

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**BARBADOS**

**PROGRAM TO STRENGTHEN SOCIAL SERVICES IN BARBADOS II**

**(BA-L1062)**

**LOAN PROPOSAL**

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ABBREVIATIONS	
BDS\$	Barbados dollars
BECCS	Barbados Employment and Career Counselling Service
BERT	Barbados Economic Recovery and Transformation
CRF	Corporate Results Framework
CSS	Contributory Social Security
DRM	Disaster Risk Management
DSR	Disaster Support and Response
DT	Digital Transformation
EA	Executing Agency
ECG	Evaluation Cooperation Group
EFF	Extended Fund Facility
ESPF	Environmental and Social Policy Framework
FY	Fiscal Year
GDP	Gross Domestic Product
HR	Human Resources
IBP	ISEE Bridge Program
IDB	Inter-American Development Bank
IMF	International Monetary Fund
ISEE	Identification, Stabilization, Enablement and Empowerment
IT System	Information Technology System
KPIs	Key Performance Indicators
MIS	Management Information System
MFEI	Ministry of Finance, Economic Affairs, and Investment
MLSP	Ministry of Labour, Social Security and Third Sector
MPEA	Ministry of People Empowerment and Elder Affairs
NCSP	Non-Contributory Social Protection
NIB	National Insurance Board
NIF	National Insurance Fund
NIS	National Insurance Scheme
NISSS	National Insurance and Social Security Service
OFP	One Family Program
OVE	Office of Evaluation and Oversight
PBP	Programmatic Policy-Based Loan
POD	Proposal for Operation Development
PSE	Public Service Employees
PwD	Persons with Disabilities
RSF	Resilience and Sustainability Fund
SF	Several Fund
SLC	Survey of Living Conditions
SO	Specific Objective
TC	Technical Cooperation
UF	Unemployment Fund
US\$	United States dollars

**PROJECT SUMMARY**  
**BARBADOS**  
**PROGRAM TO STRENGTHEN SOCIAL SERVICES IN BARBADOS II**  
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Financial Terms and Conditions						
Borrower			Flexible Financing Facility <sup>(a)</sup>			
The Government of Barbados			Amortization Period:		20 Years	
Executing Agency			Disbursement Period:		12 Months	
The Ministry of Finance, Economic Affairs, and Investment (MFEI)			Grace Period:		5.5 Years <sup>(b)</sup>	
Source	Amount (US\$)	%	Interest rate:		SOFR Based	
IDB (Ordinary Capital):	100,000,000	100	Credit Fee:		<sup>(c)</sup>	
			Inspection and supervision fee:		<sup>(c)</sup>	
Total:	100,000,000	100	Weighted Average Life (WAL):		12.75 Years	
			Currency of Approval:		Dollars of the United States of America	
Project at a Glance						
<b>Project Objective/Description:</b>						
The general objective is to strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados. The specific objectives are to: (i) improve the administrative efficiency of contributory and Non-Contributory Social Protection (NCSP); (ii) strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of Persons with Disabilities (PwD) and the protection of vulnerable groups; and (iii) strengthen the long run sustainability of social security.						
This loan operation is the second of two consecutive operations that are technically linked, but financially/contractually independent operations, under the programmatic policy-based loan (PBP) modality, in accordance with Policy based Loans: Guidelines for Preparation and Implementation (CS-3633-2).						
<b>Special Contractual condition prior to the first and sole disbursement of the second PBP:</b> The first and sole disbursement of loan resources will be subject to the borrower’s fulfilment of the policy reform conditions of Policy Matrix (Annex II), the <a href="#">Policy Letter</a> , and any other conditions set forth in the corresponding loan contract (¶3.2).						
<b>Exceptions to Bank Policies:</b> none						
Strategic Alignment						
<b>Objectives<sup>(d)</sup>:</b>	O1 <input checked="" type="checkbox"/>		O2 <input checked="" type="checkbox"/>		O3 <input type="checkbox"/>	
<b>Operational Focus Areas<sup>(e)</sup>:</b>	OF1 <input type="checkbox"/>	OF2-G <input checked="" type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input checked="" type="checkbox"/>	OF5 <input type="checkbox"/>	OF6 <input type="checkbox"/> OF7 <input type="checkbox"/>

<sup>(a)</sup> Under the Flexible Financing Facility (document FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

<sup>(d)</sup> O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).

<sup>(e)</sup> OF1 (Biodiversity, natural capital and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); and OF7 (Regional integration).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and justification

- 1.1 This is the second in a series of two individual operations under the programmatic policy-based loan (PBP) modality. The first operation in the series was approved by the Board of Executive Directors of the Bank on 29 November 2023 (“Program to Strengthen Social Services in Barbados” – ([5827/OC-BA](#))).

#### 1. Macroeconomic and social assessment

- 1.2 **Macroeconomic and fiscal background.** Barbados is a small developing island with an economy highly concentrated in the tourism sector. The population is estimated at 269,090<sup>1</sup> inhabitants and gross domestic product (GDP) per capita reached United States dollar (US\$) 22,167 in 2023. Since the onset of the global financial crisis of 2008, growth has been sluggish and real GDP between 2008 and 2019 grew at an average annual rate of -0.8%.<sup>2</sup> In addition, recurrent fiscal deficits led to increasing levels of public debt, with the debt-to-GDP ratio peaking at 143% in fiscal year (FY) 2017/2018. The unsustainable situation prompted the Government of Barbados to launch in 2018 the Barbados Economic Recovery and Transformation (BERT) Plan to restore fiscal and debt sustainability, increase the country's international reserves, and promote sustained economic growth, and engage in an International Monetary Fund (IMF) Extended Fund Facility (EFF) four-year program, approved in October 2018.
- 1.3 Despite good progress under the program, the economic shock caused by the pandemic led to adjustments in quantitative targets and delays in structural benchmarks. Real GDP dropped 15.1% in 2020 and 0.3% in 2021. The Government revamped its development plan to BERT 2022 to continue advancing the reform agenda refocusing on policies aimed at generating sustainable and inclusive growth and building resilience through climate adaptation and mitigation.<sup>3</sup> BERT 2022 is supported by a 3-year IMF-EFF arrangement combined with an IMF-Resilience and Sustainability Fund (RSF) arrangement, approved in December 2022. The economic reactivation is ongoing, led by the tourism and construction sectors. Real GDP increased 17.8% in 2022 and 4.1% in 2023, and growth is expected to slow down to 3.9% in 2024 and to converge to 2% in the medium term.
- 1.4 Moreover, Barbados is in the advanced stage of the demographic transition into an older population, and in 2023 it was the country with the highest old-age dependency ratio among IDB member countries and is projected to continue being such in coming years [40]. In 2015, people older than 60 years old accounted for 19.8% of the population compared to the regional average of 11.2% [10]. In 2020, those experiencing care dependence made up 17.4% of the population over age 65, a figure projected to rise to 19.8% by 2050, increasing from eight

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<sup>1</sup> Barbados Statistical Service, “2021 Population and Housing Census Report”, June 2023. <https://stats.gov.bb/wp-content/uploads/2024/02/2021-Population-and-Housing-Census.pdf>.

<sup>2</sup> GDP figures are obtained from the IMF World Economic Outlook October 2022.

<sup>3</sup> See “[Barbados Economic and Transformation \(BERT\) Plan 2022: Achieving Inclusive and Sustainable Growth While Maintaining Fiscal and Debt Sustainability](#)”.

thousand to fifteen thousand people [11]. The fact that fewer people will contribute to pension systems over time has implications for pension system sustainability. Moreover, at home, only 2% of home care caregivers are men. Women are more likely to experience care dependence and constitute the majority of workers in an occupation with scarce training that is susceptible to stress and burnout that may lead to repetitive absenteeism and low-quality services [11].

- 1.5 **Status of Contributory Social Security.** The Barbados pension system is characterized by high coverage of contributory pensions among employees, but low coverage for the self-employed, with non-contributory pensions being a small component of pension coverage. The pension system offers replacement rates of approximately 58% of the wage, around the average for Latin America and the Caribbean. The system faces severe sustainability issues, with a reserve fund projected to be exhausted by 2036.
- 1.6 **Self-employed workers have lower protection against risks.** Self-employment represents 18.1% of total employment. Participation in National Insurance and Social Security Service (NISS) pensions is mandatory for all employed and self-employed persons, but, as of 2020, only 20% of self-employed contribute at least once per year, compared with nearly 90% of formally employed private sector workers, this makes this group especially vulnerable to the risk of poverty at old age. It is also important to note that 24.2% of working men over 15 are self-employed, and 11.7% of working women over 15 are self-employed [14]. This means that a significant number of people are at risk of not having sufficient contributions for pension in retirement.
- 1.7 **An estimated 17.2% of households live in poverty and recent shocks have adversely impacted living conditions.** In 2016, 17.2% of households (25.7% of persons) lived in poverty (Barbados Survey of Living Conditions (SLC) 2016--2017); households headed by women accounted for 61% of them (they account for 45% of non-poor households). The Ministry of People Empowerment and Elder Affairs (MPEA) estimates that COVID-19 (in 2020-2021) and Hurricane Elsa (in 2021) worsened households' vulnerability. An Inter-American Development Bank (IDB) telephone survey found that the percentage of households reporting an income below the minimum wage increased approximately threefold- between January and April of 2020. Moreover, the study found that households that were classified as vulnerable in the 2016-2017 SLC showed the largest increase in the percentage of households unable to meet financial commitments during the pandemic highlighting the need for flexible mechanisms to face volatile situations. There is no recent data to measure households' recovery from this shock if at all. However, as part of the dialogue started through the programmatic series, the Bank is providing support for the implementation of a new SLC for 2024 to deliver updated socioeconomic data.
- 1.8 **Barbados is vulnerable to natural disasters and climate change.** Between 2007 and 2017, there were 29 floods and two droughts, and in June and July of 2024 it was hit by Hurricane Beryl,<sup>4</sup> a hurricane that broke various meteorological

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<sup>4</sup> <https://www.scrippsnews.com/science-and-tech/natural-disasters/at-least-4-killed-after-hurricane-beryl-hammers-barbados-and-windward-islands>.

records.<sup>5</sup> These hazards present risks for Barbados' population, infrastructure, and tourism-dependent economy, as four-fifth of its population reside in zones of high risk from natural hazards, where 80% of Barbados' GDP is generated [2]. Poor households are specially affected by disasters, 78% of Barbados' poor population lives in the six parishes affected by more than 30 small and medium-impact natural disasters between 2007 and 2017.<sup>6</sup> Vulnerable groups, including: (i) women (as female-headed households tend to be poorer and have fewer employment opportunities); (ii) elderly persons; (iii) persons with disabilities (PwD); and (iv) children, also bear a higher burden during a disaster as they have fewer coping mechanisms to deal with them [4].

- 1.9 **Despite the narrowing gender employment gap since 2009, women still face significant disparities in the labor market**, with lower participation rates (58.1% versus 67% for men in 2023), higher unemployment rates (8.2% versus 7.6%), and higher unemployment spells (1.2% of active women versus 0.6% of men were looking for a job for over a year in 2023). Women, married or cohabiting (as a proxy for household care duties) have a lower participation rate (79%) than their male counterparts (98%).<sup>7</sup> This disparity underscores the impact of societal norms that disproportionately burden women with caregiving responsibilities, often leading them to devote more time to family and household care than men, which inhibits their full integration into the labor market [3],[5],[6].
- 1.10 **Inclusion of PwD is limited.** Census data reveal that 9 in 10 PwD in Barbados are unemployed. A comprehensive survey conducted in 2022 documented severe barriers for PwD in accessing quality education and health services [7], consistent with data from other countries of the region. For example, among people aged 25-34, the employment gap between PwD and those without disabilities averages 18.5 percentage points (p.p.) [8]. PwD are also more likely to be victims of physical violence and women with disabilities face dual sources of discrimination due to their gender and disability [9].

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<sup>5</sup> Calculations based on [1]. The Optional Electronic Link ([OEL#5](#)) contains the bibliographic references identified by the number in brackets [#].

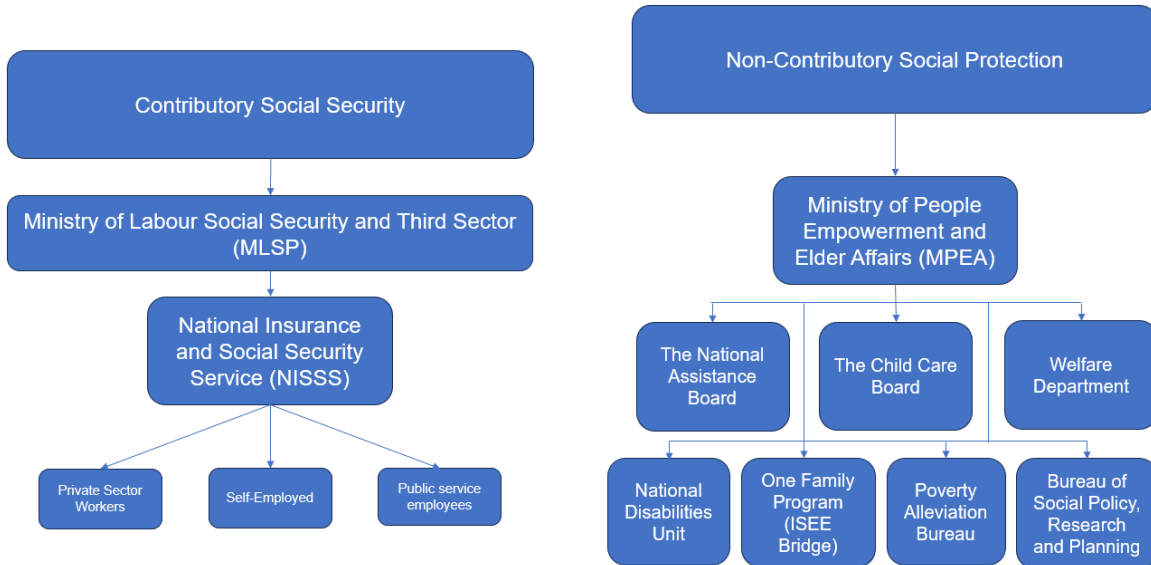
<sup>6</sup> Calculations based on [1] and [3].

<sup>7</sup> A more precise comparison would involve comparing the gender gaps in labor participation by the number of young children living in the household. The Labor Force survey does not allow to examine the presence of children in the household; thus, marital status was used as a general proxy for care.



## 2. Institutional and sectoral issues

Figure 1.1. Institutional arrangement for CSS and NCSP in Barbados



- 1.11 **The Government of Barbados has a history of extending contributory social security (CSS) and Non-Contributory Social Protection (NCSP)<sup>8</sup> to its citizens**, with effective old-age pension coverage of 98.4%, 65.6% of people with severe disabilities collecting social protection benefits, and 88% of unemployed receiving unemployment benefits according to the latest data (2020). Among the NCSP, according to the latest survey with information [3] about 8.5% of the population (equivalent to about half of the poor, however targeting errors need to be taken into consideration when estimating coverage) receive government grants.
- 1.12 **Institutional context CSS (Figure 1.1. Institutional arrangement for CCS and NCSP in Barbados)** In 2023, the National Insurance Scheme – (NIS) was transformed into the NISSS under The Ministry of Labour, Social Security and Third Sector (MLSP). NISSS covers public service employees (PSE),<sup>9</sup> private sector workers and the self-employed; it also covers non-contributory pensions (NCP) and runs three funds: (i) National Insurance Fund (NIF) for Pensions; (ii) Unemployment Fund (UF); and (iii) Severance Fund (SF).
- 1.13 **NISSS operates under defined benefit regime and pays benefits grouped in four categories:** (i) Long-term benefits (Old-age, Invalidity, Disablement Benefit and Survivors' Benefits); (ii) Short-term benefits (Sickness & Maternity Benefits, Funeral Grants, unemployment and severance benefits); (iii) Employment Injury Benefits (Injury Benefit, Medical Expenses, Death Benefit, and Funeral Grant); and (iv) NCP (Old-Age for existing pensioners who began receiving their pensions by December 31, 1999). In 2020, there were 110.000 monthly contributors and 44.000 pensioners [16]. Coverage is high among private and PSE, with over

<sup>8</sup> CSS offers benefits to formal workers that are financed mainly with employer-employee contributions. NCSP provides benefits that are not related to labor-market status and are financed through general taxation.

<sup>9</sup> NIS covers PSE hired after September 1st, 1975 (November 1st, 1975, for those under Chapter 384 of Laws of Barbados Revised Edition 2007).

90% making at least one contribution a year to the NISSS [13]. Pensions payments corresponded to 7.7% of Barbados GDP in 2019 [28].

- 1.14 **Government Pension.** The Public Sector Pensions operates under an unfunded (financed entirely from tax revenue) defined benefit regime that covers PSE, teachers, and other government employees, offering pensions in addition to their NISSS pensions for persons who entered the service before September 1st, 1975. In principle, people who entered after this date only receive a pension from the NISSS. Nevertheless, in practice, the government effectively maintains the old system, offering additional compensation to cover the gap between the NISSS pension and what they would have received under the old system. Up to 2023, the Government Pension was managed by the Treasury Department through its Pension Administration Unit within the Ministry of Finance, Economic Affairs and Investment (MFEI). The Unit was responsible for the day-to-day administration of pension benefits for PSE, including calculating and disbursing pension payments to retirees. There were 12,000 pensioners and 22,000 PSE affiliated to the Government Pension scheme in 2020. The payment of PSE pensions corresponded to 2.9% of GDP [28].
- 1.15 **Institutional context NCSP.** The NCSP is under the responsibility of the MPEA, and operates through several departments and programs, such as the Welfare Department, National Disabilities Unit, National Assistance Board, Child Care Board, along with other public, private, and third sector entities. Spending for the MPEA in 2025-2026 is projected to be 2.3% of all of the government expenditure or 0.8% of GDP (totaling to Barbados dollars (BDS\$) 111 million for all programs in the ministry).<sup>10,11</sup>
- 1.16 **The National Assistance program,** administered by the Welfare Department of the MPEA, is the largest social safety-net and aims to alleviate moderate poverty. It provides cash and in-kind transfers to those in need with focus on children, the unemployed, PwD, and the elderly. In 2022, the cash grants component of the program covered 7,039 persons and spent approximately US\$12.6 million or 80% of its budget. The rest to different kinds of in-kind transfers, in the form of cloth, food, hearing aids, education support and other assistance such as rent or utility payments for a total of 7,751 persons. While budget for the program is small by regional standards<sup>12</sup> the program also has a low coverage to have an impact in national poverty rates[17].
- 1.17 **The “Identification, Stabilization, Enablement and Empowerment” (ISEE) Bridge Programme (IBP) is a program executed directly by MPEA** (operated independently from the other departments and reporting directly to the PS) based on the Chile Puente program<sup>13,14</sup>. Its objective is to help reduce extreme poverty. To that end, households enter a two-year program during which they are evaluated

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<sup>10</sup> <https://www.barbadosparliament.com/uploads/document/6dfdf70f9af4ecde4c4f861e56496a9d.pdf>

<sup>11</sup> <https://www.social-protection.org/gimi/Media.action?id=7368>.

<sup>12</sup> The budget of the program is about 0.36% of GDP compared to approximately 0.8% for the region as a whole (own calculations).

<sup>13</sup> Launched in 2002, the Chile Puente program was designed to address multidimensional poverty through personalized support in areas such as housing, employment, health, and education through family plans developed with the help of social workers.

<sup>14</sup> <https://www.iadb.org/en/news/reaching-majority-promising-steps-future-actions>.

in 58 dimensions grouped into seven pillars. These 58 dimensions are referred to as “minimum conditions” needed to break the poverty cycle. Social workers have intensive interaction with household members and evaluate them; based on that initial assessment, the program provides psychosocial support and monetary subsidies, preferential access to state programs, including employment support. The program was funded by the IDB (through loan “Strengthening Human and Social Development in Barbados” – ([3542/CH-BA,3542/OC-BA](#))), and reached 340 households, lowering the poverty level in 69% of participants [18]. During 2023, the program was expanded to include an additional 1,000 families, that were onboarded in 2024 and started their poverty elevation journey.

- 1.18 **The National Disabilities Unit** offers a variety of services aimed at improving PwD’s quality of life. These include the provision of ramps, wheelchairs, prostheses, and beds, recreational activities, and accessible transportation. Currently, these programs support approximately 2,000 PwD.
- 1.19 **The National Assistance Board (NAB)** provides a range of social services to improve the quality of life of older people and enable them to live in the community, diminishing or delaying the need for institutional care. These services include the Home-Care Programme, which supports 1,300 older individuals (63% of whom are women) with activities of daily living and employs 144 paid caregivers (98% of whom are women). In March 2021, the government launched the Community Elder Care Programme, which provides companionship to approximately 905 older individuals, aiming to reduce social isolation and provide a source of income for caregivers.<sup>15</sup> The NAB annual expenditure in 2022 was BDS\$8.4 million.<sup>16</sup>

### 3. Problems and Determinants

- 1.20 Despite the high investment on social policies, several challenges related to their efficiency, effectiveness, coverage among population subgroups and sustainability remain, mainly in these three categories:

#### a. Administrative inefficiencies in CSS and NCSP

- 1.21 **Inefficiencies exist in the organization of the CSS.** Existing structure before the reforms supported by the series split responsibilities between the two institutions (NIS and the Finance Ministry) causing challenges in management, resource allocation, and accountability. Additionally, since the majority of the employees of the National Insurance Board were public service employees, the Board had no control over its personnel, who could be assigned to other public service jobs without Board consent. Also, the NIS (former organization) faced administrative and governance challenges that impacted the operations, reporting and decision making [19]. For this reason, the Government of Barbados approved the consolidation of both schemes under the NISSS and the change of the governance structure to a body corporate,<sup>17</sup> granting more autonomy to human resources (HR)

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<sup>15</sup> Additionally, the Jorris Dunner Elderly Day Care Centre promotes the well-being of older individuals through a variety of recreational activities.

<sup>16</sup> [Barbados Economic and Social Report 2022](#).

<sup>17</sup> The term is commonly used in Barbados to describe corporations, companies, associations and organizations with registered legal entity, distinct from its members, with the ability to own property, enter into contracts, sue and be sued, and enjoy perpetual succession.

management. Next steps in the process include the transfer of NIS staff to NISSS and NISSS administering public service employee's pensions<sup>18</sup>. Evidence for the region suggests that improved institutional organization and capacity affects all CSS' activities and reduces administrative costs [20]. The Bank's experience with institutional reorganization of CSS (¶1.51) suggests that concentrating all schemes in a single entity enables a more comprehensive overview and perspective on the CSS.

- 1.22 **Gaps in technological and operational efficiency to adequately provide services to beneficiaries.** NISSS still needs to update its processes and strengthen the strategic use of technology, based on modularity, scalability, and best practices. Processes like documentation need updates to improve operational efficiency. Clearer roles and responsibilities, along with enhanced cross-departmental collaboration and data-sharing interoperability, are also needed. IDB is currently supporting NISSS to advance a quantitative study to assess the gaps using technology that will be ready by Q1 2025. A roadmap for digital transformation including these activities was developed in 2023 with support from the IDB. It also needs a project management and Digital Transformation (DT) unit to support the implementation of the roadmap. The reform required the approval of the roadmap and the creation of the DT unit. Evidence suggests that information technology can improve efficiency of CSS through streamlined administrative procedures and that the digitization of services have led to quicker and more accurate benefit calculations, reducing the chances of errors and delays of contributions' collection, benefits' payment, investments' management, communication with stakeholders, and activities' management [21]. The Bank's experience in the region indicates that DT roadmaps and organizational units dedicated to their implementation accelerate DT processes.
- 1.23 **The NCSP also faces operational and administrative challenges.** MPEA faces significant operational hurdles in service delivery, resulting in prolonged wait times for beneficiaries and suboptimal support due to a structure with four disconnected boards (Welfare Department, National Assistance Board, Child Care Board, National Disabilities Unit) and the Barbados Council for the Disabled, with no single window to access services. Additionally, the MPEA is mostly using paper-based applications (up to 90% of all current services provided) [22], in an outdated information technology system (IT system). A recent survey highlighted this fragmentation, revealing low satisfaction rates among beneficiaries for services such as monetary assistance (55%) and food voucher provision (67%), often resulting in delayed disbursements. The survey also underscores the need for technological improvements, as 57% of MPEA staff express dissatisfaction with available technology [23]. Lastly, national assistance grants are given through checks which require visiting a bank or post office, waiting there to cash it and, sometimes, paying for the service. While the government made important progress by the implementation of one stop offices, and a new Management and Information System (MIS), it still needs to move to a new structure that would unify the (now) separate departments and complete the implementation of the MIS.

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<sup>18</sup> The National Insurance Department (NID) and National Insurance Scheme (NIS) are often used interchangeably by the Government of Barbados, to refer to the NID.

- 1.24 **MPEA inefficiency is magnified due to the country's exposure to climate change and emergencies.** Households are susceptible to shocks that severely impact their normal patterns of life, increasing the need for NCSP. Recently, demand for NCSP increased following natural disasters and the pandemic [15] [24]. For example, in 2021, Hurricane Elsa damaged 1,000 houses, and people waited on average five days to get a temporary accommodation. Similar problems occurred in 2024 with Hurricane Beryl, that resulted in six people killed in affected countries, and around 400 people in shelters in Barbados. Households that are marginally not poor have been the worst affected by shocks since they are out of reach of existing programs. While reactive policy adjustments and disaster relief for emergencies have advanced, a comprehensive strategy for anticipatory and coordinated response among stakeholders has yet to be introduced.<sup>19</sup> Not using digital payments adds to delays in this and other programs, yet implementing digital finance effectively requires listening and responding to recipients' preferences and needs [25].

**b. Limitations in the institutional and regulatory framework hinder the quality and coverage of policies to promote gender equality, inclusion of PwD, older persons and persons in extreme poverty**

- 1.25 **Extreme poverty.** The coverage of social programs to eliminate poverty is low. The IBP, the main program to reduce extreme poverty implemented in 2015 with IDB's support ([3542/CH-BA,3542/OC-BA](#)), covered in total 340 households, when the country has an estimated 2,500 households in extreme poverty [3]. Coverage of these programs is being expanded and consolidated into the national budget. However, as this happens it is important to promote the short-term monitoring and evaluation of progress.
- 1.26 **PwD.** Barbados currently lacks a comprehensive national policy to promote the rights and inclusion of PwD, potentially leading to discrimination and limited access to education, employment, healthcare, and transportation, among other services. This issue is compounded by the lack of data on the number of PwD population. According to 2010 Census, 12,000 residents (approximately 4% of the population) had known disabilities.<sup>20</sup> However, these figures may underestimate the PwD population. The limited scope of assistance programs, reaching only 2,000 beneficiaries, further exacerbates the situation. This data deficiency results in a lack of evidence on the needs and types of support required for PwD in accessing healthcare, social services, employment, and education.
- 1.27 **Older persons.** Barbados lacks a policy that acknowledges the demographic, cultural and social changes affecting the dynamics between long-term care providers and recipients. The raising absenteeism of paid home care workers for older people makes the lack of a policy especially concerning. The average absenteeism rate for caregivers from April 2022 to March 2023 was

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<sup>19</sup> The Emergency Management Act of 2006 is the main legal instrument governing disaster risk management in the country. More recently, Barbados developed a Comprehensive Disaster Management Country Work Program 2019-2023 and based on this program, it created a Comprehensive Natural Disaster Risk Management Program.

<sup>20</sup> Data from Peru also indicates that 40% (where this information is available) of the PwD require personal assistance, reflecting severe disability. This means that there are approximately 4,800 persons with severe disability in Barbados [27].



12.65%, primarily caused by burnout, stress, the physical demands of the job, and employer's neglect. This situation may compromise quality of care for older people and economic losses to the public system. From January to March 2023, paid caregivers' absenteeism cost the National Assistance Board BDS\$193,374 (1.54% of their current expenditure).<sup>21</sup> While the National Policy on Ageing policy has been approved by cabinet, it is still in the early stage of implementation.

- 1.28 **Gender.** While maternity leave has been in place since 1976, Barbados is one of five countries in the region without paternity leave, a factor contributing to gender imbalances in labor participation and caregiving. The Government is currently drafting paternity leave legislation. An actuarial study was conducted to assess the viability of the proposed benefit. However, further steps such as formulating the actual design, presenting the proposal to the Cabinet, and securing its approval are needed for implementation. A well-structured paternity leave policy can help redistribute care responsibilities, engaging more men in caregiving activities traditionally shouldered by women [26]. Evidence from countries like Spain, Norway, Canada, and Germany indicates that paternity leave policies can lead to long-term increases in fathers' involvement in childcare and housework, effectively reducing the caregiving burden on women. For instance, fathers in Spain exposed to paternity leave reforms spent on average, an additional hour per day on domestic responsibilities, an effect that persisted several years after the leave period. This reform also led to broader gender-egalitarian attitudes in children, potentially supporting gender equality across generation [42].

### c. Limited long-term sustainability of CSS

- 1.29 **The social security system in Barbados is not financially sustainable in the long run.** The NIF finances old-age pensions among other items such as employment injury benefits for workers of the private sector. The reserves of the NIF were valued at approximately US\$2 billion at the end of 2021. Currently expenditures already exceed contributions and investment income, and the NIF is expected to be completely depleted in the year 2036, at which time, in absence of a reform, the government would need to begin paying approximately US\$450 million, around 7% of current GDP. Due to demographic changes, the annual expenditure would be expected to rise to US\$1.4 billion by 2060. These problems are exacerbated by the limited contributions made by the self-employed (¶1.4) that translate into a lack of revenue for the NIF. Additionally, the pensions of PSE, which is a completely unfunded scheme, already have a fiscal cost of 2.9% of GDP and are also expected to rise significantly over time [28]. Studies<sup>22</sup> on the design and evaluation of the fiscal impact of social security reforms to improve the equity, sufficiency, and sustainability of systems suggest that, in the current context of population ageing, the absence of these reform would lead to greater subsidies, more fiscal spending and inequality, which affects financial sustainability.
- 1.30 **Parametric reforms are necessary for social security to become financially sustainable.** To achieve financial sustainability, some combination of reduction of benefits, increased contributions, and/or improving the returns of the reserve fund

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<sup>21</sup> This estimate is derived from the MPEA budget allocation for the fiscal year 2023-2024.

<sup>22</sup> IDB has financed several studies on design and evaluation of SS systems in the region [28], [29], [30].

is necessary. For this reason, the current operation continues the process initiated in the first operation in support of parametric reforms of the pension system to bring the benefits in line with contributions. The first operation supported a reform that limits the amount that an individual's pension can be increased from one year to the next to 1.5%, unless the average inflation rate over a three-year period exceeds 3%. Regarding the pensions of PSE, the first operation supported a reform that decreased the accrual rate of pensions as a function of each additional year of contributions from 2% of the wage each year to 1.67% each year, in addition to adding pension contributions for newly hired PSE. This second operation supports an even more ambitious set of parametric reforms of NISSS pensions that includes: (i) an increase in the retirement age from 67 to 68; (ii) an increase in the minimum number of years of contributions to qualify for a pension from 10 to 15; (iii) a change in the reference wage used for calculations of the pension from the average of the best five years to the average of the best 10 years; and (iv) a Compulsory Adjustment Mechanism including specific target funding levels and required actions to be taken by the Government of Barbados should actuarial projections suggest that the NISSS will not meet stated targets or face a sustainability problem.

- 1.31 **Gaps in access to services for self-employed.** The low participation rates of self-employed contributing to NISSS reflect behavioral biases, information barriers, and insufficient flexibility that they need given the fact that their incomes can vary substantially over time. This result highlights NISSS requirements to continue identifying mechanisms to attract self-employed and provide them with the flexibility and specific services they require.
- 1.32 **The UF finances compensation to private sector employees who suffered a partial or total loss of earnings because of total unemployment, lay-off, or reducing employees working hours (short-time).** The sustainability of the fund has been compromised in the wake of the pandemic as unemployment benefit claims increased nearly trifold in benefit payouts [16]. To meet its obligations between 2020 and the first six months of 2021, BDS\$108 million were borrowed (BDS\$93 million from the NIS and BDS\$15 million from the Catastrophe Fund [16]). To address these payment pressures, the UF was recapitalized by BDS\$143 million (1.4% of GDP) in 2021 [29]. However, the payment pressures persisted in 2022, and to address the issue, the Government of Barbados had committed to a recapitalization of the UF in 2023 to ensure its long-term sustainability. Careful reserve budgeting by the program administration affects liquidity (short-term obligations), solvency (honoring long-term obligations) and long-term sustainability. Best practices of reserve budgeting include identifying high level funding goals for the Catastrophe Fund<sup>23</sup> and establishing a formal funding policy with specific principles, objectives and rate adjustment setting for the following year [16]. In addition the UF is currently using outdated technology and requires the development of a plan form modernization to strengthen process review and digitalization through the elimination of paper documents, automation

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<sup>23</sup> The [Catastrophe Fund Act](#), 2020 is to provide financial aid to eligible persons and qualifying businesses in need of such aid as a result of a catastrophe. It is also a Fund to facilitate measures by the State, to mitigate or remedy the adverse effects of a catastrophe. In this Act "catastrophe" means an event, whether natural or not, that has a significant, adverse impact on the economy or a part of the economy including: (i) a fire, an earthquake, a storm, a hurricane, a storm surge, a sea surge, flooding, lightning or another force of nature; (ii) a pandemic; (iii) a breach of cybersecurity; and (iv) an act of terrorism.

of benefit approval and redesign of the UF portal and to improve customer service and user experience through digitalization of formalities, automated filings and self-service, strengthening of voice & chat interaction system, multichannel notification system and a complain tracking system.

- 1.33 **Shortcomings in investment policy have also affected negatively the long-term financial sustainability of the NISSS.** According to the report of the Core Group convened by the government to analyze current and future NISSS challenges, the sustainability of the NISSS would benefit from improved NIF investment policies. The report also notes that the NIF is characterized by significant portfolio concentrations in a single currency, a single country, and a single bond issuer. The dangers of this lack of diversification were exposed in 2018 when a debt restructuring program of the Government of Barbados resulted in a reduction of the value of NIF reserves, anticipating by three years the projected date at which the reserves will be depleted. To address the issue, the Government of Barbados needs to review the current Investment Policy Statement.

#### **4. Reform Program: strategy and additionality**

- 1.34 **Justification.** To address the gaps identified above (§1.21 to §1.33), the Government of Barbados requested support from the IDB for a policy reform program that builds on an ongoing collaboration between the Government and the Bank. The program is structured as a programmatic policy-based loan (PBP) with four components, three of which respond to the three main gaps identified. All changes in the matrix refer to minor changes or clarifications in the name of institutions and can be seen in detail in [OEL#1](#). None of the changes is expected to affect in any way the achievement of results of the operation.

##### **a. Administrative efficiency of CSS and NCSP**

- 1.35 **CSS.** The program supports the increase of CSS system administrative efficiency through the centralization of private and public pension schemes under a new single institution with more autonomy, improved internal processes and information sharing due to DT, reducing processing time to receive old age contributory pension benefits.
- 1.36 **Increasing administrative efficiency of the CSS system.** The program supports the centralization of private and public pension schemes under a new single institution, the National Insurance and Social Security (NISSS) with more autonomy, improved internal processes and information sharing due to DT. The first operation in the series achieved the approval by Parliament of: (i) the National Insurance and Social Security (Amendment) Act, in 2023, that establishes the NISSS as a body corporate with complete autonomy regarding HR; and (ii) the Pensions (Miscellaneous Provisions) Act, that establishes NIS as responsible for the administration of public service employees' pensions. The first operation also supported the improvement of the efficiency of NIS through the elaboration and submission by the Director of National Insurance Department (NID) to the National Insurance Board of a roadmap for its digital transformation, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NIS.



- 1.37 The second operation will support the implementation of the reform by requiring the transfer of NIS staff to the NISSS and that the NISSS administers public service employees' pensions. It will also support the approval by the NISSS Board of a Roadmap for the DT of NISSS, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NISSS, which the Bank will further support through TC funds ("Support to social policies in Barbados" – ([ATN/OC-20508-BA](#))) by providing assistance with building the DT unit regarding strategy, vision, composition, timing and terms of reference. It will also support the NISSS in assessing their current IT systems and their performance management system. This is expected to increase the readiness of the NISSS to accelerate DT by allowing consensus on objectives, decision structure, and the sponsorship to move forward this effort.
- 1.38 **NCSP.** The reforms of MPEA promoted as part of the project will create efficiencies through the following measures:
- 1.39 **Amalgamation process.** The program aims at increasing the efficiency of MPEA by simplifying the administration of social services. The first operation led to progress in the amalgamation of social services within the Ministry, with Cabinet approval of the establishment of 21 one-stop-shop offices, which are designed to eliminate silos among various services offered by MPEA, including those for the elderly, national disability support, child protection, and safety nets for vulnerable groups. The second operation will build on this success by securing Cabinet approval for the new unified structure and ensuring its effective implementation, further enhancing the efficiency and coordination of social services across the ministry.
- 1.40 **Digital transformation.** In addition, the program aims to support significant digital transformation processes within the ministry, to foster improved efficiency by reducing paper-based services. The first operation supported the implementation of the new Management and Information System (MIS) in two departments of the MPEA, accompanied by the development of an outline and roadmap for subsequent phases. The second operation will extend this to encompass the DT efforts to all the departments of MPEA that will be part of the amalgamation process, facilitating the assimilation of new capabilities, solutions, and tools. The specific departments were defined in the roadmap approved as part of the first operation. This transition will enable information and technology-driven processes to underpin the ministry's services, enhancing its data-driven capabilities.
- 1.41 **Disaster preparedness.** Finally, the program places emphasis on preparing the MPEA for disaster relief. The first operation led to the approval of a formal Disaster Social Relief Plan for 2023-2024, which outlines the ministry's responsibilities in providing food, clothing, cash transfers, shelter, and other essential needs to those affected by natural disasters. The second operation will support the approval of a Disaster Social Relief Plan for 2024-2025, ensuring that the ministry's response to emergencies is comprehensive and effective, with a focus on adaptive measures to meet the needs of the most vulnerable populations.

**b. Strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups**

- 1.42 The Government is advancing in the introduction of new and the enhancement of existing institutional and normative frameworks to promote gender equality, inclusion of PwD, and the protection of vulnerable groups. To this end, the operation supports four policy measures.
- 1.43 **Gender.** The program aims at supporting gender equality in Barbados. The first operation supported the Government's preliminary steps towards introducing paternity leave legislation and benefits, through the completion of an actuarial study on the financial viability of paternity leave, as requested by Cabinet in 2020. A benchmark of international best practices of paternity leave schemes was also prepared as an input, financed<sup>24</sup> and co-supervised by the IDB. This original work encompasses information on eligibility conditions, time span and flexibility in use, employment protection, financing, measures to increase uptake, impact assessments and recommendations. The second operation will support the submission to Cabinet of a proposal for legislation of paternity leave.
- 1.44 **Advancing the inclusion of PwD.** The program also aims at promoting the inclusion of PwD in the workplace. The first operation supported the approval by Cabinet of the 2023-2030 National Policy for Improving the Lives of PwD and drafting instructions for the legislation to support the implementation of the policy, while this second operation will support the submission of this legislation to Parliament. This operation supports the 2023-2030 National Policy for Improving the Lives of PwD to advance their full rights and fundamental freedoms, in line with the United Nations Convention on the Rights of Persons with Disabilities. This is Barbados' first national policy aiming to promote and protect PwD's full human rights.
- 1.45 **Addressing the Needs of Older Persons and Enhancing Gender Equality.** This program also addresses the needs of older people, particularly women who represent the majority of both care providers and care recipients through the approval of a National Policy on Ageing. The policy will also enhance long-term care provision by offering training to caregivers, predominantly women, to prevent burnout and improve service quality. The training program will contribute to improving the employment experience and self-care of workers, reducing absenteeism, and increasing job satisfaction. This represents an initial stride in improving the quality of care and making the sector more appealing. When combined with other policies, it has the potential to encourage greater male participation in the future, thus aiding in the reduction of gender disparities. During the first operation, the draft of the National Policy on Ageing was approved by Cabinet. In the second operation the National Policy on Ageing will be submitted to parliament.
- 1.46 **Advancing the reduction of extreme poverty.** The project will give continuity and double the coverage of ISEE Bridge, a program that has proved its effectiveness in reducing extreme poverty. Through the first operation the MPEA

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<sup>24</sup> The study was finance with resources from [ATN/OC-20316-BA](#).

launched the One Family Program (OFP) (the continuation of ISEE Bridge), including its budget allocation in the 2023 budget. MPEA hired more than 50 social workers and performed assessments of 1,900 households for the program. The program was then launched (to last for a period of three years with 1,000 families as the first cohort). The second operation will support the development of an evaluation report on the progress of the OFP, publish its executive summary, and ensure budget allocation by MPEA in the 2024-2025 budget to continue the implementation of the OFP.

### **c. Strengthening the long run sustainability of social security**

- 1.47 **Long-term sustainability of CSS.** The program aims at increasing the sustainability of the CSS through a series of new parametric reforms and activities. The first operation supported the completion of the following measures: (i) approval of reforms by Parliament that promote the financial sustainability of both the general and civil service pension schemes, by limiting the annual increase of pensions and instituting contributions to the public-sector pensions; (ii) approval by Cabinet of the recommendation of the National Insurance Board regarding flexibilization of the contributions made by self-employed to the NIS, creating more favorable conditions for this population group to contribute; (iii) the Government of Barbados, through the MFEI recapitalizes the UF to restore long-run sustainability, allowing it to extend its estimated year of depletion so it continues offering benefits to Barbadians; (iv) the creation by the Investment Committee of the NIS of a sub-committee to review the NIS investment policy statement; and (v) authorization by the Central Bank for NIS to invest US\$40,000,000 overseas, to strengthen its investment policy. The second operation will support: (i) the issuance of new regulation implementing additional parametric reforms to promote the financial sustainability of the general pension scheme by the increase of the retirement age, the increase in the number of years of contributions necessary to qualify for a pension, the submission to the National Insurance Board of an Compulsory Adjustment Mechanism; (ii) the approval by Parliament of new regulation implementing a new and more flexible regime for self-employed to increase their contributions, such as increased flexibility as to when and how much self-employed persons contribute in a given year, eliminating monthly minimums or maximums and deadline requirement; the ability to pay contributions online; back-paying contributions for previous years; coverage for employment injury benefits; (iii) the preparation of a detailed project plan of the digitalization process to improve the management of the UF platform, which will facilitate business intelligence to improve careful reserve budgeting to ensure liquidity, solvency, and long-term sustainability; and (iv) consideration by NISSS Board of a revised investment policy statement for the NISSS.
- 1.48 **Remaining challenges.** The program supports important reforms to the CSS and NCSS of Barbados through the reforms described above. However, some of the reforms will take time to be consolidated. The key policy reform gaps left after the conclusion of this PBP are approval of a legislation to improve the involvement of fathers on care for newborn children (paternity leave), implementation of the National Policy for Improving the Lives of PwD and National Policy of Ageing. In both cases further support will be needed after the reforms are made into laws to ensure its implementation, this includes for example technical assistance to develop the regulation of the new laws and ensuring the country develops the

necessary institutionality to promote a paternity leave or enforce (in the case of PwD) its application. The DT of NISSS is a long-term process, that may continue with the design and development of the technology information systems modules for expanding the channels for contribution and payment of benefits by the -self-employed, for management of public-sector employees' pensions and for management of paternity leave benefits. The DT of MPEA, while more advanced, is also a long-term process, that may continue with the inclusion of mechanisms of evaluation of different types of vulnerability in view of creating an adaptive social protection system that can respond quickly in the case of emergencies. Long-term sustainability will be improved substantially by the parametric reforms supported by this programmatic series, extending the depletion date of the NIF by at least 10 years.<sup>25</sup> Additionally, the government is in the process of adopting a compulsory adjustment mechanism which would force the adoption of additional cost-saving measures if the reserve-expenditure ratio (year-end Reserves divided by the total expenditure of the given year) drops below two, which would effectively guarantee that the NIF could never be depleted.<sup>26</sup>

- 1.49 **Programmatic approach.** The Bank's programmatic approach with Barbados has sought to improve the efficiency and sustainability of the social sector through the rationalization of dispersed programs and the progressive use of technology and information for the design of social policy. Support from the Bank in this area has included investment loans and knowledge products that are being consolidated by the fulfillment of conditions included in the programmatic series.
- 1.50 Support from the Bank started almost a decade ago with program [3542/CH-BA,3542/OC-BA](#), through which the Bank provided support for the expansion and evaluation of the ISEE Bridge program for poverty reduction and began the design and implementation of a MIS, as most information from the Ministry was on paper, making any analysis difficult. The implementation of the MIS was a catalyzer for MPEA to start a path to reform that would merge various departments and create a single window for applying to non-contributive social programs. In 2021 the Bank expanded its support to include contributory social security through a Technical Cooperation (TC) ("Support to the Digital

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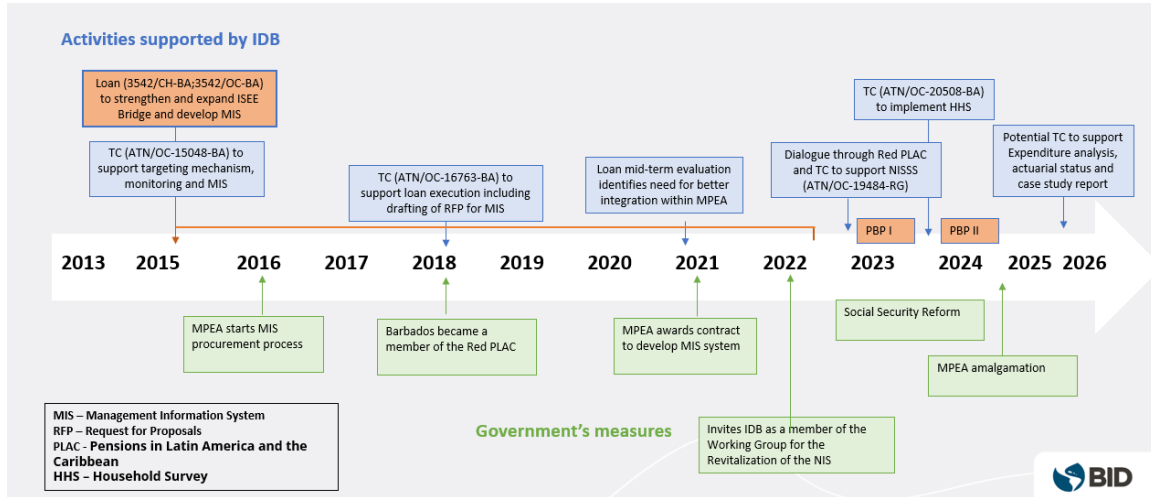
<sup>25</sup> Additional efforts will be needed to increase the participation of self-employed in the NISSS, alongside the soon-to-be-implemented flexible regime designed by the Government of Barbados that aims at boosting self-employment contributions through increased flexibility as to when and how much self-employed contribute in a given year, the ability to pay contributions online; coverage for employment injury benefits, among others. These efforts should include financial education, initiatives for financial inclusion, and measures to enhance compliance through intelligent enforcement and behavioral strategies. In addition, the NISSS will continue its path towards strengthening its investment policy in line with international best practices. There are steps taken in this direction as the NISSS is currently reviewing its asset distribution strategy, objective performance, monitoring, actions in the face of changes in the markets, asset selection processes and execution of the sale of assets. A set of policy recommendations to ensure optimal fund sustainability, alignment with international best practices. Finally, several of the reforms supported by this PBP will require an effort in monitoring and evaluation, which will assess their impact and provide recommendations for further reform.

<sup>26</sup> Despite the importance of the measures supported in the current operation to strengthen CSS and NCSP, there is one key area that is not addressed. The success of any contributory pillar of social security depends in large measure on the performance of the labor market. Higher wages, higher participation rates, and higher rates of labor formality would all translate to improved pension coverage and higher pension amounts. Improved labor regulations, better alignment of worker skills with the needs of the productive sector, and a modernized public-employment service would all contribute to a better-functioning labor market. A labor market that generated more employment and higher wages would also reduce the workload for anti-poverty institutions such as the MPEA.

Transformation of the National Insurance System” – [ATN/OC-20316-BA](#)), from which came a series of technical recommendations for the sustainability and improved effectiveness of this sector. The programmatic series contributes to the consolidation of this process by supporting the approval of the required normative, institutional restructuring and expansion of digital transformation efforts. The Bank is also contributing to make information available and used for the design of policy by promoting evaluations of OFP, the main poverty reduction program (the Bank helped the country prepare an operational evaluation of ISEE bridge) and the implementation of a new SLC for 2024 ([ATN/OC-20508-BA](#)). Next steps will require further investment to keep supporting progress made under the OFP and to expand the digital transformation of both contributory and NCSP with additional tools.

- 1.51 The Bank has also supported the sustainability of social security through a programmatic approach since 2022, when IDB joined the Working Group to revitalize Barbados' NIS, by reviewing and providing input on key recommendations, including expanding self-employed worker participation in contributory pensions. One of the main outcomes of this reform commission was a set of parametric reforms that were included as conditions of the programmatic series and are expected to lead to an increased sustainability of the CSS system. The Bank also developed a report on Social Insurance Scheme Performance Indicators, advising improvements in investment governance and adding investment-specific metrics. Additionally, through [ATN/OC-20316-BA](#), the IDB supported a roadmap for responsible investment, emphasizing strong stewardship and ESG principles, and is currently aiding in the implementation of a performance management system for the NISSS, focused on sustainability, efficiency, and customer satisfaction. Figure 1.2 summarizes previous work by IDB that contributed to the reform process. A more detailed explanation can be found in [OEL#4](#).
- 1.52 Moreover, the Bank has, in recent years provided support beyond the social sector to help the country develop the fundamental conditions for sustainability and modernization of the state, conditions that enabled further reforms in the social sector. Among these the Bank provided support to fiscal measures while maintaining support to those affected by the COVID-19 pandemic through a programmatic series of two operations for US\$220 million between 2020 and 2022 (“Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Barbados” – [5168/OC-BA](#), and “Programme to Strengthen Public Policy and Fiscal Management in Response to the Health and Economic Crisis Caused by COVID-19 in Barbados II” - [5720/OC-BA](#)). It is also currently providing support to the digital transformation of the health sector through a European Union funded Grant for the Queen Elizabeth Hospital (“Modification of the Public Sector Modernization Programme ([4920/OC-BA](#)) and Supplementary Nonreimbursable Investment Financing "Digital Transformation of The Queen Elizabeth Hospital"” - [GRT/ER-19884-BA](#)).

**Figure 1.2. Previous work by IDB in support of CSS and NCSP reforms**



### 1.53 **Additionality: previous work in Barbados, lessons learned, and contributions from the IDB**

#### a. **Administrative efficiency of CSS and NCSP**

- 1.54 The design of this PBP benefits from IDB's past two decades designing, implementing and evaluating cash transfer programs in LAC, including the response to the COVID-19 pandemic. This experience showed that the use of technology and better organizational structure improves the efficiency and effectiveness of social safety nets and NCSP [32]. Research by the IDB has also been leveraging these factors for the creation of adaptive social protection systems that support the vulnerable population against the effects of climate change [39] (funded through "Support for the Development of Comprehensive and Responsive Social Protection Systems for the Resilience of Vulnerable Households" - ([ATN/OC-18441-RG](#), [ATN/MD-18440-RG](#), [ATN/OC-18439-RG](#))).
- 1.55 The reforms supported by the PBP complement the support to climate change adaptation in Barbados through the "Contingent loan for natural disasters emergency" - ([BA-O0004](#)) by approving an updated Disaster Social Relief Plan detailing steps, roles and responsibilities for preparedness, response and recovery. In addition, there is multiple evidence showing that although disasters pose a considerable threat to people and their communities, preparedness can prevent losses caused by disasters [35]. This preparation needs to consider groups more vulnerable to disasters, including older persons, PwD, women and children [37] [38]. This evidence is in line with MPEA efforts to improve its disaster response. The Bank has gained experience in this area by using advanced models [39] to identify areas and populations most at risk of being affected by natural disasters and developing governance models for adaptive social protection systems ("Shock Responsive Social Protection in El Salvador" - ([5785/OC-ES](#))).



**b. Strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups**

- 1.56 The reforms supported by this PBP are the continuation of the support provided by the Bank at the regional level to strengthen the capacity of institutions to improve the coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups.
- 1.57 **Gender.** Since 2023, through “Roadmap for Skills Development in Strategic Sectors in Barbados” – ([ATN/OC-18391-BA,ATN/OC-19719-BA](#)), the Bank has supported the strengthening of institutional frameworks to promote gender equality. IDB financed and co-supervised a comprehensive study on paternity leave schemes drawing from international best practices, looking at main design elements of paternity leave in 12 countries.<sup>27</sup> This study supports the principles included in the proposal for legislation to improve the involvement of fathers on care for newborn children (paternity leave) to be sent to Cabinet. Key considerations for designing an effective paternity leave policy tailored to Barbados include a 15-day paid paternity leave, with flexible scheduling within the first six months of the child's life.
- 1.58 **PwD.** The Bank does not have previous experience in Barbados in programs to support PwD, but reforms supported by the PBP draw on guiding principles for long-term reforms identified in existing sector knowledge [26] [27], and experience from recent projects in this area in other countries in the region including “Program to support the social inclusion of people with disabilities” – ([5746/OC-AR](#)), “Social Inclusion Program for Persons with Disabilities in Panama” – ([5127/OC-PN](#)), and “Support Program for the Social Inclusion of People with Disabilities in Ecuador” – ([4634/OC-EC](#)).
- 1.59 **Older persons.** The Bank does not have previous experience in Barbados in programs to support older persons but the design of the PBP benefits from key lessons learned from previous projects (“Program to Support the National Integrated Care System” – ([3706/OC-UR](#)), “Support for the structuring of the Care Communities pilot and the offer of care services for people in situation of dependency” – ([ATN/CF-19681-DR](#)), and “Social Inclusion and Development Program Phase II” – ([5734/OC-PN](#))) [27]. Research from the IDB [40] also shows that caregivers' training is associated with higher incomes, lower levels of stress and fewer symptoms of depression. The analysis shows that any type of training (from self-study to an extended course of more than 150 hours) can significantly contribute to improving the well-being and earnings of caregivers taking care of older people in the region. The design of the project also acknowledges that elderly care has significant gender equality implications, as the majority of those requiring and providing long-term care are women, making the absence of such services disproportionately detrimental to them [12].
- 1.60 **Extreme poor.** Through project [3542/CH-BA,3542/OC-BA](#) and related TCs the Bank supported the enrollment of 340 additional families into ISEE Bridge.

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<sup>27</sup> International benchmark includes Belize, Brazil, Canada, Cayman Islands, France, Ghana, Spain, Singapore, Saint Lucia, United Kingdom, and Uruguay.

An evaluation of the program funded by the loan brings many recommendations for the design of the new OFP. Among those are the implementation of a mid-term evaluation to check on necessary adjustments while the project is in execution, also the need to strengthen the relationship with other ministries that need to participate as partners such as the Ministries of Education and Health.

- 1.61 This PBP benefits from IDB's experience in programs targeted to the extreme poor with multiple dimensions of support such as Honduras loan ("Program to Support the Social Inclusion Network with Priority in Western Honduras" - ([3723/BL-HO](#),[3723/BL-HO-1](#),[3723/BL-HO-2](#))) which has had an impact evaluation with positive results. It also benefits from lessons from [3542/CH-BA](#),[3542/OC-BA](#), project that financed ISEE Bridge and from which both MPEA and the Bank gained experience for the execution of this type of programs in Barbados.

### c. Strengthening the long run sustainability of social security

- 1.62 **Sustainability of the Social Security System.** In 2022, the IDB joined the Working Group to revitalize the NIS, which reviewed the Core Group's draft proposal and provided comments on a series of recommendations that were consolidated in "The National insurance board's principal recommendations for the revitalization of the NIS" issued in April 2023. The IDB was the only international finance institution in the Working Group. Also in 2022, the IDB produced an input to the Core Group addressing the challenges to increase self-employed workers participation in the NIS, "Preliminary Reflection on the Promotion of Compulsory and Voluntary Social-Security Contributions in Barbados". The same year, the IDB produced a report on Social Insurance Scheme Performance Indicators, which recommended improving NIS's investment governance and adding investment-specific indicators.
- 1.63 For the second operation, the Bank financed through [ATN/OC-20316-BA](#) and co-supervised the detailed project "Support to the Digital Transformation of the National Insurance System" which objective was to improve the management of the UF platform. The plan includes measures to support the interoperability of UF with The Barbados Employment and Career Counselling Service (BECCS) to promote activation of recipients of unemployment insurance. The Bank has also supported a digital transformation workshop for the MLSP through [ATN/OC-18391-BA](#),[ATN/OC-19719-BA](#), with the participation of NIS to insure coordination between the two digital agendas. Furthermore, [ATN/OC-20316-BA](#) financed the development of a comprehensive roadmap for responsible investment, including commitments to international principles, strong stewardship and governance practices, and a robust ESG policy.
- 1.64 **Complementarity with other operations.** This operation is complemented by the following non-reimbursable TC projects and Bank lending operations being implemented in Barbados: (i) "Social insurance in the Caribbean: the time has come" – ([ATN/OC-19484-RG](#)), by supporting the diagnostic of administrative and operation modernization and DT of NIS; (ii) [3542/CH-BA](#),[3542/OC-BA](#), "Building capacity for public policy enhancement in Social & Labor Intermediation" – ([ATN/OC-15048-BA](#)), and "Strengthening Human and Social Development in Barbados" – ([ATN/OC-16763-BA](#)), and (iii) "Public Sector Modernization Programme" ([4920/OC-BA](#)) by: (a) creating an efficient MIS that connects



programs executed by different ministries and institutions, (b) supporting the expansion and consolidation of the ISEE Bridge, including the design and implementation of a targeting tool to select beneficiaries, a monitoring tool to monitor progress, and other improvements, and (c) supporting the digital transformation of MPEA and NISSS to align them with digital government initiatives. The operation also complements efforts through [ATN/OC-20508-BA](#), a collaboration with the Caribbean Development Bank and the World Bank. This initiative provides technical support for designing a Survey of Living Conditions to collect and systematize information related to targeted social and labor programs.

- 1.65 **Coordination with other MDBs.** The operation complements the IMF program with Barbados, which stresses the importance of actions to strengthen the financial sustainability of SS. The ongoing dialogue with the IMF has fostered the exchange of information under the umbrella of the macro fiscal monitoring framework, as well as a cohesive stance on fiscal policy. The IDB and the IMF will continue to meet regularly to leverage expertise and coordinate efforts to find synergies and avoid duplicities, with the IMF focusing on the reform of the public-sector pension scheme while IDB focusing on supporting the NISSS, including DT of both NISSS and public sectors. Additionally, the IDB is collaborating with the Caribbean Development Bank and the World Bank to design and implement a survey of living conditions in Barbados, which will have its results ready in the first semester of 2025.
- 1.66 **Strategic alignment.** The project is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631). It is aligned with its objective to reduce poverty and inequality by improving the MPEA, MLSP and NISSS capacity to implement the social safety net and by promoting the empowerment of women and PwD and with the objective to address climate change through the approval of the Disaster Social Relief Plan for 2024-2025. The Program is also aligned with the operational focus areas of: (i) social protection and human capital development; (ii) gender equality and inclusion of diverse population groups; and (iii) institutional capacity, rule of law, and citizen security.
- 1.67 The program aligns with IDB Group's strategy with Barbados (2019-2023)<sup>28</sup> ([GN-2953-1](#)) in the areas of: (i) fostering fiscal sustainability and a more efficient public sector; and (ii) safeguarding social outcomes by strengthening the performance of social programs both through greater digitization of Government and structural reforms in MPEA and NISSS. It is consistent with the Bank's following Sector Frameworks: (i) Labor ([GN-2741-12](#)) by promoting equitable, adequate, and sustainable social security (action line 3); (ii) Gender and Diversity ([GN-2800-13](#)) by addressing structural gaps strengthening capacity to design and implement gender and diversity policies, like the National Policy of Ageing, the National Policy for Improving the Lives of PwD and paternity leave benefits; (iii) Early Childhood Development ([GN-2966-7](#)) by promoting paternity leave; (iv) Social Protection and Poverty ([GN-2784-12](#)) by promoting DT to improve social safety net efficiency and responsiveness and by promoting autonomy and social inclusion of PwD and older persons with care dependence; (v) Fiscal Policy and

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<sup>28</sup> This is the valid country strategy at the time of the elaboration of this document.

Management ([GN-2831-13](#)) by promoting greater formalization of employment and by improving the design of fiscal consolidation programs; and (vi) Climate Change ([GN-2835-13](#)) by the strengthening of actions to build climate resilience through the improvement of disaster management. The program is also aligned to the Employment Action Framework with a Gender Perspective (MAEG) ([GN-3057](#)) because it supports the regulations pillar, via efforts to enhance equality in the labor market (Component 3) and to increase social security coverage for the self-employed (Component 4).

- 1.68 The project is also aligned to the priority areas of climate adaptation, disaster risk management and resilience, and two cross-cutting areas, strengthening institutions and facilitating digital transformation of the ONE Caribbean (Partnering for Caribbean Development Framework) (GN-3201-2). Specifically, the objective of the project to: (i) improve the administrative efficiency of contributory and NCSP; and to (ii) strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD and the protection of vulnerable groups, will support the realization of ONE Caribbean's thrust towards Increased access to resilient infrastructure, and climate change responsive health services and social protection systems, and specifically to: (i) increased climate responsive social inclusion; (ii) improved social protection systems; and (iii) improved disaster risk governance.
- 1.69 **Gender equality and inclusion of diverse population groups.** The operation will implement actions to strengthen the institutional and normative framework to support gender equality and the inclusion of PwD. These actions include the proposal for legislation to expand paternity leave, the submission of legislation to improve the lives of PwD, and the publication of the executive summary of the OFP evaluation (§1.74).
- 1.70 **Climate Change Financing.** According to the joint MDB approach to climate finance, this operation contains 8.33% of climate financing due to the inclusion of measure 2.3.2. ([OEL#2](#)). This policy is key in the resilience strategy for Barbados as it builds the framework for delivering adaptive capacity (including climate change considerations in the design and construction of shelters, the readiness of the Disaster Support and Response (DSR) Centers, updated Vulnerable Persons List, updated register of temporary housing, register of available social workers for ease of deployment and Disaster Risk Management (DRM) training for households, social workers and non-governmental organizations) as well as engage every citizen in advancing the notion of resilience and pursuing strategies and programs that benefit all.
- 1.71 **Paris Agreement (PA).** This operation has been analyzed using the Joint MDB Assessment Framework for Paris Alignment and the IDB Group PAIA ([GN-3142-1](#)); it has been determined: (i) aligned to the adaptation goal of the Paris Agreement (PA); and (ii) universally aligned to the mitigation goal of the PA.

## **B. Objective, components, and cost**

- 1.72 **Objectives.** The general objective is to strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados. The specific objectives are to: (i) improve the administrative efficiency of contributory and

NCSP; (ii) strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups; and (iii) strengthen the long run sustainability of social security.

- 1.73 **Component 1. Macroeconomic Stability.** It will support macroeconomic stability through maintaining an economic framework consistent with the objective of the Program as set forth in the Policy Matrix and the Policy Letter (1.1.2.).
- 1.74 **Component 2. Improve the administrative efficiency of contributory and NCSP.** This component supports the government of Barbados to further the implementation of the approved reforms. It includes: (i) the transfer of NIS staff to the NISSS that administers public service employees' pensions (2.1.2.i.), and approval by the NISSS Board of a roadmap for the DT of NISSS, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NISSS (2.1.2.ii.); (ii) the approval by Cabinet of the new organizational structure in charge of amalgamated social services (2.2.2.i.) and the Implementation of the MIS in all departments of MPEA meant to be amalgamated as described in the roadmap approved by the MPEA (2.2.2.ii.); and (iii) the approval by MPEA of the Disaster Social Relief Plan for 2024-2025 that is responsive to emergencies including key programs, roles and responsibilities, and budget regarding adaptive measures in preparation for emergency scenarios posed by climate change-induced disasters (2.3.2.).
- 1.75 **Component 3. Strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups.** The PBP advance the enhancement of gender equality, and the protection of vulnerable groups set by the first operation by supporting the: (i) submission of a proposal for paternity leave legislation to the Cabinet (3.1.2.); (ii) submission to Parliament of the 2023-2028 National Policy on Ageing (3.2.2.); (iii) submission to Parliament of the legislation supporting the 2023-2030 National Policy for improving the lives of PwD (Measure 3.3.2.); and (iv) publication of an executive summary of the mid-term evaluation report on the progress of the OFP, and ensures budget allocation by MPEA in the 2024-2025 budget to continue the implementation of the OFP (3.4.2.).
- 1.76 **Component 4. Strengthen the long run sustainability of social security.** This component seeks to support the long-term sustainability of the SS system of both public and private sector employees through parametric reforms: (i) the MLSP issuing regulation implementing parametric reforms to promote the financial sustainability of the general pensions scheme (4.1.2.i.); (ii) the approval by Parliament of new regulation that offers more flexibility of the contributions made by self-employed to the NISSS (in 2023 the National Insurance Scheme – was transformed into the National Insurance and Social Security Service under The Ministry of Labour, Social Security and Third Sector) (4.1.2.ii.); (iii) the preparation of a detailed project plan of the Digitalization Process to improve the management of the UF platform (4.2.2.i.); and (iv) the consideration by NISSS Board of a revised Investment Policy Statement (4.3.2.i.).

## C. Key results indicators

- 1.77 **Impact indicators.** Overall, the PBP will strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados. The project has three main impact indicators related to the policy measures: (i) reducing NISSS processing time to receive old age contributory pension benefits; (ii) reducing time to receive NCSP cash grants (from application to provision of benefits; and (iii) Reduction of extreme poverty.
- 1.78 **Results indicators.** The project includes indicators to measure the achievements for each specific objective (SO): (i) SO 1: (a) Increasing DT projects approved by NISSS Board, (b) NISSS financial statements submitted for audit, (c) reducing the number of days to provide temporary shelter for beneficiaries in times of crisis, and (d) decreasing the number of departments that have a paper-base application process; (ii) SO 2: (a) increasing the number of paternity leave claims, (b) increasing the number of female formal caregivers who complete training to assist older people, (c) increasing the percentage of PwD employed in the public sector, (d) Reduction of beneficiaries of OFP that have high vulnerability or any level of poverty as a proportion of total beneficiary households, and (e) increasing satisfaction of beneficiaries from NCSP; and (iii) SO 3: (a) extending the estimated number of years before depletion of the NIF, in comparison to the year 2023, and (b) increasing the percentage of self-employed who contribute through digital means as a proportion of all self-employed who contribute to NISSS.
- 1.79 **Beneficiaries of the program.** The reforms will benefit the general population through greater efficiency in the provision of comprehensive risk protection services by NISSS and better service from a unified MPEA structure and potential assistance in case of emergency and climate-change-based events. In the short run, the direct beneficiaries of the program include: (i) 23,000 men and 26,000 women pensioners; (ii) 47,000 men and 86,000 women contributing to NISSS; (iii) 25 people with newborn children claiming paternity benefits;<sup>29</sup> (iv) 46,000 individuals aged 65 and above, that will benefit from the legislation and the Strategic Action Plan; (v) 12,000 PwD benefited from the first ever national legislation for this social group; and (vi) 1,000 extreme poor families benefited from OFP.
- 1.80 **Medium term benefits.** Beyond the direct beneficiaries mentioned before, the programmatic series will lead to important economic benefits, not all quantifiable. The effect of the digital transformation of the contributory and noncontributory systems included in Component 2 has been estimated at approximately US\$80 million per year. The reforms included in Component 3 will, for example, save US\$5.75 million for each event through better preparedness for disasters. Additionally, it is important to stress that the medium-term fiscal benefits of the pension reforms will contribute to the country's fiscal sustainability and sound macroeconomic framework that is required for sustainable and inclusive economic growth. The NISSS pension reform supported in Component 4 will improve the

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<sup>29</sup> In 2021 there were 2,210 births from NIS families, as the policy will be new, it is not expected that the first year more than 2% of families will apply. Regarding paternity leave, international experience suggest that is important to support the take up, which usually is low. The Bank will support the GoB with technical assistance with communication strategies to raise awareness of benefits of paternity leave, bonding with children and assuming responsibility as a father targeting employers, employees, and society as a whole.

fiscal situation in the medium-term. Based on conservative internal calculations, the program will save the government a minimum of US \$375 million annually by avoiding the depletion of the NIF, with best estimates closer to US \$450 million.

- 1.81 **Economic analysis.** Based on the Office of Evaluation and Oversight (OVE) recommendations in its review of Evaluability of Bank Projects in 2011<sup>30</sup> and in the results of the review of evaluation practices and standards for policy reform support loans carried out by the Evaluation Cooperation Group (ECG), consisting of the Independent Evaluation Offices of Multilateral Development Banks),<sup>31</sup> stated in ¶1.3 of document [GN-2489-10](#) (Development Effectiveness Matrix for Sovereign Guaranteed Operation) that, among others, indicate that it would not be necessary to include an analysis of efficiency in the use of financial resources,<sup>32</sup> it was determined that an economic analysis will not be carried out for this type of loan as reported to the Bank's Board. Therefore, this operation does not include an economic analysis, and such analysis was not considered for purposes of measuring the evaluability score in the DEM of this program.

## II. FINANCING STRUCTURE AND MAIN RISKS

### D. Financing instruments

- 2.1 **Financing instrument.** This operation has been structured as a PBP loan and corresponds to the second in a series of two contractually independent but technically linked operations. The choice of this instrument is justified by the implementation of medium-term reforms, in a context of increasing capacity (stimulated by the operations within the series as well as parallel TC and loan operations), utilizing in each phase the knowledge acquired previously. The operation's structure follows and is consistent with the guidelines and directives set out in document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation).
- 2.2 **Dimensioning of the operation.** In accordance with ¶3.27 (b) of the document CS-3633-2, the sizing of the operation is based on financing needs of the country. For FY 2024/2025, the Government of Barbados financing needs are US\$739 million. The amount of financing for this operation is US\$100 million, to be provided from Ordinary Capital and represents 13.5% of FY 2024/2025 total financing requirements. This correlates to the first operation, where a total of US\$100 million were provided, accounting to 11.4% of FY 2023/2024 total financing requirements.

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<sup>30</sup> RE-397-1: Currently, the score for the economic analysis section is calculated using the maximum value of the cost-benefit analysis and the analysis of cost-effectiveness. However, these analyzes analyses cannot be applied to loans in support of policy reform.

<sup>31</sup> Good Practice Standards for the Evaluation of Public Sector Operations." Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.

<sup>32</sup> According to the ECG, PBPs should be evaluated according to relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, given that the dimensioning of the PBP is linked to the financing gap of a country, being independent of the benefits of the project.

## **E. Environmental and social safeguard risks**

- 2.3 The operation is not expected to generate significant and direct negative effects on the environment. Therefore, it is excluded from the scope of the IDB's Environmental and Social Policy Framework (ESPF), in accordance with the provisions of ¶4.7 of the ESPF.

## **F. Fiduciary risk**

- 2.4 No fiduciary risks have been identified. Should the country need them, the operation's resources will go directly to the treasury single account to cover the national government's financing needs. The Executing Agency (EA) has appropriate financial management and control systems, both internal and external, for this purpose. The resources will be disbursed once all the conditions set in the Loan Contract are met.

## **G. Other risks and key issues**

- 2.5 **Other risks.** The risk management assessment conducted with the beneficiary entities revealed two medium-high risks: (i) a natural environment risk, in the occurrence of an emergency or climate related event (i.e., hurricane, volcanic eruption)<sup>33</sup> which impacts the services provided by MPEA and require shifts in priorities and resource allocation, diverting attention to structural reforms underway supported by the program, triggering a delay in the fulfillment and disbursement of the operation. This will be mitigated by constant follow up in the fulfillment of conditions so that the Bank receives means of verification as soon as they are achieved. Also the Bank has implemented its maturity model for adaptive social protection, from which gaps in various areas have been identified to be strengthened including institutional coordination, funding and information systems to be used in case of disasters;; (ii) if the paternity leave legislation is enacted in the first semester of 2025, then there might not be beneficiaries in 2025 and potentially 2026, affecting the achievement of result indicator five associated with SO 2. This risk will be mitigated by ongoing monitoring of the team. Finally, (iii) a political environment risk was also highlighted, since a lack of consensus between different stakeholders or push back from unions (in both CSP and NCSS) regarding the reforms, could delay the triggers for the second operation. At this point, the political risk is low, given that the increase of the retirement age has already been approved and that no major objections have been raised regarding the other measures, despite the fact that they have been part of public proposals for several years. This will be mitigated by MFEI through effective regular communications with the unions, making sure they are up to date and aligned with the process of the amalgamation.
- 2.6 **Sustainability.** To guarantee the sustainability of the reforms, this PBP supports policies aligned with: (i) the new BERT Plan 2022; (ii) the IMF agreement; and (iii) the country budget that has been allocating increasing resources to support vulnerable groups, such as PwD and the older population. Additionally, the approval of two bills (National Insurance and Social Security (Amendment) Act,

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<sup>33</sup> Though there are no volcanoes in Barbados, the island was affected from the eruption of one in St. Vincent and the Grenadines in 2021.

2023, and Pensions (Miscellaneous Provisions Act)) and the strengthening of two institutions (e.g., through staffing of key units and allocation of budget for their functioning) reflect the depth of the reforms and their alignment with the long-term policy agenda of the country, a factor that strengthens sustainability.

- 2.7 **Scalability.** The program is part of a wider Government reform that addresses social protection in its contributory and non-contributory aspects. On the contributory side the project includes all the necessary reforms to make the system more sustainable. The government has committed resources for the implementation of the digital transformation roadmap in the 2025 budget estimates. On the noncontributory side, as described in ¶1.48, the government would be responsible for further progress in the digital transformation roadmap and further implementations of the OFP beyond the 1,000 families (or 30% of the total families in extreme poverty) included as part of the first operation of the programmatic series. Regarding paternity leave, international experience suggests that is important to support the take up, which usually is low. The Bank will support the GoB with technical assistance with communication strategies to raise awareness of benefits of paternity leave, bonding with children and assuming responsibility as a father targeting employers, employees, and society as a whole.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1. **Implementation arrangements.** The borrower for this program is the Government of Barbados. The EA is the MFEI, which will be responsible for monitoring the fulfillment of the policy conditions, as set forth in the policy matrix (Annex II) and reporting on the means of verification ([REL#2](#)).
- 3.2. **Special Contractual condition prior to the first and sole disbursement of the second PBP. The first and sole disbursement of loan resources will be subject to the borrower's fulfillment of the policy reform conditions of the Policy Matrix (Annex II), the [Policy Letter](#), and any other conditions set forth in the corresponding loan contract.**

#### B. Summary of arrangements for monitoring results

- 3.3. The EA, with the support of MLSP, NISSS and MPEA, will be in charge of activities such as: (i) coordinating with the various government entities responsible for adopting measures or for technical execution of activities; (ii) monitoring implementation of indicative policy actions for a second operation; (iii) serving as the official liaison with the Bank and submit reports and evidence of fulfillment of the operation's conditions, as well as any other report that the Bank requires, according to the agreed deadlines and terms; and expected quality; (iv) collect, record, and submit to the Bank all data, indicators, and metrics that will help the Government of Barbados and the Bank monitor, measure, and evaluate the program's results; and (v) anticipating and resolving strategical, technical and coordination risks and problems related to program execution.

- 3.4. **Monitoring arrangements.** The provisions detailed in the policy matrix, means of verification and results matrix constitute the key parameters for supervising and evaluating the program's outcomes. The EA's coordination team will verify that the policy commitments are fulfilled. The IDB will monitor program execution from its country office, as well as from the Social Protection and Health Division and the Labor Markets Division. A detailed monitoring and evaluation plan has been prepared and includes the mechanisms to verify that program outcomes and objectives have been achieved ([REL#3](#)). The program evaluation will be reflected in the project completion report, in accordance with OP-1242-5, to be prepared upon completion of the programmatic policy-based loan series. The report will assess the extent to which the program expected outcomes will be achieved. Two methods will be used to evaluate program outcomes and impacts. Fulfillment of the each of the three specific objectives will be evaluated using before and after evaluations (without attribution) of twelve indicators described in in the monitoring and evaluation plan, as well as three indicators to measure the general objective ([REL#3](#)).

#### IV. POLICY LETTER

- 4.1. The Policy letter ([REL#1](#)) reiterates the government's commitment to the objectives and actions envisaged in the program. Additionally, the Bank and the Government of Barbados agreed on a Policy Matrix that identifies the policy actions under this operation.



Development Effectiveness Matrix		
Summary		BA-L1062
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	-Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security -Social protection and human capital development	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2953-1	1.2 Strengthen the institutional framework by supporting public sector management and public financial management systems 1.3 Promote a greater digitization of government 2.2 Strengthen the performance of social programs
Country Program Results Matrix	GN-3207-3	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		7.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		3.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B.13
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/OC-20508-BA

**Evaluability Assessment Note:**

The proposal outlines an operation totaling US\$100,000,000 to be financed through a PBP loan, of which this operation is the second tranche. The general objective is to strengthen the effectiveness and efficiency of social policies and the sustainability of social security in Barbados. The specific objectives are: (i) to improve the administrative efficiency of contributory and non-contributory social protection; (ii) to strengthen the institutional and regulatory framework to enhance the coverage and quality of policies promoting gender equality, inclusion of persons with disabilities, and the protection of vulnerable groups; and (iii) to strengthen the long-term sustainability of social security.

The diagnosis is solid and evidence-based, highlighting the need to improve social protection in a country facing significant fiscal, social, and demographic challenges. The core problem identified relates to various deficiencies in the current social protection system, which the project aims to address through a set of measures designed to make this system more efficient, effective, inclusive, and sustainable.

The results matrix is consistent with the vertical logic of the operation. It presents reasonable impact, outcome, and output indicators that are well-specified and appropriate for measuring the achievement of the general and specific objectives. The project includes a monitoring and evaluation plan that aligns with the Bank's standards. Outcome evaluation will be conducted using a "before-after" analysis.

The operation is not expected to generate significant or direct negative environmental effects. The project has an overall medium-low risk rating. Nine risks have been identified, of which three were assessed at medium-high levels. These risks include potential delays in reforms due to climate-related emergencies, lack of consensus among stakeholders, high personnel turnover, and possible delays in the implementation of paternity leave legislation. Appropriate mitigation measures have been proposed for the higher-level risks, which are monitorable.

## POLICY MATRIX

**Objective:** The general objective is to strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados. The specific objectives are to: (i) improve the administrative efficiency of contributory and NCSP; (ii) strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups; and (iii) strengthen the long run sustainability of social security.

Components/ Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic II
<b>Component 1: Macroeconomic stability</b>			
Ensure the maintenance of a macroeconomic context consistent with program objectives as set forth in the Policy Matrix and the sector Policy Letter.	1.1.1. The Government of Barbados ensures and maintains an economic framework consistent with the objectives set forth in the Policy Matrix and the sector Policy Letter.	1.1.2. The Government of Barbados ensures and maintains an economic framework consistent with the objectives set forth in the Policy Matrix and the Policy Letter.	Completed.
<b>Component 2: Improve the administrative efficiency of contributory and non-contributory social protection</b>			
Support improvements in the administrative efficiency of the NIS.	2.1.1. The Government of Barbados implements the following measures: i. Approval by Parliament of: (a) the National Insurance and Social Security (Amendment) Act, 2023 that establishes the National Insurance and Social Security Service (NISSS) as a body corporate with complete autonomy regarding Human Resources and (b) the Pensions (Miscellaneous Provisions) Act, that establishes National Insurance Scheme (NIS) as responsible for the administration of public service employees' pensions.	2.1.2. The Government of Barbados implements the following measures: i. The transfer of NIS staff to the NISSS. The NISSS administers public service employees' pensions.	Completed in Q3 2023.

Components/ Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic II
	ii. Submission by the Director of National Insurance Department (NID) to the National Insurance Board of a roadmap for its digital transformation, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NIS.	ii. Approval by the NISSS Board of a roadmap for the digital transformation of NISSS, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NISSS.	Expected to be completed in Q4, 2024.
Enhance the capacities of the MPEA and foster a more robust ability for the ministry to provide decentralized services.	2.2.1. The Government of Barbados implements the following measures: i. Approval by Cabinet of 21 sites to serve as single-window-services at the community level as part of the amalgamation process of the Ministry of People Empowerment and Elder Affairs (MPEA).	2.2.2. The Government of Barbados implements the following measures: i. Approval by Cabinet of the new organizational structure in charge of amalgamated social services.	Completed in Q1, 2024
	ii. (a) Implementation of a Management Information System (MIS) within a minimum of two departments (National Assistance Board & National Disabilities Unit) of the MPEA; and (b) approval by MPEA of a roadmap that includes the phases needed to implement the MIS in the MPEA.	ii. Implementation of the MIS in all departments of MPEA meant to be amalgamated as described in the roadmap approved by the MPEA.	Expected to be completed in Q1, 2025
	2.3.1. MPEA approves a Disaster Social Relief Plan outlining the governance for a social protection system that is responsive to emergencies. Said plan includes key programs, roles and responsibilities, and budget regarding adaptive measures in preparation for emergency scenarios posed by climate change-induced disasters.	2.3.2. MPEA approves the Disaster Social Relief Plan for 2024-2025 that is responsive to emergencies including key programs, roles and responsibilities, and budget regarding adaptive measures in preparation for emergency scenarios posed by climate change-induced disasters.	Expected to be completed in Q4, 2024

Components/ Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic II
<b>Component 3: Strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups</b>			
Support reforms and policies to enhance gender equality in the care of newborn children.	3.1.1. The NID completes an actuarial study on the financial viability of paternity leave.	3.1.2. The Government of Barbados submits a proposal for paternity leave legislation to the Cabinet.	Expected to be completed in Q4, 2024
Contribute to improving the lives of older persons, persons with disabilities (PwD), and extremely poor families.	3.2.1. Cabinet approval of the 2023-2028 Draft National Policy on Ageing.	3.2.2. Submission to Parliament of the 2023-2028 National Policy on Ageing.	Completed. Q1, 2024
	3.3.1. Cabinet approval of the 2023-2030 National Policy for Improving the Lives of PwD in Barbados in line with the United Nations Convention on the Rights of PwD and drafting instructions for the legislation to support the implementation of such policy.	3.3.2. The Government of Barbados submits to Parliament the legislation supporting the 2023-2030 National Policy for Improving the Lives of PwD.	Completed. Q4, 2024
	3.4.1. Cabinet approval of: (i) a framework of poverty reduction and launch of the One Family Program, including its budget allocation in the 2023 budget; (ii) hiring by MPEA of at least 45 social workers; and (iii) assessments by MPEA of at least 1,600 households for the One Family Program.	3.4.2. The Government of Barbados publishes an executive summary of the mid-term evaluation report on the progress of the One Family Program and ensures budget allocation by MPEA in the 2024-2025 budget to continue the implementation of the One Family Program.	Expected to be completed in Q1, 2025.
<b>Component 4: Strengthen the long run sustainability of social security</b>			
Support the long-term sustainability of the SS system of both public and private sector employees through parametric reforms.	4.1.1.i. Approval of reforms by Parliament that promote the financial sustainability of both the general and civil service pension schemes.	4.1.2.i. MLSP issues regulation implementing additional parametric reforms to promote the financial sustainability of the general pension scheme.	Completed in Q4, 2024

Components/ Policy Objectives	Policy Conditions Programmatic Loan I	Policy Conditions Programmatic Loan II	State of Compliance with Policy Conditions Programmatic II
	ii. Approval by Cabinet of the recommendation of the National Insurance Board regarding flexibilization of the contributions made by self-employed to the NIS.	ii. Approval by Parliament of new regulation that offers more flexibility of the contributions made by self-employed to the NIS.	Completed in Q4, 2024
Improve the sustainability of the Unemployment Fund (UF).	4.2.1. The Government of Barbados, through the MFEI recapitalizes the UF to restore long-run sustainability.	4.2.2. The Government of Barbados: i. Prepares a detailed project plan of the Digitalization Process to improve the management of the UF Platform.	Completed in Q3, 2024
Strengthen the governance of the NIS investment policy.	4.3.1. The Government of Barbados implements the following measures: i. Creation by the Investment Committee of the NIS of a sub-committee to review the NIS investment policy statement. ii. Authorization by the Central Bank for NIS to invest US\$40,000,000 overseas.	4.3.2.i. The NISSS Board considers a revised Investment Policy Statement	Completed in Q4, 2024

\* This information is merely indicative as of the date of this document. As set forth in document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), compliance with any specified disbursement condition, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the Borrower makes the corresponding disbursement request and will be reflected in a timely manner in the Disbursement Eligibility Memorandum.

## RESULTS MATRIX

<b>Project Objective</b>	The specific objectives are: (i) improve the administrative efficiency of contributory and NCSP; (ii) strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups; and (iii) strengthen the long run sustainability of social security. The achievement of these objectives will contribute to the general objective of strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados.
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### General Development Objective

Indicators	Unit of measurement	Baseline value	Baseline year	Expected year for achievement	Target	Means of verification	Comments
<b>General development objective: to strengthen the effectiveness and efficiency of social policies and sustainability of social security in Barbados</b>							
Indicator 1. NISSS processing time <sup>1</sup> to receive old age contributory pension benefits.	Days	32	2022	2025	25	NISSS Administrative records	
Indicator 2. Time to receive NCSP cash grants (from application to provision of benefits).	Weeks	20 <sup>2</sup>	2023	2026	4	MIS data	
Indicator 3. Reduction of extreme poverty. <sup>3</sup>	Percentage	0	2023	2026	11	Household survey data	The indicator measures changes in the extreme poverty rate. That is, the capacity of a family to cover a minimum caloric intake.

<sup>1</sup> From the moment the NISSS starts processing a claim for benefits to the moment the NISSS sends the benefit payment request to the bank.

<sup>2</sup> Estimations are based and validated upon MPEA sample data.

<sup>3</sup> The goal was set based on the effects of the evaluation of the ISEE bridge program which lowered the percentage of persons in extreme poverty almost completely. For this indicator a more conservative number was chosen based on the change in the percentage of households that are either poor, extreme poor or vulnerable. In the evaluation this percentage was lowered by 42 p.p. This percentage was extrapolated to the number of families that would benefit from the One Family Program (1000\*42/100=420) the effect of the resulting number on extreme poverty using the 2016/17 SLC was used to get the 11% reduction in extreme poverty for the indicator. The baseline is set at 0 intentionally as the program had not started yet in 2023.

### Specific Development Objectives

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification	Comments
<b>Specific development objective 1: to improve the administrative efficiency of contributory and non-contributory social protection</b>										
Indicator 1. Digital transformation projects approved by NISSS Board.	Projects	0	2022	2	0	1	0	3	NISSS administrative records	
Indicator 2. NISSS financial statements submitted for audit.	Financial statements	0	2022	3	4	0	0	7	NISSS administrative records	
Indicator 3. Number of days to provide temporary shelter for beneficiaries in times of crisis.	Days	5	2020	5	5	3	3	3	MPEA data	Time from application to provide shelter, to assist an affected population similar to the storm Elsa in 2021 (1,350 families) who are victims of a national emergency, or a major disaster declared by Prime Minister.
Indicator 4. Departments that have a paper-based application process. <sup>4</sup>	Percentage	90	2022	80	70	35	30	30	MIS data, internal evaluation	75% reduction expected

<sup>4</sup> Due to the MPEA amalgamation process the nominator can change as internal structure modifies.

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification	Comments
<b>Specific development objective 2: to strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups</b>										
Indicator 5. Number of paternity leave claims.	Number of claims	0	2023	0	0	5	20	25	NIS administrative records	
Indicator 6. Female formal caregivers who complete training to assist older people and are certified.	Percentage	0	2023	20	40	60	85	85	Administrative data from National Assistance Board	98% of formal caregivers are women. A caregiver is considered trained if she successfully completes at least 80% of the training.
Indicator 7. PwD employed in the public sector.	Percentage	0.5 <sup>5</sup>	2023	1.5	2.5	4	5	5	Administrative data from National Disabilities Unit	Data to be updated. Increase expected
Indicator 8. Reduction of beneficiaries of OFP that have high vulnerability or any level of poverty as a proportion of total beneficiary households.	Percentage	0	2023	0	5	10	15	15	MIS data	Program to run two years with the same participants. Reduction of at least 15 percentage point (p.p.) in the rate of households that have high vulnerability or any level of

<sup>5</sup> The baseline refers to the number of PwD employed at the MPEA. Figures will be updated as MIS starts implementation. The definition of PwD is based on the UN Convention on the Rights of PwD.



Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification	Comments
										poverty for participants of the OFP.
Indicator 9. Satisfaction of beneficiaries from NCSP.	Percentage	55	2022	55	60	65	65	65	MIS data, survey	Baseline data is based on cash transfers satisfaction report
<b>Specific development objective 3: to strengthen the long run sustainability of social security</b>										
Indicator 10. Estimated number of years before depletion of the NIF, in comparison to the year 2023.	Year	13	2022	13	13	13	23	23	Actuarial study 2025	
Indicator 11. Self-employed who contribute through digital means as a proportion of all self-employed who contribute to NISSS	Percentage	2.02	2022	2.02	2.02	8	8	8	NISSS administrative records	Increase of self-employed for second tranche.

### Outputs

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification
<b>Component 2: Improve the administrative efficiency of contributory and non-contributory social protection</b>									
Transfer of NIS staff to the NISSS. The NISSS administers public service employees' pensions.	Number of Reforms	0	2022	0	0	1	0	1	A letter from PIU transmitting to the IDB including the following: i.a. 1. National Insurance and Social Security (amendment) Act, 2023-25 enacted by the Parliament, published in the Official Gazette. 2. Extract from the minutes of NISSS Board of Directors

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification
									meeting reflecting transfer of NIS Staff to the NISSS. i.b. 1. Pensions (Miscellaneous Provisions) Act, 2023-19 enacted by the Parliament, published in the Official Gazette. 2. ■(*)
Roadmap for the digital transformation of NISSS, which includes the organizational chart for a unit dedicated to the implementation of the DT of the NISSS.	Number of Roadmaps	0	2022	0	0	1	0	1	Exert from the minutes of the Board of the NISSS meeting approving the DT roadmap and establishment of the DT Unit.
New organizational structure in charge of amalgamated social services	Number of structures	0	2022	0	0	1	0	1	Memorandum sent from the Permanent Secretary-Ministry of People Empowerment and Elder Affairs to the Permanent Secretary, Economic Affairs and Investment-Ministry of Finance, Economic Affairs and Investment, that mentions Cabinet's approval of MPEA amalgamated organizational structure in charge of social services and extract from minutes of cabinet meeting agreeing to the proposed organizational design of 4 Directorates.
Departments of MPEA included in MIS	Number of MPEA departments implementing and using a	0	2022	2	0	4	0	4	MIS implementation report including logs showing the use of the MIS by the four departments (National Assistance Board, National

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification
	management information system								Disabilities Unit, Childcare Board and Welfare department) for the 30 days prior to the report approved by the Permanent Secretary, Ministry of People Empowerment and Elder Affairs.
Disaster Social Relief Plan approved	Number of Plans	0	2022	0	0	1	0	1	Disaster Social Relief Plan for 2024-2025 outlining the key programs, roles and responsibilities, and budget approved by the Ministry of People Empowerment and Elder Affairs.
<b>Component 3: Strengthen the institutional and normative framework to improve coverage and quality of policies to promote gender equality, inclusion of PwD, and the protection of vulnerable groups.</b>									
Proposal for paternity leave legislation is sent to Cabinet	Number of legal documents sent to cabinet	1	2022	0	0	1	0	2	■ (*)
Submission to Parliament of the 2023-2028 National Policy on Ageing	Number of national policies	0	2023	0	0	1	0	1	Parliament Order Paper including the debate of the 2023-2028 National Policy on Ageing.
The Government of Barbados submits to Parliament the legislation supporting the 2023-2030 National Policy for Improving the Lives of PwD.	Number of national policies	0	2023	0	0	1	0	1	Parliament order paper including the debate of the 2023-2030 National Policy for Improving the Lives of PwD
Executive summary of the mid-term evaluation report on the progress of the One Family Program and ensures budget allocation by MPEA in the 2024-2025 budget to continue the	Number of evaluations	0	2023	0	0	1	0	1	(i) An executive summary of the mid-term evaluation report on the progress of the One Family Program published on the government information services website or the MPEA site. (ii) ■ (*)

Indicators	Unit of measurement	Baseline value	Baseline year	2023	2024	2025	2026	End of Project	Means of verification
implementation of the One Family Program.									(iii) Extract relating to the One Family Program of the approved 2024-2025 estimates of revenue and expenditure.
<b>Component 4: Strengthen the long run sustainability of social security</b>									
MLSP issues regulation implementing additional parametric reforms to promote the financial sustainability of the general pension scheme.	Number of reforms	0	2022	0	0	1	0	1	■ (*)
Approval by Parliament of new regulation that offer more flexibility to self-employed contributions to the NISSS.	Number of approved regulations	0	2022	0	0	1	0	1	National Insurance and Social Security (amendment) Act, 2023-25 enacted by the Parliament, published in the Official Gazette.
Project plan of the Digitalization Process to improve the management of the UF Platform	Number of Plans	0	2022	0	0	1	0	1	A letter from NISSS transmitted to Permanent Secretary, Economic Affairs and Investment including: with a project plan of the Digitalization Process to improve the management of the UF platform.
The NISSS Board considers a revised Investment Policy Statement	Number of policy statements	0	2022	0	0	1	0	1	A letter From PIU transmitted to the IDB including the following: (i) Exert from the minutes of NISSS Board of Directors meeting showing that the NISSS has considered t revisions to governance of the NISSS investment policy.

(\*) At the request of the borrowing country, the information contained in this section will not be disclosed. "The non-disclosure of this information is in accordance with the country-specific information exception in paragraph 4.1 i of the Bank's Access to Information Policy."

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/25

Barbados. Loan \_\_\_\_/OC-BA to the Government of Barbados  
Program to Strengthen Social Services in Barbados II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of Barbados, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Program to Strengthen Social Services in Barbados II. Such financing will be for the amount of up to US\$100,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_ 2025)