



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 11-Oct-2022 | Report No: PIDC34536

**BASIC INFORMATION****A. Basic Project Data**

Country Barbados	Project ID P179112	Project Name Barbados Green and Resilient Recovery DPL (P179112)	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Board Date Dec 19, 2022	Practice Area (Lead) Environment, Natural Resources & the Blue Economy	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance, Economic Affairs and Investment	Implementing Agency Ministry of Finance, Economic Affairs and Investment		

Proposed Development Objective(s)

To support the Government of Barbados to adopt strategic reforms that promote low carbon economic development and strengthen socio-economic resilience to the deepening global polycrisis, including climate change.

Financing (in US\$, Millions)**SUMMARY**

Total Financing	100.00
------------------------	--------

DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

Since graduating from the International Bank for Reconstruction and Development (IBRD) in 1994, Barbados has received exceptional IBRD financing three times and is currently requesting a second Development Policy Loan (DPL). In FY21, a US\$100 million DPL was approved to support the Government to meet its financing needs resulting from the impacts of the COVID-19 pandemic. The Board approved a waiver¹ of the graduation policy for this loan as it had on two earlier occasions². Given the continued impact of the pandemic, compounded by other external shocks, in April 2022, the Government requested a second stand-alone DPL of US\$100 million focused on low carbon economic recovery and strengthened climate and disaster resilience.

The main risk to the economy at this time is further deepening and prolongation of the COVID-19 crisis. Economic activity will be reduced by the less than expected external demand associated with the COVID-19 pandemic. The key tourism source markets are the United Kingdom (with a market share of approximately 33 percent), the US (30 percent) and Canada (13 percent). With these countries now having recently completed multiple rounds of major vaccinations campaigns and having eased their border transit restrictions, travel appetite is expected to slowly rebound during the latter half of 2022. Nevertheless, depending on the ultimate severity of the crisis, expenditure may face overruns, revenue collection may undercut current expectations, and the debt trajectory may become unsustainable. In addition, the potential for weather-related shocks poses a perpetual risk to the Barbados economy. The impact of extreme weather events during the 2022 hurricane season could exacerbate the projected real GDP and lead to higher levels of public debt and poverty. There are also risks related to Barbados being on the grey list of the Financial Action Task Force (FATF). While this is unlikely to have significant impact on tourism investment or the current account, there is a possibility of some effect on international business competitiveness in the medium term.

Barbados is also extremely vulnerable to climate change and faces significant socio-economic risks related to the increased frequency and intensity of natural disasters. Barbados is situated on the southern edge of the North Atlantic Hurricane Belt and is home to a population of 0.28 million, the majority of whom live along or near the coast. For Barbados, this is of particular concern given estimates that a single hurricane could cause damages equivalent to 34 percent of GDP, affecting upwards of 12 percent of the country's capital stock, including coastal infrastructure and housing. The most severe observed and anticipated climate change impacts in Barbados include sea level rise and increased intensity and frequency of natural disasters, including tropical storms and hurricanes. These climate change impacts, in turn, have significant impacts on a number of key economic sectors, in particular the water sector.

Relationship to CPF

As an IBRD graduate, Barbados does not have a Country Partnership Framework (CPF) with the World Bank. However, this DPL will support Government's commitment to strengthen the country's economic recovery and longer-term economic and climate resilience in line with the World Bank's COVID-19 crisis response approach³ and overarching aim

¹ After the advent of the Policies and Procedures Framework, an "exception" means a deviation from the policy's requirements that is provided for in the policy itself. There is no such provision made in the graduation policy for continued lending to graduates after graduation. Therefore, any departure from the policy requires a waiver which is what motivated the 2021 waiver request.

² Two loans were approved for Barbados to finance HIV/AIDS (multi-country) investment projects in FY2001 and FY2009. These loans were processed as exceptions to the graduation policy.

³ "Saving Lives, Scaling-up Impact and Getting Back on Track: World Bank Group COVID-19 Crisis Response Approach Paper" (June 2020).

<http://documents1.worldbank.org/curated/en/136631594937150795/pdf/World-Bank-Group-COVID-19-Crisis-Response-Approach-Paper-Saving-Lives-Scaling-up-Impact-and-Getting-Back-on-Track.pdf>



to strengthen policies and institutions for improved climate resilience based on transparent, sustainable debt and investments. The operation is closely aligned with the Bank's climate change policy commitments and functions to strengthen Barbados' overall resilience to climate, health and economic shocks. The operation is also designed to support Government's efforts to tackle poverty exacerbated by the multiple system shocks and crises, and promote shared prosperity and inclusion during and following the recovery process.

C. Proposed Development Objective(s)

To support the Government of Barbados in the implementation of reforms that strengthen green economic development and fiscal resilience; promote low carbon economic recovery; and, enhance climate and disaster-resilience.

Key Results

The DPL is designed to support Barbados's economic recovery efforts from the ongoing impacts of COVID-19 and other external shocks, as well as support the country's transition onto a more climate resilient pathway. The DPL's objective will be achieved with adoption of a series of policy reforms that enhance the efficiency and effectiveness of public expenditure, strengthen fiscal sustainability and address Barbados' significant climate and environmental sustainability challenges.

D. Concept Description

To respond to Government's request for a second DPL, the aim of the proposed DPL is to accelerate Barbados' economic recovery and climate resilience by supporting Government's national blue, green and resilient development plans and economic recovery response. Specifically, this DPL is structured to support the country's economic recovery from the lingering impacts of COVID-19 and other external shocks, as well as support the transition onto a climate resilient pathway. This will be achieved by adopting a series of reforms that enhance the efficiency and effectiveness of public expenditures, strengthen fiscal sustainability and address Barbados' significant climactic and environmental sustainability challenges.

The DPL is comprised of three pillars emphasizing Government's priorities for a resilient recovery, as follows:

Pillar A: Green and Blue Resilient Recovery, policy options include:

1. Support Climate Resilient Water Resources Management and Climate Smart Agriculture
2. Advancing Marine Pollution Control for Environmental and Tourism Resilience
3. Support improved Environmental Conservation and Climate Change Management and Finance

Pillar B: Low Carbon and Resilient Infrastructure, policy options include:

1. Support Comprehensive Disaster Risk Management
2. Low Carbon Transition in Energy combined with improved Energy Efficiency

Pillar C: Fiscal Sustainability and Climate Budgeting, policy options include:

1. Introduction of Climate Budget Tagging and Green Procurement



2. Adoption of Climate-Sensitive Procedural Fiscal Rules and Customs Regulations

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

Environmental, Forests, and Other Natural Resource Aspects

Pillar A: Green and Blue Resilient Recovery is primarily focused on promoting robust and resilient green recovery. Prior Actions under this Pillar are expected to generate positive environmental impacts.

Pillar B: Low Carbon and Resilient Infrastructure The environmental analysis found that Prior Actions under this Pillar may also generate positive effects on Barbados' environment, forests and natural resources base.

Pillar C: Fiscal Sustainability and Climate Budgeting Potential long-term indirect positive impacts are likely to accrue to Barbados from the expected increased capacity and funding for climate adaptation and resilience activities.

CONTACT POINT

World Bank

Cary Anne Cadman, Anton Dobronogov, Vickram Cuttaree
Senior Environmental Specialist

Borrower/Client/Recipient

Ministry of Finance, Economic Affairs and Investment

Implementing Agencies

Ministry of Finance, Economic Affairs and Investment
Ryan Straughn
Minister
Ryan.Straughn@barbados.gov.bb



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Cary Anne Cadman, Anton Dobronogov, Vickram Cuttaree
----------------------	--

Approved By

Country Director:	Lilia Burunciuc	02-Nov-2022
-------------------	-----------------	-------------