

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS AND IDB GROUP STRATEGIC AGREEMENT COUNTRY STRATEGY

2025 – 2030

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ABBREVIATIONS

AI	Artificial Intelligence
BERT	Barbados Economic Recovery and Transformation Plan
BESS	Battery Energy Storage Systems
BNEP	Barbados National Energy Policy
CDB	Caribbean Development Bank
CDC	Country Development Challenges
CIIP	Critical Information Infrastructure Protection Plan
CS	Country Strategy
CSEC	Caribbean Secondary Education Certificate
EFF	Extended Fund Facility
EIB	European Investment Bank
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FY	Fiscal Year
GCF	Green Climate Fund
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
HDI	Human Development Index
ICT	Information and Communications Technologies
IDB	Inter American-Development Bank
IFPG	Innovation, Firm Performance, and Gender Survey
IMF	International Monetary Fund
ITU	International Telecommunication Union
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
MDBs	Multilateral Development Banks
MIF	Multilateral Investment Fund
MMC	Multi-Hazard Mitigation Council
MPEA	Ministry of People Empowerment and Elder Affairs
MSMEs	Micro, Small and Medium-Sized Enterprises
NCD	Non-Communicable Disease
NDC	Nationally Determined Contributions

NISS	National Insurance and Social Security Service
NGOs	Non-Governmental Organizations
PEU	Project Execution Unit
PIU	Project Implementation Unit
PMO	Project Management Office
PPO	Principal Payment Option
PPP	Public-Private Partnership
RSF	Resilience and Sustainability Facility
S&I	Strategy and Innovation
SOE	State-Owned Enterprise
SPPP	Sustainable Public Procurement Policy
TNC	The Nature Conservancy
TVET	Technical and Vocational Education and Training
UN	United Nations
UNDP	United Nations Development Programme
WB	World Bank

INTRODUCTION

A NEW APPROACH FOR IMPACT

Barbados' Potential

Barbadian authorities are committed to the reform agenda and have a clear vision for their country. The economy is growing, the fiscal stance has significantly improved in recent years, and the financial sector remains stable. Moreover, the social safety net has been traditionally strong, average educational levels are high, and it remains one of the safest countries in the region. However, the path towards development is still steep, especially within a context of a changing global landscape. Decades of low economic growth and weak fiscal performance, stagnation in social progress, and high exposure to climate-related hazard events, call for accelerating progress towards inclusive growth and resilience. Strengthening the foundations for private sector development and investment, improving the effectiveness of the public sector, empowering society to contribute to the development of the country, boosting climate resilience and, promoting energy transformation, are key elements that will allow Barbados to improve the well-being of its citizens.

A New Country Strategy Approach

The IDB Group Country Strategy (CS) with Barbados for the 2025-2030 period aims to maximize the impact of the Banks' interventions by applying a selectivity framework. This new approach seeks to identify areas in need of support and that are within both the government and the IDB Group strategic priorities. Government priorities are outlined in the Barbados Economic Recovery and Transformation (BERT) Plan 2022, the "Barbados 2035 – A Plan for Investment in Prosperity & Resilience 2024", and the "Declaration of Mission Barbados". The IDB Group priorities are aligned in the institutional strategy IDB Impact+ and the regional development framework "ONE Caribbean". In addition, the framework leverages resources, technical expertise, and partnerships while considering the development challenges of the country, as outlined in the Country Development Challenges (CDC) study. The new approach also envisions an enhanced collaboration between the three windows of the IDB Group—IDB, IDB Invest, and IDB Lab—to identify synergies and propose joint solutions that can maximize impact.

Identified Pillars of Intervention and Expected Impact

The IDB Group CS with Barbados for the 2025-2030 period aims to help the country accelerate progress towards inclusive growth and resilience. The strategy is structured around three pillars that are mutually reinforcing. While the first pillar focuses on unlocking economic growth through higher productivity, the second and third pillars aim to build resilience. Increased resilience enhances the ability to withstand shocks, thereby mitigating the impact of economic downturns.

Pillar 1. Further revitalize the economy and promote inclusive and sustainable growth. The objective of the pillar is to unlock potential both in the private and public sectors so the economy flourishes, building on the momentum of recent years. Impact is expected along two main dimensions. Firstly, private sector productivity and investment will be higher. This will be supported by an improved enabling environment and regulatory framework that simplifies the process of establishing and operating businesses, a more developed and resilient financial sector with improved financial inclusion and expanded Micro, Small and Medium-Sized Enterprises (MSME) financing, and a reduced skills mismatch in the labor market. Secondly, public sector productivity will be enhanced by streamlining the provision

of public administrative services through higher digitalization and systems interoperability, and by consolidating fiscal sustainability.

Pillar 2. Enhance social resilience to thrive in a changing world. The goal is to empower citizens so they can positively contribute to their communities and to economic growth. Impact is expected to materialize in a social safety net system that avoids duplications, improves coverage, and contains response systems to timely assist people affected by unexpected shocks. Additionally, interventions will result in improved educational outcomes and higher resilience will be reflected in increased availability and consumption of healthy food options.

Pillar 3. Build climate resilience and promote energy transformation. Given the climate-related hazards to which the country is exposed, the objective is to ensure the country is prepared to endure unforeseen shocks and has increased its adaptive capacities to changing climate conditions. Impact is expected by way of enhanced access and deployment of climate finance, improved institutional capacity for disaster risk management, higher resiliency across sectors, including in key infrastructure such as water and sanitation systems and ports, improved coastal management, increased adoption of affordable, secure, and resilient energy technologies, and improved energy efficiency.

In addition, the CS includes three cross-cutting themes to be mainstreamed in the interventions, which are promoting gender equality and diversity, boosting innovation, and strengthening institutional capacity.

The new strategy proposes a coordinated vision, with the three windows of the IDB Group complementing each other to unlock the development potential of the country and optimize the use of resources to maximize impact. Given the challenges and investment needs that Barbados faces, both public and private participation are necessary to boost development impact

Partnership Barbados- IDB Group

The IDB Group has been a key strategic and trusted partner for Barbados by providing not only financial support but also technical expertise. Years of fluid dialogue and operational engagement have been fundamental to enhance development outcomes. During the 2019-2023 CS the IDB Group's contribution focused on supporting public sector efficiency and fiscal sustainability, safeguarding social outcomes, and boosting productivity and competitiveness.

The CS 2025-2030 builds on the ongoing engagement with Barbados but sharpens focus by streamlining the theme of accelerating progress towards inclusive growth and resilience. The IDB Group is keen to continue cultivating the partnership with Barbados by investing in key sectors and providing technical expertise.



I. BUILDING A NEW COUNTRY

STRATEGY: PURPOSE AND APPROACH

A. ACCELERATING PROGRESS TOWARDS INCLUSIVE GROWTH AND RESILIENCE¹

- 1.1 Barbados is a small developing island in the Caribbean with an economy highly concentrated in the tourism sector.** It has an estimated population of 269,090 inhabitants (2021)² and Gross Domestic Product (GDP) per capita in Purchasing Power Parity dollars of US\$22,062 (2024). The lack of economic diversification and high dependency on imports from abroad result in high exposure to external shocks.³ The economic stability and quality of life in the country are dependent on the continued provision of essential services by its terrestrial and marine ecosystems. These ecosystems are crucial for tourism, fisheries, and coastal protection. Due to its geography, the island is also vulnerable to the effects of climate events such as tropical storms and hurricanes. The increasing intensity and frequency of these climate events is creating new threats such as rising sea levels, temperature increases and water scarcity. This is particularly challenging since a significant fraction of the population and most of the tourism facilities are in coastal areas.
- 1.2 Although the economy is currently on the recovery path following the COVID-19 shock, there is an opportunity for further revitalization following prior years of slow performance.** Between 2009 and 2019, real GDP dropped at an annual average rate of 0.4%, compared to a 1.1% increase on average for the Caribbean.⁴ Recurrent fiscal deficits, coupled with sluggish growth, led to unsustainable levels of public debt. This prompted authorities to devise the Barbados Economic Recovery and Transformation Plan (BERT) in 2018, which was supported by an International Monetary Fund (IMF) Extended Fund Facility (EFF) four-year arrangement, which included a debt restructuring. Despite initial progress under the program, Barbados was severely impacted by the COVID-19 pandemic due to the country's dependency on the tourism sector. Real GDP shrank by 15.1% in 2020 and by 0.3% in 2021. Initial economic recovery was further halted by two natural disasters in 2021. In April, the volcanic ash falls from La Soufriere in neighboring Saint Vincent disrupted economic activity, paralyzed airport operations, and resulted in additional expenditures derived from cleanup activities. In July, category 1 hurricane Elsa landed in Barbados, causing damages to powerlines, disruptions in telecommunications and water provision, as well as damage to roofs.⁵ In 2022, economic reactivation started, driven by the tourism and construction sectors. By 2024 tourist arrivals were at the same level as pre-pandemic arrivals and multiple construction projects were ongoing.⁶
- 1.3 Commitment to fiscal discipline has helped lower public debt, while public sector effectiveness can be further improved to ensure fiscal sustainability going forward.** In FY2017/18 the debt-to-GDP ratio reached 142.8%, prompting a debt restructuring. Under the IMF EFF arrangement authorities started implementing fiscal discipline and advancing the reform agenda, including a tax

¹ Macroeconomic data is obtained from the IMF World Economic Outlook April 2025 and from the IMF Country Report No. 24/368, unless otherwise stated.

² 2021 Population and Housing Census Report, BSS.

³ The high dependency on imports also translates into food security vulnerabilities.

⁴ The Caribbean region comprises the IDB member countries The Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. Barbados is the only country within this group with falling real GDP between 2009 and 2019.

⁵ Elsa was the first hurricane to impact Barbados since 1963. In addition, in July 2024 the eye of category four Hurricane Beryl passed near 80 miles south of Barbados, causing wind gusts, moderate to heavy showers, and a water surge impacting coastal infrastructure and fishing boats.

⁶ In 2024 total tourist arrivals stood at 97% of the arrivals recorded in 2019.

reform ([IDB, 2024](#)). However, the onset of the COVID-19 pandemic in March 2020 resulted in lower revenues due to subdued economic activity and concurrent higher public spending aimed at supporting the lives and livelihoods of those most affected, reversing initial progress. As the effects of the pandemic shock began to ease and travel restrictions loosened, fiscal performance improved once again. Given the setback the country experienced, authorities decided to engage in a subsequent IMF EFF three-year arrangement in combination with a Resilience and Sustainability Fund (RSF) arrangement, providing continuity to the reform agenda while enhancing resilience to climate change and sustainability. Debt has continued on a downward trajectory, reaching 102.9% of GDP in FY2024/25, and although on track to achieve the target of a 60% debt-to-GDP ratio by FY2035/36, strong fiscal discipline and sustained economic growth are necessary for this to materialize.⁷

- 1.4 Even though Barbados is classified as a very high human development country, progress in this area has been stagnant in the last decade, evidencing the need to intervene to ensure the society is resilient and well-prepared to thrive in a changing world.** Barbados ranked 62 out of 193 countries in the Human Development Index (HDI) in 2022 with an index of 0.809.⁸ Although the index rose 2.1% between 2010 and 2022, it increased 3.7% for very high HDI countries, and 3.8% in Latin America and the Caribbean (LAC). Despite relatively high educational attainment levels,⁹ there is a mismatch between the skills demanded by employers and the skills found in the labor market. In the firm-level survey Innovation, Firm Performance and Gender Survey (IFPG) 2021, more than 70% of respondents reported inadequately educated workforce as a major or severe obstacle that affects business operations. The prevalence of chronic non-communicable diseases (NCD) remains high ([PAHO](#)). In 2023, 67% of the adult population was classified as overweight or obese, with a high incidence of diabetes and arterial hypertension. In addition, the demographic composition of the country is shifting, with a growing ageing population, stressing the need to ensure their quality of life is protected ([IDB, 2022](#)).
- 1.5 Barbados is highly affected by the effects of climate change, despite being a minor contributor, and thus investing in adaptation is crucial to boost resilience.** Furthermore, climate change is one of the drivers for ecosystem degradation, along with habitat loss and fragmentation, invasive alien species, over-harvesting, pollution, bird hunting, resource extraction, and natural disasters. The island is heavily exposed to tropical storms, hurricanes, droughts, sea level rise, temperature increases, and coastal erosion and is affected by water scarcity. Besides the risks to lives and livelihoods, these events can hinder public finances given both the decrease in tax revenue and the rise in public expenditure. Economic loss from, e.g., a 10-year scale storm alone could climb to over US\$90 million for the coastal areas ([IDB, 2022](#)). Strengthening institutional capacity for disaster risk management and incurring into upfront investments in climate risk reduction are therefore critical, especially since research has shown that investments in risk reduction are four to seven times more cost-effective than post-disaster spending on emergency relief, recovery, and reconstruction ([MMC, 2005](#); [Moench et al., 2007](#)). In addition, advancing sustainable energy initiatives to increase renewable energy adoption can help diversify the electricity generation mix and build resilience against disruptions. Meanwhile, it can decrease reliance on imported oil for electricity generation, thereby reducing economic vulnerability to international oil price fluctuations and preserving foreign exchange reserves.
- 1.6 Barbados grapples with a challenging investment and business environment which constrains the operational efficiency of its businesses and reduces transparency for foreign investors.**¹⁰ Private domestic and foreign investment is challenged by regulatory and bureaucratic hurdles, physical and digital infrastructure limitations, poor connectivity, inadequately trained labor, limited land availability, high energy costs, and a burdensome tax structure. While Barbados' digital ecosystem performs relatively well within the region, gaps in regulation continue to hinder private investment.

⁷ The primary balance needs to be maintained at 4.3% of GDP from FY2024/25 onwards and real GDP growth is assumed at 2% per annum.

⁸ UNDP.

⁹ In 2022, the mean years of schooling in Barbados was 9.9 in 2022, above the LAC average of 9, and the expected years of schooling was 16.5, above the LAC average of 14.8 ([UNDP data portal](#)).

¹⁰ World Bank Group (2024) "Business Ready" Report.

According to IFPG survey 2021, only 2.8% of Barbadian companies engage in digital innovation compared to 7.8% in the region, largely due to a lack of skilled labor, organizational culture barriers, and limited financial resources.

- 1.7 Market failures and weak regulatory frameworks challenge private sector investment and economic performance.** Expanding access to credit in Barbados has been challenged by a lack of appetite from credit institutions serving local micro, small, and medium-sized enterprises (MSMEs) due to information gaps that lower lenders' willingness to take risks. Risk aversion is in turn due partly to a lack of easily available credit risk worthiness information and the absence of a credit bureau. In addition, there is a very weak and fragmented ecosystem to support start-ups, characterized by a lack of risk capital, and weak incubation and acceleration services. At the same time, de-risking and stringent Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulations have led to increased compliance costs and restricted access to correspondent banking services. Barbados' capital markets are small, illiquid, and lack depth, limiting their role as a viable financing alternative for the private sector. In infrastructure and energy, the absence of enabling regulations, efficient and transparent remuneration mechanisms, and streamlined processes, along with the lack of a solid enabling environment, regulatory and institutional framework for Public-Private Partnerships, have restricted both domestic and foreign private investment. For foreign investors, the absence of a single-entry point for information and regulatory requirements for establishing a business in Barbados or identifying linkages with domestic firms can limit opportunities.
- 1.8 Barbados is well-positioned to accelerate progress towards inclusive growth and resilience.** Authorities remain committed to the reform agenda and have a clear vision for their country, as outlined in the BERT 2022 plan, the "Barbados 2035 – A Plan for Investment in Prosperity & Resilience 2024", and the "Declaration of Mission Barbados". The economy is growing, fiscal performance has significantly improved in recent years, and the financial sector remains stable. Moreover, the social safety net has been traditionally strong, average educational levels are high, and it remains one of the safest countries in the region. Lastly, climate-related investments are growing. However, there is still much progress to be made to ensure that the country can continue advancing towards shared prosperity and withstand shocks.

B. KEY INSIGHTS FROM THE 2019-2023 COUNTRY STRATEGY

- 1.9** Portfolio review exercises, progress and completion reports, as well as the [Extended Country Program Evaluation \(XCPE\) of the country strategy conducted by the Office of Evaluation and Oversight \(OVE\)](#) provide valuable information to derive insights to deepen the impact and effectiveness of the IDB Group interventions. The CS 2019-2023 cycle has been marked by the unprecedented COVID-19 pandemic shock, resulting in a government shift in priorities and needs. OVE's report acknowledged the Bank's rapid response and flexibility in using its instruments to address the country's evolving needs. Drawing from lessons learned, there are three areas of particular importance for the Bank that will be enhanced during the CS 2025-2030.
- 1.10 At the strategic level, the IDB Group's approach to Barbados evolved significantly between the 2015-2018 and 2019-2023 Country Strategies (CSs), reflecting shifts in national priorities:**
- a. A more selective and cohesive approach is needed to improve impact.** OVE's report highlighted issues with selectivity and design in the two last CSs. The broad range of themes addressed limited the potential for maximizing impact. Additionally, the CSs exhibited evaluability weaknesses, making it difficult to measure the impact of the strategy. Under the new vision for country strategies, a more focused approach that provides a sense of cohesion is proposed. The theme of the CS 2025-2030 is accelerating progress towards inclusive growth and resilience and all engagements between the IDB Group and the country will have the objective of contributing to

that overarching goal. However, it should be stressed that maintaining the capacity of the Bank to rapidly respond to changes in priorities derived from unexpected external factors will be fundamental.

- b. Important challenges remain in fostering development through the private sector, calling for better coordination within the windows of the IDB Group to provide joint solutions.** CSs have progressively addressed private sector engagement as a vehicle to advance development priorities, including enhancing the business climate and increasing private sector participation. The IDB Group windows have strengthened collaboration to improve the enabling environment for private investment, particularly through support for regulatory updates and institutional capacity-building and international investment agreement implementation. However, coordination has largely been project-specific and selective, which presents an opportunity to adopt a more systematic approach moving forward.¹¹ Past sovereign-guaranteed operations in the financial sector, for example, further highlight the importance of a collaborative framework under the IDB Impact+ strategy to align roles, coordinate interventions, and maximize impact for project beneficiaries. In the CS 2019-2023, IDB Invest faced difficulties in scaling operations in Barbados, primarily due to regulatory constraints, co-existing banking sector liquidity, and low risk appetite for MSME financing stemming from information asymmetries, highlighting the importance of strategic coordination within the IDB Group.
- c. There is space for improvement in the integration of cross-cutting themes into projects.** The two cross-cutting themes included in the CS 2019-2023 were gender and diversity and climate change and natural disasters. Considering the two last CSs, gender was incorporated into 17% of the operations while only two operations included a diversity approach. Climate change was better incorporated since it was included in 60% of the operations. In the first case, the lack of gender disaggregated data and statistics on diversity has been an obstacle. The theme remains as a cross-cutting issue in the CS 2025-2030 and efforts will be placed in producing adequate data and in ensuring the topic is mainstreamed. Given the importance for Barbados of climate change and natural disasters, the theme has been moved from cross-cutting to a pillar, elevating the role of the Bank in this topic. A stronger focus will be placed on building resilience to climate change and environmental sustainability. Acknowledging gaps in the integration of cross-cutting themes in the past, concerted efforts to streamline them in new operations under the CS 2025-2030 will be placed, with the early inclusion of the relevant specialists in project design.

1.11 At the operational level, the IDB Group has been instrumental in supporting the government in increasing its capacity in Barbados and in supporting the private sector with advisory services and project preparation. The Bank is committed to work with the government to improve project execution to enhance the impact of IDB Group-financed operations as well as with the private sector. The following lessons and mitigation measures will help to ensure that these goals are met:

- a. Addressing bottlenecks:** The Bank provided technical assistance to conduct assessments in the areas of project management, financial management, and procurement, to get to the root of the challenges faced in execution and to prepare action plans to respond accordingly. The Bank will continue to conduct these periodic assessments while also using established coordination mechanisms with the government, such as portfolio reviews, to assess challenges and develop action plans. Technical assistance, specifically to the Government Procurement Department, has been provided to strengthen procurement guidelines,¹² with the objective of supporting the implementation of the new procurement laws.
- b. Advisory services and project preparation support are crucial components to support the private sector.** Advisory services were instrumental in integrating environmental considerations and promoting sustainable development practices in productive infrastructure transactions.¹³ Moving forward and as part of IDB Invest's new business model, these services will play a pivotal

¹¹ A notable example is the innovative debt for climate resilience Policy Based Guarantee (BA-U0002), where IDB Invest's technical expertise played an advisory role in integrating private sector considerations to expand renewable energy adoption.

¹² [BA-T1096](#).

¹³ 14358-01.

role in capacity building to meet standards of investment readiness and development impact. Additionally, market-level advisories and upstream support will be essential in setting standards, establishing best practices, and strengthening the enabling environment for private investment.

1.12 At the development effectiveness level, the following lessons will be considered for the new IDB Group's strategic cycle:

- a. Strengthening the pre-investment stages.** While the executed projects had high-quality studies and designs, in some projects financed through consecutive programs within the same sector, coordination challenges were identified. This disconnect has resulted in delays in execution timelines and increased gaps between what was planned and what was achieved. During the CS 2025-2030, roadmaps will be defined from the preparation stage to anticipate delays in expropriation processes or coordination of schedules with other entities and to define, with the relevant legal authorities and stakeholders, expedited mechanisms and realistic work plans for meeting the goals
- b. Enhancing climate resilience, renewable energy and energy efficiency.** While the CS 2015-2018 included climate resilience as one of the strategic objectives, in the CS 2019-2023 it became a cross-cutting theme, despite Barbados' vulnerability to climate change. However, renewable energy remained a central theme, with IDB support for increasing renewable energy and battery energy storage systems (BESS) adoption and energy efficiency as well as innovative green hydrogen. The CS 2025-2030, will strengthen climate resilience by placing it as a pillar and advancing climate finance mobilization, innovative instruments and investment, as well as by improving the institutional capacity for disaster risk management and upgrading key infrastructure, such as coastal management, water and sanitation systems.¹⁴ Renewable energy and energy efficiency will continue to be main themes including grid upgrade and efficiency measure to reduce losses in energy and water.¹⁵
- c. Strengthening social programs.** In the previous CS, a moderate role was played in the area of social safety nets. Under the CS 2025-2030 social protection systems and services will be enhanced, thus improving educational outcomes and improving food security.¹⁶ The IDB played a moderate role in strengthening social safety nets, including support for ISEE Bridge and One Family Program, and on strengthening the long run sustainability of the social security system through parametric reforms.
- d. Strengthening monitoring and evaluation (M&E) gaps.** In the previous CS periods, weak data collection and monitoring frameworks limited the ability to track long-term development impact. Both, internal and external monitoring and evaluation work, would benefit from enhanced data availability. One of the priorities of IDB Impact+ is encouraging a results-based culture based on data analytics. In Barbados, the Bank supported the design and execution of the 2016 Survey of Living Conditions and is currently providing assistance for the design, execution, and local capacity building for the 2024 Survey of Living Conditions. This survey is critical to understand multidimensional poverty and will serve as a key input to strengthen the effectiveness and efficiency of social policies in Barbados.
- e. Maintaining regular portfolio reviews with a focus on results.** In a dynamic environment, disruptive external events, such as pandemics and climate shocks, often affect the effectiveness of the projects when measured against the vertical logic and the assumptions on which projects were originally designed. This, in turn, limits the usefulness of traditional portfolio review approaches, which focus on monitoring physical and financial progress, and heightens the risks of achieving the development objectives of the operations. Under the CS 2025-2030, Barbados will scale up a pilot

¹⁴ [BA-U0002](#), [BA-L1059](#), [BA-L1063](#).

¹⁵ [BA-L1012](#), [BA-L1043](#).

¹⁶ [BA-L1062](#), [BA-L1053](#).

for results-based portfolio reviews, initiated in 2024, which will implement an early monitoring and risk tracking system with effectiveness assessments to apply corrective actions in advance.

- f. Enhancing the institutional capacity for the success of new development agendas.** The lack of prior experience by Public Execution Units (PEU) in managing programs has impacted the effectiveness of the Bank's programs, negatively affecting sustainability and relevance. Project delays have been linked to factors such as staff rotation, insufficient personnel, and delayed formation of PEUs due to public sector hiring practices. Efforts are currently underway to strengthen local PEUs through the three-year Capacity Building Program (2023-2025), jointly designed by the IDB and the government. The program aims to deliver a comprehensive training set to Project Executing Units, addressing implementation gaps via five pillars: Personal Development, Leadership, Technology Development, Technical Development, and Professional Certification. The CS 2025–2030 CS will maintain the Capacity Building Program to improve project execution by the government, with flexibility to adapt to changing training needs over the next three years.
- g. Facilitating the decision-making process.** Identifying project “expeditors” within the civil service that act as a bridge between the PEU and higher layers of decision-making can help speed up project implementation. This will allow for the early identification of bottlenecks and for timely responses and solutions.

C. FOCUS ON SELECTIVITY TO DELIVER TANGIBLE IMPACT

- 1.13 Country diagnosis and alignment of priorities.** The areas of intervention proposed in the CS 2025-2030 are defined by combining the country's development priorities outlined in BERT 2022, “Barbados 2035 – A plan for Investment in Prosperity & Resilience 2024”¹⁷, and the “Declaration of Mission Barbados” with the institutional priorities established at the IDB Group Strategy Impact+. Furthermore, the Country Development Challenges (CDC 2023) helps narrow down the areas by identifying the set of development gaps and challenges, while proposing policies to address them. It should be noted that the proposed areas are also aligned with IDB Invest+ (CII/CA-221), IDB Invest Small and Island (S&I) Action Plan¹⁸, the IDB Lab Business Plan (MIF/GN-270-1), and the regional framework ONE Caribbean. From this first analysis a series of themes start to emerge, including climate adaptation, resilient infrastructure, fiscal sustainability, social protection, food security, digitalization, and innovation.
- 1.14 Strategic positioning.** The Bank has been a trusted ally of Barbados for decades and remains the largest multilateral partner. Almost half of the total public outstanding debt held by Multilateral Development Banks (MDBs) corresponds to the IDB. The strategic positioning analysis highlighted presence in many sectors, underscoring the significance of the Bank in providing solutions to advance development. However, this broad involvement can evolve into a more focused approach to narrow the areas of intervention and maximize impact. The main areas of intervention in recent years have been modernization of the state, financial markets, and environment and natural disasters. In addition, the IDB has a strong presence in the energy sector and has also approved operations in education, social investment, sustainable tourism, urban development and housing, and water and sanitation. The only sectors without current presence and where the government has engaged with other multilaterals are transport and health.¹⁹ Therefore, such areas are not prioritized in the CS 2025-2030. Regarding operations with the private sector, the engagement of MDBs has been highly selective. IDB Invest is providing financing for the modernization and resilience of the Port of Bridgetown and for increasing access to credit facilities to unbanked and underbanked population. It has also provided advisory

¹⁷ The Plan for Investment and Prosperity 2024 also builds on the country's Nationally Determined Contributions (NDC). The interconnection between these two documents enhances coherence and strengthens the links between the CS 2025-2030 and the country's climate commitments under the Paris Agreement.

¹⁸ IDB Invest's S&I Action Plan presented to the Board of Executive Directors in 2017 and updated in 2020, presents the strategic direction of efforts by IDB Invest to increase its operations in S&I countries comprising The Bahamas, Barbados, Belize, Dominican Republic, Guyana, Haiti, Jamaica, Suriname, and Trinidad & Tobago. A new Roadmap is currently being developed to deliver the level of ambition consistent with IDB Invest's new business model.

¹⁹ The analysis encompasses projects approved between 2016 and 2024. The last loan in transport (road construction) was approved in 2015 and closed in 2023.

services at the client and market levels in energy, health, and environment. Although IDB Lab has had limited engagements since Barbados did not join the Multilateral Investment Fund (MIF) III, it has supported the country with technical cooperation and grants in energy, health, social investment, and urban development and housing. With Barbados rejoining MIF IV, IDB Lab expects to imprint a larger impact.

1.15 Operational evidence. This analysis examined three key dimensions²⁰, operational performance, effectiveness, and programmatic vision across operations implemented during the previous two country strategy periods. This exercise helped identify focus areas and actions required to maximize the impact of operations based on lessons from past projects. Overall, operations in energy, financial markets, labor, innovation in citizen services, fiscal management, and water have the highest potential for impact. The findings reveal that while projects encounter similar challenges, there are also distinct sector-specific challenges. The lessons learned showed that the ownership of the design by the government ensures that the vertical logic and scope of the program reflect the priorities of the counterpart, thus substantially reducing changes during execution, and that technical assistance is needed to address bottlenecks during execution. The evaluation of IDB Invest operational experience considered the performance of its portfolio in both financial and non-financial terms and the attainment of business development impact goals. The findings and lessons learned from origination efforts suggest that IDB Invest has the potential to expand its activities in financial markets to increase access to credit and into the real sector, particularly in energy, agriculture, and manufacturing. Key enablers, along with the progressive deployment of its new business model, include addressing information asymmetries in the financial sector, improving the enabling business environment, updating key regulatory frameworks, and facilitating operational efficiency for firms.

1.16 Risk assessment. The analysis identified potential risks for the implementation of the country strategy and mitigation strategies. The main macroeconomic risks identified include fiscal performance, balance of payments vulnerabilities related to the high dependency on imports, and potential external shocks such as subdued demand for the tourism sector, inflationary pressures, and elevated interest rates. Among execution risks, limited fiscal space can hinder the capacity to engage in new investment loans and implementation capacity constraints in executing units can affect project progression. Additionally, private sector companies may need significant advisory support to achieve the strategic objectives of the project. In the short term, scaling financial solutions for the private sector may be constrained by corporate governance challenges and other factors that affect investment readiness. Environmental and climate risks are highlighted since Barbados' biodiversity faces significant challenges and the country is vulnerable to climate-related hazards. These risks increase the vulnerability of both private and public sector investment and performance. At the same time, the social protection system faces challenges in terms of coverage and governance. Consequently, these risks may result in higher-than-anticipated public expenditures and decreased tax revenue collection, thus reducing the space for new projects. Section IV of this document outlines the risks associated with the implementation of the country strategy with greater detail and provides mitigation measures.

²⁰ The performance of each sector over the two previous country strategy periods was ranked using several operational indicators. Effectiveness was measured assessing how well completed projects met development objectives based on the Project Completion Reports (PCRs). Lastly, the programmatic vision or thematic depth and/or path was defined by the weighted average of active operations per sector and the potential operations to be included during the new strategy period.



II. MAIN PILLARS OF ACTION AND EXPECTED IMPACT

2.1. The objective of the 2025-2030 CS is accelerating progress towards inclusive growth and resilience. The strategy is structured around three pillars that are mutually reinforcing. While the first pillar focuses on unlocking economic growth through higher productivity, the second and third pillars aim to build resilience. Increased resilience, enhances the ability to withstand shocks, thereby mitigating the impact of economic downturns. The three pillars are (1) further revitalize the economy and promote inclusive and sustainable growth, (2) enhance social resilience to thrive in a changing world, and (3) build climate resilience and promote energy transformation. The strategic objectives included in the pillars are (1.1) boost private sector productivity and investment by strengthening the enabling environment and regulatory framework and increasing the adequacy of skills in the workforce and access to finance; (1.2) enhance public sector effectiveness by streamlining the provision of public administrative services and consolidating fiscal sustainability while prioritizing vital capital expenditures; (2.1) create a resilient and safe society by revamping social protection and social security systems and services, improving educational outcomes, and improving food security; (3.1) strengthen resilience by advancing climate finance mobilization and using innovative instruments, as well as by improving the institutional capacity for disaster risk management and upgrading key infrastructure, such as water and sanitation systems and ports; (3.2) bolster sustainable energy initiatives by increasing the adoption of affordable, secure, and resilient technologies, while also improving energy efficiency. Furthermore, three cross-cutting themes are included: (i) promote gender equality and diversity, (ii) boost innovation; (iii) strengthen institutional capacity.

PILLAR 1. FURTHER REVITALIZE THE ECONOMY AND PROMOTE INCLUSIVE AND SUSTAINABLE GROWTH

WHY IT MATTERS

2.2. Economic performance has been lagging compared to the Caribbean average.²¹ Low growth can translate into stagnant living standards and sustained unemployment, limiting the ability of individuals to thrive. Both the public and private sectors play a pivotal role in enhancing growth and thus challenges that affect their productivity and effectiveness need to be addressed.

2.3. The private sector faces burdensome regulations and institutional frameworks, as well as information asymmetries. Barbados ranked 40 out of 50 countries in regulatory framework at the Business Ready 2024 index.²² It ranked 77 of 141 economies in the World Economic Forum's Global Competitiveness Index (GCI). Indicators in the Institutions pillar that negatively affect the investment environment include efficiency of the legal framework in settling disputes (127 of 141), efficiency of the legal framework in challenging regulations (120), and burden of government regulation (109). Nonetheless, Barbados has made notable efforts to improve the investment climate recently, such as reforms to its tax regime in alignment with the OECD G20 Base Erosion and Profit Shifting Project. In

²¹ See paragraph 1.2.

²² Business Ready is the new World Bank flagship report that evaluates the business and investment climate worldwide, replacing the Doing Business report. The project is being rolled to over 180 countries in three years. Barbados has been included in the first phase of implementation, along with 49 additional countries.

February 2025, Business Barbados became operational, with the objective of simplifying business processes, modernizing legislation, and making the island a more attractive destination for both local and international companies. Alignment with Invest Barbados and Export Barbados ensures transparency for investors and streamlined services, lowering search costs for foreign firms. Research shows that every US\$1 invested in Foreign Direct Investment (FDI) promotion generates an additional US\$56 in FDI ([IDB, 2020](#)).

- 2.4. The regulatory and institutional framework for the preparation of efficient and sustainable projects with private sector investment in infrastructure, including Public-Private Partnerships (PPP) needs to be strengthened.** In 2021, the country took an important step forward by enacting the new National Procurement Act, which includes PPP. However, beyond this general regulatory framework, the country does not have a particular PPP policy or an institutional arrangement for the identification, prioritization and implementation of PPP. According to [Infrascope](#) 2023-2024, the country needs to work on strengthening its process to perform the assessments related to adequacy of the investment, fiscal affordability and sustainability, selection of the most appropriate contracting modality and social and environmental analysis, all of this with the objective of delivering high quality infrastructure and services and at the same time making an efficient use of public resources. Beyond PPPs, sector-specific regulations in infrastructure and energy need to be updated to align with the requirements of private investment and sectoral operational needs, including public utility SOEs such as water and sanitation.
- 2.5. Despite relatively high educational attainment, there is a mismatch between the skills available in the labor market and those demanded by employers.** On average, Barbadians complete 9.9 years of schooling, surpassing the LAC average of 9 years.²³ However, more than 60% of the population with tertiary education emigrates to OECD countries ([IMF, 2016](#)), resulting in a shortage of highly educated individuals and a surplus of non-college-educated workers ([IDB, 2016](#)). According to the IFPG survey, more than 70% of respondents cited inadequately educated workforce as a major obstacle to business operations. In addition, the technical and vocational education and training (TVET) system is not effective in addressing skills gaps, including for working age population.²⁴ Over 77% of the firms in Barbados reported not being involved in the design or development of training programs. Consequently, the education system does not guarantee that the training offered is aligned with the demand of employers or with the needs of sectors with high growth potential.²⁵ This misalignment is further reflected in the country's low engagement in digital innovation, with only 2.8% of Barbadian companies involved in such initiatives, largely due to an inadequate skillset in the labor market, organizational culture barriers, and limited financial resources.
- 2.6. Access to finance, particularly within SMEs, is constrained.** While financial institutions show adequate liquidity levels, their risk appetite is limited, favoring financing large-scale projects and collateral-based operations. The loan portfolio of commercial banks is heavily concentrated in mortgages, real estate, and construction (63%). As such, more than 70% of SMEs identify access to and the cost of finance as major constraints; with only 11.6% of SMEs report having a bank loan ([IFPG Survey](#)). Additionally, there are disparities between businesses led by female and male top managers. For example, the percentage of firms whose recent loan application was rejected is 90.4% for female-led businesses, compared to 79.4% for male-led businesses ([Enterprise Survey, 2023](#)). The absence of institutions like credit registries or bureaus leads to asymmetric information in the credit market and, therefore, exacerbates obstacles for firms such as high collateral requirements and unfavorable interest rates. Moreover, the country lacks a comprehensive financial inclusion strategy, and complex banking requirements discourage broader participation in formal financial services. Barbados' capital

²³ There are gender gaps in educational attainment that disproportionately affect males. In 2022, mean years of schooling was 10.35 years for females compared to 9.1 for males; and expected years of schooling 18.29 years for females compared to 14.77 for males ([UNDP data portal](#)).

²⁴ The TVET system is fragmented, which results in productivity losses through operational losses and delays in the provision of public services. There is currently a plethora of nonspecific employment training programs implemented as remedial measures to deal with marginalized youth and the retrenched workers. The approaches are often not synchronized between agencies, the system is not systematic, and it does not match the demands of the wider economy.

²⁵ Downes, A. An assessment of the labour market and skills development system in Barbados. Unpublished report. 2022.

markets are small, illiquid, and lack depth, limiting their role as a viable financing alternative for the private sector. The stock market sees minimal trading activity, with a declining market capitalization and no companies listed in the Innovation and Growth Market. The fixed income market is dominated by sovereign bonds, with no corporate bond listings due to competition from banks and burdensome private placement requirements.

- 2.7. Public sector efficiency in delivering services can be improved.** The current organizational structure often leads to overlaps in institutions' responsibilities as well as lengthened and overcomplex processes. A prime example is the lack of centralized human resource management. There is currently no institutional mechanism in place for coordination between the Ministry of Civil Service, the Personnel Administration Division and the Training and Administration Division. The latest diagnostic of the civil service development index conducted by the IDB shows that the country has an overall index of 38 out of a 100 ([IDB, 2018](#)), slightly above the average for the Caribbean countries (31) and matching the LAC region average (38). The analysis highlights the need to strengthen civil service subsystems.
- 2.8. Barbados e-government development remains slow in comparison with other countries of LAC.** According to the E-Government Development Index 2020, Barbados ranked 62 out of 198 countries, while Uruguay ranked 26. In addition, the cybersecurity maturity level of Barbados remains on a start-up level, as stated by the Cybersecurity Maturity Model for Nations from Oxford University and it ranked 21 of 33 LAC countries in the Global Cybersecurity Index of the International Telecommunication Unit (ITU). Barbados does not have yet a fully implemented cybersecurity strategy and there is no Critical Information Infrastructure Protection Plan (CIIP) in place. The Government has taken steps towards ensuring a cohesive institutional framework for Information and Communications Technologies (ICT) through the creation of the Ministry of Innovation, Science and Smart Technology (MIST).
- 2.9. The country's statistical capacity in terms of access and use of data is low compared to countries in the region and globally.** The Barbados Statistical Service (BSS) could benefit from institutional strengthening to improve the delivery of reliable, timely, and accessible data. In 2022, Barbados scored 22/100 in the Open Data Inventory (ODIN) index and ranked in the position 185 out of 195 countries, and 10 out of 12 in the Caribbean region.²⁶ The BSS performs basic field data collection activities, with the labor force survey and population census being the main ones, but there are opportunities to improve their quality. For example, the population and housing census of the 2010 and 2021 rounds had omissions of close to 20% and 50%, respectively.
- 2.10. Tax administration inefficiencies are now being addressed, and adequate implementation of the reforms will be fundamental to consolidate fiscal sustainability.** Persistent inefficiencies, coupled with excessive tax exemptions and incentives, eroded the country's revenue base. While tax reforms in 2018 attempted to address these issues by broadening the tax base and reducing corporate tax rates, structural economic weaknesses persisted ([IDB, 2024](#)). In the last years, Barbados has taken significant steps to strengthen tax administration and compliance, improve revenue collection, and close tax loopholes. The use of a mandatory Tax Identification Number (TIN), which serves as the unique identifier for all importers, exporters, and businesses engaged in border transactions, has been recently implemented. This initiative enhances coordination between the Barbados Revenue Authority (BRA) and the Customs & Excise Department, making tracking taxable activities and enforcing compliance easier. Additionally, the Ministry of Finance has established a new Exemptions Enforcement Monitoring Unit to audit and oversee existing tax concessions.²⁷ These reforms are expected to broaden the tax base and improve long-term fiscal sustainability by ensuring that tax revenues are collected more equitably across all sectors of the economy. On the corporate tax front, Barbados has aligned with the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting

²⁶ The Open Data Inventory (ODIN) measures the completeness of a country's statistical offerings and whether their data meet international standards of openness.

²⁷ The unit will ensure that all businesses benefiting from tax exemptions remain compliant with tax, labor, and regulatory laws, reducing revenue losses caused by abuse of the tax system. As part of these efforts, all existing tax waivers must now undergo a requalification process under a modernized framework, ensuring that only eligible businesses continue to receive benefits.

(BEPS), helping the country comply with international tax standards while reducing opportunities for corporate tax avoidance.²⁸

2.11. Despite progress in public financial management and fiscal governance, it can be further strengthened. Authorities passed a new Public Finance Management Act (2019), a new Procurement Act (2021), and adopted a procedural fiscal rule. However, there is no fiscal numerical rule. In addition, within a context of limited fiscal space and high public debt, capital expenditure as a share of GDP has been decreasing, which may hinder future growth prospects. Barbados has one of the largest numbers of state-owned enterprises (SOEs) per capita in the Caribbean, which tend to be large and financially weak, thus constituting a fiscal challenge for the economy ([IDB, 2022](#)). Although government transfers over the past decade have gradually fallen and a process of amalgamation of certain entities is ongoing, the relatively high number of SOEs increase cash-flow risks, the likelihood of requiring bailouts and ultimately, overall fiscal risk. Finally, Barbados' high exposure to climate-related natural disasters, coupled with the potential impact of the country's energy transformation on fiscal revenues, underscores the importance of public financial management to account for both physical and transition risks.

WHAT WE WILL DO

2.12. Under the first pillar, progress towards further revitalizing the economy and promoting growth is expected by unlocking potential both in the private and public sectors. To this end, two strategic objectives are included: (i) boost private sector productivity and investment by strengthening the enabling environment and regulatory framework and increasing the adequacy of skills in the workforce and access to finance; and (ii) enhance public sector effectiveness by streamlining the provision of public administrative services and consolidating fiscal sustainability while prioritizing vital capital expenditure.

2.13. Boost private sector productivity and investment. The goal of this action is two-fold. On the one hand, recognizing the island's comparative advantages based on its natural capital, it aims to ensure that the stock of Barbados natural resources continues to be an important source of economic value. On the other hand, it also aims to create a conducive environment for companies in other sectors to thrive, thus contributing to the diversification of the economy. Beyond sector-specific challenges, there are factors affecting economy-wide aggregate productivity that need to be addressed. Therefore, the IDB Group's efforts, will focus on three main areas. Firstly, the Bank will support strengthening the enabling environment and regulatory framework to foster private business development and increased domestic and foreign investment, including private participation in key infrastructure and in the energy sector. Ongoing efforts to modernize Barbados' regulatory framework aim to attract new investments and enhance the country's global competitiveness. The IDB Group will seek to promote additional reforms to reduce excessive red tape, enhance transparency, and streamline processes to increase private investment in productive sectors. In addition, the Bank will support strengthening the regulatory framework and enabling environment for PPPs. Secondly, it will help narrow the gap between the skills demanded by employers and those available in the labor market. This gap is likely to widen in the absence of new policies as the just transition towards sustainable and resilient economic growth will require skilled labor and new productive capabilities. Understanding the gaps and mapping the skills needed will help inform policies to address the challenges, both with a short-term labor market approach and with a longer-term vision. The IDB can also support the Ministry of Labor, Social Security and the Third Sector (MLST) in strengthening workforce development through policies that enhance training access, and that are of relevance and quality. The IDB Group will place an emphasis in improving digital skills, since this will help not only ensure the existence of a skilled workforce for the IT sector, but will also drive the digital transformation across other productive sectors and the public

²⁸ Barbados introduced a Corporate Income Tax (CIT) reform in November 2023, leading to higher-than-expected revenue collection. This reform included increased tax rates for certain companies and a shift from semi-annual to monthly prepayments for corporate taxpayers, ensuring a more consistent flow of revenue to the government.

sector.²⁹ Thirdly, the IDB group will continue supporting improved access to finance, particularly for MSMEs.³⁰ The IDB will expand the Global Credit Program with an added focus on reaching underserved communities.³¹ The program targets a minimum of 15% of resources to support women-owned/led MSMEs, and will support a study to better understand the barriers faced by persons with disabilities in the financial system. To enhance financial inclusion and expand access to financial services in Barbados, the IDB Group will seek to support expanded MSME financing through risk-sharing mechanisms, such as partial credit guarantees and blended finance solutions. IDB Invest will promote alternative lending models through credit unions and fintech solutions and other non-banking financial institutions. In particular, IDB Invest will explore opportunities to support some of the country's established industries, including in agro-processing and niche manufacturing and help advance their structural transformation toward higher-productivity activities. The Bank will aim to improve funding for larger firms by strengthening capital markets, while it will assist entrepreneurs in accessing early-stage financing. It will also strengthen the innovation and entrepreneurial ecosystem by promoting regulations that favor innovation.

2.14. Enhance public sector effectiveness. The objective is to improve public sector capabilities, enabling the government to drive sustainable and inclusive economic growth. The Bank will focus on two main areas. On one hand, it will assist in streamlining the provision of public administrative services for citizens and businesses, leading to monetary and time savings, increased citizen satisfaction, and improved business efficiency. This can be achieved by advancing the digitalization of the public sector, both internally by using digital systems for internal processes and record keeping, and externally by expanding the provision of services through online platforms with an emphasis on accessibility. A focus will be placed on developing a cybersecurity framework and ensuring interoperability of systems. This can be further supported by improving monitoring and evaluation systems. The Bank could support the development of tools and norms to regulate the use and access of administrative records for statistical purposes. There is an opportunity for an integrated vision of data governance, with improvements in the regulatory and institutional frameworks necessary to implement it. On the other hand, it will support further deepening the progress the government has already achieved in consolidating fiscal sustainability while prioritizing essential capital expenditures. An emphasis will be placed on improving tax management and strengthening the institutional capacity of the BRA. The Bank will provide support to review the tax incentives regime, including a cost benefit analysis of the justification of the tax incentives at the sectoral level and by type of instrument, and strengthening the audit and monitoring capacity of such incentives.

EXPECTED RESULTS

Increased private sector productivity and investment in the productive sector. The Bank will promote the improvement of the enabling environment and the regulatory frameworks for private sector development, aiming to simplify the process of establishing and operating businesses, as well as promoting private participation in productive infrastructure and essential public services. Through public and private support, the IDB Group aims to increase access to financial services and the depth of financial markets, ultimately promoting financial inclusion and expanded MSME financing. In particular, the IDB Group interventions will enhance diversified lending portfolios, reducing reliance on mortgage and consumer loans, while increasing support for productive sectors and entrepreneurial ecosystem. Strengthened credit

²⁹ These initiatives can include competitive funding, dual training with pre-apprenticeship programs, and upskilling/reskilling for unemployed or at-risk workers via subsidized, industry-aligned training with recognized certifications. IDB Invest can collaborate by engaging directly with clients to implement apprenticeship and enhance workforce skills.

³⁰ In addition, IDB Invest will seek to increase access to credit to underserved populations for housing.

³¹ The Global Credit Program constitutes financing for the Enhanced Credit Guarantee Fund (ECGF), a facility managed by the Central Bank of Barbados which issues guarantees to support intermediary financial institutions in approving investment loans for MSMEs.

unions and alternative lenders will enhance access to finance, particularly for MSMEs. Digital transformation through fintech and mobile banking will improve efficiency and financial access, while regulatory modernization will help maintain correspondent banking relationships and attract foreign private investment. Capital market development support will lead to deeper and more liquid markets, with increased corporate bond issuances and greater institutional investor participation. In addition, a reduced mismatch between demand and supply of skilled labor by strengthening multi-stakeholder efforts and the collaboration between the private sector and the academia is expected. As a result of these interventions, productive domestic and foreign investment, innovation, and productivity in both established and emerging activities are expected to rise.

Enhanced public sector effectiveness. The modernization of the public sector, focusing on higher digitalization and interoperability of systems, will positively impact the effectiveness of the different government agencies in providing services in a more timely and cost-efficient manner. This can be further strengthened by higher use of administrative records. Consolidating fiscal sustainability will result in a more efficient and transparent management of resources, which in turn can boost confidence in the government thus enabling it to be more effective at its interventions. Enhancing tax revenue administration will help unlock further resources that in turn can be channeled toward capital spending.

PILLAR 2. ENHANCE SOCIAL RESILIENCE TO THRIVE IN A CHANGING WORLD

WHY IT MATTERS

2.15. Social progress has been static in the last decade. Despite Barbados being considered a high human development country, peer countries have improved their metrics at a faster pace. Building a resilient society is of paramount importance in a context of a changing world. The fast pace of technological progress is changing the nature of the jobs that will be available in the near future, threatening the livelihoods of current labor force participants, especially those older and those with roles more susceptible to automatization ([IDB, 2020](#)). In addition, increased frequency of climate hazards translates into added vulnerabilities for households that are already vulnerable.

2.16. Between 2010 and 2016, poverty levels rose, but inequality and extreme poverty rates decreased.³² Despite slow economic growth the Gini index fell from 0.43 to 0.32, a significant decline for a six-year period. Extreme poverty dropped from 6.8% to 3.4% but total poverty increased from 15.1% to 17.2%.³³ Likewise, the share of vulnerable households increased from 10.4% to 11%. It should be stressed, though, that poverty in terms of persons instead of households implies that one in four persons in the country is poor. Nonetheless, these poverty levels are lower than the expected values, given its level of income ([IDB, 2018](#)). New measurements of poverty will be available in the near future, which will enhance the ability to design policies based on updated evidence.³⁴

2.17. The COVID-19 pandemic had a profound impact on livelihoods. According to an online survey conducted by the IDB, 72.7% of households reported a reduction of income in April 2020, resulting from employment loss, business closures and loss of rental income ([IDB, 2020](#)). The percentage of households reporting an income below the minimum wage increased approximately threefold- between

³² Based on the Country Assessment of Living Conditions in Barbados 2010 and the Barbados Survey of Living Conditions 2016.

³³ Female-headed households accounted for 61% of poor households and 45% of non-poor households.

³⁴ The government is currently conducting the Barbados Survey of Living Conditions 2024, with the support of the IDB, the CDB, and the WB.

January and April of 2020. The survey also found that the programs implemented by the government during the pandemic helped to mitigate the economic shock on households. Beneficiaries of new programs ranged from 2.4% of high-income households to 11.1% of low-income households. Nonetheless, there remains significant room for improvement in developing an agile safety net system capable of responding to unexpected shocks without delays.

- 2.18. Despite a relatively well-developed social insurance system and universal healthcare, social assistance schemes to address poverty are fragmented and face governance, design, and coverage issues.** Several departments and programs under the Ministry of People Empowerment and Elderly Affairs provide non-contributory social assistance, including the Welfare Department, National Disabilities Unit, National Assistance Board, Child Care Boards, among others.³⁵ The 2016 Barbados Survey of Living Conditions shows that around 39.7% of the beneficiaries of the programs included in the survey are not poor. While these inclusion errors in social programs are in line with what other countries with similar poverty rates show (e.g., Uruguay, Chile, and Jamaica), they are high and increasing coverage may lead to even higher inclusion errors. Despite potential for better targeting, the main gaps are in program designs. The country has recently taken steps towards streamlining processes on social assistance schemes, but ensuring that reforms are successfully implemented is the current challenge.
- 2.19. There is limited support to workers affected by the effects of digitalization and climate change in the labor market.** Barbadians have limited job search guidance, relying on informal methods. The Barbados Employment and Career Counseling Services currently assists fewer than 2% of job seekers and encounters challenges such as limited service offerings, the absence of a labor intermediation platform to connect jobseekers with vacancies, and the lack of a labor market information system to provide timely and accurate trend data.
- 2.20. The demographic composition of the country is shifting, with a growing ageing population, which pressures contributory and non-contributory social protection systems.** In 2021, population aged 65 and above accounted for 18.6% of the total, compared to 12.9% in 2010. Females are disproportionately represented in this age group, given their higher life expectancy ([BSS, 2023](#)).³⁶ On the contributory side, the National Insurance and Social Security Service (NISSS)³⁷ faces operational and administrative inefficiencies and coverage gaps, with only 20% of self-employed workers participating in the systems. Outdated workflows, reliance on paper-based applications, and weak governance contribute to slow benefit processing and fragmented service delivery. While digital transformation efforts have begun, full implementation is still needed to modernize operations and contribute to long-term sustainability ([NISSS, 2022](#)). Regarding non-contributory social protection, to ensure a decent quality of life in later stages of life, older populations need specialized care and initiatives that promote healthy and active ageing. The recently approved 2023-2028 National Policy of Ageing aims to advance such agenda. The implementation of the provisions included in the policy in the upcoming years will be crucial.
- 2.21. Quantity of education in terms of access and enrollment is nearly universal, but the share of students who leave the education system with insufficient competencies is high.** More than 90% of 3-4-year-olds attend early childhood education programs. Completion rates for primary and secondary education are high and drop-out rates are negligible. In fact, within LAC, Barbados has one of the highest enrolment rates at the secondary education level. Net enrollment rates for primary and

³⁵ The National Assistance program, under the Welfare Department, is the largest social safety-net and aims to alleviate moderate poverty. It provides cash and in-kind transfers to those in need with focus on children, the unemployed, persons with disabilities, and the elderly. However, the budget of the program is small by regional standards since the program amounts to around 0.36% of GDP, compared to a regional average of 0.8% ([ILO, 2022](#)).

³⁶ Females aged 65 and above accounted for 20.2% of total female population, while men in the same group represented 16.8%. Life expectancy at birth in 2021 was 78.4 years for females and 75.1 for males ([WHO](#)).

³⁷ The NISSS covers public and private sector workers, as well as the self-employed. It provides (i) long-term benefits (old-age, invalidity, disablement benefit and survivors' benefits); (ii) short-term benefits (sickness & maternity benefits, funeral grants, unemployment and severance benefits); (iii) employment injury benefits (injury benefit, medical expenses, death benefit, and funeral grant); and (iv) non-contributory pensions (old-age for existing pensioners who began receiving their pensions by December 31, 1999).

secondary school reach 97.7% and 87.1%, respectively, while completion rates are 92.6% and 89.6%.³⁸ However, only 26.8% of the student population qualifies for tertiary education based on Caribbean Secondary Education Certificate (CSEC) performance ([Beuermann and Jackson, 2022](#)),³⁹ and there are gender disparities in learning outcomes, with females outperforming males in CSEC passing rates for Math and English ([IDB, 2023](#)).⁴⁰ This hinders long term productivity and living standards as the wage gap observed in the labor market between workers with and without a CSEC certification is about 40%.⁴¹ It should also be noted that there is a mismatch between skills demanded and offered in the labor market, which further limits employment opportunities.⁴² On a separate note, inadequately maintained facilities and shortages of teaching staff have resulted in intermittent closures of certain schools, thus disrupting learning.⁴³

2.22. Barbados faces challenges in terms of food security. Food security is defined by the Food and Agriculture Organization (FAO) as “a situation that exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.” Barbados imports 80% of the food it consumes, mostly from the United States, which poses a risk to food access and results in elevated prices.⁴⁴ This is the result of limited agricultural land, water scarcity, and climate constraints. A survey revealed that 11% of low-income households and 8% of middle-income households reported going to bed hungry in January 2020 ([IDB, 2020](#)). In addition, approximately 66% of imported food corresponds to processed items. The diet has shifted away from fresh fruits, vegetables, and legumes to less healthy food that is high in sodium, sugar, and saturated fats. The incidence of chronic NCDs in Barbados is high. In 2023, 65% of the adult population was overweight or obese, with a high incidence of hypertension and diabetes ([PAHO](#)). The prevalence of obesity in children under five years old was 12.5% in 2022, above the LAC average of 8.6% ([FAO, 2024](#)).

WHAT WE WILL DO

2.23. Within the second pillar, progress towards enhancing social resilience so citizens can thrive in a changing world will be supported by one strategic objective. The goal is to empower society so citizens can positively contribute to their communities and to economic growth. A more resilient society will be less affected by potential shocks and will have the capacity to recover in a faster way. To support such endeavor, the Bank intends to work on three main themes comprised in one strategic objective: (i) create a resilient and safe society by revamping social protection and social security systems and services, improving educational outcomes, and improving food security.

2.24. Revamp social protection and social security systems and services to improve the population’s safety nets and protection against risks during income loss and heightened uncertainty periods. The Bank has implemented its maturity model for adaptive social protection, and it is expected to use the results as part of its programmatic approach to improve resilience in the population through social programs. The Bank will also focus on improving program design and delivery while strengthening institutional coordination and new governance mechanisms, with a focus on the most vulnerable populations, including female-led households. Enhancing data sharing and systems interoperability within agencies can also help improve both coverage and targeting.⁴⁵ Leveraging non-structured data such as satellite imaging can help with the identification of vulnerable households and serve as a tool for fast government response amid unexpected shocks. Better social safety nets will

³⁸ Own calculations based on Barbados’ Survey of Living Conditions (2016).

³⁹ The figure of students who qualified for tertiary education based on CSEC performance corresponds to the total number of students who passed the 5+ CSEC subjects as a proportion of the entire population of students who wrote the BSSEE between 1987 and 2011. These cohorts correspond to students who took the CSEC mostly between 1992 and 2016. Considering that 67.7% of students who wrote the BSSEE and attended a secondary school took the CSEC, the ratio of students who passed the 5+ subjects conditional on taking the CSEC is about 40%. These statistics were calculated using administrative records, which were compiled in an effort supported by the IDB to digitalize educational records. The statistics are reported in Table 1 of the study by Beuermann and Jackson (2022).

⁴⁰ Qualification for tertiary education is achieved by passing at least five CSEC subjects including the core subjects of English language and Mathematics.

⁴¹ Own calculations based on Barbados’ Survey of Living Conditions (2016).

⁴² See paragraph 2.5.

⁴³ As reported by [Barbados Today](#).

⁴⁴ [FAO Regional Conference for Latin America and the Caribbean XXXVI](#).

⁴⁵ There is an intersection between this potential line of work and what is proposed under pillar one by streamlining the provision of services.

reduce extreme vulnerability, which in turn can help reduce criminal activity. However, for this to happen, innovative new approaches to how government provides services to specific vulnerable populations are required, including new institutional frameworks. The Bank will continue to support the modernization of the NISSS.

2.25. Improve educational outcomes. Higher human capital can contribute to a more resilient and safe society by future-proofing the workforce against obsolescence and maintaining competitiveness in the global landscape. The Bank can support efforts the Ministry of Educational Transformation is undertaking in the transformation of the education sector, which aims to update the national curriculum introducing subject areas deemed relevant to better prepare students for climate change and the green and blue economy, technology (robotics and coding), and socio-emotional learning. Changes in teaching practices starting at early childhood education, the development of new market-driven curricula, and improved digital skills can strengthen the education system. Special emphasis will be placed on youth-at-risk groups, providing them with better employability prospects and essential soft skills to navigate and overcome challenges.

2.26. Improving food security. The IDB Group will explore opportunities to contribute to the government's efforts aimed at strengthening the domestic production capacity, investing in intensive agriculture and other fast-growth and high-yielding methods, including hydroponic farming and aquaculture, and promoting sustainable and climate-smart practices. IDB Invest will seek to support these efforts by partnering with anchor companies, while transferring knowledge and economic value to smaller firms in the value chain.⁴⁶ Additionally, the Bank can support policies to promote healthier diets and school nutrition programs. Information campaigns could be effective in incentivizing the production and consumption of nutritious foods.

EXPECTED RESULTS

Enhanced intersectoral coordination and effectiveness and efficiency in the provision of social services. The Bank will help redesign the social safety net system to avoid duplications, improve coverage, and develop response systems to timely assist people affected by unexpected shocks. There is need for a review of the design, targeting mechanisms, entry and exist rules, monitoring, and coverage of existing social programs. Leveraging non-structured information such as satellite images, georeferenced population, and artificial intelligence (AI) models could be used to build systems that can quickly identify households affected by unexpected shocks, enabling authorities for a fast response.

Improved educational outcomes. To strengthen the education system the Bank will promote changes in teaching practices in early childhood education, the development of new market-driven curricula, and improved digital skills. Additional attention will be placed on low performers and students at risk of exiting the school system without proper certifications.

Increased availability and consumption of healthy food options. The IDB Group will assist in strengthening the production capacity and yields of domestic agricultural units to improve availability and affordability. Complementarily, awareness of the benefits from consuming nutritious diets will be promoted to encourage change in demand towards healthier foods.

⁴⁶ Some Barbadian farmers utilize precision agriculture to improve yields by 60% and reduce costs by 30% ([IDB, 2023](#)).

PILLAR 3. BUILD CLIMATE RESILIENCE AND PROMOTE ENERGY TRANSFORMATION

WHY IT MATTERS

- 2.27. Barbados is heavily affected by the effects of climate change.** Even though the island lies outside the main Atlantic hurricane belt, it is impacted by tropical storms and hurricanes and affected by rising sea level, floodings, droughts, and temperature increases. In addition, Barbados ranks among the ten most water scarce countries in the world ([FAO AQUASTAT](#)). Although from 2000 to 2019, Barbados ranked 148th in the Climate Risk Index⁴⁷ out of 180 countries analyzed, a significant fraction of the population and most of the tourism infrastructure lies in coastal areas. Coupled with the relatively flat geographical profile of the country, it represents a major source of vulnerability in the face of climate change-related events. Indeed, Barbados currently ranks 7th among LAC countries with the most exposed coastal and energy infrastructure to climate change, and 20th globally ([University of Notre Dame, 2025](#)).
- 2.28. In July 2021 a hurricane impacted the island for the first time in more than sixty years and both the frequency and intensity of climate-related hazards are expected to increase.** Category 1 hurricane Elsa caused damage to powerlines, disruptions in telecommunications and water provision, as well as damage to roofs and disrupted economic activity. In July 2024, hurricane Beryl changed paths at the last moment with the eye passing near the south of the island. However, storm surges caused significant damage to coastal infrastructure as well as to fishing boats.⁴⁸ These events proved that the country's readiness to withstand severe climate hazards needs to be enhanced and that institutional capacity for disaster risk management needs to be strengthened. In addition, the disproportionate effect of climate-related hazards on vulnerable populations, including on persons with disabilities, needs to be considered ([UN Women, 2023](#)).⁴⁹ In recent times, heat waves have negatively impacted agricultural yields as well as poultry and milk production. Climate related threats to Barbados in the coming decades include an increase of 1.3°C mean annual temperature, reduced annual precipitation of 47.8 mm, sea level rise, increased storm intensity, landslides, and tsunamis ([USAID, 2021](#)). As the intensity and frequency of climate events is expected to continue rising, better preparedness is necessary ([IPCC, 2023](#)). The Roofs to Reefs Programme (R2RP) has set a unique long-term vision to ensure that, within key sectors, resiliency considerations are mainstreamed, and all investments are aligned to a sustainable paradigm.
- 2.29. Investment needs to strengthen climate resilience are large, calling for the need to mobilize climate financing and develop innovative instruments.** Barbados put forward the [Bridgetown Initiative](#) in 2022, a call requesting action from the international community to reform the global financial architecture to channel resources towards climate action and the Sustainable Development Goals (SDGs).⁵⁰ The national investment plan of Barbados encompasses three impact areas and envisions the need of US\$11.6 billion to support them within the next 10 years.⁵¹ Half of the resources are expected to be spent directly in building climate resilience by supporting the impact area “robust natural and physical infrastructure”. However, the other two impact areas also contain initiatives that will enhance climate resilience, so the total investment amount is even larger. It should be noted that 60% of total investment is expected to come from the private sector, thus elevating their role as a motor for building resilience.

⁴⁷ Implying that the country had fewer fatalities and lower monetary losses from extreme weather effects than many other countries ([German Watch, 2021](#)).

⁴⁸ Including a rupture of sewage pipe 340 meters offshore. The Barbados Water Authority proactively shut down pumping operations before the passage of the hurricane to protect critical equipment, leaving certain areas without water for two days.

⁴⁹ A disability inclusion in disaster risk management assessment across nine Caribbean countries (excluding Barbados) found that persons with disabilities face significant barriers to emergency response, including limited access to emergency information and exclusion from disaster risk management planning ([WB, 2022](#)).

⁵⁰ It has been updated twice: [Bridgetown 2.0](#) and [Bridgetown Initiative 3.0](#).

⁵¹ [Barbados 2035: A plan for investment in prosperity & resilience](#).

2.30. Barbados faces transition risks from its own and global efforts towards energy sustainability.

The Government of Barbados is committed to transforming its energy sector to achieve carbon neutrality by 2030. The country has set ambitious targets for reducing greenhouse gas emissions and increasing the share of renewable energy in its energy mix in their Nationally Determined Contributions (NDC). The [Barbados National Energy Policy \(BNEP\) 2019-2030](#)⁵² outlines a comprehensive roadmap to achieve these goals. However, the implication on the public fiscal stance is large, given their reliance on imported fossil fuels for energy generation. Without counterbalancing revenue enhancing policies, the fiscal gap derived from foregone revenues associated with taxation of fossil fuels and vehicles could be significant ([IDB, 2022](#)). In addition, indirect transition risks from decarbonization of other countries include a reduction of international mobility, affecting tourism patterns with a potentially significant impact on the Barbadian economy, since it could result in a 38% of GDP reduction by 2050 ([Task Force on Climate, Development and the IMF, 2022](#)).

2.31. Heavy reliance on imported oil for energy generation and the slow transition and undiversified renewable energy generation translates into added vulnerabilities.

In 2022, 92% of the electricity generated in the country was from non-renewable sources, with the remaining 8% being obtained mostly from solar sources ([IRENA, 2023](#)). The lack of diversification of the energy matrix as well as the limited penetration of sustainable and energy-efficient solutions, results in added risks in the event of climate hazards that could impact infrastructure, or in the event of disruptions to international trade. Furthermore, it leaves the country exposed to global price fluctuations and can be a source of balance of payments vulnerabilities.⁵³ It should be noted that the implementation of affordable, secure, and resilient technologies such as battery storage are needed to facilitate a further increase of variable renewable generation. Reducing per capita energy consumption, improving in energy efficiency and transitioning to renewable energy and electromobility will help Barbados to achieve energy independence, build climate resilience, and reduce costs.

WHAT WE WILL DO

2.32. Within the third pillar, progress is expected towards two strategic objectives: (i) strengthen climate resilience by advancing climate finance mobilization, innovative instruments and investment, as well as by improving institutional capacity for disaster risk management and upgrading key infrastructure, such as water and sanitation systems and ports; and (ii) bolster sustainable energy by increasing the adoption of affordable, secure, and resilient technologies, while also improving energy efficiency. Resiliency and efficiency in the use of resources also reinforce productivity growth in the private sector, promoting synergies within avenues of action.

2.33. Strengthen climate resilience by advancing climate finance mobilization, innovative instruments and investment, as well as by improving institutional capacity for disaster risk management and upgrading key infrastructure, such as water and sanitation systems and ports. The Bank will continue to advance in climate finance mobilization, as it has done in the past by providing innovative instruments such as policy-based guarantees and catalyzing financial resources from other institutions.⁵⁴ The institutional capacity for disaster risk management, including a disaster risk financing strategy, will continue to be enhanced to ensure the country is well prepared to withstand future unexpected shocks. A special focus will be placed on vulnerable populations, such as persons with disabilities. Key infrastructure will be upgraded in a climate resilient manner. IDB Invest will aim to finance resilience investments across sectors and evaluate resilience considerations at the client and market levels to promote widespread adoption. In infrastructure, the ongoing work in upgrading the water and sanitation system will deepen, as well as the engagement IDB Invest has with the port. IDB

⁵² The BNEP 2019-2030 prioritizes economic enfranchisement via local investment and ownership opportunities while developing renewable energy skills. The policy promotes community participation in renewable energy initiatives, guarantees universal energy access at reasonable prices with provisions for vulnerable households, and stimulates job creation while building local capacity to maintain Barbadian ownership throughout the transition to 100% renewable energy.

⁵³ Oil imports in 2024 represented 18% of total imports and were equivalent to 3.4% of GDP.

⁵⁴ Besides advancing the reform agenda in natural resource management and climate and water resilience, the policy-based guarantees [BA-U0001](#) and [BA-U0002](#) have resulted in monetary savings for the government, which are in turn being channeled towards climate-related investments. It should be noted that both operations have included resources from other development partners (the Nature Conservancy, the European Investment Bank, and the Green Climate Fund).

Invest will seek to complement IDB efforts to develop a more resilient and sustainable water and sanitation sector, through targeted assistance to the utility for increasing operational, climate, and financial sustainability, and exploring avenues for private sector participation to enhance operational efficiency and reduce non-revenue water.

- 2.34. Bolster sustainable energy initiatives to increase the adoption of renewable energy and affordable, secure, and resilient technologies, while also improving energy efficiency.** The Bank will continue engaging in the energy sector as it has done in recent years.⁵⁵ To fast-track the energy transformation and to achieve BNEP's targets, it will support legal, policy and regulatory changes that aim at diversifying the renewable generation technologies, introduce battery energy storage systems (BESS), and rely on efficient procurement methods for private-led investments, as well updating the country's energy policy and structuring investment plans. The IDB Group will also support the development of policy and regulatory frameworks for electromobility, including the design of a national vehicle charging infrastructure plan for electric vehicles. In addition, IDB Invest will strive to support energy transformation goals by financing private sector investments in renewable energy generation and storage solutions, as well as investments across sectors that contribute to increased energy efficiency at the corporate level.

EXPECTED RESULTS

Enhanced disaster and climate change resilience. The IDB Group will support the government in its endeavor of mobilizing resources for climate finance to build resilience. It will continue exploring the possibility of providing thematic policy-based guarantees, which have generated savings in the past, as well as leveraging resources from other development partners. Given the significant role the private sector plays in sustainability and climate finance, the Bank will support initiatives aimed at improving frameworks for their participation. Moreover, the IDB Group will support cross-cutting interventions to increase the country's adaptation to climate change. IDB Invest in particular, will seek to integrate climate resilience considerations into private investments across sectors. Ultimately, public and private resources mobilized are expected to contribute to the increased resiliency of Barbados.

Improved disaster risk management framework. The Bank will continue to help update and strengthen the institutional capacity for disaster risk management to reduce vulnerabilities as well as to improve the response capacity and availability of financial resources of the government in the event of unexpected shocks. A focus on identifying households most at risk and creating fast-response plans will be placed. An assessment of the legal, institutional, and budgetary conditions for effective disaster risk management in Barbados will be undertaken. In addition, a digital tool to evaluate the country's performance in disaster risk management components will be implemented.

More sustainable and resilient infrastructure. The IDB Group will continue to support the development of infrastructure that is better adapted to climate change. In particular, ongoing work with the water and sanitation utility aims to improve water availability and quality, as well as to generate climate resilience and ecosystem protection. Support will also seek to increase operational efficiency (including energy consumption), reductions in non-revenue water, integrated digital innovations in the sector and expanded wastewater management. IDB Invest continued operational engagement with the port will result in upgraded and resilient port

⁵⁵ Loans [BA-L1043](#), [BA-L1012](#), and associated grants and technical cooperations.

infrastructure, more efficient cargo, and tourist operations, including through the high-capacity vessels, and enhanced sustainability practices.

Rise in the incorporation of renewable energy sources reducing reliance on fossil fuels. New IDB Group interventions will focus on expanding renewable energy adoption and enhancing grid stability. These efforts will reduce reliance on imported fossil fuels by promoting solutions such as utility scale solar PV generation, development of wind farms and energy storage, ultimately decreasing the country's overall dependence on fossil fuels. IDB Invest will also promote climate mitigation solutions into private sector investments across sectors.

CROSSCUTTING ISSUES

WHY THEY MATTER

➔ **2.35. Gender equality and diversity.** Women continue to face challenges in the labor market. Barbados shows relatively low rates of female labor participation, where only 60% of women participate in the labor market versus 67% of men.⁵⁶ Women remain underrepresented in high-demand industries such as ICT, manufacturing, and construction, and they are less likely to own businesses or hold executive positions—only 14.5% of firms have female majority ownership ([WEF, 2024](#)). Gender-inclusive workplace policies are also lacking, with just 8% of firms actively promoting women's advancement and only 24.4% having protocols for workplace harassment (IFPG, 2020). Regulatory gaps further constrain women's financial autonomy and labor market participation, including the absence of equal pay mandates, restrictions on industrial jobs, and limited parental leave policies. In addition, domestic violence against women constitutes a major concern. The Royal Barbados Police Force (RBPF) received more than one report per day in the period 2016-2018 ([UN, 2021](#)), but these statistics likely underestimate the number of total cases as female victims tend to underreport domestic violence.⁵⁷ Moreover, violence not only affects the victim directly, but can also impact a child's future life and long-term productivity. In Barbados, a high percentage of male inmates (76%) have a history of having been physically punished by a parent or guardian and have witnessed their mother being subject to violence ([Bergman et. al., 2020](#)). People with disabilities face social and economic exclusion. The prevalence of disabilities in Barbados was 19.5% (53,100 persons) in 2020 and, because of the demographic transition, is expected to increase to 25% (66,100 persons) by 2050 ([Berlinski et. al., 2021](#)). Persons with disabilities face exclusion in schools and the labor market, as well as significant challenges in accessing infrastructure, information, and other services. The 2023-2030 National Policy for Improving the Lives of Persons with Disabilities has been recently approved. Although it is a step in the right direction, much work still need to be done to ensure inclusion. Generally, availability of disaggregated data is scarce, which hinders the ability to design adequate policies.

➔ **2.36. Innovation.** Barbados ranked 77th out of 133 countries on the 2024 Global Innovation Index (GII), performing better than Caribbean peers.⁵⁸ The GI is comprised of multiple indicators grouped into innovation inputs and outputs that aim to capture innovation.⁵⁹ However, the IFPG survey conducted by the Compete Caribbean Partnership Facility in 2020 found that, although more than half of the interviewed companies engage in green innovation, penetration of general and digital innovation

⁵⁶ As reported in the second quarter of 2024 by the Barbados Statistical Service [Labor Force Survey](#). Part of the discrepancy is explained by a larger share of retired females, in line with longer life expectancy, but another part is due to females staying in the household and engaging in unpaid care work.

⁵⁷ There are no updated data on the proportion of ever-partnered women and girls subjected to physical and sexual violence by a current or former intimate partner. However, available information indicates that violence against women remains high, constituting a normalized problem in the region, which the COVID-19 pandemic has aggravated. Indeed, 12.2 % of women in Barbados reported an increase in domestic violence since the beginning of the pandemic ([IDB, 2020](#)).

⁵⁸ The [GII](#) is produced by the World Intellectual Property Organization. Barbados ranked above Jamaica (79th) and Trinidad and Tobago (108th), which are the only other Caribbean economies included in the index.

⁵⁹ Barbados ranks equally in both inputs and outputs of innovation, 77th out of 133 countries.

remains limited, particularly compared to Caribbean averages ([IDB, 2024](#)).⁶⁰ Given that innovation is a key driver of productivity, which in turn determines economic growth, further efforts to create a culture of innovation are necessary.

➔ **2.37. Institutional strengthening.** Barbados scores well on governance and institutional indicators, yet government effectiveness has not improved over the years. On average, Barbados scores significantly better than the average for the LAC region in all World Governance Indicators (WGI), and often close to the average for the OECD countries. However, government effectiveness, which reflects the quality of public services, civil service, policy formulation and implementation, and the credibility of the government's commitment to such policies, shows a declining trend. Up to 2012, the country consistently ranked around the 90th percentile worldwide.⁶¹ From 2013 onwards, the indicator deteriorated reaching an all-time low rank of 64 in 2023. Barbados ranks particularly low in regulatory quality and rule of law. For example, Barbados is grappling with a criminal case backlog that has increased by almost five-fold the amount that was recorded in 2011. On a separate note, it should be noted that the capacity to execute public investment is limited due to understaffing.

WHAT WE WILL DO

2.38. The CS 2025-2030 will be further enriched by streamlining three cross-cutting issues: Promote gender equality and diversity; (ii) boost innovation; and (iii) strengthen institutional capacity.

2.39. Promote gender equality and diversity. The IDB Group will mainstream gender and diversity considerations in all of its operations to ensure that equal opportunities and inclusion are promoted. One of the main challenges in designing adequate policies to address gender equality and diversity issues is the lack of disaggregated data. Therefore, improved data collection will be prioritized. The Bank will also advance work on gender violence and on the inclusion of persons with disabilities. The Bank will also advance work on gender-based violence by developing frameworks to prevent it and improve service delivery for survivors. The Bank will support the implementation and subsequent legislation and regulation of the 2023-2030 National Policy for Improving the Lives of Persons with Disabilities. Work can be conducted in priority areas such as accessibility, education, employment, and health, as well as in sustainable mobility.⁶²

2.40. Boost innovation. Innovation as a cross-cutting theme involves incorporating new methods and ideas in IDB Group operations with the country. This could be implemented by adapting solutions that have already been proven successful in other contexts, or by creating original solutions, including through technology adoption and new and more sustainable business models. Trying new evidence-based ways of addressing challenges could result in higher impact as well as create conditions to support startups that use emerging technologies and innovative business models for poor and vulnerable populations. Incentivizing a culture that promotes calculated risk taking can also drive innovation. The Bank will also place a particular emphasis on advancing digitalization and on strengthening intellectual property rights. To drive innovation through the private sector, IDB Invest could also support digital transformation solutions in the productive sector. Furthermore, IDB Lab will play a crucial role in strengthening the innovation ecosystem.

2.41. Strengthen institutional capacity. The Bank will continue to support institutional strengthening across all its operations to ensure that the government is more effective at serving its citizens. One of the areas where Bank support will be crucial is strengthening the capacity to execute public investment. To this end, the Bank will continue to closely work with the government to identify hurdles and design

⁶⁰ According to the IFPG survey, 15.1% of the respondents in Barbados reported to engage in general innovation, 2.8% in digital innovation, and 54.7% in green innovation compared to the Caribbean averages of 40.5%, 7.8%, and 50.0, respectively.

⁶¹ The percentile rank ranges from 0 to 100, the higher the percentile rank the better the score. For example, a rank of 90 is read as the country scores better than 90% of the countries in the sample and scores worse than 10% of the countries.

⁶² Sustainable mobility emphasizes active mobility and accessibility for all users, including people with disabilities, the elderly, and children. This approach aligns with the "complete streets" framework, which ensures high-quality services such as pedestrian crossings, traffic lights, sidewalks and pavements, speed reduction mechanisms, and sustainable drainage systems together with user-centered public transport modernization.

solutions, and it will continue with the implementation of the three-year capacity building plan. Another area of work that the Bank can help advance is improving citizen security and rule of law by strengthening the justice sector.



III. HOW WE WILL DO IT

A. PROGRAMMATIC APPROACH

- 3.1 The CS 2025-2030 adopts a programmatic approach to maximize impact that will be implemented by offering suitable instruments.** To support the programmatic approach, the Bank will offer, as suitable, Conditional Credit Lines for Investment Projects (CCLIPs), which provide continuity in sectoral engagement with investment loans. In addition, programmatic policy-based loans (PBLs) have been used in the past with great success, since they provide continuity to the reform agenda and allow for lengthy policy reform processes to be completed. Given the value of this instrument for the programmatic view, it will continue to be offered. Loans based on results (LBR) will also be offered, since they shift the focus to impact instead of supervising the execution. Combinations of instruments to support at the sectoral level will also be explored. For example, an investment loan hand in hand with a PBL can help unlock regulatory hurdles and boost activity in the sector at the same time. The programmatic approach will be streamlined not only through the selection of instruments, but also through ensuring that projects complement each other and synergies between the different sectors are leveraged.

B. SYNERGIES

- 3.2 During the implementation of the CS 2025-2030, the three IDB Group windows will work collaboratively to provide a continuum of solutions to achieve the strategic objectives.** In particular, the IDB Group will do this by (i) sharing knowledge of markets, market failures and policy solutions, (ii) seeking integrated financial solutions to increase the impact of specific interventions, (iii) scaling innovative solutions, and (iv) fostering upstream work that supports regulatory, institutional, and market reforms to facilitate development through the private sector.
- 3.3 In pillar 1, the IDB Group will seek to bridge access to finance gaps by implementing targeted strategies to enhance financial inclusion, MSME financing, and capital market development.** To address the MSME financing gap, IDB Group will seek to provide a continuum of solutions that range from supporting the development of a financial inclusion strategy to facilitating the creation of a centralized credit bureau, and expanding access to early-stage funding for entrepreneurs by strengthening the innovation ecosystem. Additionally, the IDB Group will seek to provide solutions via financial institutions with a focus on digital transformation and develop market-level solutions focused on sustainability. To strengthen capital markets and mobilize investment, the IDB Group will support the Innovation and Growth Market of the Barbados Stock Exchange, enhance regulatory frameworks for private placements, and refine National Investment System (NIS) policies. Furthermore, the IDB Group will seek to advance debt capital market solutions to create a more dynamic investment landscape.
- 3.4 In pillar 3, synergies will focus on creating an enabling environment for public-private investment to increase the adoption of renewable energy and improve energy efficiency.** The aim will be to optimize energy planning further, accelerate public investment, and mobilize domestic

and foreign private resources to help the country achieve its decarbonization goals. This includes advancing upstream work to support sector regulation that mobilizes domestic and foreign investment. It also includes supporting the revision of remuneration schemes for generation and storage and implementing competitive auction processes for future electricity projects. In addition, the IDB Group will continue supporting the development of policy frameworks and measures for increasing energy efficiency in various sectors. Furthermore, the IDB Group will support the development of policy and regulatory frameworks for electromobility, including the design of a national vehicle charging infrastructure plan for electric vehicles. The IDB Group will also support capacity building in government entities, academia, and industry to advance sector innovations, project implementation, and management. In parallel, the IDB Group will explore providing financing alternatives and advisory services to advance climate finance and increase alternate sources of energy of various sectors.

C. IDENTIFICATION OF REFORMS

- 3.5 The IDB Group will continue to provide technical expertise to support the advancement of the policy reform agenda of the country.** In particular, it will foster dialogue to support the following areas: (i) business and investment facilitation, (ii) fair competition and utilities regulation, (iii) public sector effectiveness, (iv) education, (v) social inclusion, (vi) climate change and disaster risk management, (vii) energy regulatory framework.
- 3.6 Reforms that will be supported under pillar 1 will aim at improving business and investment facilitation and public sector effectiveness.** The recently established agency Business Barbados has the mandate to streamline business processes and protect intellectual property rights. The IDB can support the operationalization and implementation of the reform agenda regarding business processes and is already supporting the integration with Invest and Export Barbados and the implementation of the Joint Initiative on Investment Facilitation for Development. In addition, the Fair Trading Commission is the regulator for consumer protection, fair competition, and public utilities. A revision of its scope with an emphasis on its role as a regulator for public utilities can be supported by the Bank with the objective of modernizing and reinforcing its mandate to enforce the legal and regulatory framework. Lastly, help can be provided to develop an integrated M&E system to improve the government's overall effectiveness, building on the assessment the Bank recently completed. Aligning planning, budgeting, and M&E processes under a cohesive strategy is crucial for gradually building a robust and scalable system (regulatory framework, information systems, instruments, governance, capacity building).
- 3.7 Under pillar 2, the reform agenda will focus on transforming the education system and improving social inclusion.** The Ministry of Educational Transformation is engaged in the transformation of the education sector, which aims to update the national curriculum introducing subject areas deemed relevant to prepare students better for climate change and the green and blue economy, technology (robotics and coding), and socio-emotional learning. The IDB can support curriculum development and implementation, AI in education, strengthening student assessments, teacher professional development, and parental engagement. Changes in teaching practices on early childhood education are ongoing and will be further implemented.⁶³ The Bank can also support strengthening the TVET system. In order to improve social inclusion, the Bank can support the recently approved 2023-2030 National Policy for Improving the Lives of Persons with Disabilities. It can help with its implementation and subsequent legislation and regulation, including in priority areas such as accessibility, education, employment, and health. It can also support the implementation of the 2023-2028 National Policy on Ageing. Both policies have been supported by the Bank.⁶⁴ Lastly, social

⁶³ Support to the education reform is also related to pillar 1.

⁶⁴ The approval of both policies has been supported by the programmatic policy based loans [BA-L1060](#) and [BA-L1062](#).

inclusion can also be promoted by developing frameworks to prevent gender-based violence and improve service delivery for survivors.

- 3.8 In line with pillar 3, support to the reform agenda will address climate change adaptation, the disaster risk management public policy framework and the regulatory framework of the energy sector and public utilities.** Barbados does not currently have a climate change law. A master regulation on climate change, in conjunction with the development of the disaster risk management regulation, would allow for the topic to be mainstreamed and considered a transversal priority. The existing disaster risk management legislation lacks a comprehensive framework for assigning responsibilities across all government levels. The Bank aims to strengthen a broader and more strategic disaster risk management public policy approach by strengthening the policy framework and building sector-specific capacity. The Bank can also continue supporting the modernization of the regulatory framework pertaining to the energy sector. Significant legal, policy, and regulatory changes are necessary to diversify the renewable generation technologies, introduce battery energy storage systems, and rely on efficient and effective procurement methods for private-led investments, as well as the update of the country's energy policy and structuring of investment plans.

D. REGIONAL IDB GROUP FLAGSHIP PROGRAMS

- 3.9 There are strong synergies between the CS 2025-2030 and ONE Caribbean.** The first priority is closely related to the third pillar of the CS, which aims to build climate resilience with a focus on disaster risk management and resilient infrastructure. The second priority, citizen security, is supported by the second pillar since it has the objective of creating both a resilient and safe society. It is further addressed under the cross-cutting themes of promoting gender equality and diversity given the focus on gender-violence, and institutional capacity strengthening since the justice sector can be supported. It should be noted that ONE Caribbean has launched the initiative ONE Safe Caribbean, which aims to take on cross-border organized crime and provide cybersecurity assistance to governments. The third priority is closely aligned with the first pillar of the CS, in particular with the first strategic objective: boost private sector productivity and investment. The last priority area, food security, is directly addressed in the second pillar, since it is understood that food security is a key element to ensure a resilient society.

E. STRATEGIC ALLIANCES

- 3.10 During the CS 2025-2030, the IDB Group will continue fostering strategic partnerships to coordinate efforts and maximize impact.** The Bank aims to continue leading in the areas where it has expertise and will lead on innovation by leveraging IDB Lab and Compete Caribbean. Collaboration with other MDBs and development agencies has been instrumental in mobilizing financial resources and technical expertise. Engagement with civil society entities such as private sector associations, non-governmental organizations (NGOs), think tanks, and the University of West Indies has been fundamental in understanding constraints to development and generating knowledge. In particular, for pillar 1, given the importance of advancing fiscal consolidation as well as promoting an environment that is conducive to growth, close coordination with the IMF will remain. The Bank and the IMF have built a sound partnership over the course of two consecutive IMF programs to ensure that the working programs are aligned and efforts are not duplicated. Collaboration with private sector associations will remain vital to understand and address challenges that hinder their development. For pillar 2, collaboration with other MDBs, including the Caribbean Development Bank (CDB) and World Bank (WB), as well as other development partners, such as the EU and UN agencies, will continue in the context of generating knowledge and pooling resources to ensure that social resilience is enhanced.

Engagement with key NGOs will be fundamental to maximize impact. Lastly, for pillar 3 there will be a strong focus on mobilizing resources to bolster climate resilience, addressing the growing needs in this area. During the CS 2019-2023, key partners on this endeavor included the Nature Conservancy (TNC), the European Investment Bank (EIB), and the Green Climate Fund (GCF).



IV. CONSIDERATIONS FOR IMPLEMENTATION AND CAPACITY BUILDING

A. KNOWLEDGE

- 4.1 The IDB Group will continue to complement its work in the priority strategic areas and cross-cutting issues with a knowledge agenda linked to the operational agenda.** One of the main challenges that Barbados faces in terms of knowledge is the lack of up to date and complete data and thus advancing data generation efforts will be prioritized. In this line and aligned with the first pillar of the strategy, firm-level surveys to understand firm performance, innovation behavior, greening behavior, gender, digital transformation, labor practices, and issues affecting the firm such as access to finance will be conducted.⁶⁵ Support will be provided to develop the Tourism Satellite Account (TSA) to shed light on the full economic impact of tourism and its contributions to GDP, employment, and investment. To better understand living conditions, the Bank will conduct, in collaboration with the Ministry of People Empowerment and Elder Affairs (MPEA), the Barbados Statistical Service, the CDB and the WB a poverty and equity assessment, which aligns well with the second pillar.⁶⁶ Other knowledge generation initiatives will be undertaken, such as an analysis of the digital skills gap in the labor force, an analysis to measure the readiness of governments to address emergencies through their social protection programs,⁶⁷ a study on the infrastructure of a set of primary schools with a focus on comfort factors, and assessment of assess the legal, institutional and budgetary conditions for effective disaster risk management in Barbados, and a study on energy storage solutions and grid integration for service reliability.

B. MONITORING AND EVALUATION (M&E) CAPACITY

- 4.2 Barbados has made progress in public financial management; however, the absence of an integrated M&E system reduces its overall effectiveness.** It is essential to align planning, budgeting, and M&E processes under a comprehensive strategy to build a robust and scalable system, encompassing regulatory frameworks, information systems, governance, and capacity building. The Ministry of Finance serves as the central authority responsible for budgeting but lacks integration with broader planning initiatives. Moreover, the absence of a defined legal structure for M&E hinders monitoring practices, duplicates efforts due to the involvement of multiple actors, and offers no guidance regarding the evaluation of public policies.
- 4.3 Barbados is making progress in integrating Monitoring and Evaluation (M&E) systems into various programs.** However, a formalized framework is still under development. Current M&E capabilities focus mainly on financial execution with limited influence on overall public management. Efforts to link budgeting and performance outcomes are emerging, but the lack of integrated information systems and evaluation capacities hampers better decision-making and reduces reporting burdens. Setting up governance arrangements that clarify roles, responsibilities, and coordination mechanisms, as well as establishing robust information systems, will help improve the efficiency and

⁶⁵ The PROTEGIC survey is currently being designed and data, including for Barbados, will be available by the end of 2025.

⁶⁶ It will be based on the Barbados Survey of Living Conditions 2024, which has benefited from technical cooperation provided by the IDB.

⁶⁷ The [Index of Governance and Public Policy in Disaster Risk Management \(iGOPP\)](#) for Barbados published in 2020 will be updated.

effectiveness of public policy. Strengthening the capacity of key M&E units like the Public Investment Unit (PIU) and Project Management Office (PMO) and leveraging the support of MDBs will further enhance these efforts

- 4.4 The IDB can support the government in building the foundations for an M&E system through advisory and technical assistance in the short run, with the possibility of supporting more structural reforms with future operations.** This involves providing guidance on establishing a governance framework, improving information systems, and strengthening the capacity of key M&E units, ensuring a more effective and integrated approach to public financial management.

C. NATIONAL FIDUCIARY SYSTEMS

- 4.5 Use of National Systems.** The IDB Group continues the mandate to strengthen and increase the use of national fiduciary systems for both sub functions, (Financial Management and Procurement). For Financial Management, the subsystems of the national budget, treasury, accounting and reporting, and external audits are used. During the strategy period, the IDB Group will support financial management initiatives designed to: (i) Accelerate the transformation and efficiency of the Supreme Audit Institution, (Barbados Audit Office); (ii) Accelerate the full adoption of International Public Sector Accounting Standards (IPSAS); (iii) Support the strengthening of the Accountant General's Department; and (iv) engage in dialogue with the Government for assistance in establishing an Internal Audit Department. Regarding public procurement with the support from the IDB group, Barbados has significantly strengthened its procurement system, especially through the implementation of the Public Procurement Act, the development of the e-GP system (Bonfire) and integrate sustainability into procurement best practices by the promotion of Sustainable Procurement Policy. Those improvements have leveraged accountability transparency and promoting environmentally friendly and socially responsible procurement. Throughout the strategy period, the IDB Group will provide support (i) to the procurement assessment of the national system using a MAPS methodology, (ii) The implementation of the Sustainable Public Procurement Policy (SPPP), (iii) The deployment of the e-GP Bonfire new features to facilitate the generation of documents, including a bidding document, (iv) Strengthening the procurement function.

D. EMERGENCY RESPONSE

- 4.6 The pillars of the CS 2025-2030 contain elements to build economic, social, and climate resilience and thus enhancing emergency preparedness and response is vital.**
- 4.7 The first pillar aims to enhance economic resilience.** On the private sector side, enhancing access to finance can serve as a tool to withstand unexpected shocks and continue operations, at least momentarily. The financial sector can also act as an intermediary to implement government programs to support business in the event of disasters. On the public side, work has been conducted to assess the options the government has to enhance disaster risk financing. In this line, Barbados has a Contingent Loan for Natural Disaster Emergencies with the IDB, which is a post-disaster funding mechanism,⁶⁸ and has included the Principal Payment Option (PPO) in all its eligible loans.⁶⁹ In addition, the country has passed legislation to include a similar option in the debt they issue.⁷⁰

⁶⁸ BA-Q0004.

⁶⁹ The PPO is an innovative financial instrument that helps foster resilience. Borrowers have a one-time option to defer principal repayments for two years following the occurrence of an eligible natural disaster and repay those amounts in future amortization installments.

⁷⁰ Barbados enacted the Debt (Natural Disaster and Pandemic Deferment of Payment) (Miscellaneous Provisions) Bill in March 2024. The bill allows the government

- 4.8 The second pillar will build social resilience.** One of the main elements of the pillar is improving social protection systems and services, which will be achieved by developing response systems to timely assist people affected by unexpected shocks. Combining existing data on already identified vulnerable households with non-structured data such as satellite images, georeferenced population, and AI models could be used to build systems that can quickly identify households affected by unexpected shocks, enabling authorities to provide support quickly. In addition, efforts to improve educational outcomes can also help develop a sense of awareness in the general public of the importance of understanding potential risks and knowing how to be prepared and what protocols should be followed.
- 4.9 The third pillar includes disaster risk management as a main component.** The iGOPP methodology will be applied to assess the legal, institutional and budgetary conditions for effective disaster risk management public policy governance in Barbados. The assessment will also include the challenges the country faces and the Bank's strategic engagement in the sector. The study will serve as a basis to provide a set of customized solutions to improve disaster risk management governance. In addition, a digital tool for evaluating the country's performance in disaster risk management components will be implemented.

E. RISK OUTLOOK

MACROECONOMIC FACTORS

- 4.10 Risks.** The main macroeconomic risks identified are related to fiscal performance, balance of payments, and external shocks. Barbados has been focused on fiscal consolidation and has been successful at achieving primary surpluses and lowering the debt-to-GDP ratio. However, public debt remains elevated and in order to achieve the target of a 60% ratio by FY2035/36, large primary surpluses need to be sustained and real GDP has to grow by at least 2% per annum, thus limiting fiscal space for investment projects. On the balance of payments front, the economy is heavily concentrated in the tourism sector and its reliance on imported goods is elevated. The rise in international reserves experienced in recent years is in part attributed to higher external debt since international financial institutions (IFIs) played an important role at supporting Barbados amid the pandemic. As support winds down and repayments commence, pressure on international reserves will be exerted. External shocks are another source of vulnerability and can impact growth prospects, fiscal performance, and the balance of payments. They include (i) a potential slowdown of economic activity in source markets, which would impact travel decisions, (ii) a decrease in the appeal of Barbados as a destination, due to competition from other countries, (iii) continued inflationary pressures, which would decrease disposable income of potential visitors and also impact domestic prices, and (iv) high interest rates, which would further increase the cost of financing. With strict capital controls in place, although interest rate movements in the US do not necessarily lead to higher interest rates in Barbados, they impact debt servicing of loans with IFIs.
- 4.11 Mitigation.** The first pillar of the CS 2025-2030 directly addresses fiscal sustainability in its second strategic objective. The support provided during the last CS cycle will be sustained to ensure that consolidation continues. The balance of payments can be strengthened with interventions in all three pillars. Within the first one, actions aimed at boosting investment can translate into new foreign direct investment. The second pillar aims to improve food security, which has the potential to lower the import bill. In the third pillar, increasing the adoption of renewable energy and improving energy efficiency can result in lower oil imports. Lastly, to mitigate external risks, boosting private sector productivity and improving the business environment, under the first pillar, will be crucial not only to remain competitive

to defer payments of principal and interests for two years in the event of a natural disaster or a pandemic that triggers a policy payment under the Caribbean Catastrophe Risk Insurance Facility (CCRIF).

in the tourism sector, but also to facilitate firm creation and expansion in emerging sectors, diversifying risk associated with concentration of the economic activity. Furthermore, support provided in pillar three towards accelerating energy transformation can also serve as a branding mechanism to market Barbados as a global sustainable tourism leader. Macroeconomic risks will be monitored during the implementation of the CS through periodic assessments.

EXECUTION RISKS

4.12 Risks. The main risks to the execution of the CS 2025-2030 are limited fiscal space, which hinders the capacity to engage in new investment loans, and implementation capacity constraints in executing units. Within the context of high public debt levels and a fiscal consolidation process, space for new investment projects has been limited. It should be noted that part of the adjustment has been achieved through lower capital spending as a share of GDP, which may hinder future growth prospects. In addition, executing units have limited capacity to implement Bank's operations due to short staffing, which many times results in a lack of capacity to see the overall project cycle and address constraints. Structural challenges in the civil service and on how projects are staffed limit success. On the private sector side, clients may not meet standards of investment readiness, which limits their ability to engage with IDB Invest. Additionally, they may require support throughout the execution process to achieve development outcomes.

4.13 Mitigation. To address limited fiscal space, in addition to what has been proposed in paragraph 4.11, the third pillar emphasizes climate finance mobilization and the use of innovative instruments, which can include mobilization of grants or the use of instruments that can generate savings such as policy-based guarantees, as it has been done in the past. Furthermore, under the first pillar, efforts toward consolidating fiscal sustainability will take into account prioritizing capital spending to ensure a strong foundation for growth. To strengthen execution capacity, the three-year capacity building plan with execution initiated in the last CS will continue. A stronger emphasis on the design phase of operations to ensure smoother implementation will be placed. On the private sector front, client support and capacity building during structuring and supervision will be provided. Fiscal space will be monitored, as part of the periodic macroeconomic assessment. Project implementation risks will also be monitored during the cycle of the strategy, emphasizing early course correction.

ENVIRONMENTAL, CLIMATE, AND SOCIAL

4.14 Risks. Barbados faces significant environmental and climate risks, including tropical storms, hurricanes, rising sea levels, water surges, floods, droughts, temperature increases, and sargassum inundations, which result in infrastructure damage, saltwater intrusion, landslides, vector-borne diseases, and land and water pollution, affecting businesses and people. Coastal areas, where a significant fraction of the population and most tourism facilities are located, are especially at risk. Additionally, Barbados' biodiversity is under threat due to marine ecosystem degradation from overfishing, inappropriate coastal development, and water-related pollution. Being a tourism-based economy, the country directly relies on the ecosystems and the services they provide. The island's social protection system also struggles with coverage and governance issues, particularly in the face of climate-related events. These challenges can lead to higher public expenditures and reduced tax revenue, impacting new and ongoing projects. Furthermore, climate change's projected impacts on crop yields and freshwater resources highlight the island's vulnerability.

4.15 Mitigation. The third pillar of the CS 2025-2030 aims to build climate resilience by mobilizing climate finance resources, strengthening the institutional capacity for disaster risk management, and upgrading key infrastructure. Given the magnitude of investment needs in this area, one focus is mobilizing climate finance resources to enhance resilience across different sectors. Barbados can benefit from preparing for extreme weather impacts with improved drainage, coastal erosion protection, safeguarded water supplies, resilient transmission and distribution lines, and protected fishery and agricultural systems. Promoting resilient infrastructure, smart agriculture, and integrating technology

for risk identification and response are vital steps. Diversifying the energy generation mix through renewable energy initiatives will create a power grid that is less vulnerable to external shocks. Advancing sustainable energy initiatives will reduce reliance on imported oil, decreasing economic vulnerability. IDB Invest will support the government's efforts to strengthen domestic production capacity and promote sustainable practices. The IDB Group will also finance resiliency investments and enhance institutional capacity for disaster risk management in the public and private sector. The second pillar supports enhancing social resilience by revamping social protection systems and services and improving educational outcomes. These efforts will, in turn, better equip citizens to withstand shocks. These risks will be monitored during the strategy period.

ANNEX I – RESULTS MATRIX⁷¹

Government Priority	Priority Area	Strategic Objective	Expected Impact	Indicator	Baseline	Source
Barbados Investment Plan: A vibrant economy and thriving communities BERT Pillar 4: Preserving financial stability and mobilizing domestic savings for local investment BERT Pillar 5: Making Government an enabler to improving productivity, boosting competitiveness and exports, and enhancing service excellence	Further revitalize the economy and promote inclusive and sustainable growth	Boost private sector productivity and investment by strengthening the enabling environment and regulatory framework and increasing the adequacy of skills in the workforce and access to finance	Increased investment by the productive sector	Annual percentage of firms that make investments in fixed assets	2023 23.6%	Enterprise Survey, World Bank
			Higher productivity in the private sector	Average firm-level productivity in the productive sector ⁷²	2023 1.38	Enterprise Survey, World Bank
			Reduced mismatch between demand and supply of skills in the labor market	Share of companies reporting “inadequately educated workforce” as a major or very severe obstacle	2020 77%	IFPG
			More developed and inclusive financial markets	Percentage of SMEs with a bank loan or line of credit ⁷³	2023 27.5%	Enterprise Survey, World Bank
				Number of new unbanked or underbanked individuals benefited with increased access to credit facilities	2024 ⁷⁴ 1,635	IDB Invest Operational Results and development impact matrices
		Enhance public sector effectiveness by streamlining the provision of public administrative services and consolidating fiscal sustainability while	Enhanced government effectiveness in providing services	Government effectiveness sub indicator of the Worldwide Governance Indicators ⁷⁵	2023 0.38	Worldwide Governance indicators, World Bank
			Higher digitalization in the government	Online Service Index, sub indicator of the E-Government Development Index ⁷⁶	2024 Rank 112/193, Index 0.49755	United Nations

⁷¹ As the dialogue between the Government and the IDB Group progresses the Results Matrix will be reviewed and updated as outlined in the New Guidelines Proposal for the Country Strategy Framework GN-3267-3.

⁷² Firm-level estimates of Total Factor Productivity (TFP) as described in Francis C. David, et al. 2020. "Measuring Total Factor Productivity using the Enterprise Surveys: A Methodological Note." World Bank Research Paper 9491, World Bank, Washington, DC.

⁷³ The outcome of financing is to promote growth and employment in MSMEs, which will be supported by the loan BA-L1064.

⁷⁴ The main objective of operation 15065-01 is to increase access to credit to the unbanked and underbanked.

⁷⁵ The government effectiveness sub indicator of the Worldwide Governance Indicators captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. The indicator is broad but given data availability limitations, a better alternative is not currently available.

⁷⁶ The Online Service Index measures the provision of online services and is constructed with five subindices: service provision, e-participation, institutional framework, content provision, and technology.

		prioritizing vital capital expenditures	Gradual reduction of debt-to-GDP	Debt-to-GDP ratio	FY2024/25 102.9%	IMF
Barbados Investment Plan: Fit-for-purpose institutions BERT Pillar 3: Investing in skills training and education	Enhance social resilience so citizens can thrive in a changing world	Create a resilient and safe society by revamping social protection and social security systems and services , improving educational outcomes , and improving food security	Enhanced effectiveness and efficiency in the provision of social services	Time to receive non-contributory social protection cash grants (from application to provision of benefits).	2023 20 weeks	MPEA
			Increased acquisition of new skills	% of secondary students who select CAPE subjects linked to the new curriculum areas ⁷⁷	2022 38%	METVT report on CXC results
			Increased availability and consumption of healthy food options	Share of respondents reporting inability to eat healthy and nutritious food	April 2024 52%	Caribbean Food Security & Livelihoods Survey, WFP
Barbados Investment Plan: Robust natural and physical infrastructure BERT Pillar 1: Incentivizing the green transition and building climate resilient infrastructure	Build climate resilience and promote energy transformation	Strengthen resilience by advancing climate finance mobilization and using innovative instruments, as well as by improving institutional capacity for disaster risk management and upgrading key infrastructure, such as water and	Enhanced disaster and climate change resilience	Beneficiaries of enhanced disaster and climate change resilience (gender disaggregated) ⁷⁸	2022 0	BSS population data
				Probable economic losses of climate-related events (selected locations) ⁷⁹	2020 US\$21.6 million,	ITEC probabilistic risk assessment
			Improved disaster risk management framework	Index of Governance and Public Policy in Disaster Risk Management (iGOPP)	2018 20.96, iGOPP Overall Score,	iGOPP
			Increased availability of water resources for potable and non-potable use	Volume of reclaimed water available for productive uses that meet local and international standards ⁸⁰	2024 0 m3 water/year,	Barbados Water Authority

⁷⁷ The new curriculum subject areas to be developed and implemented under the operation BA-L1053 include Computer Science, Financial Technology (FINTECH), Agriculture, Climate Change/ Blue and Green economy. The selected indicator, which measures access, will be complemented with indicators that speak directly to the acquisition of such skills.

⁷⁸ One of the objectives of the operation BA-L1059 is to reduce coastal erosion and flooding in coastal areas. This indicator is included in the results matrix for BA-L1059, with a target of 6,338 persons by 2030.

⁷⁹ One of the objectives of the operation BA-L1059 is to improve the resilience of Barbados's coastal zone to climate risk. This indicator is included in the results matrix for BA-L1059, with a target of US\$17.3 million by 2030. Results are based on a probabilistic risk assessment analysis with climate-change considerations conducted for Barbados by ITEC (2020). Baseline value assumes no infrastructure built. Target value assumes losses with infrastructure at the sites offering 1-in-50-year return period protection under a scenario of increased frequency in Category 3-5 hurricanes and sea level rise attributable to climate change. Priority sites include Oistins, Rockley Beach to St. Lawrence Gap, Clinketts, Sand Street and Mullins.

⁸⁰ Operation BA-L1063 supports the Barbados Water Authority on this end. The envisioned target is reaching 1,550,000 m3/year by 2030.

		sanitation systems and ports	Higher port efficiency	Cargo Movements per Hour (Average number of containers moved per crane per hour while a ship is at berth)	2024 13 TEU ⁸¹ moves/hour	IDB Invest Operational Results and development impact matrices
		Bolster sustainable energy initiatives by increasing the adoption of affordable, secure, and resilient technologies, while also improving energy efficiency	Implementation of affordable, secure, efficient, and resilient technologies (wind, solar, and battery capacity, among others)	Installed capacity of wind generation plants	2024 1 MW	Ministry of Energy and Business
				Installed capacity of solar panel systems	2024 104 MW	Ministry of Energy and Business
				Installed capacity of battery energy storage systems	2024 5 MW	Ministry of Energy and Business

⁸¹ TEU stands for "twenty-foot equivalent unit". It is a unit of measurement used in shipping and also used to calculate port activity.

ANNEX II – PORTFOLIO ALIGNMENT AND INDICATIVE PIPELINE 2025 - 2026

Priority Area	Strategic Objective	Portfolio Alignment	Indicative Program 2025-2026
Further revitalize the economy and promote inclusive and sustainable growth	Boost private sector productivity and investment by strengthening the enabling environment and regulatory framework and increasing the adequacy of skills in the workforce and access to finance	15065-01	Global Credit Program for Micro, Small and medium-sized Enterprises (MSMEs) to promote growth in the MSME sector through the financing of productive investments in MSMEs in Barbados (BA-L1064)
	Enhance public sector effectiveness by streamlining the provision of public administrative services and consolidating fiscal sustainability while prioritizing vital capital expenditures	BA-L1046	Digital Transformation and AI for Economic Growth Programme to support the implementation of the National Digital Transformation Strategy and the design and implementation of the National AI Strategy
Enhance social resilience so citizens can thrive in a changing world	Create a resilient and safe society by revamping social protection and social security systems and services, improving educational outcomes, and improving food security	BA-L1053, BA-L1062	Policy Based Guarantee (PBG)/ Barbados/ Social Sector/ Education. This program will support the government in transforming its education system by enhancing institutional capacity, improving policy frameworks, and ensuring equitable access to quality education.
Build climate resilience and promote energy transformation	Strengthen climate resilience by advancing climate finance mobilization, innovative instruments and investment, as well as by improving institutional capacity for disaster risk management and upgrading key infrastructure, such as water and sanitation systems and ports	BA-L1059, BA-L1063, BA-U0001, BA-U0002, BA-O0004, 14358-01	Mains Replacement and Non-Revenue Water Reduction Program in Barbados (BA-L1069) with an objective to improve efficiency of Barbados potable water services and climate resilience (potential CCLIP)
	Bolster sustainable energy initiatives by increasing the adoption of affordable, secure, and resilient technologies, while also improving energy efficiency	BA-L1012, BA-L1043, 12683-01	Sustainable Investment and Transition Program I (BA-L1067) will support Barbados in achieving its ambitious energy transformation goals, fostering a sustainable and resilient energy sector that is aligned with international best practices for carbon neutrality. Fostering Energy Transition for State-Owned Enterprises in Barbados (BA-L1068) will strengthen the national power grid operation and increase renewable energy penetration in the generation mix.

ANNEX III – NATIONAL SYSTEMS MATRIX

Strategic Objective	Expected Impact	Indicator	Unit of Measure	Baseline	Base Year	Main Goal	Time Distribution	Alignment of areas of operational focus
Increased Use of National Systems Strengthening of National Systems	Closing gaps with international IPSAS standards	IPSAS approved/# total IPSAS Standards	# of IPSAS	0	2024	5	Ending SC	Institutional capacity, rule of law. Productivity and Innovation.
	Supporting Government of Barbados in MAPS assessment process	MAPS assessment	MAPS assessment, completed with MAPS Secretariat seal of approval	0	2024	1	Ending SC	Institutional capacity, rule of law. Productivity and Innovation.
Strengthening of National Systems	Design of an action plan to accelerate the transformation and efficiency of the Supreme Audit Institution (Barbados Audit Office)	Action plan approved and in implementation	Action Plan approved and implemented	0	2024	1	Ending SC	Institutional capacity, rule of law. Productivity and Innovation.
	Strengthening activities to close gaps identified through MAPS Assessment	Prioritized activities in accordance with MAPS assessment results	# strengthening activities	0	2024	2	Ending SC	Institutional capacity, rule of law. Productivity and Innovation.
Improving Operational Efficiency of the IDB Portfolio	Approval for use of Country Systems on Bank Financed Operations Implementation of Guide for Acceptance of the Use of Country Procurement Systems and approval for Use	Guide for Acceptance of the Use of Country Procurement Systems and approval for Use	# of Subsystems approved	0	2024	1	Ending SC	Institutional capacity, rule of law. Productivity and Innovation.

ANNEX IV – ESTIMATED LENDING FRAMEWORK

The sovereign-guaranteed financing framework provides for approvals of US\$790 to US\$1,430 million between 2025 and 2030, with average annual approvals between US\$132 and US\$238 million. This range has been defined through strategic dialogue with the authorities and operational dialogue with the sectors in the country. The IDB Group will seek to expand its development impact through the private sector, including through the deployment of IDB Invest's new business model and the replenishment of IDB Lab's MIF IV. In addition to the Bank's positioning as a strategic partner for technical support and knowledge generation in the country, the expected approvals and corresponding disbursements would allow the Bank to maintain a share of 10.5% to 11.8% of total debt and 30.8% and 33.8% of the country's total external debt.

Low Scenario

USD Millions	Strategy 2019-2023 (Ext. 2025)							Strategy 2025-2030						
	2019	2020	2021	2022	2023	2024	Total	2025	2026	2027	2028	2029	2030	Total
Approvals	87	233	103	247	107	343	1,120	260	130	35	160	145	60	790
Disbursements	29	219	127	38	220	116	749	117	129	32	134	131	32	574
Repayment (principal)	21	22	34	45	46	43	211	47	38	47	51	64	67	314
Net capital flow	8	197	92	(8)	175	73	538	70	90	(15)	83	67	(35)	260
Subscriptions and contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and charges	14	10	9	17	43	58	151	61	62	57	55	55	48	338
Net cash flow	(6)	187	84	(24)	132	15	387	9	29	(72)	28	12	(83)	(78)

IDB debt	368	565	657	650	824	897	967 867	1,057 857	843 1,043	1,126 826	793 1,193	758 1,158
Multilateral debt	737	1,210	1,455	1,481	1,837	2,018	2,016	1,975	1,895	1,823	1,770	1,718
External debt	1,581	2,014	2,266	2,396	2,739	2,823	2,819	2,762	2,650	2,549	2,475	2,403
Total debt	6,250	6,407	6,679	7,027	7,379	7,382	7,368	7,364	7,339	7,305	7,259	7,212
IDB debt/multilateral debt (%)	50	47	45	44	45	44	48 3	54 43	55 44	62 45	67 45	67 44
IDB debt/external debt (%)	23	28	29	27	30	32	34	38 1	39 2	44 32	48 32	48 32
IDB debt/total debt (%)	6	9	10	9	11	12	13 2	14 2	14 1	15 1	16 1	16 1
Multilateral debt/Total external debt	47	60	64	62	67	72	72	72	72	72	72	72

High Scenario

USD Millions	Strategy 2019-2023 (Ext. 2025)							Strategy 2025-2030						
	2019	2020	2021	2022	2023	2024	Total	2025	2026	2027	2028	2029	2030	Total
Approvals	87	233	103	247	107	343	1,120	260	400	65	210	285	210	1,430
Disbursements	29	219	127	38	220	116	749	117	231	38	145	246	153	929
Repayment (principal)	21	22	34	45	46	43	211	47	38	47	51	64	67	314
Net capital flow	8	197	92	(8)	175	73	538	70	193	(9)	94	182	86	615
Subscriptions and contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and charges	14	10	9	17	43	58	151	62	65	61	56	59	56	358
Net cash flow	(6)	187	84	(24)	132	15	387	8	127	(70)	38	124	30	257

IDB debt	368	565	657	650	824	897	867 <u>967</u>	860 <u>1,160</u>	1,151 <u>854</u>	845 <u>1,245</u>	827 <u>1,427</u>	813 <u>1,513</u>
Multilateral debt	737	1,210	1,455	1,481	1,837	2,018	2,016	1,975	1,895	1,823	1,770	1,718
External debt	1,581	2,014	2,266	2,396	2,739	2,823	2,819	2,762	2,650	2,549	2,475	2,403
Total debt	6,250	6,407	6,679	7,027	7,379	7,382	7,368	7,364	7,339	7,305	7,259	7,212
IDB debt/multilateral debt (%)	50	47	45	44	45	44	48 <u>3</u>	59 <u>44</u>	61 <u>45</u>	68 <u>46</u>	47 <u>81</u>	88 <u>47</u>
IDB debt/external debt (%)	23	28	29	27	30	32	34 <u>1</u>	42 <u>31</u>	43 <u>32</u>	49 <u>33</u>	58 <u>33</u>	63 <u>34</u>
IDB debt/total debt (%)	6	9	10	9	11	12	13 <u>2</u>	16 <u>2</u>	16 <u>2</u>	17 <u>2</u>	20 <u>11</u>	21 <u>11</u>
Multilateral debt/Total external debt	47	60	64	62	67	72	72	72	72	72	72	72

ANNEX V – DEVELOPMENT EFFECTIVENESS MATRIX

COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
<p>In August 2008, the Board of Directors approved the Development Effectiveness Framework (GN-2489) to increase the evaluability of all Bank development products.</p> <p>The Development Effectiveness Matrix for Country Strategies (DEM-CS) is a checklist of the elements that are necessary to evaluate a country strategy. It is based on the evaluation criteria developed by the Evaluation Cooperation Group of the Multilateral Development Banks in the “Good Practice Standards for Country Strategy and Program Evaluation.”</p>	
COUNTRY STRATEGY: DEVELOPMENT EFFECTIVENESS MATRIX	
<p>STRATEGIC ALIGNMENT Refers to the degree to which the design and objectives of the CS are consistent with the country development challenges and with the government's development plans and priorities.</p> <p>EFFECTIVENESS These measures whether the country strategy is likely to achieve its intended objectives, through an examination of three dimensions: (i) the quality of the diagnostics on which Bank action is based in each area of work; (ii) the quality of the results matrix for the strategy; (iii) the use and buildup of country systems.</p>	
Effectiveness dimensions	Yes/No
Country Diagnosis - Country Development Challenges (CDC)*	
- The CDC is comprehensive / holistic / complete	Yes
- The CDC clearly identifies the main development challenges	Yes
- The CDC presents magnitudes of the main development challenges that are based on empirical evidence.	Yes
II. Priority Areas Diagnostics	%
- That clearly identify and dimension, based on empirical evidence, the priority area's specific constraints and challenges	100%
- That clearly identify and dimension, based on empirical evidence, the main factors or causes contributing to the specific constraints and challenges	100%
- That provide corresponding policy recommendations	100%
III. Results matrix	%
- The strategic objectives are clearly defined	100%
- The expected results are clearly defined	100%
- The strategic objectives and expected results that are directly related to the main constraints identified in the diagnosis	100%
- The indicators are results indicators and are SMART	100%
- The indicators have baselines	100%
IV. Vertical Logic	Yes/No
- The CS has vertical logic	Yes
<p>* This analysis includes any potential diagnostic document used elaborated to inform</p> <p>** The Results Matrix is composed by indicators that are meaningful to, and capture progress towards, the expected results. The expected results stem from the strategic objectives.</p>	