

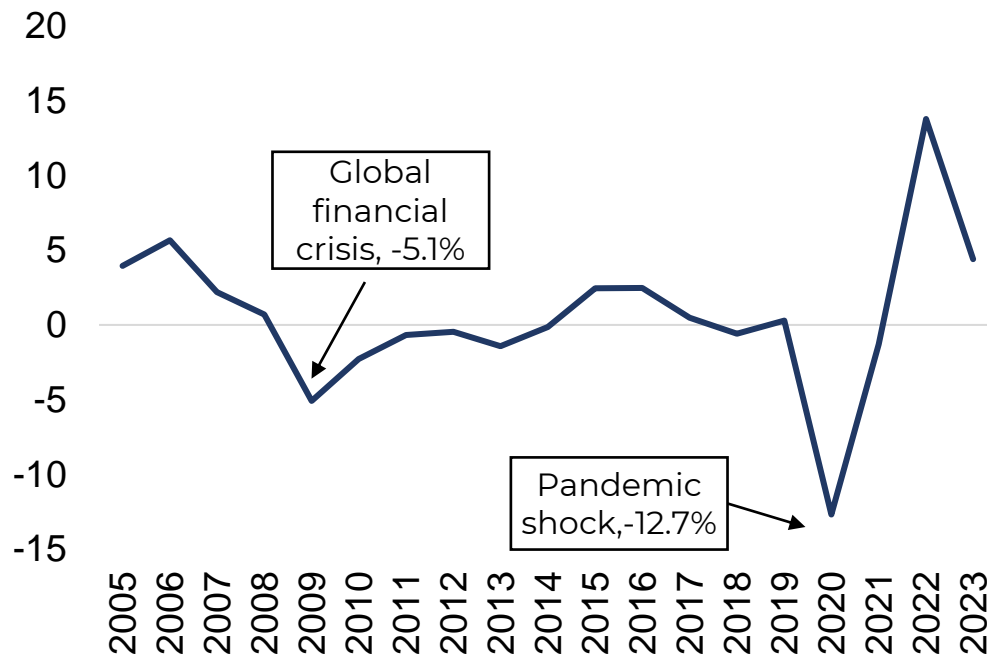
Fiscal and debt sustainability in Barbados

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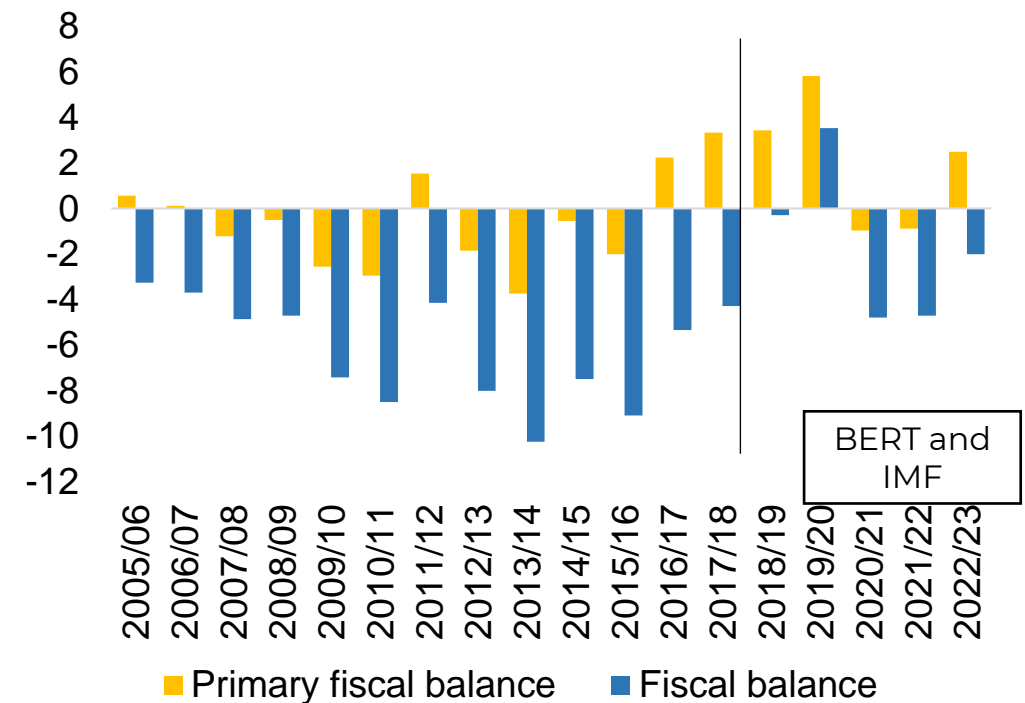
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Barbados experienced a decade of sluggish economic growth and recurrent fiscal deficits...

Real GDP growth (%)



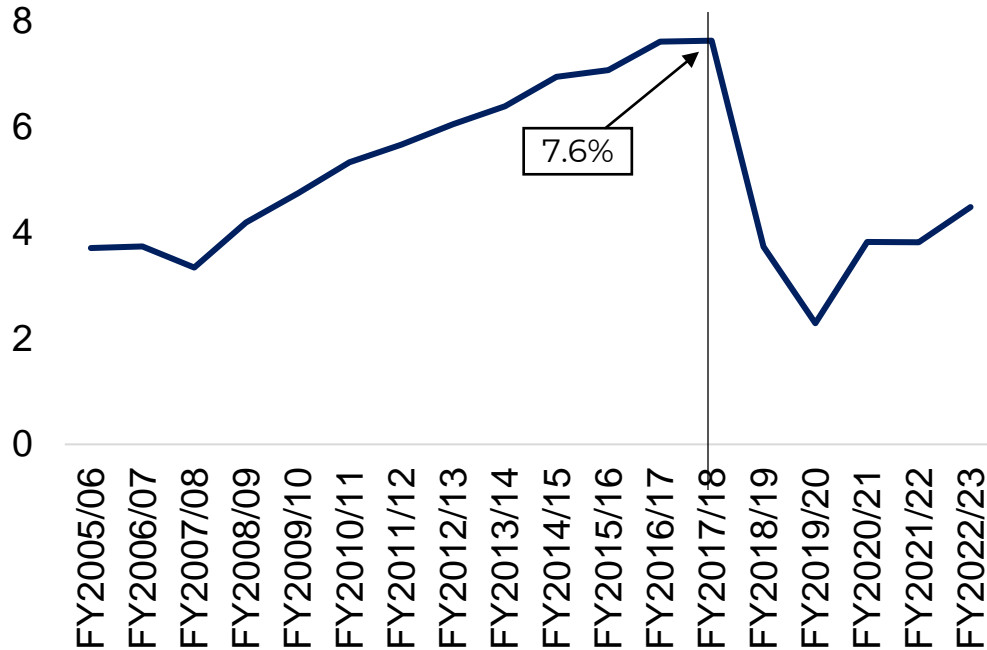
Fiscal performance (% of GDP)



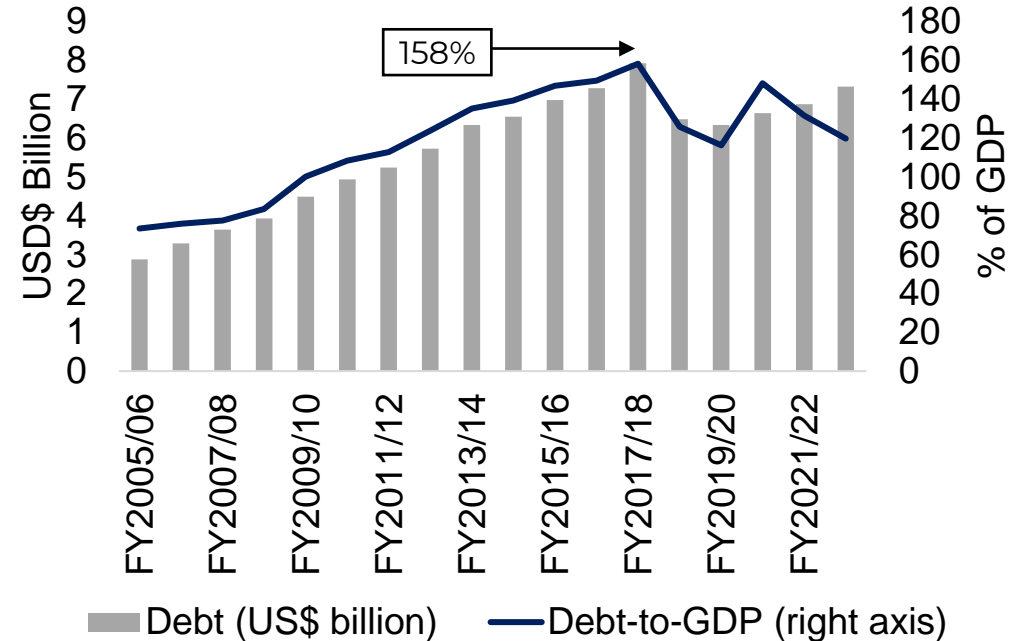
Source: IMF data.

... and high interest payments, which led to an unsustainable public debt path

Interest payments (% of GDP)



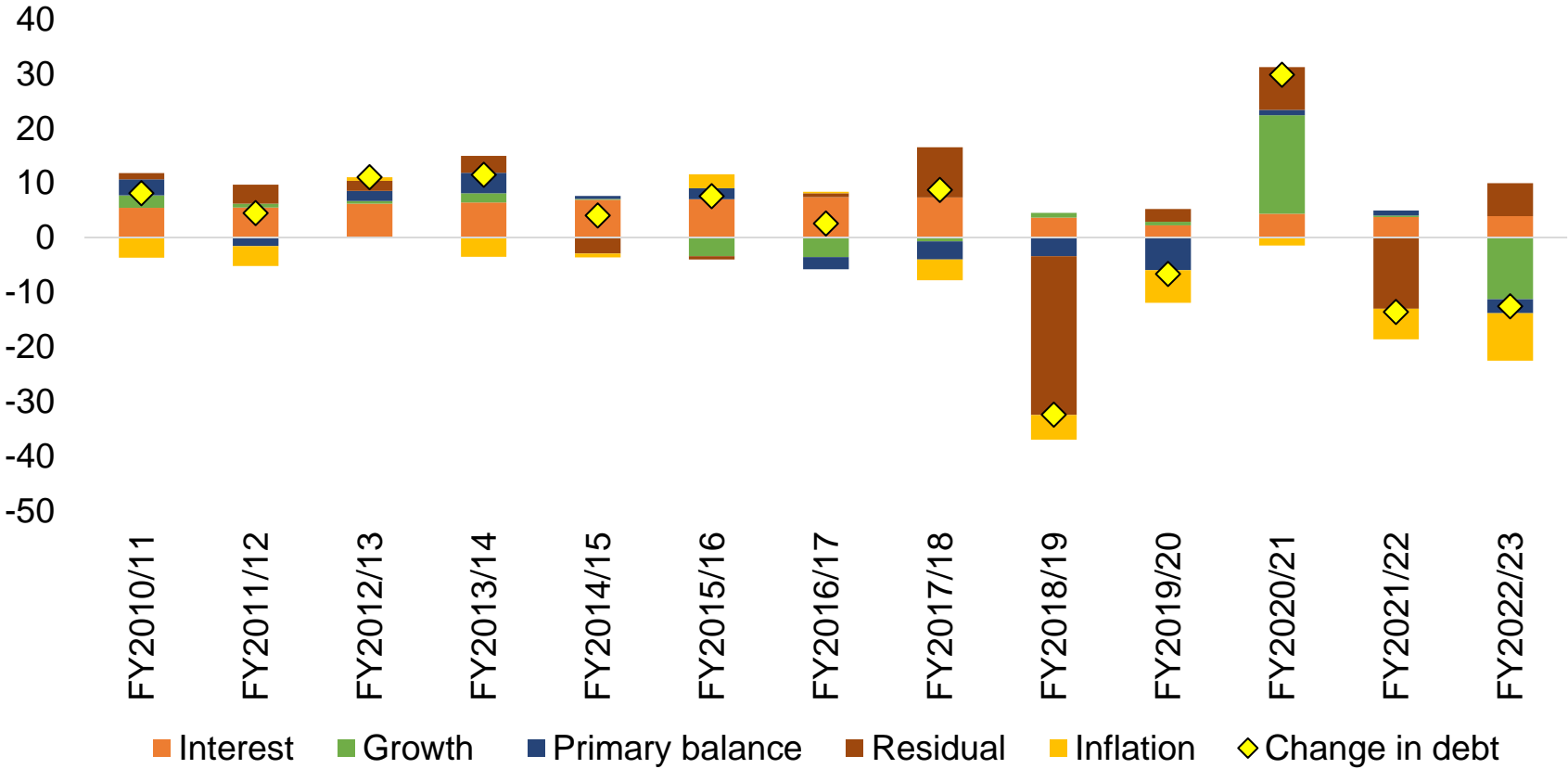
Debt to GDP ratio



Source: IMF data.

The main driver of debt accumulation was elevated interest payments

Decomposition of Factors Affecting the Change in Debt-to-GDP ratio (%)



Source: Own calculation with IMF data.



Barbados is on the right track to restore sustainability, but the path is still steep

Achievements

- **Debt restructuring**
- **Fiscal adjustment**
Expenditure rationalization, SOE reform
- **Amended Central Bank Law**
Limits central bank financing of the government
- **Adoption of procedural fiscal rule**
Publication of fiscal strategy, outcomes, and remedial action
- **Natural Disaster and Pandemic Deferment of Payment**
- **Innovative debt instruments**
Debt-for-nature swap with IDB and TNC guarantee

Next steps

- Maintain **strong primary surpluses** to achieve 60% debt-to-GDP by FY2035/36
- Continue with **SOE reform**
- Adopt strong **Fiscal Responsibility Framework**
- **Strengthen Debt Management Office**
- Revitalize domestic markets and access to international markets
- Include climate change considerations in fiscal and debt management strategies

Building resilience to shocks into fiscal and debt management strategies is fundamental

Fiscal Management

- Fiscal framework with clear escape clauses and correction mechanisms
- Include sustainability considerations in budget process and in capital spending

Debt Management

Tap into **Sustainable Finance** instruments: grants, green/social bonds, debt swaps, guarantees...

Disaster Risk Management:

- Principal Payment Option clauses (climate resilient debt clauses)
- Risk transfer mechanisms – Catastrophe protection conversion options
- Contingent credit facility for climate and disaster risk response

Financial Risk Management:

- Interest rate conversion option
- Commodity conversions options
- Currency conversions options

Thank you!