



Country Program Evaluation

# Barbados 2014-2018

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# Preface

This is the fourth independent evaluation of the Bank's Country Program with Barbados. The first CPE (RE-313) covered 1989-2004, when Barbados' brand as a tourism destination was driving the country's economy; the second (RE-369) covered 2005-2009, a period characterized by an increasing fuel import bill; and the third (RE-460) covered 2010-2013, a period marked by a substantial increase in central government debt and decreasing tourism receipts. This evaluation period (2014-2018) coincides with ongoing fiscal consolidation efforts, increasing but relatively weak growth, and declining net international reserves.

According to the Bank's Protocol for CPEs (RE-348-3), the main goal of these evaluations is "to provide information on Bank performance at the country level that is credible and useful, and that enables the incorporation of lessons and recommendations that can be used to improve the development effectiveness of the Bank's overall strategy and program of country assistance." This CPE analyzes the Bank's relevance, efficiency, effectiveness, and sustainability in the context of Barbados' specific development challenges—a fragile macroeconomic framework, vulnerability to economic and natural shocks, declining productivity and competitiveness, and difficult business environment. Interviews with Bank staff at headquarters and in the country office, government officials, executing unit staff, civil society, and the donor community provided input to this evaluation. Country Strategies, Country Programming Documents, loan proposals, monitoring and completion reports, project evaluations, and other relevant material produced by the Bank, executing agencies and external sources were also analyzed.

The evaluation is structured in four chapters. Chapter I analyzes the economic developments of the Barbadian economy over 2014-2018 and considers the country's medium-term prospects. Chapter II analyzes the strategic and financial relevance of the Bank's program in Barbados and covers the major implementation challenges the country and the Bank have faced in recent years. Chapter III discusses the results achieved in the four strategic areas identified in the 2014-2018 Country Strategy and, to the extent possible, in

the public-sector modernization and private sector development areas from the 2009-2013 Country Strategy. Chapter IV presents concluding remarks and recommendations. The annexes provide the figures that support the analysis in Chapters I, II, and III.

# Acknowledgements

This evaluation was led by Pablo Alonso and Coral Fernández-Illescas, under the general direction of Ivory Yong-Prötzel, OVE Director. The team included Roland Michelitsch, Jonathan Rose, M<sup>a</sup> del Mar Carpanelli, Stephany Maqueda, and Melanie Putic.



# Acronyms and Abbreviations

<b>BGDS</b>	Barbados Growth and Development Strategy
<b>BWA</b>	Barbados Water Authority
<b>CAF</b>	<i>Corporación Andina de Fomento</i>
<b>CARTAC</b>	Caribbean Regional Technical Assistance Center
<b>CBB</b>	Central Bank of Barbados
<b>CC</b>	Compete Caribbean
<b>CCB</b>	Country Department Caribbean
<b>CPD</b>	Country Programming Documents
<b>CPE</b>	Country Program Evaluation
<b>CS</b>	Country Strategy
<b>ESCI</b>	Emerging and Sustainable Cities Initiative
<b>FATF</b>	Financial Action Task Force
<b>FSB</b>	Financial Stability Board
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>GOB</b>	Government of Barbados
<b>HDI</b>	United Nations Human Development Index
<b>ICZM</b>	Integrated Coastal Zone Management
<b>IDB</b>	Inter-American Development Bank
<b>IDBG</b>	Inter-American Development Bank Group
<b>IDB Invest</b>	Inter-American Investment Corporation (Previously IIC)
<b>IMF</b>	International Monetary Fund
<b>LAC</b>	Latin America and the Caribbean
<b>MIF</b>	Multilateral Investment Fund
<b>OVE</b>	Office of Evaluation and Oversight
<b>PPP</b>	Purchasing Power Parity
<b>SEFB</b>	Sustainable Energy Framework in Barbados
<b>SG</b>	Sovereign-Guaranteed
<b>SMEs</b>	Small and Medium-Sized Enterprises
<b>TC</b>	Technical Cooperation
<b>VPC</b>	Vice-Presidency for Countries

# Executive Summary

Barbados is a small, open, service-based, parliamentary island state. Although it has a high per capita income and human development index, it nonetheless faces significant development challenges. Because it has a per capita gross national income of \$15,210 in 2016, the World Bank classifies it as high-income, and the 2016 United Nations Human Development Index ranks it 54th of 188 countries. The country has attained near-universal school enrollment. Economic activity is focused largely on two sectors: tourism and the international business and financial services sector. Barbados' economy faces important challenges: a fragile macroeconomic environment, vulnerability to natural and economic shocks, and declining productivity and competitiveness. Barbados is also highly dependent on imports, especially fuels and food. The country has a persistent current account deficit, which puts pressure on its international reserves, especially given its fixed exchange rate.

In recent years, Barbados has experienced relatively weak growth. The 2008 international financial crisis led to a reduction of real GDP equivalent to -4% in 2009. GDP growth averaged 0.6% annually during 2010-17. During the first quarter of 2018 growth contracted by 0.7% (compared to a growth rate of 3.2% in the first quarter of 2017). This reflects a combination of the decline in real output in tourism and a slowdown of construction activity and domestic demand.

The country is facing an acute fiscal situation that needs to be addressed, and that may define the role the Bank will play during the next Country Strategy (CS) period. The macroeconomic situation has reached a critical point, and the new Government of Barbados has announced an urgent call to the International Monetary Fund (IMF) for support on an economic policy reform program. This would require durable expenditure reforms, improved tax policy and administration, and the promotion of competitiveness, innovation, and emerging sectors, including alternative energy. The current fiscal situation opens the door for the Bank to accompany the Government of Barbados (GOB) and the IMF in their efforts to address fiscal concerns and carry out the reforms needed to address key development challenges in a more comprehensive way (including mitigating the potential impact of fiscal consolidation on social spending). Recently, the new GOB has discussed with the Bank the possibility of obtaining budgetary support through different

Bank instruments, such as the new Special Development Lending, policy-based lending, investment loans, and technical cooperation (TC), and/or by streamlining and reassigning the underperforming portfolio.

Private sector investment is critical to meeting investment needs but several challenges limit private sector growth. The business climate (with significant weaknesses due to high levels of government bureaucracy, red tape, and a slow court system) has deteriorated considerably, which affect the willingness of the private sector to invest. Besides, significant uncertainty, the difficult fiscal situation and low country credit rating (and, for the critical tourism sector, urgent sanitation problems) also limit private sector investment.

To adjust to the changing macroeconomic conditions, Bank lending to Barbados was lower than expected. The Bank's Country Strategy (CS) with Barbados established a financial envelope of \$200 million for 2014-2018. Since January 2014, the Bank has approved a total of five investment loan operations for \$124 million. This lower-than-expected level of approvals was, in part, the result of the fiscal tensions and the country's need to reduce its debt levels. During this same period, the Bank approved a total of \$3.7 million in 15 TC operations. The Multilateral Investment Fund approved 3 TC operations supporting the private sector and small and medium-sized enterprise development for about \$1.8 million, but there were no IDB Invest operations. The portfolio under evaluation includes all IDB operations approved between January 2014 and January 2018, as well as 8 loans and investment grants and 7 TCs under execution during the CS period. The total approval values for the portfolio under consideration are \$267 million for loans and investment grants and \$13.2 million for TCs. Besides reviewing the country portfolio, OVE also conducted an overview of the Compete Caribbean Facility, which is managed from the Barbados country office.

The Bank's CS and program focused on priority sectors and dialogue areas that were directly linked to the country's priorities and development challenges, except for its fiscal challenges. The Bank's 2015-2018 CS was prepared in close consultation with the Government, which values the Bank not only as a source of finance but also for its role as an important provider of technical assistance, sector knowledge, and project management support. Although the Inter-American Development Bank Group has enhanced its participation in the private sector in Barbados in a relevant manner, it will have to improve the internal coordination and planning of its interventions to help address the factors that limit private sector growth. Regarding the fiscal sector, the Government coordinated to some degree with the IMF, Corporación Andina de Fomento, and the Caribbean Regional Technical Assistance Center but no reforms were

done to address fiscal concerns in any substantial manner. As the fiscal situation has continued to deteriorate, the new administration has recently discussed the possibility of working with the Bank to help address fiscal challenges.

The Bank has been financially relevant in Barbados as the largest development partner. The Bank is the major multilateral lender to the country, accounting for 54% of debt to international financial institutions, 5.4% of GDP, 15.9% of Government expenditure, 5% of central Government debt, and 18.2% of external debt. The Bank's loan tenors, rates, and fees compare favorably to those of other GOB creditors. Because fiscal consolidation efforts affected the GOB's ability to maintain previous levels of public investments, Bank investment lending went to finance approximately 30%-40% of GOB's public investment.

Preparation and execution costs have increased. The average preparation cost of investment loans to Barbados increased in 2014-2016 over 2010-2013, though the trend since 2014 is declining. The average execution cost of investment loans has been rising since 2010 for Barbados, CCB, and the Bank; however, loans approved in Barbados in 2014-2016 have had relatively higher execution costs than those of both comparators.

Although there are signs of improvement, implementation delays have continued to occur despite compliance with the Action Plan and incorporation of lessons from other operations. OVE found that approximately half of the projects continue to be affected by issues of interagency coordination, procurement and red tape, and legal and institutional framework deficiencies. Although some marginal improvements could be achieved by improving and making more flexible staffing rules for Project Execution Units (PEUs) in non-statutory agencies, the Bank's ad hoc institutional strengthening initiatives will continue to have a limited effect on project implementation. To improve project implementation and advance key sectoral reforms, it would be necessary to understand and address the factors underlying the country's weak legal and institutional framework through more profound and systematic institutional reforms. Until these issues are resolved, the Bank should also adjust project implementation periods to country realities.

It is too early to fully assess progress toward the CS goals, but there is evidence of some positive results in the areas of energy and water and sanitation and in the private sector. Several projects have not yet been able to report progress toward intended objectives or respective CS goals due to project implementation delays or recent

approval. However, OVE found evidence of progress in renewable energy and energy efficiency, improving access to credit for SMEs, and reduction of non-revenue water.

OVE recommends the following:

1. Explore with the country's new administration the possibility of supporting the fiscal consolidation process in the following ways:
  - a. If there is credible reform commitment, provide technical assistance, funding, and support for reforms through different Bank instruments such as Special Lending Programs or policy development lending. Ideally, this support would be in the context of an IMF program, advancing structural reforms in sectors that directly affect the key development challenges identified in this document, taking into consideration GOB's preferences. The cancellation of existing and underperforming operations and the use of these resources to finance new operations could be considered.
  - b. In the absence of a credible reform commitment, support fiscal consolidation efforts with investment lending and by streamlining and, if necessary, reassigning the underperforming portfolio.
  - c. Provide technical cooperation to support any potential diagnostic and action plan to reform tax policy and administration in a comprehensive way, including an updated and contextualized study on tax expenditures.
2. Explore with the country's new administration the possibility of:
  - a. Undertaking a profound analysis of the factors underlying the country's weak legal and institutional framework and preparing an action plan to address institutional bottlenecks and reduce the costs of doing business for the public and private sectors. The analysis could include a study on the economic costs of the Barbados bureaucracy and legal system.
  - b. Creating PEUs with regulations like those of statutory agencies to accelerate their creation and facilitate their strengthening with external consultants.
  - c. Adjusting project implementation periods to country realities.
3. Include in the CS a clear and monitorable strategy on how the IDBG institutions will work together to address constraints to private sector investment (e.g., fiscal, sanitation, regulatory

framework, business environment, and energy) and reduce red tape issues, including completing the unfinished agenda under the Barbados Competitiveness Program.





# 01

Country  
Context



## A. Overview

- 1.1 Barbados is a small,<sup>1</sup> open, service-based, parliamentary island state. Although it has a high per capita income and human development index, it nonetheless faces significant development challenges. Because it has a per capita gross national income (GNI) of \$15,210 in 2016,<sup>2</sup> the World Bank classifies it as high-income, and the 2016 United Nations Human Development Index (HDI) ranks it 54th of 188 countries (UNDP 2016). The country has attained near-universal school enrollment (UNESCO 2018). Economic activity is focused largely on two sectors: tourism and the international business and financial services sector. Barbados' economy faces important challenges (a fragile macroeconomic environment, vulnerability to natural disasters and economic shocks, and declining productivity and competitiveness) (IDB 2013a and 2018a). Barbados is also highly dependent on imports, especially fuels and food (IDB 2013a and 2018). The country has a persistent current account deficit, which puts pressure on its international reserves, especially given its fixed exchange rate (IDB 2013a and 2018, IMF 2017, and CBB 2018).
- 1.2 In recent years, Barbados has experienced relatively weak growth. The 2008 financial crisis led to a reduction of real GDP equivalent to -4% in 2009. GDP growth averaged 0.6% annually during 2010-17 (IDB 2018). During the first quarter of 2018 growth contracted by 0.7% (compared to a growth rate of 3.2% in the first quarter of 2017). This reflects a combination of the decline in real output in tourism and a slowdown of construction activity and domestic demand (arising from budget measures announced in the May 2017 budget) (CBB 2018 and IDB 2018).
- 1.3 Although poverty has increased in recent years, poverty and income inequality in Barbados are moderate compared to the rest of Latin America and the Caribbean (LAC). The most recent estimate of Barbados' household poverty rate is 17.2%, compared to 15.1% in 2010 and a 24.6% regional average. Extreme poverty stood at 3.4% in 2016 (3.7% for LAC) (Barbados Statistical Service 2016 and World Bank 2018b). The Gini coefficient increased after the global financial crisis to 0.43 in 2010 but has fallen since then to 0.32 (Barbados Statistical Service 2016).<sup>3</sup>

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1 It has a surface area of 169 square miles and 284,996 inhabitants in 2016.

2 \$15,920 at the beginning of the evaluation period (2013) (World Bank 2018a).

3 The Gini coefficient for LAC for 2016 was 0.50 (World Bank 2018b).

- 1.4 In terms of gender, Barbados is a relatively equal society, though challenges remain. The country's Gender Development Index is 1.006.<sup>4</sup> Females are expected to have 16.7 years of schooling, compared to 13.9 for males. Nevertheless, women hold only 19.6% of seats in parliament, GNI per capita (PPP) for females is more than one third smaller than that for males, and 21% of women are considered poor, compared to 14% of men (UNDP 2016).
- 1.5 Barbados has a tradition of effective governance and low corruption, but Government institutions are hindered by lengthy bureaucratic processes. The Worldwide Governance indicators consistently place Barbados in the highest percentiles but its ranking is worsening (World Bank 2018c). Besides, while several studies confirm that Barbados ranks among the best performers in the Region in terms of government effectiveness, they also place Barbados below average on efficiency scores, implying that government performance is obtained at relatively high costs (Afonso, Schuknecht, and Tanzi 2003, and Herrera and Pang 2005). Furthermore, some institutional challenges remain, such as the need for improvements in the regulatory framework (World Bank 2017) and in national systems (Barbados Audit Office 2016 and IDB 2008), a slow court system and inefficient government bureaucracy (MFEA 2012, IDB 2018 and U.S. Department of Commerce 2018).<sup>5</sup>

## **B. Two main sectors: Tourism and financial services**

- 1.6 Though tourism continues to be the main driver of the economy and employment, the sector is suffering from structural problems that are typical of mature tourist destinations. Tourism directly contributes around 12% of GDP through hotels and restaurants, but indirectly more than 40% (IDB 2018). Tourism is also the largest private sector employment source in Barbados, employing roughly 22,000 persons directly and 30,000 indirectly, accounting altogether for 40% of total employment in 2017. Moreover, tourism has an important macroeconomic impact in terms of investment (23% of total capital investment in 2017) and supply of foreign currency (68.2% of total exports in 2017). The country relies on good infrastructure to sustain its tourism industry, particularly

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4 The Gender Development Index measures gender gaps in human development achievements by accounting for disparities between women and men in three basic dimensions of human development—health, knowledge, and living standards—using the same component indicators as the HDI. An index value of 1 is considered gender parity (UNDP 2016).

5 Even though the Global Competitiveness Index ranks Barbados 78 out of 138 countries, it also gives the country poor marks for inefficient government bureaucracy (World Economic Forum 2016).

high-end tourism. Barbados ranks 30<sup>th</sup> out of 138 countries on the quality of infrastructure index and, according to the Global Competitiveness Report 2016-17 (IDB 2018), it tops the Caribbean region. However, its ranking has been worsening since 2012-13, when it ranked 22<sup>nd</sup>. Approximately 70% of the sector is concentrated in three source markets: United States, United Kingdom, and Canada (IDB 2018). This lack of diversity constrains growth potential. An example illustrates this point. If Brazil had been the source country, the sector's average annual growth rate would have been 3.79%, compared to the actual of -0.55% for 2008-12, and could have been as high as 4.89% relative to the baseline of 0.14% for the 2013-18 period (IDB 2013a). As a mature tourist destination, Barbados would need to invest and upgrade its tourism product (including relatively outdated hotels), diversify source countries, increase air and cruise shipping connectivity, improve price competitiveness (mainly because of high fuel process and import costs),<sup>6</sup> and improve resilience to natural disasters (discussed further below) (IDB 2013a, 2015, and 2018). To improve the sector's competitiveness, the Government has institutionalized a broad tax incentive system, but this may not be sufficient and may worsen the Government's efforts toward fiscal consolidation (paragraph 1.8).

- 1.7 The international business and financial services sectors are another important driver of the Barbadian economy. The financial sector contributes roughly 22% of GDP and 20% of tax revenue, but only around 4.5% of employment (IDB 2013a and 2018). With around \$45 billion in assets in 45 offshore banks, Barbados is the third-largest offshore banking sector in the Caribbean and the tenth-largest in the world (IDB 2013a). The sector also includes more than 200 offshore insurers. Almost 4,000 international businesses are licensed to conduct international and commerce activities. However, the Barbados international business and financial services sector faces external and internal challenges. The external challenges include advanced economies' initiatives to address their base erosion and profit shifting, tighten information requirements for compliance with anti-money laundering guidelines, and enhance data requirements for customer information.<sup>7</sup> The

6 Barbados' biggest weakness in the tourism sector is price competitiveness (WEF 2017).

7 Advanced economies have been targeting the role of offshore financial centers through, among others, international initiatives such as the Financial Stability Board (FSB) and the Financial Action Task Force (FATF). The [FSB](#) monitors and assesses vulnerabilities affecting the global financial system and proposes actions to address them. In addition, it monitors and advises on market and systemic developments and their implications for regulatory policy. The [FATF](#) is an inter-governmental body established in 1989 by the Ministers of its member jurisdictions. Its objectives are to set standards and promote the effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other

internal challenges include, among other factors, the under-performance and excessive cost of public administration and the worsening fiscal performance (Worrell 2017).

## C. Development challenges

### 1. Fragile macroeconomic framework

1.8 Barbados' fragile macroeconomic framework is a binding constraint on economic growth. Institutional development and sustainable growth need macroeconomic stability (Sirimaneetham and Temple 2009). Until August 2016, Barbados was experiencing deflation; however, year-on-year inflation is projected to reach 5.8% by the end of 2018 (IMF 2017). Because of a hiring freeze on public sector employees and an increase in taxes,<sup>8</sup> the central Government's overall fiscal deficit has fallen from 10.4% of GDP in 2013 to an estimated 4.2% of GDP in FY17/18 (CBB 2018).<sup>9</sup> Nevertheless, the central Government debt-to-GDP ratio, including the Barbados National Insurance Scheme, is estimated at 151% for 2017 (CBB 2018). In addition, current expenditures grew by 3.7% in FY17/18 because of increases in grants to public institutions and higher retirement benefits (CBB 2018). The economic situation has continued to deteriorate (see paragraph 1.17). An internal study suggests that incentives in the form of reduced rates, exemptions, discretionary waivers, and waivers on arrears could amount to several percentage points of GDP in tax expenditures (IDB 2013b).<sup>10</sup> Besides, they

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related threats to the integrity of the international financial system. The FATF is therefore a "policy-making body" that works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

- 8 Revenue collection has fluctuated but has remained relatively stable over the last decade despite low economic activity. Revenue collections were adversely affected by a contraction of GDP and weaker tourism demand, with collections declining to 25.3% of GDP in FY2013-14 from 27.4% in FY2011-12. However, there has been a pick-up since 2014 because of new tax measures, and revenue has increased to an estimated 30.6% of GDP in FY2016-17 (IDB 2018).
- 9 In 2016, the Government introduced the now abolished National Social Responsibility Levy, which was 10% on all imports, excluding goods for the manufacturing, agriculture, and tourism sectors. Other recent Government austerity measures include a 2% commission on foreign exchange transactions, an increase in the tax on gasoline and diesel fuel, the sale of some public assets, and a 10% across-the-board spending cut.
- 10 A "tax expenditure" is any provision that results in a reduction of tax for a specific type of taxpayer or activity. Tax expenditures are not amounts that governments spend but rather potential money foregone in tax revenue. Simulations performed for the study suggest that tax expenditures for the personal income tax could be around 9% of GDP, 5.45% for the VAT, and 1.78% for import duties for FY2012 (IDB 2013b). Because of the interaction among these taxes, these results are not cumulative, and because of data and methodological limitations, they have only an indicative value (IDB 2013b).

have distortionary economic effects (IDB 2013b),<sup>11</sup> and have not yielded the expected results in terms of incoming foreign direct investment (IDB 2013a). Moreover, a higher burden on taxpayers could have negative externalities and dampen growth prospects (IDB 2018). On June 5 Barbados failed to make an interest payment on its 6.625% notes that are due in 2035. These fiscal challenges, combined with the decline in reserves<sup>12</sup> and an appreciating real exchange rate,<sup>13</sup> are reflected in S&P's downgrading Barbados' long-term rating from CCC to CC, and its long-term foreign currency sovereign rating to selective default.

## 2. Vulnerability to economic and natural shocks

1.9 Barbados' dependence on fuel and food imports and lack of market diversification make its economy vulnerable and affect economic growth. Barbados is a net importer of oil, which accounts for around 93% of its total primary energy supply. Roughly 91% is generated with fossil fuels and the rest using renewable energy, mainly using solar photovoltaic (PV) panels. The high dependence on imported fossil fuels has serious implications for energy security, the balance of payments, and the environment. It also affects energy-dependent sectors such as tourism, and negatively contributes to the country's level of international reserves (paragraph 1.8). To address this challenge, with support from the IDB, the Government has recently implemented policies to promote energy efficiency and the use of renewable energy. With the Sustainable Energy Framework in Barbados (SEFB), the Government has set targets of 29% of electricity coming from renewables and a 22% reduction in energy consumption by 2029. Barbados is also dependent on food imports. Fuel and food/beverages are the two biggest categories of imports, most of which come from the United States and Trinidad and Tobago (IDB 2013a and 2018). Barbados' main exports are chemicals, rum,

11 Reductions in tax expenditures could yield higher GDP growth, lower unemployment, higher Government revenue, lower debt/GDP, lower poverty rate, higher equality, and more economic diversification, but also higher inflation (IDB 2013b).

12 Capital flows have not been sufficient to maintain adequate international reserves in the face of the large current account deficit. Although the current account deficit has fallen as a share of GDP since 2011, when it was 11.8%, it remains relatively high at 4.4% of GDP (IMF 2017). During this period net capital flows were positive but have declined to around \$130 million, which has not been sufficient to finance the current account deficit. Also, net foreign direct investment as a share of GDP averaged less than 5% from 2013 to 2016 compared to over 10% from 2007 to 2012 (World Bank 2018a). Relatively weak capital flows, combined with a fixed exchange rate (Barbados \$2 = US\$1 - this document uses the symbol "\$" to refer to US\$), has resulted in a decline in international reserves, which currently cover only 6.9 weeks of imports (CBB 2018).

13 The IMF (2017) suggests a slight Barbados dollar overvaluation of around 5-10%. Besides, inflation rose to 4.5% at the end of January 2018, compared with 2.0% in 2017, reflecting international oil prices and the effect of higher indirect taxes (i.e., the National Social Responsibility Levy) (CBB 2018).

and other food and beverages, and its two primary export destinations are also the United States and Trinidad and Tobago (IDB 2013a and 2018). Travel services is the largest export category (44.3%). The lack of market diversification mentioned above makes Barbados vulnerable to changes in the economic performance of these markets.

1.10 As Barbados is a small island nation, its economy faces risks related to natural disasters, coastal erosion, and water scarcity. Although Barbados does not experience hurricanes as frequently as other Caribbean islands, around 70% of the population and almost all tourism infrastructure is located within 2 km of the coast (IDB 2013a and 2018). A 2012 study showed that a 2-meter rise in sea level would affect 32% of major tourism resorts, and soil erosion of 50 meters would affect over half of Barbados' major resorts (Simpson et al. 2012). Therefore, natural disasters and sea level rise are key climate stressors and could have a significant economic and social impact on the country. Barbados is one of the world's 15 most water-scarce countries, in which competing demands for freshwater resources are increasing as demand is outpacing supply (FAO 2015).

### **3. Productivity, competitiveness, and business environment**

1.11 One of the main underlying causes of possible growth gaps in Barbados seems to be low and decreasing productivity. Barbados appeared to have overcome some growth constraints by shifting from an agriculture-based economy (sugar cane, molasses, cotton, etc.) to a service-oriented one (tourism and international business and financial services) during the 1960s and 1970s (IDB 2013a). This transition allowed the island to reach a high-income level (IDB 2013a). However, over the last decade the country has experienced economic challenges associated with productivity growth. Labor productivity in Barbados remains lower than the regional average (IDB 2018). Gross fixed capital formation in Barbados fell from an average 18% of GDP (2000-2008) to an average 14% of GDP (2009-2016).<sup>14</sup> This trend contrasted with increasing average investment levels in other Caribbean countries,<sup>15</sup> from 25% of GDP (2000-2008) to 29% of GDP (2009-2016) (IDB 2018). Barbados' total factor productivity has declined steadily relative to other LAC countries (Figure 1.1) and is the main factor (followed by lower capital accumulation) driving the economic growth gap (IDB 2018).

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14 Fiscal tensions (see paragraphs 1.8 and 1.17) suggest that, in the medium-term, capital formation would have to be financed by the private sector.

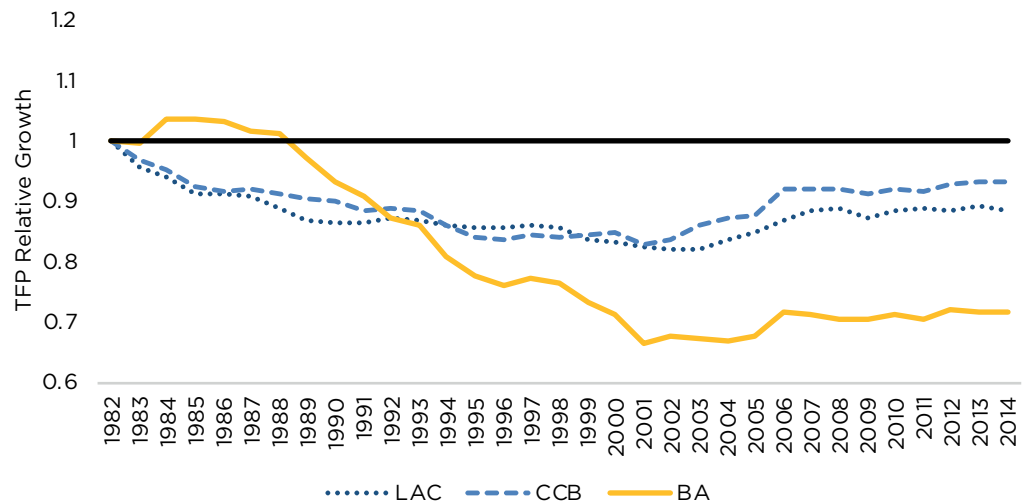
15 Includes Jamaica, Barbados, Trinidad and Tobago, and Guyana.



Figure 1.1

## Relative total factor productivity

Source: OVE with data from Penn World Table 9.0.



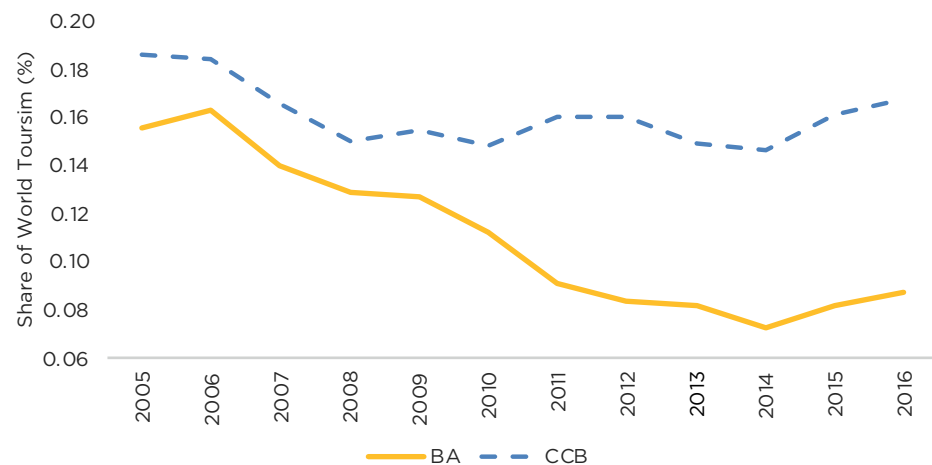
Note: LAC and CCB figures are simple averages. Both lines exclude Guyana (data unavailable).

1.12 Low productivity has contributed to the deterioration of competitiveness. Country-level indicators of competitiveness typically used in the literature show that Barbados is losing competitiveness. For example, on the World Economic Forum Global Competitive Index, Barbados' position has deteriorated from 47th in 2013-2014 to 72nd in 2017. Sliding market shares in tourism may also suggest a declining competitiveness in Barbados' main industry (Figure 1.2), in part aggravated by a real exchange rate appreciation over time,<sup>16</sup> and other factors mentioned above (paragraph 1.6).

Figure 1.2

## Market share in tourism

Source: UNCTAD Stats.



Note: CCB is the average of BA, BH, JA, and TT (countries for which data were available).

16 See note 13.

- 1.13 As a small-size economy, Barbados is challenged by diseconomies of scale and high trade barriers. Diseconomies of scale imply higher fixed costs and are associated with the under provision of public goods, which puts private firms at a disadvantage, generates less domestic competition, and, therefore, promotes market concentration (IMF 2013). While international trade could support competitiveness and diversification (Armstrong and Read 2003, and *The Economist* 2014), Barbados seems to be less open than similar small economies: it ranks 88<sup>th</sup> out of 138 in the domestic competition indicator of the Global Competitiveness Index and compared unfavorably to Jamaica (40<sup>th</sup>) and Trinidad and Tobago (82<sup>nd</sup>) (World Bank 2017).
- 1.14 The availability of adequate skills is an additional challenge to the business environment. The Barbadian private sector faces the challenge of an inadequately trained workforce, resulting from migration<sup>17</sup> and a mismatch between demand for and supply of workforce for some sectors<sup>18</sup> (IDB 2018).
- 1.15 Costly and unreliable electricity and inadequate regulations are also top constraints to business operations. In the *Doing Business* Report on access to electricity (World Bank 2017), Barbados ranked 93<sup>rd</sup> out of 190 countries, and over 21% of firms reported lack of reliable electricity as the most serious obstacle to business operations (PROTEqIN 2014). The high tariffs on electricity that are associated with the country's dependence on imported fuel place upward pressure on the cost of electricity to the consumer. The length of time to obtain an electrical connection also contributes to the energy constraint.<sup>19</sup> Another factor identified as a deterrent to international trade is customs and trade regulations.<sup>20</sup> *Doing Business* data suggest that the pace at which things move in Barbados is relatively slow (World Bank 2017).<sup>21</sup> These factors translate into a wider gap between

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17 Barbados lost around 63% of its labor force at the tertiary level to OECD countries (Mishra 2006).

18 Although enrollment in post-secondary education is high, it does not adequately provide applied skills; also, 66% of the employed workforce during 2017 Q2 were in the low and semi-skilled categories (IDB 2018).

19 For example, it takes 24.7 days, compared to an average of 21.3 days for LAC (World Bank 2018d).

20 For example, it takes 28.1 days to obtain an import license in Barbados compared to the 17-day world average. Also, 21.9% of firms identify customs and trade regulations to be a major constraint to operations, compared to the 17.8% world average (World Bank 2018d).

21 For example, dealing with construction permits in Barbados takes an average of 442 days (compared to 180 days on average for tourism-based small economies) (IDB 2018). Registering property, paying taxes, and enforcing contracts are other areas that take Barbadian firms more time than firms in other countries (World Bank 2017). Government bureaucracy also affects the business environment (see paragraph 1.5).



Barbados and the “regulations” indicator of *Doing Business* (IDB 2018), as well as between Barbados and such countries as Jamaica and Suriname (World Bank 2017).

- 1.16 Barbados faces a significant degradation of coastal and marine ecosystem services. Water management and pollution of groundwater and surface water are issues that Barbados must address to sustain economic growth and development (FAO 2015). Less than 5% of the population is connected to the sewage system, and only 8% of water produced is collected as wastewater and treated. On the South Coast of Barbados, the main tourism destination, wastewater is encroaching on the roadways and beaches. Wastewater discharges also lower water quality and contribute to coral degradation, further exposing the coastline to erosion and potentially affecting tourism.

## D. Outlook

- 1.17 The country’s macroeconomic situation has reached a critical point. The economy contracted by 0.7% during the first quarter of 2018 (CBB 2018). The fiscal and the primary balances reached -4.2% and 3.9% of GDP, respectively, in FY2017/18, an improvement over the previous years (CBB 2018). However, the stock of debt has continued to rise and is now the highest in LAC, reaching 151% of GDP at the end of March 2018.<sup>22</sup> At the same time, reserves remain very low, at 6.9 weeks of imports at the end of March 2018 (CBB 2018). Furthermore, contingent liabilities and accumulating arrears are a risk to debt sustainability. On June 1, 2018, the new Government of Barbados announced a suspension of debt obligation payments to external commercial creditors. This directly affected about \$100 million in external debt repayments that were due between June 5 and June 18, 2018. Domestic creditors are being asked to roll over principal maturities until restructuring agreements are finalized. The new Government of Barbados also announced an urgent call to the IMF for support on an economic policy reform program, and the IMF was in Barbados on June 5-7, 2018. The Government of Barbados (GOB) has discussed with the Bank the possibility of helping it by providing budget support to deal with these fiscal challenges.

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22 According to the Prime Minister’s June 1 speech, total debt-to-GDP ratios (including arrears) are estimated to be 175% of GDP (Barbados Today 2018).



# 02

## The Bank's Program in Barbados

2.1 To adjust to the changing macroeconomic conditions, Bank lending to Barbados was lower than expected. The Bank's Country Strategy with Barbados (CS) established a financial envelope of \$200 million for the 2014-2018 period. Since January 2014, the Bank has approved a total of five investment loan operations for \$124 million.<sup>23</sup> This lower-than-expected level of approvals was, in part, the result of the fiscal tensions and the need to reduce debt levels.<sup>24</sup> During this same period, the Bank approved a total of \$3.7 million in 15 technical cooperation operations (TCs). The Multilateral Investment Fund (MIF) approved 3 TCs supporting the private sector and small and medium-sized enterprise (SME) development for about \$1.8 million, but there were no IDB Invest operations. The portfolio under evaluation includes all IDB operations approved between January 2014 and January 2018, as well as eight loans and investment grants and seven TCs under execution during the Country Strategy (CS) period. The total approval values for the portfolio under consideration are \$267 million for loans and investment grants and \$13.2 million for TCs. Besides reviewing the country portfolio, OVE also conducted an overview of the Compete Caribbean Facility, which is managed from the Barbados country office.<sup>25</sup>

## A. Relevance

### 1. Relevance of the Bank's strategy and program to the country's development priorities<sup>26</sup>

2.2 The 2015-2018 Bank's Country Strategy (CS) was aligned with GOB's priorities. The CS was prepared in close consultation with the Government, which values the Bank not only as a source of finance but also for its role as an important provider of technical assistance, sector knowledge, and project management support.<sup>27</sup> In August 2013 the Government approved the Barbados Growth and Development Strategy 2013-2020 (BGDS), which included

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23 During the previous CS period, the Bank approved seven operations for \$247 million, two of which were PBLs (for \$115 million). During the current evaluation period, the macroeconomic situation was not conducive for PBL lending (see paragraphs 1.8 and 2.1).

24 According to the CS, the pace and size of the investments, including the amounts approved during the transition period (2014), were supposed to be commensurate with the absorptive capacity of the country and other factors that could contribute to significant progress in terms of execution. Changes to the indicative envelope were to be modified to reflect improvements in the execution of the investment loan portfolio, while trying to maintain an annual disbursement target of at least 12.7% of the undisbursed SG loan balance at the beginning of the year. This level of lending was intended to keep IDB's share of debt unchanged at about 6% of GDP and 16.1% of external debt (see paragraph 2.5).

25 Annex I, Tables I.1-I.4, contain the Bank's detailed portfolio for the period under analysis.

26 This strategy also covers the operations approved during 2014, a transition period when the Bank did not have a CS.

27 According to interviews with GOB representatives.

GOB's main medium-term priorities. The BGDS set out four goals: (i) return to a sustainable growth rate of 3% while maintaining macroeconomic stability; (ii) facilitate broad-based adjustments and reforms in the economy; (iii) enhance social and human development; and (iv) enhance energy and environmental sustainability in the context of a green economy. Based on these goals, the GOB established 20 specific objectives to boost output in key sectors, such as tourism, energy and infrastructure, and to improve private sector competitiveness. Under the strategy, the Government would also pursue efforts to enhance the contribution from nontraditional sectors such as culture and sports, innovation and science, and SMEs, and there was a focus on reducing dependence on fossil fuels, ensuring environmental sustainability, and combating climate change (MFEA 2012). The GOB also prepared several sector strategies, such as the Tourism Master Plan 2014-2023. In line with the BGDS, the CS set out four strategic objectives: (i) promote tourism growth and reinvigoration;<sup>28</sup> (ii) improve the logistics sector (transportation and logistics); (iii) increase the percentage of renewable energy in the energy matrix and increase energy efficiency (energy); and (iv) strengthen capacity for ecosystem-based integrated coastal zone management (ICZM) and increase coastal resilience (integrated coastal zone management and climate resilience)<sup>29</sup>, which are aligned with the country's development priorities (see Annex II, Table II.1).

2.3 The Bank's program was also aligned with the GOB's priorities. Because the Bank's program was clearly aligned with its CS and Country Programming Documents (CPDs),<sup>30</sup> it was aligned with the country's priorities as well. There was a reasonable continuation of the sectors developed under the 2009-2013 CS (see Annex II). All the loan operations, including the seven loans inherited from the previous period, were aligned with Government priorities (see Annex II, Tables II.1 and II.3). In fact, the five newly approved operations were aligned with all four goals of the BGDS (see Annex II, Table II.1): the National Tourism Program (BA-L1033) and the Road Rehabilitation and Improving of Connectivity of Road Infrastructure project (BA-L1035) were aligned with BGDS Goals

28 Despite the importance of the tourism sector in Barbados, the 2014-2018 CS was the first to include tourism as a priority. However, the 2009-2013 CS included tourism considerations indirectly as a cross-cutting issue of two sectors: Coastal Zone Management and Climate Change Adaptation, and Water and Sanitation.

29 The CS included a fifth objective: increase the use of the country's external control and accounting and reporting subsystems in Bank-financed projects.

30 All loan operations approved between 2008 and 2017 that were under revision were aligned with their respective CS (see Annex II, Table II.3). Loan operations approved in 2014-2018 focused on three of the priority areas—tourism, transportation, and energy (BA-L1033, BA-L1035, and BA-L1012, respectively)—and one of the dialogue areas, social protection and labor markets (BA-L1032). Moreover, the Bank continued to execute the inherited portfolio in the remaining priority area, integrated coastal zone management (BA-L1014).

1 and 2, Deployment of Cleaner Fuels and Renewable Energies was aligned with BGDS Goal 4, Strengthening Human and Social Development (BA-L1032) was aligned with BGDS Goal 3, and the Enhanced Access to Credit for Productivity project (BA-L1034) was aligned with BGDS Goal 2. TCs and the inherited portfolio were also aligned with the BGDS (see Annex II, Table II.1). The social sector remained a key GOB priority, but because the Bank had an ongoing operation approved during the previous strategy period (BA-L1016), the GOB and the Bank decided to keep it as a dialogue area. However, because of the rise in unemployment during 2014 and its impact on extreme poverty, the Bank responded to the GOB's needs by approving BA-L1032 to help reduce extreme poverty and high unemployment (see paragraph [3.21](#)).

## **2. Relevance of the Bank's strategy and program to the country's development challenges**

2.4 The Bank's CS and program focused on priority sectors and dialogue areas that were directly linked to the country's development challenges, except for its fiscal challenges. As has been mentioned, Barbados faced challenges related to a fragile macroeconomic framework, vulnerability to economic and natural shocks, and productivity, competitiveness, and the business environment (paragraphs [1.8-1.15](#)). The National Tourism Program (BA-L1033), the Road Rehabilitation and Improving of Connectivity of Road Infrastructure project (BA-L1035),<sup>31</sup> the Deployment of Cleaner Fuels and Renewable Energies project (BA-L1012), the Strengthening Human and Social Development project (BA-L1032), and the Enhanced Access to Credit for Productivity project (BA-L1034) were aligned with challenges in productivity and business environment. The Deployment of Cleaner Fuels and Renewable Energies project (BA-L1012) also addressed challenges related to vulnerability to economic and natural shocks. Thus all loan operations approved or executed during the period were aligned with development challenges (see Annex II, Table II.3). However, in spite of the Bank's efforts and because of the demand-driven nature of the Bank's programming, the CS and program placed little focus on the fiscal sector—an area that was much in need of strengthening. However, GOB coordinated to some degree with the IMF, Corporación Andina de Fomento (CAF) (which approved a \$15 million operation for tax administration in 2017), and the Caribbean Regional Technical Assistance Center (CARTAC) and

<sup>31</sup> In line with the BGDS, the CS transport sector note diagnosed that Barbados' port infrastructure (logistics) needed upgrading to stay competitive as larger ships come from the Panama Canal. Nevertheless, the CS did not establish port infrastructure as a priority. According to the CS, this was because other donors were involved in the sector: the Bridgetown Port was being supported by the European Investment Bank and by CAF, through a \$30 million SWAp operation approved in 2015. Moreover, one of the Bank's loan operations (BA-L1035) tangentially considered port connectivity in the economic analysis that led to the road selection methodology.

CARTAC but no reforms were done to address this issue in any substantial manner. This remains perhaps the country’s most urgent challenge in the short to medium term (see paragraph 1.8).<sup>32</sup> In view of the deterioration of the fiscal situation, the new administration has recently discussed the possibility of working with the Bank to help address fiscal challenges (paragraph 1.17).

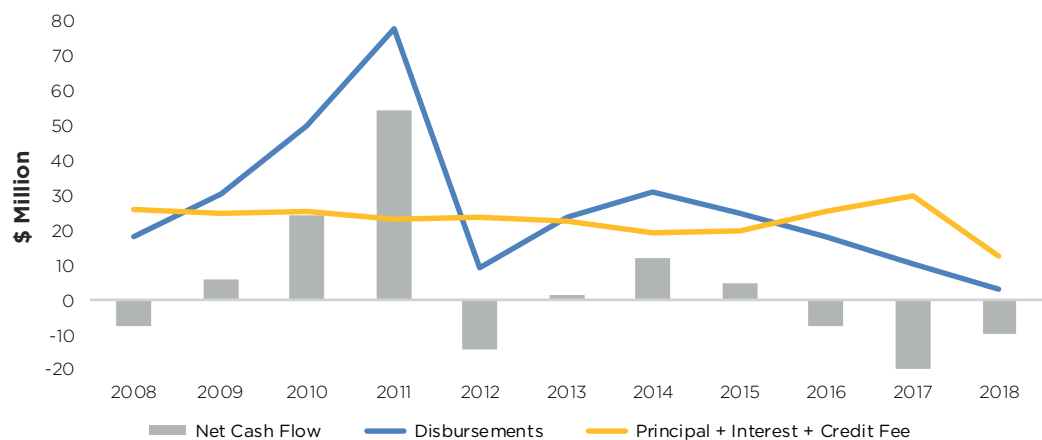
### 3. Financial relevance of the Bank’s program and cash flows<sup>33</sup>

2.5 The Bank has been financially relevant in Barbados as the largest development partner. The Bank accounted for around 67% of the country’s debt to international financial institutions at the beginning of the CS period and 54% at the end of 2017.<sup>34</sup> By 2017, the country’s outstanding balance with the Bank was \$250 million equivalent to 5.4% of GDP, 15.9% of Government expenditure, 5.0% of central Government debt, and 18.2% of external debt. The Bank’s loan tenors, rates, and fees compare favorably to those of other GOB creditors. Because fiscal consolidation efforts affected the GOB’s ability to maintain previous levels of public investments, Bank investment lending went to finance approximately 30%-40% of GOB’s public investment. Without Bank investment lending, the level of public investment would have deteriorated more, leaving the country worse off.

**Figure 2.1**

**Net flows**

Source: OVE Data Warehouse Consolidated Costs Tables and IDB Data Warehouse.



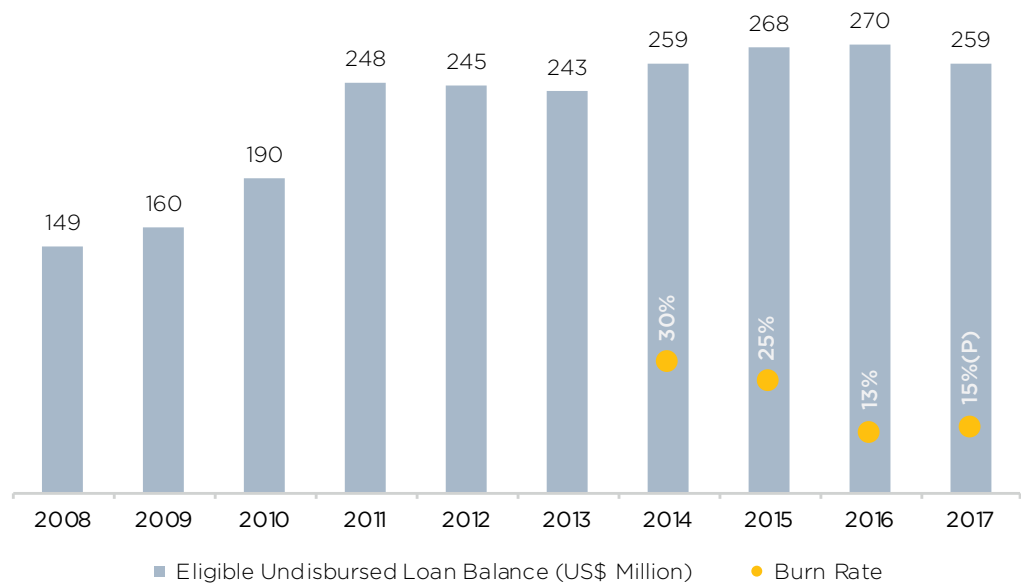
32 The Bank made efforts to advance first in a PBL and then in an investment loan, but GOB preferred to go along with other development partners.

33 The strategy period covers also the operations undertaken during the transition period (2014).

34 The GOB joined CAF in September 2014, which led to the approval of four operations for \$110 million total in 2015-2017.

**Figure 2.2****Burn rate**

Source: OVE Data Warehouse Consolidated Costs Tables and IDB Data Warehouse.



2.6 Net cash flow from the Bank to the GOB,<sup>35</sup> which was positive during 2013-2015, became negative between 2016 and 2017. Slowing disbursements relative to the previous evaluation period help explain negative cash flows (Figure 2.1 and paragraph 2.1).<sup>36</sup> A spike in disbursements during 2013-2015 can be explained by the disbursement of two investment projects: Water and Sanitation Systems Upgrade (BA-L1015) and Coastal Risk Assessment and Management Program (BA-L1014).<sup>37</sup> After this spike, net cash flow became negative again because of the lower disbursements and increases on service payments as the grace period for the programmatic loans approved during the previous period expired (Figure 2.1). Nonetheless, the burn rate<sup>38</sup> stayed above the 12.7% that the CS contemplated (Figure 2.2).<sup>39</sup>

#### 4. Use of instruments

2.7 Although there was no PBL lending, the mix of lending instruments has continued to be a feature of the Bank's financial relationship with Barbados. During the previous CS period, the Bank's program had greater variety in the mix of lending instruments, moving from depending almost entirely on investment loans to also including PBLs,

35 Net cash flow is the difference between the disbursements the Bank makes to the country and the payments (i.e., principal, interest, and fees) the country makes to the Bank.

36 Disbursements during this period (\$87 million) were about half the disbursements over the last period (\$160 million).

37 Both projects were approved for a total of \$73.2 million during previous strategic periods but almost fully disbursed between 2013-2015.

38 The burn rate is the ratio of disbursements over eligible undisbursed loan balance (EULB) The burn rate was 30% in 2015, 25% in 2016, and 13% in 2017, and it is expected to be around 15% in 2018 (IDB, DIP-DATA, Annual Disbursements vs. EULB beginning of year).

39 See note 24.



in direct response to the country's weakened economic performance. During the current CS period, the Bank stopped using PBLs (see paragraphs [2.1](#) and [2.6](#)) and continued to use investment loans and TCs purposely in all priority sectors and areas of dialogue (see Box 2.1). Recent developments have opened the possibility of using other instruments, such as the newly created Special Development Lending and PBLs (see paragraphs [1.17](#), [2.4](#), [3.26](#) and [4.1](#)).

### *Box 2.1. Strategic use of TCs*

**Tourism.** The Bank leveraged a regional TC (RG-T2186) to advance informal dialogue and develop a tourism portfolio with Barbados. The operation financed studies to assess trade and tourism opportunities, as well as technical workshops and promotion activities for Government officials. Dialogue between the Bank and the GOB continued with two more TCs in 2014 (BA-T1036 and BA-T1035) that financed study tours to Brazil and Chile, finally leading to the National Tourism Program. The TC BA-T1033 provided the necessary technical studies for the preparation of the loan BA-L1033.

**Transport.** The Bank approved a \$1 million TC (BA-T1030/BA-T1031) aimed at developing the first stage of an Emerging and Sustainable Cities intervention, which is providing the necessary inputs to address the deep urban mobility problems affecting Bridgetown.

**Energy.** The Bank approved BA-T1028 and BA-T1034 to provide operational support to the Smart Fund (BA-L1020) and Public Sector Smart Energy Program (BA-L1025), which were approved during the previous CS period. It also approved two investment grants and a MIF operation to complement these loans and advance toward the CS objectives.

**Environment.** The Bank approved BA-T1025 to strengthen capacity for risk-based ICZM, with the specific objectives to (i) enhance the capacity of the Coastal Zone Management Unit (CZMU) in coastal planning, using an innovative spatial analysis tool for mapping and valuing ecosystem services; and (ii) document and disseminate best practices and lessons learned. This TC supports the implementation of Components 2 and 3 of BA-L1014 by integrating the analysis of ecosystem services into coral reef restoration, information updates to the ICZM plan, and the amendment of the CZM act.

**Areas of dialogue.** The Building Capacity for Public Policy Enhancement in Social and Labor Intermediation TC (BA-T1038) provided inputs for the execution of the project BA-L1032. In the private sector area, the BA-T1032 TC supported the strengthening of institutional capacity for the loan Enhanced Access to Productivity (BA-L1034). In the public-sector dialogue area, the Bank approved a TC (BA-T1043) to help GOB learn about using public registries for statistical purposes.



## 5. Bank efforts to boost engagement with the private sector

2.8 Even though IDB Invest did not finance any loans to private sector entities, the Bank and MIF increased their engagement with the private sector in a relevant manner. The Bank approved eight operations associated with the private sector during this CPE period.<sup>40</sup> All operations – of both the Bank and MIF –<sup>41</sup> were clearly aligned with the objective of increasing private sector competitiveness, and with the four priority areas identified in the CS (see Annex II, Table II.1). MIF operations seemed not to be fully integrated with the rest of the portfolio (see paragraph 3.19). The Enhanced Access to Credit project (\$35 million), the largest operation, aimed to improve access to finance, particularly for smaller enterprises, by addressing some constraints such as the lack of collateral. The associated TCs aimed to support the capacity and systems of the Central Bank of Barbados (CBB). Other TCs tried to improve Barbados' competitiveness by promoting an outsourcing industry, entrepreneurship, and the financial system. One MIF operation aimed to strengthen hotel value chains (particularly through locally sourcing agricultural produce), and another, the Coral Preservation project, was focused on increasing private participation in this important environmental area. The private sector's inherited portfolio was also aligned with the CS strategic objectives: the Barbados Competitiveness Program (\$10 million) was an important attempt to improve Barbados' competitiveness; and the Sustainable Energy Investment Program, which closed during this CS period, also supported private sector development as it provided financing through the SMART Fund for investments in renewable energy and energy efficiency.

2.9 Macroeconomic uncertainty and competitiveness challenges have made it difficult for IDB Invest to finance operations in Barbados. IDB Invest has been trying to increase needed private sector investment in Barbados but did not invest in this or the previous strategy period. The current macroeconomic and business environment (see paragraphs 1.8 and 1.11-1.16), and slow court system and government bureaucracy (paragraph 1.5) make it particularly difficult to invest in the private sector. In addition, the banking sector has high liquidity. Addressing these challenges will be necessary to incentivize private sector investment. The IDBG<sup>42</sup> could help unlock this liquidity through its various instruments and windows. Private firms also found the IDBG's administrative requirements burdensome. IDB Invest has

40 Annex I, Tables I.1-I.4, contain a description of all operations approved or executed during the period, including MIF, Regional and Compete Caribbean operations, many of which are associated with improving the business climate and competitiveness.

41 Unlike other CPEs, this one specifically considered relevant MIF operations, since better integration of MIF activities into the country program was a specific recommendation under the last CPE.

42 The Inter-American Development Bank Group (IDBG is composed of the Bank, IDB Invest and the MIF).

recently developed a new *Approach to Increase Operations in Small and Island Countries* (CII/GN-354) and, as part of its field presence plan, has stationed an investment officer in Barbados. Given that these activities happened only in the second half of 2017, it is too early to see their effects. Because of the depth and nature of the challenges, a long-run sector-wide approach involving all stakeholders is needed. IDBG will have to align with this approach in a coordinated manner across departments and windows.

## 6. Other issues of relevance

- 2.10 Most operations were based on solid analyses, and more than half had adequate result matrices, but only two mainstreamed gender issues. OVE found that 10 of the 12 loan operations analyzed were based on adequate diagnostics, although only seven had an adequate result matrix. However, there had been an improvement since the previous period, as four of the five newly approved loan operations (80%) had adequate result matrices. Of the five operations approved during the period, only two mainstreamed gender issues, even though gender was a “preponderant” CS cross-cutting theme for all priority sectors and dialogue areas (Annex II, Table II.3). The Road Rehabilitation project (BA-L1035), as part of the institutional strengthening component, proposed to develop a strategy to promote female participation in technical fields, including gender-related training in science, technology, engineering, and math.
- 2.11 As of December 2017, Management had fully implemented two of the three previous CPE recommendations and had partially implemented the third, concerning IDBG engagement with the private sector. Even though the Bank increased its engagement with the private sector in a relevant manner (see paragraphs [2.8](#) and [2.9](#)), some challenges remain to fully implement the recommendation, such as increasing IDB Invest participation, better integrating MIF operations, demonstrating financial additionality beyond what local institutions can offer, and properly assessing and mitigating risks (see paragraphs [2.8-2.9](#) and [3.19](#) and Table 2.1).
- 2.12 There has been progress in the use of country systems. The CS proposed to increase the use of the external control and accounting and reporting country subsystems in Bank-financed projects from 30% to 50% and from 10% to 20%, respectively. The accounting and reporting subsystem goal was achieved. As of December 31<sup>st</sup>, 2017, there was 100% use of the accounting system (Smart Stream) and 33% in reporting generation. Although the Bank continued to support the external control function,<sup>43</sup> the external control goal was

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<sup>43</sup> The Bank, through FMP, conducted several initiatives to strengthen the external control, such as the assessment of External Control under the SAI-PMF methodology, the funding of a specific audit software, and the junior auditor program. FPM also

not achieved because of staffing issues at the Barbados Audit Office, and bureaucratic bottlenecks. On procurement, the Bank is awaiting the approval of new legislation prepared with Bank resources (BA-L1004) to proceed with the implementation of the reforms.

### Box 2.1. Compliance with OVE's 2010-2013 CPE recommendations

2010-2013 Barbados CPE Recommendations	Board endorsement	Action Plan					
		Quality				Implementation	
		Extent to which recommendations are addressed	Includes well-defined actions	Includes output targets	Includes deadlines for completion	Extent of implementation	Implementation on track
<p>Continue to work with the Government of Barbados to find ways to improve project execution:</p> <ul style="list-style-type: none"> <li>• Fully implement the Action Plan, including adhering to a timeline for implementation and a results framework for monitoring and evaluation.</li> <li>• Establish criteria to gauge the complexity of project design.</li> <li>• Invest in further analysis of constraints to procurement and identify ways to address them. Continue to offer assistance to strengthen the Solicitor General's Chambers.</li> <li>• Explore with the Government the feasibility of establishing a central fiduciary unit to manage multiple projects.</li> </ul>	Fully	Fully	Yes	Partially	Partially	Fully (December 2017)	Yes
<p>Strengthen the relevance and development effectiveness of the Bank's program in Barbados through a greater engagement with the private sector – in particular, making better use of MIF operations. Better factor into the Bank's private sector strategy the constraints of small open economies. Ensure that private sector operations have demonstrated financial additionality beyond what local institutions can offer, support the development objectives of the CS, and confirm that all risks are carefully assessed and mitigated.</p>	Fully	Fully	Yes	Yes	Partially	Partially (December 2017)	No
<p><b>Recommendation for VPC in general:</b> Revise the CS and CPD guidelines to reflect active areas of intervention in the portfolio, including recognition of the inherited and regional portfolios. This means preparing technical sector notes for the main areas of the inherited portfolio as an input to ongoing policy dialogue. These operations should also be included in the CS and CPD results frameworks.</p>	Fully	Fully	No	No	No	Fully adopted by December 2016	Yes

Source: Recommendations Tracking System.

supported the adoption of International Public Sector Accounting Standards, and provided technical assistance to implement the project module in the Smart Stream accounting system for reporting purposes.

## B. Portfolio efficiency, implementation and donor coordination

2.13 The Barbados Action Plan to Improve Portfolio Performance is being implemented satisfactorily, and there are some indications of improvements. During the previous CS period, the Bank performed a detailed analysis of the main implementation issues on both the Bank's and the country's side and, in conjunction with the Government, prepared the Action Plan (last updated in 2013). The Action Plan has four pillars: (i) investment portfolio streamlining, (ii) project design optimization, (iii) project execution improvement, and (iv) institutional strengthening of the Government. By the end of 2014, the Bank had cancelled 100% of the underperforming loans that were identified as cancellable or redirectable towards PBL lending. Four more loans (Housing, Agriculture, Standards, and Four Seasons) were closed. As part of the Action Plan, the CS established a disbursement benchmark and the Bank fully complied with it (see paragraph 2.6). The Bank mapped key Government processes to aid execution (procurement, hiring of civil servants, budget cycle, and project life cycle), trained staff on project design and implementation at the Ministry of Finance's Public Investment Unit (PIU) and at the project executing units (PEUs), and created a PEU HUB portal to improve communication between IDB and the PIU and PEUs. An analysis of loan execution by milestones suggests that there has been an improvement in the average time elapsed from loan approval to first eligibility, and from first eligibility to first disbursement (Figure 2.3). Even though disbursement continues to be slow, the projects approved since 2014 that disbursed funds seem to have done so at a slightly faster rate than those approved in 2009-2013 (Figure 2.3). It must be noted, however, that these conclusions need to be taken with caution, as the sample is small, and does not consider the complexity of the new operations in transport (multi-works), energy, and the social sector (several stakeholders involved) (more in Section III).

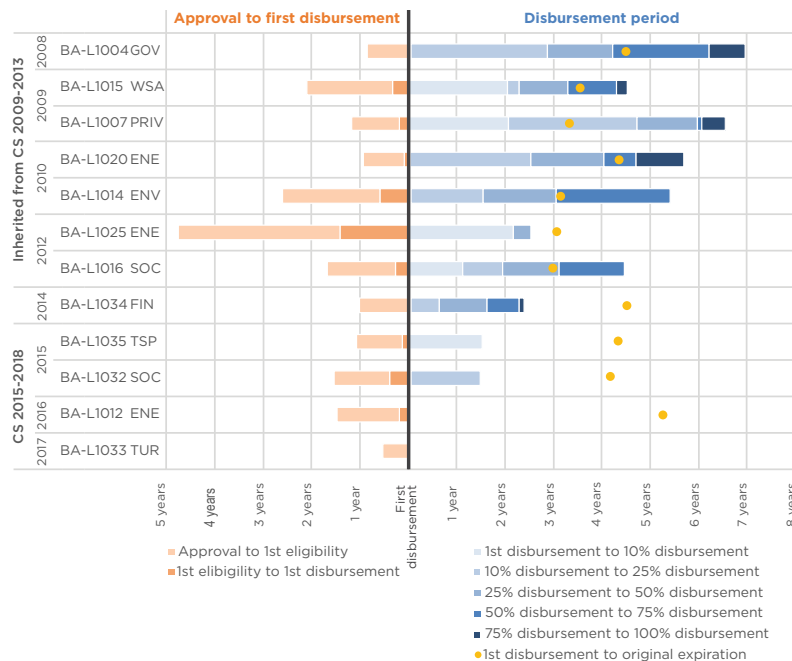
2.14 Greater improvements in project implementation would require more profound and systematic institutional reforms. For Regional standards, Barbados institutional capacity is robust (see paragraph 1.5). However, some persistent delays in project execution continue to occur because of the nature of Barbados' bureaucratic procedures and legal and institutional framework—despite Government and Bank efforts to strengthen PEUs, ensure compliance with the Action Plan, and incorporate lessons from other operations. OVE repeated the implementation issues analysis undertaken during the previous Barbados CPE evaluation one (see Annex III, Table III.1) and found that approximately half of the projects continue to be affected by issues of interagency coordination, procurement

and red tape, institutional capacity of the PEUs and institutional and legal framework deficiencies. Some projects are inherently complex and/or require multiagency coordination, but effective coordination mechanisms are inexistent and/or ineffective (see Tourism, Transport, Environment, Private Sector, Finance and Trade, and Water and Sanitation Sector Notes). Legal, staffing and procedural challenges at the Office of the Solicitor General prompt procurement delays (see Tourism, Transport, and Water and Sanitation Sector Notes and IDB 2008). Besides, public sector hiring practices also prompt up-to two-year delays in the formation of PEUs.<sup>44</sup> These delays do not happen with the formation of PEUs under statutory agencies because they hire their PEU staff directly and more rapidly as dedicated consultants.<sup>45</sup> PEUs that lack the specialized expertise to help implement specific projects are reluctant to accept Bank support to hire external consultants to assist them in project execution because they would have to go through the Public Service Commission. Finally, approximately a third of the projects were affected by failure to approve the corresponding legal framework. The Bahamas 2010-2017 CPE also found that Bank's ad hoc institutional strengthening initiatives had a very limited effect and that understanding and addressing the factors underlying the weak legal and institutional framework of the country was necessary to improve project implementation and advance key sectoral reforms (RE-516-1).

**Figure 2.3**

**Loan execution by milestones**

Source: OVE Data Warehouse and IDB Data Warehouse.



44 Because the Barbados Public Service Commission, under the Ministry of Civil Service, is charged with hiring PEU staff, the formation of PEUs is usually delayed up to two years for projects under Government ministries (see Tourism, Transport, and Energy Sector Notes).

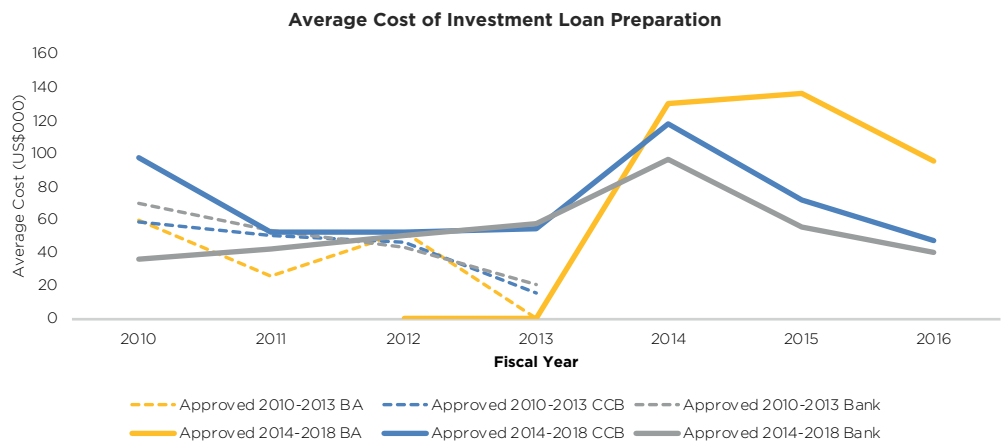
45 E.g., the Enhanced Access to Credit for Productivity Project (BA-L1034), executed by the CBB, and the Development of Cleaner Fuels and Renewable Energies (BA-L1012), executed by the Barbados National Oil Company (see Private Sector and Energy Sector Notes).

2.15 Preparation and execution costs have increased. The BA average preparation cost of investment loans increased in 2014-2016 as compared to 2010-2013, though the trend since 2014 is declining. The average preparation cost of investment loans approved in Barbados during 2010-2013 was in line with or slightly below CCB and Bank averages, while the average preparation cost of investment loans approved in Barbados during the evaluation period was roughly double the CCB and Bank averages (Figure 2.4). The average execution cost of investment loans has been rising since 2010 for Barbados, CCB, and the Bank; however, loans approved in Barbados in 2014-2016 have exhibited relatively higher execution costs than those of both comparators (Figure 2.5).<sup>46</sup>

**Figure 2.4**

**Evolution of preparation costs**

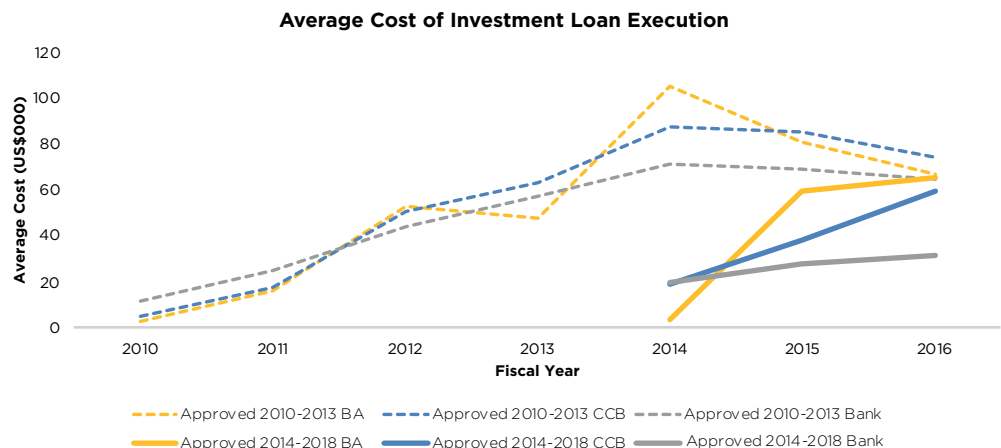
Source: OVE Data Warehouse Consolidated Costs Tables and IDB Data Warehouse.



**Figure 2.5**

**Evolution of execution costs**

Source: OVE Data Warehouse Consolidated Costs Tables and IDB Data Warehouse.



<sup>46</sup> Because the BA portfolio is relatively small in both periods (seven loans in 2010-2013 and five in 2014-2016), these results should be interpreted with caution. The numbers of investment loans for CCB for both periods were 56 and 43, and for the Bank 717 and 415.

2.16 Donor presence in Barbados is relatively limited, and coordination among donors works reasonably well. Because Barbados is a high-income country, donor presence tends to be more limited than in other LAC countries. GOB oversees donor coordination, but there is also a Donor Coordination Group for Barbados and member countries of the Organisation of Eastern Caribbean States, composed of United Nations agencies, international financial institutions, and bilateral organizations. Although the agenda of the group is large (it covers all Eastern Caribbean countries), it does offer a forum for exchange and interaction, including monothematic sector sessions. As the largest “donor” for Barbados, the Bank is a point of reference for the donor community, and donor missions regularly seek the Bank for consultations.



# 03

## Program Results



3.1 The portfolio under evaluation included all IDB operations approved between January 2014 and January 2018, and eight loans and investment grants and seven TCs under execution during the CS period. The analysis of results includes those inherited operations whose results were not reported in the prior CPE.<sup>47</sup> The evaluation also reviews operations implemented by the MIF and Compete Caribbean, to the extent that they helped achieve CS and/or specific project objectives (Annex I, Tables I.1-I.4). Effectiveness is measured against the objectives of the CS under which each operation was approved and the specific objectives for each operation. Because the CS indicators had baselines but not targets, OVE can assess only whether there was progress toward the goals, but not whether targets were achieved.

**Table 3.1. Summary of results**

Investment loans by approval year	2008	2009	2009	2010	2010	2012	2012	2014	2015	2015	2016	2017	% of operations with specific bottleneck
	BA-L1004	BA-L1007	BA-L1015	BA-L1020	BA-L1014	BA-L1025	BA-L1016	BA-L1034	BA-L1035	BA-L1032	BA-L1012	BA-L1033	
	Use of Country Systems	Private sector, finance and trade	Water and sanitation	Energy	Environment	Energy	Social Development	Private sector, finance and trade	Transport	Social Development	Energy	Sustainable Tourism	
	100% disbursed*	100% disbursed*	100% disbursed*	100% disbursed*	67% disbursed*	26% disbursed*	73% disbursed*	43% disbursed*	0% disbursed*	10% disbursed*	5% disbursed*	0% disbursed*	
Project expected to contribute to CS or CDC objectives		X	X	X	X			X	X		X	X	<b>67%</b>
Project produced unintended positive consequences	X		X		X		X		X	X			<b>50%</b>
Project results likely to be sustainable			X	X	X		X						<b>33%</b>
Project products being delivered		X		X				X					<b>25%</b>
Project achieved expected results				X				X					<b>17%</b>

\* Operations concluded.

Note: It is too early to draw conclusions on operations that have disbursed less than 50% at the time of this evaluation (marked in grey). Given that only one operation disbursed fully, the analysis presented in this table is preliminary and should be taken with caution.

Source: OVE analysis.

47 The Bank fully disbursed two TCs supporting the agriculture sector during the period. BA-T1013, approved in 2010, sought to develop a strategic plan for agriculture and fisheries and for organizational and operational strengthening of the Ministry of Agriculture, Food, Fisheries and Water Resource Management. BA-T1052, approved in 2014, sought to support intra-regional knowledge exchange for two participants from the Barbados Agricultural Society to travel to Buenos Aires for meetings with INTA and AACREA and participation in FOROMIC. OVE was unable to find information about their results, so they were excluded from the analysis.

3.2 Because many operations have not yet concluded due to project implementation delays or recent approval, it is still early to fully assess the results and sustainability of the portfolio. While two-thirds of the loan operations under review were expected to contribute toward the CS objectives, only two of the four operations that were completed during the CS period delivered the products planned, and only one achieved all the expected results. OVE determined that approximately one-third of the loan operations reviewed are likely to have sustainable results (Table 3.1). This chapter assesses in more detail the achievements, sector by sector, of the portfolio, including unintended positive consequences and the contribution of TCs.

## A. CS priority sectors

### 1. Tourism

**Table 3.2. Tourism portfolio under review**

Expected outcomes of the CS		1. Increase in tourism receipts. 1.1. Average expenditure per overnight international visitor. 1.2. Onshore average expenditure per cruiser.			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-T1036	Study Tour to Brazil and Chile, Part 1: Tourism Development	2014	11,700	11,700	100
BA-T1035	Support to Brazil and Chile, Part 2: Tourism Program	2014	10,007	10,007	100
BA-T1033	National Tourism Program	2014	412,533	412,533	100
BA-L1033	National Tourism Program	2017	20,000,000	20,000,000	0

Source: IDB Warehouse and Barbados Country Strategy 2015-2018 (GN-2812).

3.3 The CS aimed to support competitive and sustainable tourism growth in Barbados, as measured by tourism receipts, by strengthening tourism demand and supporting supply. The Bank's strategy proposed to (i) diversify tourism products, source markets, and traveler segments by developing a deep understanding of the preferences and determinants of tourism demand and reinforcing tourism branding and promotion; (ii) achieve specific subsectoral value chain analyses and support policy measures to enhance linkages between tourism and local businesses, including hotels; (iii) review policies to support airlift and monitor results of air connectivity with critical traditional and emerging source markets; and (iv) promote greater access to finance (Table 3.2).

3.4 At the time of this evaluation it was still early to assess progress toward the CS goals; nevertheless, technical assistance had been well received. The loan operation was approved in 2017 and has not yet begun disbursing,<sup>48</sup> so that OVE cannot assess program effectiveness and efficiency. Nevertheless, other results could be identified. The 2014 study tours were effective in helping develop the relationship between the Bank and the GOB in a new sector for the IDB. Moreover, GOB expressed its appreciation for the studies financed with the Tourism National Program, as some of their proposed actions were included in the BA-L1033 loan, while others entered the Government's pipeline. Even without disbursements, there are three reasons to believe that the portfolio is advancing on the right track. First, it is highly aligned with the long-term country priorities set out in the Tourism Master Plan—a situation that can be particularly useful to build buy-in from the new administration. Second, the high complementarity between the TC and the loan operation provides strong technical support to advance in the loan operation. Finally, there are strong links and synergies between the tourism operation and operations in other sectors, especially the environment and infrastructure sectors (see Tourism Sector Note).

## 2. Transportation

**Table 3.3. Transportation portfolio under review**

Expected outcomes of the CS		1. Improved performance of export logistic infrastructure and services 2. Improved condition of the road network			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-T1030/ BA-T1031	Implementation of the ESCI in the City of Bridgetown, Barbados	2014	1,000,000	1,000,000	74
BA-L1035	Road Rehabilitation and Improving Connectivity of Road Infrastructure	2015	25,000,000	25,000,000	0

Source: IDB Warehouse and Barbados Country Strategy 2015-2018 (GN-2812).

3.5 The CS aimed to contribute to the improvement of connectivity and the flow of goods and people by focusing on freight logistics and improving the condition of the road network. The Bank's proposed lines of action included (i) direct investment in logistics

48 BA-L1033 was approved in October 2017, almost three years after entering the Bank's operational pipeline, because of difficulties in achieving agreement on the project content, long bureaucratic procedures, changes in the design teams of GOB and the Bank, and the need to comply with IDB's Environmental and Safeguards Compliance Policy (OP-703).

facilities and distribution networks, (ii) TC related to logistics and sustainable transport, and (iii) efforts to leverage private funds as a vehicle for developing more projects and promoting the use of innovative private financing mechanisms (Table 3.3).<sup>49</sup>

3.6 It is too early to assess progress toward the CS goals as the investment loan operation, approved in 2015, has yet to begin disbursements. The Road Rehabilitation and Improving Connectivity of Road Infrastructure (BA-L1035) loan aimed to contribute to the CS objectives by reducing export time, average container export cost, and the share of paved road in regular or poor condition. Although there have been significant improvements in the first two indicators in 2017 *vis-à-vis* 2014,<sup>50</sup> these could hardly be attributed to the Bank's contribution, since (i) at the time of this evaluation, BA-L1035 had not begun to disburse, and (ii) even if it had disbursed, the loan's objectives and components had no direct connection to these export-related indicators. Even though the loan incorporated lessons from other operations and complied with the Implementation Action Plan, there have been lengthy delays. Several factors have contributed to the delays: (i) The loan was approved as a multiple-works investment loan (the first in the sector since 1993), but each works contract is very technical and specific, and thus takes long to be reviewed by the understaffed Solicitor General's Chambers (e.g., in the first semester of 2017, two key works contracts were still being reviewed by the Solicitor General's Chambers); (ii) the involvement of the Ministry of Transport and Works (MTW) at an early stage of loan design was limited, which may have led to multiple corrections and changes in the contract over time, (iii) Barbados' slow staffing procedures; (iv) inadequate Bank/PEU communication because of the absence of a field-based specialist and because PEU staff, given the lack of disbursements, have been reassigned to other tasks at the MTW (see Transport Sector Note). This said, it must be noted that Emerging and Sustainable Cities Initiative (ESCI) lines of work could likely contribute to the CS goal. As part of the ESCI action plan, the TC produced data and studies diagnosing infrastructure bottlenecks and estimated some infrastructure costs related to more sustainable urban development including improved mobility. Besides, the TC addressed some key priorities identified by the Barbados Growth

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49 The CS's aim to leverage private funds was partially addressed by an inherited competitiveness operation that is beyond the scope of the transport sector. In 2009 the Bank had approved the Barbados Competitiveness Program, an operation that closed in 2016 after significant delays. The program included \$745,000 to help the country develop a public-private partnership methodology aimed at leveraging private funds to develop more projects through new financing mechanisms (see Note on Private Sector).

50 These indicators are being measured by the World Bank's *Doing Business Report*, which has changed the methodology and units to measure these indicators, so any conclusion derived from them must be taken with caution.

and Development Strategy 2013-2020—namely, the identification of budgetary and technical gaps in road infrastructure that contribute to road network deterioration, and the elaboration of an action plan for town/city planning that would mitigate the negative effects of unplanned urbanization. The ESCI TC team planned to close the TC and produce the final ESCI action plan under the new administration, which might contribute to resource mobilization for public infrastructure to alleviate the pressure on the Government’s budget.<sup>51</sup>

- 3.7 Other donors addressed the connectivity issue, although the Bank might also contribute indirectly. The European Investment Bank and CAF, through a \$30 million SWAp operation approved in 2015, supported the Bridgetown Port. BA-L1035 also considered port connectivity in the economic analysis, and it was then included as a factor in the road selection methodology.

### 3. Energy

**Table 3.4. Energy portfolio under review**

Expected outcomes of the CS		1. Decrease in electricity tariff. 2. Increased percentage of energy from renewable sources in country energy matrix. 3. Reduction in electricity consumption/customer (all customer classes).			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-L1020	Sustainable Energy Investment Program (SMART Fund)	2010	10,000,000	10,000,000	100
BA-X1001	Support to the Sustainable Energy Framework for Barbados	2010	1,000,000	1,000,000	100
BA-L1025	Public Sector Smart Energy (PSSE) Program	2012	17,000,000	17,000,000	26
BA-M1008	Green Business Barbados	2012	150,000	150,000	100
BA-X1003	Support for the PSSE Program	2013	7,626,493	7,626,493	5
BA-T1028	Continuation of Support (SEFB) and Development of New Technologies: SG & RE	2015	650,000	650,000	95
BA-T1034	Continuation of Support (SEFB) and Development of New Technologies: SG & RE	2015	300,000	300,000	83
BA-L1012	Deployment of Cleaner Fuels and Renewable Energies in Barbados	2016	34,000,000	34,000,000	5

Source: IDB Warehouse and Barbados Country Strategy 2015-2018 (GN-2812).

<sup>51</sup> This paragraph has been modified to exclude confidential information in accordance with the “Information Relating to Non-Sovereign Guaranteed Operations” disclosure exception in paragraph 4.1 j. of the Bank’s Access to Information Policy.

- 3.8 The Bank's objectives for the energy sector during the CS period were practically identical to those in the prior CS period.<sup>52</sup> The Bank sought to exploit the sector's updated policy and regulatory framework, which it had supported in the previous CS period, to increase energy efficiency and the percentage of renewable energy in the energy matrix and decrease the energy bill for consumers. To help meet these objectives, the Bank approved one loan and one TC operation financed through two sources of funding (Table 3.4). Two investment grants and one MIF operation were inherited from the previous CS period. Investment grant BA-X1001 financed pilot projects for the installation of solar energy and distribution of energy-efficient light bulbs, and BA-X1003 cofinances the Public Sector Smart Energy Program. Green Business Barbados (BA-M1008) sought to promote the use of energy/water efficiency and waste reduction measures by SMEs through the development and piloting of a Green Business Certification Program that is affordable and practical, and that can deliver economic returns to SMEs over time. The program target was to include 20 SMEs.
- 3.9 The three projects that closed during the evaluation period made some contribution to the expected CS results. Of the eight operations that were active during the CS period, only three closed: The Smart Fund loan (BA-L1020), the GEF operation (BA-X1001), and the MIF operation (BA-M1008).
- i. BA-L1020, after initial delays,<sup>53</sup> was successful in creating new renewable energy and saving energy through the Smart Fund. The project exceeded both of its targets: new renewable energy funded through the Smart Fund reached 1.29 MW by the end of the project (the target was 1.0 MW), and the amount of energy saved through energy efficiency applications funded by the Smart Fund reached 1,041 MWh (the target was 500 MWh). OVE's interviews with financial institutions highlighted the additionality of the SMART Fund: financial institutions believe it is risky to finance photovoltaic (PV) panels since they have no experience in repossessing them in the event of default; nonetheless, at least two financial institutions are piloting loans for PV panels that use the future sales of energy to the grid as security for the loan.

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52 The CS goal for energy in the 2010-2013 CS was "lowering oil imports and promoting renewable energy and more efficient energy use."

53 The project took about two years from the signing of the loan agreement in 2011 to reach actual implementation due to poor design, delays in staffing the PEU, definition of the project's Operating Guide, finalization of some technical issues and procurement challenges (See Energy Sector Note).

- ii. BA-X1001 was approved during the previous period as an input to a PBL, and it financed pilot projects for BA-L1020.
  - iii. BA-M1008 promoted the use of energy/water efficiency and waste reduction measures by SMEs but had no significant impact on the participating firms' sales. The project proposed to develop and pilot the Future Center Trust's Green Business Barbados certification program with 20 SMEs. By the time the project closed, 21 firms had received certification and had implemented energy-saving behavior, including the use of LED lightbulbs, energy-efficient appliances, and renewable energy. The project also trained 513 people in improved "green business skills." The CS results matrix does not set targets for the percentage of renewable energy in the country energy matrix or for the reduction in electricity use. However, the increase in renewable energy and reduction in electricity consumption resulting from these projects is relatively small, given the amount of energy generated and consumed in the country.
- 3.10 The other two loans in the portfolio have not advanced enough to determine their effectiveness. The Public Sector Smart Energy Program (BA-L1025) has disbursed only about 26% of its funds and has not advanced enough to have a meaningful impact on the amount of fossil fuels saved by installing renewable energy and energy-efficient technologies in Government buildings. BA-X1003, which supports BA-L1025, has disbursed only about 5% of its funds. The Deployment of Cleaner Fuels and Renewable Energies in Barbados (BA-L1012) has also disbursed only about 5% of its funds (see Energy Sector Note). This loan is being executed by a statutory agency, the National Petroleum Company, and, therefore, could hire PEU staff without going through the Personnel Administration Department. As a result, it has been adequately staffed from the beginning, avoiding the PEU formation delays that are typical of projects executed by Government ministries.
- 3.11 The two TCs (BA-T1028 and BA-T1034) that co-financed the support of the SEFB Program are delivering their expected outputs. They have delivered all their output targets regarding the smart grid feasibility study and capacity building, institutional strengthening, and public awareness. In support of the SEFB Program it financed: the design of regulatory frameworks, diagnostics and assessments, two project proposals, and a mitigation study. For the smart grid feasibility study, it financed one project proposal. Finally, for the capacity building, institutional strengthening, and public awareness it financed one conference and two institutional strengthening programs.



## 4. Environment

3.12 The strategic objectives of the 2015-2018 CS were similar to those of the previous CS, but they added the role of the private sector as a source of investment in sustainable coastal management. During the previous CS period the Bank approved two operations that were being executed during the present period: Coastal Risk Assessment and Management Program (BA-L1014), and the TC Capacity Building for Ecosystem Services Valuation and ICZM Best Practices Dissemination (BA-T1025) (Table 3.5). The aim of BA-L1014 was to build resilience to coastal hazards through enhanced conservation and management of the coastal zone. Its overall objective was to build capacity in integrated coastal risk management in Barbados, incorporating disaster risk reduction and climate change adaptation in development planning as well as in control and monitoring of the coastal zone. The objective of the TC was to strengthen capacity for risk-based ICZM, with the specific objectives of (i) enhancing the capacity of the CZMU in coastal planning using an innovative spatial analysis tool for mapping and valuing ecosystem services; and (ii) documenting and disseminating best practices and lessons learned. The TC supports the implementation of Components 2 and 3 of the loan by integrating the analysis of ecosystem services into coral reef restoration, information updates to the ICZM plan, and the amendment of the CZM act.

**Table 3.5. Environment portfolio under review**

Expected outcomes of the CS		<ol style="list-style-type: none"> <li>1. Improved understanding of the value of coastal and marine ecosystems in coastal protection and other economic uses.</li> <li>2. Coastal protection infrastructure expanded, and essential ecosystem services maintained.</li> <li>3. Coastal resilience mainstreamed in sector policies and in plans of strategic partners and community programs.</li> <li>4. Enhanced private sector tourism investment in sustainable coastal management.</li> </ol>			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-L1014	Coastal Risk Assessment and Management Program	2010	30,000,000	30,000,000	67
BA-T1025	Capacity Building Ecosystem Services Valuation ICZM Best Practice Dissemination	2013	600,000	469,661	100

Source: IDB Warehouse and Barbados Country Strategy 2015-2018 (GN-2812).

3.13 It is too early to assess progress toward the CS goals. Although the investment loan project (approved in December 2010) has disbursed 67% of its original budget, there is some evidence of



progress in the delivery of project outputs. However, there is no evidence of progress toward the stated CS objectives. The IDB has already granted a cumulative extension of 36 months for its execution. The expected disbursement expiration date is February 2019. The implementation delays happened because of a combination of inadequate legal and institutional framework, misunderstanding of the critical steps in the implementation of the project, and an overly complex design. Many agencies are involved in the execution of the project (the Ministry of Environment and Water Resources and Drainage, the Department of Emergency Management, and the Ministry of Tourism)—a complex inter-ministerial coordination that has led to slow decision-making. Although a Steering Committee was established to facilitate the coordination among the agencies, interviewees indicated that the Committee’s functioning has been slow and cumbersome. Some activities were cancelled because of unforeseen circumstances,<sup>54</sup> and one of the components (the institutional sustainability for the integrated coastal risk management component) has been restructured.<sup>55</sup> These changes might affect project effectiveness. Besides, one of the project objectives to be measured by the ICZM Risk Management Index will most likely not be met because project activities address risk management of only some of the four public policy areas the index measures. Nevertheless, the project is helping to produce more and better data for the CZMU. The Bank, because of execution delays, has granted a 24-month extension for the execution of the TC, and both the GOB and the Bank have criticized the quality of the consultancy.

## B. Areas of dialogue

### 1. Private sector, finance, and trade

3.14 The CS recognized that Barbados would benefit from increased private investment and thus included this as a dialogue area. Special mention was made of promoting investments in areas that provide foreign exchange earnings and reduce levels of dollar-based imports. Engagement with the private sector was to be promoted by (i) building on MIF and IIC operations tailored to SMEs; (ii) adapting available instruments to local private

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54 The Tent Bay project was removed from the program due to the results from the feasibility and sustainability studies, which revealed potential increases in the scope and associated costs. As a result, the CZMU recommended the removal of the project from the program. Likewise, the St. Lawrence Gap coastline improvement project was canceled, as the initial condition of the area was in poorer than initially assessed.

55 The restructuring of the component involved the separation of the institutional sustainability and quality assurance and control activities into separate work packages to be executed by individual consultants, and the cancellation of some quality assurance and quality control activities because there will be no time to complete them.

sector needs; (iii) sensitizing private sector stakeholders, such as business support organizations and financial institutions; and (iv) developing programs to increase the capacity of private sector organizations and enable them to access additional credit. Because of the cross-cutting nature of private sector operations, private sector objectives were built into the other four priority sectors of the CS, and thus were elaborated in more detail in the preceding paragraphs.

3.15 The Bank and MIF approved eight operations and benefited from several Compete Caribbean (CC) operations; IDB invest did not have any operations in Barbados. By far the largest operations were the Barbados Competitiveness Program (BA-L1007, \$10 million) and the Enhanced Access to Credit project (BA-L1034, \$35 million), with the associated TC (BA-T1032) to support the capacity and systems of the CBB (Table 3.6).

**Table 3.6. Private sector, finance, and trade portfolio under review**

Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-L1007	Barbados Competitiveness Program	2009	10,000,000	8,561,708	100
BA-L1034	Enhanced Access to Credit for Productivity Project	2014	35,000,000	35,000,000	43
BA-M1012	Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain	2014	416,621	382,020	88
BA-T1032	Strengthening the Institutional Capacity of the Central Bank of Barbados	2015	240,000	240,000	79
BA-M1014	Public-private Partnership to Preserve Coral Reefs	2015	818,550	818,550	32
BA-T1049	Exchange for the Strengthening of the Caribbean Banking System	2016	5,872	5,872	100
BA-T1046	Study Tour to Uruguay by Officials of the Government of Barbados	2016	20,000	19,922	100
BA-L1047	Catalyzing Regional Innovation & Diaspora Investment in the Startup Ecosystem	2016	576,750	576,750	38
BA-T1050	Barbados Business Facilitation	2017	170,000	170,000	7

Source: IDB Warehouse.

3.16 The Barbados Competitiveness Program (BA-L1007) delivered most outputs but they are not being fully utilized. The project was approved before the current strategy and, after many implementation delays, and it has disbursed 86. As pointed by OVE's last CPE, this program was overly ambitious and complex for a \$10 million project and the required inter-agency

collaboration did not work properly in the absence of an effective coordination mechanism. This led to both execution delays and underutilization of the project outputs: (i) The tax model that was supposed to improve decision-making on taxes was developed, but not used; (ii) the Electronic Single Window (an online system to simplify cross-border trading) was developed, but while private sector companies were eager to see it implemented, it was not used because of inter-agency disputes; (iii) the study for a Cargo Examination Facility was completed, but it is unclear whether the projected construction will be carried out; (iv) the methodology for public-private partnerships has been developed, but not implemented; and (v) the National Competitiveness Strategy and an action plan were developed, but not implemented. The Commission on Competitiveness was redesigned, and it is in operation. To help project implementation, the Bank approved Barbados Business Facilitation TC (BA-T1050), but, to date the TC has disbursed 7%, and it is too early to know whether it will be sufficient to improve implementation.

- 3.17 The Enhanced Access to Productivity (BA-L1034) project and complementary TC (BA-T1032) are implementing well and some results are being observed. The project aimed to address SMEs' lack of collateral as one of the main challenges affecting their access to finance,<sup>56</sup> and it created a guarantee fund administered by the CBB. As a statutory agency, the CBB could quickly put in place an institutional strengthening component (including an online system to administer the guarantees), which significantly sped up the processing. To date, 44 guarantees for \$13.4 million, out of a total fund of \$35 million (half financed by IDB, half through co-financing by China) have been issued, and 30 SMEs have been reached with average guarantees of about \$300,000. The project's narrow scope has been key to its success; however, there are other bigger access-to-finance issues that need to be remedied to observe greater results.<sup>57</sup>
- 3.18 Two smaller TC projects served to demonstrate the Bank's ability to offer more than just financing, but they were – by design – limited in scope. A tiny TC (BA-T1049) introduced Barbadian officials to the experience of their Mexican and regional counterparts in implementing FATF requirements on anti-money laundering. Another small TC (BA-T1046) financed a study tour of

56 The project also addressed a weakness of past guarantee schemes—they were perceived as cumbersome, and once the guarantee was called, payments were considered too unreliable and untimely.

57 As described in Section I, the macroeconomic and fiscal situation and political uncertainty have increasingly constrained access to, and demand for, finance in Barbados. In addition, the absence of some key legal, regulatory, and institutional components – such as not having a credit registry or allowing for mobile collateral and having a registry for such collateral—is hampering access to finance.

Barbadian officials to review Uruguay’s experience in promoting outsourcing, which resulted in specific recommendations by the participants on how Barbados could learn from that experience, but follow-up has been very limited. These TCs positioned IDB as an institution that can offer “more than money” and showcased its operations in other countries, and they were appreciated.

3.19 The three MIF projects, while interesting and relevant, could be better integrated into the overall IDB program to scale up their impact. The MIF project linking SMEs to hotel value chains (BA-M1012) aimed to increase hotels’ purchase of local produce, working with anchor hotels and farmers. It has the potential to make a significant impact in areas essential for Barbados’ development (e.g., contributing to growth, productivity, and foreign exchange savings), and it has made good progress (e.g., established priority vegetables and quality standards for them); but it has not obtained the expected results because one of the key components (a warehouse and packaging facility) has not been completed for lack of private investors.<sup>58</sup> While MIF tried to obtain support from other parts of the IDBG, the project remained self-standing. The Catalyzing Regional Investment and Diaspora Investment (BA-T1047) aims to promote entrepreneurship in Barbados. The main component is a hybrid accelerator program. Ten entrepreneurs participated in the first round, and so far, one has obtained funding and a second one was in funding negotiations. In addition, the program helps a larger number of potential entrepreneurs through a walk-in program. It is too early to judge the full effectiveness of the program, but while providing early-stage financing complements other IDBG activities to enhance access to finance, the project did not seem to be fully integrated into a coherent and comprehensive overall IDBG program. The Public-Private Partnership to Preserve Coral Reefs project (BA-M1014) suffered from technological difficulties: the envisaged technology (growing corals in the lab and then transplanting them in the sea) was not sufficiently productive and was too costly. The project management team and MIF acted quickly to focus resources instead mainly on the public awareness component and on building an alliance named CORALL. While the activity is clearly aligned with the IDBG goals on coastal zone management and there are some linkages to the CZMU, the project did not seem to be fully integrated into the broader IDBG program.

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<sup>58</sup> Although, after the first setback, the project could attract the Barbados Agricultural Development and Marketing Corporation to partially fill the gap, the corporation was hampered by lack of funds.

3.20 “Compete Caribbean” (CC) has helped to close important knowledge gaps and to position the IDBG well in the Caribbean; it has also contributed to good relations with donors, who acknowledge strong program management.<sup>59</sup> A full evaluation of CC and CC-II (“Compete Caribbean II”) is beyond the scope of this evaluation, but, for this CPE, OVE reviewed the final evaluation of the first phase of CC by an external consulting firm (Technopolis 2016) as well as various program outputs and management documents. (See Annex I, Table I.4, for the CC portfolio). CC and the Bank sponsored a repeat of the enterprise surveys in 2013/2014, in the form of “PROTEqIN” (productivity, technology, and innovation) firm-level surveys, using a panel very similar to that in the original enterprise surveys. These data were used extensively in IDB publications, such as Private Sector Assessment Reports in 14 countries in the Caribbean,<sup>60</sup> in a regional overview (Economist Intelligence Unit 2015), and in an IDB publication pulling together the information (IDB 2016).<sup>61</sup> One very visible component of the first phase of CC was the national Caribbean Growth Forums, intended to help prioritize private sector issues in different countries. The external evaluation judged the forums as instrumental in collecting the countries’ needs and contributing to donor coordination. According to interviews conducted for the final evaluation, a substantial majority (65%-80%) of survey respondents broadly thought that CC had contributed to improved business environments for the private sector, increased consensus on priority issues, strengthened institutions, contributed to better information and more focused private sector programs, and helped to establish public-private

59 The CC program was initially approved in May 2010 (RG-X1044). By November 2015, all resources (\$34.9 million) were approved, and in March 2016 Bank Management proposed the establishment of a CC Partnership Facility (CC-II), a multi-donor trust fund for an additional \$34.9 million, again with the participation of the United Kingdom, Canada, and the Caribbean Development Bank. The original CC had three project components: (i) achieving an increased regional and national consensus and focus on strategic and priority interventions promoting private sector development (PSD), particularly through knowledge generation and information sharing; (ii) improving the enabling environment for business development, trade, and integration, particularly by supporting legislative and policy reforms, strengthening PSD-promoting institutions, and increased public-private sector dialogue on competitiveness; and (iii) enhancing the capacity of clusters and firms to increase productivity and to compete sustainably, by giving access to funds and technical assistance to existing and new clusters and innovative projects. CC-II has a similar focus, with two program pillars: (i) enhancing productivity and innovation in private sector firms; and (ii) enhancing the business and innovation climate. CC-II focuses relatively more on working through intermediaries rather than directly supporting individual firms.

60 [Private Sector Assessment Reports](#) were produced for Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

61 Nevertheless, the decision to delink from the Enterprise Surveys, while allowing more flexibility and better analysis of productivity and innovation, also had some negative consequences: (i) the dataset is very difficult for researchers and decision-makers to access and use; (ii) it has been mainly used by IDB, and less by external parties; and (iii) the lack of accessibility and comparability with the Enterprise Surveys has excluded the Caribbean from some global publications.

dialogue mechanisms. The project had also contributed to a significant number of legislative changes to improve the private sector environment.

## 2. Social development

**Table 3.7. Social development sector portfolio under review**

Expected outcomes of the CS 2009-2013:		1. Strengthened sector wide strategic planning and data collection capacity. 2. Improved relevance and delivery of technical and vocational education and training programs. 3. Secondary school leavers are better prepared to enter work through the integration of life-skills training. 4. Improved student academic performance in core subjects.			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-T1018	Training for the Future	2011	640,000	627,898	100
BA-L1016	Skills for the Future	2012	20,000,000	20,000,000	73
BA-L1032	Strengthening Human and Social Development in Barbados	2015	10,000,000	10,000,000	10
BA-T1038	Building Capacity for Public Policy Enhancement in Social & Labor Intermediation	2015	260,000	259,903	100
BA-X1004	Support for the Skills of the Future Program	2015	598,848	598,848	88

Source: IDB Warehouse and Barbados Country Strategy 2009-2013 (GN-2539).

3.21 The social development sector was not a priority area in the 2015-2018 CS, but the operations approved during the period responded to the main challenges identified in the dialogue note. Social protection and labor markets are dialogue areas in the 2015-2018 CS, so no outcomes were defined. Because of increasing poverty and unemployment during the period, the Bank approved the Strengthening Human and Social Development in Barbados investment loan (BA-L1032) and the complementary Building Capacity for Public Policy Enhancement in Social and Labor Intermediation TC (BA-T1038) (Table 3.7). The aim of the investment loan is to help reduce the extreme poverty and high unemployment rates in Barbados by means of improving school enrollment (especially among the poor) and enhancing employability and unemployment services. The TC provides inputs for the execution of the project. This TC has been instrumental for the development of a targeting tool and the design of the operational manual of the program. The BA-L1016 investment loan (approved in 2011) aimed to facilitate the school-to-work transition and improve the level of success among youth through apprenticeships in Barbados through support for an employer-driven training system, improving the quality



and relevance of secondary and post-secondary education, and institutional strengthening. The 2015 BA-X1004 TC complemented the loan activities planned to improve the quality and relevance of secondary and post-secondary education. Specifically, this TC supported the teaching of core and life skills through the “A Ganar” sports-for-development program supported by the loan.<sup>62</sup>

3.22 It is too early to assess results. The Skills for the Future program (approved in 2011) has disbursed 73% of resources and it has shown positive progress towards the program objectives (See Social Sector Note). However, there is no evidence of progress towards the CS objectives. The 2015 Strengthening Human and Social Development loan has disbursed only 10% and is facing implementation challenges mainly due to inter-agency coordination, communication and procurement challenges. To address these issues, the Project Operations Manual underwent significant revision; particularly as it related to inter-agency process flows and reporting. Some of the project objectives are overly ambitious for the scope of the program (i.e., reduction of the extreme poverty and unemployment rate) and seemingly unrelated to project activities (e.g., upward or downward movements in these rates could happen independently of the Bank’s intervention).

## C. Inherited portfolio and other sectors

### 1. Water and sanitation

3.23 The 2009-2013 CS sought to support the Government’s goal of more efficient water supply and resource management. The CS proposed that Bank interventions in water and sanitation would focus on (i) improving the operational efficiency and financial sustainability of the Barbados Water Authority (BWA) (through, e.g., establishing improved operational procedures and mechanisms for revenue generation and reduction of commercial losses); (ii) supporting BWA’s infrastructure program for reducing production costs and physical losses; and (iii) preparation of a comprehensive wastewater treatment action plan (covering, among other things, options for wastewater reuse,

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62 The program is designed for youth 16-24 years of age, with the goal of improving employability. The program employs an innovative methodology that teaches life skills through a combination of the use of sports, market-driven technical and vocational training and internships. The program has four phases: phase 1: teaching of core skills to be learned from sports and transferred to the workplace, phase 2: market-driven training, phase 3: internship/mentorship/apprenticeship for 80 hours, phase 4: monitoring of students for up to one year. This program in Barbados is supported by the MIF and co-financed by USAID.

feasibility studies for a new treatment facility, and tariff-setting mechanisms) and a financing plan for priority investments in wastewater treatment.

3.24 To support this priority sector, the Bank approved one operation in 2009, consistent with the expected outcomes listed in the CS 2009-2013. The Water and Sanitation Systems Upgrade (BA-L1015) sought to improve water resources management and sustainable water and wastewater service provision by the BWA (Table 3.8).<sup>63</sup> Specifically, it sought to support the GOB's efforts to modernize the institutional setting of the water and sanitation sector and improve the efficiency of the BWA. The operation consisted of three components: (i) support the reorganization and modernization of BWA by financing the preparation of a long-term business plan, integration of IT systems, installation of the Customer Information System, and the preparation of a public awareness campaign/stakeholder management; (ii) support the rehabilitation of potable water supply by financing the reduction of unaccounted-for water<sup>64</sup> (through meter installation and mains replacement, upgrade of potable water facilities, installation of management information systems, and equipment upgrades and energy-efficient alternatives); and (iii) support a wastewater treatment action plan and upgrades by financing a wastewater reuse master plan, an environmental impact assessment of wastewater reuse for aquifer recharge, a study of the viability of wastewater reuse in the context of tariff setting and subsidies, the South Coast Sewerage System improvement program, and the purchase of equipment.

**Table 3.8. Water and sanitation portfolio under review**

Expected outcomes of the CS 2009-2013:		1. Improved operational efficiency and financial viability of BWA. 2. Reduced unaccounted-for water. 3. BWA has technical/financial plans in place to start major investments in wastewater treatment.			
Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-L1015	Water and Sanitation Systems Upgrade	2009	50,000,000	43,200,000	100

Source: IDB Warehouse and Barbados Country Strategy 2009-2013 (GN-2539).

63 In 1998 the Bank had approved a Solid Waste Management Program (BA-0025) that sought to develop a modern waste management system to protect the environment and improve public health. However, no funds were ever disbursed, and the loan was cancelled.

64 Unaccounted-for water represents the difference between “net production” (the volume of water delivered into a network) and “consumption” (the volume of water that can be accounted for by legitimate consumption, whether metered or not).



3.25 Half of the expected outcomes were met, but two of them cannot be attributed to the operation. Perhaps the most important result was the reduction of non-revenue water<sup>65</sup> to 40%, exceeding the original target (Annex IV, Table IV.1).<sup>66</sup> The achievement of the outcome targets for number of employees per 1000 connections and the earnings before interest, taxes, depreciation, and amortization as a percentage of total operating revenues cannot be attributed to the project, since these outcomes could have been affected by other factors related to the business environment facing BWA. The failure to meet some output targets related to rehabilitation of the potable water supply system and the wastewater treatment action plan and upgrades resulted in not meeting the associated outcome targets.<sup>67</sup> The project also failed to develop the strategic plan for managing Barbados' water resources and to identify sources for financing the wastewater treatment action plan (which was removed as an outcome). According to the Project Completion Report, the strategic plan is to be financed outside of the IDB loan.

## 2. Public sector

**Table 3.9. Public sector portfolio under review**

Operation number	Operation name	Approval year	Amount (\$)		% disbursed
			Approved	Current	
BA-T1021	Support for Fiscal Consolidation	2012	300,000	300,000	100
BA-T1043	Learning about the Use of Administrative Registries for Statistical Purposes	2016	19,900	16,219	100

Source: IDB Warehouse.

3.26 The public-sector portfolio also obtained mixed results. The fiscal situation was one of the major challenges during the period. However, while GOB coordinated to some degree with the IMF and CARTAC no reforms were done to address this issue in any substantial manner. Nevertheless, during the period, the Bank implemented a TC, approved during the previous CS (BA-T1021), to analyze the level of tax expenditures in the country (Table 3.9). The study (IDB 2013b) developed several scenarios and calculated the tax expenditure for each of these scenarios,

65 Non-revenue water is water that has been produced and is "lost" before it reaches the customer. Losses can be real losses (through leaks, sometimes also referred to as physical losses) or apparent losses (for example through theft or metering inaccuracies). Includes water that is accounted for but no revenue is collected.

66 OVE could not find the baseline, but all people interviewed agreed that non-revenue water was higher than the 47% original target.

67 The Bank declared "misprocurement" in the purchase of 98,800 water meters, which led to the cancellation of the \$6.8 million budgeted for the meters in May 2013. Also, increased costs of some infrastructure hindered the project's ability to meet output targets related to rehabilitation of potable water, which was the largest component.

showing that, overall, reducing tax expenditures could yield higher GDP growth, lower unemployment, higher Government revenue, lower debt/GDP, a lower poverty rate, higher equality, and more economic diversification, but also higher inflation (paragraph [1.8](#)). There has been no GOB follow-up on the issue of tax expenditures, and they have increased since the preparation of the study. Recent developments (paragraphs [1.17](#) and [2.4](#)) have opened the possibility for the Bank to support GOB in addressing fiscal challenges. The Bank also approved a small TC (BA-T1043) to finance a study tour of Barbadian officials to Ecuador to review that country's experience in using administrative records for statistical purposes (Table 3.9). The TC was highly appreciated by Barbadian officials, demonstrating the Bank's ability to offer more than just financing, and communication channels between the two governments have been opened. There is no evidence that Government officials are using the lessons learnt.





# 04

## Conclusions and Recommendations

- 4.1 The country is facing an acute fiscal situation that needs to be addressed, and that may define the role the Bank will play during the next CS period. The macroeconomic situation has reached a critical point, and the Government of Barbados has announced the urgent call to the IMF for support on an economic policy reform program. This would require durable expenditure reforms (including for state-owned enterprises and the National Insurance Scheme), improved tax policy and administration, and the promotion of competitiveness, innovation, and emerging sectors, including alternative energy. During the evaluation period, GOB coordinated to some degree with the IMF and CARTAC, but no reforms were done to address fiscal challenges in any substantial manner. The current fiscal situation opens the door for the Bank to accompany GOB and the IMF in their efforts to address fiscal concerns and carry out the reforms needed to address key development challenges in a more comprehensive way (including mitigating the potential impact of fiscal consolidation on social spending). Recently, the GOB has discussed with the Bank the possibility of obtaining budgetary support through different Bank instruments, such as the new Special Development Lending, PBLs, investment loans, and TC, and/or by streamlining and reassigning the underperforming portfolio.
- 4.2 Although there are signs of improvement, implementation delays have continued to occur despite compliance with the Action Plan and incorporation of lessons from other operations, because of the nature of Barbados' bureaucratic procedures. Greater improvements in project implementation would require more profound and systematic institutional reforms. Although Barbados public institutions are solid for regional standards, OVE found that approximately half of the projects continue to be affected by issues of interagency coordination, procurement and red tape, institutional capacity of the PEUs and legal and institutional framework deficiencies. Although some marginal improvements could be achieved by improving and making more flexible staffing rules for PEU's in non-statutory agencies, Bank's ad hoc institutional strengthening initiatives will continue to have a limited effect on project implementation. Understanding and addressing the factors underlying the weak legal and institutional framework of the country is necessary to improve project implementation and advance key sectoral reforms. OVE unearthed a similar finding in the Bahamas 2010-2017 CPE. The Bank could also adjust project implementation periods to country realities.
- 4.3 The IDBG will have to improve internal coordination and planification of its interventions to help address the factors that limit private sector growth. Although IDBG has enhanced its participation in the sector in a relevant manner, existing

challenges limit private sector investments, which, given fiscal constraints, are even more necessary to finance key investment needs. Significant uncertainty, the difficult fiscal situation and country credit rating, and, for the critical tourism sector, by the urgent sanitation problems affect the willingness of the private sector to invest. Besides, the business climate (with significant weaknesses due to high levels of government bureaucracy, red tape and a slow court system) has deteriorated significantly and is among the few areas that are amenable to substantial improvement without additional fiscal burden. These challenges limit private sector investment and affect IDBG's ability to meaningfully contribute to the sector.

#### 4.4 Considering this, OVE recommends the following:

1. Explore with the country's new administration the possibility of supporting the fiscal consolidation process in the following ways:
  - a. If there is credible reform commitment, provide technical assistance, funding, and support for reforms through different Bank instruments such as Special Lending Programs or policy development lending. Ideally, this support would be in the context of an IMF program, advancing structural reforms in sectors that directly affect the key development challenges identified in this document, taking into consideration GOB's preferences. The cancellation of existing and underperforming operations and the use of these resources to finance new operations could be considered.
  - b. In the absence of a credible reform commitment, support fiscal consolidation efforts with investment lending and by streamlining and, if necessary, reassigning the underperforming portfolio.
  - c. Provide technical cooperation to support any potential diagnostic and action plan to reform tax policy and administration in a comprehensive way, including an updated and contextualized study on tax expenditures.
2. Explore with the country's new administration the possibility of:
  - a. Undertaking a profound analysis of the factors underlying the country's weak legal and institutional framework and preparing an action plan to address institutional bottlenecks and reduce the costs of doing business

for the public and private sectors. The analysis could include a study on the economic costs of the Barbados bureaucracy and legal system.

- b. Creating PEUs with regulations like those of statutory agencies to accelerate their creation and facilitate their strengthening with external consultants.
  - c. Adjusting project implementation periods to country realities.
3. Include in the CS a clear and monitorable strategy on how the IDBG institutions will work together to address constraints to private sector investment (e.g., fiscal, sanitation, regulatory framework, business environment, and energy) and reduce red tape issues, including completing the unfinished agenda under the Barbados Competitiveness Program.

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# Annex I

## Portfolio under review

**Table I.1. Loan and investment grant portfolio under review**

Period	Operation number	Operation number	Approval date	Current status	Current approved amount (\$)	% disbursed
CS 2015-2018	BA-L1033	National Tourism Program	10/25/2017	Active	20,000,000	0
	BA-L1012	Deployment of Cleaner Fuels and Renewable Energies in Barbados	12/07/2016	Active	34,000,000	5
	BA-L1032	Strengthening Human and Social Development in Barbados	09/21/2015	Active	10,000,000	10
	BA-L1035	Road Rehabilitation and Improving Connectivity of Road Infrastructure	11/18/2015	Active	25,000,000	0
<b>2015-2018 approved portfolio</b>			<b>4 operations</b>	<b>4 actives</b>	<b>89,000,000</b>	<b>4</b>
Transition year	BA-L1034	Enhanced Access to Credit for Productivity Project	12/15/2014	Active	35,000,000	43
Inherited from CS 2009-2013	BA-L1016	Skills for the Future	06/21/2012	Active	20,000,000	73
	BA-L1025	Public Sector Smart Energy Program	06/25/2012	Active	17,000,000	26
	BA-L1014	Coastal Risk Assessment and Management Program	12/08/2010	Active	30,000,000	67
	BA-X1001	Support to the Sustainable Energy Framework for Barbados	03/10/2010	Completed	1,000,000	100
	BA-L1020	Sustainable Energy Investment Program	12/10/2010	Completed	10,000,000	100
	BA-L1007	Barbados Competitiveness Program	12/15/2009	Completed	8,561,708	100
	BA-L1015	Water and Sanitation Systems Upgrade	12/02/2009	Completed	43,200,000	100
	BA-L1004	Modernization of the Barbados National Procurement System	12/15/2008	Completed	2,541,364	100
<b>Inherited portfolio</b>			<b>9 operations</b>	<b>4 actives</b>	<b>167,303,072</b>	<b>79</b>
<b>Total loan portfolio 2009-2018</b>			<b>13 operations</b>	<b>8 actives</b>	<b>256,303,072*</b>	<b>56</b>

\* Reflects current approved amounts (not original amounts)  
Source: OVEDA.

**Table I.2. Technical cooperations under revision**

Period	Operation number	Operation number	Approval date	Current situation	Current approved amount (\$)	% disbursed	Prórroga (meses)	Link to loan
CS 2015-2018	BA-TT028	Continuation of Support (SEFB) and Development of New Technologies: SG & RE	05/01/2015	Active	650,000	95	19	BA-L1020 BA-L1025
	BA-TT032	Strengthening the Institutional Capacity of the Central Bank of Barbados	04/07/2015	Active	240,000	79	-	BA-L1034
	BA-TT034	Continuation of Support for SEFB and Development of New Technologies: SG & RE	05/01/2015	Active	300,000	83	24	BA-L1020 BA-L1025
	BA-TT038	Building capacity for public policy enhancement in Social & Labor Intermediation	07/17/2015	Completed	259,903	100	-	BA-L1032
	BA-TT004	Support for the Skills of the Future Program	06/15/2015	Active	598,848	88	12	
	BA-TT043	Learning about the use of Administrative Registries for Statistical Purposes	08/19/2016	Completed	16,219	100	-	
	BA-TT046	Study Tour to Uruguay by Officials of the Government of Barbados	08/30/2016	Completed	19,923	100	-	
	BA-TT049	Exchange for the Strengthening of the Caribbean Banking System	12/07/2016	Completed	5,872	100	-	
	BA-TT050	Barbados Business Facilitation	11/20/2017	Active	170,000	7	-	
	BA-TT052	Agribusiness Knowledge Exchange Program	10/26/2017	Completed	5,373	100	-	
<b>2015-2018 approved portfolio</b>			<b>10 operations</b>	<b>5 actives</b>	<b>2,266,138</b>	<b>85</b>		
Transition year	BA-TT030	Implementation of the ESCI in the City of Bridgetown, Barbados	07/21/2014	Active	100,000	71	12	
	BA-TT031	Implementation of the ESCI in the City of Bridgetown, Barbados	07/21/2014	Active	900,000	74	12	
	BA-TT033	Support to the Preparation of National Tourism Program BA-L1033	10/28/2014	Completed	412,533	100	20	BA-L1033
	BA-TT035	Study Tour to Brazil and Chile, Part 2: Tourism Development	11/25/2014	Completed	10,007	100	-	
	BA-TT036	Study Tour to Brazil and Chile, Part 1: Tourism Development	11/25/2014	Completed	11,700	100	-	
	BA-TT013	Strengthening of the Service Delivery Capacity of the Ministry of Agriculture	12/09/2010	Completed	302,006	100	16	
Inherited from CS 2009-2013	BA-TT018	Training for the Future	11/17/2011	Completed	627,898	100	24	
	BA-TT021	Support for Fiscal Consolidation	06/29/2012	Completed	300,000	100	8	BA-L1026 BA-L1029
	BA-X1003	Support for the Public Sector Smart Energy Program	06/25/2013	Active	5,810,000	5	-	
	BA-TT025	Capacity Building Ecosystem Services Valuation ICZM Best Practice Dissemination	07/29/2013	Completed	469,661	100	24	BA-L1014
<b>Inherited TC portfolio</b>			<b>10 operations</b>	<b>3 actives</b>	<b>8,943,805</b>	<b>85</b>		

\* Reflects current approved amounts (not original amounts)  
Source: OVEDA.

**Table I.3. MIF operations under revision**

Period	Operation number	Operation name	Approval date	Current operation status	Current approved amount (\$)	% disbursed	Extension (months)
Approved MIF operations 2014-2018	BA-M1014	Public-private Partnership to Preserve Coral Reefs	12/09/2015	Active	818,550	32	-
	BA-T1047	Catalyzing Regional Innovation & Diaspora Investment in the Startup Ecosystem	10/20/2016	Active	576,750	38	-
<b>2015-2018 approved portfolio</b>			<b>2 operations</b>	<b>2 actives</b>	<b>1,95,300</b>	<b>35</b>	
Transition year	BA-M1012	Linking MSEs to Anchor Companies in the Barbados Hotel Value Chain	11/13/2014	Active	382,020	88	-
Active MIF operations as of Dec. 31, 2017	BA-M1008	Green Business Barbados	08/31/2012	Completed	145,817	100	6
	BA-M1009	Integrating Small farmers and the Cruise Ship Value Chain in Barbados	08/13/2013	Completed	142,452	100	12
<b>Inherited portfolio</b>			<b>3 operations</b>	<b>1 active</b>	<b>288,289</b>	<b>100</b>	
<b>Total MIF portfolio 2015-2018</b>			<b>5 operations</b>	<b>3 active</b>	<b>1,683,569*</b>	<b>68</b>	

\* Reflects current approved amounts (not original amounts)

Source: OVEDA.

**Table I.4. Compete Caribbean operations**

Number	Name	Team leader	Country	Project amount (\$)
<b>Component I</b> Completed				
BA-CCI032	Assessing the Development of the Private Sector in Barbados (PSAR)	Tara Lisa Persaud	Barbados	50,000
BA-CCI042	Donor Coordination for Private Sector Development in Barbados	Tara Lisa Persaud	Barbados	15,000
RG-CCI001	Deepening Private Sector Development in the Caribbean	Tara Lisa Persaud	Regional	30,000
RG-CCI003	Productive Development Policies in the Caribbean	Cherran O'Brian	Regional	145,000
RG-CCI004	Identifying Sustainable Agricultural Initiatives in the Caribbean	Alejandro Escobar	Regional	70,000
RG-CCI005	Regional Study on Regulations for the Microfinance Sector in the Caribbean	Tara Lisa Persaud	Regional	70,000
RG-CCI006	Best Practices to Improve Inter-American Private Sector Competitiveness- Innovation In Services	Tara Lisa Persaud	Regional	74,800
RG-CCI014	Analyzing Opportunities for Increasing Trade and Investment between Latin America and the Caribbean	Tara Lisa Persaud	Regional	35,000
RG-CCI015	Supply and Demand Side Assessment of impact Investment within the Caribbean	Tara Lisa Persaud	Regional	75,000
RG-CCI017	Best Practices to improve Inter-American Private Sector Competitiveness- Trade Facilitation	Tara Lisa Persaud	Regional	45,000
RG-CCI018	Best Practices to improve Inter-American Private Sector Competitiveness- Renewable Energy	Tara Lisa Persaud	Regional	45,000
RG-CCI019	Best Practices to improve Inter-American Private Sector Competitiveness-Business Climate and Entrepreneurship	Tara Lisa Persaud	Regional	51,000
RG-CCI022	Donor Coordination on Private Sector Development in the Caribbean	Tara Lisa Persaud	Regional	15,000
RG-CCI053	Private Sector Promotion through Value Chain and Cluster Strengthening in CARIFORUM	Agustina Calatayud	Regional	70,000
RG-CCI054	Technological Innovation for the Competitiveness of the Tourism Sector	Rafael Anta	Regional	50,000
RG-CCI055	Productivity, Innovation, Finance and Gender Issues in Enterprises of the OECS	Inder Ruprah	Regional	300,000
RG-CCI056	Diasporic Entrepreneurship in the Caribbean	Claudia Stevenson	Regional	57,000
RG-CCI057	Building Caribbean Communities of Practice for Private Sector Development and Growth	Tara Lisa Persaud	Regional	75,000
RG-CCI058	Energy and Private Sector Development in the Caribbean - Opportunities and Challenges	Ramón Juan Espinasa	Regional	75,000
RG-CCI059	The Human Imagination, Innovation and Competitiveness	Juan Carlos Navarro	Regional	75,000
RG-CCI062	Broadband Diagnosis and Infrastructure Maps in the OECS	Antonio García Zeballos	Regional	150,000
RG-CCI063	Assessing the Development of the Private Sector: A Regional Comparison	Sylvia Donhert	Regional	189,000
RG-CCI065	The Competitiveness of Large Regional Firms in the Caribbean -Drivers of Growth and Opportunities for Expansion (I)	Susan Olsen	Regional	53,569
RG-CCI066	Cutting Edge Research on Productivity, Technology and Innovation	Sylvia Donhert	Regional	75,000
RG-T1767	Private Sector Development Strategies for the Eastern Caribbean States	Claudia Stevenson	Regional	250,000
RG-X1074	Diagnostic to Support Private Sector Development and Competitiveness (Ent Surveys)	Inder Ruprah	Regional	758,344
RG-X1075	Skills Development for Global Competitiveness (CCFC)	Carlo Pietrobelli	Regional	758,344
Cancelled				

RG-CC1026	Large Regional Firms in the Caribbean - Drivers of Growth and Opportunities for Expansion into New Markets	Susan Olsen	Regional	74,700
RG-CC1065	The Competitiveness of Large Regional Firms in the Caribbean - Drivers of Growth and Opportunities for Expansion (II)	Susan Olsen	Regional	53,569
<b>Component II</b> Completed				
BA-CC2079	Supporting the Implementation of Immigration Reform in Barbados	Mario Umana	Barbados	110,000
RG-CC2002	Roundtable on Private-Public Dialogue in the Caribbean	Diego Morris	Regional	20,000
RG-CC2019	II Roundtable on Identifying Constraints to Competitiveness in the Caribbean	Diego Morris	Regional	75,000
RG-CC2044	Caribbean Growth Forum (CGF)	Inder Ruprah	Regional	447,750
RG-CC2051	Strengthening the Caribbean's Participation in the VI Americas Competitiveness Forum	Diego Morris	Regional	65,000
RG-CC2052	Facilitating Public-Private Dialogue on Microfinance in the Caribbean	Tara Lisa Persaud	Regional	30,360
RG-CC2059	Strengthening the Caribbean's Participation in the VII Americas Competitiveness Forum	Tara Lisa Persaud	Regional	65,000
RG-CC2060	Framework for the Establishment and Implementation of the Regime for Free Circulation of Goods within the OECS	Mario Umana	Regional	500,000
RG-CC2066	Facility to Support Phase II of the Caribbean Growth Forum	Inder Ruprah	Regional	500,000
RG-CC2072	Harmonized OECS Spectrum Planning and Management	Antonio García Zaballos	Regional	493,000
RG-CC2075	Strengthening the Caribbean's Participation in the VIII Americas Competitiveness Forum	Tara Lisa Persaud	Regional	43,000
RG-CC2080	Impact Evaluation in the Caribbean	Sylvia Dohnert	Regional	75,000
<b>Component III</b> Completed				
GY-CC3061	Establishment of the Pomeroy Export Producers' Association	Celene Cleland-Gómez	Regional	500,000
RG-CC1052	Building Capacity in Cluster Development in the Caribbean	Tara Lisa Persaud	Regional	75,000
Parcialmente cancelado				
BA-CC4028	WINSUN	Celene Cleland-Gómez	Barbados	250,000
RG-CC3056	Caribbean Cluster Initiative for Animation Outsourcing and Intellectual Property Development	Celene Cleland-Gómez	Regional	500,000
<b>Total Barbados operations completed</b>				<b>175,000</b>
<b>Total Barbados operations cancelled/partially cancelled</b>				<b>250,000</b>
<b>Total regional operations completed</b>				<b>6,481,167</b>
<b>Total regional operations cancelled/partially cancelled</b>				<b>628,269</b>
<b>Total</b>				<b>7,534,436</b>

Source: Compete Caribbean.



# Annex II

## Analysis of relevance

**Table II.1. Strategic alignment of CS, program, BGDS, CPD, and development challenges**

IDB Country Strategy 2015-2018							IDB Country Program Document				Country development challenges	
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge
Strategic Objective 1: Competitiveness and Growth	Tourism	Tourism growth and reinvigoration	Increase of tourism receipts	Average expenditure per overnight international visitor	\$955 (2012) (World Tourism Organization)	N/A	BA-T1033: Support to the Preparation of National Tourism Program (2014)	N/A	Studies to support components of National Tourism Program	Completed	Productivity, competitiveness, and business environment	Decreasing productivity and competitiveness
Strategic Objective 1: Competitiveness and Growth	Tourism	Tourism growth and reinvigoration	Increase of tourism receipts	Onshore average expenditure per cruiser	\$60.9 (2012) (Ministry of Tourism)	N/A	BA-L1033: National Tourism Program (2017)	Total expenditure in Barbados by stayover tourists by trip (\$/trip/visitor)	1617 by 2021 (increase by 60)	Too early to assess results	Productivity, competitiveness, and business environment	Decreasing productivity and competitiveness
								Total expenditure in Barbados by cruisers (\$/trip/visitor)	128 by 2021 (increase by 50)	Too early to assess results		
								Total number of stayover tourists (#visitors/year)	591,900 by 2021 (no change)	Too early to assess results		
								Total number of cruisers (#visitors/year)	566,700 by 2021 (no change)	Too early to assess results		
								Incremental expenditure in Barbados by tourists as a result of the project (\$ million / year)	83 by 2021 (increase by 83)	Too early to assess results		

Barbados Growth and Development Strategy 2013-2020 - Goal 1: Return to a sustainable growth rate of 3% while maintaining macroeconomic stability  
 Barbados Growth and Development Strategy 2013-2020 - Goal 2: Facilitate broad-based adjustments and reforms in the economy  
 Tourism Master Plan 2014-2023: Grow the Barbados' visitor economy

IDB Country Strategy 2015-2018										IDB Country Program Document					Country development challenges																
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge																			
Barbados Growth and Development Strategy 2013-2020 - Goal 1: Return to a sustainable growth rate of 3% while maintaining macroeconomic stability Barbados Growth and Development Strategy 2013-2020 - Goal 2: Facilitate broad-based adjustments and reforms in the economy Tourism Master Plan 2014-2023: Grow the Barbados' visitor economy													Strategic Objective 2: Infrastructure modernization		Transportation and logistics	Improving logistics sector	Improved performance of export logistics infrastructure and port logistics services	Average container export cost (\$)	\$810 (2013)	(Doing Business Report, 9 (2013))	(Doing Business Report, 9 (2013))	30 (2013)	(Ministry of Transport and Works)	N/A	BA-T1030/ BA-T1031: Implementation of the ESCI in the City of Bridgetown, Barbados (2015)	N/A	Decrease in the total number of traffic accidents in the road segments re-habilitated by this program	171 by 2019/2020 (increase by 95)	Delays in disbursements prevent advances in results	Productivity, competitiveness, and business environment	N/A
													Improved condition of the roads network	Paved road network in regular or poor condition (according to IRI) (%)	30 (2013)	(Ministry of Transport and Works)	N/A	BA-T1030/ BA-T1031: Implementation of the ESCI in the City of Bridgetown, Barbados (2015)	N/A	Decrease in the total number of traffic accidents in the road segments re-habilitated by this program	171 by 2019/2020 (increase by 95)	Delays in disbursements prevent advances in results	Productivity, competitiveness, and business environment	N/A							
													Improved performance of export logistics infrastructure and port logistics services	Average container export cost (\$)	\$810 (2013)	(Doing Business Report, 9 (2013))	(Doing Business Report, 9 (2013))	30 (2013)	(Ministry of Transport and Works)	N/A	Decrease in the total number of traffic accidents in the road segments re-habilitated by this program	171 by 2019/2020 (increase by 95)	Delays in disbursements prevent advances in results	Productivity, competitiveness, and business environment	N/A						
													Improved condition of the roads network	Paved road network in regular or poor condition (according to IRI) (%)	30 (2013)	(Ministry of Transport and Works)	N/A	BA-T1030/ BA-T1031: Implementation of the ESCI in the City of Bridgetown, Barbados (2015)	N/A	Decrease in the total number of traffic accidents in the road segments re-habilitated by this program	171 by 2019/2020 (increase by 95)	Delays in disbursements prevent advances in results	Productivity, competitiveness, and business environment	N/A							

IDB Country Strategy 2015-2018					IDB Country Program Document					Country development challenges		
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge
Barbados Growth and Development Strategy 2013-2020 - Goal 4: Enhance energy and environmental sustainability in the context of the green economy National Strategic Plan for Barbados 2005-2025 - Goal 4: Strengthening physical infrastructure and preserving the environment												
Strategic Objective 3: Reduced dependence on liquid fossil fuels	Energy	Increase the share of renewable energy in the energy matrix and increase energy efficiency	Decrease in electricity tariff	Tariff (net of subsidies) (compared to a 2013 baseline)	\$0.34/kWh (2013, BL&P)	N/A	BA-L1012: Deployment of Cleaner Fuels and Renewables in Barbados (2016)	Total GHG emissions resulting from power generation in Barbados (million tons CO2 equivalent/year)	1.5 by 2021 (reduction of 0.5)	Too early to assess results	Productivity, competitiveness, and business environment	Electricity costs and inadequate regulation.
			Increased percentage of energy from renewable energy in country energy matrix	% share of energy from renewable energy	0.7% RE penetration (2013, BL&P)	N/A						
			Reduction in electricity consumption by customer (for all customer classes)	Annual electricity consumption/customer (kWh-yr / customer)	7,296 kWh (2013, Light and Power Holdings Ltd. Annual Report)	N/A						

IDB Country Strategy 2015-2018							IDB Country Program Document				Country development challenges	
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge
Strategic Objective 4: Building of a green economy	Integrated Coastal Zone Management and Climate Resilience	Strengthen capacity for ecosystem-based IZM and increase coastal resilience	Improved understanding of the value of coastal and marine ecosystems in coastal protection and other economic uses	% increase in development applications reviewed by the CZMU that consider the economic valuation of coastal and marine ecosystems	0 (Coastal Zone Management Unit)	N/A	N/A	N/A	N/A	N/A	Vulnerability to economic and natural shocks	Dependence on fuel and food imports and lack of market diversification make its economy vulnerable, which affects economic growth.  Risks related to natural disasters, coastal erosion, and water scarcity.
			Coastal protection infrastructure expanded and essential ecosystem services maintained	Length of coastline (km) with coastal protection infrastructure that incorporates ecosystem-based systems	0 (Coastal Zone Management Unit)	N/A	N/A	N/A	N/A	N/A		

Barbados Growth and Development Strategy 2013-2020 - Goal 4: Enhance energy and environmental sustainability in the context of the green economy  
National Strategic Plan for Barbados 2005-2025 - Goal 4: Strengthening physical infrastructure and preserving the environment

IDB Country Strategy 2015-2018								IDB Country Program Document				Country development challenges	
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge	
Barbados Growth and Development Strategy 2013-2020 - Goal 2: Facilitate broad-based adjustments and reforms in the economy													
Dialogue Area 1: Public Sector Modernization	N/A	Modernization of data collection and statistical production	N/A	N/A	N/A	N/A	BA-T1043: Learning about the use of Administrative Registers for Statistical Purposes (2016)	N/A	Study trip to Ecuador for trainings on statistical systems.	Completed	N/A	N/A	

IDB Country Strategy 2015-2018					IDB Country Program Document					Country development challenges		
Strategic objectives / dialogue area	Priority sector	Strategic objectives	Expected results	Indicators	Baseline	Target	Interventions	Selected indicators (loans)*	Target (loans)	Results (loans)	Challenge	Subchallenge
Barbados Growth and Development Strategy 2013-2020 - Goal 3: Enhance social and human development												
Dialogue Area 2: Social Protection and Labor Markets	N/A	Strengthen the social safety net, including training and active labor market policies	N/A	N/A	N/A	N/A	BA-L1032: Strengthening Human and Social Development in Barbados (2015)	Reduction of the extreme poverty rate (%)	8.4% by 2021 (reduction of 0.7 pp)	Too early to assess results	Productivity, competitiveness, and business environment	Availability of adequate skills
								Reduction of the unemployment rate (%)	10.6% by 2021 (reduction of 1 pp)			
							BA-T1038: Building Capacity for Public Policy Enhancement in Social & Labor Intermediation (2015)	N/A	Provide support (including institutional strengthening) for the Government to implement BA-L1032.	Advanced	Productivity, competitiveness, and business environment	Availability of adequate skills
							BA-X1004: Support for the Skills of the Future Program (2015)	N/A	Studies to support components of Skills for the Future Program (loan approved in 2012)	Advanced	Productivity, competitiveness, and business environment	Availability of adequate skills

\* For detailed indicators for these operations refer to the Sector Notes.

Notes:

1. Government strategies issued before 2014 are also aligned to many strategic objectives addressed by the Bank over this period. For instance, the National Strategic Plan for Barbados 2005-2025 – Goal 4: Strengthening physical infrastructure and preserving the environment is aligned with strategic objectives nos. 2 and 3, and the Sustainable Energy Framework for Barbados (2010) is aligned with strategic objective no. 3.
2. Some operations from the “inherited” portfolio (i.e., operations approved before 2014 that were active in 2014-2018) also contributed to the outlined strategic objectives and indicators. BA-L1014: Coastal Risk Assessment and Management Program (approved in 2010) contributed to Building of a green economy / Integrated Coastal Zone Management and Climate Resilience priority sector; BA-L1020: Sustainable Energy Investment Program (approved in 2010) and BA-L1025: Public Sector Smart Energy Program (approved in 2012) contributed to Reducing dependence on liquid fossil fuels - Energy priority sector; and BA-L1004: Modernization of the Barbados National Procurement System (approved in 2008) contributed to the Public Sector Modernization dialogue area.
3. BA-L1034: Enhanced Access to Credit for Productivity Project (approved in 2014) is generally aligned with the Government's and the Bank's strategic objectives. While the promotion of private sector investments and SMEs intended by the program is not directly referred to as a strategic objective, the operation would support private sector investments in priority sectors, such as renewable energy and sustainable practices.

Source: OVE analysis.

**Table II.2. Relevance of loan and investment grant portfolio with CS**

Period	Operation number	Operation name	Approval date	Current status	Current approved amount (\$)	% disbursed	Alignment with CS 2015-2018	Alignment with previous CS	Dialogue area
CS 2015-2018	BA-L1033	National Tourism Program	10/25/2017	Approved	20,000,000	0	✓	•	•
	BA-L1012	Deployment of Cleaner Fuels and Renewable Energies in Barbados	12/07/2016	Active	34,000,000	5	✓	✓	
	BA-L1032	Strengthening Human and Social Development in Barbados	09/21/2015	Active	10,000,000	10	•	✓	✓
	BA-L1035	Road Rehabilitation and Improving Connectivity of Road Infrastructure	11/18/2015	Active	25,000,000	0	✓	•	•
<b>2015-2018 approved portfolio</b>									
Transition year	BA-L1034	Enhanced Access to Credit for Productivity Project	12/15/2014	Active	35,000,000	43			•
	BA-L1016	Skills for the Future	06/21/2012	Active	20,000,000	73	•	✓	✓
	BA-L1025	Public Sector Smart Energy Program	06/25/2012	Active	17,000,000	26	✓	✓	•
	BA-L1014	Coastal Risk Assessment and Management Program	12/08/2010	Active	30,000,000	67	✓	✓	•
Inherited from CS 2009-2013	BA-X1001	Support to the Sustainable Energy Framework for Barbados	03/12/2010	Active	1,000,000	100	✓	✓	•
	BA-L1020	Sustainable Energy Investment Program	12/10/2010	Completed	10,000,000	100	✓	✓	•
	BA-L1007	Barbados Competitiveness Program	12/15/2009	Completed	8,561,708	100	•	•	•
	BA-L1015	Water and Sanitation Systems Upgrade	12/02/2009	Completed	43,200,000	100	•	✓	✓
	BA-L1004	Modernization of the Barbados National Procurement System	12/15/2008	Completed	2,541,364	100	✓	✓	
Inherited portfolio			<b>9 operations</b>	<b>4 actives</b>	<b>167,303,072</b>	<b>79</b>			
Total loan portfolio 2009-2018			<b>13 operations</b>	<b>8 actives</b>	<b>256,303,072</b>	<b>56</b>			

Fuente: Análisis de datos con información del repositorio de datos.



**Table II.3. Systematization of the relevance analysis for investment loans (including other relevance areas)**

	2008	2009	2009	2010	2010	2010	2012	2012	2012	2014	2015	2015	2016	2017	
	BA-L1004	BA-L1007	BA-L1015	BA-L1020	BA-L1014	BA-L1025	BA-L1016	BA-L1034	BA-L1035	BA-L1032	BA-L1012	BA-L1033			
<b>Investment loans by approval year</b>	Use of country systems	Private sector, finance, and trade	Water and sanitation	Energy	Environment	Energy	Social development	Private sector, finance, and trade	Transport	Social development	Energy	Sustainable tourism			% of operations with specific bottleneck
		100% disbursed	100% disbursed	100% disbursed	67% disbursed	26% disbursed	73% disbursed	43% disbursed	0% disbursed	10% disbursed	5% desembolsado	0% desembolsado			
	Alignment with Government priorities	X	X	X	X	X	X	X	X	X	X	X	X	X	100
	Alignment with development challenges	X	X	X	X	X	X	X	X	X	X	X	X	X	100
	Alignment with Country Strategy 2015-2018 or CPDs	X	X	X	X	X	X	X	X	X	X	X	X	X	100
	Based on a solid analysis	X		X	X	X	X	X	X						83
	Alignment with Country Strategy 2009-2013 or CPDs	X	X	X	X	X	X	X							75
	Promotion of Private Sector		X		X			X	X		X		X	X	58
	Adequate Quality Results Matrix			X	X		X		X				X	X	58
	Coordination with other donors	X		X	X		X			X				X	50
Mainstreaming of gender issues									X				X	17	

Source: OVE analysis.

# Annex III

## Implementation bottlenecks

**Table III.1. Summary of implementation bottlenecks at the project level**

Investment loans by approval year	2008	2009	2009	2010	2010	2010	2012	2012	2014	2015	2015	2016	2017	Ranking in previous CPE
	BA-L1004	BA-L1007	BA-L1015	BA-L1020	BA-L1014	BA-L1025	BA-L1016	BA-L1034	BA-L1035	BA-L1032	BA-L1012	BA-L1033		
	Use of country systems	Private sector, finance, and trade	Water and sanitation	Energy	Environment	Energy	Social development	Private sector, finance, and trade	Transport	Social development	Energy	Sustainable tourism		
	100% disbursed	100% disbursed	100% disbursed	100% disbursed	67% disbursed	26% disbursed	73% disbursed	43% disbursed	0% disbursed	10% disbursed	5% disbursed	0% disbursed		
Project component design	X	X			X		X			X		X	X	50
Procurement difficulties and contract condition compliance delays			X	X	X		X		X					42
Executing agency institutional capacity	X	X				X	X			X				42
Inter-agency coordination	X	X				X	X			X		X	X	42
Borrower executing agency commitment	X		X						X					33
Approval of legislation / key recommendations	X	X				X								25
Stakeholder opposition	X				X					X				25
Cost overrun			X		X					X				25
Supplier contractor performance														8
Bank efficiency response delays	X													8
Inadequacy of monitoring and evaluation system	X													8
Counterpart funding shortfall			X											8
National policy changes														0
Consultant performance														0
Bank procedural / policy changes														0

Source: OVE analysis

# Annex VI

## Results from the water and sanitation sector

**Table IV.1. Effectiveness of BA-L1015**

Outcome	Unit of measure	Target	Actual	% Achieved
Number of employees per 1000 connections	Employee	7.2	7.2	100
Customers qualifying BWA's services as good or very good	%	76	92	100
EBITDA <sup>a</sup> /total operating revenues	%	10	10	100
Reduction in non-revenue water	%	47	40	100
Metering (% of customers whose bill is established through validated water meters (<5 years old)*	%	70	N/A	0
Water turbidity (reduction of non-compliant turbidity samples in a month)	%	10	40	0
Water disinfection (reduction of non-compliant samples in a month)	%	20	15	100
Continuity (customers with no service available at some hours in a month)	%	10	15	92
Pressure (percentage of customers with water pressure below BWA standards per month, i.e. 25 psi)	%	20	15	100
Households with upgraded water supply	#	20,000	11,200	56
Strategic Plan for Management of Barbados Water resources	Plan	1	0	0
Source of finance for Wastewater Treatment Action Plan identified*	%	100	N/A	0

Source: BA-L1015 Project Completion Report.

<sup>a</sup> Earnings before interest, taxes, depreciation, and amortization



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