.3**	**36.5**	**35.7**	**33.4**	**32.9**	**32.0**	**30.7**	**29.3**
Short Term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term	38.4	37.3	37.3	36.5	35.7	33.4	32.9	32.0	30.7	29.3
Arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government-guaranteed SOE debt	**0.2**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	**0.2**	**0.2**
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.2	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	0.2
Public sector debt	**101.7**	**97.0**	**98.0**	**94.5**	**90.8**	**86.9**	**83.1**	**79.3**	**75.5**	**71.7**
IMF (BOP support) 4/	2.4	1.9	1.5	1.5	1.0	0.6	0.2	0.0	0.0	0.0
Public sector debt + IMF (BOP support)	**104.1**	**98.9**	**99.5**	**96.0**	**91.8**	**87.5**	**83.3**	**79.3**	**75.5**	**71.7**
Memorandum items:										
Nominal GDP, FY (BDS$ millions)	14,645	15,413	15,313	16,078	16,859	17,730	18,565	19,427	20,334	21,275

Sources: Ministry of Finance; Central Bank of Barbados; and Fund staff estimates and projections.

1/ Fiscal year (April–March). Ratios are expressed relative to fiscal-year GDP.

2/ Including legacy arrears formally recognized by the authorities in FY2022/23. Starting from the fourth reviews of the 2022EFF/RSF, the clearance of an extra-governmental entity's legacy arrears with the central government in FY2022/23 is reflected. This does not alter central government arrears reported in the context of the quantitative performance criteria.

3/ Includes IMF budget support loans directly lent to the government under the 2018 EFF and 2022 EFF/RSF.

4/ IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 4a. Barbados: Balance of Payments, 2023–2031 1/

(In millions of U.S. dollars)

	2023	2024	2025		Projections					
			CR/25/153		2026	2027	2028	2029	2030	2031
Current account balance	**-551**	**-282**	**-480**	**-452**	**-503**	**-513**	**-484**	**-502**	**-511**	**-516**
o/w Exports of goods and services	2,360	2,671	2,486	2,789	2,916	3,066	3,191	3,313	3,450	3,606
o/w Imports of goods and services	2,630	2,836	2,747	3,068	3,300	3,457	3,523	3,640	3,756	3,920
Trade balance		-972	-1,357	-1,128	-1,247	-1,314	-1,290	-1,333	-1,370	-1,424
Exports of goods	985	1,071	777	1,051	1,118	1,162	1,197	1,215	1,243	1,300
o/w Re-exports	220	219	204	199	241	246	261	267	278	290
Imports of goods	2,017	2,042	2,134	2,179	2,365	2,477	2,487	2,549	2,613	2,724
o/w Oil	505	476	402	383	484	432	411	401	393	385
Services balance		806	1,095	850	863	922	958	1,006	1,064	1,110
Credit	1,375	1,600	1,708	1,739	1,798	1,903	1,995	2,098	2,207	2,306
o/w Travel (credit)	1,152	1,311	1,402	1,383	1,423	1,509	1,581	1,664	1,753	1,831
Debit	613	794	613	889	935	981	1,037	1,091	1,143	1,196
Primary income balance	-276	-281	-290	-297	-305	-312	-334	-356	-389	-394
Credit	237	238	267	246	253	266	279	292	307	323
Debit	513	519	558	543	558	577	613	648	696	717
Secondary income balance	-5	165	71	123	186	191	182	181	184	193
Credit	119	300	224	265	341	360	358	366	378	396
Debit	124	135	153	142	155	169	177	185	194	203
Capital and financial account (without RSF)	**598**	**341**	**485**	**470**	**314**	**505**	**548**	**539**	**550**	**552**
Capital and financial account (with RSF)	**523**	**266**	**447**	**431**	**314**	**505**	**548**	**539**	**550**	**552**
Financial Account Balance	638	377	502	475	316	509	559	547	558	560
Public sector	215	7	-20	30	-158	11	63	38	31	-6
o/w CG and CBB Inflows	415	258	287	748	143	204	291	270	271	254
SDR allocation	0	0	0	0	0	0	0	0	0	0
IFIs and others (including RSF)	340	183	249	710	143	204	291	270	271	254
o/w CG and CBB Outflows	114	146	263	675	301	193	228	232	240	260
Private sector	310	257	465	387	474	498	495	509	526	566
FDI and long-term debt (net)	352	354	468	453	499	526	542	558	574	601
Short-term debt (net)	-42	-96	-3	-66	-25	-29	-47	-49	-48	-35
Capital Account Balance	-2	2	2	14	-2	-4	-10	-8	-7	-9
Net errors and omissions	**30**	**-8**	**0**	**-107**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance (deficit -)	**77**	**51**	**5**	**-90**	**-189**	**-7**	**64**	**37**	**39**	**36**
Use of Fund credit: EFF	38	37	19	19	0	0	0	0	0	0
Change in reserves (-=increase, without RSF)	**-115**	**-88**	**-23**	**70**	**189**	**7**	**-64**	**-37**	**-39**	**-36**
Use of Fund credit: RSF	76	75	38	38	0	0	0	0	0	0
Change in reserves (-=increase, with RSF) 2/	**-115**	**-88**	**-23**	**70**	**189**	**7**	**-64**	**-37**	**-39**	**-36**
Memorandum items:										
Oil Price (WTI, US$ per barrel) 4/	80.6	79.2	66.9	67.7	87.8	77.1	73.0	71.1	69.5	68.0
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,505	1,593	1,615	1,523	1,333	1,326	1,390	1,427	1,466	1,502
GIR (months of imports of G&S)	6.9	6.7	7.1	6.0	4.8	4.6	4.7	4.7	4.7	4.6
GIR (percent of ARA) (with RSF)	210	195	198	194	151	153	152	151	149	146.3

Sources: Central Bank of Barbados and Fund staff estimates and projections.

1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.

2/ The RSF replaces part of other financing.

3/ GIR remains the same with or without RSF.

4/ Oil Prices for the projections period are based data received from authorities and the May 12, 2026 RES Commodities Newsletter.

Table 4b. Barbados: Balance of Payments, 2023–2031 1/
(In percent of CY-GDP, unless otherwise indicated)

	2023	2024	2025		Projections 2026	2027	2028	2029	2030	2031
			CR/25/153							
Current account balance	**-7.6**	**-3.7**	**-6.4**	**-5.7**	**-6.0**	**-5.8**	**-5.3**	**-5.2**	**-5.1**	**-4.9**
o/w Exports of goods and services	32.7	35.2	32.9	35.1	35.0	35.0	34.7	34.4	34.2	34.2
o/w Imports of goods and services	36.4	37.3	36.4	38.6	39.7	39.4	38.3	37.8	37.3	37.2
Trade balance		-12.8	-18.0	-14.2	-15.0	-15.0	-14.0	-13.9	-13.6	-13.5
Exports of goods	13.6	14.1	10.3	13.2	13.4	13.3	13.0	12.6	12.3	12.3
o/w Re-exports	3.1	2.9	2.7	2.5	2.9	2.8	2.8	2.8	2.8	2.7
Imports of goods	27.9	26.9	28.2	27.4	28.4	28.2	27.1	26.5	25.9	25.8
o/w Oil	7.0	6.3	5.3	4.8	5.8	4.9	4.5	4.2	3.9	3.7
Services balance		10.6	14.5	10.7	10.4	10.5	10.4	10.5	10.6	10.5
Credit	19.0	21.1	22.6	21.9	21.6	21.7	21.7	21.8	21.9	21.9
o/w Travel (credit)	15.9	17.3	18.6	17.4	17.1	17.2	17.2	17.3	17.4	17.4
Debit	8.5	10.5	8.1	11.2	11.2	11.2	11.3	11.3	11.3	11.3
Primary income balance	-3.8	-3.7	-3.8	-3.7	-3.7	-3.6	-3.6	-3.7	-3.9	-3.7
Credit	3.3	3.1	3.5	3.1	3.0	3.0	3.0	3.0	3.1	3.1
Debit	7.1	6.8	7.4	6.8	6.7	6.6	6.7	6.7	6.9	6.8
Secondary income balance	-0.1	2.2	0.9	1.6	2.2	2.2	2.0	1.9	1.8	1.8
Credit	1.6	3.9	3.0	3.3	4.1	4.1	3.9	3.8	3.7	3.7
Debit	1.7	1.8	2.0	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Capital and financial account (without RSF)	**8.3**	**4.5**	**6.4**	**5.9**	**3.8**	**5.8**	**6.0**	**5.6**	**5.5**	**5.2**
Capital and financial account (with RSF)	**7.2**	**3.5**	**5.9**	**5.4**	**3.8**	**5.8**	**6.0**	**5.6**	**5.5**	**5.2**
Financial Account Balance	8.8	5.0	6.6	6.0	3.8	5.8	6.1	5.7	5.5	5.3
Public sector	4.0	1.1	0.2	0.9	-1.9	0.1	0.7	0.4	0.3	-0.1
o/w CG and CBB Inflows	5.7	3.4	3.8	9.4	1.7	2.3	3.2	2.1	1.7	1.6
SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IFIs and others (including RSF)	4.7	2.4	3.3	8.9	1.7	2.3	3.2	2.8	2.7	2.4
o/w CG and CBB Outflows	1.6	1.9	3.5	8.5	3.6	2.2	2.5	2.4	2.4	2.5
Private sector	4.3	3.4	6.2	4.9	5.7	5.7	5.4	5.3	5.2	5.4
FDI and long-term debt (net)	4.9	4.7	6.2	5.7	6.0	6.0	5.9	5.8	5.7	5.7
Short-term debt (net)	-0.6	-1.3	0.0	-0.8	-0.3	-0.3	-0.5	-0.5	-0.5	-0.3
Capital Account Balance	0.0	0.0	0.0	0.2	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Net errors and omissions	**0.4**	**-0.1**	**0.0**	**-1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance (deficit -)	**1.1**	**0.7**	**0.1**	**-1.1**	**-2.3**	**-0.1**	**0.7**	**0.4**	**0.4**	**0.3**
Use of Fund credit: EFF	0.5	0.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves (-=increase, without RSF)	**-1.6**	**-1.2**	**-0.3**	**0.9**	**2.3**	**0.1**	**-0.7**	**-0.4**	**-0.4**	**-0.3**
Use of Fund credit: RSF	1.0	1.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves (-=increase, with RSF) 2/	**-1.6**	**-1.2**	**-0.3**	**0.9**	**2.3**	**0.1**	**-0.7**	**-0.4**	**-0.4**	**-0.3**
Memorandum items:										
Oil Price (WTI, US$ per barrel) 4/	80.6	79.2	66.9	67.7	87.8	77.1	73.0	71.1	69.5	68.0
Gross International Reserves (GIR, US$ million) (with RSF) 3/	1,505	1,593	1,615	1,523	1,333	1,326	1,390	1,427	1,466	1,502
In months of imports of G&S	6.9	6.7	7.1	6.0	4.8	4.6	4.7	4.7	4.7	4.6
GIR (percent of ARA) (with RSF)	210	195	198	194	151	153	152	151	149	146.3

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.
2/ The RSF replaces part of other financing.
3/ GIR remains the same with or without RSF.
4/ Oil Prices for the projections period are based on data received from authorities and the May 12, 2026 RES Commodities Newsletter.

Table 5. Barbados: Monetary Survey, 2023–2031 1/

	2023	2024	2025		2026	2027	2028	2029	2030	2031
			CR/25/153		Projections					
	(In millions of Barbados dollars, program exchange rates and TMU definitions)									
Central Bank of Barbados										
Net International Reserves	1,839	1,857	2,175	1,877	1,571	1,621	1,813	1,927	2,005	2,077
Assets	2,999	3,184	3,231	3,041	2,667	2,652	2,780	2,853	2,932	3,004
Liabilities	-1,161	-1,327	-1,056	-1,164	-1,096	-1,031	-967	-926	-926	-926
Net domestic assets	1,739	1,385	1,228	1,405	1,320	1,369	1,357	1,381	1,380	1,395
Of which: Claims on Central government	1,057	822	748	944	859	816	816	816	816	816
Monetary base	4,401	4,283	3,402	4,221	3,830	3,929	4,110	4,247	4,324	4,412
	(In millions of Barbados dollars, market exchange rates)									
Central Bank of Barbados										
Net International Reserves	2,557	2,776	...	2,691	2,385	2,435	2,627	2,741	2,819	2,891
Assets	3,009	3,186	...	3,045	2,672	2,657	2,785	2,858	2,936	3,008
Liabilities	-453	-410	...	-354	-286	-222	-157	-117	-117	-117
Net domestic assets	2,734	2,430	...	2,303	2,218	2,268	2,256	2,279	2,278	2,294
Of which: Claims on Central government	1,073	833	...	954	869	827	827	827	827	827
Monetary base	4,386	4,287	...	4,222	3,831	3,930	4,111	4,248	4,325	4,413
Commercial banks										
Net foreign assets	768	829	737	964	1,084	1,195	1,267	1,314	1,374	1,439
Net domestic assets	12,943	13,948	13,951	14,261	15,812	16,706	17,589	18,402	19,240	20,147
Liabilities to the nonfinancial private sector	13,711	14,777	14,688	15,225	16,896	17,901	18,855	19,716	20,614	21,585
Monetary survey										
Net foreign assets	2,420	2,686	2,689	2,883	2,681	2,841	3,105	3,266	3,404	3,541
Net domestic assets	11,686	12,477	13,013	12,755	13,500	14,320	15,062	15,758	16,520	17,341
Net credit to the public sector	3,183	3,702	3,880	3,979	4,109	4,323	4,455	4,507	4,559	4,610
Central government	3,040	3,565	3,743	3,859	3,984	4,192	4,319	4,369	4,419	4,469
Rest of public sector	143	137	137	120	125	132	136	138	139	141
Credit to the private sector	8,629	9,021	9,291	9,540	10,153	10,753	11,365	12,023	12,750	13,537
of which Credit to the non financial private sector	8,568	8,959	9,228	9,475	10,083	10,679	11,287	11,941	12,662	13,444
Credit to rest of financial system	313	332	332	289	301	317	327	327	327	327
Other items (net)	-439	-578	-489	-1,054	-1,063	-1,073	-1,085	-1,099	-1,114	-1,133
Broad money (M2, liabilities to the private sector)	14,106	15,163	15,703	15,638	16,181	17,161	18,167	19,024	19,925	20,882
	(In percentage change)									
Monetary survey										
Net foreign assets	2.4	11.0	3.6	7.3	-7.0	6.0	9.3	5.2	4.2	4.0
Net domestic assets	0.8	6.8	3.6	2.2	5.8	6.1	5.2	4.6	4.8	5.0
Of which:										
Credit to the non financial private sector	2.6	4.5	3.4	5.8	6.6	5.9	5.7	5.8	6.0	6.2
Net credit to the public sector	-0.3	16.3	4.8	7.5	3.3	5.2	3.0	1.2	1.1	1.1
Broad money	1.1	7.5	3.6	3.1	3.5	6.1	5.9	4.7	4.7	4.8

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.

Table 6. Barbados: Medium-Term Macroeconomic Framework, 2023–2031 1/
(In percent of GDP, unless otherwise indicated)

	2023	2024	2025 CR/25/153 Old GDP	2025 CR/25/153 Revised GDP	2025	2026	2027	2028	2029	2030	2031
			Projections								
	(Annual percentage change, unless otherwise indicated)										
National accounts and prices (calendar year)											
CY Real GDP 2/	1.8	3.4	2.7	...	2.7	2.2	2.3	2.1	2.0	2.0	2.0
Nominal GDP 2/	4.9	5.2	5.4	...	4.6	4.8	5.4	4.8	4.7	4.7	4.7
CPI inflation (average)	3.2	1.5	2.6	...	0.9	3.1	2.7	2.4	2.4	2.4	2.4
CPI inflation (end of period)	3.2	0.4	3.7	...	1.6	3.8	2.4	2.4	2.4	2.4	2.4
External sector (calendar year)											
Exports of goods and services, value	2.5	13.2	1.3	...	4.4	4.5	5.1	4.1	3.8	4.1	4.5
Imports of goods and services, value	-1.6	7.8	3.6	...	8.2	7.6	4.8	1.9	3.3	3.2	4.4
Real effective exchange rate (index, average)	121.2	119.3	...	...	...	...	...	...	...	...	...
Terms of trade	4.8	1.2	3.6	...	5.0	-4.6	2.0	1.0	0.8	0.5	0.5
Money and credit (calendar year, end of period)											
Net domestic assets	0.8	6.8	3.6	...	2.2	5.8	6.1	5.2	4.6	4.8	5.0
Of which: Credit to the non financial private sector	2.6	4.5	3.0	...	5.8	6.6	5.9	5.7	5.8	6.0	6.2
Broad money	1.1	7.5	3.6	...	3.1	3.5	6.1	5.9	4.7	4.7	4.8
Velocity (GDP relative to broad money)	1.0	1.0	1.0	...	1.0	1.0	1.0	1.0	1.0	1.0	1.0
	(In percent of FY GDP, unless otherwise indicated)										
Public finances (fiscal year) 2/											
Central government											
Revenue and grants	24.9	27.2	27.0	25.7	26.8	28.5	26.6	26.5	26.4	26.3	26.2
Expenditure	26.5	28.1	27.3	26.0	27.1	29.2	27.2	26.5	26.3	26.0	25.8
Fiscal balance	-1.6	-0.8	-0.3	-0.3	-0.2	-0.7	-0.5	0.0	0.1	0.3	0.4
Interest Expenditure	4.8	4.9	4.7	4.5	4.4	4.2	4.0	4.1	4.0	3.8	3.7
Primary balance	3.3	4.0	4.4	4.2	4.2	3.5	3.5	4.1	4.1	4.1	4.1
Public debt (fiscal year) 2/											
Public sector debt 3/	104.1	98.9	99.5	94.7	96.0	91.8	87.5	83.3	79.3	75.5	71.7
External	41.0	39.6	39.2	37.3	38.4	37.1	34.3	33.3	32.2	31.0	29.5
Domestic	63.2	59.3	60.3	57.4	57.6	54.8	53.2	49.9	47.1	44.5	42.2
Savings and investment (calendar year) 2/											
Gross domestic investment	17.5	18.2	16.2	15.3	18.7	19.8	19.5	19.1	18.9	18.8	18.8
Public	3.1	3.7	3.4	3.2	4.2	4.8	5.0	4.6	4.4	4.3	4.3
Private 2/	14.5	14.5	12.8	12.1	14.4	14.9	14.5	14.5	14.5	14.5	14.5
National savings	9.9	14.5	9.9	9.3	13.0	13.7	13.7	13.9	13.7	13.8	13.9
Public	0.9	2.0	2.1	2.0	3.2	3.5	3.3	3.2	3.2	3.1	3.1
Private	9.0	12.5	7.8	7.3	9.8	10.2	10.3	10.7	10.6	10.6	10.8
External savings	-7.6	-3.7	-6.4	6.0	-5.7	-6.0	-5.8	-5.3	-5.2	-5.1	-4.9
Balance of payments (calendar year) 2/											
Current account	-7.6	-3.7	-6.4	-6.0	-5.7	-6.0	-5.8	-5.3	-5.2	-5.1	-4.9
Capital and financial account	8.8	5.0	6.7	6.0	6.2	3.8	5.8	6.0	5.6	5.5	5.2
Official capital (net)	4.6	1.6	0.5	0.5	1.1	-1.9	0.1	0.7	0.4	0.3	-0.1
Private capital (net)	4.3	3.4	6.2	5.8	4.9	5.7	5.7	5.4	5.3	5.2	5.4
Of which: Long-term flows	4.9	4.7	6.2	5.8	5.7	6.0	6.0	5.9	5.8	5.7	5.7
Net errors and omissions	0.4	-0.1	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.6	1.2	0.3	0.3	-0.9	-2.3	-0.1	0.7	0.4	0.4	0.3
Memorandum items:											
Exchange rate (BDS$/US$)	2.0	2.0	...	...	2.0	...	...	...	...	...	...
Oil price (WTI, US$ per barrel)	80.6	79.2	66.9	...	67.7	87.8	77.1	73.0	71.1	69.5	68.0
Gross international reserves (US$ millions)	1,505	1,593	1,615	...	1,523	1,333	1,326	1,390	1,427	1,466	1,502
In months of imports	6.9	6.7	7.1	...	6.0	4.8	4.6	4.7	4.7	4.7	4.6
In percent of ARA	210.3	194.6	198.1	...	193.8	150.7	152.8	152.4	150.8	148.6	146.3
Nominal CY GDP (BDS$ millions) 2/	14,446	15,195	15,112	15,888	15,888	16,646	17,541	18,381	19,242	20,154	21,094

Sources: Barbados authorities; and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.
2/ Fiscal year is from April to March.
3/Including government-guaranteed debt, expenditure and debt arrears (if any), and IMF loans provided to the CBB for BOP support under the 2018 EFF.

Table 7. Barbados: Financial Soundness Indicators, 2023–2025

(Percent)

	2023	2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Commercial Banks									
Solvency Indicator									
Capital Adequacy Ratio (CAR)	20.9	20.9	21.0	20.2	21.2	19.5	19.2	19.1	19.0
Liquidity Indicators 1/									
Loan to deposit ratio	54.3	52.9	53.6	54.2	57.0	55.8	57.2	58.6	58.9
Domestic demand deposits to total domestic deposits	58.7	59.0	58.7	59.7	60.7	61.7	61.7	61.7	61.7
Liquid assets, in percent of total assets	26.7	27.5	28.9	26.3	23.7	25.1	24.7	24.1	22.6
Credit Risk Indicators									
Loans and advances (yoy growth rate)	2.8	2.8	4.4	3.1	14.2	15.4	16.5	16.8	6.3
Non-performing loans ratio	5.0	5.0	4.7	4.6	4.1	3.9	3.5	3.7	3.6
Provisions to non-performing loans	50.3	48.8	50.2	46.3	46.5	46.7	51.2	45.7	45.0
Foreign Exchange Risk Indicators									
Deposits in Foreign Exchange (in percent of total deposits)	8.8	9.5	9.3	9.7	9.6	11.1	10.6	10.4	10.6
Profitability Indicators									
Return on Assets (ROA)	1.8	1.8	1.8	1.2	1.2	1.4	1.1	1.1	1.1
Credit Unions									
Solvency Indicator									
Reserves to Total Liabilities	9.5	9.5	9.9	10.1	10.1	9.4	9.3	9.2	9.0
Liquidity Indicators									
Loan to deposit ratio	74.6	73.7	73.5	73.7	74.1	73.1	72.3	72.8	73.0
Credit Risk Indicators									
Total assets, annual growth rate 2/	2.9	3.5	2.9	3.5	3.6	3.7	4.7	4.9	3.2
Loans, annual growth rate 2/	2.8	2.5	2.8	2.6	2.5	3.0	3.0	3.7	3.7
Nonperforming loans ratio	12.8	12.1	12.0	11.3	11.2	10.8	11.3	10.8	11.0
Arrears 3-6 months/Total Loans	1.9	1.2	1.3	1.2	1.1	0.9	1.5	1.1	1.4
Arrears 6 – 12 months/Total Loans	1.9	1.7	1.5	1.2	1.2	1.0	1.0	1.0	1.1
Arrears over 12 months/Total Loans	9.0	9.2	9.2	8.9	8.9	8.8	8.8	8.6	8.6
Provisions to Total loans	3.6	3.3	3.2	3.3	3.2	3.0	3.0	2.9	2.9
Profitability Indicator									
Return on Assets (ROA)	0.4	0.6	0.2	0.3	0.4	0.4	0.1	0.2	0.4

Sources: Central Bank of Barbados and Financial Services Commission.

1/ Includes foreign components.

2/ Quarterly data are not available.

Table 8. Barbados: External Financing Requirements and Sources, 2023–2031 1/
(In millions of US$, unless otherwise indicated)

	2023	2024	2025 Projections CR/25/153	2025	2026	2027	2028	2029	2030	2031
(in US$ millions, unless otherwise indicated)										
Gross Financing Requirements	**665**	**428**	**744**	**1127**	**804**	**705**	**713**	**734**	**751**	**776**
Current Account Balance	551	282	480	452	503	513	484	502	511	516
CG Debt Amortization	114	146	263	675	301	193	228	232	240	260
Sources of Financing	**628**	**391**	**725**	**1,108**	**804**	**705**	**713**	**734**	**751**	**776**
Public Sector	405	228	281	744	143	204	291	270	271	254
o/w: World Bank 2/	100	0	0	0	0	0	0	0	0	0
o/w IDB 2/	200	100	100	100	0	100	0	0	0	0
o/w IMF SDR allocation	0	0	0	0	0	0	0	0	0	0
o/w IMF EFF	38	37	…	19	…	…	…	…	…	…
o/w IMF RSF	76	75	…	38	…	…	…	…	…	…
o/w OFID	0	0	…	0	50	0	0	0	0	0
FDI and long-term debt (net)	352	354	468	453	499	526	542	558	574	601
Short-term debt (net)	-42	-96	-3	-66	-25	-29	-47	-49	-48	-35
Capital Account Balance	-2	2	2	14	-2	-4	-10	-8	-7	-9
Net errors and omissions	30	-8	0	-107	0	0	0	0	0	0
Change in Reserves (- = increase) (without RSF)	-115	-88	-24	70	189	7	-64	-37	-39	-36
Financing Gap	**0**	**0**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing Gap	…	…	19	0	0	0	0	0	0	0
Prospective Financing	**…**	**…**	**19**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
IMF EFF disbursement 3/	…	…	19	0	0	0	0	0	0	0
IMF RSF disbursement 4/	**…**	**…**	**38**	**…**	**0**	**0**	**0**	**0**	**0**	**0**
Change in Reserves (- = increase) (with RSF)	-115	-88	-24	70	189	7	-64	-37	-39	-36
Memo items:										
Gross international reserves (with RSF) 4/	1,505	1,593	1,528	1,523	1,333	1,326	1,390	1,427	1,466	1,502
Months of imports of G&S	6.9	6.7	6.4	6.0	4.8	4.6	4.7	4.7	4.7	4.6
In percent of ARA (with RSF)	210	195	186	194	151	153	152	151	149	146
Gross Financing Sources (GFS) composition (without RSF)	628	391	702	1,108	804	705	713	734	751	776
Other financing	628	391	702	1,108	804	705	713	734	751	776
RSF disbursement	0	0	0	0	0	0	0	0	0	1
GFS composition (with RSF)	628	391	702	1,108	804	705	713	734	751	776
Other financing	628	391	664	1,108	804	705	713	734	751	776
RSF disbursement	0	0	38	0	0	0	0	0	0	0

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ CR/25/153 refers to the staff report for the fifth review of the EFF/RSF arrangement in June 2025.
2/ Policy loan.
3/ Including IMF disbursements associated with fifth review reviews of EFF and RSF.
4/ RSF replaces part of other financing.

Table 9. Barbados: Proposed Schedule of Purchases Under the Proposed SBA
(In millions of SDR)

Availability Date	Conditions for purchase	SBA Purchases	
		SDR million	Percent of Quota
June 22, 2026	Approval of 3-year Arrangement under the SBA	47.250	50.0
December 1, 2026	1st Review and continuous and end September 2026 performance criteria	47.250	50.0
June 1, 2027	2nd Review and continuous and end March 2027 performance criteria	23.625	25.0
December 1, 2027	3rd Review and continuous and end September 2027 performance criteria	23.625	25.0
June 1, 2028	4th Review and continuous and end March 2028 performance criteria	23.625	25.0
December 1, 2028	5th Review and continuous and end September 2028 performance criteria	23.625	25.0
Total Access		189.000	200

Source: IMF staff.

Table 10a. Barbados: Program Monitoring—Indicators of Fund Credit Under the SBA, Baseline

(In millions of SDR, unless otherwise indicated)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Existing and prospective Fund credit (SDR million)																				
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EFF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	377.9	354.5	297.3	239.4	197.5	176.2	159.5	149.3	136.6	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
EFF	236.1	212.8	155.6	97.7	55.8	34.5	17.7	8.3	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.0	135.4	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
Obligations	41.1	40.5	73.4	72.2	54.3	32.4	27.2	20.1	22.3	23.0	22.8	22.2	23.1	19.8	20.7	20.2	19.6	18.4	13.0	5.6
Principal (repayments/repurchases)	23.3	23.3	57.2	57.9	41.9	21.3	16.8	10.2	12.8	13.9	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
EFF	23.3	23.3	57.2	57.9	41.9	21.3	16.8	9.5	7.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	5.7	12.8	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
Charges and interest 1/	17.8	17.2	16.2	14.3	12.4	11.2	10.5	10.0	9.6	9.1	8.6	8.1	7.5	7.0	6.5	6.0	5.5	4.9	4.5	4.2
Of which:																				
GRA Basic charges	8.5	7.8	6.8	4.9	3.0	1.8	1.1	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surcharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Level-based	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations (repurchases and charges) in percent of:																				
Quota	43.5	42.9	77.7	76.4	57.5	34.3	28.8	21.3	23.6	24.4	24.1	23.5	24.5	20.9	21.9	21.3	20.8	19.5	13.7	6.0
o/w: RSF	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.3	11.5	18.7	19.7	19.1	20.1	16.5	17.5	16.9	16.4	15.0	9.3	1.6
GDP	0.7	0.6	1.1	1.0	0.7	0.4	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Exports of goods and services	1.9	1.8	3.2	3.0	2.2	1.2	1.0	0.7	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.1
Gross international reserves	4.2	4.2	7.3	7.0	5.1	3.0	2.6	2.0	2.3	2.3	2.0	1.7	1.5	1.1	1.0	0.8	0.7	0.6	0.3	0.1
Government revenue	2.4	2.4	4.1	3.9	2.8	1.6	1.3	0.9	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.4	0.1
External debt service, public and publicly guaranteed (PPG)	16.7	16.3	26.5	26.4	19.0	11.0	9.9	7.2	7.5	8.3	8.8	8.1	8.2	6.9	7.3	7.4	6.1	5.4	3.8	1.6
Fund credit outstanding in percent of:																				
Quota	399.9	375.2	314.6	253.4	209.0	186.5	168.8	158.0	144.5	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
o/w: GRA	249.9	225.2	164.6	103.4	59.0	36.5	18.8	8.8	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.2	143.2	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
GDP	6.3	5.6	4.5	3.4	2.7	2.3	2.0	1.8	1.6	1.3	1.1	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
Exports of goods and services	17.8	15.9	12.8	10.0	7.9	6.7	5.8	5.2	4.5	3.9	3.3	2.7	2.2	1.7	1.3	0.9	0.5	0.2	0.0	0.0
Gross international reserves	39.0	36.8	29.5	23.1	18.6	16.2	15.5	15.0	13.9	12.4	9.7	7.3	5.2	3.7	2.5	1.6	0.8	0.3	0.0	0.0
Government revenue	21.6	20.7	16.7	12.8	10.2	8.7	7.5	6.7	5.9	5.1	4.3	3.6	2.8	2.3	1.7	1.2	0.7	0.3	0.0	0.0
External debt, PPG	16.7	16.1	13.2	10.5	8.6	7.7	6.9	6.5	5.9	5.4	4.7	4.0	3.3	2.7	2.1	1.5	1.3	0.5	0.1	0.0
Memorandum items: 2/																				
Quota (SDR million)	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5
Gross domestic product (USD million)	8,323	8,770	9,190	9,621	10,077	10,547	11,045	11,556	12,078	12,638	13,215	13,828	14,470	15,144	15,851	16,576	17,335	18,131	18,965	19,840
Exports of goods and services (USD million)	2,916	3,066	3,191	3,313	3,450	3,606	3,788	3,955	4,135	4,337	4,542	4,763	4,995	5,239	5,496	5,760	6,037	6,329	6,635	6,958
Gross international reserves (USD million)	1,333	1,326	1,390	1,427	1,466	1,502	1,417	1,369	1,358	1,359	1,540	1,783	2,079	2,431	2,841	3,314	3,843	4,445	5,123	5,875
Government revenue (USD million)	2,406	2,359	2,458	2,568	2,678	2,791	2,916	3,049	3,187	3,334	3,487	3,649	3,818	3,995	4,180	4,371	4,570	4,780	4,999	5,228
External debt service, PPG (USD million)	339	342	380	377	393	405	377	384	411	382	358	377	390	396	388	377	446	465	473	486
Total external debt, PPG (USD million)	3,124	3,039	3,096	3,130	3,151	3,142	3,165	3,178	3,171	3,125	3,199	3,265	3,323	3,348	3,389	3,422	2,553	2,600	2,648	2,331

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 3.344 percent (as of 5/21/2026), and RST rate of interest of 3.694 percent (as of 5/21/2026) as Barbados belongs to the RST interest Group C.

2/ SDR/USD exchange rate = 0.732 (as of 5/21/2026) and quota SDR = 94.5 million.

Table 10b. Barbados: Program Monitoring—Indicators of Fund Credit Under the SBA, Shock

(In millions of SDR, unless otherwise indicated)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Existing and prospective Fund credit (SDR million)																				
Disbursements	94.5	47.3	47.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EFF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SBA	94.5	47.3	47.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of existing and prospective Fund credit	472.4	496.3	486.3	416.6	321.5	235.3	177.2	149.3	136.6	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
EFF	236.1	212.8	155.6	97.7	55.8	34.5	17.7	8.3	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	141.8	141.8	141.8	141.8	141.8	141.8	141.8	141.0	135.4	122.6	108.4	94.3	78.7	65.9	51.7	37.6	23.4	9.9	1.4	0.0
SBA	94.5	141.8	189.0	177.2	124.0	59.1	17.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Obligations	42.2	45.1	80.0	91.3	113.0	100.9	70.1	38.2	22.3	23.0	22.8	22.2	23.1	19.8	20.7	20.2	19.6	18.4	13.0	5.6
Principal (repayments/repurchases)	23.3	23.3	57.2	69.7	95.1	86.2	58.1	27.9	12.8	13.9	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
EFF	23.3	23.3	57.2	57.9	41.9	21.3	16.8	9.5	7.1	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	5.7	12.8	14.2	14.2	15.6	12.8	14.2	14.2	14.2	13.5	8.5	1.4
SBA	0.0	0.0	0.0	11.8	53.2	65.0	41.3	17.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest 1/	18.9	21.7	22.8	21.6	18.0	14.7	12.0	10.3	9.6	9.1	8.6	8.1	7.5	7.0	6.5	6.0	5.5	4.9	4.5	4.2
Of which:																				
GRA Basic charges	9.1	11.1	11.8	11.1	8.5	5.2	2.6	0.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Surcharges	0.1	1.0	1.4	1.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Level-based	0.1	1.0	1.4	1.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Time-based	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations (repurchases and charges) in percent of:																				
Quota	44.7	47.7	84.7	96.6	119.6	106.8	74.2	40.4	23.6	24.4	24.1	23.5	24.5	20.9	21.9	21.3	20.8	19.5	13.7	6.0
o/w: RSF	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.3	11.5	18.7	19.7	19.1	20.1	16.5	17.5	16.9	16.4	15.0	9.3	1.6
GDP	0.7	0.7	1.2	1.3	1.5	1.3	0.9	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Exports of goods and services	2.0	2.1	3.5	3.7	4.4	3.8	2.5	1.3	0.7	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.4	0.4	0.3	0.1
Gross international reserves	4.0	4.5	7.9	8.6	10.2	8.7	6.5	3.7	2.2	2.3	2.1	1.8	1.7	1.2	1.1	1.0	0.8	0.7	0.4	0.2
Government revenue	2.6	2.6	4.5	4.9	5.8	4.9	3.3	1.7	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.6	0.5	0.4	0.1
External debt service, public and publicly guaranteed (PPG)	16.7	14.6	27.6	36.8	44.5	38.6	29.0	15.8	8.8	10.1	10.5	9.8	9.9	8.0	8.6	6.4	6.0	5.4	3.7	1.6
Fund credit outstanding in percent of:																				
Quota	499.9	525.2	514.6	440.9	340.2	249.0	187.5	158.0	144.5	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
o/w: GRA	349.9	375.2	364.6	290.9	190.2	99.0	37.5	8.8	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.2	143.2	129.8	114.8	99.8	83.2	69.8	54.8	39.8	24.8	10.5	1.5	0.0
GDP	7.7	7.7	7.2	5.9	4.3	3.0	2.2	1.8	1.5	1.3	1.1	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
Exports of goods and services	22.8	22.7	21.1	17.1	12.6	8.8	6.3	5.1	4.5	3.8	3.2	2.7	2.1	1.7	1.3	0.9	0.5	0.2	0.0	0.0
Gross international reserves	44.4	49.4	47.9	39.3	29.0	20.4	16.3	14.4	13.6	12.2	9.9	7.6	5.6	4.1	2.8	1.8	1.0	0.4	0.0	0.0
Government revenue	29.0	29.1	27.2	22.3	16.5	11.5	8.3	6.7	5.9	5.0	4.3	3.5	2.8	2.3	1.7	1.2	0.7	0.3	0.0	0.0
External debt, PPG	21.0	22.6	22.0	19.1	15.1	11.4	8.9	7.8	7.6	7.2	6.4	5.6	4.7	4.0	3.1	2.0	1.2	0.5	0.1	0.0
Memorandum items: 2/																				
Quota (SDR million)	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5	94.5
Gross domestic product (USD million)	8,402	8,809	9,223	9,651	10,091	10,558	11,043	11,549	12,064	12,617	13,184	13,785	14,414	15,073	15,762	16,484	17,240	18,031	18,860	19,708
Exports of goods and services (USD million)	2,828	2,987	3,151	3,333	3,491	3,653	3,820	3,993	4,170	4,366	4,568	4,783	5,007	5,243	5,491	5,750	6,023	6,309	6,609	6,916
Gross international reserves (USD million)	1,453	1,370	1,384	1,447	1,511	1,575	1,480	1,411	1,366	1,371	1,495	1,683	1,911	2,184	2,503	2,839	3,228	3,676	4,187	4,752
Government revenue (USD million)	2,219	2,328	2,436	2,549	2,663	2,785	2,911	3,042	3,179	3,324	3,474	3,632	3,797	3,971	4,152	4,341	4,540	4,747	4,963	5,186
External debt service, PPG (USD million)	344	420	395	338	346	356	330	329	346	310	296	310	318	337	329	430	446	465	473	486
Total external debt, PPG (USD million)	3,073	2,996	3,010	2,968	2,901	2,815	2,710	2,595	2,462	2,338	2,324	2,307	2,286	2,254	2,241	2,505	2,553	2,600	2,648	2,331

Source: IMF staff calculations.

1/ Total Interest based on existing and prospective drawings using GRA rate of charge of 3.344 percent (as of 5/21/2026), and RST rate of interest of 3.694 percent (as of 5/21/2026) as Barbados belongs to the RST interest Group C.

2/ SDR/USD exchange rate = 0.732 (as of 5/21/2026) and quota SDR = 94.5 million.

Annex I. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	**High**	**High**	• Continue the transition to a renewable economy, reducing reliance on fuel imports. • Increase domestic food production, while diversifying import sources. • Sustain efforts to strengthen the fiscal position, backed by structural reforms to maintain fiscal sustainability. • Implement structural measures to improve competitiveness of the tourism sector, while, over time, diversifying the economy to reduce dependence on tourism. • Continue improving the business environment to increase investor confidence. • Any cost-of-living support measures introduced in response to global price pressures should be targeted and temporary.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	**High**	**High**	• Maintain efforts to raise the share of renewables in energy supply and reduce exposure to volatile fossil fuel prices. • Raise domestic food production, while diversifying import sources. • Maintain fiscal and external sustainability, reprioritizing government spending to target support on the most vulnerable. • Any cost-of-living support measures introduced in response to global price pressures should be targeted and temporary.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" indicates a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
Trade-related Risks • **Downside: Protectionism and Trade Disruptions.** Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. • **Upside: New Trade Agreements.** Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Low	High Medium	**Downside:** • Maintain strong fiscal position, reprioritizing government spending to target support on the most vulnerable, while continuing to implement structural reforms to support fiscal sustainability. • Utilize ample FX reserves and tap emergency IFI financing, as necessary, to meet additional financing needs. • Implement structural measures to improve tourism competitiveness and diversify source markets, while over time reducing dependence on tourism. • Increase domestic food production, while diversifying import sources. • Continue improving the business environment to increase investor confidence. **Upside:** • Capitalize on stronger global conditions by maintaining prudent fiscal policy and continuing to implement structural reforms to support fiscal sustainability and raise potential growth.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.	High	Medium	• Utilize ample fiscal cash buffers and increase domestic financing to meet additional financing needs from higher debt service on variable rate debt. At the same time, the recent return to international capital markets mitigates near-term refinancing risks. • Maintain strong fiscal balances, supported by structural reforms to maintain fiscal sustainability and improve the business environment, thereby increasing investor confidence. • Utilize ample FX reserves and tap emergency IFI financing, as necessary, to meet additional financing needs.
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	High	Medium	• Maintain strong fiscal position, reprioritizing government spending to target support on the most vulnerable, while continuing to implement structural reforms to support fiscal sustainability. • Utilize ample FX reserves and tap emergency IFI financing, as necessary, to meet additional financing needs. • Implement structural measures to improve tourism competitiveness and diversify

Source of Risks	Likelihood	Impact	Policy Response
Global Risks			
			source markets, while over time reducing dependence on tourism. • Continue improving the business environment to increase investor confidence.
Country-specific Risks			
Deceleration of reform momentum, Delays in structural fiscal reforms generate market concerns about fiscal sustainability and undermine private sector confidence necessary for investment.	Medium	High	• Adhere to medium-term fiscal framework, consistent with the proposed Fund program, to sustain high primary surpluses and remain on track to reduce public debt to 60 percent of GDP by FY2035/36. • Sustain the planned increase in investment and implement structural reforms to boost resilience and enhance growth prospects. • Maintain social spending measures to protect the vulnerable and maintain the consensus for reform.
Loss of tourism competitiveness. Failure to maintain upgraded tourism assets and infrastructure leads to loss of attractiveness as a tourist destination and a decline in tourism revenue and FX earnings.	Medium	High	• Tackle potential infrastructure bottlenecks by fully executing key ongoing / planned investment projects, including upgrading capacity at the airport and maritime port. • Implement structural measures to increase competitiveness and boost investment in the tourism sector. • Over time, diversify the economy to reduce dependence on tourism.
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	High	• Accelerate investment in resilient infrastructure to mitigate disaster risk. • Investigate avenues to increase private insurance penetration. • Utilize the existing multi-layered disaster financing framework (e.g., hurricane clauses in government debt and insurance, such as CCRIF; World Bank CAT DDO).
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	Medium	High	• Monitor and evaluate the scope of cyber security vulnerabilities, guided by the enhanced cyber risk supervisory frameworks and leveraging the new Cyber Security Operations Center.

Annex II. Debt Sustainability Analysis

Barbados' public debt is assessed to be sustainable, and the overall risk of sovereign stress is assessed to be moderate, consistent with the medium-term mechanical signals of the Fund's Sovereign Risk and Debt Sustainability Framework (SRDSF). The fanchart tool indicates moderate risk. Although Barbados has a history of high macroeconomic volatility, public debt has been on a clear downward trend due to robust economic growth and the authorities' strong commitment to maintain large primary fiscal surpluses. The Gross Financing Needs (GFN) financeability tool also indicates moderate risk due to relatively low financing needs, which are projected to remain stable over the projection horizon. Under the current baseline, assuming strong primary surpluses are maintained over the medium term, alongside annual real GDP growth of 2 percent, supported by structural reforms, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36. While domestic risks related to maintaining high primary surpluses over an extended period persist, they have declined with the authorities' sustained strong fiscal performance. Nevertheless, risks arising from external shocks and natural disasters remain, though they are mitigated by Barbados' strong track record and a favorable debt service schedule.

1. **Robust growth and large primary fiscal surpluses have placed Barbados' public debt-to-GDP ratio on a firm downward path.[1]** Public debt continued to decline to 96.0 percent of GDP at end-March 2026 from 98.9 percent of GDP at end-FY2024/25 driven by continued economic growth and a strong primary fiscal balance of 4.2 percent of GDP during FY2025/26. The authorities re-accessed international capital markets in June 2025 with a US$500 million LMO that was broadly debt neutral (see Box 1). The proceeds of the issuance were used for: (i) refinancing the bulk of the 2029 Eurobonds, which had started amortizing the principal in April 2025 with longer maturity bonds, (ii) the early repurchase of US$107 million of debt coming due to the Fund through March 2028, and (iii) further building fiscal cash buffers.[2] On the official front, the authorities acquired loans of US$150 million from China and US$147 million from the United Arab Emirates for the expansion of the Queen Elizabeth Hospital. A budget support loan of US$50 million from OPEC Fund for International Development which was expected in FY2025/26 is expected in FY2026/27. The IDB Board also approved a loan of US$200 million for replacement of water mains, which is expected to disburse in the next two years.

Annex II. Box 1. Re-Entering International Capital Markets

Barbados successfully re-entered international capital markets for the first time since 2018. On June 26, 2025, the authorities issued a US$500 million Eurobond at par value with a coupon rate of around 8 percent. The bond has a maturity of 10 years and grace period on principal of 5 years. The issuance was significantly oversubscribed with around US$ 2.7 billion of offers. The issuance is the country's first

[1] This DSA covers the central government's debt, expenditure arrears, debt of SOEs guaranteed by the central government, and IMF BoP support loans provided to the CBB. There is no local government debt. SOE debt not guaranteed by the central government is small at 2.6 percent of GDP at end-March 2026 and is not included in the analysis.

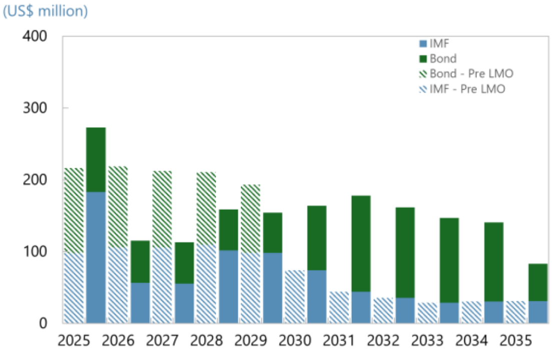
[2] The stock of government deposits stood at 4.2 percent of GDP at end-March 2026.

Annex II. Box 1. Re-Entering International Capital Markets (concluded)

independent capital market transaction since the 2018 debt restructuring. In addition, the bond includes a state-contingent clause that allows for payment deferral in the event of a natural disaster or a pandemic. The bond became the first sovereign bond featuring a pandemic deferral clause to be rated by a rating agency, with Fitch rating the bond at B+ in line with Barbados' sovereign credit rating.1

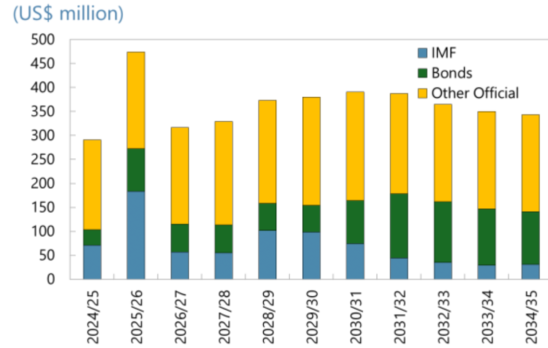
The issuance was part of a debt-neutral liability management operation (LMO), with the bond proceeds used to repay existing debt and significantly reduce medium-term financing needs. The authorities used US$340 million (83.5 percent of the outstanding amount) to repay the 2029 Eurobond that was issued in 2019, following the debt restructuring at a coupon rate of 6.5 percent. The 2029 Eurobond started amortizing in April 2025 and would have required sizable semi-annual payments of around US$120 million (US$407 million total by 2030). An additional US$108 million was used to prepay the government's obligations to the IMF falling due until March 2028 bringing Barbados' credit outstanding to the IMF (excluding the RSF) to 274.6 percent of quota, below the 300 percent of quota access-level based surcharge threshold. The remaining US$50 million was used to shore up fiscal cash and FX reserve buffers. While the new Eurobond carries a higher coupon, lengthening the maturity profile of commercial debt and prepaying the IMF is projected to significantly reduce annual gross financing needs by 1 percent of GDP over the next 5 years, helping to mitigate FX and fiscal financing pressures.

Total Debt Service on the LMO and to the IMF
(US$ million)



Sources: The Barbadian authorities, and IMF staff projections.

External Debt Service by Creditor
(US$ million)



Sources: Barbadian authorities, and IMF staff projections.

[1] See Fitch Rates Its First Sovereign Bond Featuring Pandemic Deferral Clause.

1. Public debt is projected to decline below 60 percent of GDP by FY2035/36. The projected five-year debt reduction under the baseline scenario is relatively optimistic by a cross-country comparison as it is above the 75th percentile. However, the reduction is less ambitious than Barbados' own experience and considered feasible, given the authorities' strong commitment to fiscal discipline and structural reforms.

- **Macroeconomic Assumptions.** The baseline macroeconomic projections are relatively conservative. Real GDP is expected to grow by 2.2 percent in 2026, driven mainly by construction, especially for ongoing tourism-related projects and government investment. Over the medium term, growth is expected to remain at 2 percent, supported by an expansion of tourism-related capacity (e.g., airlift, hotels), investment in resilient infrastructure, and ongoing structural reforms. Average inflation is projected to increase from 0.9 percent in 2025 to

3.1 percent in 2026, and to remain at the long-run average of around 2½ percent from 2026 onwards.

- **Fiscal Assumptions.** The fiscal primary surplus increased slightly from 4 percent of GDP in FY2024/25 to 4.2 percent of GDP in FY2025/26. Under the SBA, the fiscal primary surplus target will be 3.5 percent of GDP for FY2026/27-FY2027/28, before rising to a steady state of 4.1 percent of GDP thereafter consistent with achieving the 60 percent of GDP long-term debt target. The three-year fiscal adjustment under the baseline scenario continues to be modest in a cross-country comparison and compared to Barbados' own experience as the primary balance is within the 25th percentile. Consistent strong performance under the previous EFF and after provides confidence in the authorities' ability to meet future fiscal targets.

2. Over the medium term, gross financing needs are expected to be met with IFI loans, domestic borrowing, and international capital market issuances. The short-term profile of public debt service poses limited risks (Table 2), reflecting the large primary balance, the favorable repayment schedule resulting from the 2018-19 debt restructuring, the recent debt-for-climate conversion, long-term borrowing from IFIs during the pandemic years, higher cash buffers, the successful return to international capital markets, and the expected gradual development of domestic capital markets. Short-term debt held by commercial banks is assumed to be automatically rolled over, based on the 2018-19 agreement, with remaining near-term financing needs met through IFI financing and modest net domestic borrowing. BOSS II plus bonds were fully subscribed in the first quarter of FY2025/26 prompting the authorities to open BOSS III plus to the public. The 20-year debenture of B$250 million opened in December 2024 was also fully subscribed in the first half of 2025. The baseline assumes residual financing needs are met through 5-year BOSS bonds. Given the large international capital market issuance in June 2025, and the limited short-term external financing needs, the baseline assumes further market access from 2028. Sovereign debt spreads have fallen somewhat to the 300-400 basis points range, continuing to track movements in the EMBIG.

3. Barbados' overall risk of sovereign debt stress is assessed to be moderate. Both the medium- and long-term risk analyses point to moderate risks (Figure 5-7).

- **Medium Term:** The *debt fanchart index* indicates a moderate risk. Despite the high historical volatility of key economic indicators, which increases the width of the fanchart, the baseline debt trajectory and the fanchart are on a clear downward trend, and the probability of debt not stabilizing is assessed to be low (around 8 percent). Under a natural disaster stress test, which captures country-specific vulnerabilities using a default shock of 4.5 percent of GDP, the debt path remains below the 75th percentile, consistent with the "moderate" mechanical signal. The *GFN financeability index also* points to a moderate risk with a declining path and average GFNs in the baseline below the median.

- **Long Term:** The large debt amortizations module shows a gradual decline in debt relative to GDP under the baseline with t+5, and would be higher but stable under the baseline based on the 10-year historical debt drivers. GFNs are lower in the medium term reflecting the LMO and the early repayment of IMF debt, and are expected to stabilize at a higher level from 2030 as the

LMO begins to mature. Climate-related expenditure remains manageable and would not significantly affect debt sustainability in the long run, even under the customized scenario where expenditure is assumed to be 1 percent of GDP higher than the baseline[3] to cover preliminary estimates of adaptation and mitigation investment needs. The current healthcare expenditure policies would also not pose significant sustainability concerns. Moreover, the recent implementation of the pension reforms is expected to make the NISSS financially sustainable for 25-30 years, mitigating risks of additional financing needs from the budget.

4. On balance, Barbados' public debt is assessed to be sustainable. Public debt is on a sustainable downward trajectory, consistent with reaching the debt target of 60 percent of GDP by FY2035/36. Domestic risks related to maintaining high primary balances over a prolonged period remain but continue to decline in the context of the authorities' sustained strong fiscal performance. External risks to the baseline projections continue to include spillovers from trade policy and investment shocks, deepening geoeconomic fragmentation, a tightening of global financial conditions and systemic instability, as well from natural disasters. These risks are mitigated by Barbados' strong track record of policy implementation, steadfast commitment to improving the fiscal position and structural reforms, the favorable debt service schedule obtained from the 2018-19 debt restructuring, the 2024 debt-for-climate conversion, and the renewed access to international markets.

[3] Based on the authorities' climate programs to build resilience and support the energy transition through 2030.

Annex II. Table 1. Barbados: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	**Moderate**	Barbados' overall risk of sovereign stress is moderate, reflecting moderate levels of vulnerability in the medium- and long-term horizons.
Near term 1/			
Medium term	...	**Moderate**	Medium-term risks are assessed as moderate consistent with a mechanical moderate signals on the Fanchart anf GFN predicated on the projected primary balance path.
Fanchart	**Moderate**	...	
GFN	**Moderate**	...	
Stress test	Nat. Disast.	...	
Long term	...	**Moderate**	Long-term risks arising from debt refinancing needs and climate change are moderate. The implementation of the authorities' pension reforms is expected to make the National Insurance and Social Security financially sustainable for 25-30 years with no additional financing needs from the budget.
Sustainability assessment 2/		Sustainable	Under the baseline scenario with strong macroeconomic policies, the debt path is expected to remain on a downward trajectory and GFNs will remain at manageable levels. Barbados' public debt continues to be assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Barbados' overall risk of sovereign stress is assessed to be moderate. This is consistent with the moderate medium- and long-term final risk assessments, which confirm mechanical signals. Under the baseline scenario underpinned by strong policy measures and reforms, and the favorable debt service schedule, Barbados' public debt is assessed as sustainable. Under the current baseline, the 60 percent-of-GDP debt anchor is projected to be reached by FY2035/36 with envisaged primary surpluses backed by continued economic growth and structural reforms. Non-guaranteed SOE debt declined marginally to 2.6 percent of GDP in FY2025/26 and is not included in the analysis. Similarly, projections do not include recently announced non-guaranteed loans for the expansion of the airport and the Queen Elizabeth Hospital. Going forward, enhanced governance, monitoring and reporting of SOEs remains critical to minimize fiscal risks.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex II. Table 2. Barbados: Decomposition of Public Debt and Debt Service by Creditor, FY2025/26–FY2028/29 1/

	Debt Stock (end of period)			Debt Service					
	FY2025/26			FY2026/27	FY2027/28	FY2028/29	FY2026/27	FY2027/28	FY2028/29
	(In US$ million)	*(Percent total debt)*	*(Percent of GDP)*	*(In US$)*			*(Percent of GDP)*		
Total	7,713.6	100.0	96.0	1341.3	804.8	929.0	15.9	9.1	10.0
External	3,083.4	40.0	40.0	339.2	345.8	378.0	4.0	3.9	4.1
Multilateral creditors[2]	2,207.7	28.6	28.6	219.9	234.3	268.0	2.6	2.6	2.9
IMF	544.1	7.1	7.1						
World Bank	231.7	3.0	3.0						
IADB	977.3	12.7	12.7						
Other Multilaterals	454.6	5.9	5.9						
o/w: CDB	235.0	3.0	3.0						
Bilateral Creditors	186.9	2.4	2.4	25.9	18.4	18.1	0.3	0.2	0.2
Paris Club	10.6	0.1	0.1	10.6	0.0	0.0	0.1	0.0	0.0
Non-Paris Club	176.3	2.3	2.3	15.3	18.4	18.1	0.2	0.2	0.2
Bonds	569.5	7.4	7.4	60.9	60.8	59.6	0.7	0.7	0.6
Commercial creditors[3]	119.3	1.5	1.5	32.5	32.3	32.3	0.4	0.4	0.3
Domestic	4,630.2	60.0	60.1	1002.1	459.0	551.0	11.9	5.2	5.9
Held by residents, total	n/a	n/a	n/a						
Held by non-residents, total	n/a	n/a	n/a						
Short-term debt (incl. T-Bills)	578.8	7.5	7.5	583.3	-	-	6.9		
Held by: central bank	212.9	2.8	2.8						
local banks	350.6	4.5	4.5						
local non-banks	15.3	0.2	0.2						
Long-term debt (incl. Bonds)	4,051.4	52.5	52.6	418.8	459.0	551.0	5.0	5.2	5.9
Held by: central bank	252.7	3.3	3.3						
local banks	1,344.5	17.4	17.4						
local non-banks	2,454.2	31.8	31.8						
Memo Items:									
Collateralized debt[4]	0.0	0.0	0.0						
o/w: Related	0.0	0.0	0.0						
o/w: Unrelated	0.0	0.0	0.0						
Contingent liabilities	147.2	1.9	1.0						
o/w: Public guarantees	147.2	1.9	1.0						
o/w: Other explicit contingent liabilities[5]	n/a	n/a	n/a						
Nominal GDP	8,038.9			8,429.6	8,865.0	9,282.3			

Sources: Ministry of Finance

1/ As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA. Future debt services are associated with existing debt stock as of end of FY2024/25. The amount of nonresidents' holdings of domestic debt is

2/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g., Lending Into Arrears)

3/ Including two commercial facilities in which multiple creditors participate.

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/ Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements). Those data are not readily available.

Annex II. Figure 1. Barbados: Debt Coverage and Disclosure

						Comments
1. Debt coverage in the DSA: 1/	CG (chosen coverage)	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	

2. Subsectors included in the chosen coverage in (1) above:

Coverage		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not consolidated; on-lent funds included in CG
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	Not consolidated; guaranteed debt included
CPS / NFPS / GG: expected	4	State governments	No	No state government
CPS / NFPS / GG: expected	5	Local governments	No	No local government
CPS / NFPS	6	Public nonfinancial corporations	No (not applicable)	CG-guaranteed SoE debt included
CPS	7	Central bank	Yes	Not consolidated; CB's debt (BoP support) to IMF is add
CPS	8	Other public financial corporations	No (not applicable)	

3. Instrument coverage:	Currency & deposits (chosen coverage)	Loans (chosen coverage)	Debt securities (chosen coverage)	Oth acct. payable 2/ (chosen coverage)	IPSGSs 3/ (missing from recommended coverage)

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis (chosen coverage)	Nominal value 5/	Face value 6/ (chosen coverage)	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated (chosen coverage)

Color code: ■ chosen coverage ■ Missing from recommended coverage ■ Not applicable

Reporting on Intra-Government Debt Holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

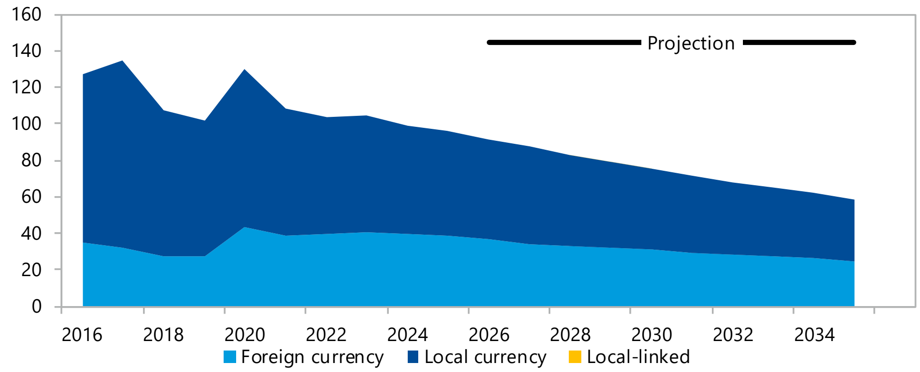
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The coverage in this SRDSA comprises the central government given that Barbados has no state or local governments. State-Owned Enterprise debt amounting to 2.5 percent of GDP guaranteed by the central government and the Central Bank of Barbados' debt to the Fund are added to the central government's debt in this analysis. The central government's expenditure arrears amounting to 1.3 percent of GDP, most of which were recognized in 2022, are included. Non-guaranteed SOE debt amounting to 3.2 percent of GDP is not included.

Annex II. Figure 2. Barbados: Public Debt Structure Indicators

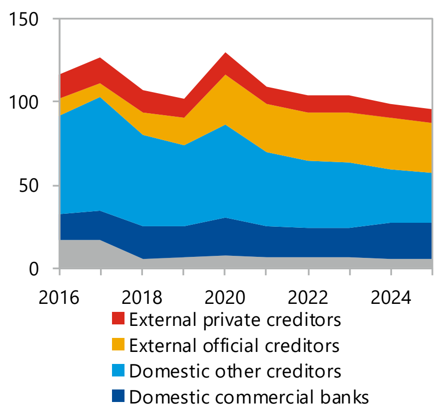
(Fiscal year)

Debt by Currency (Percent of GDP)



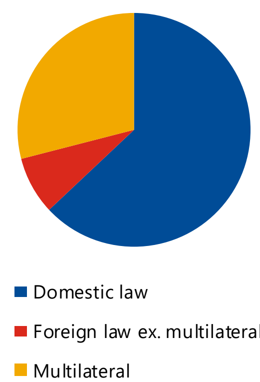
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



Note: The perimeter shown is general government.

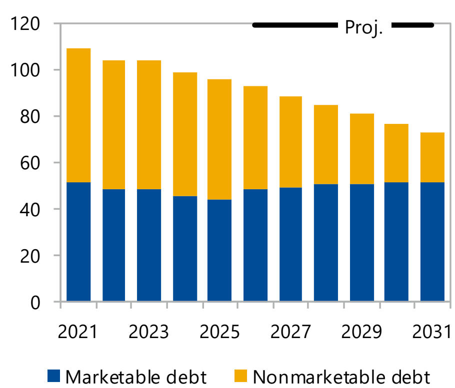
Public Debt by Governing Law, 2025 (percent)



Note: The perimeter shown is general government.

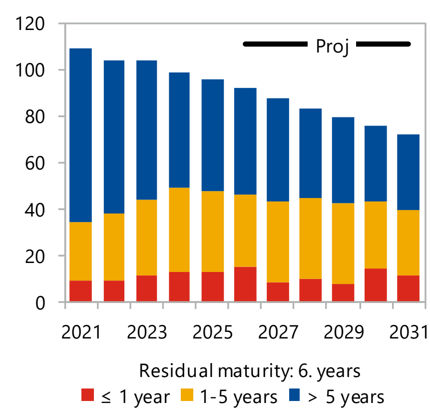
Source: The Barbadian authorities.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



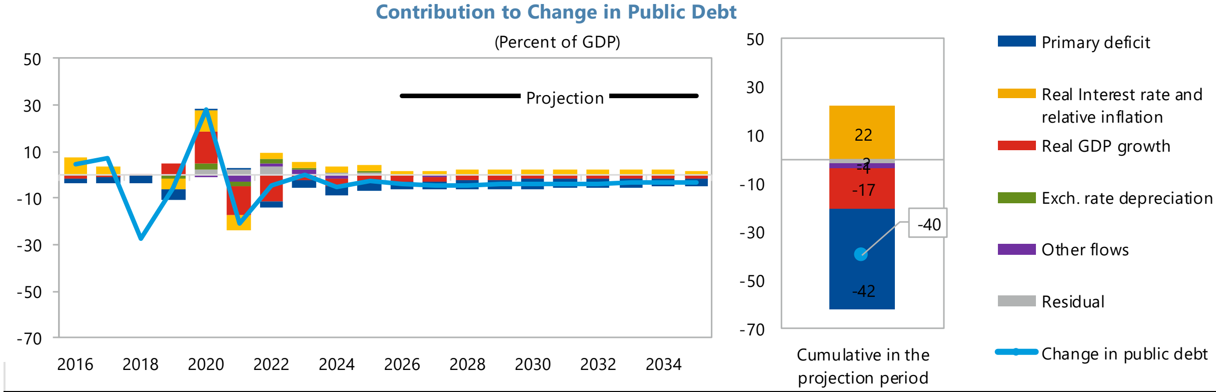
Note: The perimeter shown is general government.

Commentary: Re-entry into international capital markets has increased the share of marketable debt for the projection horizon. However, maturing short-term and long-term debt are assumed to be replaced by medium-term debt, increasing the share of medium-term debt in total debt.

Annex II. Figure 3. Barbados: Baseline Scenario
(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection						
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Public debt	96.0	91.8	87.5	83.3	79.3	75.5	71.7	68.0	64.9	61.7	58.5	56.0	53.6	51.1
Change in public debt	-2.9	-4.2	-4.3	-4.2	-4.0	-3.8	-3.8	-3.8	-3.1	-3.1	-3.2	-2.4	-2.5	-2.5
Contribution of identified flows	-4.1	-3.9	-4.0	-4.1	-3.8	-3.7	-3.6	-3.6	-2.9	-3.0	-3.1	-2.3	-2.3	-2.4
Primary deficit	-4.2	-3.5	-3.5	-4.1	-4.1	-4.1	-4.1	-4.1	-3.7	-3.7	-3.7	-2.9	-2.9	-2.9
Noninterest revenues	26.8	28.5	26.6	26.5	26.4	26.3	26.2	26.2	26.2	26.2	26.2	26.2	26.2	26.3
Noninterest expenditures	22.6	25.0	23.1	22.4	22.3	22.2	22.1	22.1	22.5	22.5	22.5	23.3	23.3	23.3
Automatic debt dynamics	0.3	-0.1	-0.1	0.3	0.5	0.5	0.6	0.6	0.8	0.7	0.6	0.6	0.6	0.6
Real interest rate and relative inflation	2.5	2.0	1.9	2.1	2.2	2.1	2.0	2.0	2.1	2.0	1.8	1.8	1.7	1.6
Real interest rate	2.8	1.8	1.6	2.0	1.9	1.9	1.8	1.8	2.0	1.9	1.7	1.6	1.6	1.5
Relative inflation	-0.3	0.1	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.2	0.1
Real growth rate	-2.5	-2.1	-2.0	-1.8	-1.6	-1.6	-1.5	-1.4	-1.3	-1.3	-1.2	-1.1	-1.1	-1.1
Real exchange rate	0.3	…	…	…	…	…	…	…	…	…	…	…	…	…
Other identified flows	-0.2	-0.3	-0.4	-0.3	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	-0.8	-0.4	-0.4	-0.4	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.5	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	1.2	-0.2	-0.3	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1
Gross financing needs	11.6	11.8	8.7	9.2	7.0	8.8	11.7	10.0	9.3	6.8	7.7	10.6	9.1	8.7
of which: debt service	16.6	15.8	12.7	13.8	11.4	13.0	15.9	14.2	13.0	10.5	11.4	13.5	12.0	11.7
Local currency	12.7	12.2	9.2	10.0	7.8	9.2	12.1	10.8	9.7	7.1	8.4	10.8	9.3	9.0
Foreign currency	3.8	3.5	3.4	3.7	3.7	3.9	3.8	3.4	3.3	3.4	3.0	2.7	2.7	2.7
Memo:														
Real GDP growth (percent)	2.6	2.2	2.3	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	1.7	2.6	2.8	2.6	2.6	2.6	2.6	2.6	2.5	2.4	2.5	2.5	2.5	2.5
Nominal GDP growth (percent)	4.3	4.9	5.2	4.7	4.6	4.7	4.6	4.6	4.5	4.5	4.6	4.5	4.6	4.6
Effective interest rate (percent)	4.7	4.6	4.6	4.9	5.0	5.1	5.1	5.2	5.5	5.4	5.4	5.4	5.4	5.4

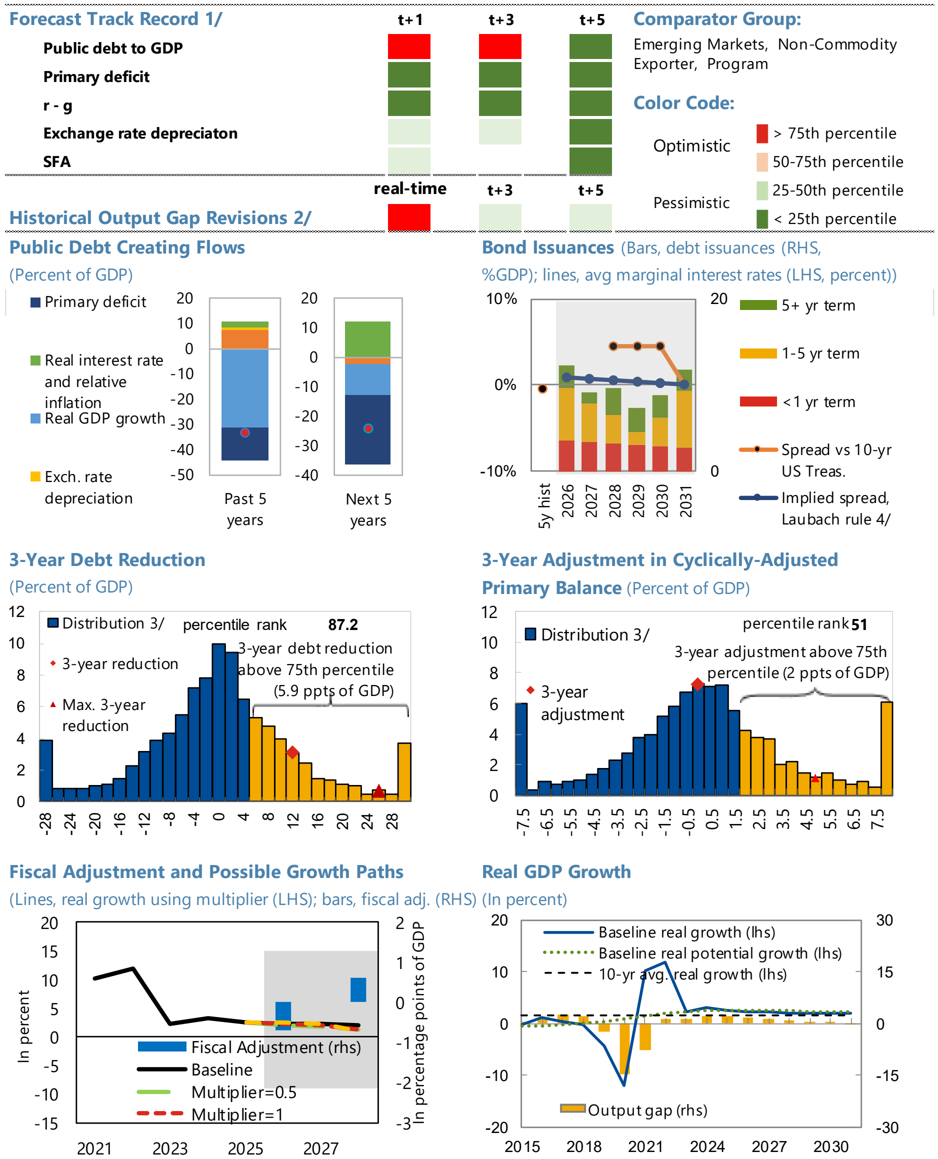
Contribution to Change in Public Debt



Commentary: Public debt continues on a downward trajectory. It is projected to continue declining to meet the long-term target of 60 percent of GDP by FY2035/36, driven by prudent fiscal policies and steady economic growth. Gross financing needs in 2025 increased due to prepayment of the 2029 bond and early repurchase of IMF debt, are expected to remain steady in 2026 due to higher share of short-term domestic debt, but are projected to be about 1 percent of GDP lower than estimated at the fifth review of the EFF and RSF programs over the medium term, reducing refinancing risks. The increase in GFNs in 2030 is due to the onset of Liability Management Operation amortization. The contribution to debt reduction from contingent liabilities reflects SOEs' principal payment of guaranteed debt while residual contribution in the medium to long term reflects the real effective exchange rate.

Annex II. Figure 4. Barbados: Realism of Baseline Assumptions

(Fiscal year)



Commentary: Stronger primary surpluses compared to the past are expected to continue driving debt down in the next five years but the decline will be mitigated by rising interest rates on external debt coupled with slowing growth as it returns to its long run steady state. While the realism tools suggest that the projected medium-term debt reduction is optimistic, staff see it as feasible given the authorities' strong commitment to fiscal discipline and structural reforms. With moderate fiscal adjustment expected in FY2025/26 followed by a steady primary surplus looks pessimistic in comparison to Barbados' recent episode of fiscal adjustment. The decline in bond issuance in 2029 is due to lower amortization of long-term domestic debt.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

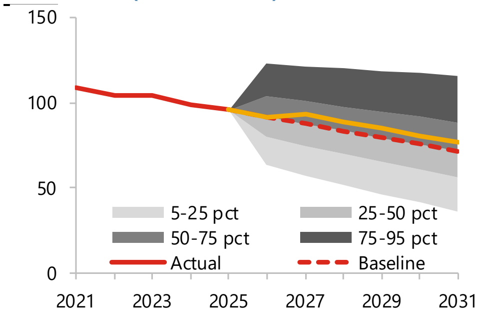
4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex II. Figure 5. Barbados: Medium-Term Risk Analysis

(Fiscal year)

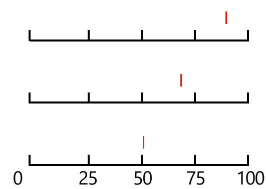
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (Percent of GDP)

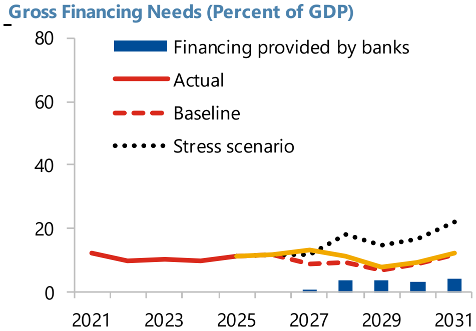


Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	79.4	1.2
Probability of debt non-stabilization *(percent)*	8.4	0.1
Terminal debt-to-GDP x institutions index	34.3	0.7
Debt fanchart index (DFI)		2.0
Risk signal: 3/		**Moderate**

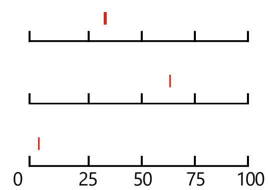


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

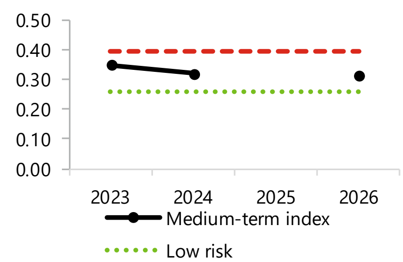
	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	9.6	3.3
Initial Banks' claims on the gen. govt *(pct bank assets)*	17.6	5.7
Chg. In banks' claims in stress *(pct banks' assets)*	3.1	1.0
GFN financeability index (GFI)		10.0
Risk signal: 4/		**Moderate**



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	2.0	0.4	0.5	0.2
GFN financeability index	10.0	0.2	0.5	0.1
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2026-2031, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2026-2031, if stress predicted: 25.0 pct.

Commentary: The overall mechanical signal for the medium-term risk analysis is moderate due to moderate risk ratings on both the debt fanchart and the GFN financeability indices. The debt fanchart is moderate because of the large width of fanchart which falls above the 75th percentile, reflecting Barbados' history of high macroeconomic volatility. With a GFN Financeability index of 9.6, the GFN financeability module is moderate, reflecting manageable GFNs over the medium term. The triggered stress test suggests even with a natural disaster shock the medium-term index would remain within the moderate risk threshold.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

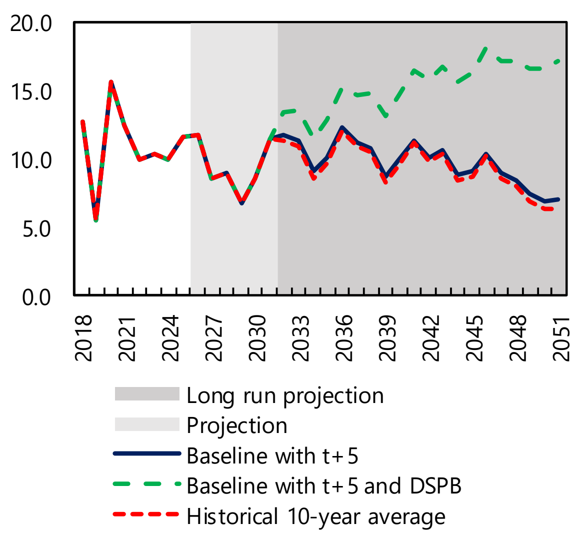
Annex II. Figure 6. Barbados: Long-Term Risk Analysis

(Fiscal year)

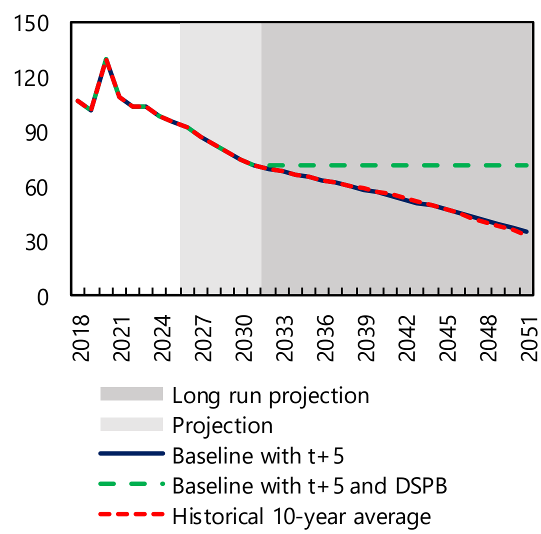
Barbados: Long-Term Risk Assessment: Large Amortization

Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Historical average assumptions	GFN-to-GDP ratio	
	Amortization-to-GDP ratio	
	Amortization	
Overall Risk Indication		

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: The analysis shows gradual declines in GFN and debt relative to GDP both under the baseline and custom scenarios. The increase in GFNs after 2030 under the baseline reflects the maturity of the 2035 Eurobonds but stabilizes thereafter. GFNs under the baseline with t+5 and DSPB would rise to 20 percent of GDP highlighting the importance of sustaining the consolidation and reform momentum.

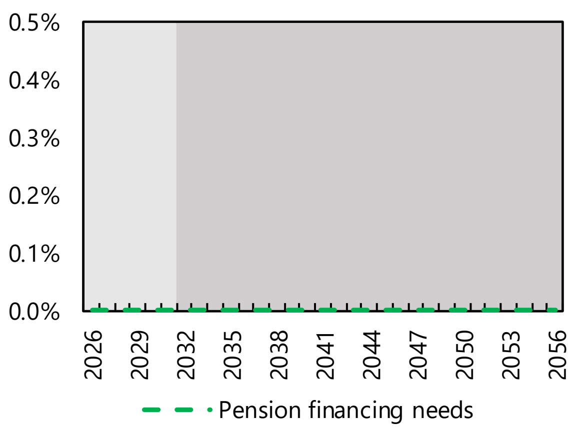
Annex II. Figure 6. Barbados: Long-Term Risk Analysis (continued)

(Fiscal year)

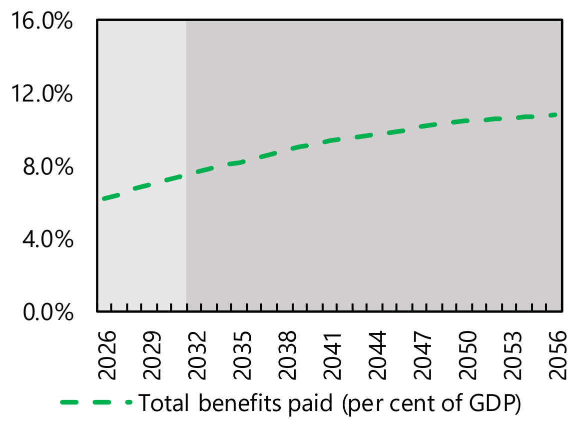
Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	0.0%	0.2%	0.4%

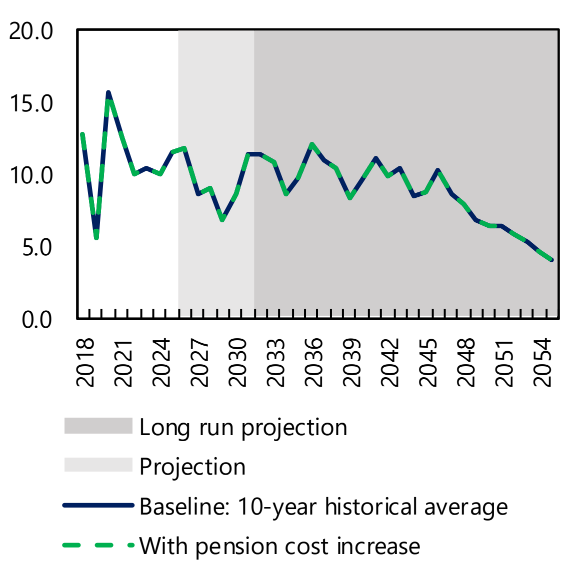
Pension Financing Needs



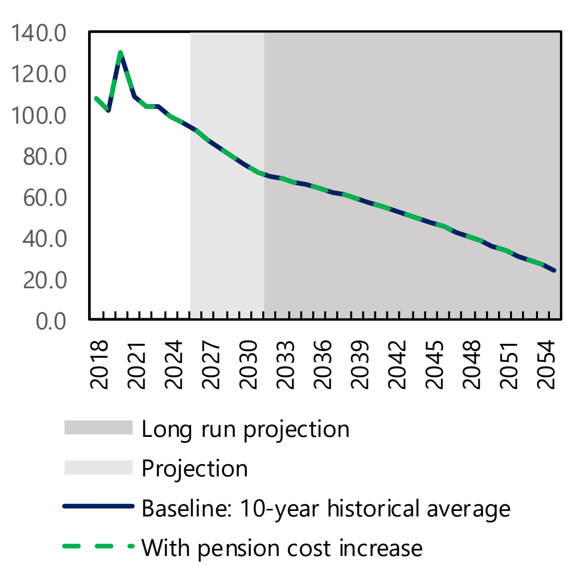
Total Benefits Paid



GFN-to-GDP Ratio



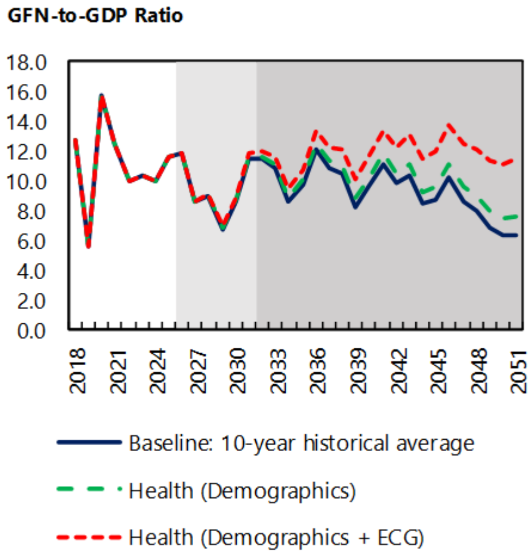
Total Public Debt-to-GDP Ratio

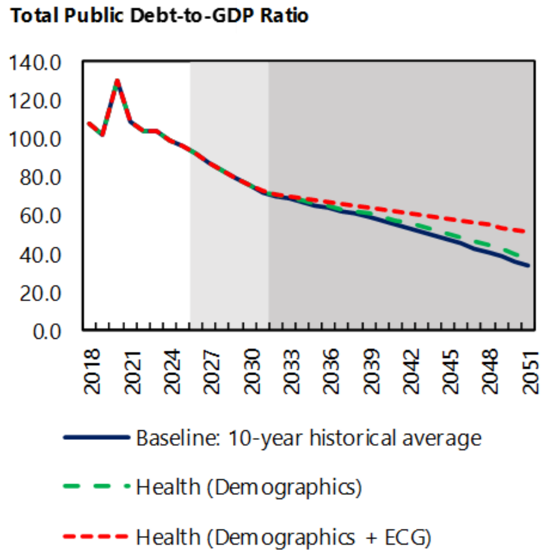


Commentary: The parametric changes between 2022 and 2023 boosted contributions while slowing the growth of pension benefits, and are expected to make the National Insurance Scheme financially sustainable for 25-30 years. The increase in pension benefits is mainly driven by the rising old-age dependency ratio and is expected to peak by the mid-2050s. Thus, GFNs-to-GDP and total public debt-to GDP ratios are expected to track the baseline projections over the projection horizon.

Annex II. Figure 6. Barbados: Long-Term Risk Analysis (continued)
(Fiscal year)

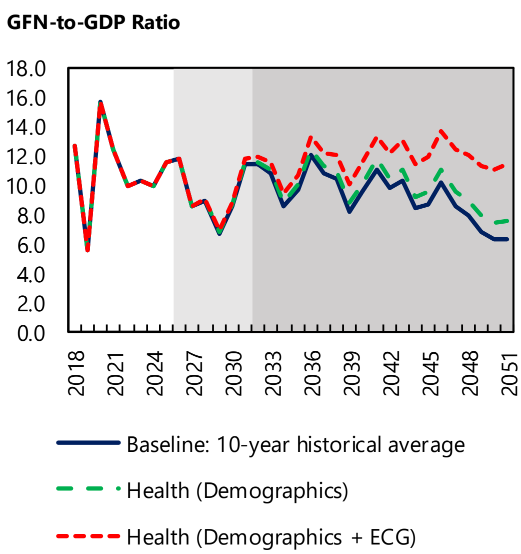
Demographics: Health

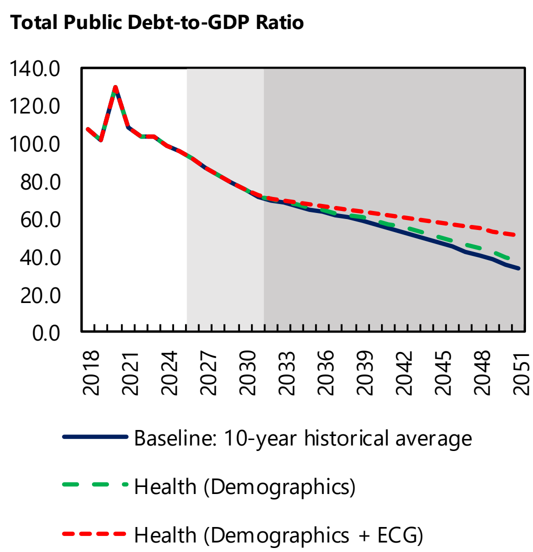




Commentary: The current healthcare expenditure policies would not significantly impact GFNs or the long-term debt path as population aging over the next 25 years is expected to be gradual.

Demographics: Health



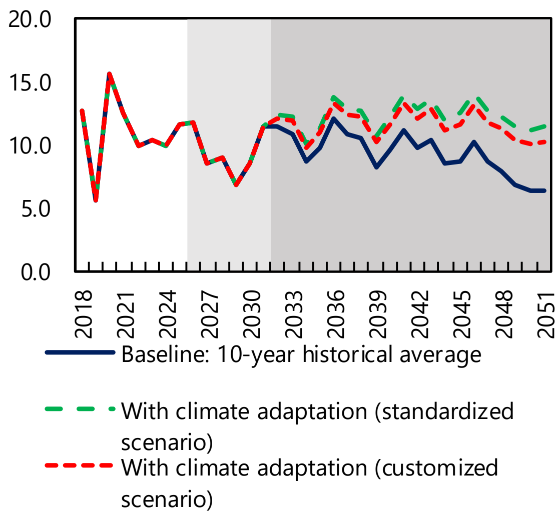


Commentary: The current healthcare expenditure policies would not significantly impact GFNs or the long-term debt path as population aging over the next 25 years is expected to be gradual.

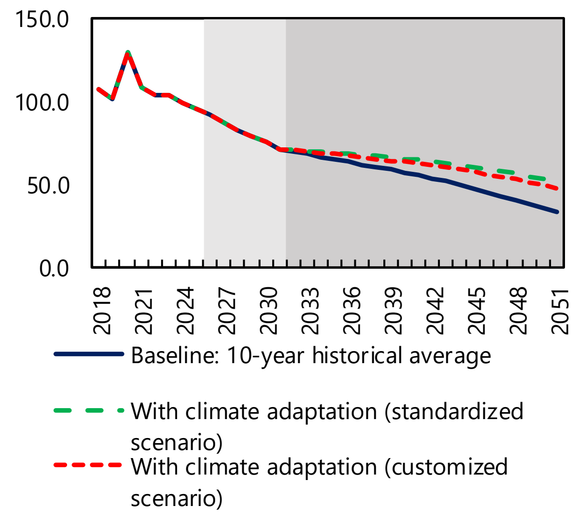
Annex II. Figure 6. Barbados: Long-Term Risk Analysis (concluded)
(Fiscal year)

Climate Change: Adaptation

GFN-to-GDP Ratio



Total Public Debt-to-GDP Ratio



Commentary: Adaption expenditures would not significantly impact GFNs and the long-term debt path. Adaptaion expenditure is expected to be financed within the budget and, with the creation of the Resilience and Regeneration Fund, through additional revenue measures.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Barbados in 2025 was broadly in line with the level implied by fundamentals and desirable policies. The current account deficit widened to 5.7 percent of GDP from 3.7 percent in 2024, reflecting a combination of strong import growth for capital equipment and construction materials, lower re-exports, and the winding down of one-off current transfers related to corporate income tax receipts. Reserve coverage remains ample, supporting the exchange rate peg. The current account is expected to strengthen over the medium term as import growth moderates and commodity prices decline, while tourism-related exports remain robust. External sector statistics present shortcomings, including data limitations on the international investment position.*

Potential Policy Responses: *Policies to maintain the external position in line with fundamentals include (i) maintaining strong fiscal balances to safeguard public debt sustainability, while preserving adequate social and capital spending, (ii) sustaining investments to strengthen resilience against natural disasters and commodity price volatility, and (iii) implementing reforms to facilitate private investment, boost competitiveness, and unlock potential growth.*

Foreign Assets and Liabilities: Position and Trajectory[1]

Background. Barbados' external debt obligations are largely public. Total public and publicly guaranteed external debt stood at about 40 percent of GDP as of end-2025, accounting for 40 percent of total public debt. Outstanding debt to all multilateral creditors stood at about 28.6 percent of GDP, or 71.5 percent of the total external debt stock (see the DSA Annex). In June 2025, Barbados regained access to international capital markets. The liability management operation was broadly debt-neutral, with the proceeds of the US$500 million bond issuance largely used to repay existing debt (see Box 1 in Annex II).

Assessment. External borrowing is expected to continue in FY2026/27 and to gradually decrease over the medium term supported by high primary surpluses. The successful return to international capital markets has smoothed external amortization and reduced medium-term financing pressures, while multilateral financing has provided additional support for development and resilience investments. Over the medium term, gross financing needs are expected to be covered through a mix of IFI loans, domestic borrowing, and moderate market issuances (see the DSA Annex).

Current Account

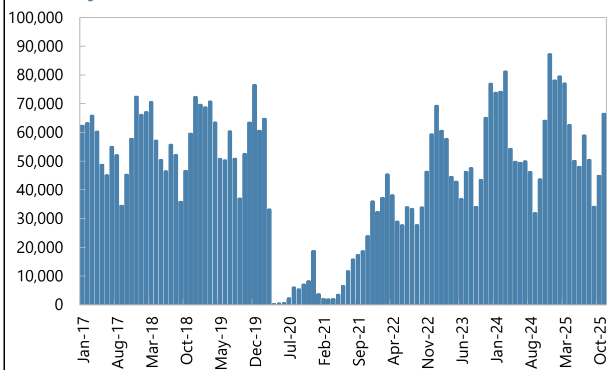
Background. The current account (CA) deficit, which averaged around 3.2 percent of GDP during 2015–19, widened to around 7.7 percent of GDP in 2021-23 due to the impact of the pandemic on tourism and the surge in global commodity prices and freight costs. The CA deficit narrowed sharply to 3.7 percent in 2024 supported by tourism receipts, declining import prices, and one-off current transfers related to corporate tax. However, the CA deficit widened again to 5.7 percent in 2025, due to increasing investment-related imports following strong construction activity. Re-exports declined due to a reduction in the intermediate goods component, while lower CIT receipts also contributed to the CA deficit.

More broadly, recent revisions to the national accounts and BoP statistics affected the level and composition of the CA. Revisions were concentrated in wholesale and retail trade—reflecting updated estimates of merchanting—as well as in selected services sectors. These revisions improve the measurement of external transactions but do not materially change the drivers of the CA or its assessment.

[1] Data limitations do not allow an analysis of the net foreign asset position (with the latest official IIP as of 2010). The assessment in this section is based on Debt Sustainability Analysis.

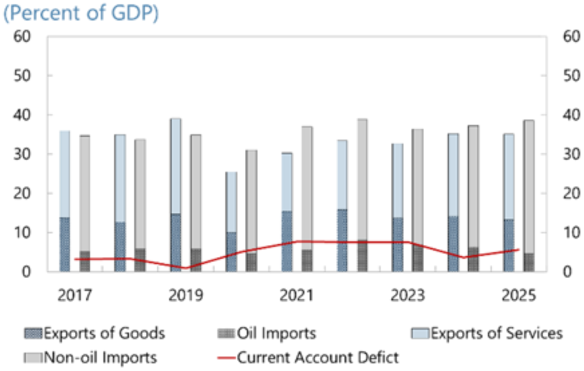
Tourist Arrivals and Current Account Developments

Monthly Tourist Arrivals



Source: Barbados Statistical Service.

Trade
(Percent of GDP)



Sources: Central Bank of Barbados and IMF staff calculations.

Assessment. The EBA-Lite CA model, which compares the CA balance with the estimated CA norm and infers the real exchange rate adjustment needed to close the gap, suggests that Barbados' external position in 2025 was broadly in line with the level implied by fundamentals and desirable policies. The cyclically adjusted CA balance is estimated at –5.1 percent of GDP. Compared with a multilaterally consistent estimated cyclically adjusted CA norm of –5.1 percent of GDP, this implies a current account gap of 0 percent of GDP. The policy gap is estimated at +0.9 percent of GDP, driven primarily by continued fiscal effort and public health spending. Staff expects the CA deficit to widen in 2026 and to gradually converge toward the norm over the medium term.

EBA-lite Model Results, 2025

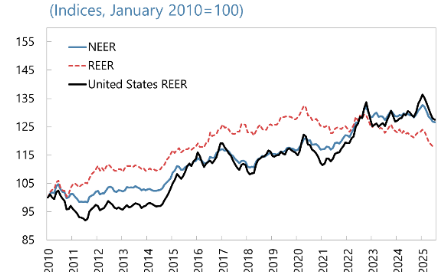
	CA model 1/	**REER model** 1/
	(in percent of GDP)	
CA-Actual	**-5.7**	
Cyclical contributions (from model) (-)	-0.3	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	-0.3	
Adjusted CA	**-5.1**	
CA Norm (from model) 2/	**-5.1**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-5.1**	
CA Gap	**0.0**	**-0.9**
o/w Relative policy gap	0.9	
Elasticity	-0.3	
REER Gap (in percent)	**0.0**	**3.8**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. Given its peg to the U.S. dollar, Barbados' real exchange rate broadly mirrored the evolution of the US dollar over time, while differences in inflation dynamics led to some divergence in the medium-term trend. Following a period of appreciation through 2022–23, the real effective exchange rate (REER) eased during 2024 and into 2025, reflecting both a moderation in the U.S. dollar against major trading partners' currencies and relatively contained domestic inflation in Barbados.

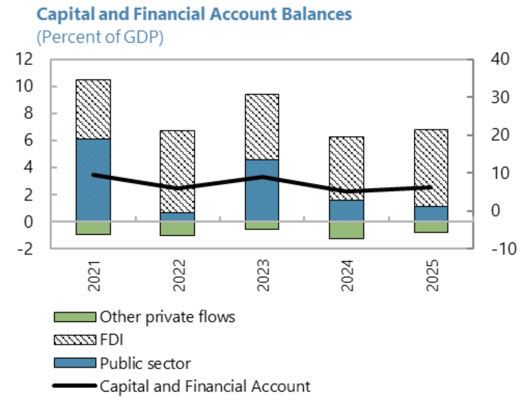
Nominal and Real Effective Exchange Rates
(Indices, January 2010=100)



Sources: INS and IMF staff calculations.

Assessment. The CA gap estimated under the EBA-Lite CA model implies a REER in line with fundamentals, based on an estimated elasticity of –0.3. The EBA-Lite REER model points to an overvaluation of about 3.8 percent. Given that the CA model better captures the evolving nature of Barbados' external position, staff assesses the REER gap to be of around 0 percent, in line with the CA model results.

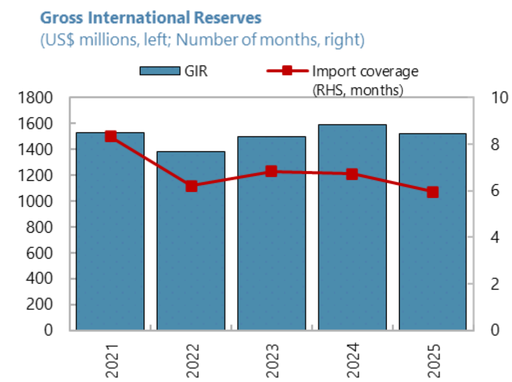
Capital and Financial Accounts: Flows and Policy Measures



Background. Barbados relies primarily on official inflows and FDI (which averaged 5.6 percent of GDP between 2020 and 2023) to finance the current account deficit. Following a moderation in 2024, FDI strengthened in 2025 to about 5.7 percent of GDP, largely driven by tourism-related investment projects, financing the bulk of the current account deficit.

Assessment. Ongoing efforts to enhance the business environment, attract private investment, and mobilize financing to build resilience to natural disasters, should help increase the share of the private sector in the external financing mix in the coming years. The authorities should consider the eventual removal of the 2 percent foreign exchange fee, a capital flow management measure that was introduced in 2017, implementing offsetting revenue-raising measures, as necessary.

FX Intervention and Reserves Level



Background. International reserves remained ample in 2025, ending the year at about US$1.5 billion, equivalent to around 6 months of imports of goods and services and 194 percent of the Fund's reserve adequacy metric.[2] The slight decline in reserves in 2025 reflected the wider CA deficit and early repurchases to the Fund of around US$100 million, which were only partly offset by continued tourism receipts and external financing inflows.

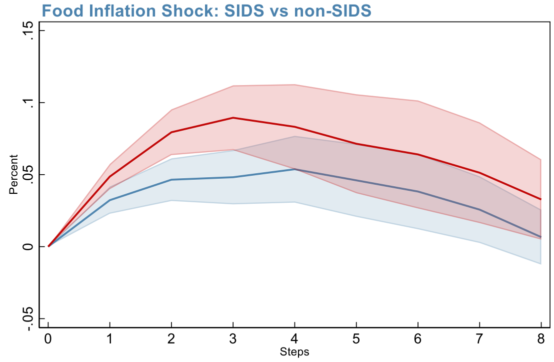
Assessment. Reserve coverage remains ample, providing strong support to the exchange rate peg. Given uncertainties surrounding the global economy and intensifying natural disaster-related risks, Barbados needs to maintain adequate FX buffers. Reserves are projected to remain adequate during the projection period, at around 4.7 months of imports and close to a level of 150 of the Fund's reserve adequacy metric.

[2] The ARA metric for 2025 excludes debt that was repaid early as part of the 2025 liability management operation. Specifically, external long-term debt amortization reflects projected debt maturing over the next 12 months net of the early repurchase of the 2029 Eurobond (about B$449 million). This treatment is consistent with the forward-looking nature of the ARA metric and avoids overstating near-term rollover risks.

Annex IV. Inflation Vulnerability in Barbados

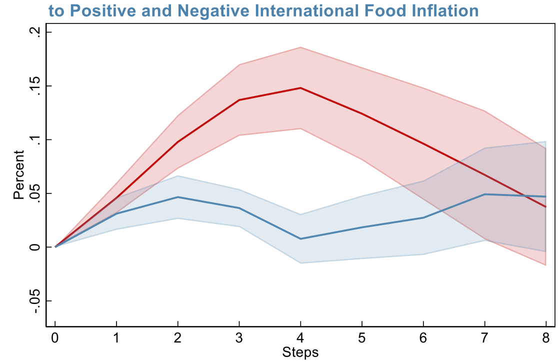
1. As a small island developing state, Barbados is highly vulnerable to international commodity-price shocks. Recent research shows that Small Island Developing States (SIDS) are approximately twice as vulnerable to international food inflation shocks as non-SIDS.[1] In addition, the vulnerability is asymmetric—positive food-price shocks have a larger and more persistent impact than similarly sized negative shocks, implying a possible upward drift of inflation over time resulting from international food inflation shocks.

Domestic Inflation Impulse Responses to an International Food Inflation Shock: SIDS vs non-SIDS



Note: x-axis in quarters; t=0 is the quarter of the shock (1% to global food inflation). The solid lines are the local projection impulse response functions (reported in percentage points), where small island developing states (SIDS) are represented by red and non-SIDS are represented by blue. The corresponding shaded areas represent their 68 percent confidence bands.

SIDS Domestic Inflation Impulse Responses to Positive and Negative International Food Inflation



Note: x-axis in quarters; t=0 is the quarter of the shock (1% to global oil inflation). The solid lines are the local projection impulse response functions (reported in percentage points), where positive shocks are represented by green and negative shocks are represented by the color red. The corresponding shaded areas represent their 68 percent confidence bands. Negative impulse responses and corresponding confidence bands are inverted to facilitate the visual comparability of positive and negative shocks.

Source: Barbados Statistical Service and IMF staff elaboration.

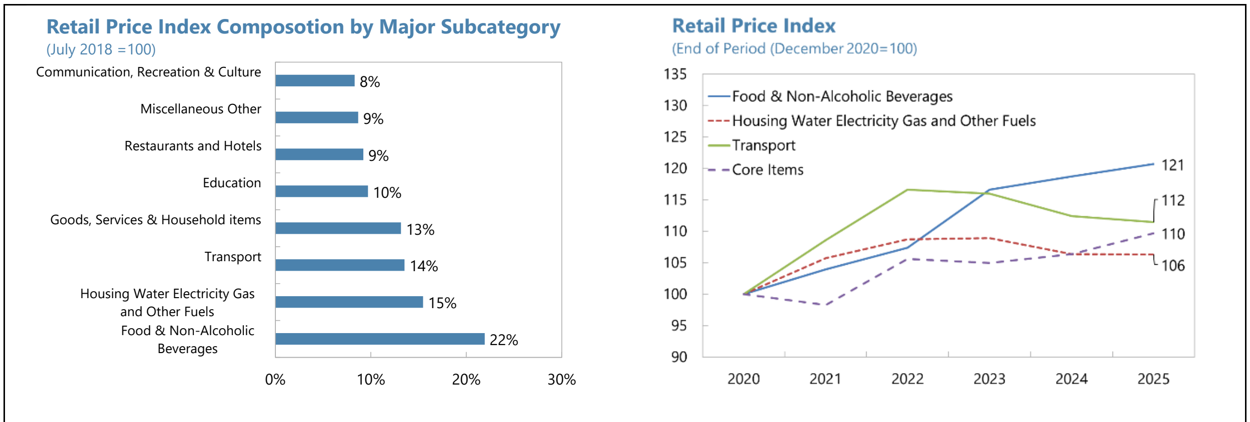
2. Vulnerability to global inflation shocks seems to be driven primarily by market structures in SIDS. The nature of supplying SIDS with food imports could give firms greater market (and hence pricing) power relative to firms that supply larger and more well-connected countries. In addition, to operate profitably in SIDS, where order sizes tend to be small due to limited market size, larger markups and greater profits may be needed to compensate for the heightened uncertainty and greater risks associated with supplying remote island nations (e.g. variable shipping costs; risks of product spoilage). Finally, SIDS consumers may have fewer substitutes available when prices change—given the limited breadth of consumer goods supplied to SIDS—and thus be forced to accept higher prices when global food prices increase.

3. Recently, Barbados households have faced higher inflation for staples, especially food and beverages. The consumption basket of a typical Barbados household is dominated by food and beverages, as well as utilities and transportation-related goods (Figure 3). Since 2020, the cost of food and non-alcoholic beverages has risen by approximately 21 percent, double the 10 percent rise in prices for all core goods in the Retail Price Index. This development, alongside a large increase in

[1] See Laron Alleyne and Patrick Blagrave (2025) "Global Commodity Inflation Pass-through: Vulnerability of Small Island Developing States", IMF Working Paper No. 2025/138.

costs of transportation-related goods (12 percent), has likely disproportionately impacted lower-income households, given that these households need to devote more of their incomes to these staple goods.

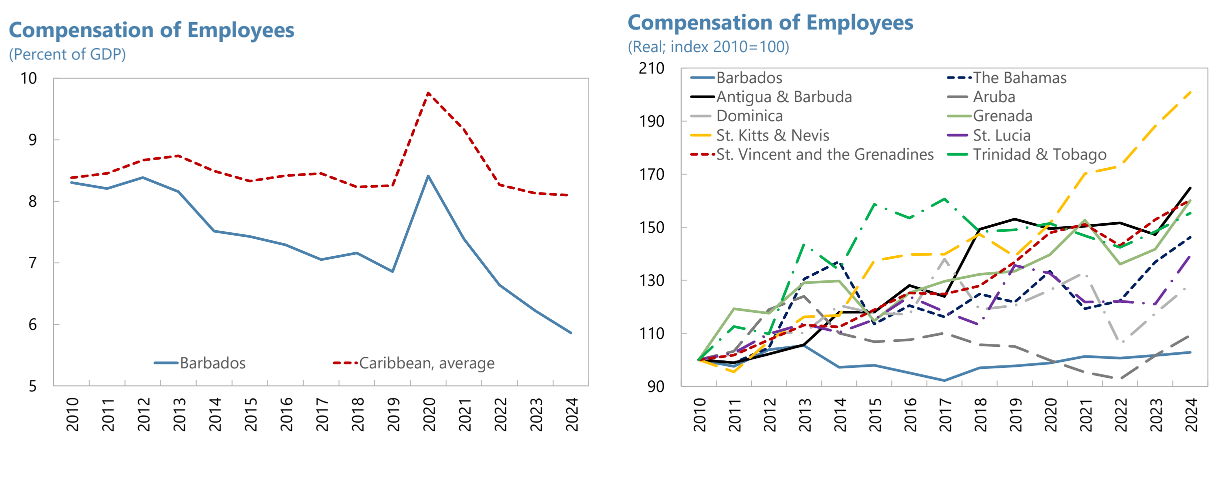
4. Policy options to combat inflation vulnerability require a multi-pronged approach, including collaborative efforts to enhance connectivity and accessibility. Redoubling the focus on food security, including the efficiency and orientation of domestic production, can support product diversification and self-sufficiency. Nevertheless, geographic limitations will remain a binding constraint, and therefore regional and international collaboration remains important to address food security, including by exploring a range of alternate suppliers within the region. In addition, pooling orders at a regional level—such as by creating a regional food hub—could help exercise greater market power in making purchases. Evidence in the literature shows that addressing food dependency can also pay dividends by reducing the exposure to broader structural vulnerability, implying important broader economic benefits from action in this area.



Sources: The Barbadian authorities, and IMF calculations

Annex V. Public Sector Employment and Compensation

1. Since 2018, the government has successfully reduced the public sector wage bill, supporting its broader fiscal consolidation efforts. Barbados' government wage bill has declined from 8 percent of GDP in 2010 (at par with the regional average) to 6 percent of GDP in 2024. This progress reflects a combination of wage restraint and headcount reductions through attrition. A series of low nominal wage increases has maintained Barbados' public sector real wage bill at 2010 levels, versus growth in the Caribbean region ranging between 30 and 100 percent. In Barbados, public sector employment in 2024 was also significantly lower than peers, representing around 6 percent of Barbados' working-age population vs. 9 percent in other small emerging economies.



Source: World Economic Outlook, IMF staff calculations.

2. Looking ahead, the authorities are committed to maintaining the sustainability of the public wage bill. The program envisages that the wage bill remains broadly stable at around 5.5 percent of GDP over the medium term (2.3 percent real growth), supported by continued prudent wage and hiring policies.

3. Barbados, like other SIDS, continues to face public sector employment challenges, particularly with respect to skills gaps and recruitment. Historically, Barbados' central government vacancy rates have been high (averaging around 30 percent) across most ministries, departments, and agencies. Recruitment challenges are likely to reflect a range of structural issues, including an aging and declining population. The relatively small population size creates inherent capacity constraints and skills mismatches. Moreover, the ratio of population aged 65 and above to total population increased from 12 to 16 percent from 2010 to 2023, while the "brain drain" of specialized labor migrating in search of better remuneration also stretches limited human capital.[1] In Barbados, central government recruitment and skills gap challenges are also exacerbated by the

[1] Jaupart (2023) estimates Barbados' emigration at 35 percent, of which about half are tertiary educated (Wong, 2017).

current framework for appointing public servants, which limits Ministries' autonomy to appoint, retain and promote staff for technical, departmental positions.

4. To address structural demographic challenges, the government is implementing population and talent-attraction policies. The government's 2024 Population Policy, along with the 2025 Immigration Bill and Barbados Citizenship Bill aim to promote active ageing, labor force participation, and skill attraction and retention. The objective is to strengthen links to diaspora and expand pathways to permanent residency and citizenship for eligible CARICOM nationals and non-national descendants of Barbadians. Such efforts could also encourage skills transfer and circular migration (Bassarsky, Gu, & Spoorenberg, 2024).

5. The government is also focused on education reform and on expanding training initiatives. Despite high per unit costs of training specialized labor for SIDS, the government should continue to accord priority to human resource development and training in specific fields, with a view of improving administrative capacity (Chittoo, 2011). To this end, BERT 2026 provides a renewed focus on various training schemes, including the National Transformation Initiative, Youth Advance Corps, Apprenticeships Scheme, and First Jobs. Leveraging the results of the recent IDB Skills Gap study, the government should also seek opportunities for IT modernization and development of AI skills to automate processes and support data analytics to tackle capacity constraints.

6. Regional efforts could also help to alleviate national skill shortages. SIDS like Barbados could benefit from renewed efforts to strengthen regional co-operation through pooling of resources and expertise (Chittoo, 2011). While discussions for full labor movement at CARICOM level are ongoing and are likely to take time to have an impact, the authorities could take advantage of the implementation of the full labor movement between Barbados, Belize, Dominica, and St. Vincent and the Grenadines effective October 1, 2025.

7. In the meantime, the government should aim to fill key positions critical for strengthening policy institutions and public service delivery. Given fiscal constraints and skill gaps, Barbados should prioritize recruitment for positions that will help strengthen policy institutions and support critical service delivery. For example, recruitment in the Ministry of Finance could target filling key positions needed to support budget and fiscal policy formulation, and debt management operations. In this respect, a targeted re-grading of critical institutional positions could facilitate the recruitment of staff with the necessary technical skills by opening up a wider pool of talent, including from the private sector and potentially overseas.

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Annex VI. Revenue Mobilization: Recent Successes and Future Challenges

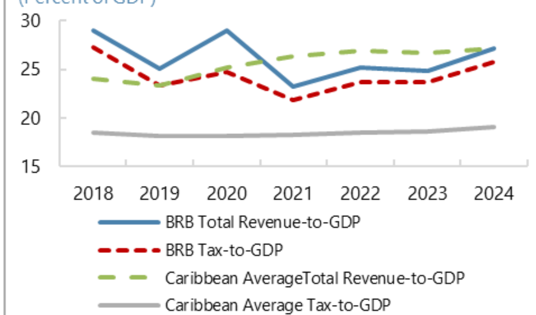
Context

1. Successful revenue mobilization has been a key driver of Barbados' sustained strong fiscal performance over the last few years. From FY2021/22 to FY2025/26, the primary fiscal balance increased by around 5 percentage points of GDP (from -0.7 to 4.2 percent of GDP). During this period, total revenues increased significantly from 23.2 percent of GDP to 26.8 percent of GDP.

Revenue Structure, Recent Performance and Policy Reforms

2. Total revenues in Barbados are high compared to other Caribbean countries. In 2024, total revenues reached around 27 percent of GDP, in line with the regional average. Barbados relies more heavily on tax revenues, which reached 26 percent of GDP (95 percent of total revenues), versus 19 percent of GDP (70 percent of total revenues) in Caribbean neighbors. Higher non-tax revenues in the latter reflect external grants, social security contributions, and miscellaneous income (including Citizen-by-Investment revenues).

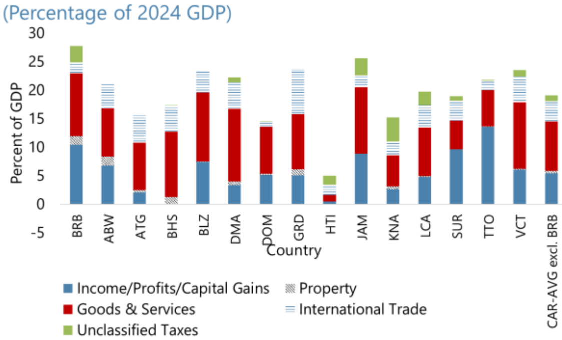
Total Revenue and Tax Revenue
(Percent of GDP)



Sources: WoRLD and IMF Staff elaboration

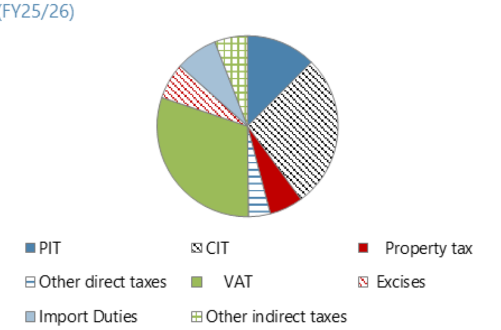
3. Barbados' tax revenue structure is also relatively diversified. The tax system is built around three key sources—VAT, CIT, and PIT—all of which have seen reforms under the BERT plans. Recent reforms have been aimed at developing a tax framework that promotes economic growth and equity, notably through an expansion of the VAT base, a restructuring of the CIT system, and a reduction in PIT rates.

Tax Revenue in Caribbean Countries
(Percentage of 2024 GDP)



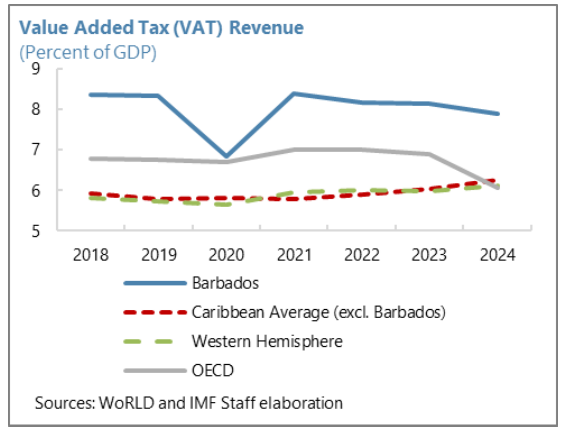
Source: WoRLD

Collections by Tax
(FY25/26)

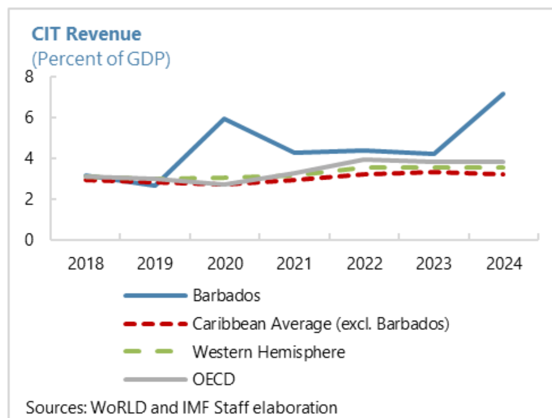


Sources: Barbadian authorities and IMF Staff elaboration

- **VAT** remains the linchpin of the indirect tax system, with collections surpassing those of other regional and OECD countries. The standard VAT rate in Barbados stands at 17.5 percent, slightly over the regional average, while the reduced rate is set at 7.5 percent. Recent policy changes have included rate adjustments and base broadening. In 2019, the 17.5 percent rate was expanded to foreign digital services provided by non-resident companies. In 2020, the reduced rate was increased to 10 percent for accommodation supplied by guest houses, hotels, and inns. Meanwhile, a 22 percent VAT rate was applied to telecommunications services. In 2022, in response to rising global commodity prices, the VAT on the first 250 kWh of household electricity consumption was reduced from 17.5 percent to 7.5 percent, and this measure remains in place. Some goods and services were also reclassified from zero-rated to exempt to reduce business claims of VAT on inputs.



- **CIT** collection has been notably strong in recent years, outpacing the Caribbean and OECD average. This largely reflects the substantial policy reforms implemented in 2024 to comply with Pillar Two of the OECD/G20 Inclusive Framework. Notably, a flat 9 percent CIT rate was introduced for most companies, replacing the old 1-5.5 percent sliding scale—the result of a major CIT reform that took effect in January 2019[1]—while small businesses with annual earnings below B$2 million continue to benefit from a preferential 5.5 percent rate. Additionally, from 2024 onwards, in-scope MNE groups with consolidated annual revenue of at least EUR 750 million will be subject to a 15 percent Qualified Domestic Minimum Top-Up Tax. Meanwhile, monthly CIT prepayments were introduced to enhance collection and compliance.

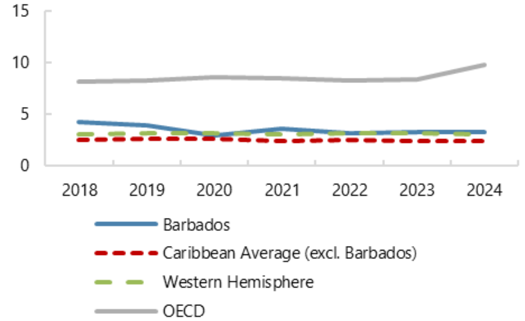


- **PIT** collection is above the Caribbean average but well below most OECD economies. This reflects reforms to create a more equitable rate structure. In 2018, progressive rates replaced the previous flat rate, with the introduction of a 16 percent rate for income up to B$50,000 and a higher 33.5 percent rate for income above that threshold. Further rate reductions followed in 2019, 2020, and most recently in 2026 with the top rate lowered to 27.5 percent and the lower rate to 11.5 percent, closer to CIT rates. In addition, a B$25,000 personal allowance was

[1] The 2019 reform harmonized domestic and international corporate tax regimes, eliminating ring-fenced low-tax structures, and expanding the effective tax base. Under the new structure, international companies that had previously paid very low rates (0.25–2.5 percent) were subject to a unified tiered rate system (1–5.5 percent), significantly increasing their potential tax liability.

introduced for working-age individuals in 2020 and increased in 2025 to B$40,000 (B$50,000 for pensioners). From 2023 to 2025, the government also introduced a series of targeted reliefs, including: incentives for homeowners and first-time buyers; expanded education expense deductions; income tax exemptions for remote workers under the Welcome Stamp program; tax-free meal allowances for hotel workers; and increased deductions for union members' dues.

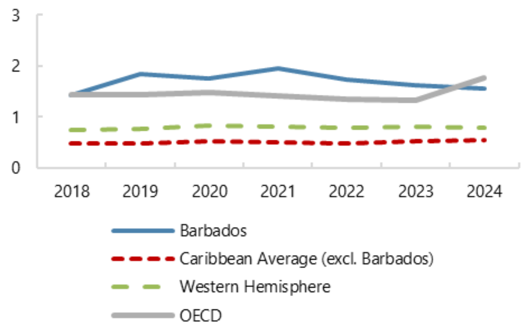
PIT Revenue
(Percent of GDP)



Sources: WoRLD and IMF Staff elaboration

- **Other Taxes / Levies**. Revenue collection from other taxes/levies is significant in Barbados. In particular, land (property) taxes and the 2 percent foreign exchange fee[2], represent 1.5 and 0.6 percent of GDP, respectively. For land tax, the exemption threshold on residential properties increased from B$150,000 to B$300,000 in 2023, and further to B$400,000 effective April 1, 2026, thereby extending relief to a larger number of homeowners. The 2 percent fee applied to the Barbados dollar value of foreign currency purchases and payments has been in place since September 2017. In addition, Barbados implemented a Tourism Tax Levy in 2018, which applies as a per-night charge to visitors staying in various types of accommodations. A 10 percent Shared Economy Levy was also established in 2018 for short-term rentals offered through digital platforms such as Airbnb or Booking.com, for providers not registered for VAT. On June 1, 2025, a new 20 percent excise tax on salty snack foods came into effect, as part of its strategy to tackle non-communicable diseases.

Property Revenue
(Percent of GDP)



Sources: WoRLD and IMF Staff elaboration

4. Tax expenditures remain substantial in Barbados. Reported indirect tax expenditures exceed 6 percent of GDP, mostly related to VAT import exemptions, largely benefiting industry and hotels. Moreover, recent Fund TA indicates that overall annual tax expenditures (direct and indirect) could exceed 10 percent of GDP, well above the global average of about 4 percent of GDP. In this context, the authorities are implementing reforms to rationalize tax expenditures. The old discretionary incentives system is going to be replaced with a formal rules-based framework, based on standardized reliefs for qualified investors and is going to be provided through centralized approvals. A time-bound transition process is underway requiring all pre-existing tax and customs waivers to requalify under the modernized duty and tax exemptions framework. The recertification process is expected to be completed in early 2027. In parallel, the government plans to develop a more comprehensive inventory of tax expenditures and a methodology to improve costing accuracy,

[2] A foreign exchange fee of 2 percent is charged on the sales of all foreign currencies, but is capped at B$100,000 per transaction. This includes all wire transfers, credit card transactions, and over-the-counter sales of foreign currencies.

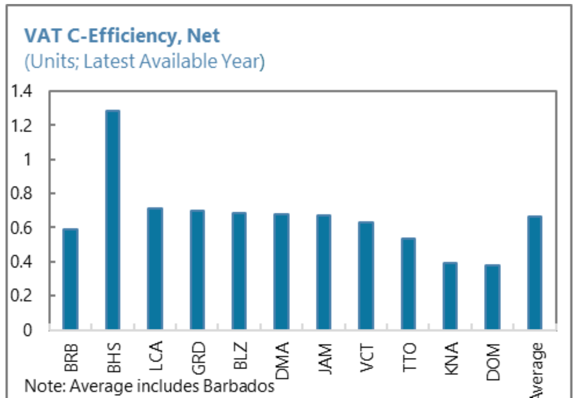
supported by Fund TA. Ensuring ongoing monitoring and transparent reporting will also be critical to guide policy decisions. While tax expenditure rationalization should reduce economic distortions and support revenue mobilization, though the size and timing of potential yields is difficult to forecast.

Tax Policy Reform Priorities

5. **Further tax reforms are necessary to facilitate the removal of distortive taxes and support growth and investment**. Since 2017, Barbados has maintained a 2 percent foreign exchange fee that is assessed to be a CFM measure. In the context of substantial improvements in macroeconomic conditions and the protection against capital outflows provided by longstanding capital controls, the authorities should remove the fee to reduce market distortions and support trade and investment. Alternative revenue sources should be identified to offset revenue losses (0.6 percent of GDP) and support broader fiscal and debt sustainability objectives.

6. **Moreover, given uncertain future CIT collections, further revenue-raising measures could be a critical element of contingency planning to support fiscal resilience.** Although activity in the global business sector strengthened in 2025, as evidenced by increased issuances of foreign currency permits and rising corporate remuneration, the CIT system remains relatively new and further corporate location decisions (both in and out of Barbados) could impact collections.[3] Moreover, the impact of various relief measures, such as incentives for intellectual property holdings, complicates revenue forecasting and will require ongoing evaluation. In addition, future revenues from the Qualified Domestic Minimum Top-Up Tax will depend on the evolving adoption of Pillar Two regulations, rules and related measures in Barbados and in other jurisdictions. For these reasons, it is prudent for the authorities to maintain conservative CIT projections and identify contingency plans.

Options



Note: Average includes Barbados
Sources: WoRLD, FAD Tax Policy Rate database, WEO and IMF Staff elaboration

- **Reforming the VAT System.** As a result of various reduced rates and compliance challenges, Barbados's VAT C-efficiency is estimated at 0.59, somewhat lower than the regional average of 0.66 and well below the small island average of 0.83.[4] In particular, VAT treatment in the tourism and real estate sectors has historically been a source of complexity and inefficiency in Barbados' tax system. Multiple

[3] Foreign currency permits increased by 1.3 percent in 2025, with permit renewals only declining by 0.1 percent.

[4] VAT C-Efficiency (VAT Revenue/(Total Final Consumption net of VAT Revenue *VAT Rate)) measures how effectively VAT captures consumption relative to its theoretical maximum. See *The modern VAT*. Chapter 4 Understanding the Revenue Performance of VAT (2001) International Monetary Fund, and *A Review of the VAT System in Barbados (2012),* Central Bank of Barbados.

exemptions and refund mechanisms create distortions and loopholes that reduce revenue potential. Against this background, reform options to generate incremental additional tax revenues could also be used to fund more targeted social transfers to protect the most vulnerable include:

1. Repealing the preferential 7.5 and 10 percent VAT rates for supplies related to tourism, so that these supplies are taxed at the standard 17.5 percent rate.

2. Broadening the VAT base to reinstate the basic principles of VAT on real estate, including taxing: (i) the first sales of newly constructed residential property; and (ii) all supplies of construction goods and services. Importantly, the existing housing rebate (section 55A) could continue to be targeted at low and middle-income households using property for residential purposes.

- **Reforming Land Tax.** The zero-rate threshold for residential property was recently increased to provide cost-of-living relief. The progressivity of the Land Tax could be further increased and additional revenue generated by: (i) eliminating the B$100k cap on the maximum amount of tax that can be collected on a residential property; (ii) increasing the top residential Land Tax rate by 0.25 percentage points; (iii) subjecting villas to the same valuation methodology and progressive tax rates as residential properties; and (iv) repealing the 50 percent hotel rebate and 25 percent villa rebate.

- **Reforming Fuel Excise Tax**. In the medium-term, once fuel prices have declined from current high levels, the Excise Tax on diesel should be increased to reduce the differential with gasoline and better reflect the external costs associated with the use of diesel by motor vehicles. Barbados currently imposes an Excise Tax on gasoline (99.39 cents per liter) that is more than double the rate on diesel (44.03 cents per liter), despite the fact that diesel use in motor vehicles results in relatively more local air pollution, greenhouse gas emissions, and roadway depreciation.

Potential Revenue Yields (% of GDP)

Policy Option	Estimated Yield
Removing Domestic VAT reduced rate	0.2
Removing Domestic VAT exemptions	0.4
Removing Import VAT border waivers	1.9
Reform of land tax (rebate elimination; cap removal; increase in top rate)	0.2
Reform of fuel excise tax (level up diesel to gasoline rate)	0.1
Total	**2.8**

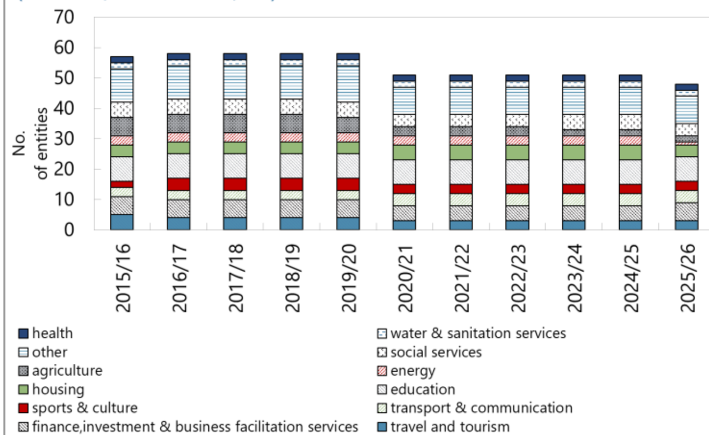
Sources: Estimates from IMF Technical Assistance Report "Tax Expenditure Reporting and Governance", March 2025; staff calculations using ASYCUDA World data from BCED and other country benchmarks.

Annex VII. State-Owned Enterprise Reform Agenda

Context

1. SOEs have played a significant role in the Barbados economy across a wide range of sectors. In some cases, non-commercial SOEs provide critical public goods and services (e.g. transport, water and sanitation services, and housing) in a context of limited private sector interest and capacity. They have also been used to encourage private development in specific sectors like tourism. In other cases, SOE operations have been more commercial in nature. Supporting SOE operations has entailed a significant fiscal cost for the government, requiring large recurring transfers to offset annual operating losses and the accumulation of debt. By FY2018/19, the total number of SOEs had reached 58, with government transfers reaching 6.7 percent of GDP.

Barbados SOE Landscape by Sector
(FY2015/16-FY2024/25)



Source: IMF Staff elaborations

Reform Agenda

2. SOE reform was a priority under the 2018 and 2022 BERT plans, with a focus on:

- *Increasing operational efficiency and profitability*. As part of BERT 2018, the government undertook cost reduction and revenue enhancement initiatives. These measures included mergers and closures, headcount reductions, renegotiation of costly supplier contracts, tariff adjustments (bus fares and water rates), and the introduction of new levies on sanitation, health, and tourism services. Under BERT 2022, further efforts were made to shift commercial activities to the private sector[1] and deliver efficiency gains while preserving service quality, with ministries, departments, and agencies required to undergo an efficiency and technology audit by end-2023/24.

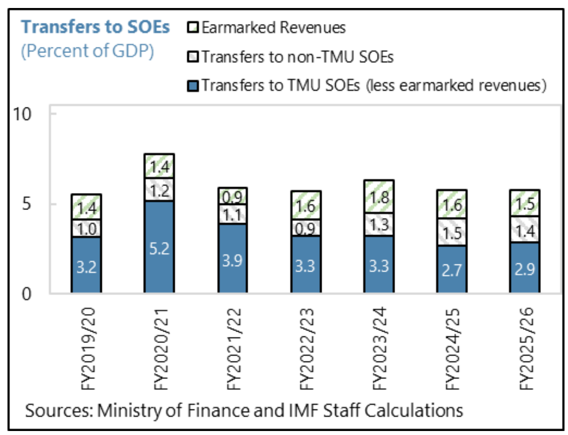
- *Improving financial monitoring and assessing financial viability*. The PFM Act passed in 2019 requires that all SOE borrowing be approved by the Minister responsible for Finance. Additionally, the development of an SOE financial health dashboard under the 2018 EFF provided the authorities with a mechanism to analyze the performance of priority SOEs, supporting the legislative requirement for the government and parliament to receive regular financial reports.

[1] Such initiatives included leasing *Caves of Barbados* to a private operator, the ongoing digital transformation of the *Caribbean Broadcasting Corporation*, and the pending restructuring of *Kensington Oval Management Inc*.

3. The authorities have pushed ahead with the restructuring of SOEs across a variety of sectors (Table 1). The authorities have taken steps towards the divestment of the Barbados Agriculture Management Company, although finalization of the landmark deal remains in question. The restructuring of the Transport Board and the National Housing Corporation are also underway. The amalgamation of the operations of the Rural Development Commission and the Urban Development Commission was also completed with the Rural and Urban Development Commission beginning operations in April 2025. In 2024, the Caribbean Broadcasting Corporation was restructured and transitioned into a fully digital broadcaster. Meanwhile, the Barbados National Oil Company Limited and the Barbados National Terminal Company Limited have transitioned to the Barbados National Energy Company Limited on April 2, 2025, with the National Petroleum Corporation joining in November 2025. Lastly, the Child Care Board, the National Assistance Board, the Welfare Department, and the National Disabilities Unit were amalgamated into the Social Empowerment Agency in March 2025 through the passage of the Social Empowerment Agency Act to improve efficiency and streamline services. The Social Empowerment Agency became operationally effective in January 2026.

Progress Update

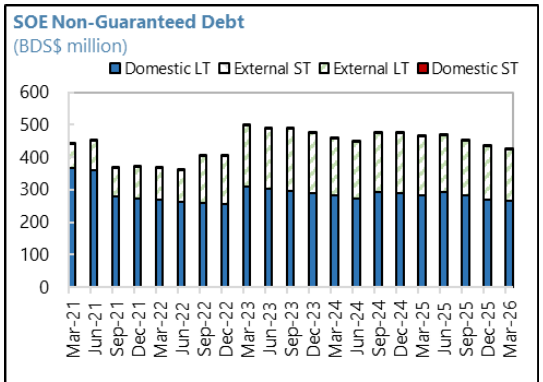
4. SOE reforms have enabled a reorientation of resources from commercial activities to public services and investment and supported fiscal consolidation efforts.



- *Current transfers to commercial SOEs have declined significantly*. Under previous EFFs, operational, cost efficiency, and enhanced monitoring reform initiatives were primarily directed towards 33 commercial SOEs (TMU SOEs). Current transfers to these entities were successfully reduced in line with program ceilings from 5.2 percent of GDP in FY2020/21 to 2.9 percent of GDP in FY2025/26. In the context of declining transfers, greater reliance on earmarked revenues in the form of the Airline Travel and Development Fee, the Garbage and Sewage Contribution Levy, and the Health Service Contribution also supported the operations of the Barbados Tourism Marketing Inc., the Sanitation and Service Authority, and the Queen Elizabeth Hospital, respectively.

- *Other transfers to SOEs* have increased gradually, reflecting a focus on investment and public service delivery, steadily increasing from 1.1 percent of GDP in FY2021/22 to 1.4 percent of GDP in FY2025/26. This has been largely driven by project-related capital transfers, averaging 1.4 percent of GDP over the course of the last three years. Other current transfers to non-TMU SOEs have remained broadly stable, notwithstanding small increases to reflect the reclassification of some entities, such as the National Cultural Foundation in 2024 and the establishment of new SOEs, such as Business Barbados.

5. Explicit SOE debt guarantees remain contained, though implicit contingent liabilities should continue to be monitored carefully. Government guaranteed SOE debt remained contained at BDS$69.8 million at end-March 2026 (0.4 percent of GDP). SOE non-guaranteed debt also remains stable at around BDSS$426 million (2.7 percent of GDP). However, implicit government guarantees remain a concern, including unfunded pension liabilities. Moreover, a potential weakening of SOE financial performance would increase risks of difficulties honoring other non-guaranteed SOE debt.



Sources: Ministry of Finance and IMF Staff Calculations

6. Nevertheless, progress in improving the operational efficiency of SOEs remains unclear, given limited data and reporting. For commercial SOEs, fiscal risk assessments from FY2021/22 to FY2023/24 showed a positive trend in aggregate financial indicators (liquidity, solvency and profitability), despite the reduction in government transfers. In contrast, financial indicators for non-commercial SOEs remained weaker, likely reflecting their broader role in the delivery of public services and continued reliance on government transfers to support operations. More recent fiscal risk statements have focused on a small number of SOEs, making it difficult to provide a more updated assessment on the financial impact of reforms.

Next Steps

7. An updated comprehensive assessment of the SOE sector is needed to take stock of reform progress and remaining challenges. The authorities' latest ambitious wave of reforms is expected to be completed in the near term. In this context, and given the scale of reforms over the last 6 years, an updated assessment will be essential to evaluate how operations have been rationalized and what efficiencies and fiscal savings can be expected, and to identify remaining policy challenges and risks. This exercise will be supported by Fund TA.

8. Enhanced SOE governance, monitoring, and reporting remains critical to ensure a durable improvement in operational efficiency and public service delivery, and a reduction in fiscal risks. Strong reporting mechanisms and risk-management practices are essential, including under the auspices of the Fiscal-technical Working Group, the Management Accounting Unit, and the Fiscal Risk Unit. Benchmarking, stress testing, and forecasting exercises implemented by these entities must continue. To promote the assessment of SOE financial performance, audited financial statements should be completed and reviewed by the Auditor General, consistent with PFM disclosure requirements. To strengthen the monitoring of fiscal risks, the Fund's Quarterly SOE-Health Check Tool could be used to standardize reporting.

Annex VII. Table 1. Barbados: Summary of SOE Reform Progress		
Entity	**Ministry**	**Reform Status**
Barbados Tourism Marketing Inc.	Ministry of Tourism & International Transport	Supported by earmarked revenues received through the Airline Travel and Tourism Development Fee introduced on October 1, 2018.
Grantley Adams International Airport		With a return to pre-2019 profitability levels, the Airport is pursuing a loan of about US$150 million to expand the passenger terminal building, including the passenger concourse, passenger screening, and outbound baggage screening. Construction is expected to begin in 2026, with completion by end-2027.
Caves of Barbados Limited		In September 2020, Cabinet approved a Management Agreement between the Caves of Barbados Ltd. (CBL) and Chukka Caribbean Adventures (Barbados) Ltd. (Chukka) for a 25-year lease. The Agreement provides Chukka with operational responsibility of CBL, while CBL remains the owner of Harrison's Cave.
Queen Elizabeth Hospital	Ministry of Health & Wellness	Supported by earmarked revenues received through the Health Service Levy introduced in 2018. Automation and other cost-reducing measures such as a consolidated inventory management system are amongst some of the active initiatives being undertaken. QEH is digitalizing its operations, including Accident and Emergency and the referral process for Rehabilitation and Clinical Dietic, as well as installing an industrial washer and extractor to improve efficiency. A US$200 million loan is expected to finance the construction of two multi-storey buildings that will include a modern laboratory and the oncology, burns, and operating theatre facilities.
National Housing Corporation	Ministry of Housing, Lands & Maintenance	Cabinet approval given in 2023. Focus to be shifted away from mass construction projects towards joint venture projects for low- and middle-income individuals.
Rural Development Commission		The Rural and Urban Development Commission Act was passed in March, 2025 and in April 2025, the entities officially started to operate as one with an interim CEO and two Directors, one Corporate and the other Technical.
Urban Development Commission		
Caribbean Broadcasting Corporation	Ministry of Home Affairs & Information	The Caribbean Broadcasting Corporation is currently undergoing restructuring and is transitioning into a fully digital broadcaster. As part of the 6-9 month transition all staff were made redundant in March 2025, with severance payments and other benefits. Short-term contracts were issued to staff needed to retain essential expertise to maintain day-to-day operations and support the digital transition. Enhanced offerings such as multiple free-to-air TV channels, mobile access to content and new digital revenue streams, including digital advertising and software updates are envisioned. No service disruption is anticipated during the transition.

<table>
<tr><th colspan="3">Annex VII. Table 1. Barbados: Summary of SOE Reform Progress (continued)</th></tr>
<tr><th>Entity</th><th>Ministry</th><th>Reform Status</th></tr>
<tr><td>Barbados Water Authority (BWA)</td><td>Prime Minister Office</td><td>Earmarked revenues derived from the Garbage & Sewage Contribution Levy initiated in August 2018. The BWA achieved significant savings through organizational restructuring, inclusive of voluntary and involuntary separation in 2018. The government is actively pursuing projects geared towards: improving its water distribution network; reducing non-revenue water; and, implementing water resource sustainability projects to reduce operational costs, such as photovoltaic installations at pumping stations.</td></tr>
<tr><td>Barbados Transport Board</td><td>Ministry of Transport, Works & Water Resources</td><td>A restructuring plan was initiated in 2019 involving increased bus fares, downsizing, the merger of departments, and the adoption of technologies to improve efficiency and commercial viability. Government is in the final stages of merging the Transport Board with the Transport Authority (the transport regulator) with the intention of streamlining operations and enhancing service reliability. Legislation and revised regulations are currently being drafted to support the creation of the Barbados Mass Transit Authority, following an extended consultation process. Additionally, the purchase of an additional 31 electric buses, has resulted in the complete transition of the public service fleet from diesel to electric buses (121 vehicles), and is expected to reduce fuel and maintenance costs by US$1.5 million per year.</td></tr>
<tr><td>Barbados Agricultural Management Corporation</td><td>Ministry of Agriculture, Food & Nutritional Security</td><td>Two private entities — The Agricultural Business Company Ltd (ABC Ltd), and the Barbados Energy and Sugar Company Ltd (BESCO Ltd) were created as part of Government's divestment plan. Following the creation of these entities however, negotiations with the prospective majority shareholder stalled. Electricity grid capacity constraints in the absence of battery storage have impacted the transition to a full value chain cane-energy industry. The government continues to work on plans to right-size the industry focusing on addressing production inefficiencies and raising agricultural standards.</td></tr>
<tr><td>Child Care Board</td><td rowspan="4">Ministry of People Empowerment & Elder Affairs</td><td rowspan="4">The Social Empowerment Agency (SEA) was launched in January 2026 following the passage of a bill in March 2025 that merged the Child Care Board, National Assistance Board, the Welfare Department and the National Disabilities Unit, with an aim to improve the efficiency of child protection measures and streamline various services. Over a dozen client centers are in the process of being established to improve access and service delivery, resulting in higher transfers, commensurate with the agency's wider mandate.</td></tr>
<tr><td>National Assistance Board</td></tr>
<tr><td>Welfare Department</td></tr>
<tr><td>National Disabilities Unit</td></tr>
</table>

Annex VII. Table 1. Barbados: Summary of SOE Reform Progress (concluded)

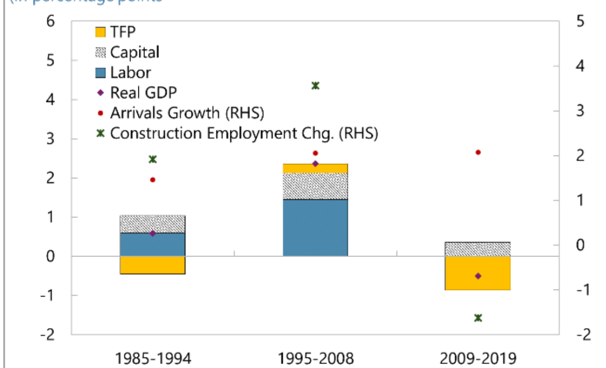
Entity	Ministry	Reform Status
National Petroleum Corporation	Ministry of Energy & Business Development	The Barbados National Oil Company Limited and the Barbados National Terminal Company Limited transitioned to the Barbados National Energy Company Limited (BNECL) in April, 2025, representing phase one of the government's efforts to streamline energy operations, reduce inefficiencies and support the renewable energy transition. The National Petroleum Corporation merged with the BNECL in November, 2025. No redundancies were associated with the merger. BNECL is undertaking a program to reduce gas loss leakages to ensure that the natural gas distribution portfolio can be stabilized.
Barbados National Terminal Company		
Barbados National Oil Company		

Annex VIII. Growth Prospects

Historical Growth Accounting

1. Barbados' historical economic growth has been modest, but periods of strong construction activity and sound policies were associated with more rapid expansions.

Barbados Growth Accounting Using Employment
(In percentage points)



Sources Penn World Tables; Barbados Statistical Service; and IMF staff calculations.

- During *1985-1994*, growth averaged 0.6 percent, dragged down by slowing international private finance for emerging market countries, which perpetuated a BoP crisis. As a result, Barbados entered an SBA with the IMF from 1992-1993, targeting fiscal-imbalances and structural adjustment aimed at boosting productive capacity (see Boamah et al., 2009).

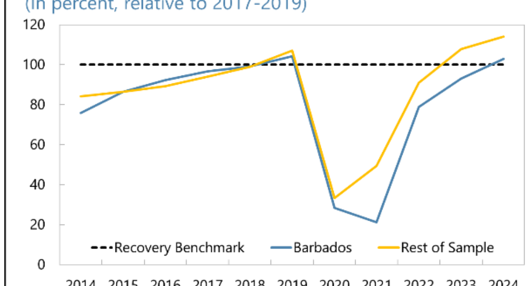
- During *1995-2008*, economic growth accelerated to an average of 2.4 percent, supported by a continuous increase in output per person in the tradeable sector (Worrell, Codrington, Craigwell, & Greenidge, 2003) and a near doubling of construction employment, spurred by the redevelopment of Kensington Oval, upgrades to Grantley Adams International Airport, and the construction of hotels and residential accommodations in preparation for the hosting of the 2007 International Cricket Council World Cup. Notably, for the entire period 1985-2008, both labor and capital contributed positively to growth.

- During *2009-2019*, Barbados experienced a decade of economic contraction, triggered by the Global Financial Crisis. Following a sharp drop in growth in tourism source-market countries, long-stay arrivals contracted by 1.5 percent between 2008-2014. This was accompanied by a slowdown in FDI and a contraction in construction activity, creating significant labor market slack. While the tourism sector rebounded from 2015 onwards, productivity remained a drag (-0.9 percentage point), with labor also failing to make a positive contribution to growth.

Near-Term Growth Prospects: Strong Tourism and Construction

2. Barbados' post-COVID tourism recovery has been strong but lagging some of its regional peers. Since the pandemic, Barbados has seen strong tourist arrival growth, largely driven by tourists from the US, with arrivals significantly outpacing the traditional United Kingdom source market in 2024 and 2025. Nevertheless, Barbados has only just surpassed its pre-pandemic tourism-arrivals levels

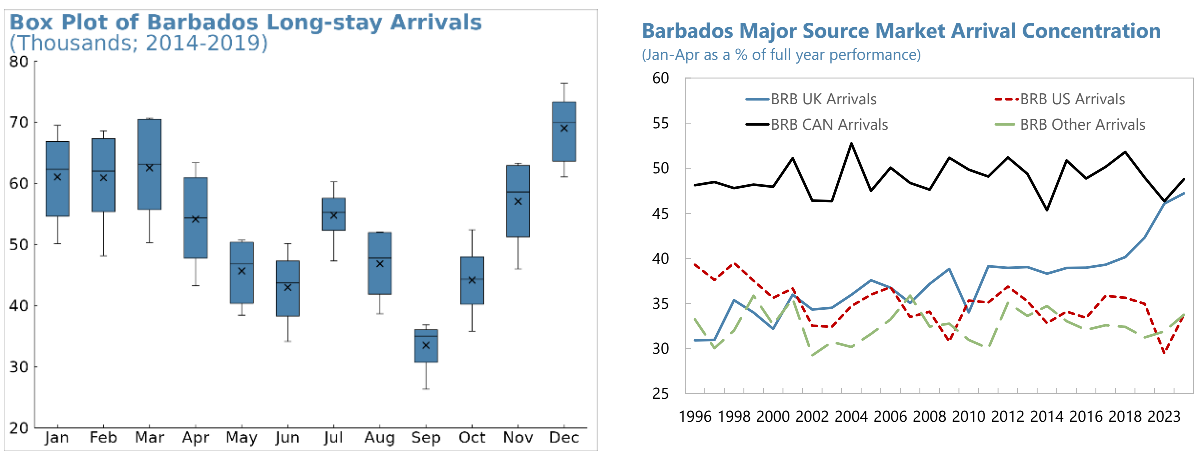
Long-stay Tourism Performance Trends - Barbados vs Comparators
(In percent, relative to 2017-2019)



Sources: Barbados Statistical Service and respective country tourism boards

(2017-2019 average) by 3 percent, somewhat below the 14 percent average rise in Caribbean neighbors.[1] While this could imply a modest loss of market share during the period, it could also indicate room for future gains.

3. Barbados continues to experience substantial seasonal variability of tourist arrivals. There is a distinct seasonal pattern of long-stay arrivals and hotel spending in Barbados, with arrivals concentrated in the January-to-April period (Figure 1, left panel). This pattern is more pronounced than in some peers that experience less fall off during the summer period. Barbados' exposure to winter tourism dynamics has increased notably over the last three decades, largely influenced by the increased concentration of arrivals from the UK in the winter period (Figure 1, right panel). Going forward, if the recent strong growth in US arrivals can be sustained, this could help reduce seasonal volatility and provide further scope for increased annual arrivals.

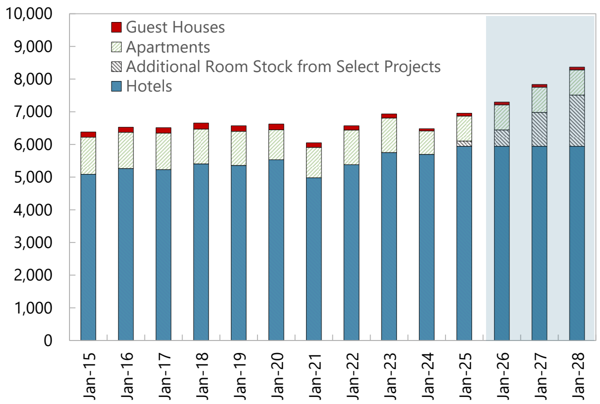


Sources: Barbados Statistical Service and IMF staff elaboration

4. Barbados is seeing strong construction activity targeting an expansion of tourist-accommodation offerings. Continual investment into the island's hotel stock through the construction of new hotels and refurbishments of others can be a major driver of economic growth and productive capacity (Figure 2). Notable hotel developments valued in excess of B$1.8 billion (12 percent of GDP) are expected to expand the island's room stock by 23 percent (over 1,500 bedrooms) over the course of the next 3 years. As a direct result, the tourism sector's employment capacity is expected to increase by more than 4,500 permanent jobs, a 28 percent gain relative to 2024 employment levels in the accommodation and food-services industry.

[1] Sample consists of Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Barbados, Belize, Jamaica, Trinidad and Tobago and Guyana.

Number of Bedrooms by Accomodation Type



Select Tourism Construction Projects (2025 - 2028)

- Hotel Indigo Barbados (2025) - $100m; 132 rooms; 250 construction jobs and 100 permanent roles
- Blue Monkey Hotel & Beach Club (2025) - 28 one and two-bedroom suites
- Royalton Chic (2026) - $300m; 220 suites and rooms; 700 construction jobs, 500 permanent roles
- Pendry Barbados (2026) - $300m; 74 luxury beachfront rooms; 46 residences; 300 construction jobs; 250-300 permanent roles
- All-inclusive Hyatt Ziva (2027) - $186m; 387 rooms and 28 luxury accomodations; 1,200 construction jobs; 1,500 permanent roles
- Pierhead (first phase - 2027) - $200m, 150 residences; 300 construction jobs; 400 to 500 permanent roles
- Sandals' Beaches, Heywoods (2028) - $800m; 532 suites; 1700 construction jobs, 1,800 permanent roles

Sources: Barbados Tourism Product Authority Accommodation Directory and media sources.

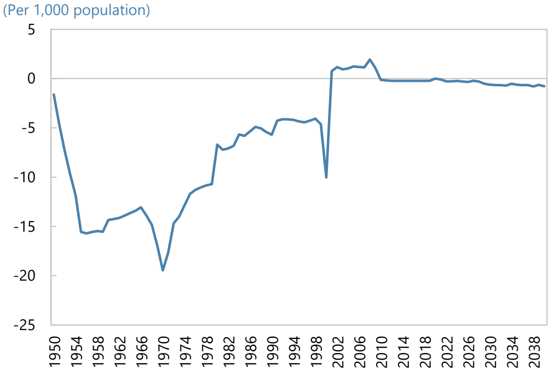
Long-Term Growth Prospects: Structural Reforms and Demographic Headwinds

5. **Under the BERT programs, Barbados has pursued growth strategies centered on economic diversification, increasing competitiveness and potential growth.** These reforms are elements of a larger suite of initiatives, including macroeconomic policy reforms, all geared towards boosting the resilience and productive capacity of the economy. In addition to incentivizing private sector and public investment in housing and the transition to renewable energy, growth reforms have also focused on enhancing the island's human resource capacity. Central to these initiatives has been a government focus on improving Barbados' business environment, with the subsequent establishment of Business Barbados in 2024, and the digitization of public services, including the establishment of GovTech and a central online platform for the delivery of government services.

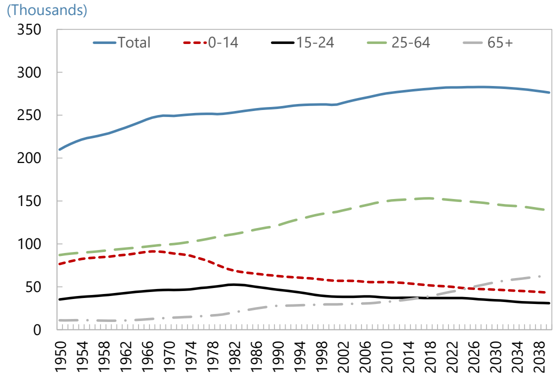
6. **While evidence from a wide range of countries indicates that structural reforms can help boost growth, impacts can arise with a substantial lag.** Structural reforms typically take 5 or more years to meaningfully boost economic growth, with the most impactful reforms often in the areas of external finance, trade, product and labor markets. For example, Alesina and others (2024) found that an aggregate set of liberalizing reforms in these areas in advanced and developing economies could increase the level of GDP by 1 percent, 5 years after the reform. In the case of Caribbean economies, Greenidge and others (2016) found that the growth benefits of structural reforms such as lowering average tariffs rates, liberalizing access to international finance, and increasing the productivity of VAT are only seen over the long term. Additionally, there is evidence to suggest that the fiscal stance can affect the impact of structural reforms on near-term growth, with product and labor market reforms potentially having a negative impact if implemented during fiscal adjustments and a positive impact expected if implemented during a fiscal expansion (De Hann & Wiese, 2022). Reducing trade barriers can also have a meaningful impact on growth, driven mainly by alleviating restrictions related to invisibles (services and other non-tangible items, e.g. banking, consulting and tourism services), exports, imports, and payments in the case of emerging and developing economies (Estefania-Flores, Furceri, Hannan, Ostry, & Rose, 2024).

7. Moreover, Barbados' ageing and declining population continues to create significant headwinds for growth. The UN's World Population Prospects 2024 projects a steady decline in Barbados' working age population (ages 15-64), resulting from lower historical fertility rates and net outward migration. During 2001-2009, Barbados' population increased at its fastest rate since the 1960's, driven by the island's sole period of positive net migration (Figure 3). Fertility rates have declined substantially over the course of the last half century, reflecting higher levels of education and labor force participation. Meanwhile, increased life expectancy has contributed to a steady rise in the old-age dependency ratio, implying that a smaller workforce must support a larger share of the ageing population. Several industries such as construction, healthcare, and tourism are challenged by skills gaps, necessitating a reliance on migration to support activity especially during boom periods. Net outward migration is also leading to an outflow of skilled and tertiary-educated labor, further compounding the domestic skills-gap problem (Jones, 2022).

Net Migration Rate
(Per 1,000 population)



Population by Broad Age Groups
(Thousands)



Sources: UN World Population Prospects 2024 and IMF staff elaboration

Conclusion

8. While near-term growth prospects are favorable, there are important headwinds that limit long-term growth. Supported by strong tourism-related construction activity and sound macroeconomic policies, Barbados is poised to continue to grow solidly in the near term, provided that the island can accommodate an additional inflow of tourists without encountering supply chain bottlenecks. However, heightened construction activity and increasing tourist arrivals are unlikely to continue indefinitely. When the current boom subsides, demographic headwinds will act as a meaningful brake on economic growth. With economic activity concentrated in the tourism sector, the country's growth prospects are acutely vulnerable to an economic slowdown in tourism-source countries.

9. In this context, Barbados' must continue implementing long-term structural reforms. While financial, trade, and labor market reforms are likely to be most impactful, the sequencing and timing of these reforms are likely to determine their significance to the islands' growth prospects. Tourism-industry investment can boost off-peak tourism demand, in areas such as Meetings, Incentives, Conferences, and Exhibitions (MICE) and cultural tourism, reducing seasonal fluctuations and improving resilience. Importantly, human capital development and productivity remain important factors determining the island's productive capacity, particularly in the face of the domestic population decline. On this front, Barbados has sought to address the challenges of ageing and declining population through its 2024 Population Policy, introducing recommendations for managed migration and interventions to spur fertility rates and the tabling of the Immigration Bill, 2025 and the Barbados Citizenship Bill, 2025. The National Training Initiative together with the recent launch of the Barbados Job Registry are intended to strengthen the labor market by improving alignment between skills and employers' needs.

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Annex IX. An Illustrative Adverse Scenario

1. Barbados is vulnerable to shocks that could impact the BoP and create an actual financing need. Under the baseline, Barbados' international reserve buffers remain ample, and the CA balance is expected to increase to a level in line with medium-term fundamentals and desirable policy settings and be comfortably financed by FDI. However, in an adverse scenario, external shocks and/or a natural disaster could widen the CA deficit and reduce capital inflows, creating a BoP need that is the basis for access to Fund resources under the proposed SBA. In this context, the authorities see the SBA as insurance and intend to treat it as precautionary.

Transmission Channels

2. The adverse scenario incorporates external shocks, reflecting the current global environment that is impacted by geopolitical tensions and global policy uncertainty. The scenario includes two shock layers: (i) a large and persistent increase in global oil and food prices, and (ii) a further escalation of trade disruptions, leading to trade diversion and broader global protectionism, with the U.S. effective tariff rate rising by 10 percent.[1] These shocks produce a significant reduction in tourism demand in Barbados' key source markets. In addition, unfavorable external price pressures drive up import prices, while tighter global financial conditions increase financing costs, dampen growth, and curtail FDI. The key assumptions for the scenario are as follows:

- **Tourism**. Staff assume a growth shock in key source markets (US, UK, and Canada) of around 1.6 percentage points in 2026 and 1.5 percentage points in 2027, which leads to approximately a 20 percent decline in tourist arrivals. This reduces tourism receipts by about US$175 million per year, on average. Tourist receipts are assumed to begin recovering in 2028, with the recovery in source markets.

- **Goods Exports**. The growth slowdown in trading partners weakens demand for Barbados' goods exports, such as rum and medical devices. The scenario assumes a reduction in goods exports receipts averaging US$5 million in 2026 and 2027.

- **Goods Import Prices**. Import prices are assumed to be, on average, 17 percent higher in 2026 reflecting rising import prices and shipment fees, gradually falling in later years but staying above baseline levels. This price shock is offset by a temporary reduction in the volume of tourism-related imports, relative to the baseline.

- **FDI**. Under the baseline, FDI is expected to remain around 6 percent of GDP over the medium term, broadly in line with the historical average. In the adverse scenario, FDI inflows decline by almost US$150 million in 2026 and 2027, before beginning to recover in 2028, consistent with previous external shock episodes. The decline is driven by an abrupt reversal in global risk

[1] The commodity price shock is broadly comparable in magnitude to the April WEO Severe Scenario but is more frontloaded. Oil and other commodity prices rise more sharply in 2026 before gradually dissipating, with prices converging to the baseline only by end-2028 (see Annex Table 1 for details). The trade shock is anchored in the "Higher tariffs and supply-chain disruptions" layer of Scenario A from the October 2025 WEO.

appetite and, in particular, the gloomier outlook for tourism, which leads to stalling hotel construction and renovation projects and a deferral of the future project pipeline.

- **External Market Financing**. Under the adverse scenario, tighter global financing conditions result in a rise in borrowing costs of 100 bps on existing variable interest rate debt (roughly 20 percent of total public debt), increasing debt service costs by around US$15 million in 2026 and 2027. Barbados' next issuance in international capital markets in FY2028/29 is assumed to go ahead, consistent with the baseline.

Key Assumptions

	2025	2026			2027			2028		
	Baseline	Baseline	Adverse	Adverse over baseline	Baseline	Adverse	Adverse over baseline	Baseline	Adverse	Adverse over baseline
Key indicators										
CY Real GDP (percent change)	2.7	2.2	-0.9	-3.1 ppt	2.3	-0.7	-3.0 ppt	2.1	2.1	-0.0 ppt
CPI (period average, percent change)	0.9	3.1	4.6	+1.5 ppt	2.7	3.9	+1.2 ppt	2.4	2.1	-0.3 ppt
Primary Balance (in percent of FY GDP)	4.2	3.5	2.8	-0.7 ppt	3.5	2.9	-0.6 ppt	4.1	4.0	-0.1 ppt
Interest expenditure (in percent of FY GDP)	4.4	4.2	4.4	+0.2 ppt	4.0	4.3	+0.2 ppt	4.1	4.3	+0.2 ppt
Public sector debt (in percent of FY GDP)	96.0	91.8	95.8	+3.9 ppt	87.5	92.8	+5.2 ppt	83.3	88.6	+5.3 ppt
Current account balance (in percent of CY GDP)	-5.7	-6.0	-8.8	-2.8 ppt	-5.8	-8.5	-2.6 ppt	-5.3	-7.6	-2.3 ppt
Gross international reserves with IMF (US$ million)	1,523	1,333	1,118	-16.2 %	1,326	994	-25.0 %	1,390	963	-30.7 %
Gross international reserves without IMF (US$ million)	1,523	1,333	984	-26.2 %	1,326	800	-39.7 %	1,390	704	-49.4 %
Memorandum items										
Oil price (WTI, US$ per barrel)	67.7	87.8	125.0	+42.4 %	77.1	110.0	+42.7 %	73.0	90.0	+23.3 %
Food Price Index, 2016 = 100	127.1	134.7	148.2	+10.0 %	135.6	142.4	+5.0 %	0.0	0.0	+0.0 %
Tourism source market real GDP (percent change)	1.9	1.5	-0.1	-1.6 ppt	2.1	0.6	-1.5 ppt	1.7	1.7	+0.0 ppt

	US$ million				% of total BOP impact		
Shock impact	2026	2027	2028	Total	2026	2027	2028
Current account	**-203**	**-185**	**-174**	**-562**	**58.7**	**55.8**	**56.1**
o/w trade balance	-49	-16	-13	-79	14.1	4.9	4.4
o/w services balance	-136	-153	-144	-433	39.4	46.2	46.3
o/w net exports of goods and services	-185	-170	-157	-511	53.4	51.1	50.7
o/w primary income	-3	4	3	3	1.0	-1.2	-0.9
o/w secondary income	-15	-19	-19	-54	4.3	5.9	6.3
Financial account	**-143**	**-146**	**-136**	**-424**	**41.3**	**44.2**	**43.9**
o/w private sector, FDI and long-term debt	-143	-146	-136	-425	41.3	44.2	43.9
Total impact	**-346**	**-332**	**-310**	**-987**	**100**	**100**	**100**

Shock scenario	2026	2027	2028
Assumed shocks (relative to baseline):			
Growth in tourism source markets (ppt)	-1.6	-1.5	0.0
Assumed transmission of shocks:			
Change in tourist arrivals (in % y/y) for a 1pp global growth slowdown 1/	-12.6		
Change in real GDP (in % y/y) per 1pp slowdown in tourist arrivals 1/	-0.2		
Change in travel credit (in % y/y) for a 1pp slowdown in tourist arrivals 1/	-0.6		
Change in consumption good imports (in % y/y) for a 1pp travel credit reduction 1/	-0.2		
Change in foreign direct investment (in % y/y) per 1pp US growth slowdown 1/	-20.1		
Change in fiscal spending (in % of GDP)	0.1		

Sources: IMF staff estimates and projections
1/ Impact elasticities are assumed to be state-dependent, with tourist arrivals and FDI becoming more responsive to global and U.S. growth shocks during global crises and major slowdowns. The estimates represent average elasticities observed during episodes of global downturns and major crises over the 1979–2024 period.

3. As a result of the shocks, Barbados' economic outlook would weaken significantly:

- **Growth**. Real GDP would fall to –0.9 percent in 2026 (3.1 percentage points lower than the baseline), driven by the decline in tourism, FDI, and goods export growth.[2] Following a recovery

[2] Staff simulations assume an elasticity of 2 between Barbados' economic growth and that of source markets, calibrated to the average elasticity observed during historical crises (notably the global financial crisis and the COVID-19 pandemic).

in the source markets, growth is expected to rebound in 2029 before returning to potential by 2031. The adverse scenario assumes no permanent scarring effects on growth, with potential growth remaining unchanged from the baseline at 2 percent.

- **Inflation**. Inflation rises to 4.6 percent in 2026 (1.5 percentage points higher than the baseline) and stays elevated in 2027. Higher import prices are offset by policy measures that limit pass-through to the cost of living (through VAT and excise duty exemptions, cuts, and ceilings) and by a compression of domestic demand as incomes decline. Inflation remains subdued in the long term due to persistently weaker global demand, staying close to 2.3 percent by 2030 (0.1 percentage points lower than the baseline).

- **CA**. The CA deficit is expected to widen to around 8.8 percent of GDP in 2026 (2.8 percentage points higher than in the baseline), largely due to declining tourism receipts and a higher import bill. The impact is partially mitigated by lower tourism-related imports. Lower food and oil prices after 2028 support the gradual recovery of the CA deficit to the baseline level of 4.9 percent of GDP by 2031. The recovery of the current account is slower than the rebound in source market growth, consistent with dynamics observed in the aftermath of past shocks.

- **Fiscal Balances**. The primary balance is expected to decline to 2.8 percent of GDP in FY2026 and 2.9 percent of GDP in FY2027 (0.7 and 0.6 percentage points of GDP below the baseline, respectively) due to lower revenues (see below). The primary surplus is then assumed to strengthen, peaking at 4.9 percent of GDP in FY2031/32-FY2032/33 (0.8 percentage point above baseline), reflecting a mix of revenue and expenditure measures.

- **Public Debt**. Lower growth and the weaker fiscal path in the near term leave public debt elevated, at around 93 percent of GDP in FY2027 (5.2 percentage points above the baseline). Nevertheless, with sustained fiscal effort (beyond the baseline) and a strong growth recovery, the authorities remain on track to meet the 60 percent public debt-to-GDP target by FY2035/36.

4. In response to the shock, Barbados would rely primarily on fiscal policy but would require IFI support to maintain adequate reserve buffers.

- **Policy Response.** To mitigate the impact of the shock on the balance of payments and preserve macroeconomic stability, revenue shortfalls are partially offset through a reprioritization of government spending, including reallocation of non-essential capital expenditures toward critical social programs and high-priority resilience investments, while preserving the medium-term fiscal anchor. The assumed 18 percent reduction in total government spending helps contain current account deterioration, contributing an average improvement of about 0.4 percentage points over the medium term.

- **GIR**. While prudent fiscal policy and longstanding capital controls mitigate the BoP impact, GIR would still decline significantly to US$0.7 billion by end-2028 (81 percent of the ARA metric). Anchoring the program disbursement envelope to ensure GIR do not fall significantly below

US$1 billion and remain above 100 percent of the ARA metric implies an external financing gap of around US$560 million over 2026–28.

- **Financing Sources**. Financing from IFIs would help meet the budget shortfall and financing gap of US$560 million. Access of 200 percent of quota (SDR 189 million or US$259 million) under a Fund-supported program would be complemented by additional IFI financing of US$300 million from other official IFIs, broadly in line with financing under the previous Fund EFF. This support would help maintain reserves at US$963 million (110 percent of the ARA metric).

Alternative Natural Disaster Scenario

5. In this scenario, Barbados is struck by a major hurricane. The hurricane damages roughly 6 percent of Barbados' capital stock, rendering the economy unable to accommodate normal tourist inflows through the remainder of the calendar year and significantly weakening the subsequent tourism season.[3]

External Financing Requirements and Sources
(in millions of US$, unless otherwise indicated)

	2026		2027		2028	
	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse
Gross Financing Requirements	**804**	**1008**	**705**	**891**	**713**	**886**
Current Account Deficit	503	706	513	698	484	658
CG Debt Amortization	301	301	193	193	228	228
Sources of Financing	**615**	**473**	**698**	**552**	**777**	**641**
Public Sector	143	143	204	204	291	291
FDI and long-term debt (net)	499	357	526	380	542	406
Other 1/	-27	-27	-32	-32	-57	-57
Change in reserves (+ = increase)	**-189**	**-405**	**-7**	**-124**	**64**	**-31**
Remaining Financing Needs	**0**	**130**	**0**	**215**	**0**	**215**
IMF prospective financing (SBA)	0	130	0	65	0	65
Other IFIs	0	0	0	150	0	150
Memo items:						
Gross international reserves (with IMF)	1,333	1,118	1,326	994	1,390	963
In percent of ARA	151	130	153	119	152	110
Change in reserves (+ = increase; without IMF)		-535		-189		-96
Gross international reserves (without IMF)		988		799		703
In percent of ARA		115		96		81

Sources: Central Bank of Barbados and Fund staff estimates and projections.
1/ Including capital account balance, short-term debt (net) and errors and omissions

[3] Capital damages are calibrated using a 1-in-100-year hurricane scenario from the World Bank's Disaster Risk Profile for Barbados. The allocation of damages across non-residential private capital (20 percent), residential private capital

(continued)

- **BoP**. The tourism disruption reduces the services balance by about US$390 million in 2026 and US$440 million in 2027. At the same time, higher imports associated with reconstruction and relief efforts, together with reduced domestic production, worsen the trade balance by approximately US$420 million in 2026 and US$180 million in 2027.[4] Through 2028, payouts from CCRIF and private insurers increase secondary income by about US$310 million, while the activation of natural disaster clauses in long-term bonds and higher remittances inflow improves the primary income balance by US$70 million. Uninsured losses to non-residential capital are financed through FDI, amounting to about US$165 million.

- **Financing**. Existing ex-ante disaster risk financing arrangements (e.g., contingent credit lines) are complemented with additional IFI financing to help cover the resulting budget shortfall and external financing gap of about US$700 million (maintaining a GIR floor of approximately US$1,035 million). Roughly, 35 percent of the financing gap is filled by SBA disbursements.[5]

External Financing Requirements and Sources for the Natural Disaster Scenario
(in millions of US$, unless otherwise indicated)

	2026		2027		2028	
	Baseline	Adverse	Baseline	Adverse	Baseline	Adverse
Gross Financing Requirements	**804**	**1332**	**705**	**1163**	**713**	**998**
Sources of Financing	**615**	**663**	**698**	**826**	**777**	**787**
Change in reserves (+ = increase)	**-189**	**-429**	**-7**	**-92**	**64**	**34**
Remaining Financing Needs	**0**	**240**	**0**	**245**	**0**	**245**
IMF prospective financing (SBA)	0	130	0	65	0	65
Other IFIs	0	110	0	180	0	180
Memo items:						
Gross international reserves (with IMF)	1,333	1,093	1,326	1,001	1,390	1,035
Change in reserves (+ = increase; without IMF)		-559		-157		-31
Gross international reserves (without IMF)		963		806		775

Sources: Central Bank of Barbados and Fund staff estimates and projections.

(47 percent), and public infrastructure (33 percent) is assumed to mirror the damage profile observed in Jamaica following Hurricane Melissa in 2025 (World Bank, 2025). Tourist arrivals are assumed to fall to near zero during the first two months after hurricane landfall, followed by a gradual recovery that broadly converges to baseline levels by the start of the 2028/29 tourism season. The tourism season starts in November and ends in April.

[4] The scenario assumes that rebuilding damaged private capital stock takes 3 years, versus 5 years for public infrastructure.

[5] The scenario assumes the activation of all elements of Barbados's Disaster Risk Financing Framework, including a full payout from CCRIF and the triggering of the disaster risk clause in sovereign bonds for a one-year period.

Annex X. BERT 2026 - A National Strategy for Transformation

1. The BERT 2026 plan builds on the successes of previous plans, shifting focus from stabilization and recovery to long-term economic transformation. The plan envisions Barbados' long-term transformation to a high-performing, inclusive, climate-resilient economy built on sustained productivity gains, fiscal discipline, and investment-led growth. The strategic pillars are:

- **Productivity and Competitiveness**. The plan focuses on streamlining regulations and improving trade logistics, including operationalizing the electronic single window and expanding the Trusted Trader Programme. Digitalization of public services and Business Barbados aim to support innovation and champion service delivery.

- **Debt and Fiscal Sustainability**. The plan maintains the public debt anchor of 60 percent of GDP by 2035, underpinned by sustained large primary surpluses. Rationalization of tax concessions, transparency in new concession approvals, and tax simplification aim to support fiscal revenues, while continued SOE reform, the medium-term debt strategy, and enhanced Fiscal Council oversight reinforce fiscal discipline.

- **Financial Market Deepening**. To mobilize domestic savings, the plan envisages the continued issuance of Barbados Optional Savings Scheme Plus bonds, as well as further credit market reforms and modernization of public-private partnership (PPP) governance. Implementation of a national instant payment system, along with efforts to strengthen Small and Medium Enterprise (SME) governance and encourage use of credit ratings, to improve access to finance and deepen capital markets.

- **Climate Resilience & Green Economy**. Building on the country's already ambitious climate agenda, the plan focuses on scaling renewable energy and storage, electrifying public transport, implementing green budgeting, and climate-proofing real estate as well as public infrastructure. Priorities include operationalizing the Resilience and Regeneration Fund (RRF), maintaining Caribbean Catastrophe Risk Insurance Facility (CCRIF) coverage and expanding regional insurance capacity to safeguard infrastructure, and scaling up climate finance.

- **Human Capital and Inclusion**. The plan includes education reform, along with scaling of training initiatives to tackle youth unemployment, and implementation of the 2024 Population Policy to promote active ageing, labor force participation, and skill attraction and retention. Delivery of affordable homes remains an important goal to improve opportunity and equity.

2. BERT implementation combines high-level policy oversight and strong stakeholder engagement to support broad-based ownership. Strategic direction will be provided by the Joint Economic Group (JEG), chaired by the Prime Minister and comprising key ministers and officials. Implementation will be led by the Ministry of Finance (MF), in collaboration with the Central Bank of Barbados (CBB) and other ministries. Ministries will integrate workplans into budgets, with quarterly reporting to ensure transparency and accountability. Monitoring will be conducted by the BERT Monitoring Committee, including social partners, the Fiscal Council, and the Growth Council.

3. The BERT 2026 plan recognizes that effective delivery will depend on strengthening institutional capacity and improving information flows. To this end, the government intends to continue investing in training, technology, and cross-agency data platforms to support implementation and reporting.

Annex XI. BiMPay: Potential Benefits and Costs of Barbados' New Instant Payment System

1. **In October 2024, the CBB launched Barbados' Payment System Modernisation Project, in collaboration with the World Bank**. The project covers five areas: (i) legal and regulatory support; (ii) payments oversight development; (iii) an instant payment system (IPS) and interoperability operationalization; (iv) payments system usage; and (v) digital financial literacy. The new IPS platform, called BiMPay, is expected to be rolled out by end-June 2026. The Central Bank of Barbados Act, the National Payment System Act, and the new Regulatory Framework for Payment Service Providers will provide oversight to protect safety, efficiency, and resilience of the system.

2. **BiMPay aims to foster more efficient, interoperable, and consumer-friendly payments, generating positive spillovers for the economy**. The objective of BiMPay is to increase the speed and convenience of domestic payments,[1] with a view to fostering financial inclusion, helping business operations (e.g., cashflow management, record keeping, payroll management, invoicing), encouraging financial technology innovations, and facilitating government payments to citizens, reducing informal employment. It also aims to strengthen the CBB's regulatory authority over payment systems, clearing, and settlement services, and to boost economic activity. While digital payments have grown in Barbados, surpassing traditional payment methods in 2019, the use of cash remains prevalent and is still the only option for many small businesses (CBB 2025). While mandatory participation by core financial institutions aims to ensure sufficient BiMPay coverage from its launch, increasing financial inclusion will be key for operators without a bank or credit union account.

3. **Cross-country experiences suggest that BiMPay could bring economic benefits.** IPSs have been introduced in over 120 countries to date (Aurazo et al. 2025). They enable instant transmission of payment messages and immediate availability of funds 24 hours a day, seven days a week, facilitating payments for households and firms. Research suggests that IPSs can raise household incomes, small business activity, and credit supply (Alok, Kulkarni, and Puri 2024; and Dubey and Purnanandam 2023). IPSs also generate data that allow users to access financial services like credit provision (Aurazo et al. 2024). As a lower cost payment option, they can raise savings in financial institutions and foster competition and interoperability (Aurazo et al. 2024), which is relevant to Barbados, given low penetration of payment cards and financial inclusion (IDB 2020).

4. **Nevertheless, the adoption of BiMPay could also present important risks and challenges.** The introduction of an IPS raises questions about: the supervision of real-time activity; liquidity assurances for participants; consistency of capital regulations; testing of crisis management arrangements; and mitigation of AML/CFT risks (IMF 2023). IPS adoption can also be constrained by: (i) uneven mobile and internet penetration; (ii) uncertain take-up by the public, given that existing payments are convenient and have the advantage of anonymity; (iii) difficulties in reaching

[1] BiMPay will not cover instant cross-border payments, although in 2023 Barbados adopted the Pan-African Payment and Settlement System for intra-regional trade transactions, along with other CARICOM central banks

individuals without stable employment and access to a bank or credit union account; and (iv) low financial and digital literacy, especially for less educated users.

5. Early evidence indicates that the success and drivers of IPS adoption can vary across countries. Technical characteristics play a key role, notably temporary offline functionality (requiring central bank capabilities), strong supervision and monitoring, and simplicity of use. Importantly, the central bank needs to clearly establish its role in regulating and overseeing the IPS on a sound legal basis, while carefully designed state intervention in the IPS can support competition and innovation, address coordination issues, and ensure the security and accessibility of the system. For example, in Brazil, important factors in the successful adoption of Pix (an IPS owned, operated, and maintained by the central bank) included mandatory participation of larger payment providers, active stakeholder engagement, a user-centric approach, low fees, and emphasis on security (IMF 2025, Ricci et al 2025).

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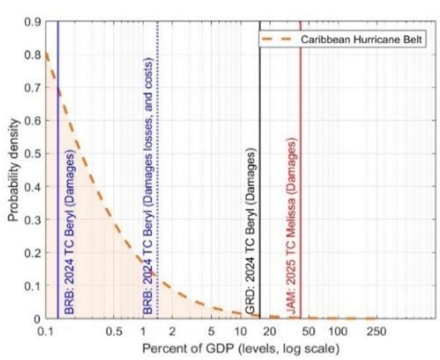
Annex XII. Insuring Barbados Against Natural Disasters

1. As a small island Caribbean state, Barbados is highly exposed to natural disasters. On average Barbados is impacted by a natural disaster every 4 years. Most recently, Hurricane Beryl in 2024 caused an estimated B$193 million in losses, primarily to the fisheries and tourism sectors. Barbados' location on the eastern edge of the Caribbean has historically reduced the frequency of the most catastrophic hurricane landfalls, compared with other neighboring countries in the hurricane belt. Nevertheless, significant tail risks remain, with World Bank estimates placing probable maximum losses from a 1-in-250-year event at about US$2.5 billion (31 percent of GDP) for hurricanes and US$783 million (9.8 percent of GDP) for earthquakes (World Bank 2023).

2. While insurance levels in Barbados are relatively high, coverage remains uneven. About 74 percent of total property value in Barbados is insured against natural disasters (FSC, 2024), providing an important shock absorber as higher insurance penetration often results in faster economic recovery after disasters hit (Carpenter and others 2020). However, insurance coverage varies across regions, sectors, and firm size, as well as by ownership, with lower coverage among residential properties. Protection gaps exceed 50 percent of total property value in some less populated parishes, while uninsured losses in the traded sector are typically higher due to asset concentration in coastal zones. Small-scale lodging as well as older residential real estate can also bear a disproportionate share of these losses, due to lower insurance uptake and weaker compliance with building codes.

3. Moreover, the cost of insurance has risen significantly over the last few years. Recent tightening in global reinsurance markets has amplified vulnerabilities in small island states such as Barbados, which rely heavily on reinsurance to pool highly concentrated risks. Since 2019, the share of premiums retained domestically has declined by about 10 percentage points, while insurance premiums have risen by roughly 49 percent, intensifying affordability pressures.

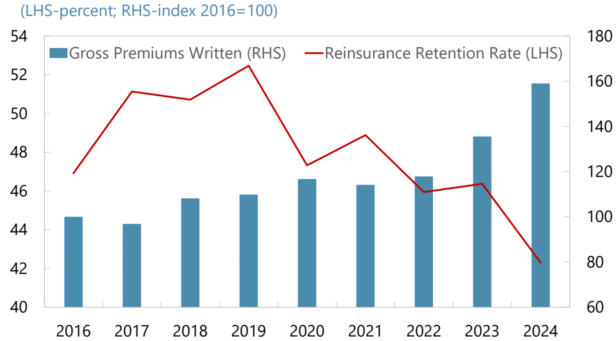
Disaster Damage Distribution of the Hurricane Belt



Source: EM-DAT, World Bank, and IMF staff calculations.
Note: Damages reflect physical assets damaged or destroyed. Damages, losses and costs additionally include other economic losses as well as additional costs for hurricane preparation, clean-up, and operational disruption.

Increase in Non-life Insurance Premiums and Cession

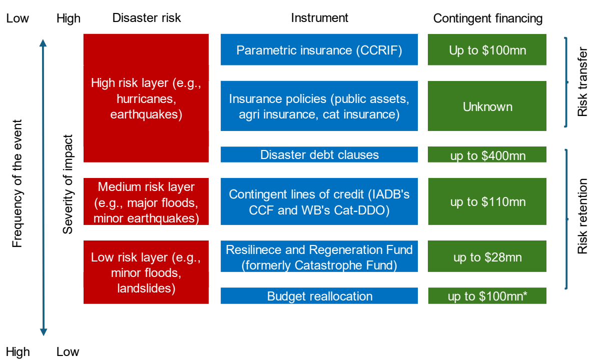
(LHS-percent; RHS-index 2016=100)



Source: IMF staff calculations.
Note: The reinsurance retention rate is calculated as Net Written Premium divided by Gross Written Premium, reflecting the share of premiums an insurer does not cede to a reinsurer.

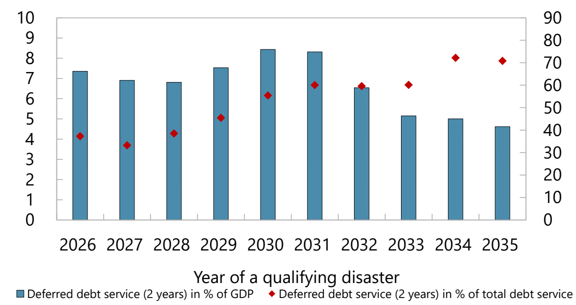
4. Uninsured property losses could be substantial in Barbados, if a tail risk event materializes. At the current level of insurance coverage, the likely uninsured property loss from a 1-in-250-year hurricane could be in the range of US$0.75-1.1 billion, sufficient to overwhelm household and corporate balance sheets and generate spillovers to the banking system, public finances, and the external position. Accounting for higher replacements costs, cleanup costs, and income losses across households and firms could raise the overall disaster-related financing needs even further. Against this backdrop, the government maintains a critical role as insurer of last resort, with an ex-ante strategy that focuses on mobilizing financing promptly in the event of rare but high-impact disasters.

Disaster Risk Financing Framework



Source: World Bank, IADB, NIS, and IMF staff calculations.
Note: Budget reallocation captures the portion of capital expenditure that is expected to be reprioritized toward disaster relief and reconstruction in the aftermath of a major shock, assumed to equal 25 percent of the annual capital budget in line with Benson and Clay (2004). The RRF balance is based on the most recent publicly available financial statements of the legacy disaster fund (2023).

Maximum Fiscal Space from Disaster Clause Activation
(LHS - percent of GDP; RHS - percent of total scheduled debt service)



Source: IMF staff calculations.

5. Barbados has made substantial progress in establishing a multi-layered disaster risk financing (DRF) framework. The DRF comprises: government liquidity buffers; the domestic RRF; contingent credit lines with the World Bank and IDB; parametric insurance coverage through CCRIF; and natural disaster clauses embedded in most long-term public debt, which could generate up to 4 percent of GDP in temporary fiscal space in the year of a qualifying disaster. Overall, the DRF could mobilize over US$650 million in rapid contingent financing, but this could still be insufficient for the most extreme or repeated events, factoring in clean-up costs and income losses.

6. With much of the contingent financing relying on "risk retention", Barbados could explore further "risk transfer" options. Accessing catastrophe bond markets could be one option, especially through coordinated multi-country issuances that could help minimize costs and overcome technical complexity. The authorities could also consider resilience bonds—a variant of catastrophe bonds that incentivize resilience investment by linking insurance premia to risk-reducing projects, with rebates reflecting the estimated reduction in expected losses relative to a business-as-usual scenario (Song and Medda 2025). While the Government of Barbados does procure insurance policies, the overall scale and scope of indemnity insurance coverage for public assets remain unclear. Going forward, the authorities should aim to report on the coverage for extreme risks across all public assets, including critical infrastructure, in a transparent and rule-based manner, underpinned by a formal and regularly updated asset inventory.

7. At the same time, narrowing the protection gap will require promoting private disaster insurance, while lowering premiums. Policy goals should include: improving information on the spatial distribution of risk exposure, incentivizing structural resilience through regulations, and continuing investments in early-warning systems and public preparedness. Enhancing financial literacy and addressing behavioral biases, including myopia, are critical to increasing insurance uptake on the island. Progress on these fronts can lower transaction costs, reduce information asymmetries, and strengthen risk pooling, thereby supporting broader and more affordable and insurance coverage (Aligishiev and others forthcoming).

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Annex XIII. Capacity Development Strategy: Updated Country Strategy Note[1]

Barbados' capacity development (CD) efforts have been aligned with the homegrown BERT reform plans and the objectives of the supporting Fund arrangements. CD priorities were diverse, including developing institutional and analytical capacity, enhancing tax and customs administration, improving PFM, and strengthening the central bank's market operations framework and financial sector supervision and regulation. The authorities' engagement and ownership on these issues remain strong. Given Barbados' extensive use of CD from the Fund and other partners, close integration between CD activities and program priorities as well as coordination with other TA providers remain critical.

Context

1. The fifth and final reviews under the EFF and RSF arrangements were concluded by the IMF Executive Board in June 2025, and the authorities have since requested support under a successor Standby Arrangement (SBA). The new precautionary SBA aims to support the authorities' efforts to consolidate hard-won macroeconomic stability and strengthen institutional frameworks. This includes preserving strong fiscal gains and keeping public debt on a trajectory consistent with long-term targets, advancing structural reforms to further strengthen policy credibility and institutional capacity, and enhancing resilience. CD is expected to continue playing a critical role in supporting reform implementation and to remain an important complement under the proposed SBA.

CD Delivery in the Recent Years

2. Fund's CD Engagement with Barbados. Historically, Barbados has received extensive CD from the Fund and has a good implementation record, with effective communication from the government and the CBB supporting critical public buy-in to the reform agenda. During the approval of the EFF and RSF programs in 2022, the authorities outlined a set of priority actions focused on strengthening institutions to guard against policy reversals, which subsequently guided CD priorities.

3. Integration of CD in Fund surveillance and program engagement. During the 2022 EFF and RSF arrangements, CD delivery was fully aligned with the authorities' reform objectives, with the country team and IMF's resident representative office helping to coordinate activities with CD providers to ensure that CD is consistently integrated in the authorities' reform priorities, Fund program objectives, and Article IV consultations. Appropriate sequencing of CD across reform streams, in consultation with the authorities and CD providers, has been critical for success,

[1] This country strategy note and the attached table matrices illustrate the integration of capacity development and program objectives guided by key recommendations in the IMF Board Paper *2018 Review of the Fund's Capacity Development Strategy*.

especially given the diverse reform agenda and significant implementation capacity constraints. CD efforts are expected to remain a key pillar supporting reform progress under the proposed SBA.

4. **Collaboration with other international partners**. The Fund has continued to engage closely with multilateral and bilateral donors, including: (1) the World Bank on debt management, disaster risk financing, climate change adaptation, and the business climate; (2) the IDB on debt swap initiatives, climate adaptation, sustainable procurement, climate budget tagging, and PPPs. Regular engagement with other CD partners is conducted through joint meetings to ensure consistency of policy advice and exploit synergies in supporting the program objectives.

5. **CD Priorities over 2024-2025.** More recently, CD priority areas have included: (1) revenue and customs administration, public financial management (PFM), and tax policy (FAD/CARTAC); (2) financial sector supervision and central bank operations (MCM/CARTAC); and (3) real and external sector statistics (STA/CARTAC).

- *Tax and customs administration:* Revenue and customs administration has been a TA priority and the area where most CD has been provided in recent years. Specific areas of TA provision included improving and modernizing the duty and tax exemptions framework, reducing tax arrears, and assessing the human resources needs at the BCED.

- *Tax policy:* Recent CD on tax policy has advised the authorities on rationalizing tax expenditures.

- *PFM:* Barbados continued to receive CD support in PFM areas, including budget preparation, regulatory framework for PPPs, and preparing project appraisal guidelines. MoF received CD on fiscal risk analysis and reporting.

- *Financial supervision and central bank operations:* CD has strengthened supervisory capacity through organizational reforms at the CBB and a review of the FSC, while enhancing risk-based supervision (cybersecurity and climate risks). In parallel, CD has supported central bank operations through the establishment of Emergency Liquidity Assistance and collateral frameworks.

- *Macroeconomic statistics:* CD focused on efforts to improve macroeconomic statistics, including an update of the Supply and Use Table, rebasing GDP statistics (production-based) to 2023, and strengthening the external debt statistics, as well as the timeliness of BOP and IIP data.

CD Priorities Going Forward

6. **In the near term, Fund CD will continue to support the Barbadian authorities in strengthening their capacity in several of the previously addressed areas.**

- *Tax and customs administration:* CD will continue to support tax and customs administration reforms, with assistance to the BRA focused on improving compliance, reducing tax arrears, enhancing data quality, and following up on recommendations from a recent TADAT assessment. CD will also support implementation of the roadmap to address human resource challenges at BCED, operationalization of regulations under the 2022 Customs Act, establishment of a risk-based framework for managing fuel exemptions, enhancing customs procedures for review and appeals, as well as CD on Suspended Duty Regimes.

- *Tax policy:* In parallel, tax policy CD will continue to focus on improving the monitoring and costing of tax expenditures.
- *PFM:* CD will support ongoing PFM reforms, with assistance to the MF focused on developing and implementing the necessary rules to operationalize the 2019 PFM Act; preparing an accounting procedures manual; and strengthening and standardizing the monitoring the fiscal risks of SOEs using the Quarterly SOE Health-Check Tool (SOE-HCT).
- *Public debt management*. The authorities have indicated that they would like to receive TA to strengthen debt management and deepen the development of domestic capital markets, consistent with the BERT 2026 objective to mobilize domestic savings to support economic transformation.
- *Financial supervision and central bank operations:* CD will provide follow-up support to further strengthen risk-based financial sector supervision and enhance climate stress testing, including extending the analysis to transition risks. The authorities also expressed interest in follow-up TA on monetary policy toolkit.
- *Macroeconomic statistics:* Efforts to improve publicly accessible macroeconomic statistics will continue, with plans to provide TA on rebasing of expenditure-based GDP to 2023. Looking ahead, once GDP reporting is sufficiently strengthened, the authorities may also seek technical assistance on the compilation of Gross National Income.

IMF Capacity Development Missions since 2024

TA/Training Mission	Provider	Mission Date (Completed/Planned) [1]
Implementing Fiscal Reforms to Ensure Debt Sustainability		
Customs Administration		
Developing SOP for Suspended Duty Regimes	CARTAC	Apr-26
Risk Management on fuel exemptions	CARTAC	Mar-26
Developing customs review and appeal procedures	CARTAC	Feb-26
Establishing a Policy and Planning Unit	CARTAC	Jun-25
Fuel Exemptions Control/Risk Management based	CARTAC	Mar and Apr 25
Workload Assessment, Resource Deployment Review	CARTAC	Jun-24
Developing a Single 'Omnibus' Guarantee for Suspended Regime Management	CARTAC	Mar-24
Tax Administration		
Medium-term Reform Agenda (Post-TADAT Mission)	FAD	Mar-26
VAT data analysis	CARTAC	Jan-26

IMF Capacity Development Missions since 2024 (concluded)		
TA/Training Mission	**Provider**	**Mission Date (Completed/Planned)** [1]
Arrears management – Identifying Uncollectable Arrears	CARTAC	Mar-26
Improving Debt Management Outcomes	CARTAC	Jan-26
Repeat TADAT assessment	FAD	Nov-25
Developing a Compliance Strategy for High-Net-Worth Individuals	CARTAC	Oct 25
Strengthening Arrears Management	CARTAC	Aug and Sep 25
Tax arrears strategy	CARTAC	Jan-25
Tax Policy		
Tax expenditure – Methodology and costing	FAD	Nov-26
Tax expenditure rationalization	FAD	Dec-24
Public Financial Management		
Budget planning training	CARTAC	May-26
Public financial management rules 2026	CARTAC	Jan-26
Sensitivity analysis – Fiscal risk unit	CARTAC	Jan-26
Developing a regulatory framework for Public-Private Partnerships	CARTAC	Feb-25
Project appraisal	CARTAC	Dec-24
Maintaining Monetary and Financial Stability		
Central Bank Operations		
Central bank refinancing instruments and ELA	MCM	Jan-24
Financial Sector Supervision and Regulations		
Green taxonomies and climate information architecture	MCM	Nov-26
Regional seminar: Incorporating climate related financial risks in risk-based banking supervision	MCM and CARTAC	Jun-25
Reorganization of the supervision department	MCM and CARTAC	Oct-24
Climate risk analysis	MCM	Jul-24
Risk profile assessment and cyber risk	CARTAC	Jun-24
Improving Macroeconomic Statistics		
Expenditure-based GDP	CARTAC	Apr-26
GDP rebasing	CARTAC	Mar and Apr 25
GDP revision	STA	Jun-24
External sector statistics	CARTAC	Mar-24
GDP-review of administrative data	STA	Feb-24

[1] Refers to missions planned at the end of FY26.

Annex XIV. Implementation of the Fund's Past Policy Advice

2023 Article IV Recommendations	Implementation
Fiscal Consolidation	
Continuing to strengthen the *primary balance* over the medium term while maintaining adequate *social and capital spending*.	**Implemented.** The primary surplus rose from 2.2 percent of GDP in FY2022/23 to 4.0 percent of GDP in FY2024/25, with a further increase to 4.2 percent of GDP targeted in FY2025/26. In parallel, the authorities protected social spending and boosted public investment. Strong performance was underpinned by revenue mobilization efforts, including recent CIT reforms, and prudent spending controls. Public debt has declined to 96 percent of GDP at end-2025 and is on track to meet the 60 percent of GDP target by FY2035/36 under current projections.
SOE Reforms	
Further rationalizing *SOE operations* by focusing on the largest that significantly influence the sector's overall performance, while more broadly enforcing the expectation that commercial entities be financially viable without government subsidies.	**Ongoing.** The authorities continued streamlining transfers to commercial SOEs, consistent with EFF targets. The government took steps towards divestment of the Barbados Agricultural Management Company, though the landmark deal has since fallen through. The Urban and Rural Development Commissions were merged in April 2025. Cabinet also approved plans for the restructuring of the National Housing Corporation which commenced in 2023. A new phase of reform began in 2025 to restructure the Transport Board; and resulted in the merger of the National Petroleum Corporation, the Barbados National Oil Company Ltd., and the Barbados National Terminal Company Ltd into the Barbados National Energy Company Ltd; and amalgamation of the Child Care Board, the National Assistance Board, the Welfare Department into the Social Empowerment Agency. Authorities plan to conduct a comprehensive stocktake of SOEs in 2027, including an updated financial dashboard. Further strengthening SOE monitoring and reporting will be critical to lock in gains from reforms for fiscal sustainability, productivity, and service delivery.
PFM Reforms	
Continuing with the implementation of the *Public Finance Management Act and Procurement Act*, further strengthening the quality, timeliness, and comprehensiveness of the annual government financial statements.	**Ongoing.** The authorities put in place an action plan to implement the new PFM Act and are developing rules to facilitate its operationalization, with support of Fund TA. They plan to table these PFM rules in Parliament by end-2026. Standard contracts have been implemented for routine procurement to minimize delays in awarding contracts. In parallel, the authorities continued to deepen fiscal risk analysis and reporting. With the support of Fund TA, the authorities also produced a fiscal risk register and heatmap to inform the annual fiscal risk statement.
Establishing a *Cash Management Unit* within the Treasury to improve the management of daily cash balances and avoid a buildup of payment arrears.	**Implemented.** A Cash Management Unit was created in 2024. It is responsible for day-to-day management of the Consolidated Account and government bank accounts, the preparation of monthly cash plans, bank reconciliation issues, and monitoring execution of ministries, departments, agencies, and SOEs.
Strengthening *public investment management* to unlock growth dividends and reduce risks to debt sustainability, including building resilience to natural disasters. Further enhancing transparency and	**Ongoing.** With the support of Fund TA and leveraging the results of the 2023 C-PIMA, the authorities have strengthened public investment management by improving the integration of climate into several aspects of the budget cycle, deepening fiscal risk analysis, and preparing a PPP framework. The government also developed a digital platform to improve the monitoring and execution of public sector investment. The authorities plan to develop a

2023 Article IV Recommendations	Implementation
monitoring of capital expenditure by publishing the cost of approved projects as an annex in the budget and MTFF.	database for all existing and future PPP projects and initiate annual reporting on execution and performance.
Exploring the introduction of a *numerical fiscal rule* once supporting PFM systems have been sufficiently strengthened.	**Not yet implemented.** The authorities have implemented the procedural fiscal rule, albeit with some minor delays, and now plan to draft a concept note on augmenting the procedural fiscal rule to further promote budgetary discipline, enhance credibility of the fiscal framework, and safeguard debt sustainability. Meanwhile, efforts to strengthen supporting PFM systems and data reporting—a prerequisite for considering a numerical fiscal rule—continue. The authorities also plan to begin publishing quarterly central government fiscal data by end-September, 2026.
Pension Reform	
Reforms to enhance the sustainability of the *pension system*.	**Implemented**. Amendments to the Public Pension Law came into effect in 2024, introducing employee contributions for new public employees and modifying the parameters for calculating pension benefits. Parliament also approved parametric reforms in late-2023 to shore up the financial position of the NISSS, increasing the retirement age and the contribution rate, including for the self-employed, and introducing measures to reduce benefits under early retirement. NISSS cleared the backlog of financial statements from 2010 to 2023, and the Auditor General is mobilizing resources to complete the audits.
BCED and BRA Reforms	
Considering rationalizing *tax expenditures* by adopting standard tax incentives packages for large investment projects and introducing regular exemption reviews.	**Implemented.** The authorities are implementing the updated framework for tax and customs concessions. They plan to complete the recertification process for all tax waivers and concessions granted prior to 2005 and table in Parliament a comprehensive tax expenditure inventory, including cost estimates by mid-2027.
Implementing the new *BRA and BCED organizational and governance structures*, further enhancing cooperation among the agencies and addressing capacity constraints.	**Ongoing.** The BCED completed a workload and staffing study, including to identify obstacles to filling critical vacancies, and developed a roadmap to fill such vacancies. The BRA and BCED completed the single registration process to support the mandatory use of the Taxpayer Identification Number as the unique identifier for importers and exporters, and as a requirement for border transactions. A new single-registry process was developed, with CARTAC assistance, for new companies or individuals completing the tax, NISSS, and customs registration. The portal went live in May 2025. The authorities also plan to table in Parliament a Tax Administration Procedures Bill to homogenize, modernize and enhance the administration and enforcement functions and powers of the BRA.
Clearing *tax arrears* and step up efforts to adopt a risk management approach.	**Ongoing.** With support from Fund TA, the BRA is developing a robust tax arrears management strategy to enhance the efficiency of its tax debt collection processes. The Large Taxpayer Unit operationalized its compliance improvement plan, continued to strengthen its audit program, with scope for improving risk-based case selection, and began expanding the use of third-party data to improve the accuracy of the taxpayer base, although this remains at an early stage.

2023 Article IV Recommendations	Implementation
Finalizing regulations to enforce the new *Customs Act*.	**Ongoing.** Regulations have been drafted and are expected to be published by end-September, 2026. In parallel, the authorities are developing a framework to implement review and appeal procedures set out in the Customs Act, supported by Fund TA. This will help enhance compliance and increase transparency, consistent with World Trade Organization obligations.
Monetary Policy	
Maintaining ample *international reserve buffers* to support the exchange rate peg.	**Implemented.** Gross international reserves remained at over US$1.5 billion at end-2025, equivalent to 6 months of imports of goods and services (around 195 percent of the Fund's ARA metric).
Considering upgrading CBB monetary policy by gradually *developing liquidity management instruments* to enhance its ability to manage monetary conditions.	**Ongoing.** The CBB developed a daily liquidity forecasting framework and conducted preliminary research to explore the establishment of a benchmark monetary policy rate. The establishment of a policy rate and lending instruments remains a long-term objective to help manage structural excess liquidity.
Exploring removal of the *foreign exchange fee*.	**Not yet implemented.** The authorities are open to considering the future removal of the foreign exchange fee once a sustained, long-term stabilization in CIT collections has been firmly established.
Financial Sector Policy	
Continue enhancing *financial oversight*.	**Ongoing.** The authorities have undertaken measures to strengthen the financial safety net, including adoption of an emergency liquidity assistance framework and new guidelines on systemically important financial institutions. Work is continuing to update the collateral policy and the deposit insurance scheme, with the aim of revising legislation in the coming years. Additionally, the authorities plan to develop a strategic plan for the Banking Supervision Department focused on strengthening its core prudential mandate by reallocating non-core functions, enhancing capacity for prudential data management and analytics, and narrowing non-licensing responsibilities to areas with clear prudential relevance.
Continuing advancing efforts to strengthen the *AML/CFT framework* to be removed from the Financial Action Task Force (FATF) 'grey list'.	**Implemented.** Following significant efforts to strengthen the AML/CFT framework, Barbados was removed from the Financial Action Task Force (FATF) 'grey list' in February 2024. Since then, Barbados has continued to strengthen its systems, notably by improving the regime for monitoring non-profit organizations, implementing requirements regarding tipping off suspicious transactions and the confidentiality of information provided to authorities, and improvements to the asset recovery regime. The authorities plan to table in Parliament a progress report on implementation progress in key AML/CFT areas, ahead of the FATF mutual evaluation in mid-2027.
Growth-Enhancing Policies	
Continuing enhancing the *business environment*, boosting economic efficiency, and stimulating investment, including by enhancing trade and business facilitation, investing in *skills and education*, and promoting *digital technologies*.	**Ongoing.** The authorities established Business Barbados in a renewed focus to improve the business environment and attract FDI. The authorities also identified a shortage of skills as a key impediment to growth and studied key digital gaps with the support of the IDB. In this context, the government adopted a Barbados Population Policy and launched a new Talent and Retention Strategy to position Barbados as a hub for remote hybrid knowledge workers. Significant progress has been made with the digitalization agenda, including establishment of a central online platform for government services, the deployment of 5G communications technology, the establishment

2023 Article IV Recommendations	Implementation
	of a data center, advancing with the establishment of an e-conveyancing property transfer platform, and the creation of a cyber security operations center. The authorities plan to establish a new Competitiveness and Productivity Commission by end-2026, to work alongside the Growth Council and the MF in streamlining key business processes.
Increasing Resilience to Natural Disasters	
Continuing efforts to build resilience to natural disasters, transitioning to a renewable economy, and mobilize private climate finance.	**Ongoing.** The authorities implemented reform measures under the RSF to: (i) mainstream climate change in the budget; (ii) introduce 'green PFM'; (iii) incentivize investment in resilient infrastructure and renewable energy projects; and (iv) incorporate climate risks in CBB bank stress testing. Over time, these measures will help strengthen growth and the external position, mitigating risks to debt sustainability and reducing prospective BoP risks. Further steps were taken to strengthen disaster risk management, including repurposing the Catastrophe Fund into the RRF. Its expanded role includes providing financial aid following a catastrophe, mitigation against catastrophes, and financing for resilience and regeneration. The RRF will commence publishing annual reports, including summary of operations and latest financial statements. The authorities also launched their 2035 Barbados Plan for Investment in Prosperity and Resilience, including plans to ramp up infrastructure investment. In 2024, Barbados launched the world's first debt-for-climate operation, generating around US$125 million in fiscal savings for upfront investment to enhance water supply resilience, food security, and environmental sustainability. In 2025, the authorities secured a US$30 million World Bank Disaster Risk Management Development Policy Loan to boost disaster preparedness, including an emergency fast-access credit line. The June 2025 international bond issuance also included a natural disaster/pandemic deferral clause.

Annex XV. Data Adequacy Assessment

Annex XV. Table 1. Barbados: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating[1]							
B							
Questionnaire Results[2]							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	C	B	B	C	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	B	C	C		
Granularity[3]	C		B	B	B		
			B		B		
Consistency			B	C		B	
Frequency and Timeliness	C	B	A	C	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

[1]The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

[2]The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

[3]The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data is broadly adequate for surveillance although it has some shortcomings. Government finance data, including fiscal tables, financing and debt, are comprehensive, timely and adequate for surveillance but are not published on the government's website. National accounts, annual GDP by production data is published within 6 months but GDP by expenditure data are published infrequently, while quarterly GDP data is not published at all. On prices, the Retail Price Index weights are becoming outdated, currently obtained from the average expenditure shares taken from the 1998 Household Budget Survey and 2016 Survey of Living Conditions. Although not published, international investment position (IIP) data is shared with the team, and there have been recent improvements in granularity and timeliness. However, delays remain and major data revisions still lie ahead, while data limitations preclude the evaluation of consistency between BoP and IIP data. Other Financial Corporations survey as well as data on commercial and residential real estate prices are unavailable. Additionally, FSI for credit unions are often published with a significant lag. The authorities are committed to improving data provision but capacity limitations at Barbados Statistical Service (BSS) impact data quality and the timeliness of publication for some statistics, e.g., consumer prices.

Changes since the last Article IV consultation The authorities have made significant progress to address data issues since the last Article IV consultation. With support from IMF TA, the BSS has revised GDP statistics, first rebasing to 2016 and then to 2023 using an updated supply and use table (SUT), which has also been used to develop a framework for estimating expenditure-based GDP. These updates provide a more comprehensive benchmark for the national accounts, facilitating expanded coverage and scope of Barbados' GDP estimates, and aligning with current international standards. Meanwhile, penalties have been introduced for non-response to questionnaires, helping to improve the response rate in the latest national accounts survey. The authorities have also continued working on improving external sector statistics, supported by Fund TA, including the estimation of BPM6-based balance of payments for 2018-25 and IIP statistics for 2010-24, though neither series has yet been published.

Corrective actions and capacity development priorities The authorities should continue making data improvements. Data publication could be strengthened in a few key areas, including publication of quarterly GDP, as well as quarterly fiscal, financing and debt data, and timely publication of external sector statistics. A comprehensive review of BSS operations, supported by IMF TA, could also help identify key institutional constraints and development priorities to improve the quality and timing of data publication.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Data on poverty and income inequality remains scarce, with the last household expenditure survey conducted in 2016, although the results of an updated IADB survey are expected soon. Data on climate-related investment data would also facilitate analysis on resilience building. Relatively infrequent releases of the Labor Force Survey also make it challenging to analyze employment dynamics.

Annex XV. Table 2. Barbados: Data Standards Initiatives

Barbados participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since March 2021.

Annex XV. Table 3. Barbados: Common Indicators Required for Surveillance

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Expected Frequency[7,8]	Announced Frequency[9]	Expected Timeliness[7,8]	Announced Timeliness[9]
Exchange Rates	2026-05-20	2026-05-20	D	D	D	M	...	4W
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2026-05	2026-05	D	W	M	M	1W	2M
Reserve/Base Money	2026-03	2026-04	M	M	M	M	2W	1M
Broad Money	2026-02	2026-04	M	M	M	M	1M	1M
Central Bank Balance Sheet	2026-03	2026-04	M	M	M	M	2W	1M
Consolidated Balance Sheet of the Banking System	2026-02	2026-04	M	M	M	M	1M	1M
Total assets of other depository corporations[2]	2026-02	2026-04	M	M	M	M	1M	1M
Total credit from other depository corporations[2]	2026-02	2026-04	M	M	M	M	1M	1M
Interest Rates[3]	2026-02-28	2026-04-14	M	M	D	M	...	4W
Consumer Price Index	2026-02	2026-04	M	M	M	M	1M	6W
Revenue, Expenditure, Balance and Composition of Financing[4]-General Government[5]	2026-03	2026-05	M	M	A	...	2Q	...
Revenue, Expenditure, Balance and Composition of Financing[4]-Central Government	2026-03	2026-05	M	M	M	Q	1M	5W
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2026-03	2026-05	Q	Q	Q	Q	1Q	2Q
Total stock of General Government Debt[5]	2025-12	2026-05	Q	Q	Q	...	4M	...
External Current Account Balance	2025-12	2026-05	Q	Q	Q	A	1Q	6M
Exports and Imports of Goods and Services	2026-03	2026-05	Q	Q	M	M	8W	6W
GDP/GNP	2024-12	2025-11	A	A	Q	A	1Q	6M
Gross External Debt	2026-03	2026-05	Q	Q	Q	Q	1Q	2Q
International Investment Position	2024-12	2026-05	A	A	Q	...	1Q	...

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic non-bank financing.

[5] The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex XVI. Post-RSF Policy Implementation

Reform Area	Progress following Completion of the RSF
Pillar 1: Build resilience to natural disasters and climate change	• The Barbados Environmental Sustainability Fund completed its first Call for Proposals, resulting in the approval of eight grants in late 2025 totaling approximately B$1.5 million. A second Call for Proposals was open from April 13 to May 26, 2026. Applications were received during this period, with screening and evaluation scheduled to begin following the close of the call. • The FY2026 fiscal risk statement was published in March 2026, incorporating the impacts of climate-related shocks and effects of temperature increases. The Ministry of Finance has taken steps to strengthen capacity by promoting training in climate risk assessment, data analysis, and the application of risk-layering approaches in public programming. The Fiscal Risk Unit, in collaboration with the Department of Emergency Management, is developing a climate risk register, focusing on establishing Barbados's national risk profile and mapping disaster risk financing instruments within a risk-layering framework. Looking forward, the fiscal risk unit will be seeking to build capacity for scenario analysis to understand how climate shocks could affect public finances under different conditions. • The Ministry of Finance has strengthened its risk-layering approach to disaster risk management. Progress has been broad-based, with key sectors (e.g., water, cultural heritage, and health) enhancing capacity through improved plans, training, asset mapping, and investments in systems and equipment. • The Ministry of Transport and Works plans to review additional prospects for utilizing the 2025 Stormwater Management Act to deter dumping in water courses, gullies, ponds, etc. • A PPP committee has been established through Cabinet approval to assess the adequacy of proposed projects ensuring that they align with statutes of the new PPP framework.
Pillar 2: Climate mitigation reform measures	The March 2026 Budget extended the excise and VAT waiver on EVs through March 31, 2029, with a 10 percent import duty applied. Replacement batteries for EVs and hybrid vehicles are eligible for a five-year income tax deduction. In addition, a Request for Proposals was issued in November 2025, for the provision of 60 MW of energy storage services through battery energy storage systems on a build-own-and-operate basis. The submission period closed at end-April 2026, with 19 proposals received. • The Ministry of Energy, Business Development and Consumer Affairs finalized the National Energy Efficiency Policy and Strategic Action Plan (NEPSAP) in June 2025, complementing the broader Energy Efficiency and Conservation Policy Framework. NEPSAP establishes a framework for energy efficiency standards and regulations, with the aim of promoting more energy-efficient practices across the productive and trading sectors. • Based on the reports from walk-through energy audits, the Energy Division will complete the retrofits of 104 government buildings. This activity will allow for an estimated annual energy savings of 2,200MWhThe Regulations accompanying the Electricity Supply Act were gazetted in October 2025, alongside the Electricity Supply (Renewable Energy Procurement Committee) Regulations. Together, these instruments complete the updated legislative framework governing the generation, storage, transmission, distribution, dispatch, supply, and sale of electricity. • In April 2026, a National Energy Consultation Group was established, led by the Prime Minister and a newly appointed Special Projects Permanent Secretary. The group aims to address key bottlenecks to renewable energy deployment, including technical constraints, tariff and regulatory issues, legal and contractual arrangements, and internal institutional

Reform Area	Progress following Completion of the RSF
	challenges. The overarching objective is to achieve at least 50 percent of electricity generation from renewable sources by end-2027.
Pillar 3: Mitigate transition risks	• The 2024 Financial Stability Report, published in July 2025, featured two thematic articles on climate risk, prepared by the CBB and the FSC. The CBB contribution examined approaches to tailoring climate transition risk assessments to the Barbadian context, while the FSC article focused on methodologies for assessing climate risks in the insurance sector. • The authorities are expected to receive TA on green taxonomies and climate information architecture in the second half of 2026 and have expressed interest in further TA on enhancing climate stress testing.

Appendix I. Letter of Intent

Bridgetown, Barbados
June 4, 2026

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Managing Director Georgieva,

Since taking office in 2018, my Government has been steadfast in its focus on reform. At the outset, our top priority was economic stabilization given the dire circumstances faced in 2018. Anchored by our first Barbados Economic Recovery and Transformation (BERT) plan, our fiscal and external positions improved steadily, despite the unprecedented economic shock imposed by the COVID-19 pandemic. Next, under the BERT 2022 plan our focus turned to recovery and resilience building. That plan supported strong growth, a steady continuation of the downward trajectory for our public debt-to-GDP ratio, and the further accumulation of international reserves to support the exchange rate peg. Structural reforms were also advanced, including reforms to build climate resilience, despite challenging headwinds from external shocks.

As I write to you today, we stand in a position of strengthened macroeconomic credibility. Real GDP growth has averaged 2.6 percent during 2023-25, the public debt-to-GDP ratio has declined to around 95 percent of GDP, and international reserves stand at around US$ 1.5 billion, approximately 6 months of import cover. In mid-2025, we also successfully returned to international capital markets and made early repayments to the IMF. I wish to convey my sincere appreciation to the Fund for its partnership and support since we began this journey in 2018. We continue to move forward, and our next phase will focus primarily on economic transformation, while remaining firmly committed to reducing public debt to 60 percent of GDP by FY2035/36. This new phase will be guided by the approved BERT 2026 plan, which advances elements of the structural reform agenda initiated under the BERT 2022 plan, while adding new initiatives to help achieve our goal of becoming a high-performing, inclusive, and climate-resilient economy.

In the current uncertain global economic environment, we feel strongly that we must remain engaged with trusted multilateral development partners such as the IMF. In that context, the Government of Barbados is requesting a 36-month precautionary Stand-By Arrangement (SBA) in an amount equivalent to SDR 189 million (around US$260 million), or 200 percent of Barbados' IMF quota. This arrangement will provide important insurance in case external downside risks materialize, and we feel it is also an appropriate instrument to help preserve macroeconomic stability and support the transformational elements of our reform agenda.

The Government believes that the policies described in the attached MEFP provide a strong anchor for the requested precautionary SBA, drawing on our BERT 2026 plan. The Government will maintain a close policy dialogue with Fund staff and stands ready to take any additional measures, as necessary, to ensure that we continue to meet the SBA objectives. The Government will also continue to share with the Fund staff all the relevant information required to complete programme reviews.

The Government will continue to observe the standard performance criteria on the non-imposition or intensification of restrictions on the making of payments and transfers for current international transactions, the non-introduction or modification of multiple currency practices, the non-conclusion of bilateral payments agreements inconsistent with Article VIII of the Fund's Articles of Agreement, and the non-imposition or intensification of import restrictions for balance of payments reasons.

As part of our communication policy and our full commitment to transparency, we intend to publish this letter on the websites of the Ministry of Finance, Economic Affairs and Investment and the Central Bank of Barbados to keep Barbadians and international stakeholders informed about our policy actions and intentions. We also authorize the Fund to publish this letter, together with the Staff Report and its attachments.

The sustained partnership between the IMF, the Government, and the people of Barbados has been invaluable in supporting our efforts to revitalise the economy and place Barbados on a sustainable, equitable, and resilient growth path. We look forward to your support as we continue this next phase of national transformation.

Very truly yours,

/s/

The Hon. Mia Amor Mottley S.C., M.P.
Prime Minister and Minister of Finance, Economic Affairs, and Investment
Barbados

Attachment I. Memorandum of Economic and Financial Policies

I. PROGRAMME OBJECTIVES AND ECONOMIC STRATEGY

1. The Barbados Economic Recovery and Transformation Plan 2026 (BERT 2026) will build on the stabilization gains of BERT 2018 and the growth momentum of BERT 2022. Key macroeconomic achievements under previous BERT plans include a reduction of the public debt-to-GDP ratio (178.9 percent of GDP in 2018 to 94.6 percent of GDP at 2025/26), international reserve accumulation (around 6 months of import cover as of end-2025), strong economic expansion following the COVID-19 pandemic recovery (average real economic growth of 2.6 since 2023), and the re-accessing of international capital markets in June 2025. Under BERT 2026, we will ensure that these past gains are not only preserved but deepened.

2. BERT 2026 seeks to transform Barbados into a high-performing, inclusive, and climate-resilient economy in which growth expands opportunity, strengthens ownership, and enfranchises Barbadians more fully in the country's development. The Government's objective is not only to sustain growth, but to ensure that growth translates into broader participation, fairer access to opportunity, and tangible improvements in living standards across the population. In an international environment marked by widening income inequality, Barbados will pursue a development model that protects macroeconomic stability while ensuring that the benefits of transformation reach workers, households, entrepreneurs, young people, and vulnerable groups. The plan aligns with the Sustainable Development Goals (SDGs), the 2035 Net-Zero Target, the Medium-Term Fiscal Strategy, and the principles of the Bridgetown Initiative. It is centered around five strategic pillars: (i) productivity and competitiveness; (ii) debt and fiscal sustainability; (iii) financial market development; (iv) climate resilience and the green economy; and (v) human capital and inclusion.

3. The Government of Barbados (GOB) requests IMF support to sustain BERT 2026 implementation through a precautionary Standby Arrangement (SBA). Maintaining and strengthening macroeconomic stability is a central objective, and we are committed to sustaining strong primary surpluses to ensure a continued gradual reduction in the debt-to-GDP ratio. The SBA will also support structural reforms through Fund-supported capacity building efforts. The reform progress witnessed under both previous BERT plans will continue, as we seek to translate hard-won macroeconomic stability into long-term economic and institutional transformation.

4. In the context of heightened global risks, the SBA will provide Barbados with vital insurance. While economic growth is expected to remain strong, supported by robust tourism demand and unprecedentedly large hotel construction, the outlook is subject to important external downside risks. If shocks materialize, the SBA will provide timely support to the balance of payments and help preserve macroeconomic stability, while the government implements any policy adjustments needed to keep BERT on track and complete the process of transformation of the country, to which we are committed.

5. The GOB remains fully committed to the policies outlined in our BERT 2026 plan and

Memorandum of Economic and Financial Policies (MEFP). Structural benchmarks and performance on quantitative targets established under this proposed SBA are presented in Tables 1 and 2, respectively.

II. MEDIUM-TERM MACROECONOMIC FRAMEWORK

6. **BERT 2026 reaffirms the GOB's commitment to debt and fiscal sustainability through a proactive approach to fiscal policy.** The overarching objective is to maintain a downward debt-to-GDP trajectory towards 60 percent by FY2035/36, the same fiscal anchor as under previous BERT plans. The GOB recorded a primary surplus of 4.2 percent of GDP in FY2025/26, marking the highest fiscal effort since the onset of the pandemic. Over the next three years, the GOB will maintain strong primary surpluses, striking the necessary balance between reducing public debt and preserving fiscal space for development spending, resilience building, and targeted social support. In the near term, the Government has implemented a policy package to address the impact of rising commodity prices, including higher international oil prices. Going forward, any such measures will remain targeted and temporary to avoid locking in permanent increases in recurrent spending and to safeguard fiscal sustainability. Given the uncertain external environment, including the risk of sustained oil price increases and reduced global supply, the Government will continue contingency planning, through revenue-raising measures and expenditure prioritization options, while protecting critical social and capital spending. As fiscal space permits, targeted social spending will be strengthened to support vulnerable households, expand opportunity, and reinforce social stability and cohesion. Revenue overperformance will first support fiscal resilience, including rebuilding buffers, financing priority capital and climate resilience spending, or reducing financing needs, consistent with BERT 2026 targets.

7. **Furthermore, the GOB is committed to advance fiscal and structural reforms to support underlying BERT objectives.** These include capacity building in revenue policy and administration; public financial management; customs and excise policies; reforms to State Owned Enterprises (SOE); monetary and financial sector policies; and data and statistics. Details are provided in the following sections.

8. **A comprehensive and diversified financing strategy is in place.** Barbados continues to benefit from policy-based lending and concessional project financing from its multilateral and bilateral partners, including the IDB, CAF, World Bank, EIB, and others. These partnerships will remain central over the medium term, not only for financing but also for technical support and capacity building. New external disbursements are programmed for FY2026/27 through FY2029/30, with additional bond issuances planned as needed to close financing gaps. Barbados' successful re-entry into international capital markets in June 2025, with the introduction of natural disaster and pandemic clauses, and its subsequent return to the emerging market bond index, indicates strong external private-sector confidence in the Government's commitment to macroeconomic stability and continued reform. Domestically, the financing strategy includes Treasury Bills, longer-dated Treasury Notes and Debentures, and the BOSS Plus programme, which enables the public to invest in Government bonds on favorable terms.

III. FISCAL STRATEGY AND POLICY PRIORITIES

9. Maintaining fiscal discipline and ensuring long-term debt sustainability remain central pillars of Barbados' economic strategy. BERT 2026 reinforces not only the country's commitment to primary surplus targets but also the institutions and reforms necessary to continue to manage debt prudently and sustainably. In parallel, the GOB will continue to improve its fiscal framework to further strengthen fiscal discipline, accountability, and policy credibility.

Revenue Policy and Administration

10. Revenue-enhancing initiatives taken under previous BERT plans will continue, as will efforts to improve administrative efficiencies. Key areas of focus include:

- The Government will complete the recertification process for all tax waivers and concessions granted prior to 2005 and table in Parliament a comprehensive tax expenditure inventory, including cost estimates. The inventory will include a summary report with aggregated data on the number and estimated value of recertified and non-recertified waivers and concessions, with the goal of improving transparency, protecting the tax base, supporting revenue mobilization, and strengthening public accountability (*structural benchmark for end-June 2027*). Thereafter, an annual report will be tabled in Parliament ahead of budget estimates.

- With tax arrears owed to Government continuing to rise, the Barbados Revenue Authority (BRA) will complete a full review of accounts receivable to identify the theoretically and realizable collectible debt amount.

- BRA will table a Tax Administration Procedures Bill in Parliament to homogenize, modernize and enhance its administration, enforcement functions, and powers (*structural benchmark for end-December, 2026*).

Customs Administration

11. Strengthening customs administration and promoting administrative efficiencies between the Barbados Customs and Excise Department (BCED) and BRA have been emphasized under previous BERT plans. Reform efforts will continue in the following areas to support improvements in BCED policies and underpin fiscal sustainability, trade facilitation and border security:

- BCED will publish regulations implementing the 2022 Customs Act (*structural benchmark for end-September, 2026*), following completion of internal review, stakeholder consultation and finalization through the Chief Parliamentary Counsel.

- BCED is operationally ready for the integration of the Barbados Electronic Single Window (ESW); full operationalization will be completed during 2026 alongside the digitalization of customs and logistics infrastructure to reduce trade friction and processing times.

- Expansion of the Trusted Trader Programme will be supported by an urgent update to Risk Management profiles of participating companies to ensure compliance readiness, while reinforcing security at the borders.

Public Financial Management (PFM) and the Budget Process

12. **Prudent and efficient management of the public finances remains a centerpiece of Barbados' fiscal strategy.** The focus under BERT 2026 will be on enhancing budgetary processes and implementing rules to support the 2019 PFM Act, alongside other ongoing reform efforts. These reforms will be geared towards strengthening budgetary controls and oversight in support of fiscal discipline and the effective management of public resources. Most notably:

- The Ministry of Finance will expand the use of multi-year budgeting, allowing better alignment of fiscal policy with debt management and investment planning.

- The full rollout of performance-based budgeting and digital expenditure tracking systems will improve allocative efficiency and accountability.

- The Ministry of Finance will develop and table in Parliament the PFM rules to support the 2019 PFM Act, (*structural benchmark for end-December, 2026*). The implementation of the rules will be underpinned by a policy framework, PFM manual and appropriate training, with the support of IMF technical assistance.

Fiscal Oversight

13. **To maximize transparency and accountability, anchor the fiscal path, and enhance credibility, the GOB will continue to strengthen its fiscal framework, including by supporting the effective operation of the Fiscal Council.** Reforms in this area are especially important in supporting continued strong access to international capital markets over the medium term. Key reforms to promote fiscal oversight include:

- The Fiscal Council (FC) will play an active role in reviewing macro-fiscal forecasts, monitoring compliance with fiscal rules, and publishing independent assessments of performance. To facilitate this, the GOB will share a draft budget in time to enable the FC to publish an annual fiscal performance report alongside the budget, including an assessment of the key assumptions underlying macroeconomic projections, GOB fiscal policies, and adherence to fiscal objectives and debt sustainability targets.

- With support of IMF technical assistance, the GOB will draft a concept note to explore options on augmenting the existing procedural fiscal rules (*structural benchmark for end-December, 2027*).

Debt Management

14. **The GOB will continue operationalizing the 2024–2027 Medium-Term Debt Strategy**

(MTDS), which focuses on minimizing borrowing costs over time while containing refinancing and exchange rate risks. Liability management operations will continue, including opportunistic debt swaps, buybacks, and extensions of maturities, particularly where they help smooth debt service profiles. We are also increasing the capacity of the Debt Management Unit and are committed to enhancing investor relations through greater transparency and communication, including through improved publication of debt statistics. With the support of Fund TA, we aim to expand domestic debt auctions to bond issuances, enabling price discovery and development of a yield curve, as a key step towards lengthening maturities and reducing rollover risks. In parallel, Barbados will continue to engage with international capital markets in a limited and strategic manner.

Public Sector Reform

15. Ensuring high value-for-money public expenditures, including in the areas of Public Private Partnerships (PPPs), transfers to State Owned Enterprises (SOEs), and public investment more generally, is a priority under BERT 2026. Promoting fiscal discipline and operational efficiency of SOEs has been a reform priority under previous BERT plans, and will continue. Ensuring public access to timely, informative real and fiscal data is important to inform investment decisions. Public sector reforms are expected in the following areas:

- The GOB will continue its programme to rationalize high-transfer SOEs, including the QEH and CBC, through enhanced financial oversight and the introduction of medium-term performance targets. To help inform the process, a comprehensive stock-take of SOEs, including an updated financial dashboard, will be undertaken with support from IMF TA (*structural benchmark for end-March, 2027*).

- Public-private partnerships (PPPs) will be implemented in a fiscally sustainable manner, with all proposed arrangements subject to debt sustainability screening, value-for-money assessments, and transparent reporting protocols. The PPP framework approved in 2025 establishes clear institutional roles, appraisal methodologies, and safeguards to ensure that contingent liabilities do not compromise the fiscal position. To support this process, a PPP Committee within the Ministry of Finance has been established to evaluate project concepts and feasibility studies before approval. In addition, a database for all existing and future PPP projects will be developed, and annual reporting on execution and performance of all PPPs will be initiated (*structural benchmark for end-June, 2027*).

- Seeking to enhance the effectiveness and ease of use of statistics, the Barbados Statistical Service will conduct a review of its institutional arrangements and resources. Thereafter, a plan would be developed to address shortcomings.

- To improve transparency and enable investors and other stakeholders to monitor fiscal performance and conduct independent analysis, the GOB will publish quarterly central government fiscal data on a timely basis (*structural benchmark by end-September, 2026*).

IV. MONETARY AND FINANCIAL SECTOR POLICIES

16. The GOB will continue to prioritize enhancements to the Central Bank of Barbados' (CBB) operational capacity to execute monetary policy and safeguard financial-sector soundness. The exchange rate peg to the US dollar has provided a key anchor for macroeconomic stability since 1975 and remains a central policy objective. Social Partners and stakeholders are also committed to the maintenance of the exchange rate peg. Necessary fiscal and structural policies will be implemented to support the peg and sustain adequate international reserves balances. Two policy priorities bear emphasizing:

- **We have a gradual and targeted approach to relaxing exchange controls.** Since August 2019, Barbadians have been permitted to open foreign-currency denominated accounts, and proceeds from the sale of assets may be repatriated in foreign currency or kept locally in these foreign-currency accounts. In addition, select foreign exchange limits such as those on personal travel facilities have been gradually increased in recent years. In light of the sustained improvement in macroeconomic conditions, we are committed to the eventual removal of the 2 percent foreign exchange transaction fee. To this end, we will work to identify offsetting revenue measures, as necessary, consistent with meeting our fiscal and debt sustainability objectives.

- **A recapitalization plan for the CBB remains in place**. The authorities will continue to implement the approved CBB recapitalization plan, which entails initially rebuilding capital through profit retention, while keeping the plan under review to ensure that the Bank's capital position strengthens over time. This will support the institutional resilience of the CBB, reinforce its capacity to conduct monetary and financial stability operations, and help safeguard confidence in the fixed exchange rate regime.

17. Deepening financial intermediation is important to support private sector-led growth. Access to finance, particularly for SMEs and new industries, remains a binding constraint in Barbados, which BERT 2026 will address by expanding the tools, infrastructure, and regulatory reforms needed to improve financial inclusion and investment mobilization. To deepen access to capital, encourage entrepreneurship, and strengthen Barbados' status as a competitive financial jurisdiction in the Caribbean, key initiatives will include:

- A strategic plan for the CBB Banking Supervision Department will be developed, to prioritize the core prudential supervision mandate, strengthen risk management and safeguard financial stability (*structural benchmark for end-November, 2026*).

- A consultation paper for the resolution framework for financial institutions, with support from Fund TA.

- A collateral registry for movable assets and the establishment of a factoring framework for small suppliers, particularly those interacting with GOB.

- Strengthening of credit bureau reporting, building on the Fair Credit Reporting Act, and expansion of financial literacy initiatives through the Financial Literacy Bureau.

- Greater use of credit rating and monitoring services, including the development of minimum CariCris ratings for financial instruments offered to the public. SMEs seeking to raise capital will be supported to obtain and maintain such ratings, thereby improving governance and lowering risk perception. Complementary instruments, such as partial guarantees and co-financing schemes, will incentivize lending to rated SMEs and deepen investor confidence in this segment.

- In October 2025, Barbados launched its first Junior Stock Exchange, the Innovation Growth Market (IGM), to support SMEs in raising equity capital. Operationalizing the IGM and connecting firms to advisory, investor, and business development networks will continue to support business development.

- In June 2026, the CBB will launch its national instant payment system, BiMPay. This system will modernize payments in Barbados, increasing speed and accessibility, and support financial inclusion.

- Strengthening of the regulatory framework for Fintech, insurance, and pensions, with an emphasis on innovation, consumer protection, and risk-based supervision.

18. **We will continue to strengthen our AML/CFT framework.** Barbados' removal from the FATF grey list in February 2024 was an important milestone and followed substantial reform efforts made in recent years. Looking forward, we remain focused on effective implementation and enforcement in the areas of supervision, investigations, prosecutions, and asset recovery, ahead of our updated mutual evaluation in June 2027. At the individual institution level, we will continue to update the risk profiles of each licensee. A report detailing the status of our implementation efforts will be tabled in Parliament (*structural benchmark for end-March 2027*).

V. GROWTH-ENHANCING REFORMS

19. **Economic diversification is a vital pillar of the growth reform and transformation agenda.** Key sectors for economic diversification are centered around addressing the island's vulnerability to external shocks including, agribusiness, life science & health and technology & innovation, supported by the pragmatic adoption of artificial intelligence (AI), cybersecurity, Fintech and digital services. Recently announced measures include:

- The launch of the Green Industrialization Gateway Advantage as a strategic initiative, led by Export Barbados, aimed at transforming the island into a hub for advanced manufacturing, and agro-processing, AI infrastructure, life sciences, and global digital services.

- The establishment of the Economic Diversification and Growth Fund (EGDF) in December 2025 will aid in the strategic targeting of established firms with the sectors identified as being opportune areas for economic diversification. The EGDF will provide financial support to qualifying companies[1], to increase employment, earnings of foreign exchange, and contribute to economic growth.

20. Raising productivity and boosting competitiveness is the single most important lever for unlocking higher, sustainable growth in Barbados. BERT 2026 prioritizes competitiveness by reducing structural rigidities, enabling private investment, upgrading the regulatory and technological environment, and enhancing labor productivity. The Government also recognizes that Barbados' declining and ageing population makes productivity growth even more urgent, and that closing the national skills deficit, particularly the digital skills deficit, is central to sustaining competitiveness, expanding opportunity, and raising living standards. Digitalization under BERT 2026 targets the creation of an interoperable Digital Productivity State, built on once-only data principles, shared registries, automated licensing and permits, and digital payments. The Single Digital ID and Business Identity System will underpin interoperability, reduce fraud, and improve compliance across government.

Enhancing Productivity and Competitiveness

21. As emphasized in the 2025 Budget, productivity-led growth is the only sustainable path for a country with limited resources and high external vulnerability. Key initiatives to boost productivity include:

- Establishment of a Competitiveness and Productivity Commission (*structural benchmark for end-December, 2026*), co-chaired by a former head of the Barbados Private Sector Association and General Secretary of the Barbados Workers Union. The Commission will focus on end-to-end process redesign, automation, and KPI reporting across priority areas, including permits, customs clearance, construction approvals, company registration, and work permits. Its mandate will be to support accelerated execution, improve service outcomes, and ensure that productivity reforms translate into measurable results.

- Implementation of the second phase of Business Barbados modernization, including merging business registration, payment, and verification processes into a single digital platform.

- Strengthening of the Investment Facilitation Centre and the launch of the Barbados Investment Plan, which targets sectors with high growth and export potential such as logistics, high-end tourism, agro-processing, blue economy industries, and renewable energy services.

- The Energy Transition Investment Plan, approved by Cabinet in March 2025, will anchor public and private investment across the energy sector.

- Invest Barbados and Export Barbados will both be strengthened as the central agencies for inward investment and export promotion, respectively. The agency will be resourced with

[1] Qualifying company means a company which has a substantial economic presence in a jurisdiction other than Barbados and engages in, or intends to engage in, real and substantial activity in Barbados.

technical expertise and professional capacity to attract foreign direct investment, boost service exports, and support diversification into new and emerging sectors.

- Implement a Single Digital ID and Business Identity System, supported by legislative and cybersecurity reforms.

- Establish a Barbados Global R&D Hub Programme aimed at attracting frontier research partnerships and converting innovation into patents, investable firms, and export revenues. Reindustrialization efforts will prioritize clusters in advanced manufacturing, Life Sciences and Biotechnology, Climate-tech and Green services, and Blue economy technologies, supported by logistics reform and accelerated approvals.

- Integrate health and wellness as a core productivity driver. This will include workplace wellness initiatives, preventive healthcare programmes, and targeted policies to reduce absenteeism and prolong active working lives. Ministries of Health and Labor will collaborate to track workforce health indicators and report on their impact on national productivity outcomes.

Empowering People and Strengthening Human Capital

22. BERT 2026 places people at the center of national development. The Government's economic strategy will empower and enfranchise citizens to participate in, benefit from, and contribute to a more inclusive economy. This approach recognizes that macroeconomic stability and growth must translate into wider access to skills, jobs, finance, housing, ownership, and enterprise opportunities, supported by targeted social spending that protects vulnerable groups and strengthens social stability and cohesion. The focus will remain on the workforce, with particular emphasis on young people, vulnerable groups, and the evolving demographic landscape.

23. Combating the national skills deficit, especially the digital skills deficit, will be central to this agenda. Barbados' declining and ageing population makes it imperative to raise workforce participation, extend productive working lives, and equip workers of all ages with the skills needed to adapt to a more digital and technology driven economy. This priority will be informed by the 2025 IDB supported Labour Skills Assessment for the Digital Economy prepared for the Growth Council, which found that Barbados faces a significant internal digital skills gap. The assessment found that 75 percent of surveyed firms had completed or were undertaking digital transformation, but that 47 percent of employees, including 40 percent of managers and 31 percent of professionals, lacked at least some of the digital skills required for their roles. It also found that 63 percent of employees required AI related skills, while 71 percent lacked some of those required skills. These findings reinforce the need to scale up short, flexible, industry aligned training, particularly in intermediate digital skills such as data analysis, digital collaboration, cybersecurity awareness, and the effective use of AI tools. Key initiatives include:

- Transformation of the education system, including the revision of the Education Act, phasing out of the 11-Plus exam, and reform of the curriculum to prioritize STEAM disciplines, critical thinking, and digital literacy.

- Scaling of the National Transformation Initiative (NTI) to provide every Barbadian with access to high-quality training in digital, climate, and entrepreneurial skills.

- Development of targeted digital upskilling programmes, informed by the 2025 IDB supported Labour Skills Assessment for the Digital Economy, with emphasis on basic and intermediate digital skills, AI readiness, data analysis, cybersecurity awareness, and practical digital tools for workers, managers, entrepreneurs, and older members of the workforce.

- Expansion of the Barbados Youth Advance Corps, Apprenticeship Scheme, and the First Jobs Initiative, aimed at reducing youth unemployment and better linking training to job placement.

- Implementation of the Population Policy 2023–2024, which promotes active ageing, labor force participation, and skills attraction and retention.

- Construction of affordable, green homes through innovative public-private delivery models and social enfranchisement initiatives.

VI. SUSTAINABILITY AND RESILIENCE TO CLIMATE CRISIS

24. Barbados remains on the frontline of the climate crisis, requiring a whole-of-Government approach to embedding resilience into planning, budgeting, infrastructure, and community development. Anchored on the 2035 Net-Zero Target, BERT treats climate action as a core economic strategy. Following national consultations, the Government has also committed to accelerating the renewable energy transition, with the objective of meeting 50 percent of Barbados' electricity generation needs from renewable sources by December 2027. This target will reduce dependence on imported fossil fuels, better insulate the economy from international oil price shocks, lower foreign exchange leakage, and strengthen energy security. It will also support the broader transformation agenda by creating investment opportunities, expanding citizen participation in renewable energy ownership, and aligning near-term energy policy with Barbados' 2035 Net Zero Target. A central objective is to ensure Barbadians participate directly in the climate transition. This will be achieved through citizen ownership models such as community solar projects, household access to green bonds, and opportunities for local investors to share in the benefits of renewable energy and resilience investments. Areas of policy focus under BERT 2026 include:

- Climate-smart infrastructure under BERT 2026 will also include investments in food and nutritional security. GOB's programme of climate-smart agricultural infrastructure, including the development of a national food terminal through a PPP arrangement, forms part of the investment pipeline supporting resilience and private sector participation.

- Execution of the Electricity Supply Bill, enabling fair and efficient participation in renewable energy generation, storage, and grid access, and supporting the Government's objective of meeting 50 percent of Barbados' energy needs from renewable sources by December 2027.

- Full operationalization of the Resilience and Regeneration Fund, which finances resilient house construction, home retrofitting and rebuilding, community shelters, and green infrastructure.

The government will table in Parliament an annual report, including a summary of operations and financial statements (*structural benchmark for end-March, 2027*).

- Expansion of the electric vehicle (EV) fleet and further incentives for private EV adoption.
- Implementation of climate budget tagging and green public procurement regulations across all Ministries and SOEs.
- Following the successful 2022 Resilience and Sustainability Facility (RSF) arrangement, the Government will work with the IMF to support Barbados' climate transition agenda, in parallel with the precautionary SBA. Climate resilience and infrastructure development depend on guaranteed insurance and reinsurance capacity. Barbados' current reliance on external reinsurers represents a structural vulnerability that could constrain future investment. BERT 2026 will therefore explore regional pooling solutions and the establishment of a Caribbean reinsurance facility, in partnership with CARICOM, CCRIF, and development banks. Building local and regional capacity will ensure that new industries, infrastructure projects, and households remain adequately protected against climate and disaster risks.
- Rollout of solar, water, and other efficiency technologies in public buildings, housing projects, farms, and school infrastructure, as part of Barbados' national Net Zero 2035 ambition.
- During 2025, Barbados expanded its energy democratization strategy by embedding unit trust structures within large, capital-intensive renewable energy projects. This approach allows ordinary Barbadians to become owners of projects at scale, expanding participation, creating income opportunities, and strengthening local ownership of renewable assets.

25. Program Monitoring. Program implementation will be monitored through quantitative performance criteria, indicative targets, and structural benchmarks. These are detailed in Tables 1 and 2, with definitions and data requirements provided in the attached TMU. The SBA arrangement with the Fund will be subject to semi-annual reviews, with the first, second, and third reviews occurring on or after December 1, 2026, and June 1, 2027, and December 1, 2027, respectively.

Table 1. Barbados: Proposed Quantitative Performance Criteria under the Proposed Standby Arrangement 1/ 2/

(In millions of Barbados dollars otherwise indicated)

	Target end June 2026 IT	Target end September 2026 PC	Target end December 2026 IT	Target end March 2027 PC	Target end June 2027 IT
Performance Criteria					
Fiscal Targets					
Floor on the CG Primary Balance 3/	184	370	461	590	194
Ceiling on the Non-accumulation of CG External Debt Arrears 3/ 4/	0	0	0	0	0
Ceiling on the Stock of Public Debt 5/	15400	15400	15400	15420	15470
Monetary targets					
Floor on Net International Reserves	1720	1510	1560	1780	1730
Indicative Targets					
Fiscal targets					
Ceiling on the Stock of Domestic CG Expenditure Arrears 5/ 6/	180	171	163	154	145
Floor on CG Social Spending 3/ 7/	33	75	110	138	36
Ceiling on the Stock of Public Institutions Expenditure Arrears 5/	30	25	20	15	10
Ceiling on CG Transfers and Grants to Public Institutions 3/ 8/	118	264	453	551	110
Monetary Targets					
Ceiling on the Stock of Net Domestic Assets of the CBB 4/	1375	1475	1350	1350	1325
Items feeding into Debt, and NIR adjustors					
Budget support 3/	0	0	0	300	0
Grants 3/	0	0	0	9	0
Projected project grants	20	80	125	159	28
Projected Fuel Price (USD$ per barrel)	98	92	86	80	78
Fuel Imports net of Re-Exports (In thousands barrels per quarter)	966	966	966	981	981

Sources: Fund staff estimates.

1/ Test dates for periodic Performance Criteria (PC) will be end-March and end-September of each calendar year. There will be Indicative Targets (IT) at end-June and end-December. PCs and ITs are further defined in the Technical Memorandum of Understanding (TMU);
2/ Based on program exchange rates defined in TMU where applicable;
3/ Flow (cumulative over the fiscal year);
4/ Continuous performance criterion;
5/ Stock;
6/ Including pre-TAMIS legacy arrears formally recognized in FY2022/23;
7/ This floor excludes operational expenses of social programs;
8/This ceiling excludes earmarked transfers and capital transfers to SOEs.

Table 2. Barbados: Proposed Structural Benchmarks Under the SBA

Area	BERT 2026 Pillar	Structural Benchmark	Objectives	Indicative Timing
Revenue Policy and Administration				
Customs	Pillar 1: Productivity and Competitiveness	1. BCED to publish regulations implementing the 2022 Customs Act.	Strengthening customs administration will support improvements in customs policies, underpinning fiscal sustainability, trade facilitation and border security.	end-September 2026
Tax Administration	Pillar 2: Debt and Fiscal Sustainability	2. Government to table in Parliament a Tax Administration Procedures Bill to homogenize, modernize and enhance the administration and enforcement functions and powers of the BRA	Improving tax administration will help strengthen compliance, enforcement of tax laws, and foster voluntary compliance. This will support revenue mobilization and fiscal sustainability.	end-December 2026
Tax Expenditures	Pillar 2: Debt and Fiscal Sustainability	3. Government to complete the recertification process for all tax waivers and concessions granted prior to 2005 and table in Parliament a comprehensive tax expenditure inventory, including cost estimates, ahead of the annual budget estimates. The inventory will include a summary report with aggregated data on the number and estimated value of recertified and non-recertified waivers and concessions.	Rationalizing and reporting tax expenditures will help protect the tax base, mobilize revenues, improve transparency, strengthen public accountability, and foster more equitable and efficient use of public resources.	end-June 2027

Table 2. Barbados: Proposed Structural Benchmarks Under the SBA (continued)				
Area	**BERT 2026 Pillar**	**Structural Benchmark**	**Objectives**	**Indicative Timing**
Public Sector Reform				
Fiscal data	Pillar 3: Financial Market Development	4. Government to begin publishing quarterly central government fiscal data, with a one-month lag.	Improving fiscal transparency to help strengthen public understanding and government accountability, thereby contributing to stronger fiscal policies.	end-September 2026
Fiscal Framework	Pillar 2: Debt and Fiscal Sustainability	5. Government to draft a concept note on augmenting the procedural fiscal rules, with support from Fund TA.	Strengthening fiscal rules will promote budgetary discipline, enhance credibility of the fiscal framework, and safeguard debt sustainability.	end-December 2027
PFM	Pillar 2: Debt and Fiscal Sustainability	6. MF to develop and table in Parliament PFM rules to support the 2019 PFM Act.	Strengthening budgetary controls, execution and oversight will support fiscal discipline and accountability and the proper management of resources.	end-December 2026
PPP Monitoring / Reporting	Pillar 2 Financial Market Development	7. Develop a database for all existing and future PPP projects and initiate annual reporting on execution and performance, aligned with requirements of the PFM Act.	Managing and mitigating contingent liabilities and long-term fiscal risks, to safeguard debt sustainability.	end-June 2027
SOE Reform				
SOE	Pillar 2: Debt and Fiscal Sustainability	8. Government to conduct a comprehensive stocktake of SOEs,	Strengthening SOE oversight to enhance	end-March 2027

Table 2. Barbados: Proposed Structural Benchmarks Under the SBA (continued)				
Area	**BERT 2026 Pillar**	**Structural Benchmark**	**Objectives**	**Indicative Timing**
		including an updated financial dashboard, with support from Fund TA.	transparency and accountability, mitigate contingent liabilities and fiscal risks, and support debt sustainability.	
Financial Sector				
Financial Supervision	Pillar 3: Financial Market Development	9. Develop a strategic plan for the CBB Banking Supervision Department, including: prioritization of its core prudential supervision mandate; reassignment of non-core tasks outside the BSD; allocation of staff to the maintenance, production, and indexing of prudential returns, along with their associated data analytics; and, narrowing the scope of non-licensing matters to approvals that warrant prudential attention.	Strengthening bank supervision to improve risk management and safeguard financial stability.	end-November 2026
AML/CFT	Pillar 3: Financial Market Development	10. An implementation status note will be tabled in Parliament outlining progress in the key areas of AML/CFT including supervision, investigations, prosecutions, and asset recovery, ahead of the FATF mutual evaluation in June 2027.	Continued AML/CFT reforms will help maintain macroeconomic stability, protect financial integrity, and underpin good governance.	end-March 2027
Growth and Resilience				
Resilience	Pillar 4: Climate Resilience and the Green Economy Transition	11. Government to table in Parliament an annual report for the Resilience and Regeneration Fund, including a summary of operations and latest financial statements.	Building fiscal buffers will help enhance resilience, management of risks and shocks, and	end-March 2027

Table 2. Barbados: Proposed Structural Benchmarks Under the SBA (concluded)

Area	BERT 2026 Pillar	Structural Benchmark	Objectives	Indicative Timing
			support long-term growth. Ex-ante investments in structural resilience under the RRF, alongside the build-back-better approach, will help improve prospective BOP stability.	
Growth and Competitiveness	Pillars 1 and 5: Productivity and Competitiveness/ Human Capital and Inclusion	12. Establishment of the Competitiveness and Productivity Commission.	Encourage private investment by reducing structural rigidities, upgrading the regulatory and technological environment, and enhancing labor productivity	end-December 2026

Attachment II. Technical Memorandum of Understanding

1. **This Technical Memorandum of Understanding (TMU) sets out the understanding between the Barbados authorities and the IMF regarding the definitions of quantitative performance criteria and indicative targets for the program supported by the Standby Arrangement (SBA), which the authorities intend to treat as precautionary.** It also describes the modalities for assessing performance under the program and the information requirements for monitoring this performance.

2. **The quantitative performance criteria (PCs) and indicative targets (ITs) are shown in Table 1 of the MEFP.** Structural benchmarks are listed in Table 2 of the MEFP.

3. **Definitions for the purpose of the program:**

- All foreign currency-related assets, liabilities and flows will be evaluated at "program exchange rates" as defined below, with the exception of items affecting Government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on May/12/2026. Accordingly, the exchange rates for the purposes of the program are show in Table 1.

Table 1. Barbados: Program Exchange Rates (5/12/2026) 1/	
Barbadian dollar to the US dollar	2.00000
Barbadian dollar to the SDR	2.74730
Barbadian dollar to the euro	2.35520
Barbadian dollar to the Canadian dollar	1.46496
Barbadian dollar to the British pound	2.72610
Barbadian dollar to the Chinese renminbi	0.29432
Barbadian dollar to the East Caribbean dollar	0.74075
Barbadian dollar to the Saudi Arabian Riyal	1.87500

1/ Average daily selling rates as reported by the CBB. For the currencies not listed in this table, the cross-exchange rates to the U.S. dollar on May 12, 2026 will be applied.

- The Central Government (CG) consists of the set of institutions currently covered under the state budget.

- CG revenues and expenditures will cover all items included in the CG budget as approved by Parliament, including self-generated revenues of, and transfers to, State-Owned Enterprises (SOEs).

- The fiscal year starts on April 1 in each calendar year and it ends on March 31 of the following year.

- For program purposes, the definition of debt is set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements (Decision No. 16919-(20/103), October 28, 2020. The term "debt" will be understood to mean a current; i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

    i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

    ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

    iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this paragraph, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

- Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- External CG debt is defined as debt contracted or guaranteed by the CG in foreign currency, while domestic CG debt is defined as debt contracted or guaranteed by the CG in Barbados dollars. The guarantee of a debt by the CG arises from any explicit legal or contractual obligation of the CG to service a debt owed by a third-party debtor (involving payments in cash or in kind).

- CG debt is considered contracted when it is authorized by Barbadian law or approved by Parliament and signed or accepted by the relevant authority.

- Public Institutions covered under Section I include:
    - Queen Elizabeth Hospital (including medical scheme)
    - University of the West Indies
    - Barbados Tourism Investment Inc.
    - Barbados Tourism Marketing Inc.
    - Barbados Tourism Product Inc.
    - Fair Trading Commission
    - Sanitation Service Authority
    - Barbados Community College
    - National Conservation Commission
    - Transport Board
    - Social Empowerment Agency
    - Barbados Water Authority
    - Barbados Investment and Development Corporation
    - Invest Barbados
    - National Housing Corporation
    - Student Revolving Loan Fund
    - Barbados Agricultural Development and Marketing Corporation
    - Barbados Agricultural Management Corporation
    - National Productivity Commission
    - Rural and Urban Development Commission
    - Caves of Barbados Limited
    - Barbados Conferences Services
    - Kensington Management Oval Inc.
    - Barbados Accreditation Council
    - Southern Meats
    - Caribbean Broadcasting Corporation
    - Barbados National Energy Company (National Petroleum Company)

I. QUANTITATIVE PERFORMANCE CRITERIA

A. Floor on the CG Primary Balance

4. **The CG primary balance is defined as total revenues and grants minus primary expenditure and covers non-interest Government activities as specified in the budget.** The CG primary balance will be measured as cumulative over the fiscal year and it will be monitored from above the line.

- Revenues are recorded when the funds are transferred to a Government revenue account. Tax revenues are recorded as net of tax refunds. Tax refunds are recorded when the funds for repayment are transferred to the BRA from the Barbados Treasury Department. Revenues will also include grants. Capital revenues will not include any revenues from non-financial asset sales proceeding from divestment operations.

- Central Government primary expenditure is recorded on a cash basis and includes recurrent expenditures and capital spending. Primary expenditure also includes transfers to SOEs. All primary expenditures directly settled with bonds or any other form of non-cash liability will be treated as one-off adjustments and recorded as spending above-the-line, financed with debt issuance, and will therefore affect the primary balance.

Adjustors: The primary balance target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of grants relative to the baseline projection.

5. For the purpose of monitoring, data will be provided to the Fund on a monthly basis with a lag of no more than four weeks from the end-of-period (Section C, Table 3).

B. Ceiling on the Non-Accumulation of CG External Debt Arrears

6. The CG will not incur new arrears in the payments of its external debt obligations at any time during the program. External arrears are defined as a delay in the payment of contractual obligations beyond the grace period set in the respective loan or debt contracts. Arrears resulting from the nonpayment of debt service for which a clearance framework has been agreed or for which the Government or the institution with Government guaranteed debt is pursuing a debt restructuring are excluded from this definition. The performance criterion will be applied on a continuous basis under the program.

7. For the purpose of monitoring, data on external arrears by creditors will be reported immediately.

C. Ceiling on the Stock of Public Debt

8. Public debt is defined as domestic and external CG debt, SOEs debt guaranteed by the CG, and domestic CG expenditure arrears. For program purposes, public debt includes outstanding obligations to the IMF related to budget support provided under the Extended Fund Facility, the Resilience and Sustainability Facility, and the Stand-By Arrangement. Interest and penalties arrears resulting from non-payment of debt service on external commercial debt subject to debt restructuring are excluded from the definition of public debt. For program purposes, the stock of CG and CG guaranteed debt is measured under the disbursement basis excluding valuation effects. Program FX rates defined in Table 1 will be used to value debt in FX.

Adjustors: The ceiling on stock of public debt will be adjusted upwards by the full amount of the surplus in disbursements of program or project financing from multilateral institutions (i.e., Caribbean Development Bank (CDB), the Interamerican Development Bank (IDB), the Development

Bank of Latin America (CAF), the International Bank for Reconstruction and Development (IBRD), and OPEC Fund for International Development (OFID)) relative to the baseline projection.

9. For the purpose of monitoring, the CG debt and CG guaranteed debt data by issuer, creditor, maturity, and currency will be reported to the Fund on a quarterly basis, with a lag of no more than four weeks from the end-of-period (Section C, Table 3). Data on external and domestic arrears will be reported to the Fund as set forth elsewhere in this TMU.

D. Floor on Net International Reserves

10. Net International Reserves (NIR) are defined as the difference between reserve assets and reserve liabilities with a maturity of less than one year.

11. Reserve assets are defined as readily available claims on nonresidents denominated in foreign convertible currencies. They include the CBB's holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposits abroad, and the country's reserve position at the Fund. Excluded from reserve assets are sinking funds' assets[1] and any assets that are pledged, collateralized, or otherwise encumbered,[2] claims on residents, claims in foreign exchange arising from derivatives in foreign currencies vis-a-vis domestic currency (such as futures, forwards, swaps, options et cetera), precious metals other than gold, assets in nonconvertible currencies, and illiquid assets.

12. Reserve liabilities are: (1) all foreign exchange liabilities to residents and nonresidents with maturity of less than one year, including commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, options, et cetera); (2) all liabilities outstanding to the IMF, including EFF/RSF/SBA disbursements used for budget support.

Adjustors:

- **The NIR target will be adjusted upward (downward) by the amount of the surplus (shortfall) in program loan disbursements from multilateral institutions (i.e., Caribbean Development Bank (CDB), the Interamerican Development Bank (IDB), the Development Bank of Latin America (CAF), the International Bank for Reconstruction, Development (IBRD), and OPEC Fund for International Development (OFID)) relative to the baseline projection.** Program loan disbursements are defined as external loan disbursements from official creditors that are usable for the financing of the CG. The NIR target will be adjusted upward (downward) by the surplus (shortfall) in disbursements of budget support grants relative to the baseline projection.

[1] These funds are held on behalf of the Government to service the central Government debt falling due. The assets are thus earmarked for such purpose and are not assets of the CBB.

[2] These assets include the CBB staff pension plan's assets that are also excluded, as their use is restricted to the specific purposes of the pension scheme and not "freely/readily available".

- **The NIR target will be adjusted downward (upward) to reflect any increase (decrease) in fuel prices relative to that assumed in the program baseline, up to a cap of BD$300 million in either direction.** Any deviation beyond the cap will be discussed with staff and addressed in the context of the next review. The adjustment will be calculated as the cumulative quarterly difference between the realized fuel price (as reported by the WEO average petroleum spot price of West Texas Intermediate, U.K. Brent, and Dubai Fateh crude) and the projected fuel price under the program baseline, multiplied by the volume of total fuel imports (net of BNECL re-exports) in the baseline.[3] For the purpose of program monitoring, the average fuel price for the test period is defined as the simple quarterly average of the WEO fuel price (USD per barrel). The program baseline fuel price and net import volumes[4] for the test period are as set out below and in Appendix I, Attachment I, Table 1.

Table 2: Program Monitoring - Proposed Fuel Assumptions for NIR adjustor under the SBA

	Target end June 2026 IT	Target end September 2026	Target end December 2026 IT	Target end March 2027	Target end June 2027 IT
Projected Fuel Price (USD$ per barrel)	98	92	86	80	78
Fuel Imports net of Re-Exports (In thousands of barrels per quarter)	966	966	966	981	981

Sources: Fund staff estimates.

13. For the purpose of monitoring, the data will be reported by the Central Bank on a weekly basis, with a lag of no more than one week from the end-of-period (Section B, Table 3).

II. INDICATIVE TARGETS

A. Ceiling on the Stock of Domestic CG Expenditure Arrears

14. The stock of domestic expenditure arrears of the CG is defined as the sum of: (a) any invoice that has been received by a spending agency from a supplier of goods, services, and capital goods delivered and verified, and for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period), or in the absence of a grace period, within 60 days after the due date; (b) non-contributory pension transfers (by CG only), wages and pensions contributions to the NISSS for which payment has been pending for longer than 60 days; (c) rent and loan payments to the NISSS

[3] To account for the hedges executed by the authorities on heavy fuel oil, which accounts for 30 percent of energy imports: the projected fuel price for the June 2026 and the September 2026 test dates is calculated as: 0.3*92 + 0.7*(WEO futures oil price for 2026Q2), and 0.3*85 + 0.7*(WEO futures oil price for 2026Q3), respectively. The realized fuel prices for the June 2026 and the September 2026 test dates will be calculated as 0.3*92 + 0.7*(quarterly average WEO fuel price in 2026Q2), and 0.3*85 + 0.7*(quarterly average of WEO fuel price in 2026Q3), respectively.

[4] The program net import volume is an index obtained by dividing the aggregate net fuel import value by the reference fuel price.

pending for longer than 60 days; and (d) arrears on refunds of Personal Income Tax (PIT), Corporate Income Tax (CIT), and Value Added Tax (VAT). Tax refund arrears are defined as obligations on tax refunds in accordance with tax legislation that remain unpaid six months after the filing date.

15. For the purpose of monitoring, the data on CG expenditure arrears and its components by creditors will be measured as stock observed as at test date and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period. (Section C, Table 3).

B. Floor on CG Social Spending

16. The indicative floor on social spending of the CG will apply only to expenditures incurred by the CG on the following plans and programs, excluding operating expenditure, that are intended to have a positive impact on education, health, social protection, housing and community services and recreational activities:

- Social Empowerment Agency spending cash transfers and household support, including: assistance for house rents, utilities, food, and education; protection of vulnerable children; the Multiple Birth Cash Grant;
- BRA reverse tax credits, providing income support to lower-income working households;
- One Family programme targeting vulnerable households;
- Alternative Care for the Elderly programme targeting the elderly transferred to private care;
- Provision of medication to HIV patients;
- Provision of non-contributory pensions.

17. For the purpose of monitoring, the data will be measured as cumulative over the fiscal year and it will be reported on a quarterly basis, with a lag of no more than four weeks from the end-of-period (Section C, Table 3).

C. Ceiling on the Stock of Public Institutions Expenditure Arrears

18. The stock of public institutions expenditure arrears is defined as the sum of: (a) any invoice that has been received by a spending agency from a supplier of goods, services, and capital goods delivered and verified, and for which payment has not been made within the contractually agreed period (taking into account any applicable contractual grace period), or in the absence of a grace period, within 60 days after the due date; (b) wages and pensions contributions to the NISSS for which payment has been pending for longer than 60 days; (c) arrears on Tax obligations defined as obligations on taxes in accordance with tax legislation.

19. The list of public institutions covered by this indicative target is listed in paragraph 3, excluding University of the West Indies (UWI), which is a regionally funded entity.

20. For the purpose of monitoring, the data on SOE expenditure arrears and its components by creditors will be measured as stock observed as at the test date and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period. (Section C, Table 3).

D. Ceiling on CG Transfers and Grants to Public Institutions

21. CG Transfers and Grants to Public Institutions will include recurrent cash transfers and grants to entities listed in paragraph 3 above, excluding capital transfers separately approved and reported under the capital budget, unless otherwise specified.

22. For the purpose of monitoring, the data will be measured as cumulative over the fiscal year and it will be reported on a monthly basis, with a lag of no more than four weeks from the end-of-period (Section C, Table 3).

E. Ceiling on Stock of Net Domestic Assets of the Central Bank of Barbados

23. Net Domestic Assets (NDA) of the CBB are defined in the CBB survey as the difference between the monetary base and the sum of the NIR (as defined in section I, D above, excluding IMF disbursements used for budget support) and commercial banks' and Part III companies' foreign currency deposits at the CBB. The monetary base includes currency in the hands of the non-bank public plus vault cash held in the banking system, statutory cash reserve requirements, and the current account of commercial banks and non-bank financial institutions (Part III companies) comprising of credit balances held at the Central Bank.

24. For the purpose of monitoring, the data will be reported on a monthly basis, with a lag of no more than two weeks from the end-of-period (Section D, Table 3).

Adjustors:

- **The NDA target will be adjusted upward (downward) to reflect any increase (decrease) in fuel prices relative to that assumed in the program baseline, up to a cap of BD$300 million, in either direction.** Any deviation beyond the cap will be discussed with staff and addressed in the context of the next review. The adjustment will be calculated as the cumulative quarterly difference between the realized fuel price (as reported by the WEO average petroleum spot price of West Texas Intermediate, U.K. Brent, and Dubai Fateh crude) and the projected fuel price under the program baseline, multiplied by the volume of total fuel imports (net of BNECL re-exports) in the baseline.[5] For the purpose of program monitoring, the average fuel price for the test period is defined as the simple quarterly average of the WEO fuel price (USD per barrel). The program baseline fuel price and net import volumes[6] for the test period are as set out in Appendix I, Attachment I, Table 1.

III. PROGRAM REPORTING REQUIREMENTS

Performance under the program will be monitored from data supplied to the IMF as outlined in Table 3. The authorities will transmit promptly to IMF staff any data revisions as well as other information necessary to monitor the SBA.

Table 3. Barbados: Summary of Data to be Reported to the IMF

In what follows Financial Sector and External sector data is to be provided by the CBB, Real and Fiscal sector data by the MOF, in consultation with relevant agencies unless otherwise noted.

A. Real Sector

Reporting on a monthly basis, with a lag of no more than four weeks of the end-of-period

- RPI index, its components, and weights.

Reporting on a quarterly basis, with a lag of no more than four weeks of the end-of-period

- Nominal and real GDP.

Reporting on an annual basis, within 6 weeks of the end-of-period

- Nominal and real GDP and its components from the demand and supply side (provided by the MOF).

B. External Sector

Reporting on a weekly basis, with a lag of no more than one week of the end-of-period

- CBB NIR, as defined in section I.
- CBB GIR.

Reporting on a monthly basis, with a lag of no more than four weeks of the end-of-period

- BOP trade balance data.
- CBB's Cashflow Table deriving GIR and NIR.
- Landed cost and volume of fuel imports and re-exports.

[5] To account for the hedges executed by the authorities on heavy fuel oil, which accounts for 30 percent of energy imports: the projected fuel price for the June 2026 and the September 2026 test dates is calculated as: 0.3*92 + 0.7*(WEO futures oil price for 2026Q2), and 0.3*85 + 0.7*(WEO futures oil price for 2026Q3), respectively. The realized fuel prices for the June 2026 and the September 2026 test dates will be calculated as 0.3*92 + 0.7*(quarterly average WEO fuel price in 2026Q2), and 0.3*85 + 0.7*(quarterly average of WEO fuel price in 2026Q3), respectively.

[6] The program net import volume is an index obtained by dividing the aggregate net fuel import value by the reference fuel price.

Table 3. Barbados: Summary of Data to be Reported to the IMF (continued)

- Share of import / export transactions and share of importing/exporting companies using Tax Information Numbers.

C. Fiscal Sector

Reporting on a monthly basis, with a lag of no more than four weeks of the end-of-period

- CG budgetary accounts.
- Net Domestic Financing and its components.
- Net External Financing and its components.
- Grants and transfers to public institutions listed in paragraph 3 as defined in Section II.
- Stock of CG external arrears (interest, principal, and penalty amounts separately) by creditor and its components as defined in Section I. This will be reported immediately.
- Program loan disbursements from multilateral institutions, including the CDB, the IDB, the CAF, OPEC and the IBRD as defined in section I.
- Budget support grants as defined in section I.
- Liabilities of public-private partnerships (PPPs) (if any).
- Stock of CG expenditure arrears by creditor and its components as defined in Section II.
- Stock of expenditure arrears of public institutions listed in paragraph 3 by creditor and its components as defined in Section II.

Reporting on a quarterly basis, with a lag of no more than four weeks of the end-of-period

- Social expenditure and its components as defined in Section II.
- CG domestic debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG external debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG domestic guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- CG external guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- SOE domestic non-CG guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity).
- SOE external non-CG guaranteed debt stock data by creditor/holder and by maturity (ST <= 1 year, and LT > 1 year maturity)
- Quarterly LT and ST debt amortization and interest projections separate for CG domestic, CG external, CG guaranteed domestic, and CG guaranteed external debt.
- Copies of loan agreements for any new loan contracted, including financing involving the issue of Government paper, and of any renegotiated agreement on existing loans.
- Stock of Tax Refunds and its components as defined in Section I.

Reporting on a quarterly basis, with a lag of no more than six weeks of the end-of-period

Table 3. Barbados: Summary of Data to be Reported to the IMF (continued)

- Financial position of public institutions listed in paragraph 3 including non-audited income statement, balance sheet and profit and loss accounts.

D. Financial Sector

Reporting on a monthly basis, with a lag of no more than two weeks of the end-of-period

- CBB NDA, as defined in section II.
- CBB survey showing the detailed composition of net foreign assets (NFA), net claims on the central Government (NCCG), claims on other depository corporations (CODC), claims on other sectors of the economy (COSE), other items net (OIN), and monetary base (MB).
- CBB purchases and sales of foreign exchange.
- Amounts offered, demanded, and placed in Government auctions and primary issues; including minimum maximum and average bid rates.
- Statement of use and outstanding balance of the CG deposit in the CBB.

Reporting on a monthly basis, with a lag of no more than six weeks of the end-of-period

- Other Depository Corporations (ODC) survey showing the gross items for NFA, claims on the CBB, net claims on the CG (NCCG), COSE, OIN, deposits included in broad money (BM), deposits excluded from BM, and liabilities to the CBB.
- Depository Corporations (DC) survey as the consolidation of CBB and ODC surveys showing the gross items for CBB NFA, ODC NFA, ODC NCCG, COSE, OIN, and BM.

Reporting on a quarterly basis, with a lag of no more than four weeks of the end-of-period

- CBB Balance sheet.

Reporting on a quarterly basis, with a lag of no more than six weeks of the end-of-period

- The following financial soundness indicators by bank and by sector:
- Regulatory capital
- Regulatory Tier 1 capital
- Risk-weighted assets
- Total assets
- Total liabilities
- Nonperforming loans in BRB$ millions
- Non-performing loans net of provisions
- Gross loans
- Sectoral distribution of loans to total loans
- Return on assets
- Return on equity
- Interest margin
- Gross income

Table 3. Barbados: Summary of Data to be Reported to the IMF (continued)

- Noninterest expenses
- Liquid assets
- Short-term liabilities
- Net open position in foreign exchange
- Large exposures to capital
- Gross asset position in financial derivatives
- Gross liability position in financial derivatives
- Total income
- Personnel expenses
- Noninterest expenses
- Spread between reference lending and deposit rates (base points)
- Highest interbank rate
- Lowest interbank rate
- Customer deposits
- Total (non-interbank) loans
- Foreign-currency-denominated loans
- Foreign-currency-denominated liabilities
- Net open position in equities
- Net profits of the banking sector

Reporting on a quarterly basis, with a lag of no more than eight weeks of the end-of-period

- The following aggregate financial soundness indicators for credit unions:
- Reserves to total liabilities ratio
- Loan to deposit ratio
- Nonperforming loans ratio
- Provisions to total loans ratio
- Return on assets

E. Other Data

Reporting on an annual basis, within 6 weeks of the end-of-period

- Audited financial statements of Public Institutions listed in Paragraph 3 within 12 weeks of the end-of-period.
- Summary of legislative changes pertaining to economic matters.
- Notification of establishment of new Public Institutions.
- Notification of change in juridical status of existing Public Institutions.

Table 3. Barbados: Summary of Data to be Reported to the IMF (concluded)

Reporting on an annual basis, within 6 months of the end-of-period

- Audited financial statements of Commercial Banks.

INTERNATIONAL MONETARY FUND

BARBADOS

June 5, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION AND REQUEST FOR A STAND-BY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By | Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of April 30, 2026)

Membership Status: Joined 12/29/1970; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	94.50	100.00
Fund holdings of currency (holdings rate)	338.43	358.12
Reserve Tranche Position	12.66	13.40

SDR Department:

	SDR Million	Percent Allocation
Net Cumulative Allocation	154.95	100.00
Holdings	7.04	4.55

Outstanding Purchases and Loans:

	SDR Million	Percent of Quota
RSF Arrangements	141.75	150.00
Extended Arrangements	256.55	271.48

Latest Financial Arrangements:

In millions of SDR				
Type	Approval Date	Expiration Date	Amount Approved	Amount Drawn
RSF	12/07/2022	06/24/2025	141.75	141.75
EFF	12/07/2022	06/24/2025	85.05	85.05
EFF	10/01/2018	09/17/2022	322.00	322.00

Projected Obligations to Fund[1]
(SDR million; based on existing use of resources and present holdings of SDRs):

Forthcoming					
	2026	2027	2028	2029	2030
Principal	20.42	23.33	57.21	57.91	41.93
Charges/Interest	13.19	16.97	16.01	14.12	12.25
Total	**33.60**	**40.31**	**73.22**	**72.03**	**54.17**

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of the HIPC Initiative: Not Applicable.

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable.

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable.

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements: The exchange rate arrangement is a conventional pegged arrangement. The Barbados dollar has been pegged to the U.S. dollar since mid-1975 at the rate of BDS$2.00 = US$1.00. There are no restrictions on the making of payments and transfers for current international transactions subject to approval under Article VIII. There are exchange controls on some invisibles, but bona fide transactions are approved. All capital outflows and certain capital inflows require approval. The authorities accepted the obligations of Article VIII, Sections 2, 3, and 4 on November 3, 1993.

Last Article IV Consultation: The last Article IV consultation was concluded by the Executive Board on December 18, 2023. Barbados is on the 24-month consultation cycle.

Resident Representative: Mr. Patrick Blagrave is the IMF Resident Representative in Barbados.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Institution	Link
CAF – Development Bank of Latin America	Barbados (caf.com)
Caribbean Development Bank	Barbados | Caribbean Development Bank
European Investment Bank	European Investment bank
European Union	Delegation of the European Union to Barbados
Interamerican Development Bank	IDB | Barbados
Organization of American States	OAS :: :: Barbados
United Nations Development Program	Barbados and the Eastern Caribbean | United Nations Development Programme

Statement by Brad Recker, Executive Director for Barbados,
Gina Fitzgerald, Alternate Executive Director,
and Ann Marie Wickham, Senior Advisor to Executive Director
June 22, 2026

I. Context, and Rationale for the Precautionary SBA

Our Barbadian authorities thank the Executive Board, Management, and staff for their continued support and constructive engagement. The request for a 36-month precautionary Stand-By Arrangement (SBA) comes at an important transition point, following the successful completion of the 2018 EFF and the 2022 EFF and RSF, which supported the authorities' homegrown Barbados Economic Recovery and Transformation (BERT) programme. Barbados now moves from recovery and resilience building toward economic transformation under BERT 2026.

Barbados enters this new arrangement from a position of strengthened macroeconomic credibility. Supported by strong national ownership, our authorities have restored fiscal discipline, rebuilt international reserves, placed public debt on a firm downward trajectory, strengthened institutions, and reestablished investor confidence. These achievements were secured despite the severe impact of the pandemic, rising global uncertainty, and intensifying climate risks. Barbados' successful return to international capital markets in 2025, early repayments to the Fund, and successive sovereign credit rating upgrades underscore the credibility earned through sustained reform implementation.

The reform journey has evolved in three phases. BERT 2018 focused on stabilization through fiscal consolidation, debt restructuring, reserve accumulation, and protection of the exchange rate peg. BERT 2022 consolidated these gains while advancing resilience, climate reforms, and inclusive growth. BERT 2026 now focuses on economic transformation through higher productivity, greater competitiveness, stronger human capital, deeper financial markets, and enhanced climate resilience.

Our authorities view the precautionary SBA as the appropriate instrument to support this next phase of reform. While Barbados does not face a current balance of payments need and its baseline financing outlook remains well covered, the country remains highly exposed to external and climate-related shocks. The SBA will therefore serve as a valuable insurance mechanism, providing an additional layer of protection, while reinforcing policy credibility, and supporting continued close engagement with the Fund as Barbados advances its transformation agenda.

II. Recent Economic Developments and Outlook

Recent economic performance remains strong and broad-based. Growth has been supported by tourism, construction, business services, trade, and other productive sectors. Inflation has moderated from the elevated levels experienced after the pandemic and global commodity price shocks, while labor market conditions have improved. The financial sector remains stable, supported by strong capital and liquidity buffers, declining non-performing loans, and continued growth in private sector credit. Barbados has also regained access to international capital markets and benefited from successive sovereign credit rating upgrades, reflecting stronger policy credibility and investor confidence.

The outlook remains favorable, although risks are tilted to the downside. Continued investment, tourism activity, and implementation of BERT 2026 reforms are expected to support growth over the medium term. However, Barbados remains exposed to elevated global uncertainty and higher commodity prices stemming from the conflict in the Middle East as well as potential tighter financial conditions, tourism shocks, and climate-related events. Against this backdrop, our authorities remain committed to sound macroeconomic management, fiscal and debt sustainability, and resilience-building reforms.

III. Fiscal Policy and Debt Sustainability

Fiscal discipline has been central to Barbados' reform strategy and remains the anchor of BERT 2026. Through sustained primary surpluses, stronger revenue administration, prudent expenditure management, and broad fiscal reforms, our authorities have moved from chronic fiscal imbalances to sustained consolidation. Together with economic recovery, these efforts have helped reduce public debt from over 170 percent of GDP in 2018 to around 95 percent of GDP at end-FY2025/26.

The authorities' fiscal strategy balances debt reduction with the investment needed for long-term transformation. They remain firmly committed to reducing public debt to 60 percent of GDP by FY2035/36, while protecting critical social spending and growth-enhancing capital investment. The FY2026/27 budget maintains a strong primary surplus while creating space for priority investments in infrastructure, climate resilience, education, health, digitalization, and institutional capacity.

Fiscal reforms under BERT 2026 will further strengthen revenue mobilization, spending efficiency, and institutional credibility. Priorities include strengthening revenue policy and administration, rationalizing tax concessions, improving compliance, modernizing customs and tax administration, and enhancing public financial management. The Fiscal Council will help strengthen accountability and public confidence in the fiscal framework, while continued SOE reforms, the planned SOE stocktake, and improved financial monitoring will support better oversight of contingent liabilities. The PPP framework and database will help ensure that private investment supports development objectives while safeguarding fiscal sustainability.

Barbados' debt profile has strengthened. Our authorities agree with staff that debt remains sustainable, supported by strong primary balances, improved growth, and a favorable debt service profile. Recent liability management operations and Barbados' successful return to international capital markets have helped extend maturities, reduce refinancing risks, and diversify financing sources. Our authorities remain committed to prudent borrowing, proactive debt management, and rebuilding fiscal buffers to strengthen resilience against external shocks and natural disasters.

IV. Monetary Policy, Financial Stability, and the External Position

The exchange rate peg remains the cornerstone of Barbados' macroeconomic framework. Our authorities remain fully committed to preserving the peg, which continues to serve as a key anchor of stability and confidence. This commitment is supported by prudent macroeconomic policies, sustained fiscal discipline, and comfortable international reserve buffers.

Barbados' external position has strengthened considerably since the start of the reform process. International reserves have increased from less than three weeks of import cover during the crisis period to approximately US$1.5 billion, providing strong support for the exchange rate regime. The successful return to international capital markets, recent rating upgrades, and continued investor confidence further underscore the improvement in Barbados' external position and policy credibility.

Our authorities continue to modernize the monetary and financial policy framework. Reforms to strengthen Central Bank operations, improve liquidity management, and enhance financial safety nets are advancing. The recent launch of BiMPay, the national instant payment system, marks an important milestone in modernizing payment infrastructure, improving transaction efficiency, and supporting financial inclusion. The financial sector remains sound, with strong capital and liquidity buffers, declining non-performing loans, and continued growth in private sector credit. Our authorities remain committed to strengthening supervision, developing a resolution framework, and enhancing deposit insurance to safeguard financial stability.

Our authorities also remain committed to maintaining a strong AML/CFT framework. Following Barbados' removal from the FATF grey list in 2024, efforts continue to focus on effective implementation, supervision, investigations, prosecutions, and asset recovery ahead of the next mutual evaluation.

V. Growth, Economic Transformation, and Institutional Capacity

BERT 2026 marks the next phase of Barbados' homegrown reform agenda, shifting the focus from stabilization and recovery toward economic transformation. Key priorities include improving the business environment, advancing digital transformation, expanding economic opportunities, and equipping workers with the skills needed for a modern and resilient economy.

Institutional capacity will be essential to delivering this transformation agenda. Our authorities will continue strengthening public sector effectiveness, policy implementation, governance, and service delivery. These efforts will support better project execution, more efficient public services, stronger coordination across government, and improved implementation of BERT 2026 reforms.

Our authorities agree that Barbados' data are adequate for surveillance and program monitoring, while recognizing that some areas require further strengthening. They welcome staff's recognition of recent progress, including GDP rebasing, the updated Supply and Use Table, progress toward expenditure-based GDP estimates, and the compilation of BPM6-based balance of payments and

International Investment Position statistics. They remain committed to improving data quality, timeliness, and dissemination, and would welcome a comprehensive review of the Barbados Statistical Service, supported by Fund technical assistance, to help address institutional capacity and publication constraints.

VI. Climate Resilience and Disaster Risk Financing

Climate resilience remains a central pillar of Barbados' economic strategy. Our authorities view natural disasters as a material macroeconomic and fiscal risk, and reliance on imported fossil fuels as a key structural vulnerability. BERT 2026 therefore embeds resilience into public investment, fiscal planning, energy policy, infrastructure, and community development. Building on the completion of all RSF reform measures, Barbados has strengthened climate integration in budgeting and procurement, advanced renewable energy reforms, improved disaster risk management, and expanded the policy framework for resilient investment.

Barbados continues to advance its renewable energy and resilience agenda. Our authorities are moving forward with battery storage, electricity grid modernization, and a utility-scale wind project to support the 2035 renewable energy goal. They have also mobilized innovative climate finance, including the country's pioneering use of debt for climate swaps and the launch of the Blue Green Bank which reflect a sustained commitment to scaling innovative climate finance for the region. These initiatives reflect Barbados' continued leadership in climate finance and its commitment to strengthening energy security, reducing dependence on imported fossil fuels, and enhancing long-term resilience.

Our authorities have developed a layered disaster risk financing framework that combines risk retention, risk transfer, and contingent financing. This includes CCRIF coverage for tropical cyclone, earthquake, and excess rainfall risks; contingent credit lines from the IDB and World Bank; natural disaster clauses across nearly the entire restructured debt stock; and natural disaster and pandemic debt service suspension clauses in Barbados' recent international bond issuance. At the domestic level, the Resilience and Regeneration Fund will support resilience investment, disaster recovery, and post-disaster reconstruction.

These instruments are complementary. Parametric insurance provides rapid liquidity, contingent credit lines offer larger pre-arranged financing, debt clauses provide cash-flow relief during recovery, and domestic funds support resilience-building and reconstruction. Our authorities view the precautionary SBA as an additional layer of protection against residual financing gaps from low-probability, high-impact shocks. Barbados continues to play a leadership role in reshaping the international financial architecture for climate vulnerable countries through the Bridgetown Initiative, and through its leadership of the V20 group of climate vulnerable economies.

VII. Conclusion

Barbados has made remarkable progress since the launch of BERT in 2018. This progress reflects strong ownership, disciplined implementation, decisive leadership, and sustained partnership with the Fund. The request for a 36-month precautionary SBA is consistent with this record and represents a prudent step to safeguard macroeconomic stability while advancing the country's transformation agenda.

Our authorities remain committed to the policies set out in BERT 2026 and the MEFP. They will continue to maintain fiscal discipline, protect the exchange rate peg, strengthen institutions, reduce debt, build resilience, and pursue inclusive growth. Our authorities look forward to continued constructive engagement with the Fund.